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& ASSOCIATES
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INITIAL PUBLIC OFFERING

UNDER

SEBI (ISSUE OF CAPITAL AND
DISCLOSURE REQUIREMENTS)
REGULATIONS, 2009

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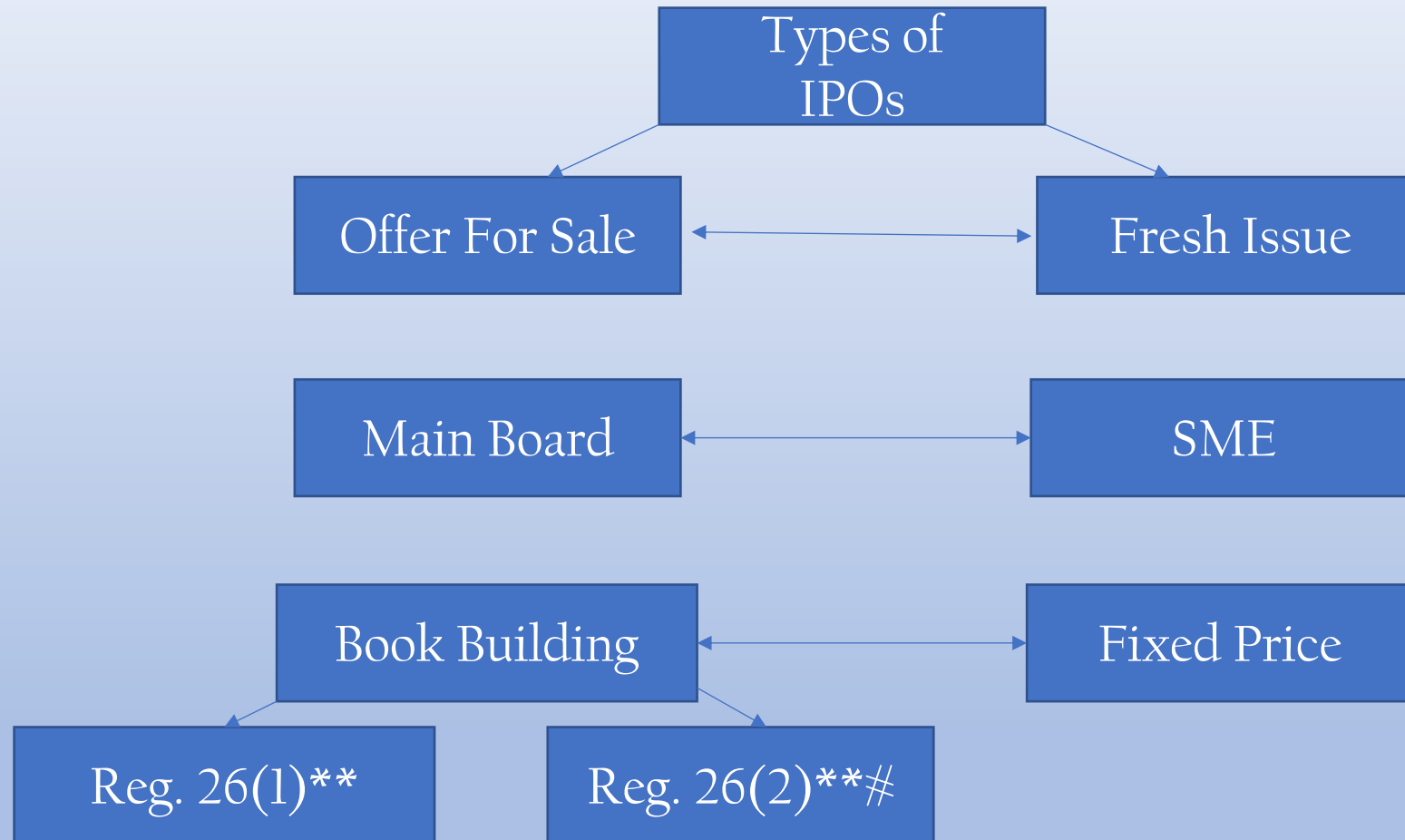
Part A

Eligibility Requirements for IPO

- To public issue of equity shares;
- To public issues of convertible securities.

