SECURITIES AND EXCHANGE BOARD OF INDIA (DISCLOSURE AND INVESTOR PROTECTION) GUIDELINES, 2000

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CHAPTER I

PRELIMINARY

[1](1.1) **Short title, commencement, etc.**

(a) These Guidelines have been issued by the Securities and Exchange Board of India under Section 11 of the Securities and Exchange Board of India Act, 1992.

(b) These Guidelines may be called the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000.

(c) These Guidelines shall come into force from the date specified by the Board.

1.2 **Definitions**

1.2.1 In these Guidelines, unless the context otherwise requires;

[2](ia) **"Abridged Letter of Offer"** in relation to a rights issue means the abridged form of a letter of offer which satisfies the minimum requirements laid down in Section IV of Chapter VI of the Guidelines);

[3](ib)) **"Abridged Prospectus"** means the memorandum as prescribed in Form 2A under Sub-section (3) of Section 56 of the Companies Act, 1956;

ii) **"Act"** means the Securities and Exchange Board of India Act, 1992 (15 of 1992);

iii) **"Advertisement"** includes notices, brochures, pamphlets, circulars, show cards, catalogues, hoardings, placards, posters, insertions in newspaper, pictures, films, cover pages of offer documents or any other print medium, radio, television programmes through any electronic medium;

iv) **"Board"** means the Securities and Exchange Board of India established under provisions of Section 3 of the Act;

v) **"Book Building"** means a process undertaken by which a demand for the securities proposed to be issued by a body corporate is elicited and

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[1] Renumbered clause 1 as *"clause 1.1"*, vide SEBI Circular No. SEBI/CFD/DIL/DIP/14/2005/25/1 dated January 25, 2005.

[2] Inserted vide SEBI Circular No. SEBI/CFD/DIL/DIP/19/2006/31/3 dated March 31, 2006.

[3] Renumbered sub-clause (i) as *"clause (ib)"*, vide SEBI Circular No. SEBI/CFD/DIL/DIP/19/2006/31/3 dated March 31, 2006.

built up and the price for such securities is assessed for the determination of the quantum of such securities to be issued by means of a notice, circular, advertisement, document or information memoranda or offer document;

vi) **"Collection Centre"** means a place where the application for subscribing to the public or rights issue is collected by the Banker to an Issue on behalf of the issuer company;

vii) **"Company"** means the Company defined in Section 3 of the Companies Act, 1956;

viii) **"Composite Issues"** means an issue of securities by a listed company on a public cum rights basis offered through a single offer document wherein the allotment for both public and rights components of the issue is proposed to be made simultaneously;

ix) **"Credit Rating Agency"** means a body corporate registered under Securities and Exchange Board of India (Credit Rating Agencies) Regulations, 1999;

x) **"Designated Financial Institution"** means the public financial institution included in or notified under Section 4A of the Companies Act, Industrial Development Corporation established by State Governments and financial institutions approved under Section 36(1)(viii) of Income Tax Act, 1961;

xi) **"Debt-Instrument"** means an instrument which creates or acknowledges indebtedness, and includes debenture, stock, bonds and such other securities of a body corporate, whether constituting a charge on the assets of the body corporate or not;

xii) **"Depository"** means a body corporate registered under Securities and Exchange Board of India (Depositories and Participants) Regulations, 1996;

[4](xii-a) **"Designated Stock Exchange"** means a stock exchange in which securities of the company are listed or proposed to be listed and which is chosen by the company for purposes of a particular issue under these guidelines.

Provided that where any of such stock exchanges have nationwide trading terminals, the company shall choose one of them as the designated stock exchange.

[4] Inserted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003.

Provided further that the company may choose a different exchange as a designated stock exchange for any subsequent issue, subject to the above clause.)

[5](xiib) **"Employee"** means

a) a permanent employee of the company working in India or out of India; or

b) a director of the company, whether a whole time director, part time director or otherwise;

c) an employee as defined in sub-clauses (a) or (b) of a subsidiary, in India or out of India, or of a holding company of the company.)

xiii) **"Firm Allotment"** means allotment on a firm basis in public issues by an issuing company made to Indian and Multilateral Development Financial Institutions, Indian Mutual Funds, Foreign Institutional Investors including non-resident Indians and overseas corporate bodies and permanent/ regular employees of the issuer company.

[6](xiii-a) **"Green Shoe Option"** means an option of allocating shares in excess of the shares included in the public issue and operating a post-listing price stabilizing mechanism in accordance with the provisions of Chapter VIII-A of these Guidelines, which is granted to a company to be exercised through a Stabilising Agent.)

xiv) **"Guidelines"** means Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 1999 and includes instructions issued by the Board.

xv) **"Infrastructure Company"** means, a company wholly engaged in the business of developing, maintaining and operating infrastructure facility.

xvi) **"Infrastructure Facility"** means the "infrastructure facility" within the meaning of Section 10(23G)(c) of Income Tax Act, 1961.

xvii) **"Issuer Company"** means a company which has filed offer documents with the Board for making issue of securities in terms of these guidelines.

xviii) **"Listed Company"** means a company which has any of its securities offered through an offer document listed on a recognised stock exchange and also includes Public Sector Undertakings whose securities are listed on a recognised stock exchange.

[5] Inserted vide SEBI Circular No. SEBI/CFD/DIL/DIP/13/2004/28/5 dated May 28, 2004.

[6] Inserted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003.

xix) **"Merchant Banker"** means an entity registered under Securities and Exchange Board of India (Merchant Bankers) Regulations, 1992;

[7](xix a) **"Mutual fund"** means a mutual fund registered with the Board under the SEBI (Mutual Funds) Regulations, 1996.)

[8](xix b)) [9](**"Networth"** means aggregate of value of the paid up equity capital and free reserves (excluding reserves created out of revaluation) reduced by the aggregate value of accumulated losses and deferred expenditure not written off (including miscellaneous expenses not written off) as per the audited balance sheet.)

xx) **"Offer Document"** means Prospectus in case of a public issue or offer for sale and Letter of Offer in case of a rights issue.

xxi) **"Offer for Sale"** means offer of securities by existing shareholder(s) of a company to the public for subscription, through an offer document.

xxii) **"Preferential Allotment"** means an issue of capital made by a body corporate in pursuance of a resolution passed under Sub-section (1A) of Section 81 of the Companies Act, 1956.

xxiii) **"Public Issue"** means an invitation by a company to public to subscribe to the securities offered through a prospectus;

xxiv) **"Public Financial Institutions"** means institutions included in or notified for the purposes of Section 4A of the Companies Act, 1956.

[10](xxiv a) **"Retail Individual Investor"** means an investor who applies or bids for securities of or for a value of not more than [11](Rs.1,00,000/-).)

xxv) **"Rights Issue"** means an issue of capital under Sub-section (1) of Section 81 of the Companies Act, 1956, to be offered to the existing shareholders of the company through a Letter of Offer.

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[7] Inserted vide SEBI/CFD/DIL/DIP/16/2005/19/9 dated September 19, 2005.

[8] Renumbered sub-clause (xix a) as *"sub-clause (xix b)"*, vide SEBI Circular No. SEBI/CFD/DIL/DIP/16/2005/19/9 dated September 19, 2005.

[9] Substituted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003 for the following:
*"**"networth"** means aggregate of value of the paid up equity capital and free reserves (excluding reserves created out of revaluation) reduced by the aggregate value of accumulated losses and deferred expenditure not written off (including miscellaneous expenses not written off)".*

Initially inserted vide SEBI Circular No. DIP (Compendium) Circular No. 3 dated August 04, 2000.

[10] Inserted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003.

[11] Substituted vide SEBI Circular No. SEBI/CFD/DIL/DIP/15/2005/29/3 dated March 29, 2005 for the letters and figures *"Rs. 50,000/-"*.

xxvi) **"Schedule"** means schedule annexed to these Guidelines.

[12](xxvi-a) **"Shelf Prospectus"** means a shelf prospectus within the meaning of clause (b) of the Explanation to Section 60A of the Companies Act, 1956.)

xxvii) **"Stock Exchange"** means a stock exchange which is for the time being recognised under Section 4 of the Securities Contracts (Regulation) Act, 1956.

xxviii) **"Underwriting"** means an agreement with or without conditions to subscribe to the securities of a body corporate when the existing shareholders of such body corporate or the public do not subscribe to the securities offered to them.

xxix) **"Unlisted Company"** means a company which is not a listed company.

[13](1.3) All other words and expressions used but not defined in these Guidelines, but defined in the Act or in the Companies Act, 1956 or in Securities Contracts (Regulation) Act, 1956 and/ or the Rules and the Regulations made thereunder, shall have the meanings respectively assigned to them in such Acts or the Rules or the Regulations made thereunder or any statutory modification or re-enactment thereto, as the case may be.

1.4 **Applicability of the Guidelines**

i) These Guidelines shall be applicable to all public issues by listed and unlisted companies, all offers for sale and rights issues by listed companies whose equity share capital is listed, except in case of rights issues where the aggregate value of securities offered does not exceed Rs.50 lacs.

[14](**Provided that** in case of the rights issue where the aggregate value of the securities offered is less than Rs.50 Lakhs, the company shall prepare the letter of offer in accordance with the disclosure requirements specified in these guidelines and file the same with the Board for its information and for being put on the SEBI website.)

ii) Unless otherwise stated, all provisions in these guidelines applicable to public issues by unlisted companies shall also apply to offers for sale to the public by unlisted companies.

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[12] Inserted vide SEBI Circular No. SEBI/CFD/DIL/DIP/12/2004/8/4 dated April 8, 2004.

[13] Renumbered "*clause 1.3.1*" as "clause 1.3" vide SEBI Circular No. SEBI/CFD/DIL/DIP/14/2005/25/1 dated January 25, 2005.

[14] Inserted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003.

CHAPTER II

ELIGIBILITY NORMS FOR COMPANIES ISSUING SECURITIES

2.0 Conditions for issue of securities

[15](The companies issuing securities offered through an offer document shall satisfy the following at the time of filing the draft offer document with SEBI[16](, unless specified otherwise in the Chapter) and also at the time of filing the final offer document with the Registrar of Companies/ Designated Stock Exchange:)

2.1 Filing of offer document

2.1.1 [17](No issuer company shall make any public issue of securities, unless a draft Prospectus has been filed with the Board through a Merchant Banker, at least 30 days prior to the filing of the Prospectus with the Registrar of Companies (ROC):

Provided that if the Board specifies changes or issues observations on the draft Prospectus (without being under any obligation to do so), the issuer company or the Lead Manager to the Issue shall carry out such changes in the draft Prospectus or comply with the observations issued by the Board before filing the Prospectus with ROC.

Provided further that the period within which the Board may specify changes or issue observations, if any, on the draft Prospectus shall be 30 days from the date of receipt of the draft Prospectus by the Board.

Provided further that where the Board has sought any clarification or additional information from the Lead Manager/s to the Issue, the period within which the Board may specify changes or issue observations, if any, on the draft Prospectus shall be 15 days from the date of receipt of satisfactory reply from the Lead Manager/s to the Issue.

Provided further that where the Board has made any reference to or sought any clarification or additional information from any regulator or

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[15] Substituted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003 for the following:
"The companies issuing securities offered through an offer document, shall, satisfy the following:"

[16] Inserted vide SEBI Circular No. SEBI/CFD/DIL/DIP/25/2007/30/4 dated April 30, 2007.

[17] Substituted clause 2.1.1, vide SEBI Circular No. SEBI/CFD/DIL/DIP/25/2007/30/4 dated April 30, 2007, for the following:
"No company shall make any issue of a public issue of securities, unless a draft prospectus has been filed with the Board, through an eligible Merchant Banker, atleast 21 days prior to the filing of Prospectus with the Registrar of Companies (ROCs).

***Provided that** if, within 21 days from the date of submission of draft Prospectus, the Board specifies changes, if any, in the draft Prospectus (without being under any obligation to do so), the issuer or the Lead Merchant banker shall carry out such changes in the draft prospectus before filing the prospectus with ROCs."*

such other agencies, the Board may specify changes or issue observations, if any, on the draft Prospectus after receipt of comments or reply from such regulator or other agencies.

Provided further that the Board may specify changes or issue observations, if any, on the draft Prospectus only after receipt of copy of in-principle approval from all the stock exchanges on which the issuer company intends to list the securities proposed to be offered through the Prospectus.)

2.1.2 [18](No listed issuer company shall make any rights issue of securities, [19](where the aggregate value of such securities, including premium, if any, exceeds Rs. 50 lacs,) unless a draft letter of offer has been filed with the Board, through a Merchant Banker, at least 30 days prior to the filing of the letter of offer with the Designated Stock Exchange (DSE).

Provided that if the Board specifies changes or issues observations on the draft Letter of Offer (without being under any obligation to do so), the issuer company or the Lead Manager to the Issue shall carry out such changes in the draft Letter of Offer or comply with the observations issued by the Board before filing the Letter of Offer with DSE.

Provided further that the period within which the Board may specify changes or issue observations, if any, on the draft Letter of Offer shall be 30 days from the date of receipt of the draft Letter of Offer by the Board.

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[18] Substituted clause 2.1.2, vide SEBI Circular No. SEBI/CFD/DIL/DIP/25/2007/30/4 dated April 30, 2007, for the following:
"No listed company shall make any issue of security through a rights issue where the aggregate value of securities, including premium, if any, exceeds Rs.50 lacs, unless the letter of offer is filed with the Board, through an eligible Merchant Banker, at least 21 days prior to the filing of the Letter of Offer with Regional Stock Exchange (RSE).

***Provided that** if, within 21 days from the date of filing of draft letter of offer, the Board specifies changes, if any, in the draft letter of offer, (without being under any obligation to do so), the issuer or the Lead Merchant banker shall carry out such changes before filing the draft letter of offer with RSE."*

Prior to the above, clause 2.1.2 was substituted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003 for the following:
"No listed company shall make any issue of security through a rights issue where the aggregate value of securities, including premium, if any, exceeds Rs.50 lacs, unless the letter of offer is filed with the Board, through an eligible Merchant Banker, at least 21 days prior to the filing of the Letter of Offer with Regional Stock Exchange (RSE).

***Provided that** if, within 21 days from the date of filing of draft letter of offer, the Board specifies changes, if any, in the draft letter of offer, (without being under any obligation to do so), the issuer or the Lead Merchant banker shall carry out such changes before filing the draft letter of offer with RSE."*

[19] In SEBI Circular No. SEBI/CFD/DIL/DIP/25/2007/30/4 dated April 30, 2007, the words "*where the aggregate value of such securities, including premium, if any, exceeds Rs. 50 lacs,"* were inadvertently omitted in the opening para of the amended clause 2.1.2. The same clarified vide SEBI Circular No. SEBI/CFD/DIL/DIP/26/ 2007/24/5 dated May 24, 2007.

Provided further that where the Board has sought any clarification or additional information from the Lead Manager/s to the Issue, the period within which the Board may specify changes or issue observations, if any, on the draft Letter of Offer shall be 15 days from the date of receipt of satisfactory reply from the Lead Manager/s to the Issue.

Provided further that where the Board has made any reference to or sought any clarification or additional information from any regulator or such other agencies, the Board may specify changes or issue observations, if any, on the draft Letter of Offer after receipt of comments or reply from such regulator or other agencies .

Provided further that the Board may specify changes or issue observations, if any, on the draft Letter of Offer only after receipt of copy of in-principle approval from all the stock exchanges on which the issuer company intends to list the securities proposed to be offered through the Letter of Offer.)

2.1.3 **Companies barred not to issue security**

No company shall make an issue of securities if the company has been prohibited from accessing the capital market under any order or direction passed by the Board.

2.1.4 **Application for listing**

No company shall make any public issue of securities unless it has made an application for listing of those securities in the stock exchange (s).

2.1.5 **Issue of securities in dematerialised form**

2.1.5.1 No company shall make public or rights issue or an offer for sale of securities, unless:

(a) the company enters into an agreement with a depository for dematerialisation of securities already issued or proposed to be issued to the public or existing shareholders; and

(b) the company gives an option to subscribers/ shareholders/ investors to receive the security certificates or hold securities in dematerialised form with a depository.

Explanation:

A “depository” shall mean a depository registered with the Board under the Securities and Exchange Board of India (Depositories and Participants) Regulations, 1996.

2.2 [20](**Initial Public Offerings by Unlisted Companies**)

2.2.1 [21](An unlisted company may make an initial public offering (IPO) of equity shares or any other security which may be converted into or exchanged with equity shares at a later date, only if it meets all the following conditions:

(a) The company has net tangible assets of at least Rs. 3 crores in each of the preceding 3 full years (of 12 months each), of which not more than 50% is held in monetary assets:

Provided that if more than 50% of the net tangible assets are held in monetary assets, the company has made firm commitments to deploy such excess monetary assets in its business/project;

(b) The company has a track record of distributable profits in terms of Section 205 of the Companies Act, 1956, for at least three (3) out of immediately preceding five (5) years;

Provided further that extraordinary items shall not be considered for calculating distributable profits in terms of Section 205 of Companies Act, 1956;

(c) The company has a net worth of at least Rs. 1 crore in each of the preceding 3 full years (of 12 months each);

(d) In case the company has changed its name within the last one year, atleast 50% of the revenue for the preceding 1 full year is earned by the company from the activity suggested by the new name; and

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20 Substituted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003 for the following:
"*Public Issue by Unlisted Companies".*

21 Substituted clause 2.2.1, vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003, for the following:
"2.2.1 An unlisted company shall make a public issue of any equity shares or any security convertible into equity shares at a later date subject to the following:-
i.) It has a pre-issue networth of not less than Rs.1 crore in three (3) out of preceding five (5) years, with a minimum networth to be met during immediately preceding two (2) years; and
ii.) It has a track record of distributable profits in terms of section 205 of the Companies Act, 1956, for at least three (3) out of immediately preceding five (5) years.

***Provided that** the issue size (i.e. offer through offer document + firm allotment + promoters' contribution through the offer document) does not exceed five (5) times its pre-issue networth as per the last available audited accounts, either at the time of filing draft offer document with the Board or at the time of opening of the issue".*

Prior to the above, clause 2.2.1 was substituted vide SEBI Circular No. DIP (Compendium) Circular No. 3 dated August 04, 2000 for the following:
"2.2.1 No unlisted company shall make a public issue of any equity share or any security convertible at a later date into equity share unless the company has;-
i.) a track record of distributable profits in terms of section 205 of Companies Act, for at least three (3) out of immediately preceding five (5) years; and
ii.) a pre-issue networth of not less than Rupees One crore in three (3) out of preceding five (5) years, with the minimum networth to be met during immediately preceding two (2) years."

(e) The aggregate of the proposed issue and all previous issues made in the same financial year in terms of size (i.e., offer through offer document + firm allotment + promoters' contribution through the offer document), does not exceed five (5) times its pre-issue networth as per the audited balance sheet of the last financial year.)

2.2.2 [22](An unlisted company not complying with any of the conditions specified in Clause 2.2.1 may make an initial public offering (IPO) of

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[22] Substituted clause 2.2.2, vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003, for the following:

"2.2.2 An unlisted company can make a public issue of equity shares or any security convertible into equity shares at a later date, only through the book-building process if ,

i.) it does not comply with the conditions specified in clause 2.2.1 above, or,

ii.) its proposed issue size exceeds five times its pre-issue networth as per the last available audited accounts either at the time of filing draft offer document with the Board or at the time of opening of the issue

***Provided that** sixty percent (60%) of the issue size shall be allotted to the Qualified Institutional Buyers (QIBs), failing which the full subscription monies shall be refunded.*

Explanation 1:

i.) Profits emanating only from the information technology business or activities of the company, shall be considered for the purposes of computation of the track record of distributable profits in following cases:

a. for companies in "Information Technology" sector or proposing to raise moneys for projects in "information technology" sector,

b. for companies whose name suggests that they are engaged in information technology activities / business, etc. viz. the company's name containing the words 'software, hardware, info, infotech, .com, informatics, technology, computer, information, etc.;

ii.) In case of partnership firms which have since been converted into companies, the track record of distributable profits of the firm shall be considered only if the financial statements of the partnership business for the said years conform to and are revised in the format prescribed for companies under the Companies Act, 1956 and also comply with the following:

a. adequate disclosures are made in the financial statements as required to be made by the companies as per Schedule VI of the Companies Act, 1956;

b. the financial statements shall be duly certified by a Chartered Accountant stating that:

*I. the accounts as revised or otherwise and that the disclosures made are **in accordance** with the provisions of Schedule VI of the Companies Act, 1956; and*

II. the accounting standards of the Institute of Chartered Accountants of India(ICAI) have been followed and that the financial statements present a true and fair picture of the firm's accounts.

iii) the lead merchant banker shall also verify and confirm that the financial statements furnished on behalf of the partnership firm are in accordance with the Accounting Standards prescribed by the ICAI.

iv) In case of an unlisted company formed out of a division of an existing company, the track record of distributable profits of the division spun off shall be considered only if the requirements regarding financial statements as specified for partnership firms in clause (ii) above are complied with.

***Explanation 2:** For the purposes of clause 2.2 above, the term -*

i.) "Three years out of immediately preceding five years", shall mean that at least three (3) audited accounts for a period of not less than thirty six (36) months are available for computation of the minimum track record of three (3) years of distributable profits.

ii.) "Qualified Institutional Buyer" shall mean -

a. public financial institution as defined in section 4A of the Companies Act, 1956;
b. scheduled commercial banks;
c. mutual funds;
d. foreign institutional investor registered with SEBI;
e. multilateral and bilateral development financial institutions;
f. Venture capital funds registered with SEBI.)
g. [22](Foreign Venture capital investors registered with SEBI.)
h. [22](State Industrial Development Corporations)

iii.) "Information Technology" shall comprise the following activities:

equity shares or any other security which may be converted into or exchanged with equity shares at a later date, only if it meets both the conditions (a) and (b) given below:

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a. *Production of computer software i.e. any representation of instruction, data, sound or image including source code and object code, recorded in a machine readable form, and capable of being manipulated or providing interactivity to a user, by means of an automatic data processing machine.*
b. *Information technology services i.e. any service which results from the use of any information technology software over a system of information technology products for realizing value addition and will consist of (I) IT software including data processing services (II) Consumer systems, communication and network services and (III) other IT related services.*
c. *manufacturing of information technology hardware*
d. *Manufacturing of information technology products i.e. computer systems, communications and network products and peripherals and subsystems.*
e. *Manufacturing of information technology components i.e. active and passive electronic components, plastic, metal, non-metal, parts and sub assemblies of IT products.*
f. *computer education and training*
g. *computer maintenance*
h. *computer consultancy*
i. *e-commerce / internet related activities."*

Prior to the above, sub-clauses (g) and (h) of sub-clause (ii) of Explanation 2 were inserted vide SEBI Circular No. RMB (Compendium) Series Circular No. 1 (2001-2002) dated July 17, 2001 for the following:
"g) Foreign Venture Capital investors registered with SEBI
h) State Industrial Development corporations"

Prior to the above, clause 2.2.2 was substituted vide SEBI Circular No. DIP (Compendium) Circular No. 3 dated August 04, 2000 for the following:
"2.2.2 An unlisted company which does not satisfy the requirement specified in Clause 2.2.1 above, can make a public issue of equity share capital or any security convertible at later date into equity share capital, provided a public financial institution or a scheduled commercial bank:-
a) has appraised the project to be financed through the proposed offer to the public; and ;
b) not less than 10% of the project cost is financed by the said appraising bank or institution by way of loan, equity, participation in the issue of security in the proposed issue or combination of any of them.
c) the appraising bank or institution shall bring in the minimum specified contribution at least one day before the opening of the public issue.

Explanation:
For the purpose of the term 'track record':
(A) At least three (3) audited accounts shall be available comprising not less than thirty six (36) months for determining the minimum track record of three (3) years,

(B) In case of companies in the information technology sector, the track record of distributable profits shall be considered for the purpose of eligibility requirements only if the profits are emanating from the information technology business or activities.

(C) In case of partnership firms which have since been converted into companies, the track record of distributable profits of the firm shall be considered for the purpose of eligibility requirements if, the financial statements for the respective years pertaining to partnership business conform to and are revised in a format identical to that required for companies and also comply with the following:
(i) adequate disclosures are made in the financial statements similar to that of companies as specified in Schedule VI of the Companies Act, 1956, and the financial statements shall be duly certified by a Chartered Accountant stating unequivocally that:
(a) the accounts as revised or otherwise and disclosures made are in line with the provision of Schedule VI of the Companies Act, 1956; and
(b) the accounting standards of the Institute of Chartered Accountants of India (ICAI) have been followed and that the financial statements present a true and fair picture of the firm's accounts,

(ii) the lead merchant banker shall also conform that the financial statements furnished on behalf of the Partnership firms are in accordance with accounting standards prescribed by the ICAI.

(D) In case of an unlisted company formed out of a division of an exiting company, the track record of distributable profits of the division spun off shall be considered for the purpose of eligibility criteria if the requirements regarding financial statements as specified for partnership firms in clause (C) above are complied with."

(a) (i) The issue is made through the book-building process, with at least [23](50% of net offer to public) being allotted to the Qualified Institutional Buyers (QIBs), failing which the full subscription monies shall be refunded.

OR

(a) (ii) The "project" has at least 15% participation by Financial Institutions/ Scheduled Commercial Banks, of which at least 10% comes from the appraiser(s). In addition to this, at least 10% of the issue size shall be allotted to QIBs, failing which the full subscription monies shall be refunded

AND

(b) (i) The minimum post-issue face value capital of the company shall be Rs. 10 crores.

OR

(b) (ii) There shall be a compulsory market-making for at least 2 years from the date of listing of the shares, subject to the following:

[24](a) Market makers undertake to offer buy and sell quotes for a minimum depth of 300 shares;

[25](b) Market makers undertake to ensure that the bid-ask spread (difference between quotations for sale and purchase) for their quotes shall not at any time exceed 10%:

[26](c) The inventory of the market makers on each of such stock exchanges, as on the date of allotment of securities, shall be at least 5% of the proposed issue of the company.)

[27](2.2.2A An unlisted public company shall not make an allotment pursuant to a public issue or offer for sale of equity shares or any security convertible into equity shares unless, in addition to satisfying the conditions mentioned in Clause 2.2.1 or 2.2.2 as the case may be, the prospective allottees are not less than one thousand (1000) in number.)

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23 Substituted vide SEBI Circular No. SEBI/CFD/DIL/DIP/16/2005/19/9 dated September 19, 2005 for the letters and figures *"50% of the issue size"*.

24 Numbered the bulleted sub-clause, vide SEBI Circular No. SEBI/CFD/DIL/DIP/14/2005/25/1 dated January 25, 2005.

25 Numbered the bulleted sub-clause, vide SEBI Circular No. SEBI/CFD/DIL/DIP/14/2005/25/1 dated January 25, 2005.

26 Numbered the bulleted sub-clause, vide SEBI Circular No. SEBI/CFD/DIL/DIP/14/2005/25/1 dated January 25, 2005.

27 Inserted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003.

[28](2.2.2B For the purposes of clauses 2.2.1 and 2.2.2 above:

(i) "Net Tangible Assets" shall mean the sum of all net assets of the company, excluding 'intangible assets', as defined in Accounting Standard 26 (AS 26) issued by the Institute of Chartered Accountants of India.

(ii) "Project" means the object for which the monies proposed to be raised to cover the objects of the issue.

(iii) In case of partnership firms which have since been converted into companies, the track record of distributable profits of the firm shall be considered only if the financial statements of the partnership business for the said years conform to and are revised in the format prescribed for companies under the Companies Act, 1956 and also comply with the following:

a. adequate disclosures are made in the financial statements as required to be made by the companies as per Schedule VI of the Companies Act, 1956;

b. the financial statements shall be duly certified by a Chartered Accountant stating that:

I. the accounts as revised or otherwise and the disclosures made are in accordance with the provisions of Schedule VI of the Companies Act, 1956; and

II. the accounting standards of the Institute of Chartered Accountants of India (ICAI) have been followed and that the financial statements present a true and fair picture of the firm's accounts.

(iv) In case of an unlisted company formed out of a division of an existing company, the track record of distributable profits of the division spun off shall be considered only if the requirements regarding financial statements as specified for partnership firms in sub-clause (iv) above are complied with.

(v) "Qualified Institutional Buyer" shall mean:

a. public financial institution as defined in section 4A of the Companies Act, 1956;
b. scheduled commercial banks;
c. mutual funds;
d. foreign institutional investor registered with SEBI;
e. multilateral and bilateral development financial institutions;

[28] Inserted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003.

f. venture capital funds registered with SEBI;
g. foreign venture capital investors registered with SEBI;
h. state industrial development corporations;
i. insurance companies registered with the Insurance Regulatory and Development Authority (IRDA);
j. provident funds with minimum corpus of Rs. 25 crores;
k. pension funds with minimum corpus of Rs. 25 crores).

2.2.3 **Offer for sale**

2.2.3.1 [29](An offer for sale shall not be made of equity shares of a company or any other security which may be converted into or exchanged with equity shares of the company at a later date, unless the conditions laid down in clause 2.2.1 or 2.2.2, as the case may be and in clause 2.2.2A, are satisfied.)

2.2.4 Offer for sale can also be made if provisions of clause 2.2.2 are complied at the time of submission of offer document with Board.

2.3 **Public Issue by Listed Companies**

2.3.1 [30](A listed company shall be eligible to make a public issue of equity shares or any other security which may be converted into or exchanged with equity shares at a later date:

Provided that the aggregate of the proposed issue and all previous issues made in the same financial year in terms of size (i.e., offer through offer document + firm allotment + promoters' contribution through the offer document), issue size does not exceed 5 times its

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[29] Substituted clause 2.2.3.1, vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003, for the following:
"A company, whose equity shares or any security convertible at later date into equity shares are offered through an offer for sale, shall comply with the provisions of Clause 2.2.".

Prior to the above, clause 2.2.3.1 was substituted vide SEBI Circular No. DIP (Compendium) Circular No. 3 dated August 04, 2000 for the following:
"A company, whose equity share or any security convertible at later date into equity shares are offered through an offer for sale, has to comply with the provisions of Clause 2.2.1 or Clause 2.2.2".

[30] Substituted clause 2.3.1, vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003, for the following:
"A listed company shall be eligible to make a public issue of equity shares or any security convertible at later date into equity share.

***Provided that** the issue size (i.e. offer through offer document + firm allotment + promoters' contribution through the offer document) does not exceed five (5) times its pre-issue networth as per the last available audited accounts either at the time of filing draft offer document with the Board or at the time of opening of the issue."*

Prior to the above, clause 2.3.1 was substituted vide SEBI Circular No. DIP (Compendium) Circular No. 3 dated August 04, 2000 for the following:
"2.3.1 A listed company shall be eligible to make a public issue of equity shares or any security convertible at later date into equity share.

Provided that, if as a result of the proposed issue, networth of the company becomes more than five times the networth prior to the issue, the company shall satisfy either the provisions of Clause 2.2.1 or Clause 2.2.2, before it can make the proposed public issue.

pre-issue networth as per the audited balance sheet of the last financial year.

Provided [31](**further**) **that** in case there is a change in the name of the issuer company within the last 1 year (reckoned from the date of filing of the offer document), the revenue accounted for by the activity suggested by the new name is not less than 50% of its total revenue in the preceding 1 full-year period.)

2.3.2 [32](A listed company which does not fulfill the conditions given in the provisos to Clause 2.3.1 above shall be eligible to make a public issue, subject to complying with the conditions specified in clause 2.2.2.)

2.3.3 [33](Deleted)

2.4 **Exemption from Eligibility Norms**

2.4.1 The provisions of clauses [34](2.2 and 2.3) shall not be applicable in case of:

i) a banking company including a Local Area Bank (hereinafter referred to as Private Sector Banks) set up under sub-section (c) of Section 5 of the Banking Regulation Act, 1949 and which has received license from the Reserve Bank of India; or

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[31] Inserted vide SEBI Circular No. SEBI/CFD/DIL/DIP/14/2005/25/1 dated January 25, 2005.

[32] Substituted clause 2.3.2, vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003, for the following:
"A listed company which does not fulfill the condition given in the proviso to clause 2.3.1 above, shall be eligible to make a public issue only through the book building process.

***Provided that** sixty percent (60%) of the issue size shall be allotted to the Qualified Institutional Buyers (QIBs), failing which the full subscription monies shall be refunded."*

Prior to the above, clause 2.3.2 was substituted vide SEBI Circular No. DIP (Compendium) Circular No. 3 dated August 04, 2000 for the following:
"2.3.2 Public issue by listed companies which has changed its name to indicate as if it was engaged in the business / activities in information technology sector during a period of three years prior to filing of offer document with the Board, shall be eligible to make a public issue of equity share or securities convertible at a later date into equity share, if;
(a) (i) it has a track record of distributable profits in terms of Section 205 of Companies Act, for at least three (3) out of immediately preceding five (5) years from the information technology business / activities, and
(ii) it has a pre-issue networth of not less than Rs.One Crore in three (3) out of preceding five (5) years, with the minimum networth to be met during immediately preceding two (2) years.

