

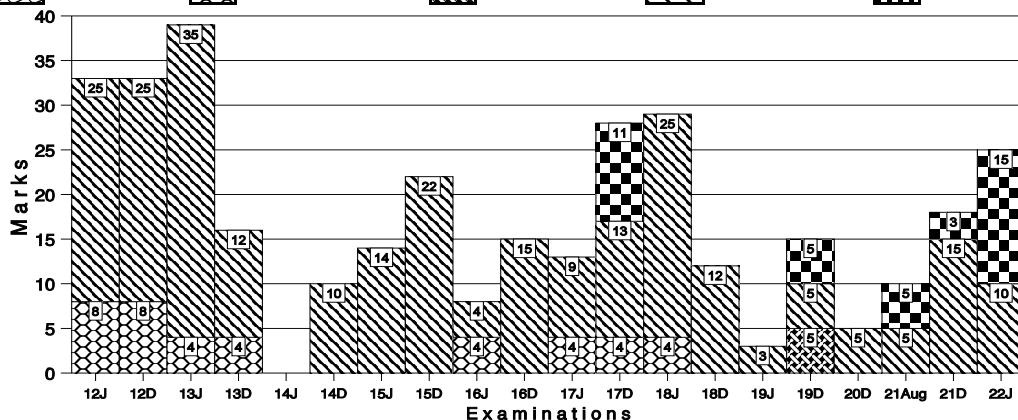
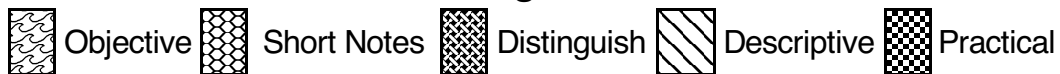
1 INDIAN EQUITY - PUBLIC FUNDING

THIS CHAPTER INCLUDES

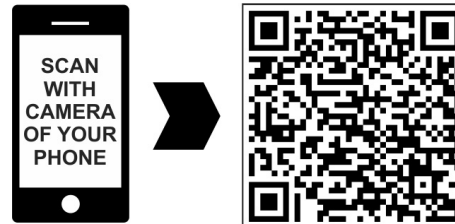
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Marks of Objective, Short Notes, Distinguish Between, Descriptive & Practical Questions

Legend



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CHAPTER AT A GLANCE

1. Initial Public Offering/Further Public Offering

A public issue of specified securities by an issuer can be either an Initial Public Offering (IPO) or a Further Public Offering (FPO). An IPO is done by an unlisted issuer while a FPO is done by a listed issuer. As per the ICDR Regulations, the issuer shall comply with the following conditions before making an IPO of specified securities. The conditions need to be satisfied both at the time of filing the draft offer document (commonly referred to as the Draft Red Herring Prospectus) and the time of registering or filing the final offer document (commonly referred to as the Prospectus) with the Registrar of Companies.

2. Eligibility Requirements to be complied with for IPO

Entities not eligible to make an initial public offer [Regulation 5]

An issuer shall not be eligible to make an initial public offer, if there are any outstanding convertible securities or any other right which would entitle any person with any option to receive equity shares of the issuer. An issuer shall not make an initial public offer:

- (a) If the issuer, any of its promoters, promoter group, selling shareholders are debarred from accessing the capital market by SEBI.
- (b) If any of the promoters or directors of the issuer is a promoter or a director of any other company which is debarred from accessing the

capital market by SEBI.

- (c) If the issuer or any of its promoters or directors is a willful defaulter.
- (d) If any of the promoters or directors of the issuer is a fugitive offender.
- (e) If there are any outstanding convertible securities or any other right which would entitle any person with any option to receive equity shares of the issuer except outstanding options granted to the employees under an employee stock option scheme and fully paid-up outstanding convertible securities which are required to be converted on or before the date of filing of the Red Herring Prospectus or the Prospectus.

3. Eligibility requirements for an initial public offer [Regulation 6]

An issuer shall be eligible to make an IPO only if:

- (a) the issuer has net tangible assets of atleast ₹ 3 crores on a restated and consolidated basis, in each of the preceding three full years of (12 months each) of which not more than 50% is held in monetary assets; However, if more than 50% of the net tangible assets are held in monetary assets, the issuer has utilized or made firm commitments to utilize such excess monetary assets in its business or project. This limit of 50% shall not apply in case of IPO is made entirely through an offer for sale.
- (b) the issuer has an average operating profit of at least ₹ 15 crores, calculated on a restated and consolidated basis, during the three preceding years with operating profit in each of the three preceding years;
- (c) the issuer has a networth of atleast ₹ 1 crore in each of the preceding three full years, calculated on a restated and consolidated basis.
- (d) in case the issuer has changed its name within the last one year, atleast 50% of the revenue calculated on a restated and consolidated basis, for the preceding one full year has been earned by it from the activity indicated by the new name.

4. Entities not eligible to make a FPO [Regulation 102]

An issuer shall not be eligible to make a FPO of specified securities:

- (a) If the issuer,
- (b) If any of the
- (c) If the issuer or
- (d) If any of the

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any of its promoters, promoter group or directors, selling shareholders are debarred from accessing the capital market by SEBI.	promoters or directors of the issuer is a promoter or a director of any other company which is debarred from accessing the capital market by SEBI.	any of its promoters or directors is a willful defaulter.	promoters or directors of the issuer is a fugitive offender.
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5. Eligibility requirements for FPO [Regulation 103]

- An issuer may make a FPO if it has changed its name within the last one year and atleast 50% of the revenue in the preceding one full year has been earned from the activity suggested by the new name.
- If an issuer does not satisfy the above mentioned conditions, it may make a FPO only, if, the issue is made through the book-building process and the issuer undertakes to allot at least 75% of the net offer, to qualified institutional buyers and to refund full subscription money if it fails to make the said minimum allotment to qualified institutional buyers.

6. Issue of Warrants [Regulation 13]

An issuer shall be eligible to issue warrants in an initial public offer subject to the following:

- (a) the tenure of such warrants shall not exceed eighteen months from the date of their allotment in the initial public offer;
- (b) a specified security may have one or more warrants attached to it;
- (c) the price or formula for determination of exercise price of the warrants shall be determined upfront and disclosed in the offer document and at least 25 per cent of the consideration amount based on the exercise price shall also be received upfront;
However, in case the exercise price of warrants is based on a formula, 25 per cent consideration amount based on the cap price of the price band determined for the linked equity shares or convertible securities

shall be received upfront.

7. Filing of Offer Document [Regulations 25 & 123]

The issuer shall also file the draft offer document with the stock exchange(s) where the specified securities are proposed to be listed, and submit to the stock exchange(s), the Permanent Account Number, bank account number and passport number of its promoters where they are individuals, and Permanent Account Number, bank account number, company registration number or equivalent and the address of the Registrar of Companies (ROC) with which the promoter is registered, where the ROC promoter is a body corporate.

8. Underwriting [Regulations 40 & 136]

- If an issuer makes a IPO/FPO other than through the book building process, desires to have the issue underwritten, it shall appoint the underwriters in accordance with the SEBI (Underwriters) Regulations, 1993.
- If the issuer makes a public issue through a book building process,
 - (a) the issue shall be underwritten by lead managers and syndicate members.
However, at least 75% of the net offer to the public is proposed to be compulsorily allotted to the QIBs, and such portion cannot be underwritten.
 - (b) the issuer shall, prior to filing the prospectus, enter into an underwriting agreement with the lead manager(s) and syndicate member(s) which shall indicate the number of specified securities which they shall subscribe to at the predetermined price in the event of under-subscription in the issue.
 - (c) if the syndicate member(s) fail to fulfill their underwriting obligations, the lead manager(s) shall fulfill the underwriting obligations.
 - (d) the lead manager(s) and syndicate member(s) shall not subscribe to the issue in any manner except for fulfilling their underwriting obligations.

9. Minimum Subscription [Regulations 45 & 141]

The minimum subscription to be received in an issue shall be not less than 90% of the offer through offer document except in case of an offer for sale of specified securities. In case of an IPO, the minimum subscription to be received shall be subject to allotment of minimum number of specified securities, as prescribed in sub-clause (b) of Clause (2) of Rule 19 of Securities Contracts (Regulation)

Rules, 1957, which stipulates that atleast twenty five per cent of each class or kind of equity shares or debentures convertible into equity shares issued by the company was offered and allotted to public in terms of an offer document. In other words, the issue is said have received minimum subscription in an IPO if it receives 90% of the offer through offer document and 25% of the post issue capital from the public.

In the event of non-receipt of minimum subscription, all application monies received shall be refunded to the applicants forthwith, but not later than fifteen days from the closure of the issue.

10. Post-issue Advertisements [Regulations 51 & 147]

The lead manager(s) shall ensure that an advertisement giving details relating to:

- subscription,
- basis of allotment,
- number, value and percentage of all applications including ASBA,
- number, value and percentage of successful allottees for all applications including ASBA,
- date of completion of despatch of refund orders, as applicable, or
- instructions to self-certified syndicate banks by the registrar,
- date of credit of specified securities and date of filing of listing application, etc.

11. Pricing

An issuer in an IPO and FPO may determine the price of specified securities in consultation with the lead merchant banker or through the book building

process.

Differential Pricing [Regulations 30 & 128]

An issuer may offer specified securities at different prices, subject to the following:

- (a) retail individual investors or retail individual shareholders or employees entitled for reservation made under regulation 33 and 130 of the ICDR Regulations, may be offered specified securities at a price not lower than by more than ten per cent of the price at which net offer is made to other categories of applicants, other than anchor investors;
 - In other words, if the issue price to the other categories of applicants is ₹ 100 the price at which the securities can be offered to the reserved categories shall not be less than ₹ 90.
- (b) in case of a book built issue, the price of the specified securities offered to an anchor investor shall not be lower than the price offered to other applicants;
- (c) in case the issuer opts for the alternate method of book building as specified under ICDR Regulations, 2018, the issuer may offer specified securities to its employees at a price not lower by more than 10% of the floor price.

12. Price and Price Band [Regulations 29 & 127]

- The issuer may mention a price or price band in the draft prospectus (in case of a fixed price issue) and floor price or price band in the red herring prospectus (in case of a book built issue) and determine the price at a later date before registering the prospectus with the Registrar of Companies.
- However, the prospectus registered with the RoC shall contain only one price or the coupon rate, as the case may be.
- The cap on the price band, and the coupon rate in case of convertible debt instruments, shall be less than or equal to one hundred and twenty per cent. of the floor price.
- The floor price or the final price shall not be less than the face value of

the specified securities.

- Where the issuer opt not to make disclosure of the floor price or price band in the red herring prospectus, the issuer shall be announce the floor price or price band at least two working days before the opening of the bid (in case of an initial public offer) and at least one working day before the opening of the bid (in case of a further public offer), in all the newspapers in which the pre issue advertisement was released.

13. Promoters' Contribution

- In Case of IPO:** The promoters of the issuer shall hold at least twenty per cent. of the post-issue capital.
- Non applicability:** Provided further that the requirement of minimum promoters' contribution shall not apply in case an issuer does not have any identifiable promoter.
- Minimum Promoters' Contribution:**

The minimum promoters' contribution shall be as follows:

 - the promoters shall contribute twenty per cent., as the case may be, either by way of equity shares or by way of subscription to convertible securities.

However, if the price of the equity shares allotted pursuant to conversion is not pre-determined and not disclosed in the offer document, the promoters shall contribute only by way of subscription to the convertible securities being issued in the public issue and shall undertake in writing to subscribe to the equity shares pursuant to conversion of such securities.
 - in case of any issue of convertible securities which are convertible or exchangeable on different dates and if the promoters' contribution is by way of equity shares (conversion price being pre-determined), such contribution shall not be at a price lower than the weighted average price of the equity share capital arising out of conversion of such securities.
 - in case of an initial public offer of convertible debt instruments without a prior public issue of equity shares, the promoters shall bring in a contribution of at least twenty per cent. of the project cost

in the form of equity shares, subject to contributing at least twenty per cent. of the issue size from their own funds in the form of equity shares.

14. Minimum Offer to Public and Reservations

(i) **Minimum Offer to Public [Regulation 31]**

The minimum net offer to the public shall be subject to the provision of clause (b) of sub-rule (2) of Rule 19 of Securities Contracts (Regulations) Rules, 1957

(ii) **Reservation on Competitive Basis [Regulations 33 & 130]**

Reservation on competitive basis means reservation wherein specified securities are allotted in portion of the number of specified securities applied for in respect of a particular reserved category to the number of specified securities reserved for that category.

According to SEBI (ICDR) Regulations, 2018, there are certain persons eligible for reservation on competitive basis.

1. The issuer may make reservation on a competitive basis out of the issue size excluding promoters' contribution and net offer to public in favour of the following categories of persons:
 - employees
 - shareholders (other than promoters and promoter group) of listed subsidiaries or listed promoter companies.
2. In case of an FPO, other than in a composite issue, the issuer may make a reservation on a competitive basis out of the issue size excluding promoters' contribution to the existing retail individual shareholders of the issuer.
3. The reservation on competitive basis shall be subject to following conditions:
 - the aggregate of reservations for employees shall not exceed five per cent of the post issue capital of the issuer and the value of allotment to any employee shall not exceed two lakhs rupees;
4. An applicant in any reserved category may make an application for

any member of specified securities, but not exceeding the reserved portion for that category.

15. Fast Track FPO

Eligibility

An Issuer Company need not file the draft offer document with SEBI and obtain observations from SEBI, or make a security Deposit with the Stock Exchanges if it satisfies the following conditions:

- (a) the equity shares of the issuer have been listed on any stock exchange for a period of at least three years immediately preceding the reference date;
- (b) entire shareholding of the promoter group of the issuer is held in dematerialised form on the reference date;
- (c) the average market capitalisation of public shareholding of the issuer is at least one thousand crore rupees in case of public issue and two hundred and fifty crore rupees in case of rights issue;
- (d) the annualised trading turnover of the equity shares of the issuer during six 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 six months' period.
- (e) annualized delivery-based trading turnover of the equity shares during six calendar months immediately preceding the month of the reference date has been at least ten per cent of the annualised trading turnover of the equity shares during such six months' period;
- (f) The issuer has been in compliance with the equity listing agreement or SEBI Listing Regulations, 2015, as applicable, for a period of at least three years immediately preceding the reference date.
- (g) the issuer has redressed at least ninety five per cent of the complaints received from the investors till the end of the quarter immediately preceding the month of the reference date;
- (h) no show-cause notices have been issued or prosecution proceedings have been initiated by the Board and pending against the issuer or its promoters or whole-time directors as on the reference date;

- (i) equity shares of the issuer have not been suspended from trading as a disciplinary measure during last three years immediately preceding the reference date;
- (j) There shall be no conflict of interest between the lead merchant banker(s) and the issuer or its group or associate company in accordance with applicable regulations.

16. Exit Opportunity to Dissenting Shareholders [Scheduled XX]

The provisions of this Chapter shall apply to an exit offer made by the promoters or shareholders in control of an issuer to the dissenting shareholders in terms of **Sections 13(8)** and **27(2)** of the Companies Act, 2013, in case of change in objects or variation in the terms of contract referred to in the offer document.

Conditions for exit offer

The promoters or shareholders in control shall make the exit offer in accordance with the provisions of this Chapter, to the dissenting shareholders, in cases only if a public issue has opened after April 1, 2014; if:

- the proposal for change in objects or variation in terms of a contract, referred to in the offer document is dissented by at least 10 per cent of the shareholders who voted in the general meeting; and
- the amount to be utilized for the objects for which the offer document was issued is less than 75 % of the amount raised (including the amount earmarked for general corporate purposes as disclosed in the offer document).

