

# Issue Management of new Securities

Presented by:

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# Major sources of fund

- ❑ Self-Finance
- ❑ Family members/relatives and Friends
- ❑ Bank finance
- ❑ General Public:
  - Pre-IPO (!)
  - IPO
  - Direct listing
  - RPO
  - Rights share offer (!)

# What is IPO?

- ❑ IPO is an offer for selling of securities to the general public in the **primary market** for the first time and get listed with Stock Exchange(s).
- ❑ It gives a chance to buy shares directly from a company at the price of their choice.
- ❑ IPO helps them to identify their real value which is decided by hundreds of investor once their shares are listed in stock exchanges.
- ❑ IPO also provide funds for their future growth or for paying their previous borrowings.

# What is RPO?

Repeat public offering means:

- Further public offering
- For issuance of additional security by an issuer
- To the general public only
- The issuer has raised capital through IPO earlier i.e. whose shares are already being traded in the secondary market or which has raised capital earlier through public offering [Rule 2 (q)]

# Conditions for RPO

- ❑ **Approval:** To be approved by (i) the Board; and (ii) the shareholders in general meeting '*subject to approval of BSEC*';
- ❑ **Price sensitive information:** This shall be disseminated as a price sensitive information immediately upon decisions at different authority level;
- ❑ **Use of IPO proceeds:** The proceeds of earlier IPO has been utilized fully and relevant reports were duly submitted to the Commission;
- ❑ **Regular AGM:** AGM has been held regularly.

*Contd...*

## Conditions for RPO

- ❑ **Underwriting:** Fully underwritten on a firm commitment basis by the underwriters.
- ❑ **Preparation and audit of FSs:** The FSs have been prepared as per BAS and audited as per BSA;
- ❑ **No classified loan:** The issuer or any of its directors is not a bank defaulter.

[Rule 4]

# Primary & Secondary market


- ❑ **Primary market:** A place where shares are *initially offered* to investors by the issuer company to raise its capital.
- ❑ **Secondary market:** A place where listed securities are traded by the investors *after they are initially offered* to the investors in primary market and get listed to stock exchange(s).
- ❑ Secondary market is a platform for a company to trade its listed equities, while Primary market is the way to enter into secondary market.

# Who decides to go for IPO?

- The Sponsors?
- The Issue Manager?
- The Underwriters?
- The Regulators?
- The Government?

IPO starts with the Co's decision to go public and ends with the listing with SEs





How to process IPO  
and get it listed with  
Stock Exchanges

# 1. Decision to go Public

- Approval of the Board;
- Appoint Issue Manager;
- Decide method of IPO;
- Decide pricing methods;
- Get Accounts audited ;
- Initiate process for credit rating ;
- Develop a Company Website.

## 2. Prepare Draft Prospectus

- Assist Issue Manager in preparing **Draft Prospectus** ;
- Appoint Bankers to Issue, Underwriters etc.
- Justify the **IPO price**;
- Prepare an IM with Financials for Road Show and **Indicative Price** (For **Book Building Method**)

### 3. Apply to BSEC for Public Offer

- ❑ Apply to BSEC for IPO under BSEC Public Issue Rules, 2006.
- ❑ Submit copies of Draft prospectus to BSEC and the Exchanges simultaneously.
- ❑ Fulfill any discrepancy identified by BSEC in Draft Prospectus and respond to any queries made by the Exchanges;
- ❑ Assist Issue Manager in updating draft prospectus to comply with or fulfill deficiencies identified by BSEC and any issues identified by the Exchanges;

## 4. IPO Approved

- ❑ Publish **Abridged version** of the approved and vetted prospectus in widely circulated Bengali and English News Papers;
- ❑ **Print Final Prospectus**;
- ❑ **Posting Soft Copy** of vetted Prospectus on Company Website within 3 working days;
- ❑ **Apply for Listing** with Exchanges in accordance with the Listing Regulations of the Exchanges;
- ❑ **Appoint a Registrar to the Issue**

## 6. Subscription, Lottery

- ❑ Start subscription for IPO
- ❑ Assist Issue Manager and Registrar to the Issue in completing formalities related to subscription, lottery, refund and crediting shares to successful allottees;
- ❑ Submit subscription status to BSEC and the Exchanges;
- ❑ In case of over subscription hold lottery

## 7. Allotment and Refund

- ❑ Process all subscriptions and lottery results
- ❑ Submit a compliance report to BSEC and the Exchanges

## 8. Listing Approval by the Exchanges

- ❑ After completion of allotment/refund and compliance of other requirements, the application for listing by the Issuer is considered complete and is placed for listing approval
- ❑ Listing is approved or rejected



## 9. Credit Share/Units

If listing is approved by any of the Exchanges, issuer apply to CDBL for crediting tradable shares/units as per allotment

## 10. Commencement of Trading of securities on the Bourse(s)

Once shares/units are credited and confirmed by CDBL, commencement date for trading is announced by the respective Exchange



# Conditions for Direct listing

- ❑ Min. **paid up capital** of **Tk. 300 million** (Prev: Tk. 100 mn);
- ❑ No **accumulated loss**;
- ❑ At least in **commercial operation** for immediate last 5 years;
- ❑ **Profit** in 3 years out of the immediate last 5 years;
- ❑ Regular in holding **AGM**;
- ❑ Positive **net current assets** in preceding 3 years;
- ❑ **Positive cash flows from operating activities** for immediate preceding 3 years;
- ❑ Comply with the provisions of **Corporate Governance Guidelines...**

