

Providing IPO solutions to Alacrity Solutions Pvt. Ltd.: A Study

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INTRODUCTION

An **initial public offering (IPO)**, referred to simply as an "offering" or "flotation", is when a company (called the *issuer*) issues common stock or shares to the public for the first time. They are often issued by smaller, younger companies seeking capital to expand, but can also be done by large privately-owned companies looking to become publicly traded.

In an IPO the issuer may obtain the assistance of an underwriting firm, which helps it determine what type of security to issue (common or preferred), best offering price and time to bring it to market.

An IPO can be a risky investment. For the individual investor it is tough to predict what the stock or shares will do on its initial day of trading and in the near future since there is often little historical data with which to analyze the company. Also, most IPOs are of companies going through a transitory growth period, and they are therefore subject to additional uncertainty regarding their future value.

In 1602, the Dutch East India Company was the first company to issue stocks and bonds in the world in an initial public offering.

In December 2010 the world's largest ever IPO was completed by Coal India Limited.

ABSTRACT

When a company lists its shares on a public exchange, it will almost invariably look to issue additional new shares in order at the same time. The money paid by investors for the newly-issued shares goes directly to the company (in contrast to a later trade of shares on the exchange, where the money passes between investors). An IPO, therefore, allows a company to tap a wide pool of stock market investors to provide it with large volumes of capital for future growth. The company is never required to repay the capital, but instead the new shareholders have a right to future profits distributed by the company and the right to a capital distribution in case of dissolution.

The existing shareholders will see their shareholdings diluted as a proportion of the company's shares. However, they hope that the capital investment will make their shareholdings more valuable in absolute terms.

In addition, once a company is listed, it will be able to issue further shares via a rights issue, thereby again providing itself with capital for expansion without

incurring any debt. This regular ability to raise large amounts of capital from the general market, rather than having to seek and negotiate with individual investors, is a key incentive for many companies seeking to list.

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

1. Bolstering and diversifying equity base.
2. Enabling cheaper access to capital.
3. Exposure and prestige.
4. Attracting and retaining the best management and employees.
5. Facilitating acquisitions.
6. Creating multiple financing opportunities: equity, convertible debt, cheaper bank loans, etc.
7. Increased liquidity for equity holder.

Key words: Initial Public Offering, Issuer, Market price, Future value, Stocks.

About Alacrity Solutions Pvt. Ltd

E-commerce has become a significant element of consumerism. Billions of companies sell their products on the Internet, but whether they are successful in bringing in revenue is a different story. With the availability of millions of options over the internet we provide the best of the services to our clients in managing integration with shipping details, advertising their products/websites to trillions of internet users worldwide, inventory management, internet research, online support, global reach, setting up an ecommerce website is the most convenient and most cost effective way of buying/selling products/services.

Alacrity Solutions has served a large number of fortune international clients to formulate specifically designed E-commerce solutions. Through conception, design, implementation and marketing, we provide high quality E-commerce development services to our offshore clients all over the world.

To achieve this, we have a team of experts in the field of E-commerce, skilled with modern tools and techniques having expertise in the following:

1. Content Development
2. Website Design and Management
3. Online Marketing
4. eBay Integration
5. E-commerce Portals
6. Internet Research
7. Data Entry (Specialized - Hard Copy to Soft Copy)
8. Order Processing
9. Customer Care Service

Alacrity Solutions can fulfill any company's need. We are divided amongst several different departments, including

1. Marketing
2. Information Technology (IT)
3. Research & Development/
Buying and Purchasing
4. Content Development, Website Management & Graphics Designing

Research Methodology

Objectives of the study

1. To analyze the procedure of launching an IPO (Initial Public Offer).
2. To determine the requisite documents for launching an IPO.
3. To recommend the Share Holding Pattern of IPO for Alacrity Solutions Pvt. Ltd.

4. To determine the cost estimated with IPO for Alacrity Solutions Pvt. Ltd.

provide recommendation in better way.

Scope of the Study:

1. The scope of the study is to study the procedure of how an IPO is launched.
2. Also providing the information about the launching of an IPO to Alacrity company as per there requirement.
3. Recommending Alacrity about the shareholding pattern and the debt equity ratio for an IPO.
4. This study further creates research scope for recommending IPO for various other companies.

Hypothesis

1. Launching an IPO is Costly and Cumbersome process.

Primary Data Collection (Recommendations made by the Authors)

1. Shareholding pattern
2. Debt Equity Ratio

Secondary Data Collection

Data was collected from following sources:

1. Various in house journals and Reports of the company
2. Internet

Type of Research

The form of research that is been used for the project is Exploratory.

Limitations

1. As financial data was not provided so proper estimation of the cost cannot be calculated.
2. The company is uncertain about the estimation for capital to be raised therefore it was difficult to

DATA ANALYSIS &INTERPRETATION

Procedure of IPO

IPOs generally involve one or more investment banks known as "underwriters". The company offering its shares, called the "issuer", enters a contract with a lead underwriter to sell its shares to the public. The underwriter then approaches investors with offers to sell these shares.

The sale (allocation and pricing) of shares in an IPO may take several forms. Common methods include:

1. Best efforts contract
2. Firm commitment contract
3. All-or-none contract
4. Self distribution market

A large IPO is usually underwritten by a "syndicate" of investment banks led by one or more major investment banks (lead underwriter). Upon selling the shares, the underwriters keep a commission based on a percentage of the value of the shares sold (called the gross spread). Usually, the lead underwriters, i.e. the underwriters selling the largest proportions of the IPO, take the highest commissions—up to 8% in some cases.

Multinational IPOs may have as many as three syndicates to deal with differing legal requirements in both the issuer's domestic market and other regions. For example, an issuer based in the E.U. may be represented by the main selling syndicate in its domestic market, Europe, in addition to separate syndicates or selling groups for US/Canada and for Asia. Usually, the lead underwriter in the

main selling group is also the lead bank in the other selling groups.

Because of the wide array of legal requirements, IPOs typically involve one or more law firms with major practices in securities law, such as the Magic Circle firms of London and the white shoe firms of New York City.

Usually, the offering will include the issuance of new shares, intended to raise new capital, as well as the secondary sale of existing shares. However, certain regulatory restrictions and restrictions imposed by the lead underwriter are often placed on the sale of existing shares.

Public offerings are primarily sold to **institutional investors**, but some shares are also allocated to the **underwriters'** retail investors. A broker selling shares of a public offering to his clients is paid through a sales credit instead of a commission. The client pays no commission to purchase the shares of a public offering; the purchase price simply includes the built-in sales credit.

The issuer usually allows the underwriters an option to increase the size of the offering by up to 15% under certain circumstance known as the greenshoe or over-allotment option.

