



## **[Glossary]**

### **Corporate Securities Part - 1**

<b>Subject:</b>	Business Economics
<b>Course:</b>	B. A., 4th Semester, Undergraduate
<b>Paper No. &amp; Title:</b>	Paper – 404 Indian Financial System
<b>Unit No. &amp; Title:</b>	Unit – II Primary Markets For Corporate Securities In India
<b>Lecture No. &amp; Title:</b>	Lecture – 1 (One) Corporate Securities Part - 1

## **Glossary**

### **Book Building of Shares**

Book building is a price discovery mechanism, basically an auction of shares. It is a mechanism through which offer price for IPOs based on the Investors' demand is determined as Investor's demand is an important input to arrive at an offer price.

### **Disinvestment**

When the shares of government companies held by the government are sold to get cash and when the earning assets are converted into cash it is called Disinvestment of PSU

### **Dutch Auction**

Dutch auction is also known as an open descending price auction. It uses a bidding process to find the best market price for the stock, the highest price at which the issuing company can sell all the available shares.

### **Employees Stock Options**

An Employee stock Option is a right to buy shares at a pre-determined price. The option granted under the plan advises a right but not an obligation on the employee

### **French Auction**

In French Auction, investors have to bid above the predetermined floor price. The allotment is done on the basis of the price investors bid, where each investor pays the bid price, but the priority is given to investors whose bid is the highest.

Hence all bids equal to or above the cut-off price are accepted at the price quoted by the bidder.

### **Green shoe option**

Green shoe option is the option of allocating shares in excess of the shares included in the public issue and operating a post – listing price stabilising mechanism through a stabilising agent like underwriter

### **Offer for sale**

Under this method, new securities are offered to general public but not directly by the company but by an intermediary who buys whole lot of securities from the company

### **On Line IPO**

On line IPO is the new method of issuing securities through on line system of stock exchange

### **Referential Issue of Shares**

It is an issue of shares or of convertible securities by listed companies to a select group of persons under Sec 62(1) (c) which is neither a rights issue nor a public issue. This is a faster way for a company to raise equity capital.

### **Private Placement**

Under this method the securities are sold by the company to an intermediary at a fixed price and in second step intermediaries sell these securities not to general public but to select clients at a higher price. Investors involved in private placements are usually banks, mutual funds or insurance companies.

## **Prospectus**

Prospectus refers to an information booklet or offer document, which has all relevant details including price and number of shares being offered, on the basis of which an investor invests in the securities of an issuer company.

## **Public Issue**

Public Issue is a process of raising capital by offering securities to general public at a certain stipulated price

## **Rights Issue**

The rights issue is an offer of additional shares (part of all the unissued shares under the control of the directors) by a listed company to existing shareholders in proportion to their shareholding in the company