Book Building means a process undertaken to elicit demand to assess the price for determination of quantum or value of specified securities.

Corporate may raise capital in the primary market by way of an initial public offer, rights issue or private placement. An Initial Public Offer (IPO) is the selling of securities to the public in the primary market. This Initial Public Offering can be made through the fixed price method, book building method or a combination of both. Book Building is essentially a process used by companies raising capital through Public Offerings to aid price and demand discovery. It is a mechanism where, during the period for which the book for the offer is open, the bids are collected from investors at various prices, which are within the price band specified by the issuer. The process is directed towards both the institutional as well as the retail investors. The issue price is determined after the bid closure, based on the demand generated in the process.

a. The Issuer shall appoint merchant banker(s) as 'book runners', and the lead merchant banker shall be responsible for book building process
b. The book runners shall compulsorily underwrite the issue
c. Draft Red Herring Prospectus to be filed with SEBI containing all details including total issue size except that of price and number of securities to be issued
d. Floor price or Price band may be mentioned in draft red herring prospectus.
e. The Issuer also appoints syndicate members with whom orders are to be placed by the investors.
f. The syndicate members input the orders into an 'electronic book'. This process is called 'bidding' and is similar to open auction.
g. The book normally remains open for a period of 5 days.
h. Bids have to be entered within the specified price band.
i. Bids can be revised by the bidders before the book closes.
j. On the close of the book building period, the book runners evaluate the bids on the basis of the demand at various price levels.
k. The book runners and the Issuer decide the final price at which the securities shall be issued.
l. On determination of price the number of securities to be offered shall be determined..
m. Allocation of securities is made to the successful bidders. The rest get refund orders.

Green Shoe Option means an option of allotting equity shares in excess of the equity shares offered in the public issue as a pot-listing price stabilizing mechanism. It is also known as over allotment option.

a. The over-allotment should not be in excess of 15% of the issue size, to be determined by lead merchant banker in consultation with Stabilizing Agent(SA).

b. Stabilization period available for not exceeding **thirty days** from the date on which trading permission is given.

c. SA shall open a special account with bank for crediting the monies received from applicants of over-allotment; and with a DP for crediting the securities bought back from the market during the stabilization period from monies in special bank account.

d. Such credited securities in special demat account is to be returned to promoters not later than 2 days from the end of stabilizing period.

Due Diligence Certificate The Lead Merchant Banker is to furnish to SEBI a due diligence certificate along with a draft prospectus. The lead merchant banker shall exercise his skill and take utmost care to investigate and review in-detail so as to ensure that the legal provisions are complied with. The standard of due diligence shall be such that the merchant banker shall satisfy himself about all the aspects of offering, veracity and adequacy of disclosure in the offer documents. In addition to the due diligence certificate furnished along with the draft offer document, the Lead Merchant Banker shall also:

i) certify that all amendments suggestion or observations made by Board have been incorporated in the offer document;

ii) furnish a fresh "due diligence" certificate at the time of filing the prospectus with the Registrar of Companies as per the format

iii) furnish a fresh certificate immediately before the opening of the issue that no corrective action on its part is needed as per the format

iv) furnish a fresh certificate after the issue has opened but before it closes for subscription as per the format.

ASBA means "Application Supported by Blocked Amount". ASBA is an application containing an authorization to block the application money in the bank account, for subscribing to an issue. If an investor is applying through ASBA, his application money shall be debited from the bank account only if his/her application is selected for allotment after the basis of allotment is finalized, or the issue is withdrawn/failed.

SEBI has been specifying the investors who can apply through ASBA. In public issues w.e.f. January 1, 2010 all the investors other than Qualified Institutional Buyers (QIBs) can apply through ASBA.

Advantages

i. The investor need not pay the application money by cheque rather the investor submits ASBA which accompanies an authorization to block the bank account to the extent of the application money.
ii. The investor does not have to bother about refunds, as in ASBA only that much money to the extent required for allotment of securities, is taken from the bank account only when his application is selected for allotment after the basis of allotment is finalized.
iii. The investor continues to earn interest on the application money as the same remains in the bank account, which is not the case in other modes of payment.
iv. The application form is simpler.
v. The investor deals with the known intermediary i.e. its own bank.