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B.Com Honours | Semester VI | Calicut University

FINANCIAL ADVISORY SERVICES IN INVESTMENT BANKING

Course Code: COM6EJ316 • Module 2 Notes

Module II: Private Placements & Regulatory Framework

Covers Private Placement concepts, market segments for debt & equity placements, PIPEs, Qualified Institutional Placements (QIPs), Institutional Private Placements (IPPs), & Rule 144A international placements.

Unit 7: Private Placements Concept & Scope in Investment Banking

Private Placement: Direct sale of securities to selected institutional or accredited investors without public offer prospectus. Governed by Sec 42 of Companies Act.

Unit 8: Market Segments for Privately Placed Debt

Debt Placement Segments: PSU Bonds, Municipal Bonds, Corporate Debentures, Bank Subordinated Debt (Tier II bonds), & Securitized Debt Instruments (PTCs).

Unit 9: Privately Placed Equity & PIPEs Rationale

PIPEs (Private Investment in Public Equity): Issue of equity shares/convertibles by a listed company to private equity funds at negotiated rates for rapid capital raising.

Unit 10: Qualified Institutional Placements (QIPs) & IPPs

QIP Mechanism (SEBI ICDR Chapter VI): Issuance of equity shares/convertible securities by listed companies exclusively to Qualified Institutional Buyers (QIBs) without lengthy DRHP filing.

Unit 11: Regulatory Framework & International Placements (Rule 144A)

QIP Pricing & US Placements: QIP pricing based on 2-week average floor price. **US Rule 144A:** Allows resale of privately placed foreign securities to Qualified Institutional Buyers (QIBs) in the US without SEC registration.

Practical Case Framework 1 (Private Placement Equity Routes Comparison Matrix): Compare route name, target investor group, SEBI regulatory approval requirement, and issue execution speed.

Private Equity & Placement Routes Comparison Table:

Equity Placement Route	Target Investor Category	SEBI Regulatory & Execution Feature
Qualified Institutional Placement (QIP)	Qualified Institutional Buyers (QIBs) only	Fast execution; floor price based on 2-week VWAP
Preferential Allotment	Promoters, PE funds, or strategic partners	Requires shareholder special resolution; 18-month lock-in
US Rule 144A Private Placement	US Qualified Institutional Buyers (QIBs)	Exempt from SEC public registration requirements

Practical Case Framework 2 (SEBI QIP Regulatory Pricing & Allocation Rules Matrix): Detail QIP regulatory parameter, SEBI ICDR statutory rule, calculation formula, and investor protection function.

SEBI QIP Regulatory Framework Reference Table:

SEBI QIP Parameter	Statutory ICDR Regulation Rule	Regulatory & Market Function
QIP Minimum Pricing Formula	Average of weekly high & low of VWAP during 2 weeks prior	Prevents issuing equity at deep discounts to market
QIB Allocation Cap	Single QIB cannot be allotted > 50% of total QIP size	Prevents concentration of control in single fund
Mutual Fund Reservation	Minimum 10% of QIP size reserved for Mutual Funds	Ensures domestic retail indirect participation