

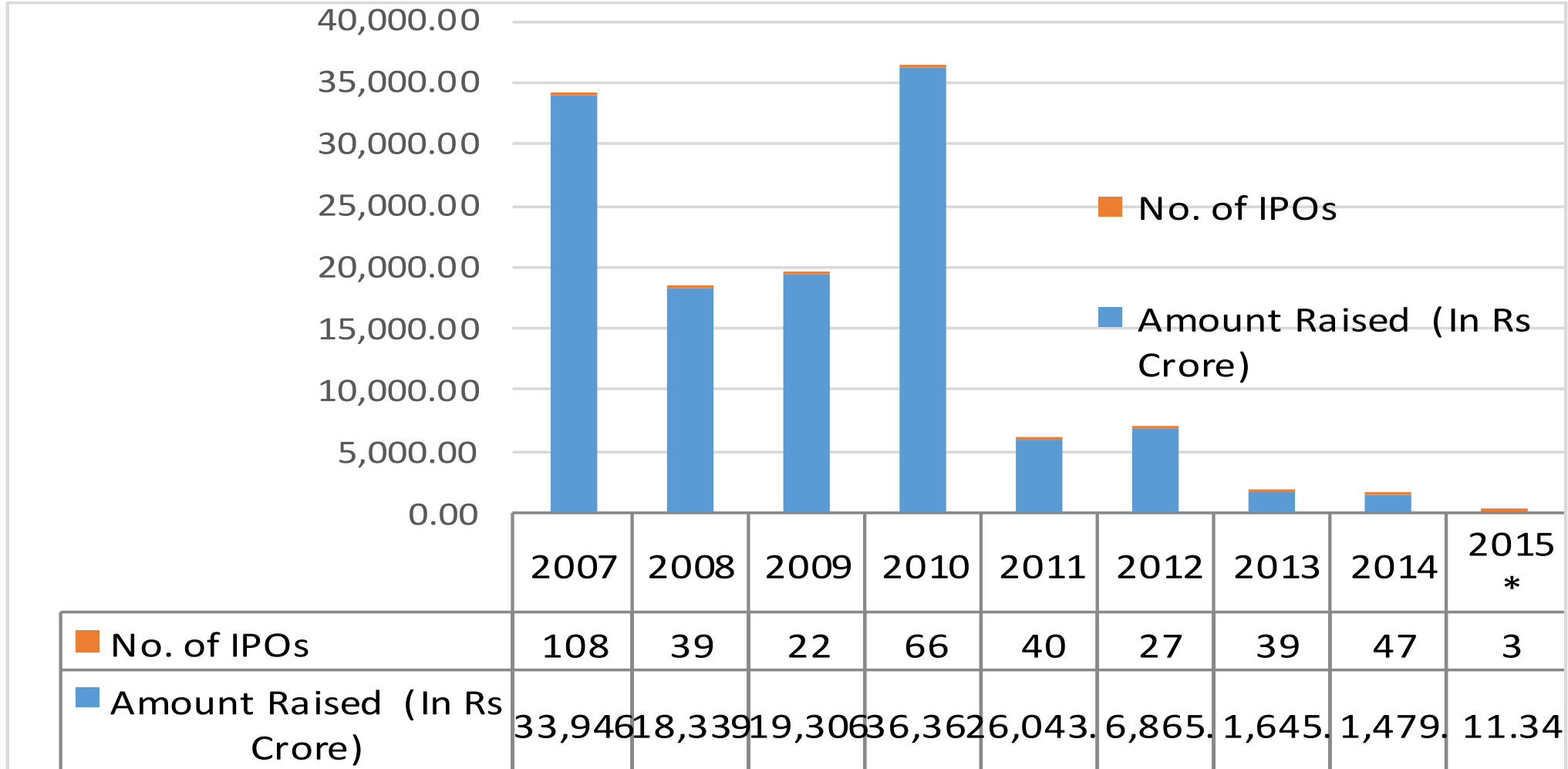
Primary Market - IPO Markets : India

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Prof S G Badrinath
IPOs in India and the US

- Issuers sell securities to investors- Cash inflows to the company.
- Till 1992, the Controller of Capital Issues regulated the offer price of the IPO.
- Three different approaches were used for determining “fair” value.
- Example: net asset value was acceptable for young companies, a premium was added to that for companies with a longer history of profitability.
- Later, came the “fixed price” method where the company and its bankers would establish a price.
- Then came the “book building” method, since many of the IPOs were large PSU’s. Essentially book building is a process of understanding supply and demand for the IPO within a price band before it goes to market. Retail investors get this final price.

