

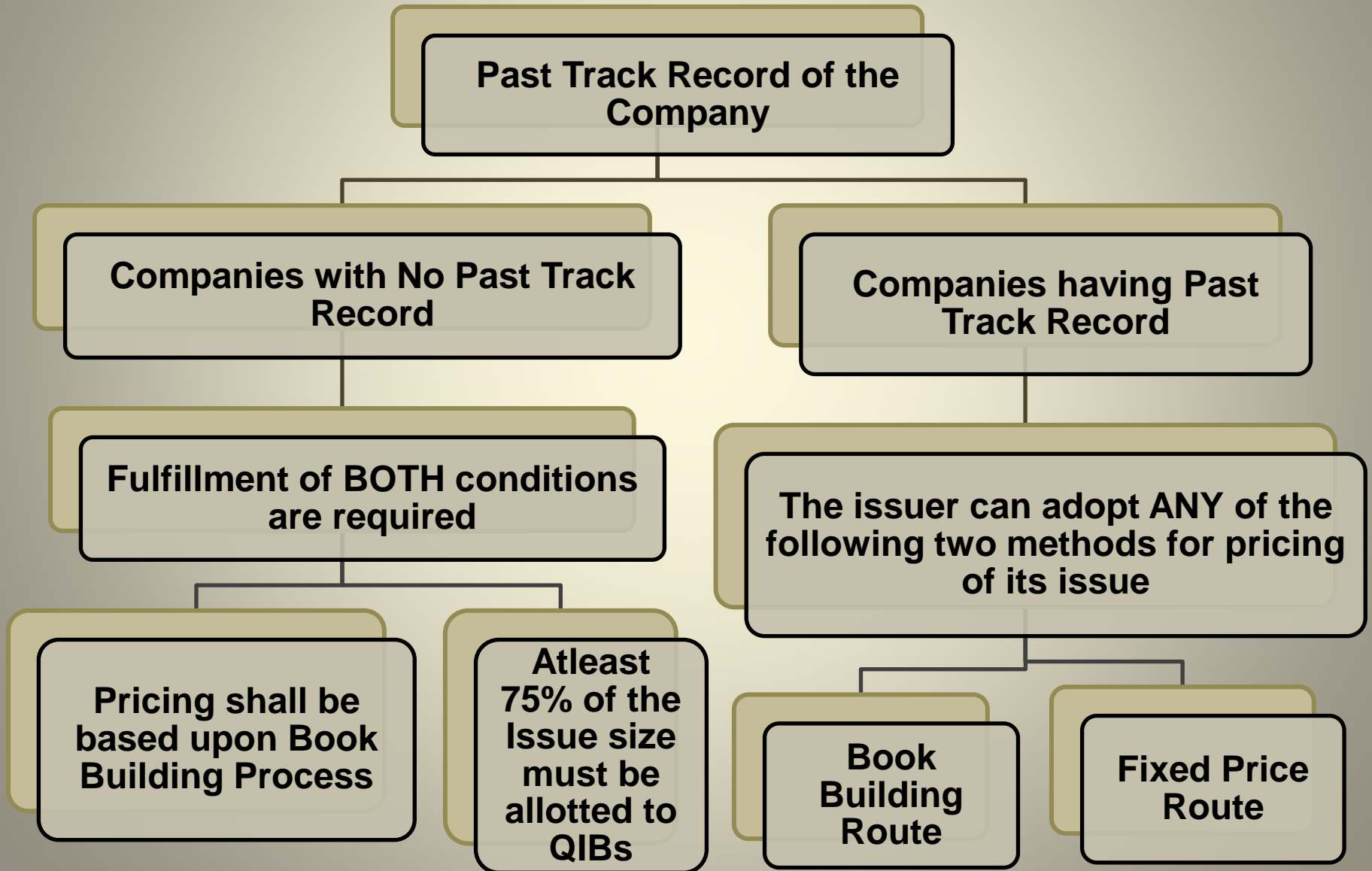
**SEBI (ISSUE OF CAPITAL  
AND DISCLOSURE  
REQUIREMENTS)  
REGULATIONS, 2009**



# SEBI Guidelines Broad Discussions Headings

1. Public Issue by the Companies
2. Rights Issue by existing Listed Companies
3. Bonus Issue by existing Listed Companies
4. Preferential Allotments
5. Issue of Indian Depository Receipts
6. Qualified Institutional Placements and Institutional Placement Programme
7. Issue Of Specified Securities By Small And Medium Enterprises

# Public Issues



# Public Issues

**Every Listed Co. in Pvt. Sector > 25% of the  
shareholding must be the public shareholding**

**[Rule 19 of the Securities Contracts**

**(Regulation) Rules, 1957]**

# Past Track Record - Conditions

➤ Net Tangible Assets	$\geq$ Rs. 3 crores in preceding 3 years of 12 months each
➤ Monetary Assets	$\leq$ 50% of Net Tangible Assets
➤ Net operating Profit after Tax (NOPAT)	$\geq$ Rs. 15 crores in 3 preceding years out of total of 5 preceding years of 12 months each
➤ Net Worth	$\geq$ Rs. 1 crore in preceding 3 full years each
➤ [Proposed Issue (+) Previous Issue] in the same Financial Year	$\leq$ 5 (x) Net Worth on Last Balance Sheet Date
➤ In case of change of name of the company in the last one year	Then at least 50% of the revenue of the previous financial year should be from the activity indicated by the new name
➤ No. of prospective allottees	$\geq$ 1000 [SEBI may relax this condition]
➤ Credit Rating from recognized agencies is required	
➤ No pendency with respect to conversion of debt instruments be existing	

## Illustration

Land & Buildings (after Depreciation & Impairment)	Rs. 2 Crores
Plant & Machinery (after Depreciation & Impairment)	Rs. 1 Crores
Patents and Trademarks	Rs. 2 Crores
Trade Receivables (after prov. for Doubtful Debts)	Rs. 6 Crores
Cash and Cash Equivalents	Rs. 1 Crores
<b>Total Assets (Net)</b>	<b>Rs. 12 Crores</b>
<b>Total Tangible Assets (Net)</b>	<b>Rs. 10 Crores</b>
<b>% of Monetary Assets [ (6/ 10) x 100]</b>	<b>60%</b>

# Minimum Subscription

- Receive  $\geq$  90% of the Offer Size;
- Else refund whole amount of application money:
  - a) within 15 days of the closure of the issue, if the issue is not underwritten;
  - b) within 70 days of the closure of the issue, if the issue is underwritten

# QIBs

- MF, VCF, AIF, FVCI;
- FPI;
- PFI;
- SCB;
- DFI;
- SIDC;
- Ins. Co.;
- Pr.F and Pn.F with corpus > 25 cr.; etc.