(b) if the company does not satisfy the requirements specified in clause (a) above, it can make a public issue provided that it satisfies the requirements laid down in sub-clauses (a), (b) and (c) of clause 2.2.2."

[33] Omitted the following clause 2.3.3, vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003:
"A listed company which has changed its name so as to indicate that it is a company in the information technology sector as defined in Clause 'iii' of Explanation 2 of Clause 2.2.1, during a period of three years prior to filing of offer document with the Board, shall comply with the requirements of Clause 2.2 for unlisted companies, before it can make a public issue of equity shares or securities convertible at a later date into equity shares."

[34] Substituted vide SEBI Circular No. DIP (Compendium) Circular No. 3 dated August 04, 2000 for *"2.2.1, 2.2.2 and 2.3.1".*

ii) a corresponding new bank set up under the Banking Companies (Acquisition and Transfer of Undertaking) Act, 1970 Banking Companies (Acquisition and Transfer of Undertaking) Act, 1980, State Bank of India Act 1955 and State Bank of India (Subsidiary Banks) Act, 1959 (hereinafter referred to as "public sector banks");

iii) an infrastructure company:

a) [35](whose project has been appraised by a Public Financial Institution (PFI) or Infrastructure Development Finance Corporation (IDFC) or Infrastructure Leasing and Financing Services Ltd. (IL&FS) or a bank which was earlier a PFI; and)

b) not less than 5% of the project cost is financed by any of the institutions referred to in sub-clause (a), jointly or severally, irrespective of whether they appraise the project or not, by way of loan or subscription to equity or a combination of both;

iv) rights issue by a listed company.

Explanation: [36](Deleted)

2.5 **Credit Rating for Debt Instruments**

[37](2.5.1A No issuer company shall make a public issue or rights issue of debt instruments (whether convertible or not), unless the following conditions are also satisfied, as on date of filing of draft offer document with SEBI and also on the date of filing a final offer document with ROC/ Designated Stock Exchange:

(i) credit rating of not less than investment grade is obtained from not less than two credit rating agencies registered with SEBI and disclosed in the offer document;

(ii) The company is not in the list of willful defaulters of RBI;

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[35] Substituted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003 for the following:
"whose project has been appraised by a Public Financial Institution or Infrastructure Development Finance Corporation (IDFC) or Infrastructure Leasing and Financing Services Ltd. (IL&FS) and".

[36] Omitted the following explanation, vide SEBI Circular No. DIP (Compendium) Circular No. 3 dated August 04, 2000, for the following:
"For the purposes of Clauses 2.2.1 and 2.3.1, "networth" shall mean aggregate of value of the paid up Equity capital and Free Reserves (excluding reserves created out of revaluation) reduced by the aggregate value of accumulated losses and deferred Expenditure not written off including miscellaneous expenses not written off)".

[37] Substituted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003 for the following:
"2.5.1 No public or rights issue of debt instrument (including convertible instruments) irrespective of their maturity or conversion period shall be made unless credit rating from a credit rating agency is obtained and disclosed in the offer document."

(iii) The company is not in default of payment of interest or repayment of principal in respect of debentures issued to the public, if any, for a period of more than 6 months.

2.5.1B An issuer company shall not make an allotment of non-convertible debt instrument pursuant to a public issue if the proposed allottees are less than fifty (50) in number. In such a case the company shall forthwith refund the entire subscription amount received. If there is a delay beyond 8 days after the company becomes liable to pay the amount, the company shall pay interest @15% p.a. to the investors.)

2.5.2 [38](Where credit ratings are obtained from more than two credit rating agencies, all the credit rating/s, including the unaccepted credit ratings, shall be disclosed.)

2.5.3 [39](Deleted.)

2.5.4 All the credit ratings obtained during the three (3) years preceding the pubic or rights issue of debt instrument (including convertible instruments) for any listed security of the issuer company shall be disclosed in the offer document.

[40](2.5A **IPO Grading**

2.5A.1 No unlisted company shall make an IPO of equity shares or any other security which may be converted into or exchanged with equity shares at a later date, unless the following conditions are satisfied as on the date of filing of Prospectus (in case of fixed price issue) or Red Herring Prospectus (in case of book built issue) with ROC:

(i) the unlisted company has obtained grading for the IPO from at least one credit rating agency;

(ii) disclosures of all the grades obtained, along with the rationale/ description furnished by the credit rating agency(ies) for each of the grades obtained, have been made in the Prospectus (in case of fixed price issue) or Red Herring Prospectus (in case of book built issue); and

(iii) the expenses incurred for grading IPO have been borne by the unlisted company obtaining grading for IPO.)

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[38] Substituted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003 for the following:
"Where credit rating is obtained from more than one credit rating agencies, all the credit rating/s, including the unaccepted credit ratings, shall be disclosed."

[39] Omitted the following vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003:
"For a public and rights issue of debt-securities of issue size greater than or equal to Rs.100 crores, two ratings from two different credit rating agencies shall be obtained."

[40] Inserted clause 2.5A, vide SEBI Circular No. SEBI/CFD/DIL/DIP/25/2007/30/4 dated April 30, 2007.

2.6 **Outstanding Warrants or Financial Instruments**

2.6.1 No unlisted company shall make a public issue of equity share or any security convertible at later date into equity share, if there are any outstanding financial instruments or any other right which would entitle the existing promoters or shareholders any option to receive equity share capital after the initial public offering.

2.7 **Partly Paid-up Shares**

2.7.1 No company shall make a public or rights issue of equity share or any security convertible at later date into equity share, unless all the existing partly paid-up shares have been fully paid or forfeited in a manner specified in clause 8.6.2.

[41](2.8 **Means of Finance**

No company shall make a public or rights issue of securities unless firm arrangements of finance through verifiable means towards 75% of the stated means of finance, excluding the amount to be raised through proposed Public/ Rights issue, have been made.)

[41] Inserted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003.

CHAPTER III

PRICING BY COMPANIES ISSUING SECURITIES

3.0 The companies eligible to make public issue can freely price their equity shares or any security convertible at later date into equity shares in the following cases:

3.1 **Public/ Rights Issue by Listed Companies**

3.1.1 A listed company whose equity shares are listed on a stock exchange, may freely price its equity shares and any security convertible into equity at a later date, offered through a public or rights issue.

3.2 **Public Issue by Unlisted Companies**

3.2.1 An unlisted company eligible to make a public issue and desirous of getting its securities listed on a recognised stock exchange pursuant to a public issue, may freely price its equity shares or any securities convertible at a later date into equity shares.

[42](3.2A) **Infrastructure company**

[43](3.2A.1) An eligible infrastructure company shall be free to price its equity shares, subject to the compliance with the disclosure norms as specified by SEBI from time to time.

3.3 **Initial public Issue by Banks**

3.3.1 The banks (whether public sector or private sector) may freely price their issue of equity shares or any securities convertible at a later date into equity share, subject to approval by the Reserve Bank of India.

3.4 **Differential Pricing**

3.4.1 Any unlisted company or a listed company making a public issue of equity shares or securities convertible at a later date into equity shares, may issue such securities to applicants in the firm allotment category at a price different from the price at which the net offer to the public is made, provided that the price at which the security is being offered to the applicants in firm allotment category is higher than the price at which securities are offered to public.

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[42] Numbered vide SEBI Circular No. SEBI/CFD/DIL/DIP/14/2005/25/1 dated January 25, 2005.

[43] Renumbered clause "*3.2.3"* as 3.2A.1, vide SEBI Circular No. SEBI/CFD/DIL/DIP/14/2005/25/1 dated January 25, 2005.

Explanation:

The net offer to the public means the offer made to the Indian public and does not include firm allotments or reservations or promoters' contributions.

3.4.2 A listed company making a composite issue of capital may issue securities at differential prices in its public and rights issue.

3.4.3 In the public issue which is a part of a composite issue, differential pricing as per sub-clause 3.4.1 above is also permissible.

3.4.4 Justification for the price difference shall be given in the offer document for sub-clauses 3.4.1 and 3.4.2.

3.5 **Price Band**

3.5.1 Issuer company can mention a price band of 20% (cap in the price band should not be more than 20% of the floor price) in the offer documents filed with the Board and actual price can be determined at a later date before filing of the offer document with ROCs.

3.5.2 If the Board of Directors has been authorised to determine the offer price within a specified price band such price shall be determined by a Resolution to be passed by the Board of Directors.

3.5.3 [44](The Lead Merchant Bankers shall ensure that in case of the listed companies, a 48 hours notice of the meeting of the Board of Directors for passing resolution for determination of price is given to the Designated Stock Exchange.)

[45](3.5.4 In case of public issue by listed issuer company, issue price or price band may not be disclosed in the draft prospectus filed with the Board.)

[46](3.5.5 In case of a rights issue, issue price or price band may not be disclosed in the draft letter of offer filed with the Board. The issue price may be determined anytime before fixation of the record date, in consultation with the Designated Stock Exchange.)

[47](3.5.6) The final offer document shall contain only one price and one set of financial projections, if applicable.

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[44] Substituted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003 for the following:
"The Lead Merchant Bankers shall ensure that in case of the listed companies, a 48 hours notice of the meeting of the Board of Directors for passing resolution for determination of price is given to the regional Stock Exchange."

[45] Inserted vide SEBI Circular No. SEBI/CFD/DIL/DIP/19/2006/31/3 dated March 31, 2006.

[46] Inserted vide SEBI Circular No. SEBI/CFD/DIL/DIP/19/2006/31/3 dated March 31, 2006.

3.6 **Payment of Discounts/ Commissions, etc.**

3.6.1 No payment, direct or indirect in the nature of a discount, commission, allowance or otherwise shall be made either by the issuer company or the promoters in any public issue, to the persons who have received firm allotment in such public issue.

3.7 **Freedom to determine the denomination of shares for public / rights issues and to change the standard denomination**

3.7.1 [48](An eligible company shall be free to make public or rights issue of equity shares in any denomination determined by it in accordance with Sub-section (4) of Section 13 of the Companies Act, 1956 and in compliance with the following and other norms as may be specified by SEBI from time to time:

i. In case of initial public offer by an unlisted company,

a. if the issue price is Rs. 500/- or more, the issuer company shall have a discretion to fix the face value below Rs. 10/- per share subject to the condition that the face value shall in no case be less than Rs. 1 per share;

b. if issue price is less than Rs. 500 per share, the face value shall be Rs. 10/- per share;

[49](**Provided that** nothing contained in sub-clause (i) shall apply to initial public offer made by any government company, statutory authority or corporation or any special purpose vehicle set up by any of them, which is engaged in infrastructure sector.

Explanation:

For the purposes of this proviso, the term "Infrastructure sector" shall include the following facilities/services:

(i) Transportation (including inter modal transportation), including the following:

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[47] Renumbered clause 3.5.4 as *"clause 3.5.6"*, vide SEBI Circular No. SEBI/CFD/DIL/DIP/19/2006/31/3 dated March 31, 2006.

[48] Substituted vide SEBI Circular No. SEBI/CFD/DIL/DIP/13/2004/28/5 dated May 28, 2004 for the following:
"An eligible company shall be free to make public or rights issue of equity shares in any denomination determined by it in accordance with sub-section (4) of section 13 of the Companies Act, 1956 and in compliance with the norms as specified by SEBI in circular no.SMDRP/POLICY/CIR-16/99 dated June 14, 1999 and other norms as may be specified by SEBI from time to time."

[49] Inserted proviso to sub-clause (i) and Explanation to the proviso, vide SEBI Circular No. SEBI/CFD/DIL/DIP/ 27/2007/10/7 dated June 10, 2007.

(a) Roads, national highways, state highways, major district roads, other district roads and village roads, including toll roads, bridges, highways, road transport providers and other road-related services;
(b) Rail system, rail transport providers, metro rail roads and other railway related services;
(c) Ports (including minor ports and harbours), inland waterways, coastal shipping including shipping lines and other port related services;
(d) Aviation, including airports, heliports, airlines and other airport related services;
(e) Logistics services;

(ii) Agriculture, including the following:
(a) Infrastructure related to storage facilities;
(b) Construction relating to projects involving agro-processing and supply of inputs to agriculture;
(d) Construction for preservation and storage of processed agro-products, perishable goods such as fruits, vegetables and flowers including testing facilities for quality;

(iii) Water management, including the following:
(a) Water supply or distribution;
(b) Irrigation;
(c) Water treatment, etc.

(iv) Telecommunication, including the following:
(a) Basic or cellular, including radio paging;
(b) Domestic satellite service (i.e., satellite owned and operated by an Indian company for providing telecommunication service);
(c) Network of trunking, broadband network and internet services;

(v) Industrial, Commercial and Social development and maintenance, including the following:
(a) Real estate development, including an industrial park or special economic zone;
(b) Tourism, including hotels, convention centres and entertainment centres;
(c) Public markets and buildings, trade fair, convention, exhibition, cultural centres, sports and recreation infrastructure, public gardens and parks;
(d) Construction of educational institutions and hospitals;
(e) Other urban development, including solid waste management systems, sanitation and sewerage systems, etc.;

(vi) Power, including the following:
- (a) Generation of power through thermal, hydro, nuclear, fossil fuel, wind and other renewable sources;
- (b) Transmission ,distribution or trading of power by laying a network of new transmission or distribution lines;

(vii) Petroleum and natural gas, including the following:
- (a) Exploration and production;
- (b) Import terminals;
- (c) Liquefaction and re-gasification;
- (d) Storage terminals;
- (e) Transmission networks and distribution networks including city gas infrastructure;

(viii) Housing, including the following:
- (a) Urban and rural housing including public / mass housing, slum rehabilitation etc;
- (b) Other allied activities such as drainage, lighting, laying of roads, sanitation facilities etc.;

(ix) Other miscellaneous facilities/services, including the following:
- (a) Mining and related activities;
- (b) Technology related infrastructure;
- (c) Manufacturing of components and materials or any other utilities or facilities required by the infrastructure sector like energy saving devices and metering devices, etc;
- (d) Environment related infrastructure;
- (e) Disaster management services;
- (f) Preservation of monuments and icons;
- (g) Emergency services (including medical, police, fire, and rescue);

(x) Such other facility/service which, in the opinion of the Board, constitutes infrastructure sector.)

ii. The disclosure about the face value of shares (including the statement about the issue price being “X” times of the face value) shall be made in the advertisement, offer documents and in application forms in identical font size as that of issue price or price band.)

3.7.2 The companies which have already issued shares in the denomination of Rs.10/- or Rs.100/- may change the standard denomination of the shares by splitting or consolidating the existing shares.

3.7.3 The companies proposing to issue shares in any denomination or changing the standard denomination in terms of clause 3.7.1 or 3.7.2 above shall comply with the following:

(a) the shares shall not be issued in the denomination of decimal of a rupee;

(b) the denomination of the existing shares shall not be altered to a denomination of decimal of a rupee;

(c) at any given time there shall be only one denomination for the shares of the company;

(d) the companies seeking to change the standard denomination may do so after amending the Memorandum and Articles of Association, if required;

(e) the company shall adhere to the disclosure and accounting norms specified by SEBI from time to time.

CHAPTER IV

PROMOTERS' CONTRIBUTION AND LOCK-IN REQUIREMENTS

PART I – PROMOTERS' CONTRIBUTION

4.0 Promoters' contribution in any public issue shall be in accordance with the following provisions [50](as on the date of filing of draft offer document with SEBI, unless specified otherwise in this Part):

4.1 **Promoters' Contribution in a Public Issue by Unlisted Companies**

4.1.1 In a public issue by an unlisted company, the promoters shall contribute not less than 20% of the post issue capital.

4.1.2 [51](Deleted)

4.2 **Promoters' Shareholding in Case of Offers for Sale**

4.2.1 The promoters' shareholding after offer for sale shall not be less than 20% of the post issue capital.

4.3 **Promoters' Contribution in Case of Public Issues by Listed Companies**

4.3.1 In case of public issues by listed companies, the promoters shall participate either to the extent of 20% of the proposed issue or ensure post-issue share holding to the extent of 20% of the post-issue capital.

4.4 **Promoters' Contribution in Case of Composite Issues**

4.4.1 In case of composite issues of a listed company, the promoters' contribution shall at the option of the promoter(s) be either 20% of the proposed public issue or 20% of the post-issue capital.

4.4.2 Rights issue component of the composite issue shall be excluded while calculating the post-issue capital.

4.5 [52](Deleted)

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[50] Inserted vide SEBI Circular No. SEBI/CFD/DIL/DIP/25/2007/30/4 dated April 30, 2007.

[51] Omitted the following clause vide SEBI Circular No. RMB (Compendium) Series Circular No. 2 (1999-2000) dated February 16, 2000:
"For unlisted companies eligible to bring out public issue at premium in accordance with Clause 3.2.2 in Chapter III, the promoters shall contribute not less than 50% of the post issue capital of the issuer company."

[52] Omitted the following clauses vide SEBI Circular No. RMB (Compendium) Series Circular No. 2 (1999-2000) dated February 16, 2000:
*"4.5 **Promoters contribution in case of public issues by infrastructure companies***

4.6 **Securities Ineligible for Computation of Promoters' Contribution**

4.6.1 Where the promoters of any company making an issue of securities have acquired equity during the preceding three years, before filing the offer documents with the Board, such equity shall not be considered for computation of promoters contribution if it is;

(i) acquired for consideration other than cash and revaluation of assets or capitalisation of intangible assets is involved in such transaction(s); or

(ii) resulting from a bonus issue, out of revaluation reserves or reserves created without accrual of cash resources [53](or against shares which are otherwise ineligible for computation of promoters' contribution);

4.6.2 In case of public issue by unlisted companies, securities which have been [54](acquired by) the promoters during the preceding one year, at a price lower than the price at which equity is being offered to public shall not be eligible for computation of promoters' contribution.

Provided that the shares for which the difference between the offer price and the issue price for these shares is brought in by the promoters shall be considered eligible subject to issuer company complying with the applicable provisions of the Companies Act, 1956 (such as passing of revised resolution by shareholders or issuer's Board, filing of revised return of allotment with ROC, etc.)

[55](**Provided further that** nothing contained in clause 4.6.2 shall apply to shares acquired by promoters interse, if such shares had been acquired by the transferor promoter during the preceding one year at a price equal or higher than the price at which equity is being offered to public or had been acquired by the transferor promoter prior to the preceding one year.)

[56](**Provided further that** nothing contained in clause 4.6.2 shall apply to an unlisted government company, statutory authority or corporation or

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4.5.1 For unlisted infrastructure companies eligible to bring out public issues at premium in accordance with Clause 3.2.3 of Chapter III, the promoters alongwith equipment suppliers and other strategic investors shall contribute not less than 50% of the post issue capital of the issuer company at the same or higher price than the price at which the securities are being offered to the public.

4.5.2 The contribution by equipment suppliers and other strategic investors shall be eligible to be treated as promoters contribution."

[53] Inserted vide SEBI Circular No. SEBI/CFD/DIL/DIP/25/2007/30/4 dated April 30, 2007.

[54] Substituted vide SEBI Circular No. SEBI/CFD/DIL/DIP/25/2007/30/4 dated April 30, 2007 for the words *"issued to"*.

[55] Inserted vide SEBI Circular No. SEBI/CFD/DIL/DIP/25/2007/30/4 dated April 30, 2007.

any special purpose vehicle set up by any of them, which is engaged in infrastructure sector.

Explanation:

For the purposes of 3rd proviso above, the term "Infrastructure sector" shall have the same meaning as assigned to it in Explanation to proviso to sub-clause (i) of clause 3.7.1.)

4.6.3 In respect of companies formed by conversion of partnership firms, where the partners of the erstwhile partnership firm and the promoters of the converted company are the same and there is no change in management, the shares allotted to the promoters during previous one year out of the funds brought in during that period shall not be considered eligible for computation of promoters contribution unless such shares have been issued at the same price at which the public offer is made.

Provided that if the partners' capital existed in the firm for a period of more than one year on a continuous basis, the shares allotted to promoters against such capital shall be considered eligible.

4.6.4 In respect of Clauses 4.6.1, 4.6.2 and 4.6.3, such ineligible shares acquired in pursuance to a scheme of merger or amalgamation approved by a High Court shall be eligible for computation of promoters' contribution.

[57](4.6.4A Pledged securities held by promoters shall not be eligible for computation of promoters' contribution.)

4.6.5 For the purposes of computing the promoters' contribution referred to in Clauses 4.1.1, 4.1.2, 4.2.1, 4.3.1, 4.4.1 & 4.5.1 above, minimum contribution of Rs.25000 per application from each individual and minimum contribution of Rs.1 lac from firms and companies (not being business associates like dealers and distributors), shall be eligible to be considered towards promoters' contribution.

4.6.6 No securities forming part of promoters' contribution shall consist of any private placement made by solicitation of subscription from unrelated persons either directly or through any intermediary.

4.6.7 The securities for which a specific written consent has not been obtained from the respective shareholders for inclusion of their

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[56] Inserted proviso to clause 4.6.2 and Explanation thereto, vide SEBI Circular No. SEBI/CFD/DIL/DIP/ 27/2007/10/7 dated June 10, 2007.

[57] Inserted clause, vide SEBI Circular No. SEBI/CFD/DIL/DIP/25/2007/30/4 dated April 30, 2007.

subscription in the minimum promoters' contribution subject to lock-in shall not be eligible for promoters' contribution.

4.7 **Computation of Promoters' Contribution in Case of Issue of Convertible Security**

4.7.1 In case of any issue of convertible security by a company, the promoters shall have an option to bring in their subscription by way of equity or by way of subscription to the convertible security being offered through the proposed issue so that the total promoters' contribution shall not be less than the required minimum contribution referred to in Clauses 4.1.1, 4.1.2, 4.2.1, 4.3.1, 4.4.1 & 4.5.1 above.

Provided that, if the conversion price of emerging equity is not pre-determined and the same has not been specified in the offer document (instead a formula for conversion price is indicated), the promoters shall not have the said option and shall contribute by subscribing to the same instrument.

4.7.2 In case of any issue of security convertible in stages either at par or premium (conversion price being predetermined), the promoters' contribution in terms of equity share capital shall not be at a price lower than the weighted average price of the share capital arising out of conversion.

Explanation: For the purposes of clause 4.7.2,

(a) "weights" means the number of equity shares arising out of conversion of security into equity at various stages.

(b) "price" means the price of equity shares on conversion arrived at after taking into account predetermined conversion price at various stages.

4.7.3 The promoters' contribution shall be computed on the basis of post-issue capital assuming full proposed conversion of such convertible security into equity.

Provided that where the promoter is contributing through the same optional convertible security as is being offered to the public, such contribution shall be eligible as promoters' contribution only if the promoter(s) undertakes in writing to accept full conversion.

4.8 **Promoters' Participation in Excess of the Required Minimum Contribution to be Treated as Preferential Allotment**

4.8.1 In case of a listed company, participation by promoters in the proposed public issue in excess of the required minimum percentage referred in Clauses 4.3.1 and 4.4.1 shall attract the pricing provisions of

Guidelines on preferential allotment, if the issue price is lower than the price as determined on the basis of said preferential allotment guidelines.

4.9 **Promoters' Contribution to be brought in before Public Issue Opens**

4.9.1 Promoters shall bring in the full amount of the promoters' contribution including premium at least one day prior to the issue opening date [58](which shall be kept in an escrow account with a Scheduled Commercial Bank and the said contribution/ amount shall be released to the company along with the public issue proceeds.)

[59](**Provided that**, where the promoters' contribution has been brought prior to the public issue and has already been deployed by the company, the company shall give the cash flow statement in the offer document disclosing the use of such funds received as promoters' contribution.)

Provided [60](**further**) **that** where the promoters' minimum contribution exceeds Rs.100 crores, the promoters shall bring in Rs.100 crores before the opening of the issue and the remaining contribution shall be brought in by the promoters in advance on pro-rata [61](basis) before the calls are made on public.

4.9.2 The company's board shall pass a resolution allotting the shares or convertible instruments to promoters against the moneys received.

4.9.3 A copy of the resolution along with a Chartered Accountants' Certificate certifying that the promoters' contribution has been brought in shall be filed with the Board before opening of the issue.

4.9.4 The certificate of the Chartered Accountants shall also be accompanied by a list of names and addresses of friends, relatives and associates who have contributed to the promoters' quota along with the amount of subscription made by each of them.

4.10 **Exemption from Requirement of Promoters' Contribution**

4.10.1 The requirement of promoters' contribution shall not be applicable:

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[58] Inserted vide SEBI Circular No. DIP (Compendium) Circular No. 3 dated August 04, 2000.

[59] Inserted vide SEBI Circular No. DIP (Compendium) Circular No. 3 dated August 04, 2000.

[60] Inserted vide SEBI Circular No. DIP (Compendium) Circular No. 3 dated August 04, 2000.

[61] Inserted vide SEBI Circular No. DIP (Compendium) Circular No. 3 dated August 04, 2000.

(a) in case of public issue of securities by a company which has been listed on a stock exchange for at least 3 years and has a track record of dividend payment for at least 3 immediately preceding years.

Provided that if the promoters participate in the proposed issue to the extent greater than higher of the two options available as per Clauses 4.3.1 and 4.4.1 above, the subscription in excess of such percentage shall attract pricing guidelines on preferential issue, if the issue price is lower than the price as determined on the basis of said guidelines on preferential issue.

(b) in case of companies where no identifiable promoter or promoter group exists.

(c) in case of rights issues.

Provided [62](**that**) in case of (a) and (c) above, the promoters shall disclose their existing shareholding and the extent to which they are participating in the proposed issue, in the offer document.

PART II - LOCK-IN REQUIREMENTS

4.11 Lock in of Minimum Specified Promoters' Contribution in Public Issues

4.11.1 In case of any issue of capital to the public the minimum promoters' contribution (as per clause 4.1, 4.2, 4.3, 4.4 & 4.5) shall be locked in for a period of 3 years.

4.11.2 The lock-in shall start from the date of allotment in the proposed public issue and the last date of the lock-in shall be reckoned as three years from the date of commencement of commercial production or the date of allotment in the public issue whichever is later.

Explanation:

The expression "Date of commencement of commercial production" means the last date of the month in which commercial production in a manufacturing company is expected to commence as stated in the offer document.

4.12 Lock-in of Excess Promoters' Contribution

4.12.1 In case of a public issue by unlisted company, if the promoters' contribution in the proposed issue exceeds the required minimum

[62] Inserted vide SEBI Circular No. SEBI/CFD/DIL/DIP/14/2005/25/1 dated January 25, 2005.

contribution, such excess contribution shall also be locked in for a period of [63](one year).

4.12.2 In case of a public issue by a listed company, participation by promoters in the proposed public issue in excess of the required minimum percentage shall also be locked-in for a period of [64](one year) as per the lock-in provisions as specified in Guidelines on Preferential issue.

Provided that excess promoters' contribution as per Clause 4.10.1(a) of Part I of this Chapter shall not be subject to lock-in.

4.12.3 In case shortfall in the firm allotment category is met by the promoter as specified in clause 8.5(e), such subscription shall be locked in for a period of [65](one year).

4.13 **Securities Issued Last to be Locked-in First**

4.13.1 The securities forming part of promoters' contribution as specified in Clauses 4.1.1, 4.1.2, 4.2.1, 4.3.1, 4.4.1 & 4.5.1 of Part I of this Chapter and issued last to the promoters shall be locked in first for the specified period.

Provided that the securities issued to the financial institutions appearing as promoters, if issued last, shall not be locked-in before the shares allotted to the other promoters.

4.14 **Lock-in of pre-issue share capital of an unlisted company**

4.14.1 [66](The entire pre-issue capital, other than that locked-in as minimum promoters' contribution, shall be locked-in for a period of one year from the date of allotment [67](in the proposed public issue).

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[63] Substituted vide SEBI Circular No. DIP (Compendium) Circular No. 3 dated August 04, 2000 for *"3 years".*

[64] Substituted vide SEBI Circular No. DIP (Compendium) Circular No. 3 dated August 04, 2000 for the words *"three years".*

[65] Substituted vide SEBI Circular No. DIP (Compendium) Circular No. 3 dated August 04, 2000 for the words *"three years".*

[66] Substituted vide SEBI Circular No. SEBI/CFD/DIL/DIP/19/2006/31/3 dated March 31, 2006 for the following:
"The entire pre-issue share capital, other than that locked-in as promoters' contribution, shall be locked-in for a period of one year from the date of commencement of commercial production or the date of allotment in the public issue, whichever is later.

***Provided that** where shares held by promoter(s) are lent to the SA under clause 8A.7, they shall be exempted from the lock in requirements specified above, for the period starting from the date of such lending to the date when they are returned to the same promoter(s) under clause 8A.13 or under clause 8A.15, as the case may be."*

Prior to the above, clause 4.14.1 was substituted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003 for the following:

Provided that where shares held by promoter(s) are lent to the SA under clause 8A.7, they shall be exempted from the lock in requirements specified above for the period starting from the date of such lending and ending on the date on which they are returned to the same lender(s) under clause 8A.13 or under clause 8A.15, as the case may be.)

4.14.2 [68](Clause 4.14.1 shall not be applicable to:

(i) [69](pre-issue shares held by a Venture Capital Fund or a Foreign Venture Capital Investor, subject to the following conditions:

(a) the shares have been held by the Venture Capital Fund or the Foreign Venture Capital Investor, as the case may be, for a period of at least one year as on the date of filing draft prospectus with the Board;

"The entire pre-issue share capital, other than that locked-in as promoters' contribution, shall be locked-in for a period of one year from the date of commencement of commercial production or the date of allotment in the public issue, whichever is later."

67 Inserted vide SEBI Circular No. SEBI/CFD/DIL/DIP/23/2006/16/10 dated October 16, 2006.

68 Substituted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003 for the following:

"4.14.2 Clause 4.14.1 shall not be applicable to the pre-issue share capital)

(i) [68](held by Venture Capital Funds and Foreign Venture Capital Investors registered with the Board. However, the same shall be locked-in as per the provisions of the SEBI (Venture Capital Funds) Regulations, 1996 and SEBI (Foreign Venture Capital Investors) Regulations, 2000 and any amendments thereto

(ii) held for a period of at least one year at the time of filing draft offer document with the Board and being offered to the public through offer for sale.)"

Prior to the above, sub-clause (i) of clause 4.14.2 was substituted vide SEBI Circular No. RMB (Compendium) Series Circular No. 1 (2001-2002) dated July 17, 2001.

Prior to the above amendments made (vide footnotes 55 and 56), clauses 4.14.1 and 4.14.2 were substituted vide SEBI Circular No. DIP (Compendium) Circular No. 3 dated August 04, 2000 for the following:

"4.14.1 Any security issued to promoters or other shareholders, out of revaluation of assets or capitalisation of intangible assets, within a period of 3 preceding years from the date of filing of offer documents with the Board, shall be locked-in for a period of 3 years from the date of allotment of the proposed issue of capital.

4.14.2 Any security to promoters or other shareholders, issued by way of bonus out of revaluation reserves, within a period of 3 preceding years, shall be locked-in for a period of 3 years from the date of allotment of the proposed issue of capital.

4.14.3 In case of unlisted companies, any security issued to promoter or to any other shareholder, during the preceding one year, at a price lower than the price at which equity is being offered to public shall be locked-in for a period of 3 years from the date of allotment of the proposed issue of capital."

69 Substituted sub-clause (i) vide SEBI Circular No. SEBI/CFD/DIL/DIP/23/2006/16/10 dated October 16, 2006 for the following:

"(i) pre-issue share capital held by Venture Capital Funds and Foreign Venture Capital Investors registered with the Board. However, the same shall be locked-in as per the provisions of the SEBI (Venture Capital Funds) Regulations, 1996 and SEBI (Foreign Venture Capital Investors) Regulations, 2000 and any amendments thereto;"

Explanation:

(I) If the shares being held by the Venture Capital Fund or Foreign Venture Capital Investor have been acquired on conversion of convertible instruments at any time before the date of filing draft prospectus with the Board, then the period during which the convertible instruments were held by the Venture Capital Fund or the Foreign Venture Capital Investor as fully paid up, shall be included for purpose of calculation of the period mentioned in item (a).

(II) Convertible Instruments shall be deemed to be fully paid up for the purpose of clause (I), if the entire amount payable thereon has been paid and no further payment is envisaged to be made at the time of their conversion.

(b) shares shall be locked in as per the provisions, if any, in SEBI (Venture Capital Funds) Regulations, 1996 or SEBI (Foreign Venture Capital Investors) Regulations, 2000, as the case may be.)

