

— FAQ'S

Funding Options

Issues of Shares

1. What are the different kinds of issues which can be made by an Indian company in India?

The different kind of issues which can be made by an Indian company in India are illustrated below: 1) Public Issue: Includes Initial Public Offering (IPO) & Further Public Offering (FPO) 2) Rights Issue 3) Composite Issue 4) Bonus Issue 5) Private Placement: Includes Preferential issue, Qualified Institutional Placement 6) Institutional Placement Program

2. What is a Public Issue?

A Public Issue is an issue / offer of shares or convertible securities made available to new investors for becoming part of shareholders' family of the issuer. It further includes: 1) IPO: an unlisted company making either a fresh issue of shares or convertible securities offers its existing shares or convertible securities for sale or both for the first time to the public. Issuer's shares or convertible securities can now be listed or traded on Stock Exchanges. 2) FPO: an already listed company making either a fresh issue of shares or CS to the public or an offer for sale to the public.

3. What is a Right Issue?

A Right Issue is an issue of shares or convertible securities to existing shareholders as on a particular date (record date) fixed by the issuer. The rights are offered in a particular ratio to the number of shares or convertible securities held as on the record date.

4. What is a Composite Issue?

A Composite Issue is an issue of shares or Convertible Securities on Public-cum-Right basis, wherein the allotment in both Public Issue and Rights Issue is proposed to be made simultaneously.

5. What is a Bonus Issue?

A Bonus Issue is an issue of shares to its existing shareholders without any consideration based on the number of shares already held by them as on a record date. 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.

6. What is a Private Placement?

A Private Placement is the issue of shares or convertible securities to a select group of persons not exceeding 49. It is neither a Rights Issue nor a Public Issue. Private Placement can be of three types namely: 1) Preferential allotment: When a listed issuer issues shares or convertible securities, to a select group of persons in terms of provisions of Chapter VII of SEBI (ICDR) Regulations, 2009, 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. 2) Qualified institutions placement (QIP): When a listed issuer issues equity shares or non-convertible debt instruments along with warrants and convertible securities other than warrants to Qualified Institutions Buyers only, in terms of provisions of Chapter VIII of SEBI (ICDR) Regulations, 2009, it is called a QIP. 3) 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 qualified institutional buyers in terms Chapter VIII A of SEBI (ICDR) Regulations, 2009 for the purpose of achieving minimum public shareholding, it is called an IPP.

7. What is an Offer Document?

Offer document' is a document which contains all the relevant information about the company, promoters, projects, financial details, objects of raising the money, terms of the issue, etc. and is used for inviting subscription to the issue being made by the issuer. Offer Document' is called "Prospectus" in case of a Public Issue and "Letter of Offer" in case of a Rights Issue.

8. What is a Draft Offer Document, Red Herring Prospectus, Prospectus and Letter of Offer? How are they different from one another?

1) Draft Offer Document : It is an offer document filed with SEBI for specifying changes, if any, in it, before it is filed with the Registrar of Companies (ROCs). 2) Red Herring Prospectus: It is an offer

document used in case of a Book Built Public Issue. It contains all the relevant details except that of price or number of shares being offered. It is filed with RoC before the issue opens. 3) Prospectus: It is an offer document in case of a Public Issue, which has all relevant details including price and number of shares or Convertible Securities being offered. This document is registered with RoC before the issue opens in case of a fixed price issue and after the closure of the issue in case of a Book Built issue. 4) Letter of offer: It is an offer document in case of a Rights Issue of shares or Convertible Securities and is filed with stock exchanges before the issue opens.

9. Is a listed company making a rights issue required to satisfy any entry norm?

No, there is no entry norm for a listed company making a Rights Issue.

10. Are there any mandatory provisions which an issuer is expected to comply before making an issue?

Yes, there are mandatory provisions which an issuer is expected to comply before making an issue w.r.t. Minimum Promoter's contribution and lock-in period: 1) Public issue by an Unlisted Issuer: Promoters shall contribute not less than 20% of the post issue capital which should be locked in for a period of 3 years. The remaining pre issue capital of the promoters should also be locked in for a period of 1 year from the date of listing. 2) Public issue by a Listed Issuer: Promoters shall contribute not less than 20% of the post issue capital or 20% of the issue size. Please refer to page 8 of link1 or clause 32 and 36 of link2 for more information.

11. Which are the intermediaries involved in an issue?

The intermediaries (registered with SEBI) involved in an issue, are Merchant Bankers to the issue (known as Book Running Lead Managers (BRLM) in case of book built public issues), Registrars to the issue, and Bankers to the issue & Underwriters to the issue who are associated with the issue for different activities. Their addresses, telephone/fax numbers, registration number, and contact person and email addresses are disclosed in the offer documents. i) Merchant Banker: Merchant banker does the due diligence to prepare the offer document which contains all the details about the company. They are also responsible for ensuring compliance with the legal formalities in the entire issue process and for marketing of the issue. ii) Registrars to the Issue: They are involved in finalizing the basis of allotment in an issue and for sending refunds, allotment details, etc. iii) Bankers to the Issue: The Bankers to the Issue enable the movement of funds in the issue process and therefore enable the registrars to finalize the basis of allotment by making clear funds status available to the Registrars. iv)

Underwriters: Underwriters are intermediaries who undertake to subscribe to the securities offered by the company in case these are not fully subscribed by the public, in case of an underwritten issue. Please refer to page 22 of link for more information.

12. In case, the company has not issued shares to the public and it is not listed on the stock exchange, can an application be made for convertible securities in the company?

Yes, an application can be made for public issue of convertible securities even if the company has not issued shares to the public and is not listed on the stock exchange. Please refer to page 9 of link for more information

