

## **REGULATIONS FOR INITIAL PUBLIC ISSUE OF SHARES (IPO), 2022**

These Regulations are issued pursuant to the power vested with Regulatory Authority under section 410 (b) of the Companies Act, 2016 and amendments thereto (Hereinafter referred to as Companies Act). These regulations shall govern the initial public issue of shares by all the companies incorporated under the Companies Act.

### **PART I PRELIMINARY**

#### **Short Title and Commencement**

1. These Regulations shall:
  - (1) Be called the Regulations for Initial Issue of Public Shares, 2022.
  - (2) Come into force on ....., 2022.

#### **Repeal**

2. These regulations shall repeal The Regulations for Public issues of shares, 2015.

#### **Application:**

3. These regulations shall apply to public issue of equity shares and shall not be applicable to issue of any other classes of shares under Companies Act.

### **PART II PROSPECTUS APPROVAL COMMITTEE AND FUNCTIONS**

4. There shall be a Prospectus Approval Committee established under these Regulations to carry out the functions delegated by the Regulatory Authority in these Regulations.
5. The Prospectus Approval Committee shall consist of:
  - (a) Registrar of the Companies;
  - (b) One representative from the Royal Monetary Authority;
  - (c) One representative from the Royal Security Exchange of Bhutan Limited (RSEBL);
  - (d) One representative from the Accounting Industry;

(e) Member secretary from the Office of the Registrar of Companies

### **Functions of the Prospectus Approval Committee**

6. The Prospectus Approval Committee shall:

- (a) Approve or reject the prospectus or abridged prospectus proposed by the issuer after reviewing it in accordance with the conditions and criteria set forth in these Regulations;
- (b) Set criteria for approval of prospectus or abridged prospectus from time to time beside the criteria provided in these Regulations;
- (c) Review eligibility criteria of the issuer;
- (d) Enforce applicable provisions of the rules and Companies Act, before and after approval;
- (e) Review financial health of the issuer to issue remedial measures and sanctions;
- (f) Advise the Regulatory Authority on adoption of new policies, rules and procedures for the issue of securities into the capital market;
- (g) Address complaints relating to the bonds; and
- (h) Ensure compliance to provisions of these Regulations.

### **Chairman and Member secretary**

7. The Registrar of Companies shall convene and chair the meeting of the Prospectus Approval Committee.

8. The Office of the Registrar of Companies shall serve as the Secretariat to the Prospectus Approval Committee.

### **Meeting**

9. The meeting of the Prospectus Approval Committee shall be convened by the Registrar of the Companies, when deemed necessary based on application and agendas received.

### **Quorum**

10. There shall be a minimum of three members to constitute a quorum for the meeting.

### **Decision**

11. The decisions at the Prospectus Approval Committee meeting shall be taken by majority of members voting in favor of any resolution and, in case of equality of votes, the Chairperson of the Committee shall have a casting vote.

## **PART III CONDITIONS FOR ISSUE OF SHARES**

### **Conditions for issue of shares at face value**

12. An issuer shall make an offer for subscription of shares, if the issuer intends to issue its shares to more than 50 persons through public offer.
13. The issuer shall have a minimum paid-up capital of Nu. 200 million prior to Initial Public Offering (IPO).
14. The issue shall be managed by a licensed/authorized underwriter
15. The issuer, unless otherwise prescribed by law:
  - (a) Shall set aside at least 30% of its issued capital for subscription by public;
  - (b) May set aside at least 10% of the issued capital to the institutional investors;
16. When an issuer is making a public offer pursuant to section 12, it shall offer its shares to the public only upon completion of one year of commercial operation, unless otherwise prescribed by any other laws or policies.
17. The debt to equity ratio of the issuer shall not be more than 2:1, prior to the issue.
18. The issuer shall obtain permission for listing of its shares on the RSEBL.
19. The existing partly paid-up equity shares of the issuer shall be fully paid-up or forfeited therein, prior to the proposed public issue.