(ii) pre-issue share capital held for a period of at least one year at the time of filing draft offer document with the Board and being offered to the public through offer for sale;

[70](**Provided that** the minimum holding requirement of pre-issue capital shall not apply to an offer for sale of equity shares of an unlisted government company, statutory authority or corporation or any special purpose vehicle set up by any of them, which is engaged in infrastructure sector.

Explanation:

For the purposes of this proviso, the term “Infrastructure sector” shall have the same meaning as assigned to it in Explanation to proviso to sub-clause (i) of clause 3.7.1.)

(iii) pre-IPO shares held by employees other than promoters, which were issued under employee stock option or employee stock purchase scheme of the issuer company before the IPO. However the same is subject to the issuer company complying with the requirements laid down in Clause 22.4 of SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999.)

[70] Inserted proviso to sub-clause (ii) and Explanation to the proviso, vide SEBI Circular No. SEBI/CFD/DIL/DIP/ 27/2007/10/7 dated June 10, 2007.

[71](4.14A **Lock-in of securities issued on firm allotment basis**

Securities issued on firm allotment basis shall be locked-in for a period of one year from the date of commencement of commercial production or the date of allotment in the public issue, whichever is later.)

PART III - OTHER REQUIREMENTS IN RESPECT OF LOCK-IN

4.15 **Pledge of Securities Forming Part of Promoters Contribution**

4.15.1 Locked-in Securities held by promoters may be pledged only with banks or financial institutions as collateral security for loans granted by such banks or financial institutions, provided the pledge of shares is one of the terms of sanction of loan.

[72](**Provided that** if securities are locked in as minimum promoters' contribution under clause 4.11.1, the same may be pledged, only if, in addition to fulfilling the requirements of this clause, the loan has been granted by such banks or financial institutions for the purpose of financing one or more of the objects of the issue.)

4.16 **Inter-se Transfer of Securities Amongst Promoters**

4.16.1 [73](**Inter-se Transfer of Locked- in Securities**

a) Shares held by the person other than the promoters, prior to Initial Public Offering (IPO), which are locked in as per Clause 4.14 of these Guidelines, may be transferred to any other person holding shares which are locked in as per clause 4.14 of these Guidelines subject to continuation of lock-in in the hands of transferees for the remaining

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[71] Substituted vide SEBI Circular No. DIP (Compendium) Circular No. 3 dated August 04, 2000 for the following clause:
*"**Lock-in of pre issue share capital of an unlisted company***
Where an unlisted company eligible to make a public issue and desirous of getting its securities listed on a recognised stock exchange pursuant to a public issue has issued shares to any person within six (6) months prior to the date of opening of the public issue at a price lower than the price at which equity is being offered/issued to public, the entire share capital (except shares issued to venture capitalists and employees of the company) existing prior to public issue shall be locked in for a period of six (6) months from the date of trading of the shares on the regional stock exchange.

Provided, the lock-in would not apply to the shares (other than shares issued to promoters, friends, relatives and associates) if the same were issued more than 6 months prior to the date of opening of the public issue and are offered under offer for sale."

Initially inserted vide SEBI Circular No. RMB (Compendium) Series Circular No. 2 (1999 – 2000) dated February 16, 2000.

[72] Inserted proviso, vide SEBI Circular No. SEBI/CFD/DIL/DIP/25/2007/30/4 dated April 30, 2007.

[73] Substituted vide SEBI Circular No. RMB (Compendium) Series 2003-2004 Circular No. 9 dated May 2, 2003 for the following clause:
"Transfer of locked-in securities amongst promoters as named in the offer document, can be made subject to the lock-in being applicable to the transferees for the remaining period of lock in."

period and compliance of Securities and Exchange Board of India (Substantial Acquisition of shares and Takeovers) Regulations, 1997, as applicable.

b) Shares held by promoter(s) which are locked in as per the relevant provisions of this chapter, may be transferred to and amongst promoter/ promoter group or to a new promoter or persons in control of the company, subject to continuation of lock-in in the hands of transferees for the remaining period and compliance of Securities and Exchange Board of India (Substantial Acquisition of shares and Takeovers) Regulations, 1997, as applicable.')

4.17 **Inscription of Non-Transferability**

4.17.1 The securities which are subject to lock-in shall carry inscription `non transferable' along with duration of specified non-transferable period mentioned in the face of the security certificate.

CHAPTER V

PRE- ISSUE OBLIGATIONS

5.0 The pre-issue obligations are detailed below:

5.1 The lead merchant banker shall exercise due diligence.

5.1.1 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.

5.1.2 The liability of the merchant banker as referred to clause 5.1.1 shall continue even after the completion of issue process.

5.2 The lead merchant banker shall pay requisite fee in accordance with regulation 24A of Securities and Exchange Board of India (Merchant Bankers) Rules and Regulations, 1992 along with draft offer document filed with the Board.

5.3 **Documents to be submitted along with the Offer Document by the Lead Manager**

5.3.1 **Memorandum of Understanding (MOU)**

5.3.1.1 No company shall make an issue of security through a public or rights issue unless a Memorandum of Understanding has been entered into between a lead merchant banker and the issuer company specifying their mutual rights, liabilities and obligations relating to the issue.

5.3.1.2 The MOU shall contain such clauses as are specified at **Schedule I** and such other clauses as considered necessary by the lead merchant banker and the issuer company.

Provided that the MOU shall not contain any clause whereby the liabilities and obligations of the lead merchant banker and issuer company under the Companies Act, 1956 and Securities and Exchange Board of India (Merchant Bankers) Rules and Regulations, 1992 are diminished in any way.

5.3.1.3 The Lead Merchant Banker responsible for drafting of the offer documents shall ensure that a copy of the MOU entered into with the issuer company is submitted to the Board along with the draft offer document.

5.3.2 **Inter-se Allocation of Responsibilities**

5.3.2.1 In case a public or rights issue is managed by more than one Merchant Banker the rights, obligations and responsibilities of each merchant banker shall be demarcated as specified in **Schedule II.**

5.3.2.2 In case of under subscription at an issue, the Lead Merchant Banker responsible for underwriting arrangements shall invoke underwriting obligations and ensure that the underwriters pay the amount of devolvement and the same shall be incorporated in the inter-se allocation of responsibilities (Schedule II) accompanying the due diligence certificate submitted by the Lead Merchant Banker to the Board .

5.3.3 **Due Diligence Certificate**

5.3.3.1 The lead merchant banker, shall furnish to the Board a due diligence certificate as specified in **Schedule III** along with the draft prospectus**.**

[74](5.3.3.1A In case of a debenture issue, the lead merchant banker shall also furnish to the Board a due diligence certificate given by the debenture trustee in the format specified in **Schedule IIIA** along with the draft offer document.)

5.3.3.2 In addition to the due diligence certificate furnished along with the draft offer document, the Lead Merchant Banker shall also:

[75]((ia) where provisos to clause 6.3 or clause 6.39 are applicable, certify that the issuer company is complying with conditions (a) and (b) laid down in 1st proviso to clause 6.3 or with conditions (a) and (b) laid down in 1st proviso to clause 6.39, as the case may be);

[76]((ib)) 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 specified at **Schedule IV.**

(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 specified at **Schedule V.**

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[74] Inserted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003.

[75] Inserted vide SEBI Circular No. SEBI/CFD/DIL/DIP/19/2006/31/3 dated March 31, 2006.

[76] Renumbered sub-clause (i) as *"clause (ib)"*, vide SEBI Circular No. SEBI/CFD/DIL/DIP/19/2006/31/3 dated March 31, 2006.

(iv) furnish a fresh certificate after the issue has opened but before it closes for subscription as per the format specified at **Schedule VI.**

[77](5.3.3.3 The Lead Managers who are responsible for conducting due diligence exercise with respect to contents of the offer document, as per inter-se allocation of responsibilities shall sign due diligence certificate

5.3.4 **Certificates Signed by the Company Secretary or Chartered Accountant, in Case of Listed Companies Making Further Issue of Capital**

5.3.4.1 The Lead Merchant Banker shall furnish the following certificates duly signed by [78](Company Secretary) or Chartered Accountants along with the draft offer documents:

(a) all refund orders of the previous issues were despatched within the prescribed time and in the prescribed manner;

(b) all security certificates were despatched to the allottees within the prescribed time and in the prescribed manner;

(c) the securities were listed on the Stock Exchanges as specified in the offer documents.

5.3.5 **Undertaking**

5.3.5.1 The issuer shall submit an undertaking to the Board to the effect that transactions in securities by the `promoter' the 'promoter group' and the immediate relatives of the `promoters during the period between the date of filing the offer documents with the Registrar of Companies or Stock Exchange as the case may be and the date of closure of the issue shall be reported to the Stock exchanges concerned within 24 hours of the transaction(s).

5.3.6 [79](**List of Promoters' Group and other Details**

5.3.6.1 The issuer company shall submit to the Board the list of the persons who constitute the Promoters' Group and their individual shareholding.

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[77] Inserted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003.

[78] Substituted vide SEBI Circular No. DIP (Compendium) Circular No. 3 dated August 04, 2000 for the word *"companies".*

[79] Substituted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003 for the following:
5.3.6 List of Promoters' Group

5.3.6.1 The issuer shall submit to the Board a list of persons who constitute the Promoters' Group and their individual shareholdings."

5.3.6.2 The issuer company shall submit to the Stock Exchanges on which securities are proposed to be listed, the Permanent Account Number, Bank Account Number and Passport Number of the promoters at the time of filing the draft offer document to them.)

5.4 **Appointment of Intermediaries**

5.4.1 **Appointment of Merchant Bankers**

5.4.1.1 [80](A Merchant Banker shall not lead manage the issue if he is a promoter or a director or associate of the issuer company.

Provided that a merchant banker holding the securities of the issuer company may lead manage the issue if;

a. the securities of the issuer company are listed or proposed to be listed on the Over the Counter Exchange of India (OTCEI) and;

b. the Market Makers have either been appointed or are proposed to be appointed as per the offer document.

Explanation: For the purposes of this clause, a merchant banker shall be deemed to be an associate of the issuer if:

(i) either of them controls directly or indirectly, through itself, its subsidiary or holding company, not less than 15 percent of the voting power of the other; or

(ii) either of them, directly or indirectly, by itself or in combination with other persons, exercises control over the other; or

(iii) There is a common director, excluding nominee director, amongst the body corporate/ its subsidiary or holding company and the Merchant Banker.

Provided that the expression ”control” shall have the same meaning as defined under clause (c) of Regulation 2 of SEBI (Substantial Acquisitions of Shares and Takeovers) Regulations, 1997.)

5.4.2 [81](Deleted)

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[80] Substituted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003 for the following:
“Merchant Banker who is associated with the issuer company as a promoter or a director shall not to lead manage the issue of the company.
***Provided that** the lead merchant banker holding the securities of the issuer company may lead manage the issue;*
a. if the securities of the issuer company are listed or proposed to be listed on the Over the Counter Exchange of India (OTCEI) and;
b the Market Makers have either been appointed or are proposed to be appointed as per the offer document.”

[81] Omitted the following clause vide SEBI Circular No. SEBI/CFD/DIL/DIP/14/2005/25/1 dated January 25, 2005:

5.4.3 **Appointment of Other Intermediaries**

5.4.3.1 Lead Merchant Banker shall ensure that the other intermediaries being appointed are duly registered with the Board, wherever applicable.

5.4.3.1.1 Before advising the issuer on the appointment of other intermediaries, the Lead Merchant Banker shall independently assess the capability and the capacity of the various intermediaries to carry out assignment.

5.4.3.1.2 The Lead Merchant Banker shall ensure that issuer companies enters into a Memorandum of Understanding with the intermediary (ies) concerned whenever required.

5.4.3.2 The Lead Merchant Banker shall ensure that Bankers to the Issue are appointed in all the mandatory collection centres as specified in clause 5.9.

5.4.3.3 The Lead Merchant Banker shall not act as a Registrar to an issue in which it is also handling the post issue responsibilities.

5.4.3.4 The Lead Merchant Bankers shall ensure that;

a the Registrars to Issue registered with the Board are appointed in all public issues and rights issues;

b in case where the issuer company is a registered Registrar to an Issue, the issuer shall appoint an independent outside Registrar to process its issue;

[82](c) Registrar to an issue which is associated with the issuer company as a promoter or a director shall not act as Registrar for the issuer company.

[83](d) Where the number of applications in a public issue is expected to be large, the issuer company in consultation with the lead merchant banker may associate one or more Registrars registered with the Board for the limited purpose of collecting the application forms at different centres and forward the same to the designated Registrar to the Issue as mentioned the offer document. The designated Registrar

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"5.4.2 Appointment of Co-managers

5.4.2.1 Lead Merchant Bankers shall ensure that the number of co-managers to an issue does not exceed the number of Lead Merchant Bankers to the said issue and there is only one advisor to the issue."

[82] Omitted the following vide SEBI Circular No. SEBI/CFD/DIL/DIP/14/2005/25/1 dated January 25, 2005 and numbered the sub clause as "c" :
"*The lead merchant banker shall ensure that"*

[83] Numbered the sub-clause as "d", vide SEBI Circular No. SEBI/CFD/DIL/DIP/14/2005/25/1 dated January 25, 2005.

to the Issue shall, be primarily and solely responsible for all the activities as assigned to them for the issue management.

5.5 **Underwriting**

5.5.1 The lead merchant banker shall satisfy themselves about the ability of the underwriters to discharge their underwriting obligations.

5.5.2 The lead merchant banker shall:

a incorporate a statement in the offer document to the effect that in the opinion of the lead merchant banker, the underwriters' assets are adequate to meet their underwriting obligations;

b obtain Underwriters' written consent before including their names as underwriters in the final offer document.

5.5.3 In respect of every underwritten issue, the lead merchant banker(s) shall undertake a minimum underwriting obligation of 5% of the total underwriting commitment or Rs.25 lacs whichever is less.

5.5.4 The outstanding underwriting commitments of a merchant banker shall not exceed 20 times its networth at any point of time.

5.5.5 In respect of an underwritten issue, the lead merchant banker shall ensure that the relevant details of underwriters are included in the offer document.

5.6 **Offer Document to be Made Public**

5.6.1 The draft offer document filed with the Board shall be made public for a period of [84](30 days) from the date of filing the offer document with the Board.

5.6.2 [85](The lead merchant banker shall,

i. while filing the draft offer document with the Board in terms of Clause 2.1, also file the draft offer document with the stock exchanges where the securities are proposed to be listed;

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[84] Substituted, vide SEBI Circular No. SEBI/CFD/DIL/DIP/25/2007/30/4 dated April 30, 2007, for the words *"21 days"*.

[85] Substituted vide SEBI Circular No. DIP (Compendium) Circular No. 3 dated August 04, 2000 for the following:
"The Lead Merchant Banker shall;
a. simultaneously file copies of the draft offer document with the stock exchanges where the securities offered through the issue are proposed to be listed.
b. make copies of offer document available to the public".

ii. [86](make copies of the draft offer document available to the public, host the draft and final offer documents on the websites of the all the lead managers / syndicate members associated with the issue and also ensure that the contents of documents hosted on the websites are the same as that of their printed versions.) [87](Further, where the issuer company is complying with provisos to clause 6.3 or clause 6.39, as the case may be, the offer document of the immediately preceding public or rights issue shall also be displayed on the websites in a similar manner);

iii. obtain and furnish to the Board, an in-principle approval of the stock exchanges for listing of the securities within 15 days of filing of the draft offer document with the stock exchanges.)

5.6.3 Lead merchant banker or stock exchanges may charge an appropriate sum to the person requesting for the copy of offer document.

[88](5.6A **Pre – Issue Advertisement**

5.6A.1 Subject to section 66 of the Companies Act, 1956, the issuer company shall soon after receiving final observations, if any, on the draft prospectus or draft Red Herring Prospectus from the Board, make an advertisement in an English national Daily with wide circulation, one Hindi National newspaper and a regional language newspaper with wide circulation at the place where the registered office of the issuer is situated, which shall be in the format and contain the minimum disclosures as given in Part A of Schedule XX – A both in case of fixed price issues as well as book built issues.)

5.6B [89](**IPO Grading**

5.6B.1 Every unlisted company obtaining grading for IPO under clause 2.5A.1 shall disclose all the grades obtained, along with the rationale/ description furnished by the credit rating agency(ies) for each of the grades obtained, in the Prospectus, Abridged Prospectus, issue

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86 Substituted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003 for the following:
"make copies of draft offer document available to the public".

87 Inserted vide SEBI Circular No. SEBI/CFD/DIL/DIP/19/2006/31/3 dated March 31, 2006.

88 Inserted vide SEBI Circular No. SEBI/CFD/DIL/DIP/14/2005/25/1 dated January 25, 2005.

89 Substituted, vide SEBI Circular No. SEBI/CFD/DIL/DIP/25/2007/30/4 dated April 30, 2007, for the following clause, which was inserted vide SEBI Circular No. SEBI/CFD/DIL/DIP/21/2006/24/4 dated April 24, 2006:
*"5.6B **IPO Grading***

5.6B.1 An unlisted company making an IPO of equity shares or any other security which may be converted into or exchanged with equity shares at a later date may opt to obtain grading for such an IPO from one or more credit rating agencies.

5.6B.2 Where an issuer opts to obtain IPO grading under clause 5.6B.1, it shall disclose all grades so obtained by it, including unaccepted grades, in the prospectus and abridged prospectus."

advertisements and at all other places where the issuer company is advertising for the IPO.)

5.7 **Despatch of Issue Material**

5.7.1 The lead merchant banker shall ensure that for public issues offer documents and other issue materials are dispatched to the various stock exchanges, brokers, underwriters, bankers to the issue, investors associations, etc. in advance as agreed upon.

5.7.2 In the case of rights issues, lead merchant banker shall ensure that the [90](abridged letters of offer) are dispatched to all shareholders at least one week before the date of opening of the issue.

[91](**Provided that** where a specific request for letter of offer is received from any shareholder, the Lead Merchant Banker shall ensure that the letter of offer is made available to such shareholder.)

5.7.3 [92](Deleted)

5.8 **No Complaints Certificate**

5.8.1 After a period of [93](30 days) from the date the draft offer document was made public, the Lead Merchant Banker shall file a statement with the Board:

i) giving a list of complaints received by it;

ii) a statement by it whether it is proposed to amend the draft offer document or not, and;

iii) highlight those amendments.

5.9 **Mandatory Collection Centres**

5.9.1 The minimum number of collection centres for an issue of capital shall be:

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90 Substituted vide SEBI Circular No. SEBI/CFD/DIL/DIP/19/2006/31/3 dated March 31, 2006 for the words *"letters of offer"*.

91 Inserted vide SEBI Circular No. SEBI/CFD/DIL/DIP/19/2006/31/3 dated March 31, 2006.

92 Omitted the following clause vide SEBI Circular No. RMB (Compendium) Series Circular No. 2 (1999-2000) dated February 16, 2000:
"after the prospectus a letter of offer has been filed with the Registrar of Companies or Stock Exchange, the printed prospectus or letter of offer shall be forwarded to Board atleast 10 days prior to the issue opening date".

93 Substituted, vide SEBI Circular No. SEBI/CFD/DIL/DIP/25/2007/30/4 dated April 30, 2007, for the words *"21 days"*.

a) the four metropolitan centres situated at Mumbai, Delhi, Calcutta and Chennai

b) all such centres where the stock exchanges are located in the region in which the registered office of the company is situated.

c) the regional division of collection centres is indicated in **Schedule VII.**

5.9.2 The issuer company shall be free to appoint as many collection centres as it may deem fit in addition to the above minimum requirement.

5.10 **Authorised Collection Agents**

5.10.1 The issuer company can also appoint authorised collection agents in consultation with the Lead Merchant Banker subject to necessary disclosures including the names and addresses of such agents made in the offer document.

5.10.2 The modalities of selection and appointment of collection agents can be made at the discretion of the Lead Merchant Banker.

5.10.3 The lead merchant banker shall ensure that the collection agents so selected are properly equipped for the purpose, both in terms of infrastructure and manpower requirements.

5.10.4 The collection agents may collect such applications as are accompanied by payment of application moneys paid by cheques, drafts and stock invests.

5.10.5 The authorised collection agent shall not collect application moneys in cash.

5.10.6 The applications collected by the collection agents shall be deposited in the special share application account with designated scheduled bank either on the same date or latest by the next working day.

5.10.7 The application forms along with duly reconciled schedules shall be forwarded by the collection agent to the Registrars to the Issue after realisation of cheques and after weeding out the applications in respect of cheques return cases, within a period of 2 weeks from the date of closure of the public issue.

5.10.8 [94](Deleted)

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[94] Omitted the following clause vide SEBI Circular No. SEBI/CFD/DIL/DIP/14/2005/25/1 dated January 25, 2005:

"5.10.8 The applications accompanied by stockinvests shall be sent directly by the collection agent to the Registrars to the Issue along with the schedules within one week from the date of closure of the issue. "

5.10.9 The offer documents and application forms shall specifically indicate that the acknowledgement of receipt of application moneys given by the collection agents shall be valid and binding on the issuer company and other persons connected with the issue.

5.10.10 The investors from the places other than from the places where the mandatory collection centres and authorised collection agents are located, can forward their applications along with stockinvests to the Registrars to the Issue directly by Registered Post with Acknowledgement Due.

5.10.11 The applications received through the registered post shall be dealt with by the Registrars to the Issue in the normal course.

5.11 **Advertisement for Rights Post Issues**

5.11.1 The Lead Merchant Banker shall ensure that in case of a rights issue, an advertisement giving the date of completion of despatch of letters of offer, shall be released in at least in an English National Daily with wide circulation, one Hindi National Paper and a Regional language daily circulated at the place where registered office of the issuer company is situated at least 7 days before the date of opening of the issue.

5.11.2 The advertisement referred to in clause 5.11.1 shall indicate the centres other than registered office of the company where the shareholders or the persons entitled to rights may obtain duplicate copies of composite application forms in case they do not receive the original application form within a reasonable time even after opening of the rights issue.

5.11.3 Where the shareholders have neither received the original composite application forms nor are they in a position to obtain the duplicate forms, they may make applications to subscribe to the rights on a plain paper.

5.11.4 The advertisement shall also contain a format to enable the shareholders to make the application on a plain paper containing necessary particulars like name, address, ratio of right issue, issue price, number of shares held, ledger folio numbers, number of shares entitled and applied for, additional shares if any, amount to be paid along with application, particulars of cheque, etc. to be drawn in favour of the company Account - Rights issues.

5.11.5 The advertisement shall further mention that applications can be directly sent by the shareholder through Registered Post together with the application moneys to the company's designated official at the address given in the advertisement.

5.11.6 The advertisement may also invite attention of the shareholders to the fact that the shareholders making the applications otherwise than on the standard form shall not be entitled to renounce their rights and shall not utilise the standard form for any purpose including renunciation even if it is received subsequently.

5.11.7 If the shareholder makes an application on plain paper and also in standard form, he may face the risk of rejection of both the applications.

5.12 **Appointment of Compliance Officer**

5.12.1 An issuer company shall appoint a compliance officer who shall directly liaise with the Board with regard to compliance with various laws, rules, regulations and other directives issued by the Board and investors complaints related matter.

5.12.2 The name of the compliance officer so appointed shall be intimated to the Board.

5.13 **Abridged Prospectus**

5.13.1 The Lead Merchant Banker shall ensure the following:

i) Every application form distributed by the issuer Company or anyone else is accompanied by a copy of the Abridged Prospectus.

ii) The application form may be stapled to form part of the Abridged Prospectus. Alternatively, it may be a perforated part of the Abridged Prospectus.

iii) The Abridged Prospectus shall not contain matters which are extraneous to the contents of the prospectus.

iv) [95](The Abridged prospectus shall be printed in a font size as specified in clause 6.16.1.)

v) Enough space shall be provided in the application form to enable the investors to file in various details like name, address, etc.

[96](5.14 **Agreements with depositories**

5.14.1 The lead manager shall ensure that the issuer company has entered into agreements with all the depositories for dematerialisation of

[95] Substituted vide SEBI Circular No. SEBI/CFD/DIL/DIP/19/2006/31/3 dated March 31, 2006 for the following: *"The Abridged Prospectus shall be printed at least in point 7 size with proper spacing."*

[96] Inserted Clause nos. 5.14 and 5.14.1 vide SEBI Circular No. RMB (Compendium) Series Circular No. 2 (1999-2000) dated February 16, 2000.

securities. He shall also ensure that an option be given to the investors to receive allotment of securities in dematerialised form through any of the depositories.)

[97](5.15 **Branding of securities**

5.15.1 Securities may be branded describing their nature but not the quality.)

[97] Inserted Clause nos. 5.15 and 5.15.1 vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003.

CHAPTER VI

CONTENTS OF OFFER DOCUMENT

6.0 The Offer document shall contain the following:

[98](SECTION I - CONTENTS OF THE PROSPECTUS

6.1 In addition to the disclosures specified in Schedule II of the Companies Act, 1956, the prospectus shall contain the following:

6.2 The prospectus shall contain all material information which shall be true and adequate so as to enable the investors to make informed decision on the investments in the issue.

6.3 The prospectus shall also contain the information and statements specified in this chapter and shall as far as possible follow the order in which the requirements are listed in this chapter and summarised in **Schedule VIIA.**

[99](**Provided that** in case of public issue by listed company, information in terms of clauses 6.8.3.2 (a) and (j) and clause 6.9.5.8 and information in terms of clause 6.10.3.1 in respect of entities not covered under section 370 (1)(B) of the Companies Act 1956 may not be disclosed in the prospectus, if the following conditions are fulfilled:

(a) The issuer company has been filing periodic statements in regard to financial results and shareholding pattern with the Designated Stock Exchange and Registrar of Companies for the last three years and such statements are available on websites of the Designated Stock Exchange/ on a common e- filing platform.

(b) The issuer company has in place an investor grievance handling mechanism which includes meeting of 'Shareholders' / Investors' Grievance Committee' at frequent intervals, appropriate delegation of power by the board of directors of the issuer company with regard to share transfer and clearly laid out systems and procedures for timely and satisfactory redressal of investor grievances.

(c) The Lead Merchant Banker has certified compliance of (a) and (b) above.

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[98] Substituted for Section I of Chapter VI, vide SEBI Circular No. SEBI/CFD/DIL/DIP/14/2005/25/1 dated January 25, 2005. The text of Section I, prior to this substitution, is given at the end of these Guidelines, after Schedule XXX.

[99] Inserted vide SEBI Circular No. SEBI/CFD/DIL/DIP/19/2006/31/3 dated March 31, 2006.

Provided further that where the issuer company is complying with the aforesaid proviso, it shall –

(a) furnish to the Board the following undertaking along with the draft prospectus, which shall also be incorporated in the prospectus:

"We confirm that other than the disclosures made in the instant prospectus, nothing material has changed in respect of disclosures made by us at the time of our previous issue made on ……. ."

(b) make a copy of the offer document of the immediately preceding public or rights issue, available to the public as specified under clause 5.6.2(ii) and also as a document for public inspection.)

6.4 Cover Pages

6.4.1 The cover page paper shall be of adequate thickness (preferably minimum 100 gcm. quality).

6.4.2 **Front Cover Pages**

6.4.2.1 The front outside and inside cover pages of the prospectus shall be white and no patterns or pictures shall be printed on these pages.

6.4.2.2 The front outside cover page of the prospectus shall contain the following details only:

(a) **Issue Details**

(i) The word "Prospectus".

(ii) The name of the issuer company, its logo, its previous name if any, the address of its registered office, along with its telephone number, fax number, contact person, website address and e-mail address.

(iii) The nature, number, price and amount of the instruments offered and the issue size, as may be applicable.

(iv) The following clause on 'Risks in relation to the first issue' (wherever applicable) shall be incorporated in a box format in case of a initial public issue:

"This being the first issue of the company, there has been no formal market for the securities of the company. The face value of the shares is (-----) and the issue price/ floor price/ price band is 'X-times' of the face value. The issue price/ floor price/ price band (has been

determined and justified by the Lead Merchant Banker and the issuer company as stated under Justification of Premium paragraph - in case of premium issue) should not be taken to be indicative of the market price of the equity shares after the shares are listed. No assurance can be given regarding an active or sustained trading in the shares of the company nor regarding the price at which the equity shares will be traded after listing."

(v) The following clause on general risk shall be incorporated:

"Investment in equity and equity related securities involve a degree of risk and investors should not invest any funds in this offer unless they can afford to take the risk of losing their investment. Investors are advised to read the risk factors carefully before taking an investment decision in this offering. For taking an investment decision, investors must rely on their own examination of the issuer and the offer including the risks involved. The securities have not been recommended or approved by Securities and Exchange Board of India (SEBI) nor does SEBI guarantee the accuracy or adequacy of this document."

Specific attention of investors shall be invited to the statement of 'Risk factors' by indicating their page number(s) in the 'General Risks'.

(vi) The following clause on 'Issuer's Absolute Responsibility' clause shall be incorporated as under:

"The issuer, having made all reasonable inquiries, accepts responsibility for and confirms that this offer document contains all information with regard to the issuer and the issue, which is material in the context of the issue, that the information contained in the offer document is true and correct in all material aspects and is not misleading in any material respect, that the opinions and intentions expressed herein are honestly held and that there are no other facts, the omission of which make this document as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect."

(vii) The names, logos and addresses of all the Lead Merchant Bankers with their titles who file the prospectus with the Board, along with their telephone numbers, fax numbers, website addresses and e-mail addresses.

(viii) The name, logo and address of the Registrar to the Issue, along with its telephone number, fax number, website address and e-mail address.

(ix) Issue Schedule:

a. Date of opening of the issue.
b. Date of closing of the issue.
c. Date of earliest closing of the issue.

(x) Credit Rating, if applicable.

(x-a) [100](Disclosure under the heading "IPO Grading", stating all the grades obtained for the IPO and giving reference to the page number(s) on which details of IPO Grading, as provided for in clause 6.8.2.9A, are given.)

(xi) Name/s of the stock exchanges where listing of the securities is proposed (and the details of in-principle approval for listing obtained from these stock exchanges).

6.4.3 **Back Cover Pages**

6.4.3.1 The back inside cover page and back outside cover page shall be in white.

6.5 Table of Contents

6.5.1 Table of Contents shall appear immediately after the front inside cover page.

6.6 Definitions and Abbreviations

6.6.1 Conventional/ General Terms.

6.6.2 Offering-related Terms.

6.6.3 Company/ Industry-related Terms.

6.6.4 Abbreviations.

6.7 Risk Factors

6.7.1 The Risk factors, other than those specified in clauses 6.4.2.2 (a) (iv), (v) and (vi), shall be printed in clear readable font (preferably of minimum point 10 size).

[100] Substituted, vide SEBI Circular No. SEBI/CFD/DIL/DIP/25/2007/30/4 dated April 30, 2007, for the following clause, which was inserted vide SEBI Circular No. SEBI/CFD/DIL/DIP/21/2006/19/4 dated April 19, 2006:
"Statement indicating whether IPO grading has been opted for. If yes, disclosure of all grades so obtained, including unaccepted grades, as provided under clause 5.6B.2 and reference of the page number where details of IPO grading, as provided under clause 6.8.2.9A, are given."

6.7.2 The Risk factors shall be classified as those which are specific to the project and internal to the issuer company and those which are external and beyond the control of the issuer company.

6.7.3 The Risk factors shall be determined on the basis of their materiality.

6.7.4 Materiality shall be decided taking the following factors into account:

6.7.4.1 Some events may not be material individually but may be found material collectively.

6.7.4.2 Some events may have material impact qualitatively instead of quantitatively.

6.7.4.3 Some events may not be material at present but may be having material impacts in future.

6.7.5 The Risk factors shall appear in the prospectus in the following manner:

6.7.5.1 Risks envisaged by Management.

6.7.5.2 Proposals, if any, to address the risks.

6.7.6 Any 'notes' required to be given prominence shall appear immediately after the Risk factors.

6.8 Introduction

6.8.1 Summary

6.8.1.1 Summary of the industry and business of the issuer company.

6.8.1.2 Offering details in brief.

6.8.1.3 Summary consolidated financial, operating and other data.

6.8.2 General Information

6.8.2.1 The name, address of registered office and the registration number of the issuer company, along with the address of the Registrar of Companies where the issuer company is registered.

6.8.2.2 The Board of Directors of the issuer company.

6.8.2.3 Brief details of the Chairman, Managing Director, Whole Time Directors, etc. of the issuer company.

6.8.2.4 The names, addresses, telephone numbers, fax numbers and e-mail addresses of the Company Secretary, Legal Advisor and Bankers to the Company.

6.8.2.5 The name, address, telephone number, fax number and e-mail address of the Compliance Officer.

6.8.2.6 The names, addresses, telephone numbers, fax numbers, contact person, website addresses and e-mail addresses of the Merchant Bankers, Co-Managers, Registrars to the Issue, Bankers to the Issue, Brokers to the Issue, Syndicate members, etc.

