



CMA Handwritten Notes



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CMA Final



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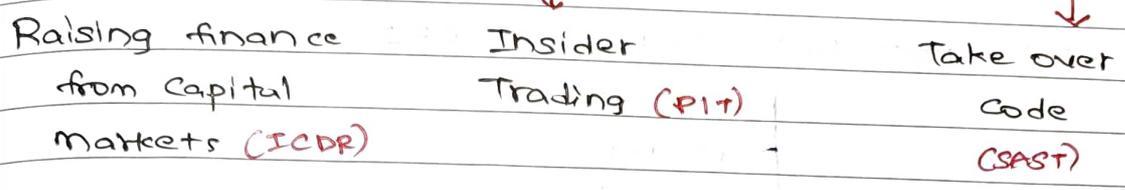
CMA Intermediate

📞 **9177886784**

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SEBI Laws and Regulations



⇒ 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:

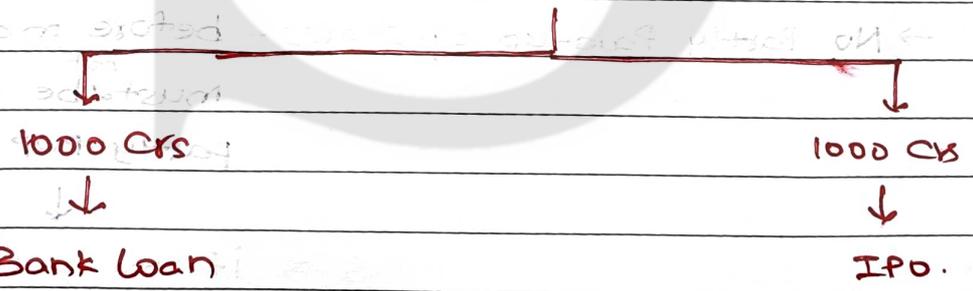
- Open for min - 3 days & max - 10 days
- minimum Subscription - 90%

↓
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.



↓
75% → i.e., 1500 Crs → firm arrangements

↓
RRR must receive 750 Crs from bank to make IPO of ₹.1000 Crs

* 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 Dematerialisation of shares

↓
CDSL (or) NSDL

→ Promoters → holding must be dematerialised.

→ No Partly Paid-up eq. shares - before making IPO there must be ^{not} 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 can be used for remaining / specific purpose must be mentioned.

⇒ Additional Conditions for IPO:

Criteria	Amount	Period	Addn. Con.
1. Net Tangible Assets	≥ 3 crs	Preceding 3 years (each)	≥ 50% as monetary asset.
2.			↓ 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 1/3 after name change		

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

(for allocations refer board material)
Any other than BB minimum 30% to RII

General	Sub reg- 2 to regu. 6	Any other than BB
≥ 35% - RII	10 - RII	minimum 30% to RII
< 15% - NII	15 - NII	
15% - 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 allottees must be 1000.

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

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

Notes:
* NOTP - Net offer to Public

Ex: Co issues (100 crs) - IPO

↓ 25% (25 crs)

↓ 15% (15 crs)

↓ 50% (50 crs)

(75%) → NOTP

* (75%)

Promoters
Co (generally not more than 20% of post-issue capital)

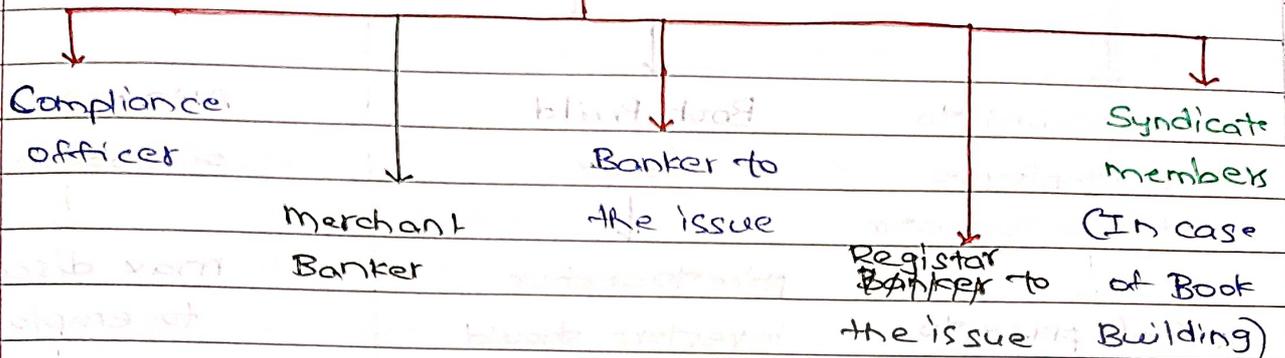
Reserve for (existing st, employees (or) anchor investors)

