SEBI (ICDR) Regulations, 2009

Applicability [R.3]

1. Public Issue
2. Rights Issue: Securities > 50 lakhs
3. Preferential Issue
4. Bonus shares
5. Qualified Institutional Placement by listed issuer
6. Indian Depository Receipts

Common conditions for public & rights issue [R.4]

Satisfy at the time of filing of offer docs.

- with Board
- with RoC and St. Exchanges

Conditions

1. Promoter / Director / Person in Control

⇓

Not debarred from accessing capital market by SEBI

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2. P/D/P in C → other co
↓
Debarred by SEBI

3. Issuer Co. → Not in wilful defaulters list of RBI
or
→ No default in repayment of principal + Interest for > 6 months

4. Partly paid up Shares → fully paid up (or) forfeit

5. Listing in one or more recognised St. exch.

6. Agreement with depository

7. Firm arrangement of finance towards 75% of Stated means of finance

Warrant

- Term : < 12 months
- One warrant for one security

General Corporate purposes

- Identifiable purpose → No Specific allocation of funds
- < 25% of the issue

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Filing of offer doc. [R. 6]

* Before
  - public issue
  - rights issue > 50 lakhs

* With SEBI atleast 30 days before filing with RoC

* SEBI may make changes / modify within 30 days from the following
  - Date of receipt from co.
  - Date of satisfactory reply received from lead merchant bankers, if any
  - Date of clarification from regulatory agency, if any
  - Date of in principle approval from S/E

  WEL

* Co. should adopt such changes/modifications before filing with RoC

In principle
- Approval by a competent authority without regard to other regulatory compliances.

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In-principle approval ~~for~~ by RSE. (R.7)

- Approval given by a competent authority general without getting into other legal regulatory req

Public / Rights.

- Listed
  - RSE having nationwide trading terminals ⇓ All
  - Both having NWTT and not having NWTT ⇓ NWTT
- unlisted ⇓ On all S/E where listing is proposed

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Draft offer doc. to be made public [R.9]

- Atleast 21 days **before** filing

↓

upload to website → SEBI, St. Ex, Lead bankers

- Lead bankers → After expiry of 21 days

↓

St. of comments received → SEBI

Lead bankers ↓ On date of filing / next day

⇓

Make public announcement

⇓

Newspapers → Hindi, English, Regional

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Fast Track Issue [R.10]

Without complying with the above regulations, the co. which satisfies the following conditions on reference date can issue:

$\boxed{\text{MRS. LEAD}}$

M - Avg. market capitalisation - ₹ 3000 Cr

R - Redressal of >95% of investors compliants upto the end of quarter immediately preceding the reference date

S - Showcause notice → Not issued for any proceedings against issuer by the SEBI

L - Listed on any RSE having NWTT → 3 Preceeding FY

E - Equity listing agreement — 3 preceeding F.Y

A - Auditor's qualification → Impact on N/P ↓ <5%

D - Dematerialisation of securities ↓ Promoters/ Promoters group

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Reference Date.

Public Issue → Date of register with ROC

↓

Red herring prospectus

Prospectus

Rights Issue → Date of register of letter of offer

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Opening of issue [R.11]

within 12 months from the date of issuance of observation by SEBI u/R 6

(or)

within 3 months from the expiry of 30 days u/R 6 in case of no observation

Minimum Subscription [R.14]

- $\geq$ 90% of issue

Receive

underwritten

⇓

70 days of closure of issue

Non underwritten

⇓

15 days of closure of issue

⇓

Not received

⇓

Appn. money should be refunded

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Over Subscription [R.15]

⇒ < 10% of net offer to public

Monitoring Agency [R.16]

- Issue size > ₹.500 crores
- M.A → PFI/commercial banks
  - → Monitor
  - → Report to issuer on half yearly basis till the entire issue is utilised

Manner of calls [R.17]

- within 12 months from the date of allotment
- NA in case monitoring agency is appointed

Allotment, Refund [R.18]

Allotment is made within 15 days of closure of issue

Yes

No
⇓
Refund within 15 days
+
Interest

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Restriction on further capital Issues [R.19]

Fast track issue

⇓

B/w

date of registering of prospectus / Letter of offer

to

Listing of securities or refund of appn. money

Other issues

⇓

B/w

date of draft offer doc. registration

to

date of listing or refund of appn. money

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Provisions as to Public Issue

Eligibility Req.

