



# SNS College of Technology



Coimbatore – 35

## 23BAE707 – Security Analysis and Portfolio Management

### Unit II – Securities Markets

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# GUESS THE TOPIC





# PRIMARY MARKET



- New Issue Market
- New securities are issued in the primary market.
- Securities are directly purchased from the issuer.
- The key function of the primary market is to facilitate capital growth by enabling individuals to convert savings into investments.
- It facilitates companies to issue new stocks to raise money directly from households for business expansion or to meet financial obligations.
- It provides a channel for the government to raise funds from the public to finance public sector projects



# PRIMARY MARKET FUNCTION

## New Issue Offer

- Primary market organizes offer of a new issue which had not been traded on any other stock exchanges.
- Due to this reason, it is also called New Issue Market.

## Underwriting Services

- Underwriting is an essential aspect while offering a new issue.
- A financial institution may act as an underwriter, earning a commission on underwriting.



## New Issue Distribution

- Issue of Prospectus
- It invites the public at large to buy a new issue and provides detailed information on the company, issue, and involved underwriters.



## ACTIVITY – KNOWLEDGE CHECK



A company can raise capital through the primary market in the form of \_\_\_\_\_.

- (a) Equity shares
- (b) Preference shares
- (c) Debentures
- (d) All of the above



# ADVANTAGES OF PRIMARY MARKET

- High Liquidity – Shares bought can be sold in secondary market.
- Investment option for the investors to save their money.
- It is not subject to market fluctuations. The prices are determined before an IPO. Investor knows the actual amount they have to invest.
- Less chance for price manipulation
- Offers Diversification





# DISADVANTAGES OF PRIMARY MARKET

- Higher degree of risk, since the company is offering the shares for the first time.
- In some cases it is not favorable for the small investors. If the shares are oversubscribed, small investor may no receive share allocation
- Investors may have limited information about the company, its financial performance, and future prospects. This can make it difficult to make informed investment decisions.





# Conclusion

- The primary market offers a unique opportunity for investors to participate in the growth of promising companies. And it can also be an excellent platform for companies to showcase their potential and raise their profile.
- However, investing in the primary market comes with its own set of risks, which investors should consider before investing. Therefore, it is essential to do thorough research, consult with experts, and seek professional advice to make informed investment decisions.