20. The private placement of shares shall not be permitted to be made during and after the IPO process, by the issuer.

**Conditions for Public Issue of shares at premium**

21. The issuer intending to offer its shares to the public, may be permitted to issue its shares at premium, if the offer is subscribed by more than 50 persons at a time;
22. The issuer shall have a minimum paid-up capital of Nu.200 million prior to IPO;
23. The debt to equity ratio of the issuer shall not be more than 2:1;
24. The issuer shall obtain permission for listing of its shares on the RSEBL;
25. The existing partly paid-up equity shares of the issuer have to be fully paid-up or forfeited therein, prior to IPO;
26. No private placement of shares shall be made during the IPO by the issuer.
27. The issuer shall have a track record of profits earned in the immediate two financial years preceding the date of application, and the issuer should have been in commercial operation for the three preceding financial years.
28. The issuer shall have a net worth of at least Nu.100 million in each of the last three financial years preceding the date of application for IPO;
29. If it had changed its business activity within the last one year, at least 50% of the revenue for the preceding one year has been earned by it from the new activity;
30. The issuer, unless otherwise prescribed by law:
  - (a) shall set aside at least 30% of its issued capital for subscription by public, and;
  - (b) May set aside at least 10% of the issue to the institutional investors for the purpose of price discovery through book building process, as and when officially adopted and notified by the Authority.

**Alternative Investment Market (AIMs) route based public offer:**

31. An issuer without any track record of profitability and commercial operation, may offer shares to the public, provided minimum 50% of the issue size are subscribed by institutional investors through Alternative Investment Market of the RSEBL, prior to the public offer. Further, the issuer shall fulfill the following conditions:
  - (a) The issuer shall obtain permission for listing of its shares on the AIMs Board of the RSEBL;
  - (b) Any existing partly paid-up equity shares of the issuer have to be fully paid-up or forfeited therein, prior to the proposed issue;
  - (c) No private placement of shares shall be made during the issue on the AIMs Board;

**Offer for Sale:**

32. In case of an offer for sale of shares by the promoters, the offer size shall be at least 30% of the paid-up capital of the issuer and the issuer shall fulfill all the conditions prescribed in sections 12, 13, 15 through section 19 above.

**Minimum subscription to qualify for allotment:**

33. The minimum subscription to be received in an issue shall not be less than 15% of the issued capital, subscribed by at least 50 investors, if the issue is not managed by an underwriter, provided that the issuer fulfills the minimum of 30% public shareholding within a period of three years, from the date of IPO.

34. In the event of non-receipt of minimum subscription referred to in section 32, all subscription amount received shall be refunded to the applicants within the period of 30 working days. The offer document shall contain adequate disclosures regarding minimum subscription.

**Subscription Period**

35. The maximum subscription period from the date of opening till the date of closing subscription shall be 30 working days.

**Oversubscription:**

36. In the event of oversubscription of the issue, the issuer may provide an option to allot additional shares to ensure that the demand for securities is met in an efficient manner and to stabilize the price volatility immediately after listing. However, the issue shall be subject to following conditions:

- (a) The issuer is authorized by the shareholders in Annual General Meeting/Extraordinary General Meeting to exercise the option, in such event;
- (b) The prospectus shall contain all disclosures related to the option; and
- (c) A maximum of 15% of the issue size shall be permitted to be allocated under the arrangement.

**Under-subscription:**

37. The issue shall be considered under-subscribed, if the issuer is not able to meet the minimum subscription prescribed in section 32, then the subscription money shall be refunded as per section 33 of these regulations.

38. The issuer may apply for another public offer after three months from the closing date of the previous offer.

**Restrictions on the Promoters:**

39. The promoters' minimum shareholding in the issuer company shall not be less than 20% of the post issued capital.
40. Subject to section 38 above, the promoters' shares held before the IPO shall be locked in for a period specified hereunder:
  - (a) Minimum promoters' contribution for a period of three years from the date of allotment of the public offer.
  - (b) The promoters' contribution in excess of the minimum contribution mentioned in section 38 above, shall be locked in for a period of one year from the date of allotment of the public offer.
41. The shares, other than the promoters' contribution issued prior to the IPO, shall be locked in for a period of one year from the date of allotment of public offer, except equity shares allotted to the employees under an employee stock option or employee stock purchase scheme of the issuer, prior to the initial public offer, and the same has been disclosed in the Prospectus.

**Allotment procedure and basis of allotment**

42. The allotment of shares to the public shall be on proportionate basis and the number of shares allotted shall be in accordance with the allotment procedure of the RSEBL.

**Subscription**

43. Any person desirous of subscribing to the public offer of shares shall subscribe only through a bank account in his/her own name. The subscribers may also use an alternative mode of payment such as application amount blocked in his/her own bank account till the allotment is made, provided such option is made available by the issuer's bank or the broker. However, such disclosure on the mode of payment shall be made in the prospectus by the issuer.