Pricing

The underpricing of initial public offerings (IPO) has been well documented in different markets (Ibbotson, 1975; Ritter 1984; Levis, 1990; McGuinness, 1992; Drucker and Puri, 2007). While issuers always try to maximize their issue proceeds, the underpricing of IPOs has constituted a serious anomaly in the literature of financial economics. Many financial economists have developed different models to explain the underpricing of IPOs. Some of the models explained it as consequences of deliberate

underpricing by issuers or their agents. In general, smaller issues are observed to be underpriced more than large issues (Ritter, 1984, Ritter, 1991, Levis, 1990)

Historically, some of IPOs both globally and in the United States have been underpriced. The effect of "initial underpricing" an IPO is to generate additional interest in the stock when it first becomes publicly traded. Through flipping, this can lead to significant gains for investors who have been allocated shares of the IPO at the offering price. However, underpricing an IPO results in "money left on the table"—lost capital that could have been raised for the company had the stock been offered at a higher price. One great example of all these factors at play was seen with theglobe.com IPO which helped fuel the IPO mania of the late 90's internet era. Underwritten by Bear Stearns on November 13, 1998, the stock had been priced at \$9 per share, and famously jumped 1000% at the opening of trading all the way up to \$97, before deflating and closing at \$63 after large sell offs from institutions flipping the stock. Although the company did raise about \$30 million from the offering it is estimated that with the level of demand for the offering and the volume of trading that took place the company might have left upwards of \$200 million on the table.

The danger of overpricing is also an important consideration. If a stock is offered to the public at a higher price than the market will pay, the underwriters may have trouble meeting their commitments to sell shares. Even if they sell all of the issued shares, if the stock falls in value on the first day of trading, it may lose its marketability and hence even more of its value.

Underwriters, therefore, take many factors into consideration when pricing an IPO, and attempt to reach an offering price that is low enough to stimulate interest in the stock, but high enough to raise an adequate amount of capital for the company. The process of determining an optimal price usually involves the underwriters ("syndicate") arranging share purchase commitments from leading institutional investors.

On the other hand, some researchers (e.g. Geoffrey C., and C. Swift, 2009) believe that IPOs are not being under-priced deliberately by issuers and/or underwriters, but the price-rocketing phenomena on issuance days are due to investors' over-reaction

Issue price

A company that is planning an IPO appoints lead managers to help it decide on an appropriate price at which the shares should be issued. There are two ways in which the price of an IPO can be determined: either the company, with the help of its lead managers, fixes a price or the price is arrived at through the process of book building.

Note: Not all IPOs are eligible for delivery settlement through the DTC system, which would then either require the physical delivery of the stock certificates to the clearing agent bank's custodian, or a delivery versus payment (DVP) arrangement with the selling group brokerage firm

Common method

Best effort contract

In investment banking, an **underwriting contract** is a contract between an underwriter and an issuer of securities.

The following types of underwriting contracts are most common:

1. In the *firm commitment contract* the underwriter guarantees the sale of the issued stock at the agreed-upon price. For the issuer, it is the safest but the most expensive type of the contracts, since the underwriter takes the risk of sale.
2. In the *best efforts contract* the underwriter agrees to sell as many shares as possible at the agreed-upon price.
3. Under the *all-or-none contract* the underwriter agrees either to sell the entire offering or to cancel the deal.

Stand-by underwriting, also known as *strict underwriting* or *old-fashioned underwriting* is a form of stock insurance: the issuer contracts the underwriter for the latter to purchase the shares the issuer failed to sell under stockholders' subscription and applications

SEBI Guidelines for IPOs

1. IPOs of small companies

Public issue of less than 5 crores has to be through OTCEI and separate guidelines apply for floating and listing of these issues.

(Public Offer by Small Unlisted Companies)

2. **Size of the Public Issue:** Issue of shares to general public cannot be less than 25% of the total issue, in case of information technology, media and telecommunication sectors this stipulation is reduced subject to the conditions that:

- Offer to the public is not less than 10% of the securities issued.
- A minimum number of 20 lakh securities is offered to the public and
- Size of the net offer to the public is not less than Rs. 30 crores.

3. Promoter Contribution

- Promoters should bring in their contribution including premium fully before the issue
- Minimum Promoters contribution is 20-25% of the public issue.
- Minimum Lock in period for promoters contribution is five years
- Minimum lock in period for firm allotments is three years.

4. Collection centers for receiving applications

- There should be at least 30 mandatory collection centers, which should include invariably the places where stock exchanges have been established.
- For issues not exceeding Rs.10 crores (including premium, if any), the collection centres shall be situated at:-
 - The four metropolitan centres viz. Bombay, Delhi, Calcutta, Madras; and,
 - At all such centres where stock exchanges are located in the region in which the registered office of the company is situated.

5. Regarding allotment of shares

- Net Offer to the General Public has to be at least 25% of the Total Issue Size for listing on a Stock exchange.
- It is mandatory for a company to get its shares listed at the regional stock exchange where the registered office of the issuer is located.

- In an Issue of more than Rs. 25 crores the issuer is allowed to place the whole issue by book-building
- Minimum of 50% of the Net offer to the Public has to be reserved for Investors applying for less than 1000 shares.
- There should be atleast 5 investors for every 1 lakh of equity offered (not applicable to infrastructure companies).
- Quoting of Permanent Account Number or GIR No.(General Index Registrar No.) in application for allotment of securities is compulsory where monetary value of Investment is Rs.50,000/- or above.
- Indian development financial institutions and Mutual Fund can be allotted securities upto 75% of the Issue Amount.
- A Venture Capital Fund shall not be entitled to get its securities listed on any stock exchange till the expiry of 3 years from the date of issuance of securities.
- Allotment to categories of FIIs and NRIs/OCBs is upto a maximum of 24%, which can be further extended to 30% by an application to the RBI - supported by a resolution passed in the General Meeting.

6. Timeframes for the Issue and Post-Issue formalities

- The minimum period for which a public issue has to be kept open is 3 working days and the maximum for which it can be kept open is 10 working days. The minimum

period for a rights issue is 15 working days and the maximum is 60 working days.

- A public issue is affected if the issue is able to procure 90% of the Total issue size within 60 days from the date of earliest closure of the Public Issue. In case of over-subscription the company may have the right to retain the excess application money and allot shares more than the proposed issue, which is referred to as the 'green-shoe' option.
- A rights issue has to procure 90% subscription in 60 days of the opening of the issue.
- Allotment has to be made within 30 days of the closure of the Public Issue and 42 days in case of a Rights issue.
- All the listing formalities for a public Issue has to be completed within 70 days from the date of closure of the subscription list.

7. Dispatch of Refund Orders

- Refund orders have to be dispatched within 30 days of the closure of the Public Issue.
- Refunds of excess application money i.e. for un-allotted shares have to be made within 30 days of the closure of the Public Issue.

8. Other regulations pertaining to IPO

- Underwriting is not mandatory but 90% subscription is mandatory for each issue of capital to public unless it is disinvestment in which case it is not applicable.
- If the issue is undersubscribed then the collected amount should

be returned back (not valid for disinvestment issues).

- If the issue size is more than Rs. 500 crores voluntary disclosures should be made regarding the deployment of the funds and an adequate monitoring mechanism to be put in place to ensure compliance.
- There should not be any outstanding warrants or financial instruments of any other nature, at the time of initial public offer.
- In the event of the initial public offer being at a premium, and if the rights under warrants or other instruments have been exercised within the twelve months prior to such offer, the resultant shares will not be taken into account for reckoning the minimum promoter's contribution and further, the same will also be subject to lock-in.
- Code of advertisement specified by SEBI should be adhered to.
- Draft prospectus submitted to SEBI should also be submitted simultaneously to all stock exchanges where it is proposed to be listed.

