Frequently Asked Questions on Primary Market Issuances – For Reference Only

Disclaimer: *The information presented in* ***this section*** *of the SEBI website is concise and summarized and is merely illustrative, for the purpose of information. SEBI does not certify the authenticity of the information presented in this section. All information is updated till March 17, 2008.*

FAQs under this section have been categorised in the following five sub-sections:

Sub Section- I
Issues by Indian Companies in India

This sub-section attempts to cover the basic concepts and questions related to issuance of securities by unlisted Indian companies[1] offering the shares to public and by listed Indian companies[2]. For full particulars of laws governing primary markets, please refer to the Acts/Regulations/Guidelines appearing in the Legal Framework Section.

FAQs are presented under following 12 broad headings.

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[1] "Unlisted Company" means a company which is not a listed company.

[2] "Listed Company" means a company which has any of its securities offered through an offer document listed on a recognized stock exchange and also includes Public sector Undertakings whose securities are listed on a recognized stock exchange.

1. **Different kinds of issues**

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

Primarily, issues made by an Indian company 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

(i) **Initial Public offer (IPO)**

(ii) **Further public offer (FPO)**

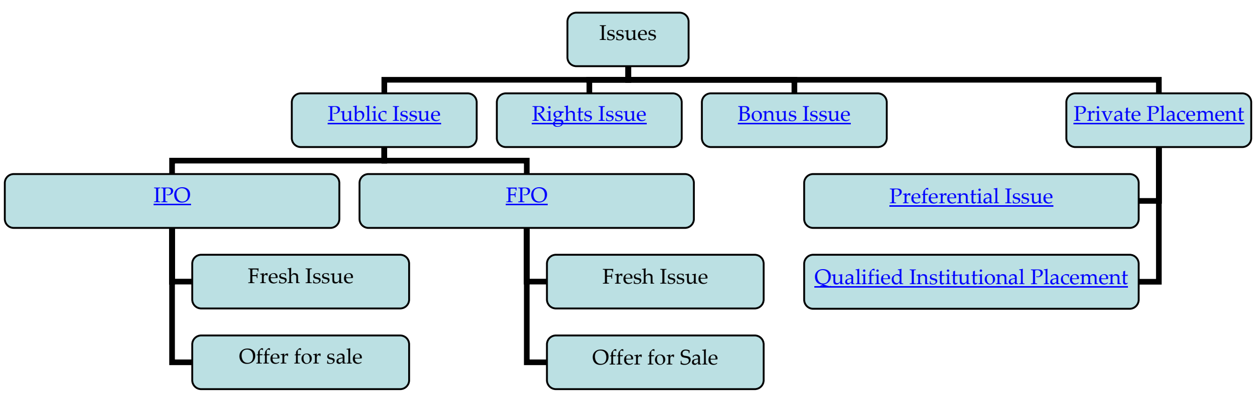
(b) Rights issue

(c) Bonus issue

(d) Private placement

(i) **Preferential issue**

(ii) **Qualified institutional placement**



(a) Public issue: When an issue / offer of securities is made to new investors for becoming part of shareholders' family of the issuer[3] 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

[3] Entity making an issue is referred as " Issuer"

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) Rights 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 an 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 Chapter XIII of SEBI (DIP) 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.

(ii) 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 of Chapter XIIIA of SEBI (DIP) guidelines, it is called a QIP.

2. Types of Offer Documents (ODs)

(a) 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 or offer for sale and "Letter of Offer" in case of a rights issue.

(b) I hear various terms like draft offer document, Red Herring prospectus etc, what are they and how they are different from each other?

Terms used for offer documents vary depending upon the stage or type of the issue where the document is used. The terms used for offer documents are defined below:

(i) **Draft offer document:** is an offer document filed with SEBI for specifying changes, if any, in it, before it is filed with the Registrar of companies (ROCs). Draft offer document is made available in public domain including SEBI website, for enabling public to give comments, if any, on the draft offer document.

(ii) **Red herring prospectus** 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.

(iii) **Prospectus** is an offer document in case of a public issue, which has all relevant details including price and number of shares 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.

(iv) **Letter of offer** is an offer document in case of a Rights issue and is filed with Stock exchanges before the issue opens**.**

(v) **Abridged prospectus** is an abridged version of offer document in public issue and is issued along with the application form of a public issue. It contains all the salient features of a prospectus.

(vi) **Abridged letter of offer** is an abridged version of the letter of offer. It is sent to all the shareholders along with the application form.

(vii) **Shelf prospectus** is a prospectus which enables an issuer to make a series of issues within a period of 1 year without the need of filing a fresh prospectus every time. This facility is available to public sector banks /Public Financial Institutions.

(viii) **Placement document** is an offer document for the purpose of Qualified Institutional Placement and contains all the relevant and material disclosures.

3. Issue Requirements

(a) Are there any entry requirements for an issuer to make an issue / offer to public? If yes, what are these?

SEBI has laid down entry norms for entities making a public issue/ offer. The same are detailed below

Entry Norms: Entry norms are different routes available to an issuer for accessing the capital market.

(i) **An unlisted issuer making a public issue i.e (making an IPO) is required to satisfy the following provisions:**

Entry Norm I (commonly known as "Profitability Route")

The Issuer Company shall meet the following requirements:
(a) Net Tangible Assets of at least Rs. 3 crores in each of the preceding three full years.
(b) Distributable profits in atleast three of the immediately preceding five years.
(c) Net worth of at least Rs. 1 crore in each of the preceding three full years.
(d) If the company has changed its name within the last one year, atleast 50% revenue for the preceding 1 year should be from the activity suggested by the new name.
(e) The issue size does not exceed 5 times the pre- issue net worth as per the audited balance sheet of the last financial year

To provide sufficient flexibility and also to ensure that genuine companies do not suffer on account of rigidity of the parameters, SEBI has provided two other alternative routes to the companies not satisfying any of the above conditions, for accessing the primary Market, as under:

Entry Norm II (Commonly known as "QIB Route")

(a) Issue shall be through book building route, with at least 50% to be mandatory allotted to the Qualified Institutional Buyers (QIBs).
(b) The minimum post-issue face value capital shall be Rs. 10 crores or there shall be a compulsory market-making for at least 2 years

Entry Norm III (commonly known as "Appraisal Route")

(a) The "project" is appraised and participated to the extent of 15% by Financial Institutions / Scheduled Commercial Banks of which at least 10% comes from the appraiser(s).
(b) The minimum post-issue face value capital shall be Rs. 10 crores or there shall be a compulsory market-making for at least 2 years.

In addition to satisfying the aforesaid entry norms, the Issuer Company shall also satisfy the criteria of having at least 1000 prospective allotees in its issue.

(ii) **<u>A listed issuer making a public issue (FPO) is required to satisfy the following requirements :</u>**

(a) If the company has changed its name within the last one year, atleast 50% revenue for the preceding 1 year should be from the activity suggested by the new name.
(b) The issue size does not exceed 5 times the pre- issue net worth as per the audited balance sheet of the last financial year

Any listed company not fulfilling these conditions shall be eligible to make a public issue by complying with QIB Route or Appraisal Route as specified for IPOs.

(iii) **Certain category of entities which are exempted from the aforesaid entry norms, are as under :**

(a) Private Sector Banks
(b) Public sector banks
(c) An infrastructure company whose project has been appraised by a Public Financial Institution or IDFC or IL&FS or a bank which was earlier a PFI and not less than 5% of the project cost is financed by any of these institutions.

(b) 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

(c) Besides entry norms, are there any mandatory provisions which an issuer is expected to comply before making an issue?

