

# NDBIB Pioneers Cornerstone Strategy for IPOs on CSE

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**Abstract: NDB investment bank successfully introduced the Cornerstone Investor Strategy to the Colombo bourse via the recent Initial Public Offering of the RIL limited. The introduction of this strategy in a frontier market like Sri Lanka is a landmark accomplishment.**

NDB Investment Bank ("NDBIB") successfully introduced the Cornerstone Investor Strategy to the Colombo bourse via the recent Initial Public Offering ("IPO") of RIL Property Limited ("RIL"). The IPO was oversubscribed within minutes on the opening day itself amidst healthy participation of value driven institutional investors. The Cornerstone tranche is commonly used in advanced regional markets such as Singapore, Hong Kong and Malaysia and the introduction of this strategy in a frontier market like Sri Lanka is a landmark accomplishment. The introduction of the Cornerstone Investor Strategy is in line with NDBIB's quest for innovation and adds to the many innovative structures and financial products, including that of book building for IPOs, introduced by the company to the capital markets in Sri Lanka.

Darshan Perera, Chief Executive Officer of NDBIB, commented "The rationale for the Cornerstone Investor Strategy is to seek initial price validation whilst creating awareness and positive sentiments around an IPO by receiving commitments from prominent institutional investors". Generally, Cornerstone Investors have a profound understanding on business operations of the company, the industry, the market opportunity and actively pursue appropriate valuations, comprehensive due diligence and post-investment monitoring. Such investor commitments are secured for the IPO prior to receiving regulatory approvals and the names of cornerstone investors are prominently disclosed in the Prospectus.

Nilendra Weerasinghe, Vice President and Head-Corporate Advisory, stated "Cornerstone Investors are offered sizeable allocations in return for making commitments before they see the market response for an IPO. We have a mandated IPO pipeline of about USD 75 Mn and will consider using a Cornerstone Strategy for our future issues depending on market conditions".

Priority allocations to selected investors may not be possible under the usual proportionate allocation policy followed in an oversubscribed IPO.

Cornerstone Investors also agree for lock-in periods to signal that the priority allocations received will not be off-loaded in the market immediately after listing. The reputation and calibre of Cornerstone Investors contributes significantly towards rallying other institutional investor support and retail participation for an IPO. A common market perception is that Cornerstone Investors carryout stringent due diligence on prospective IPO companies prior to giving commitments providing some degree of comfort on IPO pricing as well the future potential of the Company.

The IPO of RIL, a leading developer of commercial office spaces in Colombo, comprised a Cornerstone Tranche of LKR 200 Mn amounting to c. 20% of the offer size. NDB Capital Holdings Limited ("NCAP"), NDBIB's parent company, committed as the Cornerstone Investor whilst agreeing for a minimum allocation of LKR 120 Mn in the event of an oversubscription. NCAP further agreed to a voluntary lock-in period of 6 months from the date of listing in line with best practices followed in regional markets. The IPO was jointly managed by Commercial Bank of Ceylon PLC and NDBIB.

As the leader in investment banking in Sri Lanka, NDBIB has unrivalled market share in both debt and equity transactions and Mergers & Acquisitions. Its commitment to continue as the forerunner in innovation by introducing best practices and structures in developed capital markets to Sri Lanka remains firm. NDBIB envisages to continuously test new grounds and embrace lucrative market opportunities whilst furthering its position as the market leader in investment banking in the country

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