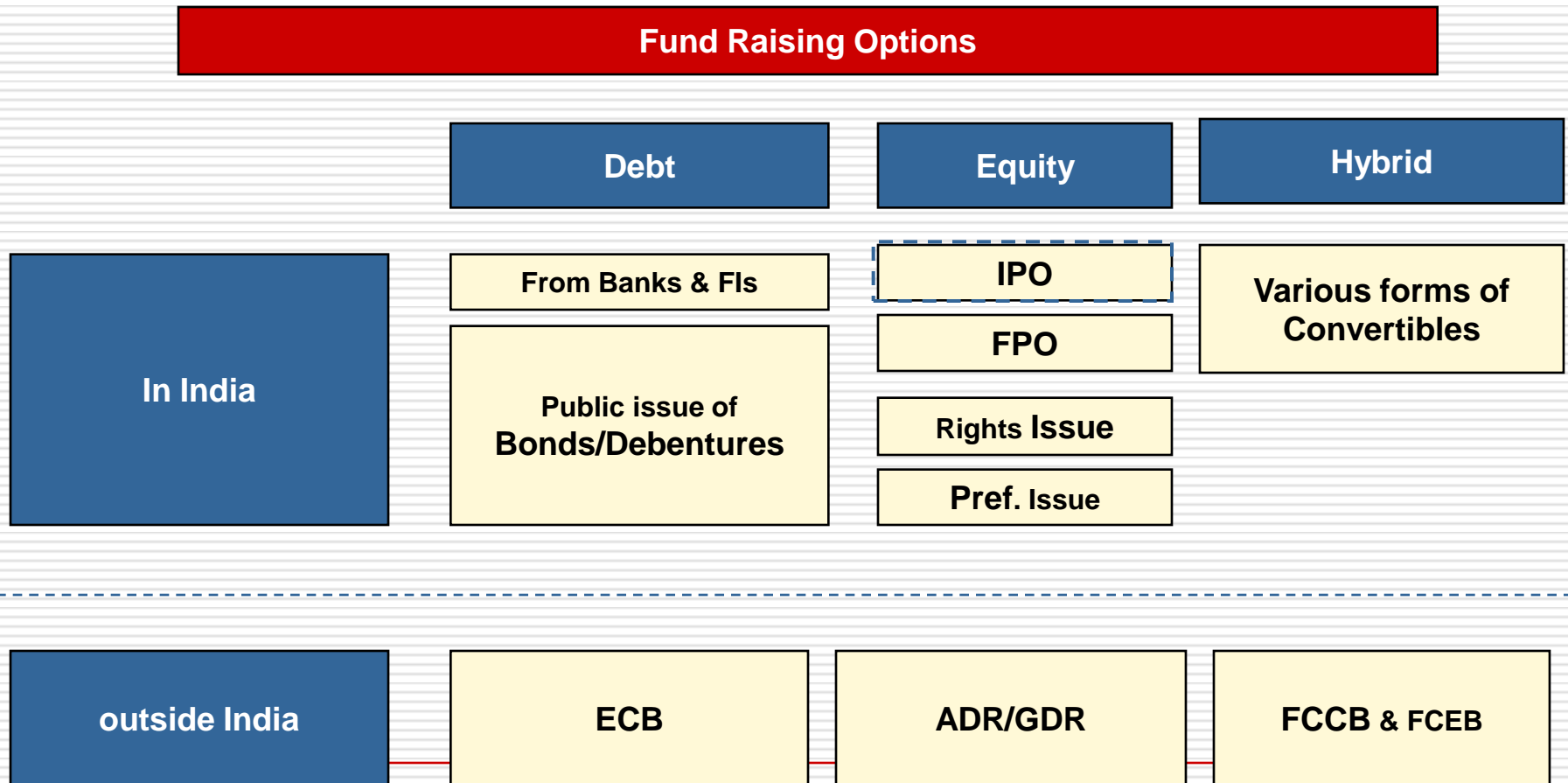


# INITIAL PUBLIC OFFERINGS (IPOs)

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REGULATIONS & PROCESS

# Options for Raising Funds



# Why IPOs?

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## **For Funding Needs**

- Funding Capital Requirements for Organic Growth
  - Expansion through Projects
  - Diversification
- Funding Global Requirements
- Funding Joint Venture and Collaborations needs
- Funding Infrastructure Requirements, Marketing Initiatives and Distribution Channels
- Financing Working Capital Requirements
- Funding General Corporate Purposes
- Investing in businesses through other companies
- Repaying debt to strengthen the Balance Sheet
- Meeting Issue Expenses

## **For Non-funding Needs**

- Enhancing Corporate Stature
  - Retention and incentive for Employees through stock options
  - Provide liquidity to the shareholders
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# Related Regulations

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**Companies Act, 1956**

--Provisions Relating to Prospectus

--Provisions on Minimum Subscription, Allotment, Return of Allotment

--Power to SEBI under section 55 A relating to Issue & transfer of securities

**Securities Contract (Regulation) Act, 1956**

**Securities and Exchange Board of**

**Board of**

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# SCRR- Rule 19(2)(b) - prior to 4.6.2010

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- Rule 19 (2)(b) provides that a company can get listed with just 10 per cent holding with the public provided the minimum net offer to the public is Rs 100 crore (Rs 1 billion), a minimum of 20 lakh (2 million) shares are offered to the public in an IPO through book-building method and allocation to qualified institutional buyers is 60 per cent of the size of an issue.
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# SCRR- Amendment dated 4.6.2010

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- The minimum threshold level of public holding will be 25% for all listed companies.
  - Existing listed companies having less than 25% public holding have to reach the minimum 25% level by an annual addition of not less than 5% to public holding
  - For new listing, if the post issue capital of the company calculated at offer price is more than Rs. 4000 crore, the company may be allowed to go public with 10% public shareholding and comply with the 25% public shareholding requirement by increasing its public shareholding by at least 5% per annum.
-