Exclusions: ICDR Regulations do not apply to:

- Non-convertible preference shares;
- Non-convertible debentures;
- issue of equity/convertible securities for payment of offer price under an open offer;



*** Note- N.A. to SME IPO*

75% allotment to be made to QIBs, which portion cannot be underwritten

- ❖ OFS is Sale of specified securities to the public by any existing holders of such securities
- ❖ In case of IPO by way of OFS, the equity shares proposed to be sold are required to be held by the sellers for at least 1 year prior to the filing of draft offer document with SEBI.
- ❖ The aforesaid requirement of 1 year does not apply to OFS of specified securities:
 - Of a government company or statutory authority or corporation or any SPV set up or controlled by any of them, which is engaged in infrastructure sector; or
 - Acquired pursuant to any scheme of compromise/arrangement approved by a High Court, in lieu of business and invested capital which had been in existence for a period of more than one year prior to such approval; or
 - Issued under a bonus issue on securities held for a period of at least one year prior to the filing of draft offer document with SEBI, such bonus securities being issued out of free reserves and share premium existing in the books at the end of the previous financial year.

OFS v/s. FRESH ISSUE

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Fresh Issue	Offer for Sale
Minimum subscription of 90% of the issue	No requirement of minimum subscription
Not more than 50% of net tangible assets can be held in monetary assets unless firm commitments to utilize such excess assets in its business/ project by the Issuer	Restriction does not apply in case a public offer made <u>entirely</u> through OFS
At least 25% of the issue price to be paid at the time of application	Issue price in full to be paid at the time of application
IPO expenses are borne by the Issuer	IPO expenses are borne by the selling shareholders

MAIN BOARD V/s. SME



Difference	Main Board IPO	SME IPO
Post-issue paid up capital	Rs. 10 to 25 Crores- OPTIONAL Above Rs. 25 Crores- MANDATORY	Upto Rs. 10 Crores- MANDATORY Rs. 10 to 25 Crores- OPTIONAL
Minimum Allottees	1,000	50
Underwriting	90% Underwritten Out of which 5% or Rs.25L by LM, balance by MB & syndicate members	100% underwritten Out of which, 15% by LM
Vetting of Offer Document	SEBI	Stock Exchange
Minimum Application Value	Rs. 10,000 – Rs. 15,000	Rs. 1,00,000
IPO Time Frame	5-7 months (approx.)	3 -4 months (approx.)
Norms	Stringent	Relaxed
Market Maker	N.A.	Compulsory for 3 years

FIXED PRICE VS BOOK BUILDING

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Issue Type	Offer Price	Demand	Payment	Reservations	Issue Period
Fixed Price Issue	Price at which the securities are offered and would be allotted is made known in advance to the investors	Demand for the securities offered is known only after the closure of the issue	100% advance payment is required to be made by the investors at the time of application	50 % of the shares offered are reserved for retail category and the balance for HNI/QIBs	3 – 10 days
Book Building Issue	Only indicative pricing	Demand for the securities offered, and at various prices, is available on a real time basis on the BSE website during the bidding period	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	50 % of shares offered are reserved for QIBs, 35 % for retail investors and the balance for HNI	3 – 10 days Period to be extended by 3days in case price band is revised

FIXED PRICE VS BOOK BUILDING



Issue Type	Bidding at cut-off	Price Band	Determination of Price	Disclosure of Price Band	Revision of Price Band by Issuer	Revision of Bid by Investor	Anchor Investor
Fixed Price Issue	No	Yes	By Company	At Draft Prospectus Stage	No	No	No
Book Building Issue	Yes	Yes	By QIBs, HNI & Retail (at cut off)	5 working days prior to Issue Opening	Possible even during Issue Period by 20% up or down	Possible, except in case of QIBs & NIIs	Yes, discretionary

ELIGIBILITY REQUIREMENTS APPLICABLE ONLY TO 'MAIN BOARD IPO'- REG. 26(1)

- Minimum net tangible assets of Rs. 3 crores in each of the preceding 3 full years:
 - Not more than 50% can be held in monetary assets unless the issuer has made firm commitments to utilize such excess monetary assets in its business or project;
 - The limit of 50% does not apply if the public offer is made entirely through an offer for sale.

