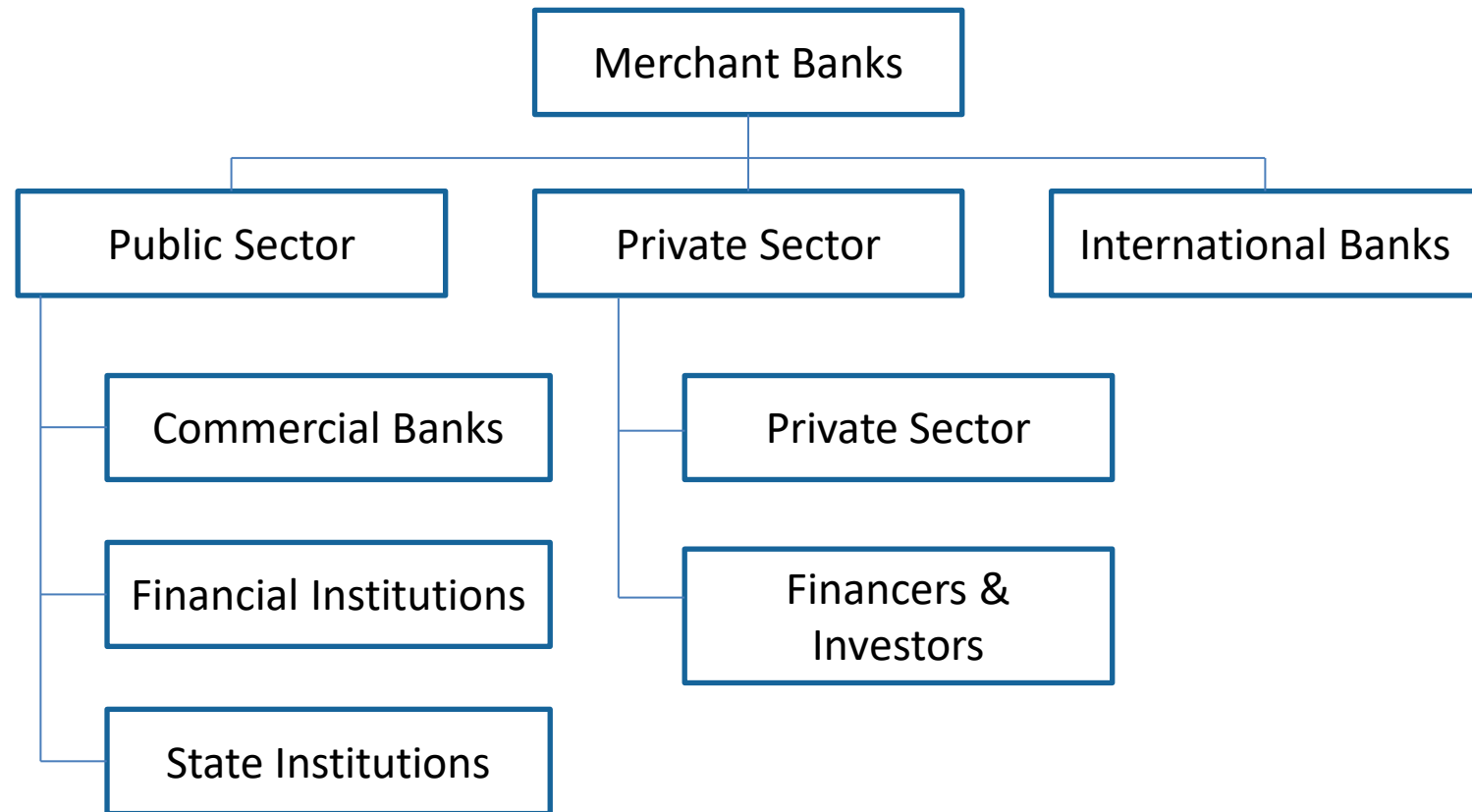


Role of Merchant Banks in new issue



Ashish Gokarnkar
18IM30027

Total of **211**
Merchant Bankers are
registered with **SEBI** as of now

Categorization

C1	Issue Manager	Advisor		Lead Manager
	Book Underwriter	Consultant		
	Portfolio Manager			
C2	Book Underwriter	Advisor		Co - Manager
	Portfolio Manager	Consultant		
C3	Book Underwriter	Advisor	Consultant	Price Band Advisor
C4	Advisor	Consultant		Document Processor