**Q.6, Pg 605:** Following information is available from the Records of Star Chemicals & Engineering Ltd.:

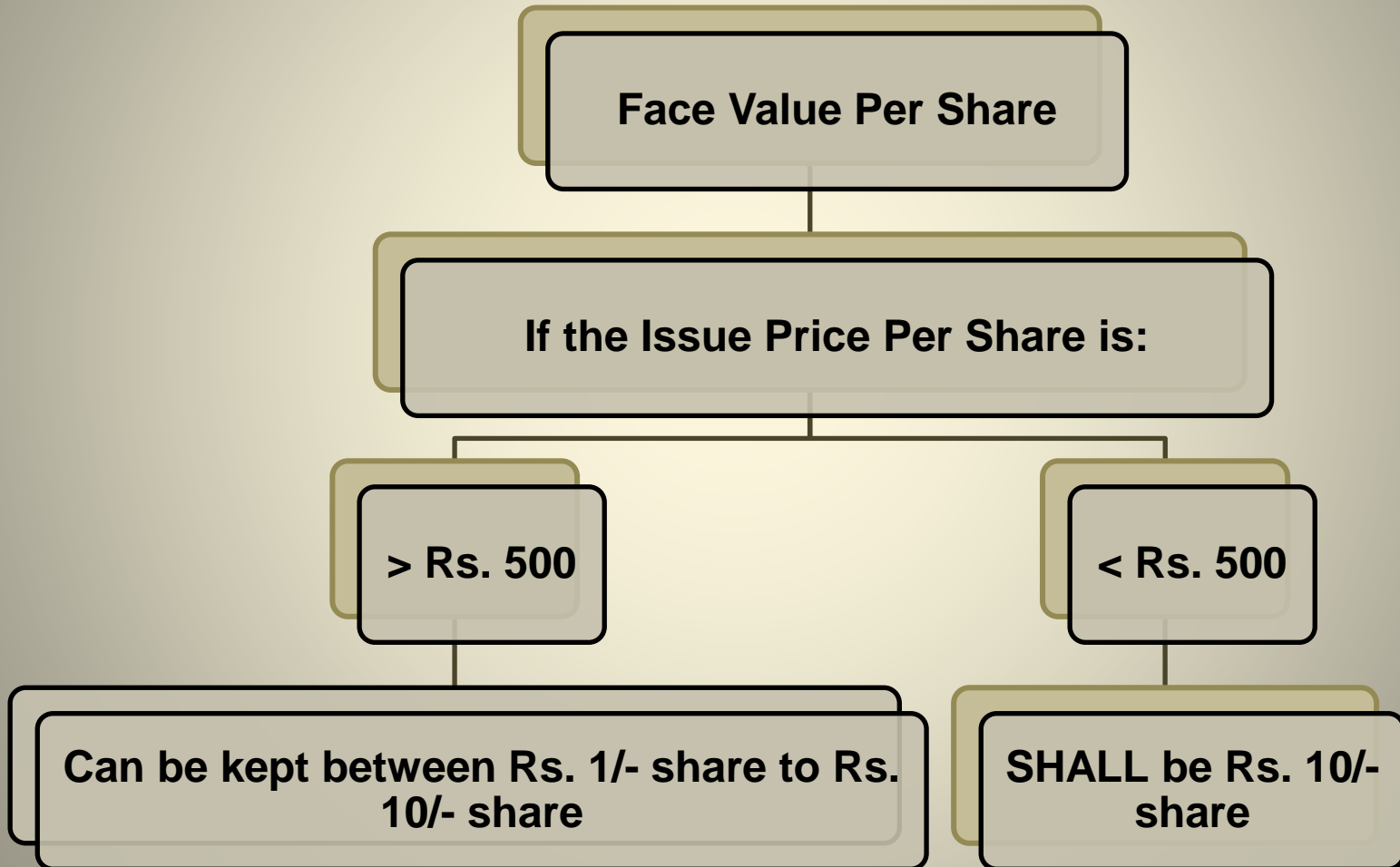
- a) The company is a closely held unlisted company.
- b) The paid-up share capital of the company since 1.4.99 is 3 cr. and its net worth as at 31.3.2008 was 5 cr. as per audited Balance Sheet.
- c) The Net Tangible Assets of the company as per last 3(three) audited Balance Sheets as at 31<sup>st</sup> March, 2005, 2006 and 2007 were 4.00 crores, 4.50 crores and 5.00 crores respectively, out of which monetary assets were less than 50 lacs in each of the three years.

- d. The company was incorporated in 1996 and commenced its business on 1st April, 1996 and since then it has earned good profits and it has not incurred any loss in any year in past.
- e. The company has not declared any dividend so far, but according to the profits earned so far, the management could have declared the dividend in each of the last five years.
- f. The name of the company was changed from Star Engineering Ltd. to its present name with effect from 1st January, 2007
- g. The company's turnover in the years ended 31st March, 2006, 2007 and 2008 was 20 crores, 30 crores and 35 crores respectively.

The company wants to make a public issue of shares to raise Rs. 20.00 crores by issuing equity shares at premium. For the purpose of including the information in the prospectus, the Company has prepared its accounts for 12 months ended 31st December, 2007 showing segment wise revenue which reveals that revenue from chemical segment is more than the revenue from Engineering segment.

You are required to state the relevant guidelines issued by SEBI and your conclusion whether the Company can make the desired issue of equity shares based on the facts stated above.