# SCRR- Amendment dated 4.6.2010

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- ❑ For companies whose draft offer document is pending with Securities and Exchange Board of India on or before these amendments are required to comply with 25% public shareholding requirement by increasing its public shareholding by at least 5% per annum, irrespective of the amount of post issue capital of the company calculated at offer price.
  - ❑ A company may increase its public shareholding by less than 5% in a year if such increase brings its public shareholding to the level of 25% in that year.
  - ❑ The requirement for continuous listing will be the same as the conditions for initial listing.
  - ❑ Every listed company shall maintain public shareholding of at least 25%. If the public shareholding in a listed company falls below 25% at any time, such company shall bring the public shareholding to 25% within a maximum period of 12 months from the date of such fall.
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# **ISSUE OF CAPITAL AND DISCLOSURE (REQUIREMENTS) REGULATIONS, 2009**

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- Common Conditions for Public Issues and Rights Issues
  - Provisions as to Public Issue
  - Eligibility Requirements
  - Pricing in Public Issue
  - Promoters' Contribution
  - Restriction on Transferability (Lock-in) of Promoters' Contribution, etc.
  - Minimum Offer to Public, Reservations, etc.
  - Manner of Disclosures in the Offer Documents
  - General Obligations of Issuer and Intermediaries with respect to Public
  - Issue and Rights Issue
  - Preferential Issue
  - Qualified Institutions Placement
  - Bonus Issue
  - Issue of Indian Depository Receipts
-



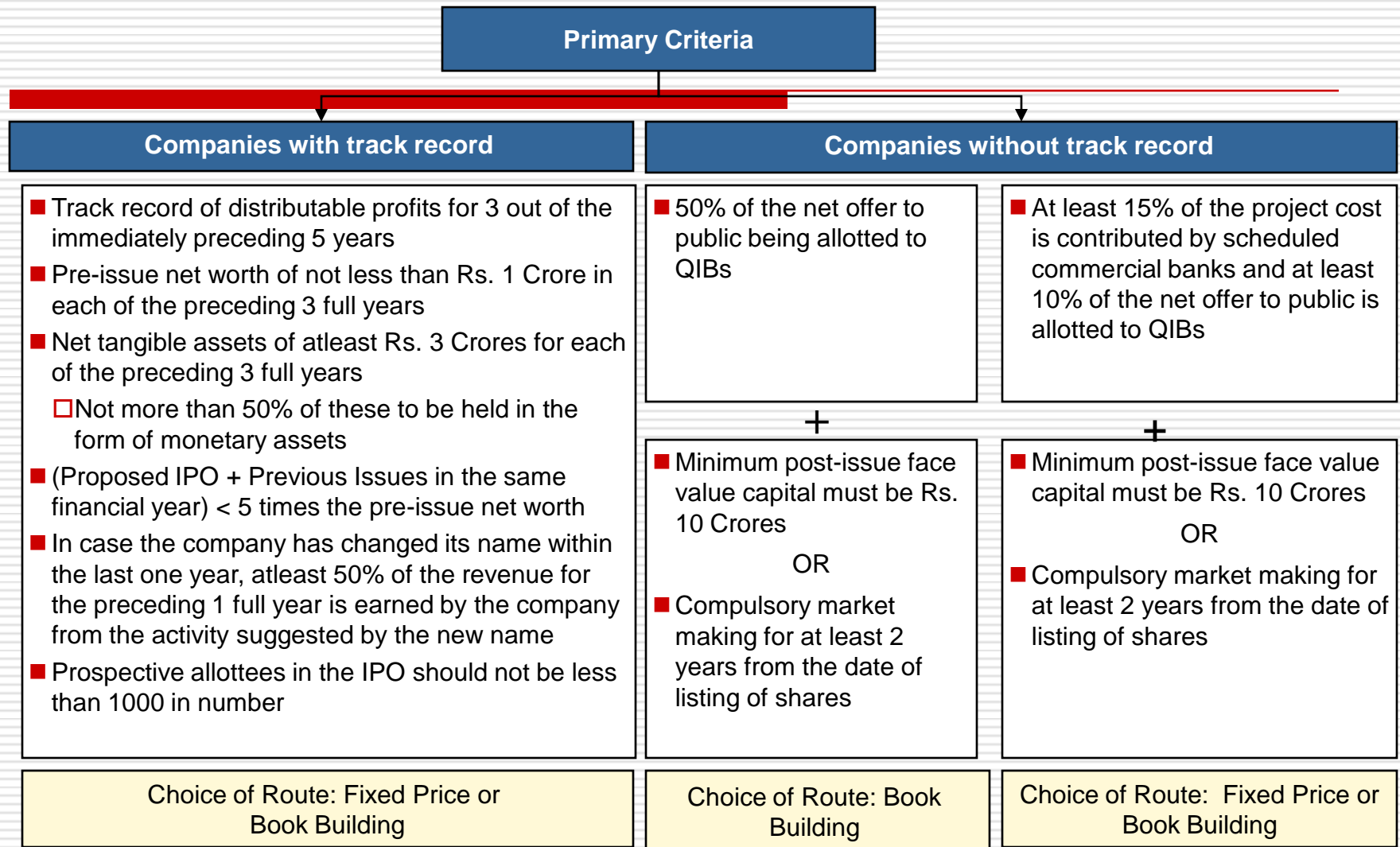
# ICDR..... REGULATION 4

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## **Reg4..provides for following general eligibility conditions for for the issue...**