9. Restrictions on other allotments

- Firm allotments to mutual funds, FIIs and employees not subject to any lock-in period.
- Within twelve months of the public/rights issue no bonus issue should be made.
- Maximum percentage of shares, which can be distributed to employees cannot be more than 5% and maximum shares to be

allotted to each employee cannot be more than 200.

Eligibility norms for making an IPO

SEBI has stipulated the eligibility norms for companies planning an IPO which are as follows:

1. Net tangible assets of at least Rs. 3 crore in each of the preceding three full years.
2. Distributable profits for at least three out of the immediately preceding five years
3. Net worth of at least Rs. 1 crore in each of the preceding three full years
4. The issue size should not exceed 5 times the pre-issue net worth
5. If there has been a change in the company's name, at least 50% of the revenue for preceding one year should be from the new activity denoted by the new name

Alternative routes

Recognizing that many good companies, for one reason or the other, may not be able to comply with all the eligibility norms, two other alternative routes are available to such companies:

Alternative I:

(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 shall be Rs. 10 crore or there shall be compulsory market-making for at least 2 years

OR

Alternative II

(a) The "project" is appraised and participated to the extent of 15% by FIs/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 crore or there shall be a compulsory market-making for at least 2 years. In addition to satisfying the aforesaid eligibility norms, the company shall also satisfy the criteria of having at least 1000 prospective allottees in its issue.

Exemptions to certain category of entities from the eligibility norms

The following categories of entities are eligible for exemption from entry norms.

- A banking company including a local area bank set up under the Banking Regulation Act, 1949
- A corresponding new bank set up under the Banking Companies Act, 1970
- An infrastructure company
 - Whose project has been appraised by a Public Financial Institution (PFI)
 - Not less than 5% of the project cost is financed by any of the PFI
- Rights Issue by a listed company

Minimum Public Shareholding Requirements

Clause 40A of the BSE Listing Agreement requires at least 25% of the post issue paid up capital to be with the 'public' (i.e. other than promoter and promoter group).

As per rule 19(2) (b) of the Securities Contract (Regulation) Rules, a minimum of 25% of each class of security must be offered to the public for subscription. However, at least 10% can be offered if the following 3 conditions are fulfilled:

- Minimum 2 MM securities (excluding reservations, firm allotment & promoter contribution) to be offered to the public
- Minimum offer size – Rs. 100 crores
- Issuance through book building with 60% QIB allocation

- Continuous public shareholding since listing also needs to be maintained as per Clause 40A of the listing agreement.

The aforesaid requirement of maintaining minimum level of public shareholding on a continuous basis will not be applicable to government companies (as defined under Section 617 of the Companies Act, 1956), infrastructure companies (as defined under Chapter II Clause 14(4) of the SEBI ICDR Regulations 2009) and companies referred to the Board for Industrial and Financial Reconstruction.

Note: Section 617 of the Companies Act, 1956 defines Government company as follows - Government Company means any company in which not less than 51% of the paid-up share capital is held by the Central Government, or by any State Government or Governments, or partly by the Central Government and partly by one or more State Governments, and includes a company which is a subsidiary of a Government company as thus defined.

Documents required for launching IPO:
Checklist for BSE

Company Related:

Format for Company Details

Formats for Compliance of Listing Agreement

1. Clause 35 : Shareholding Pattern
2. Clause 47 (c) : Certificate from Practicing Company Secretary
3. Clause 49 : Quarterly Corporate Governance Report
4. Secretarial Audit
5. Form A - SEBI - Prohibition of Insider Trading Regulations – 1992
6. Form B - SEBI - Prohibition of Insider Trading Regulations – 1992

7. Form C - SEBI - Prohibition of Insider Trading Regulations – 1992

8. Form D - SEBI - Prohibition of Insider Trading Regulations – 1992

Clause 35- Shareholding Pattern

1. Format: Applicable for quarter ending from March 2001 to March 2006
Format -Applicable for quarter ending from June 2006
2. Format -Applicable for quarter ending from March 2009
3. Format -Applicable for quarter ending from December 2010

Listing Procedure for NSE

NSE plays an important role in helping an Indian companies access equity capital, by providing a liquid and well-regulated market. NSE has about 1319 companies listed representing the length, breadth and diversity of the Indian economy which includes from hi-tech to heavy industry, software, refinery, public sector units, infrastructure, and financial services. Listing on NSE raises a company's profile among investors in India and abroad. Trade data is distributed worldwide through various news-vending agencies. More importantly, each and every NSE listed company is required to satisfy stringent financial, public distribution and management requirements. High listing standards foster investor confidence and also bring credibility into the markets.

NSE lists securities in its Capital Market (Equities) segment and its Wholesale Debt Market segment.

Benefits of Listing on NSE

1. A premier market place
2. Visibility
3. Largest exchange

4. Unprecedented reach
5. Transaction speed
6. Short settlement cycles
7. Broadcast of corporate announcements
8. Trade statistics for listed companies
9. Investor service centers
10. Nominal listing fees

Initial Public Offerings (IPO)

A corporate may raise capital in the primary market by way of an initial public offer, rights issue or private placement. An Initial Public Offer (IPO) is the selling of securities to the public in the primary market. It is the largest source of funds with long or indefinite maturity for the company.

What is Book Building?

SEBI guidelines defines Book Building as "a process undertaken by which a demand for the securities proposed to be issued by a body corporate is elicited and built-up and the price for such securities is assessed for the determination of the quantum of such securities to be issued by means of a notice, circular, advertisement, document or information memoranda or offer document".

Book Building is basically a process used in Initial Public Offer (IPO) for efficient price discovery. It is a mechanism where, during the period for which the IPO is open, bids are collected from investors at various prices, which are above or equal to the floor price. The offer price is determined after the bid closing date.

As per SEBI guidelines, an issuer company can issue securities to the public through prospectus in the following manner:

1. 100% of the net offer to the public through book building process

2. 75% of the net offer to the public through book building process and 25% at the price determined through book building. The Fixed Price portion is conducted like a normal public issue after the Book Built portion, during which the issue price is determined.

The concept of Book Building is relatively new in India. However it is a common practice in most developed countries.

Difference between Book Building Issue and Fixed Price Issue

In Book Building securities are offered at prices above or equal to the floor prices, whereas securities are offered at a fixed price in case of a public issue. In case of Book Building, the demand can be known everyday as the book is built. But in case of the public issue the demand is known at the close of the issue.

Procedures

Issuers

Issuers desirous of using NSE's online IPO system are required to comply with the following procedures:

1. Submit a written request as per prescribed format (Letter1, Letter2, BRLM) for usage of electronic facilities and software of NSE
2. Give details regarding Book Running Lead Manager, Co Book Running Lead Managers and Syndicate Members.
3. Pay the requisite charges to NSE.

Trading Members

The Book Running Lead Manager will give the list of trading members who are eligible to participate in the Book Building process to the Exchange. Members have to submit a one time undertaking to the Exchange. Eligible

trading members have to give in the prescribed format details of the user IDs that they would like to use.

Subscribers

Subscribers can approach any of the approved trading members for submitting bids in the NEAT IPO system. On line transaction registration slip are generated automatically after entering the bids in to the system which acts as proof of the registration of each Bid option.

Listing of Equity Segment

Listing

Listing means admission of securities of an issuer to trading privileges on a stock exchange through a formal agreement. The prime objective of admission to dealings on the Exchange is to provide liquidity and marketability to securities, as also to provide a mechanism for effective management of trading.

