

SECURITIES LAWS AND COMPLIANCES

Time allowed: 3 hours

Max. Marks: 100

PART—A

(Answer Question No.1 which is **COMPULSORY** and **ANY THREE** of the rest from this part.)

Question 1

(a) State, with reasons in brief, whether the following statements are correct or incorrect :

- (i) Capital market is wider than securities market.
- (ii) Mandatory client code facilitates market surveillance.
- (iii) CAMEL model is used for rating of banking companies.
- (iv) A foreign currency convertible bond is a quasi-debt instrument.
- (v) The placement memorandum is to be issued for private circulation only after the expiry of 21 days of its submission to SEBI.

(2 marks each)

(b) Re-write the following sentences after filling-in the blank spaces with appropriate words(s)/figure(s) :

- (i) Credit rating is considered more relevant for gradation of _____.
- (ii) Clearing corporation deals with _____.
- (iii) Securities in _____ are not available for buy-back until the period expires.
- (iv) Indian money market is getting integrated with the global market through _____.
- (v) _____ is a stabilization tool for post-listing price of newly issued shares.

(1 mark each)

Answer 1(a)

(i) **Correct.** The Capital Market is a market for financial investments that are direct or indirect claims to capital. It is wider than the Securities Market and embraces all forms of lending and borrowing, whether or not evidenced by the creation of a negotiable financial instrument. The securities market, however, refers to the markets for those financial instruments/claims/ obligations that are commonly and readily transferable by sale.

(ii) **Correct.** Mandatory Client Code establishes the identity of buyers and sellers of securities and improves and facilitates market surveillance. The client code is made mandatory at the broker's level operating on all the stock exchanges.

(iii) **Incorrect.** CAMEL Model is used for rating non-banking financial services.

(iv) **Correct.** A Foreign Currency Convertible Bond (FCCB) is a quasi debt instrument which represents equity linked debt security which can be converted into shares or into depository receipts.

(v) **Correct.** The placement memorandum is to be issued for private circulation only after the expiry of 21 days of its submission to SEBI.

Answer 1(b)

- (i) Debt instruments
- (ii) The delivery of and payment for securities or/and periodical settlement of contract or/and matter connected or incidental to transfer.
- (iii) Lock-in-period
- (iv) Resource mobilization from international sources
- (v) Green Shoe Option

Question 2

(a) Write short notes on the following :

- (i) Mortgage backed securities
- (ii) Basket trading system
- (iii) Market abuse
- (iv) Debt for equity swap. (2 marks each)

(b) Expand the following abbreviations :

- (i) MCFS
- (ii) SPDR
- (iii) WMA. (1 mark each)

(c) Explain the investment criteria for a foreign venture capital fund in India.

(4 marks)

Answer 2(a)(i)

Mortgage backed securities

Mortgage backed securities assure a fixed return which is derived from the performance of the specific assets. They are issued with a maturity period of 3 to 10 years and backed by pooled assets like mortgages, credit card receivables, etc. There is a commitment from the loan originator and/or intermediary institution to ensure a minimum yield on maturity.

Answer 2(a)(ii)

Basket trading system

In this system, the investors through the member brokers of the exchange are able to buy or sell all 30 scrips of Sensex in one go in the proportion of their respective weights in the sensex. The investors can also create their own baskets by deleting certain scripts from 30 scrips in the sensex.

Answer 2(a)(iii)

Market abuse

Market abuse is a term referring to abnormal price/volume movement, artificial transactions, false or misleading impressions, insider trading, etc. In order to detect aberrant behaviour/movement, it is pre-requisite to define the normal market behaviour.

Answer 2(a)(iv)

Debt for equity swap

These instruments give an offer to the debt holders to exchange the debt or equity shares of the company. The issuers offering debt for equity swaps increase equity capital by improving their debt-equity ratios and enhancing their debt issuing capacity.