17. Exit Offer Price

The 'exit price' payable to the dissenting shareholders shall be the highest of the following:

- (a) the volume-weighted average price paid or payable for acquisitions, whether by the promoters or shareholders having control or by any person acting in concert with them, during the fifty-two weeks immediately preceding the relevant date;
- (b) the highest price paid or payable for any acquisition, whether by the promoters or shareholders having control or by any person acting in

- concert with them, during the twenty-six weeks immediately preceding the relevant date;
- (c) the volume-weighted average market price of such shares for a period of sixty trading days immediately preceding the relevant date as traded on the recognised stock exchange where the maximum volume of trading in the shares of the issuer are recorded during such period, provided such shares are frequently traded;
- (d) where the shares are not frequently traded, the price determined by the promoters or shareholders having control and the merchant banker taking into account valuation parameters including book value, comparable trading multiples, and such other parameters as are customary for valuation of shares of such issuers.

18. Manner of Providing Exit to Dissenting Shareholders

- The notice proposing the passing of special resolution for changing the objects of the issue and varying the terms of contract, referred to in the prospectus shall also contain information about the exit offer to the dissenting shareholders.
- In addition to the disclosures required under the provisions of **Section 102 of the Companies Act, 2013** read with rule 32 of the Companies (Incorporation) Rules, 2014 and Rule 7 of the Companies (Prospectus and Allotment of Securities) Rules, 2014 and any other applicable law, a statement to the effect that the promoters or the shareholders having control shall provide an exit opportunity to the dissenting shareholders shall also be included in the explanatory statement to the notice for passing special resolution.
- After passing of the special resolution, the issuer shall submit the voting results to the recognised stock exchange(s), in terms of the provisions of Regulation 44(3) of SEBI (LODR) Regulations, 2015.
- The issuer shall also submit the list of dissenting shareholders, as certified by its compliance officer, to the recognised stock exchange(s).
- The promoters or shareholders in control, shall appoint a merchant banker registered with SEBI and finalize the exit offer price in accordance with these regulations.

19. Maximum Permissible Non-Public Shareholding

In the event, the shares accepted in the exit offer were such that the shareholding of the promoters or shareholders in control, taken together with persons acting in concert with them pursuant to completion of the exit offer results in their shareholding exceeding the maximum permissible non-public shareholding, the promoters or shareholders in control, as applicable, shall be required to bring down the non-public shareholding to the level specified and within the time permitted under Securities Contract (Regulation) Rules, 1957.

20. Rights Issue

Unless otherwise provided, SEBI (ICDR) Regulations, 2018 shall apply to a rights issue by a listed issuer, where the aggregate value of the issue is ten crore rupees or more.

Eligibility Conditions

An issuer shall not be eligible to make a rights issue of specified securities:

- (a) if the issuer, any of its promoters, promoter group or directors of the issuer are debarred from accessing the capital market by SEBI;
- (b) if any of the promoters or directors of the issuer is a promoter or director of any other company which is debarred from accessing the capital market by SEBI;
- (c) if any of its promoters or directors is a fugitive economic offender.

21. Reservations

- The issuer shall make a rights issue of equity shares only if it has made reservation of equity shares of the same class in favour of the holders of outstanding compulsorily convertible debt instruments, if any, in proportion to the convertible part thereof.
- The equity shares so reserved for the holders of fully or partly compulsorily convertible debt instruments shall be issued to the holder of such convertible debt instruments or warrants at the time of conversion of such convertible debt instruments, on the same terms at which the equity shares offered in the rights issue were issued.
- Subject to other applicable provision of these regulations, the issuer

may make reservation for its employees along with rights issue subject to the condition that the value of allotment to any employee shall not exceed two lakhs rupees.

22. Preferential Issue

Applicability

“Preferential issue” means an issue of specified securities by a listed issuer to any select person or group of persons on a private placement basis in accordance with Chapter V of SEBI ICDR Regulations, 2018 and does not include an offer of specified securities made through employee stock option scheme, employee stock purchase scheme or an issue of sweat equity shares or depository receipts issued in a country outside India or foreign securities.

Non- applicability

- The provisions of Chapter V shall not apply where the preferential issue of equity shares is made pursuant to:
 - (a) conversion of a loan or an option attached to convertible debt instruments in terms of **Section 62 (3) and (4) of the Companies Act, 2013,**
 - (b) a scheme approved by a tribunal or the Central Government under Sections 230 to 234 of the Companies Act, 2013, as applicable;
 - (c) a qualified institutions placement in accordance with Chapter VI of these regulations.
- The provisions of this Chapter, except the lock-in provisions, shall not apply where the preferential issue of specified securities is made in terms of the rehabilitation scheme approved under **Section 31 of the IBC, 2016.**
- The provisions of this Chapter relating to pricing and lock-in shall not apply to equity shares allotted to any financial institution within the meaning of sub-clauses (ia) and (ii) of clause (h) of **Section 2 of the Recovery of Debts due to Banks and Financial Institutions Act, 1993.**
- The provisions relating to issuers ineligible to make a preferential issue and lock-in of pre-preferential allotment holding, shall not apply to a

preferential issue of specified securities where the proposed allottee is a mutual fund registered with SEBI or insurance company registered with IRDA or a scheduled commercial bank or a public financial institution.

23. Conditions for Preferential Issue

A listed issuer may make a preferential issue of specified securities, if:

- all equity shares allotted by way of preferential issue shall be made fully paid up at the time of the allotment;
- a special resolution has been passed by its shareholders;
- all the equity shares, if any, held by the proposed allottees in the issuer are in dematerialised form;
- the issuer is in compliance with the conditions for continuous listing of equity shares as specified in the listing agreement with the recognised stock exchange where the equity shares of the issuer are listed, SEBI Listing Regulations, 2015 as amended, and any circular or notifications issued by SEBI thereunder;
- the issuer has obtained the Permanent Account Number of the proposed allottees.

24. Qualified Institutions Placement

‘Qualified Institutions Placement’ means allotment of eligible securities by a listed issuer to qualified institutional buyers on private placement basis and includes an offer for sale of specified securities by the promoters and/or promoters group on a private placement basis in terms of SEBI (ICDR) Regulations, 2018.

25. Qualified Institutional Buyer (QIB)

“Qualified Institutional Buyer” means:

- a mutual fund, venture capital fund, alternative investment fund and foreign venture capital investor registered with SEBI;
- a foreign portfolio investor other than Category III foreign portfolio investor, registered with the SEBI;
- a public financial institution;

- a scheduled commercial bank;
- a multilateral and bilateral development financial institution;
- a state industrial development corporation;
- an insurance company registered with the Insurance Regulatory and Development Authority of India;
- a provident fund with minimum corpus of twenty five crore rupees;
- a pension fund with minimum corpus of twenty five crore rupees;
- National Investment Fund set up by resolution no. F. No. 2/3/2005-DDII dated 23rd November, 2005 of the Government of India published in the Gazette of India;
- insurance funds set up and managed by army, navy or air force of the Union of India; and
- insurance funds set up and managed by the Department of Posts, India; and
- systemically important non-banking financial companies.

26. Appointment of Lead Managers

An issuer shall appoint one or more merchant bankers, which are registered with SEBI, as lead manager(s) to the issue.

At least one lead manager to the issue shall not be an associate, as defined under SEBI (Merchant Bankers) Regulations, 1992) of the issuer and if any of the lead manager is an associate of the issuer, it shall disclose itself as an associate of the issuer and its role shall be limited to marketing of the issue.

The lead manager(s) shall, while seeking in-principle listing approval for the eligible securities, furnish to each stock exchange on which the same class of equity shares of the issuer are listed, a due diligence certificate stating that the eligible securities are being issued under QIP and that the issuer complies with requirements of Chapter VI of SEBI (ICDR) Regulations, 2018, and also furnish a copy of the preliminary placement document along with any other document required by the stock exchange.

27. Placement Document

- The lead manager(s) shall exercise due diligence and shall satisfy themselves with all aspects of the Issue including the veracity and adequacy of disclosures in the offer document.
- The QIP shall be made on the basis of a placement document which shall contain all material information, including those specified in the Companies Act, 2013, if any, and disclosures as specified in SEBI (ICDR) Regulations, 2018, shall be made, including as specified therein if the issuer or any of its promoters or directors is a wilful defaulter.
- The preliminary placement document and the placement document shall be serially numbered and copies the same shall be circulated only to select investors.

28. Issue of Specified Securities by Small and Medium Enterprises

An issuer making an initial public offer of specified securities shall satisfy the conditions of Chapter IX of SEBI (ICDR) Regulations, 2018 as on the date of filing of the draft offer document with the SME Exchange and also as on the date of registering the offer document with the ROC.

(i) Eligibility requirements for an initial public offer

Eligibility

<p>If the issuer's post-issue paid-up capital is less than or equal to ten crore rupees.</p>	<p>If post issue face value capital is more than ten crore rupees and upto twenty five crore rupees.</p>	<p>If the issuer satisfies track record and/or other eligibility conditions of the SME Exchange(s) on which the specified securities are proposed to be listed.</p>
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(ii) Filing of the offer document

- The issuer shall file a copy of the offer document with SEBI through

the lead manager(s), immediately upon registration of the offer document with the Registrar of Companies.

- SEBI shall not issue any observation on the offer document.
- The lead manager(s) shall submit a due-diligence certificate including additional confirmations as provided in Form G of Schedule V of SEBI ICDR Regulations 2018 along with the offer document to SEBI.
- The offer document shall be displayed from the date of filing on the websites of SEBI, the lead manager(s) and the SME exchange(s).
- The draft offer document and the offer documents shall also be furnished to SEBI in a soft copy.

(iii) Offer document to be made available to public

- The issuer and the lead manager(s) shall ensure that the offer documents are hosted on the websites as required under these regulations and its contents are the same as the versions as filed with the Registrar of Companies, SEBI and the SME exchange(s).
- The lead manager(s) and the SME exchange(s) shall provide copies of the offer document to the public as and when requested and may charge a reasonable sum for providing a copy of the same.

(iv) Minimum Application Value and Number of Allottees

- The minimum application size shall be one lakh rupee per application.
- The minimum sum payable on application per specified securities shall at least twenty five per cent of the issue price. In case of offer for sale, the full issue price for each specified security shall be payable on application.

(v) Migration to SME Exchange

A listed issuer whose post-issue face value capital is less than twenty five crore rupees may migrate its specified securities to SME exchange:

- if its shareholders approve such migration by passing a special resolution through postal ballot to this effect; and

- if such issuer fulfils the eligibility criteria for listing laid down by the SME exchange.

(vi) Migration to Main Board

An issuer, whose specified securities are listed on a SME Exchange and whose post issue face value capital is more than ten crore rupees and upto twenty five crore rupees, may migrate:

- its specified securities to Main Board if its shareholders approve such migration by passing a special resolution through postal ballot to this effect; and
- if such issuer fulfils the eligibility criteria for listing laid down by the Main Board.

29. Market Making

- The lead manager shall ensure compulsory market making through the stock brokers of SME exchange appointed by the issuer, for a minimum period of three years from the date of listing of specified securities or from the date of migration from the Main Board.
- The market maker or issuer, in consultation with the lead manager may enter into agreement with nominated investors for receiving or delivering the specified securities in the market making subject to the prior approval by the SME exchange.
- The issuer shall disclose the details of arrangement of market making in the offer document.
- The specified securities being bought or sold in the process of market making may be transferred to or from the nominated investor with whom the merchant banker has entered into an agreement for the market making.
- The market maker shall buy the entire shareholding of a shareholder of the issuer in one lot, where value of such shareholding is less than the minimum contract size allowed for trading on the SME exchange.
- Market maker shall not buy the shares from the promoters or persons belonging to promoter group of the issuer or any person who has acquired shares from such promoter or person belonging to promoter group, during the compulsory market making period.

30. Listing on the Institutional Trading Platform	
Applicability	<ul style="list-style-type: none"> To issuers seeking listing of their specified securities pursuant to an initial public offer or for only trading on a stock exchange of their specified securities without making a public offer. The provisions of these regulations, in respect of the matters not specifically dealt or excluded under this Chapter, shall apply mutatis mutandis to any listing or trading of specified securities under this Chapter.
Non-applicability	<ul style="list-style-type: none"> Sub-regulation (2) of Regulation 7 on restrictions on the amount of general corporate purposes; and Sub-regulation (1) and (2) of Regulation 6 on eligibility requirements.

SHORT NOTES

2012 - June [8] Write notes on the following:

- (i) Promoters' contribution
- (iv) Basis of allotment

(4 marks each)

Answer:

(i) Minimum Promoter's Contribution:

Regulation 113 of SEBI (ICDR) provides for minimum promoters' contribution

Case-I: Minimum promoters' contribution in case of Pure Securities [Reg.113(1)]: The promoters shall contribute in the public issue as follows:

- (a) either to the extent of 20% of the proposed issue size or to the extent of 20% of the post-issue capital;
- (b) in case of a composite issue (i.e. further public offer cum rights issue), either to the extent of 20% of the proposed issue size or to

the extent of 20% of the post-issue capital excluding the rights issue component.

Case-II: Minimum promoters' contribution in case of Convertible Securities [Reg.113(2)]:

In case of a public issue or composite issue of convertible securities, the minimum promoters' contribution shall be as follows:

- (a) the promoters shall contribute 20% as stipulated in clause (a) or (b) of Regulation 113(1), as the case may be, either by way of equity shares or by way of subscription to the convertible securities:

Provided that if the price of the equity shares allotted pursuant to conversion is not pre-determined and not disclosed in the offer document, the promoters shall contribute only by way of subscription to the convertible securities being issued in the public issue and shall undertake in writing to subscribe to the equity shares pursuant to conversion of such securities.

- (b) in case of any issue of convertible securities which are convertible or exchangeable on different dates and if the promoters' contribution is by way of equity shares (conversion price being pre-determined), such contribution shall not be at a price lower than the weighted average price of the equity share capital arising out of conversion of such securities.

Case - III: Minimum promoters' contribution in case of further Securities [Reg.113(3)]:

In case of a further public offer or composite issue where the promoters contribute more than the stipulated minimum promoters' contribution, the allotment with respect to excess contribution shall be made at a price determined in terms of the provisions of Regulation 164 or the issue price, whichever is higher.

(iv) Basis of allotment:

After the closure of the issue, the bids received are aggregated under different categories i.e., firm allotment, Qualified Institutional Buyers (QIBs), Non-Institutional Buyers (NIBs), Retail, etc. The oversubscription ratios are then calculated for each of the categories

as against the shares reserved for each of the categories in the offer document. Within each of these categories, the bids are then segregated into different buckets based on the number of shares applied for. The oversubscription ratio is then applied to the number of shares applied for and the number of shares to be allotted for applicants in each of the buckets is determined. Then, the number of successful allottees is determined. This process is followed in case of proportionate allotment. In case of allotment for QIBs, it is subject to the discretion of the post issue lead manager.

The authorised employees of the designated stock exchange along with the lead manager(s) and registrars to the issue shall ensure that the basis of allotment is finalised in a fair and proper manner in accordance with the allotment procedure as specified in **Part A of Schedule XIV.**

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2012 - Dec [8] Write notes on the following:

- (i) Promoters' minimum contribution
- (v) Qualified institutional buyers (QIBs) **(4 marks each)**

Answer

(i) *Please refer 2012 - June [8] (i) on page no. [35](#)*

(v) **Qualified Institutional Buyers (QIBs)**

Regulation 2(1)(ss) of SEBI (ICDR) Regulations, 2018 defines "qualified institutional buyer" means:

- (i) a mutual fund, venture capital fund, alternative investment fund and foreign venture capital investor registered with the Board;
- (ii) a foreign portfolio investor other than Category III foreign portfolio investor, registered with the Board;
- (iii) a public financial institution;
- (iv) a scheduled commercial bank;
- (v) a multilateral and bilateral development financial institution;
- (vi) a state industrial development corporation;
- (vii) an insurance company registered with the Insurance Regulatory and Development Authority of India;
- (viii) a provident fund with minimum corpus of ₹ 25 crores;

- (ix) a pension fund with minimum corpus of ₹ 25 crores;
- (x) National Investment Fund set up by resolution no. F. No. 2/3/2005-DDII dated November 23, 2005 of the Government of India published in the Gazette of India;
- (xi) insurance funds set up and managed by army, navy or air force of the Union of India; and
- (xii) insurance funds set up and managed by the Department of Posts, India; and
- (xiii) systemically important non-banking financial companies.