An issuer making a public issue is required to inter-alia comply with the following provisions mentioned in the guidelines:

Minimum Promoter's contribution and lock-in: In a public issue by an unlisted issuer, the promoters shall contribute not less than 20% of the post issue capital which should be locked in for a period of 3 years. "Lock-in" indicates a freeze on the shares. The remaining pre issue capital should also be locked in for a period of 1 year from the date of listing. In case of public issue by a listed issuer [i.e. FPO], the promoters shall contribute not less than 20% of the post issue capital or 20% of the issue size. This provision ensures that promoters of the company have some minimum stake in the company for a minimum period after the issue or after the project for which funds have been raised from the public is commenced.

IPO Grading: IPO grading is the grade assigned by a Credit Rating Agency registered with SEBI, to the initial public offering (IPO) of equity shares or other convertible securities. The grade represents a relative assessment of the fundamentals of the IPO in relation to the other listed equity securities. Disclosure of "IPO Grades", so obtained is mandatory for companies coming out with an IPO. For more details on IPO Grading please refer to the sub-section on "IPO Grading".

4. Pricing of an Issue

(a) Who fixes the price of securities in an issue?

Indian primary market ushered in an era of free pricing in 1992. SEBI does not play any role in price fixation. The issuer in consultation with the merchant banker on the basis of market demand decides the price. The offer document contains full disclosures of the parameters which are taken in to account by merchant Banker and the issuer for deciding the price. The Parameters include EPS, PE multiple, return on net worth and comparison of these parameters with peer group companies.

(b) What is the difference between "Fixed price issue" and "Book Built issue"?

On the basis of Pricing, an issue can be further classified into Fixed Price issue or Book Built issue.

Fixed Price Issue: When the issuer at the outset decides the issue price and mentions it in the Offer Document, it is commonly known as "Fixed price issue".

Book built Issue: 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 "Book Built issue". For more explanation on Book Built Issues please refer to the section titled **"Understanding Book Building"**

5. Understanding Book Building:

(a) What is book Building?

Book building is a process of price discovery. The issuer discloses a price band in the Red Herring Prospectus. On the basis of the demands received at various price levels within the price band specified by the issuer, Book Running Lead Manager (BRLM) in close consultation with the issuer arrives at a price at which the security offered by the issuer, can be issued.

(b) What is a price band?

The price band disclosed in the red herring prospectus 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.

(c) How does Book Building work?

Book building is a process of price discovery. The Red Herring prospectus contains either the floor price of the securities offered through it or a price range within which the bids can move [Price Band]. The applicants bid for the shares quoting the price and the quantity that they would like to bid at.

After the bidding process is complete, the 'cut-off' price is arrived at based on the demand of securities. The basis of Allotment is then finalized and allotment/refund is undertaken. The final prospectus with all the details including the final issue price and the issue size is filed with ROC, thus completing the issue process. Only the retail investors have the option of bidding at 'cut-off'.

(d) How does "cut-off" option works for investors?

"Cut-off" option is available for only retail individual investors i.e investors who are applying for securities worth up to Rs 1,00,000/- only. Such investors are required to tick the cut-off option which indicates their willingness to subscribe to shares at any price discovered within the price band. Unlike price bids (where a specific price is indicated) which can be invalid, if price indicated by applicant is lower than the price discovered, the cut-off bids always remain valid for the purpose of allotment

(e) Can I change/revise my bid?

Yes, you can change or revise the quantity or price in the bid using the form for changing/revising the bid that is available along with the application form. However, the entire process of changing or revising the bids shall be completed within the date of closure of the issue.

(f) Can I cancel my Bid?

Yes, you can cancel your bid anytime before the finalization of the basis of allotment by approaching/ writing/ making an application to the registrar to the issue.

(g) What proof can I request from a trading member or a syndicate member for entering bids?

The syndicate member returns the counterfoil with the signature, date and stamp of the syndicate member. You can retain this as a sufficient proof that the bids have been accepted by the trading / syndicate member for uploading on the terminal.

6. Categories of Investors

(a) Whether the investors are categorized? If yes, how the allotment is made to different categories?

Investors are broadly classified under following categories-:
(i) Retail individual Investor (RIIs)
(ii) Non-Institutional Investors (NIIs)
(iii) Qualified Institutional Buyers (QIBs)

"Retail individual investor" means an investor who applies or bids for securities for a value of not more than Rs. 1,00,000.

"Qualified Institutional Buyer" shall mean:
(a) Public financial institution as defined in section 4A of the Companies Act, 1956;
(b) Scheduled commercial banks;
(c) Mutual funds;
(d) Foreign institutional investor registered with SEBI;
(e) Multilateral and bilateral development financial institutions;
(f) Venture capital funds registered with SEBI;
(g) Foreign venture capital investors registered with SEBI;
(h) State Industrial Development Corporations;
(i) Insurance companies registered with the Insurance Regulatory and Development Authority (IRDA);
(j) Provident funds with minimum corpus of Rs. 25 crores;
(k) Pension funds with minimum corpus of Rs. 25 crores;
(l) National Investment Fund set up by resolution F. No. 2/3/2005-DD-II dated November 23, 2005 of Government of India published in the Gazette of India."

Investors who do not fall within the definition of the above two categories are categorized as "Non-Institutional Investors"

Allotment to various investor categories is provided in the guidelines and is detailed below:

In case of Book Built issue

1. In case an issuer company makes an issue of 100% of the net offer to public through 100% book building process—

   (a) Not less than 35% of the net offer to the public shall be available for allocation to retail individual investors;

(b) Not less than 15% of the net offer to the public shall be available for allocation to non-institutional investors i.e. investors other than retail individual investors and Qualified Institutional Buyers;

(c) Not more than 50% of the net offer to the public shall be available for allocation to Qualified Institutional Buyers:

2. In case of compulsory Book-Built Issues at least 50% of net offer to public being allotted to the Qualified Institutional Buyers (QIBs), failing which the full subscription monies shall be refunded.

3. In case the book built issues are made pursuant to the requirement of mandatory allocation of 60% to QIBs in terms of Rule 19(2)(b) of Securities Contract (Regulation) Rules, 1957, the respective figures are 30% for RIIs and 10% for NIIs.

In case of fixed price issue

The proportionate allotment of securities to the different investor categories in an fixed price issue is as described below:

1. A minimum 50% of the net offer of securities to the public shall initially be made available for allotment to retail individual investors, as the case may be.

2. The balance net offer of securities to the public shall be made available for allotment to:

   a. Individual applicants other than retail individual investors, and
   b. Other investors including corporate bodies/ institutions irrespective of the number of securities applied for.

(b) What are "firm allotment investor categories"?

SEBI (DIP) guidelines provide that an issuer making an issue to public can allot shares on firm basis to some categories as specified below:

(i) Indian and Multilateral Development Financial Institutions,
(ii) Indian Mutual Funds,
(iii) Foreign Institutional Investors including Non-Resident Indians and Overseas Corporate Bodies and
(iv) Permanent/regular employees of the issuer company.
(v) Scheduled Banks

It may be noted that OCBs are prohibited by RBI to make investment.

(c) Which are the investor categories to whom reservations can be made in a public issue on competitive basis?

Reservation on Competitive Basis is when allotment of shares is made in proportion to the shares applied for by the concerned reserved categories. Reservation on competitive basis can be made in a public issue to the following categories:

(i) Employees of the company
(ii) Shareholders of the promoting companies in the case of a new company and shareholders of group companies in the case of an existing company
(iii) Indian Mutual Funds

(iv) Foreign Institutional Investors (including non resident Indians and overseas corporate bodies)
(v) Indian and Multilateral development Institutions
(vi) Scheduled Banks

In a public issue by a listed company, the reservation on competitive basis can be made for retail individual shareholders and in such cases the allotment to such shareholders shall be on proportionate basis

(d) Is there any discretion while doing the allotment amongst various investor categories as per the permissible allocations?

