

This study has examined the relationship between IPO events with its competing firms in long run within the same industry and overall stock exchange. For this purpose, the study has been conducted on Karachi Stock Exchange. A sample of 77 listed firms out of 79 firms has been taken from Karachi Stock Exchange, which is 97% of total data. The study has covered a time span of thirteen years from 2000 to 2012, both years being included. Predominantly, the IPO event has been analyzed from three perspectives including initial returns, IPO proceeds and Lead time between IPO subscription and IPO listing date. In order to measure the impact of IPO on rival portfolios and overall stock market, abnormal returns of IPO stock prices has been calculated through buy and hold abnormal returns BHAR. In order to find any significance of IPO event on rivals and market correlation has been applied and multiple regression analysis has been applied for hypotheses testing. The findings of the research revealed that IPO abnormal returns and IPO proceeds has a significant negative relationship with rival's stock returns in long run. Whereas, IPO lead time has no significant impact on rival's portfolios in long run. Moreover, the study reveals a significant relationship between IPO stock returns and overall stock market performance in short run but found no relationship between IPO event and overall stock market performance in long run. This study is important from prospective of a stock market of a developing economy. Keywords: IPO event, Rival portfolios, BHAR, IPO proceed, Lead time.