PREFERENTIAL ALLOTMENT ROUTE IN LISTED ENTITIES

Preferential Issue: SEBI (ICDR) Regulations, 2018

Issue of *<u>specified securities</u> by a listed issuer

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to any select person or group of persons on a private placement basis

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does not include employee stock option scheme, employee stock purchase scheme or an issue of sweat equity shares or depository receipts

***Specified Securities- includes equity shares and convertible securities**

Legal framework applicable to Listed Companies:

Companies Act, 2013

SEBI (ICDR) Regulations, 2018

SEBI Takeover Regulations, 2011

SEBI (LODR) Regulations, 2015

SEBI Insider Trading Regulations, 2015

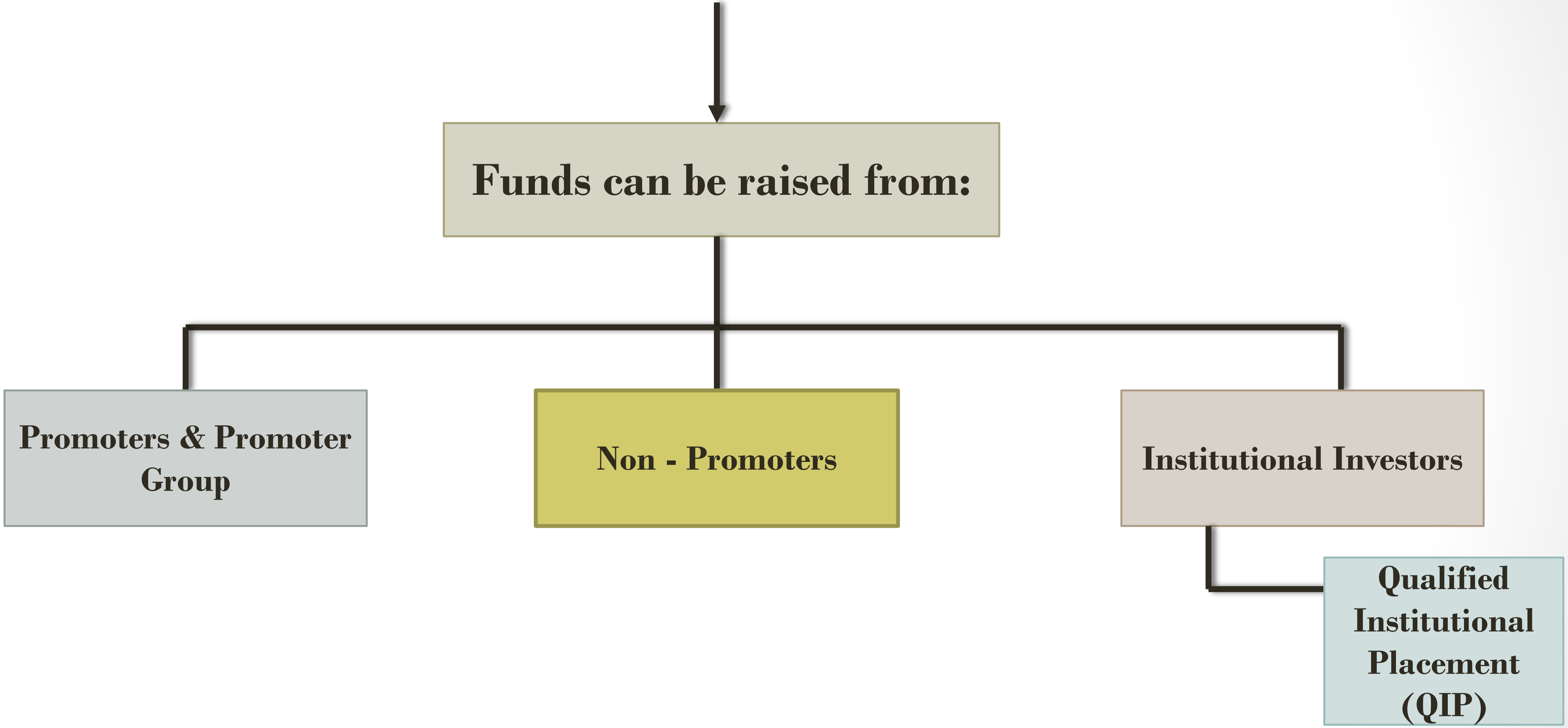
Approvals required under Preferential Allotment:

Board of Directors under Section 179 (3) (c)

