

# Performance of recent ipos against credit ratings finance essay

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I, Bhavarth Sheth student of Masters of Business Administration from Amity Business School, Amity University Uttar Pradesh hereby declare that I have completed Dissertation on " MANDATORY IPO GRADING: REFLECTIONS FROM THE INDIAN CAPITAL MARKET" as part of the course requirement. I further declare that the information presented in this project is true and original to the best of my knowledge. Date: Bhavarth ShethEnroll. No: A0101910134Place: Noida MBA Class of 2012

## **AMITY UNIVERSITY UTTAR PRADESH**

### **AMITY BUSINESS SCHOOL**

#### **CERTIFICATE**

I, Dr. Shalini Trivedi hereby certify that Bhavarth Sheth student of Masters of Business Administration at Amity Business School, Amity University Uttar Pradesh has completed his dissertation on " MANDATORY IPO GRADING: REFLECTIONS FROM THE INDIAN CAPITAL MARKET", under my guidance. Dr. Shalini TrivediAssistant ProfessorDepartment of Economics

#### **ACKNOWLEDGEMENTS**

An in-depth study of Mandatory IPO Grading – this would have not been possible without the imprints of a number of people who directly or indirectly helped me in completing the present study. I would be failing in my duties if I don' t say a word of thanks to all those who helped me conduct this research. First of all, I am extremely grateful to our Director General Dr. Sanjay Srivastava, for his continuous guidance and encouragement during the entire course. I would also like to extend my heartfelt gratitude to our Program Leader Mr. Pradeep Narwal for his continuous support and

encouragement. I would also like to thank Dr. Shalini Trivedi for her tutelage during the course of dissertation. I would like to thank her for her continuous support, mellow criticism and able directional guidance during the project report. I would also like to thank all the respondents for giving their precious time and relevant information and experience, I required, without which the Project would have been incomplete. Finally I would like to thank all lecturers, friends and my family for their kind support and to all who have directly or indirectly helped me in preparing this project report. And at last I am thankful to all divine light and my parents, who kept my motivation and zest for knowledge always high through the tides of time. Sheth Bhavarth UrvishkumarA0101910134MBA(G) Class of 2012

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ABSTRACTSEBI has mandated grading of the Initial Public Offers (IPO) since May 2007 in order to make more information available at the hands of the investors so as to enable them to make a better assessment of the IPO. The rationale behind compulsory rating is the fact that retail investors who are usually at a disadvantage when it comes to disclosure of information and news relating to developments about the company are given an opportunity to look at the fundamentals of the company before investing their hard earned savings and not to be deterred by the general disclaimers that equity investments are subject to market risks. Out of the total 56 public issues that were launched during the one year period from January 2010 to December

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2010, 42 issues traded at a loss after one year of listing compared to their issue price. All these were rated from Grade 1 to Grade 4. This study analyses the objectives of IPO grading and its implications for retail investors on selecting a company for investment based on grading. The issues with listings period between January 2010 and December 2010 are considered for analysis. A primary analysis was done by undertaking a survey of investors' to know their perception regarding Mandatory IPO Grading System and its effect on their investment decision. Working of CRAs has come under scanner off late due to the global financial crisis and their role in it, an attempt has been made to know investors' perception on the same. Thus, a multidimensional study is undertaken to know the Reflections of Mandatory IPO Grading on the Indian Capital Market.

## **CHAPTER 1: INTRODUCTION**

For the first time in the history of securities market regulator, the Indian Market regulator Securities & Exchange Board of India (SEBI) introduced a new requirement effective from May 1, 2007. The new requirement states that a company planning to get listed on the stock exchange needs to obtain a grading of its Initial Public Offering (IPO), prior to the IPO issue, from at least one credit rating agency that is registered with SEBI. This new requirement was unique in the world of IPOs. The rationale behind this compulsory requirement was that IPO grading would represent the fundamental analysis of the issue. And with stock market participation of new and foreign investors increasing, there is need for greater value-added information on companies tapping the capital market and their intrinsic quality. Also, SEBI believed that an IPO grade would offer an additional

feedback to investors, in arriving at an investment decision. Hence, IPO grading can be seen as an effort to make additional indications available to the investors to help them in assessment of equities offered through IPO. The decision for mandatory IPO grading was a result of pressure from certain investor groups. However, the debate on the relevance of IPO grading refuses to die down. There has been disagreement from companies, investment bankers, fund managers and even the SEBI board members for it. They feel that grading should be made optional rather than mandatory because of the fact that it increases the cost of raising funds and also leads to unnecessary delay in the process. The debate is intensified whenever the price of a scrip slips below the IPO price, an IPO gets withdrawn after grading or a highly-graded IPO does not do well on the bourses. Given the fact that grading expenses have been as high as one percent of the total issue size in some cases, some of the concerns by the opposition deserve attention. The question arises is that do these facts make IPO grading irrelevant? The answer is no. This is because IPO grading does not comment on the valuation or pricing of an issue. Also, the price being a market function, it is entirely possible for highly-graded IPOs to do badly on the bourses, especially if the valuations were aggressive and the market on a downward slide or vice-versa. Overall, the basic purpose of grading is to serve as an additional input, which is independent and arrived at through a rigorous analytical process, to aid an investor's decision in subscribing to an IPO. Now, what weightage an investor assigns to an IPO grade given to a stock is a matter of individual judgment.

## THEORETICAL BACKGROUND

### Meaning of IPO:

IPO is an acronym of Initial Public Offering. An initial public offering (IPO) is the financial mechanism by which a private company offers stock to the general public for the first time and officially becomes a publicly traded company. The advantages of raising funds through an IPO are as below –

- Creation of liquidity and potential exit for the current owners
- Access to capital to fund growth
- Enhancement of the company's public profile
- Enable cheaper access to capital
- Attract and retain the best management and employees

IPO in India is done through different methods like fixed price method, book building method, or a combination of both. In the fixed price method the issuer company and the merchant banker agree on an "issue price". The basis of issue price is disclosed in the offer document where the issuer discloses in detail about the qualitative and quantitative factors justifying the issue price. Book Building is a process undertaken by which the demand for the securities proposed to be issued by a body corporate is elicited and built up and the price for the securities is assessed on the basis of the bids obtained for the quantum of securities offered for subscription by the issuer. This method provides an opportunity to the market to discover the price for securities. The process is named so because it refers to collection of bids from investors, which is based on a price range. The issue price is fixed after the closing date of the bid. The IPO market in India has been developing since the liberalization of the Indian economy. According to Ernst & Young (India) , India is the 3rd largest in terms of number of IPOs after China and USA in the first quarter of 2010.

## Meaning of IPO Grading:

On the scale of functional analysis, IPO grading can be defined as an exercise directed towards assessing the quality of equity shares proposed to be offered to the public, with the task of assessment being carried out by a specialised agency, known as 'Credit Rating Agency' (CRA). The outcome of this exercise would be a grade, which would in turn be the qualitative indicator of the fundamentals underlying the security proposed to be issued vis-à-vis the corresponding parameters of the already listed securities. The grade, reflective of the issue quality, is unarguably based on an indeterminate and non-quantifiable concept of fundamentals of the issuer and is an outcome of the assessment of factors which are in turn only qualitative guides to the security being graded. An exhaustive listing of these factors would be a task too tedious and impractical for the simple reason that each moment there arise a host of factors which affect the company and its operations but taking account of all those may not be worthwhile for making an estimation of the underlying strength of the security. Thus, it is pragmatic to identify a list of core factors. The factors identified by SEBI in this regard are –Business and Competitive Position: The alignment between industry opportunities, the company's strategy and objectives. Financial Position and Prospects: Forward looking assessment of key financial indicators such as RoE, ES, P/E, growth in profit, relevant or an equity investor. Management Quality: An evaluation of the ability of the management to handle uncertainty in terms of capitalizing on future business opportunity and mitigating the impact of contingencies. Corporate Governance practices: An evaluation of the company's governance

architecture to determine if it is structured such that the risks and rewards of business are equally available to all shareholders. The selection of these factors evidently reflects a bias in favour of subjective appreciation rather than objectively verifiable components. Furthermore, this grade will not be a recommendation to invest in or sell- off or hold onto a security which is a security-specific assessment essentially based on liquidity and demand of security. As IPO grading discounts the price of the IPO as a factor, it will merely aid the investor in making the investment decision by providing pure information regarding the relative strength of an issue. To elaborate further, the grading is proposed to be done on a five point scale. The lower rung consists of grade 1 denoting ' poor fundamentals', grade 2 denoting ' below average fundamentals' and grade 3 indicating ' average fundamentals'. On the higher rung are grade 4 and grade 5 denoting ' above average fundamentals' and ' strong fundamentals' respectively.

## **Credit Rating Agencies in India**

The success stories of credit rating agencies in the US encouraged a few Indian and foreign financial institutions and banks to establish rating agencies in India. Credit rating in India is the brain child of CRISIL (Credit Rating and Information Services of India Limited). CRISIL was incorporated in January 1987 and commenced its rating activities in January 1988. Its first rating was released in March 1988. ICRA (Investment Information and Credit Rating Agency of India Limited) is the second rating agency established in India (January 1, 1991) at a time when the country was all set to embrace the economic liberalization policy. CARE (Credit Analysis and Research Limited) is the third credit rating agency to be set up in India (April 1993).

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Duff and Phelps Credit Rating India Limited (DCR) is the fourth, but the first private sector rating agency which commenced its operations in India in 1995. Duff and Phelps, and Duff and Phelps India Private Limited merged in November 2001 to form a new entity called, Fitch India Limited, a 100% subsidiary of Fitch IBCA. Brickwork Ratings India Private Limited is the fifth credit rating agency (second private rating agency) registered with SEBI in 2007. Credit rating agencies came into being to evaluate the credit risk of the financial instruments. The basic philosophy behind assigning a credit rating is to enable the investors to take proper investment-related decisions to minimize their risk and maximize their benefits.

