

# Participatory effort in developments of raising capital

[Business](#)



## Participatory Effort in Developments of Raising Capital

Raising capital now requires a different approach. Earlier the companies had to woo the individuals to attract them to their issues. Now they have to attract the big investors as the amount of capital required is also getting to be huge. The companies want to play it safe by ensuring that a large amount of their capital needs are covered by private placements prior to their going for a public issue.

In turn the large investors are also offered an opportunity to gain higher returns as well as value for their earlier investment in a Greenfield project. However this type of investment calls for awareness in the investors of the impossibility of offloading their investment for a fixed period of time as the funds are blocked for a specified period. Another feature is that such investments require good in-depth knowledge of the prospects of the business as well as of the acumen of its protagonists and the participating investors. Often funds are pooled by a major investor who offers partnerships and all partners agree to share the sentiments on the investment pattern and timings. In case a partner withdraws prematurely then he is likely to be denied opportunity in future as being unreliable since continued availability of funds is a prime factor in such investments. A main feature of such companies is that they are usually a prospect for a buy-out or takeover that enhances their value substantially.

Private placements are more often more paying in emerging markets as securities in these places are likely to be undervalued and provide above average returns. However it is prudent to take a hedge once the company has become public as this will cover for any likely loss of value that

sometime happens when market sentiments are affected by internal or external events.

### Investments in Real Assets

This is the term for investments into property or natural resource companies. Such companies offer a different value to their investors. Unlike equity or debt portfolios, where the element of risk is high or low respectively, these investments are always on the extreme of both. They can fetch high returns when the market is in a growth trajectory as their both their asset and return values precipitate quickly due to the restricted availability of their assets. Similarly in cases where there is general economic decline, not really related to their own assets, the sentiments force down values and bring about negative returns very quickly.

These investments are also usually made by large institutional investors as the risks are enormous and not meant for the ordinary investor who panics at the drop of a hat. These are long term investments and need to be nurtured. Investors must also be prepared to make use of their market knowledge for better use of these assets and often, particularly in case of properties, the assets may require a change in nature and features to add on value for better returns, both in terms of asset valuation as well as returns. This investment therefore requires more participatory effort in developments and taking advantage of changed circumstances.

### Conclusions

Both above investments are more suited for large institutional investors who have a long term commitment of 10 plus years in mind.