Answer 2(b)

- (i) MCFS – Modified Carry Forward System
- (ii) SPDR – Standard & Poor's Depository Receipt
- (iii) WMA – Ways and Means Advance

Answer 2(c)

Investment Criteria for a Foreign Venture Capital Fund

All investments to be made by foreign venture capital fund are subject to the following conditions:

- (a) it should disclose its investment strategy to SEBI.
- (b) it can invest its total funds committed in one venture capital fund.
- (c) it shall make investments as enumerated below:
 - (i) at least 66.67% of the investible funds should be invested in unlisted equity shares or equity linked instruments.
 - (ii) not more than 33.33% of the investible funds may be invested by way of:
 - (a) subscription to initial public offer of a venture capital undertaking whose shares are proposed to be listed;
 - (b) debt or debt instrument of a venture capital undertaking in which the foreign venture capital investor has already made an investment by way of equity.
 - (c) preferential allotment of equity shares of a listed company subject to lock in period of one year.
 - (d) the equity shares or equity linked instruments of a financially weak company or a sick industrial company whose shares are listed.
 - (e) Special Purpose Vehicles which are created for the purpose of facilitating or promoting investment in accordance with SEBI (Foreign Venture Capital Investors) Regulations, 2004.
 - (f) It shall disclose the duration of life cycle of the fund.

Question 3

- (a) Explain the following terms related to capital market :
 - (i) Commodity pool
 - (ii) Depository participant. (2 marks each)
- (b) Explain the following terms related to money market :
 - (i) Auction
 - (ii) Primary dealer. (2 marks each)
- (c) Write a brief note on 'market making'. (3 marks)
- (d) "Primary market is of great significance to the economy." Comment. (4 marks)

Answer 3(a)(i)

Commodity pool

Commodity pool is investment trusts, syndicates or similar enterprises that are operated for the purpose of trading commodity futures. The investment concentration in commodity pool is in commodity futures.

Answer 3(a)(ii)

Depository participant

A depository participant (DP) is the representative (agent) of the investor in the depository system providing the link between the company and investor through the depository.

Answer 3(b)(i)

Auction

Auctions for government securities are either yield based or price based. In an yield based auction, the Reserve Bank of India announces the issue size (or notified amount) and the tenor of the paper to be auctioned. In a price based auction, the RBI announces coupon rate also in addition to the issue size (or notified amount) and the tenor of the paper to be auctioned.

Answer 3(b)(ii)

Primary dealer

Primary Dealer means a non-banking financial company which holds a valid letter of authorization as a Primary Dealer issued by the Reserve Bank, in terms of the Guidelines for Primary Dealers in Government Securities Market.

Answer 3(c)

Market Making

Market making is a process whereby two way quotes are offered for the purpose of facilitating trading in respect of a certain scrip. Market making affords much-needed liquidity to the securities. Moreover, it also increases the supply of scrips in the market and also triggers demand for the scrips in the market. Market making also helps in reducing the concentration.

Answer 3(d)

The market wherein resources are mobilised by companies through issue of new securities is called the primary market. The issuer of securities sells the securities in the primary market to raise funds for investment and/or to discharge some obligation.

The Primary Market (New Issues) is of great significance to the economy of a country. It is through the primary market that funds flow for productive purposes from investors to entrepreneurs. The latter use the funds for creating new products and rendering services to customers in India and abroad. The primary market creates and offers the merchandise for the secondary market.

Question 4

*(a) Distinguish between **any two** of the following :*

(i) 'Funds pay-in' and 'funds pay-out'.

(ii) 'Merchant banker' and 'portfolio manager'.

(iii) 'Commercial bills' and 'commercial papers'. (3 marks each)

(b) What is a 'self-regulatory organisation' ? What are its functions and obligations? (5 marks)

(c) Discuss the factors generally considered by credit rating agencies for the rating of

manufacturing companies. (4 marks)

Answer 4(a)(i)

Funds pay-in and Funds pay-out

Funds Pay-in: Once the reconciliation of securities is completed by the Clearing House, the bank accounts of member-brokers maintained with the clearing banks, are directly debited through computerized posting for their funds settlement obligations. This process is referred to as Pay-in of funds.

Funds Payout: The bank accounts of the member-brokers having pay-out of funds are credited by the Clearing House with the Clearing Banks on the same day. This process is referred to as Pay-out of Funds.

Answer 4(a)(ii)

Merchant Banker and Portfolio Manager

Merchant Banker means any person engaged in the business of issue management by making arrangements regarding selling, buying or subscribing to securities or acting as manager/consultant/advisor or rendering corporate advisory services in relation to such issue management.

Portfolio Manager means any person who pursuant to contract or arrangement with the client, advises or directs or undertakes on behalf of the client (whether as a discretionary portfolio manager or otherwise) the management or administration of a portfolio of securities or the funds of the clients as the case may be.