No, there is no discretion in the allotment process. All allottees are allotted shares on a proportionate basis within their respective investor categories.

7. **Investment in public Issues/ rights issues:**

(a) Where can I get application forms for applying/ bidding for the shares?

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 you intend to apply through new process introduced by SEBI i.e APPLICATIONS SUPPORTED BY BLOCKED AMOOUNT (ASBA), you may get the ASBA application forms form the Self Certified Syndicate Banks. For more details on "ASBA process" please refer to the sub-section titled **"Understanding Applications Supported by Blocked Amount (ASBA) Process"**

(b) Whom should I approach if the information disclosed in the offer document appears to be factually incorrect?

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. In case, you find any instance of misinformation/ lack of information, you may send your complaint to Lead Manager to the issue and/ or to SEBI, at this address: Securities & Exchange Board of India, C4 A, G Block, Bandra Kurla Complex, Bandra (E), Mumbai- 400051.

(c) Is it compulsory for me to have a Demat Account?

As per the requirement, all the public issues of size in excess of Rs.10 crore, are to made compulsorily in demat mode. Thus, if you intend to apply for an issue that is being made in a compulsory demat mode, you are required to have a demat account and also have the responsibility to put the correct DP ID and Client ID details in the bid/application forms.

You can also refer to FAQs relating to demat available in the URL http://investor.sebi.gov.in/faq/dematfaq.html in the Investor Education section of the SEBI website.

(d) Is it compulsory to have PAN?

Yes, it is compulsory to have PAN. Any investor who wants to invest in an issue should have a PAN which is required to be mentioned in the application form. It is to be distinctly understood that the photocopy of the PAN is not required to be attached along with the application form at the time of making an application.

(e) For how many days an issue is required to be kept open?

The period for which an issue is required to be kept open is:

For Fixed price public issues: 3-10 working days
For Book built public issues: 3-7 working days extendable by 3 days in case of a revision in the price band
For Rights issues : 30-60 days.

(f) When do I get the allotment/ refund of shares?

In case of fixed price issues, the process of allotment and dispatching of refund orders is completed within 30 days of the closure of the issue and in case of book built issues, within 15 days of the closure of the issue.

(g) How can I know about the demand for an issue at any point of time?

The status of bidding in a book built issue is available on the website of BSE/NSE on a consolidated basis. The data regarding bids is also available investor category wise.
After the price has been determined on the basis of bidding, the public advertisement containing, inter alia, the price as well as a table showing the number of securities and the amount payable by an investor, based on the price determined, is issued.

However, in case of a fixed price issue, information is available only after the closure of the issue through a public advertisement, issued within 10 days of dispatch of the certificates of allotment/ refund orders.

(h) How will I get my refund in an issue?

You can get refunds in an issue through various modes viz. registered/ordinary post, Direct Credit, RTGS (Real Time Gross Settlement), ECS (Electronic Clearing Service) and NEFT (National Electronic Funds Transfer).

As stated above, if you are residing in one of the 68 centers as specified by Reserve Bank of India, then you will get refunds through ECS only except where you are otherwise disclosed eligible under Direct Credit and RTGS. If you are residing at any other center, then you will continue to get refunds through registered/ordinary post. You are therefore advised to read the instructions given in the prospectus/ abridged prospectus/ application form about centers. For more details, you may read subsection on "Electronic Clearing Scheme for Refunds".

(i) When will the shares allotted to me get listed?

In book built public issue the listing of shares will be done within 3 weeks after the closure of the issue. In case of fixed price public issue, it will be done within 37 days after closure of the issue.

(j) How will I know which issues are coming to the market?

The information about the forthcoming issues may be obtained from the websites of Stock Exchanges. Further the issuer coming with an issue is required to give issue advertisements in an English national Daily with wide circulation, one Hindi national newspaper and a regional language newspaper with wide circulation at the place where the registered office of the issuer is situated.

(k) Where to I get the copies of the offer document?

The soft copies of the offer documents are put up on the website of Merchant banker and on the website of SEBI under Offer Documents section [http://www.sebi.gov.in/Index.jsp?contentDisp=Section&sec_id=5]. Copies of the offer documents in hard form may be obtained from the merchant banker or office of SEBI,

SEBI Bhawan, Plot No. C4-A "G" Block, BKC, Bandra (E), Mumbai - 400051 on a payment of Rs 100 through Demand Draft made in favor of Securities & Exchange Board of India.

(l) How do I find the status of offer documents filed by issuers with SEBI?

SEBI updates the processing status of offer documents on its website every week under the section http://www.sebi.gov.in/Index.jsp?contentDisp=PrimaryMarket in SEBI website. The draft offer documents are put up on the website under Reports/Documents section. The final offer documents that are filed with SEBI/ROC are also put up for information under the same section.

(m) Whom do I approach if I have grievances in respect of non receipt of shares, delay in refund etc.?

You can approach the compliance officer of the issue, whose name and contact number is mentioned on the cover page of the Offer Document. You can also address your complaints to SEBI at the following address: Office of Investor Assistance & Education, Securities & Exchange Board of India, C4A, G Block, Bandra Kurla Complex, Bandra (E), Mumbai- 400051.

8. Intermediaries involved in the Issue Process

(a) Which are the intermediaries involved in an issue?

Intermediaries which are registered with SEBI are Merchant Bankers to the issue (known as Book Running Lead Managers (BRLM) in case of book built public issues), Registrars to the issue, 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 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.

9. Guide to understand an Offer Document

This sub-section attempts to inform the structure of presentation of the content in an offer document. The basic objective is to help the reader to navigate through the content of an offer document.

(a) Cover Page

Under this head full contact details of the Issuer Company, lead managers and registrars, the nature, number, price and amount of instruments offered and issue size, and the particulars regarding listing. Other details such as Credit Rating, IPO Grading, risks in relation to the first issue, etc are also disclosed if applicable.

(b) Risk Factors

Under this head the management of the issuer company gives its view on the Internal and external risks envisaged by the company and the proposals, if any, to address such risks. The company also makes a note on the forward looking statements. This information is disclosed in the initial pages of the document and also in the abridged prospectus. It is generally advised that the investors should go through all the risk factors of the company before making an investment decision.

(c) Introduction

Under this head a summary of the industry in which the issuer company operates, the business of the Issuer Company, offering details in brief, summary of consolidated financial statements and other data relating to general information about the company, the merchant bankers and their responsibilities, the details of brokers/syndicate members to the Issue, credit rating (in case of debt issue), debenture trustees (in case of debt issue), monitoring agency, book building process in brief, IPO Grading in case of First Issue of Equity capital and details of underwriting Agreements are given. Important details of capital structure, objects of the offering, funds requirement, funding plan, schedule of implementation, funds deployed, sources of financing of funds already deployed, sources of financing for the balance fund requirement, interim use of funds, basic terms of issue, basis for issue price, tax benefits are also covered.

(d) About us

Under this head a review of the details of business of the company, business strategy, competitive strengths, insurance, industry-regulation (if applicable), history and corporate structure, main objects, subsidiary details, management and board of directors, compensation, corporate governance, related party transactions, exchange rates, currency of presentation and dividend policy are given.

(e) Financial Statements

Under this head financial statement and restatement as per the requirement of the Guidelines and differences between any other accounting policies and the Indian Accounting Policies (if the Company has presented its Financial Statements also as per either US GAAP/IFRS) are presented.

(f) Legal and other information

Under this head outstanding litigations and material developments, litigations involving the company, the promoters of the company, its subsidiaries, and group companies are disclosed. Also material developments since the last balance sheet date, government approvals/licensing arrangements, investment approvals (FIPB/RBI etc.), technical approvals, and indebtedness, etc. are disclosed.

