
STUDY ON AWARENESS LEVEL AND USAGE OF IPO GRADING AMONG INVESTORS OF GANDHINAGAR CITY"

Dr. Jigna Chandrakant Trivedi

(Assistant Professor, Shri Jairambhai Patel Institute of Business Management and Computer Applications, Gandhinagar-382007.)

Abstract

Savings is considered to be a virtue among prudent people. It is believed that an investment of savings leads to money multiplication. Investment refers to parking money in the avenue which performs better and earns good returns. The performance of investment instrument is judged through analysis of financial statements, periodical price movement of the instrument and scores given by reliable and expert agencies. IPO grading is a report card prepared by credit rating agency which assists investors to comprehend the quality of performance of company which is offering its shares for the first time to masses. IPO grading is an independent and unbiased option of rating which helps common investors to make informed investment decisions.

Key Words: *Fundamental Analysis, IPO grading, Return on Investment (ROI)*

Introduction

Investment is an essential tool to multiply money. Broadly speaking there are two major avenues of investments i.e. debt and equity. Debt instruments are a safe bet, whereas equity investments are tied with the risk factor. Therefore, it is very essential to verify that the equity instrument of investment will perform better, by undertaking pre-investment analysis. Regular analysis, post investments facilitates in taking decision of buying,

holding or exiting from the concerned investment. Equity investments are possible through three routes viz., subscribing to an IPO or purchasing shares from secondary market or investing in equity linked investment plans floated by mutual funds and unit linked plans. The tools for pre investment analysis for equity investments can be carried out through various modes. Fundamental analysis consist of in-depth study of financial statements of the company, technical analysis is concerned with identifying the trend in the movement of share prices and then predicting the future targets. IPO grading is the popular and upcoming concept associated with the IPOs. IPO grading is the grade assigned by a credit rating agencies (CRAs) registered with Securities and Exchange Board of India (SEBI), to the IPO of equity shares or any other securities (FAQ, 2012).

Research Objectives

- To identify and appreciate the tools which are essential in conducting investment analysis.
- To study the meaning and significance of IPO grading.
- To check the awareness level and usage of IPO grading among investors, who subscribed to an IPO.

Research Methodology

Descriptive research design was adopted to

check the awareness level and usage of IPO grading among investors, who subscribed to an IPO. It was a cross sectional survey in design which was conclusive in nature. The sampling area consisted of investors of Gandhinagar city, who subscribed to an IPO. Non-probability purposive sampling technique was used for exclusively collecting the opinion of investors on IPO grading. The sample size, of total of 100 investors was contacted for the survey. Sampling extent mainly consisted of certain sectors of Gandhinagar like Sector-21, Sector-22, Sector-17, Sector-16, Sector-11 and Infocity. The offices of stock broker were referred as sampling unit and the investors associated with respective broker, were chosen as sampling element i.e. respondent of the research. The time factor for entire survey constituted from 1st June, 2011 to 31st March, 2012. A structured questionnaire was prepared to elicit primary, quantitative information. The questionnaire was divided into three sections viz., demographic details, evaluation of current investment sources and IPO grading. The reliability of the instrument signifies the confidence one could have in the measurement obtained with a scale. Reliability testing was carried out using coefficient alpha or Cronbach's alpha, which produced a value of 0.899 indicating a satisfactory internal consistency reliability of the questionnaire.

Based on the respondent's capacity to understand the questionnaire, personally or self administered survey was adopted in which respondent was handed-over the questionnaire to fill the details. Whereas in some cases a structured interview method was adopted for obtaining information from the respondents in which, before data collection the questions were explained in