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2013 - June [6] Write a note on the following:

- (iii) Voluntary delisting of securities

(4 marks)

Answer :

Voluntary delisting of securities: According to SEBI (**Delisting of Equity Shares) Regulations, 2021**, a company can voluntarily apply to the concerned stock exchange(s) for delisting. There are two types of delisting as follows:

- (I) **Delisting from some of the recognised stock exchanges [Regulation 5] :**

A company may delist its equity shares from one or more of the recognised stock exchanges on which it is listed without providing an exit opportunity to the public shareholders, if after the proposed delisting, the equity shares remain listed on any recognised stock exchange that has nationwide trading terminals.

- (II) **Delisting from all the recognised stock exchanges [Regulation 7]:**

The equity shares of a company may be delisted from all the recognised stock exchanges having nationwide trading terminals on which they are listed, after an exit opportunity has been provided by the acquirer to all the public shareholders holding the equity shares sought to be delisted, in accordance with Chapter IV of these regulations and after following the procedure as mentioned in Part-B of this Chapter.

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2013 - Dec [6A] (Or) Write notes on the following:

(iv) Draft offer document

(4 marks)

Answer:

Draft Offer Document:

(I) **Draft Offer Document: [Regulation 2(n)]:** It means the draft offer document filed with the Board in relation to a public issue under SEBI (ICDR) Regulation, 2018.

(II) **Important provisions about Draft Offer Document [Regulations. 25, 26]:**

(a) **Disclosures in the draft offer document and offer document [Reg. 24]**

24. (1) The draft offer document and offer document shall contain all material disclosures which are true and adequate to enable the applicants to take an informed investment decision.

(b) **Filing of the draft offer document and offer document [Sec.25]**

Prior to making an initial public offer, the issuer shall file three copies of the draft offer document with the concerned regional office of the Board under the jurisdiction of which the registered office of the issuer company is located, in accordance with Schedule IV, along with fees as specified in Schedule III, through the lead manager(s).

(c) **Draft offer document and offer document to be available to the public [Sec.26]**

The draft offer document filed with the Board shall be made public for comments, if any, for a period of at 21 days from the date of filing, by hosting it on the websites of the Board, stock exchanges where specified securities are proposed to be listed and lead manager(s) associated with the issue.

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2016 - June [6] (b) Write a note on the following:

(ii) Differential pricing of securities.

(4 marks)

Answer:

Regulation 30 of SEBI (ICDR) Regulation, 2018 permits the issuer to offer its specified securities at different prices, subject to the following:

- (a) **retail individual investors** or retail individual shareholders or employees entitled for reservation made under Regulation 33 may be offered specified securities at a price not lower than by more than 10% of the price at which net offer is made to other categories of applicants, excluding anchor investors;
- (b) in case of a book built issue, the price of the specified securities offered to the anchor investors shall not be lower than the price offered to other applicants;
- (c) In case the issuer opts for the alternate method of book building in terms of **Part D of Schedule XIII**, the issuer may offer the specified securities to its employees at a price not lower than by more than 10% of the floor price.
- (d) Discount, if any, shall be expressed in rupee terms in the offer document.

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2017 - June [6A] (Or) Write notes on the following:

- (v) Price and Price Band.

(4 marks)

Answer:

Following are the provisions of “Price and price band” as per SEBI (ICDR) Regulations, 2018, specified under Regulation 127:

- (1) The issuer may mention a price or a price band in the offer document (in case of a fixed price issue) and a floor price or a price band in the red herring prospectus (in case of a book built issue) and determine the price at a later date before registering the prospectus with the Registrar of Companies:

However, the prospectus registered with the Registrar of Companies **shall contain only one price** or the specific coupon rate, as the case may be.

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- (2) The cap on the price band, and the coupon rate in case of convertible debt instruments, shall be less than or equal to **120% of the floor price**.
- (3) The floor price or the final price shall not be less than the face value of the specified securities.
- (4) Where the issuer opts not to make the disclosure of the floor price or price band in the red herring prospectus, the issuer shall announce the floor price or the price band at least one working day before the opening of the bid in the same newspapers in which the pre-issue advertisement was released or together with the pre-issue advertisement in the format prescribed under Part A of **Schedule X**.
- (5) The announcement referred to in sub-regulation (4) shall contain relevant financial ratios computed for both upper and lower end of the price band and also a statement drawing attention of the investors to the section title "basis of issue price" of the offer document.
- (6) The announcement referred to in sub-regulation (4) and the relevant financial ratios referred to in sub-regulation (5) shall be disclosed on the websites of the stock exchange(s) and shall also be pre-filled in the application forms to be made available on the websites of the stock exchange(s).

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2017 - Dec [6A] (Or) Write notes on the following:

(iii) Institutional Placement Programme

(4 marks)

Answer:

Institutional Placement Programme (IPP):

When a listed issuer makes a further public offer of equity shares, or offer for sale of shares by promoter / promoter group of listed issuer in which, the offer allocation and allotment of such shares is made only to QIBs in terms of chapter **VIIIA of SEBI (ICDR) Regulations, 2018** for the purpose of achieving minimum public shareholding it is called an IPP.

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2018 - June [6A] (Or) Write note on the following:

(iii) Fast Track Issue.

(4 marks)

Answer:

(I) **Fast Track Issues:** It may be defined as a time saving manner for bringing public issue by a listed company, satisfying the prescribed conditions of Regulations 155 of SEBI (ICDR) Regulation, 2018. As per the Regulation 155, a listed company can bring further public offer, without fulfilling the requirements of Regulation 123, which are as follows:

- (a) No need to file three copies of the draft offer document with the concerned regional office of the Board;
- (b) No need to file the draft offer document with the stock exchange(s) where the specified securities are proposed to be listed,

(II) **Provision Related to Fast Track issue:**

- (a) **Minimum Listing Period:** Equity shares of the issuer have been listed on any stock exchange for a period of at least three years immediately preceding the reference date;
- (b) **Demat Form:** Entire shareholding of the promoter group of the issuer is held in dematerialised form on the reference date.
- (c) **Average Market Capitalisation:** Average Market Capitalisation of public shareholding of the issuer is at ₹ 1000 crores in case of public issue

EXPLANATION	average market capitalisation of public shareholding
It means the sum of daily market capitalisation of public shareholding for a period of one year up to the end of the quarter preceding the month in which the proposed issue was approved by the shareholders or the board of the issuer, as the case may be, divided by the number of trading days.	

- (d) **Annualised trading turnover:** 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.

- (e) **Annualized delivery-based trading turnover:** Annualized delivery-based trading turnover of the equity shares during six calendar months immediately preceding the month of the reference date has been at least 10% of the annualised trading turnover of the equity shares during such 6 months' period.
- (f) **Compliance with Listing Agreement:** Issuer has been in compliance with the equity listing agreement or the SEBI (LODR) Regulations, 2015, as applicable, for a period of at least 3 years immediately preceding the reference date.
- (g) **Grievances Redressed:** 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;
- (h) **No Prosecution:** No show-cause notices have been issued or prosecution proceedings have been initiated by the Board and pending against the issuer or its promoters or whole-time directors as on the reference date;
- (i) **No Settlement:** Issuer or Promoter or Promoter group or Director of the issuer has not settled any alleged violation of securities laws through the consent or settlement mechanism with the Board during 3 years immediately preceding the reference date.
- (j) **No Suspension of Trading:** Equity shares of the issuer have not been suspended from trading as a disciplinary measure during last 3 years immediately preceding the reference date.
- (k) **No Conflict of interest:** There shall be no conflict of interest between the lead manager(s) and the issuer or its group companies in accordance with the applicable regulations.
- (l) **Impact of Audit qualifications:** Impact of Audit qualifications, if any and where quantifiable, on the audited accounts of the issuer in respect of those financial years for which such accounts are disclosed in the letter of offer does not exceed 5% of the net profit or loss after tax of the issuer for the respective years.

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DISTINGUISH BETWEEN

2019 - Dec [2A] (Or) Distinguish between the following :

(ii) Private Placement and Preferential Allotment **(5 marks)**

Answer:

Following are the main difference between private placement and preferential allotment:

S. No.	Private Placement	Preferential Allotment
1.	Private Placement can be described as an offer or invitation to offer made to specified investors by issuing securities, so as to raise funds.	On the contrary, Preferential Allotment is the issue of shares or debentures to a particular group of persons is made by a listed company, to raise funds.
2.	Private Placement is governed by Section 42 of the Companies Act, 2013.	Conversely, in the case of Preferential Allotment Section 62 (I) of the Companies Act, 2013 will apply.
3.	In the case of private placement, 'Private placement offer letter' is sent to the investors for inviting them to subscribe for shares.	As against, in the case of preferential allotment, no such offer document is issued to people.
4.	In private placement, application money can be received through cheques, demand draft or any other banking modes but not cash.	Unlike, preferential allotment in which the money is received in cash or kind.
5.	In private placement, the application money is kept in the	On the contrary, no such account is required in case of preferential

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	separate bank account of a scheduled commercial bank.	allotment.
6.	The private placement must be authorized by the articles of association of the company.	In contrast, no such authorization is required in case of preferential allotment.

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DESCRIPTIVE QUESTIONS

2012 - June [6] (a) Discuss briefly the following methods of raising funds from the primary capital market:

- (i) Public issue
- (ii) Rights issue
- (iii) Preferential issue
- (iv) Private placement
- (v) Qualified institutional placement (QIP).

(3 marks each)

Answer :

- (i)** When an issue/offer of securities is made to new investors for becoming part of shareholders' family of the issuer it is called a public issue. Public issue can be further classified into Initial public offer (IPO) and Further public offer (FPO).
- (ii)** When an issue of securities is made by an issuer to its shareholders existing as on a particular date fixed by the issuer (i.e. record date), it is called a rights issue. The rights are offered in a particular ratio to the number of securities held as on the record date.
- (iii)** Preferential issue means issuance of equity shares to promoter group or selected investors. It covers allotment of fully convertible debentures, partly convertible debentures or any other financial instruments that could be converted into equity shares at a later date. The investors could be institutional investors, private equity investors, high net-worth individuals, or companies.

- (iv) Private placement [Sec. 42(2)] means offer of securities or invitation to subscribe securities made to such number of persons not exceeding 50 or such higher number as may be prescribed i.e. 200, in a financial year.

Here, for the purpose of 200 persons, Securities Offered to following will be excluded:

- (a) qualified institutional buyers; and
- (b) employees of the company, to whom securities are offered under employees stock option.

- (v) “**Qualified Institutional Placement**” means issue of **eligible securities** by a listed issuer to qualified institutional buyers on a private placement basis and includes an offer for sale of specified securities by the promoters and/or promoter group on a private placement basis, in terms of SEBI(ICDR) Regulation, 2018.

Here following terms are important:

- (a) “**eligible securities**” include equity shares, non-convertible debt instruments along with warrants and convertible securities other than warrants;
- (b) “**relevant date**” means:
 - (i) in case of allotment of equity shares, the date of the meeting in which the board of directors of the issuer or the committee of directors duly authorised by the board of directors of the issuer decides to open the proposed issue;
 - (ii) in case of allotment of eligible convertible securities, either the date of the meeting in which the board of directors of the issuer or the committee of directors duly authorised by the board of directors of the issuer decides to open the issue of such convertible securities or the date on which the holders of such convertible securities become entitled to apply for the equity shares.

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2012 - June [7] (a) Explain the concept of ASBA in an IPO. (5 marks)

Answer :

ASBA is an application for subscribing to an issue, containing an authorization to block the application money in a bank account. In all public issues and rights issues, where not more than one payment option is given, the issuer shall provided the facility of ASBA in accordance with the procedure and eligibility criteria specified by SEBI. However in case of qualified institutional buyers and non-institutional investors the issuer shall accept bids using ASBA facility only. ASBA process is applicable to all book-built public issues which provide for not more than one payment option.

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2012 - June [7] (d) What are the criteria for compulsory delisting by stock exchanges? (5 marks)

Answer :

The Compulsory delisting by a stock exchange is given in Regulation 32 of SEBI (Delisting of Equity Shares) Regulation, 2021. Following are the relevant provisions in this regard:

- (1) Reasonable opportunity of being heard [Reg. 32(1)]:** A RSE may, by a reasoned order, delist equity shares of a company on any ground prescribed in the rules made under the Securities Contracts (Regulation) Act, 1956, by giving a reasonable opportunity of being heard.
- (2) Constitution of Panel [Reg. 32(2)]:** The decision regarding the compulsory delisting shall be taken by a panel to be constituted by the recognised stock exchange consisting of –
 - (a) two directors of the recognised stock exchange one of whom shall be a public representative;
 - (b) one representative of an investor association recognised by the Board;
 - (c) one representative of the Ministry of Corporate Affairs or Registrar of Companies; and
 - (d) the Executive Director or Secretary of the recognised stock exchange.

- (3) **Publication in Newspaper [Reg. 32(3)]:** Before passing an order for delisting, the RSE shall also give a notice in at least one English national newspaper with wide circulation, one Hindi national newspaper with wide circulation in their all India editions and one vernacular newspaper of the region where the relevant recognised stock exchange is located, of the proposed delisting, giving a time period of not less than fifteen working days from the date of such notice, within which representations, if any, may be made to the recognised stock exchange by any person aggrieved by the proposed delisting and shall also display such notice on its trading systems and website.
- (4) **Considering the representation [Reg. 32(4)]:** The RSE shall, while passing any order under sub-regulation (1), consider the representation, if any, made by the company and also any representation received in response to the notice given under sub-regulation (3), and shall comply with the guidelines provided in Schedule III of these regulations.
- (5) **Publication of Notice of delisting [Reg. 32(5)]:** Where the RSE passes an order under sub-regulation (1), it shall, -
- (a) forthwith publish a notice in one English national newspaper with wide circulation, one Hindi national newspaper with wide circulation in their all India editions and one vernacular newspaper of the region where the relevant recognised stock exchange is located, of the fact of such delisting, disclosing therein the name and address of the company, the fair value of the delisted equity shares determined under sub-regulation (1) of regulation 33 of these regulations and the names and addresses of the promoters of the company who would be liable under sub-regulation (4) of regulation 33 of these regulations;
 - (b) inform all other stock exchanges where the equity shares of the company are listed, about such delisting; and
 - (c) upload a copy of the said order on its website.
- (6) **Non Applicability [Reg. 32(6)]:** The provisions of Chapter IV of these regulations shall not be applicable to a compulsory delisting made by a RSE under this Chapter.

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2012 - Dec [6] Explain the following statements:

- (ii) "Pre-marketing is a tool through which syndicate members evaluate the prospects of the issue."
- (iii) "SEBI has provided alternative eligibility norms for the public issues of securities."
- (iv) "Preferential issue is not for retail investors."
- (vi) "Market making is compulsory for public issues."
- (vii) "An issuer can offer specified securities at different prices."

(4 marks each)

Answer

- (ii) Pre-marketing is a tool through which the syndicate members evaluate the prospectus of the issue. This is normally done closer to the issue. The research analysts along with the sales force of the syndicate members meet the prospective investors during pre-marketing road show. This enables the syndicate members to understand the market and the probable response from the prospective investors. The pre-marketing exercise helps in assessing the depth of investors' interest in the proposed issued, their view about the valuation of the share and the geographical locations of the investors who are interested in the issue. The response received during pre-marketing provides vital information for taking important decisions relating to timing, pricing and size of the issue. This would also help the syndicate members in evolving strategies for marketing the issue.
- (iii) An issuer not satisfying the condition stipulated in **Regulation 6(1) of SEBI (Issue of Capital & Disclosure Requirements) Regulations, 2018** shall be eligible to make an initial public offer only if the issue is made through the book-building process and the issuer undertakes to allot at least 75% of the net offer to qualified institutional buyers and to refund the full subscription money if it fails to do so. The purpose of alternative eligibility route is to provide sufficient flexibility and also to ensure that genuine companies do not suffer on account of rigidity of the parameters.

