



From The Editor's Desk

Dear Reader,

The term Initial Public Offering (IPO) has been a buzzword amongst the investors for decades. It is the process where a privately held company becomes a publicly traded company with the initial sale of its stock. An IPO is a tool that companies use to secure capital through investments for future use. In most instances, this investment is used to expand or improve the business. Market experts provide ratings for different upcoming IPOs which tend to be one of the reasons to subscribe for retail investors.

Market Regulator, Securities and Exchange Board of India (SEBI) says on its website: ***"...Irrespective of the grade obtained by the issuer, the investor needs to make his/her own independent decision regarding investing in any issue after studying the contents of the prospectus, including risk factors, carefully."*** In other words, IPO rating is, at the most, an add-on.

Indian Securities market has witnessed introduction of some important institutional mechanisms in the early part of this millennium in the realms of primary market & secondary market as well. These initiatives were aimed at bringing in the best practices and making the Indian Capital Market comparable to the global markets. An important reform in the primary market sphere is the introduction of Book Building process of issuing shares. Book Building involves soliciting from the professional investors how many shares they are willing to buy and at what price. On the basis of the resulting demand curve, the firm and its investment bankers determine the IPO price. Book Building process helps the Issuer not only to determine the demand but also aids the process of **'price discovery'** i.e. the price at which shares shall be issued will be determined by the demand and supply forces of the market. A retail investor can bid in a book-built issue for a value not more than ₹2,00,000. Any bid made in excess of this will be considered in the HNI category.

This issue of Kaleidoscope will provide more such insights on different aspects of IPO and Applications Supported by Blocked Amount (ASBA) thus guiding the investor to invest in companies through IPOs.

Best Regards,
NSDL

Background

India is a promising market when it comes to commodity, currency, equity or derivatives. This means that in the coming decade, exchanges engaged in these asset classes will only see higher growth as more and more investors take to investing. Beginning of 2017 has proved to be yet another good year for IPOs as some of the well-known names like Bombay Stock Exchange (BSE), D-Mart's parent company Avenue Supermarts have given tremendous returns to investors on the day of the listing. Among the other companies (some of them already armed with a SEBI approval) coming to tap the primary market this year includes India's premier stock exchange; National Stock Exchange, Cochin Shipyard Ltd. etc. Looking back, 2016 turned out to be a good year for IPOs both in terms of funds raised and performance & we anticipate that this trend will continue in 2017 too.

Before we go into the detailing of the IPO, let's understand what an IPO is. An IPO, or Initial Public Offering, is an invitation to the public to subscribe to a company's share capital. When these needs are large, companies need to approach investors to finance their future fund requirements. In return, investors can expect a share of the company's future profits through dividends, and capital growth through stock price appreciation.

The company management is responsible for running the business well, with healthy revenue and profit growth. In turn, this induces more investors to participate in that business by buying the company's shares in the stock market (secondary market). The result: **share price appreciation**. When investors are highly confident of both the prospects of the company's business and its management's ability to deliver on that potential, the scope for future share price appreciation tends to get factored into the price of the newly-issued shares as soon as they are listed on the stock exchange.

Overview of IPO:

"An initial public offering (IPO), referred to simply as an "offering" or "flotation", is when a company (called the issuer) issues common stock or shares to the public for the first time."

A corporate may raise capital in the primary market by way of an Initial Public Offer (IPO), rights issue or private placement. An IPO is the selling of securities to the public in the primary market. It is the largest source of funds with long or indefinite maturity for the company. Requirement of funds in order to finance the business activities motivates entrepreneurs to approach the new issue market. Initial Public Offer (IPO) is a route for a company to raise capital from investors to meet the expenses of its projects and to get a global exposure by getting listed in the Stock Exchange.