# Pricing of the Issue



# Pricing of the Issue

1. The Issuer shall mandatorily disclose the following in the offer document: “The Issue Price per share is Rs. ‘X’ times of Face Value per share.”
2. SEBI has clarified that the requirement of fixing Face Value per share shall not be applicable to the following;
  - Government Company
  - An statutory authority or corporation
  - Any special purpose vehicle which is engaged in Infrastructure sector

# Price Band

The Price Band would be having two prices namely:

Floor Price

Cap Price

The lower range of such Price Band is known as Floor Price and the upper range is known as Cap Price

Cap Price < 120% of Floor Price

Floor Price > Face Value



## **SAMVARDHANA MOTHERSON FINANCE LIMITED**

Our Company was incorporated as a public limited company under the Companies Act, 1956, as amended (the “Companies Act”) on December 9, 2004 as ‘Samvardhana Motherson Finance Limited’ and was granted a certificate of commencement of business on December 23, 2004 by the Registrar of Companies, National Capital Territory of Delhi and Haryana (“RoC”). Registered Office: 2nd Floor, F-7, Block B-1, Mohan Cooperative Industrial Estate, Mathura Road, Delhi 110 044, India. Telephone: +91 11 4055 5940; Facsimile: +91 11 4055 5940 For further details in relation to the changes of our Registered Office, see the section titled “History and Certain Corporate Matters” on page 175. Corporate Office: C-1, A&B, Sector 1, Noida, Gautam Budh Nagar, Uttar Pradesh 201 301, India. Telephone: +91 120 6752 218; Facsimile: +91 120 2445 160 Contact Person and Compliance Officer: Pooja Mehra, Company Secretary; Telephone: +91 120 6752 293; Facsimile: +91 120 2445160 E-mail: [compliance@smfl.in](mailto:compliance@smfl.in); Website: [www.smfl.in](http://www.smfl.in)

**To be continued**



## SAMVARDHANA MOTHERSON FINANCE LIMITED

**PROMOTERS OF OUR COMPANY: VIVEK CHAAND SEHGAL, RENU SEHGAL AND LAKSH VAAMAN SEHGAL**

PUBLIC ISSUE OF [●] EQUITY SHARES OF FACE VALUE OF ` 10 EACH (“EQUITY SHARES”) OF SAMVARDHANA MOTHERSON FINANCE LIMITED (“OUR COMPANY” OR THE “ISSUER”) FOR CASH AT A PRICE OF ` [●] PER EQUITY SHARE INCLUDING A SHARE PREMIUM OF ` [●] PER EQUITY SHARE, AGGREGATING ` 16,650 MILLION\* (THE “ISSUE”) COMPRISING OF A FRESH ISSUE OF [●] EQUITY SHARES BY OUR COMPANY AGGREGATING ` 13,440 MILLION\* (THE “FRESH ISSUE”) AND AN OFFER FOR SALE OF [●] EQUITY SHARES (THE “OFFER FOR SALE”) BY RADHA RANI HOLDINGS PTE LTD (THE “SELLING SHAREHOLDER”) AGGREGATING ` 3,210 MILLION\* . THE ISSUE INCLUDES A RESERVATION OF UP TO 5% OF THE ISSUE SIZE CONSTITUTING [●] EQUITY SHARES FOR SUBSCRIPTION BY THE ELIGIBLE SHAREHOLDERS (AS DEFINED IN “DEFINITIONS AND ABBREVIATIONS”, AND SUCH PORTION THE “SHAREHOLDER RESERVATION PORTION”). THE ISSUE LESS THE SHAREHOLDER RESERVATION PORTION IS REFERRED TO AS THE “NET ISSUE”. THE ISSUE AND THE NET ISSUE SHALL CONSTITUTE [●]% AND [●]%, RESPECTIVELY, OF THE POST-ISSUE PAID UP CAPITAL OF OUR COMPANY.

\* Subject to such revisions as permissible under the SEBI Regulations

**To be continued**





## SAMVARDHANA MOTHERSON FINANCE LIMITED

Eligible shareholders are retail individual shareholders of Motherson Sumi System Limited, as on April 20, 2012, who are individuals resident in India and physically present in India on the date of submission the Bid cum Application Form and who Bid for an amount not exceeding Rs.2,00,000.

PRICE BAND: Rs. 113 TO Rs. 118 PER EQUITY SHARE OF FACE VALUE OF Rs. 10 EACH  
THE FACE VALUE OF THE EQUITY SHARES IS Rs. 10 EACH AND THE ISSUE PRICE IS [\*]  
TIMES THE FACE VALUE.

THE FLOOR PRICE IS 11.3 TIMES OF THE FACE VALUE AND THE CAP PRICE IS 11.8  
TIMES OF THE FACE VALUE BIDS CAN BE MADE FOR A MINIMUM 50 EQUITY SHARES  
AND IN MULTIPLES OF 50 EQUITY SHARES THEREAFTER.

