SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 (1.1)

Definitions

Application Supported by Blocked Amount (ASBA)

Application for subscribing to a public issue or rights issue, along with an authorisation to Self Certified Syndicate Bank to block the application money in a bank account

Further Public Offer

Offer of specified securities by listed issuer to public for subscription & includes an offer for sale of specified securities to public by any existing holders of such securities in a listed issuer.

Initial Public Offer

Offer of specified securities by an unlisted issuer to public for subscription & includes an offer for sale of specified securities to public by any existing holders of such securities in an unlisted issuer

retail individual investor

An investor who applies or bids for specified securities for a value of not more than 2 lakhs rupees

Issue Size & offer through offer document

a)Issue Size" includes offer through offer document (OTOD) & promoters' contribution.(PC)

b)offer through offer document means net offer to public & reservations.

Issue Size = OTOD + PC

OTOD= NOTP + Reservations as per Reg 42

Therefore ,

Issue Size = NOTP + Reservations + PC

Applicability & Minimum Subcription for regulation

Applicability

(a)public issue(PI)

(b)rights issue(RI), where the aggregate value of specified securities offered is 50 lakh rupees or more;

(c)preferential issue

(d)issue of bonus shares by a listed issuer;

(e)QIP by a listed issuer;

(f)issue of IDR

Provided regulations not apply to issue of securities under SEBI (Substantial Acquisition of Shares & Takeovers) Regulations, 2011.

Minimum Subscription (MS)

a)Issue shall not be less than 90% of OTOD

b)Non-receipt of MS,all application moneys received shall be refunded , but not later than:

i.)15 days of the closure of the issue, in case of non-underwritten issue &

ii) 70 days of the closure of the issue, in the case of an underwritten issue

where minimum subscription including devolvement obligations paid by the underwriters is not received within 60 days of the closure of the issue,else interest @15% shall be payable.

Fast track issue. (FTI)

Purpose behind FTI

a) FTI introduced in order to enable well established & compliant Listed Cos satisfying certain specific entry norms/conditions to access Indian Primary Market in a time effective manner.

B)Such COs not required to file Draft Offer Document for SEBI's comments & to SE.

Norms under FTI

a)Issuer doesn't have to comply with Regulations 6,7,8 related to filing of so many documents with SEBI & Stock Exchange.

b)There are lot of FORMS to be submitted under ICDR Regulations 6,7 and 8 & then amend the prospectus based on observations made by SEBI

Norms Not Applicable

a)Shares listed on any RSE having nationwide trading terminals for period of at least 3 yrs immediately preceding the date of filing of offer document with ROC/SE.

b)Average Market Capitalization of public shareholding of Co is at least 3000 crore rupees for period of 1 year to the end of the quarter preceding the mth in which the proposed issue is approved

c)Annualised turnover of shares of company during 6 calendar mths immediately preceding the mth of reference date has been at least 2% of weighted avg no of ES listed during such 6 mths' period.

d)Co has redressed at least 95% of total shareholder/ investor grievences or compaints till end of the quarter immediately preceding the mth of date of filing offer document with ROC/SE.

e)Co has complied with the listing agreement for a period of at least 3 yrs immediately preceding the reference date

f)Auditors'qualifications for which such accounts are disclosed in the offer document does not exceed 5% of the net profit or loss after tax

g)No prosecution proceedings or show cause notices are pending against Co or its promoters or WTD as on the reference date

h)Entire shareholding of promoter group is held in dematerialised form on the date of filing of offer document with ROC/SE

Initial Public Offer

Regulation 1

(a)NTA >= Rs3 Cr in each of the preceding 3 full yrs (of 12 mths each), of which MA<=15%.

if NTA >= 50% are held in MA, issuer has made firm commitments to utilise such excess MA in its business or project

(b)MAPOP of Rs.15 crore, calculated on a restated and consolidated basis, during 3 most profitable yrs out of the immediately preceding 5 yrs.

(c)NW >= Rs 1cr in each of the preceding 3 full yrs (of 12 mths each);

(d)Aggregate of proposed issue and all previous issues made in the same FY in terms of issue size does not exceed 5 times its pre-issue NW as per audited BS of the preceding FY;

(e)Name changed within last 1yr >= 50% of revenue for the preceding 1 full yr has been earned from activity of new name.

Regulation 2 if Reg 1 is not satisfied

a)Issue through BB process and the issuer allots >= 75% of the net offer to public to QIB & refund full subscription money if it fails make said mini. allotment to QIB.