Example: MindSpace REIT IPO

Morgan
Stanley

BofA SECURITIES 

* DSP Merrill Lynch

citi

NOMURA

 AXIS CAPITAL

 **kotak**[®]
Investment Banking

 **UBS**

13

Merchant Bankers

IDFC
IDFC SECURITIES

 **JM FINANCIAL**

All of them = **LEAD**

 **AMBIT**
Acumen at work

 **ICICI Securities**

Registrar

CLSA

 **HDFC BANK**

 **FINTECH**

Pre – Issue Obligations

1. Furnish * **Due Diligence Certificate** to SEBI
2. Dispatch of Issue Material
 1. **MoU** – Issuer & Lead Merchant Banker
 2. * Offer Document → **DRHP**
 1. Estimated IPO size
 2. #shares being offered to public
 3. Why IPO? And where shall funds go?
 1. Business description
 2. Complete financial statements
 3. Management Discussion & Analysis
 4. Risks involved in the business
3. Submit **Undertaking**
4. Submit List of **Promoters** and their shareholdings
5. Appointment of **Co-managers** and other **Intermediaries**

Sources: <https://www.sebi.gov.in/guide/guide20005.html>

<https://zerodha.com/varsity/wp-content/uploads/2015/04/module1.pdf>

Example: MindSpace Due Diligence

Done by  **HDFC BANK**

Contents

- Background
- Net Proceeds Utilization
- Internal Asset Portfolio
- Client + Supplier Study
- Industry Comparison
- Business Risks
- Financials



RETAIL RESEARCH

Utilisation of Net Proceeds

Sr No	Particulars	Estimated Amount (Rs in mn)
1	Partial or full pre-payment or scheduled repayment of certain debt facilities of the Asset SPVs availed from banks/financial institutions	9,000
2	Purchase of Non-Cumulative Redeemable Preference Shares (NCRPS) of MBPPL	334
3	General purposes	*

*depends on final offer price

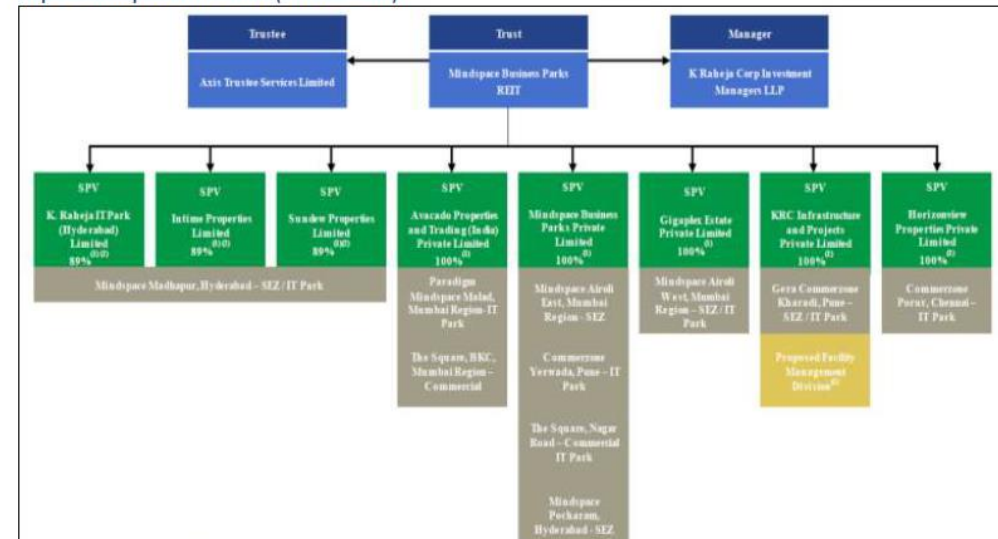
Post the utilisation of the IPO proceeds, its total indebtedness is expected to be ~15.3% of its Market Value.

Background about Mindspace REIT:

Mindspace REIT was registered with SEBI on December 10, 2019, at Mumbai as a REIT pursuant to the REIT Regulations having registration number IN/REIT/19-20/0003.

- Cape Trading LLP (CTL) and Anbee Constructions LLP (ACL) are the sponsors of Mindspace REIT;
- K Raheja Corp Investment Managers LLP (held by Mr. Ravi C. Raheja and Mr. Neel C. Raheja, as the partners) has been appointed as the Manager to Mindspace REIT;
- Axis Trustee Services Limited has been appointed as the Trustee to Mindspace REIT

Proposed Mindspace REIT Structure (Portfolio Assets):



1. % indicates Mindspace REIT's proposed shareholding in respective Asset SPVs.

2. 11% shareholding in these Asset SPVs is held by APIIC (Andhra Pradesh Industrial Infrastructure Corporation)

3. KRC Infra will commence facility management division with effect from the first day of the quarter following listing of Units on the Stock Exchanges under the brand name "CAMPLUS".