# Process of Direct listing

- ❑ Get **relevant approval** from concerned ministry or any other government body;
- ❑ **Appoint Issue Manager**, Designated Brokers;
- ❑ Follow the Book Building Process to **determine the offer price**;
- ❑ Prepare **Information Document** in accordance with the Direct Listing regulations of the Exchanges;
- ❑ **Submit Information document** to the respective exchanges and BSEC and apply to the exchanges for offloading of shares through listing under the Direct Listing regulations of the exchanges;

## Direct listing

- ❑ Comply with **deficiency letter** issued by BSEC
- ❑ Comply with any **deficiencies identified** by **Exchanges**
- ❑ **Update Information document** and get the same vetted by the respective exchanges
- ❑ Exchange(s) approve Listing
- ❑ Publish the Information Document in widely circulated Bengali and English news papers
- ❑ Submit printed Information Document to Exchanges and BSEC;

## Direct listing

- ❑ Trading commence at least 7 days after news paper publications;
- ❑ Make shares to be offloaded available to designated stock brokers and provide irrevocable sale orders for the total quantity made available. In this regard total shares to be made available must not be less than 25% of the total paid-up shares.
- ❑ Offload 25% of the total paid-up shares within first 30 trading days;
- ❑ Report broker wise offloading status to exchanges and BSEC on daily basis.

The sponsors/directors are not allowed to buy shares for **one year** from the date of direct listing (Old: until completion of sell of targeted 25% shares)

# Role of Issue Manager

- ❑ Also called merchant bankers or Registrar to the Issue. Supposed to do due diligence on the issue that is:
  - the issue is **in accordance with the regulations**;
  - **proper disclosures** have been made; and
  - the information in the prospectus are **correct**.
- ❑ Registrar to the issue means the merchant banker or any person registered with BSEC for carrying on the activities in relation to an issue including collecting applications from investors, keeping record of applications and money received from investors or paid, finalizing the list of persons entitled to allotment



## Role of Issue Manager

and processing and dispatching allotment letters, refund orders or certificates and other related documents [Rule 2(p)]. Their functions also include:

- ❑ Act as intermediaries between the company seeking to raise money and the investors.
- ❑ Complying with the formalities of an issue, like drawing up the prospectus and marketing the issue.
- ❑ Carry out post issue activities.

# Due diligence Certificate

*Subject: Public offer of --- Ordinary Shares of Tk. 10 each at an issue price of Tk. --- each including a premium of Tk. - -- per share totaling to Tk.--- of ABC Limited*

We, the under-noted Manager to the Issue to the above-mentioned forthcoming issue, state as follows:

1. We, while finalizing the draft prospectus pertaining to the said issue, **have examined various documents and other materials as relevant for adequate disclosures** to the investors; and
2. On the basis of such **examination and the discussions** with the issuer company, its directors and officers, and other agencies, independent verification of the statements

concerning objects of the issue and the contents of the documents and other materials furnished by the issuer company

WE CONFIRM THAT:

- a. the draft prospectus forwarded to the Commission is in conformity with the documents, materials and papers relevant to the issue;
- b. all the legal requirements connected with the said issue have been duly complied with; and
- c. the disclosures made in the draft prospectus are true, fair and adequate to enable the investors to make a well informed decision for investment in the proposed issue.

For Manager to the Issue

Sd/-

Chief Executive Officer

XYZ Investments Limited

# Declaration by the Issue Manager

## **Declaration by the issue manager about the approval from BSEC for any material changes**

In case of any material changes in any agreement, contract, instrument, facts and figures operational circumstances and statements made in the Prospectus subsequent to the preparation of the Prospectus and prior to its publication, shall be incorporated in the Prospectus and the said Prospectus should be published with the approval of the Commission.

For, Manager to the Issue

Sd/-

Chief Executive Officer, XYX Investments Limited

# Fees and Commission

- ❑ **Issue management:** Lower of 1% on IPO amount or Tk. 20 lac whichever is lower;
- ❑ **Underwriting commission:** 1% of the underwritten amount calculated on 50% of IPO;
- ❑ **Bankers to the issue:** max. 0.1% on amount collected;
- ❑ **Initial Listing fee:** a. For Ordinary shares **based on paid-up capital:**
  - Up to Taka 10 crore @0.25%
  - Above Taka 10 crore @0.15%**Min. of Tk. 50,000 and Max. of Tk. 10,000,000.**

## Fees and Commission

### b. For preferred shares/fixed income securities:

- Up to Tk. 10 cr. of issue size @ 0.25%
- Above Tk. 10 cr. of issue size @ 0.15%

### □ Annual Listing fee for securities:

- Up to Tk. 100 crore @**0.05%**
- Above Tk. 100 crore @**0.02%**

**Minimum of Tk. 50,000 and Max. of Taka 6,00,000.**

### □ Fees to BSEC:

- Application fee: TK. 10,000 (non-refundable)
- Consent fee: @ 0.15% on public offering.

## Who decides the Offer Price?

- ❑ The issuer and Issue Manager **do lots of market research and road shows** before they decide the appropriate price for the IPO.
- ❑ The issuer **with the help of Issue Manager decides** the price or price band of an IPO.
- ❑ BSEC or Stock Exchanges do not fix the price. BSEC **just validate** the content of the IPO prospectus.