Individual Investors

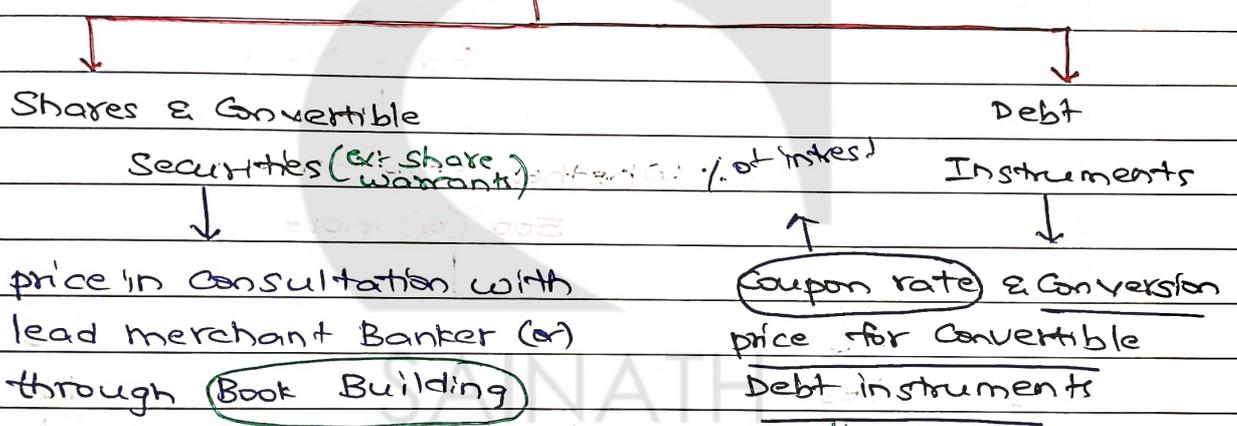
Non-Institutional Investors

Qualified Inst. buyers (QIB)

Appointment of Intermediaries (Cm+BRs)



⇒ Determination of Pricing of shares

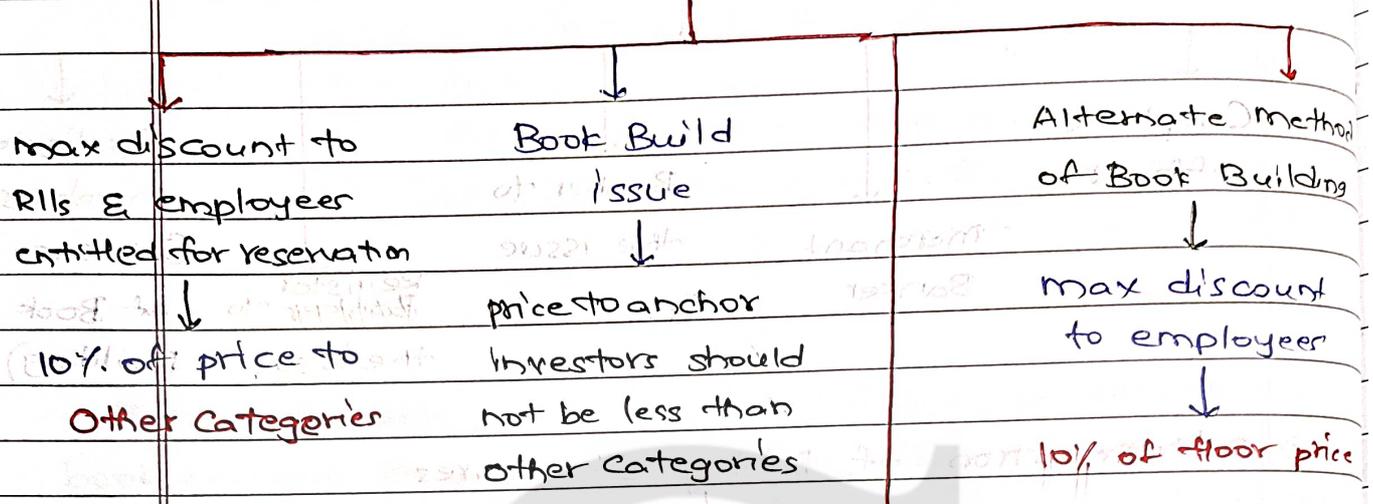


offer document → price/band
 must give floor price (minimum price for the shareholders)