Reference date → Date of filing draft prospectus
- with Board
- with RoC

Regulation 26 → Make IPO

(1) Code: 351

3 i. Net tangible assets : ₹ 3 crores → 3 preceding F.Y
⇓
< 50% → Monetary assets

3 ii. Avg after tax operating profit : 15 cr → 3/5 yrs

3 iii. Net worth : 1 cr in each 3 preceding FY

5 iv. Aggregate of proposed issue + All previous issue } < 5 times of its pre issue N/W

v. Name change within last 1 year } > 1/2 of profit earned because of the name change

(2)
- R.26(1) not satisfied
↓
Book building
⇓
> 75% of net offer to public
⇓
QIB
- Yes
- No ⇓ Refund full subscription money

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IPO Grading.

- To facilitate assessment of the Equity shares offered to public

- Grade is allotted to every issue

↓

Relative assessment

↓

Fundamental with respect to ~~universal~~ issues Other listed securities

- 5 point scale
- Higher Score → Higher / financially strong

Procedures in grading.

1. Seek Information from Company

2. Discussion with Co. / visit location

3. Analytical report Preparation

11 Sunday

4. Present this report to the Committee Comprising of senior executives of concerned party

↓

Discuss relevant issues and assign grade

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5. Communicate the grading to the Co. along with assessment analytical report.
⇓
Outline the reasons for particular ratings / grading.

DEMAT

- Dematerialisation of shares
- paper form ⟶ e-form

- Depositories

NSDL   CSDL

Co. enter into agreement
in case of issue for demat

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Pricing [R. 28]

- Determine the price of specified securities
- In consultation with lead bankers or through book building

Differential pricing [R. 29]

- Specified securities at different prices
  - Retail Individual Investors
    ↓
    Reservation u/R 42
    ↓
    Value of Securities > 3 lakhs
    ⇓
    lower price than others
    ⇓
    Difference < 10%
  - Book built issue
    ↓
    lower than others
  - Composite issue
    ↓
    Price for public issue may be different from price for rights issue

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Price and price Band [R.30]

May mention in draft prospectus
- price
- price band

- Red herring prospectus
  - Floor price
  - Cap price
- Determine the price at a later date before filing with RoC

Time limit. [Price band]

IPO
↓
5 working days before opening of bid

FPO
↓
1 wkg. day before opening of bid

Floor ⇒ ≥ Face value

Cap ⇒ ≤ 120% of floor price

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Face value of equity shares [R. 31]

Issue price

$\geq$ ₹.500/Share	< ₹ 500/share
$\Downarrow$	$\Downarrow$
₹ 1 - ₹ 10	₹. 10

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Minimum promoter contribution

IPO
⇓
>20% of post issue capital
⇓
In case of shortfall
⇓
Met by alternative investment fund

FPO
⇓
20% of post issue capital or proposed issue size
⇓
Excess contribution
⇓
Price → WEH of
1. U/R 76
2. Issue price

Composite issue
⇓
20% of post issue capital or proposed issue size excluding rights issue

Alternative Inv. fund.

- fund estb. in India or
- body corporate incorporated in India
- privately pooled investment vehicle that collects from investors
- not covered by SEBI (collective scheme) or (MF) Regulations or any other regulation for MF activities.

Time limit.

- One day prior to the opening of issue.

Note.

MPC exceeds ₹ 100cr

- 100cr ⇓ Before date of opening of issue
- Balance ⇓ Pro rata basis before calls are made

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Securities ineligible for MPC [R.33]

- Acquired during preceding 3 yrs
  - Other than cash or revaluation of A/L
  - Result of bonus issue
- Acquired by promoter (one yr) preceding
  - ⇓ Price lower than the price offered to the public
- Allotted to promoter (one yr) preceding
  - ⇓ Lower than issue price
- Securities pledged with any creditors

Non-requirement of MPC [R.34]

1. Issuer that hasn't any identifiable promoter
2. Rights issue
3. Listed Co + frequently trading + 3 yrs [track record + Dividend]

Lock in period of securities held by promoters [R.36]

- MPC
  - ⇓ 3 yrs from date of commercial prodn. or date of allotment WEL
- In excess
  - ⇓ One year

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Exclude Promoter Contribution and net offer to public ← **Reservation on competitive basis** [R42]

A. Book building

- **Employees**
  ⇓
  Exclude promoter & immediate relative of promoter
  ⇓
  $< 5\%$ of post issue capital → $<$ 3 lakhs