IPOs are issued by smaller, younger companies seeking capital to expand, as well as by large privately owned companies looking to expand & become publicly traded. When a company lists its securities on a public exchange, the money paid by investors for the newly-issued shares goes directly to the company (in contrast to a later trade of shares on the exchange, where the money passes between investors). An IPO, therefore, allows a company to tap a wide pool of investors to provide it with capital for future growth, repayment of debt or working capital. IPO can be used as both a financing strategy and an exit strategy. In a financing strategy the main purpose of the IPO is to raise funds for the company. In an exit strategy for existing investors, IPOs may be used to offload equity holdings to the public through a public issue. A company selling common shares is never required to repay the capital to investors. Once a company is listed, it is able to issue additional common shares via a secondary offering, thereby again providing itself with capital for expansion without incurring any debt. This ability to quickly raise large amounts of capital from the market is a key reason many companies seek to go public.

There are several benefits for being a public company, namely:

- Bolstering and diversifying equity base
- Enabling cheaper access to capital
- Exposure, prestige and public image
- Attracting and retaining better management and employees through liquid equity participation
- Facilitating acquisitions
- Creating multiple financing opportunities: equity, convertible debt, cheaper bank loans, etc.
- Increased liquidity for equity holder

Get Started – Procedure to apply for an IPO

You can apply for an IPO through online as well as offline mode:

Online Mode:

To apply in IPO's online, an investor has to open a demat account / trading account with financial institution that provide this facility. Most Nationalised Banks and Stock Brokers in India offer the facility to apply IPO's online. Once demat & trading account is opened, one should follow below steps to apply online:

1. First login in your trading account and select the IPO you wish to invest in.
2. Transfer funds from your bank account to your trading account.
3. Select the number of shares you want to apply for and the price at which you want to bid for (or use cut off option) and then press submit button.

If you get the allotment, the shares will be credited to your demat account. The remaining money will be credited to your bank account through ECS. The most convenient way to apply in an IPO online is using 3-in-1 account (**bank account, demat account & trading account**) offered by banks. The process of applying IPO's online is extremely convenient.

Offline Mode:

You can apply in any public issue through your bank account. You have to fill the details such as your Name, PAN number, Demat account number, bid quantity, bid price and other relevant details and submit the ASBA application form to the banking branch which has been designated to act as a Self Certified Syndicate Banks (SCSB) for providing ASBA services. After the submission of your application, the bank will upload the details of the application in the bidding platform. Ensure that you fill the correct details in the form, otherwise your application may get rejected.

Note: ASBA forms are available at the designated branches of the bank authorized to act as a Self Certified Syndicate Banks (SCSB). List of the Banks and their designated branches where ASBA form can be submitted is available on BSE, NSE and SEBI website. List of SCSB would also be available in the ASBA application form.

Know more about Applications Supported by Blocked Amount (ASBA)

What is ASBA?

ASBA means "Application Supported by Blocked Amount". ASBA is an application containing an authorisation to block the application money in the bank account, for subscribing to an issue. If an investor is applying through ASBA, his application money shall be debited from the bank account only if his/her application is selected for allotment after the basis of allotment is finalized.

It is a supplementary process of applying in Initial Public Offers (IPO), right issues and Follow on Public Offers (FPO) made through book building route and co-exists with the current process of using cheque as a mode of payment and submitting applications.

Benefits of ASBA

- ✓ The investor need not pay the application money by cheque rather block his / her bank account to the extent of the application money, thus continue to earn interest on application money.
- ✓ The investor does not have to bother about refunds, as in ASBA only an amount proportionate to the securities allotted is taken from the bank account when his / her application is selected for allotment after the basis of allotment is finalised.
- ✓ The application form is simpler.
- ✓ The investor deals with the known intermediary i.e. his or her own bank.
- ✓ No loss of interest, since the application amount is not debited from the savings account on application.
- ✓ Customer can revise / withdraw the bid before the end of the Issue in the prescribed format with the Bank.