# Announcement about Prices

**Either**

**In the  
Prospectus  
or Offer  
Document**

**Or**

**The Price shall be  
physically announced  
in the following manner**

**In case of IPO, at  
least 5 working days  
before the opening of  
the offer**

**In case of FPO, at least 1  
working day before the  
opening of the offer**

# Differential Pricing

## Types of Investors

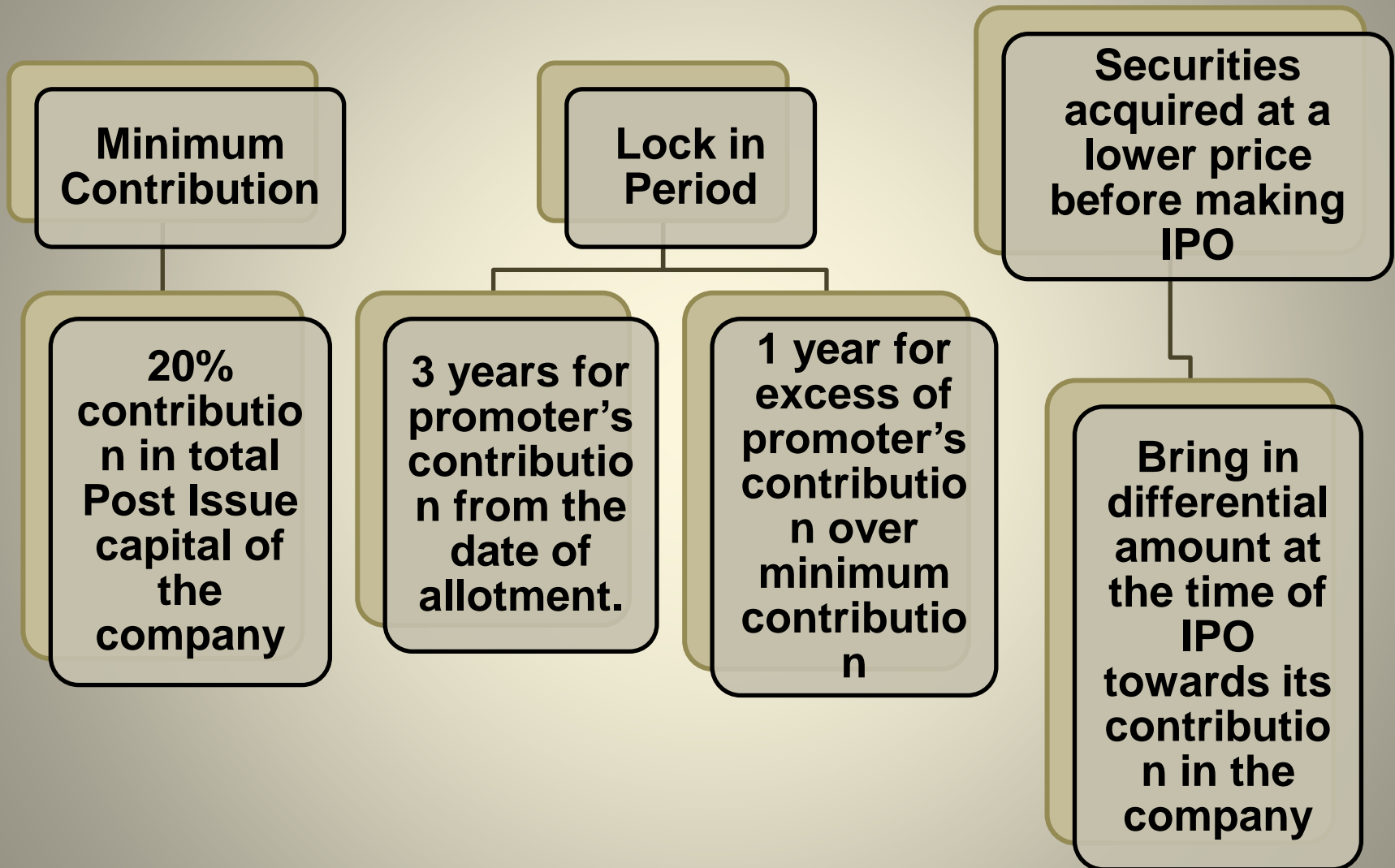
### Retail Individual Investors

The price of shares can be lower than the price offered to others. However, such difference cannot be more than 10% of the price under allotment

### Anchor Investors

The issue price shall not be lower than the price being offered to others

# Conditions for Promoter's Contribution



## Case Study

Pre Issue Capital before IPO existing on 31.3.2014 [100% held by Promoters]	Rs. 5 Crores
Post Issue Capital after IPO of Rs. 95 Crores being made on 30.6.2014	Rs. 100 Crores
Minimum Shareholding Required by the Promoters [20%]	Rs. 20 Crores
Lock In Period for whole 20%	3 years till 29.6.2017

## Case Study

Pre Issue Capital before IPO existing on 31.3.2014 [100% held by Promoters] = [A]	Rs. 500 Crores
IPO made after SEBI approval on 30.6.2014	Rs. 500 Crores
Post Issue Capital [500 cr. (+) 500 cr.] = [B]	Rs. 1000 Crores
Promoters' Shareholding after IPO [%]	50% [A/ B (x) 100]
Minimum Shareholding Required by the Promoters [20%]	Rs. 200 Crores [20% of Rs. 1000 cr.]
Promoters' Shareholding in excess of Minimum Contribution [50% - 20% = 30%]	Rs. 300 Crores [500 cr. – 200 cr.]
Lock In Period	<input type="checkbox"/> 20% for 3 years till 29.6.2017; <input type="checkbox"/> 30% for 1 year till 29.6.2015

**Post Issue Shareholding by promoters < 20%**



**AIFs can contribute upto 10%**

**Securities ineligible for minimum promoters' contribution**

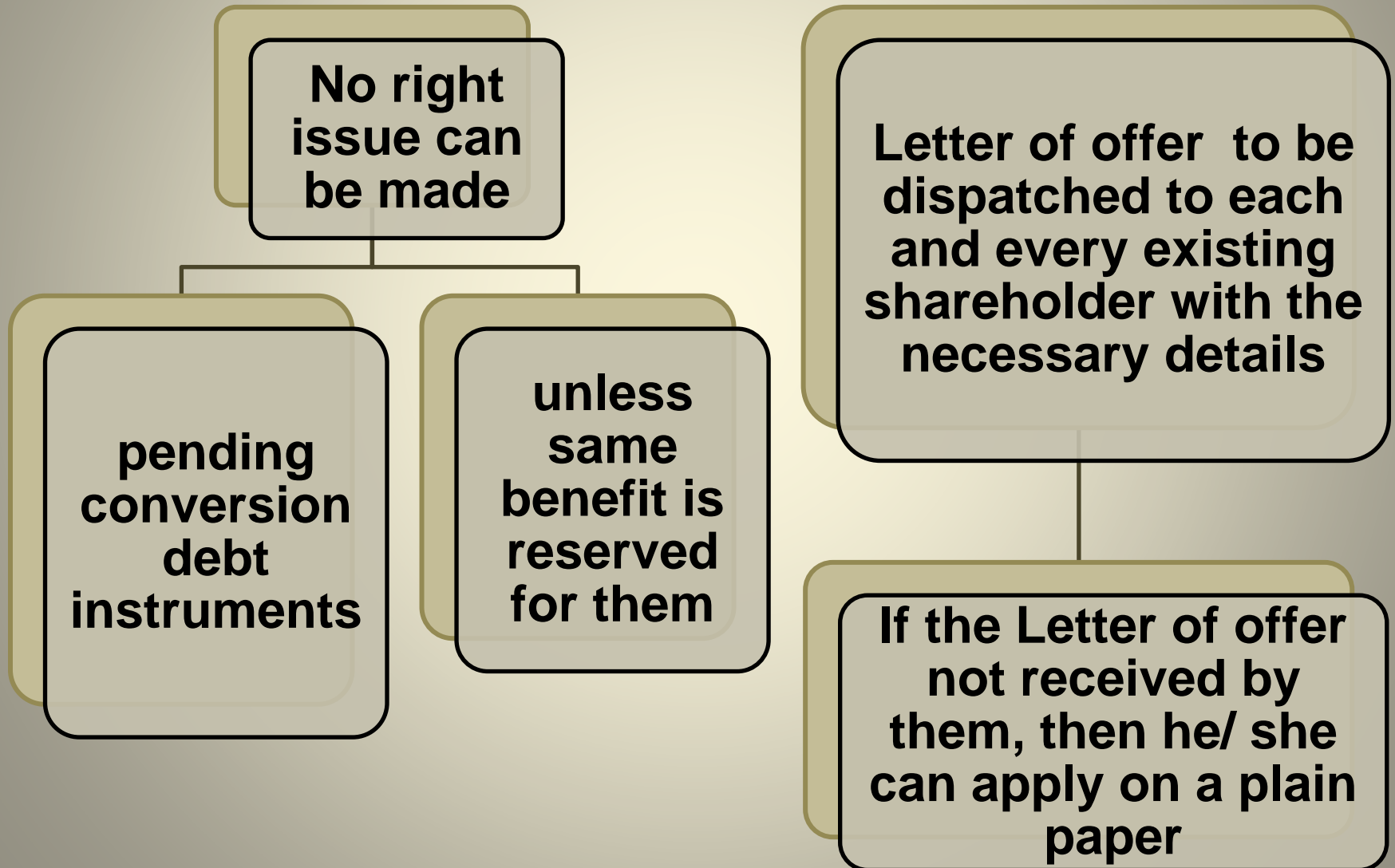
**acquired for consideration other than cash**