- Minimum average pre-tax operating profit of Rs. 15 crore, calculated on a restated and consolidated basis, during the 3 most profitable years out of the immediately preceding 5 years;

- Minimum Net worth of Rs. 1 crore in each of the preceding three full years;
- Aggregate of proposed issue and all previous issues made in the same financial year in terms of issue size shall not exceed 5 times of pre-issue net worth as per the audited balance sheet of the preceding financial year;
- In case the name of the issuer has changed in the last 1 year, minimum 50% of the revenue for the preceding one full year shall have been earned by it from the activity indicated by the new name.

ELIGIBILITY FOR IPO UNDER REGULATION 26(2)*‘THE ALTERNATIVE ROUTE’*

In the event the eligibility requirements laid down under Regulation 26(1) of the ICDR Regulations are not satisfied, the issuer may make an IPO through book building process if it undertakes to:

- Allot at least 75% of the net offer to public to QIBs. This portion cannot be underwritten; and
- Refund full subscription money if minimum allotment to QIBs is not done.

Category	Under R. 26(1)	Under R. 26(2)	Fixed Price
Retail	$\geq 35\%$	$10\% \leq$	$\geq 50\%$
NII	$\geq 50\%$	$15\% \leq$	$50\% \leq$
QIB	$50\% \leq$ (out of which 5% to MFs)	$\geq 75\%$ (out of which 5% to MFs)	

APPLICABLE TO MAIN BOARD AND SME IPOs

- ❖ No issuer shall make a public issue of specified securities:
 - if the issuer, any of its promoters, promoter group or directors or persons in control of the issuer are debarred from accessing the capital market by SEBI;
 - if any of the promoters, directors or persons in control of the issuer was or also is a promoter, director or person in control of any other company which is debarred from accessing the capital market under any order or directions made by SEBI;
 - unless an application has been made to NSE or BSE for listing of specified securities and one of those has been chosen as the designated stock exchange;

GENERAL ELIGIBILITY REQUIREMENTS

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- unless it has entered into an agreement with a depository for dematerialization of specified securities already issued or proposed to be issued;
- unless all existing partly paid-up equity shares of the issuer have either been fully paid up or forfeited;
- unless firm arrangements of finance through verifiable means towards seventy five percent of the stated means of finance, excluding the amount to be raised through the proposed public issue or rights issue or through existing identifiable internal accruals, have been made;
- if the issuer or any of its promoters or directors is a wilful defaulter; and in case of public issue of convertible debt instruments, if the issuer is in default of payment of interest or repayment of principal amount in respect of debt instruments issued by it to the public, if any, for a period of more than six months- CIBIL Report.

Issuer nominates lead merchant banker(s) as 'book runners'



Issuer specifies the Issue Size



Issuer also appoints syndicate members with whom orders are to be placed by the investors



Syndicate members input the orders into an 'electronic book' (Process called bidding)



Bids have to be entered within the specified price band and can be revised 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 level



The book runners and the Issuer decide the final price at which the securities shall be issued



If 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

The issuer is required to file a fresh offer document (alongwith fees) in the following events

- Change in promoter or persons in control of the issuer.
- Change in more than half of the board of directors of the issuer.
- Change in main object clause of the issuer.
- Any addition to objects of the issue resulting in an increase in estimated issue size or estimated means of finance by more than 20%. SEBI may require fresh filing in the event there are grounds to believe that deletion of an object may result in a decrease in issue size by more than 20%
- Any increase or decrease in estimated issue size by more than 20%
- Any increase in estimated deployment in any of the objects of the issue by more than 20%.
- Changes which may result in non-compliance with the provisions of the ICDR Regulations and relaxation of the said regulations is sought.

