

MANAGEMENT OUTLOOK

VOLUME 5, ISSUE 2

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BOOK BUILDING & REVERSE BOOK BUILDING



The NSE has set up nation-wide network for trading whereby members can trade remotely from their offices located all over the country. The NSE trading network spans various cities and towns across India.

NSE decided to offer this infrastructure for conducting online IPOs through the Book Building process. NSE operates a fully automated screen based bidding system called NEAT IPO that enables trading members to enter bids directly from their offices through a sophisticated telecommunication network.

Book Building through the NSE system offers several advantages:

- The NSE system offers a nation wide bidding facility in securities
- It provides a fair, efficient & transparent method for collecting bids using latest electronic trading systems

Costs involved in the issue are far less than those in a normal IPO

The IPO market timings are from 10.00 a.m. to 5.00 p.m. On the last day of the IPO, the session timings can be further extended on specific request by the Book Running Lead Manager.

Procedures

I s s u e r s
Issuers desirous of using NSE's online IPO system are required to

comply with the following procedures:

Submit a written request as per prescribed format ([Letter1](#), [Letter2](#), [BRLM](#)) for usage of electronic facilities and software of NSE Give details regarding Book Running Lead Manager, Co Book Running Lead Managers and Syndicate Members. Pay the requisite charges to NSE.

Trading Members

The Book Running Lead Manager will give the list of trading members who are eligible to participate in the Book Building process to the Exchange. Members have to submit a one time [undertaking](#) to the Exchange. Eligible trading members have to give in the [prescribed format](#) details of the user IDs that they would like to use.

Subscribers

Subscribers can approach any of the approved trading members for submitting bids in the NEAT IPO system. On line transaction registration slip are generated automatically after entering the bids in to the system which acts as proof of the registration of each Bid option.

Reverse Book Building at NSE

Delisting of shares under SEBI (delisting of Securities) guidelines 2003

Securities and Exchange Board of India has issued the SEBI (Delisting of Securities) Guidelines

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2003' for delisting of shares from stock exchanges. The guidelines inter alia provide the overall framework for voluntary delisting by a promoter. In accordance with the guidelines for the first time in India by any Exchange, National Stock Exchange now provides online reverse book building for promoter/acquirer through its trading network which spans various cities and towns across India. NSE operates a fully automated screen based bidding system that enables trading members to enter offers directly from their offices through a sophisticated telecommunication network.

What is Reverse Book Building (Delisting of shares)?

The Reverse Book Building is a mechanism provided for capturing the sell orders on online basis from the share holders through respective Book Running Lead Managers (BRLMs) which can be used by companies intending to delist its shares through buy back process. In the Reverse Book Building scenario, the Acquirer/Company offers to buy back shares from the share holders. The Reverse Book Building is basically a process used for efficient price discovery. It is a mechanism where, during the period for which the Reverse Book Building is open, offers are collected from the share holders at various prices, which are above or equal to the floor price. The buy back price is determined after the offer closing date

Business process for delisting through book building is as follows:

- The acquirer shall appoint designated Book Running Lead Manager (BRLM) for accepting offers from the share holders.
- The company/acquirer intending to delist its shares through Book Building process is identified by way of a symbol assigned to it by BRLM.
- Orders for the offer shall be placed by the share holders only through the designated trading members, duly approved by the Exchange.
- The designated trading members shall ensure that the security / share holders deposit

the securities offered with the trading members prior to placement of an order.

- The offer shall be open for 'n' number of days.

The BRLM shall intimate the final acceptance price and provide the valid accepted order file to the National Securities Clearing Corporation Limited (A wholly owned subsidiary of NSE carrying out clearing and responsible for settlement operations.)

SEBI guidelines shall be applicable to delisting of securities of companies and specifically apply to:

- Voluntary delisting being sought by the promoters of a company.
- Any acquisition of shares of the company (either by a promoter or by any other person) or scheme or arrangement, by whatever name referred to, consequent to which the public shareholding falls below the minimum limit specified in the listing conditions or listing agreement that may result in delisting of securities.
- Promoters of the companies who voluntarily seek to delist their securities from all or some of the stock exchanges.
- Cases where a person in control of the management is seeking to consolidate his holding in a company, in a manner which would result in the public shareholding or in the listing agreement that may have the effect of company being delisted.