**resulting from a bonus issue**

**acquired by promoters and AIFs in last one year at a price < the price at which offered to public in the IPO**

**securities pledged with any creditor**

# Right Issue by Existing Listed Companies





# Right Issue by Existing Listed Companies

**Advertisement by mode of Public Notice shall have to be given:**

**Time Period for keeping the Issue Open**

In English newspaper having nationwide circulation

In Hindi newspaper having nationwide circulation

In Regional newspaper having wide circulation

Min. Period:  
15 days

Max. Period:  
30 days

# Bonus Issue By Existing Listed Companies

**All of the following conditions need to be complied with**

**AOA must permit else shareholder's approval through SR will be required**

**Only Revenue reserves / Securities Premium/ realized capital reserves can be utilized for bonus issues**

**No partly paid-up shares should exist**

**No bonus issue, pending conversion of debt instruments unless same benefit reserved for them**

**No default in repayment of statutory dues, employee dues and repayment of principal and interest on fixed deposits and debt securities**

# Bonus Issue By Existing Listed Companies

Bonus issue once declared cannot be withdrawn without the consent of shareholders

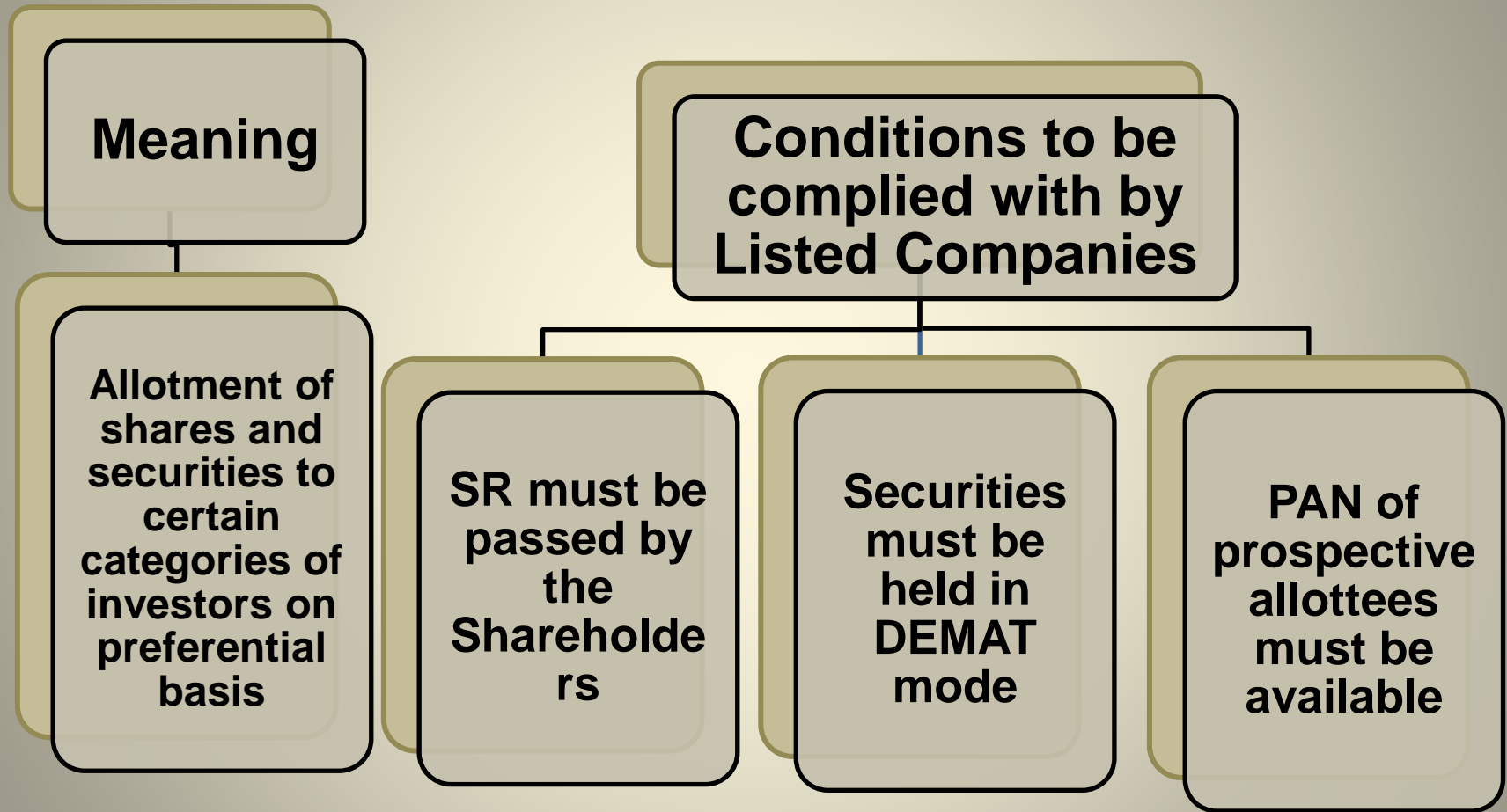
Decision for Bonus Issue shall be implemented in the following manner