# Offer Price

Rule 3 (1): Application for consent under these rules may be based on any of the following pricing methods:

- Fixed Price Method
- Book-building method



## Fixed Price method

**Issue at Premium:** Justification of the premium should be stated with reference to:

- i. NAV per share;
- ii. Earning-based-value per share;
- iii. Projected earnings per share/book value for the next three accounting year;
- iv. Average market price per share of similar shares for the last six months immediately prior to the offer; and
- v. All other factors with justification which have been taken into account by the issuer for fixing the premium.

*The premium shall not exceed the amount of premium charged on shares issued within immediately preceding one year. [Rule 16]*

# Book Building Method

Introduced in 2009 to ensure fair price in the IPOs for the entrepreneurs whose companies will go public.

Book Building is a process by which the price of an IPO is determined through an automated bidding to be participated by different eligible institutional Investors (EIs) and they quote the indicative price before bidding.

Then the shares are opened for the IPO participant at the cut-off price determined during the book building process.

## Who are eligible for book-building method?

The issuer:

- **Net-worth:** Having at least Tk. 30 crore net-worth;
- **Size of offer:** At least 10% shares of paid up capita(including intended offer) or Tk. 30 crore at face value, whichever is higher;
- **Commercial operation:** shall be in commercial operation for at least immediate last 3 years;
- **Profitability:** shall have profit in 2 years out of the immediate last 3 completed financial year;
- **Accumulated loss:** shall have no accumulated loss at the time of application;

## Who are eligible for book-building method?

- **Regular AGM:** shall be regular in holding AGM;
- **Audit by enlisted auditors:** shall audit at least its latest financial statements by a CA firm from the panel of auditors of BSEC;
- **Issue Manager and Registrar to the Issue:** shall appoint separate person as issue manager and registrar to the issue for managing the offer; and
- **Preparation of Prospectus:** shall comply with all requirements of these Rules in preparing prospectus.

BSEC, for the interest of investor or development of capital market, **may exempt or relax** any of the above conditions.

## Eligible Institutional Investors[EIIs]

- Merchant Banks
- Commercial Banks
- Asset Management Companies
- NBFIs
- Insurance Companies
- Stock Dealers

# Discovery of Price

Two Prices to be discovered:

- ❖ Indicative Price
- ❖ Cut-Off price

**Indicative price** means the price which the issuer indicates in the draft prospectus taking input from the eligible institutional investors on which the bidders bid for final determination of price; Rule 2(i)

**Cut-off price** means the lowest price offered by the bidders at which the total issue could be exhausted; Rule 2 (g)

- ❑ **Invitation in the road show:** The issuer/issue manager shall invite the EIs, both in writing and through publication in at least 5 widely circulated national dailies, giving at least 10 working days, to the road show/presentation/seminar indicating time and venue of such event;
- ❑ **Sending IM:** The invitation letter shall accompany an IM containing all relevant information and 5 years audited financial statements or such shorter period during which the issuer was in commercial operation;
- ❑ **Submission of Indicative price:** The EIs submit indicative price to the issuer/issue manager, signed jointly by the CEO and the Financial Analyst, highlighting the factors taken into consideration in support of the indicative price, within the next 3 working days of the said road show/presentation/seminar;

- ❑ EILs who support the indicative price should participate in the electronic bidding process, at least with their intended quantity and indicative price.
- ❑ Stock exchange participate in the road show as observer;
- ❑ The issuer/issue manager quote its own indicative price in the draft prospectus based on the indicative prices so obtained from EILs;
- ❑ The Indicative Price quoted by the EILs is disclosed by the Issuer/Issue Manager after the quotation received from the EILs. The said indicative price should be supported by **at least 20 EILs including at least 3 quotations from each category** of EILs;



- ❑ **Minimum quantity for price discovery:** As long as the total intended quantity by the EIs, who support the indicative price, does not reach 10% of the total issue size, the indicative price shall not be treated as discovered.
- ❑ While submitting the indicative price the concerned EIs will also mention the number of shares they are willing to buy at that price.
- ❑ **Basis for formal price building:** The indicative price shall be the basis for formal price building with an upward and downward band of 20% of indicative price within which eligible institutional investors shall bid for the allocated amount of security;

- ❑ **Commencement of bidding:** Eligible institutional investors bidding shall commence after getting consent from BSEC for this purpose;
- ❑ **Cancellation of issue:** If institutional quota is not cleared at 20% below indicative price, the issue will be considered cancelled unless the floor price is further lowered within the face value of security;
- ❑ **Issuer can lowering the offer price:** The issuer's chance to lower the price shall not be more than once;
- ❑ **Posting prospectus in Websites:** Prospectus will have to be posted on the Websites of the Commission, stock exchanges, issue manager and issuer at least 2 weeks prior to the start of the bidding;

- ❑ IM to send without mentioning Indicative Price:  
Provided that hard copy of **IM *without mentioning the indicative price*** shall physically be sent to the following institutions/associations at least 5 working days prior to the Road Show:
  - a. Stock Exchanges
  - b. Bangladesh Merchant Bankers' Association
  - c. Bangladesh Association of Banks (BAB)
  - d. BLFCA
  - e. Bangladesh Insurance Association (BIA)
  - f. Association of Asset Management Companies
- ❑ Associations shall ensure dissemination of hard copy of draft prospectus among their respective members;

- ❑ **Limit for quotation:** No EII shall be allowed to quote for more than 5% of the total security offered for sale, subject to maximum of 5 bids;
- ❑ **Bidding period:** Institutional bidding period will be 48 hours which may be changed with the approval of BSEC;
- ❑ **Status report:** The Issuer/Issue Manger submit the status of bidding and the Cut Off price along with the final draft prospectus, simultaneously to BSEC and the stock exchanges within 5 working days from the closing day of the bidding.
- ❑ **Automated bidding system:** The bidding is handled through a uniform and integrated automated system of the stock exchanges, especially developed for book building method;

- ❑ **Volume and value is displayed:** The volume and value of bid at different prices is displayed on the monitor of the said system without identifying the bidder;
- ❑ **Allotment on pro-rata basis:** The institutional bidders is allotted security on pro-rata basis at the weighted average price of the bids that would clear their quota;
- ❑ **Deposit bid money in advance:** Institutional bidders shall deposit their bid with 20% of the amount of bid in advance and the rest amount to settle the dues shall be deposited within 5 working days prior to the date of opening subscription for general investors;
- ❑ **Forfeiture of bid money:** In case of failure, 50% of bid money deposited by them shall be forfeited by the Commission.

