

ROLE OF MERCHANT BANKER IN ISSUE MANAGEMENT



INVESTORS

COMPANY



**SEBI REGISTERED CATEGORY – I
MERCHANT BANKER**

A professional office setting with two people working at a desk. One person is writing on a document while another holds a pen over a laptop. The background shows a city skyline through a window.

ABOUT KREO CAPITAL

KREO Capital is a SEBI Registered Category I Merchant Banker with Offices in Mumbai and Nagpur

KREO means creation. It is true reflection of what the Company stands for – ***“Create Client Experiences built on Trust”***

THE WHAT

KREO Capital is a boutique financial service company with Mid Market Focus

- ❑ Kreo Capital Private Limited was incorporated with the sole objective to establish itself as one of the premiere and trustworthy financial service provider for Mid Market companies.
- ❑ Our management team & board consist of seasoned entrepreneurs & business leaders within the financial services domain.
- ❑ Our team is comprised of professionals from the top firms within their respective domains.

THE WHO

Kreo Capital creates wealth through Trust, Integrity & Commitment

- ❑ Capital Markets
- ❑ Investment Banking
- ❑ Wealth Advisory
- ❑ Lending Solutions
- ❑ Valuations Services

THE WHY

KREO Capital is a financial expert for all growth oriented Companies

- ❑ Our strengths include deep industry insights and experience, expertise in transaction structuring, a grasp of the regulatory environment and an understanding of market dynamics.
- ❑ Being a one stop solution for all financial needs of growth oriented mid market companies.
- ❑ Led by professionals, we work with the largest and the most reputed investors in the industry.
- ❑ Specialized industry & product teams, enhancing the depth & quality of analysis.

ACTED AS ADVISORS FOR IPOs AND MIGRATION TO MAIN BAORD

***Vibrant Global
Capital Ltd., Mumbai***

*INR 114.7 Million
Oversubscribed by
1.1 times
(Migrated to Main
Board)*

***SoftTech Engineers
Ltd., Pune***

*INR 228.1 Million
Oversubscribed by
29.25 times*

***Ceinsys Tech Ltd.,
Nagpur***

*INR 96 Million
Oversubscribed by
1.8 times
(Migrated to Main
Board)*

***Emkay Taps &
Cutting Tools Ltd.,
Nagpur***

*INR 155.50 Million
Oversubscribed by
1.36 times*

***Shradha
Infraprojects
(Nagpur) Ltd.,***

*INR 189.28 Million
Oversubscribed by
2.84 times*

The background features a stylized world map with a grid overlay, set against a dark blue background with various financial charts and lines in shades of green, red, and white. The text is centered in a white rounded rectangle.

MERCHANT BANKING & ISSUE MANAGEMENT

Index ▲ 1.56 ▼ 0.78

EVOLUTION OF MERCHANT BANKING



History of Merchant Banking



Originated in



Italy
17th Century

Then came to



France
18th Century

In France, *a merchant banker was defined as a merchant who added the banking business to his various activities and utilized his accumulated profits better.*

Merchant Banking in



United Kingdom

- Primary role of the Merchant Bankers was to **discount bills and to provide safety in transactions** for merchants going from country to country
- Later, **merchant banks diversified into capital issue, advisory as well as management of funds.**

Merchant Banking in



USA

- Popularly known as **Investment Bankers in USA**
- Along with all the functions of a merchant bank, **investment banks also risk their own capital and aim to earn profits from their proprietary trading activities.**

Merchant Banking in



India

- The forerunners of merchant banking in India were the foreign banks and they have been created in India in a variety of forms.
- **Grindlays Bank was the first to began merchant banking operations in 1967** with a license obtained from the RBI followed by **Citibank in 1970**.
- **SBI setup its merchant banking division in 1972** and **ICICI was the first Financial Institution to set up Merchant Banking Division in 1973**.
- The growth of Indian industry has given Merchant Bankers further opportunities in mergers and acquisitions and takeovers. **Merchant banks are also working on asset valuation, investment management and promotion of investment trusts.**

*With respect to Amendment in Rule 11U and 11UA of IT Act vide Notification No. 23/2018 dated 24th May, 2018 only **MERCHANT BANKERS** are authorized to determine the FMV of unquoted equity shares as per the Discounted Free Cash Flow method.*