## **IPO GRADING PROCESS**

The following is the IPO Grading Process followed by CRISIL. To initiate the process of obtaining an IPO grade, the company first contacts one of the grading agencies. The rating agency broadly tries to identify the strengths and weaknesses of the company under issue in terms of systematic and unsystematic risks and returns. Analysing the overall economic trend, followed by an industry analysis gives the potential investor to get a perspective of the company and its prospects for the days to come. Some of the firm level analysis done during grading includes a report on the financials of the company and information about the upcoming projects and orders. This usually forms the basis for the issue and intends to give a clear view to the investor to make a decision. It is necessary to note that the grading process and the exercise do not include any comment on the price band of the issue. In fact, the price band is not even determined by the Investment Bankers/ Issuers till the time grading is obtained. It is a step – wise regulated



process. The steps involved in the grading process are as follows: Step I: The issuer shares the required information with the grading team of the rating agency Step II: Rating agency follows up with detailed management meetings with the CEO, CFO, and the board of directors, and further follows up with subsequent site visits. Step III: The grading team prepares a detailed note and grading committee assigns the grade. Step IV: Grading Agency publishes a rationale outlining the reasons for the assigned grade Step V: Grading Agency sends the grading report to SEBI, stock exchanges, and to the company. The following is the diagrammatic representation of the grading process –Figure 1. 1 – IPO Grading Process

### **Can the issuer company reject an IPO grade?**

IPO grade/s cannot be rejected. Irrespective of whether the issuer finds the grade given by the rating agency acceptable or not, the grade has to be disclosed as required under the DIP (Disclosure and Investor Protection) Guidelines. However the issuer has the option of opting for another grading by a different agency. In such an event all grades obtained for the IPO will have to be disclosed in the offer documents, advertisements etc.

### **SIGNIFICANCE OF STUDY**

Investment is a risk-return balancing game. A large number of investors have invested a sizeable amount of their savings in expectation of good returns. Over the years, a number of investors have burnt their fingers as a number of companies yielded negative returns. A number of entities defaulted in meeting financial obligations of payment of interest and the repayment of principal amount. Nevertheless, a few investors reaped the fruits of the

market. To succeed in the market, there is a need for evaluating the fundamentals of issuer companies, their prospects and associated risks, before investing in their securities. Managing a risk is a difficult task. It is very difficult to identify and evaluate the risk associated with investments. Successful management of risk, to a greater extent, depends upon the availability of complete and reliable information. Even if the information is available, it is very difficult to understand and analyze the information to take informed investment decisions as many a number of investors do not possess adequate knowledge and skills to analyze and interpret information. They may not be able to understand the finer aspects of information. There lies the significance of specialized market intermediaries who can assist them in understanding the fundamentals of the company and market and read between the lines. It is believed that credit rating agencies are of great help in this regard. Through the transition of economic liberalization, the credit rating agencies in India have grown and they are providing useful services to minimize the risk of loss due to failure of borrower organizations to meet the financial obligations as per the schedule and to enable the investors to understand the fundamentals of companies issuing the equity shares. In spite of pivotal service by the credit rating agencies, they are kept under watch. One of the reasons for this is their failure to predict the fall of many corporate borrowers. Also, many IPOs rated very high performing very badly and vice-versa.

## **SCOPE OF STUDY**

Given that no other capital market in the world practices such a grading scheme, the need to study this unique feature about India's capital market

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that calls for IPO grading. There are various positive sides of an IPO grading. The most significant factors that go in favour of IPO grading are –Professional and independent appraisalRemoval of information overloadImproving investors' sophisticationAdditionally benefit of the IPO grade, in the eyes of the rating agencies, is particularly significant for the smaller firms. While the large and well-known companies would not find it difficult to raise the funds, the middle rung companies would like their equity to be graded such that they could access funds without much track record of their performance. Although IPO grading is a novel method used to safe guard retail investors it has the following potential negative aspects, apart from the criticism already discussed –Grading discourages small entrepreneurs as they are bound to get lower grading due to their relatively poor back groundThe cost of grading is borne by the issuer. Technically SEBI has to bear the cost of monitoring the quality of IPOs. With grading, SEBI shares these costs with the issuers and hence grading may discourage entrepreneurs to raise equity in the public marketGrading equities, unlike debt where the cash flows and time horizon are defined, is much difficult as the cash flows and time horizon are not certain. However, the present growing concern which has brought the issue of the mandatory IPO grading at the trial is that the issuers which have been assessed at a high grade are not performing as per the expectation while those graded low are performing better than these. Many analysts believe that mandatory grading requires amendment since grading does not reflect in the performance of issues in the market. The following table shows the performance of some of the last few public issues that have come in the market. CompanyIPO GradeCredit Rating AgencyIssue Price (Rs)List

Price(Rs) Price as on Oct 31, 2011 (Rs) Return as on Oct 31, 2011 (Non-annualised) (%)

Adani Power	3	ICRA	100	10588.15-11.85
NHPC	4	Crisil	363925.10-30.28	
OIL India	4	Crisil	105010961295.4023.37	
Jindal Cotex	3	Brick Work	757777.052.73	
Mahindra Holidays & Resorts Limited	4	Fitch	300315342.2514.08	
Globus Spirits Limited	3	CARE	100110119.9519.95	
Pipavav Defence and Offshore Engineering Company	3	CARE	5860.0586.2548.71	

**Table 1. 1: Performance of Recent IPOs against Their Credit Ratings**

As it is clearly visible from the table, there is a large variation between the returns generated by IPOs with the same grades. For example, both NHPC and OIL India earned a grade of 4 from the same rating agency Crisil, but as on Oct 31, 2011, Oil India has given a return of 23.37 while NHPC is struggling with a negative return of 30.28. Hence, it becomes very important to get an investor's take on the IPO Grading and its importance. To study the investors' perception of Grading and how it affects their investment decision is very important. Therefore, a primary research of investors would be undertaken for the same.

## CHAPTER 2: LITERATURE REVIEW

### Investors' Perception

It is very important to study the investors' take on the mandatory IPO Grading. To know their perceptions, behaviour and attitude towards the grading system, following literatures were reviewed. It was found necessary to study the impact of grading on the investment pattern of the investors. Baker and Mansi (2002) in their work studied about the attitudes, perceptions, and behaviours of issuers and investors towards the credit rating agencies and their impact on the knowledge they provide about the

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market participants. Through a survey they found that industrial companies issuing bonds and mutual funds investing in corporate bonds differ in some of their assessments about rating agencies. The differences reflect the different roles that rating agencies serve for issuers and investors.

Bheemanagouda and Madegowda (2010) in their study undertook a survey of investors to analyze the investors' perception on the working of credit rating agencies in India. They made an attempt to know the sentiments of the investors towards the rating agencies after the global meltdown that shook the world. They observed from the responses of the respondent investors that the rating agencies certainly play an important role in the development of the capital market. Czarnitzki & Kraft (2007) in their study examined whether credit ratings contribute valuable information and are they helpful to investors. They made an attempt to analyze that do the ratings help to minimize risk. They found that credit ratings provide valuable information to the investors. They concluded that credit ratings are a good reform. Dorn (2009) studied the sentiment that drives IPO purchases made by a sample of clients at a German retail broker. He analyzed the data of two years and observed that the willingness to overpay points to sentiment as a driver of retail trading decisions. Consistent with this interpretation and with sentiment affecting prices, he concluded that the IPOs that are aggressively bought by individuals in the when-issued market exhibit high first-day returns as well as poor aftermarket returns relative to benchmarks of similar stocks.

## **Credit Ratings Agency**

Credit Ratings Agencies are the ones that drive this system of mandatory grading. They study the company and issue a grade showing its fundamental strength. Numerous debates have been there on the working and authenticity if their working after the global crisis. Henceforth, literatures concerning the Credit Rating Agencies were reviewed to get further inputs and views on the same. International Journal (2008) in its article discussed about rationale for the existence of the Credit Rating Agencies after the subprime crisis. The article cites interviews that include valuable insights by 14 experts of the field of finance sharing their views on the same. Ministry of Finance (2009) in their working paper on Comprehensive Regulation for Credit Rating Agencies examined wide ranging steps to improve the functioning and accountability of CRAs including the suggestion that in the medium run regulators may move away from the mandatory rating practice at least in the capital market. Based on the examination of the CRA business models, current regulatory activities, global experiments and the Indian context, this report aims to lay out a broad framework for strengthening the existing regulatory architecture for CRAs in India and incorporates the Committees' vision for new arrangements and practical steps required in this direction. They suggested that CRA's assertion that rating is only an opinion mandatory rating may need to be relooked at. Regulators also need to enhance their due diligence and investors need to strengthen their own information processing systems.