6.8.2.7 The names, addresses, telephone numbers, fax numbers and e-mail addresses of the auditors of the issuer company.

6.8.2.8 Statement of inter-se allocation of responsibilities among Lead Managers:

If more than one Merchant Banker is associated with the issue, the inter-se allocation of responsibility of each Merchant Banker, as demarcated and submitted to the Board in terms of clause 5.3.2, shall be disclosed in the prospectus.

6.8.2.9 Credit Rating (in case of debenture issues):

(a) The credit rating obtained from a credit rating agency for the proposed issue of debt security, including convertible instruments.

(b) If the rating has been obtained from more than one credit rating agencies, disclosures shall be made of all ratings including unaccepted rating.

(c) All the credit ratings obtained during the previous three years before filing of the prospectus for any of its listed debt-securities at the time of accessing the market through a rated debt-security shall be disclosed.

[101](6.8.2.9A IPO Grading:

(a) [102](Names of all the credit rating agencies) from which grading has been obtained for the proposed IPO of equity shares or any other security which may be converted into or exchanged with equity shares at a later date [103]().

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[101] Inserted vide SEBI Circular No. SEBI/CFD/DIL/DIP/21/2006/24/4 dated April 24, 2006.

[102] Substituted, vide SEBI Circular No. SEBI/CFD/DIL/DIP/25/2007/30/4 dated April 30, 2007, for the words "*Name of the credit rating agency".*

[103] Omitted the words *"and the grading so obtained, including unaccepted grades"*, vide SEBI Circular No. SEBI/CFD/DIL/DIP/25/2007/30/4 dated April 30, 2007

(b) [104](Disclosure of all the grades obtained from the credit rating agencies.)

(c) The rationale / description of the grading/s so obtained, as furnished by the credit rating agency/ies.)

6.8.2.10 The names, addresses, telephone numbers, fax numbers, website addresses and e-mail addresses of the trustees under debenture trust deed (in case of debenture issue).

6.8.2.11 Name of the monitoring agency, if applicable, to be disclosed.

6.8.2.12 Where the project is being appraised, the name, address, telephone number and e-mail address of the appraising entity.

6.8.2.13 Book building process in brief.

6.8.2.14 Details of Underwriting, if any:

(a) The names, addresses, telephone numbers, fax numbers and e-mail addresses of the underwriters and the amount underwritten by them.

(b) Declaration by the Board of Directors of the issuer company that the underwriters have sufficient resources to discharge their respective obligations.

6.8.3 **Capital Structure**

6.8.3.1 The capital structure shall be presented in the following manner:

(a) Authorised, issued, subscribed and paid up capital (Number of instruments, description and aggregate nominal value).

(b) Size of the present issue, giving separately promoters' contribution, firm allotment/ reservation for specified categories and net offer to public (Number of instruments, description, aggregate nominal value and issue amount shall be given in that order; Name(s) of group companies to be given, in case reservation has been made for shareholders of the group companies; Applicable percentages may be given in case of book built issue).

(c) Paid-up Capital:

(i) After the issue.

[104] Substituted, vide SEBI Circular No. SEBI/CFD/DIL/DIP/25/2007/30/4 dated April 30, 2007, for the following clause, which was inserted vide SEBI Circular No. SEBI/CFD/DIL/DIP/21/2006/19/4 dated April 19, 2006: *"If grading has been obtained from more than one credit rating agency, disclosure shall be made of all the grades so obtained, including unaccepted grades."*

(ii) After conversion of securities (if applicable).

(d) Share Premium Account (before and after the issue).

6.8.3.2 After the details of capital structure, the following notes shall be incorporated:

(a) Share capital issued, giving details such as date of issue, number of shares, face value, issue price, nature of allotment (rights, bonus, etc.), cumulative capital, etc. Further, details of any share split, issue of shares otherwise then for cash (with reasons thereof), any reduction in capital shall also be disclosed.

(b) Note relating to promoters' contribution and lock-in period, stating date of allotment, date when made fully paid up, nature of allotment (rights, bonus, etc.), number of securities, face value of securities, issue price of securities, percentage of promoters' contribution to total issued capital and the date up to which the securities are locked-in. An illustrative format of promoters contribution and lock-in is specified in **Schedule VIII**.

(c) Percentage of contribution by the promoters whose name is mentioned in the prospectus as promoters as per clause 6.9.6.1 and the date up to which the securities are locked-in. An illustrative format of promoters' contribution whose name figures in prospectus is specified in **Schedule IX.**

(d) Statement that promoters' contribution has been brought in to the extent of not less than the specified minimum lot and from persons defined as promoters under the Guidelines.

(e) Statement that the promoters undertake to accept full conversion, if the promoters' contribution is in terms of the same optionally convertible security as is being offered to the public.

(f) Details of all 'buy-back' and `stand by' and similar arrangements for purchase of securities by promoters, directors and lead merchant bankers shall be disclosed.

(g) Statement that an over-subscription to the extent of 10% of the net offer to public can be retained for the purpose of rounding off to the nearer multiple of minimum allotment lot.

(h) A disclosure to the effect that the securities offered through this public/ rights issue shall be made fully paid up or may be forfeited within 12 months from the date of allotment of securities in the manner specified in clause 8.6.2 of these Guidelines.

(i) A note stating that:

(i) Unsubscribed portion in any reserved category may be added to any other reserved category.

(ii) The unsubscribed portion, if any, after such inter se adjustments amongst the reserved categories shall be added back to the net offer to the public.

(iii) In case of under-subscription in the net offer to the public portion spillover to the extent of under subscription shall be permitted from the reserved category to the net public offer portion.

(j) Following details regarding major shareholders:

(i) Names of the ten largest shareholders as on the date of filing of the prospectus with the Registrar of Companies.

(ii) Number of shares held by shareholders at (i) above including number of shares which they would be entitled to upon exercise of warrant, option, rights to convert a debenture, loan or other instrument.

(iii) Particulars as in (i) and (ii) above as on a date two years prior to the date of filing the prospectus with the Registrar of Companies.

(iv) Particulars as in (i) and (ii) above as on a date ten days prior to the date of filing of the prospectus with the Registrar of Companies.

(v) If the issuer company has made an initial public offering within the immediately preceding two years, the above information shall be given separately indicating the names of persons who acquired shares by subscriptions to the public issue and those who acquired the shares by allotment on a firm basis or by private placement.

(k) The details of:

(i) the aggregate shareholding of the promoter group and of the directors of the promoters, where the promoter is a company.

(ii) the aggregate number of securities purchased or sold by the promoters group and the directors of the promoter during a period of six months preceding the date on which the draft prospectus is filed with Board and to be updated by incorporating the information in this regard till the time of filing the prospectus with the Registrar of Companies.

(iii) the maximum and minimum price at which purchases and sales referred to in (ii) above were made along with the relevant dates.

(l) In the event of it not being possible to obtain information regarding sales and purchase of securities by any relative of the promoters, a statement to that effect shall be made in the prospectus on the basis of the transfers recorded in the books of the issuer company.

(m) Details of options granted or shares issued under any scheme of employees stock option or employees stock purchase of issuer company.

Explanation I:

For the purpose of sub-clauses (k) and (l) above, the term 'Promoter' shall include:

(a) the person or persons who are in over-all control of the company;

(b) the person or persons who are instrumental in the formulation of a plan or programme pursuant to which the securities are offered to the public;

(c) the persons or persons named in the prospectus as promoters(s).

Provided that a director/ officer of the issuer company or person, if they are acting as such merely in their professional capacity shall not be included in the Explanation.

Explanation II:

'Promoter Group' shall include:

(a) the promoter;

(b) an immediate relative of the promoter (i.e., any spouse of that person, or any parent, brother, sister or child of the person or of the spouse); and

(c) in case promoter is a company:

(i) a subsidiary or holding company of that company;

(ii) any company in which the promoter holds 10% or more of the equity capital or which holds 10% or more of the equity capital of the promoter;

(iii) any company in which a group of individuals or companies or combinations thereof who holds 20% or more of the equity capital

in that company also holds 20% or more of the equity capital of the issuer company; and

(d) in case the promoter is an individual:

(i) any company in which 10% or more of the share capital is held by the promoter or an immediate relative of the promoter or a firm or HUF in which the promoter or any one or more of his immediate relative is a member;

(ii) any company in which a company specified in (i) above, holds 10% or more, of the share capital;

(iii) any HUF or firm in which the aggregate share of the promoter and his immediate relatives is equal to or more than 10% of the total; and

(e) all persons whose shareholding is aggregated for the purpose of disclosing in the prospectus under the heading "shareholding of the promoter group".

Explanation III:

The Financial Institution, Scheduled Banks, Foreign Institutional Investors (FIIs) and Mutual Funds shall not be deemed to be a promoter or promoter group merely by virtue of the fact that 10% or more of the equity of the issuer company is held by such institution.

Provided that the Financial Institutions, Scheduled Banks and Foreign Institutional Investors (FIIs) shall be treated as promoters or promoter group for the subsidiaries or companies promoted by them or for the mutual fund sponsored by them.

6.8.4 **Objects of the Offering**

6.8.4.1 The object of raising funds through the issue, that is whether for fixed asset creation and/ or for working capital or any other purpose, shall be disclosed clearly in the prospectus.

6.8.4.2 **Funds Requirement**

(a) The requirement for funds proposed to be raised through the issue shall be disclosed clearly.

(b) Where the company proposes to undertake more than one activity, i.e., diversification, modernisation, expansion, etc., the total project cost shall be given activity- wise or project wise as the case may be..

(c) Where the company is implementing the project in a phased manner, the cost of each phase, including the phase, if any, which has already been implemented, shall be separately given.

6.8.4.3 **Funding Plan (Means of Finance)**

(a) An undertaking shall be given in the prospectus by the issuer company confirming firm arrangements of finance through verifiable means towards 75% of the stated means of finance, excluding the amount to be raised through proposed Public/ Rights issue, have been made.

(b) The balance portion of the means of finance for which no firm arrangement has been made shall be mentioned without specification)

6.8.4.4 **Appraisal**

(a) The scope and purpose of the appraisal, if any, along with the date of appraisal shall be disclosed in the prospectus.

(b) The prospectus shall contain the cost of the project and means of finance as per the appraisal report.

(c) The revision, if any, in the project cost and the means of finance after the date of issue of the appraisal report shall be explained and disclosed.

(d) The weaknesses and threats, if any, given in the appraisal report, shall be disclosed in the prospectus by way of risk factors.

6.8.4.5 **Schedule of Implementation**

(a) Schedule of implementation of the project and progress made so far, giving details of land acquisition, civil works, installation of plant and machinery, trial production, date of commercial production, etc.

6.8.4.6 **Funds Deployed**

(a) Actual expenditure incurred on the project (in cases of companies raising capital for a project) upto a date not earlier than two months from the date of filing the prospectus with the Registrar of Companies, as certified by a Chartered Accountant.

6.8.4.7 **Sources of Financing of Funds Already Deployed**

(a) Means and source of financing, including details of "bridge loan" or other financial arrangement, which may be repaid from the proceeds of the issue.

6.8.4.8 **Details of Balance Fund Deployment**

(a) Year wise break up of the expenditure proposed to be incurred on the said project.

6.8.4.9 **Interim Use of Funds**

(a) Investment avenues in which the management proposes to deploy issue proceeds, pending its utilisation in the proposed project.

6.8.4.10 **Basic Terms of Issue**

6.8.4.11 **Basis for Issue Price**

(a) The basis for issue price/ floor price/ price band shall be disclosed and justified on the basis of the following information, which shall be also disclosed separately:

(i) Earnings Per Share, i.e., EPS pre-issue for the last three years (as adjusted for changes in capital).

(ii) P/E pre-issue.

(iii) Average Return on Net Worth in the last three years.

(iv) Minimum Return on Increased Net Worth required to maintain pre-issue EPS.

(v) Net Asset Value per share based on last balance sheet.

(vi) Net Asset Value per share after issue and comparison thereof with the issue price.

(vii) An illustrative format of disclosure in respect of basis for issue price is given in **Schedule XV**.

(viii) Comparison of all the accounting ratios of the issuer company as mentioned above with the industry average and with the accounting ratios of the peer group (i.e., companies of comparable size in the same industry (indicate the source from which industry average and accounting ratios of the peer group has been taken).

(ix) The face value of shares (including the statement about the issue price/ floor price/ price band being “X” times of the face value).

Provided that the projected earnings shall not be used as a justification for the issue price in the prospectus.

Provided further that the accounting ratios disclosed in the prospectus in support of basis of the issue price shall be calculated after giving effect to the consequent increase in capital on account of compulsory conversions outstanding, as well as on the assumption that the options outstanding, if any, to subscribe for additional capital will be exercised.

(b) The Lead Merchant Banker shall not proceed with the issue in case the accounting ratios mentioned above do not justify the issue price.

(c) In case of book built issues, the red herring prospectus shall state that the final price would be determined on the basis of the demand from the investors.

6.8.4.12 **Tax Benefits**

(a) Any special tax benefits for the issuer company and its shareholders.

6.9 About the Issuer Company

6.9.1 Industry Overview

6.9.2 Business Overview

6.9.2.1 Details of the business of the issuer company

(a) Location of the project

(b) Plant, machinery, technology, process, etc.:

(i) Details in a tabular form to be given shall include the machines required to be bought by the issuer company, cost of the machines, name of the suppliers, the date of placement of order and the date/ expected date of supply.

(ii) In case of machines yet to be delivered, the date of quotations relied upon for the cost estimates given, shall also be mentioned.

(iii) Percentage and value terms the plant and machinery for which orders are yet to be placed shall be stated and also be given by way of a risk factor.

(iv) Details of second hand machinery bought/ proposed to be bought, if any, including the age of the machines, balance estimated life, etc. shall also be given.

(c) Collaborations, any performance guarantee or assistance in marketing by the collaborators:

(i) Following information regarding persons/ entities with whom technical and financial agreements have been entered into to be given:

a. place of registration and year of incorporation.
b. paid up share capital.
c. turnover of the last financial year of operation.
d. general information regarding such persons relevant to the issuer.

(d) Infrastructure facilities for raw materials and utilities like water, electricity, etc.

(e) Products/ services of the issuer company:

(i) Nature of the product/s – consumer/ industrial and end users.

(ii) Market, including details of the competition, past production figures for the industry, existing installed capacity, past trends and future prospects regarding exports (if applicable), demand and supply forecasts (if given, should be essentially with assumptions unless sourced from a market research agency of repute), etc. to be given. Source of data used shall be mentioned.

(iii) Approach to marketing and proposed marketing set up.

(iv) Export possibilities and export obligations, if any (in case of a issuer company providing any "service" particulars, as applicable, be furnished).

6.9.2.2 **Business strategy**

(a) A brief statement about business strategy.

(i) A brief statement about future prospects, including the following:

(i) Capacity & Capacity Utilisation:

a. A table shall be incorporated giving the existing installed capacities for each product, capacity utilisation for these products in the previous three years, proposed capacities for existing as well as proposed products and the assumptions for future capacity utilisation for the next three years (from the date of commencement of commercial production) in respect of existing as well as proposed products.

b. If the projected capacity utilisation is higher than the actual average capacity utilisation by more than 25% during the previous three years, how the issuer company proposes to achieve the

projected levels of capacity utilisation in view of its failure to achieve levels of similar capacity utilisation in the past, shall be stated.

(ii) Projections:

No forecast of projections relating to financial performance of the issuer company shall be given in the prospectus.

6.9.2.3 **Property**

6.9.2.4 **Purchase of property**

(a) As respects any property referred to in sub-clause (b):

(i) the names, address, descriptions and occupations of the vendors;

(ii) the amount paid or payable in cash, shares or debentures to the vendor and, where there is more than one separate vendor, or the company is a sub purchaser, the amount so paid or payable to each vendor, specifying separately the amount, if any, paid or payable for goodwill;

(iii) the nature of the title or interest in such property acquired or to be acquired by the issuer company;

(iv) short particulars of every transaction relating to the property completed within the two preceding years, in which any vendor of the property to the company or any person who is, or was at the time of the transaction, a promoter, or a director or proposed director of the company had any interest, direct or indirect, specifying the date of the transaction and the name of such promoter, director or proposed director and stating the amount payable by or to such vendor, promoter, director or proposed director in respect of the transaction.

(b) The property to which sub-clause (a) applies is a property purchased or acquired by the issuer company or proposed to be purchased or acquired, which is to be paid for wholly or partly out of the proceeds of the issue offered for subscription by the prospectus or the purchase or acquisition of which has not been completed at the date of issue of the prospectus, other than property:

(i) the contract for the purchase or acquisition whereof was entered into in the ordinary course of the issuer company's business, the contract not being made in contemplation of the issue nor the issue in consequence of the contract; or

(ii) as respects which the amount of the purchase money is not material.

(c) for the purpose of this clause, where a vendor is a firm, the members of the firm shall not be treated as separate vendors.

(d) if the issuer company proposes to acquire a business which has been carried on for less than three years, the length of time during which the business has been carried.

6.9.3 **Key Industry-Regulation (if applicable)**

6.9.4 **History and Corporate Structure of the issuer company**

6.9.4.1 History and Major Events.

6.9.4.2 Main objects.

6.9.4.3 Subsidiaries of the issuer company, if any and their businesses.

6.9.4.4 **Shareholders agreements**

(a) Key terms of subsisting shareholders' agreements, if any (to be provided even if the issuer company is not a party to such an agreement, but is aware of such an agreement).

(b) All such agreements shall be included in the list of material contracts required under clause 6.15.1.

6.9.4.5 **Other agreements**

(a) The dates, parties to, and general nature of every other material contract, not being a contract entered into in the ordinary course of the business carried on or intended to be carried on by the issuer company or a contract entered into more than two years before the date of the prospectus.

(b) All such agreements shall be included in the list of material contracts required under clause 6.15.1.

6.9.4.6 Strategic partners.

6.9.4.7 Financial partners.

6.9.5 **Management**

6.9.5.1 **Board of Directors**

(a) Names, address and occupation of Manager, Managing Director, and other Directors (including Nominee Directors, Whole-time Directors), giving their directorships in other companies.

(b) Details of borrowing powers.

6.9.5.2 **Compensation of Managing Directors/ Whole time Directors**

(a) The dates, parties to, and general nature of every contract appointing or fixing the remuneration of a Director, Whole-time Director, Managing Director or Manager whenever entered into, that is to say, whether within or more than, two years before the date of the prospectus.

(b) All such contracts shall be included in the list of material contracts required under clause 6.15.1.

6.9.5.3 Compliance with Corporate Governance requirements.

6.9.5.4 Shareholding of Directors, including details of qualification shares held by them, whereever applicable.

6.9.5.5 **Interest of directors**

(a) Full particulars of the nature and extent of the interest, if any, of every Director:

(i) in the promotion of the issuer company; or

(ii) in any property acquired by the issuer company within two years of the date of the prospectus or proposed to be acquired by it.

(b) Where the interest of such a director consists in being a member of a firm or company, the nature and extent of the interest of the firm or company, with a statement of all sums paid or agreed to be paid to him or to the firm or company in cash or shares or otherwise by any person either to induce him to become, or to qualify him as, a director, or otherwise for services rendered by him or by the firm or company, in connection with the promotion or formation of the issuer company shall be disclosed.

6.9.5.6 Change, if any, in the directors during the last three years, and reasons, thereof.

6.9.5.7 Management Organisation Structure.

6.9.5.8 **Key Management Personnel**

(a) A paragraph on the key managerial personnel shall be incorporated giving full details of the personnel recruited as on the date of filing of the prospectus with the Board indicating name, date of joining, qualification, details of previous employment etc.

(b) The Lead Merchant Banker shall verify and ensure that the persons whose names appear in this paragraph are in the employment of the issuer company as permanent employees.

(c) The shareholding of the Key Managerial Personnel.

(d) Bonus or Profit Sharing Plan for the Key Managerial Personnel.

(e) Changes in the Key Managerial Personnel:

Any change otherwise than by way of retirement in the normal course in the key senior managerial personnel particularly in charge of production, planning, finance and marketing within one year prior to the date of filing the prospectus with the Board shall be disclosed.

6.9.5.9 **Employees**

6.9.5.10 Disclosures regarding employees stock option scheme/ employees stock purchase scheme of the issuer company, if any, as required by the Guidelines or Regulations of the Board relating to Employee Stock Option Scheme and Employee Stock Purchase Scheme.

6.9.5.11 Payment or Benefit to Officers of the issuer company (non-salary related).

(a) Any amount or benefit paid or given within the two preceding years or intended to be paid or given to any officer and consideration for payment of giving of the benefit.

6.9.6 **Promoters/ Principal Shareholders**

6.9.6.1 Where the promoters are individuals:

(a) A complete profile of the promoters, including their age, educational qualifications, experience in the business or employment and in the line of business proposed in the prospectus, their business and financial activities, photograph, voter ID number, driving license number shall be disclosed.

(b) A declaration, confirming that the Permanent Account Number, Bank Account Number and Passport Number of the promoters have been submitted to the Stock Exchanges on which securities are proposed to be listed, at the time of filing the draft prospectus with them.

6.9.6.2 Where the promoters are companies:

(a) History of the companies and the promoters of the companies shall be furnished.

(b) Details in change of management of the companies, if any, including details of the persons who are holding the controlling interest together with the applicability and compliance of Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997.

(c) A declaration, confirming that the Permanent Account Numbers, Bank Account Numbers, the Company Registration Numbers and the addresses of the Registrars of Companies where the companies are registered have been submitted to the Stock Exchanges on which securities are proposed to be listed, at the time of filing the draft prospectus with them.

6.9.6.3 Common pursuits

6.9.6.4 Full particulars of the nature and extent of the interest, if any, of every promoter:

(a) in the promotion of the issuer company; or

(b) in any property acquired by the issuer company within two years of the date of the prospectus or proposed to be acquired by it.

(c) Where the interest of such a director or promoter consists in being a member of a firm or company, the nature and extent of the interest of the firm or company, with a statement of all sums paid or agreed to be paid to him or to the firm or company in cash or shares or otherwise by any person either to induce him to become, or to qualify him as, a director, or otherwise for services rendered by him or by the firm or company, in connection with the promotion or formation of the issuer company.

6.9.6.5 Payment or benefit to promoters of the issuer company:

Any amount or benefit paid or given within the two preceding years or intended to be paid or given to any promoter and consideration for payment of giving of the benefit.

6.9.6.6 Related party transactions as per the Financial Statements

6.9.7 **Currency of presentation**

6.9.7.1 One standard financial unit shall be used in the prospectus

6.9.8 **Dividend policy**

6.10 Financial Statements

6.10.1 Selected Consolidated Financial and Operating data

6.10.2 Financial Information of the issuer company

6.10.2.1 A report by the auditors of the issuer company with respect to:

(a) profits and losses and assets and liabilities, in accordance with clauses 6.10.2.2 or 6.10.2.3, as the case may require; and

(b) the rates of dividends, if any, paid by the issuer company in respect of each class of shares in the issuer company for each of the five financial years immediately preceding the issue of the prospectus, giving particulars of each class of shares on which such dividends have been paid and particulars of the cases in which no dividends have been paid in respect of any class of shares for any of those years;

and, if no accounts have been made up in respect of any part of the period of five years ending on a date three months before the issue of the prospectus, containing a statement of that fact (and accompanied by a statement of the accounts of the issuer company in respect of that part of the said period up to a date not earlier than six months of the date of issue of the prospectus indicating the profit or loss for that period and the assets and liabilities position as at the end of that period together with a certificate from the auditors that such accounts have been examined and found correct by them. The said statement may indicate the nature of provision or adjustments made or are yet to be made).

6.10.2.2 If the issuer company has no subsidiaries, the report shall:

(a) so far as regards profits and losses, deal with the profits or losses of the issuer company (distinguishing items of a non- recurring nature) for each of the five financial years immediately preceding the issue of the prospectus; and

(b) so far as regards assets and liabilities, deal with the assets and liabilities of the issuer company at the last date to which the accounts of the issuer company were made up.

6.10.2.3 If the issuer company has subsidiaries, the report shall:

(a) so far as regards profits and losses, deal separately with the issuer company's profits or losses as provided by 6.10.2.2 and in addition, deal either:

(i) as a whole with the combined profits or losses of its subsidiaries, so far as they concern the members of the issuer company; or

(ii) individually with the profits or losses of each subsidiary, so far as they concern the members of the issuer company;

or, instead of dealing separately with the issuer company's profits or losses, deal as a whole with the profits or losses of the issuer company, and, so far as they concern the members of the issuer company, with the combined profits or losses of its subsidiaries; and

(b) so far as regards assets and liabilities, deal separately with the issuer company's assets and liabilities as provided by 6.10.2.2 and in addition, deal either:

(i) as a whole with the combined assets and liabilities of its subsidiaries, with or without the issuer company's assets and liabilities; or

(ii) individually with the assets and liabilities of each subsidiaries;

and shall indicate as respects the assets and liabilities of the subsidiaries, the allowance to be made for persons other than the members of the issuer company.

6.10.2.4 If the proceeds, or any part of the proceeds, of the issue of the shares or debentures are, or is, to be applied directly or indirectly:

(a) in the purchase of any business; or

(b) in the purchase of an interest in any business and by reason of that purchase, or anything to be done in consequence thereof, or in connection therewith; the issuer company will become entitled to an interest as respects either the capital or profits and losses or both, in such business exceeding fifty percent, thereof;

a report made by accountants (who shall be named in the prospectus) upon:

(i) the profits or losses of the business of each of the five financial years immediately preceding the issue of the prospectus; and

(ii) the assets and liabilities of the business at the last date to which the accounts of the business were made up, being a date not more than one hundred and twenty days before the date of the issue of the prospectus.

6.10.2.5

(a) If:

(i) the proceeds, or any part of the proceeds, of the issue of the shares or debentures are or is to be applied directly or indirectly in any manner resulting in the acquisition by the issuer company of shares in any other body corporate; and

(ii) by reason of that acquisition or anything to be done in consequence thereof or in connection therewith, that body corporate will become a subsidiary of the issuer company;

a report made by accountants (who shall be named in the prospectus) upon:

(i) the profits or losses of the other body corporate for each of the five financial years immediately preceding the issue of the prospectus; and

(ii) the assets and liabilities of the other body corporate at the last date to which its accounts were made up.

(b) The said report shall:

(i) indicate how the profits or losses of the other body corporate dealt with by the report would, in respect of the shares to acquired, have concerned members of the issuer company and what allowance would have fallen to be made, in relation to assets and liabilities so dealt with for holders of other shares, if the issuer company had at all material times held the shares to be acquired; and

(ii) where the other body corporate has subsidiaries, deal with the profits or losses and the assets and liabilities of the body corporate and its subsidiaries in the manner provided by sub-clause (a) (ii) above in relation to the issuer company and its subsidiaries.

6.10.2.6 Principal terms of loan and assets charged as security.

6.10.2.7 Other provisions relating to accounts of the issuer company:

(a) All significant accounting policies and standards followed in the preparation of the financial statements shall be disclosed.

(b) Statements of Assets and Liabilities and Profit and Loss or any other financial information shall be incorporated after making the following adjustments, wherever quantification is possible:

(i) Adjustments/ rectification for all incorrect accounting practices or failures to make provisions or other adjustments which resulted in audit qualifications.

(ii) Material amounts relating to adjustments for previous years shall be identified and adjusted in arriving at the profits of the years to which they relate irrespective of the year in which the event triggering the profit or loss occurred.

(iii) Where there has been a change in accounting policy, the profits or losses of the earlier years (required to be shown in the prospectus) and of the year in which the change in the accounting policy has taken place shall be recomputed to reflect what the profits or losses of those years would have been if a uniform accounting policy was followed in each of these years.

(iv) If an incorrect accounting policy is followed, the re-computation of the financial statements shall be in accordance with correct accounting policies.

(v) Statement of profit or loss shall disclose both the profit or loss arrived at before considering extraordinary items and after considering the profit or loss from extraordinary items. An illustrative format of the disclosure of profits and losses on this basis is specified at **Schedule X**.

(vi) The statement of assets and liabilities shall be prepared after deducting the balance outstanding on revaluation reserve account from both fixed assets and reserves and the networth arrived at after such deductions. A suggested format of assets and liabilities is specified at **Schedule XI.**

(c) The turnover disclosed in the Profit and Loss Statement shall be bifurcated into:

(i) turnover of products manufactured by the issuer company;

(ii) turnover of products traded in by the issuer company; and

(iii) turnover in respect of products not normally dealt in by the issuer company but included in (ii) above, shall be mentioned separately.

(d) The prospectus shall disclose details of `Other Income' in all cases where such income (net of related expenses) exceeds 20% of the net profit before tax, including:

(i) the sources and other particulars of such income; and

(ii) an indication as to whether such income is recurring or non-recurring, or has arisen out of business activities/ other than the normal business activities.

(e) Changes (with quantification, wherever possible) in the activities of the issuer company which may have had a material effect on the statement of profit/ loss for the five years, Including discontinuance of lines of business, loss of agencies or markets and similar factors.

(f) Accounting and other ratios:

(i) The following accounting ratios shall be given for each of the accounting periods for which financial information is given.

a. Earnings per Share: This ratio shall be calculated after excluding extra ordinary items.

b. Return on net worth: This ratio shall be calculated excluding revaluation reserves.

c. Net Asset Value per share. This ratio shall be calculated excluding revaluation reserves.

(ii) 'Accounting and other Ratios' shall be based on the Financial Statements prepared on the basis of Indian Accounting Standards.

(g) Capitalisation Statement:

(i) A Capitalisation Statement showing total debt, net worth, and the debt/ equity ratios before and after the issue is made shall be incorporated.

(ii) In case of any change in the share capital since the date as of which the financial information has been disclosed in the prospectus, a note explaining the nature of the change shall be given.

(iii) An illustrative format of the Capitalisation Statement is specified at **Schedule XIII.**

(h) Unsecured loans:

(i) Break-up of total outstanding unsecured loans taken by the issuer company, promoters/ group companies/ associate companies and others shall be given in the prospectus.

(ii) In respect of each such unsecured loan of the former category, the terms and conditions, including interest rates and the repayment schedule.

(iii) If the loan can be recalled by the lenders at any time, the fact has to be given as a risk factor.

(i) For a proper understanding of the future tax incidence, the following factors shall be identified and explained through proper disclosures:

(i) Profits after tax are often affected by the tax shelters which are available.

(ii) Some of these are of a relatively permanent nature (for example, arising out of export profits) while others may be limited in point of time (for example, tax holidays for new undertakings).

(iii) Tax provisions are also affected by timing differences which can be reversed in the future (for example, the difference between book depreciation and tax depreciation).

(iv) An illustrative format of statement in respect of tax shelter is specified in **Schedule XII**.

6.10.2.8 The issuer company, if it so desires, may include in the prospectus, the financial statements prepared on the basis of more than one accounting practices, subject to disclosure of the material differences arising because of differences in the accounting policies of different accounting practices.

6.10.3 **Financial Information of Group Companies**

6.10.3.1 The following information for the last three years, based on the audited statements, in respect of all the companies, firms, ventures, etc. promoted by the promoters, irrespective of whether these are covered under section 370 (1)(B) of the Companies Act, 1956 shall be given, wherever applicable:

(a) Date of Incorporation.

(b) Nature of activities.

(c) Equity Capital.

(d) Reserves (excluding revaluation reserve).

(e) Sales.

(f) Profit after tax (PAT).

(g) Earnings per share (EPS).

(h) Net Asset Value (NAV).

(i) The highest and lowest market price of shares during the preceding six months with suitable disclosures for changes in capital structure during the period and the market value on the date of filing the prospectus with the Registrar of Companies.

(j) If any of the companies has made public or rights issue in the preceding three years, the issue price of the security, the current market price and particulars of changes in the capital structure, if any, since the date of issue and a statement regarding the cost and progress of implementation of the project in comparison with the cost and implementation schedule given in the prospectus.

(k) Information regarding adverse factors related to the company and in particular regarding:

(i) whether the company has become a sick company within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1995 or is under winding up.

(ii) whether the company has made a loss in the immediately preceding year and if so, the profit or loss figures for the immediately preceding three years.

6.10.3.2 In case, the issuer company has more than five listed group companies, the financial information may be restricted to the five largest listed companies to be determined on the basis of market capitalisation one month before the date of filing draft prospectus with the Board.

Provided that financial information regarding every such company which has become a sick industrial company or is under winding up or has a negative net worth shall be provided.

6.10.3.3 If the promoters have disassociated themselves from any of the companies/ firms during preceding three years, the reasons therefor and the circumstances leading to the disassociation shall be furnished together with the terms of such disassociation.

6.10.3.4

(a) In case there are common pursuits among these companies, the reasons and justification for the same shall be spelt out and the conflict of interest situations shall be stated.

(b) The related business transactions within the group shall also be mentioned.

(c) The significance of these transactions on the financial performance of the company/ companies shall be stated.

