Qualified Institutional Placements - An Exploratory Study in the Indian Context

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Abstract

Qualified Institutional Placement (QIP) was introduced in India in 2006 to make it easier and faster for companies to raise equity directly from However, there are very few studies looking at the market reaction of QIPs in India. When a company goes for a QIP, it also has the choice of offering shares through a rights issue to existing shareholders. A rights issue would not dilute the stake of existing owners. Given the prevalence to family controlled businesses in India, this would be a good route to raise capital and avoid stake dilution. In this context we tried to examine what determines a company goes for a QIP or a rights issue. To address this question, we look at the role of firm characteristics like promoter's holdings, proxies for information asymmetry, and other variables in determining the choice between a rights issue vs. a QIP. This paper would add to the existing body of knowledge on private placements, and provide deeper insights on why companies might prefer a QIP over other types of seasoned equity offerings.

Keywords: Qualified Institutional Placement, Right issue, monitoring hypothesis, certification hypothesis, Seasoned equity offerings

JEL Classification: G18, G32, G34

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