## **IPO Grading**

IPO Grading is a unique feature in the capital markets and its introduction to the Indian Capital Market has been an issue of hot discussion. There have been both positive and negative impacts of the grading system with both parties with their explanation. Therefore, articles were reviewed to know the impact if grading and reason for its opposition. BT Money (2007) in the article throws lights on the failure of IPOs in the capital market and the reasons behind it. The article talks about IPO Grading and has important insights from Crisil's head. The article talks about the importance of IPO Grading for investors and the future of IPO Grading. Deb and Marisetty (2008) in their study examined the efficacy of the unique certification mechanism introduced by SEBI. They analyzed numerous IPOs and found that underpricing of IPOs is lower in the post -grading regime, Retail investors respond to the IPO grading quality i. e. retail investors show more interest on better quality IPOs and Post issue results indicate that high quality or better graded IPOs attract higher liquidity and exhibit lower risk. Khurshed, Paleari and Pande (2010) in their study analysed the certification role of grading. They determined the importance of grading for retail investors and effects of grading on the book – building process. They found that as of now the IPO Grading process is not significantly able to reduce the ex-ante uncertainty and therefore there is no significant drop in the first day returns of Indian IPOs after the introduction of Grading. The uninformed investors for whom IPO Grading was meant are not making use of the ratings. Poudyal (2008) in his study analysed the efficacy of IPO Grading. He analysed various IPOs to determine a relationship between IPO Grading and

numerous other parameters like Underpricing, Overall Subscription, Retail Subscription, Age of company, Price to Book ration, etc. He concluded that there is positive relationship between IPO Grade and Underpricing, Overall Subscription and Retail Subscription. He found that IPO Grading has helped bring more transparency and information symmetry to the market. The Chartered Accountant (2006) in the article throws light on the reasons behind making IPO grading mandatory in India unlike any other country in the world where it is not. The article speaks about SEBI's take on mandatory grading and the benefits to the uniformed investors. Gupta (2007) in his article talked about IPO Grading and how it can help the investors. He emphasized on the fact that most IPOs are like dark horse and very little is known about them. Their grading on the basis of fundamental quality will eliminate the worst of them. He also discussed about the existence of bad quality of IPOs in the market and how grading can separate it from the good ones. He talked about the process and SEBI's guidelines in his article. Haldea (2007) in his article in Express Money discusses on IPO grading as an uncalled requirement. He calls it a weak concept and an inconclusive verdict on whether or not to invest in an IPO. According to him, there are chances that a low grade IPO does well after listing and grading can lead to a lost opportunity. Also, many investors look at the grade as just numbers. He concluded saying that IPO grading gives the investors false sense of security and even lead to confusion.

## **Factors affecting IPO and its Grading**

There are numerous factors that affect the grading and IPO performance.

Also, grading plays an important role in subscription of the issues. Factors

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like over - subscription, under - pricing and retail investment are the outcome grading as shown by few authors. The following literatures were reviewed to find the factors affecting IPO and its grading. Deb (2009) in his study examined the Indian IPOs during the period from 2001 to 2009. He attempted to find the price performance and its relationship with ex-ante and ex-post risk notions on newly issued common stocks in India. He analyzed the data from NSE and BSE and found a strong positive relationship between underpricing and ex-ante as well as ex-post measures of uncertainty. He also studied that the mispricing adjusts very quickly and no excess returns are available to investors in the aftermarket in the short run. Garg, Arora and Singla (2008) in their study examine the existence of underpricing in the Indian Stock Market and the various factors that lead to the same. The study was conducted on the IPOs issued through the NSE in the past seven years. They found the IPO underpricing is significant in short run whereas the abnormal returns because of the same differ from bullish phase to bearish phase. Krishnamurti, Thong and Vishwanath (2009) in their study examined the effects of third-party certification in the Indian IPO market. They analysed the IPOs and their performance to conclude that credit rating agencies in emerging markets can potentially supply useful information of relevance to both retail and institutional investors. Lin & Hsu (2008) in their study examined the pricing determinants of initial public offerings in the Hong Kong and Taiwanese markets by analyzing the data obtained from HKSE, Taiwan Stock Exchange (TSE) and the Stock and Future Commission (SFC) in Taiwan. They found that IPO shares are underpriced to reduce winner's curse for the uninformed investors. This study provides

additional evidence on the initial Performance of IPO firms. The study led to the conclusion that there is lack of influence of reputable underwriters, auditors, commercial banks and institutional investors on determining IPO price. Shelly and Singh (2008) in their research examined the relationship between oversubscription and underpricing in IPOs. This study made an attempt to find out which signalling factors are responsible for oversubscription in Indian IPOs, besides providing evidence on how oversubscription contributes to underpricing in Indian IPOs. The study found that oversubscription had a positive and significant influence on underpricing in Indian IPOs. Poon and Chan (2008) in their study examined whether credit ratings and rating outlooks of the listed companies that are assigned by Chinese rating agencies have any effect on their stock returns. They found that Profitability, Debt structure, firm size, and past stock performance are important factors in determining Chinese credit ratings and rating outlooks. They concluded that credit ratings that are assigned by major Chinese rating agencies have significant effects on the stock returns of the rated companies.

## **CHAPTER 3 – RESEARCH METHODOLOGY**

### **RESEARCH DESIGN**

The research design used in this study of " MANDATORY IPO GRADING: REFLECTIONS FROM THE INDIAN CAPITAL MARKET" is Exploratory Research and Descriptive Research. Exploratory Research is used to know the impact of mandatory IPO Grading on the investment decision of the investors. The study intends to gauge the level of awareness of the entire IPO grading system so as to understand whether the investors are aware of the fact that <https://assignbuster.com/performance-of-recent-ipos-against-credit-ratings-finance-essay/>

the grades are given only on the basis of the fundamentals of an issue and are not signals or recommendation for buy/sell. The basic purpose of this research study is to find out whether the investors are considering IPO grades given by the Credit Rating Agency as a parameter before taking decision regarding investing in the IPO of equity shares. The study also attempts to explore the perception of the investors towards IPO grades and Credit Rating Agency. As the study is essentially meant to gain a better insight into the investors' perception of mandatory IPO grading system and the CRAs, exploratory research is used. Descriptive Research is used for the secondary data analysis to determine if there exists any relationship between IPO grades vis-à-vis Retail Subscription Rate and Listing Day gain. It is a valid method for researching specific subjects and to undertake more quantitative studies. The idea behind this type of research is to study frequencies, averages, and other statistical calculations. Also, the reliability of IPO Grades to predict actual future performance in post IPO secondary market scenario would be tested through relative comparison with an index over a period of time.

## **OBJECTIVES**

To determine the investor's perception and take on the IPO Grades and IPO Grading System. To examine the factors that influence investor's investment decision in an IPO. To understand the Investors' perception about Credit Rating Agencies and its working. To test the efficacy of IPO grading regulation on two questions : Should Retail investors invest more in the high graded IPOs compared to low graded IPOs? Do High graded IPOs lead to more listing day gains as compared to low graded IPOs? To determine the

extent of reliability of IPO Grades and find if they indicate actual future performance.

## **DESCRIPTION OF POPULATION, SAMPLE AND SAMPLING DESIGN**

This research study deals with finding out the Effects of IPO Grading on Investment Decision & Investor's Perception. Hence a primary research will be undertaken for the purpose of understanding the opinions of the investors towards the process of IPO grading, grades and CRAs. Population - Retail Investors of Delhi region. Sample Size - A total of 152 investors surveyed. The sample size is selected on the basis of prior research conducted by Bheemanagouda and J Madegowda (2010) conducted in Karnataka. Sampling Design - Judgmental sampling method. Sample Size for Secondary Data: The sample size of secondary data would consist of all the IPOs issued and listed on NSE in the year 2010. A total of 56 IPOs were analyzed.

## **DATA COLLECTION PROCEDURES**

### **Primary Data –**

A close – ended Questionnaire is designed to collect primary data which will be circulated through - E-mail.

### **Secondary Data**

Information about IPO grades, Issue Price, NSE Data, oversubscription and listing day gains will be obtained from -[www. bseindia. com](http://www.bseindia.com)[www. nseindia. com](http://www.nseindia.com)[www. crisil. com](http://www.crisil.com)[www. icra. in](http://www.icra.in)

## **PILOT STUDY**

A Pilot Survey was conducted of 20 samples. The questionnaire was circulated through the same medium as mentioned above.

## **RELIABILITY ANALYSIS OF THE VARIABLES SELECTED IN INSTRUMENT:**

IPO GRADING –Cronbach's AlphaN of Items. 6699Table 3. 1: Reliability

Statistics of IPO GradingINVESTMENT PERCEPTION –Cronbach's AlphaN of Items. 88715Table 3. 2: Reliability Statistics of Investment PerceptionAs per Naresh Malhotra (2010), a Cronbach's Alpha score of 0. 6 or more is considered reliable. Both the scores as per the Pilot Survey conducted shows the variables of the instrument to be reliable to highly reliable. Hence, we can go ahead with the primary survey. The respondents' profile was broadly as follows –

### **Number of IPOs applied till date**

Figure 3. 1 – Number of IPOs applied by Respondents' till date80% of the respondents had applied in less than 5 IPOs till date while only 20% respondents applied for 5 to 15 IPOs.

### **Awareness of IPO Grading Concept**

Figure 3. 2 – Respondents' Awareness of IPO Grading85% of respondents were aware of the Concept of IPO Grading while 15% respondents were not.

### **Conclusions from the Pilot Study –**

The Pilot Study showed that 85% of the respondents were aware of the concept of IPO Grading while 80% of them made use of it. This high percent

shows that retail investors are making appropriate use of the mandatory IPO grading system introduced by SEBI with the objective of providing additional information for investors. While on preference of CRA was as - CRISIL, ICRA, CARE and FITCH, investors had mixed response when asked their view if the cost of grading is transferred on to them. But when it came to factors influencing investment decision, IPO Grading was not considered very important as it received a score of 2 by 55% of respondents. The Pilot Study showed appropriate results and the questionnaire was found to be fulfilling the research questions. The reliability score is also high. Hence, a final survey can be conducted on the same questionnaire.

## **DESCRIPTION OF HOW DATA WILL BE ANALYZED**

The data obtained through primary research will be analyzed through statistical software SPSS. Various tests would be carried to know the impact of IPO Grading on investors' decision and their perception of the whole system. For the first three objectives the following tests will be applied - Investors' Perception on IPO Grading System: t - test, Crosstabs. Factors influencing Investment: Factor Analysis. Investors' Take on CRA: Cross Tabs, Kruskal-Wallis Rank Test. Secondary data would be analyzed by applying t-test and averages to know the efficacy of IPO grading and impact on Retail Subscription alongwith Listing Day gains.