6.10.3.5 Sales or purchase between companies in the promoter group when such sales or purchases exceed in value in the aggregate 10% of the total sales or purchases of the issuer and also disclose material items of income or expenditure arising out of transactions in the promoter group.

6.10.4 **Changes in Accounting Policies in the last three years**

6.10.5 **Management's Discussion and Analysis of Financial Condition and Results of Operations as Reflected in the Financial Statements:**

6.10.5.1 Overview of the business of the issuer company.

6.10.5.2 Significant developments subsequent to the last financial year:

A statement by the directors whether in their opinion there have arisen any circumstances since the date of the last financial statements as disclosed in the prospectus and which materially and adversely affect or is likely to affect the trading or profitability of the issuer company, or the value of its assets, or its ability to pay its liabilities within the next twelve months.

6.10.5.3 Factors that may affect Results of the Operations.

6.10.5.4 Discussion on Results of Operations:

A summary of past financial results after adjustments as given in the auditors report for the past three years containing significant items of income and expenditure shall be given.

6.10.5.5 Comparison of recent Financial Year with the Previous Financial Years (last three years) on the major heads of the Profit & Loss Statement:

(a) An analysis of reasons for the changes in significant items of income and expenditure shall also be given, inter alia, containing the following:

(i) unusual or infrequent events or transactions.

(ii) significant economic changes that materially affected or are likely to affect income from continuing operations.

(iii) known trends or uncertainties that have had or are expected to have a material adverse impact on sales, revenue or income from continuing operations.

(iv) future changes in relationship between costs and revenues, in case of events such as future increase in labour or material costs or prices that will cause a material change are known.

(v) the extent to which material increases in net sales or revenue are due to increased sales volume, introduction of new products or services or increased sales prices.

(vi) total turnover of each major industry segment in which the issuer company operated.

(vii) status of any publicly announced new products or business segment.

(viii) the extent to which business is seasonal.

(ix) any significant dependence on a single or few suppliers or customers.

(x) competitive conditions.

6.10.5.6 'Management's Discussion and Analysis of financial condition and results of operations as reflected in the financial statements (MDA)' shall be based on the Financial Statements prepared on the basis of Indian Accounting Practices. In addition, the issuer company may present MDA based on other Accounting Practices.

6.11 Legal and Other Information

6.11.1 Outstanding Litigations and Material developments

6.11.1.1 Outstanding litigations involving the issuer company:

(a) Litigations against the issuer company or against any other company whose outcome could have a materially adverse effect of the position of the issuer company.

(b) Further, all the litigations against the directors involving violation of statutory regulations or alleging criminal offence shall be furnished in the prospectus.

(c) Pending proceedings initiated for economic offences against the issuer company or its directors shall be disclosed separately indicating their present status.

(d) The details of the past cases in which penalties were imposed by the concerned authorities on the issuer company or its directors.

(e) Outstanding litigations, defaults, etc., pertaining to matters likely to affect operations and finances of the issuer company, including

disputed tax liabilities, prosecution under any enactment in respect of Schedule XIII to the Companies Act, 1956 (1 of 1956) etc. shall be disclosed.

(f) The Lead Merchant Banker shall ensure to appropriately incorporate in the prospectus and as risk factor(s), information regarding pending litigations, defaults, non payment of statutory dues, proceedings initiated for economic offences/ civil offences (including the past cases, if found guilty), any disciplinary action taken by the Board/ stock exchanges against the issuer company or its Directors.

(g) The name(s) of small scale undertaking(s) or any other creditors to whom the issuer company owes a sum exceeding Rs. 1 lakh which is outstanding more than 30 days; and

6.11.1.2 The information about outstanding litigations as per clause 6.11.1.1 (e) shall be furnished in respect of subsidiaries of the issuer company (if applicable).

6.11.1.3 Outstanding litigations involving the promoter and group companies:

(a) All pending litigations in which the promoters are involved, defaults to the financial institutions/ banks, non-payment of statutory dues and dues towards instrument holders like debenture holders, fixed deposits, and arrears on cumulative preference shares by the promoters and the companies/ firms promoted by the promoters, shall be listed in the prospectus together with the amounts involved and the present status of such litigations/ defaults. The likely adverse effect of these litigations/ defaults, etc. on the financial performance of the issuer company shall also be mentioned.

(b) Further, the cases of pending litigations, defaults, etc. in respect of companies/ firms/ ventures with which the promoters were associated in the past but are no longer associated shall also be disclosed in case their name(s) continues to be associated with particular litigation(s).

(c) Further, all the litigations against the promoter involving violation of statutory regulations or alleging criminal offence shall be furnished in the prospectus.

(d) Pending proceedings initiated for economic offences against the promoters, companies and firms promoted by the promoters shall be disclosed separately indicating their present status.

(e) The details of the past cases in which penalties were imposed by the concerned authorities.

(f) The lead merchant banker shall ensure to appropriately incorporate in the prospectus and as risk factor(s), information regarding pending litigations, defaults, non payment of statutory dues, proceedings initiated for economic offences/ civil offences (including the past cases, if found guilty), any disciplinary action taken by the Board/ stock exchanges against the promoters and their other business ventures (irrespective of the fact whether they are companies under the same management with the issuer company as per section 370 (1B) of the Companies Act, 1956).

6.11.1.4 If any the above mentioned litigations, etc., arise after the filing of the prospectus, the facts shall be incorporated appropriately in the prospectus (and as risk factors).

6.11.1.5 In case there are no such cases, a distinct negative statement is required to be made in this regard in the prospectus.

6.11.1.6 Material developments since the last balance sheet date.

6.11.2 **Government Approvals/ Licensing Arrangements**

6.11.2.1 Investment approvals (FIPB/ RBI, etc.).

6.11.2.2 All government and other approvals.

6.11.2.3 Technical approvals.

6.11.2.4 Letter of intent/ industrial license and declaration of the Central Government/ RBI about non-responsibility for financial soundness or correctness of statements.

6.12 Other Regulatory and Statutory Disclosures

6.12.1 Authority for the issue and details of resolution passed for the issue.

6.12.2 Prohibition by SEBI.

6.12.3 Eligibility of the issuer company to enter the capital market.

[105](6.12.3A Compliance with provisos to clause 6.3 or 6.39, as the case may be, if applicable.)

6.12.4 Disclaimer clause:

(a) A prospectus shall contain the following disclaimer clause in bold capital letters:

[105] Inserted vide SEBI Circular No. SEBI/CFD/DIL/DIP/19/2006/31/3 dated March 31, 2006.

"It is to be distinctly understood that submission of offer document to SEBI should not in any way be deemed or construed that the same has been cleared or approved by SEBI. SEBI does not take any responsibility either for the financial soundness of any scheme or the project for which the issue is proposed to be made or for the correctness of the statements made or opinions expressed in the offer document. Lead Merchant Banker, _____ has certified that the disclosures made in the offer document are generally adequate and are in conformity with SEBI (Disclosures and Investor Protection) Guidelines in force for the time being. This requirement is to facilitate investors to take an informed decision for making investment in the proposed issue.

It should also be clearly understood that while the Issuer Company is primarily responsible for the correctness, adequacy and disclosure of all relevant information in the offer document, the Lead Merchant Banker is expected to exercise Due Diligence to ensure that the Company discharges its responsibility adequately in this behalf and towards this purpose, the Lead Merchant Banker _____ has furnished to SEBI a Due Diligence Certificate dated _____ in accordance with SEBI (Merchant Bankers) Regulations 1992 which reads as follows:

(i) We have examined various documents including those relating to litigation like commercial disputes, patent disputes, disputes with collaborators etc. and other materials in connection with the finalisation of the offer document pertaining to the said issue;

(ii) On the basis of such examination and the discussions with the Company, its Directors and other officers, other agencies, independent verification of the statements concerning the objects of the issue, projected profitability, price justification and the contents of the documents mentioned in the Annexure and other papers furnished by the company.

We confirm that:

(a) the offer document forwarded to SEBI is in conformity with the documents, materials and paper relevant to the issue;

(b) all the legal requirements connected with the said issue, as also the guidelines, instructions, etc. issued by SEBI, the Government and any other competent authority in this behalf have been duly complied with; and

(c) the disclosures made in the offer document are true, fair and adequate to enable the investors to make a well informed decision as to the investment in the proposed issue.

(d) beside ourselves, all the intermediaries named in the prospectus are registered with SEBI and till date such registration is valid.

(e) We have satisfied ourselves about the worth of the underwriters to fulfill their underwriting commitments.

The filing of offer document does not, however, absolve the company from any liabilities under section 63 or 68 of the Companies Act, 1956 or from the requirement of obtaining such statutory or other clearances as may be required for the purpose of the proposed issue. SEBI, further reserves the right to take up, at any point of time, with the lead merchant banker(s) any irregularities or lapses in offer document."

(b) Disclaimer Statement from the Issuer and the Lead Manager:

A statement to the effect that the issuer company and the Lead Manager accepts no responsibility for statements made otherwise than in the prospectus or in the advertisement or any other material issued by or at the instance of the issuer and that anyone placing reliance on any other source of information would be doing so at his own risk should be incorporated.

6.12.5 Caution.

6.12.6 Disclaimer in respect of jurisdiction.

6.12.7 Disclaimer clause of the stock Exchanges.

6.12.8 Disclaimer clause of the Reserve Bank of India (if applicable).

6.12.9 Filing of prospectus with the Board and the Registrar of Companies:

6.12.9.1 Under this head, the office of the Board where the prospectus has been filed shall be mentioned.

6.12.9.2 Address of the Registrar of Companies, where copy of the prospectus, having attached thereto the material contracts and documents referred to elsewhere in the prospectus, has been filed, shall also be mentioned.

6.12.10 Listing:

6.12.10.1 Names of the designated stock exchange and other exchanges where application has been made for listing of the present issue shall be mentioned.

6.12.11 Consent of the Directors, auditors, solicitors/ advocates, Managers to the Issue, Registrar to the Issue, Bankers to the Company, Bankers to the Issue and experts.

6.12.12 Expert opinion obtained, if any.

6.12.13 Expenses of the issue.

6.12.14 Details of fees payable to (in terms of amount, as a percentage of total issue expenses and as a percentage of total issue size):

6.12.14.1 Lead Managers.
6.12.14.2 Co-lead Managers, if any
6.12.14.3 Co-managers, if any
6.12.14.4 Other Merchant Bankers
6.12.14.5 Registrars to the issue.
6.12.14.6 Advisors.
6.12.14.7 Bankers to issues
6.12.14.8 Trustees for the debenture-holders.
6.12.14.9 Others

6.12.15 Underwriting commission, brokerage and selling commission.

6.12.16 Previous public or rights issues, if any (during the last five years):

6.12.16.1 Closing Date.

6.12.16.2 Date of allotment.

6.12.16.3 Date of refunds.

6.12.16.4 Date of listing on the stock exchange.

6.12.16.5 If the issue (s) at premium or discount and the amount thereof.

6.12.16.6 The amount paid or payable by way of premium, if any, on each share which had been issued within the two years preceding the date of the prospectus or is to be issued, stating the dates or proposed dates of issue and, where some shares have been or are to be issued at a premium and other shares of the same class at a lower premium, or at par or at a discount, the reasons for the differentiation and how any premiums received have been or are to be disposed of.

6.12.17 Previous issues of shares otherwise than for cash.

6.12.18 Commission or brokerage on previous issues.

6.12.19 Following particulars in regard to the issuer company and other listed companies under the same management within the meaning section 370 (1)(B) of the Companies Act, 1956 which made any capital issue during the last three years shall be given:

6.12.19.1 Name of the company.

6.12.19.2 Year of Issue.

6.12.19.3 Type of Issue (public/ rights/ composite).

6.12.19.4 Amount of issue.

6.12.19.5 Date of closure of issue.

6.12.19.6 Date of completion of delivery of share/ debenture certificates.

6.12.19.7 Date of completion of the project, where object of the issue was financing the project.

6.12.19.8 Rate of dividend paid.

6.12.20 Promise vis-à-vis performance:

6.12.20.1 Issuer company:

(a) A separate para entitled "Promise Vs Performance - Last three issues" shall be given indicating whether all the objects mentioned in the respective offer documents relating to the earlier issues by the issuer company were met and whether all projections made in the said offer documents were achieved.

(b) If not, non-achievement of objects/projections shall be brought out distinctly shortfall and delays shall be quantified.

6.12.20.2 Listed Ventures of Promoters:

(a) A separate paragraph on issues of group/associate companies entitled "Promise Vs Performance - Last one Issue of group/associate companies" shall be given indicating whether all the objects mentioned in the respective offer documents relating to group/ associate companies were met and whether all projections made in the said offer documents were achieved.

(b) If not, non-achievement of objects/ projections shall be brought out distinctly. Shortfall and delays shall be quantified.

6.12.21 Outstanding debentures or bonds and redeemable preference shares and other instruments issued by the issuer company outstanding as on the date of prospectus and terms of issue.

6.12.22 Stock market data for equity shares of the issuer company, if listed:

6.12.22.1 Particulars of:

(a) high, low and average market prices of the share of the issuer company during the preceding three years;

(b) monthly high and low prices for the six months preceding the date of filing the draft prospectus with Board which shall be updated till the time of filing the prospectus with the Registrar of Companies/ Stock Exchange concerned;

(c) number of shares traded on the days when the high and low prices were recorded in the relevant stock exchange during said period of (i) and (ii) above;

(d) the stock market data referred to above shall be shown separately for periods marked by a change in capital structure, with such period commencing from the date the concerned stock exchange recognises the change in the capital structure (e.g. when the shares have become ex-rights or ex-bonus);

(e) the market price immediately after the date on which the resolution of the Board of Directors approving the issue was approved;

(f) the volume of securities traded in each month during the six months preceding the date on which the prospectus is filed with ROC; and

(g) to volume of business transacted along with high, low and average prices of shares of the issuer company shall also be stated for respective periods.

6.12.23 Mechanism evolved for redressal of investor grievances

6.12.23.1 The prospectus shall disclose the arrangements or any mechanism evolved by the issuer company for redressal of investor grievances.

6.12.23.2 The issuer company shall disclose the time normally taken by it for disposal of various types of investor grievances.

6.12.23.3 Similar disclosure shall be made in regard to the listed companies under the same management within the meaning of Section 370 (1B) of the Companies Act, 1956 for the period of three years prior to the

date of filing of the prospectus with the Registrar of Companies/ Stock Exchange.

6.12.24 Change, if any, in the auditors during the last three years, and reasons, thereof.

6.12.25 Capitalisation of reserves or profits (during last five years).

6.12.26 Revaluation of assets, if any (during the last five years)

6.13 Offering Information

6.13.1 Terms of the Issue

6.13.1.1 Ranking of equity shares.

6.13.1.2 Mode of payment of dividend.

6.13.1.3 Face value and issue price/ floor price/ price band.

6.13.1.4 Rights of the instrument holders.

6.13.1.5 Market lot.

6.13.1.6 Nomination facility to investor.

6.13.1.7 Minimum subscription:

(a) For Non-underwritten Public Issues:

Following statement shall appear:

"If the company does not receive the minimum subscription of 90% of the issued amount on the date of closure of the issue, or if the subscription level falls below 90% after the closure of issue on account of cheques having being returned unpaid or withdrawal of applications, the company shall forthwith refund the entire subscription amount received. If there is a delay beyond 8 days after the company becomes liable to pay the amount, the company shall pay interest as per Section 73 of the Companies Act, 1956."

(b) For Underwritten Public Issues:

Following statement shall appear:

"If the company does not receive the minimum subscription of 90% of the net offer to public including devolvement of Underwriters within 60 days from the date of closure of the issue, the company shall forthwith

refund the entire subscription amount received. If there is a delay beyond 8 days after the company becomes liable to pay the amount, the company shall pay interest prescribed under Section 73 of the Companies Act, 1956."

(c) For Composite Issues:

(i) The Lead Merchant Banker shall ensure that the requirement of 'minimum subscription' is satisfied both jointly and severally, i.e., independently for both rights and public issues.

(ii) If the issuer company does not receive the minimum subscription in either of the issues the issuer company shall refund the entire subscription received.

(d) Offer for sale: The requirement of minimum subscription shall not be applicable to offer for sale.

(e) Public issues by infrastructure companies: The requirement of minimum subscription shall not be applicable to an eligible infrastructure company, provided disclosures regarding the alternate source of funding is made in the prospectus.

6.13.1.8 Arrangements for Disposal of Odd Lots:

(a) Any arrangements made by the issuer company for providing liquidity for and consolidation of the shares held in odd lots, particularly when such odd lots arise on account of issues by way of rights, bonus, conversion of debentures/ warrants etc., shall be intimated to the shareholders/ investors.

(b) The issuer company is free to make arrangements for providing liquidity in respect of odd lot shares through any investment or finance company, broking firms or through any other agency and the particulars of such arrangement, if any, may be disclosed in the prospectus related to the concerned issue of capital.

(c) The Lead Merchant Banker shall ascertain whether the issuer company coming for fresh issue of capital proposes to set up trusts in order to provide service to the investors in the matter of disposal of odd lot shares of the issuer company held by them and if so, disclosures relating to setting up and operation of the trust shall be contained in the prospectus.

(d) Whenever any issue results in issue of shares in odd lots, the issuer company, shall as far as possible issue certificates in the denomination of 1-2-5-10-20-50 shares.

6.13.1.9 Restrictions, if any, on transfer and transmission of shares/ debentures and on their consolidation/ splitting.

6.13.2 **Issue Procedure**

6.13.2.1 Fixed price issue or book building procedure as may be applicable, including details regarding bid form / application form, who can bid/apply, maximum and minimum bid/application size, bidding process, bidding, bids at different price levels, etc.

6.13.2.2 Option to subscribe in the issue:

(a) The details of option to subscribe for securities to be dealt with in a depository.

(b) The Lead Merchant Banker shall incorporate a statement in the prospectus and in the application form to the effect that the investor shall have an option either to receive the security certificates or to hold the securities in dematerialised form with a depository.

6.13.2.3 How to apply - availability of forms, prospectus and mode of payment:

(a) Applications by mutual funds:

(i) The Lead Merchant Bankers shall clearly incorporate necessary disclosures under the heads "Procedure for applications by mutual funds" and "Multiple Applications" to indicate that a separate application can be made in respect of each scheme of an Indian mutual fund registered with the Board and that such applications shall not be treated as multiple applications.

(ii) The applications made by the AMCs or custodians of a Mutual Fund shall clearly indicate the name of the concerned scheme for which application is being made.

(b) Applications by NRIs:

(i) The Lead Merchant Banker shall ensure the following disclosures:

a. the name and address of at least one place in India from where individual NRI applicants can obtain the application forms.

b. "NRI applicants may please note that only such applications as are accompanied by payment in free foreign exchange shall be considered for allotment under the reserved category. The NRIs who intend to make payment through Non-Resident Ordinary (NRO) accounts shall use the form meant for Resident Indians and shall not use the forms meant for reserved category."

6.13.2.4 Escrow mechanism:

(a) Escrow A/c. of the issuer company.

(b) Escrow A/c. of the syndicate member.

6.13.2.5 Terms of payment and payment into the Escrow Collection Account.

6.13.2.6 Electronic registration of bids.

6.13.2.7 Build up of the book and revision of bids.

6.13.2.8 Price discovery and allocation.

6.13.2.9 Signing of underwriting agreement.

6.13.2.10 Filing of prospectus with the Registrar of Companies.

6.13.2.11 Announcement of Pre-Issue Advertisement.

6.13.2.12 Issuance of Confirmation of Allocation note ("CAN") and Allotment in the Issue.

6.13.2.13 Designated date.

6.13.2.14 General instructions:

(a) Do's and don'ts.

(b) Instructions for completing the Bid form.

[106]((c) Bidders' bank account details.)

(d) Bids by NRIs or FIIs on a repatriation basis.

6.13.2.15 Payment instructions:

(a) Payment into escrow account of the issuer company.

(b) Payment into escrow account of the syndicate member.

6.13.2.16 Submission of bid form.

6.13.2.17 Other instructions:

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[106] Reinserted sub-clause (c), vide SEBI Circular No. SEBI/CFD/DIL/DIP/21/2006/24/4 dated April 24, 2006. The sub-clause was earlier omitted vide SEBI Circular No. SEBI/CFD/DIL/DIP/18/2006/20/1 dated January 20, 2006 and provided as under:
"Bidders bank details."

(a) Joint bids in the case of individuals.

(b) Multiple bids.

(c) Pan or GIR number.

(d) Issuer company's right to reject bids.

(e) Equity shares in demat form with NSDL or CDSL.

(f) The investor's attention shall also be invited to contact the compliance officer in case of any pre-issue/ post-issue related problems such as non-receipt of letters of allotment/ share certificates/ refund orders, etc.

6.13.2.18 Disposal of application and Application moneys.

6.13.2.19 Provisions of sub-section (1) of section 68A of the Companies Act, 1956 relating to punishment for fictitious applications, shall be mentioned.

6.13.2.20 Interest on refund of excess bid amount.

6.13.2.21 Basis of allotment or allocation.

6.13.2.22 Procedure and time of schedule for allotment and issue of certificates.

6.13.2.23 Method of proportionate allotment.

6.13.2.24 Letters of allotment or refund orders.

6.13.2.25 [107](Mode of making refunds:

The Company shall disclose the mode in which it shall make refunds to applicants in case of oversubscription, in the prospectus and in the abridged prospectus.

Provided that where the company proposes to make use of more than one mode of making refunds to applicants, the respective cases where each such mode will be adopted shall be disclosed.

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[107] Substituted vide SEBI Circular No. SEBI/CFD/DIL/DIP/18/2006/20/1 dated January 20, 2006 for the following: *"Despatch of refund orders: The following clause shall be incorporated in the prospectus:*

"The company shall ensure despatch of refund orders of value over Rs.1500/- and share/ debenture certificates by Registered Post only and adequate funds for the purpose shall be made available to the Registrars by the issuer company "."

Explanation: The permissible modes of making refunds are as follows:

(a) In case of applicants residing in any of the centres specified by the Board – by crediting of refunds to the bank accounts of applicants through electronic transfer of funds by using ECS (Electronic Clearing Service), Direct Credit, RTGS (Real Time Gross Settlement) or NEFT (National Electronic Funds Transfer), as is for the time being permitted by the Reserve Bank of India;

(b) In case of other applicants – by despatch of refund orders by registered post, where the value is Rs 1500/- or more, or under certificate of posting in other cases, (subject however to postal rules); and

(c) In case of any category of applicants specified by the Board – crediting of refunds to the applicants in any other electronic manner permissible under the banking laws for the time being in force which is permitted by the Board from time to time.)

6.13.2.26 Interest in Case of Delay in Despatch of Allotment Letters/ Refund Orders in Case of Public Issues:

The caption "Interest in Case of Delay in Despatch of Allotment Letters/ Refund Orders in Case of Public Issues" shall appear and shall contain the following statement:

(a) Where it is a fixed price issue:

"The company agrees that as far as possible allotment of securities offered to the public shall be made within 30 days of the closure of public issue. The company further agrees that it shall pay interest @15% per annum if the allotment letters/ refund orders have not been despatched to the applicants [108](or if, in a case where the refund or portion thereof is made in electronic manner, the refund instructions have not been given to the clearing system in the disclosed manner) within 30 days from the date of the closure of the issue. However applications received after the closure of issue in fulfillment of underwriting obligations to meet the minimum subscription requirement, shall not be entitled for the said interest."

(b) Where it is a book-built issues:

"The company agrees that allotment of securities offered to the public shall be made not later than 15 days of the closure of public issue. The company further agrees that it shall pay interest @15% per annum if the allotment letters/ refund orders have not been despatched to the

[108] Inserted vide SEBI Circular No. SEBI/CFD/DIL/DIP/18/2006/20/1 dated January 20, 2006.

applicants [109](or if, in a case where the refund or portion thereof is made in electronic manner, the refund instructions have not been given to the clearing system in the disclosed manner) within 15 days from the date of the closure of the issue."

6.13.2.27 Undertaking by the issuer company:

(a) The following undertaking by the issuer company shall be incorporated in the prospectus:

(i) that the complaints received in respect of the Issue shall be attended to by the issuer company expeditiously and satisfactorily.

(ii) that all steps for completion of the necessary formalities for listing and commencement of trading at all stock exchanges where the securities are to be listed are taken within seven working days of finalisation of basis of allotment.

(iii) that the issuer company shall apply in advance for the listing of equities on the conversion of debentures/ bonds.

[110]((iv) that funds required for making refunds to unsuccessful applicants as per the mode(s) disclosed shall be made available to the Registrar to the issue by the issuer.)

[111]((iv)(a) that where refunds are made through electronic transfer of funds, a suitable communication shall be sent to the applicant within 30 days or 15 days of closure of the issue, as the case may be, giving details of the bank where refunds shall be credited along with amount and expected date of electronic credit of refund.)

(v) that the promoters' contribution in full, wherever required, shall be brought in advance before the Issue opens for public subscription and the balance, if any, shall be brought in pro rata basis before the calls are made on public.

(vi) that the certificates of the securities/ refund orders to the non-resident Indians shall be despatched within specified time.

(vii) that no further issue of securities shall be made till the securities offered through this prospectus are listed or till the application moneys are refunded on account of non-listing, undersubscription, etc.

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[109] Inserted vide SEBI Circular No. SEBI/CFD/DIL/DIP/18/2006/20/1 dated January 20, 2006.

[110] Substituted vide SEBI Circular No. SEBI/CFD/DIL/DIP/18/2006/20/1 dated January 20, 2006 for the following: *"that the funds required for despatch of refund orders/ allotment letters/ certificates by registered post shall be made available to the Registrar to the Issue by the issuer company."*

[111] Inserted vide SEBI Circular No. SEBI/CFD/DIL/DIP/18/2006/20/1 dated January 20, 2006.

(b) In case of a debenture issue, the issuer company shall also give undertakings to the following effect in the prospectus:

(i) that the issuer company shall forward the details of utilisation of the funds raised through the debentures duly certified by the statutory auditors of the issuer company, to the debenture trustees at the end of each half-year.

(ii) that the issuer company shall disclose the complete name and address of the debenture trustee in the annual report.

(iii) that the issuer company shall provide a compliance certificate to the debenture holders (on yearly basis) in respect of compliance with the terms and conditions of issue of debentures as contained in the prospectus, duly certified by the debenture trustee.

(iv) that the issuer company shall furnish a confirmation certificate that the security created by the company in favour of the debenture holders is properly maintained and is adequate enough to meet the payment obligations towards the debenture holders in the event of default.

(v) that necessary cooperation with the credit rating agency (ies) shall be extended in providing true and adequate information till the debt obligations in respect of the instrument are outstanding.

6.13.2.28 Utilisation of Issue Proceeds:

(a) A statement by the Board of Directors of the issuer company to the effect that:

(i) all monies received out of issue of shares or debentures to public shall be transferred to separate bank account other than the bank account referred to in sub-section (3) of section 73 of the Companies Act, 1956;

(ii) details of all monies utilised out of the issue referred to in sub-item(i) shall be disclosed under an appropriate separate head in the balance sheet of the issuer company indicating the purpose for which such monies had been utilised; and

(iii) details of all unutilised monies out of the issue of shares or debentures, if any, referred to in sub-item (i) shall be disclosed under an appropriate separate head in the balance sheet of the issuer company indicating the form in which such unutilised monies have been invested.

(b) The prospectus shall contain a statement of the Board of Directors of the issuer company to the effect that:

(i) the utilisation of monies received under promoters' contribution and from firm allotments and reservations shall be disclosed under an appropriate head in the balance sheet of the issuer company, indicating the purpose for which such monies have been utilised.

(ii) the details of all unutilised monies out of the funds received under promoters' contribution and from firm allotments and reservations shall be disclosed under a separate head in the balance sheet of the issuer company, indicating the form in which such unutilised monies have been invested.

6.13.2.29 Restrictions on foreign ownership of Indian securities, if any:

(a) Investment by NRIs.
(b) Investment by FIIs.

6.14 Description of Equity Shares and Terms of the Articles of Association

6.14.1 Rights of members regarding voting, dividend, lien on shares and the process for modification of such rights and forfeiture of shares.

6.14.2 Main provisions of the Articles of Association.

6.15 Other Information

6.15.1 List of material contracts and inspection of documents for inspection:

6.15.1.1 Material contracts.

6.15.1.2 Documents.

6.15.1.3 Time and place at which the contracts, together with documents, will be available for inspection from the date of prospectus until the date of closing of the subscription list.

6.15.2 Declaration

The draft prospectus and final prospectus shall be approved by the Board of Directors of the issuer company and shall be signed by all the Directors (including the Managing Director), Chief Executive Officer and Chief Financial Officer of the issuer company. They shall also certify that all the disclosures made in the prospectus are true and correct.)

[112](SECTION II - CONTENTS OF ABRIDGED PROSPECTUS

6.16 General Instructions: The information to be provided under each of the heads specified below shall be as per the requirement of [113](Section I) of Chapter VI except when specified otherwise.

6.16.1 The Abridged Prospectus shall be printed in a font size which shall not be visually smaller than TIMES NEW ROMAN Size 10.

6.16.2 The order in which items appear in the Abridged Prospectus shall correspond, wherever applicable, to the order in which items appear in the Prospectus.

6.16.3 The application form shall be so positioned that on the tearing-off of the application form, no part of the information given in the Abridged Prospectus is mutilated.

6.17 **General Information**

6.17.1 The name of the issuer company and address of the registered office of the issuer company, along with telephone number, fax number, e-mail address and website address, and where there has been a change in the address of the registered office or name of the Issuer, details thereof.

6.17.2 Name/s of stock exchanges where listing of the securities is proposed.

6.17.3 Dates of opening, earliest closing and closing of the issue.

6.17.3A [114](Disclosure under the heading "IPO Grading", stating all the grades obtained for the IPO, along with the rationale/ description furnished by the credit rating agency(ies) for each of the grades obtained.)

6.17.4 Disclaimer Clause of SEBI

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[112] Substituted for Section II of Chapter VI, vide SEBI Circular No. SEBI/CFD/DIL/DIP/14/2005/25/1 dated January 25, 2005. The text of Section II, prior to this substitution, is given at the end of these Guidelines, after Schedule XXIX.

[113] Substituted vide SEBI Circular No. SEBI/CFD/DIL/DIP/19/2006/31/3 dated March 31, 2006 for the letters and figure *"Part I"*.

[114] Substituted, vide SEBI Circular No. SEBI/CFD/DIL/DIP/25/2007/30/4 dated April 30, 2007, for the following clause, which was inserted vide SEBI Circular No. SEBI/CFD/DIL/DIP/21/2006/19/4 dated April 19, 2006:
"Statement indicating whether IPO grading has been opted for. If yes, disclosure of all grades so obtained, including unaccepted grades, as provided under clause 5.6B.2 and the rationale / description of the grading/s so obtained, as furnished by the credit rating agency/ies, may be given."

6.17.5 Consolidated Disclaimer Clause of Stock Exchanges: Disclaimer clauses of stock exchanges shall be combined into a single disclaimer clause with appropriate reference to individual stock exchanges.

6.17.6 Disclaimer Statement of the issuer company and merchant banker

6.17.7 Name and address of the Lead Managers, along with telephone number, fax number, website address, name of contact person and e-mail address.

6.17.8 Name and address of the brokers along with phone numbers.

6.17.9 Name and address of the collecting bankers.

6.17.10 Name and address of the registrars to the issue along with phone number, fax number, website address, name of contact person and email address.

6.17.11 Name and address of the trustee under debenture trust deed (in case of a debenture issue) along with phone number, fax number, website address, name of contact person and email address.

6.17.12 Name and address of the statutory auditors.

6.17.13 Rating for the proposed debenture/ preference shares issue, if any, obtained from the credit rating agencies.

6.17.14 Name and address of the underwriters and the amount underwritten by them, if applicable.

6.17.15

(a) Name, address, telephone number, fax number and email address of the Compliance Officer.

(b) Investor's attention shall be invited to contact the Compliance Officer in case of any pre-issue/ post-issue related problems such as non-receipt of letters of allotment/ share certificates/ credit of securities in depositories beneficiary account/ refund orders, etc.

6.17.16 Provisions of sub section (1) of Section 68A of the Companies Act, 1956 relating to punishment for impersonation.

6.17.17 Declaration about the issue of allotment letters/ refunds within a period of 30 days and interest in case of delay in dispatching refund/ allotment letters @ 15% per annum or at the rate as may be specified.

6.17.18 Risk Factors and proposals to address the same.

6.18 **Capital Structure of the issuer company**

6.18.1 Following details to be furnished:

a. Authorised, issued, subscribed and paid up capital (Number of instruments, description, aggregate nominal value).

b. Size of present issue. Disclose separately promoters' contribution, firm allotment/ reservation for specified categories and net offer to public.

c. Number of instruments, description, aggregate nominal value and issue amount shall be given in this order. Name(s) of group companies to be given, in case, reservation has been made for shareholders of the group companies.

d. Paid-up Capital

i. after the issue
ii. after conversion of securities (if applicable).

e. Share Premium Account (before and after the issue).