Further, as per SEBI mandate, bonus shares shall be issued within 6 months from the date of passing of Board Resolution

Within 15 days from the passing of Board Resolution, if shareholders' approval is not required

Within 2 months from the passing of Board Resolution, if shareholders' approval is required

# Guidelines for Preferential Issue



# Pricing for Preferential Allotment

**Companies Listed for > 2 weeks but < 26 weeks**

**Pricing shall not be less than higher of the following**

**The average of weekly high and low prices of the actual period of listing**

**The average of weekly high and low prices of the preceding 2 weeks**

# Pricing for Preferential Allotment

**Companies actually completes listing period for = 26 weeks**

**Price per share shall be recomputed and the difference, if any, shall be brought in by concerned shareholder**

**If the difference is on a lower side, then the company shall not refund to the concerned shareholder**

# Pricing for Preferential Allotment

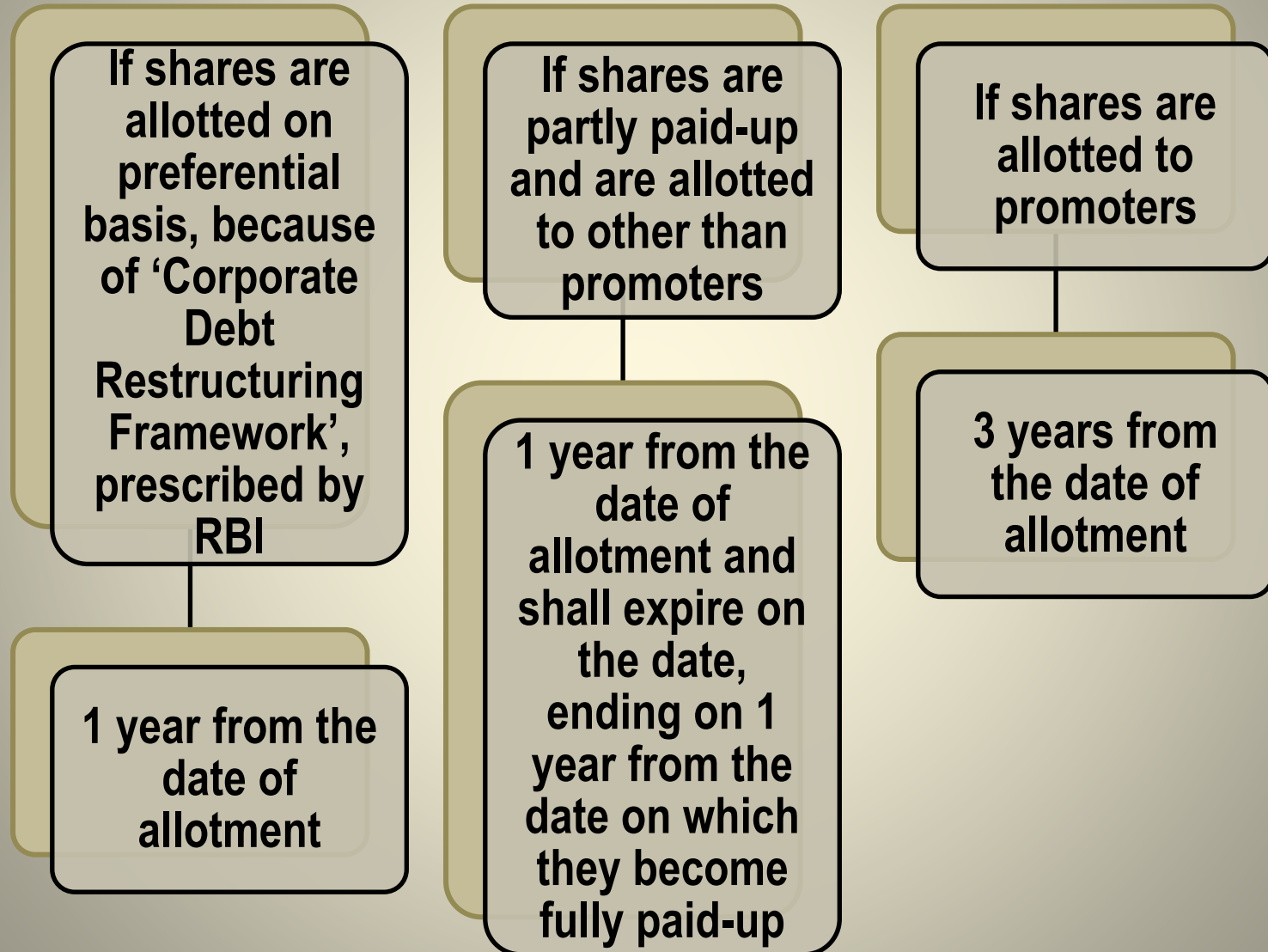
**Companies Listed for  $\geq$   
26 weeks**

**Pricing shall not be less than  
higher of the following**

**The average of weekly  
high and low prices of  
the preceding 26 weeks**

**The average of weekly  
high and low prices of  
the preceding 2 weeks**

# Lock in Period for Preferential Allotment





**Kingfisher Airlines  
Limited**



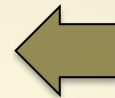
**Borrowed  
From**



**PNB  
Limited**



**Under SDR Scheme, PNB  
Limited decided to convert  
NPA into 51% Equity on  
1.1.2016**



**Such borrowings  
became NPA in PNB  
Limited's Books**



**KFA Limited made allotment on  
1.1.2016 through Preferential  
Allotment**



**PNB Limited  
cannot sell such  
equity shares for  
1 year upto  
1.1.2017**

# Issue of Indian Depository Receipts (IDRs)

The prescribed conditions are

Issue size > Rs. 50 crores

Track Record of having divisible profits in at least 3 preceding years out of 5 preceding years