Listing on NSE provides qualifying companies with the broadest access to investors, the greatest market depth and liquidity, cost-effective access to capital, the highest visibility, the fairest pricing, and investor benefits. NSE trading terminals are now situated in various cities and towns across the length and breath of India.

Securities listed on the Exchange are required to fulfill the eligibility criteria for listing. Various types of securities of a company are traded under a unique symbol and different series.

Securities Available for Trading

The Capital Market (Equities) segment of NSE facilitates trading in the following instruments:

A. Shares

1. Equity Shares
2. Preference Shares

B. Debentures

1. Partly Convertible Debentures
2. Fully Convertible Debentures
3. Non Convertible Debentures
4. Warrants / Coupons / Secured Premium Notes/ other Hybrids
5. Bonds

C. Units of Mutual Funds

Eligibility Criteria for Listing

IPOs by Companies

1. Paid up Capital
2. Conditions Precedent to Listing
3. At least three years track record of either
4. The applicant desirous of listing its securities should satisfy the exchange on the following:
 - a) **No disciplinary action by other stock exchanges and regulatory authorities in past three years.**
 - b) **Redressal Mechanism of Investor grievance**
 - c) **Distribution of shareholding**
 - d) **Details of Litigation**
 - e) **Track Record of Director(s) of the Company**

Qualifications for listing Initial Public Offerings (IPO) are as below:

1. Paid up Capital

The paid up equity capital of the applicant shall not be less than Rs. 10 crores * and the capitalization of the applicant's equity shall not be less than Rs. 25 crores**

Provided however that where the market capitalisation (at issue price) of the applicant's equity is not less than Rs.100 crores, the paid up capital of the applicant can be less than Rs. 10 crores but in any case it shall not be less Rs. 5 crores.

* Explanation 1

For this purpose, the post issue paid up equity capital for which listing is sought shall be taken into account.

** Explanation 2

For this purpose, capitalisation will be the product of the issue price and the post issue number of equity shares. In respect of the requirement of paid-up capital and market capitalisation, the issuers shall be required to include, in the disclaimer clause of the Exchange required to put in the offer document, that in the event of the market capitalisation (Product of issue price and the post issue number of shares) requirement of the Exchange not being met, the securities would not be listed on the Exchange.

2. Conditions Precedent to Listing:

The Issuer shall have adhered to conditions precedent to listing as emerging from inter-alia from Securities Contracts (Regulations) Act 1956, Companies Act 1956, Securities and Exchange Board of India Act 1992, any rules and/or regulations framed under foregoing statutes, as also any circular, clarifications, guidelines issued by the appropriate authority under foregoing statutes.

At least three years track record of either:

- The applicant seeking listing; or
- The promoters****/promoting company, incorporated in or outside India or Partnership firm and subsequently converted into a Company (not in existence as a Company for three years) and approaches the Exchange for listing. The Company subsequently formed would be considered for listing only on

fulfillment of conditions stipulated by SEBI in this regard.

For this purpose, the applicant or the promoting company shall submit annual reports of three preceding financial years to NSE and also provide a certificate to the Exchange in respect of the following:

The company has not been referred to the Board for Industrial and Financial Reconstruction (BIFR).

- The networth of the company has not been wiped out by the accumulated losses resulting in a negative networth
- The company has not received any winding up petition admitted by a court.

****Promoters mean one or more persons with minimum 3 years of experience of each of them in the same line of business and shall be holding at least 20% of the post issue equity share capital individually or severally.

The applicant desirous of listing its securities should satisfy the exchange on the following:

a) No disciplinary action by other stock exchanges and regulatory authorities in past three years

There shall be no material regulatory or disciplinary action by a stock exchange or regulatory authority in the past three years against the applicant company. In respect of promoters/promoting company(ies), group companies, companies promoted by the promoters/promoting company(ies) of the applicant company, there shall be no material regulatory or disciplinary action by a stock exchange or regulatory authority in the past one year.

b) Redressal Mechanism of Investor grievance

The points of consideration are:

1. The applicant, promoters/promoting company(ies), group companies, companies promoted by the promoters/promoting company(ies) track record in redressal of investor grievances
2. The applicant's arrangements envisaged are in place for servicing its investor.
3. The applicant, promoters/promoting company(ies), group companies, companies promoted by the promoters/promoting company(ies) general approach and philosophy to the issue of investor service and protection
4. Defaults in respect of payment of interest and/or principal to the debenture/bond/ fixed deposit holders by the applicant, promoters/promoting company (ies), group companies, companies promoted by the promoters/promoting company (ies) shall also be considered while evaluating a company's application for listing. The auditor's certificate shall also be obtained in this regard. In case of defaults in such payments the securities of the applicant company may not be listed till such time it has cleared all pending obligations relating to the payment of interest and/or principal.

c) Distribution of shareholding

The applicant's/promoting company(ies) shareholding pattern on March 31 of last three calendar years separately showing promoters and other groups' shareholding

pattern should be as per the regulatory requirements.

d) Details of Litigation

The applicant, promoters/promoting company(ies), group companies, companies promoted by the promoters/promoting company(ies) litigation record, the nature of litigation, status of litigation during the preceding three years period need to be clarified to the exchange.

e) Track Record of Director(s) of the Company

In respect of the track record of the directors, relevant disclosures may be insisted upon in the offer document regarding the status of criminal cases filed or nature of the investigation being undertaken with regard to alleged commission of any offence by any of its directors and its effect on the business of the company, where all or any of the directors of issuer have or has been charge-sheeted with serious crimes like murder, rape, forgery, economic offences etc.

Note:

a) In case a company approaches the Exchange for listing within six months of an IPO, the securities may be considered as eligible for listing if they were otherwise eligible for listing at the time of the IPO. If the company approaches the Exchange for listing after six months of an IPO, the norms for existing listed companies may be applied and market capitalisation be computed based on the period from the IPO to the time of listing.

Listing Procedure

An Issuer has to take various steps prior to making an application for listing its securities on the NSE. These steps are

essential to ensure the compliance of certain requirements by the Issuer before listing its securities on the NSE. The various steps to be taken include:

- Submission of Memorandum and Articles of Association
- Approval of draft prospectus
- Submission of Application
- Listing conditions and requirements

In case your company fulfils the criteria, please send the following information for further processing:

- A brief note on the promoters and management.
- Company profile.
- Copies of the Annual Report for last 3 years.
- Copies of the Draft Offer Document.
- Memorandum & Articles of Association.

To:

The Manager,
Listing Department,
National Stock Exchange of India Ltd.,
5th Floor, Exchange Plaza,
Bandra (E), Mumbai 400 051.
Ph. No. (022) 26598236 / 8452
E-mail: cmlist@nse.co.in

Submission of Memorandum and Articles of Association

Rule 19(2) (a) of the Securities Contracts (Regulation) Rules, 1957 requires that the Articles of Association of the Issuer wanting to list its securities must contain provisions as given hereunder.

