



SNS COLLEGE OF ENGINEERING

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DEPARTMENT OF MANAGEMENT STUDIES

SUBJECT NAME & CODE : 23BAT308 - MERCHANT BANK

YEAR/ SEMESTER : II MBA / III SEMSTER

UNIT 2 : ISSUE MANAGEMENT

Topic : Issue Pricing and Book Building Process



Issue Pricing and Book Building Process



- The issue pricing and book building process are critical components of the capital raising process, particularly in initial public offerings (IPOs) and follow-on offerings.
- These methods allow companies to determine the appropriate price at which their shares should be offered to the public.



Issue Pricing



- Issue pricing refers to the process of determining the price at which a company's shares will be offered to the public during an IPO.
- This price can significantly impact the success of the IPO and the company's capital raising efforts.



Factors Influencing Issue Pricing



- Market Conditions
- Company Valuation
- Peer Comparison
- Earnings and Future Prospects
- Demand from Institutional Investors



Methods of Issue Pricing



- **Fixed Price Method:** The issuer sets a fixed price at which shares will be sold to the public.
- **Example:** In the fixed-price IPO of Hindustan Aeronautics Limited (HAL) in 2018, the shares were offered at a fixed price of ₹1,001 each.
- **Book Building Method:** This method involves price discovery through investor bidding. The price range is set, and investors place bids within this range.
- **Example:** The book-building process was employed in the IPO of LIC (Life Insurance Corporation of India) in 2022, where shares were initially offered in a price band of ₹902 to ₹949.



Book Building Process



- The book building process is a systematic procedure for generating, capturing, and recording investor demand for shares during an IPO.
- This process helps determine the price at which the shares will be issued.



Steps in the Book Building Process



- Drafting the Red Herring Prospectus
- Appointment of Book Running Lead Managers (BRLMs)
- Setting the Price Band
- Roadshows and Investor Meetings
- Bidding Period
- Determining the Final Price
- Allotment of Shares
- Listing and Trading



RECAP

QUESTIONS???

THANK YOU