(g) Other regulatory and statutory disclosures

Under this head, authority for the Issue, prohibition by SEBI, eligibility of the company to enter the capital market, disclaimer statement by the issuer and the lead manager, disclaimer in respect of jurisdiction, distribution of information to investors, disclaimer clause of the stock exchanges, listing, impersonation, minimum subscription, letters of allotment or refund orders, consents, expert opinion, changes in the auditors in the last 3 years, expenses of the issue, fees payable to the intermediaries involved in the issue process, details of all the previous issues, all outstanding instruments, commission and brokerage on, previous issues, capitalization of reserves or profits, option to subscribe in the issue, purchase of property, revaluation of assets, classes of shares, stock market data for equity shares of the company, promise vis-à-vis performance in the past issues and mechanism for redressal of investor grievances is disclosed.

(h) Offering information

Under this head Terms of the Issue, ranking of equity shares, mode of payment of dividend, face value and issue price, rights of the equity shareholder, market lot, nomination facility to investor, issue procedure, book building procedure in details along with the process of making an application, signing of underwriting agreement and filing of prospectus with SEBI/ROC, announcement of statutory advertisement, issuance of confirmation of allocation note("can") and allotment in the issue, designated date, general instructions, instructions for completing the bid form, payment instructions, submission of bid form, other instructions, disposal of application and application moneys, , interest on refund of excess bid amount, basis of allotment or allocation, method of proportionate allotment, dispatch of refund orders, communications, undertaking by the company, utilization of issue proceeds, restrictions on foreign ownership of Indian securities, are disclosed.

(i) Other Information

This covers description of equity shares and terms of the Articles of Association, material contracts and documents for inspection, declaration, definitions and abbreviations, etc.

10. SEBI's Role in an Issue

What is SEBI's role in an issue ?

Any company making a public issue or a rights issue of securities of value more than Rs 50 lakhs is required to file a draft offer document with SEBI for its observations. The validity period of SEBI's observation letter is three months only i.e the company has to open its issue within the period of three month starting from the date of issuing the observation letter.

There is no requirement of filing any offer document / notice to SEBI in case of preferential allotment and Qualified Institution Placement (QIP). In QIP, Merchant Banker handling the issue has to file the placement document with Stock Exchanges for making the same available on their websites.

Given below are few clarifications regarding the role played by SEBI:

(a) Till the early nineties, Controller of Capital Issues used to decide about entry of company in the market and also about the price at which securities should be offered to public. However, following the introduction of disclosure based regime under the aegis of SEBI, companies can now determine issue price of securities freely without any regulatory interference, with the flexibility to take advantage of market forces.

(b) The primary issuances are governed by SEBI in terms of SEBI (Disclosures and Investor protection) guidelines. SEBI framed its DIP guidelines in 1992. The SEBI DIP Guidelines over the years have gone through many amendments in keeping pace with the dynamic market scenario. It provides a comprehensive framework for issuing of securities by the companies.

(c) Before a company approaches the primary market to raise money by the fresh issuance of securities it has to make sure that it is in compliance with all the requirements of SEBI (DIP) Guidelines, 2000. The Merchant Banker are those specialised intermediaries registered with SEBI, who perform the due diligence and ensures compliance with DIP Guidelines before the document is filed with SEBI.

(d) Officials of SEBI at various levels examine the compliance with DIP guidelines and ensure that all necessary material information is disclosed in the draft offer documents.

Still there are certain mis-conceptions prevailing in the mind of investors about the role of SEBI which are clarified here in under:

(a) Does SEBI recommend any Issue?

It should be distinctly understood that SEBI does not recommend any issue nor does it take any responsibility either for the financial soundness of any scheme or the project for which the issue is proposed to be made.

(b) Does SEBI approve the contents of an issue?

Submission of offer document to SEBI should not in any way be deemed or construed that the same has been cleared or approved by SEBI. The Lead manager certifies that the disclosures made in the offer document are generally adequate and are in conformity with SEBI guidelines for disclosures and investor protection in force for the time being. This requirement is to facilitate investors to take an informed decision for making investment in the proposed issue.

(c) If SEBI has issued observations on the offer document, does it mean that my investment is safe?

The investors should make an informed decision purely by themselves based on the contents disclosed in the offer documents. SEBI does not associate itself with any issue/issuer and should in no way be construed as a guarantee for the funds that the investor proposes to invest through the issue. However, the investors are generally advised to study all the material facts pertaining to the issue including the risk factors before considering any investment.

11. New Terms

(a) Green-shoe Option

Green Shoe Option is a price stabilizing mechanism in which shares are issued in excess of the issue size, by a maximum of 15%. From an investor's perspective, an issue with green shoe option provides more probability of getting shares and also that post listing price may show relatively more stability as compared to market volatility.

(b) Safety Net

In a safety net scheme or a buy back arrangement the issuer company in consultation with the lead merchant banker discloses in the RHP that if the price of the shares of the company post listing goes below a certain level the issuer will purchase back a limited number of shares at a pre specified price from each allottee.

(c) Open book/closed book

In an open book building system the merchant banker along with the issuer ensures that the demand for the securities is displayed online on the website of the Stock Exchanges. Here, the investor can be guided by the movements of the bids during the period in which the bid is kept open. Indian Book building process provides for an open book system.

In the closed book building system, the book is not made public and the bidders will have to take a call on the price at which they intend to make a bid without having any information on the bids submitted by other bidders.

(d) Hard underwriting

Hard underwriting is when an underwriter agrees to buy his commitment before the issue opens. The underwriter guarantees a fixed amount to the issuer from the issue. Thus, in case the shares are not subscribed by investors, the issue is devolved on underwriters and they have to bring in the amount by subscribing to the shares. The underwriter bears a risk which is much higher than soft underwriting.

(e) Soft underwriting

Soft underwriting is when an underwriter agrees to buy the shares at stage after the issue the issue is closed. The risk faced by the underwriter as such is reduced to a small window of time.

(f) Differential pricing

When one category of investors is offered shares at a price different from the other category it is called differential pricing. An issuer company can allot the shares to retail individual investors at a discount of maximum 10% to the price at which the shares are offered to other categories of public.

(g) Basis of Allocation/Basis of Allotment

After the closure of the issue, for eg a book built public 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. Thus allotment to each investor is done based on proportionate basis in both book built and fixed price public issue.

(h) Fast Track Issues (FTI)

SEBI has introduced FTI in order to enable well-established and compliant listed companies satisfying certain specific entry norms/conditions to access Indian Primary Market in a time effective manner. Such companies can proceed with FPOs / Right Issues by filing a copy of RHP / Prospectus with the RoC or the Letter of Offer with designated SE, SEBI and Stock Exchanges. Such companies are not required to file Draft Offer Document for SEBI comments and to Stock Exchanges.

Entry Norms for companies seeking to access Primary Market through FTI's in case aggregate value of securities including premium exceeds Rs. 50 lacs:

(i) The shares of the company have been listed on any stock exchange having nationwide terminals for a period of at least three years immediately preceding the date of filing of offer document with RoC/ SE.

(ii) The "average market capitalisation of public shareholding" of the company is at least Rs. 10,000 crores for a period of one year up to the end of the quarter preceding the month in which the proposed issue is approved by the Board of Directors / shareholders of the issuer;

(iii) The annualized trading turnover of the shares of the company during six calendar months immediately preceding the month of the reference date has been at least two percent of the weighted average number of shares listed during the said six months period;

(iv) The company has redressed at least 95% of the total shareholder / investor grievances or complaints received till the end of the quarter immediately proceeding the month of the date of filing of offer document with RoC/ SE.

