

An Impact of Stock Price Movements on Cross Listed Companies: A Study of Indian ADR and Domestic Stock Prices

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Abstract : Indian corporate sector has been raising resources through various international financial instruments important among them are Global depository receipts (GDRs) and American Depository Receipts (ADRs). The purpose of raising resources through such instruments is multifold such as lower cost of capital, increased visibility of the company, liberal tax environment, increased trading liquidity etc. One of the significant reason is also the value addition of the company in terms of market capitalization. Obviously, the stocks of such companies are cross listed, one in India and other at the International stock exchange. The sensitivity and movements of stock prices on one stock exchange as compared to other may have an impact on the price movement of the particular scrip. If there is any relationship exists is an issue of study. Having this in view this study is an attempt to identify the extent of impact of price movement of the scrip on one stock exchange on account of change in the prices on the counter stock exchange. Also there is an attempt to find out the difference between pre and post cross listed domestic firm. The study also analyses the impact of exchange rate movements on stock prices.

Keywords : ADR, GDR, cross listing, liquidity, exchange rate

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