

DIRECTIONS FOR EFFECTIVE ORGANIZATION OF PUBLIC OFFERING OF SHARES

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Abstract. This article analyzes financial processes aimed at public placement of shares, attracting cheap capital, achieving high efficiency, diversifying and increasing sources of income for investors and citizens. Also, the important aspects of the practice of mass placement of shares in the conditions of active digitization of today's economy are studied.

Keywords: joint-stock company, IPO, dividend, privatization, dividend policy and dividend strategy, investment attractiveness

INTRODUCTION

Public placement of shares serves to increase efficiency by attracting cheap capital for businesses, and serves to diversify and increase sources of income for investors and citizens. In the context of today's actively digitized economy, the practice of mass placement of shares is becoming global. That is, IPO practices are being approached as a global practice. Today's technological development makes it possible.

Certain positive or negative experiences have been obtained in this regard in our country as well, on the example of Kvarztz, Ko'kan mechanical plant, Jizzakh plastic, Uzauto Motors joint-stock companies. But we cannot say that the opportunities that can be achieved through public placement of shares are being used sufficiently.

In the Address of the President of the Republic of Uzbekistan Shavkat Mirziyoyev to the Oliy Majlis and the people of Uzbekistan on December 20, 2022, "My great intention is that hundreds of thousands of owners and shareholders appear among our compatriots. Let our people invest their savings and get high returns. That's why I gave an order: next year, the shares of our 10 largest companies and commercial banks will be publicly and transparently traded for our citizens. I believe that this will be a truly pro-people IPO ¹," he said. Also, at the meeting on implementation of privatization of state property and discussion of plans for this year held on March 24, 2023 under the chairmanship of the President of the Republic of Uzbekistan, Shavkat Mirziyoyev, "the state stake in 40 large enterprises and banks will be sold through the "people's IPO". In particular, for the first time, average 2 percent shares of large enterprises such as Navoi and Olmaliq Combines, Metallurgical Combine, Uztelecom, Milliy Bank, Sanoatkurilishbank will be offered to the population. In this case, the public will have the opportunity to buy shares directly. Companies whose shares are sold will direct at least 30 percent of their net profit to pay dividends for five years .²

Despite the mentioned positive aspects, there are specific principles of the practice of public placement of shares, the observance of which guarantees the success of such practices. Therefore, special studies in this regard are important.

¹<https://review.uz/uz/post/appeal-for-2023-of-uzbekistan-respublikasi-prezidenti-shavkat-mirziyoyev-full-text>

²Privatization regarding tasks marked - <https://president.uz/uz/lists/view/6081>

LITERATURE REVIEW

The issue of attracting cheap capital through the effective organization of public placement of shares is one of the research topics of constant attention of foreign and domestic researchers.

International by J. Kurbanov, S. Omonov, D. Nuralieva Research on the analysis of IPO practices has been carried out, focusing on the organizational stages of the initial public offering of shares, setting price ranges for shares, the largest practices in this regard, and the activity of institutional investors and underwriters ³.

Q. Chinkulov, who is conducting research on improving the practice of financing joint-stock companies, "In the charter capital state or economy management bodies has a share (stock package). has been As a priority for financing joint-stock companies, the placement of shares (stock packages) of state and economic management bodies through an initial public offering (IPO) will create opportunities for effective organization of financing of joint-stock companies through shares, additional funds for joint-stock companies, and attracting private investors ⁴. emphasizes.

According to B. Boev, who carried out monographic studies on the directions of improving the practice of public placement of shares, "as a period of public offering of shares by joint-stock companies to individual investors, it is necessary to determine the period when the profitability and purchasing power of the population will be relatively high, as well as the share capital of joint-stock companies with high state participation it is necessary to sell the state share at the market price through the practice of SPO and organize the next stages of privatization effectively ⁵. We cannot say that this aspect is being used effectively in our country until today.

A.Karimov's research on the analysis of the practice of mass placement of shares carried out in our country mentions the need to determine the price of the placement of shares in a comprehensive manner ⁶. In reality, there are problems in this regard, an example of which is the fact that the shares of Uzauto Motors joint-stock company are set at 14.5 times higher than the nominal value.

RESEARCH METHODOLOGY

The methods of scientific abstraction, analysis and synthesis, comparison, induction and deduction were used in the implementation of this study on the improvement of the practice of public placement of shares.