- ❑ **Price for general investors:** General investors, which include mutual funds and NRBs, shall buy at the cut-off price;
- ❑ **Time gap for opening of subscription:** There shall be a time gap of 15 working days or as may be determined by the Commission between closure of bidding by eligible institutional investors and subscription opening for general investors;
- ❑ Subscription for general investors shall remain open for the period as specified by the Commission;
- ❑ General investors shall place their application through MBs or SBs; and
- ❑ **Separate escrow account:** All application money shall be kept in a separate escrow account opened with a designated bank with prior intimation to the Commission.

## Distribution of IPO

| Size of issue<br>(Taka in crore) | Eligible<br>Institutional<br>investors' Quota<br>(%) | General investors<br>Quota (%) |      |        |
|----------------------------------|--|--------------------------------|------|--------|
|                                  |  | Mutual<br>Fund                 | NRBs | Public |
| Tk. 30-50                        | 20   | 10                             | 10   | 60     |
| > Tk. 50-100                     | 30   | 10                             | 10   | 50     |
| >Tk. 100-500                     | 40   | 10                             | 10   | 40     |
| >Tk. 500                         | 50   | 10                             | 10   | 30     |

## Lock-in, fees etc.

### □ Lock-in

4 months from the first trading day on the security issued to the EIs;

### □ Fee of issue manager and registrar to the issue.

Could be on negotiated basis but not exceeding 5% in total of the issue size.

### □ Market for the Securities Being Offered

The issuer shall apply to all the stock exchanges in Bangladesh within 7 working days from the date of consent accorded by the Commission to issue prospectus.



# Appropriateness of Book Building method

- ◆ whether the book building method is itself faulty or getting misused?
- ◆ what the **fair price** of a security is?

The fair value of a stock is the present value of future cash flows to be generated in the foreseeable period considering a risk adjusted discount rate (which includes risk premium, commonly derived from CAPM).

- ❑ Most of the methods used in determining the price are P/Es of market, or respective industry or similar stocks.
- ❑ When issuer company arranges road show with any inflated price to invite offer for indicative price from the institutional investors, it has been observed that institutional investors usually agree to give very high price - or even higher one than proposed by the company. Strong allegations are that there is a prior understanding among the issuer company and the EIs participating in the road shows. The situation is further worsened when formal bidding is arranged with such inflated indicative price where it is observed that all the bidders offer at upper band (+20% of indicative price). Perhaps only 4 months lock-in period provides incentives to bid for such higher prices.

# IPO under Fixed Price Method

## Requirements for filing application for consent

An issuer shall apply to BSEC along with the following documents:

- ❑ 10 copies of the prospectus, duly completed and signed, together with **all annexes** thereto;  
The chairman, the director and the CEO shall sign a declaration as per Annexure-A;
- ❑ All stock exchanges shall be supplied with 1 copy of prospectus, together with its annexes, and the audited financial statements
- ❑ The FSs shall **not be older than 120** days at the time of submission.

## Declaration about the responsibility of Directors and CEO regarding Prospectus

- This prospectus has been prepared, seen and approved by us, and
- we, individually and collectively, accept full responsibility for the authenticity and accuracy of the statements made, information given in the prospectus, documents, financial statements, exhibits, annexes, papers submitted to the Commission in support thereof, and
- confirm, after making all reasonable inquiries that all conditions concerning this public issue and prospectus have been met and

that there are no other information or documents the omission of which make any information or statements therein misleading for which the Commission may take any civil, criminal or administrative action against any or all of us as it may deem fit.

- ❑ We also confirm that full and fair disclosure has been made in this prospectus to enable the investors to make a well informed decision for investment. **[Rule 3 (1)]**

# PROSPECTUS AND ITS CONTENTS

# What is Prospectus?

A legally mandated document published by an issuer offering its securities to public for purchase.



## Publication of prospectus

- ❑ Upon receiving the consent, the abridged version of the prospectus shall be published in 4 national daily newspapers within the time specified in the consent letter.
- ❑ The full prospectus shall be posted on website of the BSEC, SEs, issuer and the issue manager.
- ❑ The subscription opens after 25 days of the publication of the abridged version of the prospectus and remain open for the period as specified by the Commission.

## Delivery of Prospectus

- ❑ The issuer shall inform BSEC and the SEs, within 5 working days of closure of subscription, in respect of the following matters:
  - Total no. of securities for which subscription has been received;
  - Amount received from the subscription; and
  - Commission paid to the banker to the issue.
- ❑ Sufficient copies shall be made available by issuer;
- ❑ The issuer shall post the prospectus vetted by BSEC on the websites of the Issuer, BSEC, SEs, and the issue manager within 3 working days from the date of consent and shall remain posted till the

# Delivery of Prospectus

closure of subscription. The issuer shall submit it to BSEC, SEs and the issue manager a diskette in “MS-Word” format.