(v) The company has complied with the listing agreement for a period of at least three years immediately preceding the reference date;

(vi) The impact of auditors' qualifications, if any, on the audited accounts of the company in respect of the financial years for which such accounts are disclosed in the offer document does not exceed 5% of the net profit/ loss after tax of the company for the respective years.

(vii) No prosecution proceedings or show cause notices issued by the Board are pending against the company or its promoters or whole time directors as on the reference date; and

(viii) The entire shareholding of the promoter group is held in dematerialised form as on the reference date.

12. Additional Information

(a) Where do I get data on primary issues? (issuer, total issues, issue size, the intermediaries, etc., during a given period)

SEBI brings out a monthly bulletin that is available off the shelf at bookstores. A digital version of the same is available on the SEBI website under the "News/Publications" section. The Bulletin contains all the relevant historical figures of intermediary issue and intermediary particulars during the given period placed against historical figures.

(b) What are the relevant regulations and where do I find them?

The SEBI Manual is SEBI authorized publication that is a comprehensive databank of all relevant Acts, Rules, Regulations and Guidelines that are related to the functioning of the Board. The details pertaining to the Acts, Rules, Regulations, Guidelines and Circulars are placed on the SEBI website under the "Legal Framework" section. The periodic updates are uploaded onto the SEBI website regularly.

(c) Will SEBI answer my queries online in case of doubts and clarifications?

The "Feedback" section on the SEBI website has a provision for the visitors to ask questions on clarifications on smaller issues pertaining to the availability of information and a facility for users to provide feedback on the same. However, if the queries are legal in nature, they are to be referred to SEBI under the SEBI (Informal Guidance) Scheme, 2003.

Sub Section – II

Issues by foreign companies in India (Indian Depository Receipts)(IDRs)

This sub-section attempts to cover the basic concepts and questions related to issuance of Indian depository receipts (IDRs) by foreign companies. For full particulars of laws governing primary markets, please refer to the Acts/Regulations/Guidelines appearing in the Legal Framework Section.

1. Whether a foreign company can access Indian securities market for raising funds?

Yes, a foreign company can access Indian securities market for raising funds through issue of Indian Depository Receipts (IDRs)

2. What is an Indian Depository Receipts (IDRs)?

An IDR is an instrument denominated in Indian Rupees in the form of a depository receipt created by a Domestic Depository (custodian of securities registered with the Securities and Exchange Board of India) against the underlying equity of issuing company to enable foreign companies to raise funds from the Indian securities Markets.

3. Which are all the legislations governing IDRs?

Central Government notified the Companies (Issue of Indian Depository Receipts) Rules, 2004 (IDR Rules) pursuant to the section 605 A of the companies Act. SEBI issued guidelines for disclosure with respect to IDRs and notified the model listing agreement to be entered between exchange and the foreign issuer specifying continuous listing requirements.

4. Who is eligible to issue IDRs?

The eligibility criteria given under IDR Rules and Guidelines are as under-:

The foreign issuing company shall have-:

- pre-issue paid-up capital and free reserves of at least US$ 50 million and have a minimum average market capitalization (during the last 3 years) in its parent country of at least US$ 100 million;

- a continuous trading record or history on a stock exchange in its parent country for at least three immediately preceding years;
- a track record of distributable profits for at least three out of immediately preceding five years;
- listed in its home country and not been prohibited to issue securities by any Regulatory Body and has a good track record with respect to compliance with securities market regulations.

The size of an IDR issue shall not be less than Rs. 50 crores

5. Which intermediaries are involved in issuance of IDRs?

- Overseas Custodian Bank is a banking company which is established in a country outside India and has a place of business in India and acts as custodian for the equity shares of issuing company against which IDRs are proposed to be issued in the underlying equity shares of the issuer is deposited.
- Domestic Depository who is a custodian of securities registered with the as SEBI and authorised by the issuing company to issue Indian Depository Receipts;
- Merchant Banker registered with SEBI who is responsible for due diligence and through whom the draft prospectus for issuance of he IDR is filed with SEBI by the issuer company.

6. Whether the draft prospectus for IDRs has to be filed with SEBI as in case of domestic issues?

Yes. Foreign issuer is required to file the draft prospectus with SEBI. Any changes specified by SEBI shall be incorporated in the final prospectus to be filed with Registrar of Companies.

7. Whether IDRs can be converted into underlying equity shares?

IDRs can be converted into the underlying equity shares only after the expiry of one year from the date of the issue of the IDR, subject to the compliance of the related provisions of Foreign Exchange Management Act and Regulations issued thereunder by RBI in this regard.

8. Who is responsible to distribute the corporate benefits to the IDR holders?

On the receipt of dividend or other corporate action on the IDRs, the Domestic Depository shall distribute them to the IDR holders in proportion to their holdings of IDRs.

9. Whether there are any other requirements for investing in IDRs?

Yes.

- IDRs can be purchased by any person who is resident in India as defined under FEMA.
- Minimum application amount in an IDR issue shall be Rs. 20,000.

- Investments by Indian companies in IDRs shall not exceed the investment limits, if any, prescribed for them under applicable laws
- In every issue of IDR—
  (i) At least 50% of the IDRs issued shall be subscribed to by QIBs;
  (ii) The balance 50% shall be available for subscription by non-institutional.

Sub Section – III

IPO Grading

This sub-section attempts to cover the basic concepts and questions related to IPO Grading. For full particulars of laws governing primary markets, please refer to the Acts / Regulations / Guidelines appearing in the Legal Framework Section.

All details regarding operational aspects of IPO grading like, grading methodology, validity of grading, scope of grading etc, as given below are based on the information obtained from the Credit Rating Agencies(CRAs) (including their FAQs) and are meant only for general informational purpose regarding the overall functioning of the IPO Grading system. Specific details regarding IPO grading may be obtained directly from the respective Credit Rating Agencies.

What is 'IPO Grading'?

IPO grading is the grade assigned by a Credit Rating Agency (CRAs) registered with SEBI, to the initial public offering (IPO) of equity shares or any other security which may be converted into or exchanged with equity shares at a later date. The grade represents a relative assessment of the fundamentals of that issue in relation to the other listed equity securities in India. Such grading is generally assigned on a five-point point scale with a higher score indicating stronger fundamentals and vice versa as below.

IPO grade 1 - Poor fundamentals

IPO grade 2 - Below-Average fundamentals

IPO grade 3 - Average fundamentals

IPO grade 4 - Above-average fundamentals

IPO grade 5 - Strong fundamentals

IPO grading has been introduced as an endeavor to make additional information available for the investors in order to facilitate their assessment of equity issues offered through an IPO.

1. I am an issuer. By when am I required to obtain the grade for the IPO?

IPO grading can be done either before filing the draft offer documents with SEBI or thereafter. However, the Prospectus/Red Herring Prospectus, as the case may be, must contain the grade/s given to the IPO by all CRAs approached by the company for grading such IPO.

2. Who bears the cost of the IPO grading process?

The company desirous of making the IPO is required to bear the expenses incurred for grading an IPO.

3. Is grading optional?

No, IPO grading is not optional. It is mandatory. Any issuer who decides to offer shares through an IPO, is required to obtain a grade for the IPO from at least one Credit Rating Agency.

4. Can the issuer reject an IPO grade?

IPO grade/s cannot be rejected. Irrespective of whether the issuer finds the grade given by the rating agency acceptable or not, the grade has to be disclosed as required under the DIP Guidelines. However the issuer has the option of opting for another grading by a different agency. In such an event all grades obtained for the IPO will have to be disclosed in the offer documents, advertisements etc.