- **Shareholders**
  ⇓
  exclude
  ⇓
  Promoters of listed Co / listed group co.
  ⇓
  $< 10\%$ of issue size

- **Depositor / Bond holder / Subscriber to services**
  ⇓
  on the date of filing of offer doc. with the Board
  ⇓
  $< 5\%$ of issue size

B. Other than book building

- **Employees**
- **SH**

other than promoters
⇓
Refer (A) for limits

Note

1. No further appn. in net offer to public for reserved category
2. Unsubscribed shares → Add to net offer for public

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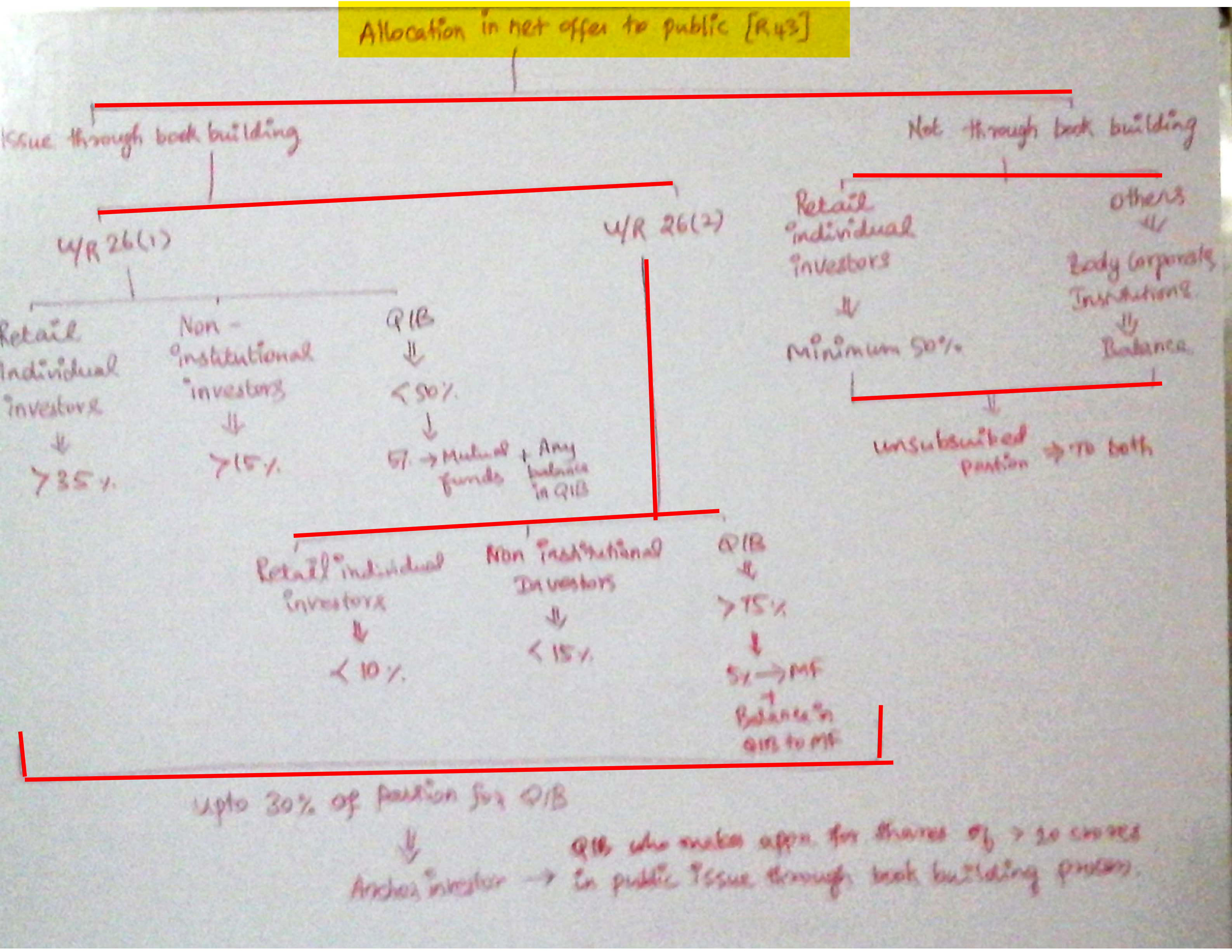

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Safety Net Arrangement [R.44]

SNA → arrangement provided by issuer under which a person offers to purchase specified securities from the original resident retail individual allottees at the issue price.