The issuer is required to file an updated offer document (alongwith fees) in the following events

- Any material development which may result in potential risk.
- An aggregate increase of 5% or more in the shareholding of the promoter or promoter group or an aggregate increase of 5% or more in the shareholding of the top ten shareholders
- Any addition or deletion to the objects of the issue resulting in a change in the estimated issue size or estimated means of finance by more than 10% and not exceeding 20%.
- Appointment of any new director.
- Any addition to the promoter group or group companies
- Any variation in net profit after tax or net loss after tax and/ or extraordinary items in excess of 10% over the last updated financials submitted to SEBI
- Any new litigation or any development about a pending litigation which is material in view of the merchant bankers

1. ASBA → Application Supported by Blocked Amount
2. The process facilitates investors bidding with multiple options, to apply through Self Certified Syndicate Banks (SCSBs)
3. SCSBs are banks which satisfy the conditions laid by SEBI
4. SCSBs will: -
 - ✓ Accept the applications
 - ✓ Verify the application
 - ✓ Block the fund to the extent of bid payment amount
 - ✓ Upload the details in the web based bidding system of the stock exchange
 - ✓ Unblock once basis of allotment is finalized and transfer the amount for allotted shares, to the issuer.
5. From January 1, 2016, all issues have to mandatorily use ASBA, as per SEBI's Circular No. CIR/CFD/POLICY CELL/11/2015

- ❖ The eligibility conditions are required to be satisfied at the time of filing draft offer document with SEBI and at the time of registering or filing the final offer document with ROC or designated stock exchange.
- ❖ An issuer shall not make an IPO if there are any outstanding convertible securities or any right which would entitle any person to an option to receive equity shares, unless the outstanding convertible securities are:
 - Convertible debt instruments issued through an earlier IPO and the conversion price was disclosed in the prospectus of the said earlier IPO;
 - Stock options granted pursuant to an ESOP scheme framed in accordance with the applicable accounting standards;
 - Fully paid-up and are due to be converted prior to filing of the draft prospectus/DRHP.

Part B

Process of IPO

PRE FILING OF OFFER DOCUMENT

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- Due Diligence- Legal, financial & technical
- Scope of diligence.
- Ensuring compliances with SEBI Regulations and listing requirements in anticipation of listing.

POST FILING OF DRAFT OFFER DOCUMENT

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Sr. No.	For Book Building Issue	For Fixed Price Issue
1.	Filing of DRHP	Filing Draft Prospectus
2.	Observations by SEBI/ Stock Exchange	Clearance by Stock Exchange/ SEBI
3.	Top-up Due Diligence	Top-up Due Diligence
4.	Filing RHP	Filing Prospectus
5.	Filing Prospectus	Issue Opening
6.	Issue Opening	Allotment
7.	Allotment	Listing & Trading
8.	Listing & Trading	

POST FILING OF DRAFT OFFER DOCUMENT

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- Various documents to be submitted by Lead MB to SEBI alongwith the DRHP including:
 - DD certificate
 - Certificate confirming existence of agreement between it and the Issuer

- Verification & Site Visit – BSE/ NSE undertakes a visit to the issuer company's site.

- The Promoters are called for an interview with the Listing Advisory Committee.

- Various documents to be submitted by Lead MB to after issuance of observation to SEBI, including:
 - Statement certifying changes/observation incorporated
 - Due Diligence certificates
 - CA Certificate confirming various details of the Promoters

- After incorporating the comments, issuer shall disclose fact of filing the prospectus in one English, one Hindi and a regional daily

- Final Prospectus to be filed with SEBI, ROC & Exchange incorporating the changes as advised by SEBI.
- Refundable deposit of 1% of the amount of IPO size to be deposited with exchange before opening of issue.
- Trading to commence within 7 working days of Issue Closing.