- (iv) Preferential issue means issuance of equity shares to promoter group or selected investors. It covers allotment of fully convertible debentures, partly convertible debentures or any other financial instruments that could be converted into equity shares at a later date. The investors could be institutional investors, private equity investors, high networth individuals, or companies. Thus, preferential issue is not for retail investors.
- (vi) **The given statement that “Market making is compulsory for public issues” following are the relevant points in this regard:**
- (1) The lead manager(s) shall ensure compulsory market making through the stock brokers of the SME exchange(s) appointed by the issuer, in the manner specified by the Board for a minimum period of 3 years from the date of listing of the specified securities or from the date of migration from the Main Board in terms of Regulation 276.
 - (2) The market maker or issuer, in consultation with the lead manager(s) may enter into agreements with the nominated investors for receiving or delivering the specified securities in market making, subject to the prior approval of the SME exchange.
 - (3) The issuer shall disclose the details of the market making arrangement in the offer document.
 - (4) The specified securities being bought or sold in the process of market making may be transferred to or from the nominated investors with whom the lead manager(s) and the issuer have entered into an agreement for market making:
Provided that the inventory of the market maker, as on the date of allotment of the specified securities, shall be at least 5% of the specified securities proposed to be listed on SME exchange.
 - (5) The market maker shall buy the entire shareholding of a shareholder of the issuer in one lot, where the value of such shareholding is less than the minimum contract size allowed for trading on the SME exchange:
Provided that market maker shall not sell in lots less than the minimum contract size allowed for trading on the SME exchange.

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- (6) The market maker shall not buy the shares from the promoters or persons belonging to the promoter group of the issuer or any person who has acquired shares from such promoter or person belonging to the promoter group during the compulsory market making period.
- (vii) **yes**, an issuer can issue specified securities at different prices. Following are important points in this regard relating to different prices, given in Regulation 30:
- (1) The issuer may offer its specified securities at different prices, subject to the following:
- (a) retail individual investors or retail individual shareholders or employees entitled for reservation made under Regulation 33 may be offered specified securities at a price not lower than by more than ten per cent. of the price at which net offer is made to other categories of applicants, excluding anchor investors;
 - (b) in case of a book built issue, the price of the specified securities offered to the anchor investors shall not be lower than the price offered to other applicants;
 - (c) In case the issuer opts for the alternate method of book building in terms of Part D of Schedule XIII, the issuer may offer the specified securities to its employees at a price not lower than by more than ten per cent. of the floor price.
- (2) Discount, if any, shall be expressed in rupee terms in the offer document.

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2012 - Dec [7] (a) Discuss briefly the SEBI regulations for preferential issue of shares by listed companies. **(5 marks)**

Answer:

- 1. Conditions for preferential Issue:** A listed issuer making a preferential issue of specified securities shall ensure that:
- (a) all equity shares allotted by way of preferential issue shall be made fully paid up at the time of the allotment;

- (b) a special resolution has been passed by its shareholders;
 - (c) all equity shares held by the proposed allottees in the issuer are in dematerialised form;
 - (d) the issuer is in compliance with the conditions for continuous listing of equity shares as specified in the listing agreement with the stock exchange where the equity shares of the issuer are listed and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements), 2015, as amended, and any circular or notification issued by the Board thereunder;
 - (e) the issuer has obtained the Permanent Account Numbers of the proposed allottees, except those allottees which may be exempt from specifying their Permanent Account Number for transacting in the securities market by the Board.
2. The issuer shall not make preferential issue of specified securities to any person who has sold any equity shares of the issuer during the six month preceding the relevant date.
3. Any person belonging to promoter(s) or the promoter group has previously subscribed to warrants of an issuer but failed to exercise the warrants, the promoter(s) and promoter group shall be ineligible for issue of specified securities of such issuer on preferential basis for a period of one year from:
- the date of expiry of the tenure of the warrants due to non- exercise of the option to convert, or
 - the date of cancellation of the warrant.

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2013 - June [7] (b) What are the eligibility conditions for making a fast track issue (FTI)? **(5 marks)**

(c) What do you understand by Qualified Institutional Placement (QIP)? **(5 marks)**

(d) State the SEBI regulations relating to issue of rights shares. **(5 marks)**

Answer :

(b) Regulation 155 of SEBI (ICDR) Regulations, Institutions provides for following conditions for fast track public issue:

- (a) **Minimum listing period:** Equity shares of the issuer have been listed on any stock exchange for a period of at least 3 years immediately preceding the reference date;
- (b) **Demat Form:** Entire shareholding of the promoter group of the issuer is held in dematerialised form on the reference date.
- (c) **Average Market Capitalisation:** Average market capitalisation of public shareholding of the issuer is at ₹ 1,000 crores in case of public issue.

EXPLANATION	Average market capitalisation of public shareholding
It means the sum of daily market capitalisation of public shareholding for a period of one year up to the end of the quarter preceding the month in which the proposed issue was approved by the shareholders or the board of the issuer, as the case may be, divided by the number of trading days.	

- (d) **Annualised trading turnover:** 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.
- (e) **Annualized delivery-based trading turnover:** Annualized delivery-based trading turnover of the equity shares during six calendar months immediately preceding the month of the reference date has been at least 10% of the annualised trading turnover of the equity shares during such 6 months' period.
- (f) **Compliance with Listing Agreement:** Issuer has been in compliance with the equity listing agreement or the SEBI (LODR) Regulations, 2015, as applicable, for a period of at least 3 years immediately preceding the reference date.

- (g) **Grievances Redressed:** 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;
 - (h) **No Prosecution:** No show-cause notices have been issued or prosecution proceedings have been initiated by the Board and pending against the issuer or its promoters or whole-time directors as on the reference date;
 - (i) **No Settlement:** Issuer or promoter or promoter group or director of the issuer has not settled any alleged violation of securities laws through the consent or settlement mechanism with the Board during 3 years immediately preceding the reference date.
 - (j) **No suspension of Trading:** Equity shares of the issuer have not been suspended from trading as a disciplinary measure during last 3 years immediately preceding the reference date.
 - (k) **No conflict of interest:** There shall be no conflict of interest between the lead manager(s) and the issuer or its group companies in accordance with the applicable regulations.
 - (l) **Impact of audit qualifications:** Impact of audit qualifications, if any and where quantifiable, on the audited accounts of the issuer in respect of those financial years for which such accounts are disclosed in the letter of offer does not exceed 5% of the net profit or loss after tax of the issuer for the respective years.
- (c) (I) **Definition of Qualified Institutions Placement [Reg.2(tt)]:** “Qualified institutions placement” means issue of eligible securities by a listed issuer to qualified institutional buyers on a private placement basis and includes an offer for sale of specified securities by the promoters and/or promoter group on a private placement basis, in terms of these regulations.
- (II) **Qualified Institutions Placement:** A listed issuer may make a qualified institutions placement of eligible securities if it satisfies the following conditions:
- (a) a special resolution approving the qualified institutions placement has been passed by its shareholders;

Provided that no shareholders' resolution will be required in case the qualified institutions placement is through an offer for sale by promoters or promoter group for compliance with minimum public shareholding requirements specified in the Securities Contracts (Regulation) Rules, 1957;

- (b) that allotment pursuant to the special resolution shall be completed within a period of 365 days from the date of passing of the resolution.
- (c) the equity shares of the same class, which are proposed to be allotted through qualified institutions placement or pursuant to conversion or exchange of eligible securities offered through qualified institutions placement, have been listed on a stock exchange for a period of at least 1 year prior to the date of issuance of notice to its shareholders for convening the meeting to pass the special resolution:
- (d) An issuer shall be eligible to make a qualified institutions placement if any of its promoters or directors is not a fugitive economic offender.
- (e) All eligible securities issued through a qualified institutions placement shall be listed on the recognised stock exchange where the equity shares of the issuer are listed.
Provided that the issuer shall seek approval under Rule 19(7) of the Securities Contracts (Regulation) Rules, 1957, if applicable.
- (f) The issuer shall not make any subsequent qualified institutions placement until the expiry of 6 months from the date of the prior qualified institutions placement made pursuant to one or more special resolutions.

- (d) Securities and Exchange Board of India (SEBI) has issued circular No. SEBI/HO/CFD/DIL2/CIR/P/2020/13 dated January 22, 2020 regarding Streamlining the Process of Rights Issue by amending SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 ("ICDR Regulations") and SEBI (Listing Obligations and Disclosure

Requirements) Regulations, 2015 (“LODR Regulations”).

This circular shall be applicable for all rights issues and fast track rights issue where Letter of Offer (LoF) is filed with the stock exchanges on or after February 14, 2020.

The Securities and Exchange Board of India (SEBI), has simplified the rights issue process to make it more efficient and effective, by amending the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 (“ICDR Regulations”) and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“LODR Regulations”). Accordingly, following changes are made with respect to the Rights Issue process :

1. The period for advance notice to stock exchange(s) under Regulation 42(2) of LODR Regulations has been reduced from at least 7 working days to at least 3 working days (excluding the date of intimation and the record date), for the purpose of rights issue.
2. Issuance of newspaper advertisement disclosing date of completion of dispatch and intimation of same to the stock exchanges for dissemination on their websites, as per Regulation 84 (1) of ICDR Regulations, shall be completed by the issuer at least 2 days before the date of opening of the issue.
3. Introduction of dematerialized Rights Entitlements (REs) –
 1. In the letter of offer and the abridged letter of offer, the issuer shall disclose the process of credit of REs in the demat account and renunciation thereof.
 2. REs shall be credited to the demat account of eligible shareholders in dematerialized form.
 3. In REs process, the REs with a separate ISIN shall be credited to the demat account of the shareholders before the date of opening of the issue, against the shares held by them as on the record date.
 4. Physical shareholders shall be required to provide their demat account details to Issuer / Registrar to the Issue for credit of REs not later than two working days prior to the issue closing date, such that credit of REs in their demat account takes place at least one day before the issue closing date.

4. Trading of dematerialized REs on stock exchange platform –
 1. REs shall be traded on secondary market platform of Stock exchanges, with T+2 rolling settlement, similar to the equity shares. Trading in REs on the secondary market platform of stock exchanges shall commence along with the opening of the issue and shall be closed at least four days prior to the closure of the rights issue.
 2. Investors holding REs in dematerialized mode shall be able to renounce their entitlements by trading on stock exchange platform or off-market transfer. Such trades will be settled by transferring dematerialized REs through depository mechanism, in the same manner as done for all other types of securities.
5. Payment mode - Application for a rights issue shall be made only through ASBA facility.
6.
 1. No withdrawal of application shall be permitted by any shareholder after the issue closing date.
 2. The detailed procedures on the Rights Issue process are given at Annexure I for due compliance.
 3. This circular shall be applicable for all rights issues and fast track rights issue where Letter of Offer (LoF) is filed with the stock exchanges on or after February 14, 2020.
 4. All entities involved in the Rights Issue process are advised to take necessary steps to ensure compliance with this circular including the procedures stated at Annexure I of this circular.
 5. This circular is being issued in exercise of the powers under section 11 read with section 11A of the Securities and Exchange Board of India Act, 1992.

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2013 - June [8] Explain the following terms associated with public offering of equity shares. Attempt **any five**:

- (i) Subscription list
- (ii) Issue opening date
- (iii) Differential pricing

- (iv) Lock-in-period
- (v) Price band
- (vi) Red-herring prospectus.

(4 marks each)

Answer :

(i) Subscription List:

(I) Meaning of subscription list: It means a list or record of subscription and subscribers. In case of issue of securities subscription list or subscription record is kept open for a certain period, which is known as “Period of subscription”.

(II) Subscription period: As per Regulation 45 subscription period is as follows:

- (1) Except as otherwise provided in these regulations, an initial public offer shall be kept open for at least three working days and not more than ten working days.

(ii) Issue Opening Date:

(I) Meaning of “Issue Opening date”: It means the maximum period, within which shares must be offered to public for subscription.

(II) Provision relating to “Opening of the issue” [Reg. 140]:

- (1) Subject to the compliance with the provisions of the Companies Act, 2013, a public issue may be opened within 12 months from the date of issuance of the observations by the Board under sub-regulation (4) of Regulation 123; or Provided that in case of a fast track issue, the issue shall open within the period specifically stipulated under the Companies Act, 2013.
- (2) In case of shelf prospectus, the first issue may be opened within 3 months of issuance of observations by the Board.
- (3) The issue shall be opened after at least 3 working days from the date of filing the red herring prospectus with the Registrar of Companies in case of book built issues and prospectus with the Registrar of Companies in case of fixed price issues.

(iii) Differential pricing:

Yes, an issuer can offer specified securities at different prices.

Regulation 30 of SEBI (ICDR) Regulation, 2018 permits the issuer to offer its specified securities at different prices, subject to the following conditions

- (a) **Discounted price for retail individual investors** or retail individual shareholders or employees entitled for reservation made under Regulation 33 may be offered specified securities at a price not lower than by more than 10% of the price at which net offer is made to other categories of applicants, excluding anchor investors;
 - (b) **No lower price for anchor investor** in case of a book built issue, the price of the specified securities offered to the anchor investors shall not be lower than the price offered to other applicants;
 - (c) **Discounted price in case of alternate book building** in case the issuer opts for the alternate method of book building in terms of **Part D of Schedule XIII**, the issuer may offer the specified securities to its employees at a price not lower than by more than 10% of the floor price.
 - (d) **Disclosure of Discount:** Discount, if any, shall be expressed in rupee terms in the offer document.
- (iv) **Lock-in-period:** The specified securities held by the promoters shall not be transferable (hereinafter referred to as “lock-in”) for the periods as stipulated hereunder:
- (a) minimum promoters’ contribution including contribution made by AIFs, FVCs etc, shall be locked-in for a period of 3 years from the date of commencement of commercial production or date of allotment in the initial public offer, whichever is later;
 - (b) promoters’ holding in excess of minimum promoters’ contribution shall be locked-in for a period of 1 year from the date of allotment in the initial public offer.
- (v) **Price and Price Band :**
- (I) **Meaning of Price Band:** It means a range of prices within which investors can bid. This pricing technique is used in case of book building process.

(II) Regulation about Price Band [Regulation 29]:

- (1) The issuer may mention a price or a price band in the offer document (in case of a fixed price issue) and a floor price or a price band in the red herring prospectus (in case of a book built issue) and determine the price at a later date before filing the prospectus with the Registrar of Companies:
Provided that the prospectus filed with the Registrar of Companies shall contain only one price or the specific coupon rate, as the case may be.
- (2) The cap on the price band and coupon rate in case of convertible debt instruments shall be less than or equal to 120% of the floor price.
- (3) The floor price or the final price shall not be less than the face value of the specified securities.
- (4) Where the issuer opts not to make the disclosure of the floor price or price band in the red herring prospectus, the issuer shall announce the floor price or the price band at least 2 working days before the opening of the issue in the same newspapers in which the pre-issue advertisement was released or together with the pre-issue advertisement in the format prescribed under Part A of Schedule X.
- (5) The announcement referred to in sub-regulation (4) shall contain relevant financial ratios computed for both upper and lower end of the price band and also a statement drawing attention of the investors to the section titled “basis of issue price” of the offer document.
- (6) The announcement referred to in sub-regulation(4) and the relevant financial ratios referred to in sub-regulation(5) shall be disclosed on the website of the stock exchange(s) and shall be made available on the websites of the stock exchange(s).

- (vi) **Red-herring prospectus:** Red-herring prospectus (RHP) is a prospectus, which does not have details of either price or number of shares being offered, or the amount of issue. A RHP for a Further Public Offer (FPO) can be filed with the ROC without the price band and the issuer, in such a case will notify the floor price or a price band by way of an advertisement. In the case of book-built issues, it is a process of price discovery and the price cannot be determined until the bidding process is completed. Hence, such details are not shown in the Red Herring Prospectus filed with ROC in terms of the provisions of the Companies Act. Only on completion of the bidding process, the details of the final price are included in the offer document. The offer document thereafter with ROC is called a prospectus.