- ❑ Issuer, its promoter group or directors or persons in control of the issuer should not be debarred from accessing capital market
  - ❑ Promoters, directors or persons in control of the issuer should not be a promoter, director or person in control of any other company which is debarred from accessing capital market
  - ❑ Issuer to make application to one or more recognized stock exchanges for listing of shares
  - ❑ Issuer to enter into agreement with a depository for demat of specified securities
  - ❑ All partly-paid up equity shares have been made fully paid-up
  - ❑ Made firm arrangements of finance through verifiable means towards 75% of the stated means of finance excluding the amount to be raised through the issue or thru internal accruals
-

# ICDR .....Reg. 26 (Regarding IPO)



Book built route mandatory with 50% QIB participation if all issues during the same financial year (including proposed IPO) > 5X pre-issue net worth

# ICDR .....Regulation 30-31

## Reg30-31 deals with pricing and price band:

- ❑ SEBI allows free pricing of equity shares in an IPO
- ❑ Approval of RBI might be required for public issues by banks
- ❑ Issuer may mention floor price or price band in RHP OR
- ❑ Issuer may announce floor price or price band at least 2 working days before bid opening in IPO and at least 1 day before bid opening in FPO in newspapers
- ❑ Cap on the price  $\leq 120\%$  of the floor price. i.e The spread between floor price & Cap price shall not be more than 20% (eg: 100-120)
- ❑ Floor Price/Final Price not to be less than face value
- ❑ If the issue price is above Rs.500 then the issuer can fix the FV of shares below Rs.10 but a minimum of Rs.1.
- ❑ Differential pricing is permissible in a public issue to retail individual investors and retail individual shareholders
- ❑ Retail investors can be offered shares at a discount to the price offered to other investor categories (Max discount can be 10%)
  
- ❑ **FACTORS DETERMINING PRICE:**
  - Financials of the Company – Net worth, EPS, profit margin.
  - Industry P/E Ratio.
  - Standing of the Company in the relevant industry
  - Future prospect of the Industry as well as the Company
  - Background of the promoters

# ICDR .....Regulation 32-48

Reg32-40 – deals with Minimum Promoter's Contribution,  
Lock-in

## Promoter's Contribution

- Minimum of 20% of the post issue capital of the Company for unlisted companies; for listed companies, either to extent of 20% in issue or to ensure post issue holding of 20%
- Following shares are ineligible for the computation of Promoter's contribution
  - Issued in last one year at a price lower than issue price, unless topped up
  - Issued in last three years out of bonus issue or revaluation reserve for consideration other than cash

## Lock-in period

- For Promoters:
  - Lock-in for a period of 3 years from the date of allotment or from the date of commencement of commercial production, whichever is later
- Balance pre-issue capital, other than held by Indian and Foreign Venture Funds (registered with SEBI) and shares held for at least one year and being offered for sale in the issue
  - Must be locked-in for a period of 1 year from the date of allotment

