

### Case 15

Given below are the particulars of Shadow Infosystems, an unlisted cutting edge technology company with a path breaking product portfolio. It plans to go for an IPO to raise capital for its business plan and hires Dark Pool Capital, a global investment bank with a merchant banking licence in India. You are the Vice-President at Dark Pool Capital India in charge of the assignment.

1. The Pre- issue capital was subscribed to in the following chronological order -

| <b>Particulars</b>   |   |
|--|---|
| <i>At formation of company through the MOA by the Promoter Group (No. of shares)</i>             | <i>10,000</i>                                   |
| <i>On 02-02-2015 (New allotment) at par to Promoter Group (No. of shares)</i>                    | <i>100,000</i>                                  |
| <i>On 03-03-2016 (New allotment) at par to Promoter Group (No. of shares)</i>                    | <i>50,000</i>                                   |
| <i>On 30-03-2016 (New allotment) at ₹ 20 per share to Nautica Ventures (VC)</i>                  | <i>For a total consideration of ₹ 2,000,000</i> |
| <i>On 04-04-2017 there was a Rights Issue at 1:1 for ₹ 20 per share.</i>                         |   |
| <i>On 05-05-2018 (Preferential Allotment) at ₹ 25 per share to Promoter Group</i>                | <i>For a total consideration of ₹ 1,000,000</i> |
| <i>On 25-05-2018 New Allotment to Nautica Ventures at ₹ 50 per share</i>                         | <i>For a total consideration of ₹ 1,000,000</i> |
| <i>On 06-06-2019 (For transfer of technology to company) at ₹ 30 per share to Promoter Group</i> | <i>For a lumpsum valuation of ₹ 7,500,000</i>   |
| <i>On 27-07-2020 New Allotment to Kenneth Ambrose Partners (VC) at ₹ 125 per share</i>           | <i>For a total consideration of ₹ 5,000,000</i> |
| <i>On 30-09-2020 there was a Bonus Issue in the ratio of 1:4 (one for every four held)</i>       |   |

2. The issue is to be made as per the following objectives of the client –

- ☐ The promoter group does not wish to participate in the IPO.
- ☐ The company proposes to raise as much maximum capital as close as possible to an amount of ₹ 500,000,000.
- ☐ The floor price of the issue would be ₹ 500 per share.
- ☐ Nautica Ventures wishes to exit to the extent of 50% of its holding pre-issue.
- ☐ Kenneth Ambrose Partners wishes to exit completely.

- ❑ The company wishes to make the issue in the 100% book-building route.

*You are required to provide the following with respect to the issue with reference to the Floor Price:*

- *The capital structure table showing the pre-issue and post-issue capital structure.*
- *The issue structure table showing the issue allocation.*
- *The complete details of promoters' contribution requirements for the IPO.*
- *The complete details of lock-in requirements as applicable to this IPO.*

### **Solution**

#### **Total Promoters' shares pre-issue =**

|               |                                |
|---------------|--------------------------------|
| 2/2/15        | 100,000 (okay)                 |
| 3/03/16       | 50,000 (okay)                  |
| 4/4/17 Rights | 150,000 (okay)                 |
| 6/6/19 Sweat  | 250,000 (not eligible for 20%) |
| 30/9/20 Bonus | 137,500 (not eligible for 20%) |
| <b>Total</b>  | <b>687,500</b>                 |

#### **Nautica Ventures**

|               |                |
|---------------|----------------|
| 30/03/2016    | 100,000        |
| 4/4/17 Rights | 100,000        |
| 25/05/18      | 20,000         |
| 30/9/20 Bonus | 55,000         |
| <b>Total</b>  | <b>275,000</b> |

#### **Kenneth Ambrose Partners**

|               |               |
|---------------|---------------|
| 27/07/2020    | 40,000        |
| 30/9/20 Bonus | 10,000        |
| <b>Total</b>  | <b>50,000</b> |

|                               |          |                  |
|-------------------------------|----------|------------------|
| <b>Total Pre-issue Shares</b> | <b>-</b> | <b>1,012,500</b> |
|-------------------------------|----------|------------------|

|                            |   |             |
|----------------------------|---|-------------|
| Total capital to be raised | — | 500,000,000 |
|----------------------------|---|-------------|

|             |   |     |
|-------------|---|-----|
| Floor Price | — | 500 |
|-------------|---|-----|

|                                    |   |           |
|------------------------------------|---|-----------|
| Maximum no. of shares to be issued | — | 1,000,000 |
|------------------------------------|---|-----------|

|                                    |  |                  |
|------------------------------------|--|------------------|
| <b>Post-issue Shares (Maximum)</b> |  | <b>2,012,500</b> |
|------------------------------------|--|------------------|

|  |   |         |
|--|---|---------|
| Minimum Promoters' Contribution required | - | 402,500 |
|--|---|---------|

|   |   |         |
|---|---|---------|
| Eligible Promoters' Contribution existing | - | 250,000 |
|---|---|---------|

|  |   |           |
|--|---|-----------|
| Maximum Post-issue Capital permissible | - | 1,250,000 |
|--|---|-----------|

|                            |   |           |
|----------------------------|---|-----------|
| Existing capital pre-issue | - | 1,012,500 |
|----------------------------|---|-----------|

|                                       |   |                |
|---------------------------------------|---|----------------|
| Maximum New Issue Size possible       | - | 237,500        |
| Add Offer for Sale by Nautica         | - | 137,500        |
| Add Offer for Sale by Kenneth Ambrose | - | <u>50,000</u>  |
| <b>Total IPO</b>                      | - | <b>425,000</b> |

**Issue Allocation**

|            |         |
|------------|---------|
| Retail 35% | 148,750 |
| HNI 15%    | 63,750  |
| QIB 50%    | 212,500 |