B)No allotment pursuant to a PI if the no of prospective allottees is less than 1000.

c)No IPO,unless as on date of registering prospectus or red erring prospectus with ROC, grading for IPO from at least 1 credit rating agency registered with Board.

Conditions for further public offer (Regulation 27)

An issuer may make a further public offer if it satisfies the conditions specified in clauses (d) and (e) of sub-regulation (1) of regulation 26 and if it does not satisfy those conditions, it may make a further public offer if it satisfies the conditions specified in sub- regulation (2) of regulation 26.

Qualified Institutuional Buyers

a) PFI as in section 4A of Co Act,2013.These include IFCI, IDBI, LIC, UTI, IDFC, ARCIL

b)Scheduled commercial banks includes commercial banks in 2nd Sch. to RBI Act

c)mutual fund,

d)FIIs registered with SEBI.

e)VCF registered with SEBI;

f) FVC investor registered with the Board;

g)Insurance Co registered with IRDA;

h)PF with minimum corpus of Rs.25 crore ;

i.)pension fund with minimum corpus of Rs.25 crore.

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INDIAN DEPOSITORY RECEIPTS

REGULATION 97 – ELIGIBILITY FOR IDR

(a)Issuing company(IO) is listed in its home country;
(b)IO is not prohibited to issue securities by any regulatory body;
(c)IO has track record of compliance with securities market regulations in its home country.
Explanation:"Home country" means the country where the issuing company is incorporated and listed.

REGULATION 98 – CONDITIONS FOR ISSUE OF IDR

a)issue size >= 50 crore rupees;
b)Procedure to be followed by each class of applicant which shall be mentioned in the prospectus
c)minimum application amount - Rs. 20,000
d)at least 50% of the IDR to be allotted to QIB
e)Bal 50% may be allocated among NII & RII including employees & allocation to be disclosed in prospectus.
Provided IDRs in public issue for RII>=30% & in case of under subscription in RII,spillover to other categories to the extent permitted.
f)only 1 denomination of IDR of the issuing company.

BONUS ISSUE

CONDITIONS

a)Authorised by its AOA
Provided if no such provision ,pass a resolution at its general body meeting making provisions in AOA for capitalisation of reserve;
b)Not defaulted in payment of interest or principal in respect of FD or debt securities issued by it
c)Not defaulted in payment of statutory dues of the employees
d)the partly paid shares,outstanding on the date of allotment, are made fully paidup.
e)Reservation of ES of same class in favour of the holders of outstanding compulsorily convertible debt instruments, if any, in proportion to the convertible part thereof.

BS only against reserves, etc. if capitalised in cash

Out of FS built out of genuine profits or SP collected in cash only & reserves created by revaluation of FA shall not be capitalised for BI.
Note: CR & CRR are prevalently used for BS.Only RR,which in unrealized is not permitted.

Completion of bonus issue

a)BI after approval of its BOD for capitalisation of profits or reserves ,shall implement BI within 15 days from date of approval
Provided that where SH's approval , BI shall be implemented within 2 mths from date of the meeting of its BOD wherein the decision was taken subject to SH's approval.
b)Once the decision to make BI is announced, it can not be withdrawn.

BOOK BUILDING

CONCEPT

a)Public issue is made as opposed to a fixed price offer method.
b)Demand for the proposed issue is elicited & built up & price is assessed.
c)Price discovered by investors as opposed to Co fixing the price.

PRICING

a)Prospectus (red herring prospectus) should mention Floor Price (i.e., min. price below which bids would not be accepted) or price band consisting of celling/cap & a floor.
b)In case of band,cap cannot exceed 20% of floor.
c)Actual pricing depends on bids received.

Revision of price band (PB)

Max. revision on either side <=20% i.e. floor of PB can move up or down to the extent of 20% of floor of PB disclosed in red herring prospectus & the cap of the revised PB will be fixed in accordingly.

Build up of the books and revision of bids

a)Electronically transmitted to NSE OR BSE on an online basis.
b)Book gets built up at various price levels.Info available with BRLMs on regular basis.
c)Bidder who registered his interest in ES is free to revise his bid within PB.
d)Revision can be made in both desired nos of ES & bid price & no of times during bidding period

STEPS

A)File the herring prospectus with ROC at least 3days before the bid/issue opening date.
b)Co & BLM must declare bid/issue opening date, bid/issue closing date & price band.
c)Bidding period shall be open for at least 3 WD not more than 7 WD.
d)PB is revised,it will be published in two widely circulated newspaper & the bidding period extends for a further period of three period of three days, subject to total bidding period not exceeding 10 WD.
e)The bidder can revise the bid through revision form.
f)Bid at any price within the price band & for desired no of ES at a specific price.
g)Retail individual bidder applying for max. bid not exceeding Rs. 2lac may bid at "cut-off". "cut-off" is prohibited for QIB or non institutional bidders.