Market capitalization  $\geq$  USD 100 million in its home country

Net worth > USD 15 million in its home country

No prohibition in the country to access capital markets

# Qualified Institutional Placements and Institutional Placement Programme

## Qualified Institutional Placements

Issue Size < Rs. 250 crores: at least 2 QIB Allottees

Issue Size  $\geq$  Rs. 250 crores: at least 5 QIB Allottees

SR needs to be passed

Approval from Stock Exchange is required

Institutions belonging to same group or under same control, shall not be counted as multiple allottees

## Institutional Placement Programme

Minimum Allottees – 10

SR needs to be passed

# Qualified Institutional Placements and Institutional Placement Programme

1. Partly paid up shares cannot be issued under these programmes
2. In case of over subscription, allotment of not more than 10% of the offer size shall be made by the seller
3. Pricing shall be made on the basis of average of weekly high and low prices of preceding 2 weeks
4. Lock-in period shall be one year from the date of allotment

**Axis Group**

```
graph TD; A[Axis Group] --- B[Axis Mutual Fund]; A --- C[Axis Capital - VCF]; B --- D[Shall be counted as 1 QIB and not 2 QIBs]; C --- D;
```

**Axis Mutual Fund**

**Axis Capital – VCF**

**Shall be counted as 1 QIB and not 2 QIBs**

# Qualified Institutional Placements and Institutional Placement Programme

- **QIP** = no single allotment shall exceed 50% of the offer size;
- **IPP** = no single allotment shall exceed 25% of the offer size

# Differences between IPO/ FPO, IPP and QIP

Subject	IPO/ FPO	IPP	QIP
Nature of offer	Public offer		Private Placement
Eligible companies	All Listed Cos.	Listed Cos. currently not in compliance with minimum public holding requirements	Listed Cos. in compliance with minimum public holding requirements
Eligible investors	Retail, QIBs and Non-Institutional	Only QIBs	Only QIBs
Pricing Restrictions	Declare price band at least one day prior to the opening of the issue		Price $\geq$ Avg. of weekly high & low prices in preceding 2 weeks

# Issue Of Specified Securities By Small And Medium Enterprises (SME)

Applicability for Issuer

Post-Issue Face Value of Capital

< Rs. 10 Crores

Issuer **shall** issue its specified securities in accordance with provisions of this Chapter

> Rs. 10 Crores and < Rs. 25 Crores

Issuer **may** also issue its specified securities in accordance with provisions of this Chapter



# Issue Of Specified Securities By Small And Medium Enterprises (SME)

## Conditions to be complied with:

- Application Value:  $\geq$  Rs. 1 Lakh per application
- Allottees:  $\geq$  50
- Appoint underwriters/ other nominated investors through Merchant Banker
- The issue shall be 100% underwritten
- Merchant banker(s) itself to underwrite  $\geq$  15% of the issue size
- If other underwriters fail then merchant banker shall fulfil the underwriting obligations

# **Issue Of Specified Securities By Small And Medium Enterprises (SME)**

- The other underwriters and the nominated investors, shall not subscribe to this issue made in any other manner
- Underwriting arrangements shall be disclosed in the offer document
- The merchant banker shall file an undertaking to the Board that the issue has been 100% underwritten along with the list of underwriters and nominated investors indicating the extent of underwriting or subscriptions commitment made by them, one day before the opening of issue

## Migration to Main Board:

1. By passing SR through Postal Ballot
2. Shareholders other than promoters shall be counted for above
3. Votes in Favor  $\geq$  2 (x) Votes Against

# Merchant Bankers

- The Major Merchant Banking activities which the Bank offers to its clients are:
  - 1) Issue Management - Management of Public Issues i.e. IPOs, FPOs, Right Issues, etc.
  - 2) Escrow Collecting Bank
  - 3) Payment of Dividend Warrants/ Interest Warrants/ Refund Orders
  - 4) Debenture Trustee
  - 5) Underwriting

LISTING BY SME ON  
INSTITUTIONAL TRADING  
PLATFORM  
WITHOUT IPO

**Institutional Trading Platform = new window on stock exchanges where e-commerce, data analytics, biotechnology and other startups can list and trade on their shares**

**Non-Public Issue Mode**

**Only institutional investors can be the investors**

**Min. public shareholding provisions – N.A.**

**Public Issue Mode**

**Institutional Investment = 75%;  
Non-institutional investment = 25%**

**Application size > 10 lakhs and  
Allottees > 200**

**Other Conditions for  
Public Issue Mode**

**Under subscription available for  
Institutional Investors**

**Allotment  
to**

**institutional  
investors**

**may be on a  
discretionary  
basis but < 10% of  
issue size**

**non-  
institutional  
investors**

**shall be on a  
proportionate  
basis**

**Lock in of  
pre-issue  
capital upto  
6 months**

**RSE may delist the  
entity's securities  
for non-compliance**

**Promoter/ Director of  
such delisted entity if  
joins another entity  
then such other entity  
cant opt for ITP for next  
5 years**