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

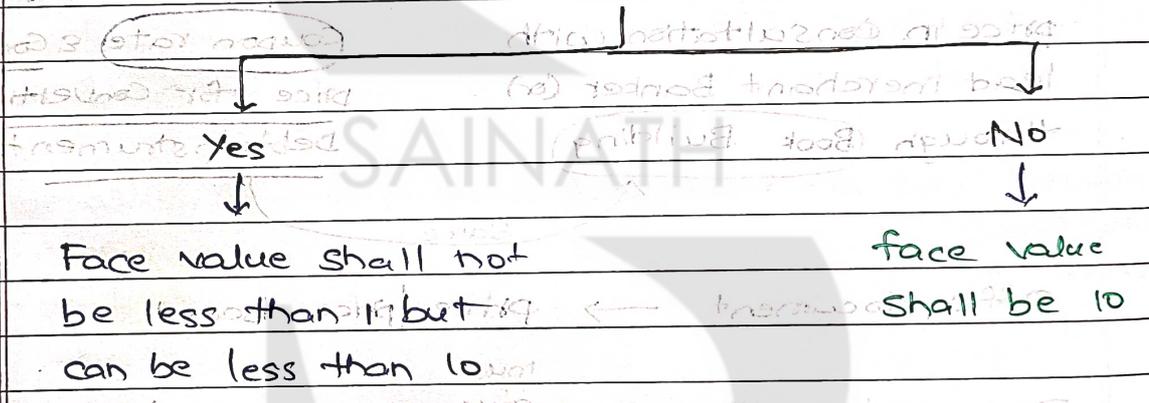
(P.T.O)

Conditions for differential Pricing



Face Value

Whether issue price is 500 (or) more



Note: For IPO, minimum promoters Contribution

shall not be less than

20% of post-issued capital

(pre-issued capital + IPO amount)

In this period, promoters cannot sell their share-holding

Lock-in-Period

for min. promoters c_n

In excess of minimum

3 years

1 year

⇒ Allocation in Net offer to Public (NOTP)

	<u>RII</u>	<u>NII</u>	<u>QIB</u>
a) Book Building - Regulation 6(1) (If all Additional conditions for IPO are satisfied)	$\geq 35\%$	$\geq 15\%$	$\leq 50\%$ (at least 5% to mutual funds)
b) Regulation - 6(2) (If any of addln. condition not satisfied, still with exceptions company wants to enter for IPO)	$\leq 10\%$	$\leq 15\%$	$\geq 75\%$ (of which at least 5% to m.f)
c) Other than Book Building	$\geq 30\%$	<u>remaining</u>	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

In possession of unpublished 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 - Δ in Capital structure of co.
- M - mergers, Demergers, end listing, transfers

Banker of issue



Immediate relative (Spouse, parents, B/S)

official of stk. ex / clearinghouse

Intermediaries e.g., director

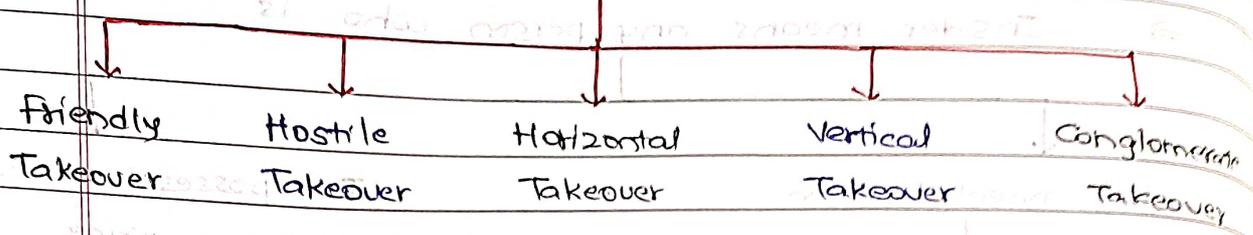
* Director/employee of Investment Co., trustee Co., AMC, public financial institution

* member/e.g. of Board of trustees of mutual fund, member of BOD of AMC.