1. The Articles of Association of an Issuer shall contain the following provisions namely:
2. That there shall be no forfeiture of unclaimed dividends before the claim becomes barred by law;

3. That a common form of transfer shall be used;
4. That fully paid shares shall be free from all lien and that in the case of partly paid shares the Issuer's lien shall be restricted to moneys called or payable at a fixed time in respect of such shares;
5. That registration of transfer shall not be refused on the ground of the transferor being either alone or jointly with any other person or persons indebted to the Issuer on any account whatsoever;
6. That any amount paid up in advance of calls on any share may carry interest but shall not in respect thereof confer a right to dividend or to participate in profits;
7. That option or right to call of shares shall not be given to any person except with the sanction of the Issuer in general meetings.
8. Permission for Sub-Division/Consolidation of Share Certificate.

Note: The Relevant Authority may take exception to any provision contained in the Articles of Association of an Issuer which may be deemed undesirable or unreasonable in the case of a public company and may require inclusion of specific provisions deemed to be desirable and necessary.

If the Issuer's Articles of Association is not in conformity with the provisions as stated above, the Issuer has to make amendments to the Articles of Association. However, the securities of an Issuer may be admitted for listing on the NSE on an undertaking by the Issuer that the amendments necessary in the Articles of Association to bring Articles of

Association in conformity with Rule 19(2)(a) of the Securities Contract (Regulation) Rules, 1957 shall be made in the next annual general meeting and in the meantime the Issuer shall act strictly in accordance with prevalent provisions of Securities Contract (Regulation) Act, 1957 and other statutes. It is to be noted that any provision in the Articles of Association which is not in tune with sound corporate practice has to be removed by amending the Articles of Association.

Approval of draft prospectus

The Issuer shall file the draft prospectus and application forms with NSE. The draft prospectus should have been prepared in accordance with the statutes, notifications, circulars, guidelines, etc. governing preparation and issue of prospectus prevailing at the relevant time. The Issuers may particularly bear in mind the provisions of Companies Act, Securities Contracts (Regulation) Act, the SEBI Act and the relevant subordinate legislations thereto. NSE will peruse the draft prospectus only from the point of view of checking whether the draft prospectus is in accordance with the listing requirements, and therefore any approval given by NSE in respect of the draft prospectus should not be construed as approval under any laws, rules,

notifications, circulars, guidelines etc. The Issuer should also submit the SEBI acknowledgment card or letter indicating observations on draft prospectus or letter of offer by SEBI.

Submission of Application (For Issuers listing on NSE for the first time)

Issuers desiring to list existing/new securities on the NSE shall make application for admission of their securities to dealings on the NSE in the forms prescribed in this regard as per details given hereunder or in such other form or forms as the Relevant Authority may from time to time prescribe in addition thereto or in modification or substitution thereof.

Appendix 'A' - Clauses of Articles of Association.

Appendix 'B'- Application Letter for Listing.

Appendix 'C-1' - Listing Application providing pre-issue details of securities.

Appendix 'C-2' - Listing Application providing post-issue details of securities.

Appendix 'D'- Checklist for supporting documents (as applicable to the issuer)

Appendix 'E' - Schedule of Distribution

Appendix 'F'- Listing Agreement

Listing Fees

The listing fees depend on the paid up share capital of your Company:

Particulars	Amount (Rs.)
Initial Listing Fees	25,000
Annual Listing Fees (based on paid up share, bond and/or debenture and/or debt capital etc.)	
Upto Rs. 1 Crore	10,000
Above Rs. 1 Crore and upto Rs.5 Crores	15,000

Above Rs. 5 Crore and upto Rs.10 Crores	25,000
Above Rs. 10 Crore and upto Rs.20 Crores	45,000
Above Rs. 20 Crore and upto Rs.30 Crores	70,000
Above Rs. 30 Crore and upto Rs.40 Crores	75,000
Above Rs. 40 Crore and upto Rs.50 Crores	80,000
Above Rs. 50 Crores and upto Rs.100 Crores	1,30,000
Above Rs. 100 Crore and upto Rs.150 Crores	1,50,000
Above Rs. 150 Crore and upto Rs.200 Crores	1,80,000
Above Rs. 200 Crore and upto Rs.250 Crores	2,05,000
Above Rs. 250 Crore and upto Rs.300 Crores	2,30,000
Above Rs. 300 Crore and upto Rs.350 Crores	2,55,000
Above Rs. 350 Crore and upto Rs.400 Crores	2,80,000
Above Rs. 400 Crore and upto Rs.450 Crores	3,25,000
Above Rs. 450 Crore and upto Rs.500 Crores	3,75,000

Companies which have a paid up share, bond and/ or debenture and/or debt capital, etc. of more than Rs.500 crores will have to pay minimum fees of Rs.3,75,000 and an additional listing fees of Rs.2,500 for every increase of Rs.5 crores or part thereof in the paid up share, bond and/ or debenture and/or debt capital, etc.

Companies which have a paid up share, bond and/ or debenture and/or debt capital, etc. of more than Rs.1,000 crores will have to pay minimum fees of Rs.6,30,000 and an additional listing fees of Rs.2,750 for every increase of Rs.5 crores or part thereof in the paid up share, bond and/ or debenture and/or debt capital, etc.

Where the tenure of the scheme is more than six months, the listing fee as applicable for multiples of six months as given in the above table shall be levied.

Please draw your Cheques/Demand Drafts favouring **National Stock Exchange of India Limited** payable at Mumbai.

Submission of Application (Supporting Documents)

Issuers applying for admission of their securities to dealings on the NSE shall submit to the NSE the following:

- Documents and Information: The documents and information prescribed in Appendix D or Appendix I (as the case may be) to this Regulation or such other documents and information as the Relevant Authority may from time to time prescribe, in addition thereto or in modification or substitution thereof together with any other documents and information which the Relevant Authority may require in any particular case;
- Distribution Schedules: Distribution Schedules duly completed in respect of each class

and kind of security in the form prescribed in Appendix E (Table I, II & III) to this Regulation or in such other form or forms as the Relevant Authority may from time to time prescribe in addition thereto or in modification or substitution thereof.

Listing conditions and requirements

All Issuers whose securities are listed on the NSE shall comply with the listing conditions and requirements contained in the Listing Agreement Form appearing in Appendix F to this Regulation or such other conditions and requirements as the Relevant Authority may from time to time prescribe in addition thereto or in modification or substitution thereof.

Listing on WDM Segment**Wholesale Debt Market**

The Wholesale Debt Market segment deals in fixed income securities and is fast gaining ground in an environment that has largely focused on equities.

The Wholesale Debt Market (WDM) segment of the Exchange commenced operations on June 30, 1994. This provided the first formal screen-based trading facility for the debt market in the country.

This segment provides trading facilities for a variety of debt instruments including Government Securities, Treasury Bills and Bonds issued by Public Sector Undertakings/ Corporates/ Banks like Floating Rate Bonds, Zero Coupon Bonds, Commercial Papers, Certificate of Deposits, Corporate Debentures, State Government loans, SLR and Non-SLR Bonds issued by Financial Institutions, Units of Mutual Funds and Securitized debt by banks, financial institutions, corporate bodies, trusts and others.

Large investors and a high average trade value characterize this segment. Till recently, the market was purely an informal market with most of the trades directly negotiated and struck between various participants. The commencement of this segment by NSE has brought about transparency and efficiency to the debt market.

Listing

All Government securities and Treasury bills are deemed to be listed automatically as and when they are issued. Other securities, issued publicly or placed privately, could be listed or admitted for trading, if eligible, as per rules of the Exchange by following prescribed procedure.