— Space to write important points for revision —

2013 - Dec [5] Comment on the following statements:

- (a) Book-building process of determining price of a public issue is preferred in case of initial public offer (IPO) while fixed price process is used for further public offer (FPO).
- (d) A company cannot offer shares at different prices to different sets of people in a particular public issue.
- (e) Every institutional buyer is a qualified institutional buyer (QIB).

(4 marks each)

Answer:

(a) False:

‘Fixed price process’ and ‘Book Building process’ are pricing mechanisms in the issue of shares through public offer. When an issuer at the outset decides the issue price and mentions in the offer document it is commonly known as “Fixed price issue”. On the other hand, when the price of an issue is discovered on the basis of demand received from the prospective investors at various price levels, it is called as “Book Built Issue”.

A company, whether issues shares through Initial Public Offer (IPO) or Further Public Offer (FPO) has the option to choose the pricing mechanism, under 'Fixed Price Issue' or 'Book Built Issue', subject to conditions specified under **SEBI (ICDR) Regulations, 2018**.

(d) The given statement i.e. "A company can't offer shares at different prices to different sets of people in a particular public issue" is not correct. As per Regulation 30 of **SEBI (ICDR) Regulations, 2018** an issuer company can offer specified securities at different prices, subject to following conditions:

- (1) The issuer may offer its specified securities at different prices, subject to the following:
 - (a) retail individual investors or retail individual shareholders or employees entitled for reservation made under Regulation 33 may be offered specified securities at a price not lower than by more than ten per cent. of the price at which net offer is made to other categories of applicants, excluding anchor investors;
 - (b) in case of a book built issue, the price of the specified securities offered to the anchor investors shall not be lower than the price offered to other applicants;
 - (c) In case the issuer opts for the alternate method of book building in terms of **Part D of Schedule XIII**, the issuer may offer the specified securities to its employees at a price not lower than by more than ten per cent. of the floor price.
- (2) Discount, if any, shall be expressed in rupee terms in the offer document.

(e) **False:**

Every 'Institutional Buyer' is not a 'Qualified Institutional Buyer (QIB)'. **SEBI (ICDR) Regulations, 2018** defines "Qualified Institutional Buyers". Accordingly, "Qualified Institutional Buyers" shall mean the following:

- (i) A mutual fund, venture capital fund, alternative investment fund and foreign venture capital investor registered with SEBI;
- (ii) A foreign portfolio investor other than category III foreign portfolio investor registered with SEBI.

- (iii) Public Financial Institutions within the meaning of **Section 2(72) of Companies Act, 2013**;
 - (iv) Scheduled Commercial Banks;
 - (v) Multilateral and Bilateral Development Financial Institutions;
 - (vi) State Industrial Development Financial Corporations;
 - (vii) Insurance Companies;
 - (viii) Provident Funds with minimum corpus of ₹ 25 Crores;
 - (ix) Pension Funds with minimum corpus of ₹ 25 Crores; and
 - (x) National Investment Fund;
 - (xi) Insurance Funds set up and managed by Army, Navy or Air Force; and
 - (xii) Insurance Funds set up and managed by the Department of Posts.
- So it is obvious that only selected institutional buyers are covered here, so it will be wrong to say that “Every institutional buyer is a qualified institutional buyer”.

— Space to write important points for revision —

2014 - Dec [6] (a) The shares of Runfast Ltd. were listed in Delhi Stock Exchange. The stock exchange delisted the shares of the company. The aggrieved company approaches you as a Company Secretary in Practice to know the remedy available to the company. Give your suggestions to the company keeping in view the provisions of the Securities Contracts (Regulation) Act, 1956. **(10 marks)**

Answer :

Section 21A provides that a recognised stock exchange may delist the securities, after recording the reasons therefor, from any recognised stock exchange on any of the ground or grounds as may be prescribed under this Act.

The securities of a company shall not be delisted unless the company concerned has been given a reasonable opportunity of being heard.

A listed company or an aggrieved investor may file an appeal before the Securities Appellate Tribunal against the decision of the recognised stock exchange delisting the securities within 15 days from the date of the decision of the recognised stock exchange delisting the securities and the provisions of **Sections 22B to 22E** of this Act, shall apply, as far as may be, to such appeals.

The Securities Appellate Tribunal may, if it is satisfied that the company was prevented by sufficient cause from filing the appeal within the said period, allow it to be filed within a further period not exceeding 1 month.

So in the instant case 'Runfast Ltd.' should file an appeal to the SAT against the delisting decision of Delhi Stock Exchange within 15 days or such extended period not exceeding 1 (one) month after showing sufficient cause of not filing within 15 days.

— Space to write important points for revision —

2015 - June [3] (a) What is 'market-making'? Discuss in brief the obligation of a market-maker. **(5 marks)**

Answer:

(I) Meaning of Market Making:

Market making is a process whereby two way quotes are offered for the purpose of facilitating trading in respect of certain scrips. Market-making is aimed at infusing liquidity in securities that are not frequently traded on stock exchanges. It adds liquidity to scrips, for which market making is being done. The main advantage of market making is that it affords much needed liquidity to the securities. It also increases the supply of scrips in the market and also triggers demand for the scrips in the market.

(II) Obligations of Market Maker:

The person(s) who offers the facility of market making is known as 'Market Maker'. Following are the obligations of market maker:

- (i) A market-maker is responsible for enhancing the demand supply situation in securities such as stocks and futures & options (F&O).

- (ii) A market-maker usually is responsible for enhancing activity in a few chosen securities. In the process, the market-maker provides both a buy and a sell quote for his chosen securities. He profits from the spread between buy and sell quotes. For example, if the market-maker gives a bid-ask quote of ₹ 505-500 (which means the market - maker will buy from the market at ₹ 500 and sell at ₹ 505), then the profit is ₹ 5. For illiquid securities, the profit spreads are usually higher (within a regulator-prescribed band) because of the higher risk taken by the market-maker.
- (iii) Market-makers are obligated to buy or sell the security at a price and size they have quoted.
- (iv) One may wonder the role of a market-maker in the computerised system, as investors can transact directly without a third party. The market-maker's role here is to ensure supply of stocks at any given point in time. Market-makers are helpful as they are always ready to buy or sell as long as investors are willing to pay the price quoted by them.

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2015 - June [5] (b) What do you mean by 'reservation on competitive basis'? Who are the persons eligible in case of issue made through book building process? **(5 marks)**

Answer:

- (I) **Meaning:** Reservation on competitive basis means reservation wherein specified securities are allotted in portion of the number of specified securities applied for in respect of a particular reserved category to the number of specified securities reserved for that category.
- (II) **Eligible Persons:** As per Regulation 130(1) of SEBI (ICDR) Regulations 2018, the issuer may make reservations on a competitive basis out of the issue size excluding promoters' contribution in favour of the following categories of persons:

- (a) employees;
- (b) shareholders (other than promoters and promoter group) of listed subsidiaries or listed promoter companies.

Provided that the issuer shall not make any reservation for the lead manager(s), registrar, syndicate member(s), their promoters, directors and employees and for the group or associate companies (as defined under the Companies Act, 2013) of the lead manager(s), registrar and syndicate member(s) and their promoters, directors and employees.

— Space to write important points for revision —

2015 - June [6] Comment on the following statement:

- (c) Delisting is not permissible under certain circumstances. **(4 marks)**

Answer:

In following cases delisting is not permissible as per **SEBI (Delisting of Equity Shares) Regulations, 2021**:

- (a) Buy back of equity shares by the company; or
- (b) Preferential allotment made by the company; or
- (c) Unless a period of three years has elapsed since the listing of that class of equity shares; or
- (d) Instruments which are convertible into the same class of equity shares that are sought to be delisted are outstanding.
- (e) Delisting of convertible securities.
- (f) No promoter shall directly or indirectly employ the funds of the company to finance an exit opportunity or an acquisition of shares made pursuant to provided under these regulation.
- (g) Employ any device, scheme or artifice to defraud any shareholder or other person; or
- (h) Engage in any transaction or practice that operates as a fraud or deceit upon any shareholder or other person; or
- (i) Engage in any act or practice that is fraudulent, deceptive or manipulative in connection with such delisting.

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2015 - Dec [1] (c) What is SME exchange? Explain the benefits of listing on SME exchange. **(4 marks)**

Answer:

(I) Meaning of SME exchange:

- (a) It means a trading platform of a recognised stock exchange having nationwide trading terminals permitted by SEBI to list the specified securities issued in accordance with SEBI (ICDR) Regulation and includes a stock exchange granted recognition for this purpose but does not include the Main Board.
- (b) Here Main Board means a recognized stock exchange having nationwide trading terminals, other than SME exchange.
- (c) The two stock exchange of India i.e. Bombay Stock Exchange (BSE) and National Stock Exchange (NSE) have begun their SME listing platforms. While BSE SME Exchange began its operation in March, 2012, NSE's SME exchange titled EMERGE commenced operations in September, 2012.

(II) Benefits of Listing on SME Exchange:

- (a) **Access to capital and future financing opportunities:** Going public would provide the MSME's with equity financing opportunities to grow their business from expansion of operations to acquisitions.
- (b) **Increased visibility and prestige:** Going public is likely to enhance the company's visibility. Greater public awareness gained through media coverage, publicly filed documents and coverage of stock by sector investment analysts can provide the SME with greater profile and credibility. This can result in a more diversified group of investors, which may increase the demand for that company's shares leading to an increase in the company's value.
- (c) **Participation by Venture Capital (VC):** It has been seen that there is greater vitality of venture capital in stock market centered systems. The underdeveloped equity culture has made it difficult for companies to both get into the VC phase as well as graduate from venture capital/startups phase to a scale of

operations that would make them internationally competitive. A vibrant equity market would provide prove to be an added incentive for greater venture capital participation by providing an exit option leading to a reduction in their lock-in period.

(d) **Liquidity for shareholders:**

Becoming a public company establishes a market for the company's shares, providing its investors with an efficient and regulated vehicle in which to trade their own shares. Greater liquidity in the public market can lead to better valuation for shares than would be seen through private transactions.

(e) **Create employee incentive mechanisms:**

The employees of the SME enterprises can participate in the ownership of their own company and benefit from being a shareholder.

(f) **Facilitate growth through Mergers and Acquisitions:**

As a public company, company's shares can be utilized as an acquisition currency to acquire target companies, instead of a direct cash offering. Using shares for an acquisition can be a tax efficient and cost effective vehicle to finance such a transaction.

(g) **Encourages Innovation and Entrepreneurial Spirit:**

The ability of companies in their early stages of development to raise funds in the capital markets allows these companies to grow very quickly. This growth helps speed up the dissemination of new technologies throughout the economy. In addition, by raising the returns available from pursuing new ideas, technologies etc the capital markets facilitate entrepreneurial activities.

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2015 - Dec [5] (c) Whether fast track issue can be proceeded just like an IPO or, are there any other conditions to fast track issue? Explain.

(8 marks)

Answer:

No, in case of fast track issue the company has to fulfill some additional conditions which are as:

- (a) **Minimum listing period:** Equity shares of the issuer have been listed on any stock exchange for a period of at least three years immediately preceding the reference date;
- (b) **Demat Form:** Entire shareholding of the promoter group of the issuer is held in dematerialised form on the reference date.
- (c) **Average Market Capitalisation:** Average market capitalisation of public shareholding of the issuer is at ₹ 1000 crores in case of public issue.

EXPLANATION	average market capitalisation of public shareholding
It means the sum of daily market capitalisation of public shareholding for a period of one year up to the end of the quarter preceding the month in which the proposed issue was approved by the shareholders or the board of the issuer, as the case may be, divided by the number of trading days.	

- (d) **Annualised trading turnover:** 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.
- (e) **Annualized delivery-based trading turnover:** Annualized delivery-based trading turnover of the equity shares during six calendar months immediately preceding the month of the reference date has been at least 10% of the annualised trading turnover of the equity shares during such 6 months' period.
- (f) **Compliance with Listing Agreement:** Issuer has been in compliance with the equity listing agreement or the SEBI(LODR) Regulations, 2015, as applicable, for a period of atleast 3 years immediately preceding the reference date.
- (g) **Grievances Redressed:** 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;

- (h) **No Prosecution:** No show-cause notices have been issued or prosecution proceedings have been initiated by the Board and pending against the issuer or its promoters or whole-time directors as on the reference date;
- (i) **No Settlement:** Issuer or promoter or promoter group or director of the issuer has not settled any alleged violation of securities laws through the consent or settlement mechanism with the Board during 3 years immediately preceding the reference date.
- (j) **No suspension of Trading:** Equity shares of the issuer have not been suspended from trading as a disciplinary measure during last 3 years immediately preceding the reference date.
- (k) **No conflict of interest:** There shall be no conflict of interest between the lead manager(s) and the issuer or its group companies in accordance with the applicable regulations.
- (l) **Impact of audit qualifications:** Impact of audit qualifications, if any and where quantifiable, on the audited accounts of the issuer in respect of those financial years for which such accounts are disclosed in the letter of offer does not exceed 5% of the net profit or loss after tax of the issuer for the respective years.

— Space to write important points for revision —

2015 - Dec [6] Comment on the following:

- (b) A company cannot offer its shares at different prices to different sets of people in a particular public issue. **(5 marks)**
- (c) Book-building process of determining price of a public issue is preferred in case of initial public offer (IPO) while fixed price process is used for further public offer (FPO). **(5 marks)**

Answer:

- (b) Yes, an issuer company can offer specified securities at different prices. However, it has to satisfy following conditions:
 - (a) **retail individual investors or retail individual shareholders or employees** entitled for reservation made under Regulation 33 may be offered specified securities at a price not lower than by more than 10% of the price at which net offer is made to other categories of applicants, excluding anchor investors;

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- (b) in case of a book built issue, the price of the specified securities offered to the anchor investors shall not be lower than the price offered to other applicants;
- (c) In case the issuer opts for the alternate method of book building in terms of **Part D of Schedule XIII**, the issuer may offer the specified securities to its employees at a price not lower than by more than 10% of the floor price.
- (d) Discount, if any, shall be expressed in rupee terms in the offer document.

(c) **Please refer 2013 - Dec [5] (a) on page no. 61**

— Space to write important points for revision —

2016 - June [3] (a) Comment on the following and support your answer with necessary reasons:

- (iii) The market makers infuse liquidity in securities that are not frequently traded on stock exchanges. **(4 marks)**

Answer:

- (i) **Nature of Statement:** The given statement i.e. “The market makers infuse liquidity in securities that are not frequently traded on stock exchanges” is correct.
- (ii) **Reason:** A market-maker is responsible for enhancing the demand supply situation in securities such as stocks and futures. In the process, the market-maker provides both a buy and a sell quote for his chosen securities. Market-makers are obligated to buy or sell the security at a price and size they have quoted.

— Space to write important points for revision —

2016 - Dec [5] (c) Can a company issue shares at differential price in a public issue? If yes, to whom and under what circumstances the shares can be issued at differential price? **(4 marks)**

Answer:

Yes, a company can issue shares at differential prices in a public issue as per **SEBI (ICDR) Regulations, 2018**, an issuer company can offer specified securities at different prices, subject to following conditions:

The Statement i.e. “A Company can’t offer shares at different prices to different sets of people in a particular public issue” is not correct. As per SEBI (ICDR) Regulation 2018, an issuer company can offer specified securities at different prices, subject to following conditions:

- (a) **retail individual investors or retail individual shareholders or employees** entitled for reservation made under regulation 33 may be offered specified securities at a price not lower than by more than 10% of the price at which net offer is made to other categories of applicants, excluding anchor investors;
- (b) in case of a book built issue, the price of the specified securities offered to the anchor investors shall not be lower than the price offered to other applicants;
- (c) In case the issuer opts for the alternate method of book building in terms of **Part D of Schedule XIII**, the issuer may offer the specified securities to its employees at a price not lower than by more than 10% of the floor price.
- (d) Discount, if any, shall be expressed in rupee terms in the offer document.