local dialect and to ensure precision, the responses were duly filled by the researcher in the questionnaire. Students of Shri Jairambhai Patel Institute of Business Management and Computer Applications, Gandhinagar helped the researcher in the field work. These students were explicated the objectives of research and were educated for data collection. Various online and offline secondary data sources like newspapers, internet, magazines, books and journals were used for data collection. The questionnaire was prepared using conventional primary scales of measurement. Comparative scales like rank order and non-comparative itemized rating scale like likert scale was used in the preparation of questionnaire. Dichotomous type or multiple-choice-single-response, or multiple-choice-multiple-response scale (check-list) type or open ended questions were incorporated in the questionnaire to seek valuable answers from respondents. Collected data was edited, coded, analyzed, interpreted and presented using frequency distribution tables. At univariate level descriptive statistics like mean, median, mode, standard deviation, frequency tabulation, percentage, rank analysis and Garrett ranking were used for analysis. The collected data was processed for analysis by editing, coding and entering it into computer software- Statistical Package for Social Scientists (SPSS 19.0). At multivariate level inferential statistics was applied. Various parametric statistics like factor analysis, one way ANOVA, T-test and cluster analysis was applied for analyzing the data. Non-parametric test like one way chi-square and two way chi-square was applied on nominal scale based data.

Meaning and Significance of IPO Grading

The IPO grade represents a relative assessment of the fundamentals of that issue in relation to the other listed equity securities in India. Such grading is assigned on a five point scale with a higher score indicating stronger fundamentals and vice versa. It can be interpreted viz., IPO grade 1= Poor fundamentals, IPO grade 2= Below Average fundamentals, IPO grade 3= Average fundamentals, IPO grade 4= Above Average fundamentals and IPO grade 5= Strong fundamentals. It is introduced to provide additional information to investors in order to facilitate their assessment on equity issues offered through an IPO. The grading fundamentally rests on five major parameters viz., business prospects and competitive position, financial position, management quality, corporate governance practices, compliance and litigation history and new project risks and prospects. IPO grading tends to be an unbiased opinion of the rating agency and not SEBI (FAQ, 2012). IPO grading along with the rationale given by rating agency is to be disclosed in the Red Herring Prospectus of the company (FAQ on IPO Grading, 2012). The literary work explained that IPO grading does not affect the under-pricing of book-built IPOs, moreover the transparency of book built process offers a much stronger signal to the retail investors as compared to that provided by grading (Khurshed, et al., n.d.). IPO grading was introduced to make additional information about unlisted companies or those without any track record of their performance available to the investors, helping them assess the issue before investing and burning their fingers (Pandey, 2011). Investors should not consider IPO grading as 'Buy IPO' or 'Skip IPO' recommendations (Chittorgarh, n.d.). IPO grading is only supplement information on the fundamentals of the IPOs being issued to the general public (Business Rediff, 2009). A company which has filed the draft offer document for its IPO with SEBI, on or after 1st May, 2007, is required to obtain a grade for the IPO from at least one CRA (SEBI, n.d.)

Findings of the Survey

Findings of the survey are mainly divided into three sections, which are discussed as follows.

Section I- Findings of Demographic Details

Details pertaining to gender, educational background, occupation and yearly income are analyzed in the following table.

Table 1 Demographic Details of Investors

Particulars		Percentage
Gender	Male	97
	Female	03
	Total	100
Educational Background	Up to HSC	21
	Graduate	49
	Above Graduate	29
	Others	01
	Total	100
Occupation	Service	40
	Business	40
	Professional	16
	Others	04
	Total	100
Yearly Income (₹)	Up to 2,00,000	24
	2,00,001 - 5,00,000	46
	Above 5,00,001	30
	Total	100

(Source: Primary Data)

As per table 1 it may be inferred that male (97%) and female (3%) are investors. Female are found to be lowest investors as they are burdened with household responsibilities and they hardly find time to research in capital market. Women by nature are risk averse and hence they do not wish to park the money in highly volatile avenues like primary or secondary market. An open ended question was asked to seek the information on the age of respondents. It was found that the mean age of the respondent was 35 years with a standard deviation (SD) of 10 years. It may be inferred that majority young respondents subscribed to IPO. 78% respondents were highly educated (graduate and above graduate) who invested in IPO. Very few (22%) respondents were found to invest in IPO, which depicts that there exists less awareness about IPO among less educated people. In the survey it was found that 40% each respondent were in service and business, 16% respondents were professional and 4% respondents were student. Income diversity was found among the respondents, 24% respondents earned income up to `2,00,000; 46% respondents earned income between `2,00,001 to `5,00,000 and 30% respondents earned income above `5,00,001.