- Change in SRRR. Minimum public shareholding compliance of 25% to be complied with.
- Compliance with ESOP Regulations.
- Compliance with listing regulations including forming the following committees:
 - Audit Committee
 - Nomination Committee
 - Stakeholders Committee
 - Risk Management Committee (*only for top 100 listed companies*)

- All issues with issue size of more than Rs.100 Crs. to be monitored.
- Variation in terms of Prospectus or Objects of Issue not permissible except after procuring special resolution from members.
- Complete refund of application money upon non receipt of minimum subscription within
 - 15 days of the closure of the issue in case of non – underwritten issue
 - 70 days in case of underwritten issue; where minimum subscription is not received in 60 days

Day-wise break up of activities

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SEBI has now streamlined the listing process of IPO by reducing listing time from 12 to 6 trading days post Issue Closure.

S. No.	Timelines	Particulars
1.	Issue Opening Date (T)	<ul style="list-style-type: none">• Submission of a bid cum application form to specified intermediaries• Validation of DP ID, Client ID, PAN, etc. by the exchange at the end of each day
2.	T + 1	<ul style="list-style-type: none">• Exchange to allow modification till 1:00 PM• RTA to get electronic Bid details• SCSBs to continue blocking funds
3.	T + 2	<ul style="list-style-type: none">• Issuer, MB & RTA to send relevant documents to the Exchange• SCSBs to send confirmation of funds blocked• RTA to reconcile data received from exchange & SCSBs and undertake Technical Rejection of Bids

Process of IPO

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S. No.	Timelines	Particulars
4.	T + 3	<ul style="list-style-type: none">• RTA to finalize Basis of Allotment• Exchange to approve the basis• RTA to carry out fund transfer process, carry out corporate action of lock out• RTA and MBs issue fund transfer instructions to SCSBs
5.	T + 4	<ul style="list-style-type: none">• SCSBs to credit funds to public a/c of the issuer• Issuer to make allotment• Issuer & RTA to file allotment details with Exchange and confirm compliances• RTA to send bank wise data of allottees, amount due on shares allotted balance amount to be unblocked to SCSBs.
6.	T + 5	<ul style="list-style-type: none">• RTA to receive Dmat credit confirmation from depositories• Confirmation of credit, lock in, instructions to unblock ASBA to be filed with the Exchange• Apply and receive the trading permission from Exchange• Issuer, MBs & RTA to publish allotment advertisement• Exchange to issue trading notice
7.	T + 6	Commencement of trading

Part C

KEY REQUIREMENTS OF ICDR REGULATIONS

- At least 20% of the post issue capital of the Company required to be brought in by the Promoters of the issuer as Minimum Promoter Contribution.
- *AIFs can contribute up to 10% of the post issue capital for the purpose of meeting the shortfall in minimum promoter contribution*

❖ Securities Ineligible for Minimum Promoters' Contribution

- Specified securities acquired during the preceding 3 years are ineligible for computation of Promoter's contribution if they are:
 - Acquired for consideration other than cash and revaluation of assets or capitalization of intangible assets is involved in such transaction
 - Issued under a bonus issue made by utilization of revaluation reserves or unrealized profits
 - Issued under a bonus issue made against equity shares which are ineligible for minimum promoters' contribution.

- Specified securities pledged with any creditor.

❖ Securities Ineligible for Minimum Promoters' Contribution

- Specified securities acquired during the preceding 1 year at a price lower than the issue price are ineligible for computation of Promoter's contribution, unless:
 - The specified securities are acquired under a scheme approved by High Court in lieu of business and against capital that had been invested for more than one year.
 - the differential price is paid by the promoters or the AIF(s).
 - The specified securities are issued by a government corporation or a SPV, engaged in infrastructure sector
 - Allotted against capital existing in the partnership firm for a period of more than one year on a continuous basis, in case the issuer is formed by conversion of a partnership firm.

