

# OFFER FOR SALE - FAQ



*May prosperity always bloom*

**1. What is an OFS?**

Offer for Sale (OFS) is another form of share sale. OFS mechanism facilitates the promoters of an already listed company ("Seller") to sell or dilute their existing shareholdings through an exchange based bidding platform to meet the minimum public shareholding requirements in terms of Securities Contracts (Regulation) Rules. Any non-promoter shareholder of eligible companies (top 200 companies by market capitalization) holding at least 10% of share capital may also offer shares through the OFS mechanism.

Except "Seller", all market participants like individuals, mutual funds, foreign portfolio investors (FPIs/FIIs), insurance companies, corporates, other qualified institutional bidders (QIBs), HUFs, NRIs etc. can bid/participate in the OFS process to buy the shares.

**2. Who can participate in OFS?**

All investors registered with a NSE Trading member can participate in the OFS mechanism offered by NSE.

**3. How will I come to know about an upcoming OFS?**

As per SEBI guidelines, it is mandatory for the company to inform the stock exchanges, two days prior to their OFS. NSE disseminates the announcement / notice on its website on receipt of the information for the companies listed on NSE. This information is available on NSE's website.

**4. How can investors buy shares in OFS?**

Investors can buy shares in OFS through existing Trading Members of NSE. They will have to provide bids to the Trading Member specifying the quantity and the price at which they are willing to bid for a given issue.

In addition to price bids, "Sellers" may provide retail investors option to bid at "cut-off", where the allocation to retail investors shall be made based on the cut-off price determined in the non-retail category.

**5. What is the implication of bidding at the floor price and bidding at "cut-off" for retail investors?**

Bidding at Floor price and above ensures that the bids will be considered. Allocation in such cases shall be subject to final price discovery.

Bidding at "cut-off" ensures that the retail investor will get allotment where the allotted quantity will depend upon the demand at various price points.

**6. Is it mandatory to have a trading account to participate in an OFS?**

Trading account with a member of NSE is mandatory to participate in an OFS offered through NSE platform.

**7. Do I need to sign any agreements / undertakings with trading members to participate in OFS?**

If the investor is already registered with a member, No additional documents / agreements will be required to participate in the OFS mechanism.

**8. How is it different from buying shares in normal market?**

OFS platform is an order collection system. Here the buyer needs to provide with a bid. There is a floor price, decided by the company, below which the bids cannot be placed. At the end of the bidding process the shares are allocated to

the bidders. In OFS transactions, Investors can only buy shares, but cannot sell shares unlike the normal market.

**9. Is there a minimum amount specified to be part of the OFS?**

There is no minimum amount specified for participating in an OFS. An investor can bid for a single share through the OFS mechanism.

**10. Are there any discounts offered in OFS?**

SEBI has specified as part of its guidelines that issuers/sellers may offer discount only to retail investors. The issuer/seller as part of their notification to the exchange will also specify the details of the discount on T-2. The discount can be either on the bid price or on the final allotment price.

**11. Will there be any minimum reservation for investors in OFS?**

SEBI has made it mandatory to offer minimum 10% reservation to the retail investors and minimum of 25% for Mutual Funds and Insurance Companies, subject to allocation methodology.

The reservation shall be applicable for all retail investors who:

- Bid for a value less than Rs. 2 Lacs across Exchanges in retail category
- Have their PAN category as 'Individual/HUF/NRI'

If the value of bids across exchanges from a retail investor exceeds Rs. 2 Lacs, then these bids will be considered as invalid. If bids across retail/non-retail category exceed Rs. 2 Lacs, then bids entered in retail category will be considered as invalid.

**12. How will the shares be allotted to the investors?**

The designated Stock Exchange will allot the shares either on a single price or multiple price models as specified by the issuer/seller. No single bidder other than mutual funds and insurance companies shall be allocated more than 25% of the size of OFS.

Shares under non-retail category and with 100% margins would be settled on T+1 day whereas for retail and non-retail with 0% margins will get settled on T+2 and will be credited in a manner similar to the existing equity market transactions.

**13. What is the timing for custody confirmation for 0% margin bids in non-retail category?**

Custodian confirmation timing is upto 1:00 PM on T+1 day. For confirming 0% margin bids, custodian confirmation shall not be subject to sufficiency of funds.

**14. When will the investor get to know of the allotment status?**

Stock Exchanges share allotment report with Trading Members at the end of the day i.e. after 6:00 P.M. on the **day of** OFS. Investor can get the information from their trading members on the same day.

**15. Are the margins in OFS different from normal market transactions?**

In OFS, the entire retail bid amount of the investor should be backed by 100% margin in form of cash / cash equivalent

(Fixed Deposit Receipts and Bank Guarantees). Institutions may opt for bidding either with 100% cash margin or 0% margin.

Any excess funds due to non-allotment or partial allotment shall be refunded back to the Trading Member on the same day post 6:00 P.M.

**16. Is it required to pay STT on the OFS transaction?**

STT is applicable similar to the secondary market and collected on respective settlement dates.

**17. Will the Trading member issue a contract note for the OFS transaction?**

Trading Member will have to issue a contract note to the investor in OFS segment. The contract note is issued by the Trading Member at the end of the day providing details on the allotted quantity & price.

**18. What is Indicative Price?**

Indicative Price is the volume weighted average price of all the valid/confirmed bids. The indicative price shall be separate for Retail Bids and Non-Retail bids. There shall be no indicative price display for the retail portion of OFS where "Sellers" provide retail investors an option for bidding at "cut-off" price.

**19. How do I monitor the quantity/price information of an OFS?**

On the OFS day, information will be published by the Exchange at regular intervals on the website. Indicative price shall be displayed for the issue separately for retail as well as general category after consolidating the information from both the Exchanges. Demand graph at each price point shall also be displayed by the Exchange for the bids collected by them.

**20. Is normal trading of the security available on the OFS day?**

On the OFS day, normal trading in the shares of the company will continue even when the bidding process is **on**.

**21. Is there any restriction on number of orders from a single investor?**

Under OFS, there is no restriction on number of bids from a single investor. However, all bids by investors other than bids by Mutual Funds and Insurance companies shall be restricted to 25% of OFS.

In case of retail investors, all the retail bids will get rejected if the bid values across all exchanges exceed Rs. 2 lakhs.

**22. Can investor modify/ cancel the bid after providing it to the Trading Member?**

Bids backed by 100% margins can be modified/cancelled anytime during the OFS market hours. Bids with 0% margin can only be modified upwards for revision in price and quantity and no cancellation is permitted.