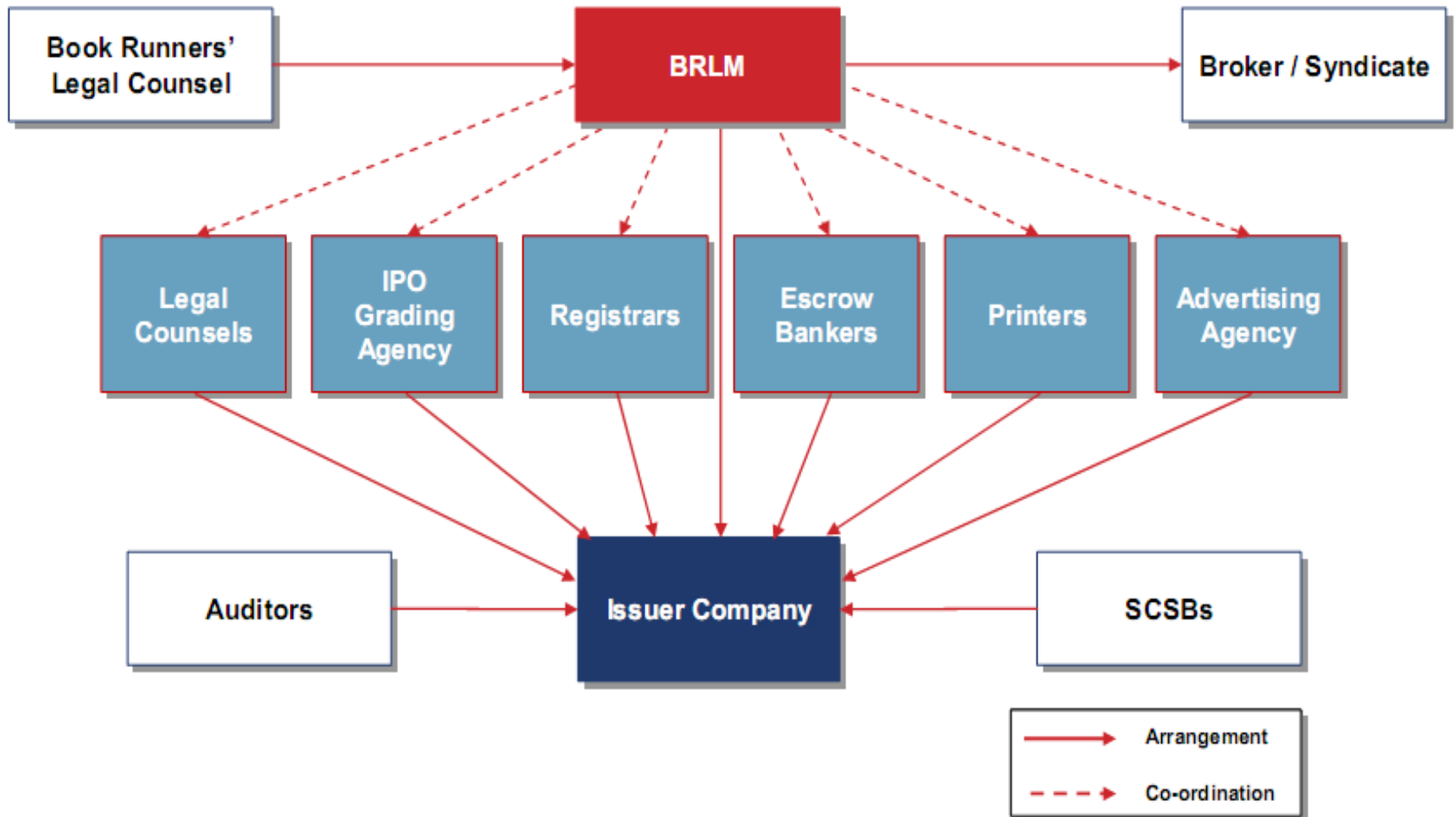
## Exemption

- In case of public issue of securities by a company which has been listed on a stock exchange for at least 3 years and has a track record of dividend payment for at least 3 immediately preceding years.
- In case of companies where no identifiable promoter or promoter group exists.
- In case of rights issues.

## Corporate Governance Requirements (As per SEBI the requirements of clause 49 is applicable to all the companies seeking listing first time)

<b>Composition of the Board</b>	<ul style="list-style-type: none"><li>• Optimum number of executive and non executive directors with at least 50% being non-executive. If the chairman, has executive powers then 50% of Board comprises of <a href="#">Independent directors</a>. While if chairman has non-executive powers then 1/3 of the Board comprises of Independent directors.</li></ul>
<b>Audit Committee</b>	<ul style="list-style-type: none"><li>• Mandatory constitution of Audit Committee with minimum three directors and headed by an Independent director.</li><li>• All members shall be financially literate (should be able to understand financial statements) and at least one member should have accounting and financial management expertise.</li></ul>
<b>Investor Committee</b>	<ul style="list-style-type: none"><li>• Shareholder/Investor Grievances Committee to be formed under the chairmanship of a non executive director to look into the redressing of shareholder and investor complaints like transfer of shares, non-receipt of balance sheet, non-receipt of declared dividends</li></ul>
<b>Subsidiary Company</b>	<ul style="list-style-type: none"><li>• At least one director on the Board of the holding company shall be a director on the Board of a material non listed Indian subsidiary Company<ul style="list-style-type: none"><li>- Material non-listed subsidiary means a subsidiary whose turnover or net worth exceeds 20% of the consolidated turnover or net worth in the preceding accounting year</li></ul></li><li>• Audit committee of the listed holding company shall also review the financial statements, in particular, the investments by the unlisted subsidiary Company</li></ul>
<b>Report on Corp. Governance</b>	<ul style="list-style-type: none"><li>• A separate section on Corporate Governance to be included in the Annual Reports with disclosures on compliance of mandatory and non-mandatory requirements</li><li>• Submission of quarterly compliance report to the stock exchanges</li></ul>
<b>CEO/CFO Certification</b>	<ul style="list-style-type: none"><li>• CEO/CFO to certify the financial statements and cash flow statements</li></ul>

## Intermediary Structure



# Intermediaries and their Roles

Party	Key Responsibility	Appointment
<b>Lead Managers</b>	<ul style="list-style-type: none"> <li>• Overall Co-ordination</li> <li>• Conduct due diligence and finalize disclosure in Offer Document</li> <li>• Assist the legal counsel in drafting of Offer Document</li> <li>• Interface / ensure compliance protocol with SEBI / NSE / BSE</li> </ul>	<b>Upfront</b>
<b>Domestic &amp; International Legal Counsels</b>	<ul style="list-style-type: none"> <li>• Legal Due Diligence</li> <li>• Drafting the offer document</li> <li>• Guidance on any other incidental legal matters</li> <li>• Assistance in complying with requirement for selling in international geographies</li> </ul>	<b>Upfront</b>
<b>Auditors</b>	<ul style="list-style-type: none"> <li>• Reviewing and auditing financials and preparing financial statements for inclusion in the Offer Document</li> <li>• Verify/audit various financial and other data used in the Offer document and provide Comfort Letter</li> </ul>	<b>Existing Auditors</b>
<b>Registrars</b>	<ul style="list-style-type: none"> <li>• Co-ordination with the Issuer and Bankers regarding collections, reconciliation, refunds etc</li> <li>• Securing allocation approval from Stock Exchanges</li> <li>• Post issue co-ordination collation and reconciliation of information</li> </ul>	<b>4 weeks before filing DRHP with SEBI</b>

<b>IPO Grading Agency</b>	<ul style="list-style-type: none"> <li>• Provides IPO Grading</li> </ul>	<b>2 weeks before filing RHP with ROC</b>
<b>Depository (NSDL, CDSL)</b>	<ul style="list-style-type: none"> <li>• Tripartite Agreement</li> <li>• Dematerialization of Company's shares</li> <li>• Demat transfer of Shares</li> <li>• Credit of Shares to Allottees</li> </ul>	<b>After Appointment of Registrar</b>
<b>Printers</b>	<ul style="list-style-type: none"> <li>• Bulk printing of the Red Herring Prospectus Bid Forms, final Prospectus, CAN, Refund orders etc.</li> <li>• Ensure timely dispatch and distribution of stationery to all centers</li> </ul>	<b>Before Filing DRHP with SEBI</b>
<b>Advertisers</b>	<ul style="list-style-type: none"> <li>• Preparing and getting published all statutory notices</li> <li>• Creating all advertisement materials</li> </ul>	<b>Before Filing DRHP with SEBI</b>
<b>Escrow Collections Banks &amp; Bankers of the Issue</b>	<ul style="list-style-type: none"> <li>• Acting as collecting agents</li> <li>• Escrow Account &amp; Refund account</li> </ul>	<b>Before Filing RHP with ROC</b>
<b>Self Certified Syndicate Bank (SCSB)</b>	<ul style="list-style-type: none"> <li>• To receive bids and block bid amount in the investor's bank account based on applications submitted;</li> <li>• To provide FC on account transfer/ unblock funds post finalization of basis of allotment,</li> <li>• To address investor grievances on account of ASBA bids</li> </ul>	<b>Approved by SEBI</b>