Certain securities like Treasury Bills and other securities issued by Government of India and certain Corporate and PSU debt securities available in demat form are eligible for Repo. Every security in the trading system is given a symbol representative of the security.

The market capitalisation of the securities on the WDM segment has been increasing steadily. The segment has also seen a marked increase in the number of securities available for trading other than the traditional instruments like Govt. securities and T-bills.

Eligibility

Issuer	Eligibility Criteria for Listing	
	Public Issue	Private Placement
Corporates : Paid up capital of Rs. 10 crore ,or Market capitalization of Rs. 25 crore. (Networth in case of unlisted companies)	Eligible	Credit rating

Procedure and Conditions for Listing

1. All Listing are subject to compliance with Byelaws, Rules and other requirements framed by the Exchange from time to time in addition to the SEBI and other statutory requirements.
2. The Issuer of security proposed for listing has to forward an application in the format prescribed in Annexure I of this booklet.
3. Every issuer, depending on the category and type of security has to submit alongwith application, such supporting documents/information as specified in Annexure I of this booklet and as prescribed by the Exchange from time to time.
4. On getting an in-principle consent of the exchange the issuer has to enter into a listing agreement in the prescribed format under its common seal.

5. Upon listing, the Issuer has to comply with all requirements of law, any guidelines/directions of Central Government, other Statutory or local authority.
6. The Issuer shall also comply with the post listing compliance as laid out in the listing agreement and shall also comply with the rules, bye-laws, regulations and any other guidelines of the Exchange as amended from time to time.
7. Listing on WDM segment does not imply a listing on CM segment also or vice versa.
8. If the equity shares of an issuer are listed on other stock exchanges but not listed on Capital Market segment of the Exchange, though eligible, then the debt securities of the said issuer will not be permitted to be listed on the WDM segment.
9. The Exchange reserves the right to change any of the requirements indicated in this booklet / document without prior notice.

Listing

- WDM Brochure
- WDM Application Form Annexure I
- Listing Agreement for debt securities

The listing application form can be downloaded from the web site and filled-up in the soft form. A signed and stamped print-out of the filled-up application form can be submitted towards listing application

Listing Fees

The listing fees depend on the issue size:

Particulars	Amount (Rs.)
Initial Listing Fees	7,500
Annual Listing Fees Issue size:	
Of Rs.1 crore	2,100
Above Rs.1 crore and up to Rs.5 crores	4,200
Above Rs.5 crores and up to Rs.10 crores	7,000
Above Rs.10 crores and up to Rs.20 crores	14,000
Above Rs.20 crores and up to Rs.50 crores	21,000
Above Rs.50 crores	35,000

Issuers which have applied for listing of issue size more than Rs. 50 crores would be charged an additional listing fees of Rs. 700 for every increase of Rs. 5 crores or

part thereof in the issue size (in Rs.) subject to a maximum of Rs. 50,000/-. Annual listing fee payable by an Issuer is limited to a maximum of Rs. 7.50 lacs.

Issue Descriptor

Issuer	Description	Regular Lot
Corporates	Commercial Paper	CP
	Debentures	DB
	Promissory Note	CN
	Deep Discount Debentures	DC
	Floating Rate Debenture	CF
	Infrastructure Bonds	CI

Benefits of listing

1. Listing provides an opportunity to the corporates / entrepreneurs to

Listing Procedure for BSE

raise capital to fund new projects/undertake expansions/diversifications and for acquisitions.

2. Listing also provides an exit route to private equity investors as well as liquidity to the ESOP-holding employees.
3. Listing also helps generate an independent valuation of the company by the market.
4. Listing raises a company's public profile with customers, suppliers, investors, financial institutions and the media. A listed company is typically covered in analyst reports and may also be included in one or more of indices of the stock exchanges.
5. An initial listing increases a company's ability to raise further capital through various routes like preferential issue, rights issue, Qualified Institutional Placements and ADRs/GDRs/FCCBs, and in the process attract a wide and varied body of institutional and professional investors.
6. Listing leads to better and timely disclosures and thus also protects the interest of the investors.
7. Listing on BSE provides a continuing liquidity to the shareholders of the listed entity. This in turn helps broaden the shareholder base.
8. Companies listed on BSE generally find that the market perception of their financial and business strength is enhanced.

Listing in BSE

Listing means admission of securities to dealings on a recognized stock exchange. The securities may be of any public

limited company, Central or State Government, quasi governmental and other financial institutions/corporations, municipalities, etc

A company intending to have its securities listed on BSE has to comply with the listing requirements prescribed by it. Some of the requirements are as under:

Minimum Listing Requirements for New Companies

The following eligibility criteria have been prescribed effective August 1, 2006 for listing of companies on BSE, through Initial Public Offerings (IPOs) & Follow-on Public Offerings (FPOs):

1. Companies have been classified as large cap companies and small cap companies. A large cap company is a company with a minimum issue size of Rs. 10 crore and market capitalization of not less than Rs. 25 crore. A small cap company is a company other than a large cap company

a) In respect of Large Cap Companies

- i. The minimum post-issue paid-up capital of the applicant company (hereinafter referred to as "the Company") shall be Rs. 3 crore; and
- ii. The minimum issue size shall be Rs. 10 crore; and
- iii. The minimum market capitalization of the Company shall be Rs. 25 crore (market capitalization shall be calculated by multiplying the post-issue paid-up number of equity shares with the issue price).

b) In respect of Small Cap Companies:

- i. The minimum post-issue paid-up capital of the Company shall be Rs. 3 crore
- ii. The minimum issue size shall be Rs. 3 crore

- iii. The minimum market capitalization of the Company shall be Rs. 5 crore (market capitalization shall be calculated by multiplying the post-issue paid-up number of equity shares with the issue price); and
- iv. The minimum income/turnover of the Company shall be Rs. 3 crore in each of the preceding three 12-months period;
- v. The minimum number of public shareholders after the issue shall be 1000.
- vi. A due diligence study may be conducted by an independent team of Chartered Accountants or Merchant Bankers appointed by BSE, the cost of which will be borne by the company. The requirement of a due diligence study may be waived if a financial institution or a scheduled commercial bank has appraised the project in the preceding 12 months.

2 For all companies :

- i. In respect of the requirement of paid-up capital and market capitalization, the issuers shall be required to include in the disclaimer clause forming a part of the offer document that in the event of the market capitalization (product of issue price and the post issue number of shares) requirement of BSE not being met, the securities of the issuer would not be listed on BSE.
- ii. The applicant, promoters and/or group companies, shall not be in default in compliance of the listing agreement.

- iii. The above eligibility criteria would be in addition to the conditions prescribed under SEBI (Disclosure and Investor Protection) Guidelines, 2000.