Answer 4(a)(iii)

Commercial Bills and Commercial papers

Commercial bills are basically negotiable instruments accepted by buyers for goods or services obtained by them on credit. Such bills being bills of exchange can be kept upto the due date and encashed by the seller or may be endorsed to a third party in payment of dues owing to the latter.

Commercial Paper (CP) is an unsecured money market instrument issued in the form of a promissory note. CP is a privately placed instrument. It enables highly rated corporate borrowers to diversify their sources of short-term borrowings and provides an additional instrument to investors.

Answer 4(b)

‘Self Regulatory Organization’ means an organization of intermediaries which is representing a particular segment of the securities market and which is duly recognised by the SEBI, but excludes a stock exchange.

Functions and Obligations of Self Regulatory Organization

A Self Regulatory Organization is responsible for investor protection and education of investors or its members and ensures observance of Securities Laws by its members. There is standard code of conduct for its members. The SRO conducts inspection and audit of its members, on regular basis, through independent auditors. SEBI is to be promptly informed of violations of the provisions of the Act, rules, regulations, directions, circulars or the guidelines by any of its members. SRO is required to conduct screening and certification tests for its

members, agents and such other persons as it may determine. SRO is required to conduct training programmes for its members or agents. SRO must act in utmost good faith and must avoid conflict of interest in the conduct of its functions. The SRO must comply with the norms of corporate governance as applicable to listed companies.

Answer 4(c)

The factors generally considered by Credit Rating Agencies for rating of manufacturing companies are as under:

- Industry Risk
- Company's industry and market position
- Operating efficiencies
- Accounting Quality
- Financial flexibility
- Earnings expectation
- Financial leverage
- Cash flow adequacy
- Management evaluation

Question 5

(a) Explain briefly the responsibilities and obligations of a debenture trustee.

(4 marks)

(b) Explain briefly the broad framework for short selling. (4 marks)

(c) The redemption price of a mutual fund unit is Rs.48 while the front-end load and back-end load charges are 2% and 3% respectively. You are required to calculate —

(i) Net asset value per unit; and

(ii) Public offer price of the unit. (7 marks)

Answer 5(a)

Responsibilities and Obligations of Debenture Trustees

Regulation 13 of SEBI (Debenture Trustees) Regulations, 1993 lays down that no debenture trustee who has been granted a certificate by SEBI shall act as debenture trustee unless he enters into a written agreement with the body corporate before the opening of the subscription list for issue of debentures and the agreement *inter alia* contains a statement to the fact that debenture trustee has agreed to act as such under the trust deed for securing an issue of debentures for the body corporate and the time limit within which the security for the debentures shall be created. Regulation 13A stipulates that no debenture trustee shall act as such for any issue of debentures in case, it is an associate of the body corporate; or has lent and the loan is not yet fully repaid or is proposing to lend money to the body corporate. Regulation 14 provides that every debenture trustee shall amongst other matters accept the trust deed which contains the matters specified in these Regulations.

Answer 5(b)

'Short Selling' is defined as selling a stock which the seller does not own at the time of trade. All classes of investors, viz., retail and institutional investors, shall be permitted to short sell. In order to provide a mechanism for borrowing of securities to enable settlement of securities sold short, the stock exchanges has put in place, a full fledged securities lending

and borrowing (SLB) scheme that is open for all market participants in the Indian securities market.

SLB operates through Clearing Corporation / Clearing House of stock exchanges having nation-wide terminals who will be registered as Approved Intermediaries (AIs) under the SLS, 1997. The SLB take place on an automated, screen based, order-matching platform which will be provided by the AIs. The borrowers and lenders have access to the platform for lending/borrowing set up by the AIs through the clearing members (CMs) (including banks and custodians) who are authorized by the AIs in this regard. The tenure of lending/borrowing is fixed as standardized contracts. The settlement of lending and borrowing transactions is independent of normal market settlement.

Answer 5(c)

Calculation of NAV per unit and Public Offer Price per unit:

$$(i) \text{ Redemption of Price (ROP)} = \frac{\text{Net Asset Value}}{1 + \text{Back end Load}}$$

$$\begin{aligned} \text{Net Asset Value per unit} &= \text{ROP} \times (1 + \text{Back end load}) \\ &= 48 \times (1 + 0.03) \\ &= \text{Rs. } 49.44 \end{aligned}$$

$$\begin{aligned} (ii) \text{ Public offer Price} &= \frac{\text{Net Asset Value}}{1 + \text{Front end Load}} \\ &= \frac{49.44}{1 - 0.02} \\ &= \text{Rs. } 50.45 \end{aligned}$$

PART—B

(Answer **ANY TWO** questions from this part.)