— Space to write important points for revision —

2016 - Dec [6] (a) As a Company Secretary of Lucky Ltd., prepare a Board note giving various requirements of SEBI guidelines for rights issue and enumerate the various major steps involved in such an issue. **(8 marks)**

Answer:

To

The Board of Directors

Lucky Limited

Sub: SEBI Regulation for right issue and major steps for right issue

Date:-----

Sir/ Madam,

We are highlighting SEBI Regulations for right issue for your consideration:

1. Check whether the rights issue is within the authorised share capital of the company. If not, steps should be taken to increase the authorised share capital.
2. In case of a listed company, notify the stock exchange concerned the date of Board Meeting at which the rights issue is proposed to be considered at least 2 days in advance of the meeting.
3. Rights issue shall be kept open for at least 15 days and not more than 30 days.
4. Convene the Board Meeting and place before it the proposal for rights issue.
5. The Board of Directors should decide on the following matters:
 - (i) Quantum of issue and the proportion of rights shares.
 - (ii) Alteration of share capital, if necessary, and offering shares to persons other than existing holders of shares in terms of **Section 62 of the Companies Act, 2013**.
 - (iii) Fixation of record date.
 - (iv) Appointment of merchant bankers and underwriters (if necessary).
 - (v) Approval of draft letter of offer or authorisation of managing director/ company secretary to finalise the letter of offer in consultation with the managers to the issue, the stock exchange and SEBI.
6. Immediately after the Board Meeting notify the concerned Stock Exchanges about particulars of Board's of Directors decision.
7. If it is proposed to offer shares to persons other than the shareholders of the company, a General Meeting has to be convened and a resolution is to be passed for the purpose in terms of Section 62 of the Companies Act, 2013.
8. Forward 6 sets of letter of offer to concerned Stock Exchange(s).
9. Dispatch letters of offer to shareholders by registered post.
10. Check that an advertisement giving date of completion of dispatch of letter of offer has been released in at least an English National Daily, one Hindi National Paper and a Regional Language Daily where registered office of the issuer company is situated.

11. Check that the advertisement contains the list of centres where shareholders or persons entitled to rights may obtain duplicate copies of composite application forms in case they do not receive original application form alongwith the prescribed format on which application may be made.
12. The applications of shareholders who apply both on plain paper and also in a composite application form are liable to be rejected.
13. Make arrangement with bankers for acceptance of share application forms.
14. Prepare a scheme of allotment in consultation with Stock Exchange.
15. Convene Board Meeting and make allotment of shares.
16. Make an application to the Stock Exchange(s) where the company's shares are listed for permission of listing of new shares.

Thanking you
Your Sincerely
Sd/-
(-----)
(Signature)

_____ Space to write important points for revision _____

2016 - Dec [6] (c) Define the following:

- (i) Fast track issue

(3 marks)

Answer:

(i) Fast Track Issues: It may be defined as a time saving manner for bringing public issue by a listed company, satisfying the prescribed conditions of Regulations 155 of SEBI (ICDR) Regulation, 2018. As per the Regulation 155, a listed company can bring further public offer, without fulfilling the requirements of Regulation 123, which are as follows:

- (a) No need to file three copies of the draft offer document with the concerned regional office of the Board;
- (b) No need to file the draft offer document with the stock exchange(s) where the specified securities are proposed to be listed,

(II) Provision Related to Fast Track issue:

- (a) **Minimum Listing Period:** Equity shares of the issuer have been listed on any stock exchange for a period of at least three years immediately preceding the reference date;
- (b) **Demat Form:** Entire shareholding of the promoter group of the issuer is held in dematerialised form on the reference date.
- (c) **Average Market Capitalisation:** Average Market Capitalisation of public shareholding of the issuer is at ₹ 1000 crores in case of public issue

EXPLANATION	average market capitalisation of public shareholding
It means the sum of daily market capitalisation of public shareholding for a period of one year up to the end of the quarter preceding the month in which the proposed issue was approved by the shareholders or the board of the issuer, as the case may be, divided by the number of trading days.	

- (d) **Annualised trading turnover:** 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.
- (e) **Annualized delivery-based trading turnover:** Annualized delivery-based trading turnover of the equity shares during six calendar months immediately preceding the month of the reference date has been at least 10% of the annualised trading turnover of the equity shares during such 6 months' period.
- (f) **Compliance with Listing Agreement:** Issuer has been in compliance with the equity listing agreement or the SEBI (LODR) Regulations, 2015, as applicable, for a period of at least 3 years immediately preceding the reference date.
- (g) **Grievances Redressed:** 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;

- (h) **No Prosecution:** No show-cause notices have been issued or prosecution proceedings have been initiated by the Board and pending against the issuer or its promoters or whole-time directors as on the reference date;
- (i) **No Settlement:** Issuer or Promoter or Promoter group or Director of the issuer has not settled any alleged violation of securities laws through the consent or settlement mechanism with the Board during 3 years immediately preceding the reference date.
- (j) **No Suspension of Trading:** Equity shares of the issuer have not been suspended from trading as a disciplinary measure during last 3 years immediately preceding the reference date.
- (k) **No Conflict of interest:** There shall be no conflict of interest between the lead manager(s) and the issuer or its group companies in accordance with the applicable regulations.
- (l) **Impact of Audit qualifications:** Impact of Audit qualifications, if any and where quantifiable, on the audited accounts of the issuer in respect of those financial years for which such accounts are disclosed in the letter of offer does not exceed 5% of the net profit or loss after tax of the issuer for the respective years.

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2017 - June [3] Comment on the followings:

- (b) Benefits available to a company on listing at SME Exchange.

(5 marks)

Answer:

Benefits of Listing on SME Exchange:

- (a) Access to capital and future financing opportunities
- (b) Going public would provide the MSME's with equity financing opportunities to grow their business – from expansion of operations to acquisitions. Companies in the growth phase tend to get over-leveraged at which point, banks are reluctant to provide further credit. Equity capital is then necessary to bring back strength to the balance sheet.

- (c) The option of equity financing through the equity market allows the firm to not only raise long-term capital but also get further credit due through an additional equity infusion. The issuance of public shares expands the investor base, and this in turn will help set the stage for secondary equity financings, including private placements.
- (d) In addition, Issuers often receive more favourable lending terms when borrowing from financial institutions.
- (e) The mechanics of listing on a stock exchange (audited balance sheets, being subject to corporate governance norms etc.) would address many of the transparency and informational asymmetry constraints that the financial institutions face in lending to the SME sector. In addition, equity financing lowers the debt burden leading to lower financing costs and healthier balance sheets for the firms. The continuing requirement for adhering to the stock market rules for the issuers lower the on-going information and monitoring costs for the banks.
- (f) **Increased visibility and prestige:**
Going public is likely to enhance the company's visibility. Greater public awareness gained through media coverage, publicly filed documents and coverage of stock by sector investment analysts can provide the SME with greater profile and credibility. This can result in a more diversified group of investors, which may increase the demand for that company's shares leading to an increase in the company's value.

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2017 - June [5] Answer the following:

- (b) Briefly explain the provisions relating to delisting of equity shares under SEBI Regulations, 2021. **(4 marks)**

Answer:

- (i) **About Delisting:** The term “delisting” of securities means permanent removal of securities of a listed company from a stock exchange. As a consequence of delisting, the securities of that company would no longer be traded at that stock exchange. Delisting can be Voluntary or Compulsory as per SEBI (Delisting of Equity Shares) Regulations, 2021.

(II) **Provisions regarding Delisting:**

- (a) **Regulation 6 & 7:** A company may delist its equity shares from one or more recognised stock exchanges where they are listed and continue their listing on one or more other recognised stock exchanges, if after the proposed delisting the equity shares:
- would remain listed on any recognised stock exchange which has nationwide trading terminals, no exit opportunity needs to be given to the public shareholders; and,
 - do not remain listed on any recognised stock exchange having nation wide trading terminals, exit opportunity shall be given to all the public shareholders holding the equity shares sought to be delisted.
- (b) **Regulation 27:** Further Regulation 35 of the SEBI (Delisting of Equity Shares) Regulations, 2021 provides special provisions for small Companies to be delisted from all the recognised stock exchanges where they are listed.

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2017 - Dec [5] Answer the following:

- (a) SEBI in exercise of the powers conferred by Section 31 read with Section 21A of the Securities Contracts (Regulation) Act, 1956, Section 30, Sub-section (1) of Section 11 and Sub-section (2) of Section 11A of SEBI Act, 1992 made the SEBI (Delisting of Equity Shares) Regulations 2021. Explain the framework and complete process of delisting as per regulations. **(8 marks)**

Answer:

Delisting” through Regulation 5 to 12:

The procedure of voluntary delisting can be conveniently summarized under two heads i.e.

Case I: Conditions and procedure for delisting where exit opportunity is not required (Reg.5-6)

(1) Delisting from some of the recognised stock exchanges [Reg. 5]:

A company may delist its equity shares from one or more of the recognised stock exchanges on which it is listed without providing an exit

opportunity to the public shareholders, if after the proposed delisting, the equity shares remain listed on any recognised stock exchange that has nationwide trading terminals.

(2) Procedure for delisting where no exit opportunity is required [Reg. 6]:

- (1) Any company desirous of delisting its equity shares under the provisions of regulation 5 of these regulations shall -
 - (a) obtain the prior approval of its Board of Directors;
 - (b) make an application to the relevant recognised stock exchange(s) for delisting its equity shares;
 - (c) issue a public notice of the proposed delisting from the relevant stock exchange(s) in at least one English national newspaper with wide circulation, one Hindi national newspaper with wide circulation in their all India editions and one vernacular newspaper of the region where the relevant stock exchange(s) is located;
 - (d) disclose the fact of delisting in its first annual report post delisting.
- (2) The public notice issued under clause (c) of sub-regulation (1) shall mention the name(s) of the recognised stock exchange(s) from which the equity shares of the company are intended to be delisted, the reasons for such delisting and the fact of continuation of listing of equity shares on the recognised stock exchange(s) having nationwide trading terminals.
- (3) An application for delisting made under clause (b) of sub-regulation (1) shall be disposed of by the recognised stock exchange(s) within a period not exceeding thirty working days from the date of receipt of such application that is complete in all respects.

Case II: Conditions and procedure for delisting where exit opportunity is required:

- (3) **Delisting from all the recognised stock exchanges [Reg. 7]:** The equity shares of a company may be delisted from all the recognised stock exchanges having nationwide trading terminals on which they are listed, after an exit opportunity has been provided by the acquirer to all the public shareholders holding the equity shares sought to be delisted, in accordance with procedure as mentioned in the regulation.
- (4) **Conditions for delisting where exit opportunity is required:**
- (a) **Initial public announcement [Regu. 8]:**
On the date when the acquirer(s) decides to voluntarily delist the equity shares of the company, it shall make an initial public announcement to all the stock exchanges on which the shares of the company are listed and the stock exchanges shall forthwith disseminate the same to the public.
- (b) **Appointment of the Manager to the offer [Regu. 9]:**
- Prior to making an initial public announcement, the acquirer shall appoint a merchant banker registered with the Board as the Manager to the offer.
 - The Manager to the offer appointed under sub-regulation (1) shall not be an associate of the acquirer.
 - The initial public announcement and the subsequent activities as required under these regulations shall be undertaken by the acquirer through the Manager to the offer.
- (c) **Approval by the Board of Directors [Regu.10]:**
- The company shall obtain the approval of its Board of Directors in respect of the proposal of the acquirer to delist the equity shares of the company, not later than twenty one days from the date of the initial public announcement.
 - The Board of Directors of the company, before considering the proposal of delisting, shall appoint a Peer Review Company Secretary
- (d) **Approval by shareholders [Regu.11]:**
- The company shall obtain the approval of the shareholders through a special resolution, not later than forty five days from

the date of obtaining the approval of Board of Directors.

- The special resolution shall be passed through postal ballot and/ or e-voting as per the applicable provisions of the Companies Act, 2013 (18 of 2013) and the rules made thereunder.
- The company shall disclose all material facts in the explanatory statement sent to the shareholders in relation to such a resolution.
- The special resolution shall be acted upon only if the votes cast by the public shareholders in favour of the proposal are at least two times the number of votes cast by the public shareholders against it.

(e) In-principle approval of the stock exchange [Regu. 12]:

- The company shall make an application to the relevant recognised stock exchange for in-principle approval of the proposed delisting of its equity shares in the Form specified by the recognised stock exchange from time to time, not later than fifteen working days from the date of passing of the special resolution or receipt of any other statutory or regulatory approval, whichever is later.
- The application seeking in-principle approval for the delisting of equity shares shall be accompanied by an audit report as required under regulation 76 of the Securities and Exchange Board of India (Depositories and Participants) Regulations, 2018 in respect of the equity shares sought to be delisted, covering a period of six months prior to the date of the application.
- Such application seeking in-principle approval for the delisting of the equity shares shall be disposed of by the recognised stock exchange within a period not exceeding, fifteen working days from the date of receipt of such application that is complete in all respects.
- The recognised stock exchange shall not unfairly withhold such an application, but may require the company to satisfy or inform it as regards -
 - (a) compliance with regulations 10 and 11 of these regulations;
 - (b) resolution of investor grievances by the company;

- (c) payment of listing fees due to the recognised stock exchange;
- (d) compliance with any provision of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended from time to time, that has a material bearing on the interests of its equity shareholders;
- (e) any litigation or action pending against the company pertaining to its activities in the securities market or any other matter having a material bearing on the interests of its equity shareholders;
- (f) any other relevant matter as it may deem fit.

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2017 - Dec [6] Critically examine the following:

- (d) Warrant cannot be issued along with public issue or right issue of specified securities. **(5 marks)**

Answer:

Warrant may be issued along with public issue or rights issue of specified securities subject to the following :

- (a) The tenure of such warrant shall not exceed eighteen months from their date of allotment in the public/ rights issue;
- (b) Not more than one warrant shall be attached to one specified security;
- (c) The price or conversion formula of the warrant shall be determined upfront and at least 25% of the consideration amount shall also be received upfront;
- (d) In case the warrant holder does not exercise the option to take equity shares against any of the warrants held by this, the consideration paid in respect of such warrant shall be forfeited by the issuer.

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2018 - June [2A] (Or) (i) What do you understand by “Application Supported by Blocked Amount (ASBA)”? How does it work in Initial Public Offer (IPO)? Describe. **(5 marks)**

Answer:

- (I) **Meaning of ASBA:** ASBA is an application for subscribing to an issue, containing an authorization to block the application money in a bank account.
- (II) **ASBA PROCESS:**
An ASBA investor submits an ASBA physically or electronically through the internet banking facility, to the SCSB with whom the bank account to be blocked is maintained, then the SCSB blocks the application money in the bank account specified in the ASBA, on the basis of an authorization to this effect given by the account holder in the ASBA. The application money remains blocked in the bank account till finalisation of the basis of allotment in the issue or till withdrawal/failure of the issue or till withdrawal/rejection of the application, as the case may be. The application data shall thereafter be uploaded by the SCSB in the electronic bidding system through a web enabled interface provided by the Stock Exchanges. Once the basis of allotment of finalized, the Registrar to the Issue sends an appropriate request to the SCSB for unblocking the relevant bank accounts and for transferring the requisite amount to the issuer’s account. In case of withdrawal/failure of the issue, the amount shall be unblocked by the SCSB on receipt of information from the pre-issue merchant bankers.