- A notice shall be placed on the front of the application form that they are entitled to a prospectus from the issuer and the issue manager.
- The application shall indicate in bold type that no sale of securities shall be made, nor shall any money be taken from any person, until 25 days after the prospectus has been published.

# Statutory Conditions

- ❑ Disclosure in respect of issuance of security in demat form;
- ❑ Conditions under 2CC of the Securities and Exchange Ordinance, 1969; and
- ❑ General Information

## Declarations and Due Diligence certificates

- ❑ Declaration about the responsibility of the Director(s), including the CEO in respect of the Prospectus;
- ❑ Consent of Director (s) to serve as Director;
- ❑ Declaration about filing of Prospectus with the RJSC;
- ❑ Declaration by the Issuer about the approval from BSEC for any material changes;
- ❑ Declaration by the Issue Manager about the approval from BSEC for any material changes;
- ❑ Due Diligence Certificate of the Issue Manager
- ❑ Due Diligence Certificate of the Underwriter(s).

# Risk Factors and Management Perception

- Interest rate risk
- Exchange Rate risk
- Industry and market risk
- Technology related risks
- Risk of change in Govt. regulations
- Risk of potential change in global and national policies
- History of non operation
- Operational risks etc.

## Issue Size and purpose of the IPO

- Financial Structure of the Company
- Use of IPO Proceeds
- Schedule of Implementation

# Information about the Company

- ❑ Company Profile, Nature of Business, Principle Products and Services,
- ❑ Products/Services that account for more than 10% of the Company's total revenue,
- ❑ Associates, Subsidiary/Related Holding Company and their core areas of business,
- ❑ Distribution of Products/Services,
- ❑ Competitive Condition of Business,
- ❑ Sources and availability of Raw Materials and Principal Suppliers,
- ❑ Sources of and requirement for Power, Gas and Water or any other utilities



## INFORMATION ABOUT THE COMPANY

- ❑ Customer Providing 10% or more Revenues,  
Description of Contract with Principal  
Suppliers/Customers,
- ❑ Description of any Material Patents, Trademarks,  
Licenses or Royalty Agreements,
- ❑ No. of Employees,
- ❑ Production Capacity and Current Capacity  
Utilization

## Description of Property

- ❑ Location of the principal plants, land, building, furniture and other Property of the Company and their condition
- ❑ Whether the property is owned by the company or taken on lease.
- ❑ Whether there is a mortgage or other type of lien on the property, with name of the mortgagor.
- ❑ If the property is on lease, the expiration date with name of the lessor.

## Plan of operation and discussion of financial condition

- ❑ Internal and External Sources of Cash,
- ❑ Material commitments for Capital Expenditure,
- ❑ Causes for Material Changes from period to period, Seasonal aspects of the Company's business,
- ❑ Known trends, events or uncertainties,
- ❑ Change in the assets of the Company used to pay-off liabilities,
- ❑ Loan taken from or given to Holding/Parent Company or subsidiary Company,
- ❑ Future Contractual Liabilities,

## PLAN OF OPERATION AND DISCUSSION OF FINANCIAL CONDITION

- ❑ Future Capital Expenditure,
- ❑ VAT, Income Tax, Customs duty or other tax liability,
- ❑ Operating Lease Agreements during the last five years,
- ❑ Financial lease commitments during the last five years, Personnel related Scheme,
- ❑ Breakdown of estimated expenses for IPO,
- ❑ Revaluation of Company's assets and summary thereof,

PLAN OF OPERATION AND DISCUSSION  
OF FINANCIAL CONDITION (Cont'd)

- ❑ Transaction between Subsidiary/Associate/Holding Company and the Issuer;
- ❑ Auditors' Certificate regarding any allotment of shares to the Directors and Subscribers to the M/A and A/A for any consideration otherwise than for cash;
- ❑ Declaration regarding Suppression of Material Information.

# Information about Directors and Officers

- ❑ Directors of the Company,
- ❑ Information regarding Directors and Directorship, Directors' Involvement in other Organizations,
- ❑ Family relationship among Directors and top five Officials,
- ❑ Short bio-data of directors,
- ❑ CIB report,
- ❑ Description of Top Executives and Departmental Heads,
- ❑ Involvement of Directors and Officers in Certain Legal Proceedings,
- ❑ Certain relationships and Related Transactions, Executive Compensation,

## INFORMATION ABOUT DIRECTORS AND OFFICERS

- ❑ Options granted to Directors, Officers and Employees,
- ❑ Transaction with the Directors and Subscribers to the Memorandum,
- ❑ Tangible Assets per Share,
- ❑ Ownership of Company's Securities, Shareholding Structure,
- ❑ Shareholders holding 5% or more of the Company's Securities,
- ❑ Securities of the Company owned by the Officers, Directors and Top Ten Salaried Officers.

# Features of IPO

- ❑ Determination of Offering Price;
- ❑ Market for the Securities being Offered, Declaration about Listing of Shares with Stock Exchange(s);
- ❑ Trading and Settlement;
- ❑ Description of Securities outstanding or being offered;
- ❑ Dividend, Dividend Policy;
- ❑ Voting, Preemption Rights, Conversion and Liquidation Rights, Other Rights of Shareholders;
- ❑ Debt securities.



