DegreeLive

B.Com Honours

Semester VI

Calicut University

FUNDRAISING SERVICES IN INVESTMENT BANKING

Course Code: COM6EJ315 • Module 1 Notes

Module I: Issue Management in Investment Banking

Covers public issue management eligibility, IPOs, FPOs, Rights Issues, SEBI ICDR Regulations, Lead Manager responsibilities, DRHP filing, & pricing mechanisms (Fixed Price vs Book Building).

Unit 1: Introduction, Eligibility, & Going Public Framework

Issue Management Scope: Managing public issuance of equity & debt securities. Eligibility (SEBI ICDR): Net tangible assets $ge ₹3 ext{ Cr}$, operating profit in 3 preceding years, & net worth $ge ₹1 ext{ Cr}$.

Unit 2: Strategic Considerations for FPO & Rights Issues

FPO & Rights Issue: Further Public Offer (FPO) for listed firms seeking expansion capital. Rights Issue offered to existing shareholders under Sec 62 of Companies Act.

Unit 3: Stages in IPO Process & Listing Regulations

IPO Lifecycle: Pre-issue (Valuation, syndicate selection, DRHP filing with SEBI) $ ightarrow$ Issue Period (Bidding via ASBA) $ ightarrow$ Post-issue (Basis of allotment, refund, & listing within T+3 days).

Unit 4: Role of Investment Banker as Lead Manager

Lead Manager (LM): Merchant Banker registered with SEBI appointed to structure issue, determine price band, manage syndicate, & coordinate with underwriters, registrars, & bankers.

Unit 5: Due Diligence, Prospectus Filing, & Compliance

Offer Documents: Draft Red Herring Prospectus (DRHP) filed for public comments $ ightarrow$ Red Herring Prospectus (RHP) with price band filed with ROC $ ightarrow$ Final Prospectus filed post-pricing.

Unit 6: Pricing of IPOs (Fixed Price vs Book Building)

Pricing Models:
- **Fixed Price Issue:** Issuer sets fixed price per share upfront.
- **Book Built Issue:** Price band specified (e.g. ₹100-₹120); final cut-off price discovered based on demand bids from QIBs, HNIs, & Retail investors.

Practical Case Framework 1 (Fixed Price Issue vs Book Built Issue Operational Matrix): Compare issue parameter, Fixed Price Issue mechanism, and Book Built Issue mechanism.

Fixed Price vs Book Built IPO Mechanism Comparison Table:

Issue Mechanism Parameter	Fixed Price Issue	Book Built Issue (Building Demand)
Issue Price Determination	Fixed price specified upfront in prospectus	Price discovered via investor bidding (Price Band)
Investor Demand Visibility	Demand known only after issue closing date	Real-time daily bid tracking on exchange terminal
Payment & Application Mode	100% application money paid upfront	Application via ASBA (Amount blocked in bank)

Practical Case Framework 2 (IPO Lead Manager Due Diligence Audit Checklist): Detail due diligence area, statutory document audited, investment banker responsibility, and SEBI compliance goal.

Investment Banking IPO Due Diligence Checklist Table:

Due Diligence Audit Area	Audited Document / Information	Lead Manager SEBI Compliance Objective
Corporate Legal History	MOA, AOA, Board & Shareholder Resolutions	Verifies legal authority to issue fresh equity
Financial Accounting Audit	Restated Financial Statements for 3 Years	Ensures true & fair view without hidden liabilities
Promoter Group & Objects	Promoter track record & Fund utilization plan	Prevents siphoning of public issue proceeds