



**Capital Restructuring with Buyback of Equity Shares
in the present market scenario
(Correction is Temporary but Growth is Permanent)**



Buyback of capital

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Limits for buyback of shares



1

Upto 10% of paid up capital and free reserves: Through BOARD APPROVAL

2

Upto 25% of paid up capital and free reserves: Through SHAREHOLDERS APPROVAL

3

Buyback cannot be made for more than 25% of the outstanding capital during one year

Tender Offer

- Proportionately from all shareholders
- On stock exchange platform
- Promoters can participate
- Offer period: 10 days

Through Stock Exchange

- Buyback through stock exchange
- Promoters cannot participate
- Maximum offer period: 6 months

Modes of Buyback

Odd lot holders

- Shareholders holding odd lot shares
- Now, being demat compulsory, company cannot exercise this option

From Employees

- Purchase of shares allotted under any stock incentive scheme or sweat equity scheme of the company
- SEBI Regulations do not provide this option

Tender Offer route (Promoter CAN participate)

- ❖ Settlement under this route is made through stock exchange and therefore tender of shares shall be subject to STT (Securities Transaction Tax)
- ❖ Reservation is required to be made for small shareholders for 15% of the offer size
- ❖ Small shareholders means shareholders who hold equity shares with market value of less than Rs. 2,00,000 as on record date
- ❖ Entitlement under the buyback is as per the holding of shareholder on Record Date
- ❖ Promoters cannot deal in shares from the date of approval of board / shareholders till closing of the offer
- ❖ If buyback is for more than 15% of the networth, it is mandatory for the Company to undertake buyback through tender offer route only

Open Market route (Promoter CANNOT participate)

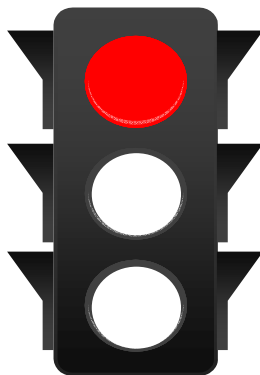
- ❖ Settlement under this route is made through stock exchange and therefore tender of shares shall be subject to STT (Securities Transaction tax)
- ❖ Promoters cannot participate in the offer
- ❖ Promoters cannot deal in shares from the date of approval of board / shareholders till closing of the offer
- ❖ The public shareholder can tender all or none of their shares under the offer
- ❖ Company can place bids on daily basis to acquire shares
- ❖ If Company is unable to utilize atleast 50% of the amount earmarked for buyback, then amount lying in escrow account, subject to 2.5% of the buyback size, should be forfeited



Restrictions / Permissible actions

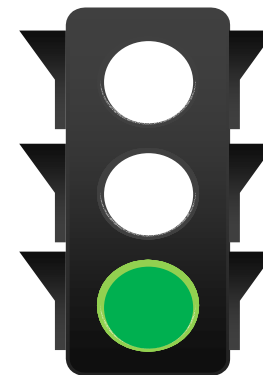
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Buyback cannot be undertaken if company has defaulted in repayment of deposit / term loans, payment of interest / dividend and redemption of pref. share / debentures



However Company can undertake buyback if such default of non payment has been made good & a period of 3 years has lapsed after such default ceased to subsist

- ❖ Cannot raise capital for a period of 1 year post buyback (temporary relaxation, period reduced to 6 months)
- ❖ Another buyback cannot be made in next one year from the date of closure of present offer
- ❖ Promoters cannot deal in shares of the listed Company
- ❖ Buyback cannot be done through negotiated deals
- ❖ Post buyback Debt equity ratio cannot exceed 2:1 (or such other ratio as specified for the industry)
- ❖ Delisting cannot be done through buyback



- ❖ Bonus shares can be allotted
- ❖ Shares can be allotted against existing obligations of the Company (e.g. convertible instruments, warrants, exercise of options under stock incentive plans or sweat equity)
- ❖ Raising of funds through other sources and / or securities is permissible





**Tax liability on
distribution
(both, company
and
shareholder)**



- ❖ The Company shall be liable to pay distribution tax under Section 115QA of the Income Tax Act, 1961
- ❖ Tax is payable at the rate of 20% increased by surcharge (12% on the tax rate). Effective tax rate of 22.40% (vis-à-vis a higher tax liability of 30% + surcharge for tax on dividend applicable especially on large shareholders and / or promoters)
- ❖ Tax is calculated based on Buyback price reduced by allotment price (based on FIFO method)
- ❖ The capital gains accruing to the shareholders shall not be liable to any further tax (Section 10(34A) of the Income Tax Act, 1961)
- ❖ No further tax liability on the shareholders. This is a tax free income for them