ANCHOR INVESTORS (AI)

CONCEPT

a)Application of a value at least Rs.10 crore in the public issue.
b)Upto 60% of available for allocation to QIB shall be available to AI
c)1/3rd shall be reserved for domestic MF.
d)Bidding shall open 1 day before the issue opening date.
e)Pay the same margin which is payable by other categories of investors the bal, to be paid within 2 days of the date of closure of issue.
f) Allocation to be completed on the day of bidding.
g)Price fixed as a result of BB is higher than price at which the allocation is made ,then it shall be an additional amount.If lower than price at which the allocation is made shall be allotment at the price at which allocation was made to it.
h)No of share allocated and price at which allocation is made, shall be made available in public domain by merchant banker
i)Lock-in of days on the shares from the date of allotment the public issue.
j) Neither merchant bankers nor any person related to the promoter/promoter group/merchant bankers in the concerned public issue can apply under AI category.

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PREFERENTIAL ISSUE

REGULATION NOT APPLICABLE IF PI IS MADE

(a) Conversion of loan or option attached to convertible debt instruments by CG
(b)Scheme approved by HC under section 391 to 394 of the Co Act, 1956;
(c)Rehabilitation scheme approved by the Board of Industrial and Financial

CONDITIONS

(1) (a) SR passed by its SH;
(b)ES held are in dematerialized form;
(c)Compliance with conditions for continuous listing of ES
(d)Obtained PAN of the proposed allottees.
(2)No PI who has sold any ES during 6 mths preceding the relevant date:
"Relevant date" means – date 30 days prior to the date on which the meeting of Shareholder is held to consider the proposed preferential issue.
(3)Allotment pursuant to SR shall be completed within period of 15 days ,else pass a fresh resolution shall have to be passed again.

Payment of consideration

Full consideration of SS other than warrants issued under this Chapter shall be paid by the allottees at the time of allotment of such SS.

PRICING OF ES

1)ES listed on a RSE for a period of six mths or more as on the relevant date, price shall not less than higher of the following:
(a)Avg of weekly high & low of the closing prices of the related ES quoted on RSE during 6 mths preceding relevant date; or
(b)Avg of weekly high & low of the closing prices of related ES quoted on RSE during 2 weeks preceding the relevant date.
2)ES listed on RSE for period of less than 6 mths as on the relevant date, a price not less than the higher of the following:
(a)Price at which ES issued in its initial public offer
(b)Avg of weekly high & low of the closing prices of the related ES quoted on RSE during the period shares have been listed preceding the relevant date; or
(c)Avg of weekly high & low of the closing prices of the related ES quoted on RSE during 2 weeks preceding the relevant date.

LOCK OF SS

3 yrs from the date of allotment of the SS or ES allotted pursuant to exercise of option attached to warrant,provided
i)If not more than 20% of total capital shall be locked-in for 3 yrs from the date of allotment
ii)And if in excess of 20% shall be locked-in for 1 yr from the date of their allotment.

Green Shoe Option (GSO)

Meaning

a)An option of allocating shares in excess of shares included in PI & operating post-listing price stabilizing mechanism for period not exceeding 30 days by Stabilizing Agent (SA).
b)Issue would be over allotted to the extent of max. of 15% of the issue size.
c)GSO provides more probability of getting shares & also that post listing price may show relatively more stability as compared to market.
d)GSO gives underwriter the right to sell investors more shares than originally planned .
e)Provide additional price stability because underwriter has the ability to increase supply & smooth out price fluctuations if demand surges.

