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IPO, prospectus, disclosures: An understanding

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Abstract

Every rational investor wants to grow wealth and for this reason keeps looking for the investment avenues that provide healthy returns so that he could add them to his portfolio and achieve his investment objectives. One of the options that always lure investors, is the investment in Initial Public Offerings (IPO). But the question arises here is - Is this option right for everyone and would it match all the requirements related to his investment objectives. Even if we assume that option is considerable, then what is the level of awareness amongst the general class of investors that would decide their fate as far as their investment decision outcomes are concerned? In developing countries like India, still investors are being referred to as ignorant and innocent and because of this characteristic feature, their chances of not meeting their investment goals or losing their capital or wealth gets heightened. This is termed as risk in investment. Risk is there in every investment, of varying degree and type. One cannot avoid it, but one can certainly reduce it. For this, the investor has to shun the attitude of remaining ignorant and claiming innocence on being duped of wealth. No doubt we have market regulators framing stringent rules for the market intermediaries to provide adequate policy protection to the market players/participants, but then nothing like being your own savior. In the age of digitization, information is in your hand and should be used as your biggest power.

It is in this background, this scholarly article attempts to provide a detailed understanding of various issues related to investment in Initial Public Offerings, like understanding various terms used in the investment offer document(Prospectus), how to read it and use its disclosed information(disclosures) to make a sound and informed investment decision and also to understand various regulations framed by SEBI Act and Companies Act to ensure that the investors' interest is not adversely affected for the lack of knowledge and non- disclosure of essential information.

Keywords: IPO, prospectus (offer document), disclosures, investor education and awareness, SEBI, market intermediaries, IPO grading, ASBA

Introduction

In simple words, an initial public offering, or an IPO, 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, then first time it decides to do so then it's known as an IPO. All Companies fall into two broad categories: Private company and Public company. A privately held (closely-held) company has fewer shareholders and its owners don't have to disclose much information about the company. Whereas a publicly-held (widely-held) company has large number of shareholders and thus it has to give wide publicity/disclosure to its information.

Private companies do not offer much scope if you want to buy ownership stakes in it as existing owners may not be interested in diluting their stakes. Whereas public companies on the other hand have sold a considerable portion of ownership stake to the public and their shares/stocks trade on a stock exchange. For this reason only going for an initial public offering is also known as "going public". It simply means selling the ownership stakes in the business to the members of the public to raise capital. As already mentioned that Public companies have large number of shareholders and thus are subject to strict rules and regulations. They must have a board of directors and they must report (disclose) financial information every quarter. In India, public companies report to the Securities and Exchange Board of India (SEBI) which is a market regulator for the capital market in India. From an investor's standpoint, the most exciting thing about a public company is that the stock is traded in the open market, like any other commodity. If you have the cash, you can invest/buy the shares.

The main reason for companies "going public" is that it helps them to raise the required funds which happens to be a huge amount. There are many other benefits of being a publicly traded company:

- As public companies are subject to compliance of more strict rules and regulations, their working stands more scrutinized and thus they usually get better rate when they issue debts as they are perceived to be safer.
- Since public company stocks are easily and readily traded on stock exchanges, a company can issue more stocks if the market demand is there. These can be used as a payment option when going in for mergers and acquisitions.
- Stock exchanges provide ready market for the listed stocks which makes them highly liquid. This liquidity offers companies an advantage of implementing HR schemes likes ESOP (Employees stock option plan) which in turn helps to attract talented people to the organisation.
- Listing on a major stock exchange also helps a company in terms of gaining prestige and reputation.

Objectives of study

The basic purpose behind this research article which draws inferences from various SEBI publications and investor education sites like Investopedia.com, etc. is to compile one document which lays down the meaning and various related issues as far as participation in an Initial Public Offering (IPO) of equity shares is concerned, for the benefit of the individual investor. The objectives of the study covers the following:

1. To discuss the process of Initial Public Offering and various related issues.
2. To discuss the information contained (disclosures) in an IPO Prospectus.

