Date 24/5

SEBI Laws and Regulations

- Raising finance from Capital Markets (ICDR)
- Insider Trading (PIT)
- Take over Code (SAST)

⇒ Raising finance from capital markets - IPO

Eligibility to make public issue on rights issue of equity shares & Convertible Securities

(Applicable for both IPO & FPO)

* Basic Conditions:-

→ Open for min - 3 days & max - 10 days.

→ minimum Subscription - 90%

↓

If not → refund in 15 days.

→ firm arrangements for 75% of stated means of finance, excluding ~~finance~~ public issue.

Ex:- Outlet Construct (RRR)

↓

Capital - 2000 Crs.

- 1000 Crs ↓ Bank Loan ↓ 75% → i.e., 750Crs → firm arrangements ↓ RRR must recieve 750crs from bank to make IPO of Rs.1000crs
- 1000 Crs ↓ IPO.

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* Main / Important Conditions:-
DAD & Promoters DEMATERIALIZE PWC

→ D- not DEBARRED by SEBI
- issuer
- promoters
- directors
- selling shareholders.
(In case of sale of firm, SHs who are selling their shares)

→ A- Application to Stock Exchange
↓
approval from st. ex. for listing & issuing the shares ←

→ D- agreement with Depository for Dematerilisation of shares
↓
CDSL (or) NSDL

→ Promoters → holding must be dematerialised.

→ No Partly Paid-up eq. shares - before making IPO there must not be any existing partly PUP shares
↓
if any partly PUP
make them
↓ fully paid-up. (or) ↓ forfeit

→ No willful Defaulters - promoter | issuer | Director
↓
are not willful defaulters

→ General Corporate Purpose - maximum 25% of Public offer amount (IPO) can be used
issue & for remaining % specific purpose must be mentioned.

⇒ Additional Conditions for IPO :

	Criteria	Amount	Period	Addln. Con.
1.	Net Tangible Assets	≥ 3 crs	Preceeding 3 years (each)	≯ 50% as monetary asset. ↓ if > 50% ↓ Co. should give declaration that before IPO it will be bring back to < 50%)
2	Avg pre-tax op. pft	15 crs	** 3 most profitable years of prec. 5 years (Avg)	
3.	Net Worth	≥ 1 cr.	each of 3 years.	
4.	Name changed in last 1 year (**)	→ (≥ 50%) revenue generated of that year is after name change		

Note: Book Building Process :- → process which det. price of a share to sell at public.

(for allocations refer board material)

General	Sub reg - 2 to regu. 6	Any other than BB
< 35% - RII	10 - RII	minimum 30% to RII
< 15% - NII	15 - NII	
< 50% - QIBs	75 - QIBs	

⇒ If Company not satisfied any of the Additional Conditions for IPO

↓

Exception from above conditions (i.e., by below means they raise/issue IPO)

- Issue through book-building process (Notes)

⊕

- issue undertakes to allot atleast 75% of (NOTP) to QIB. (Notes)
  ↓ net offer to public

* minimum prospective allotters must be 1000.

* if issue > 100cr, then Bank/PFI, shall report on quarterly basis till 95% utilisation to SEBI

* issuers for/may obtain for grading for IPO through any credit rating agencies

Notes:

* NOTP - Net offer to Public

Ex: Co $\xrightarrow{\text{issues}}$ (100 crs) - IPO

- ~~25%~~ 35% (~~25 crs~~ 35 crs) → Promoters Cn (generally not more than 20%) of post-issue capital
- 15% (15crs) → Reserve for (existing SH, employees (or) anchor investors)
- 50%. (~~65%~~) → NOTP
  * 75%

retail Individual Investors | Non-Institutional Investors | Qualified Inst. buyers (QIB)

Appointment of Intermediaries (CM+BRS)

- Compliance officer
- Merchant Banker
- Banker to the issue
- ~~Banker~~ Registar to the issue
- Syndicate members (In case of Book Building)

⇒ Determination of Pricing of shares

- Shares & Convertible Securities (Ex: share warrants)
  - price in consultation with lead merchant Banker (or) through Book Building
- Debt Instruments
  - Coupon rate (% of interest) & Conversion price for Convertible Debt instruments

Same

Offer document ⟶ price/price band

Red-herring prospectus $\xrightarrow[\text{give}]{\text{must}}$ floor price (minimum price for the shareholders)

** Issue price shall not be less than face value.

(P.T.O)

Conditions for differential Pricing

max discount to RIIs & employeer entitled for reservation
↓
10% of price to Other Categories

Book Build issue
↓
price to anchor investors should not be less than other categories

Face Value
↓
Whether issue price is 500 (or) more

Yes
↓
Face value shall not be less than 1 but can be less than 10

No
↓
face value shall be 10

Alternate method of Book Building
↓
max discount to employeer
↓
10% of floor price

Note: For IPO, minimum promoters contribution
↓
shall not be less than
↓
20% of $\boxed{\text{post-issue capital}}$
↓
(pre-issued capital + IPO amount)

in this period, promoters cannot sell their share-holding

$\boxed{\text{Lock-in-Period}}$

for min. promoters cn
↓
3 years

In excess of minimu[m]
↓
1 year

⇒ Allocation in Net offer to Public (NOTP)

	RII	NII	QIB
a) Book Building - Regulation 6(1) (If all Additional conditions for IPO are satisfied)	≥ 35%	≥ 15%	≤ 50% (atleast 5% to mutual funds)
b) Regulation - 6(2) (If any of addln. condition not satisfied, still with exceptions company wants to enter for IPO)	≤ 10%	≤ 15%	≥ 75% (of which atleast 5% to m.F)
c) Other than Book Building	≥ 30%	remaining	unsubscrib. portion

