

## Unit 2 - Primary Market

Primary Market - A market where all the securities (shares, debentures & bonds) are issued for the first time or fresh.

- The Companies can wait to issue fresh Capital from investors.
- It's also called as new issue market (NIM).
- The Money in Primary Market goes like.
  - investor → issuer.
  - Shares: issuer → investors.

functions of new issue  
Market  $\rightarrow$  (NCFCI).

1) Raising funds

2) Capital formation

3) Facilitate industrial growth

4) Intermediary help

5) Wider Growth

# Methods of New Issue -

## 1) IPO:

- o Initial Public Offer.
- o It refers to the shares issued to the public at the first stage/first time.
- o They are used to start or uplift the business enterprise.
- o After IPO, company's shares are traded in the Stock Exchange.  
Ex: Reliance Ltd shares issued in 2020.

## 2) FPO:

- o Follow on public offer.
- o This shares are issued to the public after registering into the stock exchange.
- o The shareholders who bought Company earlier, can get more shares.

e.g.: Coal India FPO issued in 2015.  
for exch funds.

### 3) Public Issue -

- o They provide an open invitation to the public to buy its shares.

- o Anyone and everyone can buy these shares.
- o It's done through a prospectus, which has the details of Research & their issue.

eg: Infosys provided public issue through prospectus.

### Q) Bonus Issue -

- o The bonus issue set those extra free shares are been given to their own shareholders.
- o These shares are issued using

The available profit & the revenue (no extra fund).

- o It rewards & increases no. of shares threshold (shareholders)

Ex: Reliance issued bonus share to its shareholders.

## 5) Rights Issue: (AO):

- o They provide resale to the shareholders before issue to the public.
- o Helps to increase funds without bringing new investors.

- o Offer low price compared to the market proportion.

ESOP (Employee stock option Plan):

- o The Company provides the shares to its employees.
- o This motivates and encourages for responsible & interested in their jobs.
- o This makes them feel they are also the owner of the Company.

Eg:- Infosys & TCS provide ESOP to its employees regularly.

## Intermediaries in New Issue Market:

The intermediaries in the new issue market refers to the middlemen or the ppl who assist the companies to provide shareable public offer issue.

They are:

## 1) Merchant Bankers -

- They are people who handle the issue of shares.
- They help in preparing documents like prospectus & looking after the formalities of SEBI.
- o They help to decide the time & price of issues.

## 2) Underwriters -

- They are the financial intermediaries which buy the unissued shares of

## The New Issue

- The shares which is not been sold are bought by them.
    - o This reduces the waste of shares - effective utilization.
- 3) Brokers -
- o Brokers are those who support the investors in the buying & selling of securities
  - o They earn a certain amt of commission after service.
  - o Link between Company & public.

#### 4) Registers to issue -

- They check & make sure to issue and handle share allocation &
- They do have a list of people who registered for shares & who will be already provided with them.
- They handle the technical side of the issue.

#### 5) Banks to issue -

They collect money from the investors and provide it to the companies after the process of share allotted

in return of shares provided to them.

Eg: SBI, HDFC Banks.

## Recent Financial Instruments:

### 1) Green Bonds -

- o Money is raised for green & eco-friendly projects (solar, wind).
- o Benefits the environment & investors.
- o Investors get interest like regular bonds.

### 2) Cat Bonds

- o Insurance Companies provide funds

for disasters.

- If no disaster occurs, Total value of investors will be high.
- Else the principal amt will be less and exposed for claims.

### 3) Peer to Peer Lending -

◦ Raising and lending of money between people online.

◦ It helps in instant occupying funds without much formalities.

#### 4) Cryptocurrency Token:

- They are the digital coins which has value & assets.
- It can be used to buy, sell, and invest efficiently in online platforms.
- Used for investments, fundraising & transactions.

#### 5) Exchange Traded funds:

- o The ETF's are funds holding many stocks I fund.
- o Similar to the single value stock.
- o It's not as complex as buying each stock one by one.