(Source: Offer Document)

RETAIL RESEARCH

Page | 2

Investor Consensus

Source: hdfcsec.com/hsl.docs//IPO%20note%20-%20Mindspace%20REIT.pdf

Example: Due Diligence Certificate

BY LEAD MERCHANT BANKER(S) ALONGWITH DRAFT OFFER DOCUMENT

To,
SECURITIES AND EXCHANGE BOARD OF INDIA

Dear Sirs,

SUB.: ISSUE OF _____ BY _____ LTD.

SEBI pre-defined Letterhead + Annexure

We, the under noted Lead Merchant Banker (s) to the above mentioned forthcoming issue state as follows :

1. We have examined various documents including those relating to litigation like commercial disputes, patent disputes, disputes with collaborators etc. and other materials more particularly referred to in the Annexure hereto in connection with the finalisation of the draft prospectus/letter of offer pertaining to the said issue;

(2) On the basis of such examination and the discussions with the company, its directors and other officers, other agencies, independent verification of the statements concerning the objects of the issue, projected profitability, price justification and the contents of the documents mentioned in the Annexure and other papers furnished by the company, WE CONFIRM that:

(a) the draft prospectus/letter of offer forwarded to the Board is in conformity with the documents, materials and papers relevant to the issue;

(b) all the legal requirements connected with the said issue as also the guidelines, instructions, etc. issued by the Board, the Government and any other competent authority in this behalf have been duly complied with; and

(c) the disclosures made in the draft prospectus / letter of offer are true, fair and adequate to enable the investors to make a well informed decision as to the investment in the proposed issue.

(3) We confirm that besides ourselves, all the intermediaries named in the prospectus/letter of offer are registered with the Board and that till date such registration is valid.

1. We have satisfied ourselves about the worth of the underwriters to fulfil their underwriting commitments.

1. We certify that written consent from shareholders has been obtained for inclusion of their securities as part of promoters' contribution subject to lock-in and the securities proposed to form part of promoters' contribution subject to lock-in, will not be disposed / sold / transferred by the promoters during the period starting from the date of filing the draft prospectus with the Board till the date of commencement of lock-in period as stated in the draft prospectus.

PLACE: LEAD MERCHANT BANKER(S) TO THE ISSUE DATE: WITH HIS/ THEIR SEAL (S)

Annexure

- MoU
- Govt. Clearance
- StockEx Listing Agreement
- Banker Consent Letters
- Underwriter Addressal
- Minutes of Board Meeting
- Environmental Clearance by PCB
- RBI Approval
- Auditor Clearance

Source: <https://www.sebi.gov.in/guide/guide2000s3.html>

Example: MindSpace Offer Document

Key Contents

- Risk Factors
- Corporate Structure
- Financial Statements
- Offer Proceeding
 - Use of Money
 - Price Ranges
- Regulation Bindings

Overall **674** Pages

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Post – issue Obligations

1. * Post-issue monitoring reports : 3-Day & 78-Day
2. * Redressal of Investor Grievances
3. **Underwriters**: If the issue is proposed to be closed at the earliest closing date, the lead Merchant Banker shall satisfy himself that the issue is fully subscribed before announcing closure of the issue.
4. **Stock Invest Compliance** as per RBI mandates
5. **Payment of interest** for delayed dispatch
 - Allotment letters
 - Refund Orders, etc.
6. Ensure money received from the issue is kept in a separate bank
7. **Post – issue advertisement**
 - Subscription Status
 - # (value) and % of applications
 - Basis of allotment
 - Dates

Post Issue Monitoring Reports Reports

Responsibility of Post – Issue Lead Merchant Bankers of Issuer

Subscription Status	Oversubscribed/ Undersubscribed
Closing Dates	Earliest + Actual
Issue Details	<ul style="list-style-type: none"> Nature of Instruments (Equity/FCD/PCD/NCD/Others, etc.) Offer Price of Instruments
Issue Size	Promoters Contribution + Net Public Offer
Subscription Details	<ul style="list-style-type: none"> Total amount to be collected on application Amount Collected on application % subscription Amount subscribed by reserved category on reserved basis
Has 90% minimum subscription of the amount through offer document been collected ?	YES/ NO
Signature	Registrar/ Lead Merchant Banker