**Eligible Companies**

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graph TD; A[Eligible Companies] --> B[Listing without public issue]; A --> C[Listing with public issue]; C --> D[Application size > 10 lakhs]; C --> E[Allottees > 200]; D --> F[75% allotment to institutional investors]; E --> F; E --> G[25% allotment to non-institutional investors];
```

**Listing without  
public issue**

**Listing with  
public issue**

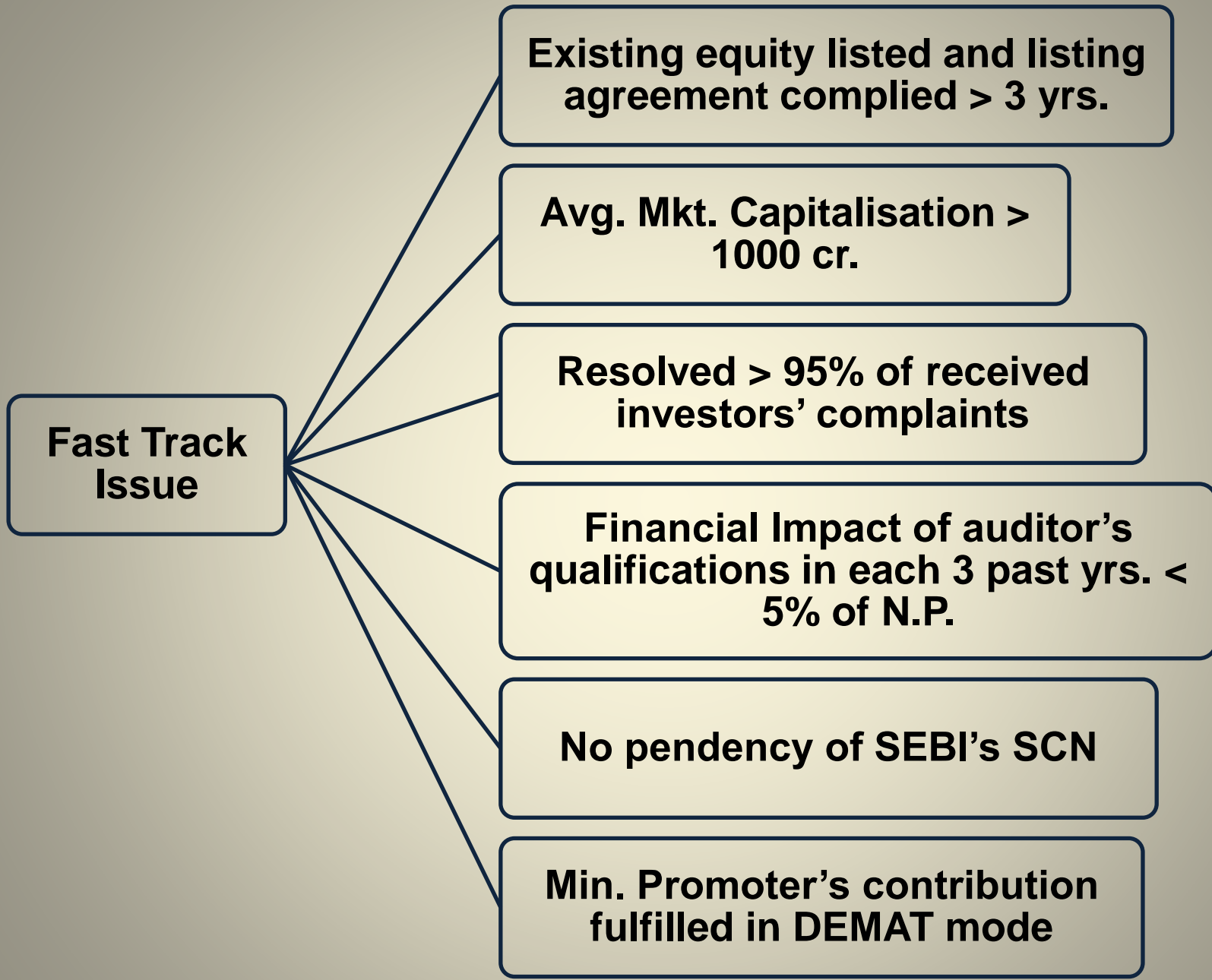
**Application size  
> 10 lakhs**

**Allottees > 200**

**75% allotment to  
institutional investors**

**25% allotment to non-  
institutional investors**





# Green Shoe Option or Price Stabilization Mechanism [Regulation 45]

- 1) GM approval;
- 2) Appointment of **merchant banker as a stabilizing agent** to be responsible for such mechanism;
- 3) Agreement with stabilizing agent about the **maximum number of specified securities (only in DEMAT mode) that may be borrowed by him** for the purpose of allotment or allocation;
- 4) Prescribed disclosures to be made in Offer Document;
- 5) **Stabilization process** shall be available for a period of **upto 30 days**;
- 6) Stabilizing agent to **submit a daily report to SE** during the stabilization period and a **final report to SEBI** in the prescribed format

# Safety Net Arrangements [Regulation 44]

- “Safety Net Arrangement” means an arrangement provided by the issuer under which a person offers to purchase specified securities from the original resident retail individual allottees at the issue price;
- A maximum of 1,000 securities per original resident retail individual investor, in an IPO, is to be covered under the arrangement;
- This buyback will be at the issue price and is to be exercised within a period of 6 months from the date of dispatch of securities

# Warrants Issues

- 'Warrant' is a derivative security that gives the holder the **right to purchase securities** (usually equity) from the issuer:
  1. at a specific price; and
  2. within a certain time frame;
- Warrants **may be issued along with public issue or rights issue** of specified securities subject to the following:
  1. the tenure of such warrants shall not exceed 18 months from their date of allotment in the public/rights issue;

# Warrants Issues

2. not more than one warrant shall be attached to one specified security;
3. the price or conversion formula of the warrants shall be determined upfront (i.e. immediately) and at least 25% of the consideration amount shall also be received upfront;
4. in case the warrant holder does not exercise the option to take equity shares against any of the warrants held by him, the consideration paid in respect of such warrant shall be forfeited by the issuer

**SEBI (ISSUE OF CAPITAL AND DISCLOSURE  
REQUIREMENTS) (SECOND AMENDMENT)  
REGULATIONS, 2016:**

**CONDITIONS AND MANNER OF PROVIDING  
EXIT OPPORTUNITY TO DISSENTING  
SHAREHOLDERS [CHAPTER VI-A OF SEBI  
(ICDR) REGULATIONS, 2009]**

# Conditions

- **Trigger point:** change in objects or variation in terms of a contract, referred to in the prospectus is approved by SR;
- **Public issue** was made **on or after 1.4.2014**;
- **Number of Dissenting Shareholders**  $\geq 10\%$ ;
- **Amount of IPO used**  $< 75\%$  of total amount raised;
- The **tendering period** shall start not later than 7 working days from the passing of SR and shall remain open for 10 working days;

# Conditions

- **Exit price:** highest of the following:
  1. Vol. Weighted Avg. Price of past 52 weeks;
  2. Vol. Weighted Avg. Price of past 26 weeks;
  3. Vol. Weighted Avg. Price of past 60 trading days if shares are frequently traded;
  4. Valuation parameters if shares are infrequently traded