## **CHAPTER 4: DATA ANALYSIS AND FINDINGS**

### **SECONDARY DATA ANALYSIS**

The secondary data analysis would answer to the following Research Questions -What is the efficacy of IPO grading regulation on two questions :

Do Retail investors invest more in the high graded IPOs compared to low graded IPOs? Do High graded IPOs lead to more listing day gains as compared to low graded IPOs? What is the extent of reliability of IPO Grades? Do they indicate actual future performance? For Secondary Data Analysis, IPOs that came in the year 2010 and were listed on NSE were taken into consideration. A total of 56 IPOs are considered for the analysis.

## **IPO Grades v/s Retail Subscription**

### **Do Retail investors invest more in the high graded IPOs compared to low graded IPOs?**

To analyze the above research question, Over – Subscription by the Retail Investors is taken into consideration.

### **Step: 1 - Hypothesis**

Null Hypothesis – Grades does not impact Subscription Rate by Retail

Investors  
Alternate Hypothesis – Grades does impact Subscription Rate by Retail Investors

### **Step: 2 – Significance Level:**

$$\alpha = 0.05$$

### **Step: 3 - Critical Value and Rejection Region:**

Reject the null hypothesis if  $p\text{-value} \leq 0.05$ .

### **Step: 4 – Test Statistic**

ANOVA Test is applied to test the hypothesis

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	205.792	1	205.792	22.329	.000 <sup>a</sup>
2 Residual	4770.713	54	88.347		
Total	4976.505	55			

<sup>a</sup>. Predictors: (Constant), Grade

Dependent Variable: Subscription

ANOVA Test is applied to test the hypothesis

<https://assignbuster.com/performance-of-recent-ipos-against-credit-ratings-finance-essay/>

Variable: Retail\_SubscriptionTable 4. 1: ANOVA Test for IPO Grades v/s Retail Subscription

### **Step: 5 - Conclusion**

Since  $p\text{-value} = 0.133 > 0.05$ , we shall accept the null hypothesis.

### **Step: 6 - State conclusion in words**

At  $\alpha = 0.05$  level of significance, there does not exist enough evidence to conclude that the IPO Grades affects the Retail Subscription.

## **Linear Regression Analysis**

### **Model Summary**

ModelRR SquareAdjusted R SquareStd. Error of the Estimate1.203a.041.

0249.39928a. Predictors: (Constant), Gradeb. Dependent Variable:

Retail\_SubscriptionTable 4. 2: Regression Analysis of IPO Grades v/s Retail

SubscriptionThe R value is 0.203, which represents the simple correlation

and, therefore, indicates a very low degree of correlation i. e. almost no

correlation. The  $R^2$  value indicates how much of the dependent variable,

Retail Subscription, can be explained by the independent variable, IPO

Grades. In this case, 4.1% variability in Retail Subscription can be explained

by IPO Grades which is very low. Thus, our Null Hypotheses holds true i. e.

Grades does not impact Retail Subscription.



## IPO Grades v/s Listing Day Gains

### Do High graded IPOs lead to more listing day gains as compared to low graded IPOs?

To analyze the above research question, Listing Day Gains are calculated as follows: Listing Day Gains =

#### Step: 1 - Hypothesis

Null Hypothesis – There is no relationship between IPO Grades and Listing Day Gains. Alternate Hypothesis – There is a relationship between IPO Grades and Listing Day Gains.

#### Step: 2 – Significance Level:

$\alpha = 0.05$

#### Step: 3 - Critical Value and Rejection Region:

Reject the null hypothesis if  $p\text{-value} \leq 0.05$ .

#### Step: 4 – Test Statistic

ANOVA Test is applied to test the hypothesis

#### ANOVA

Model Sum of Squares df Mean Square F Sig. 1 Regression 25.091 125.091 .028.

867a Residual 47887.926 54886.813 Total 47913.017 55a. Predictors:

(Constant), Gradeb. Dependent Variable: Listing\_Gains Table 4.3: ANOVA

Test for IPO Grades v/s Listing Day Gains

#### Step: 5 - Conclusion

Since  $p\text{-value} = 0.867 > 0.05$ , we shall accept the null hypothesis.

## Step: 6 - State conclusion in words

At  $\alpha = 0.05$  level of significance, there does not exist enough evidence to conclude that there is any relationship between IPO Grades and Listing Day Gains. Hence, High graded IPOs do not lead to more listing day gains as compared to low graded IPOs

## Diagrammatic Representation of Average Listing Day Gains w. r. t. IPO Grades

Figure 4. 1: Average Listing Day Gains w. r. t. IPO Grades As it can be clearly seen from the Average Listing Day Gains that Grade 1 IPOs return -23.47% while Grade 4 IPOs return 6.54% which is lesser than the returns by Grade 2 and Grade 3 IPOs.

## Linear Regression Analysis

### Model Summary

Model R Square Adjusted R Square Std. Error of the Estimate 1.023a.001-.01829.77941a.

Predictors: (Constant), Grade b. Dependent Variable:

Listing\_Gains Table 4. 4: Regression Analysis of IPO Grades v/s Listing Day

Gains The R value is 0.023, which represents the simple correlation and, therefore, indicates no correlation. The R<sup>2</sup> value indicates how much of the dependent variable, Listing Day Gains, can be explained by the independent variable, IPO Grades. In this case, only 1% variability in Listing Day Gains can be explained by IPO Grades which is almost nothing. Thus, our Null Hypotheses holds true i. e. Grades does not impact Listing Day Gains.

## **Reliability of IPO Grades**

### **What is the extent of reliability of IPO Grades? Do they indicate actual future performance?**

Credit Rating Agencies (CRAs) virtually do not have any accountability if the post-issue scenario erodes the wealth of the investors. Therefore, if an investor follows a grade 5 recommendation of an issue and if the share crashes on the listing day as in many cases, the investor cannot ask for compensation from the CRAs for any losses as the CRAs only give an opinion and not a recommendation or surety. In fact the CRA does not have any interface or vote with the investor, who is the end user and for whose assistance the entire infrastructure of mandatory IPO grading system is supposed to cater to. To test whether IPO Grades can be relied on for future performance of the stock, an empirical analysis is conducted which would take into consideration the 56 IPOs listed between January 2010 and December 2010.

### **Empirical Analysis:**

The following analysis is done to test whether the IPO grades are an indication of the actual future performance of the stock: 1. Compute the returns of the stock on listing w. r. t. issue price. 2. Compute the returns of the stock one year from the date of listing w. r. t. issue price. 3. Find the relative gain/loss of the stock w. r. t. a benchmark index (here Nifty) to compensate for the systematic risks. 4. If the relative return of the stock is negative, we shall consider the IPO as " Failure". The retail investor very often expects and believes that an IPO with a higher grade would have lower failure rate. Ideally, the investors will expect IPOs with Grade 4 and 5 IPOs to

be successful as they have been awarded with "Above average fundamentals" and "Strong fundamentals".

## Post Listing Returns -

Out of the total 56 IPOs which got listed between January 2010 and December 2010 and were considered for this study, 42 of them delivered negative returns and 41 delivered relative negative returns i. e. relative performance of the stock with respect to Nifty. The negative return was as high as -83.48% while the relative return was lowest at -85.81%. December 2010 is taken as the cut-off date as computing the one year return is one of the critical parameters in determining the success/failure of any issue.

Grade	Failed IPOs	Total IPOs	Average Relative Returns	Failure Rate
1	1	1	001.00	100.00
2	19	20	0020.00	42.76
3	10	31	00310.00	18.00
4	18	45	0018.04	55.56
5	13	13	0015.00	20.90

Table 4.5: IPO Performance

Figure 4.2: IPO Grades

From Figure (a), 62% out of 56 i. e. 35 issues received either Grade 3, Grade 4 or Grade 5 which indicates that the issuing companies must be having atleast average fundamentals. Therefore even if we ignore the timing of the issue which may drive down the prices despite good fundamentals, we will consider the returns of the stock one year from date of listing which is sufficient enough to even out periods of high volatility in secondary markets. Again the criteria for failure of the IPO would be the relative performance and not absolute performance to account for market conditions. Figure 4.3: Failure Rate of IPO

Applying the rule for failure of an IPO as discussed above for our time period of analysis, we find that the failure rate increases with the decrease in grading except for Grade 4. The salient aspect being that for Grade 4 IPOs, the failure rate is as high

as 86. 67% and which is even higher than the IPOs that received Grade 3. This shows that IPOs with Grade 3 are faring better than Grade 4 IPOs after 1 year of listing. Even for Grade 5 issues which are supposed to be " Strong Fundamentals", the failure rate is 50%. For Grade 1 and 2, the failure rate is as high as 100% and 95% respectively. Therefore practically, any issue with grading Grade 1, Grade 2 or Grade 4 would have almost similar failure rates irrespective of the fundamentals of the company even when the market conditions are accounted for. Therefore, the investors have to reconsider the relevance of IPO grading as a factor while deciding whether or not to subscribe for an issue.

Figure 4. 4: Average Relative Returns

Figure (c) shows the average returns generated by the cluster of each IPO grade. On an average basis, Grade 1 has the least return but that doesn't mean that issues in other Grading segments fare better. Factually, Grade 2 has the highest number of negative return earning issues with the least being of -85. 81% returns of DB Realty. Interestingly, Grade 3 issues such as Jubilant Foodworks, Thangamayil Jewellery, Talwalkars Better Value Fitness and Gravita India produced higher returns than the highest returns provided by Grade 4 stocks with Gravita India giving the highest return of 269. 64% for the time period considered. In Grade 4 stocks, it was Eros International Media Limited and Gujarat Pipavav port which earned the highest returns of 55. 47% and 53. 88% respectively. In Grade 5 Coal India returned a positive increment of 49. 06% while Moil India returned negative returns of -20. 27%

There seems to be no relevancy of grades with returns given. Higher Grades does not result into higher gains. There appears to be no correlation

when the returns of issues in one Grade are compared with returns of the other.

## Linear Regression Analysis

### Step: 1 - Hypothesis

Null Hypothesis – There is no relationship between IPO Grades and Relative Returns after one year. Alternate Hypothesis – There is a relationship between IPO Grades and Relative Returns after one year.