78-Day • # Underwriters • Investor Grievances

SEBI Norms: Redressal of Investor Grievances

Sr. No.	Activity	Timeline #days
1.A	Complaint Arrived	T
B	Response required	< T + 30
C	Else Alert Issuer	T + 31
D	Response required	< T + 60
2.A	Else Fine@ ₹1000/day/complaint	T + 61
B	Final Notice to promoters	T + 76
C	Freezing of promoter shareholdings	T + 86

Applicable for Non-receipt of (in IPOs)

- Refund in Public Issue
- Shares after Transfer
- Receipt in Physical Mode instead of electronic mode





Elsewise

- Bonus
- Dividend
- Interest

Guidance on Advertisement

1. Lead Merchant Banker shall ensure **compliance with the guidelines on Advertisement** by the issuer
2. MoU that the issuer company **shall not directly or indirectly release**, during any conference or at any other time, any material or information which is not contained in the offer documents.
3. Ensure that the issuer company obtains **approval** in respect of all issue advertisements and publicity materials

Verify that issue advertisement shall be **truthful, fair** and **clear** and shall not contain any statement which is untrue or misleading.

-  Inaccurate portrayal of past performance
-  Complex language
-  Profit guarantee
-  Models, celebrities, fictional characters, landmarks or caricatures

Example: Allocation of Responsibilities



Due Diligence



Finalizing
various
agreements

- underwriting
- offering
- syndicate
- escrow

BofA SECURITIES



1. Completion of the **formation transactions**
2. Allotment of Shares
3. **International Institutional Marketing** of the Offer
 - International Marketing Strategy
 - International Roadshow
 - Sourcing International Investors

MorganStanley

1. IPO **Instrument Design**
2. Compliance with **Regulatory** Authorities
3. Rebase **financial forecasts**
4. Auditor Clearance
5. **Appointment** and coordination b/w
 - Valuer
 - Registrar
 - Bankers
 - Industry Expert
 - Printers
 - Advertising agency

Example: Allocation of Responsibilities



1. Coordination with stock exchanges for **Book Building software** and submitting **1%** deposit
2. Finalizing the **Anchor Minutes** and Strategic Investor minutes
3. **Managing the book**
4. Finalizing of pricing
5. Post bidding activities
 - Management of escrow accounts
 - Finalization of basis of allotment
 - Dispatch of allocation letters & refund to Bidders
 - Obtaining relevant listing approvals



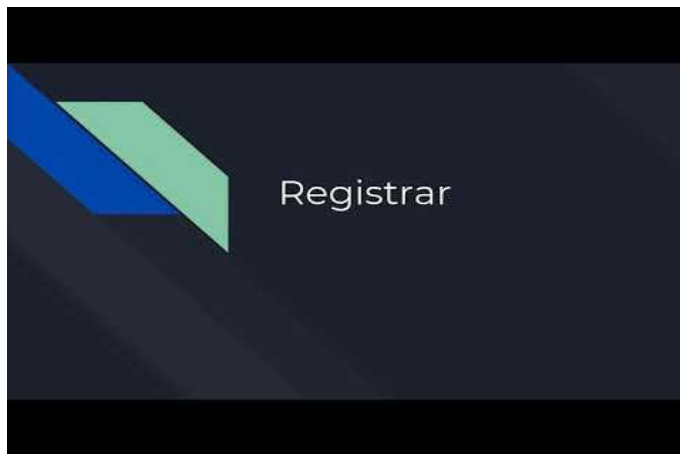
1. **Domestic Institutional Marketing** of the Offer
 1. Domestic Marketing Strategy
 2. Domestic Roadshow
 3. Finalizing list and divisions of domestic investors
2. **Non-Institutional marketing** strategy
 1. Finalizing Collection Centers
 2. Finalizing Brokerage and Commission
 3. Preparation of publicity budget, finalizing media, marketing and public relations strategy

Summary: Roles & Responsibilities

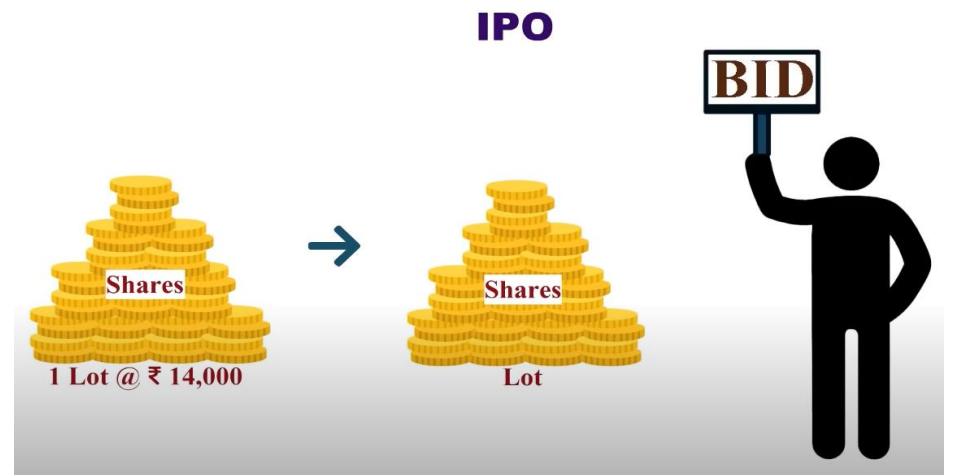
1. **Educating** the applicant company
2. Due diligence & **DRHP** Preparation
3. Display of offer document on website
4. Market Making arrangement
5. **Underwriting** arrangement
6. Arrangement with nominated investors

