

Module 4 - SEBI Regulations

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Initial Public Offer (IPO)

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Meaning

first sale of shares by a company

to the public

allows a company to raise capital from public investors

Regulations related to IPO are under

Securities Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018



Eligibility of issuer

Conditions Set 1 - Entities not eligible to make an initial public offer

An issuer shall not be eligible to make an initial public offer

If the issuer, promoters, promoter group, directors, or selling shareholders or of any other company

are
debarred by SEBI

from accessing the capital market

if the issuer or any of its promoters or directors

is a wilful defaulter

or

Fraudulent borrower

if there are any outstanding convertible securities or any rights

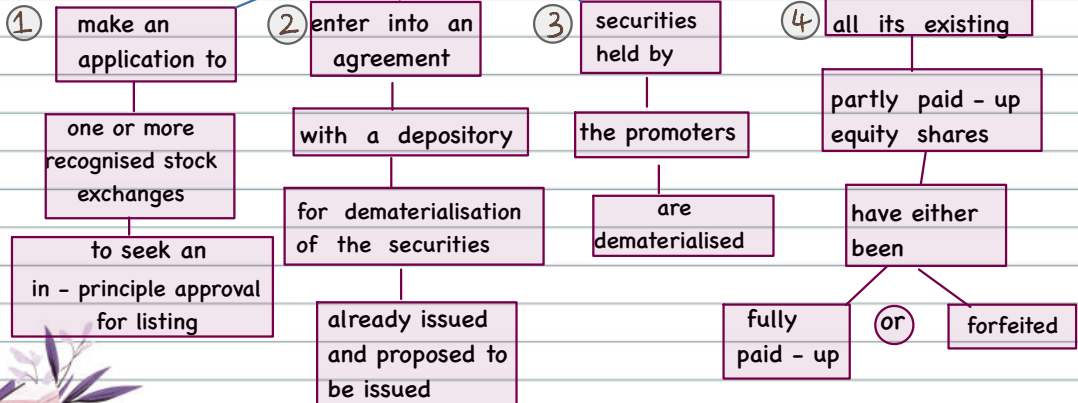
which allow any person

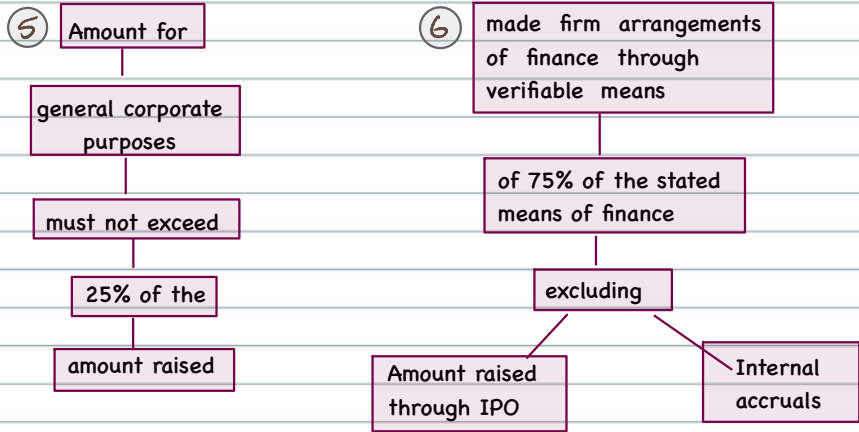
an option to receive equity shares of issuer

