

# SMART

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### *Editorial*

#### **IPO Index – A Novel Product Innovation**

The Indian Primary Market is expected to grow rapidly due to the robust growth of our economy. This necessitated an Indicator to track the primary market conditions in the Indian Capital Market. One such Indicator is BSE IPO Index that was recently launched by Bombay Stock Exchange. BSE IPO Index will track the value of companies for two years after listing subsequent to successful completion of their Initial Public Offering. However follow-on public issues shall not be considered for inclusion in the Index. The select guidelines followed for BSE IPO Index are as follows:

- i. Scrip must have a minimum free-float market capitalization of Rs.100 corers on its first day of listing.
- ii. A Scrip will be included in the Index on the third day of its listing (T+2) subject to the Fulfillment of a minimum free-float market capitalization.
- iii. Scrip will be excluded from the Index on the Second Monday of the month after completion of two years of listing.
- iv. At all-time a minimum of 10 scripts shall be maintained in the Index.
- v. The maximum weight of any Scrip shall be capped at 20%.
- vi. Base Date of the Index is May 3, 2004 while Base Index Value is set to 1000 points. Index Value on August 21, 2009 is 1901.67.
- vii. The Index would be calculated and disseminated on a real-time basis through BOLT.

The IPO Index covers power sector, infrastructure and other sectors. The power stocks include Reliance Power Ltd with the largest Weightage of 18.40%, followed by Power Grid Corporation of India Ltd with 16.68%, Adani Power Ltd with 8.28% and Rural Electrification Corporation with 8.23%. Under infrastructure, Public Sector Undertakings Retail are the constituents of the BSE IPO Index, which include Mundra Port & Special Economic Zone Ltd,

Edelweiss Capital Ltd, IRB Infrastructure Developers Ltd, Koutons Retail India Ltd, Maytas Infra, Gammon Infrastructure, OnMobile Global Ltd, Central Bank of India and BGR Energy Systems Ltd.

Since this IPO Index has the Base Index Date as 2004, it would help the investors to get a fair idea on how the primary market has rewarded them in comparison to the secondary market. For instance, the Sensex has given returns of 179.83% since May 3, 2004, compared with 94.75% returns given by the BSE IPO Index. The reason the Index has not performed in line with the Sensex is mainly due to the lackluster performance of some large IPOs. However, “The IPO Index is a very good and novel product innovation on the part of the Exchange and it is as good as any other sectoral index,” said Amibath Chakraborty, President, Equity, Religare Securities. Internationally, some of the most popular IPO Indices are Dow Jones STOXX IPO Index, FTSE Renaissance IPO Index, NYSE IPO Composite Index and Bloomberg IPO Index.

The eleventh issue (Vol.6, No.1) of the SMART Journal of Business Management Studies comprises of 11 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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