Advantages through Tender Offer

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Offer
opens for
less time
vis-à-vis
market
route

All
shareholders
can participate,
including
promoters

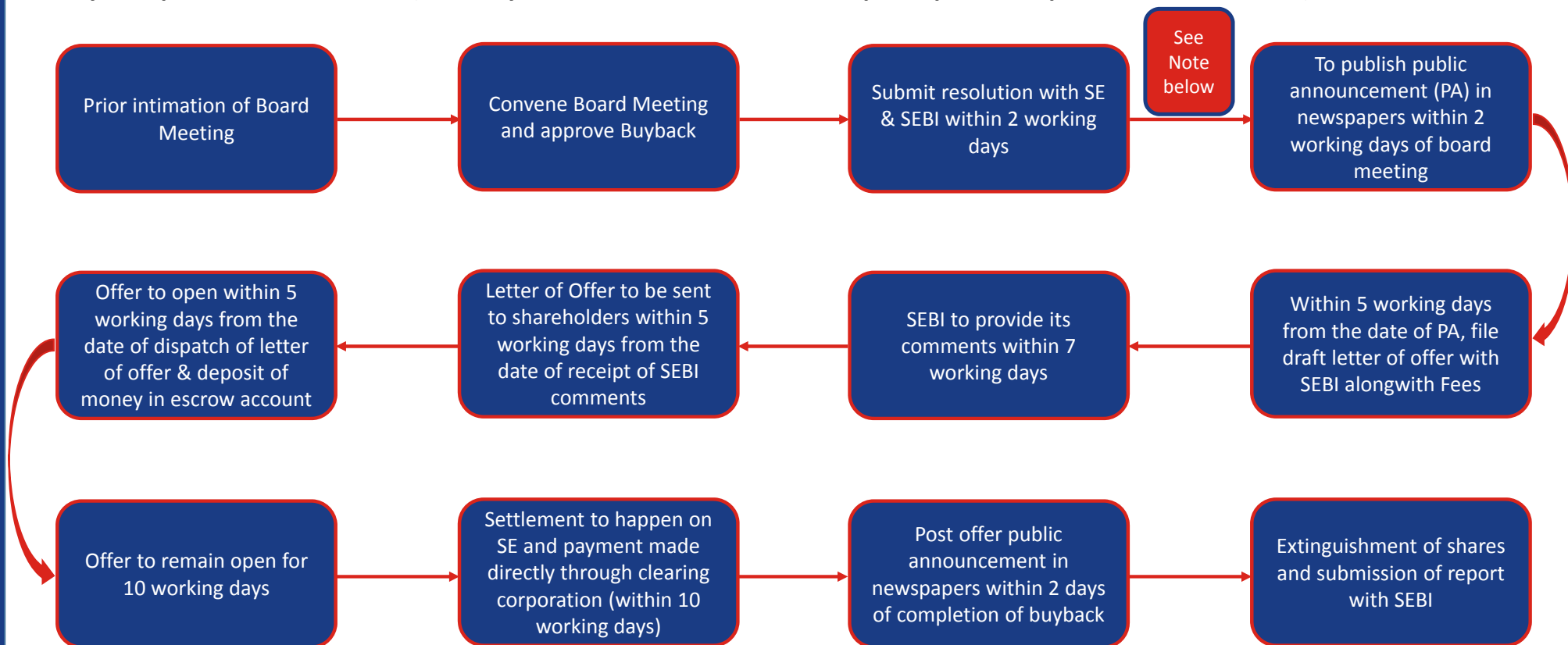
Re-payment of
excess capital with
benefit of Nil
capital gains tax
and lower
distribution tax
vis-à-vis tax on
dividend, if
declared by the
Company

At option of
shareholders to tender
more / less than
entitlement. Any
increase in promoter
holding pursuant to
buyback may be
exempted if conditions
of SEBI Takeover
Regulations is
complied with *

- Shareholder in capacity of Director has not voted in favour of resolution for Buyback in the Meeting
- Any interested director has not voted in favour of the resolution for Buyback in the Board Meeting
- Increase in voting rights does not result in an acquisition of control over the Listed Company
- **If the above conditions are not met then such shareholder should reduce his shareholding within 90 days from the closure of Buyback offer**