Question 6

(a) "IPO grading is a service aimed at facilitating the assessment of the equity issue offered to the public." Discuss. (4 marks)

(b) Define 'fast track issue'. List out the conditions to make a fast track issue. (4 marks)

(c) What are the eligibility norms for public issue by an unlisted company? (4 marks)

(d) Briefly explain the following terms related to debt market :

(i) Pass through certificates

(ii) Benchmarked instruments

(iii) Inflation linked bonds

(iv) Floating interest rate. (2 marks each)

Answer 6(a)

IPO grading (initial public offering grading) is a service aimed to facilitating the assessment of equity issues offered to public. The grade assigned to any individual issue represents a relative assessment of the fundamentals of that issue in relation to the universe of other listed equity securities in India. Such grading is assigned on a five-point scale with a higher score indicating stronger fundamentals. IPO grading is a relative comparison of the assessed fundamentals of the graded issue to other listed equity securities in India.

Answer 6(b)

SEBI has decided to enable listed companies satisfying certain specified requirement to make fast track issue. Fast track issue is exempted from certain norms relating to filing of draft offer document with SEBI and stock exchange subject to compliance of certain conditions, which are as under:

- (i) The shares of the company have been listed on any stock exchange having nationwide terminals for a period of at least three years immediately preceding the reference date.
- (ii) The average market capitalization of public shareholding of the company is at least Rs.10, 000 crores for a period of one year.
- (iii) The annualized trading turnover of the shares of the company during six calendar months immediately preceding the month of the reference date has been at least two per cent of the weighted average number of shares listed during the said six months period.
- (iv) The company has redressed at least 95% of the total shareholder/investor grievances or complaints.
- (v) The company has complied with the listing agreement for a period of at least three years immediately preceding the reference date.
- (vi) The impact of auditors' qualifications if any on the audited accounts of the company in respect of the financial years for which such accounts are disclosed in the offer document does not exceed 5% of the net profit/loss after tax of the company for the respective years.
- (vii) No prosecution proceedings or show cause notices has been issued by SEBI.
- (viii) The entire shareholding of the promoter group is held in dematerialized form as on the reference date.

Answer 6(c)

An unlisted company can make an initial public offering (IPO) of equity shares or any other security which may be converted into or exchanged with equity shares at a later date, only if it meets all the following conditions:

- (a) The company has net tangible assets of at least Rs. 3 crores in each of the preceding 3 full years (of 12 months each), of which not more than 50% is held in monetary assets;
- (b) The company has a track record of distributable profits in terms of Section 205 of the Companies Act, 1956, for at least three out of immediately preceding five years;
- (c) The company has a net worth of at least Rs.1 crore in each of the preceding 3 full years (of 12 months each);
- (d) The aggregate of the proposed issue and all previous issues made in the same financial year in terms of size does not exceed five times its pre-issue net worth as per

the audited balance sheet of the last financial year.

(e) In case the company has changed its name within the last one year, at least 50% of the revenue for the preceding 1 full year is earned by the company from the activity suggested by the new name.

Answer 6(d)

(i) Pass through Certificates

When mortgages are pooled together and undivided interest in the pool are sold, pass through securities certificates are created.

(ii) Benchmarked Instruments

These are certain debt instruments wherein the fixed income earned is based on a benchmark. For instance the floating interest rate funds are benchmarked to either the LIBOR or MIBOR.

(iii) Inflation Linked Bond

A bond is considered indexed for inflation if the payment on the instrument is indexed by reference to the change in the value of a general price index over the term of the instrument.

(iv) Floating Interest Rate

Floating interest rate simply means that the rate of interest is variable. The interest rate payable for the next period is set with reference to a benchmark market rate agreed upon by both the lender and borrower.

Question 7

(a) What is due diligence in the process of public issue of securities ? Explain its scope and significance. (4 marks)

(b) What are the compliances under the listing agreement for Indian depository receipts (IDRs) relating to appointment of Company Secretary and undertaking of due diligence of Registrar and Transfer Agent (RTA), etc? (4 marks)

(c) State the conditions required to be fulfilled for conversion of external commercial borrowings (ECBs) into equity. (4 marks)

(d) You are the Company Secretary of Great India Ltd. Prepare a Board note outlining various requirements of SEBI guidelines for rights issue and list out the major steps involved in rights issue. (8 marks)

Answer 7(a)

Due Diligence

In relation to public issue of securities, due diligence is carried out by a merchant banker. Due Diligence includes all the activities that are associated with a public issue. It includes carrying out reference checks on the related aspects.

