



ISSN: 2454-9940



**INTERNATIONAL JOURNAL OF APPLIED
SCIENCE ENGINEERING AND MANAGEMENT**

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www.ijasem.org

STRATEGIC ANALYSIS OF INITIAL PUBLIC OFFERINGS: INSIGHTS FROM ICICI BANK LIMITED

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ABSTRACT

An IPO, or initial public offering, is a float in which a business or issuer offers to sell shares of ordinary stock to the general public. They are often put out by smaller and medium-sized businesses who are seeking capital for expansion. Nonetheless, large privately held companies that want to become publicly listed may do this.

In the real estate industry, the Indian government has been actively involved from the beginning of the A countersigned enterprise may help a firm decide what form of security to issue, how much to charge for the offering, and when to present it to the market during an initial public offering (IPO). Since it is difficult for investors to forecast the performance of the stock or share on its first trading day and beyond, an IPO may be a risky business. In addition, there is a lack of relevant historical data to evaluate the stock's performance in the Indian market.

The majority of initial public offerings (IPOs) come from companies that are just starting out and are thus entitled to some degree of supplemental uncertainty over their future success. Although initial public offerings (IPOs) are effective at generating cash, being listed on a stock market requires a great deal of totalitarian monitoring and care.

The premise of an IPO is that the company is well-established, growing, and has the necessary track record to attract investors in the public

stock market. The term "seasoned equity offering" describes what happens when a company re-offers shares to the stock market after they have already been tendered. The investor, rather than the company that originally suggested the shares, keeps the offering proceeds in a secondary offering, which occurs when an investor exchanges shares. These are often difficult stages, and only companies that issue shares may participate in initial public offerings (IPOs). Investors, rather than the company itself, buy and sell shares in a secondary offering on a secondary stock market.

1. INTRODUCTION

An **initial public offering (IPO)**, referred to simply as an "offering" or "flotation", is when a company (called the issuer) issues common stock or shares to the public for the first time. They are often issued by smaller, younger companies seeking capital to expand, but can also be done by large privately-owned companies looking to become publicly traded.

In an IPO the issuer may obtain the assistance of an underwriting firm, which helps it determine what type of security to issue (common or preferred), best offering price and time to bring it to market.

An IPO can be a risky investment. For the individual investor it is tough to predict what the stock or shares will do on its initial day of trading and in the near future since there is often little historical data with which to analyze the

company. Also, most IPOs are of companies going through a transitory growth period, and they are therefore subject to additional uncertainty regarding their future value.

Capital market is an essential pre-requested for industrial and commercial development of a country. Capital market refers to the institutional arrangement which facilitates the borrowings and lending of long term fund. In capital market we can divided into two parts they are primary and secondary market. In primary market also known as new issue market. It represents primary market where new securities i.e. shares or bonds that have never been previously offered. The importance of this study is analyzing the IPO scrip's during the year 2006 to 2010. This study based on differences of Issue price and LTP. In order to whether the IPO's are overpriced or under priced. The investor how get the gain or loss. The study continued based on the only 2 parameters they are Issue price and LTP. The differences of LTP & Issue price we can describe the scrip is overpriced or under priced. Not other parameters considered. This study shows that sector wise scrip's are overpriced or under priced.

In this study find the IPO how gives the benefits and given the guidelines and suggestions to the investor. Before selecting a company the investor should think about the company. A good investor should diversify and reduces his risk by investing in different securities. Primary market returns are very attractive in short period especially on the day of listing. But investor in IPO's should take wise decision in choosing the best company.

SCOPE OF THE STUDY:

- 1) The study covers only NSE listed securities of primary market.
- 2) Only LTP and Issue price are taken into consideration for judging whether the

scrip's are under priced or over priced not considering other parameters.

- 3) Study covers randomly selected scrip's under various sectors.

OBJECTIVES THE STUDY:

1. The objective of doing this project is mainly to make a study of trends in primary market with special reference to LTP (Last Traded Price) and Issue Price.
2. To examine the difference between LTP and Issue Price of various scraps in different sectors.
3. To assess whether the Issue Price are over priced or under priced based on difference between LTP and Issue Price.
4. To examine gain or loss to the investor based on the above study.

2. METHODOLOGY OF THE STUDY:

The data collection methods include both primary and secondary collection methods.

Primary Data: This method includes the data collected from the personal interaction with authorized members of ICICI.

Secondary Data: The secondary data collection method includes:

The lecturers delivered by the superintendents of respective departments.

The brochures and material provided by ICICI.

The data collected from the magazines of the NSE, economic times, NSE website, etc.

Various books relating to the investments, capital market and other related topics.