### Step: 2 – Significance Level:

$$\alpha = 0.05$$

### Step: 3 - Critical Value and Rejection Region:

Reject the null hypothesis if  $p\text{-value} \leq 0.05$ .

### Step: 4 – Test Statistic

ANOVA Test is applied to test the hypothesis

### ANOVA

Model Sum of Squares df Mean Square F Sig. 1 Regression 10733.817 1 10733.817 2.440 0.124 a

Residual 237560.118 544 399.261 Total 248293.936 a.

Predictors: (Constant), Grade b. Dependent Variable: Relative\_Returns Table

4.6: ANOVA of Relative Returns

### Step: 5 - Conclusion

Since  $p\text{-value} = 0.124 > 0.05$ , we shall accept the null hypothesis.

## Step: 6 - State conclusion in words

At  $\alpha = 0.05$  level of significance, there does not exist enough evidence to conclude that there is any relationship between IPO Grades and Relative Returns after one year. Hence, High graded IPOs do not lead to Relative Gains after one year of listing vis-à-vis Nifty. Therefore, IPO Grades cannot indicate actual future performance and neither can they be relied upon.

## Model Summary

Model R Square Adjusted R Square Std. Error of the Estimate 1.208a. 043. 02666. 32693a. Predictors: (Constant), Gradeb. Dependent Variable: Relative\_Returns

Table 4. 7: Regression of Relative Returns

The R value is 0.208, which represents the simple correlation and, therefore, indicates a very low degree of correlation i. e. almost no correlation. The R<sup>2</sup> value indicates how much of the dependent variable, Relative Returns, can be explained by the independent variable, IPO Grades. In this case, 4.3% variability in Relative Returns can be explained by IPO Grades which is very low. Thus, Grades do not impact Relative Returns and can't help in predicting future performance of the stocks.

## PRIMARY ANALYSIS

### **Mandatory IPO Grading – Reflections from the Indian Capital Market**

#### **A Primary Analysis of its Effects on Investor's Perception & Investment Decision**

## DEMOGRAPHIC DETAILS

### **The Details pertaining to the Gender and Age Group of the Respondents of the Survey conducted to know Effects of Mandatory IPO Grading on Investor's Perception & Investment Decision:**

Figure 4. 6: Age - Group of Respondents

Figure 4. 5: Respondents' Gender

Figure 4. 1: Respondents' Gender

Figure 4. 1: Respondents' Gender

Figure 4. 1: Respondents' Gender

Figure 4. 1: Respondents' Gender

Figure 4. 1: Respondents' Gender

Figure 4. 1: Respondents' Gender

Figure 4. 1: Respondents' Gender

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Figure 4. 1: Respondents' Gender

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Figure 4. 1: Respondents' Gender

Figure 4. 1: Respondents' Gender

Figure 4. 1: Respondents' Gender

Figure 4. 1: Respondents' Gender

Figure 4. 1: Respondents' Gender

79% of the Investors surveyed were Male while meager 32 Females formed the remaining part of respondents. 78 Respondents belong to 18 - 27 years Age group which shows the increase in number of young people investing in the capital market. 42 Respondents belong to 28-37 years Age Group while the Age Group of 38- 47 had 25 Respondents. Only 7 Respondents belong to the Age Group of 48 and above.



## INVESTORS' PROFILE

### **Q. What is your annual investment in the Stock Market?**

Figure 4. 7: Annual Investment in Stock Market 95 Respondents invested in the range of Rs. 0 – Rs. 50, 000 which is also because of the fact that majority respondents belonged to the young class who has newly started earning. While the range Rs. 50, 000 – Rs. 1, 00, 000 and More than Rs. 1, 50, 000 had almost equal number of Respondents, only 4% Respondents belong to Rs. 1, 00, 000 – Rs. 1, 50, 000 range.

### **Q. Since how many years have you been investing in the Stock Market?**

Figure 4. 8: Since how many years investing in Stock Market 64 Respondents had newly started investing in the stock market, the reason maybe the cheaply available Blue Chip shares during the last one year when the entire share market took a toll of Global Crisis or Surplus Income of many respondents. 33% of the Respondents were investing since 1 year to 3 years while 27 were associated with the market from 3 years to 5 years. 5 Respondents had been investing since 5 years to 10 years while 4 Respondents had been long associated with the market and their relationship was as long as more than 10 years.

### **Q. How many IPOs have you applied for till date?**

Figure 4. 9: No. of IPOs applied till date 65% of the Respondents had invested in less than 5 IPOs. This may be because of the fact that 64 Respondents had started investing just from last year. Also, in 2011 only 37 IPOs were successfully listed and out of that many were graded with poor and below

average fundamentals. Only 9 Respondents had applied for more than 15 IPOs and all of them were associated with the market for more than 3 years.

## **IPO GRADING**

### **Q. Do you understand the Grades assigned by Credit Rating Agencies (CRA) and do you consider them before investing?**

Figure 4. 10: Understanding of IPO Grading & Consider IPO Grading

Crosstabulation 80% of the Respondents told they understood the IPO Grades assigned by the Credit Rating Agencies while 20% of the investors were unaware of the concept. The system of IPO Grading has been introduced by SEBI to provide additional inputs to the retail investors before taking investment decision. But 20% illiteracy of the concept calls for Initiation of Financial Literacy drive by SEBI. Out of 122 Respondents who understood the Grading, 14 of them did not consider it to be criteria while investing while 26 investors considered the grades though they didn't understood what it actually shows. This blindly follow of grading by 26 respondents may lead them to believe Grades as Recommendations and not an Opinion.

### **Q. What is the No. of IPOs applied by you and did you consider IPO Grades?**

Figure 4. 11: Understanding of IPO Grading & Consider IPO Grading

Crosstabulation 30 Respondents who had applied for less than 5 IPOs did not consider the Grades which may have resulted in their applying of IPOs with Poor Fundamentals and Below Average Fundamentals which has a high rate of not performing as against the market. All the Respondents with IPOs application of more than 15 did consider the Grades before investing. A total of 9 Respondents fall into this category. This is a startling fact which also <https://assignbuster.com/performance-of-recent-ipos-against-credit-ratings-finance-essay/>

shows that with increase in number of years in the market investing, people do start considering the grades. Overall, there were 74% of respondents falling in various IPO Application categories who did consider the grades before investing.

### **Q. Do Investors' who understand IPO Grades think that IPO Grades can predict post IPO secondary market liquidity and risk?**

Figure 4. 12: Understanding of IPO Grading & can predict post IPO Grading

Crosstabulation Perhaps the most critical factor while subscribing for any issue from the perspective of a retail investor would be its issue price. But the grading process and the exercise does not include any comment on the price band of the issue. In fact, the price band is not even determined by the Investment Bankers/ Issuers till the time grading is obtained. Also, the Grades are CRAs' opinion on the Fundamentals of the Issue and not a recommendation that the Issue would do well Post IPO in secondary market. The investors' who claim to understand the IPO Grades and still believe that they can predict actual future performance are unaware of basic factors considered by CRAs and are with wrong interpretations in their mind which could prove fatal post IPO. An astounding 29% of the respondents who claim to understand the grading believe the untrue. In order to remove possible misconception SEBI needs to bring in a mandate where it becomes necessary for the CRAs to prominently display on the grading document that the price of the issue has not been accounted, when the grade was assigned to the issue.

## Q. What do Investors think about the grades assigned by CRA?

One Sample t-test is applied to check whether a positive consensus is formed among the respondents regarding the grades assigned by CRAs. Investors' Perception is obtained on the four basic pillars of IPO Grades and an unbiased opinion by CRA.

### One-Sample Statistics

N Mean Std. Deviation Std. Error Mean IPO Grades reflect the Business & Competitive Position of the Company 1523. 571. 014. 082 IPO Grades reflect the Financial Position and Prospects 1523. 73. 913. 074 IPO Grades reflect the Management Quality 1523. 43. 896. 073 IPO Grades reflect the Corporate Governance practices 1523. 25. 937. 076 IPO Grades are Reliable 1523. 51. 913. 074 IPO Grades are Free from Biases 1523. 13. 961. 078

Table 4. 8: One Sample Statistics of what investors think about IPO Grades

### One-Sample Test

Test Value = 395% Confidence Interval of the Difference t df Sig. (2-tailed) Mean Difference Lower Upper IPO Grades reflect the Business & Competitive Position of the Company 6. 877 151. 000. 566. 40. 73 IPO Grades reflect the Financial Position and Prospects 9. 858 151. 000. 730. 58. 88 IPO Grades reflect the Management Quality 5. 885 151. 000. 428. 28. 57 IPO Grades reflect the Corporate Governance practices 3. 290 151. 001. 250. 10. 40 IPO Grades are Reliable 6. 927 151. 000. 513. 37. 66 IPO Grades are Free from Biases 1. 689 151. 093. 132-. 02. 29

Table 4. 9: One Sample t-test of what investors think about IPO Grades

Interpretation: Investors' agree on all the four pillars of IPO Grades viz. IPO Grades reflect the Business & <https://assignbuster.com/performance-of-recent-ipos-against-credit-ratings-finance-essay/>

Competitive Position of the Company IPO Grades reflect the Financial Position and Prospects IPO Grades reflect the Management Quality IPO Grades reflect the Corporate Governance practices The only aspect where it fails is the Investors' Perception on Whether the IPO Grades are free from Biases as  $p = 0.093 > 0.05$  at 5% Level of Significance. This means that investors believe that grades can be manipulated easily. Obviously, the issuer pays and remunerates all other agencies like the merchant bankers and brokers at the front end and the rating agency and the registrar & transfer agent at the back end. Moreover, for the rating agencies it is the very nature of such fees that constitute the bread and butter of their total revenue. Hence, the fairness of grading has come under fire and more so after the recent financial crisis. This has led them to believe about the biasness of grades.