# Various Legal Agreements undertaken by the Issuer Company

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Agreements	Parties to the Agreement	Purpose of Agreements
<b>Engagement Letter</b>	Company and individually with Investment Bankers, Counsels to the Company, Auditors, Registrar and other intermediaries	Engaging the intermediaries for the Services
<b>BRLM MoU</b>	Company and BRLMs	Lays down the roles, responsibilities, reps of BRLM and Company
<b>Registrar MoU</b>	Company and Registrar	Lays down the roles, responsibilities of the Registrar
<b>Escrow Agreement</b>	Company, BRLMs, Syndicate Members, Registrar and Escrow Bankers to the Issue	Lays down the process for receipt of Issue proceeds and release of funds to the Company

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# Various Legal Agreements (Cont..)

Agreements	Parties to the Agreement	Purpose of Agreements
<b>Syndicate Agreement</b>	Company, BRLMs and Syndicate Members	Lays down the process of marketing and handling the forms
<b>Underwriting Agreement</b>	Company and the Underwriters (BRLM and Syndicate members)	Lays down the terms of Underwriting and the extent of underwriting
<b>Tripartite Agreement with Depository</b>	Company, NSDL and CDSL	Lays down the provisions of NSDL / CDSL acting as the Depositories of the Company
<b>Listing Agreement</b>	Company and Stock Exchanges	Binds the Company to the requirements of the Listing rules of the Stock Exchanges

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# Disclosures in the Offer Document

<b>Capital Structure</b>	<ul style="list-style-type: none"><li>• Shareholding Pattern (pre-issue and post-issue)</li><li>• Securities Premium Account (pre-issue and post-issue)</li><li>• Holding of the promoter and promoter group</li><li>• Disclosure about ESOPs if any</li></ul>
<b>Objects of the Issue</b>	<ul style="list-style-type: none"><li>• Total requirements of funds</li><li>• Means of Financing<ul style="list-style-type: none"><li>– Undertaking by the issuer company confirming firm arrangements of finance through verifiable means towards 75% of the stated means of finance (excluding proposed IPO)</li></ul></li><li>• Details about the appraisal of the project</li><li>• Interim use of funds</li></ul>
<b>Business</b>	<ul style="list-style-type: none"><li>• Description about the Industry in which the Company operates</li><li>• Detailed description about the business of the Company</li></ul>
<b>Risk Factors</b>	<ul style="list-style-type: none"><li>• Risks related to the Company</li><li>• External Risk Factors</li></ul>
<b>Company Management</b>	<ul style="list-style-type: none"><li>• Details about the Board of Directors and various committees</li><li>• Details about key management persons</li></ul>

# Disclosures in the Offer Document (Cont'd)

## **Financial Disclosures**

- Auditors Report to have five year restated financials for the
  - Issuer Company, and
  - All Subsidiaries of the Issuer Company or Consolidated Financials of the Issuer Company
- Audited financials presented should not be more than six months old at the time of filing DRHP with SEBI and must be updated to be not more than six months old on the date of filing the prospectus with the ROC
- All financials should be presented based on Indian GAAP

## **MD&A**

- Detailed discussion on performance for the past 3 years
- Capital Expenditure
- Cash Flow and Liquidity

## **Litigations and Defaults**

- All pending litigations in which the Company/Promoters / Promoter Group / Directors / Group companies are involved.
  - Both, litigations filed by or against the Company/Promoters / Promoter Group / Directors / Group companies
- Outstanding litigations, defaults, etc., pertaining to matters likely to affect operations and finances of the company.
- The pending proceedings initiated for economic offences against the directors, the promoters, companies and firms promoted by the promoters indicating their present status.

# Key Internal Approvals from Board and Shareholders

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- ❑ Board Meeting for the IPO including taking on record a potential offer for sale through the IPO process and setting up an IPO Committee
  - ❑ Approval/ authorization for Offer for Sale by Selling Shareholder(s)
  - ❑ Call for a Shareholders meeting to approve the following
    - Fresh issue of shares under Section 81 (1A) of the Companies Act (including reservations, Greenshoe etc.)
    - ESOP/ ESPS, if any
    - Increase in authorised capital, if any
    - Amendment in the Articles of Association of the Company
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# Key Internal Approvals from Board and Shareholders

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- „ Appointment of intermediaries by the Board/ IPO Committee
  - BRLMs/ Syndicate Members/ Stabilisation Agent
  - Domestic and International Legal Counsel
  - Registrars to the Issue
  - Advertising and PR Agency
  - Printers
  - Escrow Collection Bank to the Issue
  - IPO Grading agency
  - Monitoring agency, if applicable

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# Key Internal Approvals from Board and Shareholders

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❑ Declarations/ Undertakings enclosed with the filing of the DRHP with SEBI

— That the complaints received in respect of this Issue shall be attended to by the Company expeditiously and satisfactorily. The Company to appoint a Compliance Officer and authorize the Compliance Officer and the Registrar to the Issue to redress complaints, if any, of the investors;

— That all steps will be taken for the completion of the necessary formalities for listing and commencement of trading at all the stock exchanges where the Equity Shares are proposed to be listed within 12 working days from the issue closure „

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# Key Internal Approvals from Board and Shareholders

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- Declarations/ Undertakings enclosed with the filing of the DRHP with SEBI (cont'd.)
    - Confirmation that adequate funds will be made available to the Registrars to the Issue for refunds
    - That the refund orders or Allotment advice to all the successful Bidders shall be dispatched within specified time
    - That no further offer of Equity Shares shall be made till the Equity Shares offered through the RHP are listed or until the Bid monies are refunded on account of non-listing, under-subscription etc.
    - Declaration that the transactions of shares between Promoters and Promoter Group would be disclosed to SEBI
    - Undertaking that the Equity Shares being sold pursuant to the Offer for Sale are free and clear of any liens or encumbrances, and shall be transferred to the successful Bidders within the specified time
    - Undertaking regarding utilization of issue proceeds.
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# Key Internal Approvals from Board and Shareholders