The Lead Merchant Banker is responsible for verification of the contents of a prospectus or the letter of offer in respect of an issue of securities and reasonableness of the views expressed therein and to submit to SEBI due diligence certificate in the prescribed form. The scope of Due Diligence includes examination of various documents including those relating to litigation like commercial disputes, patent disputes, disputes with collaborators etc. Merchant Banker also discuss with the company, its directors and other officers and other agencies on matters including objects of the issue, projected profitability, price justification etc. before

giving the Due Diligence Certificate. It provides a comfort level to the company and regulators that all compliances in relation to issue of shares have been complied with.

Answer 7(b)

Clause 23 of Listing Agreement for Indian Depository Receipts (IDRs) provides that the issuer is required to :

(a)appoint the Company Secretary as Compliance Officer who will directly liaise with the authorities such as SEBI, Stock Exchanges, ROC etc., and investors with respect to implementation of various clauses, rules, regulations and other directives of such authorities and investor service & complaints related matter.

(b)undertake a due diligence survey to ascertain whether the RTA is sufficiently equipped with infrastructure facilities such as adequate manpower, computer hardware and software, office space, documents handling facility etc., to serve the IDR holders.

Answer 7(c)

Conversion of ECB into equity

(i)Conversion of ECB into equity is permitted subject to the following conditions:

(a)The activity of the company is covered under the Automatic Route for Foreign Direct Investment or Government approval for foreign equity participation has been obtained by the company, wherever applicable,

(b)The foreign equity holding after such conversion of debt into equity is within the sectoral cap, if any,

(c)Pricing of shares is as per the SEBI and erstwhile CCI guidelines/ regulations in the case of listed/unlisted companies as the case may be.

(ii)Conversion of ECB into equity may be reported in the form FC-GPR to the Regional Office concerned of the Reserve Bank as well as in form ECB-2 submitted to Reserve Bank of India within seven working days from the close of month to which it relates. Once reported, filing of ECB-2 in the subsequent months is not necessary.

Answer 7(d)

15th June, 2010

Board of Directors
Great India Ltd.

Rights issue as identified in the SEBI (ICDR) Regulations, 2009 is an issue of securities made by an issuer to its existing shareholder as on a particular date fixed by the issuer (i.e. record date). A listed company can not make any issue of security through a rights issue where the aggregate value of securities including premium exceeds Rs.50 lacs, unless it has filed a draft letter of offer with SEBI through a Merchant Banker at least 30 days prior to the filing of prospectus with the designated stock exchange.

Requirements for Rights Issue

The issuer is required to comply with various requirements such as –

- issue of securities in dematerialized form
- partly paid-up shares to be made fully paid up
- firm arrangements of fiancé through verifiable means
- pricing guidelines

- composite issue of capital at differential prices
- freedom to determine denomination of shares
- Memorandum of understanding
- Inter se-allocation of responsibilities of Merchant Bankers
- Competence and Appointment of Intermediaries
- further issue of capital, etc.

Major steps involved in Rights Issue

The various steps involved for issue of rights share are enumerated below:

- (i) Check whether the rights issue is within the authorized share capital of the company. If not, steps should be taken to increase the authorized share capital.
- (ii) In case of a listed company, notify the stock exchange concerned about the date of Board Meeting at which the rights issue is proposed to be considered at least 2 days in advance of the meeting.
- (iii) Rights issue shall be kept open for at least 15 days and not more than 30 days.
- (iv) Convene the Board meeting and place before it the proposal for rights issue.
- (v) The Board should decide on the matters relating to Quantum of issue proportion of rights shares.
- (vi) Immediately after the Board Meeting notify the concerned Stock Exchanges about particulars of Board's decision.
- (vii) Forward 6 sets of letter of offer to concerned Stock Exchanges.
- (viii) Despatch letters of offer to shareholders by registered post.
- (ix) Check that an advertisement giving date of completion of dispatch of letter of offer has been released in at least an English National Daily, one Hindi National Paper and a Regional Language Daily where registered office of the issuer company is situated.
- (x) Make arrangement with bankers and Self Certified Syndicate Banks for acceptance of share application forms.
- (xi) Prepare a scheme of allotment in consultation with Stock Exchange.
- (xii) Convene Board Meeting and make allotment of shares.
- (xiii) File return of allotment with Registrar of Companies within 30 days of allotment.
- (xiv) Make an application to the Stock Exchange(s) where the company's shares are listed for permission of listing of new shares.