# Subscription and Market

- ◆ **Lock-in**
  - Sponsors/Directors: 3 years from the date of issuance of prospectus or commercial operation, whichever comes later;
  - Private placement (other than persons holding 5% or more): One year if subscribed within immediately preceding two years of according the consent [Rule 9];
  - Eligible Institutional Investors: 4 months from the first trading day.
  
- ◆ Subscription by and refund to Non-Resident Bangladeshi (NRB)

## Availability of Securities

| <b>Nature of investors</b> | <b>% of IPO quota</b> |
|----------------------------|-----------------------|
| Affected small investors   | 20                    |
| NRBs                       | 10                    |
| Mutual funds               | 10                    |
| General public             | 60                    |
| <b>Total</b>               | <b>100</b>            |

# Application for Subscription

- ❑ Application may be made for a minimum lot;
- ❑ Prospectus may be obtained from the registered office of the Company, Issue Manager, Underwriters and Stock Exchanges;
- ❑ Application/buy instruction shall be submitted to the Stockbroker/ Merchant Banker where the applicant maintains customer account, within the cut-off date;
- ❑ The application/buy instruction may be submitted in prescribed paper or electronic form, which shall contain the Customer ID, Name, BO A/C No.,

## Application for Subscription

No. of Securities applied for, Total Amount and Category of the Applicant.

- Application/buy instruction must be in full name of individuals or limited companies or trusts or societies.
- In case an applicant makes more than two applications, all applications will be treated as invalid and 15% of the application money will be forfeited by BSEC and the balance amount will be refunded to the applicant.

## Application for Subscription

- ❑ Making of any false statement in the application or supplying of incorrect information therein or suppressing any relevant information in the application shall make the application liable to rejection and subject to forfeiture of 25% of the application money and/or share (unit).
- ❑ Bangladeshi Nationals (including non-resident Bangladeshi Nationals working abroad) and Foreign Nationals shall be entitled to apply for shares.

## Material contracts and others

- ❑ Material Contracts: Underwriting Agreements; Issue Management Agreement; Credit Rating Agreement; Issue Management Agreement etc.
- ❑ Copies of such contracts and documents and a copy of M/A and A/A of the issuer company and the Consent Letter from the BSEC requires to be made available for inspection on any working day during office hours at the Corporate Office of the Company and the Issue Manager.

## Auditors' Report and Related Certificats

- ❑ Auditors' Report to the Shareholder;
- ❑ Auditors' Report in pursuance of Section-135(1) under Para-24(1) of Part II of the Third Schedule of the Companies Act, 1994;
- ❑ Auditors' Certificate regarding Statement of Ratio Analysis;
- ❑ Auditors' Certificate regarding Plant and Machinery;

# Credit Rating

- ❑ Credit rating report, if applicable, to be attested by the MD/CEO;
- ❑ Fundamentals like Asset quality, Profitability, Growth rate, Capital Adequacy Ratio, Liquidity etc. are considered.

**Long term:** AAA: Highest safety,

AA+ AA AA- :High safety;

A+ A A- : Adequate safety,

BBB+ BBB BBB-: Moderate safety,

BB+ BB BB- :Inadequate safety,

B+ B B- :High risk                      C - Very High risk, D: Default

**Short term:** ST-1: Highest certainty, ST-2: High certainty, ST-3: Good certainty, ST-4: Satisfactory liquidity.



## Exhibits [Rule 18]

The following documents duly attested by the CEO shall also be filed with the application for consent :

- M/A and A/A
- Certificate of Incorporation and Certificate of Commencement of Business
- Extract from the Minutes of Meeting of the Board of Directors for raising paid up capital.
- Consent of the Directors to serve, in original, signed by all directors.
- Land Title Deed with current rent receipts.

## EXIBITS [RULE 18]

- ❑ If plant & machinery is reconditioned/second-hand, a certificate from SGS or Lloyds agency on its economic life and price competitiveness duly certified by the Chamber of Commerce of the exporting country or the country of origin;
- ❑ Loan agreements, if any;
- ❑ Banker's letter confirming opening of separate bank account for public issue purposes;
- ❑ Due Diligence Certificate (Annex C) from the Issue Manager;
- ❑ Due Diligence Certificate (Annex D) from Underwriters;
- ❑ Due Diligence Certificate from Debenture Trustee

## EXHIBITS [RULE 18]

- Agreement with
  - a. Investment Adviser,
  - b. Issue Manager,
  - c. Underwriter(s) and
  - d. Debenture Trustee;
- Letter of the Bankers' to the issue accepting their appointment;
- Joint venture agreement, if any;
- Tax Holiday Approval Letter from NBR,
- Copy of return of allotment and particulars of directors;

## EXHIBITS [RULE 18]

- Banker's certificate/bank statement showing deposit of an amount equivalent to the paid up capital/ auditor's certificate in that regard;
- Undertakings of the issuer company and its directors for obtaining CIB Report from Bangladesh Bank;
- Copies of valid license from the regulatory authority, where applicable;
- Deed of Trust;
- Credit rating report, if applicable.

# Listing of securities

## Listing regulations

- ❑ The Listing Regulations of the Dhaka Stock Exchange Limited
- ❑ The Dhaka Stock Exchange (Direct Listing) Regulations 2006

## Three possible ways to get **listed** with SE

- ❑ Listing after Initial Public Offer (IPO)
- ❑ Offloading of Shares of Govt. owned companies (Direct Listing)
- ❑ Unlisted Subsidiaries of listed companies can become listed through issuance of specie dividend, right shares or any similar distribution in accordance with the Listing Regulations of the Dhaka Stock Exchange Limited

# Jobs to do after approval of Prospectus

- ❑ **Publication of Prospectus** (the approved abridged version): In 4 daily newspapers within 5 working days of consent letter.
- ❑ **Uploading of prospectus in websites**: The issuer shall post the full prospectus, vetted by BSEC, in the websites of issuer, BSEC, stock exchanges and the Issue Manager within 5 working days from the date of this letter and shall remain posted till the closure of the subscription list.
- ❑ **Submission of soft copy of prospectus**: The issuer shall submit to BSEC, the SEs and the Issue Manager a diskette containing the text of the vetted prospectus in “MS -Word” format.

