

SMART

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Editorial

IPO (Initial Public Offering)

IPO (Initial Public Offering) Grading is an independent opinion on the fundamentals of the graded issue expressed as a relative assessment in relation to other listed equity securities in India. The assessment is based on a grading exercise carried out by Industry Specialists. It comprises of Business Prospects (which include Industry Prospects, Company Prospects and Financial Prospects, Management Quality and Corporate Governance). IPO Grading reflects its assessment of the graded company's equity fundamentals as distinct from an assessment of debt fundamentals. It is based on a process that is totally independent of the credit rating process - a separate analytical team and a separate grading committee - to bring the necessary equity orientation to the outcome. IPO Grading is not a recommendation to invest in the graded instrument. It is not a comment on the price of the graded security or its suitability for a particular investor. Equity markets all over the world have felt the need for independent research. Market Regulators have been trying various methods to achieve this. IPO Grading is a good way to provide independent research to equity investors. It is a one-time exercise and does not have an ongoing validity. IPO Grading is an additional input to aid the investors. The investors can invest as easily in secondary market companies as in IPO companies.

IPO Grading seeks to introduce a new paradigm with respect to the research architecture in the equity market. Until now, research has been available to equity investors only in the form of investment advice ('buy/sell/hold' recommendations). IPO Grading, which is an assessment of fundamentals, seeks to singly and comprehensively assess one of the key components that go into any investment decision. This is similar to the research architecture that is available to bond markets in the form of Credit Ratings. IPO Grading is a tool to enable investors to make investment decision with the benefit of an informed opinion on fundamentals in a relative

framework. The investors must use this opinion on fundamentals in conjunction with other elements of their investment to make their investment decision.

The fourteenth issue (Vol-7, No-2) of the SMART Journal of Business Management Studies consists of eleven articles, written by authors of repute, on different themes of contemporary relevance. I hope readers would find the journal academically challenging and strategically stimulating.

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Professor M Selvam

Founder- Publisher and Chief Editor
&

Head, Department of Commerce and Financial Studies
Bharathidasan University, Tiruchirappalli, Tamilnadu, India

E-Mail ID: drmselvam@yahoo.co.in