6.18.2 Complete Notes to the Capital Structure.

6.18.3 A disclosure to the effect that the securities offered through this public/ rights issue shall be made fully paid up or forfeited within 12 months from the date of allotment of securities in a manner as specified in clause 8.5.2.

6.19 **Terms of the Present Issue**

6.19.1

i. Authority for the issue, terms of payment and procedure and time schedule for allotment and issue of certificates/ refund orders.

ii. The clause "Interest in Case of Delay in Despatch of Allotment Letters/ Refund Orders in Case of Public Issues" shall appear.

6.19.2 **Instructions for applicants**

a. How to Apply, Availability of Prospectus, Abridged Prospectus and Application Forms, Mode of Payment and Book building procedure, if relevant.

b. Residents: In the application form meant for Indian Public, the declaration relating to Nationality and Residentship shall be shown prominently as under:

"Nationality and Residentship (Tick whichever is applicable)

i. I am / We are Indian National(s) resident in India and I am/we are not applying for the said equity shares as nominee(s) of any person resident outside India or Foreign National(s).

ii. I am / We are Indian National(s) resident in India and I am / We are applying for the said equity shares as Power of Attorney holder(s) of Non- Resident Indian(s) mentioned below on non-repatriation basis.

iii. I am / We are Indian National(s) resident outside India and I am/we are applying for the said equity shares on my / our own behalf on nonrepatriation basis."

c. Non-Resident Indians (NRIs): The application form meant for NRIs shall not contain provision for payment through NR (O) accounts.

On the face of the form, the following legend shall be printed in a box:

"Attention NRI Applicants: Payment must be made through their Non Resident External (NRE) / Foreign Currency Non Resident (FCNR) accounts or through cheques / drafts sent from abroad and drawn on convertible rupee accounts in India. Forms accompanied by cheques drawn on NR (O) accounts are liable to be rejected".

d. Attention of NRIs shall be invited to the following:

i. the name and address of at least one place in India from where individual NRI applicants can obtain the application forms.

ii. Such applications as are accompanied by payment in free foreign exchange shall be considered for allotment under the reserved category.

iii. Such NRIs who wish to make payment through Non-Resident Ordinary (NRO) accounts shall use the form meant for Resident Indians and shall not use the form meant for reserved category. As regards applications in case of reservations to NRIs, a disclosure is to be made incorporating the fact that payment for such allotments shall come through external source only and that payments through NRO account will not be permitted.

e. The application form should contain necessary instructions/ provisions for the following:

i. Instructions to applicants to mention the number of application form on the reverse of the instruments to avoid misuse of instruments

submitted along with the applications for shares/ debentures in public issues.

ii. Provision in the application form for inserting particulars relating to bank account number and the name of the bank with whom such account is held, to enable printing of the said details in the refund orders or for refunds through Electronic Clearing System.

[115](**Provided that** in case of an issue of securities which is wholly required to be made in the dematerialized form, it would not be necessary to require bank account details in the application form.

Provided further that in a case covered by the preceding proviso, the application form shall contain a statement that the bank account details of the applicant would be taken from the data provided by him to the depository.)

iii. Disclosure of PAN/GIR number in respect of applications for monetary value of the investment of Rs.50,000 and above.

iv. Details of options, if any, to receive securities subscribed for, either in dematerialised or physical form and a statement that trading in securities on the stock exchanges in physical form will be available only subject to limits prescribed by the Board for time to time.

[116](v. Brief mention of the various intended modes of making refunds (as disclosed in the prospectus).)

f. Application by Mutual Funds

6.19.3 Any special tax benefits for company and its shareholders (Only section numbers of the Income Tax Act and their substance should be mentioned, without reproducing the text of the sections).

6.20 **Particulars of the Issue**

6.20.1 Objects of the issue
6.20.2 Project cost
6.20.3 Means of financing
6.20.4 Name of Appraising Agency, if any
6.20.5 Name of Monitoring Agency, if any

6.21 **Company, Management and Project**

6.21.1 History and main objects and present business of the company.

[115] Inserted two provisos vide SEBI Circular No. SEBI/CFD/DIL/DIP/18/2006/20/1 dated January 20, 2006.

[116] Inserted sub-clause, vide SEBI Circular No. SEBI/CFD/DIL/DIP/18/2006/20/1 dated January 20, 2006.

6.21.2 Promoters and their background.

6.21.3 Names, address and occupation of manager, managing director, and other Directors (including nominee-directors and whole-time directors) giving their directorships in other companies.

6.21.4 Location of the project

6.21.5 Plant and machinery, technology, process, etc

6.21.6 Collaboration, any performance guarantee or assistance in marketing by the collaborators

6.21.7 Infrastructure facilities for raw materials and utilities like water, electricity, etc.

6.21.8 Schedule of implementation of the project and progress made so far, giving details of land acquisition, civil works, installation of plant and machinery, trial production, date of commercial production etc

6.21.9 Products/Services

6.21.9.1 Nature of the products/services and end users

6.21.9.2 Existing, licensed and installed capacity of the product, demand of the product-existing, and estimated in the coming years as estimates by a Government authority or by any other reliable institution, giving source of the information. In case the company is providing services, relevant information in regard to nature/ extent of services, etc., have to be furnished.

6.21.9.3 Approach to marketing and proposed marketing set up

6.21.9.4 Export possibilities and export obligations, if any.

6.21.9.5 Stock Market Data: Disclose particulars of:-

a. high, low and average market prices of the share of the company during the preceding three years

b. monthly high and low prices for the six months preceding the date of filing of the prospectus

c. number of shares traded on the days when high and low prices were recorded in the relevant stock exchange during period of (i) and (ii) above, and total volume traded on those dates

d. the stock market data referred to above shall be shown separately for periods marked by a change in capital structure, with such period commencing from the date the concerned stock exchange recognises the change in the capital structure (e.g., when the shares have become ex-rights or ex-bonus)

e. the market price immediately after the date on which the resolution of the Board of Directors approving the issue was approved

f. the volume of securities traded in each month during the six months preceding the date on which the offer document is filed with ROC

g. Along with high, low and average prices of shares of the company, details relating to volume of business transacted should also be stated for respective periods.

6.22 **Following particulars in regard to the listed companies under the same management which made any capital issue in the last three years**

a. Name of the company

b. Year of issue

c. Type of issue (public/ rights/ composite)

d. Amount of issue

e. Date of closure of issue

f. Date of despatch of share/ debenture certificate completed

g. Date of completion of the project, where object of the issue was financing of a project

h. Rate of dividend paid, if any.

6.23 **Basis for Issue Price**

a. Earnings per share i.e. EPS pre-issue for the last three years (as adjusted for changes in capital);

b. P/E pre-issue

c. Average return on net worth in the last three years

d. Minimum return on increased net worth required to maintain preissue EPS;

e. Net Asset Value per share based on last balance sheet;

f. Net Asset Value per share after issue and comparison thereof with the issue price.

g. Comparison of all the accounting ratios of the issuer company as mentioned above with the industry average and with the accounting ratios of the peer group (i.e., companies of comparable size in the same industry. (Indicate the source from which industry average and accounting ratios of the peer group has been taken)

Provided that the projected earnings shall not be used as a justification for the issue price in the offer document.

Provided further that the accounting ratios disclosed in the offer documents in support of basis of the issue price shall be calculated after giving effect to the consequent increase in capital on account of compulsory conversions outstanding, as well as on the assumption that the options outstanding, if any, to subscribe for additional capital will be exercised.

h. The face value of shares (including the statement about the issue price being "X" times of the face value)

6.24 **Outstanding Litigations and Defaults** (in a summarised tabular form)

6.24.1 Whether all payment/refunds, debentures, deposits of banks or companies, interest on deposits, debenture interest, institutional dues have been paid up to date. If not, details of the arrears, if any, to be stated.

6.25 **Material Development:** Any material development after the date of the latest balance sheet and its impact on performance and prospects of the company.

6.26 **Expert opinion obtained, if any.**

6.27 **Change, if any, in directors and auditors during the last three years and reasons thereof.**

6.28 **Time and Place of Inspection of material contracts** (List of material contracts not required)

6.29 **Financial Performance of the Company for the Last Five Years** (Figures to be taken from the audited annual accounts in a tabular form)

6.29.1

a. Balance Sheet Data: Equity Capital, Reserves (State Revaluation Reserve, the year of revaluation and its monetary effect on assets) and borrowings

b. Profit and Loss data: Sales, Gross profit, Net profit, dividend paid, if any

c. Any change in accounting policies during the last three years and their effect on the profits and the reserves of the company

d. Following information as extracted from the report of the auditors reproduced in the main offer document in terms of clause 6.18 of the Guidelines:

i) net profit before accounting for extra ordinary items

ii) extra ordinary items

iii) net profit after accounting for extra ordinary items

6.29.2 Management Discussions and Analysis on Accounts

6.30 **Listed Ventures of Promoters**

6.31 **Previous Public or Rights Issues, if any ,of last 5 years**

6.32 **Disclosure on Investor Grievances & Redressal System**

6.33 **Statement regarding minimum subscription clause:**

Following statements shall appear depending upon the type of issue:

6.33.20 <u>For Non-underwritten Public Issues</u>

"If the company does not receive the minimum subscription of 90% of the issued amount on the date of closure of the issue, or if the subscription level falls below 90% after the closure of issue on account of cheques having being returned unpaid or withdrawal of applications, the company shall forthwith refund the entire subscription amount received. If there is a delay beyond 8 days after the company becomes liable to pay the amount, the company shall pay interest as per Section 73 of the Companies Act 1956."

6.33.21 <u>For Underwritten Public Issues</u>

"If the company does not receive the minimum subscription of 90% of the net offer to public including devolvement of Underwriters within 60

days from the date of closure of the issue, the company shall forthwith refund the entire subscription amount received. If there is a delay beyond 8 days after the company becomes liable to pay the amount, the company shall pay interest prescribed under Section 73 of the Companies Act 1956."

6.33.22 For Composite Issues

i. The Lead Merchant Banker shall ensure that the requirement of "minimum subscription" is satisfied both jointly and severally, i.e., independently for both rights and public issues.

ii. If the company does not receive the minimum subscription in either of the issues the company shall refund the entire subscription received.

6.34 **Signatories to the Offer Document.**)

SECTION III - CONTENTS OF THE LETTER OF OFFER

6.39 [117](The letter of offer shall fulfill the requirements and shall contain the disclosures as specified under Section of this Chapter.

Provided that information in terms of clauses 6.8.2.2, 6.8.2.3, sub-clauses (a), (b), (c), (d) and (e) of clause 6.8.3.2, clauses 6.8.4.12, 6.9.2.1, 6.9.2.2, 6.9.2.3, 6.9.2.4, 6.9.4 6.9.6 ,6.10.3, 6.12.16, 6.12.17, 6.12.18, 6.12.20 and 6.12.21 may not be disclosed in the letter of offer, if the following conditions are fulfilled:

(a) The issuer company has been filing periodic statements in regard to financial results and shareholding pattern with the Designated Stock Exchange and Registrar of Companies for the last three years and such statements are available on websites of the Designated Stock Exchange/ on a common e- filing platform.

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117 Substituted vide SEBI Circular No. SEBI/CFD/DIL/DIP/19/2006/31/3 dated March 31, 2006 for the following:
"The letter of offer shall fulfill the requirements and shall contain disclosures as specified under Section I of this Chapter for the prospectus under the following heads:

Explanation:

For the purpose of rights issue, wherever the word 'RoC' appears, the same shall be deemed to refer Designated Stock Exchange."

Prior to the above, clause 6.39 was substituted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003 for the following:
"The letter of offer shall fulfil the requirements and shall contain disclosures as specified under Section I of this Chapter for the prospectus under the following heads:

Explanation:
For the purpose of rights issue, wherever the word 'RoC' appears, the same shall be deemed to refer Regional Stock Exchange."

(b) The issuer company has in place an investor grievance handling mechanism which includes meeting of 'Shareholders' / Investors' Grievance Committee' at frequent intervals, appropriate delegation of power by the board of directors of the issuer company with regard to share transfer and clearly laid out systems and procedures for timely and satisfactory redressal of investor grievances.

(c) The Lead Merchant Banker has certified compliance of (a) and (b) above.

Provided further that where the issuer company is complying with the aforesaid proviso, it shall –

(a) furnish to the Board the following undertaking along with the draft letter of offer, which shall also be incorporated in the letter of offer:

"We confirm that other than the disclosures made in the instant letter of offer, nothing material has changed in respect of disclosures made by us at the time of our previous issue made on …… . "

(b) make a copy of the offer document of the immediately preceding public or rights issue, available to the public as specified under clause 5.6.2(ii) and also as a document for public inspection.

Explanation:

For the purpose of rights issue –

(a) wherever the word "RoC" appears, the same shall be deemed to refer to "Designated Stock Exchange.

(b) wherever the word "prospectus" appears, the same shall be deemed to refer to "letter of offer".)

6.40 **Cover Pages**

6.40.1 The front and back cover pages of the letter of offer shall comply with the requirements specified under [118](clause 6.4 of Section I) of this Chapter.

6.41 **General information**

6.41.1 Name and address of registered office of the company.

[118] Substituted vide SEBI Circular No. SEBI/CFD/DIL/DIP/14/2005/25/1 dated January 25, 2005 for *"clause 6.2 of Section I"*.

6.41.2 Issue listed at: [Name (s) of the Stock Exchanges]

6.41.3 Opening, closing dates of the issue.

6.41.4 Name and address of Lead Merchant Bankers.

6.41.5 Name and address of Trustees under Debenture Trust Deeds (in case of debenture/ issue).

6.41.6 Rating for the Debenture/ Preference Shares, if any, obtained from any Credit Rating Agency.

6.41.7 Provisions of sub-section (1) of Section 68A of the Companies Act, 1956 relating to punishment for fictitious applications.

6.41.8 Declaration about the issue of allotment letters/refunds within a period of 7 weeks and interest in case of delay in refund at the prescribed rate under Section 73(2)/ (2A).

6.41.9 Declaration by the Board of Directors stating that all moneys received out of issue of shares or debentures through an offer document shall be transferred to a separate bank account other than the bank account referred to in sub-section (3) of section 73;

6.41.10 **Minimum Subscription Clause:** The minimum subscription clause shall be incorporated as under:

[119](6.41.10.1)**For Non-underwritten Rights Issue**

i. If the Company does not receive the minimum subscription of 90% of the issue, the entire subscription shall be refunded to the applicants within forty two days from the date of closure of the issue.

ii. If there is delay in the refund of subscription by more than 8 days after the company becomes liable to pay the subscription amount (i.e. forty two days after closure of the issue), the company will pay interest for the delayed period, at rates prescribed under sub-sections (2) and (2A) of Section 73 of the Companies Act, 1956.

[120](6.41.10.2)**For Underwritten Rights Issue**

i. If the Company does not receive minimum subscription of 90% of the issue including devolvement of underwriters, the entire subscription

[119] Renumbered clause 6.41.11 as *"clause 6.41.10.1"*, vide SEBI Circular No. SEBI/CFD/DIL/DIP/14/2005/25/1 dated January 25, 2005.

[120] Renumbered clause 6.41.12 as *"clause 6.41.10.2"*, vide SEBI Circular No. SEBI/CFD/DIL/DIP/14/2005/25/1 dated January 25, 2005.

shall be refunded to the applicants within forty two days from the date of closure of the issue.

ii. If there is delay in the refund of subscription by more than 8 days after the company becomes liable to pay the subscription amount (i.e., forty two days after closure of the issue), the company will pay interest for the delayed period, at prescribed rates in sub-sections (2) and (2A) of Section 73 of the Companies Act, 1956.

6.42 **Capital structure of the company**

a. Issued, subscribed and paid-up capital

b. Size of present issue

c. Paid up capital:

i. after the present issue.

ii. after the conversion of debentures (if applicable)

d.

i. Details of promoters holding (pre-issue and post issue) and the lock-in.

ii. Pre and Post Issue shareholding pattern.

iii. Promoters' intention to subscribe to their entire rights entitlement.

6.43 **Terms of the present issue**

6.43.1 Authority for the issue, terms of payments and procedure and time schedule for allotment and issue of certificates.

6.43.2 How to apply - availability of forms, letter of offer and mode of payment.

6.43.3 Special tax benefits to company and shareholders under the Income tax Act, if any.

6.44 **Particulars of the issue**

6.44.1 Object of the issue.

6.44.2 Project Cost.

6.44.3 Means of financing (including contribution of promoters).

6.45 **Company, management and project**

6.45.1 History, main objects and present business of the company.

6.45.2 Background of promoters, Managing Director/ Whole time Director and names of nominees of institutions, if any, on the Board of Directors including key management personnel.

6.45.3 Location of the Project.

6.45.4 Plant and Machinery, technology, process etc.

6.45.5 Collaboration, performance guarantee if any, or assistance in marketing by the collaborators.

6.45.6 Infrastructure facilities for raw materials and utilities like water, electricity,
etc.

6.45.7 Schedule of implementation of the project and progress made so far, giving details of land acquisition, execution of civil works, installation of plant and machinery, trial production, date of commercial production, if any.

6.45.8 The products:

i. Nature of product(s)- consumer/ industrial and end users.

ii. Existing, licensed and installed capacity of the product, demand of the product - existing, and estimated in the coming years as estimated by a Government authority or by any other reliable institution, giving source of the information.

iii. Approach to marketing and proposed marketing set up (in case of company providing services, relevant information in regard to nature/ extent of services etc. to be furnished).

6.45.9 Future prospects - The expected year when the company would be able to earn net profit, declare dividend.

6.45.10 Change, if any, in directors and auditors during the last three years and reasons thereof.

6.46 **Financial performance of the company for the last five years:**
(Figures to be taken from the audited annual accounts in tabular form)

6.46.1 Balance Sheet Data: Equity Capital, Reserves (State Revaluation Reserve, the year of revaluation and its monetary effect on assets) and borrowings.

6.46.2 Profit and Loss data: Sales, Gross profit, Net profit, Dividend paid if any.

6.46.3 Any change in accounting policies during the last three years and their effect on the profits and the reserves of the company.

6.46.4 Stock market quotation of shares/ debentures of the company, if any, (high/ low price in each of the last three years and monthly high /low price during the last six months)

6.46.5 Details of any pending litigations, defaults against the company, these group companies and the business relationship of these companies with the issuing company.

6.46.6 Promise versus performance for the earlier Public/ Rights issues of the Company, or group companies.

6.46.7 Financial performance of the subsidiary company/ group company.

6.46.8 [121](The accounting ratios as mentioned in [122](clause 6.8.4.11).

Provided that, the lead merchant banker shall not proceed with the issue in case the accounting ratios mentioned above, do not justify the issue price.)

6.47 Risk Factors and Management perception of risk factors.

6.48 The information for the period between the last date of the balance sheet and profit and loss account sent to the shareholders and up to the end of the last but one month preceding the date of the letter of offer shall be furnished.

6.48.1 Working results of the company under following heads:

(a)

(i) Sales/ turnover

(ii) Other income

(b) Estimated gross profit/ loss (excluding depreciation and taxes)

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[121] Substituted vide SEBI Circular No. DIP (Compendium) Circular No. 3 dated August 04, 2000 for *"Justification of premium"*.

[122] Substituted vide SEBI Circular No. SEBI/CFD/DIL/DIP/14/2005/25/1 dated January 25, 2005 for *"clause 6.13.1"*.

(c)

(i) Provision for depreciation

(ii) Provision for taxes

(d) Estimated net profit/ loss

6.48.2 Material changes and commitments, if any, affecting financial position of the company.

6.48.3 Week-end prices for the last four weeks; current market price; and highest and lowest prices of equity shares during the period with the relative dates.

6.49 **Following particulars in regard to the listed companies under the same management within the meaning of section 370(1B) which made any capital issue in the last three years.**

a. Name of the company.

b. Year of issue.

c. Type of issue (rights)

d. Amount of issue.

e. Date of closure of issue.

f. Date of despatch of share/ debenture certificate completed.

g. Date of completion of the project, where object of the issue was financing of a project.

h. Rate of Dividend paid.

6.50 **Management discussion and analysis of the financial conditions and results of the operations as reflected in the financial statement.**

6.50.1 Any material development after the date of the latest balance sheet and its impact on performance and prospects of the company.

6.51 Outstanding litigation

6.52 Expert opinion obtained if any.

6.53 **Statutory and other information**

6.53.1 Option to Subscribe

(a) The details of option to subscribed for securities to be dealt in a depository.

(b) The lead merchant banker shall incorporate a statement in the offer document and in the application form to the effect that the investor shall have an option either to receive the security certificates or to hold the securities in dematerialised form with a depository.

6.53.2 Material contracts and time and place of inspection.

6.54 **Undertaking by Directors**

"No statement made in this Form shall contravene any of the provisions of the Companies Act, 1956 and the rules made thereunder. All the legal requirements connected with the said issue as also the guidelines, instructions etc. issued by SEBI, Government and any other competent authority in this behalf have been duly complied with."

Signature of Directors

Place:
Date:

[123](SECTION IV - CONTENTS OF THE ABRIDGED LETTER OF OFFER

6.55 The abridged letter of offer shall contain disclosures as specified in Section II of this Chapter.

Provided that where the conditions laid down in 1st proviso to clause 6.39 are satisfied, clauses 6.18.2, 6.19.3, 6.21, 6.22, 6.30 and 6.31 specified under Section II of this Chapter shall not apply to the abridged letter of offer.

6.56 The order in which items shall appear in the abridged letter of offer shall correspond, wherever applicable, to the order in which items appear in the letter of offer.

6.57 The abridged letter of offer shall also include the following disclosures:

(a) Provisions pertaining to applications referred to in clause 5.11;
(b) Rights entitlement ratio;

[123] Inserted Section IV, vide SEBI Circular No. SEBI/CFD/DIL/DIP/19/2006/31/3 dated March 31, 2006.

(c) Fractional entitlements;
(d) Renunciation;
(e) Application for Additional equity shares;
(f) Intention of promoters to subscribe to their rights entitlement;
(g) Statement that a copy of the offer document of the immediately preceding public or rights issue is made available to the public as specified under clause 5.6.2(ii) and also as a document for public inspection.)

[124](CHAPTER VIA

ISSUE OF INDIAN DEPOSITORY RECEIPTS (IDRs)

PART I – GENERAL REQUIREMENTS

6A.1 PRELIMINARY

The guidelines given in this chapter are in addition to the provisions of the Companies (Issue of Indian Depository Receipts) Rules, 2004 (hereinafter referred to as the IDR Rules) and not in derogation thereof.

6A.2 ELIGIBILITY FOR ISSUE OF IDRS

No issuer shall make an issue IDRs unless:

(i) it fulfills the eligibility criteria as specified in Rule 4 of the IDR Rules
(ii) It is listed in its home country;
(iii) it has not been prohibited to issue securities by any Regulatory Body; and,
(iv) it has good track record with respect to compliance with securities market regulations.

6A.3 INVESTORS

1. NRIs and FIIs cannot purchase or possess IDRs unless special permission of the Reserve Bank of India is taken.
2. Investments by Indian Companies in IDRs shall not exceed the investment limits, if any, prescribed for them under applicable laws.
3. Automatic fungibility of IDRs is not permitted.
4. An issue of IDRs is open to QIBs (as defined in clause 2.2.2.B. of these Guidelines) only.
5. The minimum application amount in an IDR issue shall be Rs.2,00,000/-
6. Procedure to be followed by each class of applicant for applying shall be mentioned in the prospectus.

6A.4 MINIMUM ISSUE SIZE:

The size of an IDR issue shall not be less than Rs.50 crores

6A.5 MINIMUM SUBSCRIPTION:

If the company issuing the IDRs does not receive the minimum subscription of 90% of the issued amount on the date of closure of the issue, or if the subscription level falls below 90% after the closure of issue on account of cheques having being returned unpaid or withdrawal of applications, the company shall forthwith refund the entire subscription amount received. If there is a delay beyond 8 days after the

[124] Inserted vide SEBI Circular No. SEBI/CFD/DIL/DIP/20/2006/3/4 dated April 3, 2006.

company becomes liable to pay the amount, the company shall pay interest at the rate of 15% per annum for the period of delay.

PART II - DISCLOSURES IN A PROSPECTUS FOR IDRs

A prospectus for issue of IDRs shall contain all details as prescribed herein.

6A.6 GENERAL INSTRUCTIONS WITH RESPECT TO CONTENTS OF THE PROSPECTUS:

1. The Merchant Banker has the option to file the draft prospectus as a public filing or a confidential filing. In both the cases, the initial fee as prescribed in Rule 5 (i) (b) of the IDR Rules shall accompany such filing.
2. The contents of the prospectus including the financial statements of the issuer company, its subsidiaries and associates shall be in plain English.

   "Associate" for the purpose of this chapter would mean "associate" as defined in Indian GAAP or IFRS or US GAAP in which the financial statements of the issuer are disclosed.

3. The prospectus shall contain all material information which shall be true and adequate so as to enable the investors to make informed decision on the investments in the issue.
4. The prospectus shall also contain the information and statements specified herein
5. The issuing company shall, through a Merchant Banker file a prospectus or letter of offer certified by two authorized signatories of the issuing company, one of whom shall be a whole-time director and other the Chief Accounts Officer or the Chief Financial Officer, stating the particulars of the resolution of the Board or the shareholders by which it was approved, with the SEBI and Registrar of Companies, New Delhi, before such issue. They shall also certify that all the disclosures made in the prospectus are true and correct.
6. The agreement made with the domestic depository shall also be furnished along with the prospectus.

6A.7. DISCLAIMER

1. A disclaimer shall be made by the Merchant Banker (including a due diligence certificate) in the format specified in Schedule III
2. A statement will be made by the Issuer disclaiming responsibility for statements made otherwise than in the prospectus, as follows:

   "Our company, our directors and the Merchant Banker accept no responsibility for statements made otherwise than in the prospectus or in the advertisements or any other material issued by at our instance and anyone placing reliance on any other source of information including our website_____ shall be doing so at his or her own risk."

6A.8 THE ISSUE

Summary of the terms of offer shall be incorporated, including:

1. Offer and Listing Details
2. Plan of Distribution
3. Markets
4. Selling Shareholders, if any
5. Dilution
6. Expenses of the Issue

6A.9 FORWARD LOOKING STATEMENTS

A paragraph on the statements that are forward looking statements and not matters of historical facts shall be incorporated. A statement on the sources of data used in the prospectus and their accuracy shall also be incorporated. A line should also be incorporated on whether these have been independently verified.

6A.10 GENERAL INFORMATION

1. Definitions/terms used in the prospectus
2. Name, address and contact information of the registered office of the company;
3. Name, address and contact information of the Domestic Depository, the Overseas Custodian Bank with the address of its office in India, the Merchant Banker, the Underwriter to the issue, Advisors to the issue and any other intermediary which may be appointed in connection with the issue of IDRs;
4. Interest of Experts and Counsel
5. Name, address and contact information of the compliance officer in relation to the issue of IDRs. The compliance officer should be placed in India
6. Name, address and contact information of Stock Exchanges where applications are made or proposed to be made for listing of the IDRs;
7. Disclosure about provisions relating to punishment for fictitious applications;
8. Statement/declaration for refund of excess subscription
9. Statement that an interest of 15% p.a. would be paid to the investors if the allotments letters / refund orders are not despatched within 30 days of the closure of the public issue
10. Declaration about issue of allotment letters/certificates/ IDRs within the stipulated period;
11. Date of opening of issue;
12. Date of closing of issue;
13. Method and Expected Timetable of the issue
14. A statement that subscription to the issue shall be kept open for atleast 3 working days and not more than 10 working days
15. Date of earliest closing of the issue;

16. Declaration by the Merchant Banker with regard to adequacy of resources of underwriters to discharge their respective obligations, in case of being required to do so;
17. A statement by the issuing company that all moneys received out of issue of IDRs shall be transferred to a separate domestic bank account, name and address of the bank and the nature and number of the account to which the amount shall be credited;
18. Details of availability of prospectus and forms, i.e., date, time, place etc;
19. Amount and mode of payment seeking issue of IDRs
20. Disclosure on Investor Grievances and Redressal System:
    a. The arrangements or any mechanism evolved by the company for redressal of investor grievances.
    b. The past record (for a min period of 3 years before the date of the prospectus) of investor grievance redressal of the company and its listed subsidiaries/associates including details as to the time normally taken by it for disposal of various types of investor grievances.
    c. That the company undertakes to subject itself to the jurisdiction of Indian Courts having jurisdiction over the place where the stock exchange is situated regarding grievances of the applicants for IDRs

6A.11 RISK FACTORS & MANAGEMENT PERCEPTION, IF ANY

1. Risk factors shall be disclosed as follows:

    a. Risk factors associated with the company's business
    b. Risk factors associated with the country of the company proposing to issue IDRs
    c. Risk factors associated with the IDRs / underlying shares

2. Risk factors shall be classified as those which are specific to the project and internal to the issuer company and those which are external and beyond the control of the issuer company.

3. Risk factors shall be determined on the basis of their materiality.

4. Materiality shall be decided taking the following factors into account:

    a. Some events may not be material individually but may be found material collectively.
    b. Some events may have material impact qualitatively instead of quantitatively.
    c. Some events may not be material at present but may be having material impacts in future.

5. The Risk factors shall appear in the prospectus in the following manner:

    a. Risks envisaged by Management.
    b. Proposals, if any, to address the risks.

c. Any 'notes' required to be given prominence shall appear immediately after the Risk factors.

6A.12 RECENT DEVELOPMENTS

Important events in the recent past (2 FY preceding the issue) providing details of important developments on 3 key areas: Operations & Management, Shareholding patterns and Business Environment

6A.13 MARKET PRICE INFORMATION AND OTHER INFORMATION CONCERNING THE SHARES IN THE DOMESTIC MARKET OF THE ISSUER

1. Market price of shares for each quarter of the last three calendar years preceding the calendar year preceding the year of the issue of Prospectus (High, Low, Average Daily Trading Volume)
2. Market price of shares for each month of the calendar year preceding the year of the issue of Prospectus (High, Low, Average Daily Trading Volume)
3. Market price of shares for the month preceding the date of Prospectus (High, Low, Average Daily Trading Volume)
4. The Opening and Closing price on the last day of the preceding month of the date of Prospectus along with the volume
5. This information should be provided, exchange wise, if the securities are listed in more than one exchange
6. This information should updated as on last available date before the date of prospectus
7. If it is a further issue of IDRs which are already listed in India, the above information should be given about such IDRs also

6A.14 DIVIDENDS

1. Dividend policy of the Company
2. Rate of Dividend and Amount of Dividend paid for the last five financial years
3. Regulatory framework in the Country of Incorporation/share listed concerning Dividends
4. Details of Arrangement with the Depositories for payment of Dividend to the IDR holders
5. Information about changes, if any, in dividends announced and dividends paid and time gap between the dividends announced and dividends paid.
6. Information about Dividend Yield.
7. Taxation aspects of dividend distribution.

6A.15 EXCHANGE RATES

1. Brief history of the pattern of Exchange rates between the Country of Incorporation/where shares are listed and India
2. High, Low, Average Rates for the last five years
3. High, Low, Average Rates for the last twelve months

6A.16 FOREIGN INVESTMENT AND EXCHANGE CONTROLS OF THE COUNTRY OF INCORPORATION/ WHERE SHARES ARE LISTED

Information relating to the relevant foreign investment laws and exchange control regulations of the Country of Incorporation or country where the underlying equity shares are listed.

6A.17 OBJECTS OF THE ISSUE / USE OF PROCEEDS

The following shall be disclosed:

1. purpose of the issue;
2. break-up of the cost of project for which the money is raised through the IDR issue;
3. the means of financing such project; and
4. proposed deployment status of the proceeds at each stage of the project.

6A.18 CAPITALISATION STATEMENT

	Pre-issue as ***(Figures in Rs. crores)***
Short-Term Debt	
Long Term Debt	
Shareholders Funds – Share Capital – Reserves	
Total Shareholders Funds	
Long Term Debt/Equity	

6A.19 CAPITAL STRUCTURE

1. Authorised, issued, subscribed and paid up capital (Number of instruments, description, aggregate nominal value).
2. Size of present issue.
3. Paid-up Capital:
   - before the issue;
   - after the issue (if the IDR issue involves issue of fresh equity shares); and
   - share premium account (before and after the issue)
4. Detailed notes to Capital Structure

Capital Structure shall also contain details regarding holdings of major shareholders i.e., the person or persons who are in over-all control of the company.