Price Stabilization through GSO

a)Stabilising post listing price of its Specified Securities(SS)
b)Resolution passed in the GM approving PI to allot SS to SA,on the expiry of SP.
c)Appoints MB or BR from amongst the MBs appointed by the issuer as SA,who shall be responsible for price stabilisation process
d)Issuer & SA enters into agreement stating terms &conditions including fees& expenses to be incurred.
e)Agreement with promoters or pre-issue SH or both for borrowing SS ,specifying max. no of SS that may be borrowed which shall not be in excess of 15% of issue size
f)LMB or LBR in consultation with SA, shall determine amount of SS to be over allotted
g)Draft & final offer documents shall contain all material disclosures
h)In IPO pre-issue SH and promoters holding more than 5% specified securities may lend SS
h)SA determines timing of buying such securities,quantity to be bought &price at which to be bought.
i) Maximum SP not exceeding 30days from date on which trading permission is given.
j)Separate Bank and DP Account:For crediting monies received from the applicants against over- allotment and DP for crediting SS to be bought from market duringSP.
k) Return of Shares to the promoters or pre-issue but not later than 2 working days after the end of SP.
m)SA unable to buy SS On expiry of SP,issuer shall allot SS at issue price in dematerialised form to the extent of shortfall within 5 days of closure of SP.
n) Listing Application in respect of further SS allotted under sub-regulation(6) & the provisions of ChapterVII shall not be applicable to such allotment.
o)SA shall remit monies of SS allotted from the special bank account.
p)Any Surplus in Bank Account after remittance & deduction of expenses shall be transferred to IPEF.
q)Report:SA shall submit report to SE on daily basis during SP & FR to Board in format specified in ScheduleXII.
r) Maintenance of Register for a period of atleast 3yrs from date of endof SP and register contains

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PRICING IN PUBLIC ISSUE

Pricing

Determination of price of SS in consultation with LMB or through the book building process.

Differential Pricing

a)RII or RIS or employees applying for SS of value not more than Rs. 2 lakhs rupees, may be offered SS at a price lower than the price at which net offer is made to other categories of applicants:
i)Difference shall not be more than 10% of the price at which SS are offered to other applicants
ii)If book built issue,price offered to AI shall not be lower than the price offered to other applicants.
iii)If composite issue,price offered may be different from the price offered in RI & justification for such price difference shall be given.

Price and Price Band

a)Price in draft prospectus (in case of FPI) & floor price or price band in red herring prospectus (in case of BB) & determine the price at later date before registering the prospectus with ROC
i)But prospectus registered with ROC shall contain only one price or the specific coupon rate, as the case may be.
1. The cap on price band ≤ 120% of FP
2.FP or final price shall not be less than the face value of SS.

Face Value (FV)

a)FV of shares determined by Co e.g.; 10, 5, 2, 1, etc.b)It cannot be in decimal.c)If IPO foll. additional conditions apply:
i)IP >=500 then Co may fix FV below Rs.10 per share but not lower than Rs.1 per share;
ii)IP <500 then Co must have FV of 10 per share.

PROMOTERS' CONTRIBUTION (PC)

Minimum Requirement(MR)

a)IPO by Unlisted companies - ≥ 20% of Post Issue Capital.
b)FPO by Listed companies-≥ 20% of Post issue or ensure shareholding of ≥ 20% of Post Issue Capital.
B)if post issue shareholding of promoters <20%, AIF may contribute for the purpose of meeting the shortfall in MC as specified,subject to max. of 10% of post issue capital

ALTERNATIVE INVESTMENT FUNDS

a)Any fund established or incorporated in India in the form of trust or Co or LLP or a body corporate which –
1)Is a privately pooled investment vehicle which collects funds from investors, whether Indian or foreign
2. Is not covered under SEBI (MF) Regulations, 1996 & SEBI (Collective Investment Schemes) Regulations, 1999 or any other regulations of the Board to regulate fund management activities:

LOCK-IN PERIOD

a)Min.PC- 3 yrs from date of allotment in PI or commencement of commercial production whichever is later.
B)Excess PC- 1 yr from date of allotment
c)Pre-IPO capital of Unlisted Co -1yr from date of allotment in PI

Transferability of locked-in SS

Comply with SEBI Takeover Regulations & that bal lock-in continues in hands of the transferees for unexpired lock-in period.

Minimum Offer to Public, Reservations, etc

MAX.RESERVATION ON COMPETITIVE BASIS (Reg 42)

a)Issue through BB-
i)Employees excluding promoters-5% of the post issue capital.
ii)shareholders (other than promoters) of:
listed promoting companies, in case of a new issuer &listed group companies, in case of an existing issuer-10% of the Issue Size.
iii)Persons who have business association with issuer as depositors or bondholders making IPO-5% of the issue Size
b)Issue made otherwise than BB:
i) Employees excluding promoters-5% of the post issue capital
ii)SH(other than promoters) of:
listed promoting companies, in case of a new issuer,listed group companies in case of an existing issuer-10% of the Issue Size

ALLOCATION IN NET OFFER TO PUBLIC

a)BB under Reg 26(1)-RII >=35%,NII>=1an5%,QIB<=50% out of which 5% shall be to MF.
b)BB under Reg 26(2)-RII<=10% , NII<=15% , QIB>=75% out of which 5% shall be to MF.
C)Otherwise than BB- RII>=50% ,Bal 50% to other than RII