ANALYSIS AND RESULTS

We should emphasize that joint-stock companies by When a decision is made to conduct an IPO, the main goal is to attract cheap and high amount of financial resources. There are certain aspects that need to be taken into account in order to achieve the goal of ensuring the successful implementation of the expected IPO. Specific milestones to consider in the IPO process include:

According to the analysis, it is known that successful IPO practice is manifested in three stages. These are as follows (Table 1):

³Kurbanov J., Omonov S., Nuralieva D. An Analysis of International IPO Practices: Organizational Characteristics and Institutional Investor Participation. // *Economy and finance*, 2021. #1. - B. 53-61.

⁴Chinkulov Q. Improvement of financing of joint-stock companies. // *Economy and education*, 2021. No. 5. - B. 243-250.

⁵Boev B. The practice of public placement of shares of improvement main directions. PhD diss to obtain a degree. abstract. Tashkent, 2021. - 56 p.

⁶Karimov A. Improving Mechanisms of Attracting Free Money of the Population in the Securities Market Development. // *International Finance and Accounting*. - 2022. - T. 2022. - no. 1. - P. 16.

Table 1

Stages of a successful IPO practice and aspects to focus on⁷	
Naming of stages	Points to focus on and things to do
Directions for the long-term preparatory stage	<ul style="list-style-type: none">- adopting a corporate strategy for conducting an IPO;- introduction of attractive procedures regarding dividend policy and dividend strategy;- maximizing the market rate of shares by switching to regular dividends from the point of view of striving for investment attractiveness;- assessment of internal training, IPO pass the test;- designation of collaborators and organizers;- Justification of the prospects of the projects to which the IPO proceeds will be directed.
Stage of a successful IPO	<ul style="list-style-type: none">- Selection of the stock market for the IPO;- road show for potential investor transfer- fair determination of the price range (placement price);- setting the amount limit for applying for shares;- Setting the time of the IPO based on the current state of the economy;- conducting a successful IPO.
Maintaining a mutually beneficial relationship with investors after the IPO	<ul style="list-style-type: none">- ensuring continuity of investment attractiveness;- ensuring the regularity of dividends based on market profitability.- providing income through rate hikes

The successful implementation of IPO practices directly depends on the correct development and implementation of the corporate financial strategy. A corporate strategy for an IPO directly requires defining a long-term preparation plan. The main goal of long-term preparation is to increase investment attractiveness. For this, it is necessary to switch to regular dividends based on achieving high profitability, improve internal documents from the point of view of attractiveness (such as clearly defining the amount of net profit allocated to dividends, the form of dividend payment, and the upper limit of share ownership in the authorized capital). At the same time, it is also important to be able to convince the forecasts of the growth of stock

⁷Compiled by the authors.

returns due to the further increase in profitability by justifying the prospects of the projects to which the proceeds of the IPO will be directed. We cannot say that sufficient attention is paid to this aspect in national practice. In certain cases, the decision to hold an IPO in the first quarter is being made by state administration bodies, and the IPO is being held on the eve of the end of the year. As a result, the possibility of achieving the expected capitalization is sharply reduced due to problems related to investment attractiveness. For example, according to the decision of the President of the Republic of Uzbekistan dated March 18, 2022 " On additional measures to further reduce state participation in the economy and accelerate privatization" No. to be provided" ⁸. It is impossible to ensure that the dividend policy will be implemented in terms of investment attractiveness within six months. Uzauto Motors joint-stock company only paid 36% of the nominal value of shares at the end of 2019 and went to IPO without paying any dividends at the end of 2020-2021. ⁹As a result, joint-stock companies that are scheduled to conduct an IPO do not conduct this practice or are not successful. In general, it should be noted that the level of preparedness of the joint-stock company in this regard is not taken into account in cases where decisions on the public offering of shares (IPO, SPO) by joint-stock companies under state control are taken by the state. While state-controlled commercial banks are expected to hold an IPO in 2023, their shares on the stock exchange are trading below par. This aspect shows that the investment attractiveness of the mentioned commercial banks is not ready for IPO. In this regard, we must acknowledge that the 3-year strategy of the Uzum market joint-stock company on the global IPO was adopted and that the work was started based on the strategy. It should be noted that the IPO of a joint-stock company is ready in one year, and it is not a one-year practice. For this purpose, it is necessary to gain the confidence of investors and ensure investment attractiveness by preparing for at least 3-4 years.

Thorough preparation is a comprehensive foundation for a successful IPO. After internal preparation is ensured and agreed with the relevant partners, the focus is on establishing a comprehensively reasonable share price range for which exchange to enter. Limitation of the amount of application for shares by one investor is also important in this process. Also, it should be noted here that the time of receiving applications should be determined based on the current state of the economy. One of the reasons for the low demand is the fact that the mass placement of shares of Quartz, Ko'kan Mechanical Plant, and Uzauto Motors joint-stock companies was organized in winter. Because it is precisely in the winter season, in the conditions of a relatively low income of the population and an increase in expenses, offering them a share does not give sufficient results.