6A.20 FINANCIAL INFORMATION

1. The audited consolidated or unconsolidated financial statements prepared in accordance with Indian GAAP or IFRS or US GAAP shall contain the following:

a. Report of Independent Auditors on the Financial Statements
b. Balance Sheets
c. Statements of Income
d. Schedules to Accounts
e. Statements of Changes in Stockholders' Equity
f. Statements of Cash Flows
g. Statement of Accounting Policies
h. Notes to Financial Statements
i. Statement Relating to Subsidiary Companies (in case of unconsolidated financial statements)

2. Report of the statutory auditor on the financial results and financial status of the company for each of the five financial years immediately preceding the issue of prospectus including the profits or losses and assets & liabilities of the issuing company at the last date to which the accounts of the company were made in the specified form; provided that the gap between date of issue and date of report shall not be more than 120 days up to a period not being more than 120 days before the opening of the issue, wherever statutory audit is required under the law of the country in which the issuing company is incorporated;

   a. The above report needs to be stated in Indian Rupees in addition to home country currency and shall be prepared either in Indian GAAP (including all Accounting Standards issued by the Institute of Chartered Accountants of India) or with the International Financial Reporting Standards (IFRS) [including the International Accounting Standards (IAS)] or US GAAP, with a reconciliation statement vis-à-vis Indian GAAP. If the same is prepared according to IFRS or US GAAP, a paragraph on summary of significant differences between Indian GAAP and IFRS or Indian GAAP and US GAAP, as the case may be, shall also be incorporated.

   b. Further, in case the report is prepared as per IFRS or US GAAP, the annual and quarterly financial results shall be audited by a professional accountant or certified public accountant or equivalent (by whatever name called in the issuer country) .in accordance with the International Standards on Auditing (ISA). The auditor's report shall also be prepared in accordance with the ISA.

   c. The above report needs to be stated on consolidated Basis or stand alone basis

   d. In case issuer country's accounting norms do not require a statutory Audit, such accounts shall be audited by a professional accountant or a certified public accountant

3. A report by domestic depository, as certified by an Accountant who is member of Institute of Chartered Accountants of India holding certificate of practice,

upon profits or losses of the issuing company for each of the five financial years immediately preceding the issue of prospectus and upon the assets and liabilities of the issuing company at the last date to which the accounts of the company were made in the specified form; provided that the gap between date of issue and date of report shall not be more than 120 days

4. If the proceeds of the IDR issue are used for investing in other body(ies) corporate, then following details of such body(ies) corporate shall be given :

   a) Names and address(es) of the bodies corporate;
   b) The reports as stated above in respect of those bodies corporate also.

5. Related Party transactions

6. Liquidity and Capital Resources

6A.21 STATEMENT ON MATERIAL DEVELOPMENTS SUBSEQUENT TO THE DATE OF THE LAST FINANCIAL STATEMENTS AS DISCLOSED IN THE PROSPECTUS

A statement by the directors whether in their opinion there have arisen any circumstances since the date of the last financial statements as disclosed in the prospectus any which materially and adversely affect or is likely to affect the trading or profitability of the company, or the value of its assets, or its ability to pay its liabilities within the next twelve months, and if so, an outline of such circumstances and an assessment of their likely impact.

6A.22 MANAGEMENT DISCUSSION AND ANALYSIS OF THE FINANCIAL STATEMENTS (BY COMPARING THE RECENT FINANCIAL YEAR WITH THE PREVIOUS THREE FINANCIAL YEARS)

1. A summary of past financial results after adjustments as given in the auditors report for the past three years containing significant items of income and expenditure shall be given.
2. Overview of the business of the issuer company.
3. Factors that may affect Results of the Operations.
4. An analysis of reasons for the changes in significant items of income and expenditure shall also be given, inter alia, containing the following:
   a. unusual or infrequent events or transaction;
   b. significant economic changes that materially affected or (are likely to effect income from continuing operations;
   c. known trends or uncertainties that have had or are expected to have a material adverse impact on sales, revenue or income from continuing operations;
   d. future changes in relationship between costs and revenues, in case of events such as future increase in labour or material costs or prices that will cause a material change are known;

e. the extent to which material increases in net sales or revenue are due to increased sales volume, introduction of new products or services or increased sales prices;
f. total turnover of each major industry segment in which the company operated
g. status of any publicly announced new products or business segment;
h. the extent to which business is seasonal;
i. any significant dependence on a single or few suppliers or customers;
j. competitive conditions.

6A.23 INDUSTRY AND BUSINESS OVERVIEW

Market including details of the competition, past production figures for the industry, existing industry capacity, past trends and future prospects regarding exports (if, applicable), demand and supply forecasts (if given, should be essentially with assumptions unless sourced from a market research agency of repute), etc. to be given. Source of data used shall be mentioned.

6A.24 DETAILS OF THE ISSUER

1. Main object, history and present business of the company;
2. location of the project, if any;
3. Installed capacity and the details of plant and machinery, infrastructure facilities, technology etc., where applicable;
4. schedule of implementation of project and progress made so far, if applicable;
5. nature of product(s), consumer(s), industrial users;
6. Research and Development, Patents and Licenses, etc.
7. Property, Plants and Equipment
8. particulars of financial and other defaults, if any;
9. Underwriting
10. Experts
11. Where You Can Find Additional Information
12. Enforcement of Civil Liabilities Against Foreign Persons

6A.25 SUBSIDIARIES AND ASSOCIATES OF THE ISSUER

The following information for the last 3 years based on the audited statements in respect of subsidiaries and associates of the Issuing Company:

1. Date of Incorporation;
2. Nature of activities;
3. Equity Capital;
4. Reserves (excluding revaluation reserve);
5. Sales;
6. Profit after tax (PAT);
7. Earnings per share (EPS); and
8. Net Asset Value (NAV);

If the subsidiaries and associates are not required to prepare such audited statements as per the laws prevailing in those countries, the same may be certified as true and correct by the Board of Directors and the management of such companies, provided a certificate from a certified public accountant or equivalent practicing in the concerned country is submitted to SEBI.

6A.26 MANAGEMENT

1. Controlling shareholders and their Background
2. Details of the Board of Directors and the Key Managerial Personnel (i.e. Name, address(es) of Directors, Manager, Managing Director or other principal officers of the company, age, qualification, industry experience, other directorships)
3. Remuneration of the Directors and the Key managerial personnel with detailed breakup, sitting fees, their relation with promoters / controlling shareholder(s), if any, their equity holding in the company, duration of their association with the company.
4. Organisational Structure
5. Board Practices
6. Employees

6A.27 SECURITIES MARKET OF THE COUNTRY OF INCORPORATION/ WHERE SHARES ARE LISTED

1. Brief History
2. Stock Exchange Regulation
3. Listing Regulations
4. Details of the Securities market regulator of the country of the issuer company
5. Whether the Securities market regulator of the country of the issuer company has signed any MoU with SEBI/IOSCO
6. Disclosure under the Companies Act and Securities Regulations (or equivalent thereof)
7. Stock Exchanges
8. Takeover Code/Buyback Code
9. Reforms in Some Key Sectors of the Economy
10. Restriction on Foreign Ownership of Securities
11. Overview of the Financial Sector
12. Nature of the Securities Trading Market in that country
13. A statement of how the enforcement of Indian Securities Laws would be affected by the fact that the issuer is located outside India

6A.28 DESCRIPTION OF THE INDIAN DEPOSITORY RECEIPTS AND RIGHTS OF IDR HOLDERS

1. Brief description of the Indian Depository Receipts
2. Dividends, Other Distributions and Rights of IDR holders
3. Voting rights and their manner of exercise by IDR holders, if any.
4. Record dates and how the same will be disclosed.

5. Reports and other communication to which the IDR holders will be entitled.
6. Conversion procedure of IDRs into shares
7. Governing Law regarding various aspects of IDRs and transactions therein.

6A.29 PROVISIONS REGARDING TRANSFER OF SHARES AND DEPOSITORY RECEIPTS

1. Provisions regarding transfer of IDRs
2. Outline of provisions regarding transfer of underlying shares after conversion

6A.30 INFORMATION RELATING TO THE DEPOSITARY - INDIAN & INTERNATIONAL

Brief details of the Domestic Depositary, Overseas Custodian Bank and Depositary Agreement.

6A.31 APPROVALS OF THE GOVERNMENT/REGULATORY AUTHORITIES

Information relating to statutory and regulatory approvals required in home country for the Issue and the related aspects and their status, and approvals from Indian Regulatory authorities.

6A.32 TAXATION FRAMEWORK IN INDIA AND THE COUNTRY OF INCORPORATION/ WHERE SHARES ARE LISTED

Information relating to relevant provisions of Taxation law, Tax Treaties and their impact for IDR holders.

6A.33 OUTSTANDING LITIGATIONS AND DEFAULTS

1. Material litigation / liabilities/defaults including arrears / potential liabilities of the issuer, its promoters / controlling shareholders / directors and its subsidiaries and associates.
2. Materiality shall be determined on the basis of factors which are specific to the project and to the issuer, its promoters / controlling shareholders / directors, its subsidiaries and associates, which may have a bearing on the performance of the issuer company.

Materiality shall be decided taking the following factors into account:

a. Some litigation/defaults may not be material individually but may be found material collectively.
b. Some litigation/defaults may have material impact qualitatively instead of quantitatively.
c. Some litigation/defaults may not be material at present but may be having a material impact in future.

6A.34 BASIS OF ISSUE PRICE

1. Earnings per share i.e. EPS pre-issue for the last three years (as adjusted for changes in capital);
2. P/E pre-issue
3. average return on net worth in the last three years
4. minimum return on increased net worth required to maintain pre-issue EPS;
5. Net Asset Value per share based on last balance sheet;
6. Net Asset Value per share after issue and comparison thereof with the issue price.
7. Comparison of all the accounting ratios of the issuer company as mentioned above with the industry average and with the accounting ratios of the peer group (i.e companies of comparable size in the same industry.(Indicate the source from which industry average and accounting ratios of the peer group has been taken)
8. The face value of shares (including the statement about the issue price being "X" times of the face value) and that of the IDRs. The aggregate face value of the total equity shares underlying a single IDR also shall be given.

   Provided that the projected earnings shall not be used as a justification for the issue price in the prospectus.

   Provided further that the accounting ratios disclosed in the prospectus in support of basis of the issue price shall be calculated after giving effect to the consequent increase in capital on account of compulsory conversions outstanding, as well as on the assumption that the options outstanding, if any, to subscribe for additional capital will be exercised.

6A.35 MAIN PROVISIONS OF ARTICLES OF ASSOCIATION / MAIN CHARTER OF THE ISSUER

6A.36 MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

Place at which inspection of the documents specified under Rule 6 of the Companies (Issue of Indian Depository Receipts) Rules, 2004, the prospectus, the financial statements and auditor's report thereof will be allowed during the normal business hours.

6A.37 OTHER INFORMATION

1. Disclosure of mandatory vetting of the prospectus by the legal counsel to the Issuer operating at the place where the registered office of the Issuer is situated.
2. Consent of Merchant Bankers, overseas custodian bank, the domestic depository and all other intermediaries associated with the issue of IDRs.
3. Fees and expenses payable to the intermediaries involved in the issue of IDRs

PART III : APPLICABILITY OF PROVISIONS OF THE SEBI (DIP) GUIDELINES, 2000

Except Chapter VI, all other chapters of the SEBI (DIP) Guidelines, 2000 would apply to an issue of Indian Depository Receipts (IDRs) to the extent as may be prescribed by SEBI for such issues.

PART IV: CONTENTS OF ABRIDGED PROSPECTUS (See Rule 8(i) of the IDR Rules)

1. General Instructions: The information to be provided under each of the heads specified below shall be as per the requirement of Part I of Chapter VI except when specified otherwise.

2. The Abridged Prospectus shall be printed in a font size which shall not be visually smaller than TIMES NEW ROMAN Size 10.

3. The order in which items appear in the Abridged Prospectus shall correspond, as far as may be applicable, to the order in which items appear in the Prospectus.

4. The application form shall be so positioned that on the tearing-off of the application form, no part of the information given in the Abridged Prospectus is mutilated.

5. **General Information**

5.1 The name of the issuer company and address of the registered office of the issuer company, along with telephone number, fax number, e-mail address and website address, and where there has been a change in the address of the registered office or name of the Issuer, details thereof.

5.2 Name, address and contact information of the registered office of the company;

5.3 Name, address and contact information of the Domestic Depository, the Overseas Custodian Bank with the address of its office in India, the Merchant Banker, the Underwriter to the issue, Advisors to the issue and any other intermediary which may be appointed in connection with the issue of IDRs;

5.4 Interest of Experts and Counsel

5.5 Name, address and contact information of the compliance officer in relation to the issue of IDRs. The compliance officer should be placed in India

5.6 Name, address and contact information of Stock Exchanges where applications are made or proposed to be made for listing of the IDRs;

5.7 Disclosure about provisions relating to punishment for fictitious applications;

5.8 Statement/declaration for refund of excess subscription

5.9 Statement that an interest of 15% p.a. would be paid to the investors if the allotments letters / refund orders are not despatched within 15/30 days of the closure of the public issue, as the case may be

5.10 declaration about issue of allotment letters/certificates/ IDRs within the stipulated period;

5.11 date of opening of issue;

5.12 date of closing of issue;

5.13 Method and Expected Timetable of the issue

5.14 a statement that subscription to the issue shall be kept open for atleast 3 working days and not more than 10 working days

5.15 date of earliest closing of the issue;

5.16 declaration by the Merchant Banker with regard to adequacy of resources of underwriters to discharge their respective obligations, in case of being required to do so;

5.17 a statement by the issuing company that all moneys received out of issue of IDRs shall be transferred to a separate domestic bank account, name and address of the bank and the nature and number of the account to which the amount shall be credited;

5.18 details of availability of prospectus and forms, i.e., date, time, place etc;

5.19 amount and mode of payment seeking issue of IDRs

5.20 Disclosure on Investor Grievances and Redressal System:

5.21 That the company undertakes to subject itself to the jurisdiction of Indian Courts having jurisdiction over the place where the stock exchange is situated regarding grievances of the applicants for IDRs

6. **Capital Structure of the issuer company**

Following details to be furnished:

6.1 Authorised, issued, subscribed and paid up capital (Number of instruments, description, aggregate nominal value).

6.2 Size of present issue.

6.3 Paid-up Capital:

- before the issue;
- after the issue (if the IDR issue involves issue of fresh equity shares); and
- share premium account (before and after the issue)

6.4 Detailed notes to Capital Structure

7. **Terms of the Present Issue**

7.1 Authority for the issue, terms of payment and procedure and time schedule for allotment and issue of certificates/ refund orders.

7.2 The clause "Interest in Case of Delay in Despatch of Allotment Letters/ Refund Orders in Case of Public Issues" shall appear.

8. **Instructions for applicants**

8.1 How to Apply, Availability of Prospectus, Abridged Prospectus and Application Forms, Mode of Payment and Book building procedure, if relevant.

8.2 In the application form, the declaration relating to Nationality and Residentship shall be shown prominently as under:

"Nationality and Residentship (Tick whichever is applicable)

i. I am / We are Indian National(s) resident in India and I am/we are not applying for the said equity shares as nominee(s) of any person resident outside India or Foreign National(s).

ii. I am / We are Indian National(s) resident in India and I am / We are applying for the said equity shares as Power of Attorney holder(s) of Non- Resident Indian(s) mentioned below on non-repatriation basis.

iii. I am / We are Indian National(s) resident outside India and I am/we are applying for the said equity shares on my / our own behalf on non-repatriation basis."

8.3 The application form should contain necessary instructions/ provisions for the following:

i. Instructions to applicants to mention the number of application form on the reverse of the instruments to avoid misuse of instruments submitted along with the applications for shares/ debentures in public issues.

ii. Provision in the application form for inserting particulars relating to bank account number and the name of the bank with whom such account is held, to enable printing of the said details in the refund orders or for refunds through Electronic Clearing System.

iii. Disclosure of PAN/GIR number.

iv. Details of options, if any, to receive securities subscribed for and a statement that trading in securities on the stock exchanges in physical form will be available only subject to limits prescribed by the Board for time to time.

8.4 Any special tax benefits for company and its shareholders (Only section numbers of the Income Tax Act and their substance should be mentioned, without reproducing the text of the sections)

8.5 Restrictions on investments in IDRs / fungibility of IDRs

9. Particulars of the Issue

9.1 Objects of the issue
9.2 Project cost
9.3 Means of financing
9.4 Name of Appraising Agency, if any
9.5 Name of Monitoring Agency, if any

10. Description of the Indian Depository Receipts and Rights of IDR Holders

10.1 Brief description of the Indian Depository Receipts
10.2 Dividends, Other Distributions and Rights of IDR holders
10.3 Voting rights and their manner of exercise by IDR holders, if any.
10.4 Record dates and how the same will be disclosed.
10.5 Reports and other communication to which the IDR holders will be entitled.
10.6 Conversion procedure of IDRs into shares
10.7 Governing Law regarding various aspects of IDRs and transactions therein.

11. Company, Management and Project

11.1 History and main objects and present business of the company.
11.2 Promoters / controlling shareholders and their background.
11.3 Names, address and occupation of manager, managing director, and other Directors (including nominee-directors and whole-time directors) giving their directorships in other companies.
11.4 Location of the project
11.5 Plant and machinery, technology, process, etc
11.6 Collaboration, any performance guarantee or assistance in marketing by the collaborators
11.7 Infrastructure facilities for raw materials and utilities like water, electricity, etc.
11.8 Schedule of implementation of the project and progress made so far, giving details of land acquisition, civil works, installation of plant and machinery, trial production, date of commercial production etc
11.9 Nature of the products/services and end users
11.10 Existing, licensed and installed capacity of the product, demand of the product-existing, and estimated in the coming years as estimates by a Government authority or by any other reliable institution, giving source of the information. In case the company is providing services, relevant information with regard to nature/ extent of services, etc., have to be furnished.
11.11 Approach to marketing and proposed marketing set up
11.12 Export possibilities and export obligations, if any.
11.13 Stock Market Data: Disclose particulars of:-
   a. Market price of shares for each quarter of the last three calendar years preceding the calendar year preceding the year of the issue of Prospectus (High, Low, Average Daily Trading Volume)
   b. Market price of shares for each month of the calendar year preceding the year of the issue of Prospectus (High, Low, Average Daily Trading Volume)

c. Market price of shares for the month preceding the date of Prospectus (High, Low, Average Daily Trading Volume)
d. The Opening and Closing price on the last day of the preceding month of the date of Prospectus along with the volume
e. This information should be provided, exchange wise, if the securities are listed in more than one exchange
f. This information should updated as on last available date before the date of prospectus
g. If it is a further issue of IDRs which are already listed in India, the above information should be given about such IDRs also

12. Particulars with regard to the subsidiaries / associates of the issuer

The following information for the last 3 years based on the audited statements in respect of subsidiaries and associates of the Issuing Company:

12.1 Date of Incorporation;
12.2 Nature of activities;
12.3 Equity Capital;
12.4 Reserves (excluding revaluation reserve);
12.5 Sales;
12.6 Profit after tax (PAT);
12.7 Earnings per share (EPS); and
12.8 Net Asset Value (NAV);

13. Basis for Issue Price

13.1 Earnings per share i.e. EPS pre-issue for the last three years (as adjusted for changes in capital);
13.2 P/E pre-issue
13.3 Average return on net worth in the last three years
13.4 Minimum return on increased net worth required to maintain pre-issue EPS;
13.5 Net Asset Value per share based on last balance sheet;
13.6 Net Asset Value per share after issue and comparison thereof with the issue price.
13.7 Comparison of all the accounting ratios of the issuer company as mentioned above with the industry average and with the accounting ratios of the peer group (i.e., companies of comparable size in the same industry. (Indicate the source from which industry average and accounting ratios of the peer group has been taken)

Provided that the projected earnings shall not be used as a justification for the issue price in the prospectus.

Provided further that the accounting ratios disclosed in the prospectus in support of basis of the issue price shall be calculated after giving effect to the consequent increase in capital on account of compulsory conversions outstanding, as well as on the assumption that the options outstanding, if any, to subscribe for additional capital will be exercised.

13.8 The face value of shares (including the statement about the issue price being "X" times of the face value) and that of the IDRs. The aggregate face value of the total equity shares underlying a single IDR also shall be given

14. **Outstanding Material Litigations and Defaults** (in a summarised tabular form)

14.1 Material Litigation / Liabilities including arrears/Potential liabilities of the issuer, its promoters / controlling shareholders / directors and its subsidiaries and associates.

15. **Material Development:** Any material development after the date of the latest balance sheet and its impact on performance and prospects of the company.

16. **Expert opinion obtained, if any.**

17. **Change, if any, in directors and auditors during the last three years and reasons thereof.**

18. **Time and Place of Inspection of material contracts** (List of material contracts not required)

19. **Financial Performance of the Company for the Last Five Years** (Figures to be taken from the audited annual accounts in a tabular form)

19.1 Balance Sheet Data: Equity Capital, Reserves (State Revaluation Reserve, the year of revaluation and its monetary effect on assets) and borrowings

19.2 Profit and Loss data: Sales, Gross profit, Net profit, dividend paid, if any

19.3 Any change in accounting policies during the last three years and their effect on the profits and the reserves of the company

19.4 Following information as extracted from the report of the auditors reproduced in the main prospectus:

i) net profit before accounting for extra ordinary items
ii) extra ordinary items
iii) net profit after accounting for extra ordinary items

20. **Management Discussions and Analysis on Accounts**
21. **Listed Ventures of Promoters / controlling shareholders**
22. **Disclosure on Investor Grievances & Redressal System**
23. **Statement regarding minimum subscription clause:**

The following statement shall appear:

If the company issuing the IDRs does not receive the minimum subscription of 90% of the issued amount on the date of closure of the issue, or if the subscription level falls below 90% after the closure of issue on account of cheques having being returned unpaid or withdrawal of applications, the

company shall forthwith refund the entire subscription amount received. If there is a delay beyond 8 days after the company becomes liable to pay the amount, the company shall pay interest at the rate of 15% per annum for the period of delay.

24. **Information relating to relevant provisions of Taxation law, Tax Treaties and their impact for IDR holders.**

25. **Brief details of the Domestic Depositary, Overseas Custodian Bank and Depositary Agreement.**

26. **Information relating to statutory and regulatory approvals required in home country for the Issue and the related aspects and their status, and approvals from Indian Regulatory authorities.**

27. **Signatories to the Prospectus.**)

CHAPTER VII

POST- ISSUE OBLIGATIONS

7.0 The post issue obligations shall be as follows:

7.1 [125](Deleted)

7.2 **Post - Issue Monitoring Reports**

7.2.1 Irrespective of the level of subscription, the post-issue Lead Merchant Banker shall ensure the submission of the post-issue monitoring reports as per formats specified in **Schedule XVI.**

7.2.2 These reports shall be submitted within 3 working days from the due dates.

7.2.2.1 [126](The due date for submitting Post Issue Monitoring report in case of public issues by listed and unlisted companies:

a) **3 day monitoring report in case of issue through book building route, for book built portion:**

The due date of the report shall be 3rd day from the date of allocation in the book built portion or one day prior to the opening of the fixed price portion whichever is earlier.

b) **3 day monitoring report in other cases, including fixed price portion of book built issue:**

The due date for the report shall be the 3rd day from the date of closure of the issue.

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[125] Omitted vide SEBI Circular No. RMB (Compendium) Series Circular No. 2 (1999-2000) dated February 16, 2000:
"7.1 Association of Resource Personnel

7.1.1 Lead Merchant Banker responsible for post issue obligations (post issue Lead Merchant Banker) shall ensure that a public representative nominated by the Board is associated in the process of finalisation of basis of allotment in following cases:
a) Par issues with over subscription level of more than 5 times
b) Premium issues with over subscription level of more than 2 times.

[126] Substituted vide SEBI Circular No. RMB (Compendium) Series Circular No. 1 (2001-2002) dated circular dated July 17, 2001, for the following:
"*Public Issues*
(a) 3-Day Post Issue Monitoring Report
The due date for this report shall be the 3rd day from the date of closure of subscription of the issue.
(b) 78-Day Post Issue Monitoring Report
The due date for this report shall be the 78th day from the date of closure of subscription of the issue."

c) **Final post issue monitoring report for all issues:**

The due date for this report shall be the 3rd day from the date of listing or 78 days from the date of closure of the subscription of the issue, whichever is earlier.)

7.2.2.2 [127](The due dates for submitting post issue monitoring report in case of Rights issues):

(a) **3-Day Post-Issue Monitoring Report:**

The due date for this report shall be the 3rd day from the date of closure of subscription of the issue.

(b) **50-Day Post - Issue Monitoring Report:**

The due date for this report shall be the 50th day from the date of closure of subscription of the issue.

7.3 **Redressal of Investor Grievances**

7.3.1 The Post - Issue Lead Merchant Banker shall actively associate himself with post-issue activities namely, allotment, refund and despatch and shall regularly monitor redressal of investor grievances arising therefrom.

7.4 **Co-ordination with Intermediaries**

7.4.1

(i) The Post-issue lead merchant banker shall maintain close co-ordination with the Registrars to the Issue and arrange to depute its officers to the offices of various intermediaries at regular intervals after the closure of the issue to monitor the flow of applications from collecting bank branches, processing of the applications including those accompanied by stockinvest and other matters till the basis of allotment is finalised, despatch security certificates and refund orders completed and securities listed.

(ii) Any act of omission or commission on the part of any of the intermediaries noticed during such visits shall be duly reported to the Board.

7.4.1.1 [128](Deleted).

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[127] Substituted vide SEBI Circular No. RMB (Compendium) Series Circular No. 1 (2001-2002) dated July 17, 2001 for " *Rights Issues*".

[128] Omitted the following clause vide SEBI Circular No. SEBI/CFD/DIL/DIP/12/2004/8/4 dated April 8, 2004: ***"Stock Invest***

7.4.1.2 **Underwriters**

a)

i) If the issue is proposed to be closed at the earliest closing date, the lead Merchant Banker shall satisfy himself that the issue is fully subscribed before announcing closure of the issue.

ii) In case, there is no definite information about subscription figures, the issue shall be kept open for the required number of days to take care of the underwriters' interests and to avoid any dispute, at a later date, by the underwriters in respect of their liability.

b) In case there is a devolvement on underwriters, the lead Merchant Banker shall ensure that the underwriters honour their commitments within 60 days from the date of closure of the issue.

c) In case of undersubscribed issues, the lead merchant banker shall furnish information in respect of underwriters who have failed to meet their underwriting devolvements to the Board in the format specified at **Schedule - XVII.**

7.4.1.3 **Bankers to an issue**

The post-issue Lead Merchant Banker shall ensure that moneys received pursuant to the issue and kept in a separate bank (i.e. Bankers to an Issue), as per the provisions of section 73(3) of the Companies Act 1956, is released by the said bank only after the listing permission under the said Section has been obtained from all the stock exchanges where the securities was proposed to be listed as per the offer document.

7.5 **Post-issue Advertisements**

7.5.1 Post-issue Lead Merchant Banker shall ensure that in all issues, advertisement giving details relating to oversubscription, basis of allotment, number, value and percentage of applications [129](), number, value and percentage of successful allottees [130](), date of completion of despatch of refund orders, date of despatch of certificates and date of filing of listing application is released within 10 days from the date of completion of the various activities at least in an English National Daily with wide circulation, one Hindi National Paper and a Regional

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The lead merchant banker shall ensure compliance with the instructions issued by the RBI on handling of stock invest by any person including Registrars."

[129] Omitted the words "*received along with stockinvest*" vide SEBI Circular No. SEBI/CFD/DIL/DIP/14/2005/25/1 dated January 25, 2005.

[130] Omitted the words "*who have applied through stockinvest"* vide SEBI Circular No. SEBI/CFD/DIL/DIP/14/ 2005/25/1 dated January 25, 2005.

language daily circulated at the place where registered office of the issuer company is situated.

7.5.2 Post-issue Lead Merchant Banker shall ensure that issuer company/ advisors/ brokers or any other agencies connected with the issue do not publish any advertisement stating that issue has been oversubscribed or indicating investors' response to the issue, during the period when the public issue is still open for subscription by the public.

7.5.3 Advertisement stating that "the subscription to the issue has been closed" may be issued after the actual closure of the issue.

7.6 **Basis of Allotment**

7.6.1 [131](In a public issue of securities, the Executive Director/Managing Director of the Designated Stock Exchange along with the post issue Lead Merchant Banker and the Registrars to the Issue shall be responsible to ensure that the basis of allotment is finalised in a fair and proper manner in accordance with the following guidelines:

Provided [132](**that**) in the book building portion of a book built public issue notwithstanding the above clause, Clause 11.3.5 of Chapter XI of these Guidelines shall be applicable.)

7.6.1.1 **Proportionate Allotment Procedure**

[133](Allotment shall be on proportionate basis within the specified categories, rounded off to the nearest integer subject to a minimum

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[131] Substituted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003 for the following:
"*In a public issue of securities, the Executive Director/Managing Director of the Regional Stock Exchange along with the post issue Lead Merchant Banker and the Registrars to the Issue shall be responsible to ensure that the basis of allotment is finalised in a fair and proper manner in accordance with the following guidelines:*

***Provided**, in the book building portion of a book built public issue notwithstanding the above clause, Clause 11.3.5 of Chapter XI of these Guidelines shall be applicable."* Prior to this substitution, the clause was substituted vide circular dated February 16, 2000 for "*the public issue of securities that has been over subscribed, the post issue Lead Merchant Banker and the Registrar to an Issue, responsible for finalizing the basis of allotment, shall ensure that allotments are made in the following manner*:"

[132] Inserted vide SEBI Circular No. SEBI/CFD/DIL/DIP/14/2005/25/1 dated January 25, 2005.

[133] Substituted for the following vide SEBI Circular No. SEBI/CFD/DIL/DIP/13/2004/28/5 dated May 28, 2004:
"The allotment shall be subject to allotment in marketable lots, on a proportionate basis as explained below:
a) Applicants shall be categorised according to the number of shares applied for.

b) The total number of shares to be allotted to each category as a whole shall be arrived at on a proportionate basis i.e. the total number of shares applied for in that category (number of applicants in the category x number of shares applied for) multiplied by the inverse of the oversubscription ratio as illustrated below:
Total number of applicants in category of 100s - 1,500
Total number of shares applied for - 1,50,000
Number of times oversubscribed - 3
Proportionate allotment to category - 1,50,000 x 1/3 = 50,000

allotment being equal to the minimum application size as fixed and disclosed by the issuer.

Explanation:

For the purposes of the aforesaid clause, the illustration given in schedule XVIII may be referred.)

7.6.1.2 [134](**Reservation for Retail Individual Investor**)

7.6.1.2.1 [135](The above proportionate allotments of securities in an issue that is oversubscribed shall be subject to the reservation for [136](Retail individual investors) as described below:

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*c) Number of the shares to be allotted to the successful allottees shall be arrived at on a proportionate basis i.e. total number of shares applied for by each applicant in that category multiplied by the inverse of the oversubscription ratio. **Schedule XVIII** of basis of allotment procedure may be referred to.*
Number of shares applied for by - 100 each applicant
Number of times oversubscribed - 3
Proportionate allotment to each successful applicant - 100 x 1/3 = 33 (to be rounded off to 100)

d) All the applications where the proportionate allotment works out to less than 100 shares per applicant, the allotment shall be made as follows:
i. Each successful applicant shall be allotted a minimum of 100 securities; and
ii. The successful applicants out of the total applicants for that category shall be determined by drawal of lots in such a manner that the total number of shares allotted in that category is equal to the number of shares worked out as per (ii) above.

e) If the proportionate allotment to an applicant works out to a number that is more than 100 but is not a multiple of 100 (which is the marketable lot), the number in excess of the multiple of 100 shall be rounded off to the higher multiple of 100 if that number is 50 or higher.

f) If that number is lower than 50, it shall be rounded off to the lower multiple of 100. As an illustration, if the proportionate allotment works out to 250, the applicant would be allotted 300 shares.

g) If however the proportionate allotment works out to 240, the applicant shall be allotted 200 shares.

h) All applicants in such categories shall be allotted shares arrived at after such rounding off.

i) If the shares allocated on a proportionate basis to any category is more than the shares allotted to the applicants in that category, the balance available shares for allotment shall be first adjusted against any other category, where the allocated shares are not sufficient for proportionate allotment to the successful applicants in that category.

j) The balance shares if any, remaining after such adjustment shall be added to the category comprising applicants applying for minimum number of shares.
As the process of rounding off to the nearer multiple of 100 may result in the actual allocation being higher than the shares offered, it may be necessary to allow a 10% margin i.e. the final allotment may be higher by 10 % of the net offer to public."

[134] Substituted vide SEBI Circular No. SEBI/CFD/DIL/DIP/12/2004/8/4 dated April 8, 2004 for "*Reservation for Small Individual Applicant*s".