Shareholders Approval under Section 62 (1) (c)

Stock Exchange under Regulation 28 of SEBI (LODR) Regulations, 2015

PREFERENTIAL ROUTE



Relevant Date:

- Entire activity schedule of Preferential allotment
- Date to compute the issue price
- Lock-in of the holdings of the allottees
- 30 days prior to the date of Shareholder's approval
- Falls on weekend or a holiday, day preceding will be reckoned

Tenure of Convertible Securities: **Not more than 18 months from the date of allotment.**

Eligibility Criteria:

- **Sale / Transfer :**

  Any person who has sold any equity shares of company during last 6 months preceding the relevant date;

  Sale / Transfer by any person belonging to **Promoter / Promoter Group**

  Entire Promoter / Promoter Group will become ineligible, if any shares sold during last 6 months preceding the relevant date.

- **If previously subscribed but failed to exercise warrants of Promoter / Promoter Group, for 1 year from the date of expiry.**
- **None of the promoters / directors should be fugitive economic offenders.**

Conditions Precedent :

- Equity shares allotted shall be fully paid up at the time of allotment;
- Special Resolution to be passed by members in General Meeting;
- Equity shares held by the proposed allottees to be in demat form only;
- Comply with the conditions of continuous listing of equity shares.

Disclosures to Shareholders:

- Objects of the issue
- Maximum no. of shares /securities
- Intent of the promoters , directors / KMP
- Time frame of completion
- Valuation of securities
- Certificate of Statutory Auditors
- Undertakings & Disclosures as specified
- Identity of natural persons- UBO
- Relevant date with reference to which the price has been arrived at
- Pre issue and post issue shareholding pattern - Issuer

Pricing:

If Shares are *frequently traded

Higher of the average of weekly High and Low during:
26 weeks / 2 weeks preceding the relevant date.

If Shares are in-frequently traded

Company shall take in account parameters like book value, comparable trading multiples etc, for determining price.

*Means traded turnover during 12 months preceding the relevant date is at least 10 %of total no. of shares of the issuer

Illustration: 26 weeks price calculation

Week	Weekly high	Weekly low	Average
Week 1	55	53	54
Week 2 . .	54	52	53
Week 25	57	51	54
Week 26	55	50	52.5
Total			**1300**
Average Price			**1300 / 26 = 50**

Illustration: 2 weeks price calculation

Week	Weekly high	Weekly low	Average
Week 1	55	53	54
Week 2	54	52	53
Total			**107**
Average Price			**107/ 2 = 53.5**

Date of Events:

Relevant Date : Sept 25, 2020

Shareholder’s meeting : Oct 26, 2020

In-principle Approval : Nov 25, 2020

Date of Allotment: Dec 10, 2020

Listing Application : Dec 26, 2020

Listing Approval : Jan 7, 2021

Date of Trading Approval : Jan 15, 2021

30 days

30 days

15 days

20 days

8 days

Pre-Preferential Lock-In : Before Issue

Equity Shares (listed)	Convertible Securities or Warrants (Not listed)
Entire shareholding of the allottees shall be locked-in from relevant date up to a period of 6 months from the date of trading approval.	Entire shareholding of the allottees shall be locked-in from relevant date up to a period of 6 months from the date of allotment of such securities.

Trading Approval: Means latest date trading permission has been granted by the stock exchanges.

Relevant Date : Sept 25, 2020
Date of Allotment: Dec 10, 2020
Date of Trading Approval: Jan 15, 2021

Lock-In of fresh issue of securities:

PROMOTERS / PROMOTER GROUP	LOCK-IN PERIOD
Allotment of equity shares made to Promoters/ Promoter Group	For 3 years from the date of trading approval.
• Up to 20 % of total capital of the Company	To be locked- in for 3 years from the date of trading approval.
• Excess of 20 % of total capital of the Company	To be locked- in for 1 year from the date of trading approval.
In case of convertible securities or warrants which are not listed.	To be locked in for 1 year from the date of allotment.

Lock-In of fresh issue of securities :

NON- PROMOTERS	LOCK-IN PERIOD
Allotment of equity shares made to Non - Promoters	For 1 year from the date of trading approval.
In case of convertible securities or warrants which are not listed.	To be locked in for 1 year from the date of allotment.