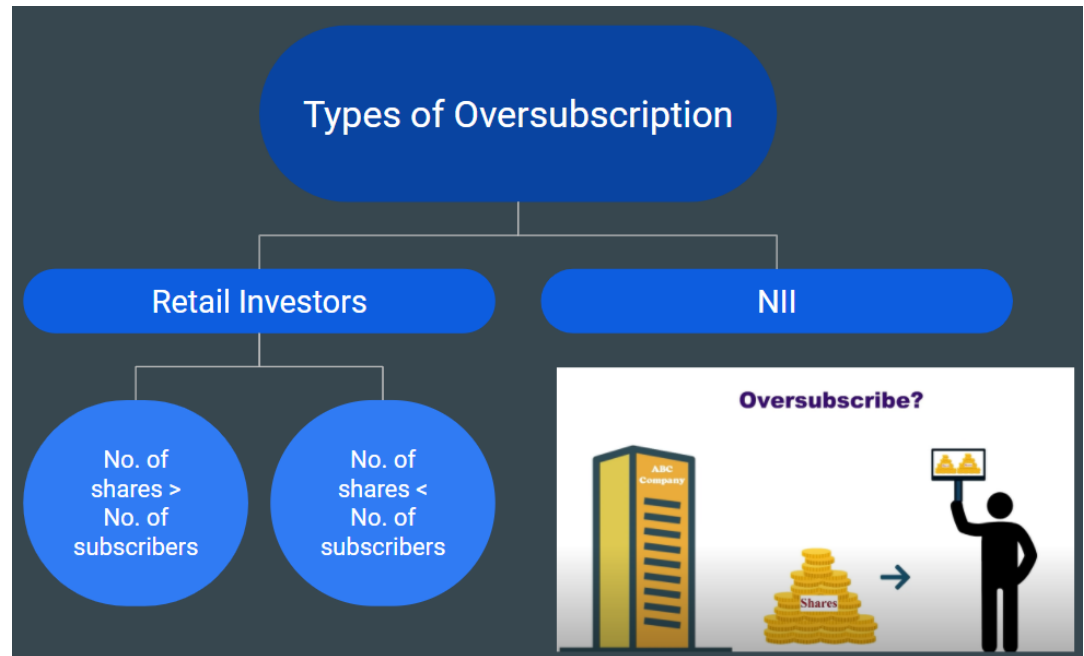
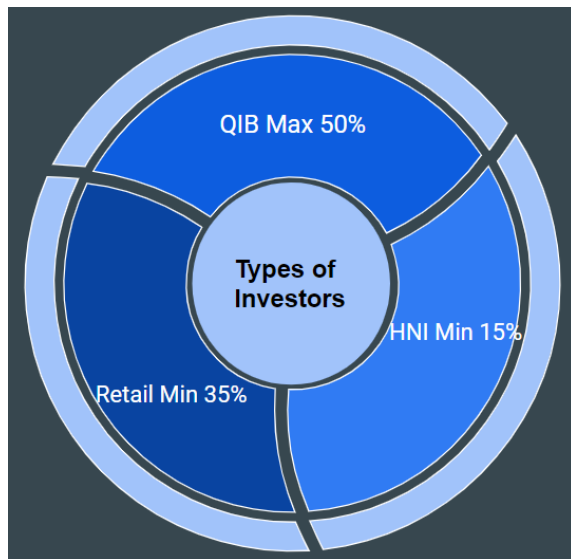
Registrar & IPO allotment

: Ankit Pandey (17MF3FP18)