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- Approve the offer documents at various stages (and all directors to sign the offer document individually).
    - DRHP prior to filing with SEBI
    - RHP prior to filing with RoC
    - Final Prospectus prior to filing with RoC
    - Changes in RHP and Prospectus directed by RoC to be initialled
    - Public notices, if any, amending the RHP or the Prospectus
  
  - Finalize the Price Band at least two working days prior to Issue opening
  
  - Post Issue Decisions and Actions along with the Company
    - Finalization of Issue Price based on demand
    - Approve the basis of allotment as finalized in consultation with the Designated Stock Exchange and allot shares
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# IPO Grading Process

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**IPO grading is a service aimed at facilitating the assessment of equity issues offered to public and is mandatory as per SEBI Regulations**

- ❑ Aimed at providing an independent assessment of fundamentals to aid comparative assessment
  - ❑ Intended to serve as an Information and Investment tool for investors
  - ❑ IPO grading does not take cognizance of the price of the security. It is not an investment recommendation
  
  - ❑ The Issuer must first contact one of the grading agencies and mandate it for the grading exercise. The agency would then follow the process outlined below :
    - Seek information required for the grading from the Issuer
    - On receipt of required information, have discussions with the company's management and visit the company's operating locations, if required
    - Meetings with the promoters and independent directors separately
    - Prepare an analytical assessment report
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# IPO Grading Process

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- Present the analysis to a committee comprising senior executives of the concerned grading agency. This committee would discuss all relevant issues and assign a grade
  - Review SEBI observations and update their report if required.
  - Communicate the grade to the company along with an assessment report outlining the rationale for the grade assigned
  - Though this process will ideally require 2 – 3 weeks for completion, our initial interaction with Credit Rating Agencies indicates that it may be a good idea for Issuers to initiate the grading process about 6 – 8 weeks before the targeted IPO date to provide sufficient time for any
  - contingencies
  - IPO Grading is required prior to marketing of the IPO and needs to be disclosed in the RHP and Prospectus
  - The Credit Rating Agencies have to forward the names and details of IPOs graded by them on a monthly basis to SEBI / Stock Exchanges for uploading on their website for public information
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# Fixed Price Issues

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- ❑ Offer Price: Price at which the securities are offered and would be allotted is made known in advance to the investors
  - ❑ Demand : Demand for the securities offered is known only after the closure of the issue
  - ❑ Payment : 100 % advance payment is required to be made by the investors at the time of application.
  - ❑ Reservation: 50 % of the shares offered are reserved for applications below Rs. 1 lakh and the balance for higher amount applications.
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# Book Building Issues

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- ❑ Offer Price: A 20 % price band is offered by the issuer within which investors are allowed to bid and the final price is determined by the issuer only after closure of the bidding.
  - ❑ Demand :Demand for the securities offered , and at various prices, is available on a real time basis on the BSE website during the bidding period
  - ❑ Payment :10 % advance payment is required to be made by the QIBs along with the application, while other categories of investors have to pay 100 % advance along with the application.
  - ❑ Reservations : 50 % of shares offered are reserved for QIBS, 35 % for small investors and the balance for all other investors.
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# Book Building Process:

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- ❑ The Issuer who is planning an offer nominates lead merchant banker(s) as 'book runners'.
  - ❑ The Issuer specifies the number of securities to be issued and the price band for the bids.
  - ❑ The Issuer also appoints syndicate members with whom orders are to be placed by the investors.
  - ❑ The syndicate members input the orders into an 'electronic book'. This process is called 'bidding' and is similar to open auction.
  - ❑ The book normally remains open for a period of 5 days.
  - ❑ Bids have to be entered within the specified price band.
  - ❑ Bids can be revised by the bidders before the book closes.
  - ❑ On the close of the book building period, the book runners evaluate the bids on the basis of the demand at various price levels.
  - ❑ The book runners and the Issuer decide the final price at which the securities shall be issued.
  - ❑ Generally, the number of shares are fixed, the issue size gets frozen based on the final price per share.
  - ❑ Allocation of securities is made to the successful bidders. The rest get refund orders.
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# BSE's Book Building System

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- ❑ BSE offers the book building services through the Book Building software that runs on the BSE Private network.
  - ❑ This system is one of the largest electronic book building networks anywhere spanning over 350 Indian cities through over 7000 Trader Work Stations via leased lines, VSATs and Campus LANS
  - ❑ The software is operated through book-runners of the issue and by the syndicate member brokers. Through this book, the syndicate member brokers on behalf of themselves or their clients' place orders.
  - ❑ Bids are placed electronically through syndicate members and the information is collected on line real-time until the bid date ends.
  - ❑ In order to maintain transparency, the software gives visual graphs displaying price v/s quantity
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# LISTING WITH BSE

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In respect of Large Cap Companies with a minimum issue size of Rs. 10 crores and market capitalization of not less than Rs. 25 crores.