Payment of Consideration:

100 % to be brought up at the time of allotment

Except incase of warrants

25 % Upfront at the time of allotment of warrants

Balance 75 % at the time of conversion i.e. within 18 months

Allotment :

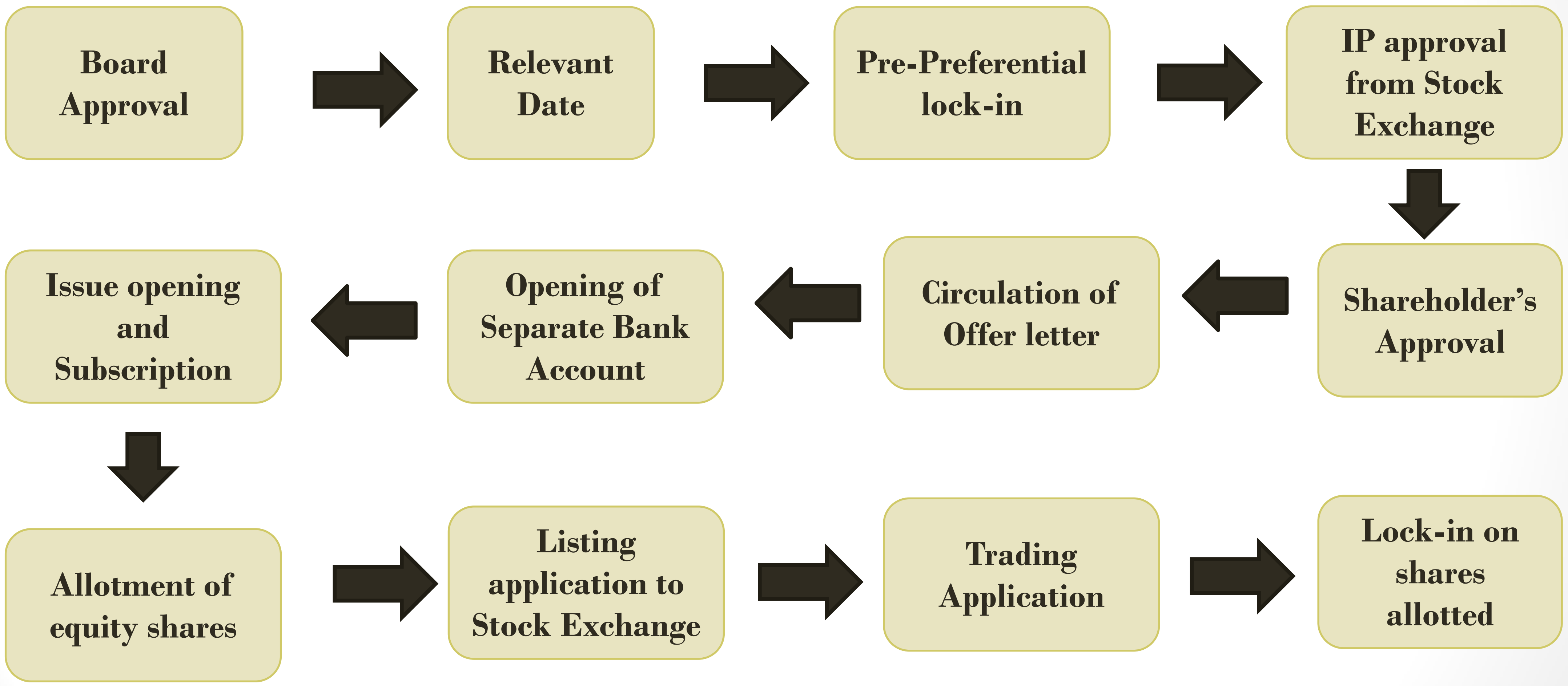
Within 15 days of Shareholder's approval

OR

Regulatory approval, whichever is later

 # Not completed within 15 days, a fresh special resolution shall be passed and the relevant date shall be taken.

PREFERENTIA L ISSUE - PROCESS



Time period involved: 90-100 days


Q
&
A

Q & A :

1

- Is it possible to receive the application money in tranches?

2

- In case of warrants, there will not be any filing of PAS 3. So, can we use the 25 % funds received or wait till it converts the warrants and then file PAS 3?

Q & A :

3

- What are the additional compliances if the investment is made by foreign investor?

4

- Can a suspended company come out with Preferential allotment of shares / warrants?

Q & A :

5

- If the Company is under IBC, what date shall be taken as a relevant date ?

6

- Will creation of pledge be considered as a transfer?

END OF PRESENTATION

THANK YOU FOR YOUR KIND ATTENTION

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