Section II- Evaluation of Current Investment Sources

The respondents were asked various questions on nature of investments, type of investments and satisfaction of return on investment etc., which are discussed in below.

Tax Payers

The survey was conducted during 1st June, 2011 to 31st March, 2012, which implies that the Assesment Year (A.Y.) was 2012-13, in which the exemption limit was `1,60,000 for men and `1,90,000 for women. From the primary data it was found that 87% respondents were taxpayers and only 13% respondents did not fall in the tax bracket. The tax payers have income higher than the exemption limit and are quite better off than non tax payers. As a part of tax planning the tax payers invest in equity, mutual fund, or debt, or real estate to reduce the tax liability. Non taxpayers may also have surplus funds which they may wish to invest to multiply money. Inclination towards equity investment may motivate investors to subscribe to IPOs.

Present Investment

A multiple choice question was asked to the respondent regarding where do they invest their money. The affirmative response towards the investments were debt (20%), equity (43%), Commodity (24%) and Bullion (13%). As depicted from the table below the open ended age question was binned into five different classes. For better understanding a cross tabulation was carried out between age and current investments.

Table 2 Cross Tabulation between Age and Current Investment

Current Investment					
Age	Debt	Equity	Commodity	Bullion	Total
<= 21	0	1	1	0	2
22 - 32	21	39	23	13	96
33 - 43	11	27	16	8	62
44 - 54	5	12	4	2	23
55+	2	3	2	2	9
Total	39	82	46	25	192

(Source: SPSS Output)

From table 2 it may be inferred that in the age group of 22-32 years and 33-43 years, as high as a total of 66 and 32 young respondents invest in equity and debt respectively. It points out that young investors are proper tax planners, who invest in debt as well as equity. Only 12 respondents who fall in the age group of 44-54 years invest in equity. With the progression in age the number of equity investors and debt investors just becomes 3 and 2 respectively, which clearly states that older people do not prefer to invest, may be due to shorter length of their service or social responsibility of children and family. Investment in commodity market and bullion market across all age groups was found to be 46 and 25 respectively.

Instruments of Investment

A multiple choice question was asked to the respondent regarding the instruments of investment. The positive responses towards the investments were fixed deposit (26%), post office (24%), NSC Bonds (18%), Gold (20%), house property (11%) and insurance (1%). It represents that in the debt investments investors highly preferred to invest in postal schemes like time deposits or recurring deposits (RDs).

Investment in Shares

A multiple choice multiple response question was asked on how investors invest in shares. 85 respondents exclusively invested in secondary market and 100 respondents invested in both the markets. It represents an attraction towards equity market. Two-way Chi-Square test was run to check if there existed any association between investment in shares and the income of the respondents, which is discussed below.

H_0 : There is no association between investment in shares and the income of the respondent.

H_1 : There is an association between investment in shares and the income of the respondent.

Table 3 Cross Tabulation of Investment in Shares and Income of Respondent

Particulars		Income			Total
		Up to `2L	`2L-5L	Above `5L	
Market	Primary Market (IPO)	23	46	30	99
	Secondary Market	21	36	28	85
	Total	44	82	58	184

(Source: Primary Data)

Table 4 Computation of Chi-Square

Observed N (O_i)	Expected N (E_i)	$(O_i - E_i)^2 / E_i$
23	24	0.042
46	44	0.091
30	31	0.032
21	20	0.05
36	38	0.105
157	157	0.32
Chi-Square Calculated = $\sum [(O_i - E_i)^2 / E_i]$, $X_{calc} = 0.61$, Degree of Freedom=2, $X_{tab} = 5.991$.		
$X_{tab} > X_{calc}$ (5.991 > 0.61)		

(Source:
Author's
Computation)

At 95% level of confidence the significance value of $X_{tab} > X_{calc}$, so H_0 cannot be rejected, i.e. there is no association between investment in shares and the income of the respondents. Investors who have missed an opportunity to receive shares in IPO take a route to secondary market for availing the shares. Thus, both the markets are quite familiar for investors. People who have surplus fund and are risk takers tend to get attracted to stock market.