**Follow-on Public Offer:**

44. An issuer intending to offer its shares to the public, pursuant to initial public offer and after listing of its securities on a stock exchange, shall fulfill all the conditions of public offer.

**Disclosure Requirements:**

45. The disclosure requirements in the Prospectus issued for public issue of shares shall be as prescribed by the Companies Act.
46. An issuer making Follow-on Public Offer may disclose to the public as follows:
  - (a) the issuer is making further public offer in accordance with provisions of these regulations;

- (b) the specified securities offered in further public offer are of the same class of those already listed on a recognized stock exchange;
- (c) financial reports of the issuer are available on the website of the stock exchange; and
- (d) any change in management and board of the issuer.

#### **PART IV PROCEDURE FOR APPROVAL AND CONTENTS OF PROSPECTUS**

##### **Approval and Registration of Prospectus**

47. The Prospectus for Public issue of shares shall be reviewed and approved by the Prospectus Approval Committee (PAC). The Registrar of Companies shall register the Prospectus after the approval of the same by the PAC as per provisions of these regulations and the Companies Act.

##### **Documents to be submitted to the Registrar of Companies**

47. Following are the documents required to be submitted to the Registrar of Companies:
- (a) A copy of prospectus;
  - (b) Permission from RSEBL for listing the shares on the Exchange;
  - (c) Copy of the existing Articles of Incorporation and the amendments thereto;
  - (d) The resolution of the Annual General Meeting or Extraordinary General Meeting approving the issue of shares, together with the documents and reports presented to the meeting;
  - (e) Written approval of the Lhengye Zhungtshog with expressed intention to dispose-off government shareholding percentage, in case of issuer being a State Owned Enterprise;
  - (f) Audited financial statements for the last three years preceding the issue or for the period from the date of incorporation to the date of issue whichever is lesser. Documents related to private placement of shares to investors and payments made therein, if any;
  - (g) Detailed statement of the equity shares offered;
  - (h) Submit a Clearance or approval from their respective regulators or regulatory authorities;
  - (i) Copy of Credit Information report of the promoters and the issuer for last one year; and
  - (j) Any additional statements or documents required by PAC.

**PART VI**  
**OFFENSES AND PENALTIES**

**Complaints**

48. Investors may submit complaints to the Regulatory Authority in relation to the issue of shares, if there is reasonable suspicion of violation of the provisions of these Regulations and Companies Act.
49. If an investor is aggrieved by the untrue statement of prospectus, the Regulatory Authority may advise the investor to approach the court in accordance with section 111 of the Companies Act.
50. If there is any complaint or suspicion of insider trading on the shares, the Prospectus Approval Committee may advise the Regulatory Authority to initiate investigation or appropriate legal action on the allegation.

**Offenses and Penalties**

51. In the event of deliberate misrepresentation or omission of information and relevant documents for the purpose of obtaining approval for initial public of shares, the applicant or issuer shall be punishable with fine of Nu. 1,000,000/-. And if such omission or commission is proven to be committed by the issuer with the knowledge of all or any of its Board Directors, every such director shall be punishable with fine up to Nu. 1,000,000/-.
52. Any person who violates any provision of these Regulations, the PAC may impose financial sanctions not exceeding Nu. 100,000/- per violations, or such other appropriate orders, if not expressly provided in these Regulations.

**Prospectus Review Fees**

53. The issuer shall deposit a copy of the draft prospectus along with the application as prescribed in Annexure I, to the Registrar of Companies for Approval and simultaneously deposit a non-refundable review fees of Nu. 1,00,000 to the RSEBL.