Submitted please

Yours faithfully,

XYZ

Company Secretary

Question 8

- (a) What are the legal provisions for investor protection with regard to—
 - (i) misstatements in a prospectus; and
 - (ii) failure to send financial statements? (5 marks)
- (b) Briefly explain the principal documents involved in issuance of global depository receipts (GDRs) and foreign currency convertible bonds (FCCBs). (5 marks)

(c) Can an issuer company offer specified securities at different prices? What are the conditions laid down under the SEBI investor protection guidelines with regard to differential pricing of securities? (5 marks)

(d) What is 'book building'? What is the difference between 'fixed price process' and 'book building process'? (5 marks)

Answer 8(a)

(i) Mis-statements in Prospectus

Section 63 of the Companies Act, 1956: This Section deals with criminal liability for misstatement in prospectus issued by a company. For such misstatements, the section provides for imprisonment upto 2 years and fine which may extend to Rs. 50,000/- or with both and the offence is compoundable.

Section 68 of the Companies Act, 1956: This section deals with the penalty for fraudulently inducing persons to invest money in security of a company and provides for imprisonment upto 5 years or fine upto Rs. 1 lakh.

(ii) Failure to Send Financial Statements

Section 219 of the Companies Act, 1956: This section provides for the right of a member for copies of Balance-sheet and auditors Report.

Sub-section 3 makes the default in complying with this requirement punishable with fine which may extend to Rs. 5,000/-.

Besides, Section 621 of the Companies Act, 1956 permits the shareholder to proceed against the company and its officers in a court of law generally for offences committed under the Companies Act including prospectus, abridged prospectus, allotment, listing, transfer of shares, dividend payment etc. committed by the company as well as its officers under various provisions in the Act.

Answer 8(b)

Principal Documents involved in issuance of GDRs/FCCBs

Depository Agreement

Depository agreement lays down the detailed arrangements entered into by the company with the Depository, the forms and terms of the depository receipts, rights and duties of the depository.

Agency Agreement

In terms of this agreement, conversion agents are required to make the principal and interest payments to the holders of FCCBs from the funds provided by the company.

Subscription Agreement

Subscription agreement provides that Lead Managers and other managers agree, severally and not jointly, with the company, subject to the satisfaction of certain conditions, to subscribe for GDRs at the offering price set forth.

Custodian Agreement

Custodian works in co-ordination with the depository and has to observe all obligations imposed on it including those mentioned in the depository agreement. The custodian is responsible solely to the depository.

Trust Deed

In respect of FCCBs the company enters into a Covenant (known as Trust Deed) with the Trustee for the holders of FCCBs, guaranteeing payment of principal and interest amount on such FCCBs and to comply with the obligations in respect of such FCCBs.

Answer 8(c)

Differential pricing

An issuer can offer specified securities at different prices, subject to the following:

(a) retail individual investors or retail individual shareholders can be offered specified securities at a price lower than the price at which net offer is made to other categories of applicants.

However, such difference shall not be more than 10% of the price at which specified securities are offered to other categories of applicants.

(b) in case of a book built issue, the price of the specified securities offered to an anchor investor should not be lower than the price offered to other applicants;

(c) in case of a composite issue, the price of the specified securities offered in the public issue can be different from the price offered in rights issue and justification for such price difference should be given in the offer document.

Answer 8(d)

Book Building

Book Building means a process undertaken to elicit demand and to assess the price for determination of the quantum or value of specified securities or Indian Depository Receipts, as the case may be.

Difference between Fixed Price Process and Book Building Process

<i>Features</i>	<i>Fixed Price process</i>	<i>Book Building process</i>
Pricing	Price at which the securities are offered/allotted is known in advance to the investor.	Price at which securities will be offered/allotted is not known in advance to the investor. Only an indicative price range is known.
Demand	Demand for the securities offered is known only after the closure of the issue.	Demand for the securities offered can be known everyday as the book is built.
Payment	Payment is made at the time of subscription wherein refund is given after allocation.	Payment only after allocation