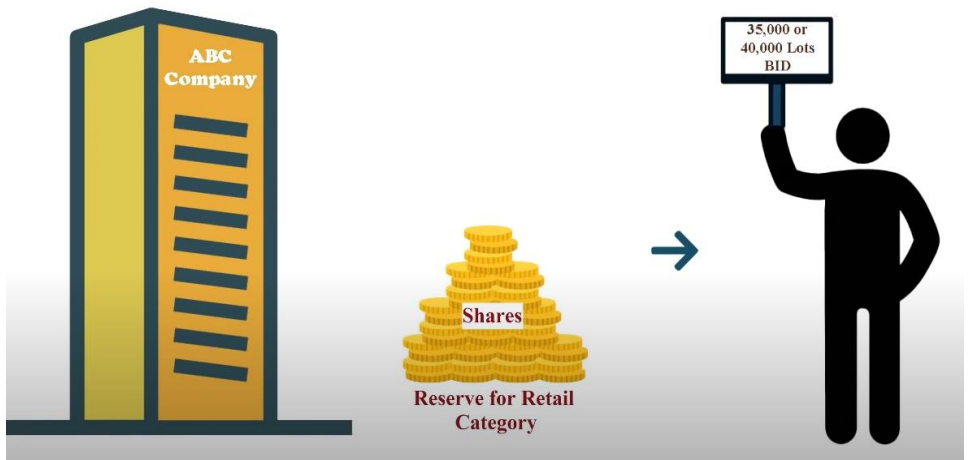


(My explanation)

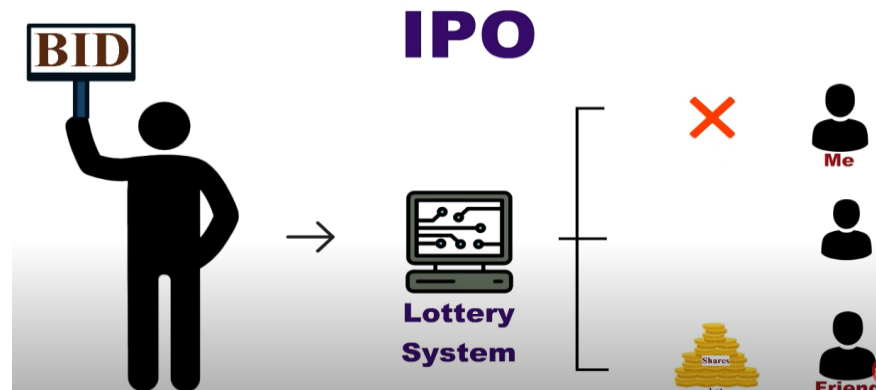
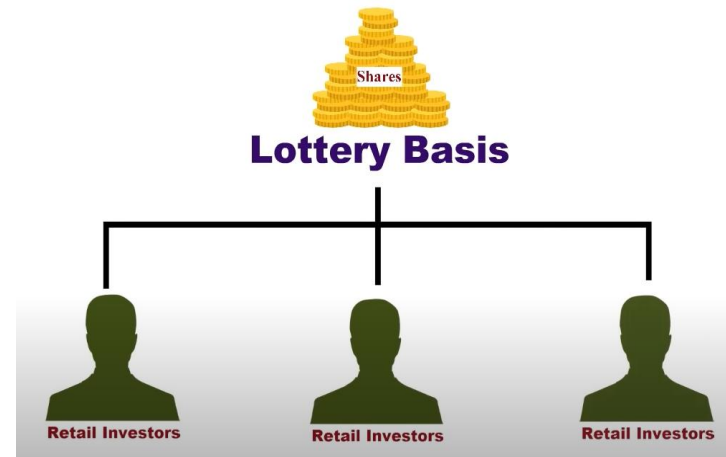