Buyback process: Tender Offer (with buyback size less than 10% of the paid up share capital and free reserves)



If buyback is for more than 10% of networth, the Company is also required to obtain shareholders approval, which may add up another 30-45 days (depending on physical meeting / postal ballot)



Cash funding

Cash deposit in escrow account

Cash component may be maintained in an interest bearing

Merchant banker empowered to operate escrow account

Bank Guarantee

Bank Guarantee to be issued in favor of merchant banker

Bank Guarantee to be valid until 30 days after expiry of the buyback period

Atleast 1% to be deposited in cash in escrow account

Pledge of Securities

Deposit of acceptable securities with appropriate margin

Merchant Banker empowered to realize the value of such securities

Atleast 1% to be deposited in cash in escrow account

- ❖ If size < 100 cr: 25% of consideration
- ❖ If size is > 100 cr: 25% upto 100 cr + 10% thereafter

Escrow account can be created by any one mode above or a combination of more than one of the above



Cost for the transaction: Tender Offer

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Expense Head	Cost
Merchant Banker	[●]
Stock Broker	[●]%age on the buyback size (will not include statutory levies include GST on brokerage, stamp duty on transfer of shares, STT of 0.10% stamp duty and SEBI Fees).
Newspaper advertisement	~ INR 300,000 (However is also based on the newspaper selected and size of advertisement)
SEBI Fees	Minimum INR 500,000. @ 0.50% of offer size from INR 10 cr to INR 1,000 cr (NO GST applicable). If Offer size more than 1,000 cr: INR 5,00,00,000 plus 0.125% of offer size
Stock Exchange (usage of acquisition window)	[●]. ~ INR 500,000 for buyback size of INR 100 cr (Depending on the size of buyback and the exchange selected for settlement)
Printing and Dispatch	Depending on the number of shareholders (assuming 48 pages, per shareholder cost is ~INR 75) (for shareholders having valid e-mail ids, can be sent through e-mail and cost will accordingly reduce)
RTA	Based on the RTA and number of shareholders
Depository	INR 1 lakh
Banker	Should be NIL Fees, depending on the relationship with the Banker
GST @ 18%	On above cost other than SEBI Fees

For details on the total cost, we will like to understand your requirement.





Low cost
vis-à-vis
buyback
through
open
market

All PUBLIC
shareholders
can participate
without any
entitlement.
They may
tender all
shares or none

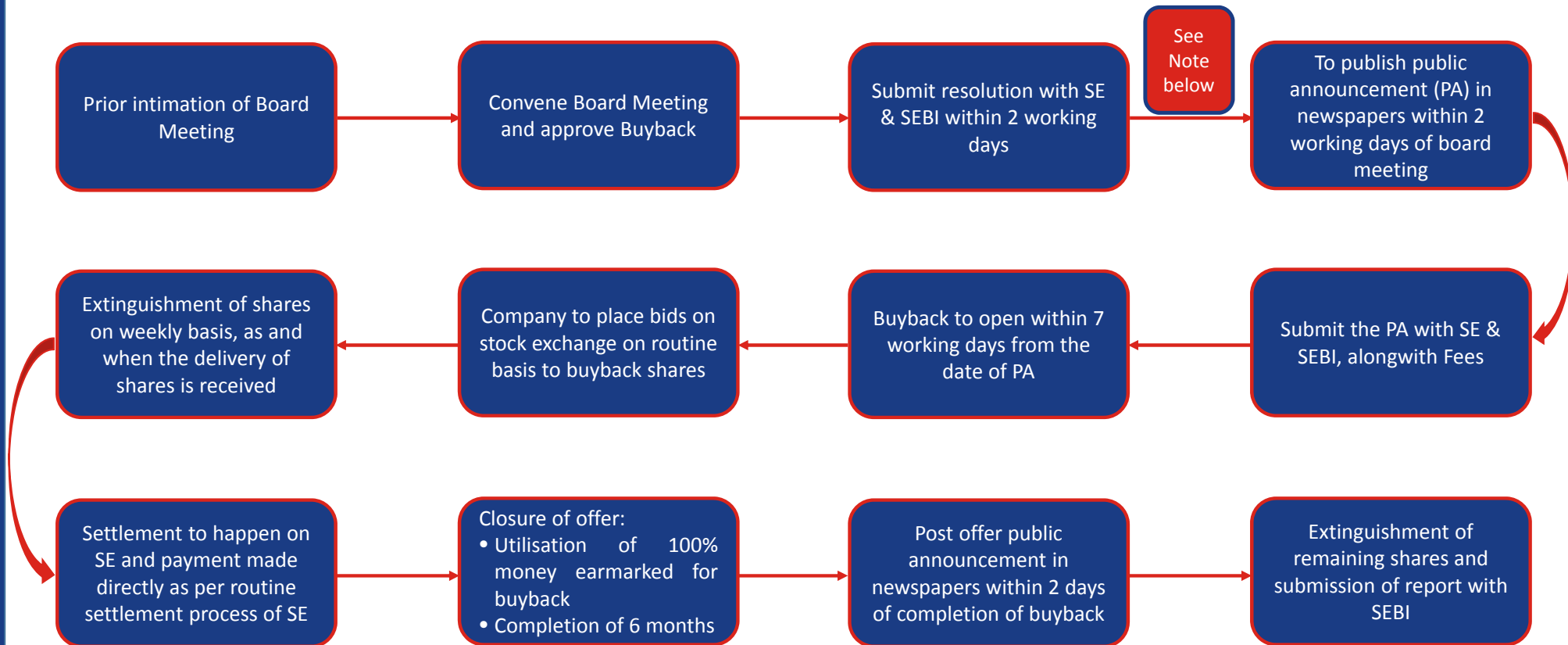
Re-payment of
excess capital with
benefit of Nil
capital gains tax
and lower
distribution tax
vis-à-vis tax on
dividend, if
declared by the
Company