Unless they are converted before IPO

Conditions Set 2 - General Conditions

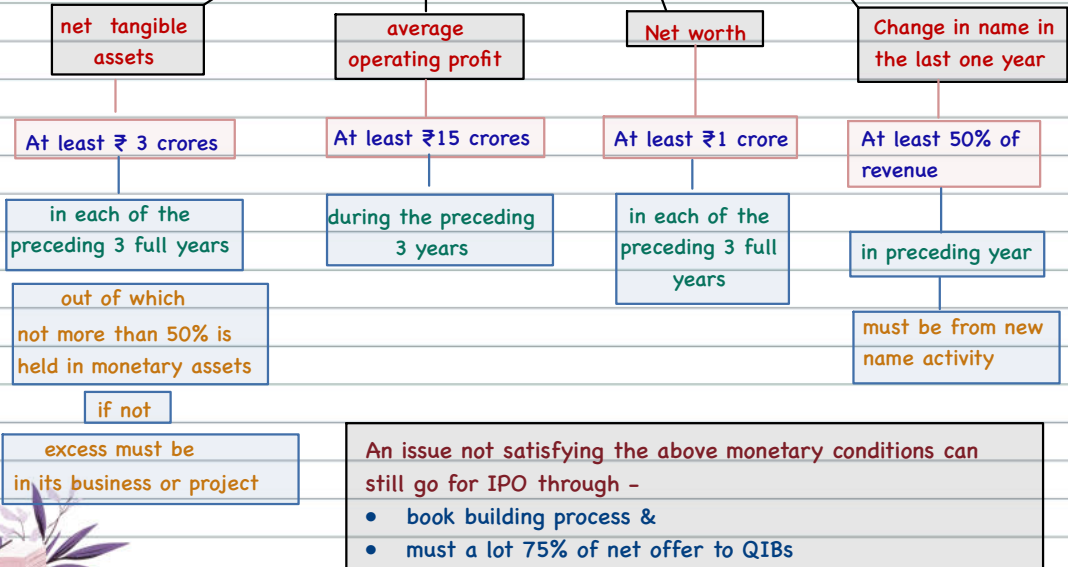
An issuer making an initial public offer shall





Conditions Set 3 - Monetary Conditions

An issuer shall be eligible to make an initial public offer only if



Promoters contribution post IPO

Should be a minimum of 20% of post issue capital

Lock-in period for

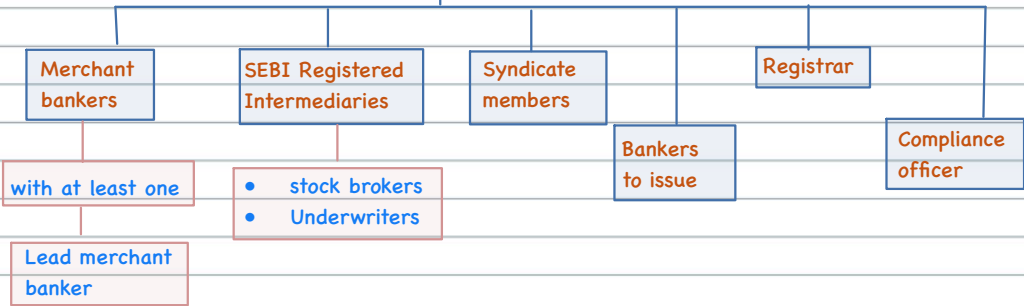
Minimum

Excess

3 years

1 year

Parties who must be part of IPO



Book Building process

Meaning

used to determine the price of an IPO

based on the demand from investors

- price is not fixed initially
- Price band or range is specified (minimum price - floor price)
- in red Herring prospectus
- Investors can bid within the range
- final price is determined based on the demand of bids received

Final price and floor price > face value
 Issue price is > ₹ 500 - face value can be < ₹10 but should be > ₹ 1



Allocation of net offer

Under book building
in normal course

Under book building
in specific case

Other than book
building

<ul style="list-style-type: none"> • $\geq 35\%$ to retail individual investors • $\geq 15\%$ to non-institutional investors • $\leq 50\%$ to qualified institutional buyers (QIBs) 5% of which to mutual funds 	<ul style="list-style-type: none"> • $\leq 10\%$ to retail individual investors • $\leq 15\%$ to non-institutional investors • $\geq 75\%$ to qualified institutional buyers (QIBs) 5% of which to mutual funds 	<ul style="list-style-type: none"> • minimum 30% to retail individual investors • Remaining to other applicants
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Up to 60% of the allocation for QIB may be given to anchor investors