### **Q. Is there any relationship between Investors' take on biasness in IPO Grades and Working of Credit Rating Agency?**

#### **Step: 1 - Hypothesis**

Null Hypothesis – There is no relationship between Investors' take on biasness in IPO Grades and Working of Credit Rating Agencies. Alternate

Hypothesis – There is a relationship between Investors' take on biasness in IPO Grades and Working of Credit Rating Agencies.

#### **Step: 2 – Significance Level:**

$$\alpha = 0.05$$

#### **Step: 3 - Critical Value and Rejection Region:**

Reject the null hypothesis if  $p\text{-value} \leq 0.05$ .

## Step: 4 – Test Statistic

### Working of Credit Rating Agency \* IPO Grades are Free from Biases Crosstabulation

CountIPO Grades are Free from BiasesTotalStrongly

DisagreeDisagreeNeutralAgreeStrongly AgreeWorking of Credit Rating

AgencyWorks Independently & Objectively01140271290Do not work

Independently & Objectively313106032Can't

Say29144130Total533643713152Table 4. 10: Working of Credit Rating

Agency \* IPO Grades are Free from Biases Crosstabulation

## Chi-Square Tests

ValuedfAsymp. Sig. (2-sided)Pearson Chi-Square27.905a8.000Likelihood

Ratio31.9348.000Linear-by-Linear Association17.2021.000N of Valid

Cases152a. 5 cells (33.3%) have expected count less than 5. The minimum

expected count is .99. Table 4. 11: Chi - Square: Working of Credit Rating

Agency \* IPO Grades are Free from Biases

## Step: 5 - Conclusion

Since  $p\text{-value} = 0.000 < 0.05$ , we shall reject the null hypothesis.

## Step: 6 - State conclusion in words

At  $\alpha = 0.05$  level of significance, there exists enough evidence to conclude that there is a relationship between Investors' take on biasness in IPO Grades and Working of Credit Rating Agencies. They feel that there are mutually related.

**Q. Would you invest in a Poorly Graded (1/5) IPO of a well – known and old company like TATA or Reliance?**

Figure 4. 13: Invest in poorly graded IPOsAn astounding 59% of investors told that they would still be investing in an IPO though it received 1/5 ratings as it belonged to a well – known company. This result raises question on the viability of the IPO Grades and SEBI's decision to make it mandatory. The results can mean that in the Indian Capital Market, Brand Name holds utmost importance and a poor grade by CRA cannot prevent the investors to apply for it.

**Q. Do you want the mandatory IPO Grading system to continue in India and what if its cost is to be shared by you as well?**

The company desirous of making the IPO is required to bear the expenses incurred for grading an IPO. Initially, when the system was brought in, it was said that SEBI would bear the expenses of grading. But eventually, it was transferred onto the Issuer and this led to the increase in cost of raising money. Now, the debate is whether the cost can be transferred onto the Investors. Figure 4. 14: Crosstabulation-Mandatory IPO Grading to continue & cost is to be shared35 out of the 143 Respondents who told that Mandatory IPO Grading System should be continued in India disapproved the proposal of sharing the cost of grading. While 9 Respondents were not interested in continuation of IPO Grading and neither ready to share the cost. Henceforth, SEBI needs to find a middle way out of this. As not transferring the cost is leading to increase in cost of raising capital and it is one of the hurdle

especially for small firms. While retail investors are not ready to share the cost of this independent research conducted by CRAs

## CREDIT RATING AGENCIES

### **Q. Rank the following Credit Rating Agencies as per your preference**

Kruskal-Wallis Test is run to Rank the four CRAs considered by investors.

### **Ranks**

NMean RankCRA1. 00152266. 502. 00152354. 503. 00152162. 504.

00152434. 50Total608Table 4. 12: Kruskal-Wallis Rank Test of four CRAsIn

ranking, as 1 means maximum and 4 means minimum, the lowest mean rank

would be considered to be 1st and so on. In the above table, 1 = ICRA, 2 =

CARE, 3 = CRISIL & 4 = FITCH. RanksCRA1CRISIL2ICRA3CARE4FITCHTable 4.

13: Ranks of four CRAsCRISIL is ranked No. 1 in our study, with 92 Investors

preferring CRISIL as No. 1 over other CRAs. FITCH was the least preferred

CRA by the Investors with Rank 4 Score of 93. The mean rank also shows the

same. The question of ranking the CRAs as per the preference is very

important because of times when an Issue is graded by more than one

agency, 47% of the respondents told that they would go with the rating by

their preferred CRA. Thus, it becomes necessary for CRAs to build trust

among the investors and build their brand which would in turn help them in

long run.



## **Q. What do you think about the working of Credit Rating Agencies?**

The high number of IPOs graded well but underperforming as compared to the market has brought the fairness of grading under fire and more so after the recent financial crisis. Many companies around the world that were graded very high failed and investors lost lot of money in them. This has led to raise questions on the working of Credit Rating Agencies. Out of the 56 IPOs listed on NSE in 2010, 41 were giving relative negative returns even after a year. 24 of the 41 IPOs belong to average and above fundamentals category. Figure 4. 15: Working of CRAs 21% of the respondents were of the opinion that CRAs do not work independently and objectively. This tarnished image of CRAs is the result of recent IPO failures. It becomes very important for CRAs to work on regaining investors' confidence back. Also, 20% of the respondents were not sure about the working of CRAs which again is a threat to the image of CRAs in the country. Almost 40% were those who did not firmly agree on the independency and objectivity of the working of CRAs.

## **Q. What is your opinion on Grading by more than one CRA?**

### **Do you think there is a need of IPO Grading of an Issue by more than one CRA?**

With high no. of IPO failures, grading of an issue by more than one CRA would help the investors in better judgement of the issue. A second opinion is never harmful. Figure 4. 16: Need for Grading by more than one CRA

## **Which grade would you consider if different CRAs have assigned different IPO grades?**

Figure 4. 17: Grade considered when grading by more than one CRA 47% of the respondents told that they would go with their preferred CRA while 7% would not consider if the grades given are different by various CRAs. 42 respondents would go with the higher grading while 28 would adopt a conservative approach and go for the lower grading.

## **FACTORS AFFECTING IPO INVESTMENT DECISION**

A total of 15 factors were examined to know what affects Investors' decision of investing in an IPO. Factor Analysis was used to reduce the number of factors. The following are the factors examined – Factors influencing Investment Decision in an IPO

- Own Judgment
- IPO Grading
- Advise of brokers/ broking house
- Expert opinions
- Industry prospectus
- Company Background
- Promoters' of the company
- Recommendations by family & friends
- Name of the underwriters of the IPO issue
- Future prospectus of the business
- Brand name of the company
- Management of the Organization
- Past financial records if available
- Economic Scenario
- Review of issuer-organization in print/e-media

Table 4. 14: Factors influencing Investment Decision in an IPO

## **Factor Analysis**

### **Kaiser-Meyer-Olkin (KMO) and Bartlett's Test**

#### **KMO and Bartlett's Test**

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.. 824  
Bartlett's Test of Sphericity Approx. Chi-Square 762. 460 df 105 Sig.. 000

Table 4. 15: KMO and

**Bartlett's Test**The first item from the output is the Kaiser-Meyer-Olkin (KMO) and Bartlett's test. The KMO measures the sampling adequacy which should be greater than 0. 5 for a satisfactory factor analysis to proceed. With KMO measure of 0. 824, we can proceed with the factor analysis. From the same table, we can see that the Bartlett's test of sphericity is significant. That is, its associated probability is less than 0. 05. Communalities:

## Communalities

InitialExtractionOwn Judgment1. 000. 656IPO Grading1. 000. 670Advise of brokers/ broking house1. 000. 651Expert opinions1. 000. 770Industry prospectus1. 000. 597Company Background1. 000. 625Review of issuer-organization in print/e-media1. 000. 639Recommendations by family & friends1. 000. 636Name of the underwriters of the IPO issue1. 000. 645Future prospectus of the business1. 000. 533Management of the Organization1. 000. 568Past financial records if available1. 000. 713Economic Scenario1. 000. 529Promoters' of the company1. 000. 599Brand name of the company1. 000. 508Extraction Method: Principal

**Component Analysis. Table 4. 16: Communalities of Factor Analysis**The next item from the output is the table of communalities which shows how much of the variance in the variables has been accounted for by the extracted factors. For instance over 67% of the variance in IPO Grading is accounted for while 77% of the variance in Experts' Opinion is accounted for. **Total Variance Explained:** The next item shows all the factors extractable from the analysis along with their eigenvalues, the percent of variance attributable to each factor, and the cumulative variance of the factor and the previous factors.

## Total Variance Explained

Component	Initial Eigenvalues	Extraction Sums of Squared Loadings	Rotation Sums of Squared Loadings	Total % of Variance	Cumulative %	Total % of Variance	Cumulative %
1	15.085	33.902	33.902	33.902	33.902	33.902	33.902
2	11.625	11.625	11.625	11.625	45.527	45.527	45.527
3	7.962	7.962	7.962	7.962	53.489	53.489	53.489
4	7.435	7.435	7.435	7.435	60.924	60.924	60.924
5	4.609	0.910	0.910	0.910	65.533	65.533	65.533
6	3.998	0.468	0.468	0.468	68.593	68.593	68.593
7	2.002	0.291	0.291	0.291	70.595	70.595	70.595
8	1.272	0.259	0.259	0.259	71.874	71.874	71.874
9	1.114	0.407	0.407	0.407	73.460	73.460	73.460
10	0.740	0.076	0.076	0.076	74.200	74.200	74.200
11	0.607	0.046	0.046	0.046	74.807	74.807	74.807
12	0.459	0.576	0.576	0.576	75.384	75.384	75.384
13	0.838	0.883	0.883	0.883	76.267	76.267	76.267
14	0.499	0.324	0.324	0.324	76.691	76.691	76.691
15	0.207	0.114	0.114	0.114	76.898	76.898	76.898

AnalysisAs you can see in the above table, only four factors have Eigen values more than 1. Hence, four factors can be extracted from this. Notice that 1st factor accounts for 33.902%, the 2nd 11.625%, 3rd 7.962% and 4th for 7.435% variance. All the remaining factors are not significant.