5. Will IPO grading delay the process of issue?

IPO grading is intended to run parallel to the filing of offer document with SEBI and the consequent issuance of observations. Since issuance of observation by SEBI and the grading process, function independently, IPO grading is not expected to delay the issue process.

6. What are the factors that are evaluated to assess the fundamentals of the issue while arriving at the IPO grade?

The IPO grading process is expected to take into account the prospects of the industry in which the company operates, the competitive strengths of the company that would allow it to address the risks inherent in the business and capitalize on the opportunities available, as well as the company's financial position.

While the actual factors considered for grading may not be identical or limited to the following, the areas listed below are generally looked into by the rating agencies, while arriving at an IPO grade

a. **Business Prospects and Competitive Position**
   i. **Industry Prospects**
   ii. **Company Prospects**
b. **Financial Position**
c. **Management Quality**

d. **Corporate Governance Practices**
e. **Compliance and Litigation History**
f. **New Projects—Risks and Prospects**

It may be noted that the above is only indicative of some of the factors considered in the IPO grading process and may vary on a case to case basis.

7. Does IPO grading consider the price at which the shares are offered in the issue?

No. IPO grading is done without taking into account the price at which the security is offered in the IPO. Since IPO grading does not consider the issue price, the investor needs to make an independent judgment regarding the price at which to bid for/subscribe to the shares offered through the IPO.

8. Where can I find the grades obtained for the IPO and details of the grading process?

All grades obtained for the IPO along with a description of the grades can be found in the Prospectus. Abridged Prospectus, issue advertisement or any other place where the issuer company is making advertisement for its issue. Further the Grading letter of the Credit Rating Agency which contains the detailed rationale for assigning the particular grade will be included among the Material Documents available for Inspection at the Registered office of the Company.

9. Does an IPO grade, which indicates 'above average or strong fundamentals' mean I could subscribe safely to the issue?

An IPO grade is NOT a suggestion or recommendation as to whether one should subscribe to the IPO or not. IPO grade needs to be read together with the disclosures made in the prospectus including the risk factors as well as the price at which the shares are offered in the issue.

10. How do I interpret the IPO Grades?

The grades are allocated on a 5-point scale, the lowest being Grade 1 and highest Grade 5. The meaning of these grades has been explained under Question 1 in this FAQ.

11. How does IPO Grading help in deciding about investing in an IPO?

IPO Grading is intended to provide the investor with an informed and objective opinion expressed by a professional rating agency after analyzing factors like business and financial prospects, management quality and corporate governance practices etc. However, 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.

12. What is the role of SEBI in IPO grading exercise?

SEBI does not play any role in the assessment made by the grading agency. The grading is intended to be an independent and unbiased opinion of that agency.

13. Will IPO Grading given by CRAs be a parameter for SEBI to issue its observations?

The grading is intended to be an independent and unbiased opinion of a rating agency. SEBI does not pass any judgment on the quality of the issuer company. SEBI's observations on the IPO document are entirely independent of the IPO grading process or the grades received by the company.

14. Which credit rating agencies are registered with SEBI?

As on date, the following four credit rating agencies are registered with SEBI.

Credit Analysis & Research Ltd (CARE) **http://www.careratings.com/** **4th Floor, Godrej Coliseum,** **Somaiya Hospital Road ,** **Off Eastern Express Highway ,** **Sion (East),** **Mumbai 400 022.**	ICRA Limited **http://icra.in/** **1105, Kailash Building 11th Floor,** **26,Kasturba Gandhi Marg** **New Delhi-110 001**
CRISIL **www.crisil.com/** **CRISIL House** **121-122 Andheri Kurla Road** **Andheri (East)** **Mumbai – 400093**	FITCH Ratings **http://www.fitchindia.com/** **Fitch ratings India (P) Limited** **Apeejay House, 6th Floor** **3, Dinshaw Vachha Road,** **Churchgate, Mumbai 400 020**

Sub-section - IV
Electronic Clearing Scheme for refunds

This sub-section attempts to cover the basic concepts and questions related to Electronic Clearing System for refunds. For full particulars of laws governing primary markets, please refer to the Acts/Regulations/Guidelines appearing in the Legal Framework Section.

1. **I have heard that SEBI has allowed use of ECS for refunds in the issue process? Now will all the applicants get refund through ECS?**

Yes, SEBI has permitted use of ECS for refunds in the issue process. The applicants in 68 centers, as provided by RBI, will get refunds through ECS in addition with other modes of making refunds electronically like RTGS, Direct credit, NEFT. Applicants in other centers will get refunds through normal practice of registered / ordinary post. The list of the 68 centres are -:

Sl. No.	Name of the Centre	Sl. No.	Name of the Centre
Managed by Reserve Bank of India		**Managed by State Bank of India**	
1.	Ahmedabad	1.	Baroda
2	Bangalore	2.	Dehradun
3.	Bhubaneshwar	3.	Nashik
4.	Kolkata	4.	Panaji
5.	Chandigarh	5.	Surat
6.	Chennai	6.	Trichy
7.	Guwahati	7.	Trichur
8.	Hyderabad	8.	Jodhpur
9.	Jaipur	9.	Gwalior
10.	Kanpur	10.	Jabalpur
11.	Mumbai	11.	Raipur
12.	Nagpur	12.	Calicut
13.	New Delhi	13.	Siliguri (non-MICR)
14.	Patna	14.	Pondicherry
15.	Thiruvananthapuram	15.	Hubli
		16.	Shimla (non-MICR)
		17.	Tirupur
		18.	Burdwan(non-MICR)
		19.	Durgapur (non-MICR)
		20.	Sholapur
		21.	Ranchi
		22.	Tirupati(non-MICR)
		23.	Dhanbad(non-MICR)
		24.	Nellore (non-MICR)
		25.	Kakinada (non-MICR)
		Managed by Punjab National Bank	
		1.	Agra
		2.	Allahabad
		3.	Jalandhar
		4.	Lucknow
		5.	Ludhiana
		6.	Varanasi
		7.	Kolhapur
		8.	Aurangabad
		9.	Mysore
		10.	Erode
		11.	Udaipur
		12.	Gorakhpur
		13.	Jammu

		Managed by State Bank of Indore	
		1.	Indore

Sl. No.	Name of the Centre
Managed by Union Bank of India	
1.	Pune
2.	Salem
3.	Jamshedpur
Managed by Andhra Bank	
1.	Visakhapatnam
Managed by Corporation Bank	
1.	Mangalore
Managed by Bank of Baroda	
1.	Coimbatore
2.	Rajkot
Managed by State Bank of Travancore	
1.	Kochi/Ernakulam
Managed by Central Bank of India	
1.	Bhopal
Managed by Canara Bank	
1.	Madurai
Managed by Oriental Bank of Commerce	
1.	Amritsar
Managed by United Bank of India	
1.	Haldia (non- MICR)
Managed by State Bank of Hyderabad	
1.	Vijaywada
Managed by State Bank of Bikaner & Jaipur	
1.	Bhilwara

3. **How will I know which issue is having this facility?**

   Instructions have been given to Lead Managers, Registrars and Bankers to the Issue to ensure that the facility is available to the investor in case of all issues filed on or after January 20, 2006. Relevant disclosures pertaining to this facility will be made in the Prospectus, application form and abridged prospectus.

4. **Whether I will get refunds through ECS if my correspondence address is in one of the 68 centers or am I required to have bank account in banks in one of the 68 centers?**

   You will get refund through ECS if you have a bank account in banks in one of the aforesaid 68 centers.

5. **Am I required to give details of bank account where the refund amount shall be credited?**

   The bank account details will be directly taken from the depositories' database and hence are not required to be filled in the application form for issues wholly made in dematerialized form.