Reasons for Investing in IPO

Using five point likert scale from strongly disagree (1) to strongly agree (5), 10 statements were put in the questionnaire to explore the reasons for investing in IPO. On applying the descriptive statistics it was found that majority of the statements have ratings above 3 and SD less than 1, which respectively, indicated a positive agreement to the reasons of investing in IPO and also indicated a consensus among the response of the investors. Factor analysis using data reduction technique was performed to club the statements.

H_{02} : Variables are uncorrelated in the population.

H_{12} : Variables are correlated in the population.

Table 5 Test Statistics for KMO and Bartlett's Test of Sphericity

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	0.75	Approx. Chi-Square	332.46
df	45	Sig.	0.00

(Source: SPSS Output)

From table 5 it may be inferred that the KMO value is $0.75 > 0.5$, which represents that factor analysis is appropriate. As per Bartlett's test of sphericity the Chi-Square value is found as high as 332.46 and the significance value is $0.00 < 0.05$, i.e. H_0 is rejected. Based on the output of rotated component matrix, following factors were obtained.

Table 6 Factors Based on Rotated Component Matrix

Factor Nos.	Name of the Factor	Variable	Factor Loading
1.	Solicited to Maximize Wealth	Helps in maximizing the wealth	0.83
		Probability of future price increase	0.69
		Broker has advised to invest	0.73
		Friend/Relative has advised to invest	0.73
		Investment based on analyst's advise	0.73
2.	Best Investment Option	IPOs are issued by good companies	0.87
		Invest due to availability of surplus funds	0.85
3.	Quick Money Spinner	IPOs offer listing gains	0.69
		IPOs offer short term gains	0.80
		IPOs are offered at lower price	0.53

(Source: SPSS Output)

One Way ANOVA was applied between occupation and above mentioned factors, which discussed below.

H_0 : Respondents with different type of occupation do not significantly differ in reasons of investing in IPOs viz., solicited to maximize wealth, best investment option and quick money spinner.

H_1 : Respondents with different type of occupation significantly differ in reasons of investing in IPOs viz., solicited to maximize wealth, best investment option and quick money spinner.

Table 7 Test Statistics for One Way ANOVA

		Sum of Squares	df	Mean Square	F	Sig.
Solicited to maximize wealth	Between Groups	0.54	3	0.18	0.25	0.86
	Within Groups	69.58	96	0.73		
	Total	70.11	99			
Best Investment Option	Between Groups	2.34	3	0.78	0.75	0.53
	Within Groups	99.83	96	1.04		
	Total	102.16	99			
Quick Money Spinner	Between Groups	0.05	3	0.02	0.04	0.99
	Within Groups	39.31	96	0.41		
	Total	39.36	99			

(Source: SPSS Output)

From the above *table 7* it may be inferred that at 95 percent level of confidence the significance p-value > 0.05 which implies that Respondents with different type of occupation do not significantly differ in reasons of investing in IPOs viz., solicited to maximize wealth, best investment option and quick money spinner. It may be inferred that occupation does not have any role with respect to the investments made in the market. A salaried person, self employed or entrepreneur invest in IPOs for availing good returns. Stock market is a route to generate and maximize wealth irrespective of the type of occupation. IPOs are considered as offerings to selected investors. Investor's invest in IPO because they consider that value-buy company's stock is available at lower price.

The responses to reasons behind investing in IPO have been used for performing cluster analysis, to find the type of investors. The hierarchical cluster method has been used. For determining appropriate number of clusters, the agglomeration table is re-agglomerated, and it's shown below.

