QUALIFIED INSTITUTIONAL PLACEMENT

INTRODUCTION

- QIP is the means whereby a listed company can issue equity shares, fully and partly convertible debentures, or any securities other than warrants which are convertible to equity shares to a Qualified Institutional Buyer (QIB)
- It does not involve many of the common procedural requirements such as the submission of pre-issue filings to the market regulator.

WHY WAS IT INTRODUCED

- SEBI introduced the QIP process in 2006
- The complications associated with raising capital in the domestic markets had led many companies to look at tapping the overseas markets via Foreign Currency Convertible Bonds (FCCB) and Global Depository Receipts (GDR) to fulfil their needs.
  To keep a check on this process and to give a push to the domestic markets, QIPs were launched.

ADVANTAGES

- Less tedious process
- QIBs are the institutional market participants who have expertise and the ability to access and evaluate such issues and include professional institutional investors. When a QIP gets oversubscribed, it is a positive sign on the company's future potential and creates interest in individual investors as well.
- Cost effective method

QIBs

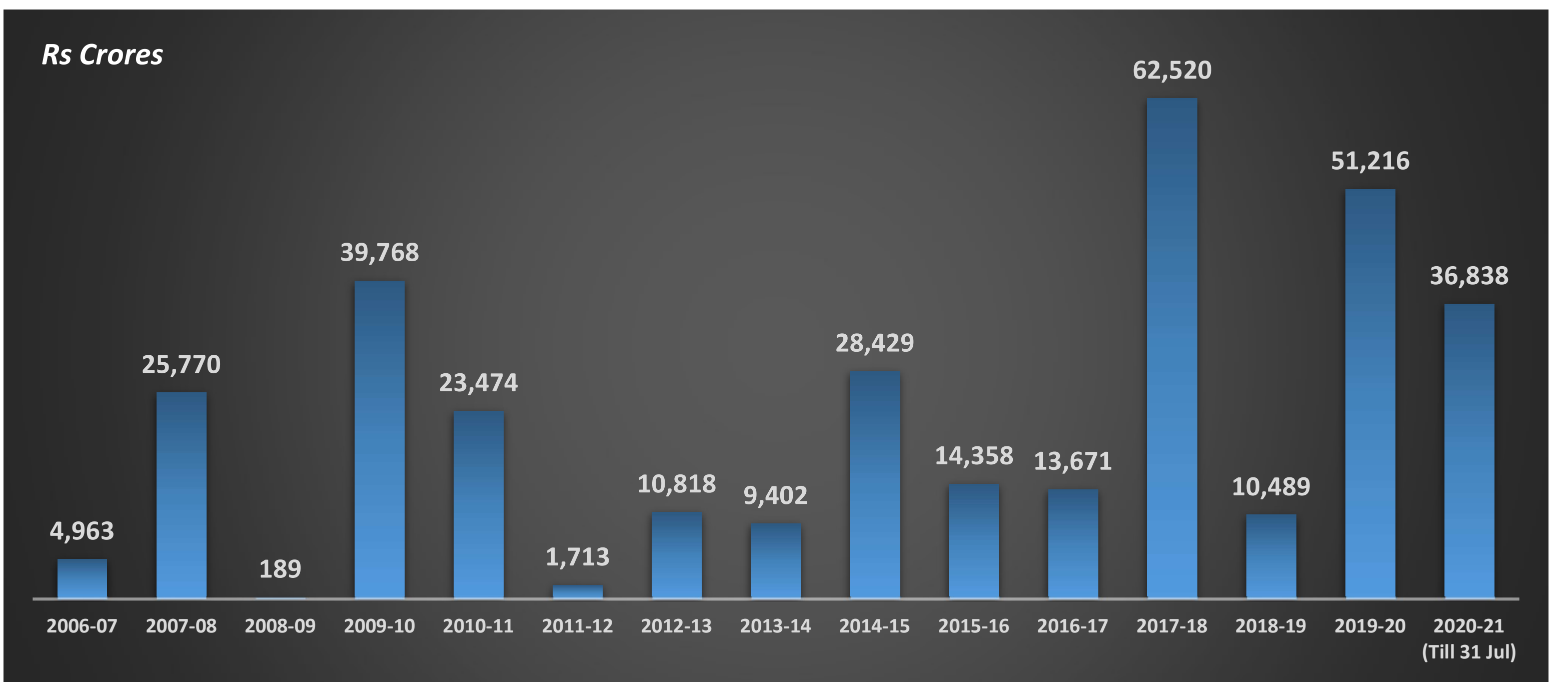
- Mutual fund, venture capital fund and foreign venture capital investor registered with the Board
- Public financial institution
- Scheduled commercial bank
- Multilateral and bilateral development financial institution
- State industrial development corporation
- Insurance company registered with the IRDAI
- Provident fund with minimum corpus of Rs 25 cr
- Pension fund with minimum corpus of Rs 25 cr
- National Investment Fund;
- Insurance funds set up and managed by army, navy or air force of the Union of India
- Insurance funds set up and managed by the Department of Posts

REGULATIONS

Companies, who want to raise funds through QIP mode of SEBI:

- Should be listed on stock exchange for a period of at least 1 year prior to the date of the issuance of notice to its shareholders for convening the approval meeting
- Need to issue minimum of 10% of the securities to mutual funds
- Has to pass a special resolution by its shareholders approving the QIP, allotment to be completed within 12 months
- Minimum number of allottee:
  - 2, if issue size <= Rs 250 cr
  - 5, if issue size > Rs 250 cr
- No single allottee can be allotted more than 50% of the issue size.
- A floor price shall not be less than the average of the highest and lowest price of the equity shares on the stock exchange in the week, two weeks prior to the date of the meeting in which the board decides to open the issue
- Total funds that can be raised through QIPs must not exceed 5 times the Net Worth of the company in the previous fiscal year.
- QIBs can't sell the allotted securities for a period of 1 year from the date of allotment
- The issue and allotment is managed by the Merchant Bankers registered with SEBI

FUNDS RAISED THROUGH QIP SO FAR



Source: primedatabase.com