*Thus, if a closely held company is desirous of issuing further shares under **Section 56(2)(vii)(b)** and wants to get it valued under DCF, then it will have to get it done by merchant bankers only.*

Role of Merchant Banking in Valuation

MERCHANT BANKING IN INDIA

Global Merchant / Investment Banks in India

**Goldman
Sachs**

**Morgan
Stanley**

JPMorgan



citibank

Major Indian Origin Merchant Banking Firms



AXIS BANK

**ICICI
Bank**

SBICAP
SBI Capital Markets

Edelweiss

As on date there are 216 SEBI Registered Merchant Bankers in the country



- *End to end issue management*
- *Fund raising by issue of securities*
- *Private placement of securities*



- *Authorised for Issue Management and allied Services*
- *'Lead Manager' or 'Book Lead Running Manager'*

MAJOR REGULATIONS APPLICABLE TO MERCHANT BANKERS

SEBI Act, 1992

Securities Contract
(Regulation) Act,
1956

Merchant Bankers
Regulations, 1992

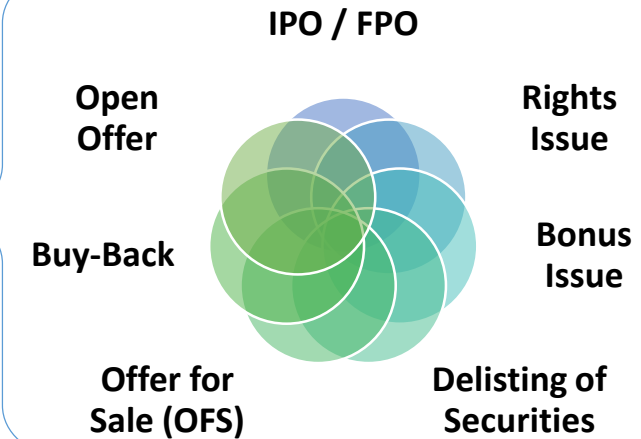
Issue of Capital
and Disclosure
Requirements,
Regulations, 2018

Listing Obligations
and Disclosure
Requirements,
Regulations, 2015

Issue Management

- Primarily an effective and end-to-end management of a public issue of securities under the framework of **SEBI ICDR regulations**.
- The Process can be carried only by a SEBI Registered Merchant Banker