## Jobs to do after approval of Prospectus

- ❑ **Submission of printed prospectus:** The issuer shall submit 40 copies of printed prospectus to BSEC within **5 working days** from the date of publication of the abridged version of the prospectus.
- ❑ **Transmission of prospectus to NRBs:** The Issuer and the Issue Manager shall ensure transmission of the prospectus and its abridged version and relevant application for NRBs through email, to the Bangladesh Embassies and Missions abroad and shall dispatch printed copies of abridged version to the said Embassies/Missions within **5 working days** of the publication date by EMS;
- ❑ **Submission of compliance report:** A compliance report shall be submitted to the BSEC jointly by the Issuer and the Issue Manager within **2 working days** from the date of dispatch.

## Jobs to do after approval of Prospectus

- ❑ **Submission of paper clipping:** The paper clipping of the published abridged version of the prospectus shall be submitted to BSEC within **24 hours** of its publication.
- ❑ **Maintenance of separate bank account:** The company shall maintain separate bank account(s) for collecting proceeds of the IPO and shall also open Foreign Currency (FC) account(s) to deposit the application money of the NRBs for IPO purpose.
- ❑ **Application for listing:** The Company shall apply to the stock exchanges for listing within **7 working days** of issuance of consent letter and shall simultaneously submit to the Commission attested copies of the application filed with the stock exchanges.



## Jobs to do after approval of Prospectus

- ❑ **Opening of subscription:** The subscription shall be opened and the sale of securities commenced after 25 days of the publication of the abridged version of the prospectus
  
- ❑ **IPO Quota**
  - 20% for affected small investors,
  - 10% of total public offering shall be reserved for NRB
  - 10% for mutual funds and
  - 60% shall be opened for general public.
  
- ❑ **Forfeiture of application money**
  - 15% for making more than two applications
  - 25% for giving false information

## Jobs to do after approval of Prospectus

- ❑ **Submission of list of allottees:** The company shall furnish the List of Allotees to BSEC and the SEs simultaneously, within **24 hours** of allotment.
- ❑ **In the event of under subscription**  
The issuer must notify the underwriters to take up the underwritten shares within **10 days** of the closing of subscription for full payment of the share money within **15 days of the notice**.
- ❑ **Lock-in of Sponsors shares:** 3 years from the date of issuance of prospectus or commercial operation, whichever comes later.

## Jobs to do after approval of Prospectus

- ❑ An applicant shall submit application/buy instruction to the Stockbroker/Merchant Banker within the subscription closing date, which shall be the **25<sup>th</sup> working day** from the date of publication of abridged version of prospectus.
- ❑ The Stockbroker/Merchant Banker shall prepare category wise lists of the applicants and within **03 working days** from the cut- off date, send it to the respective Stock Exchange in electronic format and the certificate(s) issued by its banker.
- ❑ **On the next working day**, the stock exchanges shall provide the Issuer with the information received from the Stockbroker/Merchant Bankers.
- ❑ The application/buy instructions shall be preserved by the Stockbroker/Merchant Bankers **up to 6 months** from listing

# Jobs to do after approval of Prospectus

- ❑ The Issuer shall prepare consolidated list of the applications and send the applicants' BOIDs in electronic (text) format in a CDROM to CDBL for verification. The Issuer shall post the consolidated list of applicants on its website. CDBL shall verify the BOIDs as to whether the BO accounts of the applicants are active or not.
- ❑ **On the next working day**, CDBL shall provide the Issuer with an updated database of the applicants containing BO Account no., Name, Addresses, Parents' Name, Joint Account and Bank Account Information along with the verification report.

# Jobs to do after approval of Prospectus

- ❑ After receiving verification report from CDBL, the Issuer shall scrutinize the applications, prepare category wise consolidated lists of valid and invalid applications and submit report to BSEC and the SEs **within 10 working days** from the date of receiving information from Ses
- ❑ The Issuer and the issue manager shall conduct category wise lottery with the valid applications **within 03 working days** from the date of reporting to BSEC and SEs;
- ❑ The Issuer and issue manager shall arrange posting the lottery result on their websites **within 06 hours** and on the websites of BSEC and SEs **within 12 hours** of lottery;

## Jobs to do after approval of Prospectus

- ❑ **Within 02 working days** of conducting lottery, the Issuer shall:
  - Send category wise lists of the successful and unsuccessful applicants in electronic format to the respective Stock Exchange.
  - send category wise lists of unsuccessful applicants who are subject to penal provisions in electronic format to the respective Stock Exchange mentioning the penalty amount against each applicant.
  - issue allotment letters in the names of successful applicants in electronic format with digital signatures and send those to respective Stock Exchange in electronic form.
  - send consolidated allotment data (BOID and number of securities) in electronic text format in a CDROM to CDBL to credit the allotted shares to the respective BO accounts.