IPO Process (Underwriting)

After having understood the concept of an IPO and the reasons behind companies going for it, let's now discuss and understand how as a member of public one can invest or participate in it and own shares. For this it's important for us to understand how an IPO is done, i.e. understanding the concept and the process of Underwriting.

The process starts like this - When a company decides to raise capital/funds from public, the first thing it has to do is to hire an investment bank. Underwriting is the process of raising money by either debt or equity. Here it is being referred in the context of equity shares. Underwriters can be understood as middlemen between the company (going public) and the investing public. The company and the investment bank will first meet to negotiate the deal. Items usually discussed include the amount of money a company will raise, the type of securities to be issued and all the details in the underwriting agreement. The deal can be structured in a variety of ways. For example, in a firm commitment, the underwriter guarantees that a certain amount will be raised by buying the entire offer and then reselling to the public. In a best efforts agreement, however, the underwriter sells securities for the company but doesn't guarantee the amount raised. Also, investment banks are hesitant to shoulder all the risk of an offering. Instead, a syndicate of underwriters is formed, where one underwriter leads it and others sell a part of the issue. Once all sides agree to a deal, the investment bank puts together a registration statement to be filed with the SEBI. This document contains information about the offering as well as company information such as financial statements, management background, any legal problems, proposed utilization of funds to be raised and holding of securities by insiders, etc. The SEBI then requires a cooling off period, in which they investigate and make sure all material information has been disclosed. Once the SEBI approves the offering, a date (the effective date) is set when the stock will be offered to the public. During the cooling off period the underwriter puts together what is known as the Red Herring Prospectus. This is an initial prospectus containing all the information about the company except for the offer price and the effective date, which aren't known at that time. With the red herring in hand, the underwriter and company attempt to hype and build up interest for the issue. They go on a road show, where the big institutional investors are courted.As the effective date approaches, the underwriter and company sit down and decide on the price. This isn't an easy decision: it depends on the company, the success of the road show and, most importantly, current market conditions. Of course, it's in both parties' interest to get as much as possible. Finally, the securities are sold on the stock market and the money is collected from the investor.

After having understood the concept and process of IPO, which might have appeared to be long and complex, lets' discuss various issues related to investing in an IPO by an investor in the individual category. As already discussed that a company desirous of raising capital from the public, either through debt or equity (here we discuss in the context of equity) has to come out with a disclosure document called "Prospectus". This document is of supreme importance for everyone who is an outsider to the company but wishes to own shares in the company. I say so because this is a document which is truly a window to the company. Through this document accompany gives a detailed information about each and every aspect of its working to the outside world, so that people can gain an insight into the company and are in a position to take informed decisions when dealing with the company. Here this information is being required by those potential investors who would be interested to participate in the equity issue provided they have an access to information which they should have to be able to make a sound investment decision. The prospectus holds a unique place in all form of corporate communication documents as it's the only document which the general public would have an access to if a new company, which does not have any proven track record in the public domain, wishes to raise money from public. Therefore this document through which company is offering its securities to the public, Prospectus or Offer Document needs a detailed discussion as to what information is disclosed in it, post which I am sure one would have a complete understanding of it and would be in a good position to understand how to use the disclosures made in it, for making a sound investment decision.

Understanding an Offer Document (Prospectus)

This section basically deals with the contents in an offer document. It's important for the potential investor to first understand what all information is contained in an IPO offer document and also how to read it, understand it and use it for making sound investment decision. Following are contents of an offer document (prospectus) given under specific headings as discussed below:

Cover Page

The Cover Page of the offer document covers full contact details of the issuer company, lead managers and registrars, the nature, number, price and amount of instruments offered and issue size, and the particulars regarding listing. Other details such as Credit Rating, risks in relation to the first issue, etc. are disclosed, if applicable.

Risk Factors

Here, the issuer's management gives its view on the Internal and external risks faced by the company. Here, the company also makes a note on the forward looking statements. This information is disclosed in the initial pages of the document and it is also clearly disclosed in the abridged prospectus. It is generally advised that the investors should go through all the risk factors of the company before making an investment decision.

