



23BAE707 – Security Analysis and Portfolio Management

Floating of New Issues

UNIT-2

SECURITIES MARKETS

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• Public Issue

- When a company raises funds by selling/issuing its shares (or debenture / bonds) to the public through issue of offer document (prospectus).
- 1) **Initial Public Offer**: When a company makes a public issue for the first time and gets its shares listed on stock exchange.
- 2) **Further public offer**: When a listed company makes another public issue to raise capital, it is called further public / follow-on offer (**FPO**).





METHODS OF FLOATING NEW ISSUES

○ Rights Issue

- When a company raises funds from its existing shareholders by selling (issuing) them new shares / debentures, it is called as **rights issue**.
- The offer document for a rights issue is called as the **Letter of Offer**. Existing shareholders are entitled to apply for new shares in proportion to the number of shares already held.





METHODS OF FLOATING NEW ISSUES

• Private Placement

- Sale of securities privately by a company to a selected group of investors such as institutional investors, mutual funds or other financial institutions.
- Directly negotiated with the investors.
- Prospectus and Underwriting arrangements not required.
- Useful for small companies.





ACTIVITY - KNOWLEDGE CHECK

What can be the method of floating new issues in the primary market?

- ❑ Offer through Placement
- ❑ Private Placement
- ❑ Right Issue
- ❑ All of the above





IPO PROCESS

- Appointment of merchant banker and other intermediaries
- Registration of offer document
- Marketing of the issue
- Post- issue activities





MERCHANT BANKER

- One of the crucial steps for successful implementation of the IPO is the appointment of a merchant banker. A merchant banker should have a valid SEBI registration to be eligible for appointment.
- A merchant banker can be any of the following – **lead manager, co-manager, underwriter or advisor to the issue.**



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



CONTD...

- The number of co- managers should not exceed the number of lead managers.
- There can only be one advisor/consultant to the issue.
- There is no limit on the number of underwriters.



OTHER INTERMEDIARIES

- Registrar to the issue
- Banker to the issue
- Underwriter to the issue
- Broker to the issue



PROMOTERS CONTRIBUTION

- In the public issue of an unlisted company, the promoters shall contribute not less than 20% of the post issue capital as given in Chapter- IV of the SEBI Act, 1992. The entire contribution should have been made before the opening of the issue.



LOCK-IN REQUIREMENT

- The minimum promoters contribution will be locked in for a period of 3 years. The lock-in period commences from the date of allotment or from the date of commencement of commercial production, whichever is earlier.



MARKETING OF THE ISSUE

- Timing of the Issue
- Retail distribution
- Reservation of the Issue
- Advertising Campaign



Methods of Floating New Issues