Rotated Component Matrix: The table below shows the loadings of the fifteen variables on the four factors extracted. The higher the absolute value of the loading, the more the factor contributes to the variable. The gap on the table represent loadings that are less than 0.5, this makes reading the table easier. We suppressed all loadings less than 0.5. The idea of rotation is to reduce the number factors on which the variables under investigation have high loadings. Rotation does not actually change anything but makes the interpretation of the analysis easier.

## Rotated Component Matrixa

Component1234Own Judgment

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**. 734**

IPO Grading

**. 610**

Advise of brokers/ broking house

**. 736**

Expert opinions

**. 815**

Industry prospectus

**. 686**

Company Background

**. 765**

Review of issuer-organization in print/e-media

**. 682**

Recommendations by family & friends

**. 596**

Name of the underwriters of the IPO issue

**. 755**

Future prospectus of the business

**. 641**

Management of the Organization

**. 650**

Past financial records if available

**. 822**

Economic Scenario

**. 635**

Promoters' of the company

**. 658**

Brand name of the company

**. 553**

Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization. a. Rotation converged in 7 iterations. Table 4. 18: Rotated Component Matrix of Factor Analysis Looking at the table below, we can see that Own Judgement and Recommendation by family and friends are substantially loaded on Factor (Component) 4 while Review of issuer-organization in print/e-media, Name of the underwriters of the IPO issue, Promoters' of the company and Brand name of the company are substantially loaded on Factor 3. IPO Grading, Advise of brokers/ broking house and Expert opinions are loaded on Factor 2. All the remaining variables are substantially loaded on Factor 1. These factors can be used as variables for further analysis. Henceforth, we can broadly classify the 15 factors under the following 4 broad categories –Factor Analysis Results Economic Viability Industry prospectus Company Background Future prospectus of the business Management of the Organization Past financial

records if available  
Economic Scenario  
Experts' Perception  
IPO Grading  
Advise of brokers/ broking house  
Expert opinions  
Brand Image & Trust  
Review of issuer-organization in print/e-media  
Name of the underwriters of the IPO issue  
Promoters' of the company  
Brand name of the company  
Personal Factors  
Own Judgment  
Recommendations by family & friends  
Table 4. 19:  
Factor Extraction and Classification of Factor Analysis

## **CHAPTER 5: CONCLUSION AND RECOMMENDATIONS**

### **CONCLUSION**

Considering the above facts and analysis done on the secondary data, the investors can hardly make any decisions based solely on the IPO grading and hence reliability on grades issued to an IPO should be kept lower with more emphasis provided to some other constraints such as the valuations of the company, pricing of the issue or the sector/economy in which the company is operating. The general presumption of Higher Grade IPO performing better in the post IPO secondary market has been proved wrong through the analysis of various IPOs listed in year 2010. Also, Grading has nothing to do with the amount of subscription the issue receives or the listing day gains. The present growing concern which has brought the issue of the mandatory IPO grading at the trial is that the issuers which have been assessed at a high grade are not performing as per the expectation while those graded low are performing better than these. Many analysts believe that mandatory grading requires amendment since grading does not reflect in the performance of issues in the market. Even the performance of 13 IPOs that were given four grades out of five (highest) in 2010 is worse than those graded at three

points. No doubt the retail investors may have benefited by this regulation but the criticisms may overshadow it. However, on the positive side with the advantages it carries, the proposed grading system would no doubt serve as an additional input towards assisting the average Indian investor. Further, the absence of an international precedent should not be a reason to reject the idea even before it begins to show results. IPO grading, as a progressive and innovative regulation, can surely become an internationally accepted practice due to almost universal acceptance of the principle that investor protection lies at the heart of the goal of orderly development of efficient markets. It must however also be realized that it is not reasonable to expect IPO grading to yield instant results or serve as the panacea for all evils inflicting the IPO markets. It may be worthwhile to conclude by observing that while the general trend in the regulatory approach internationally is that of a more so 'reactive' nature, the proposal of SEBI coming out with the idea of IPO grading, without a pre-existing fault to serve, marks the shift to a 'proactive' market regulation model. In this regard, the proposal of IPO grading is certainly a milestone. While no doubt the approach should continue, more groundwork needs to be undertaken in analysing the pros and cons of the issue. Investors who were examined also were in the favour of continuation of the process. Henceforth, it becomes necessary for SEBI to bring about reforms in the framework to make this innovative approach of great help to investors and bring in regulations for better scrutiny of the CRAs. When it came to factors affecting investment decision in an IPO, it was concluded that four major factors were considered by respondents –

Economic Viability Brand Image Experts' Perception Personal Factor



## **RECOMMENDATIONS**

### **Retail Investors: Gather and analyse more information from media and experts -**

As concluded above that relying on IPO grading is not sufficient and that investors have to use their prudence in arriving at and executing an investment decision. The grading is meant for a wide audience and in no way considers the risk-return profile of any individual or investor class. Hence, the individual retail investor has to assess his risk profile and return expectations with respect to that of the issue. This process may be cumbersome for a naïve investor and hence, it is advisable for such investors to seek the guidance of an expert such as a financial planner before proceeding to invest in any issue.

### **Credit Rating Agencies: Disclosure that price is not recommended by the rating agency–**

The rating agencies in order to remove possible misconception in the minds of retail investors, should prominently display on the grading document that the price of the issue has not been accounted, when the grade was assigned to the issue. This would make the investor aware that the extent to which the rating agencies have scrutinised the issuer and the issue. Accordingly, the investor can undertake more research before investing in the issue.

### **Demutualize CRAs and Issuers –**

There is a sort of conflict of interest as the issuer organizations provide business to the rating agencies and make payment for initial rating and surveillance in the form of fees. The survival of rating agencies depends, to a great extent on the businesses offered and fees paid by these issuer

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organizations whose instruments are rated. Therefore, some suspect that the agencies work for the benefit of the issuer organizations by grading their instruments on the higher side. Hence, there is a dire need to demutualize the rating agencies and the issuer companies.

### **Improve CRAs Image -**

Many of the investors who were examined believed that CRAs do not work independently and objectively. Many felt grades were biased and not reliable. Hence, it becomes necessary for CRAs to reinstate the trust and confidence of the retail investors.

### **Financial Literacy and Awareness by SEBI -**

Many Investors were caught unaware of the concept of IPO Grading and were not knowing the factors considered while analysing and giving grades. This illiteracy also led many investors to believe that Higher Grades can lead to better return and grades can predict the actual future performance which when analysed through secondary research proved to be wrong. Therefore, Rating Agencies, in collaboration with SEBI, should organize investor-education programs to create awareness among investors and to explain the importance of ratings in their investment because, as if the investors do not understand and make use of the rating service, then the purpose, as already mentioned, is defeated.

### **Grading by more than one CRA -**

Many respondents were of the opinion that having more than one CRA on grading the issue would help provide a better picture of the issue. Hence,

SEBI should think about bringing in the regulation maybe for large issues, so that cost can be justified.

## CHAPTER 6: REFERENCES

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## APPENDICES

### APPENDIX 1 - Questionnaire: Mandatory IPO Grading - Effects on Investor's Perception & Investment Decision regarding IPO

Name: \_\_\_\_\_ Gender: M F Age: \_\_\_\_\_  
years

#### RESPONDENTS' PROFILE –

What is the Annual Investment in Stock Market?(a) 0 – 50, 000 (b) 50, 000 – 1 Lakh(c) 1 Lakh – 1. 5 Lakh(d) More than 1. 5 Lakh  
What is the approx. no. of IPOs applied till date? Less than 5b. 5 – 15c. 16 – 30d. More than 30  
From how many years have you been investing in Stock Market? 0 – 1 b. 1 – 3c. 3 – 5d. 5 – 10e. More than 10

#### IPO GRADING -

Are you aware of the concept of IPO Grading?(a) Aware(b) Not Aware  
Do you understand IPO grades assigned by Credit Rating Agency (CRA)?(a) Yes(b) No  
Do you consider the grades assigned by CRA before investing in IPO?(a) Yes(b) No  
Do you think the grades assigned by CRA -Strongly DisagreeDisagreeNeutralAgreeStrongly Agree  
IPO Grades reflect the Business & Competitive Position of the company  
IPO Grades reflect the Financial Position and Prospects  
IPO Grades reflect theManagement Quality  
IPO Grades reflect theCorporate Governance practices  
IPO Grades are Reliable  
IPO Grades are Free from Biases  
Do you think IPO grading can predict post IPO secondary market liquidity and risk? Yes(b) No(c) Can't Say  
If a well – known and an old company (say TATA, Reliance) comes with an IPO which is poorly graded (1/5), would you still invest?(a)Yes(b) No(c) Can't Say  
Weight the factors  
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influencing Investment decision as per its importance ( 5 – Most Important 1 – Least Important)

## Factors

5

4

3

2

1

Own Judgment influences investmentIPO Grading influences investmentAdvise of brokers/ broking house influences investmentExpert opinions influences investmentIndustry prospectus influences investmentCompany Background influences investmentReview of issuer-organization in print/e-media influences investmentRecommendations by family & friends influences investmentName of the underwriters of the IPO issue influences investmentFuture prospectus of the business influences investmentBrand name of the company influences investmentManagement of the Organization influences investmentPast financial records if available influences investmentEconomic Scenario influences investmentPromoters of the companyShould the mandatory IPO Grading system be continued in India? (a)Yes(b) NoWould you still encourage IPO Grading if its cost must be shared by you alongwith the Issuing company?(a)Yes(b) No

## CREDIT RATING AGENCIES –

Rank the following CRAs as per your preferred CRA - ( 1 – Most Preferred4 –

Least Preferred)Credit Rating AgencyRankICRACARECRISILFITCHWhat do you  
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think of the working of Credit Rating Agency? Works Independently &  
ObjectivelyDo not work Independently & ObjectivelyCan't SayDo you think  
there is a need for grading of IPO by more than one CRA? NecessaryNot  
NecessaryCan't SayIf an IPO is graded by more than one CRA, which one  
would you consider? Higher RatingLower RatingRating by your preferred  
Credit Rating AgencyDon't consider the rating

## **APPENDIX 2 - Data: IPO Grades, Issue Price, Listing Day Price, Price after 1 year, NSE on Listing Day and NSE after 1 year**

**Company**

**Grade**

**Issue Date**

**Issue Price**

**Retail Subscription**

**Listing Day Closing Price**

**Price After 1 Year**

**NSE closing on listing**

**NSE after 1 year**

**Listing Day Gains**

**NSE Gain Loss**

**Stock Gain/Loss**

**Relative Gain/Loss**

TARAPUR TRANSFORMERS LIMITED118-05-2010752. 7457. 4021. 155066.