- Minimum promoters' contribution to be locked in for 3 years
- Promoters' holding in excess of minimum promoters' contribution to be locked in for 1 year
- Entire pre-issue capital held by persons other than promoters to be locked in for 1 year, except:
 - Equity shares allotted under an ESOP scheme;
 - Equity shares held by a VCF or a Category I AIF or a foreign VCI [*Such equity shares to be locked in for 1 year from the date of purchase*]
- Locked in specified securities may be pledged with any scheduled commercial bank or PFI as collateral
- Inter-se transfer of locked in securities is permissible, subject to such transferred securities being under lock-in in the hands of the transferee

- ❖ No further issue of specified securities can be made after filing of draft prospectus till the listing of specified securities unless full disclosures of the proposed issue during that period have been made.
- ❖ In case of IPO of convertible debt securities, the following additional requirements are required to be complied with:
 - Credit rating to be obtained;
 - Appointment of Debenture Trustee;
 - Creation of Debenture Redemption Reserve
- ❖ Face value of an equity share has to be Rs. 10 if the issue price per equity share is less than Rs. 500. Face value can be between Rs. 1 – Rs. 10 if the issue price is more than Rs. 500.

- ❖ Price or price band (in case of a fixed price issue) and floor price or price band (in case of a book built issue) to be mentioned in the draft prospectus or draft red herring prospectus, as the case may be.
- ❖ Cap on the price band cannot be more than 120% of the floor price
- ❖ Minimum application value shall within the range of Rs. 10,000 to Rs. 15,000.
- ❖ Existing partly paid-up shares shall be made fully paid-up before filing of the draft offer document
- ❖ The amount for general corporate purposes, as mentioned in objects of the issue in the draft offer document, shall not exceed twenty five per cent of the amount raised by issuance of specified securities

Part D

KEY CONTENTS OF OFFER DOCUMENT

Key Contents of Offer Document

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- Risk Factors
- Capital Structure
- Objects of the Issue
- About the Issuer
 - Business Overview
 - History & Corporate Structure of the Company
 - Management
 - Promoter
 - Promoter Group and Promoter Group
- Financial Statements
- Legal & Other Information
 - Outstanding Litigation & Material Developments
 - Government Approvals or Licensing Arrangements
- Terms of Issue (Issue Procedure)
- Material Contracts & Disclosures

- Purpose of Risk Factors
- Risk Factors to be drafted to provide clarity and adequate disclosures.
- Risk Factors to be classified into
 - Those specific to the project and internal to the Issuer
 - Those which are external and beyond the control of Issuer.
- The risk factors to be disclosed in the descending order of materiality.
- A comprehensive list of risk factors to be given.

- Details of Issued, Subscribed and Paid – up Capital
- Size of the Issue with other details
- Details of
 - Preferential allotments
 - shares issued at consideration other than cash
 - shares in terms of any scheme of amalgamation
 - bonus shares made out of revaluation reserves
 - shares issued at a price lower than the issue price during preceding 1 year
 - proposal of the issuer to alter capital structure by way of split or consolidation.
- Details of Promoter Contribution
- Statement of the issuer, its director or the merchant banker that they have not entered into any buy back arrangements
- Details of ESOP or ESPS granted in last 3 years

- Objects of the issue to be clearly disclosed.

- If the object is towards investment in a joint venture or a subsidiary or an acquisition, the details of such investment.

- If the object of the issue towards granting of loan to any entity, details of such loan to be provided.

- If the object of the issue is for meeting long term working capital requirements, details and projections of such working capital.

- Limitations on Objects:
 - Not more than 25% of Issue Size can be utilized towards general corporate purposes

- Details of the business of the issuer
 - Location
 - Plant and Machinery
 - Collaborations
 - Infrastructure Facilities & Utilities
 - Products or Services

- Details of the Business Strategy
 - Brief Statement
 - Brief statement about future prospects
 - No forecast related to financial performance to be given

- Details of the Intellectual Property Rights

- Details of Properties and Purchase of Properties

- Details of Land

- History, Main Objects & Present Business
 - Complete history of incorporation since the inception of business
 - Details of major events in the history of the issuer
 - Complete details of subsidiaries and holding companies
 - Corporate profile of the issuer
 - Injunction or restraining order with possible implications
 - Technology, market, managerial competence and capacity build up
 - Details of acquisition, mergers, amalgamation, etc.
 - Details of major customers

- Main objects set out in MOA

- Details regarding Shareholder's agreements and all other material contracts.