6. **Am I required to do any thing in order to ensure that I get refund through ECS?**

   You are required to ensure that bank details including MICR code (a 9 digit code which appears in the cheque leaf) maintained at the depository level are updated.

7. **If refund amount is credited directly to my account, how will I come to know about the same?**

   You will get intimation about details of the bank where refunds shall be credited along with amount and expected date of electronic credit of refunds. This intimation will be dispatched by the Registrars within 15 days (in case of a Book Built issue) and 30 days (in case of fixed price issue) of closure of the issue. Accordingly, you can check with the relevant bank on the status of the refund.

8. **Does it mean that now all refunds will either come through ECS or ordinary/registered post?**

SEBI has provided for various mode of making refund to the applicants' viz. Direct Credit, RTGS (Real Time Gross Settlement), ECS (Electronic Clearing Service) and NEFT (National Electronic Funds Transfer). As stated above, applicants in 68 centers where clearing houses are managed by RBI will get refunds through ECS only except where the applicants is otherwise disclosed eligible under Direct Credit and RTGS. Applicants at other centers will continue to get refunds through Registered/ordinary post.

Frequently Asked Questions on

Applications Supported by Blocked Amount (ASBA) Process

This sub-section attempts to cover the basic concepts and questions related to Applications Supported by Blocked Amount (ASBA) Process. For full particulars of laws governing primary markets including ASBA process, please refer to the Acts/Regulations/Guidelines / circulars issued to respective intermediaries appearing in the Legal Framework Section (www.sebi.gov.in).

FAQs on ASBA process are presented under the following two broad headings.

I. FAQs on ASBA - for investors
II. FAQs on ASBA for others

FAQs on ASBA for Investors

1. What is "ASBA"?

ASBA means "Application Supported by Blocked amount". ASBA is an application containing an authorization 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, or the issue is withdrawn/failed.

2. Who can apply through ASBA process?

An individual investor can apply through ASBA process provided he/ she:

a. is a "Resident Retail Individual Investor" i.e applying for shares/ securities up to RS 1, 00,000/-
b. is bidding at cut-off, with single option as to the number of shares bid for;
c. is applying through blocking of funds in a bank account with the SCSB;
d. has agreed not to revise his/her bid;
e. is not bidding under any of the reserved categories.

3. What advantage an investor has in applying through ASBA vis-à-vis applying through an application with a cheque?

Applying through ASBA process has the following advantages:

(i) The investor need not pay the application money by cheque rather the investor submits ASBA which accompanies an authorization to block the bank account to the extent of the application money.
(ii) The investor does not have to bother about refunds, as in ASBA only that much money which is required for allotment of securities, is taken from the bank account only when his application is selected for allotment after the basis of allotment is finalized.
(iii) The investor continues to earn interest on the application money as the same remains in the bank account.
(iv) The application form is simpler.
(v) The investor deals with the known intermediary i.e its own bank.

4. Is it mandatory for investors eligible for ASBA, to apply through ASBA only?

No, it is not mandatory. An investor, who is eligible for ASBA, has the option of making application through ASBA or through the existing process of applying with cheque.

5. **Can I make application through ASBA process in all issues?**

No, you can not make application through ASBA process in all issues. ASBA presently is applicable to only book-built public issues which provide for a uniform payment option to the retail individual investors.

6. **Where should I submit my Application Supported by Blocked Amount (ASBA)? How shall I know which bank and which branch of that bank is the designated branch for accepting ASBA applications?**

List of Self Certified Syndicate Banks (SCSBs)") and their designed branches i.e branches where ASBA application form can be submitted, is available in website of BSE (www.bseindia.com) and NSE (www.nseindia.com) and in website of SEBI (www.sebi.gov.in).The same would also be given in the ASBA application form.

7. **What is Self certified Syndicate Bank (SCSB)?**

SCSB is a bank which is recognized as a bank capable of providing ASBA services to investors. Names of such banks would appear in the list available in website of SEBI. (Also see answer to question (6)

8. **Can I submit ASBA in any of the banks specified in the list of SCSBs?**

No, ASBA can be submitted to the SCSB with whom the bank account authorised to be blocked, is maintained.

9. **Am I required to submit ASBA only physically?**

No, you can either fill up the physical ASBA form available with SCSB and submit the same to the SCSB or apply electronically through the internet banking facility (if provided by SCSB).

10. **Can I use the existing application form for public issues for applying through ASBA?**

No. The application form for ASBA will be different from the existing application form for public issues. The application forms will be available with designated branches of SCSB.

11. **Can I withdraw my ASBA bids? If yes, how ?**

Yes, you can withdraw ASBA bids. During the bidding period you can approach the same bank to which you had submitted the ASBA and request for withdrawal through a duly signed letter citing your application number, TRS number, if any.

After the bid closure period, you may send your withdrawal request to the Registrars, who will cancel your bid and instruct SCSB to unblock the application money in the bank account after the finalization of basis of allotment.

12. Who should I approach if I find that I had given all correct details in the ASBA form, but application has been rejected stating wrong data?

You have to approach the concerned SCSB for any complaints regarding your ASBA applications. SCSB is required to give reply to you within 15 days. In case, you are not satisfied, you may write to SEBI thereafter at the following address:

Investor Grievance Cell, Office of Investor Assistance and Education,

Securities and Exchange Board of India

Plot No.C4-A,'G' Block, Bandra Kurla Complex,

Bandra(East),

Mumbai: 400051

Tel: +91-22-26449000 / 40459000

Fax : +91-22-26449016-20 / 40459016-20

13. Whether my bank account will be blocked or only the amount to the extent of application money is blocked?

No. the entire bank account will not be blocked. Only the amount to the extent of application money authorized in the ASBA will be blocked in the bank account. The balance money, if any, in the account can still be used for other purposes.

14. If I withdraw my bid made through ASBA, will the bank account be unblocked immediately?

If the withdrawal is made during the bidding period, the SCSB deletes the bid and unblocks the application money in the bank account. If the withdrawal is made after the bid closure date, the SCSB will unblock the application money only after getting appropriate instruction from the Registrar, which is after the finalization of basis of allotment in the issue.

15. **Do I necessarily need to have a DP account with the SCSB where I intend to submit the ASBA application?**

    No. Investors need not necessarily have their DP account with the SCSB, where they are submitting the ASBA form.

16. **Can I submit my ASBA to a broker as is being done in the present issue process applying through cheque ?**

    You are required to submit ASBA to the SCSBs only.

17. **Can I apply in an issue through "ASBA" process and through "normal existing system of payment through cheque " in an issue?**

    No. An investor can apply either through ASBA or through existing system of payment through cheque. If an applicant applies through both ASBA as well as non ASBA then the both the applications having the same PAN, will be treated as multiple application and hence rejected.

18. **Will I get an acknowledgement for submission of ASBA applications?**

    Yes. The Self Certified Syndicate Bank (SCSB) are required to give the acknowledgement for submission of ASBA application form.

19. **Are the bids submitted through ASBA and uploaded in the electronic bidding system of the stock exchange reflect in the demand graphs displayed in the website of stock exchanges?**

    Yes. The bids received through ASBA mode will also be reflected in the demand graphs displayed in the website of stock exchanges.

20. **Who is responsible for errors in the data uploaded in the electronic bidding system?**

    In case there is an error by the investor in entering the data in the application form, the investor shall be responsible. In case there is an error by SCSB in entering the data in the electronic bidding system of the stock exchanges, the SCSB shall be responsible.

21. **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.

22. Will there be any different treatment in allotment for ASBA and Non –ASBA forms?

No. ASBA forms will be treated similar to the non-ASBA forms while finalizing the basis of allotment.