Introduction

The introduction covers a summary of the industry and business of the issuer company, the offering details in brief, summary of consolidated financial, operating and other data. General Information about the company, the merchant bankers and their responsibilities, the details of brokers/syndicate members to the Issue, credit rating (in case of debt issue), debenture trustees (in case of debt issue), monitoring agency, book building process in brief and details of underwriting Agreements are given here. Important details of capital structure, objects of the offering, funds requirement, funding plan, schedule of implementation, funds deployed, sources of financing of funds already deployed, sources of financing for the balance fund requirement, interim use of funds, basic terms of issue, basis for issue price, tax benefits are covered.

About Us
This presents a review of the details of the business of the company, business strategy, competitive strengths, insurance, industry-regulation (if applicable), history and corporate structure, main objects, subsidiary details, management and board of directors, compensation, corporate governance, related party transactions, exchange rates, currency of presentation dividend policy and management's discussion and analysis of financial condition and results of operations are given.

Financial Statements
Financial statement, changes in accounting policies in the last three years and differences between the accounting policies and the Indian Accounting Policies (if the Company has presented its Financial Statements also as per Either US GAAP/IAS are presented).

Legal and Other Information
Outstanding litigations and material developments, litigations involving the company and its subsidiaries, promoters and group companies are disclosed. Also material developments since the last balance sheet date, government approvals/licensing arrangements, investment approvals (FIPB/RBI etc.), all government and other approvals, technical approvals, indebtedness, etc. are disclosed.

Other Regulatory and Statutory Disclosures
Under this head, the following information is covered: authority for the Issue, prohibition by SEBI, eligibility of the company to enter the capital market, disclaimer clause, disclaimer in respect of jurisdiction, distribution of information to investors, disclaimer clause of the stock exchanges, listing, impersonation, minimum subscription, letters of allotment or refund orders, consents, expert opinion, changes in the auditors in the last 3 years, expenses of the issue, fees payable to the lead managers, fees payable to the issue management team, fees payable to the registrars, underwriting commission, brokerage and selling commission, previous rights and public issues, previous issues for cash, issues otherwise than for cash, outstanding debentures or bonds, outstanding preference shares, commission and brokerage on, previous issues, capitalisation of reserves or profits, option to subscribe in the issue, purchase of property, revaluation of assets, classes of shares, stock market data for equity shares of the company, promise vis-à-vis performance in the past issues, mechanism for Redressal of investor grievances.

Offering Information
Under this head, the following information is covered: Terms of the Issue**,** ranking of equity shares, mode of payment of dividend, face value and issue price, rights of the equity shareholder, market lot, nomination facility to investor, issue procedure, book building procedure if applicable, bid form, who can bid, maximum and minimum bid size, bidding process, bidding bids at different price levels, escrow mechanism, terms of payment and payment into the escrow collection account, electronic registration of bids, buildup of the book and revision of bids, price discovery and allocation, signing of underwriting agreement and filing of prospectus with SEBI/ROC, announcement of statutory advertisement, issuance of confirmation of allocation note ("can") and allotment in the issue, designated date, general instructions, instructions for completing the bid form, payment instructions, submission of bid form, other instructions, disposal of application and application monies, interest on refund of excess bid amount, basis of allotment or allocation, method of proportionate allotment, dispatch of refund orders, communications, undertaking by the company, utilisation of issue proceeds, restrictions on foreign ownership of Indian securities, etc.

Other Information
This head covers description of equity shares and terms of the Articles of Association, material contracts and documents for inspection, declaration, definitions and abbreviations, etc.,

Past Track Record of Defaults/Economic Offences
Investors should also visit www.watchoutinvestors.com, a website aided and sponsored by the Ministry of Company Affairs under its Investor Education &Protection Fund. This website is a national registry of all entities and individuals who have been indicted by various regulators (like MCA, RBI, SEBI, BSE, NSE etc.) for an economic offence and/or for non-compliance laws/guidelines and/or who are no longer in the specified activity.