Insider Trading

⇒ Insider means any person who is

a connected person
↓
any person who holds any position (or) has relationship with co. that allows him to access UPSI, during 6 months prior to concerned act (trade, business (or) transaction)
⇓
Deemed Connect person

- Banker of issue
- A – C – H, S
- Immediate relative (Spouse, parents, B|S)
- official of stk. ex | clearing house
- Intermediaries, e'ee, director

(or)

In possession of upublished price sensitive Information (UPSI)
↓
any info. of co. not generally available to pub which upon generally available, is likely to affect share price, including but not restricted to.
[F-fina. Info.]
D – Dividends
C – Δs in Capital structure of co.
C – ... KMP
M – mergers, Demergers, delisting, transfers

∴

* Director | employee of Investment Co., trustee Co., AMC, public financial institution
* member | e'ee of Board of trustees of mutual fund, member of BOD of AMC.

⇒ Restriction on communication & trading by Insiders
↓
refer study material.

Takeover Code

PAC - person acting in concert

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Takeover Types

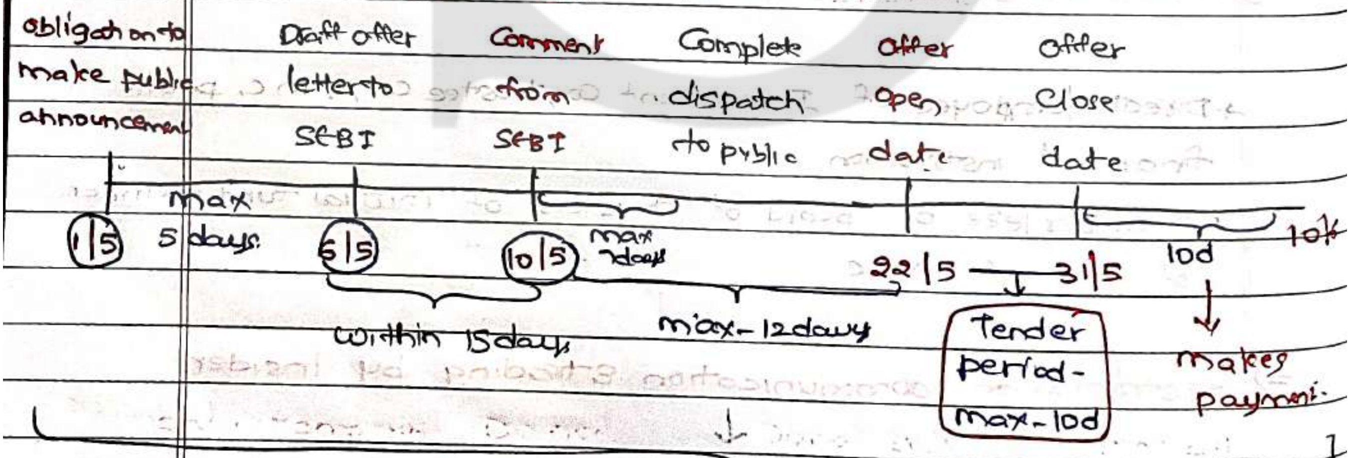
Friendly Takeover | Hostile Takeover | Horizontal Takeover | Vertical Takeover | Conglomerate Takeover

Triggering points to make open offer

Trigger Point-1
↓
Acquirer along with PAC acquires 25% (or) more of Target company
↓
make public offer to acquire additional 26% of shares subject to max permissable non-public holding 75%

Trigger point-2
↓
Acquirer along with PAC already acquired 25% or more and wants acquire another 5% or more in the FY
↓
Same

* A Co. should be delisted if its public shareholding falls under 25%.



OFFER PERIOD

Note: Identified date is date 10 days prior to commencement of Tender period.

Mode of Payment

- Cash
- Exchange of listed shares of acquirer or PAC
- listed secured debt instruments of acquirer (or) PAC
- Convertible debt instruments of acquirer (or) PAC

Pre-conditions for voluntary open offer

- Prior holding of atleast 25%.
- No further acquisition for 6months after completion of open offer except by another voluntary open offer.
- No creeping acquisition made in past 52 weeks
  - Purchasing shares intentionally without meeting trigger point - 2
- Acquirer can make conditional open offer
- No acquisition during open offer except under ongoing offer.

Withdrawal of offer

- Statutory approvals refused
- Acquirer Died
- Conditions of agreement not fulfilled
- such other circumstances as SEBI permits

* within 2 days (working): merchant banker shall make announcement in newspaper regarding withdrawal.

Disclosures by acquirer, PAC & promoters

Event based Disclosure

loan, pledge

* Creation of encumbrance "
* disposal through "
* acquisition " "

Continual Disclosures

Within 7 days from end of each FY

- Promoter: irrespective of shareholding
- Non-promoter: any person along with PAC holding more than 25% shares

to stock exchange & regd. office of Target Co.

⇒ **Obligations of Target Company**

- Ensure business of co. is conducted as it is
- prohibit fixing record date 3 days prior to & during tender period
- furnish a'er with list of shareholders
- Do not alinate assets in offer period except through SR of SHs.

Obligations of acquirer

- financial arrangement to pay to shareholder
- Do not alinate assets of Co.
- Do not sell their shareholding in offer period
- fulfill all the obligations under takeover code.

Exemption from Takeover code

- Underwrite
- Stock-broker on behalf of client
- Merchant Banker as part of mrkt making
- Scheme of Safety net
- Under Disinvestment