Eligibility criteria

SEBI has been specifying the investors who can apply through ASBA. In public issues with effect from May 01, 2010, all the investors can apply through ASBA. In rights issues, all shareholders of the company as on record date are permitted to use ASBA for making applications provided he/she/it:

- is holding shares in dematerialised form and has applied for entitlements or
- has additional shares in the issue in dematerialised form;
- has not renounced its entitlements in full or in part;
- is not a renouncee;

who is applying through blocking of funds in a bank account with the Self Certified Syndicate Bank (SCSB). An "ASBA investors", at the time of submitting ASBA application should provide correct information related to:

- PAN
- DP ID
- Client ID
- Bid quantity
- Bank account number

Application forms for applying/bidding for shares are available with all syndicate members, collection centers, the brokers to the issue and the bankers to the issue. In case applicant intend to apply through new process introduced by SEBI i.e. Applications supported by blocked amount (ASBA), applicant may get the ASBA application forms from the Self Certified Syndicate Banks (SCSB).

The document is prepared by Merchant Banker(s), registered with SEBI. They are required to do the due diligence while preparing an offer document. The draft offer document submitted to SEBI is put on website for public comments.

Understanding Financial lingo

Primarily, issues made by an Indian company in primary market can be classified as public, rights, bonus and private placement. While right issues by a listed company and public issues involve a detailed procedure, bonus issues and private placements are relatively simpler. The classification of issues is as illustrated below:

(a) Public issue

- ✓ Initial Public Offer (IPO)
- ✓ Follow on Public Offer (FPO)

(b) Rights issue

(c) Bonus issue

(d) Private placement

- ✓ Preferential issue
- ✓ Qualified institutional placement

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 Follow on Public Offer (FPO). The significant features of each type of public issue are illustrated below:

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.

Follow on Public Offer (FPO): 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 Follow on Public Offer (FPO).

Rights Issue:

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.

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.

Private placement:

A private placement is the sale of securities to a relatively small number of select investors as a way of raising capital. Investors involved in private placements are usually large banks, mutual funds, insurance companies and pension funds. A private placement is different from a public issue, in which securities are made available for sale on the open market to any type of investor. Private placement of shares or convertible securities by listed issuer can be of two types:

Preferential allotment: When a listed issuer issues shares or convertible securities, to a selected group of persons as per SEBI guidelines, 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.

Qualified Institutions Placement (QIP): When a listed issuer issues equity shares or securities convertible in to equity shares to qualified institutions buyers only in terms of provisions as per SEBI guidelines, it is called a QIP.

Blog

Initial Public Offering (IPO)

By Ms. Pankti Vira,
PTVA's Institute of Management

An Initial Public Offering (IPO) is the first time that the shares of a private company are offered to the public. It is a significant stage in the growth of a business. In an IPO, the Issuer obtains the assistance of an underwriting firm to determine the type of security to be issued, the best offering price, the amount of shares to be issued and the time to bring it to market.

As an investor, it is important to read the prospectus of a Company. Prospectus is a legal declaration and must meet transparency standards. Most companies include certain facts and statements like company's risks and opportunities along with the objective for raising funds through a Public Offer termed 'IPO'. So, it is very important for an investor to read prospectus before investing in any company's IPO. However, it is tough to predict whether the shares would get listed on a premium to its issue price or not on its initial day of listing. It is likely that IPOs will continue to attract investors because of premium listings of Companies in the past. The prospects for a big win and the possibility of becoming another "IPO-millionaire" can be very enticing.



Steps in an IPO Process

Let us now have a look at how an Initial Public Offering process is initiated and reaches its conclusion. The entire process is regulated by the 'Securities and Exchange Board of India (SEBI), to prevent the possibility of a fraud and safeguard investor interest.

Selection of Investment Bank

The first thing that company management must do when they have taken a unanimous decision to go public is to find an investment bank or a conglomerate of investment banks that will act as underwriters on behalf of the company. Underwriter's buy the shares of the company and resell them to the general public. The company must also hire lawyers that can guide them through the legal maze that an IPO setup can be. It must be ready with detailed financial records for intensive fiscal health scrutiny that SEBI would perform. Some companies may also opt to directly sell their shares through the stock market, but most prefer going through the underwriters.

Step 1: Preparation of Registration Statement

To begin an IPO process, the company involved must submit a registration statement to the SEBI, which includes a detailed report of its fiscal health and business plans. SEBI scrutinizes this report and does its own background check of the company. It must also see that registration statement fulfils all the mandatory requirements and satisfies all rules and regulations.