Insider trading

Regulations related to insider trading are under

Securities Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015

Definitions

Insider trading

malpractice of selling
or buying securities

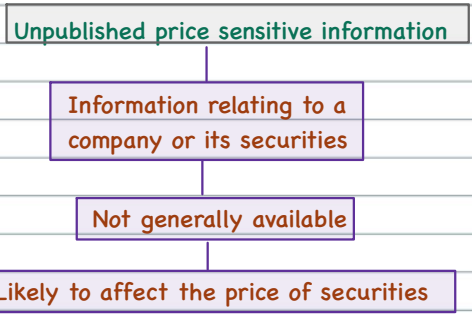
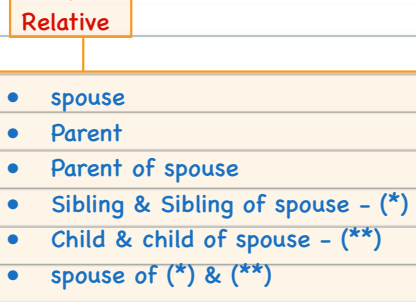
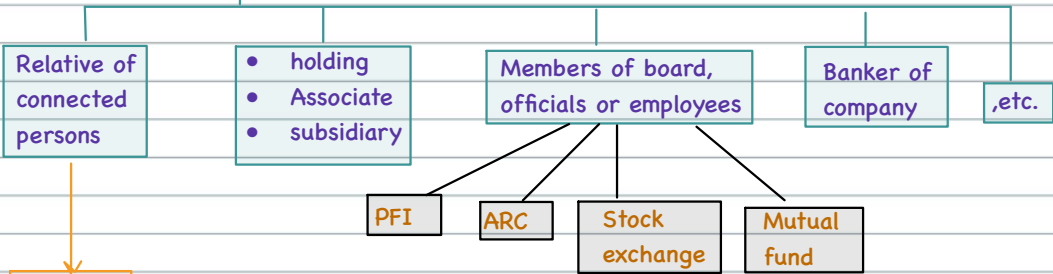
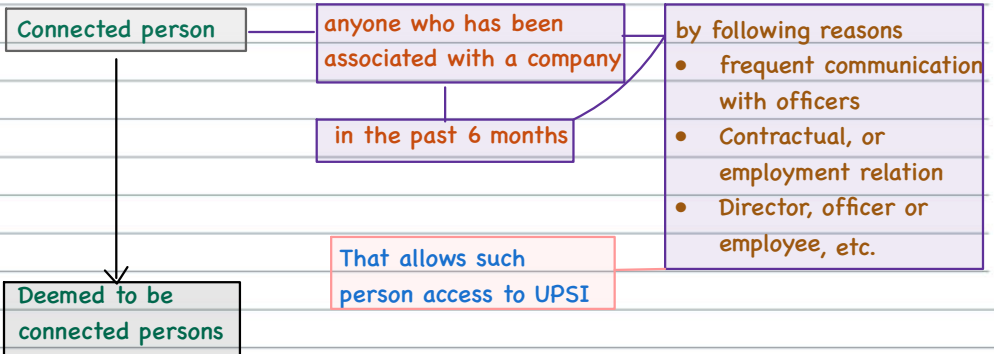
by the insiders of
a company

insider dealing

Insider

Connected person

Anyone with access of UPSI

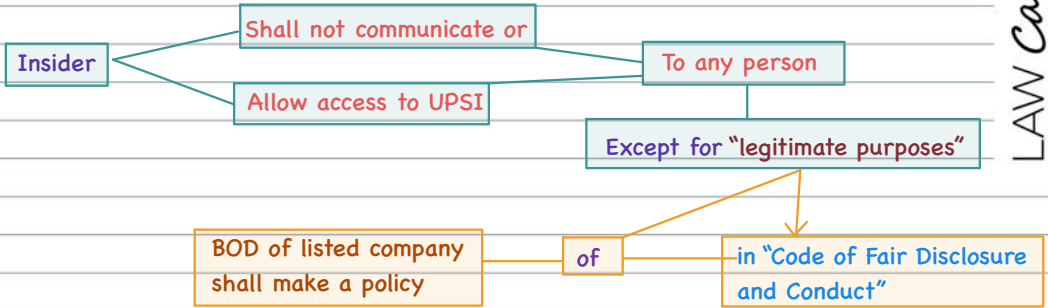


Includes

- financial results
- dividends
- Change in capital structure
- mergers, demergers, acquisitions
- Changes in KMP



Restrictions on Communication and Trading by Insiders



Open offer process

