

# Sumit Saurav

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## EDUCATION

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### Indian Institute of Management, Ahmedabad

Ph.D. in Finance & Accounting, GPA: 3.69/4.33

2019–Current

– *Dissertation*: Three Essays on Indian Derivatives Market

– *Committee*:

Professor Jayanth R Varma (IIM-A)

Professor Sobhesh Kumar Agarwalla (IIM-A)

Dr. Tirthankar Patnaik (National Stock Exchange)

### Indian Institute of Management, Visakhapatnam

MBA, GPA: 3.57/4.00

2017–2019

### National Institute of Foundry and Forge Technology, Ranchi

B-Tech in Metallurgy and Materials Engineering, GPA: 8.99/10.00

2009–2013

## RESEARCH INTERESTS

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Asset Pricing, Derivatives, Economics of Regulations, and Banking

## PUBLISHED PAPERS

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1. Agarwalla, S. K., Saurav, S., Varma, J. R. (2022). Lottery and bubble stocks and the cross-section of option-implied tail risks. *Journal of Futures Markets*, 42(2), 231-249. (*ABS 3, ABDC A*)

## WORKING PAPERS

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**Role of Derivatives Market in Attenuating Underreaction to Left-Tail Risk**, with Sobhesh Kumar Agarwalla (IIM-A) & Jayanth R Varma (IIM-A) (part of thesis)

Abstract: The anomalous negative relationship between left-tail risk measures and future returns has recently attracted the attention of finance researchers. We examine the role of the derivatives market in attenuating left-tail risks anomaly using Indian financial market data where derivatives trade only for a subset of stocks. We find that the negative association between left-tail risk measure and future return is absent only in the case of stocks having derivatives (DR stocks), indicating that derivatives trading fastens the diffusion of negative information into the stock prices. We find evidence that the information generation role of derivatives contract plays a primary role compared to the reduction of investor inattention and limits to arbitrage.

**Belief Distortion Near 52W High and Low: Evidence from Equity Options Market**, with Sobhesh Kumar Agarwalla (IIM-A) & Jayanth R Varma (IIM-A) (part of thesis)

Abstract: We examine investors' behavioral biases and preferences in the options market near 52-Week high and low (52W-H/L). We document that as the stock price approaches 52W high (low), the skewness of RND and out-of-the-money (OTM) call volume decreases (increases), while OTM put volume increases (decreases).

After crossing the 52W high (low), the skewness of RND and OTM call volume increases (decreases), while OTM put volume decreases (increases). The effects are economically large and significant. Our findings provide evidence consistent with anchoring theory of belief distortion near 52W-H/L. There is no evidence of preference distortion, contrary to what prospect theory predicts.

**Impact of Embedded Leverage on Trading Activity in Stock, Options, and Futures Markets**, with Sobhesh Kumar Agarwalla (IIM-A) & Jayanth R Varma (IIM-A) (part of thesis)

Abstract: Embedded leverage helps investors evade leverage constraints and can potentially impact relative trading activity across markets. Using option/stock, option/future, and future/stock volume ratios as measures of relative trading activity, we empirically find that trading is high in securities offering higher embedded leverage in general and especially during earnings announcements. We further corroborate our results through an examination of the exogenous shock to embedded leverage induced by the COVID-19 pandemic. Additionally, we find that embedded leverage incentivizes information generation that reduces future price uncertainty.

**Effect of Continuous Disclosure Requirement on Information Leakage Around Earnings Announcements**, with Sobhesh Kumar Agarwalla (IIM-A), Ajay Pandey (IIM-A), & Jayanth R Varma (IIM-A)

Abstract: The Indian market regulator introduced continuous disclosure regulation requiring listed firms to report their financial results within 30 minutes of the board meeting. This provides us with a unique setting to investigate the effect of the low-cost regulatory intervention on information leakage. Using a sample of earnings announcement (EA) made by the firms during the market hours, we find the following effects of the regulations. First, the trading induced by leaked information shifted to inside 30 minutes before EA and became more informative. Second, returns during 120 to 30 minutes before the EA lost its ability to predict earning surprises. Third, we find that the difference observed in the volatility pick-up before EA with and without surprises before regulatory change disappeared. Our findings suggest that firms took the regulation seriously, and the information leakage has been limited to less than the stipulated 30-minutes window.