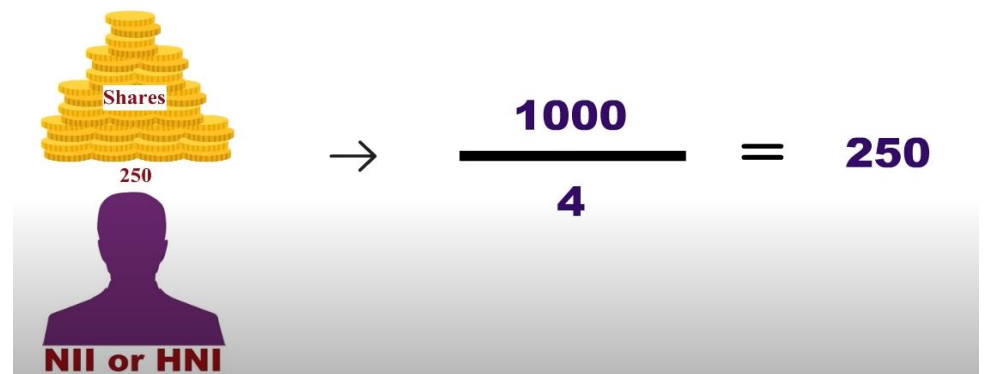
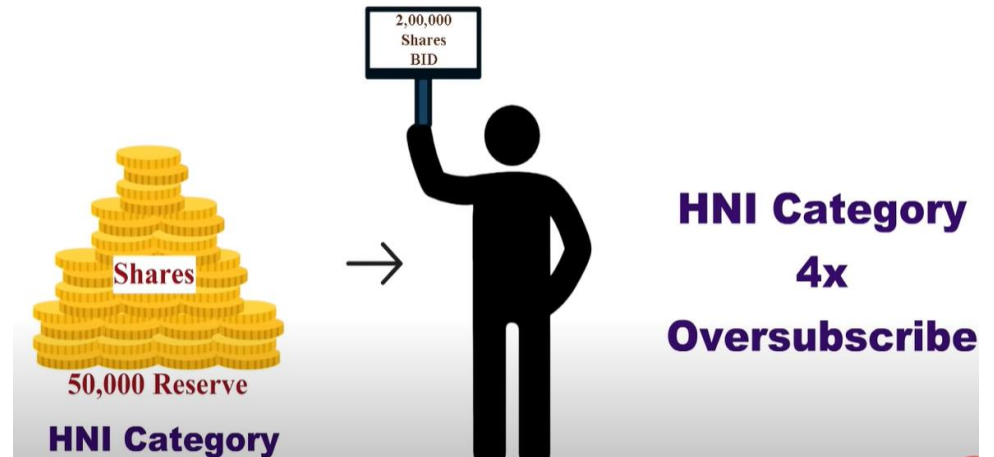
Retail Investors Case 1



Retail Investors Case 2



NII Case





UTI IPO Shares Offered by Investor Category

Category	%	No. of shares
QIB	50%	19,493,540
NII	15%	5,848,062
Retail	35%	13,645,480
Total		38,987,081

Registrar:
KF Infotech Private Limited

UTI AMC IPO Tentative Date / Timetable

Bid/Offer Opens On	Sep 29, 2020
Bid/Offer Closes On	Oct 1, 2020
Finalisation of Basis of Allotment	Oct 7, 2020
Initiation of Refunds	Oct 8, 2020
Credit of Shares to Demat Acct	Oct 9, 2020
IPO Shares Listing Date	Oct 12, 2020

UTI AMC IPO Lot Size and Price (Retail)

Application	Lots	Shares	Amount (Cut-off)
Minimum	1	27	₹14,958
Maximum	13	351	₹194,454

	No. of Times Issue Subscribed (BSE + NSE)				
As on Date & Time	QIB ?	NII ?	RII ?	Employee ?	Total ?
Shares Offered	7,757,416	5,818,062	13,575,479	200,000	27,350,957
Oct 1, 2020 18:00	3.34x	0.93x	2.32x	1.34x	2.31x



Likhitha Infrastructure IPO Tentative Date / Timetable

Bid/Offer Opens On	Sep 29, 2020
Bid/Offer Closes On	Oct 7, 2020
Finalisation of Basis of Allotment	Oct 12, 2020
Initiation of Refunds	Oct 13, 2020
Credit of Shares to Demat Acct	Oct 14, 2020
IPO Shares Listing Date	Oct 15, 2020

Likhitha Infrastructure IPO Lot Size and Price (Retail)

Application	Lots	Shares	Amount (Cut-off)
Minimum	1	125	₹15,000
Maximum	13	1625	₹195,000

	No. of Times Issue Subscribed (BSE + NSE)			
As on Date & Time	QIB ?	NII ?	RII ?	Total ?
Shares Offered	51,000	3,264,000	1,785,000	5,100,000
Oct 7, 2020 17:00	21.99x	1.54x	23.71x	9.51x

Category	Shares Offered
QIB	2550000 (50%)
NII	765000 (15%)
Retail	1785000 (35%)
Total	5,100,000

Registrar:
Big Share Services



The Percentage of Offer Size available for Allotment/allocation:

- **QIBs:** 50% (₹300 Cr)
- **Non-Institutional Investors:** 15% (₹90 Cr)
- **Retail Individual Investors:** 35% (₹210 Cr)

Registrar:
KF Infotech Private Limited

Route Mobile IPO Tentative Date / Timetable

Bid/Offer Opens On	Sep 9, 2020
Bid/Offer Closes On	Sep 11, 2020
Finalisation of Basis of Allotment	Sep 16, 2020
Initiation of Refunds	Sep 17, 2020
Credit of Shares to Demat Acct	Sep 18, 2020
IPO Shares Listing Date	Sep 21, 2020