*Merchant
Banking Scope
of Services*



Key Terminologies in Issue Management

Book Building
Process

Fixed Price
Issue

Differential
Pricing

Fast Track
Issue

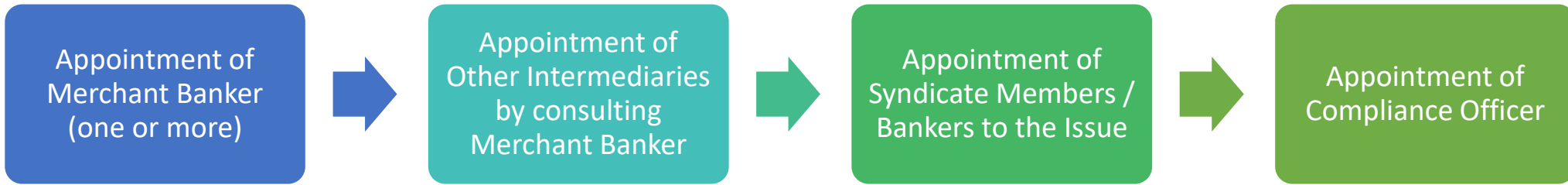
Underwriting

Green Shoe
Option

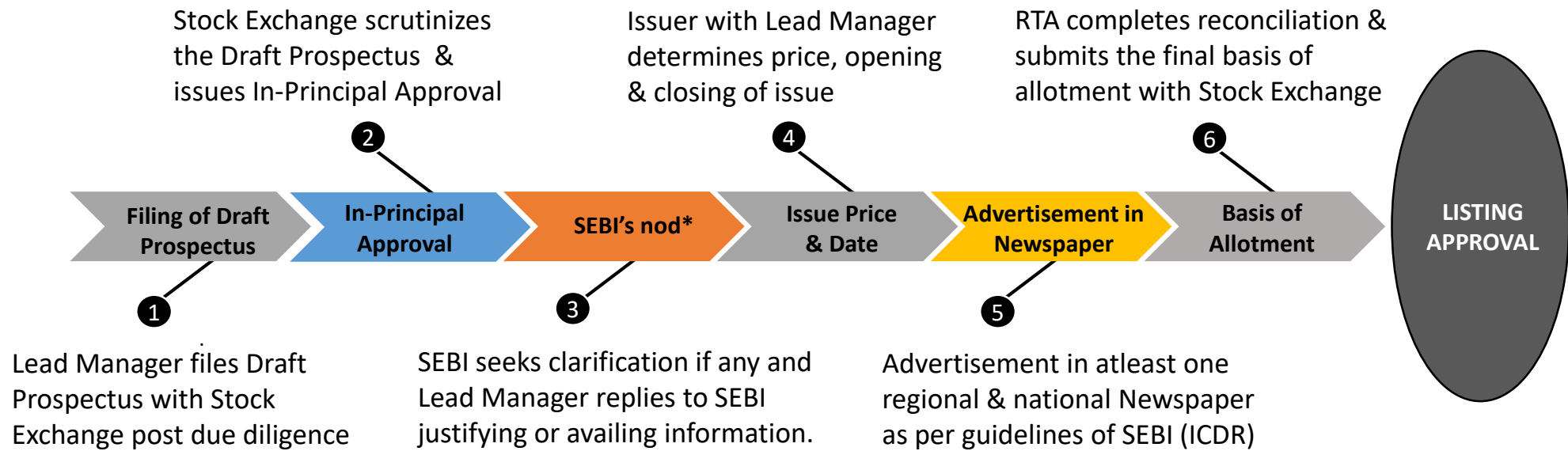
ASBA

INTRODUCTION TO ISSUE MANAGEMENT

1. Preliminary Appointments in Issue Management



2. Process Flow in Issue Management



Note : *It is applicable to Companies getting listed on Main Board only.

One of the Primary tasks in Issue management is **preparation of the offer document / prospectus**. The Offer Document makes all the disclosures required for investors to make informed investment decisions, as per **Regulation 24 of ICDR**.

In order to issue securities, an issuer has to file a **draft offer document with SEBI / Stock Exchange through the appointed lead merchant banker and pay the requisite fees**.

Types of Prospectus

Red Herring Prospectus

A prospectus which lacks the complete particulars about the quantum of the price of the securities. A company may issue a red herring prospectus prior to the issue of prospectus when it is proposing to make an offer of securities

Shelf Prospectus

A prospectus issued for one or more issues of securities or class of securities as mentioned in the same. With shelf prospectus, the issuer does not need to issue a separate prospectus for each offering.

Abridged prospectus

Contains all the information of the prospectus in brief so that it should be convenient and quick for an investor to know all the useful information in short.

Deemed Prospectus

When any company to offer securities for sale to the public, allots or agrees to allot securities, the document will be considered as a deemed prospectus through which the offer is made to the public for sale.

A hand in an orange sleeve is holding an orange binder. The binder has the letters 'D', 'R', 'H', and 'P' stacked vertically on its spine. The background consists of a row of blue binders on a light blue wall.

**D
R
H
P**

DRAFT RED HERRING PROSPECTUS (DRHP)

What is DRHP?

- The primary document which a company desirous of getting listed on a stock exchange, files with the Securities Exchange Board of India (SEBI), as per SEBI ICDR Regulations.

How to prepare DRHP?

- The issuer company approaches a merchant banker to prepare the DRHP. Merchant bankers take care of the legal compliance issues as well ensure that prospective investors are aware and kept in the loop of the public issue.

Why DRHP is Important?

- DRHP is meant to disclose everything and anything which has happened or is going to happen in the past and future of the company.
- It is a mandatory protocol by SEBI for companies to file a DRHP before going to the Registrar of Companies (RoCs). SEBI reviews the offer document and checks if adequate disclosures are made.

Where can we find DRHP?

- A company's DRHP can be accessed on various platforms — the company website, the merchant banker website, stock exchange websites or the SEBI website. Announcements are also made in newspapers in multiple languages as per the rules.

SECTION I:
GENERAL

- Contains the List of Definitions and Abbreviations, Conventions used Currency used for Financial, Industry and Market Data.
- Contains Forwarding looking Statements which reflect our current views with respect to future events and other major disclaimers

SECTION II:
**OFFER
DOCUMENT
SUMMARY**

- A bird's eye view of the DRHP forms the part of this Section.
- Summary of Industry and Business, Key Details and Objects of the Proposed Issue, Promoter Overview, Financial Summary, Outstanding Litigations etc. are shown in this section.