- Details regarding strategic and financial partners

- Details of Board of Directors
 - Name, age, qualifications, DIN, term and other necessary details
 - Details of current and past directorship in listed companies
 - Nature of family relationship between Directors
 - Understanding between shareholders, suppliers, customers for appointing Directors
 - Details of service contracts of Directors
 - Details of borrowing power of the Company

- Details of compensation of MD and WTDs

- Details of shareholding of Directors including qualification shares

- Full particulars of the nature and extent of the interest of every Directors

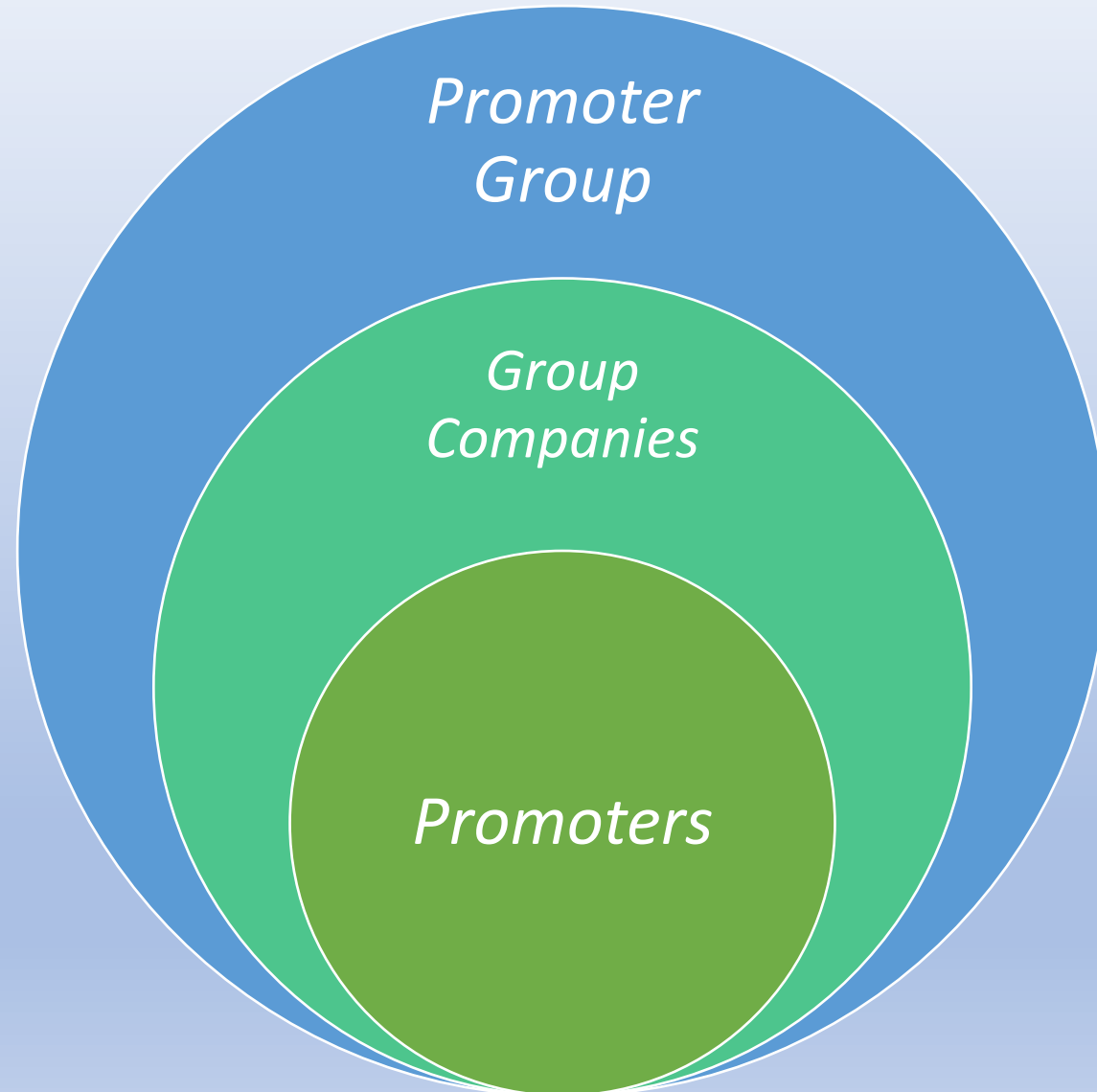
- Change in Directors in past 3 years

- Details of Management Orientation Structure
- Details of Corporate Governance including fulfilment of requirements of Corporate Governance and details of various committees
- Details of KMPs
- Details of the Employees

- As per ICDR Regulations, 'Promoter' includes:
- the person or persons who are in control of the issuer;
 - the person or persons who are instrumental in the formulation of a plan or programme pursuant to which specified securities are offered to public;
 - the person or persons named in the offer document as promoters:

- In case Promoters are Individuals, complete profile of Promoters with declaration stating that various documents have been submitted to Stock Exchange.
- In case Promoters are Company, history, promoters, BOD, details of change in management & control, details of person holding control of the company in past three years, the aforesaid declaration, etc.
- Details of the VCF or Foreign Venture Capital Investors which have offered their shares for lock in towards minimum promoters' contribution
- In case the present Promoters are not the original Promoters and the control was acquired within 5 year immediately preceding date of the prospectus, details of such Promoters and the acquisition.
- In case of no identifiable Promoters, the fact shall be disclosed and the details of the controlling shareholders shall be disclosed.

- Whether the Promoters have requisite experience in the company's business line.
- Full particulars of the nature and extent of interest of Promoters.
- Details of payment and benefits given to the Promoter.