The completion of the public offering does not mean that the IPO process is over. There is also a post-IPO stage where mutually beneficial relationships with investors should be continued. For this, it is necessary to maintain the investment attractiveness by ensuring the regularity of dividends based on the market profitability. On the one hand, the increase in the share price serves to increase the income of the investors, and on the other hand, it serves as a free advertisement for the placement of the next additional shares. There are also problems in this regard in national practice. For example, "Kvarts" joint-stock company, whose shares were publicly placed twice, did not pay dividends at the end of 2018, at the end of 2019, it paid 6.1 percent of the nominal value of shares, and at the end of 2020, it paid 14.2 percent ¹⁰. These figures do not satisfy investors and in themselves indicate that the post-IPO phase is not well established.

⁸<https://lex.uz/ru/docs/5918980>

⁹https://openinfo.uz/uz/facts/?org_name=%22UzAuto+Motors%22+aksiyadorlik+jamiyati&type=32&date_from=&date_to=

¹⁰https://openinfo.uz/uz/facts/?org_name=%22Kvarts%22+joint-stock+community&type=32&date_from=&date_to=

Which national joint-stock companies with state participation It is natural to ask whether they are ready for an IPO. According to President Shavkat Mirziyoyev, the Almalyk Mining and Metallurgical Combine, the Navoi Mining and Metallurgical Combine, and the Metallurgical Combine of Uzbekistan are really ready for this practice. Also, the IPO of the shares of the Republic of Uzbekistan Commodity Exchange, the only premium class issuer in the "Tashkent" RFB, would have been of great importance for the development of the market. It should be noted that shares of the commodity exchange are very attractive. Although the nominal value of the company's shares is 630 soums, as of March 28, 2023, they are trading at 18,500 soums. One of the reasons for achieving such a result is undoubtedly the dividend policy and dividend practice of the joint-stock company (Table 2).

Table 2

Analysis of dividend payments of the Commodity Exchange of the Republic of Uzbekistan¹¹

Payment year	Dividend paid at the time	Simple one action dividend for (sum)	Dividends to pay for directed net profit %	Dividends to pay for directed net profit amount	In transaction number of shares	Dividends distributed of AUJ the date
2022	2021	1650.0	88.31%	123,681,393,000.00	74 958 420	19.03.2022
2021	2020	1100.0	86.95%	82,454,262,000.00	74 958 420	20.03.2021
2020	2019	2490.0	76.135%	62,215,488,600.00	24,986,140	22.05.2020
2019	2018	550.0	52.23%	13,742,377,000.00	24,986,140	24.05.2019
2018	2017	230.0	65.07%	5,746,812,200.00	24,986,140	25.05.2018
2017	2016	200.0	61.99%	4,997,228,000.00	24,986,140	26.05.2017
2016	2015	160.00	60.61%	3,997,782,400.00	24,986,140	27.05.2016
2015	2014	190.00	51.68%	4,747,366,600.00	24,986,140	15.05.2015
2014	2013	180.00	52.01%	4,497,505,200.00	24,986,140	20.06.2014
2013	2012	160.01	51.20%	3,998,212,100.00	24,986,140	21.06.2013
2012	2011	99.51	52.00%	2,486,322,000.00	24,986,140	22.06.2012
2011	2010	50,70	51.00%	1,266,818,070.00	24,986,140	10.06.2011
2010	2009	31.61	70.00%	789,701,900.00	24,986,140	11.06.2010
2009	2008	43.81	90.00%	1,094,742,700.00	24,986,140	12.06.2009

We can see that the 14-year dividend analysis is really interesting for investors, and regularly more than 50% of the net profit is allocated to the dividend during this period. At the end of 2021, 88.31 percent of the net profit was allocated to dividends and a dividend of 1,650 soums per share was paid, while at the end of 2022, the supervisory board¹² recommended paying a dividend of 2,300 soums per share.

Another reason for the investment attractiveness of the commodity exchange of the Republic of Uzbekistan is the fact that pure corporate management is practiced. That is, no shareholder owns a controlling stake, and the state's share is 26.43 percent (Figure 1).