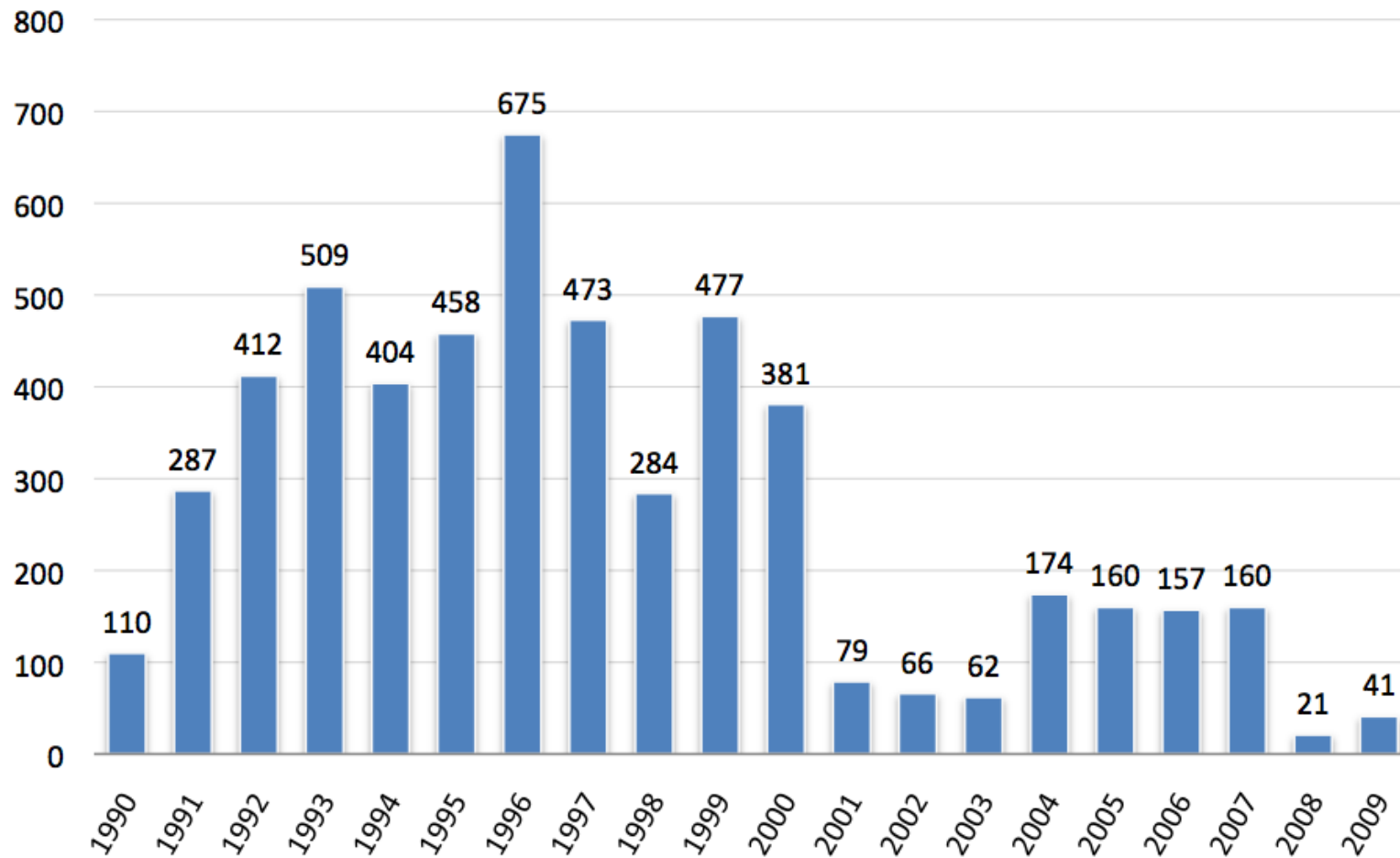
Number of IPOs in India

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Number of issues per year (US)

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