Step 2: Getting the Prospectus Ready

While awaiting the approval, the company, with assistance from the underwriters, must create a preliminary 'Red Herring' prospectus. It includes detailed financial records, future plans and the specification of expected share price range. This prospectus is meant for prospective investors who would be interested in buying the stock. It also has a legal warning about the IPO pending SEBI approval.

Step 3: The Roadshow

Once the prospectus is ready, underwriters and company officials go on countrywide 'roadshows', visiting the major trade hubs and promote the company's IPO among select few private buyers (Usually corporates or HNIs). They are fed with detailed information regarding company's future plans and growth potential. They get a feel of investor response through these tours and try to woo big investors.

Step 4: SEBI Approval & Go ahead

Once SEBI is satisfied with the registration statement, it declares the statement to be effective, giving a go ahead for the IPO to happen and a date to be fixed for the same. Sometimes it asks for amendments to be made before giving its approval. The prospectus cannot be given to the public without the amendments suggested by SEBI. The company needs to select a stock exchange where it intends to sell its shares and get listed.

Step 5: Deciding On Price Band & Share Number

After the SEBI approval, the company, with assistance from the underwriters decide on the final price band of the shares and also decide the number of shares to be sold.

There are two types of issues: Fixed Price and Book Building

Fixed Price – In a Fixed price issue – the company decides the price of the share issue and the number of shares being sold. Ex: ABC Ltd public issue of 10 lakh shares of face value ₹10/- each at a premium of ₹55/- each is available to the public thereby generating ₹6.5 Crores.

Book Building – A Book building issue helps the company discover the price of the issue. The company decides a price band and it gives the investor an option to choose the price at which he/she wishes to bid for the company shares. Ex: ABC Ltd issue of 10 lakh shares of face value ₹10/- each at a price band of ₹60 to ₹70 is available to the public thereby generating upto ₹7 Crores. Here the amount generated through the issue would depend on the highest amount bid by most investors.

Step 6: Available to Public for Purchase

On the dates mentioned in the prospectus, the shares are available to public. Investors can fill out the IPO form and specify the price at which they wish to make the purchase and submit the application.

Step 7: Issue Price Determination & Share Allotment

Once the subscription period is over, members of the underwriting banks, share issuing company etc. will meet and determine the price at which shares are to be allotted to the prospective investors. The price would be directly determined by the demand and the bid price quoted by investors. Once the price is finalized, shares are allotted to investors based on the bid amounts and the shares available.

Note: In case of oversubscribed issues, shares are not allotted to all applicants.

Step 8: Listing & Unblocking of funds

The last step is the listing in the Stock Exchanges. Investors who have applied through ASBA & to whom shares were allotted would get the shares credited to their DEMAT accounts & their funds getting debited from their bank account or else for those investors to whom the shares were not allotted, funds would get unblocked in their bank account.



1. What is an offer document in an IPO?

"Offer document" is a document which contains all the relevant information about the company, promoters, project, financial details, objective of raising money, terms of the issue etc. and is used for inviting subscription to the issue being made by the issuer.

2. What is the difference between Fixed Price Issue and Book Built Issue?

As the name suggests, a "Fixed Price Issue" is an Initial Public Offering (IPO) where the issuer at the outset decides the issue price & mentions it in the offer document. In a "Book Built Issue" the price of an issue is discovered on the basis of demand received from the prospective investors at various price levels.

3. What is a price band?

The price band is a band of price within which investors can bid. The spread between the floor and the cap of the price band shall not be more than 20%. The price band can be revised. If revised, the bidding period shall be extended for a further period of three days, subject to the total bidding period not exceeding thirteen days.

4. What is a bid lot?

A Bid-lot is the pre-determined number of shares which have to be applied for by an investor. It is different for each issue. There is a minimum lot size which is pre-decided by the company and mentioned in the application form. Example: Minimum bid lot in IPO of XYZ co. - 10 Bid-lot Multiples of 10 Price Band - 100-120. It means that a retail investor cannot apply for less than 10 shares in that particular issue. The application for more than 10 shares has to be in multiples of 10 like 20, 30, 40, etc.