**Asymmetric Uncertainty Around Earnings Announcements: Evidence from Option Markets**, with Sobhesh Kumar Agarwalla (IIM-A) & Jayanth R Varma (IIM-A)

Abstract: We use the Indian stock options market to study the evolution of uncertainty and asymmetric uncertainty around earnings announcements (EA). We find that uncertainty (implied volatility) and asymmetric uncertainty (options skew) increase monotonically prior to the EA day and decrease after the EA. Options volume (relative to spot and relative to futures) also exhibits similar behaviour, suggesting that informed investors prefer options markets over spot and futures markets. Both options skew and put-to-call volume ratio can predict the sign of the EA surprise one day prior to the EA, indicating that price discovery and information assimilation happen in the options market.

**Impact of Public Versus Private Financing on New Venture Growth in Developing Country: Evidence from India**, Sobhesh Kumar Agarwalla (IIM-A) & Punyashlok Dwibedy (IIM-I)

Abstract: While existing research has analyzed the impact of various external sources of funding on new ventures' performance in developed countries, there is a lack of such studies in the developing world. Using novel data consisting of two different sets of new ventures based out of India, one set receiving only funding from Private Equity and the other from Public Equity, we run a comparative analysis of their performance after receiving such funding. We find that new ventures that receive private equity funding perform better than those who source their funds from public bourses. We argue that this phenomenon is driven by other intangible benefits arising out of private equity in India apart from simple financial capital, like mentoring and access to VC networks against only financing opportunities through public equity.

## Natural Disasters, Interest Rate Dynamics, and Economic Activities, Abhiman Das (IIM-A) and Tanmoy Majilla (IIM-L)

Abstract: We present novel evidence regarding the impact of natural disasters on the dynamics of interest rates and their influence on real economic activities. Using the universe of bank loans in India, we find that local branches exposed to natural disasters increase loan interest rates for all different sorts of borrowers. We also observe a decline in credits. Importantly, these effects persist for at least three years. These results are critical because the local branches are the ones with the soft information. We link rising interest rates to increased default risks of the borrowers and find multiple patterns that corroborate this assertion. Firms respond to natural disasters by increasing their interest expenses and decreasing bank debts. These effects also endure for a number of years. Additionally, cross-sectional spike in interest rates results in a decline in nightlight based real economic activity as well as firm level R&D expenditures. It suggests a novel financial intermediation channel through which natural disaster shocks transmit to the real economy.

## RESEARCH IN PROGRESS

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- Margin requirement, intraday trading and price discovery, with Sobhesh Kumar Agarwalla & Jayanth R Varma
- Firms Disclosure Strategy under Continuous Disclosure Regime