- The minimum post-issue paid-up capital of the applicant company (hereinafter referred to as "the Company") shall be Rs. 3 crores; and
  - The minimum issue size shall be Rs. 10 crores; and
  - The minimum market capitalization of the Company shall be Rs. 25 crores (market capitalization shall be calculated by multiplying the post-issue paid-up number of equity shares with the issue price).
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# LISTING WITH BSE

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- B. In respect of Small Cap Companies other than a large cap company.
- The minimum post-issue paid-up capital of the Company shall be Rs. 3 crores; and
  - The minimum issue size shall be Rs. 3 crores; and
  - The minimum market capitalization of the Company shall be Rs. 5 crores (market capitalization shall be calculated by multiplying the post-issue paid-up number of equity shares with the issue price); and
  - The minimum income/turnover of the Company should be Rs. 3 crores in each of the preceding three 12-months period; and
  - The minimum number of public shareholders after the issue shall be 1000.
  - A due diligence study may be conducted by an independent team of Chartered Accountants or Merchant Bankers appointed by the Exchange, the cost of which will be borne by the company. The requirement of a due diligence study may be waived if a financial institution or a scheduled commercial bank has appraised the project in the preceding 12 months.
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# LISTING WITH BSE

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- Permission to use the name of the Exchange in an Issuer Company's prospectus:
  
  - The Exchange follows a procedure in terms of which companies desiring to list their securities offered through public issues are required to obtain its prior permission to use the name of the Exchange in their prospectus or offer for sale documents before filing the same with the concerned office of the Registrar of Companies. The Exchange has since last three years formed a "Listing Committee" to analyse draft prospectus/offer documents of the companies in respect of their forthcoming public issues of securities and decide upon the matter of granting them permission to use the name of "Bombay Stock Exchange Limited" in their prospectus/offer documents. The committee evaluates the promoters, company, project and several other factors before taking decision in this regard.
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# LISTING WITH BSE

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## ➤ Allotment of Securities

As per Listing Agreement, a company is required to complete allotment of securities offered to the public within 30 days of the date of closure of the subscription list and approach the Regional Stock Exchange, i.e. Stock Exchange nearest to its Registered Office for approval of the basis of allotment.

In case of Book Building issue, Allotment shall be made not later than 15 days from the closure of the issue failing which interest at the rate of 15% shall be paid to the investors.

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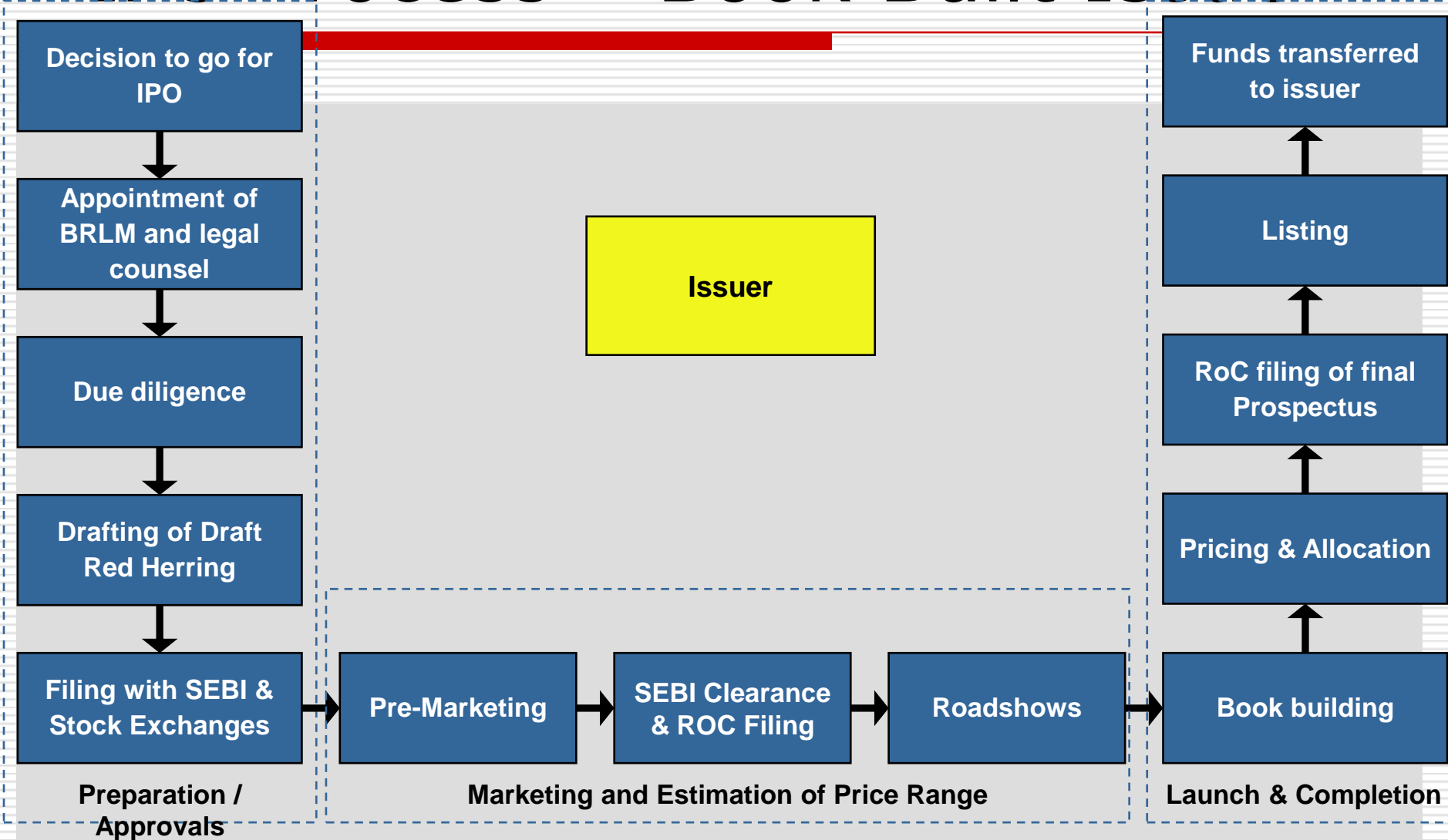
# LISTING WITH BSE