Route Mobile IPO Lot Size and Price (Retail)

Application	Lots	Shares	Amount (Cut-off)
Minimum	1	40	₹14,000
Maximum	14	560	₹196,000

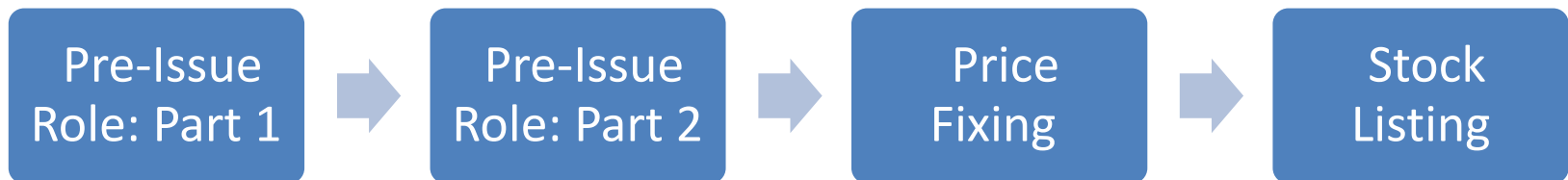
	No. of Times Issue Subscribed (BSE + NSE)			
As on Date & Time	QIB ?	NII ?	RII ?	Total ?
Shares Offered	3,478,259	2,608,696	6,086,957	12,173,912
Sep 11, 2020 17:00	89.76x	192.81x	12.67x	73.30x

Role of Lead Manager in New Issue

1. Independent Financial Institution appointed by the company
2. LM should have a valid SEBI registration to be appointed
3. MoU to be signed with the issuing company. It should highlight mutual rights, liabilities and obligations relating to issue
4. Guidelines on the maximum limits of LMs by SEBI as laid down in Section 30 of SEBI Act, 1992:

Size of the Issue	No. Of lead Managers
50 cr.	2
50 – 100 cr.	3
100 – 200 cr.	4
200 - 400 cr.	5
Above 400 cr.	5 or more as agreed by the board

Obligations of LMs in the life cycle of an IPO:



Pre-Issue Role: Part 1

1. Prepare **Draft Offer Prospectus Document** for IPO highlighting:
 - ✓ Background of the company
 - ✓ Promoters
 - ✓ Vision and Mission
 - ✓ Financial Performance of the company
 - ✓ IPO Goals and Targets
 - ✓ Forms of Issue
 - ✓ Future sales
 - ✓ Investment Projection of the company
2. **File Draft Offer Prospectus with SEBI** at least 21 days prior to filing of Offer Document with Registrar of Company(RoC) / Stock Exchanges (SEs)
3. **SEBI may specify changes** in the Draft Offer Document and the issuer of Lead Manager will carry out changes before filing with RoC/SEs
4. **Advertisements/Road Shows** for the IPO:
 - ✓ Advertisement in 1 English national newspaper, 1 Hindi national newspaper and 1 regional language newspaper inviting public comments to SEBI
 - ✓ Roadshows (series of meetings with potential investors and executives) held across different locations

Pre-Issue Role: Part 2

1. **Submit the offer prospectus** (document after changes made in Draft offer document) to SEs and RoC and get it approved
2. Issuer Company consults LMs as well as RoCs and SEs to **finalise the date** and duration of the IPO
3. Fixed **Price/Price Band is determined** with the help of Issuer company
 - ✓ Spread between floor and the cap should not be $> 20\%$ (Book Built IPO)
 - ✓ Price band if revised, should be widely disseminated across websites/press release/terminals/SEs and bidding period will be extended by 3 days
4. Modify Offer Prospectus with date & price band (the document is now called **Red Herring Prospectus(RHP)**)
5. RHP and IPO application forms are printed and posted to syndicate members (commercial/investment banks registered with SEBI) which is further distributed to potential investors

Price Fixing

1. After the Public Issue closes for investors bidding, Lead Managers **evaluate the final issue price** (Cut-off price) based on the bids received
2. Lead Managers **update the RHP** with final issue price and send it to SEBI and Stock Exchanges

Stock Listing

1. Once all allocated shares are transferred to demat account of investors, Lead Manager with the help of Stock Exchange **decides Issue Listing Date**
2. Finally share of the issuer company gets **listed in Stock Market**

Summary: Life cycle of an IPO

(IPO Process Initialisation)