## Jobs to do after approval of Prospectus

**On the next working day, SEs shall distribute the information and allotment letters to the Stockbroker/Merchant Bankers concerned in electronic format and instruct them to:**

- remit the amount of successful applicants to the Issuer's Escrow account and unblock the amount of unsuccessful applicants;
- send the bank drafts (FDD) submitted by successful NRB and Foreign applicants to the Stock Exchange and return the drafts submitted by unsuccessful applicants;
- send the penalty amount of other than NRB and Foreign applicants who are subject to penal provisions to the Issuer's respective Escrow Accounts along with a list and unblock the balance application money;

## Jobs to do after approval of Prospectus

- send the drafts submitted by unsuccessful NRB and Foreign applicants who are subject to penal provisions, to the respective Stock Exchange, along with a list.
- ❑ **On the next working day** of receiving the documents from the Stock Exchanges, the Stockbrokers/Merchant Bankers shall request its banker to:
  - release the amount blocked for unsuccessful (other than NRB and Foreign) applicants;
  - remit the aggregate amount of successful applicants and the penalty amount of unsuccessful (other than NRB and foreign) applicants who are subject to penal provisions to the respective 'Escrow' account



## Jobs to do after approval of Prospectus

- ❑ **On the same day** the Stock brokers/Merchant Bankers shall:
  - send the drafts submitted by successful NRB and Foreign applicants to the Stock Exchange concerned and return the drafts submitted by unsuccessful NRB and Foreign applicants;
  - send the drafts submitted by unsuccessful NRB and Foreign applicants who are subject to penal provisions to the respective Stock Exchange separately along with a list of the applicants.
  - **On the next working day** of receiving request from the Stockbrokers/Merchant Bankers, their bankers shall unblock the amount blocked in the account(s) and remit the amount as requested for to the Issuer's 'Escrow' account.

## Jobs to do after approval of Prospectus

- ❑ **Simultaneously**, the Stock brokers /Merchant Bankers shall release the application money in the customer accounts; inform the successful applicants about allotment of securities and the unsuccessful applicants about releasing their blocked amounts. The unblocked amounts of unsuccessful applicants shall be placed as per their instructions.
- ❑ **On the same day**, Stock Exchanges shall send the DD submitted by successful NRB and Foreign applicants and also by unsuccessful NRB and Foreign applicants who are subject to penal provisions, to the Issuer.

# Use of IPO proceeds

- ❑ No issuer of a listed security shall utilize more than 1/3<sup>rd</sup> of the fund raised through IPO for the purpose of loan repayment.
- ❑ The company shall furnish status report on utilization of IPO proceeds audited by foreign affiliated auditors and authenticated by the board of directors to the Commission and the stock exchanges within 15 days of the closing of each month until such fund is fully utilized
- ❑ While auditing the utilization of IPO proceeds, the auditors' shall perform their jobs under the followings TOR and confirm the same in their report/certificate:
  - Whether IPO proceeds have been utilized for the purposes/heads as specified in the prospectus;

- Whether IPO proceeds have been utilized in line with the conditions of the Commission's consent letter;
- Whether utilization of IPO proceeds have been completed within the time schedule/ implementation schedule as specified in the prospectus;
- Whether utilization of IPO proceeds is accurate and for the purpose of the company as mentioned/ specified in the prospectus/ and
- The auditors should also confirmed that: (i) assets have been procured/imported/ constructed maintaining proper/ required procedure as well as at a reasonable price; and (ii) auditors' report has been made on verification of all necessary documents/papers/vouchers in support of utilization of IPO proceeds making reconciliation with Bank Statement.

# Initial Listing and Annual Fees

**Initial Listing fee** for securities **based on paid-up capital:**

Up to TK 10 crore @0.25%

Above TK. 10 crore @0.15%

**Min. of Tk. 50,000 and max. of Tk. 10,000,000.**

[R 42(1)]

(Prev. Min of Tk. 10,000 and max of Tk. 20 lac.)

## Annual Fees [42(2)]

Annual Listing fee for securities

Up to Taka 100 crore @**0.05%**

Above Taka 100 crore @**0.02%**

**Min. of Tk. 50,000 and max. of Tk. 6,00,000.**

# Approval for Listing

Maximum period of **30 (thirty) working days** from closure of subscription list ( Prev. 75 days as per consent letter)

## Agreement with Stock Exchange and commencement of Trading

- An agreement is signed between the SE and the issuer Company

With the execution of the agreement and commencement of trading of securities in the bourses, the IPO process ends.



# Suspensions of Trading

- ❑ Notify publicly through the trading system and website of the Exchange within **5 (five) minutes** [Reg. 50(2)]. [**Prev:** No specific time period]
- ❑ Shall remain in force for a period of **30 days** which the Exchange may extend for further periods not exceeding **fifteen days at any time** [Reg. 50(3)] [**Prev:** It was mentioned in the SEC Ordinance, 1969]

# De-listing of Securities

Failed to pay the **annual listing fees** or any other dues payable to the Exchange **for a period of 3 years** [Reg. 51 (1d)].

[Prev. : Previous 2 years as per LR 31(1)(e)]

# Voluntary De-listing

- ❑ Apply for voluntary de-listing if fulfills any of the following criteria:
  - No trade during last one year; or
  - shareholdings of the sponsors and directors exceeds 90% of the total paid-up capital; or
  - If any non-listed company acquires/holds more than 90% of paid-up capital of the issuer of listed securities. [New Reg. 52]

## ❑ De-listing of Fixed Term Securities

All **fixed term securities**, e.g., close-end mutual funds, debentures, bonds etc. **shall be de-listed** from the Exchange **on its maturity** [New Reg. 53]

Thank you  
very much