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2018 - June [5] Answer the following:

- (b) “A company can raise funds from the primary market through different methods, different types of issues and by means of offer document and red herring prospectus”. Enumerate. **(6 marks)**
- (c) “The book building process is very transparent. All investors including small investors can see on an hourly basis where the book is being built before applying”. Explain the offer to public through Book Building Process. **(6 marks)**

Answer:

(b) A company can raise funds from the primary market through different method:

- (a) Public issue:** When an issue/offer of securities is made to new investors for becoming part of shareholders' family of the issuer it is called a public issue. Public issue can be further classified into Initial public offer (IPO) and Further public offer (FPO). The significant features of each type of public issue are illustrated below:
- (i) Initial public offer (IPO):** When an unlisted company makes either a fresh issue of securities or offers its existing securities for sale or both for the first time to the public, it is called an IPO. This paves way for listing and trading of the issuer's securities in the Stock Exchanges.
 - (ii) Further public offer (FPO) or Follow on offer:** When an already listed company makes either a fresh issue of securities to the public or an offer for sale to the public, it is called a FPO.
- (b) Right issue (RI):** When an issue of securities is made by an issuer to its shareholders existing as on a particular date fixed by the issuer (i.e. record date), it is called a rights issue. The rights are offered in a particular ratio to the number of securities held as on the record date.
- (c) Bonus issue:** When an issuer makes an issue of securities to its existing shareholders as on a record date, without any consideration from them, it is called a bonus issue. The shares are issued out of the Company's free reserve or share premium account in a particular ratio to the number of securities held on a record date.
- (d) Private placement:** When an issuer makes an issue of securities to a select group of persons not exceeding 49, and which is neither a rights issue nor a public issue, it is called a private placement. Private placement of shares or convertible securities by listed issuer can be of two types:
- (i) Preferential allotment:** When a listed issuer issues shares or convertible securities, to a select group of persons in terms of provisions of SEBI (ICDR) Regulations, it is called a preferential

allotment. The issuer is required to comply with various provisions which *inter alia* include pricing, disclosures in the notice, lock in etc., in addition to the requirements specified in the Companies Act, 2013.

- (ii) **Qualified institutions placement (QIP):** When a listed issuer issues equity shares or securities convertible into equity shares to Qualified Institutions Buyers (QIBs) only in terms of provisions of SEBI (ICDR) Regulations, it is called a QIP.
 - (iii) **Institutional placement programme (IPP):** When a listed issuer makes a further public offer of equity shares, or offer for sale of shares by promoter / promoter group of listed issuer in which, the offer allocation and allotment of such shares is made only to QIBs in terms of SEBI (ICDR) Regulations, 2018 for the purpose of achieving minimum public shareholding it is called an IPP.
- (c) 1. An issuer company may, subject to the requirements specified make an issue of securities to the public through a prospectus through 100% of the net offer to the public through book building process.
2. Reservation to the extent of percentage specified in these Regulations can be made only to the following categories:
- (a) employees and in case of a new issuer, persons who are in permanent and full time employment of the promoting companies excluding the promoter and the relative of promoter of such companies.
 - (b) 'shareholders of the listed promoting companies in the case of a new company and shareholders of listed group companies in the case of an existing company' on a 'competitive basis' or on a 'firm allotment basis' excluding promoters. However, if the promoting companies are designated financial institutions or state or central financial institutions, the shareholder of such promoting companies shall be excluded for this purpose.

(c) persons who, on the date of filing of the draft offer document with SEBI, have business association, as depositors, bondholders and subscribers to services, with the issuer making an initial public offering.

However, no reservation can be made for the issue management team, syndicate members, their promoters, directors and employees and for the group/associate companies of issue management team and syndicate members and their promoters, directors and employees.

3. The issuer company is required to enter into an agreement with one or more of the Stock Exchange(s) which have the requisite system of on-line offer of securities. The agreement would cover *inter-alia*, the rights, duties, responsibilities and obligations of the company and stock exchange (s) *inter-se*. The agreement may also provide for a dispute resolution mechanism between the company and the stock exchange. The company may also apply for listing of its securities on an exchange other than the exchange through which it offers its securities to public through the on-line system.
4. The Lead Merchant Banker shall act as the Lead Book Runner. In case the issuer company appoints more than one merchant banker, the names of all such merchant bankers who have submitted the due diligence certificate to SEBI, may be mentioned on the front cover page of the prospectus. A disclosure to the effect that “ the investors may contact any of such merchant bankers, for any complaint pertaining to the issue” is required to be made in the prospectus, after the “risk factors.
5. The lead book runner/issuer may designate, in any manner, the other Merchant Bankers if the *inter-se* allocation of responsibilities amongst the merchant bankers is disclosed in the prospectus on the page giving the details of the issue management team and a co-ordinator has been appointed amongst the lead book runners, for the purpose of co-ordination with SEBI. However, the names of only those merchant bankers who have signed the *inter-se* allocation of responsibilities would be mentioned in the offer document on the

- page where the details of the issue management team is given.
6. The primary responsibility of building the book is of the Lead Book Runner. The Book Runner(s) may appoint those intermediaries who are registered with SEBI and who are permitted to carry on activity as an 'Underwriter' as syndicate members. The Book Runner(s)/ syndicate members shall appoint brokers of the exchange, who are registered with SEBI, for the purpose of accepting bids, applications and placing orders with the company and ensure that the brokers so appointed are financially capable of honouring their commitments arising out of defaults of their clients/investors, if any. However, in case of application supported by blocked amount, Self Certified Syndicate Banks, Registrar to Issue and Share Transfer Agents, Depository Participants shall accept and upload the details of such application in electronic bidding system of the stock exchange.
 7. The brokers, and Self Certified Syndicate Banks, Registrar to Issue and Share Transfer Agents, Depository Participants accepting applications and application monies, are considered as 'bidding/collection centres'.

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2018 - June [6] (a) "Right issue as identified in the SEBI Regulations is an issue of capital under Section 62 of the Companies Act, 2013 to be offered to the existing shareholders of the company through a letter of offer". Enumerate the steps involved in issue and listing of rights shares.

(8 marks)

Answer:

The various steps involved for issue of rights share are enumerated below:

1. Check whether the rights issue is within the authorised share capital of the company. If not, steps should be taken to increase the authorised share capital.

2. In case of a listed company, notify the stock exchange concerned the date of Board Meeting at which the rights issue is proposed to be considered at least 2 days in advance of the meeting.
3. Rights issue shall be kept open for at least 15 days and not more than 30 days.
4. Convene the Board meeting and place before it the proposal for rights issue.
5. The Board of directors should decide on the following matters:
 - (i) Quantum of issue and the proportion of rights shares.
 - (ii) Alteration of share capital, if necessary, and offering shares to persons other than existing holders of shares in terms of Section 62 of the Companies Act, 2013.
 - (iii) Fixation of record date.
 - (iv) Appointment of merchant bankers and underwriters (if necessary).
 - (v) Approval of draft letter of offer or authorisation of managing director/ company secretary to finalise the letter of offer in consultation with the managers to the issue, the stock exchange and SEBI.
6. Immediately after the Board Meeting notify the concerned Stock Exchanges about particulars of Board's of Directors decision.
7. If it is proposed to offer shares to persons other than the shareholders of the company, a General Meeting has to be convened and a resolution is to be passed for the purpose in terms of Section 62 of the Companies Act, 2013.
8. Forward 6 sets of letter of offer to concerned Stock Exchange(s).
9. Despatch letters of offer to shareholders by registered post.
10. Check that an advertisement giving date of completion of despatch of letter of offer has been released in at least an English National Daily, one Hindi National Paper and a Regional Language Daily where registered office of the issuer company is situated.
11. Check that the advertisement contains the list of centres where shareholders or persons entitled to rights may obtain duplicate copies of composite application forms in case they do not receive original application form alongwith the prescribed format on which application may be made.

12. The applications of shareholders who apply both on plain paper and also in a composite application form are liable to be rejected.
13. Make arrangement with bankers for acceptance of share application forms.
14. Prepare a scheme of allotment in consultation with Stock Exchange.
15. Convene Board Meeting and make allotment of shares.
16. Make an application to the Stock Exchange(s) where the company's shares are listed for permission of listing of new shares.

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2018 - Dec [2] Explain the following:

(b) Institutional Trading Platform

(3 marks)

Answer:

Institutional Trading Platform (ITP) : SEBI has notified new norms for listing of small and medium enterprises (SMEs) including the start-up companies on Institutional Trading Platform (ITP) on stock exchanges without an initial public offering. This will allow SMEs to list themselves on stock exchanges without raising funds from the public. In the modified rules to permit listing of start-ups and SMEs in ITP without having to make an IPO, a minimum amount of trading or investment on the ITP would be ₹ 10 lakh. This move will provide easier exit options for entities such as Angel investors, capital funds and private equity.

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2018 - Dec [5] Critically examine the following:

(c) Promoter's contribution to be brought in before public issue opens.

(4 marks)

Answer:

As per SEBI (ICDR) Regulations, 2018, Promoters shall bring in the full amount of the promoters' contribution including premium at least one day prior to the issue opening date which shall be kept in an escrow account with a Scheduled Commercial Bank and the said contribution/ amount shall be released to the company along with the public issue proceeds.

However, where the promoters' contribution has been brought prior to the public issue and has already been deployed by the company, the company shall give the cash flow statement in the offer document disclosing the use of such funds received as promoters' contribution.

If the promoters' minimum contribution exceeds ₹ 100 crores, the promoters shall bring in ₹ 100 crores before the opening of the issue and the remaining contribution shall be brought in by the promoters in advance on pro-rata basis before the calls are made on public.

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2018 - Dec [6] (b) Who are dissenting shareholders? Elucidate the conditions of any to provide exit opportunity to them. **(5 marks)**

Answer:

Dissenting Shareholders mean those shareholders who have voted against the resolution for change in objects or variation in terms of a contract, referred to in the prospectus of the issuer. Regulation 69 of SEBI (ICDR) Regulations, 2018, provides that only those dissenting shareholders of the issuer who are holding shares as on the relevant date shall be eligible to avail the exit offer.

The promoters or shareholders in control shall make the exit offer in accordance with the provisions of the SEBI (ICDR) Regulations, 2009, to the dissenting shareholders, if:

- the proposal for change in objects or variation in terms of a contract, referred to in the prospectus is dissented by at least 10 per cent of the shareholders who voted in the general meeting; and
- the amount to be utilized for the objects for which the prospectus was issued is less than 75 % of the amount raised (including the amount earmarked for general corporate purposes as disclosed in the offer document).

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2019 - June [4] (b) Can an entity, pursue listing of its specified securities without making a public issue? Give the exemptions, if any. **(3 marks)**

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Answer:

Yes. Regulation 282(1) of the SEBI (ICDR) Regulations, 2018 provides that the provisions of Chapter X of SEBI (LODR) Regulations shall apply to issuers seeking listing of their specified securities pursuant to an initial public offer or for only trading on a stock exchange of their specified securities without making a public offer. Regulation 284 (3) of the SEBI (ICDR) Regulations, 2018 lays down that the regulations relating to the following as stated under the Chapter of Initial Public Offer on Main Board shall not be applicable:

- (a) allotment;
- (b) issue opening or closing;
- (c) advertisements;
- (d) underwriting;
- (e) sub-regulation (2) of regulation 5;
- (f) pricing;
- (g) dispatch of issue material; and
- (h) other such provisions related to offer of specified securities to the public.

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2019 - Dec [1] (c) Explain the eligibility criteria for listing on Innovators Listing Growth Platform. **(5 marks)**

Answer:

Eligibility criteria for listing on Innovators Listing Growth Platform are as under:

An issuer which is intensive in the use of technology, information technology, intellectual property, data analytics, bio-technology or nano-technology to provide products, services or business platforms with substantial value addition shall be eligible for listing on the innovators growth platform, provided that as on the date of filing of draft information document or draft offer document with the Board, as the case may be, twenty five per cent of the pre-issue capital of the Issuer Company for at least a period of two years, should have been held by:

- I. Qualified Institutional Buyers.
- II. Family trust with net-worth of more than five hundred crore rupees, as per the last audited financial statements.

- III. Accredited Investors for the purpose of Innovators Growth Platform.
- IV. The following regulated entities:
 - a. Category III Foreign Portfolio Investor
 - b. An entity meeting all the following criteria:
 - i. It is a pooled investment fund with minimum assets under management of one hundred and fifty million USD.
 - ii. It is registered with a financial sector regulator in the jurisdiction of which it is a resident.
 - iii. It is resident of a country whose securities market regulator is a signatory to the International Organization of Securities Commission's Multilateral Memorandum of Understanding (Appendix A Signatories) or a signatory to Bilateral Memorandum of Understanding with the Board.
 - iv. It is not resident in a country identified in the public statement of Financial Action Task Force as:
 - (a) a jurisdiction having a strategic Anti-Money Laundering or Combating the Financing of Terrorism deficiencies to which counter measures apply or
 - (b) a jurisdiction that has not made sufficient progress in addressing the deficiencies or has not committed to an action plan developed with the Financial Action Task Force to address the deficiencies.

Explanation:

- (a) The following entities shall be eligible to be considered as accredited investors for the purpose of innovators growth platform:
 - (i) any individual with total gross income of fifty lakhs rupees annually and who has minimum liquid net worth of five crore rupees; or
 - (ii) anybody corporate with net worth of twenty five crore rupees.
- (b) Not more than ten per cent of the pre-issue capital may be held by Accredited Investors.

- (c) **For the purpose of accreditation:** The persons /corporate bodies who wish to get accreditation for the purpose of innovators growth platform, shall approach the stock exchanges or depositories and follow the procedures prescribed by the Board and / or such stock exchange or depository for the purpose of accreditation as an Accredited Investor, from time to time.

An issuer shall be eligible for listing on the institutional trading platform if none of the promoters or directors of the issuer company is a fugitive economic offender.

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2020 - Dec [1] (a) Define and discuss the conditions for Preferential Issue. When an issuer becomes ineligible to make a such issue? **(5 marks)**

Answer:

Define and discuss the conditions for preferential issue:

A listed issuer may make a preferential issue of specified securities, if:

- all equity shares allotted by way of preferential issue shall be made fully paid up at the time of the allotment of share.
- a special resolution has been passed at general meeting by its shareholders.
- all the equity shares, if any, held by the proposed allottees in the issuer are in dematerialised mode.
- the issuer is in compliance with the conditions for continuous listing of equity shares as specified in the listing agreement with the recognised stock exchange.
- the issuer has obtained the Permanent Account Number (PAN) of the proposed allottees.

When an issuer becomes ineligible to make a such issue:

1. Preferential issue of specified securities shall not be made to any person who has sold or transferred any equity shares of the issuer during the six months prior to the relevant date.
2. An issuer shall not be eligible to make a preferential issue if any of its promoters or directors is a fugitive economic offender.

3. Where any person belonging to promoter(s) or the promoter group has earlier subscribed to warrants of an issuer but failed to exercise the warrants, the promoter(s) and promoter group shall be ineligible for issue of specified securities of such issuer on preferential basis for a period of 1 year from:
- the date of expiry of the tenure of the warrants due to non-exercise of the option to convert; or
 - the date of cancellation of the warrants, as the case may be.

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2021 - Aug [2] (b) PQR Ltd. is listed on SME platform. The company has excellent performance in terms of turnover and profit during last few years. It is interested in migrating to the Main Board.

Prepare a note on the same.

(5 marks)

Answer:

Under the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018, an issuer, whose specified securities are listed on a SME Exchange and whose post issue face value capital is more than ten crore rupees and up to twenty five crore rupees, may migrate:

- its specified securities to Main Board if its shareholders approve such migration by passing a special resolution through postal ballot to this effect; and
- if such issuer fulfils the eligibility criteria for listing laid down by the Main Board.

Although, the special resolution shall be acted upon if and only if the votes cast by shareholders other than promoters in favour of the proposal amount to at least two times the number of votes cast by shareholders other than promoter shareholders against the proposal which means that resolution shall be approved by majority of minority.

Where the post issue face value capital of an issuer listed on SME exchange is likely to increase beyond twenty five crore rupees by virtue of any further issue of capital by the issuer by way of rights issue, preferential issue, bonus issue, etc.

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The issuer shall first migrate its specified securities listed on SME exchange to Main Board and seek listing of specified securities proposed to be issued on the Main Board subject to the fulfilment of the eligibility criteria for listing of specified securities laid down by the Main Board.