**Definitions:**

54. The terms and phrases used in these Regulations, unless the context requires otherwise, shall mean:

- (a) **Follow-on Public offer** is an issuance of securities subsequent to the company's initial public offering, issued following the due process under these regulations.
- (b) **Initial Public Offering (IPO)** means first sale of shares by an issuer company to the public.
- (c) **Institutional Investors** means a legal person devoted to holding and managing financial assets either for clients or itself, such as Fund Managers and Investment Advisors, financial institutions and pension funds or as identified by the authority.
- (d) **Issuer** means an issuing Company incorporated under Companies Act.
- (e) **Issue Price** means the amount at which an issuer offers its shares to the public.
- (f) **Lock-in period** is the time period during which promoters are restricted to redeem or sell their shares.
- (g) **Net-worth** means the total value of paid up capital and the free reserves of a company.
- (h) **Offer for sale** is an offer by or on behalf of the shareholders of the issuer to the public.
- (i) **Person** includes a natural person, registered companies, registered Civil Society Organizations and a body of persons recognized as a separate legal entity by law.
- (j) **Prospectus** means offer document as prescribed by Regulatory Authority in keeping with section 109 of Companies Act and annexed hereto as Annexure II. It shall also include abridged prospectus as prescribed as Annexure III.
- (k) **Public** means a person who is not a director, Chief Executive Officer or substantial shareholder of the issuer, institutional investors or an associate of any one of them.

Date:

The Registrar of Companies,  
Office of the Registrar of Companies,  
Ministry of Economic Affairs,  
Thimphu: Bhutan.

**Sub: Application for Initial Public Offer of shares**

Sir,

We intend to issue equity shares amounting to Nu..... **(words)** to the public. We confirm and declare that our application is in full compliance with the Regulations on Public Issue of Shares, 2022 issued by the Authority.

We further confirm and declare that the company is a public company and we are satisfied to the best of our knowledge and belief, that there is no information or statement nor is there any omission in the draft Prospectus, which would make our statements false or misleading. We undertake to provide such information and documents as your office may reasonably require in relation to the application.

This application is made by the undersigned authorized person of (.....*Issuer Company's Name*.....) pursuant to the authority granted to by a written resolution of our Annual General Meeting/Extraordinary General Meeting passed on (.....Date.....).

Faithfully yours,

For and on behalf of *issuer (Company Name)*(CEO/Director)

Name:

Address:

Telephone No:

Email ID:

**Enclosed:** Relevant documents as prescribed in section 47 of these regulations & Draft Prospectus.

## Prospectus for Initial Public Offer of Shares

Initial public offering of ..... equity shares of Nu..... each

Subscription opening date	
Subscription closing date	
Allotment date	

### Content of Prospectus

1. Abbreviations:
2. Summary of the Offer
  - a. General information
  - b. History of the Company
  - c. Corporate Management Structure
  - d. Capital Structure of the Company
  - e. Existing Shareholding Pattern
  - f. Revised Shareholding pattern before IPO, (if applicable)
  - g. Summary of earnings in the past one year/three years.
  - h. Number of Employees
  - i. Details of Business units
  - j. Dividend Record, (if applicable)
  - k. Fixed Asset Details
  - l. Banker's Details
  - m. Underwriter details, (if applicable)
  - n. Details on source of promoter's contribution
  - o. Public Offer, terms of the present issue and its objective
  - p. Utilization of Fund
  - q. Shareholding Pattern after IPO
  - r. Auditor's Details
3. Public Offer- terms of the present issue and its objective:
4. Basis for Share Premium (if applicable):

5. Revised shareholding after IPO:

6. Cash Flow Statement for the Public Money:

7. Financial Highlights (Last 3 years) & Audited Financial Data (annexure):

Financial Information	Financial highlights for the last three years	Projected financial data for three years post IPO

14. Details on Risk Factors and Litigations:

15. Declarations: *We hereby declare that most of the relevant provisions of the Companies Act and the Prudential Regulation 2017 issued by the Royal Monetary Authority and Royal Securities Exchange have been complied with and no statement made in the prospectus contrary to the provisions of Companies Act.*

(Board of Directors)

(Chief Executive Officer)

Date:

Date:

## **Abridged Prospectus**

### **1. General Information**

Head Office and Incorporation:

Short Note on Company:

Name and address of auditors:

Objective of the Issue:

### **2. Capital Structure:**

2.1 Pre IPO

2.2 Post IPO

### **3. Particulars of the Offer:**

### **4. Eligibility:**

### **5. Time line of the issue:**

### **6. Method of Application:**

6.1 Brokerage Firm:

6.2 Where to avail application form and where to deposit money:

### **7. Board of Directors:**

### **8. Management:**

### **9. Basis of Allotment:**

### **10. Risk Factor:**

### **11. Promoter:**

### **12. Future Prospects:**

### **13. Financial Information:**

*Projected balance sheet*

*Project Profit and loss statement*

### **14. Declaration:**