SECTION III: **RISK
FACTORS**

- Contains the elaboration of overall risk factors associated with the Issuer's business model, financials and the risk of equity investment.
- Other risks related to the internal matters of the issuer as well as the risk related to the external factors are elaborated in the section.

SECTION IV:
INTRODUCTION

- The section contains the Summary of Financial Statements of the Issuer with schedules, Issue Details, Capital Structure, Objects of Issue, Issue Price rationale and possible tax benefits.

SECTION V:
**COMPANY
OVERVIEW**

- Detailed write-up about the issuer, historical background, industry overview, business overview, KMPs and Promoters of the Issuer, key applicable regulations and policies, group companies etc. are elaborated in this section.

SECTION VI:
**FINANCIAL
STATEMENTS**

- This is the financial Section of DHRP, which contains the Independent Auditor's report on key reinstated financial statements of the Issuer.
- The Section also contains the Management Discussion Analysis, Statement of Capitalisation as well as the Statement of Indebtness.

SECTION VII:
**LEGAL AND
OTHER
INFORMATION**

- Details of any pending litigations against the company as well as the current status in the same, government and statutory proposals and other regulatory disclosures forms the part of this section.

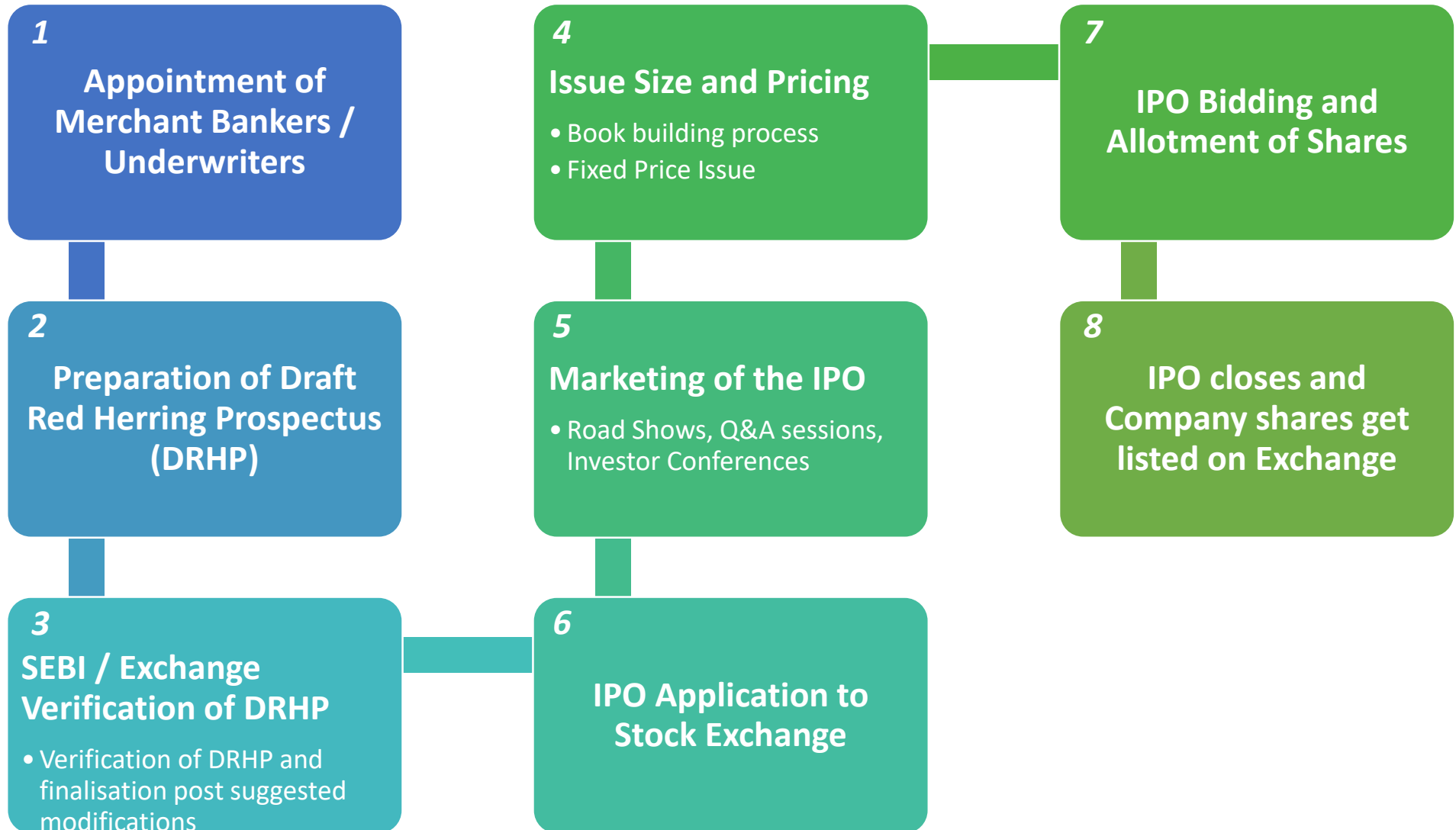
SECTION VIII:
**MAIN
PROVISIONS
OF AoA**