23. What happens when the issue fails/ is withdrawn?

In case the issue fails/withdrawn the SCSB shall unblock the application money from the bank accounts upon receiving instructions from the Registrar.

24. In case of any complaints regarding ASBA application whom can I approach?

In case of any complaints the investor shall approach the bank, where the application form was submitted or the Registrars to the issue.

FAQs on ASBA for others

1. **Is issuer required to provide ASBA mode for all issues?**

   The issuer is required to provide ASBA mode in all public issues though book building, where a uniform payment option is being offered to the retail investors.

2. **Does issuer has discretion to appoint SCSBs?**

   Issuer is deemed to have entered into an agreement with SCSBs who have been recognized as such by SEBI. As such, issuer has no discretion in choosing SCSBs.

3. **What is expected to be ensured by the issuer?**

   Issuer shall, in consultation with Lead managers, ensure the following:

   - Registrar to issue appointed by the issuer has capability to comply with the procedures laid down by SEBI for ASBA and shall treat ASBA and Non ASBA application at par.
   - Sufficient number of physical ASBA application forms are printed and made available to all SCSBs, in case SCSB intends to provide physical ASBAs.

4. **I am a Bank and want to make a public issue through a book building. Can I act as a SCSB in the issue?**

   Yes, you can act as a SCSB.

5. **How can a bank become an SCSB?**

   A bank which is registered with SEBI as a Banker to issue in terms of SEBI (Bankers to an Issue) Regulations can become SCSB subject to the following requirements:

   - Submit a certification to SEBI confirming that it is capable of discharging the responsibilities of an SCSB.
   - SEBI to include name of the bank in the list of SCSBs displayed in SEBI's website.
   - The bank shall act as SCSB w.e.f 1st or 15th of the month whichever is later from date of inclusion in the list.

   For full details, please refer to the Circular dated July 30, 2008 issued by SEBI to all registered bankers to issues.

6. **How a bank which has become a SCSB, get connectivity with electronic bidding system of Stock exchanges?**

   The bank can the stock Exchange offering electronic bidding system, which is presently being offered by Bombay Stock Exchange and National Stock Exchange to get connectivity and ensure that systems are in place to get the connectivity and secured transfer of data from banks to Stock Exchanges.

7. **Can a Cooperative Bank, become an SCSB?**

   Any bank which is registered as bankers to an issue registered with SEBI in terms of SEBI (Bankers to an Issue) Regulations can become SCSB subject to satisfying other conditions specified by SEBI .

8. **Can SCSB accept ASBA application electronically also?**

   Yes, SCSBs can provide a facility of submitting ASBA through the internet banking facility to the investors electronically where the provision to block the account is provided.

9. **If a SCSB intends to provide only electronic ASBA, is it possible?**

   Yes, it is possible; however sufficient information to this effect should be made available to all the clients by the SCSB.

10. **What is a SCSB expected to do after receipt the ASBA?**

    After receipt of ASBA, SCSB is expected to ensure (i) blocking of funds in the bank accounts mentioned in ASBA and (ii) uploading the detils given in ASBA received physically or electronically, in the electronic bididng system of Stock Exchange(s).

11. **Is SCSB required to validate/ verify details given in ASBA?**

    No, SCSB is not required to validate the details given in ASBA application. SCSB is however required to follow the normal diligence required in banking transactions

12. **Can SCSB outsource the task of collection of ASBA applications and uploading of the application details?**

SCSB is wholly responsible for any omission and commission done during the process and the bids which are uploaded in the electronic bidding system of Stock Exchanges has to be done through SCSB code.

13. **Can SCSB transfer the blocked application money to a separate account instead of blocking the money in the same account?**

Yes, a SCSB can do it if it serves the purpose of blocking till allotment is finalized and interest, if any, is earned by investor till the amount is transferred to the issuer account.

14. **How does a SCSB get the file formats for uploading of bids?**

SCSB may approach the Stock Exchange offering electronic bidding system. They will inform SCSB about the file formats. It may be noted that only after the mock trial run done with Stock Exchanges and Registrar, the bank will be in position to submit a certification to SEBI as mentioned in the reply to Question 5 above.

15. **What data/details a SCSB is required to send to the Stock exchanges and Registrar?**

SCSB is required to upload details like Application number, DP ID, Client ID, Bid Quantity, PAN from ASBA form.

In case of an Electronic ASBA, the ASBA investor himself/ herself shall fill in all the abovementioned details in the online application system of the bank, except the application number which shall be system generated. The SCSB shall thereafter upload all the abovementioned details in the electronic bidding system provided by the Stock Exchange(s).

Further if there is any withdrawal during the bidding period, SCSB shall delete the same for each record individually or through batch upload.

SCSB is also required to send the following details to Registrar:

The SCSB shall send the following aggregate information to the Registrar to the Issue after closure of the bidding period:

(i) Total number of ASBAs uploaded by the SCSB
(ii) Total number of shares and total amount blocked against the uploaded ASBAs.

For full details, please refer the circular dated July 30, 2008 issued to Bankers to issue, by SEBI.

16. **Is it mandatory that only Designated Branch (DB) which accept as the ASBA has to upload the bids in the Electronic Bidding System?**

No, it is not mandatory. Depending upon the internal comfort and system of each bank, it is possible for DBs to collect applications, block the amount and then transfer to Controlling Branch (CB) for centralized uploading or DBs to only collect applications and upload directly. It may please be noted that as far as investors are concerned, they would be informed about addresses of DBs where they can submit ASBAs., Thereafter, the procedure to be followed is totally internal to SCSB and it is possible that DBs which accept ASBA, only upload the bids or the DB will transfer the applications to the CB for uploading the bids, subject to timelines specified by SEBI being followed,

17. Will the investor get a confirmation from the Stock Exchanges on upload of bids?

Yes, Stock Exchange electronic bidding system will provide for generation of order no which can confirm the uploading of bids. These order no as well as application no, will help SCSB as well as the investors in tracking their application.

18. What records a SCSB is required to keep in regard to ASBA process?

Electronic record of ASBA uploaded , account/amount blocked and unblocked. ASBA physical forms may be retained for a period of 6 months with SCSB for redressing complaints if any, of ASBA investor and thereafter the same may be sent to the issuer.

As regards electronic ASBA, SCSB need not take print out or submit such print out to issuer or registrar.

19. What is expected to be done by the SCSB, in case the investor withdraws his ASBA bid during the bidding period or after the bid closure?

ASBA investor interested in withdrawing his/her application during the bidding process will approach the SCSB and request for deletion of the bids. SCSB will do the necessary to delete the bids from electronic bidding system and unblock the bank account. However once the bidding period is over, ASBA investor will write to the Registrar giving all the relevant details like ASBA No, order no, if available, DPId, Client ID and PAN etc based on which Registrar will remove the bid from the electronic bid file . However, the bank account will be unblocked by SCSB only after the receipt of appropriate instruction from the Registrar after finalization of basis of allotment in the issue.

20. What is the role and responsibility of the Controlling Branch (CB) of SCSB?

CB is expected to act as a central point of co-ordination for various intermediaries with SCSB i.e Stock Exchanges, Registrar and Merchant Bankers.

21. Does SCSB have the discretion to select issues where it will provide service of ASBA?

No. Once a bank is included in the list of SCSBs maintained by SEBI, it shall act as SCSB for all issues to come where ASBA is applicable.

22. How can the Registrar reconcile the data on ASBA Bids since the Registrar does not get the application in case of ASBA?

Registrar will do the reconciliation based on data received from Stock Exchanges and the aggregate data received from SCSBs after closure of the issue regarding total no. of bids uploaded, the total number of shares applied for in such uploaded bids and total amount blocked for such uploaded bids.