

IPO | FPO



CONCEPT

INITIAL PUBLIC OFFER

It is a process by which a privately held company becomes a publicly-traded company by offering its shares to the public for the first time. The company gets its name listed on the stock exchange, through the IPO.

FOLLOW-ON PUBLIC OFFER

It is the issuance of shares by a company listed on a stock exchange. It is a sale of shares by a publicly trading company for the second or third time or consecutive time.

TYPE

FIXED PRICE OFFERING

- The company going public determines a fixed price at which its shares are offered to investors.
- The investors know the share price before the company goes public.
- Demand from the markets is only known once the issue is closed.
- The investor must pay the full share price when making the application.

BOOK BUILDING OFFERING

- The company going public offers a 20% price band on shares to investors.
- Investors then bid on the shares and the final price is settled, once the bidding has closed.
- Investors must specify the number of shares they want to buy and how much they are willing to pay.
- The lowest share price is known as the floor price, while the highest share price is known as the cap price.

DILUTIVE FPO

- The company issues additional shares to the general public, resulting in an increase in the number of shares outstanding.
- Seeks to raise money to reduce debt or expand the business.

NON-DILUTIVE FPO

- The existing privately held shares by promoters, members, directors are issued to general public.
- All shares sold are already in existence

ELIGIBILITY

INITIAL PUBLIC OFFER

- Net tangible assets of at least Rs. 3 crore in each of the preceding 3 full years, of which not more than 50% are held in monetary assets. However, the limit of 50% on monetary assets shall not be applicable in case the public offer is made entirely through offer for sale.

FOLLOW-ON PUBLIC OFFER

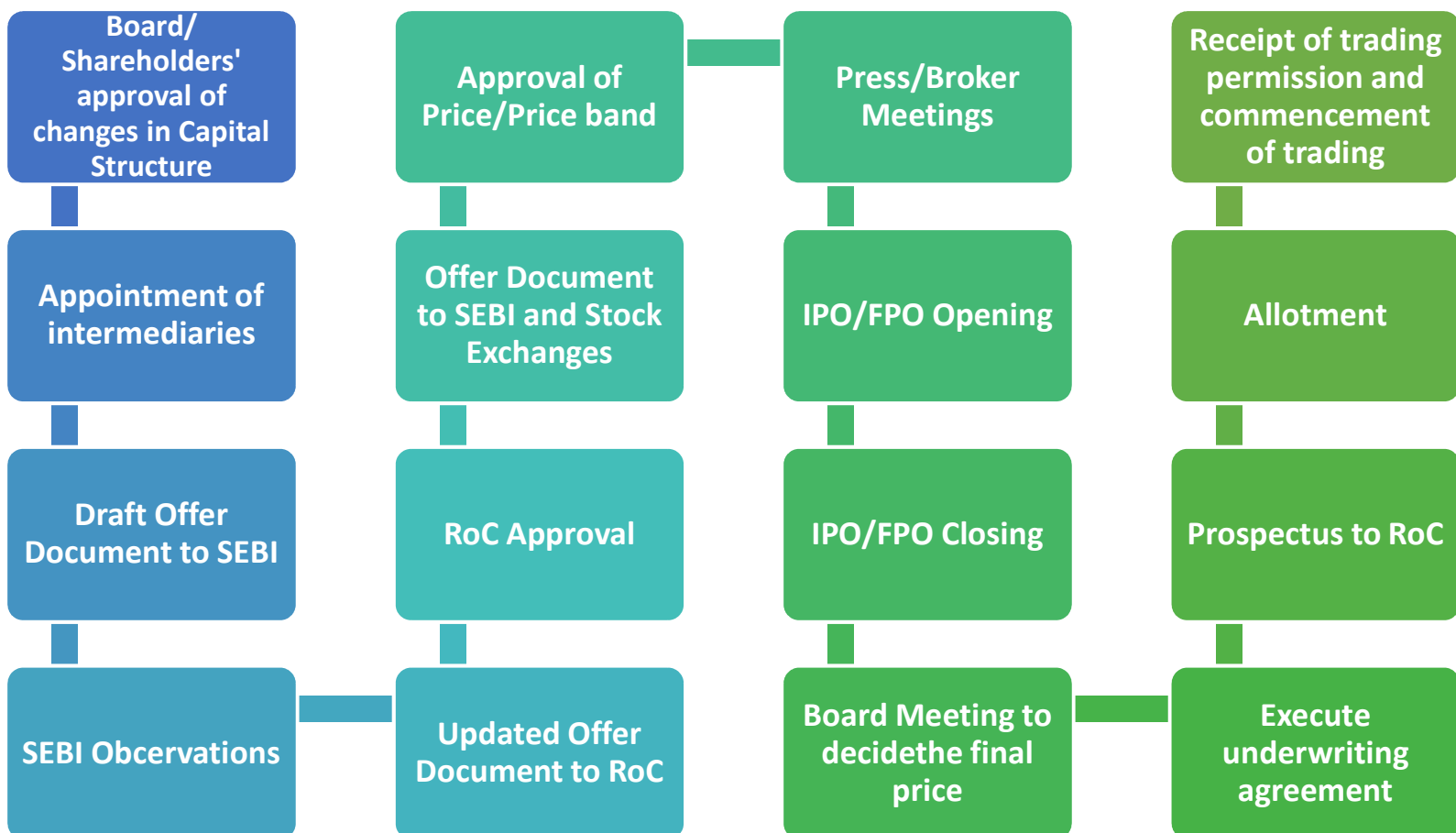
- If the company has changed its name within the last one year, at least 50% revenue for the preceding 1 year should be from the activity suggested by the new name.

- Minimum of Rs. 15 crore as average pre-tax operating profit in at least 3 years of the immediately preceding 5 years.
- Net worth of at least Rs. 1 crore in each of the preceding 3 full years.
- If there has been a change in the company's name, at least 50% of the revenue for preceding 1 year should be from the activity denoted by the new name
- The issue size should not exceed 5 times the pre-issue net worth

- The aggregate of the proposed issue and all previous issues made in the same financial year in terms of issue size does not exceed 5 times its pre-issue net worth as per the audited balance sheet of the preceding financial year.

Any company not fulfilling these conditions shall be eligible to make a public issue by complying with **QIB Route** i.e. issue shall be through book building route, with at least 75% to be mandatory allotted to the Qualified Institutional Buyers (QIBs). The company shall refund the subscription money if the minimum subscription of QIBs is not attained.

PROCESS SUMMARY



EXAMPLES FROM REAL WORLD

INITIAL PUBLIC OFFER

IRCTC IPO of ₹ 645 cr that opened on 30 Sep 2019 and closed on 3 Oct 2019, was subscribed 112 times ! The co. had set a price band of ₹315 to ₹320 per equity share.

FOLLOW-ON PUBLIC OFFER

The YES Bank has launched ₹ 15,000 cr FPO on 15 Jul 2020 to recover from the huge bad debt and generate funds from the share sale to enhance the capital base.