205420. 60-23. 477. 00-71. 80-78. 80INFINITE COMPUTER SOLUTIONS

(INDIA) LIMITED203-02-201016511. 08191. 80177. 104931. 855526. 7516.

2412. 067. 33-4. 73SYNCOM HEALTHCARE LIMITED215-02-2010756. 2587.

7533. 804801. 955481. 0017. 0014. 14-54. 93-69. 07D B REALTY

LIMITED224-02-20104680. 37456. 20105. 354858. 605262. 70-2. 528. 32-77.

49-85. 81EMMBI POLYARNS LIMITED224-02-2010450. 4628. 7513. 704858.

605262. 70-36. 118. 32-69. 56-77. 87ARSS INFRASTRUCTURE PROJECTS

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LIMITED203-03-201045018. 55737. 45607. 855088. 105536. 2063. 888.  
8135. 0826. 27TEXMO PIPES & PRODUCTS LTD210-03-2010907. 26137.  
1534. 105116. 255494. 4052. 397. 39-62. 11-69. 50PRADIP OVERSEAS  
LIMITED205-04-201011010. 53107. 0585. 555368. 405910. 05-2. 6810. 09-  
22. 23-32. 32GOENKA DIAMOND & JEWELS LIMITED216-04-20101350. 66127.  
6064. 905262. 605729. 10-5. 488. 86-51. 93-60. 79NITESH ESTATES  
LIMITED213-05-2010540. 1651. 4027. 705178. 905544. 75-4. 817. 06-48. 70-  
55. 77PARABOLIC DRUGS LIMITED201-07-2010750. 4064. 8541. 105251.  
405627. 20-13. 537. 16-45. 20-52. 36ASTER SILICATES LIMITED228-07-  
20101187. 41205. 5523. 005397. 555487. 7574. 191. 67-80. 51-82.  
18PRAKASH STEELAGE LIMITED225-08-20101106. 62185. 35126. 005462.  
354839. 6068. 50-11. 4014. 5525. 95MICROSEC FINANCIAL SERVICES  
LIMITED205-10-201011811. 04111. 3529. 306145. 804751. 30-5. 64-22. 69-  
75. 17-52. 48CANTABIL RETAIL INDIA LIMITED212-10-20101352. 63105.  
0024. 556090. 905099. 40-22. 22-16. 28-81. 81-65. 54BEDMUTHA  
INDUSTRIES LTD214-10-20101028. 51179. 15108. 756177. 355132. 3075.  
64-16. 926. 6223. 54COMMERCIAL ENGINEERS & BODY BUILDERS CO  
LIMITED218-10-20101270. 38112. 9039. 556075. 955037. 50-11. 10-17. 09-  
68. 86-51. 77BS TRANSCOMM LIMITED227-10-20102481. 04381. 25100.  
906012. 655360. 7053. 73-10. 84-59. 31-48. 47GYSCOAL ALLOYS  
LIMITED227-10-2010718. 0081. 6519. 306012. 655360. 7015. 00-10. 84-72.  
82-61. 97R. P. P. INFRA PROJECTS LIMITED206-12-2010755. 6068. 9062.  
155992. 255062. 60-8. 13-15. 51-17. 13-1. 62RAVI KUMAR DISTILLERIES  
LIMITED227-12-2010643. 0180. 0513. 105998. 104750. 5025. 08-20. 80-79.  
53-58. 73JUBILANT FOODWORKS LIMITED308-02-20101453. 79229. 10493.

854760. 405312. 5558. 0011. 60240. 59228. 99VASCON ENGINEERS LIMITED315-02-20101650. 62148. 05102. 704801. 955481. 00-10. 2714. 14-37. 76-51. 90THANGAMAYIL JEWELLERY LIMITED319-02-2010752. 2671. 05163. 354844. 905518. 60-5. 2713. 91117. 80103. 89AQUA LOGISTICS LTD323-02-20102203. 00244. 60183. 504870. 055437. 3511. 1811. 65-16. 59-28. 24HATHWAY CABLE & DATACOM LIMITED325-02-20102400. 28207. 65120. 104859. 755303. 55-13. 489. 13-49. 96-59. 09MAN INFRACONSTRUCTION LIMITED311-03-201025210. 26349. 85142. 905133. 405445. 4538. 836. 08-43. 29-49. 37UNITED BANK OF INDIA318-03-2010669. 8068. 65102. 455245. 905373. 704. 022. 4455. 2352. 79PERSISTENT SYSTEMS LIMITED306-04-201031021. 69406. 35406. 655366. 005891. 7531. 089. 8031. 1821. 38TALWALKARS BETTER VALUE FITNESS LIMITED310-05-20101288. 43163. 15220. 405193. 605541. 2527. 466. 6972. 1965. 49MANDHANA INDUSTRIES LIMITED319-05-20101302. 81133. 55180. 054919. 655428. 102. 7310. 3438. 5028. 16JAYPEE INFRATECH LIMITED321-05-20101020. 6191. 4551. 554931. 155386. 55-10. 349. 24-49. 46-58. 70TECHNOFAB ENGINEERING LIMITED316-07-201024010. 03296. 95131. 355393. 905567. 0523. 733. 21-45. 27-48. 48INDOSOLAR LIMITED329-09-2010291. 8123. 709. 055991. 305015. 45-18. 28-16. 29-68. 79-52. 51ELECTROSTEEL STEELS LIMITED308-10-2010116. 1911. 255. 956103. 454979. 602. 27-18. 41-45. 91-27. 50RAMKY INFRASTRUCTURE LIMITED308-10-20104500. 99387. 40206. 756103. 454979. 60-13. 91-18. 41-54. 06-35. 64PRESTIGE ESTATES PROJECTS LIMITED327-10-20101830. 08193. 1598. 506012. 655360. 705. 55-10. 84-46. 17-35. 33GRAVITA INDIA LIMITED316-11-201012537. 34209. 70442. 055988. 705030. 4567. 76-16. 00253. 64269.

64CAREER POINT INFOSYSTEMS LIMITED306-10-201031031. 74628. 15248. 456186. 454888. 05102. 63-20. 99-19. 851. 13IL&FS TRANSPORTATION NETWORKS LIMITED430-03-20102584. 56274. 65238. 455262. 455787. 656. 459. 98-7. 58-17. 56SHREE GANESH JEWELLERY HOUSE LIMITED409-04-20102601. 39164. 55164. 155361. 755785. 70-36. 717. 91-36. 87-44. 77INTRASOFT TECHNOLOGIES LIMITED412-04-201014513. 51159. 1071. 755339. 705911. 509. 7210. 71-50. 52-61. 23SJVN LIMITED420-05-2010263. 1225. 1021. 304947. 605486. 35-3. 4610. 89-18. 08-28. 97HINDUSTAN MEDIA VENTURES LIMITED421-07-20101661. 00188. 95133. 255399. 355541. 6013. 832. 63-19. 73-22. 36SKS MICROFINANCE LIMITED416-08-20109852. 811088. 65317. 705418. 305035. 8010. 52-7. 06-67. 75-60. 69BAJAJ CORP LIMITED418-08-20106606. 62758. 75109. 055479. 154944. 1514. 96-9. 76-83. 48-73. 71GUJARAT PIPAVAV PORT LIMITED409-09-2010469. 1554. 0566. 055640. 055059. 4517. 50-10. 2943. 5953. 88EROS INTERNATIONAL MEDIA LIMITED406-10-201017511. 95190. 25235. 356186. 454888. 058. 71-20. 9934. 4955. 47ORIENT GREEN POWER COMPANY LIMITED408-10-2010470. 1844. 7015. 256103. 454979. 60-4. 89-18. 41-67. 55-49. 14TECPRO SYSTEMS LIMITED412-10-20103559. 07405. 70215. 106090. 905099. 4014. 28-16. 28-39. 41-23. 13VA TECH WABAGH LIMITED413-10-201013108. 551707. 95917. 006233. 905077. 8530. 38-18. 54-30. 00-11. 46ASHOKA BUILDCON LIMITED414-10-20103243. 46330. 75239. 656177. 355132. 302. 08-16. 92-26. 03-9. 12OBEROI REALTY LIMITED420-10-20102600. 94282. 90234. 205982. 105091. 908. 81-14. 88-9. 924. 96PUNJAB & SIND BANK430-12-201012044. 45127. 1560. 206101. 854624. 305. 96-24. 21-49. 83-25. 62COAL INDIA LIMITED504-11-20102452.

31342. 55326. 306281. 805284. 2039. 82-15. 8833. 1849. 06MOIL

LIMITED515-12-201037532. 86465. 05226. 055892. 304746. 3524. 01-19.

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