5. What is a cut off price?

This term relates to a book build issue wherein the issuing company must specify the price band or a floor price in the offer document. The actual price of the issue is discovered on the basis of demand for the issue. The actual price must be within the price band or any price above the floor price. This issue price is called Cut off price. Only retail individual investors have an option of applying at this price.

6. Can I cancel my Bid for online IPO order?

Yes, you can cancel your bid for online order anytime before Modification/ Revision / Cancellation cut-off time.

7. What are the different types of investor categories?

Investors are broadly classified under following categories:

- Retail Individual Investor (RIIs)
- Non Institutional Investors (NIIs)
- Qualified Institutional Buyers (QIBs)

"Retail Individual Investor" means an investor who applies or bids for securities for a value of not more than ₹2,00,000/-.

8. What is a Red Herring Prospectus (RHP)?

A Red Herring Prospectus (RHP) is a preliminary registration document that is filed with SEBI in the case of book building issue which does not have details of either price or number of shares being offered or the amount of issue. This means that in case price is not disclosed, the number of shares and the upper and lower price bands are disclosed. On the other hand, an issuer can state the issue size and the number of shares are determined later. In the case of book-built issues, it is a process of price discovery as 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 filed thereafter with ROC is called a prospectus.

9. What is Self Certified Syndicate Bank (SCSB)?

SCSB is a bank which is recognized as a bank capable of providing ASBA services to its customers. Names of such banks would appear in the list available on the website of SEBI.

10. Will I get the acknowledgement of receipt for applications submitted through ASBA from the SCSB?

Yes. The SCSB shall give a counterfoil as an acknowledgement at the time of submission of ASBA and also the order number, generated at the time of uploading the application details, if sought by the investors in case of need.

Subscription to *SPEED-e*

During March 2017, one more Participant has subscribed to the *SPEED-e* facility viz.,

Sr. No.	Depository Participant (DP) Name	DP ID
1	Saurin Investments Private Limited	IN301469

Clients of the above mentioned Participants can now avail the facility of submitting various instructions through *SPEED-e* facility. This takes the total number of Participants who have subscribed to *SPEED-e* to 189.

Name Change of Participant

Sr. No.	Old Name	New Name	DP ID
1	Geojit BNP Paribas Financial Services Limited	Geojit Financial Services Limited	IN300239, IN301268, IN301532, IN301637, IN301879 and IN302726
2	State Bank of Hyderabad	SBICAP Securities Limited	IN301397

Reactivation of 'Indian Finance Guaranty Limited' Participant Operations

NSDL has informed all its Participants that Indian Finance Guaranty Limited (DP ID IN303884), has been reactivated as a Participant of NSDL & will conduct its depository operations from New Delhi.

Closure of 'Great Indian Securities Company Limited' Participant Operations

NSDL has informed all its Participants that Great Indian Securities Company Limited (DP ID IN303366), Participant of NSDL, has informed NSDL about its decision to discontinue their depository operations.

Investor Education initiatives undertaken by NSDL

Investor Awareness Programmes:

In order to reach out to investors that are spread across the country and to apprise them about the facilities available in NSDL depository system and the awareness on stock markets, NSDL conducts various Investor Awareness Programmes jointly with its Depository Participants (DPs) & with Institutions like SEBI, NSE etc. NSDL also conducts various training programmes for its Depository Participants (DPs) on Depository related services. During March 2017, NSDL conducted 17 Investor Awareness Programmes & events with Participants, College Institutions, SEBI, NSE etc. These programmes were attended by more than 1,600 investors, details as mentioned below:

Sr. No.	Particulars	No. of Programmes
1	Joint Awareness Programmes with DPs	
	ICICI Securities Limited	4
	Karvy Stock Broking Limited	2
	CSE Capital Markets Private Limited	1
	SBICAP Securities Limited	1
	Total Programmes	8
2	Joint Awareness Programmes with other Institutions	
	Ceraflux India Pvt. Ltd.	1
	Gokul Dudh Sangh	1
	Nav Maharashtra Sutgirani Sajani	1
	Shree Renuka Sugars	1
	Total Programmes	4
3	Joint Awareness Programmes with other Institutions	
	Securities and Exchange Board of India (SEBI)	2
	Total Programmes	2
4	Training Programmes for Institutions	
	Kotak Securities Limited	1
	Total Programmes	1
5	Participation at Events	
	Bond Market Summit organized by ASSOCHAM	1
	"Finance Fair 2017" organized by Lokmanya Seva Sangh	1
	Total Programmes	2

Read and Win!