TOOLS USED FOR ANALYSIS:

- 1) TABULATION: A Table is a systematic arrangement of statistical data in rows and columns. Rows are horizontal arrangements

whereas columns are vertical. Tabulation is a systematic presentation of data in a form suitable for analysis and interpretation.

The tables used are as follows:

- a) One way table: It presents only one characteristic and hence in answering one or more independent questions with regard to those characteristics.
- b) Two-way table: It contains sub divisions of a total and is able to answer two mutually dependent questions.

2) DIAGRAMATIC AND GRAPHICAL REPRESENTATION OF DATA: A picture is worth a thousand words. The impression created by a picture has much greater impact than any amount of detailed explanation. Statistical data can be effectively presented in the form of diagrams and graphs. Graphs and Diagrams make complex data simple and easily understandable. They help to compare related data and bring out subtle data with amazing clarity.

The Diagram used are as follows:

- a) Bar diagrams: Bar diagrams are used specifically for categorical data or series. They consist of the group of equi-distant rectangles, one for each group or category of data in which the values of magnitudes are represented by length or height of rectangles.
- b) Sample Bar diagram: It is used of comparative study of two or more aspects of a single variable or single category of data.

LIMITATIONS OF THE STUDY:

A good report sells the results of the study. But every project has its own limitations. These limitations can be in terms of

1) The project doesn't study the whole primary market due to time availability and course requirement.

2) Project doesn't consider whole issues under each sector due to time limitation. It takes Into consideration randomly selected issues

3) Limited to a particular period: Data under consideration is taken from 2006-2015 Previous years are not taken into consideration.

4) Partial fulfillment: Project studied doesn't fulfill all requirements because it does not study the whole primary market due to time availability and course Requirement. It only fulfills the partial requirement as it studies only certain Important aspects of primary market.

5) Approximate results: The results are approximated, as no accurate data is Available.

6) Study takes into consideration only LTP and issue prices and their difference for Concluding whether an issue is overpriced or under priced leaving other.

7) The study is based on the issues that are listed on NSE only.

3. INITIAL PUBLIC OFFERING

IPO is an acronym for initial public offering. This is the first sale of stock by a company to the public. A company can raise money by issuing either debt or equity. If the company has never issued equity to the public , it is known as an IPO. Corporate may raise capital in the primary market by way of an IPO, right issue or private placement.

Companies fall into two broad categories private and public. A privately held

company has fewer shareholders. Anybody can come out and incorporate a private company, put in some money file the right legal documents and follow the reporting rules. Most small businesses are privately held, but large companies can be private too. IKEA, Domino's pizza and Hallmark cards are all privately held. It usually is not possible to buy shares in private company. The shares of private company are not offered to general public.

On the other hand public companies can sold at least a portion of themselves to the public and trade on stock exchange. This is why doing an IPO is also referred to as going public. Public companies have thousands of share holders and are subjected to strict rules and regulations.

4. FINDINGS:

- The IPO returns are more when comparing with nifty returns for the year 2006 to 2016.
- ICICI, Rushil Decorand Onelife Capitalhas given highest benefit to the investor.
- Sun TV Ltd has given highest negative benefit to the investor.
- This study reveals IPO given 75% positive result and 25% negative result or benefit to investor.
- Investors more crazy about the new issues or IPO.

SUGGESTIONS:

- The returns of IPO's are higher when compare to benchmark portfolio of Nifty. So an investor can invest in IPO's for better returns.
- There is a probability of listing a stock returns in positive is 75% and negative is 25%.

- Investor need to develop a long term investment mindset rather than short term investment to get more returns or for achieving financial goals
- A good investor should diversifies and reduces his risk by investing in different securities which contained different risks and returns in order to achieve his goals
- An easy solution to investor is to invest in to mutual fund schemes through a systematic investment plan (sip) the mutual fund gives you a well diversified, professionally managed portfolio at low cost
- Investor need to aware of new information, which reflects wider changes in share prices.

CONCLUSIONS

- It can be observed that it is safe for the general public to invest in different sectors of primary market in present than in the past because SEBI has been introduced and it controls the operations and working of new issue market
- Primary market returns are very attractive in short period especially on the day of listing. But investors in IPO's should take wise decision in choosing the best company.
- From the overall study it can be concluded that the highest positive difference between Issue price and LTP is Educomp Solutions Ltd. scrip.
- The conclusion from the study is that the highest negative difference between Issue price and LTP is Sun TV Ltd scrip.
- The study reveals that the scrip's of Textiles and Media industries have

highest negative difference between LTP and Issue price.

- The study shows that the scrip's of Bank and Power or Energy industries have highest positive difference between LTP and Issue price.

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