Although no further issue of capital by the issuer shall be made unless:

- the shareholders of the issuer have approved the migration by passing a special resolution through postal ballot wherein the votes cast by shareholders other than promoters in favour of the proposal amount to at least two times the number of votes cast by shareholders other than promoter shareholders against the proposal;
- the issuer has get in- principle approval from the Main Board for listing of its entire specified securities on it.

— Space to write important points for revision —

2021 - Dec [1] (a) Ultra-Information Services Limited, provides IT and ITES services. The Board of Directors of the Company want to go for Initial Public Offer (IPO) to raise funds for expansion of the Company. During the previous year, the Company started a new line of business of providing aeronautical designs to an Australian entity and accordingly changed its name to Ultra Aero Technology Services Limited. As a Company Secretary, advise the Board of Directors about eligibility for an IPO. **(5 marks)**

(b) The Board of Directors of Minto Limited wanted to set up a new production plant at Manesar. In the Board Meeting where the budgets were being discussed, one Director suggested that funds can be raised by issuing warrants to fund the new project.

As a Company Secretary, advise the Board of Directors, whether the Company can issue warrants. **(5 marks)**

(c) Explain minimum promoter's contribution to be brought in before public issue open under regulation 14(34). **(5 marks)**

Answer:

- (a) • The eligibility requirements for initial public offer are provided under Regulation 6(1) of the SEBI (ICDR) Regulations 2018.

- The said Regulation *inter-alia*, provides that an issuer shall be eligible to make an IPO only if, in case the issuer has changed its name within the last one year, at least 50% of the revenue calculated on a restated and consolidated basis, for the preceding one full year has been earned by it from the activity indicated by the new name.
- Therefore based on the above it can be concluded that as the Company has changed its name in the previous year, it would be eligible for an Initial Public Offer, if at least 50% of the revenue calculated on a restated and consolidated basis, for the preceding one full year has been earned from its aeronautical designing business.
- Nonetheless, in terms of the Regulation 6(2) of the SEBI (ICDR) Regulations 2018, an issuer not satisfying the condition stipulated above shall be eligible to make an Initial Public Offer (IPO) if the issue is made through the book-building process and the issuer undertakes to allot at least 75% of the net offer to qualified institutional buyers (QIB) and to refund the full subscription money if it fails to do so.

Conclusion:- Hence, Ultra Aero Technology Services Limited may also opt for this route if the conditions above are not satisfied.

(b) As per Regulation 13 of the SEBI (ICDR) Regulations 2018, an issuer shall be eligible to issue warrants in an initial public offer (IPO) subject to the following:

- the duration of such warrants shall not exceed 18 months from the date of their allotment in the initial public offer;
- a specified security may have one or more warrants attached to it;
- the price or formula for determination of exercise price of the warrants shall be determined upfront and disclosed in the offer document and at least 25 % of the consideration amount based on the exercise price shall also be received upfront;

Although, in case the exercise price of warrants is based on a formula, 25% consideration amount based on the cap price of the price band determined for the linked equity shares or convertible securities shall be received upfront.

- in case the warrant holder does not exercise the option to take equity shares against any of the warrants held by the warrant holder, within 3 months from the date of payment of consideration, such consideration made in respect of such warrants shall be forfeited by the issuer.

Conclusion:- In the above case Minto Ltd. can issue warrants after complying with the aforementioned conditions.

- (c) As per Regulation 14(3) of the SEBI (ICDR) Regulations 2018, the promoters shall bring full amount of the promoters' contribution including premium at least one day prior to the date of opening of the issue.

As per Regulation 14(4) where the promoters have to subscribe to equity shares or convertible securities towards minimum promoters' contribution, the amount of promoters' contribution shall be kept in an escrow account with a scheduled commercial bank, which shall be released to the issuer along with the release of the issue proceeds.

Although, where the promoters' contribution has already been brought in and utilised, the issuer shall give the cash flow statement disclosing the use of such funds in the offer document.

Further, where the minimum promoters' contribution is more than ₹100 crore and the initial public offer (IPO) is for partly paid shares, the promoters shall bring in at least ₹. 100 crore before the date of opening of the issue and the remaining amount may be brought on a pro-rata basis before the calls are made to the public.

As per Regulation 14(4) of the SEBI (ICDR) Regulations 2018 further clarified that Promoters' contribution shall be computed on the basis of the post-issue expanded capital:

- (a) assuming full proposed conversion of convertible securities into equity shares;
- (b) assuming exercise of all vested options, where any employee stock options are outstanding at the time of initial public offer.

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2022 - June [2] (c) Neel Bio Tech Limited whose specified securities are traded on the “Innovators Growth Platform” (IGP) pursuant to an initial public offer (IPO) would like to exit from IGP. Explain in brief the conditions under which the company can exit from the “Innovators Growth Platform” as per SEBI (ICDR) (Second Amendment) Regulations 2021. **(5 marks)**

2022 - June [3] (a) Explain the eligibility conditions for the Fast Track Follow-on Public Offer (FPO). **(5 marks)**

PRACTICAL QUESTIONS

2017 - Dec [1] Attempt the following questions:

(a) ABC Ltd. a company whose equity shares are listed at BSE and NSE is seeking delisting of its equity shares from both the recognised stock exchanges. It provides an exit opportunity to all public shareholders in accordance with SEBI (Delisting of Equity Shares) Regulations, 2021. Calculate the minimum number of equity shares to be acquired for the delisting offer to be successful. Also determine the final offer price from the details given hereunder:

(i)	Number of shares	Percentage holding
Promoter	75,00,000	75
Public	25,00,000	25
	1,00,00,000	100

(ii) The floor price in terms of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 is ₹ 550 per share.

(iii) Assume that all the public shareholders holding shares in the demat mode had participated in the book building process as follows:

Bid Price (₹)	Number of Investors	Demand (Number of Shares)
550	5	2,50,000
565	8	4,00,000
575	10	2,00,000

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585	4	4,00,000
595	6	1,20,000
600	5	1,30,000
605	3	2,10,000
610	3	1,40,000
615	3	1,50,000
620	1	5,00,000
	48	25,00,000

(5 marks)**Answer:****(i) Minimum No. of equity shares to be acquired:**

An offer shall be deemed to be successful only if,-

- (a)** the post offer promoter shareholding (along with the persons acting in concert with the promoter) taken together with the shares accepted through eligible bids at the final price determined as per Schedule II, reaches 90% of the total issued shares of that class excluding the shares which are held by a custodian and against which depository receipts have been issued overseas; and
- (b)** at least 25% of the public shareholders holding shares in the demat mode as on date of the board meeting, had participated in the Book Building Process. Provided that this requirement shall not be applicable in a case, where the acquirer and the merchant banker demonstrate to the stock exchanges that they have delivered the letter of offer to all the public shareholders either through registered post or speed post or courier or hand delivery with proof of delivery or through email as a text or as an attachment to email or as a notification providing electronic link or Uniform Resource Locator including a read receipt.

(ii) Determination of final offer price:

The final offer price shall be determined as the price at which the shares accepted through eligible bids, that takes the shareholding of the promoter or the acquirer (along with the persons acting in

concert) to 90% of the total issued shares of that class excluding the shares which are held by a custodian and against which depository receipts have issued. If the final price is accepted, then, the promoter shall accept all shares tendered where corresponding bids placed are at the final price or at price which is lesser than final price. The promoter or acquirer may, if he deems fit, pay a higher final price.

Table for arriving at the final offer price is given as:

Bid price (₹)	Number of Investors	Demand (No. of Shares)	Cumulative demand (No. of Shares)
550	5	2,50,000	2,50,000
565	8	4,00,000	6,50,000
575	10	2,00,000	8,50,000
585	4	4,00,000	12,50,000
595	6	1,20,000	13,70,000
600	5	1,30,000	15,00,000
605	3	2,10,000	17,10,000
610	3	1,40,000	18,50,000
615	3	1,50,000	20,00,000
620	1	5,00,000	25,00,000
	48	25,00,000	

Assuming floor price of ₹ 550/- per share, promoter/acquirer shareholding at 75% and number of shares required for successful delisting as 15,00,000, the final price would be the price at which the promoter reaches the threshold of 90%, i.e., it would be ₹ 600/- per share.

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2017 - Dec [5] Answer the following:

- (b) XYZ Ltd. made a public issue of equity shares in September, 2014 and sought listing of BSE and NSE. Soon, thereafter, the promoters of the company started contemplating a change in the objects clause mentioned in the prospectus. To give effect to the same the company convened an extra-ordinary general meeting of shareholders in November 2015. Though the resolution was passed by the company there were nevertheless, the dissenting shareholders too. The promoters decide to provide an exit opportunity to the dissenting shareholders. In the light of the above, answer the following questions:
- (i) Is this act of the promoters justified? Highlight the relevant regulatory legal framework for the same?
 - (ii) Who are the dissenting shareholders?
 - (iii) Enumerate the conditions required to be complied with to give effect to this recourse which was availed by the promoters. **(6 marks)**

Answer:

(i) Action of promoter justified:

Schedule XX of SEBI (ICDR) Regulations 2018 provides-‘Conditions and Manner of Providing Exit Opportunity to Dissenting Shareholders.’

The provisions of this Chapter shall apply to an exit offer made by the promoters or shareholders in control of an issuer to the dissenting shareholders in terms of **Section 13(8) and Section 27(2) of the Companies Act, 2013**, in case of change in objects or variation in the terms of contract referred to in the prospectus.

(ii) Meaning of Dissenting Shareholders:

“Dissenting Shareholders” mean those shareholders who have voted against the resolution for change in objects or variation in terms of a contract, referred to in the prospectus of the issuer.

However, the provisions of this Chapter shall not apply where there are neither identifiable promoters nor shareholders in control of the listed issuer.

(iii) Conditions for Exit Offer:

The promoters or shareholders in control shall make the exit offer in accordance with the provisions of this Chapter, to the dissenting shareholders, if:

- (a) the public issue has opened after 1st April 2014; and
- (b) the proposal for change in objects or variation in terms of a contract, referred to in the prospectus is dissented by at least 10 per cent of the shareholders who voted in the general meeting; and
- (c) the amount to be utilized for the objects for which the prospectus was issued is less than 75 % of the amount raised (including the amount earmarked for general corporate purposes as disclosed in the offer document).

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2019 - Dec [2] (a) Shaurya Ltd. a company dealing with glass molding and peripherals has plans to go public and raise ₹1,000 crores. They appoint CFQ Financial Services as their lead managers. The company's directors having no knowledge of rules and regulations argue with the lead managers that 40% of shares are to be allotted to public, 40% to QIBs, 10% to HNI clients and balance to be taken by underwriters. As a Company Secretary, explain to the directors the Regulations 40 & 136 of underwriting.

(5 marks)

Answer:

The directors of the company are not correct as the rules pertaining to issue states that allotment of shares has to be made based on the following regulation:

(Regulation 40 & 136 of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009

- If an issuer makes a IPO/FPO other than through the book building process, desires to have the issue underwritten, it shall appoint the underwriters in accordance with the SEBI (Underwriters) Regulations, 1993.

- If the issuer makes a public issue through a book building process:
 - (a) the issue shall be underwritten by lead managers and syndicate members. However, at least 75% of the net offer to the public is proposed to be compulsorily allotted to the QIBs, and such portion cannot be underwritten.
 - (b) the issuer shall, prior to filing the prospectus, enter into an underwriting agreement with the lead manager(s) and syndicate member(s) which shall indicate the number of specified securities which they shall subscribe to at the predetermined price in the event of under-subscription in the issue.
 - (c) if the syndicate member(s) fail to fulfil their underwriting obligations, the lead manager(s) shall fulfil the underwriting obligations.
 - (d) the lead manager(s) and syndicate member(s) shall not subscribe to the issue in any manner except for fulfilling their underwriting obligations.
 - (e) in case of every underwriting issue, the lead manager(s) shall undertake minimum underwriting obligation as specified in the SEBI (Merchant Bankers) Regulations, 1992.
 - (f) where the issue is required to be underwritten, the underwriting obligations should at least to the extent of minimum subscription.

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2021 - Aug [2] (a) The promoters of Z Ltd. holds 78 percent shares of the Equity Share capital of the company. The promoters are intending to reduce their holding to meet the provisions of regulatory authorities of minimum public subscription by way of Qualified Institutional Placement (QIP). Total Issued Share Capital of the Z Ltd. is ₹10 Crore consisting of 1 Crore shares of ₹10 each.

As a Company Secretary advise the Z Ltd. on the following points:

- (i) What is minimum quantity the promoters should offer under the QIP?
- (ii) Provisions regarding the approval of shareholders.
- (iii) Rules regarding the listing of these shares with the Stock Exchange.

(5 marks)

Answer:

- (i) Every listed company is need to maintain public shareholding of at least twenty-five per cent as per the Securities Contracts (Regulation) Rules, 1957 and so, balance can be held by promoter / promoter group.
In the above case the promoters can offer shares up to 3% of 1 crore shares i.e. 3 lakh shares of ₹ 10 each under QIP.
- (ii) No resolution is need to be passed by the Shareholders in case the QIP is through an offer for sale by the promoters for compliance with minimum public shareholding requirements.
- (iii) Since the shares offered are in offer for sale and hence, already listed, no further listing is required.

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2021 - Dec [4] (a) Mono Auto Limited raised ₹100 crores through an IPO with manufacturing of cars as one of its main objects. However due to economic downturn, the Company wants to change its objects to designing and supply of spare parts. Some of the shareholders have voted against this resolution for change in objects. Can the Company give such shareholders an option to exit. If so, what should be the exit price to be offered?

(3 marks)

Answer:

Payment of Incentive Regulation 59 of the SEBI (ICDR) Regulations, 2018 states that the promoters, or shareholders in control of an issuer, shall provide an exit offer to dissenting shareholders (who does not given a consent) as provided for in the Companies Act, 2013, in case of change in objects or variation in the terms of contract related to objects referred to in the offer document as per conditions and manner is stated in Schedule XX. Further Schedule XX prescribes the procedure and computation of exit price as follows:

The promoters or shareholders in control shall make the exit offer, to the dissenting shareholders, in cases only if a public issue has opened after April 1, 2014; if:

- (a) the proposal for change in objects or variation in terms of a contract, referred to in the offer document is dissented by at least 10 % of the shareholders who voted in the general meeting; and
- (b) the amount to be utilized for the objects for which the offer document was issued is less than 75 % of the amount raised.

The 'exit price payable to the dissenting shareholders shall be the highest of the following:

1. the volume-weighted average price paid or payable for acquisitions, whether by the promoters or shareholders having control or by any person acting in concert with them, during the fifty-two weeks immediately preceding the relevant date;
2. the highest price paid or payable for any acquisition, whether by the promoters or shareholders having control or by any person acting in concert with them, during the twenty-six weeks immediately preceding the relevant date;
3. the volume-weighted average market price of such shares for a period of sixty trading days immediately preceding the relevant date as traded on the recognised stock exchange where the maximum volume of trading in the shares of the issuer are recorded during such period, provided such shares are frequently traded;
4. where the shares are not frequently traded, the price determined by the promoters or shareholders having control and the merchant banker considering valuation parameters including book value, comparable trading multiples, and such other Hence, parameters as are customary for valuation of shares of such issuers.

Conclusion: Hence, Mono Auto Limited shall compute the exit price as stated above.

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2022 - June [1] X Ltd. wants to issue 1000 shares through a book built offer within a Price Band of ₹ 130 to ₹ 150. Bids are received as follows :

	Bid Price	No. of Shares	Total Demand
1	₹150	200	200
2	₹140	300	500
3	₹138	500	1000
4	₹130	1000	2000

- (a) What is the cut off price in this offer? Can the company decide the cut off at a lower price at which the issue is subscribed? Can the company allot the shares to the retail investors at a price that is at a discount to the cut off price?
- (b) What would be the allocation pattern, presuming the company fulfils the eligibility criteria regarding net tangible assets, average operating profit, net worth etc.?
- (c) What would be allocation pattern, if the company does not meet the criteria as mentioned above in question no. 1 (b)? **(5 marks each)**