Increases the
promoter shareholding
without any
investment.
Increase in promoter
holding pursuant to
buyback may be
exempted if conditions
of SEBI Takeover
Regulations is
complied with

- Shareholder in capacity of Director has not voted in favour of resolution for Buyback in the Meeting
- Any interested director has not voted in favour of the resolution for Buyback in the Board Meeting
- Increase in voting rights does not result in an acquisition of control over the Listed Company
- **If the above conditions are not met then such shareholder should reduce his shareholding within 90 days from the closure of Buyback offer**



Buyback process: Open Market (with buyback size less than 10% of the paid up share capital and free reserves)



If buyback is for more than 10% of networth but less than 15%, the Company is also required to obtain shareholders approval, which may add up another 30-45 days (depending on physical meeting / postal ballot)

Buyback of shares for more than 15% of networth of the Company can be undertaken only through tender offer route



Escrow Account: Open Market

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Cash funding

Cash deposit in escrow account

Cash component may be maintained in an interest bearing

Merchant banker empowered to operate escrow account

Bank Guarantee

Bank Guarantee to be issued in favor of merchant banker

Bank Guarantee to be valid until 30 days after expiry of the buyback period

Atleast 2.5% to be deposited in cash in escrow account

- ❖ Escrow account can be created by any one mode given or a combination of more than one mode
- ❖ Amount equivalent to atleast 25% of the amount earmarked for buyback
- ❖ To be kept in a separate escrow account
- ❖ This amount if kept in cash escro can be used for payment to the shareholders whose shares have been accepted under the offer
- ❖ If partial amount is given as bank guarantee, a minimum of 2.5% of the amount earmarked for buyback shall be kept in cash escrow account



Cost for the transaction: Open Market

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Expense Head	Cost
Merchant Banker	[●]
Stock Broker	[●] %age on the buyback size (will not include statutory levies include GST on brokerage, stamp duty on transfer of shares, STT of 0.10% stamp duty and SEBI Fees).
Newspaper advertisement	[●] ~ INR 250,000 (However is also based on the newspaper selected and size of advertisement)
SEBI Fees	Minimum INR 500,000. @ 0.50% of offer size from INR 10 cr to INR 1,000 cr (NO GST applicable). If Offer size more than 1,000 cr: INR 5,00,00,000 plus 0.125% of offer size
RTA & Corporate action	Based on the RTA
Banker	Should be NIL Fees, depending on the relationship with the Banker
GST @ 18%	On above cost other than SEBI Fees

For details on the total cost, we will like to understand your requirement.