- ICDR Regulations define “promoter group” to include:
 - (i) the promoter;
 - (ii) an immediate relative of the promoter (i.e., any spouse of that person, or any parent, brother, sister or child of the person or of the spouse); and
 - (iii) in case promoter is a body corporate:
 - (A) a subsidiary or holding company of such body corporate;
 - (B) any body corporate in which the promoter holds ten per cent. or more of the equity share capital or which holds ten per cent. or more of the equity share capital of the promoter;
 - (C) any body corporate in which a group of individuals or companies or combinations thereof which hold twenty per cent. or more of the equity share capital in that body corporate also holds twenty per cent. or more of the equity share capital of the issuer; and
 - (iv) in case the promoter is an individual:
 - (A) any body corporate in which ten per cent. or more of the equity share capital is held by the promoter or an immediate relative of the promoter or a firm or Hindu Undivided Family in which the promoter or any one or more of his immediate relative is a member;
 - (B) any body corporate in which a body corporate as provided in (A) above holds ten per cent. or more, of the equity share capital.

- As per ICDR Regulations 'Group companies' shall include such companies as covered under the applicable accounting standards and also other companies as considered material by the board of the issuer.
- Disclosures regarding financial information and litigation involving the group companies to be made.

- Outstanding Litigations and Material Developments containing:
 - All Criminal proceedings
 - Actions by statutory/regulatory authorities
 - Claims and disputes regarding direct and indirect transaction
 - Details of other pending litigations pertaining to
the Issuer, its directors, promoters, group companies and subsidiaries.

- Details of outstanding dues to creditors, as per materiality thresholds

- Details of the litigations arising after filing of offer document to be incorporated in the offer document.

- Details of Government Approvals or Licensing arrangements pertaining to:
 - Investment approvals
 - All Government and other approvals
 - Technical approvals
 - Industrial Licenses & declarations by Central Government

THANK YOU