Qualified Institutions Placement
“Qualified institutions placement” means
- allotment of eligible securities by a listed issuer to
- qualified institutional buyers
- on private placement basis in terms of these regulations

Applicable to listed issuer
Conditions for Preferential Issue

- A listed issuer may make qualified institutions placement if it satisfies the following conditions:
  - (a) a special resolution approving the qualified institutions placement has been passed by its shareholders;
  - (b) the equity shares of the same class, which are proposed to be allotted through qualified institutions placement or pursuant to conversion or exchange of eligible securities offered through qualified institutions placement, have been listed on a recognised stock exchange having nation wide trading terminal for a period of at least one year prior to the date of issuance of notice to its shareholders for convening the meeting to pass the special resolution: Provided that where an issuer, being a transferee company in a scheme of merger, demerger, amalgamation or arrangement sanctioned by a High Court under sections 391 to 394 of the Companies Act, 1956, makes qualified institutions placement, the period for which the equity shares of the same class of the transferor company were listed on a stock exchange having nation wide trading terminals shall also be considered for the purpose of computation of the period of one year.
(c) it is in **compliance** with the requirement of minimum public shareholding specified in the **listing agreement** with the stock exchange;

(d) In the special resolution, it shall be, among other relevant matters, specified that the allotment is proposed to be made through qualified institutions placement and **the relevant date** referred to in sub-clause (ii) of clause (c) of regulation 81 shall also be specified.

- **Explanation:** For the purpose of clause (b), “equity shares of the same class” shall have the same meaning as assigned to them in Explanation to sub-rule (4) of rule 19 of the Securities Contracts (Regulation) Rules, 1957.
"relevant date" means:

(i) in case of allotment of equity shares,
- the date of the meeting in which the board of directors of the issuer or the committee of directors duly authorised by the board of directors of the issuer decides to open the proposed issue;

(ii) in case of allotment of eligible convertible securities,
- either the date of the meeting in which the board of directors of the issuer or the committee of directors duly authorised by the board of directors of the issuer decides to open the issue of such convertible securities or
- The date on which the holders of such convertible securities become entitled to apply for the equity shares.
Merchant Banker

• (1) A qualified institutions placement shall be managed by merchant banker(s) registered with the Board who shall exercise due diligence.

• (2) The merchant banker shall, while seeking in-principle approval for listing of the eligible securities issued under qualified institutions placement, furnish to each stock exchange on which the same class of equity shares of the issuer are listed, a due diligence certificate stating that the eligible securities are being issued under qualified institutions placement and that the issuer complies with requirements of this Chapter.
(1) The qualified institutions placement shall be made on the basis of a placement document which shall contain all material information, including those specified in Schedule XVIII.

(2) The placement document shall be serially numbered and copies shall be circulated only to select investors.

(3) The issuer shall, while seeking in-principle approval from the recognised stock exchange, furnish a copy of the placement document, a certificate confirming compliance with the provisions of this Chapter along with any other documents required by the stock exchange.
(4) The placement document shall also be placed on the website of the concerned stock exchange and of the issuer with a disclaimer to the effect that it is in connection with a qualified institutions placement and that no offer is being made to the public or to any other category of investors.

(5) A copy of the placement document shall be filed with the Board for its record within thirty days of the allotment of eligible securities.
Pricing

- The qualified institutions placement shall be made at a price not less than the average of the
  - weekly high and low of the closing prices of the equity shares of the same class quoted on the stock exchange during the two weeks preceding the relevant date.
  - (2) Where eligible securities are convertible into or exchangeable with equity shares of the issuer, the issuer shall determine the price of such equity shares allotted pursuant to such conversion or exchange taking the relevant date as decided and disclosed by it while passing the special resolution.
(3) The issuer shall not allot partly paid up eligible securities:

- Provided that in case of allotment of non convertible debt instruments along with warrants, the allottees may pay the full consideration or part thereof payable with respect to warrants, at the time of allotment of such warrants:

- Provided further that on allotment of equity shares on exercise of options attached to warrants, such equity shares shall be fully paid up.
(4) The prices determined for qualified institutions placement shall be subject to appropriate adjustments if the issuer:

- (a) makes an issue of equity shares by way of capitalization of profits or reserves, other than by way of a dividend on shares;
- (b) makes a rights issue of equity shares;
- (c) consolidates its outstanding equity shares into a smaller number of shares;
- (d) divides its outstanding equity shares including by way of stock split;
- (e) re-classifies any of its equity shares into other securities of the issuer;
- (f) is involved in such other similar events or circumstances, which in the opinion of the concerned stock exchange, requires adjustments.
Restrictions on Allotment

(1) Allotment under the qualified institutions placement shall be made subject to the following conditions:

- (a) Minimum of ten per cent. of eligible securities shall be allotted to mutual funds: Provided that if the mutual funds do not subscribe to said minimum percentage or any part thereof, such minimum portion or part thereof may be allotted to other qualified institutional buyers;

- (b) No allotment shall be made, either directly or indirectly, to any qualified institutional buyer who is a promoter or any person related to promoters of the issuer: Provided that a qualified institutional buyer who does not hold any shares in the issuer and who has acquired the said rights in the capacity of a lender shall not be deemed to be a person related to promoters.
The applicants in qualified institutions placement shall not withdraw their bids after the closure of the issue.

qualified institutional buyer who has any of the following rights shall be deemed to be a person related to the promoters of the issuer:

- (a) rights under a shareholders’ agreement or voting agreement entered into with promoters or persons related to the promoters;
- (b) veto rights; or
- (c) right to appoint any nominee director on the board of the issuer.
Minimum Allottees

(1) The minimum number of allottees for each placement of eligible securities made under qualified institutions placement shall not be less than:

- (a) **two**, where the issue size is **less than or equal to two hundred and fifty crore rupees**;
- (b) **five**, where the issue size is **greater than two hundred and fifty crore rupees**:
Minimum Allottees

- Provided that no single allottee shall be allotted more than fifty per cent. of the issue size.

- (2) The qualified institutional buyers belonging to the same group or who are under same control shall be deemed to be a single allottee.
Validity of Special Resolution

(1) Allotment pursuant to the special resolution referred to in clause (a) of regulation 82 shall be completed within a period of twelve months from the date of passing of the resolution.

(2) The issuer shall not make subsequent qualified institutions placement until expiry of six months from the date of the prior qualified institutions placement made pursuant to one or more special resolutions.
Other Provisions

• **Maximum Amt.** - The aggregate of the proposed qualified institutions placement and all previous qualified institutions placements made by the issuer in the same financial year shall not exceed **five times the net worth of the issuer** as per the audited balance sheet of the previous financial year.

• **Tenure** - The tenure of the convertible or exchangeable eligible securities issued through qualified institutions placement shall not exceed **sixty months** from the date of allotment.

• Shares cannot be sold for a period of **1 year** except on recognised stock exchange.