Applying in an IPO
If one wants to apply in an Initial Public Offer, following things are must for him to know and comply with. You can call them prerequisites of applying in an IPO:

1. Demat Account (Dematerialisation of securities)
An investor has the option to apply for and receive the shares in physical form. However, it is advisable to get the allotment in demat (dematerialized) form as the shares issued through an IPO/FPO are tradable only in the demat form. In any case, for all IPO/FPOs of any security of issue size of Rs.10 crore or more, issues have to be compulsorily be only in dematerialized form, while QIBs (Qualified Institutional Buyers) and large investors (applying for more than Rs.2,00,000), can apply only in demat form. There are two depositories in the country-National Securities Depository Ltd. (NSDL) and Central Depository Services (India) Ltd. (CDSL). Both have an extensive network of authorized Depository Participants (DPs). An investor can open a demat account with any of these DPs. The investor should fill in his the correct DP ID and Client ID details in the application forms.

2. Permanent Account Number (PAN)
Where the bids are for Rs.50,000 or more, the bidder, or in case of a bid in joint names, each of the bidders, should mention his/her PAN allotted under the Income Tax Act. The copy of PAN card or PAN allotment letter is required to be submitted with the application form. Applications without this information and documents are treated incomplete and are liable to be rejected. For more details in this regard, the investors should read the application form carefully.

3. Bank Account/DD
Applications for IPO are valid only if payment is made through a cheque or a Bank DD (demand draft). Application money cannot be paid in cash.

Process of Applying in an IPO/FPO
An investor needs to first obtain an IPO application form. Forms are normally available from share brokers, lead managers, syndicate members and collecting banks. Application forms can also be picked up from the vendor's at major commercial streets in most towns (for example outside the Bombay Stock Exchange).
In the case of fixed price issues, the application form along with a cheque / demand draft for the requisite amount has to be deposited with the designated collecting bankers to the issue, whose names and addresses are printed on the application form.
Application forms should be filled carefully as incomplete/incorrect forms can be rejected due to incomplete details

ASBA (Application Supported By Blocked Amount)
In an endeavour to make the existing public issue process more efficient, SEBI has introduced a supplementary process of applying in public issues, viz., the "Applications Supported by Blocked Amount (ASBA)" process. The ASBA process shall be available in all public issues made through the book building route, as well as for all rights issues. ASBA co-exists with the current process, wherein cheque is used as a mode of payment.
The main features of ASBA process are as follows:
ASBA is an application for subscribing to an issue, containing an authorisation to block the application money in a bank account.

Availability of ASBA bid-cum application forms
Investors can obtain ASBA bid-cum-application forms from Self Certified Syndicate Banks (SCSBs). These forms are also easily available to investors from the website of BSE or NSE.