Table 8 Re-formed Agglomeration Schedule

No. of Clusters	Agglomeration last step	Co-efficient this step	Change
2	909.71	663.96	245.76
3	663.96	565.07	98.89
4	565.07	499.03	66.04
5	499.03	454.91	44.12
6	454.91	411.32	43.59
7	411.32	377.77	33.56

(Source: SPSS Output)

From the above table it can be interpreted that the difference of cluster 2 and 3 is more while the difference starts narrowing down from third cluster onwards. Therefore, the number of clusters identified is 2 in total. To find out the main characteristics for each of the clusters and to club them together One Way ANOVA is performed by taking the reasons for investment as dependent matrix variable. The factor which is used is WARD method. The cluster segmentation is as follows.

Table 9 Cluster Segmentation

No.	Cluster	1	2	No.	Cluster	1	2
	N	61	39		N	61	39
1	Good Companies	4.74	3.41	6	Wealth Maximization	4.41	3.59
2	Surplus Funds	4.66	3.03	7	Future Price Increase	4.38	3.85
3	Broker's Advise	4.54	3.49	8	Listing Gains	4.10	4.31
4	Friends/Relatives Advise	4.52	3.10	9	Short-term Gains	4.21	4.00
5	Analyst's Advise	4.57	3.46	10	Availability at Low Price	4.30	3.59

(Source: SPSS Output)

Based on above cluster segmentation following cluster is obtained.

Table 10 Kind of Cluster

Cluster No.	Kind of Cluster	Characteristics
1	Rational, Researchers and Cautious Investors	Such investors have surplus funds; they invest in good companies based on external advice.
2	Opportunists, Anticipator, Investor cum Trader	Such investors invest for listing and short term gains; in order to maximize their wealth by purchasing at lower price.

(Source: Author's Interpretation)

Objective of Investing in IPO

Rank analysis was applied to identify the most and the least preferred factors considered by respondents while investing in IPO. First factor was past financial record of a company (WAM=31.10), second factor was brand name of the company (WAM=29.80), third factor was management of the company (WAM=24.00) and fourth factor was information in prospectus of the company (WAM=15.40).

Pre Investment Analysis of IPO

A cross tabulation was performed to identify which analysis is performed by investors before investing.

Table 11 Cross Tabulation between Type of Analysis and Pre Investment Analysis

Analysis before Investing			
Type of Analysis	Yes	No	Total
Technical	15	3	18
Fundamental	19	1	20
Both	42	6	48
None	3	11	14
Total	79	21	100

(Source: SPSS Output)

From *table 11* it may be inferred that a total of 76 respondents carry out either technical or fundamental or both analysis before investment. 21 respondents do not carry out any analysis before investment.

Number of IPOs Subscribed, Amount of Investment in IPO and Sector of Investment

In the last five years the number of IPO listed was around 266. The descriptive statistics revealed that in the last 5 years, average investment in IPOs was in 8 companies, with a higher SD of 7.39, and median of 6.50. Maximum number of investors has invested in the IPO of 5 companies. In the last five years minimum amount of investment was `20,000. Maximum investors invested `5,00,000 and the mean investment was `6,35,700, in IPO in the duration of five years. One-way Chi Square was applied to check which sector was favoured for investment.

H₀4: The proportion of investment in all the sectors is equal.

H₁4: The proportion of investment in all the sectors is not equal.

Table 12 Computation of Chi-Square

Sector	Observed N (O_i)	Expected N (E_i)	(O_i-E_i)²/E_i
Power	52	20	51.20
Finance	60	20	80.00
Real Estate	58	20	72.20
Tele-Communications	31	20	6.05
Others	10	20	5.00
Total	211	100	214.45
Chi-Square Calculated = ? [(O _i -E _i) ² /E _i], X _{calc} = 214.45, Degree of Freedom=5, X _{tab} = 9.49.			
X _{tab} < X _{calc} (9.49 < 214.45)			

(Source: Author's Computation)

At 95% level of confidence the significance value of $X_{\text{tab}} < X_{\text{calc}}$, so H_0 is rejected, i.e. The proportion of investment in all the sectors is not equal. Other sector consisted of energy, oil, banks, Fast Moving Consumer Goods (FMCG), retail and infrastructure. Investment in finance sector is highest, which is most favoured among the investors.