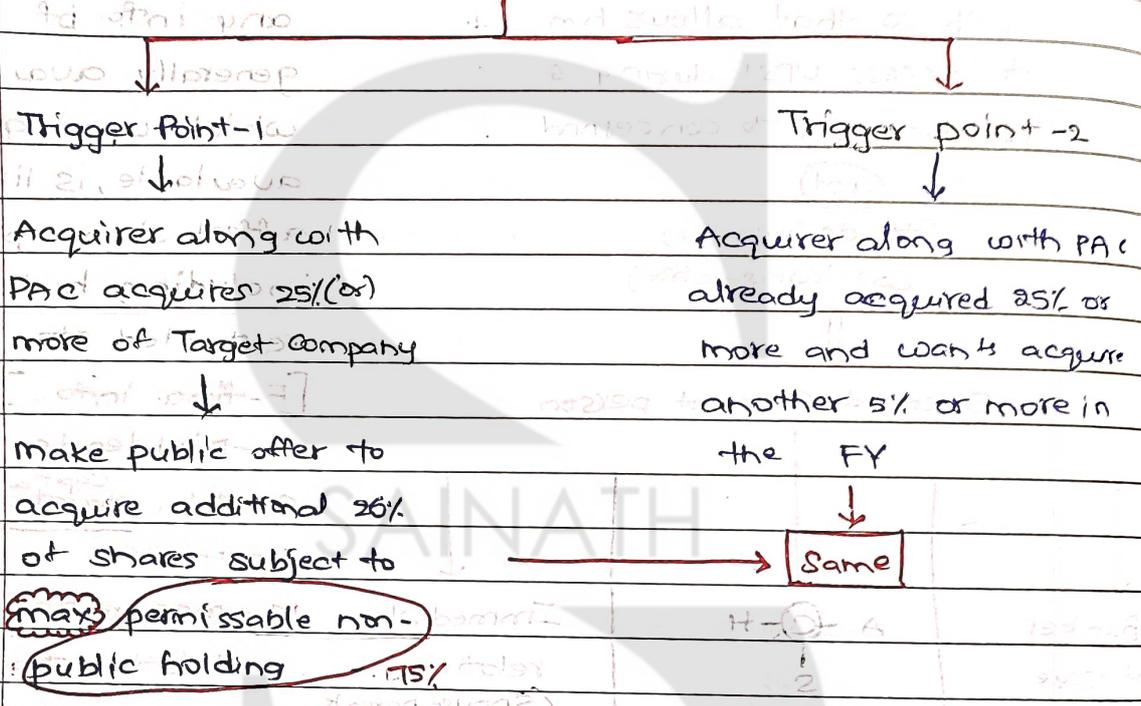
⇒ Restriction on communication & trading by Insiders

refer study material.