Buyback Offers

2019
FDC Limited (Ongoing)
(Buyback: INR 1,200 mn)



Manager to the
Buyback offer

2019
**Frontline Securities Limited
(Ongoing)**
(Buyback : INR 75.60 mn)



Manager to the
Buyback Offer

2018
FDC Limited
(Buyback: INR 1,200 mn)



Advisor to the Company for
Buyback offer

2017
**Infinite Computer Solutions
(India) Limited**
(Buyback: INR 1,500 mn)



Advisor to the Company for
Buyback offer

Other Capital Market transactions

2020 (Ongoing)
Frontline Securities Limited
(Delisting)



Manager to the
Delisting offer

2019 (Ongoing)
Shyam Telecom Limited
(Delisting)



Manager to the
Delisting offer

2018
Midland Services Limited
(Delisting Offer: Small
Company)



Merchant Banker to the
voluntary delisting

2018
**Infinite Computer Solutions
(India) Limited**
(Delisting Offer: Reverse Book
Building: INR 4,005 mn)



Advisory to the Delisting Offer

2020 (Ongoing)
**Sharda Motor Industries
Limited**
(Demerger of Company)



Advisory services: Listing of
NDR Auto Limited [19(2)(b)]

2018 (Ongoing)
Amanaya Ventures Limited
(Merger)



Transaction advisory: Merger
of Midland Services Limited
into Amanaya Ventures
Limited

2018
Prakash Industries Limited
(Demerger of Company)



Advisory services: Listing of
Prakash Pipes Limited
[19(2)(b)]

2018
Ugro Capital Limited
(Demerger of Company)



Advisory services : In-principle
approval

2017
HT Media Limited
(Demerger of Company)



Advisory services: In-principle
approval and listing of
Digicontent Limited [19(2)(b)]

2016
DEN Networks Limited
(Demerger of Company)



Compliance Advisory:
Demerger of broadband
division into its wholly owned
subsidiary

2016
**DEN Futuristic Cable Networks
Private Limited**
(Scheme of Arrangement)



Compliance Advisory:
Composite Scheme of
Arrangement including merger
and demerger with
subsidiaries

2018
Ugro Capital Limited
(QIP: INR 1,132 mn)



Merchant Banker to the
Qualified Institutional
Placement Offer

Corporate Advisory



M&A Valuation /
Fairness Opinion /
Abridged Prospectus



Stock Incentive Plans:
Listed Companies



Stock Incentive Plans:
Unlisted Companies



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Mahindra
HOME FINANCE

speakin

EVEREST

USHA

FAB BAG
THE BEST OF BEAUTY IN A MONTHLY BAG

eazydiner*

credihealth

PRANAV
CONSTRUCTIONS
PRIVATE LIMITED **PCPL**

BHARTIYA

RLG
REVERSE LOGISTICS GROUP

METRO
SHOES

DEVYANI
INTERNATIONAL LIMITED

medics
SUPER SPECIALITY HOSPITAL

ALPHA DESIGN
TECHNOLOGIES

easyrewardz
ALL ADDS UP

BizCrum
INDUSTRY SPECIFIC JOB PLATFORM

sopra
steria

GAP

Apollo
HOSPITALS
TOUCHING LIVES

N

RENOLIT
Rely on it.

XENIUM
DIGITAL
Transform Business with
Creative Technologies

KONNET

WICKEDRIDE

AVIS

CooperStandard

AL DUA FOOD PROCESSING

textmercato

ResilienceWorks

India City Walks™

Stones 2 Milestones
your gateway to the future

Groww

TheraIndx Lifesciences
..... Preferred Research Partner

Franklin Fueling Systems

NoPaperForms

wep
Boost Your Tech Fantasy

AZ
GROUP
...the POWER tag the nation

DISRUPT

Lc
LearnCab

SPOTTED COW
FROMAGERIE
The Original 100% Natural Cheese

DEN

shubham

Zoctr
Your Home Health Partner

oxigen™
RECHARGES | MONEY TRANSFER | PAYMENTS

wep

AZ
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DISRUPT

Lc
LearnCab

SPOTTED COW
FROMAGERIE

U GRO
CAPITAL

pitzo

CITIZENS
SPECIALTY HOSPITAL

Avanti

JOVEES

Manipal Cigna
Health Insurance

Sleepwell
ISO 9001 Certified

MITRATA

AXALTA

SUNDAY

BOU

CAPITAL



About us:

- ❖ Registered with SEBI as Category I Merchant Banker
- ❖ Offers varied investment banking services including raising of funds through Public / Rights Offer, QIP, Private Equity, Capital Structuring, M&A Advisory, Capital Market Advisory, Buyback, Open Offers, Delisting, Valuations, Stock Incentive Plans and Start-up Advisory
- ❖ Promoted by professionals with vast transaction experience varying amongst different industries
- ❖ Experienced team of professionals with experience in investment banking, transaction services, advisory and execution
- ❖ Proven track record within a short period of operations

What our name stands for: SUNDAE

- ❖ As the name suggest, we tend to work amongst various limiting situations and diverse business challenges in the corporate structure with the right blend of advisory to arrive at the best solution suited to all stakeholders with value enhancement strategies, policies and transactions.
- ❖ We take you through the entire process and take an additional mile even if required after completion of the project
- ❖ We are extremely passionate about what we do and with the domain knowledge, we provide solutions to all your needs by spending quality time with the team, understanding the business challenges and the specific corporate goal while maintaining our independence

Capital Market:

- ❖ Advisory on the structuring and raising of funds through public offer, rights issue, etc.
- ❖ Due Diligence
- ❖ Fund raising through public issue, rights issue, private placement, QIP
- ❖ Buyback, consolidation of holding, open offer, mergers and acquisitions, etc.
- ❖ Advising on direct listing, delisting, exit offer for dissemination board companies, etc.
- ❖ Independent and objective advice on the Pre IPO structuring, strategic alternatives, assisting in documentation, record room creation, etc.
- ❖ Interaction with regulatory authorities
- ❖ Pre and post transaction advisory services





NitiN Somani, FCS, CFA, Director

NitiN, Promoter Director of Sundae Capital Advisors Private Limited, is having rich experience of more than 1½ decade in capital markets, investment banking, corporate & financial structuring, valuations, structuring of stock incentive plans, distribution of financial products, start-ups, finance and secretarial compliances. His experience varies across a wide range of industries and has successfully undertaken various assignments. He is responsible for mentoring the Team at Sundae & delivering solution based advisory to the clients, structuring of the transactions and to ensure smooth transition of the project.

NitiN is a Fellow member of ICSI and CFA. You can connect with him at nitin@sundaecapital.com.



Sourabh Garg, FCA, IBBI Registered Valuer (SFA), Director

Sourabh, Director at Sundae Capital Advisors Private Limited, is having a varied experience of over 1½ decade in the field of Valuation of securities and financial assets, instruments and intangibles, Corporate & Transaction Advisory and Corporate Finance. He also has an experience in creating and spearheading a young and robust team handling multiple domestic and international complex valuations, including derivatives, across various industries. At Sundae, his role spans across business development and management of valuation practice and transaction advisory services.

Sourabh is a Fellow member of ICAI in practice, Registered Valuer for Securities & Financial Assets, Post Graduate Diploma holder in US accounting standards and GAAP & SOX from ICFAI. You can connect with him at sourabh@sundaecapital.com.



Radhika Somani, ACA

Radhika, Founder Director at Sundae Capital Advisors Private Limited, is having a varied experience of over 7 years into practice into loan syndication, corporate advisory, capital market advisory, valuation, taxation and audit. Radhika is responsible for advising on the structuring, taxation, accounting advisory and drafting of documents and office administration.

Radhika is a Chartered Accountant and holds a Diploma in Financial Management. You can connect with her at radhika@sundaecapital.com.



Govind Biyani

Govind has an extensive experience of over 14 years in practice in various areas such as debt syndication, advisory services in securitisation, audit, taxation, valuation, etc. He is partner of M/s Biyani Mittal & Company, Chartered Accountants. He is a Fellow Chartered Accountant and holds Diploma of Information Systems Auditor (DISA-ICAI). He has also cleared IFRS certification and Forensic audit and Fraud Prevention course conducted by ICAI.



Arvind Mohta

Arvind has an overall experience of 12 years and has worked for 7 years in the industry with ICICI Bank Limited, Price Waterhouse Coopers and SBI Capital Markets Limited. He has an experience in the field of structured finance, project finance, corporate advisory, etc. He is partner of M/s Biyani Mittal & Company, Chartered Accountants. He is a Fellow Chartered Accountant, CFA (USA). He has also cleared Forex and Treasury certification and Forensic audit and Fraud Prevention courses conducted by ICAI.