Status of Shares Allotted in IPO

A multiple choice question was probed to know the status of shares allotted in the IPO. The table revealed the following details.

Table 13 Status of Shares

Particulars	N	Percent	Particulars	N	Percent
Sold it on Listing day	26	13	Sold it on the next day	39	19
Sold it before the period of 1 year	58	28	Sold it after holding it for 1 year	38	18
Sold it initially and later purchased it when the price dropped	20	10	Still hold the shares	26	12

(Source: SPSS Output)

Majority of the respondents after listing of the shares, sold the shares before 1 year, which means that the number of short-term investors are more as compared to the long term investors. Only 12% respondents hold the shares for longer period. Listing gains traders sell the IPO on the listing day and they have no investment horizon. Intraday traders sell IPO on the next day of listing. Investors who hold the shares for long term are real investors.

Analysis of Return Derived on Investment (ROI) IPO

The descriptive statistics revealed that on an average investor got 11.52% return by investing in IPO. It may be inferred that by investing in IPO one can get more return as compared to investing the money in fixed income deposits. The SD is 7.65, which means that there is huge volatility in the return derived. It was further learnt that 61% respondents were satisfied with the return on IPO and rest 39% were dissatisfied with ROI. IPO is a good source of investment and a tool to maximize wealth.

Section III- IPO Grading

The analysis of whether investors were aware about IPO grading, usage of the same and most the favoured source for availing information on IPO grading etc is discussed below.

Awareness and Usage of IPO Grading

It was notice that 63% respondents were about the concept of IPO grading and 37% were ignorant about the concept of IPO grading. Qualitatively it was known that investors were aware about the grading given by rating agency like Credit Rating Information Services of India Limited (CRISIL), Credit Analysis and Research Limited (CARE) and Investment Information and Credit Rating Agency of India Ltd. (ICRA). It was popularly understood as ratings given by rating agency. Conceptual and direct awareness on IPO grading was missing.

Opinion for IPO Grading

The informed respondents were asked to rate their opinion on a five point likert scale (5- Highly agree, 1- Highly Disagree) with respect to the usefulness of IPO grading.

Table 14 Descriptive Statistics on Opinion for IPO Grading

Statement	Mean	SD	Statement	Mean	SD
Heard about it.	3.58	1.44	Important in analysis	3.25	1.20
Possess knowledge of the concept	3.49	1.21	Possess idea of its access	3.38	1.08
Advantageous to use	3.57	1.16	Helped to take correct investment decision	3.64	1.09
Useful tool to judge company	3.53	1.19	Helps in correct performance evaluation of company	3.62	1.14
Investment decision based on it gives satisfactory returns				3.70	1.14

(Source: SPSS Output)

From the above table it can be comprehended that mean above 3 indicates positive agreement for the concept of IPO. SD greater than 1 indicates that there is a significant deviation in the response of the investor when compared with the mean response.

Information Access and Reliability of IPO Grading

On a five point likert scale (1- Not at all useful and 5- Extremely useful) respondents were asked to rate the sources that they accessed for collecting information about IPO grading. One sample T-test was performed to check which source was useful.

H_0 : Familiar investors significantly do not differ in the mean ratings given to the sources of information for accessing IPO grades ($\mu=3$).

H_1 : Familiar investors significantly differ in the mean ratings given to the sources of information for accessing IPO grades ($\mu \neq 3$).