[II] Minimum Listing Requirements for Companies already listed on Other Stock Exchanges

The listing norms for companies already listed on other stock exchanges and seeking listing at BSE, made effective from August 6, 2002, are as under:

1. The company shall have a minimum issued and paid up equity capital of Rs. 3 crore.
2. The company shall have a profit making track record for the preceding last three years. The revenues/profits arising out of extra ordinary items or income from any source of non-recurring nature shall be excluded while calculating the profit making track record.
3. Minimum net worth shall be Rs. 20 crore (net worth includes equity capital and free reserves excluding revaluation reserves).
4. Minimum market capitalisation of the listed capital shall be at least two times of the paid up capital.
5. The company shall have a dividend paying track record for at least the last 3 consecutive years and the dividend should be at least 10% in each year.
6. Minimum 25% of the company's issued capital shall be with Non-Promoter shareholders as per Clause 35 of the Listing Agreement. Out of above Non-Promoter holding, no single shareholder shall hold more than 0.5% of the paid-up capital of the

company individually or jointly with others except in case of Banks/Financial

Institutions/Foreign Institutional Investors/Overseas Corporate Bodies and Non-Resident Indians.

7. The company shall have at least two years listing record with any of the Regional Stock Exchanges.
8. The company shall sign an agreement with CDSL and NSDL for demat trading.

[III] Minimum Requirements for Companies Delisted by BSE seeking Relisting on BSE

Companies delisted by BSE and seeking relisting at BSE are required to make a fresh public offer and comply with the extant guidelines of SEBI and BSE regarding initial public offerings.

[IV] Permission to Use the Name of BSE in an Issuer Company's Prospectus

Companies desiring to list their securities offered through a public issue are required to obtain prior permission of BSE to use the name of BSE in their prospectus or offer for sale documents before filing the same with the concerned office of the Registrar of Companies.

BSE has a Listing Committee, comprising of market experts, which decides upon the matter of granting permission to companies to use the name of BSE in their prospectus/offer documents. This Committee evaluates the promoters, company, project, financials, risk factors and several other aspects before taking a decision in this regard.

Decision with regard to some types/sizes of companies has been delegated to the Internal Committee of BSE.

[V] Submission of Letter of Application

As per Section 73 of the Companies Act, 1956, a company seeking listing of its securities on BSE is required to submit a Letter of Application to all the stock exchanges where it proposes to have its securities listed before filing the prospectus with the Registrar of Companies.

[VI] Allotment of Securities

As per the Listing Agreement, a company is required to complete the allotment of securities offered to the public within 30 days of the date of closure of the subscription list and approach the Designated Stock Exchange for approval of the basis of allotment.

In case of Book Building issues, allotment shall be made not later than 15 days from the closure of the issue, failing which interest at the rate of 15% shall be paid to the investors.

[VII] Trading Permission

As per SEBI Guidelines, an issuer company should complete the formalities for trading at all the stock exchanges where the securities are to be listed within 7 working days of finalization of the basis of allotment.

A company should scrupulously adhere to the time limit specified in SEBI (Disclosure and Investor Protection) Guidelines 2000 for allotment of all securities and dispatch of allotment letters/share certificates/credit in depository accounts and refund orders and for obtaining the listing permissions of all the exchanges whose names are stated in its prospectus or offer document. In the event of listing permission to a company being denied by any stock exchange where it had applied for listing of its securities, the company cannot proceed with the allotment of shares. However, the company may file an appeal before SEBI

under Section 22 of the Securities Contracts (Regulation) Act, 1956.

[VIII] Requirement of 1% Security

Companies making public/rights issues are required to deposit 1% of the issue amount with the Designated Stock Exchange before the issue opens. This amount is liable to be forfeited in the event of the company not resolving the complaints of investors regarding delay in sending refund orders/share certificates, non-payment of commission to underwriters, brokers, etc.

[IX] Payment of Listing Fees

All companies listed on BSE are required to pay to BSE the Annual Listing Fees by 30th April of every financial year as per the Schedule of Listing Fees prescribed from time to time.

The schedule of Listing Fees for the year 2010-11, is given here under:

SCHEDULE OF LISTING FEES FOR THE YEAR 2010-11

Securities *other than Privately Placed Debt Securities

Sr. No.	Particulars	Amount (Rs.)
1	Initial Listing Fees	20,000.00
2	Annual Listing Fees	
	(i) Companies with listed capital* upto Rs. 5 crore	10000.00
	(ii) Above Rs. 5 crore and upto Rs. 10 crore	15000.00
	(iii) Above Rs. 10 crore and upto Rs. 20 crore	30000.00
	Companies which have a listed capital* of more than Rs. 20 crore are required to pay an additional fee @ Rs. 750 for every additional Rs. 1 crore or part thereof.	
	NOTE: In case of debenture capital (not convertible into equity shares) , the fees will be 25% of the above fees.	

*includes equity shares, preference shares, fully convertible debentures, partly convertible debentures and any other security convertible into equity shares.

Privately Placed Debt Securities

Sl. No.	Particulars	Amount (Rs.)
1	Initial Listing Fees	NIL
2	Annual Listing Fees	
	(i) Issue size up to Rs.5 crore	Rs.2,500.00
	(ii) Above Rs.5 crore and up to Rs.10 crore	Rs.3,750.00

	(iii) Above Rs.10 crore and up to Rs.20 crore Above Rs.20 crore	Rs.7,500.00 Additional fee of Rs.200.00 for every additional Rs.1 crore or part thereof Subject to a maximum of Rs.30,000.00 per instrument.
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The cap on the annual listing fee of debt instruments per issuer is Rs.5,00,000.00 per annum.

APPLICABILITY

The above schedule of Listing Fee is uniformly applicable for all companies irrespective of whether BSE is the designated stock exchange or not.

PAYMENT DATE

The last date for payment of Listing Fee for the year 2010-11 is April 30, 2010. Failure to pay the Listing Fee (for equity and/or debt segment) by the due date will attract interest @ 12% per annum w.e.f. May 1, 2010.

SERVICE TAX

Service Tax is payable on the listing fee at the applicable rates.

[X] Compliance with the Listing Agreement

Companies desirous of getting their securities listed at BSE are required to enter into an agreement with BSE called the Listing Agreement, under which they are required to make certain disclosures and perform certain acts, failing which the company may face some disciplinary action, including suspension/delisting of securities. As such, the Listing Agreement is of great importance and is executed under the common seal of a company. Under the Listing Agreement, a company undertakes, amongst other things, to provide facilities for prompt transfer, registration, sub-division and consolidation of securities; to give proper notice of closure of transfer books and record dates, to forward 6 copies of unabridged Annual Reports, Balance

Sheets and Profit and Loss Accounts to BSE, to file shareholding patterns and financial results on a quarterly basis; to intimate promptly to the Exchange the happenings which are likely to materially affect the financial performance of the Company and its stock prices, to comply with the conditions of Corporate Governance, etc.

The Listing Department of BSE monitors the compliance by the companies with the provisions of the Listing Agreement, especially with regard to timely payment of annual listing fees, submission of results, shareholding patterns and corporate governance reports on a quarterly basis. Penal action is taken against the defaulting companies.

[XI] Cash Management Services (CMS) - Collection of Listing Fees

In order to simplify the system of payment of listing fees, BSE has entered into an arrangement with HDFC Bank for collection of listing fees from 141 locations all over the country. Details of the HDFC Bank branches are available on our website site www.bseindia.com as well as on the HDFC Bank website www.hdfcbank.com. This facility is being provided free of cost.

Companies intending to utilize this facility for payment of listing fee should furnish the information (as mentioned below) in the **Cash Management Cash Deposit Slip**. These slips are available at all the HDFC Bank branches.

