

Rationale for the new issue

1. Organic Growth
2. Working Capital
3. Mergers and Takeovers
4. Financial Restructuring
5. Exit route for Venture Capitalist

Issue of shares

Benefits -

1. Liquidity
2. Evaluation of securities
3. Enabling future funding
4. Higher reputation
5. Better valuation of shares
6. Takeover of companies

Demerits -

1. Huge issue expenses
2. Huge administrative expenses
3. Severe regulation
4. Volatile stock market
5. Annual listing fees

Intermediaries in the New Issues Market

1. Merchant Banker
2. Underwriters
3. Brokers
4. Registrar & Transfer Agents (R&T Agents)
5. Bankers to the issue
6. Depositories

Methods of floating new issues

1. Initial Public Offer (IPO)
2. Follow-on Public Offer (FPO)
3. Offer for sale
4. Rights Issue
5. Private Placement
6. Qualified Institutional Placement (QIP)

Secondary Market – Stock Market

- Meaning

Secondary market is also known as the stock market or stock exchange. It is a market for the purchase and sale of **existing securities**. It helps existing investors to disinvest and fresh investors to enter the market.

A stock exchange is an institution which provides a platform for buying and selling of existing securities.

- Definition

The Securities Contracts (Regulation) Act, 1956 defines a stock exchange as, "an association, organisation or body of individuals, whether incorporated or not, established for the purpose of assisting, regulating and controlling business in buying, selling and dealing in securities".

- Examples

National Stock Exchange (NSE)

Bombay Stock Exchange Ltd (BSE)

Features of Stock Exchange

1. Organised Market
2. Securities Market
3. Secondary Market
4. Part of Capital Market
5. Listed Securities
6. Restricted Membership
7. Dealing only by members
8. Standardised Practices
9. Stock Exchange as a facilitator
10. Scope for speculation

Role and Functions of Stock Exchange

1. Ready Market
2. Liquidity for Securities
3. Evaluation
4. Price Stability
5. Capital Formation
6. Promotion of saving habits
7. Investor protection
8. Corporate governance
9. Public Finance
10. Growth of Joint Stock Companies
11. Enabling Book-Building Route
12. Capital Mobility
13. Foreign Funds
14. Index Compilation
15. Technical Analysis
16. Economic development

Advantages of Stock Exchange

• To the Investors

1. Liquidity of investment
2. Evaluation of securities
3. Corporate news
4. Grievance redressal
5. Bonanza returns
6. Investor education
7. Corporate governance
8. Stock market indices
9. Arbitration
10. Stability in prices

• To the Listed Companies

1. Widened awareness of the company
2. Dissemination of information
3. Mega issues in the primary market
4. Image cultivation
5. Premium issues in the primary market
6. Revenue guidance of market
7. Quarterly reporting
8. Mergers and Acquisitions
9. Investment by foreign institutional investors
10. Cheaper international funding

• To the Economy

1. Savings mobilisation
2. Public finance
3. Mega projects
4. Foreign Institutional Investors
5. Regional movement of funds
6. Generation of millionaires
7. Nurturing venture capital finance
8. Wealth builder for the government
9. Compilation of indices
10. Attracting international attention