Table 15 Test Statistics for One-Sample T-Test

Test Value = 3							
Sources	t	df	Sig. (2-tailed)	Sources	t	df	Sig. (2-tailed)
Newspaper	9.05	99	0.00	Chhittorgarh website	7.44	99	0.00
IPO India website	6.10	99	0.00	SEBI website	12.98	99	0.00
NSE website	9.49	99	0.00	Prospectus of the company	12.79	99	0.00
BSE website	10.47	99	0.00				

(Source: SPSS Output)

At 5% level of significance it may be inferred that the p-value in all cases <0.05 , so H_0 is rejected and H_1 is accepted i.e. There is a significant difference in the mean ratings given to the sources of information for accessing IPO grades. The mean ratings above 3 indicated that the sources were considered useful or extremely useful to seek information on IPO grading. The mean of SEBI Website and Prospectus of the company is 4.05, it can be deduced that familiar investors considered these sources as useful to get information on IPO grading. The least preferred source was IPO India Website. It was learnt that 44%, 39% and 8% respondents relied on ratings given by CRISIL, ICRA and CARE respectively. 9% respondents did not use any grading.

Potential Investors Desirable Mode and Medium for Receiving IPO Grading Information

An ordinal question was asked to the respondents on mode of receiving conceptual information on IPO grading. Respondents were willing to get conceptual information on basics of IPO grading. Garret ranking was applied to find the most favoured and the least favoured mode.

Table 16 Garrett Ranking on Mode of Receiving Conceptual Information on IPO Grading

Statement	Total Garret Score	Mean Score	Rank	Statement	Total Garret Score	Mean Score	Rank
Newspaper Article	6131	78.60256	1	Live Classroom Chat	4921	63.08974	3
Tutorials on Website	6013	77.08974	2	Others	2993	38.37179	4

(Source: Excel Output)

From *table 16* it may be inferred that most preferred mode was newspaper article and the least preferred source was other mode like information sharing on television, by broker and personal talk. Regarding the medium of receiving information on IPO grading investors preferred newspaper (22%), IPO India Website (21%), NSE Website (20%), BSE Website (17%), SEBI Website and Prospectus of Company (9% each) and Other medium like TV and Moneycontrol Website (2%)

Conclusion

The empirical research highlights that investors invests in IPO based to maximize wealth, considers it as a best investment option and is a tool to quickly spin the money. Many investors are not aware about the concept and essence of IPO grading. As discussed in the findings there is lot of advantage of using IPO grading therefore it should be catered to the masses. Knowledge of IPO grading should be given to the investors so that they can take an informed decision. IPO grading knowledge should be disseminated to masses in the form of newspaper articles. Newspaper is considered as a cheap and easily available source so it is highly preferred. Tutorials on website and live classroom chat are most preferred by tech-savvy investors. The reach of IPO grading should be broadened so that investors get to know the real picture of the company issuing IPO and the knowledgeable investors can keep away from the trap of low rated IPOs.

References:

- “FAQ on IPO Grading”. Investment Information and Credit Rating Agency of India Ltd (ICRA), 28th October, 2012 < <http://www.icra.in/files/pdf/FAQs-IPOGrading.pdf>>
- “FAQ: IPO Grading”. The Securities and Exchange Board of India, 27th October, 2012
<http://www.sebi.gov.in/faq/ipograting.html>>
- Business Rediff. “Does IPO Grading Bring Value to Your Investments?” 29th October, 2009. 4th September, 2012
<<http://business.rediff.com/report/2009/oct/29/perfin-does-ipo-grading-bring-value-to-your-investments.htm>>.
- Chittorgarh (n.d.) “IPO Grading/ Ratings”. 10th October, 2012
<http://www.chittorgarh.com/ipo/ipo_ratings.asp>.
- Khurshed Arif, Paleari Stefano, Pande Alok and Vismara Silvio (n.d.). “IPO Grading in India: Does it add value to the bookbuilding process?” 5th October, 2012
<http://www.unibg.it/dati/bacheca/530/36104.pdf>
- Pandey Neha. “What is IPO Grading?” Business Standard 17th May, 2011. 20th October, 2012
<<http://www.business-standard.com/india/news/what-is-ipo-grading/435792/>>.
- SEBI (n.d.) “Is Grading Optional”. 5th September, 2012 <<http://www.sebi.gov.in/faq/ipograting.html>>.
- I am heartily thankful to Jahnvi Kachhadiya and Snehal Prajapti- students of MBA-II, SJPI, Gandinagar for collecting the primary data.