a) **Self-Certified Syndicate Bank (SCSB** is a bank which offers the facility of applying through the ASBA process. A bank desirous of offering ASBA facility shall submit a certificate to SEBI, for inclusion of its name in SEBIs list of SCSBs. The said list will be displayed by SEBI on its website at www.sebi.gov.in. ASBAs can be accepted only by SCSBs, whose names appear in the list of SCSBs displayed in SEBIs website. On inclusion in the list of SCSBs, a bank shall commence its activities as an SCSB w.e.f. the 1st or 15th of a month, whichever is earlier, from the date of such inclusion. It shall then be deemed to have entered into an agreement with the issuer and shall be required to offer the ASBA facility to all its account holders for all issues to which ASBA process is applicable. An SCSB shall identify its Designated Branches (DBs) at which an ASBA investor shall submit ASBA and shall also identify the Controlling Branch (CB) which shall act as a coordinating branch for the Registrar to the Issue, Stock Exchanges and Merchant Bankers.
b) **ASBA Process in brief:** An ASBA investor shall submit an ASBA physically or electronically through the internet banking facility, to the SCSB with whom the bank account to be blocked, is maintained. Syndicate/Sub- Syndicate members may also procure ASBA forms from the investors and submit it to SCSBs (Syndicate / Sub-Syndicate members would be required to upload the bid and other relevant details of such ASBA forms in the bidding platform provided by the stock exchanges and forward the same to the respective SCSBs. SCSBs shall carry out further action for such ASBA forms such as signature verification, blocking of funds etc. and forward these forms to the registrar to the issue). The application money shall remain blocked in the bank account till finalisation of the basis of allotment in the issue or till withdrawal/ failure of the issue or till withdrawal/ rejection of the application, as the case may be. The application data shall thereafter be uploaded by the SCSB in the electronic bidding system through a web enabled interface provided by the Stock Exchanges. Once the basis of allotment is finalized, the Registrar to the Issue shall send an appropriate request to the SCSB for unblocking the relevant bank accounts and for transferring the requisite amount to the issuers account. In case of withdrawal/ failure of the issue, the amount shall be unblocked by the SCSB on receipt of information from the pre-issue merchant bankers.
c) **Obligations of the Issuer:** The issuer shall ensure that adequate arrangements are made by the Registrar to the Issue to obtain information about all ASBAs and to treat these applications similar to non-ASBA applications while finalizing the basis of allotment, as per the procedure specified in the Guidelines.

Common Questions/concerns of an Individual Investor
After having discussed the process of applying in an initial public offering, let's take up some of the most common queries that crosses the mind of an individual who may be interested in participating in this kind of equity offering.

i) Can I Withdraw an Application after Closure of an IPO/FPO?
The Indian laws allow for a withdrawal of an application before the date of allotment.

ii) As a Bidder Do I Get a Proof of Bids Entered from the Trading Member?
Yes there is a provision of Proof, a Bidder can Request from a Trading Member for Entering Bids. The syndicate member returns the counterfoil with the signature, date and stamp of the syndicate member. The investor can retain this as a sufficient proof that the bids have been taken into account.

iii) Is There a Provision For Changing/Revising the Bids?
The investor can change or revise the quantity or price in the bid using the form for changing/revising the bid that is

available along with the application form. However, the entire process of changing of revising the bids should be completed within the date of closure of the issue.

iv) How Do I Get to Know about IPO currently open or are about to hitthe market?

Every week SEBI issues press releases for information of the public, details of offer documents filed with SEBI and observations issued.

v) At what Price should a Retail Investor apply?

A retail investor is not required to make his bid at a specific price. Since he is not able to take a call on the right price, he should use the cut-off option. This would ensure that his application will be considered valid at all prices, including the final price decided by the issuer. For making bids at cut-off price, the payment has to be made at the highest price of the price band. In case a lower price is finalized or in case the investor is an unsuccessful allottee or is allotted lesser shares than applied for, he would get the necessary refund.

vi) How to improve the chances of allotment in an IPO/FPO?

As most IPO/FPOs get oversubscribed, a retail investor is often disappointed in not getting any allotments or getting miniscule allotments. If an investor has decided on investing in a specific IPO/FPO based upon merits, he should commit as much resources as he can to that IPO/FPO. He should apply for as many shares as possible, within the limit of Rs. 2,00,000. It would also be worthwhile to apply in the names of all family members, provided all of them are applying from their own accounts and all of them have a valid demat account.

Information of General Interest

I hope the questions/concerns discussed above have been to some extent succeeded in providing clarity to the individuals desirous of participating in an Initial Equity of the company. The following section shall now take up some of the technical issues related to an IPO which might be of interest / use to general investor class as far as increasing their awareness levels is concerned. This section intends to provide understanding of some of the important issues relating to floating of an IPO such as – listing of securities on a recognized stock exchange post issue, key intermediaries involved in the process from issue of securities to its allotment, pre-issue and post-issue activities, process and significance of Grading of an Issue, filing of investor grievances, etc.