S.No	HEAD	INFORMATION TO BE PROVIDED
1.	Client Name	Bombay Stock Exchange Limited
2.	Client Code	BSELIST
3.	Cheque No.	mention the cheque No & date
4.	Date	Date on which payment is being deposited with the bank.
5.	Drawer	State the name of the company and the company code No. The last digits mentioned in the Ref. No. on the Bill is the company code No. e.g If the Ref. No in the Bill is mentioned as : Listing/Alf-Bill/2004- 2005/4488, then the code No of that company is 4488
6.	Drawee Bank	state the bank on which cheque is drawn
7.	Drawn on Location	Mention the location of the drawee bank.
8.	Pickup Location	Not applicable
9.	No. of Insts	Not applicable

The cheque should be drawn in favour of Bombay Stock Exchange Limited, and should be payable locally. Companies are requested to mention in the deposit slip, the financial year(s) for which the listing fee is being paid. Payment made through any other slips would not be considered. The above slips will have to be filled in quadruplicate. One acknowledged copy would be provided to the depositor by the HDFC Bank.

Cost components associated with launching an IPO:

Companies need to fully consider the costs associated with making an Initial Public Offer (IPO), and how to prepare the board before taking this step.

The key components of the initial cost of going public include:

Broking Fee

1. This is typically the largest single cost of an Initial Public Offer (IPO).
2. It may be structured to include a fixed or retainer component, but it is usually a fixed percentage of the gross proceeds of the issue.
3. The percentage will depend on the size of the offer.
4. If the offer is underwritten, the fee will be higher to remunerate the broker for taking on the underwriting risk.
5. If the minimum subscription under the offer is not achieved, the IPO will not proceed and the broking fee will not be payable.

Corporate Advisor

1. Many companies engage a corporate adviser to assist in preparing the company for an IPO.
2. The corporate adviser may also project manage the IPO, liaising

with the ASX, brokers and other advisers on behalf of the company.

3. The corporate adviser will generally charge a small retainer fee, but will be remunerated principally by a fee payable on successful completion of the IPO
4. The corporate adviser will often take shares in the company in lieu of a cash payment.

Legal Costs

1. The legal costs associated with an IPO vary widely depending on the extent of additional work in relation to pre-IPO restructuring, dealing with legal issues arising from due diligence, and drafting legal documentation in relation to directors service agreements, share-based incentive schemes or commercial arrangements which need to be formalized.
2. While companies may negotiate fixed or capped fees, legal fees are generally based on time spent in connection with the IPO.

Accounting Costs

1. The accountants may also generally participate in the due diligence committee and provide advice on accounting, taxation and other matters in connection with the IPO.
2. There may be additional costs if the company's financial statements have not previously been subject to audit.

Other Experts

1. Certain IPOs may require other independent reports to be included in the prospectus.

2. Costs will reflect the work involved in researching and preparing each report.

ASX Listing Fees

1. The ASX charges fees to be admitted to listing, based on their initial market capitalisation.

Other Costs

1. The cost of printing prospectuses, including associated graphic design work and proofing.
2. Companies will also incur costs in relation to the share registry, which is generally outsourced to a major service provider, and may also choose to arrange insurance to cover the potential liabilities of the directors in relation to prospectus disclosure.

Restructuring the Board

The following 10 points are some of the key considerations for companies seeking to restructure their board ahead of a planned IPO.

- Corporate governance principles
 - While recognizing that smaller companies may be unable to comply in full, all companies are required to disclose their annual report the extent of, and reasons for, any non-compliance.
 - Where detailed recommendations have not been followed, it is nonetheless important to adopt appropriate structures, policies and procedures to ensure that the key principles are adhered to.
- Board numbers and makeup

- Size and composition of the board should be determined on a case-by-case basis.
- The board of a newly listed company comprises between three and seven directors, three being the minimum stipulated under the Corporations Act for a public company.
- The company's best interests
 - The size of the board should be sufficient to bring a variety of perspectives and skills and to represent the best interests of the company and its shareholders as a whole.
 - At the same time, the board should not be so large as to limit its effectiveness as a decision-making body.
 - Suitability to meet future needs
 - The skills, capabilities and independence of existing directors should be objectively assessed by reference to the next stage of the company's strategic development and the responsibilities of the board of a listed company.
 - Independence of members
 - Under the ASX guidelines, a majority of the board – including the chairperson – should be independent.
- They should not hold management positions in the company, represent substantial shareholders or hold any business or other relationship which may interfere with the exercise of their independent judgement.
- Select for skills
 - When seeking to appoint non-executive directors, start by clearly identifying the skills and competencies sought for the board.
 - These are likely to include both general attributes and specific skills, which may include industry expertise, public profile, experience of the listed company environment, or ability to assist the company in achieving its strategic objectives.
- Seek professional assistance
- Use professional advisers to assist in sourcing suitable candidates for non-executive roles on the board.
- Time and commitment issues
 - Ensure that proposed non-executive directors are able to devote the required time and commitment to the role.
 - Make expectations clear upfront and ascertain the extent of their other commitments.

- Interaction between board members
 - A potential non-executive may have a high public profile, strong investor appeal and outstanding industry credentials, but unless he or she can work effectively with other members of the board and management, the appointment is unlikely to be successful.
- Terms and conditions of appointment
 - The remuneration of non-executive directors should be a fixed amount.
 - It may comprise a combination of cash, non-cash benefits and shares, but should not include options or bonuses.

Estimated cost of an IPO

Market Capitalization	% Of amount raised (average)	% Of amount raised (typical range)
Less than \$10 million;	10.5%	8-12%
\$10 million to \$50 million	8.6%	7-10%
\$50 million to \$100 million	7.5%	5-9%
\$100 million to \$500 million	5.8%	4-7%
More than \$500 million;	3.6%	3-4%

Recommendations

Recommendation for Share Holding Pattern

Recommendations Debt Equity Ratio

It is recommended to the company that the Debt Equity ratio needs to be in the ratio of 2:1.

The reasons behind are:

Firstly, procuring the funds wholly from the equity will increase the burden of the cost of capital. The risk associated with the same is also very high as if the funds are raised through the IPO, it is not necessary that it will subscribe fully as the company is at its initial stage.

Secondly, the provision associated with the fund raising form Debts is positive. The company will have limited liability of paying a fixed amount of interest. The balance amount can be utilized for the

development of the business in form of retained earnings and also to pay dividends.

Thirdly, raising funds through debts doesn't dilute the voting power of the existing shareholders and hence the existing shareholders with remain satisfied and,

Lastly, it is mandatory to employ at least 10% of the total capital from Equity.

Conclusion

Firstly, from the project I understood the procedure about how the IPO is launched. It starts with an issuer which is a company making a contract with lead underwriters to launch the IPO. The underwriters help the company to acquire maximum capital from the public. By following all the norms and guidelines a company can launch their IPO.

Secondly, there are various mandatory documents which are to submitted to SEBI by the company like,

- Submission of Memorandum and Articles of Association
- Approval of draft prospectus
- Submission of Application
- Listing conditions and requirements

Thirdly, a company should have a shareholding pattern as per the format specified by SEBI. In the project I have recommended a share holding pattern as per the company estimation for issue of 100 crores.

Lastly, I studied the probable cost associated with launching an IPO.

As per the above work I can say that the procedure of launching an IPO is costly and cumbersome.

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