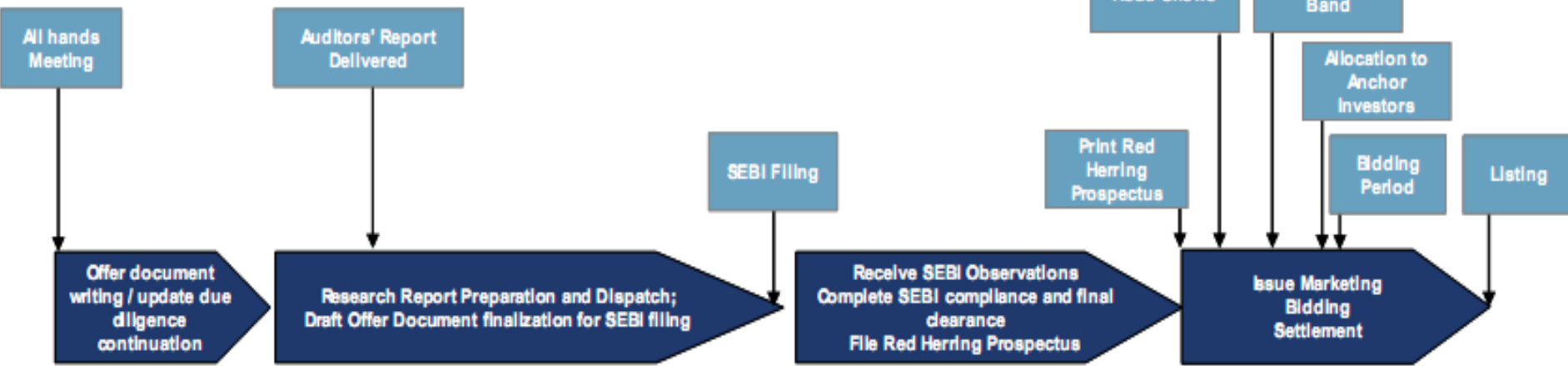
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## ➤ Trading Permission

- As per SEBI Guidelines, the issuer company should complete the formalities for trading at all the Stock Exchanges where the securities are to be listed within 7 working days of finalization of Basis of Allotment.
  
  - A company should scrupulously adhere to the time limit for allotment of all securities and dispatch of Allotment Letters/Share Certificates and Refund Orders and for obtaining the listing permissions of all the Exchanges whose names are stated in its prospectus or offer documents. In the event of listing permission to a company being denied by any Stock Exchange where it had applied for listing of its securities, it cannot proceed with the allotment of shares. However, the company may file an appeal before the Securities and Exchange Board of India under Section 22 of the Securities Contracts (Regulation) Act, 1956.
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# IPO Process – Book Built Issue





**Commence Process**

- Data Room

**Before SEBI Filing**

- Finalisation of Business Plan
- Compliance with Corporate Governance
- Appointment of Independent Directors, formation of various committees
- Appointment of intermediaries
- Completion of Due Diligence
- Offer document finalisation
- Commence IPO Grading

**Prior to Transaction Launch**

- In-principle approval from Stock Exchanges
- SEBI Approval
- Complete IPO grading
- Filing RHP with RoC
- Pre-marketing feedback
- Printing of RHP and Bid-cum-Application Forms

**Prior to Listing**

- Roadshow
- Determine Price Band
- Allocate Shares to Anchor Investors
- Bidding, Pricing, Allocation, Allotment and Settlement

# Execution Process Timeline

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Activity	IPO Process - 23 weeks						
Preparation Phase	2 weeks						
Due Diligence		4 - 5 weeks					
Filing of Draft Document			1 week				
Sebi Observation				4 - 8 weeks			
Finalization & filing of offer Document					2 - 3 weeks		
Issue Period						Min. 3 Days	
Post Issue Activities							2 - 3 weeks

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# Fast Track Issue

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- The equity shares of the issuer have been listed on any recognized stock exchange having nationwide trading terminals for a period of at least three years immediately preceding the reference date;
  - The average market capitalization of public shareholding of the issuer is at least 5000 crore rupees;
  - The annualised trading turnover of the equity shares of the issuer during 6 calendar months immediately preceding the month of the reference date has been at least 2% of the weighted average number of equity shares listed during such 6 months' period;
  - The issuer has redressed at least 95% of the complaints received from the investors till the end of the quarter immediately preceding the month of the reference date;
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# Fast Track Issue (Cont..)

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- ❑ The issuer has been in compliance with the equity listing agreement for a period of at least 3 years immediately preceding the reference date
  - ❑ The impact of auditors' qualifications, if any, on the audited accounts of the issuer in respect of those financial years for which such accounts are disclosed in the offer document does not exceed 5% of the net profit or loss after tax of the issuer for the respective years;
  - ❑ No show-cause notices have been issued or prosecution proceedings initiated or pending against the issuer or its promoters or whole time directors as on the reference date;
  - ❑ The entire shareholding of the promoter group of the issuer is held in dematerialized form on the reference date.
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# IPOs - Special issues

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- ❑ **Employee reservation** is now capped at up to 5% of the post issue capital instead of 10% of issue size (as under the DIP Guidelines), application size for and value of allotment to an employee under employee reservation capped at Rs 1 lakh, retail discounts to employees in the reservation portion also limited to application size Rs 1 lakh
  - ❑ **ASBA Process** introduced on July 30, 2008 as an alternate mode of payment for Retail Individual Investors expanded in 2009 to all categories of bidders excluding QIB
  - ❑ **Pre Ipo Allotment/Transfer:** Under ICDR regulations capital structure must be frozen at DRHP stage and details of any pre IPO allotments/transfers must be disclosed.
  - ❑ The ICDR Regulations introduced the **concept of anchor investors** in 2009 allowing up to 30% allocation at price equal to or above issue price to QIBs buyers applying for shares of a minimum value of Rs 10 crore in a book built public issue
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# THANK YOU

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□ **Neha Soni**

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(Company Secretary & Compliance Officer)

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