## CONFERENCE PRESENTATIONS

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- Lottery and bubble stocks and the cross-section of option-implied tail risks
  - 17th Asia-Pacific Association of Derivatives (APAD) Annual Conference, South Korea, 12 July 2021
- Effect of Continuous Disclosure Requirement on Information Leakage Around Earnings Announcements
  - 2nd Annual Capital Markets Conference, SEBI-NISM, 23 July 2021
  - India Finance Conference, 16 Dec 2021
  - 14th ISB Accounting Research Conference, ISB, 21 Dec 2021
  - IMR Doctoral Conference, IIM Bangalore, 22 January 2022
  - International Accounting Section Midyear Meeting, 5 February 2022
- Asymmetric Uncertainty Around Earnings Announcements: Evidence from Option Markets <sup>1</sup>
  - India Finance Conference, 16 Dec 2021
  - International Accounting Section Midyear Meeting, 5 February 2022
  - 3rd SEBI-NISM Research Conference, 24 February 2022
- Role of Derivatives Market in Attenuating Underreaction to Left-Tail Risk
  - Research Symposium on Finance and Economics, Krea University, 17 June 2022
  - 4<sup>th</sup> International Conference on Financial Market & Corporate Finance, IIT Bombay, 9 July 2022
  - 2022 FMA Annual Meeting, Atlanta, Georgia, 19 - 22 October 2022 (scheduled online)
  - Contemporary Issues in Emerging Markets Conference, 28-29 October 2022, IIM-Bodh Gaya (scheduled)
  - India Finance Conference, 19-21 December 2022, IIM Calcutta (scheduled)
- Belief Distortion Near 52W High and Low: Evidence from Equity Options Market
  - ACFA - 2022 Conference on Derivatives Markets, Auckland, New Zealand, 8-9 September 2022
  - India Finance Conference, 19-21 December 2022, IIM Calcutta (scheduled)

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<sup>1</sup>An earlier version of this paper is circulated as - *Single stock options market dynamics around earnings announcement: Evidence from India*

## BOOK CHAPTERS

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- Saurav, S. (2020). Review of Corporate Governance in Emerging Economies from the Perspective of Principal–Principal Conflict. *The Financial Landscape of Emerging Economies*, 111-121.

## NEWS PAPER ARTICLE

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- S. Saurav and P. Srivastava, “Is Repo RBI’s Policy Rate?”, *The Hindu Business Line*, July 31, 2020

## SCHOLARSHIPS AND AWARDS

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- Aditya Birla Capital Best Paper award (Student Category) at International Conference on Financial Markets and Corporate Finance (ICFMCF), IIT Bombay July, 2022
- Best paper award (third position) at Research Symposium on Finance and Economics, KREA University June, 2022
- Best paper award at Second Annual Capital Markets Conference, National Institute of Securities Markets (NISM) July, 2021
- Ministry of Steel Scholarship 2012 –2013
- Merit-cum-Means Scholarship, National Institute of Foundry and Forge Technology, Ranchi 2010–2012

## TEACHING EXPERIENCE

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- **Teaching Assistant:** (i) Valuation of Firms, PGP II June-August 2022, Instructors: Prof. Joshy Jacob & Prof. Sobhesh Kumar Agarwalla, (ii) Financial Statement Analysis, PGP II September-October 2022, Instructors: Prof. Sobhesh Kumar Agarwalla & Prof. Naman Desai

## INDUSTRY EXPERIENCE

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### Steel Authority of India Limited (SAIL)

Junior Manager

ISP, Burnpur

February, 2014 - July, 2017

### Cummins India Limited

Sourcing Manager

Pune

August, 2013 - February, 2014

## PROFESSIONAL SERVICE AND AFFILIATIONS

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- **Referee:** Journal of Quantitative Economics (ABDC B)
- **Affiliations:** American Finance Association (AFA); American Accounting Association (AAA); Financial Management Association (FMA)
- **Discussant:** 2022 Derivative Market Conference (DMC) - ACFR Auckland, 4<sup>th</sup> International Conference on Financial Market & Corporate Finance - IIT Bombay, 2022 Research Symposium on Finance and Economics, Krea University

## PROGRAMMING

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- R, Python, L<sup>A</sup>T<sub>E</sub>X, STATA

## PERSONAL

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- **Marital Status:** Married, **Nationality:** India
- **Languages:** English (Professional Fluency), Hindi (Native)

## REFERENCES

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**Prof. Jayanth R Varma**  
(Co-supervisor)

*Professor, F&A Area*

*Indian Institute of Management*

*Ahmedabad*

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(Committee Member)

*Chief Economist*

*National Stock Exchange Mumbai*

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