1) Number of Days for a Company to get its Securities Listed after the Issue

The post-issue lead manager ensures that all steps for completion of the necessary formalities for listing and commencement of trading at all stock exchanges where the securities are to be listed are taken within 7 working days of finalisation of basis of allotment.

With effect from May 1, 2010 the time between public issue closure and listing has been reduced to 12 days from existing of up to 22 days.

2) Key Intermediaries

There are number of intermediaries which are associated with securities market in buying, selling and otherwise dealing in securities such as:-

(xi) stock-broker,
(xii) sub- broker,
(xiii) share transfer agent,
(xiv) banker to an issue,
(xv) trustee of trust deed,
(xvi) registrar to an issue,
(xvii) merchant banker,
(xviii) underwriter,
(xix) portfolio manager,
(xx) investment adviser. Etc.

Merchant Bankers

A Merchant Banker possessing a valid SEBI registration in accordance with the SEBI (Merchant Bankers) Regulations, 1992 is eligible to act as a Book Running Lead Manager to an issue.

In the pre-issue process, the Lead Manager (LM) takes up the due diligence of company's operations/ management/ business plans/ legal etc. Other activities of the LM include drafting and design of Offer documents, Prospectus, statutory advertisements and memorandum containing salient features of the Prospectus. The BRLMs shall ensure compliance with stipulated requirements and completion of prescribed formalities with the Stock Exchanges, RoC (Registrar of companies) and SEBI including finalisation of Prospectus and RoC filing. Appointment of other intermediaries viz., Registrar(s), Printers, Advertising Agency and Bankers to the Offer is also included in the pre-issue processes. The LM also draws up the various marketing strategies for the issue.

The post issue activities including management of escrow accounts, coordinate non-institutional allocation, intimation of allocation and dispatch of refunds to bidders etc. are performed by the LM. The post Offer activities for the Offer will involve essential follow-up steps, which include the finalisation of trading and dealing of instruments and dispatch of certificates and demat of delivery of shares, with the various agencies connected with the work such as the Registrar(s) to the Offer and Bankers to the Offer and the bank handling refund business. The merchant banker shall be responsible for ensuring that these agencies fulfill their functions and enable it to discharge this responsibility through suitable agreements with the Company.

Syndicate Members

The Book Runner(s) may appoint those intermediaries who are registered with the Board (SEBI) and who are permitted to carry on activity as an Underwriter as syndicate members. The syndicate members are mainly appointed to collect the bid forms in a book built issue.

Registrars

The Registrar finalizes the list of eligible allotted after deleting the invalid applications and ensures that the corporate action for crediting of shares to the Demas accounts of the applicants is done and the dispatch of refund orders to those applicable are sent. The Lead manager coordinates with the Registrar to ensure follow up so that the flow of applications from collecting bank branches, processing of the applications and other matters till the basis of allotment is finalized, dispatch security certificates and refund orders completed and securities listed.

Bankers to the Issue

Bankers to the issue, as the name suggests, carries out all the activities of ensuring that the funds are collected and transferred to the Escrow accounts. The Lead Merchant Banker shall ensure that Bankers to the Issue are appointed in all the mandatory collection centers as specified in SEBI ICDR Regulations 2009. The LM also ensures follow-up with bankers to the issue to get quick estimates of collection and advising the issuer about closure of the issue, based on the correct figures.

Concept of IPO Grading

IPO grading has been introduced by SEBI as an endeavor to make additional information available for the investors in order to facilitate their Assessment of equity issues offered through an IPO. IPO grades are assigned by a Credit Rating Agency (CRA) registered with SEBI.

IPO grading is the grade assigned by a Credit Rating Agency registered with SEBI, to the initial public offering/ follow on public offering (IPO/FPO) of equity shares or any other security which may be converted into or exchanged with equity shares at a later date. The grade represents a relative assessment of the fundamentals of that issue in relation to the other listed equity securities in India. Such grading is generally assigned on a five-point point scale with a higher score indicating stronger fundamentals and vice versa as below.