¹¹<https://uzex.uz/fr/pages/public-data-on-accrued-dividends>

¹²<http://openinfo.uz/ru/facts/67221/>

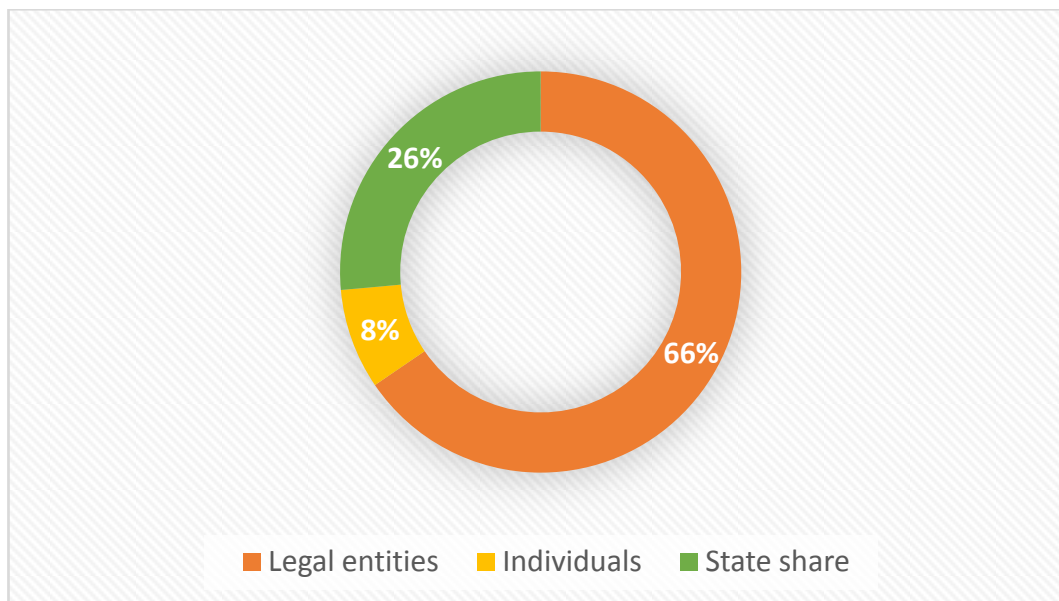


Figure 1. **The composition of shareholders of the Republic of Uzbekistan Commodity Exchange (as of 09.11.2022)¹³**

It should also be noted that on the basis of the initiative of the Almalyk Mining and Metallurgical Combine and the Metallurgical Combine of Uzbekistan, a decision was made in 2019 to release 12 percent of shares in the Republic of Uzbekistan Commodity Exchange to the SPO ¹⁴. This decision was not enforced. And now it has been decided to publicly place 2 percent shares of the Republic of Uzbekistan Commodity Exchange ¹⁵. Carrying out this practice this year will literally serve as a positive signal for the market. Also, due to the high profitability of joint-stock commercial banks, Trustbank, Silk Road Bank, it is advisable to release the state's share in them for public placement.

Also, we believe that it is important to ensure that mobile communication companies, which have been operating on the basis of high profitability, go to IPO by turning them into joint-stock companies, and to bring insurance companies to the market.

CONCLUSION

In general, we believe that focusing on the above in organizing and holding a populist IPO is important in achieving the intended goal, i.e. in increasing income by turning the population into shareholders, in attracting cheap capital for business, in the effective process of privatization, in the development of the stock market as a competitive institution to the credit market in financing the economy. .

With the exception of the Almalyk Mining and Metallurgical Combine and the Navoi Mining and Metallurgical Combine, joint-stock companies with high state control are relatively low in readiness for public placement of shares.

¹³<https://uzex.uz/fr/pages/Equity-structure#>

¹⁴Resolution of the Cabinet of Ministers of the Republic of Uzbekistan "On organizing primary and secondary public offers of shares on the Stock Exchange", No. 358 dated 04/26/2019 <https://lex.uz/docs/4311932>

¹⁵of the President of the Republic of Uzbekistan " On additional measures to reduce state participation in the economy ", PQ-102 dated 24.03.2023. <https://lex.uz/docs/6417192>

Shares of state-controlled commercial banks, which are expected to hold IPOs, are being sold below par on the stock exchange. In this case, it is not advisable to go to public placement of shares. Because shares are not placed below par and the investor prefers to buy from the market even when the offer is at par.

Due to the fact that going to IPO requires serious preparation, work should be carried out on the basis of a long-term corporate strategy, and the level of preparation of joint-stock companies should be tested for IPO.

Joint-stock companies with a high share of the private sector in the charter capital should first go to IPO and serve as a signal for the market.

As it is a positive signal for the market, it is necessary to set dividends on the basis of market profitability. This aspect is important for prospective IPOs.

Since the post-IPO stage, i.e., after the implementation, relations with investors must be beneficial, the internal documents of joint-stock companies, in particular, the charter, should set the net profit indicator for dividends in an attractive way.

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