⇒ Provide for SNA in consultation with the lead merchant bankers after ascertaining the financial capacity of the person offering the SNA

⇒ offer to purchase upto max. of 1000 Securities per Original resident retail individual allottee at issue price

⇒ within 6 months from the date of despatch of securities or credit of demat A/c

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Period of Subscription [R. 46]

- 3 to 10 days
- Bidding process → Red herring prospectus

↓ Revision of bid

Extension of 3 days

Minimum application value [R. 49]

- In terms of no. of securities
- Between ₹ 10000 – ₹ 15000
- Minimum sum payable on appn.

⇓

> 25% of issue price

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Issue of bonus shares by listed Co.

1) Company shall be authorized by Articles of Association

Allow — Prohibit — Silent → Amend AOA

2) Authorised share capital shall be sufficient to accomodate increased paid up cap. after issue of bonus shares

20 cr - Authorised → Increase to 30 cr
15 cr - Paid up

Bonus - 1:1

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3. All existing shares shall be fully paid up
Co. can't issue bonus shares until all the shares are fully paid up

4. BS can be issued out of free reserves created out of profit earned in cash + Securities Premium A/c

5. BS can't be issued out of Asset Revaluation Reserve

6. Once BS are announced, it can't be cancelled

7. Where general meeting approval is not required for issue of bonus shares, allotment shall be done within 15 days

Sec 300 of Co Act

If general meeting approval is required, allotment shall be done within 1 month

8. Issue of BS in lieu of dividend is not allowed. If rate of dividend is reduced, that is allowed.

18 Sunday

9. At the time of allotment there shall not be any existing default related to debts, revenue of govt. or any other statutory liability

OCTOBER 2012

10. If Co is having any convertible securities outstanding

option 1

⇓

Not to issue BS untill conversion

option 2

⇓

Create a provision for issue of BS on those shares which will result on conversion of convertible securities

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Rights Issue

Record Date. [R.52]

→ Issuer will announce

→ For the purpose of determining shareholders who are eligible for rights issue

→ No withdrawal of rights after announcement of record date

→ If withdrawn, can't list their shares for 12 months from the record date

→ Listing → Allowed in case of convertible securities issued prior to record date

Restriction on rights issue [R.53]

- No rights issue unless
- made reservations of equity shares of same class in favour of
- holders of outstanding compulsorily convertible debt instruments in proportion to convertible part

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R. 54

Abridged letter of offer + Application form ⇒ Existing SH

↓

3 days before opening of issue

⇓

Not received by the SH

⇓

Apply to the Co. in writing (plain paper) + App. money

⇓

Can't renounce their right

Shareholder

- Appn form
- Plain paper

Applied through both

⇓

Liable to rejection

Subscription

- Min. 15 days
- Max. 30 days

Payment option by issuer to SH

Any one of the following:

1) Part payment with appn. and balance in calls

2). Full payment

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R. 54

Abridged letter of offer
+
Application form
⇒ Existing SH
↓
3 days before opening of issue
⇓
Not received by the SH
⇓
Apply to the Co. in writing (plain paper) + App. money
⇓
Can't renounce their right

Shareholder

Appn form — Plain paper

Applied through both
⇓
Liable to rejection

Subscription

- Min. 15 days
- Max. 30 days

Payment option by issuer to SH

Any one of the following:

1) Part payment with appn. and balance in calls

2). Full payment

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Sweat Equity Shares

To promoters.

⇒ Ordinary resolution
⇒ Through postal ballot
⇒ Resolution is valid for 12 months
⇒ Annex explanatory with notice

Pricing.

Whichever is higher of –

Avg. weekly high and low of closing prices of related eq. shares

– 6 months from relevant date
– 2 weeks from relevant date

Relevant Date:

- 30 days prior to the date of general meeting of SH

Listed shares

⇓

- Only one RSE ⇓ Price on that RSE
- More than one RSE ⇓ RSE having highest trading volume

Valuation of intellectual property.

- By merchant banker in consultation with experts
- obtain certificate from CA that the valuation is in accordance with relevant accounting std. [AS-26]

Accounting Treatment

Issued for non-cash consideration

- Amortizable asset ⇓ B/S as per relevant AS
- Not applicable ⇓ Expenses

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