- All the main provisions outlined in the company's Articles of Association as per the Company's Act, need to be included in this section of DRHP.

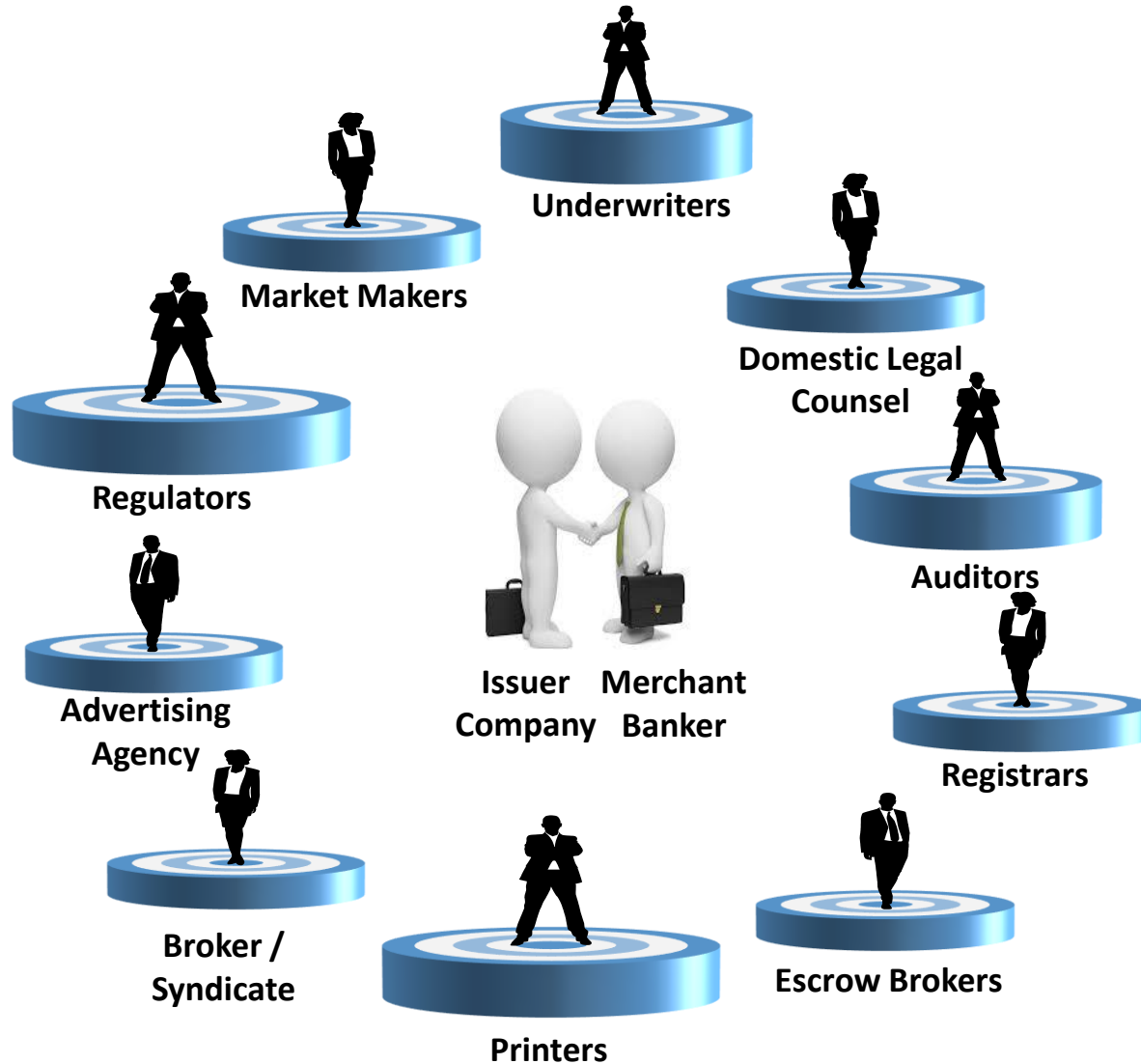
SECTION IX:
**OTHER
INFORMATION**

- The contracts which may be considered material in nature and which have been entered or are to be entered into by our Company, forms the part of this section.
- Also the section contains the necessary declarations made by Promoters

IPO PROCESS FLOW



STAKEHOLDERS & PARTICIPANTS IN SME ISSUE MANAGEMENT



KREO Capital Pvt Ltd. will make the entire process of listing, efficient and easy for the Company while the Management can focus on the strategic elements of the IPO process where their input is critical.

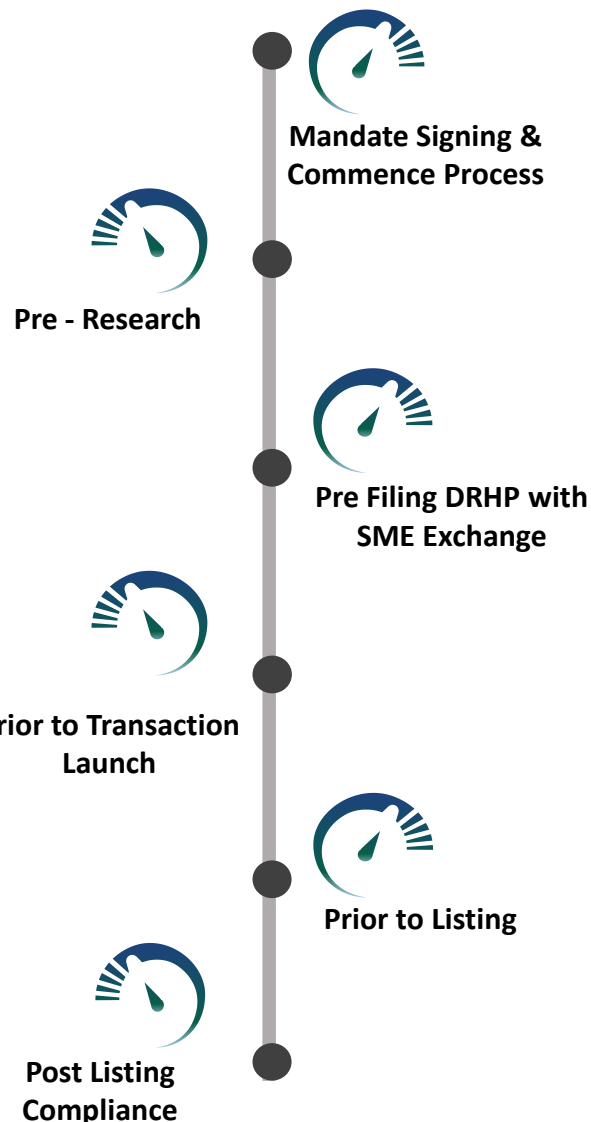
BROAD TIMELINE OF SME LISTING

Pre Research

- Research Presentation
- Business Plan
- Circulation of Research Guidelines

Prior to Transaction Launch

- 100% Under-writing arrangements
- Arrangement for market making
- Filing of DRHP with ROC, Exchange
- Printing of DRHP and Bid cum application forms



Commence process

- Official Engagement with Merchant Banker
- Update Data Room

Pre Filing DRHP with Exchange

- Compliance with corporate governance
- Appointment of Intermediaries
- Completion of Due Diligence
- Offer Document finalization

Prior to Listing

- Bidding, Pricing, Allotment etc.
- Market conditions

KREO CAPITAL PRIVATE LIMITED

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**SEBI Merchant Banking Registration No. –
INM000012689**