Companies which may be compulsorily delisted by the stock exchanges.

NSE Reverse Book Building System

NSE uses the reverse book building system; a fully automated screen based bidding system that allows offers to run in several issues concurrently. The system has the facility of defining a hierarchy amongst the users of the system. The Book Running Lead Manager can define who will be the Syndicate member and who will be the other members participating in the issue. The Syndicate

Member and other Members also have a facility of defining a hierarchy among the users of the system as Corporate Manager, Branch Manager and Dealer.

Trading Members

The Book Running Lead Manager will give the list of trading members who are eligible to participate in the Book Building process to the Exchange. Members have to submit a one-time undertaking to the Exchange. Eligible trading members have to give in the prescribed format details of the user IDs that they would like to use.

List of Approved Trading Members:

- ICICI Brokerage Services Limited.
- Karvy Stock Broking Limited.
- Master Capital Services Limited.

Subscribers

Subscribers can approach any of the approved trading members for submitting offers in the NEAT IPO system. On line transaction registration slip are generated automatically after entering the offers in to the system, which acts as proof of the registration of each offer.

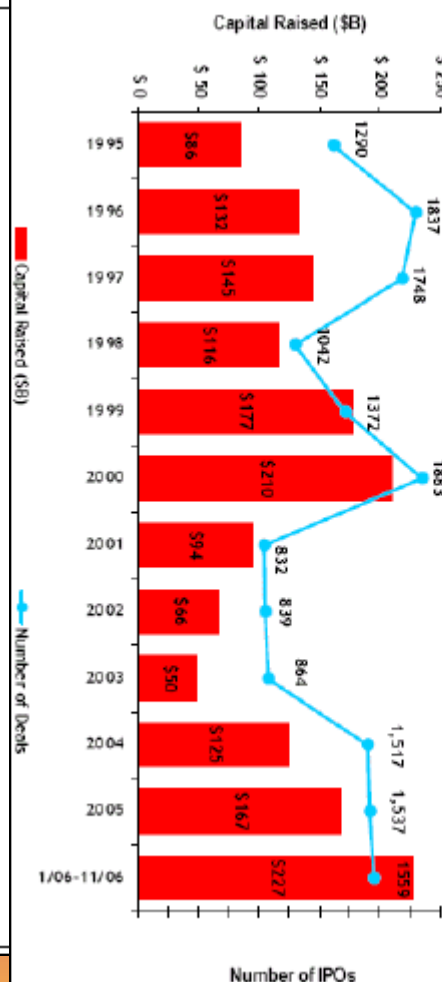
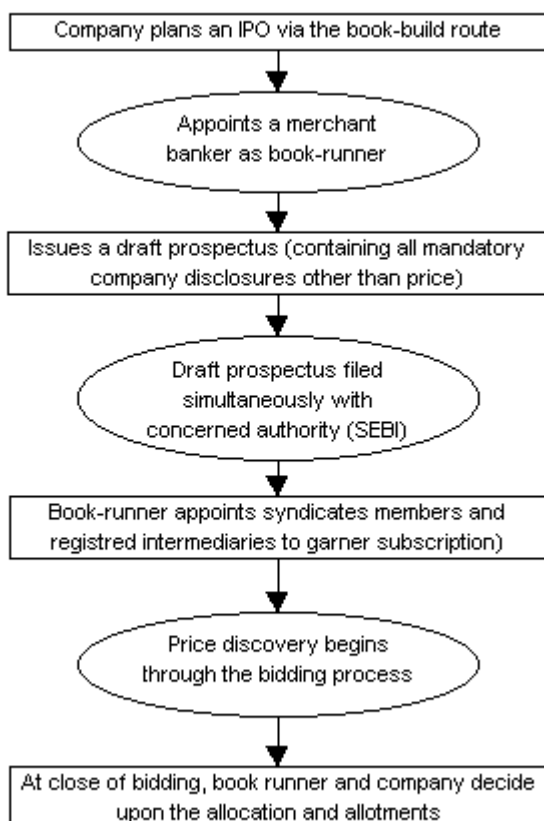
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Source: nse

Book-building process



IPO Activity – Number of Deals and Capital Raised
 2006 is a Record Year in Capital Raised