Satin Somani

Satin has an experience of over 9 years in finance, accounts, MIS, taxation, audit and loan syndication. Presently he is working with Mahindra Rural Housing Finance Limited. Previously he was associated with Wallstreet Finance Limited and Mega Power Transmission Limited. He is a Chartered Accountant by profession and holds Bachelor degree in Commerce.



Advisory Board

SUNDAE



Bhumika Barta, Law Graduate and FCS

Bhumika is a Partner of Crawford Bayley & Co., one of the oldest law firms of India. She possesses over 15 years of experience in regulatory and legal practice, specializing in corporate law. She is a law graduate and a fellow member of the Institute of Company Secretaries of India. She is a recipient of scholarship from London School of Economics. She has also been awarded as Lawyer of the Year by Legal Era in 40 under 40 category in 2018.

She has co-authored the book “Treatise on Company Law” in 2014. She is a regular feature writer in India Business Law Journal. She has also contributed in various other writings like Company Law Ready Reckoner, Transfer and Transmission of Shares - A treatise, Asia Business Law Journal etc. She sits as an Independent Director on the boards of various listed and unlisted companies.



Anil Khandelwal, FCA, Associate member of Certified Internal Auditors from Institute of Internal Auditors Inc.

Anil is the Managing Director of Yogicsecret Healthcare Private Limited, Managing Partner - Lantoms Advisors LLP and country partner - Volitan Global, Turkey. He is a results oriented finance professional with over 35+ years of experience working with large corporate and across sectors in India and oversees namely, GSK, Arcelor Mittal, Ranbaxy, Havells and LT Foods.

The key areas of his experience and expertise includes strategic and business advisory, investment banking, analytical thinking, business turn around, capital syndication, Mergers & Acquisition, risk identification & mitigation, developing performance matrix & monitoring, business processes innovation and creativity.



Team



Anchal Lohia has over 5 years of experience in Merchant Banking and transaction advisory Services. She is actively involved in capital market transactions and restructuring assignments. She has managed various assignments like Rights Issue, Open Offers, Buyback and Delisting. Her experience includes working on various corporate and commercial laws.

Anchal is a Company Secretary. You can connect with her at anchal.lohia@sundaecapital.com.



Harshit Goyal has an overall experience of over 4 years in the field of Valuation of securities and financial assets, instruments and intangibles, Auditing and Taxation. He has independently handled multiple domestic and international complex valuations across various industries including young/start-up companies. He has assisted companies in reviewing their business functions / processes for identifying key areas of risk within the company and proposing appropriate and practical controls to mitigate those risks and prepared Risk Assessment Control Matrix for various companies in different sectors.

Harshit holds Post Graduate Diploma in Management with Specialisation in Risk Management and a Bachelor (Hons) degree in Commerce from University of Delhi. You can connect with him at harshit.goyal@sundaecapital.com.



Dinesh Kumar Singh has an experience in structuring complicated financial models and conducting valuations of various financial instruments and intangible assets for various transaction (such as M&A, Corporate restructuring, Investments, etc) and regulatory purposes (CBDT, RBI, FEMA, etc). He has more than one and a half year of experience in handling regulatory compliances and reporting requirements pertaining to the liquidity domain of the banking structure.

Dinesh is a Chartered Accountant and holds a bachelor degree in Commerce from the St. Xavier's College. You can connect with him at dinesh.singh@sundaecapital.com.



Rashmi Kumari has experience in Valuation and Financial Modelling. She is actively involved in execution of valuation assignments. She has got a knack in financial modelling and working rigorously on it. She has successfully undertaken valuation assignments for Private Placements (specifically Start-ups). Also, she is equipped with wide industry knowledge and has performed various sectoral and industry analysis.

Rashmi is an MBF (Finance Major) from Indian Institute of Finance. You can connect with her at rashmi.kumari@sundaecapital.com.



Contact us

SUNDAE

Sundaecapital Advisors Private Limited

3rd Floor, C - 11, Community Centre

Janak Puri, New Delhi - 110 058

Tel.: +91 11 4914 9740

E-mail: info@sundaecapital.com

Website: www.sundaecapital.com

Locations present

● Mumbai ● Bengaluru ● Indore

Nitin Somani at

Cell: +91 98 1069 4501

E-mail: nitin@sundaecapital.com

Sourabh Garg at

Cell: +91 98 7134 0038

E-mail: sourabh@sundaecapital.com

Anchal Lohia at

Cell: +91 99 9918 1829

E-mail: anchal.lohia@sundaecapital.com

Let Passion work for you!!!