IPO grade 1: Poor fundamentals
IPO grade 2: Below-average fundamentals
IPO grade 3: Average fundamentals
IPO grade 4: Above-average fundamentals
IPO grade 5: Strong fundamentals

Is IPO Grading mandatory or optional?

Grading of an initial public offer or IPO, which had earlier been made mandatory, is now optional.

By when is an Issuer required to obtain the grade for the IPO and what role SEBI has in it?

IPO grading can be done either before filing the draft offer documents with SEBI or thereafter. However, the Prospectus/Red Herring Prospectus, as the case may be, must contain the grade/s given to the IPO by all CRAs approached by the company for grading such IPO. Further information regarding the grading process may be obtained from the Credit Rating Agencies.

SEBI does not play any role in the assessment made by the grading agency. The grading is intended to be an independent and unbiased opinion of that rating agency.

SEBI does not pass any judgment on the quality of the issuer company. SEBIs observations on the IPO document are entirely independent of the IPO grading process or the grades received by the company.

What are the factors that are evaluated to assess the fundamentals of the issue while arriving at the IPO grade?

The IPO grading process is expected to take into account the prospects of the industry in which the company operates, the competitive strengths of the company that would allow it to address the risks inherent in the business (es) and capitalise on the opportunities available, as well as the company's financial position.

While the actual factors considered for grading may not be identical or limited to the following, the areas listed below are generally looked into by the rating agencies, while arriving at an IPO grade

- Business Prospects and Competitive Position
  i. Industry Prospects
  ii. Company Prospects
- Financial Position
- Management Quality
- Corporate Governance Practices
- Compliance and Litigation History
- New Projects Risks and Prospects

Does an IPO grade, which indicates above average or strong fundamentals mean one could subscribe safely to the issue?

An IPO grade is NOT a suggestion or recommendation as to whether one should subscribe to the IPO or not. IPO grade needs to be read together with the disclosures made in the prospectus including the risk factors as well as the price at which the shares are offered in the issue.

How does IPO Grading help in deciding about investing in an IPO?

IPO Grading is intended to provide the investor with an informed and objective opinion expressed by a professional rating agency after analyzing factors like business and financial prospects, management quality and corporate governance practices etc. However, irrespective of the grade obtained by the issuer, the investor needs to make his/her own independent decision regarding investing in any issue after studying the contents of the prospectus including risk factors carefully.

Filing Investor Grievances

Most of the issue complaints pertain to non-receipt of refund or allotment, or delay in receipt of refund or allotment and payment of interest thereon. These complaints shall be made to the post issue Lead Manager, who in turn will take up the matter with registrar to redress the complaints. In case the investor does not receive any reply within a reasonable time, investor may complain to SEBI, Office of investors Assistance. Investors can also lodge their complaints at www.investorhelpline.in, a website aided and sponsored by the Ministry of Company Affairs under its Investor Education & Protection Fund.

Conclusion

Through this article various issues related to basic concerns/queries of an individual investor desirous of investing in an initial equity issue of a company, have been touched upon. As one must have noticed that investing in an IPO needs careful study of the various aspects related to it, like the issuer company, its performance, its promoters, key management personnel, capital, and other related things. SEBI has made many regulations for the capital market (primary and secondary) and has put many checks on the intermediaries and issuing companies so that investor's interest should be protected. Through these regulations SEBI ensures that investors have an access to reasonable amount of information that they would need to make an informed investment decision and for this its mandatory for the companies coming out with the IPO to disclose certain minimum level of information in their offer documents, etc. about their working and various other parameters which investor should know when taking a decision about investing in the company such as performance etc. I hope this review article *which has drawn reference from SEBI publications and some of the investor education websites (investopedia, etc.)* would be beneficial for the general class of investor and would reduce their hardship on account of ignorance of the facts and process.

References

1. Various SEBI Publications issued from time to time under its initiative of Investor Education.
2. SEBI Investor Education website.
3. Articles on various other Investor Education websites, like www.Investopedia.com, etc.
4. IPO Basics - www.money control.com.
5. Guide for investors – www.bseindia.com.