What is Book Building & Can the bidder revise his bids made through ASBA?

Send your replies providing your contact details (Name, address and contact no.) with the subject 'Knowledge Wins Contest - April 2017' to info@nsdl.co.in

Terms and Conditions

- NSDL shall be solely responsible for the execution and administration of this Contest.
- This Contest is only open to Indian Citizens. (NSDL employees are not allowed to participate in this contest.)
- All personal details submitted must be accurate and complete and are subject to proof upon request by NSDL.
- NSDL reserves the right, at any time, to verify the validity of entries and entrants and to disqualify any entry not submitted in accordance with these Terms or which tampers with the entry process.
- NSDL reserves the right to discontinue the contest at any given point of time without prior intimation.
- All prize drawings will made on a strictly random basis and the decision made by NSDL will be final

KNOWLEDGE WINS Contest

Lucky 25 Winners will Win Free Goodies



Your suggestions for newsletter are valuable to us. Send in your suggestions mentioning your contact details (contact name, address & contact number) with the subject "Suggestions for the newsletter" to info@nsdl.co.in

NSDL Offices

Head Office	Branch Offices	
<p>Mumbai Trade World, A wing, 4th & 5th Floors, Kamala Mills Compound, Lower Parel, Mumbai - 400 013. Tel.: (022) 2499 4200 Fax: (022) 2497 6351</p>	<p>Ahmedabad Unit No. 407, 4th floor, 3rd Eye One Commercial complex Co-op. Soc. Ltd., C. G. Road, Near Panchvati Circle, Ahmedabad - 380006 Tel.: (079) - 26461376 Fax: (079) - 26461375</p>	<p>Chennai 6A, 6th Floor, Kences Towers, #1 Ramkrishna Street, North Usman Road, T. Nagar, Chennai - 600 017. Tel.: (044) 2814 3917 / 11 Fax: (044) 2814 4593</p>
	<p>Unit 2E, 2nd Floor, The Millenium, 235/2A, A.J.C Bose Road, Kolkata - 700 020. Tel.: (033) 2281 4662 / (033) 2290 4246</p>	<p>New Delhi Unit No. 601, 603, 604, 6th Floor, Tower-A, Naurang House, Kasturba Gandhi Marg, Connaught Place, New Delhi-110001 Tel.: (011) 23353814 / 15 Fax: (011) 23353816</p>

Investor Relationship Cell	NSDL Certification Program
<p>Officer-In Charge National Securities Depository Ltd. Trade World, A Wing, 4th floor, Kamala Mills Compound, Senapati Bapat Marg, Lower Parel, Mumbai - 400 013. Tel.: (022) 2499 4200 Fax: (022) 2497 6351 Email: relations@nsdl.co.in</p>	<p>Officer-In Charge National Securities Depository Ltd. Trade World, 4th floor, Kamala Mills Compound, Senapati Bapat Marg, Lower Parel, Mumbai - 400 013. Tel.: (022) 2499 4200 Fax: (022) 2497 6351 Email: trainingdept@nsdl.co.in</p>

For more information, email us at info@nsdl.co.in

"Printed & Published by Mr. Manoj Sathe (Editor) on behalf of National Securities Depository Limited and Printed at Printography Systems (India) Pvt. Ltd., 13/D, Kurla Ind. Estate, Nari Seva Sadan Road, Ghatkopar (West), Mumbai - 400 086 and Published from National Securities Depository Limited, 4th Floor, A Wing, Trade World, Kamala Mills Compound, Senapati Bapat Marg, Lower Parel, Mumbai - 400013