"AN ANALYTICAL STUDY ON INITIAL PUBLIC OFFER (IPO) – SUCCESS AND FAILURE"

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ABSTRACT

Going public is, in many cases, a step towards the eventual separation of ownership and control. Ownership matters for the effects it can have on management's incentives to make optimal operating and investment decisions. In particular, where the separation of ownership and control is incomplete, an agency problem between non-managing and managing shareholders can arise rather than maximizing expected shareholder value, managers may maximize the expected private utility of their control benefits (say, perquisite consumption) at the expense of outside shareholders. Most companies that go public do so via an initial public offering of shares (IPO) to investors. New issues of existing companies are, by and large, very good investments. They provide an opportunity for acquiring shares in ongoing profit-making companies at relatively low prices. On the other hand, all new issues of newly formed companies are not good investments. One good thing about the IPO market vis-à-vis the earlier times has been that most of them have been from good companies and at reasonable prices. This trend, however, seems to be narrowing off and we are increasingly seeing public issues from the relatively not-so-good or known companies and at fairly stretched prices. Therefore, it becomes necessary for the investors to become cautious and be more selective about their investments in IPOs. The present paper examines the issues and challenges confronted the IPO. It tries to find out the strategies to IPO for investors and companies. The paper assesses the success and failure of IPO and takes into account the assessment of IPO norms and IPO grading

KEYWORDS: *Initial Public Offering, IPO Grading, Primary Capital Market, Investors.*

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