

Sumit Saurav

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EDUCATION

Indian Institute of Management, Ahmedabad

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

June 2019–July 2023

– *Dissertation*: Three Essays on the 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

Asset Pricing, Options, Economics of Regulations, and Banking

PUBLISHED/ACCEPTED PAPERS

- Lottery and bubble stocks and the cross-section of option-implied tail risks, *Journal of Futures Markets*, with Sobhesh Kumar Agarwalla & Jayanth R Varma (ABDC A/ABS 3)
- Belief Distortion Near 52W High and Low: Evidence from Indian Equity Options Market, *Journal of Futures Markets*, with Sobhesh Kumar Agarwalla & Jayanth R Varma (ABDC A/ABS 3)

WORKING PAPERS

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 and job market paper (JMP))

Conferences : JAAF India Symposium 2023, ISB; 39th International Conference of the French Finance Association (Accepted); 5th International Conference on Financial Markets & Corporate Finance, IIT Delhi (Accepted); Derivatives Market Conference 2023 (Accepted)

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.

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)

Conferences : 2022 FMA Annual Meeting, Atlanta, Georgia; 4th International Conference on Financial Market & Corporate Finance, IIT Bombay; Research Symposium on Finance and Economics, Krea University; Contemporary Issues in Emerging Markets Conference, IIM-Bodh Gaya; 2022 India Finance Conference, IIM Calcutta; 2023 IMR Doctoral Conference, IIM Bangalore

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.

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)

Conferences : R&P Brown Bag Seminar IIM-A; 2nd Annual Capital Markets Conference, SEBI-NISM; 2021 India Finance Conference, IIM Bangalore; 14th ISB Accounting Research Conference, ISB; 2022 IMR Doctoral Conference, IIM Bangalore; 2022 International Accounting Section Midyear Meeting

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.

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

Conferences : R&P Brown Bag Seminar IIM- A; 2022 SERI-D Conference; CAFRAL Annual Conference: The Financial System and Macroeconomy in Emerging Economies; DSE Winter School 2022; 4th Annual Economics Conference, Ahmedabad University; Asian Meeting of the Econometric Society (AMES), IIT Bombay

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.

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

Conferences : 2021 India Finance Conference, IIM Bangalore; 2022 International Accounting Section Midyear Meeting; 3rd SEBI-NISM Research Conference, NISM

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.

Government Put: What Options Market Imply about the Volatility and Left-tail Risk of Indian Public versus Private Banks, with Pranjal Srivastava (IIM-A) & Abhinash Mishra (IIM-A)

Conferences : Derivatives Market Conference 2023 (Accepted)

Abstract: We examine the differences in the options implied left-tail risk and volatility of government-owned and private banks in India. We show that left-tail risk and the cost of insurance for protection against it are high for private banks as compared to government-owned banks in general and the difference widens during the high systematic risk period of the COVID-19 crisis. The gap exists despite private banks having better asset quality than their public counterparts. Contrary to our left-tail risk result, we find that government-owned banks have higher near-the-money options implied volatility than private banks, and this gap widens during a period characterized by high policy uncertainty, the central bank's asset quality review. Our findings lend support to the notion that government ownership lower expected downside risk, but riskier lending policies, and subsequent uncertainty about capital infusion lead to higher expected volatility.

RESEARCH IN PROGRESS

- Violation of Law of One Price: Evidence from Cash-Future Basis, with Sobhesh Kumar Agarwalla & Jayanth R Varma

PEER REVIEWED CONFERENCE PRESENTATIONS/ACCEPTED

- **2023 :** 4th Annual Economics Conference, Ahmedabad University; JAAF India Symposium 2023, ISB; Asian Meeting of the Econometric Society (AMES); 2023 IMR Doctoral Conference, IIM Bangalore; 39th International Conference of the French Finance Association¹; 5th International Conference on Financial Markets & Corporate Finance, IIT Delhi (Accepted); Derivatives Market Conference 2023 (Accepted).
- **2022 :** 2022 IMR Doctoral Conference, IIM Bangalore; 2022 International Accounting Section Midyear Meeting; 3rd SEBI-NISM Research Conference, NISM; Research Symposium on Finance and Economics, Krea University; 4th International Conference on Financial Market & Corporate Finance, IIT Bombay; 2022 FMA Annual Meeting, Atlanta, Georgia; Contemporary Issues in Emerging Markets Conference, IIM-BG; ACFA - 2022 Conference on Derivatives Markets, Auckland, New Zealand; 2022 SERI-D Conference; DSE Winter School 2022; 2022 India Finance Conference, IIM Calcutta.
- **2021 :** 17th Asia-Pacific Association of Derivatives (APAD) Annual Conference; 2nd Annual Capital Markets Conference, SEBI-NISM; 2021 India Finance Conference, IIM Bangalore; 14th ISB Accounting Research Conference, ISB.

¹Paper was accepted but the author could not attend the conference.

BOOK CHAPTERS

- 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

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

SCHOLARSHIPS AND AWARDS

- Industrial Finance Corporation of India (IFCI) Award for Thesis Proposal IIM Ahmedabad April 2023
- CFA Institute Investment Management award (first prize) at India Finance Conference IIM Calcutta December 2022
- Best paper award (doctoral student category) at Contemporary Issues in Emerging Markets Conference (CIEMC 2022), IIM Bodh Gaya October 2022
- 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

- **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

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

- **Referee:** International Review of Financial Analysis (ABDC A), Finance Research Letters (ABDC A), Journal of Quantitative Economics (ABDC B)
- **Affiliations:** American Finance Association (AFA); American Accounting Association (AAA); Financial Management Association (FMA); The Econometric Society (ES); India Finance Association (IFA)
- **Discussant:** 2022 Derivative Market Conference (DMC) - ACFR Auckland, 4th International Conference on Financial Market & Corporate Finance - IIT Bombay, 2022 Research Symposium on Finance and Economics, Krea University, Reviewer INDAM 2023; 2022 India Finance Conference, Program Committee of the 2023 FMA Annual Meeting

PROGRAMMING

- **R, Python, L^AT_EX, STATA**

REFERENCES

Prof. Jayanth R Varma
(Co-supervisor)

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Prof. Sobhesh Kumar Agarwalla
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National Stock Exchange Mumbai

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