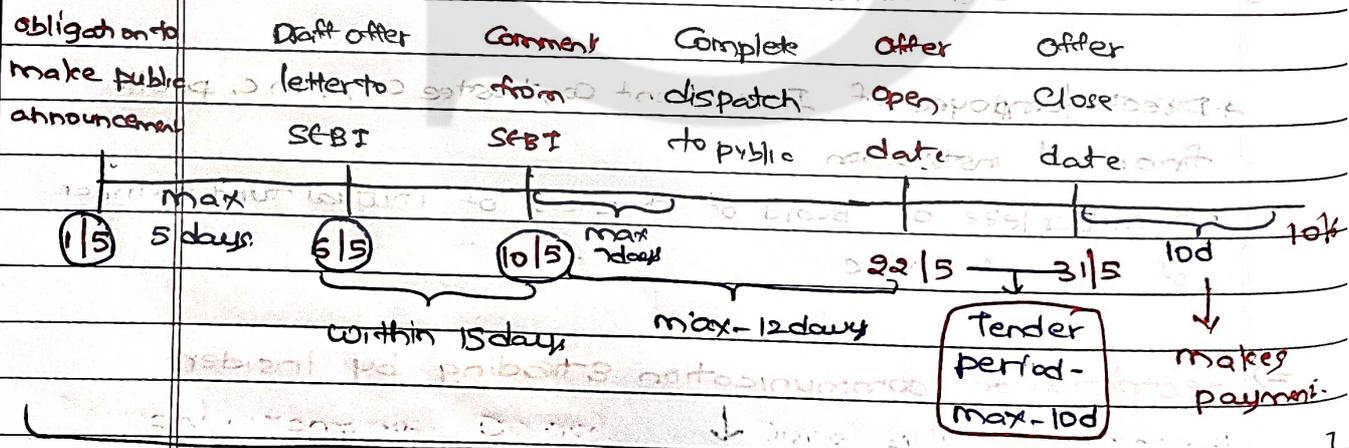
Takeover Types



Triggering points to make open offer



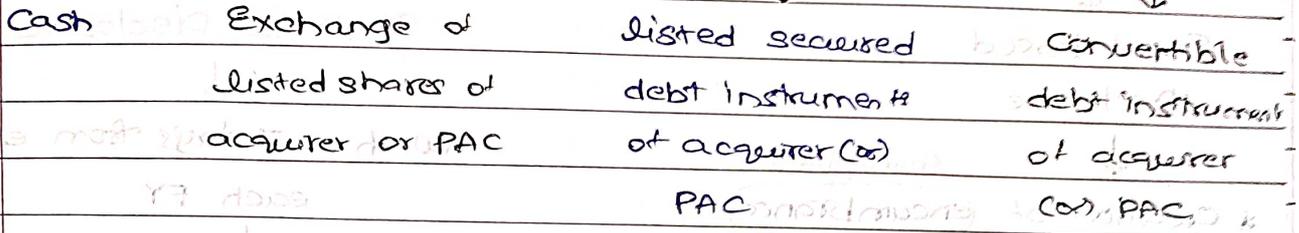
* A should be delisted if its public shareholding falls under 25%.



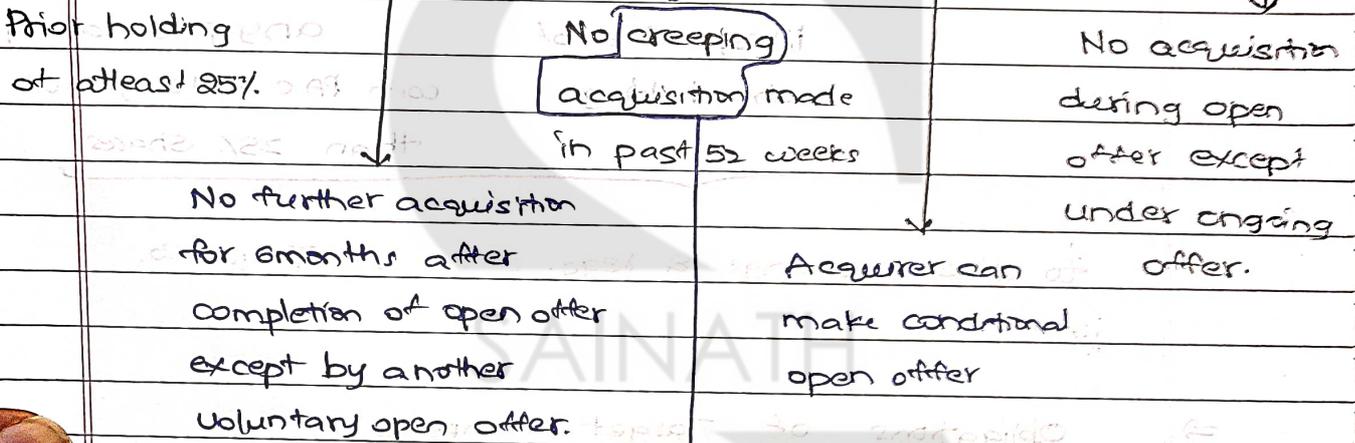
OFFER PERIOD

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

Mode of Payment

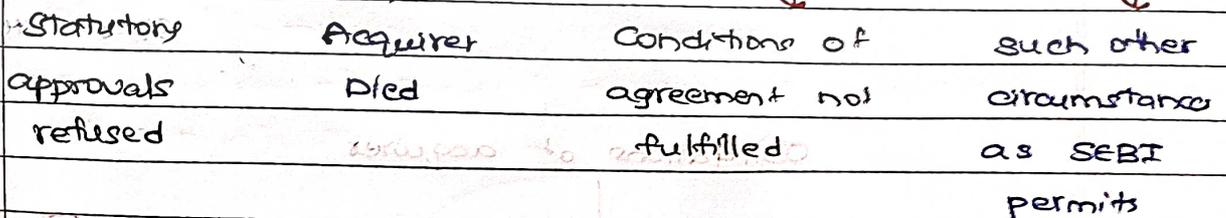


Pre-conditions for Voluntary Open offer



Purchasing shares interstitially without meeting trigger point-2

Withdrawal of Offer



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

Disclosures by acquirer, PAC & promoter

Event based Disclosure

Continual Disclosures

↓

↓
within 7 days from end of each FY

* Creation of loan, pledge or encumbrance

* disposal through "

* acquisition "

Promoter

Non-promoter

irrespective of

any person along

shareholding

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/c with list of Shareholders

Do not alienate assets in offer period

except through SPOT STK.

Obligations of acquirer

financial arrangements to pay to shareholder

Do not alienate 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 market
making

Scheme
of
Safety net

Under
Disinvestment



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