[135] Substituted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003 for the following:
"*The above proportionate allotments of securities in an issue that is oversubscribed shall be subject to the reservation for small individual applicants as described below:*
a) A minimum 50% of the net offer of securities to the public shall initially be made available for allotment to individual applicants who have applied for allotment equal to or less than 10 marketable lots of shares or debentures or the securities offered, as the case may be.
b) The balance net offer of securities to the public shall be made available for allotment to:
i) individual applicants who have applied for allotment of more than 10 marketable lots of shares or debentures or the securities offered and ;

a) A minimum 50% of the net offer of securities to the public shall initially be made available for allotment to retail individual investors, as the case may be.

b) The balance net offer of securities to the public shall be made available for allotment to:

i) individual applicants other than retail individual investors, and;

ii) other investors including Corporate bodies/ institutions irrespective of the number of shares, debentures, etc. applied for.

c) The unsubscribed portion of the net offer to any one of the categories specified in (a) or (b) shall / may be made available for allotment to applicants in the other category, if so required.

Explanation:

It is clarified that the words "a minimum of 50% of the public offer" used in sub-clause (a) above means that if the category of retail individual investors was to be entitled to get 70% of the public offer in accordance with proportionate formula, the category should get 70%. If the category is entitled to get only 30% of the public offer in accordance with the proportionate allotment formula, there should be a reservation of a minimum of 50% of the net public offer.)

7.6.2 [137](The drawal of lots (where required) to finalise the basis of allotment, shall be done in the presence of a public representative on the Governing Board of the Designated Stock Exchange.)

7.6.3 [138](The basis of allotment shall be signed as correct by the Executive Director/Managing Director of the designated stock exchange and the

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ii) other investors including Corporate bodies/ institutions irrespective of the number of shares, debentures, etc. applied for.

c) The unsubscribed portion of the net offer to any one of the categories specified in (a) or (b) shall / may be made available for allotment to applicants in the other category, if so required.

Explanation
*It is clarified that the words "a minimum of 50% of the public offer" used in sub-clause (a) above means that if the category of individual applicants upto 10 marketable lots was to be entitled to get 70% of the public offer in accordance with proportionate formula, the category should get 70%. If the category is entitled to get only 30% of the public offer in accordance with the proportionate allotment formula, there should be a reservation of a minimum of 50% of the net public offe*r."

[136]Substituted vide SEBI Circular No. SEBI/CFD/DIL/DIP/12/2004/8/4 dated April 8, 2004 for *"small individual applicants".*

[137] Substituted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003 for the following:
"*The drawl of lots (where required) to finalise the basis of allotment, shall be done in the presence of a public representative on the Governing Board of the Regional Stock Exchange*."

Prior to the above, this clause was inserted vide SEBI Circular No. RMB (Compendium) Series Circular No. 2 (1999-2000) dated February 16, 2000.

public representative (where applicable) in addition to the lead merchant banker responsible for post issue activities and the Registrar to the Issue. The designated stock exchange shall invite the public representative on a rotation basis from out of the various public representatives on its governing board.)

7.7 **Other Responsibilities**

[139](7.7.1 The lead merchant banker shall ensure that the despatch of share certificates/ refund orders/ [140]() and demat credit is completed and the allotment and listing documents submitted to the stock exchanges within 2 working days of finalisation of the basis of allotment.

7.7.2 The post issue lead manager shall ensure that all steps for completion of the necessary formalities for listing and commencement of trading at all stock exchanges where the securities are to be listed are taken within 7 working days of finalisation of basis of allotment.)

7.7.3 Lead Merchant Banker shall ensure payment of interest to the applicants for delayed dispatch of allotment letters, refund orders, etc. as prescribed in the offer document.

7.7.4 The Post-issue Lead Merchant Banker shall ensure that the despatch of refund orders / allotment letters /share certificates is done by way of registered post / certificate of posting as may be applicable.

7.7.5 In case of all issues, advertisement giving details relating to oversubscription, basis of allotment, number, value and percentage of applications received [141](), number, value and percentage of successful allottees [142](), date of completion of despatch of refund orders, date of despatch of certificates and date of filing of listing application.

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[138] Substituted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003 for the following:
"The basis of allotment shall be signed as correct by the Executive Director/Managing Director of the stock exchange and the public representative (where applicable) in addition to the lead merchant banker responsible for post issue activities and the Registrar to the Issue. The stock exchange shall invite the public representative on a rotation basis from out of the various public representatives on its governing board.".

Prior to the substitution, this clause was inserted vide SEBI Circular No. RMB (Compendium) Series Circular No. 2 (1999-2000) dated February 16, 2000.

[139] Inserted Clause nos. 7.7.1 and 7.7.2 and consequently renumbered Clause nos. 7.7.1 to 7.7.5 as Clause Nos. 7.73 to 7.7.7 respectively, vide SEBI Circular No. DIP (Compendium) Circular No. 3 dated August 04, 2000.

[140] Omitted the words "*cancelled stock invests*" vide SEBI Circular No. SEBI/CFD/DIL/DIP/14/2005/25/1 dated January 25, 2005.

[141] Omitted the words *"alongwith stockinvest"* vide SEBI Circular No. SEBI/CFD/DIL/DIP/14/2005/25/1 dated January 25, 2005.

[142] Omitted the words "*who have applied through stockinvest*" vide SEBI Circular No. SEBI/CFD/DIL/DIP/14/ 2005/25/1 dated January 25, 2005.

7.7.6 Such advertisement shall be released within 10 days from the date of completion of the various activities.

7.7.7 Post-issue Lead merchant banker shall continue to be responsible for post issue activities till the subscribers have received the shares/ debenture certificates or refund of application moneys and the listing agreement is entered into by the issuer company with the stock exchange and listing/ trading permission is obtained.

7.8 [143](Deleted)

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[143] Omitted the following clause vide SEBI Circular No. SEBI/CFD/DIL/DIP/14/2005/25/1 dated January 25, 2005:

"7.8 Certificate Regarding Realisation of Stockinvests

7.8.1 The Post-Issue Lead Merchant Banker shall submit within two weeks from the date of allotment, a Certificate to the Board certifying that the stockinvests on the basis of which allotment was finalised, have been realised."

CHAPTER VIII

OTHER ISSUE REQUIREMENTS

8.0 The Lead Merchant Banker shall ensure compliance with the following:

8.1 [144](Omitted)

8.2 [145](Public issue and listing of non-convertible debt securities (hereinafter referred to as NCDS) and Debt Securities convertible into equity after allotment (hereinafter referred to as DSCE).

8.2.1 An unlisted company making a public issue of NCDS may, subject to other applicable provisions of these guidelines, make a public issue and make an application for listing its NCDS in the Stock Exchange/s without making a prior public issue of equity and listing thereof, if the following conditions are fulfilled:

a) The NCDS shall carry a credit rating not below investment grade at-least from one Credit Rating Agency registered with the Board. Where

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[144] Omitted the following clause vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003:

*"**Public Offer by Unlisted Companies with Post Issue Capital upto Rs.5 crores***

8.1.1 An unlisted company, with a commercial operation of less than two years proposing to issue securities to the public, resulting in post issue capital of Rs.3 crores and not exceeding Rs.5 crores, shall be eligible to apply for listing of securities only on those stock exchange(s) where trading of securities is screen-based.

8.1.2 The issuer company shall appoint market maker(s) on all the stock exchanges where the securities are proposed to be listed.

8.1.3 The appointment of market makers shall be subject to the following :-

i. At least one market maker undertakes to make market for a minimum period of 18 months and at least one additional market maker undertakes to make market for a minimum period of 12 months from the date on which the securities are admitted to dealing.

ii. Market makers undertake to offer buy and sell quotes for a minimum depth of 3 marketable lots;

iii. Market makers undertake to ensure that the bid-ask spread (difference between quotations for sale and purchase) for their quotes shall not at any time exceed 10%:

iii. The inventory of the market makers on each of such stock exchanges, as on the date of allotment of securities, shall be at least 5% of the proposed issue of the company.

8.1.4 The unlisted companies whose capital after the proposed issue of securities is less than Rs.3 crores shall be eligible to be listed only on the Over the Counter Exchange of India."

[145] Substituted vide SEBI Circular No. RMB (Compendium) Series Circular No. 3 (2001-2002) dated January 11, 2002 for the following:

*"**Listing of pure debt / convertible instruments issued by Unlisted infrastructure companies and Municipal Corporations***

8.2.1 An unlisted infrastructure company making a public issue of pure debt instruments / convertible debt instruments and a Municipal Corporation making a public issue of pure debt instruments shall be eligible to apply for listing of these instruments in the stock exchanges subject to the following:

i) the debt instruments, irrespective of the maturity, shall carry on rating from a credit rating agency not below investment grade;

ii) the debt instruments, irrespective of the maturity, shall be fully secured by creating security in favour of the Debenture Trustees;

iii) in the case of issue of pure debt instruments by an infrastructure company, equity issued prior to the public issue of debt can be listed only when a public offer of equity has been made; and

in the case of issue of debt instruments by infrastructure companies fully or partly convertible into equity, while the PCD/FCD shall be listed directly, the equity held prior to the public issue of the PCD/FCD shall be listed only at the time when the equity arising on conversion of the PCD/FCD are listed."

the issue size of the NCDS is Rs. 100 crores or more, such rating shall be obtained from at least two Credit Rating Agencies.

b) [146](A contribution of atleast 20% of the project cost i.e., objects proposed to be inter alia, financed through the issue, shall be brought in the form of equity. Such equity participation may be brought by the promoter from his own funds or from other sources, subject to the condition that at least 20% of the issue size is brought by way of equity by the promoter from his own funds. In case, the project is to be implemented in stages, the promoters contribution as per these requirements shall be with respect to total equity participation till the respective stage vis a vis the debt raised or proposed to be raised through the issue)

c) The issuer company shall agree to comply with the requirements of continuing disclosures as specified under the listing agreement to be entered into with concerned stock exchanges as is applicable for listing of equity shares.

d) The issuer company shall agree to obtain prior consent of the holders of the NCDS through special resolution to be passed at the general meeting of the NCDS holders for change in terms of issue, change in capital structure and change in shareholding pattern.

e) There shall be no partly paid up shares/other securities at the time of filing of draft offer document with the Board.

f) The issuer company may come out with a public issue of equity/security convertible into equity after allotment during the currency of the NCDS or thereafter, only after complying with the guidelines applicable for an initial public offering of such securities.

g) The equity held by the promoters or others at the time of issue of NCDS may be listed only when an initial public offer of equity/securities convertible into equity after allotment is made after complying with the applicable provisions of these Guidelines.

8.2.2 A Municipal Corporation which has no share capital may be subject to the provisions of sub-clauses (a), (b) and (c) of Clause 8.2.1, make a public issue of NCDS and list the same on the stock exchange/s.

8.2.3 An unlisted company making a public issue of DSCE may, subject to other applicable provisions of these guidelines make a public issue and

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[146] Substituted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003 for the following:
"*The promoter's contribution of atleast 20% of the project cost i.e. objects proposed to be inter alia financed through the issue, shall be brought in the form of equity. Where the promoters contribution exceeds Rs. 100 crores, the promoters shall bring in Rs.100 crores before the opening of the public issue and the remaining promoters' contribution shall be brought in on pro rata basis, before calls on the NCDS are made. The promoters' contribution of 20% of equity shall be locked in for a period of 3 years from the date of allotment in the public issue of NCDS.*"

make an application for listing on the stock exchanges without making a prior public issue of its equity and listing thereof, if the following conditions are fulfilled:

a) The provisions of clauses (a) to (e) of clause 8.2.1 shall be mutatis mutandis complied with.

b) An issuer company making an initial public offer of DSCE may come out with a subsequent public issue of equity/ security convertible into equity after allotment during the currency of the DSCE only after complying with the guidelines applicable for an initial public offering of such securities.

Provided that the provisions of Clause 2.6 shall not be applicable for an Initial Public Offer of such securities if the floor price for conversion of DSCE is determined and disclosed in the offer document for issue of DSCE.

c) The equity held by the promoters and others may be listed along with the listing of equity in initial public offering of equity/security convertible into equity after allotment or at the time of listing if equity arising on conversion of the DSCE .

d) If the equity shares held by the promoters is proposed to be listed on conversion of DSCE, it shall be ensured that the number of equity shares allotted to the public (after excluding the allotment of equity shares to holders of DSCE issued on firm allotment/reservation basis) as a percentage of the total paid up equity capital after conversion and listing of the promoters equity, is not less than the percentage specified in clause (b) of sub-rule (2) of Rule 19 of Securities Contracts (Regulations) Rules, 1957.

8.2.4 The lead merchant banker can mention a price band of 20% (cap in the coupon rate/ price band should not be more than 20% of the floor coupon rate/price) in the offer document filed with the Board and the specific coupon rate/price can be determined by an issuer in consultation with the lead manager at a later date before filing of the offer document with the RoC/s.

8.2.5 The issuer may subject to the provisions of Chapter XI of these guidelines, make the issue through book building process to ascertain and determine the coupon rate and price/ conversion price of the NCDS/ DSCE).)

8.2.2.1 [147](Deleted)

[147] Omitted the following Clause vide SEBI Circular No. RMB (Compendium) Series Circular No. 3 (2001-2002) dated January 11, 2002:
"In case of change in standard denomination of equity shares, the compliance with the following shall be ensured while making disclosure in the offer document:-

8.3 **Rule 19(2)(b) of SC (R) Rules, 1957**

8.3.1 [148](In case of a public issue by an unlisted company, the net offer to public shall be at least 10% or 25% as the case may be, of the post-issue capital.)

8.3.2 [149](In case of a public issue by a listed company, the net offer to public shall be at least 10% or 25%, as the case may be, of the issue size.)

8.3.3 [150](Clauses 8.3.1 and 8.3.2 shall not apply to -

a) an infrastructure company, satisfying the requirements specified in sub-clause (iii) of clause 2.4.1, inviting subscription from public; and

b) a government company, statutory authority or corporation or any special purpose vehicle set up by any of them, which is engaged in infrastructure sector.

Explanation:

For the purpose of sub-clause (b) above, the term "Infrastructure sector" shall have the same meaning as assigned to it in Explanation to proviso to sub-clause (i) of clause 3.7.1.)

[151](8.3.4) The issuer company is free to make reservations and/or firm allotments to various categories of persons mentioned hereafter for the remaining of the issue size subject to other relevant provisions of these guidelines.

(i) all the financial data affected by the change in denomination of shares shall be clearly and unambiguously presented in the offer document.
(ii) comparison of financial ratios representing value per share and comparison of stock market data in respect of price and volume of securities shall be clearly and unambiguously presented in the offer document.
(iii) the capital structure incorporated in the offer document shall be clearly presented giving all the relevant details pertaining to the change in denomination of the shares."

[148] Substituted vide SEBI Circular No. RMB (Compendium) Series Circular No. 1 dated July 17, 2001 for the following:
"In case of a public issue by an unlisted company, the net offer to public shall be at least 25% of the post-issue capital."

[149] Substituted vide SEBI Circular No. RMB (Compendium) Series Circular No. 1 dated July 17, 2001 for the following:
"In case of a public issue by a listed company, the net offer to public shall be at least 25% of the issue size" .

[150] Substituted vide SEBI Circular No. SEBI/CFD/DIL/DIP/ 27/2007/10/7 dated June 10, 2007 for the following:
"An infrastructure company, satisfying the requirements in Clause 2.4.1 (iii) of Chapter II, inviting subscription from public shall not attract the provisions of Clauses 8.3.1and 8.3.2 above."

In the above clause, the words *"shall not attract the provisions of Clauses 8.3.1and 8.3.2 above"* were substituted vide SEBI Circular No. RMB (Compendium) Series Circular No. 1 dated July 17, 2001 for the following:
"may not be required to offer at least 25% of its securities to public for subscription as required under rule 19(2)(b) of SC(R) Rules, 1957" .

Explanation:

1. The expression "reservation" shall mean reservation on Competitive Basis wherein allotment of shares is made in proportion to the shares applied for by the concerned reserved categories.

2. Reservation on competitive basis can be made in a public issue to the following categories:

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151 Omitted the following Clause no. 8.3.4 and renumbered Clause no. 8.3.5 as 8.3.4, vide SEBI Circular No. RMB (Compendium) Series Circular No. 1 dated July 17, 2001:

"8.3.4 In case of public issues or offers for sale of equity shares or securities convertible at a later date into equity by unlisted companies [151]('in any of the eligible sector)' at least 10% of the securities issued by such company may be offered to the public subject to the following:-

(i) minimum twenty lacs securities are offered to the public (excluding reservation, firm allotment and promoter's contribution); and

(ii) the size of the offer to the public i.e. the offer price multiplied by the number of securities offered to the public at point (i) above, is minimum Rs.50 crores.

[151]("Explanation 1 : For the purpose of the above clause company in the eligible sectors shall mean :

i. company deriving 75% or more of their turnover from information technology activities during the two years immediately preceding the date of filing the offer document with the Board

ii. company deriving 75% or more of their turnover from media/entertainment activities during the two years immediately preceding the date of filing the offer document with the Board

iii. company deriving 75% or more of their turnover from telecommunication activities during the two years immediately preceding the date of filing the offer document with the Board

"Explanation 2 : For the purposes of Explanation 1 –

a. "Information Technology" shall have the same meaning as in clause (iii) of Explanation 2 to Clause 2.2.

(b) "Media/Entertainment " shall comprise:

i. production of television programmes
ii. production of films - corporate films, feature films, documentary films etc.
iii. production of radio programmes
iv. production of print publications like books, newspapers, magazines, journals etc.
v. entertainment websites offering music, films etc.
vi. news websites
vii. production of music
viii. event management
ix. running of television channels
x. running of radio stations/channels
xi. production of Advertisements

(c) "Telecommunication " shall comprise:

i. Internet Service providers
ii. Providers of telephony
iii. Television/internet cable networks
iv. Providers of internet and telephony Gateways
v. Producers of communication software
vi. Producers of internet networking hardware
vii. Providers of Satellite services) "

In the above clause, the words "*in any of the eligible sector" appearing between "into equity by unlisted companies"* and *"at least 10% of the securities"* were substituted for the words *"information technology sector"* vide SEBI Circular No. DIP (Compendium) Circular No. 3 dated August 4, 2000.

In the above clause, Explanations 1 and 2 were initially inserted vide SEBI Circular No. DIP (Compendium) Circular No. 3 dated August 4, 2000.

Sr. No.	Category of Persons
(i)	[152](Employees of the company)
(ii)	Shareholders of the promoting companies in the case of a new company and shareholders of group companies in the case of an existing company
(iii)	Indian Mutual Funds
(iv)	Foreign Institutional Investors (including non resident Indians and overseas corporate bodies)
(v)	Indian and Multilateral development Institutions
(vi)	Scheduled Banks

[153](2A. In a public issue (not being a composite issue) by a listed company, the reservation on competitive basis can be made for the shareholders who, on the record date (date fixed for the purpose of determining the eligible shareholders) , are holding shares worth up to Rs. 50,000/- determined on the basis of closing price as on the previous day.

Provided that the allotment to such shareholders shall be on proportionate basis as in case of allotment in public category.)

3. Specified Categories for "Firm allotment" in public issues can be made to the following :

Sr. No.	Category of Persons
(i)	Indian and Multilateral Development Financial Institutions
(ii)	Indian Mutual Funds
(iii)	Foreign Institutional Investors (including non resident Indians and overseas corporate bodies)
(iv)	Permanent / regular employees of the issuer company
(v)	Scheduled Banks

[152] Substituted vide SEBI Circular No. SEBI/CFD/DIL/DIP/13/2004/28/5 dated May 28, 2004 for the following: *"Permanent employees (including working directors) of the company and in the case of a new company the permanent employees of the promoting companies."*

[153] Inserted vide SEBI Circular No. SEBI/CFD/DIL/DIP/13/2004/28/5 dated May 28, 2004.

4. The Lead Merchant Banker(s) can be included in the category of persons entitled to firm allotments subject, to an aggregate maximum ceiling of 5% of the proposed issue of securities.

5. The aggregate of reservations and firm allotments for employees in an issue, shall not exceed 10% of the total proposed issue amount.

6. For shareholders, the reservation, shall not exceed 10% of the total proposed issue amount.

7. In case of promoting companies are Designated Financial Institutions/ State and central financial Institutions, the employees and the shareholders of such promoting companies, shall not be eligible for the said reservations.

8. The allotment of securities to the specified categories for firm allotment/ reservation shall be subject to such conditions as may be specified by the Government and regulatory authorities.

[154](8.3.5 Application to the Board for Relaxation from applicability of Clause (b) to sub-rule (2) of Rule 19 of the Securities Contracts (Regulation) Rules, 1957 by an unlisted company:

8.3.5.1 An unlisted company may make an application to the Board for relaxation from applicability of clause (b) to sub-rule (2) of Rule 19 of the Securities Contracts (Regulation) Rules, 1957 for listing of its shares without making an initial public offer if it satisfies the following conditions:

i. Shares have been allotted by the unlisted company (transferee company) to the holders of securities of a listed company (transferor company) pursuant to a scheme of reconstruction or amalgamation under the provision of the Companies Act, 1956 and such scheme has been sanctioned by the High Court/s of the Judicature.

ii. The listing of the shares of the unlisted transferee company is in terms of scheme of arrangement sanctioned by the High Court/s of the Judicature.

iii. Atleast 25% of the paid up share capital, post scheme, of the unlisted transferee company seeking listing comprises shares allotted to the public holders of shares in the listed transferor company.

iv. The unlisted company has not issued/reissued any shares, not covered under the scheme.

[154] Inserted clauses 8.35, 8.3.5.1, 8.3.5.2, 8.3.5.3 and 8.3.5.4 vide SEBI Circular No. RMB (Compendium) Series Circular No. 1 dated July 17, 2001.

v. There are no outstanding warrants/instruments/agreements which gives right to any person to take the shares in the unlisted transferee company at any future date. If there are such instruments in the scheme sanctioned by the Court, the percentage referred to in point (iii) above, shall be computed after giving effect to the consequent increase of capital on account of compulsory conversions outstanding as well as on the assumption that the options outstanding, if any, to subscribe for additional capital will be exercised.

vi. The share certificates have been despatched to the allottees pursuant to the scheme of arrangement or their names have been entered as beneficial owner in the records of the depositaries.

vii. That the shares of the transferee company issued in lieu of the locked-in shares of the transferor company are subjected to the lock-in for the remaining period.

viii. In addition to the requirements of Clause (vii) above, the following conditions are also to be complied with:

a) in case of a hiving off of a division of a listed company (say 'A') and its merger with a newly formed company or existing company (say 'B') there would not be any additional lock-in, if the paid up share capital of company 'B' is only to the extent of requirement for incorporation purposes.

b) in case of merger where the paid-up share capital of the company seeking listing (company 'B') is more than the requirement for incorporation; the promoters' shares shall be locked in to the extent 20% of the post merger paid-up capital of the unlisted company, for a period of 3 years from the date of listing of the shares of the unlisted company. The balance of the entire pre-merger capital of the unlisted company shall also be locked-in for a period of 3 years from the date of listing of the shares of the unlisted company.

8.3.5.2 [155](An application to the Board under Clause 8.3.5.1 shall be made through the designated stock exchange of the listed company and the designated stock exchange may recommend the application giving the reason therefore.)

8.3.5.3 The unlisted company shall take steps for listing, simultaneously on all stock exchanges where the shares of the (transferor) listed company are/were listed, within 30 days of the date of the final order of the High Court/s approving the scheme. The formalities for commencing of

[155] Substituted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003 for the following:
"An application to the Board under Clause 8.3.5.1 shall be made through the regional stock exchange of the listed company and the regional stock exchange may recommend the application giving the reason therefore."

trading shall be completed within 45 days of the date of final order of the High Court/s.

8.3.5.4 Before commencement of trading, the company shall give an advertisement in one English and one Hindi newspaper with nationwide circulation and one regional newspaper with wide circulation at the place where the registered office of the company is situated, giving details as specified in **Schedule XXVIII**.)

8.4 **Capital Structure**

8.4.1 For the purposes of presentation of the capital structure in the specified format, the lead merchant banker shall take into account the following:

a) Proposed issue amount = (Promoters' contribution in the proposed issue) + (firm allotment) + (offer through the offer document).

b) Offer through the offer document shall include net offer to the public and reservations to the permitted reserved categories and shall not include the promoters' contribution in the proposed issue and firm allotment.

c) Net offer to the public shall mean the offer made to Indian public and does not include reservations/ firm allotments/ promoters' contribution.

8.5 **Firm Allotments and Reservations**

a)

i) If any firm allotment has been made to any person(s) in the specified categories, no further application for subscription to the public issue from such person(s) [excepting application from employee's category] shall be entertained.

ii) where reservation has been made to specified category(ies), person(s) belonging to category(ies) [except employees and shareholders categories] shall not make an application in the ` net public offer' category.

b)

i) An applicant in the net public category cannot make an application for that number of securities exceeding the number of securities offered to the public.

ii) In the case of reserved categories, a single applicant in the reserved category can make an application for a number of security which exceeds the reservation.

c)

i) Any unsubscribed portion in any reserved category may be added to any other reserved category.

ii) The unsubscribed portion, if any, after such inter se adjustments amongst the reserved categories shall be added back to the net offer to the public.

d) In case of undersubscription in the net offer to the public portion, spill-over to the extent of undersubscription shall be permitted from the reserved category to the net public offer portion.

e) If any person to whom firm allotment is proposed to be made withdraws partially or fully from the offer made to him after filing of the prospectus with the Registrar of Companies, the extent of shares proposed to be allotted to such person, shall be taken up by the promoters and the subscription amount shall be brought in at least one day prior to the issue opening date.

f) The shares so acquired by promoters under sub-clause (e) above shall also be subject to a lock-in for a period of 3 years.

g) No buy-back or stand-by or similar arrangements shall be allowed with the persons for whom securities are reserved for allotment on a firm basis.

8.6 **Terms of the Issue**

[156](8.6.1) **Minimum Application Value**

i) [157]The minimum application value shall be within the range of Rs. 5,000 to Rs, 7,000. The issuer company, in consultation with the merchant banker, shall stipulate the minimum application size (in terms of number of shares) falling within the aforesaid range of minimum application value and make upfront disclosures in this regard, in the offer document.

Explanation:

For the purpose of this clause, the minimum application value shall be with reference to the issue price of the shares and not with reference to the amount payable on application.

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[156] Renumbered clause "*8.6.1.1*" as clause *"8.6.1*", vide SEBI Circular No. SEBI/CFD/DIL/DIP/14/2005/25/1 dated January 25, 2005.

[157] Substituted vide SEBI Circular No. SEBI/CFD/DIL/DIP/13/2004/28/5 dated May 28, 2004 for the following: *"In case of public issue at par, the minimum number of shares for which an application is to be made, shall be fixed at 200 shares of face value of Rs.10/- each."*

Illustration:

For the purpose of sub clause (i), the following may be taken as illustration:

The issue price of shares is Rs.500. Out of the same, Rs.100/- is payable on application and the balance on allotment and calls. In this instance, the application value of Rs.5000-7000 shall be arrived at with reference to the issue price of Rs.500/-. As such, the minimum application size, to be stipulated in the offer document, would range from 10 shares to 14 shares and not 50 shares to 70 shares.)

ii) [158](Applications can be made in multiples of the minimum size /value so stipulated in the offer document by the issuer and merchant banker as at (i) and within the range of Rs.5000-7000, as stipulated at (i).)

iii) [159](**Schedule XVIIIA** may be referred for illustration on sub clause (ii) above.)

[160](iv) The minimum application moneys to be paid by an applicant along with the application money shall not be less than 25% of the issue price.

v) In case of an offer for sale, the entire amount payable on each instrument shall be brought in at the time of application.)

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[158] Substituted vide SEBI Circular No. SEBI/CFD/DIL/DIP/13/2004/28/5 dated May 28, 2004 for the following:
"Where the public issue is at a premium or comprises security, whether convertible or non-convertible, or the public issue is of more than one security, the minimum application moneys payable in respect of each security by each applicant, shall not be less than Rs 2000/- irrespective of the size of premium subject to applications being for a multiple of tradeable lots;"

[159] Substituted vide SEBI Circular No. SEBI/CFD/DIL/DIP/13/2004/28/5 dated May 28, 2004 for the following:
"The successful applicants shall be issued by the issuer company share certificates/ instruments for eligible number of shares in tradeable lots."

[160] Omitted the following sub-clauses and sub-clause (v) renumbered as sub-clause (iv) and sub-clause (vii) renumbered as sub-clause (v), vide SEBI Circular No. SEBI/CFD/DIL/DIP/13/2004/28/5 dated May 28, 2004:
"(iv) The minimum tradeable lot, in case of shares of face value of Rs.10/- each, shall at the option of the issuer/offeror, be fixed on the basis of offer price as given below:

***Provided that** the maximum tradeable lot in any case shall not exceed 100 shares.*

Offer price per share	***Minimum Tradeable lot***
Up to Rs 100	*100 Shares*
Rs 101- Rs 400	*50 Shares*
More than Rs. 400	*10 Shares*

(v) The minimum number of instruments for which an application has to be made shall be not less than the tradeable lot."

8.6.2 **Securities Issued to be Made Fully Paid Up**

a) If the subscription money is proposed to be received in calls, the calls shall be structured in such a manner that the entire subscription money is called within 12 months from the date of allotment.

b) If the investor fails to pay call money within 12 months the subscription money already paid may be forfeited.

c) If the issue size is above Rs.500 crores and is subject to monitoring requirement as per Clause 8.17.1 of this Chapter, it shall not be necessary to call the entire subscription money within 12 months.

8.7 **Restriction on further Capital Issues**

8.7.1 No company shall make any further issue of capital in any manner whether by way of issue of bonus shares, preferential allotment, rights issue or public issue or otherwise, during the period commencing from the submission of offer document to the Board on behalf of the company for public or rights issues, till the securities referred to in the said offer document have been listed or application moneys refunded on account of non-listing or undersubscription, etc. [161](unless full disclosures regarding the total capital to be raised from such further issues are made in the draft offer document.)

8.7.2

(a) No company shall, pending conversion of Fully Convertible Debentures (FCDs) or Partly Convertible Debentures (PCDs), issue any shares by way of bonus or rights unless similar benefit is extended to the holders of such FCDs or PCDs, through reservation of shares in proportion to such convertible part of FCDs/ PCDs.

(b) The share so reserved may be issued at the time of conversion(s) of such debentures on the same terms on which the bonus or rights issue was made.

8.7.3

(a) An issuer company shall not withdraw rights issue after announcement of record date in relation to such issue.

(b) In cases where the issuer has withdrawn the rights issue after announcing the record date, the issuer company shall not make an application for listing of any securities of the company for a minimum period of 12 months from the record date.

[161] Inserted vide SEBI Circular No. SEBI/CFD/DIL/DIP/19/2006/31/3 dated March 31, 2006.

Provided that shares resulting from the conversion of PCDs/ FCDs/ Warrants issued prior to the announcing of the record date in relation to rights issue may be granted listing by the concerned Stock exchange(s).

8.8 **Period of Subscription**

8.8.1 **Public Issues**

(a) Subscription list for public issues shall be kept open for at least 3 working days and not more than 10 working days.

(b) The public issue made by an infrastructure company, satisfying the requirements in Clause 2.4.1 (iii) of Chapter II may be kept open for a maximum period of 21 working days.

(c) The period of operation of subscription list of public issue shall be disclosed in the prospectus.

8.8.2 **Rights Issues**

8.8.2.1 Rights issues shall be kept open for at least 30 days and not more than 60 days.

8.9 **Price Band**

8.9.1 If in a draft offer document submitted to the Board, a price band as per the provisions of clause 3.5.1 of Chapter III of these Guidelines is mentioned, suitable explanatory notes indicating the financial implications, if the price were to be fixed at different ranges within the price band approved by the company Board / General Body, shall be disclosed in the offer document.

8.10 **Retention of Oversubscription**

8.10.1 The quantum of issue whether through a rights or a public issue, shall not exceed the amount specified in the prospectus/ letter of offer.

Provided that an oversubscription to the extent of 10% of the net offer to public is permissible for the purpose of rounding off to the nearer multiple of 100 while finalising the allotment.

8.11 **Underwriting**

8.11.1 The issuers have the option to have a public issue underwritten by the underwriter.

8.11.2 In respect of every underwritten issue, the lead merchant banker(s) shall accept a minimum underwriting obligation of 5% of the total underwriting commitment or Rs.25 lacs whichever is less.

8.12 **Updation of Offer Document**

8.12.1 The Lead Merchant Banker shall ensure that the particulars as per audited statements contained in the offer document are not more than 6 months old from issue opening date.

8.12.2 In respect of a Government company making a public issue, the auditors report in the prospectus shall not be more than six months old as on the date of filing of the prospectus with the Registrar of Companies or the Stock Exchange as the case may be.

8.13 **Compliance Officer to be Appointed by Lead Merchant Banker**

8.13.1 The merchant bankers shall appoint a senior officer as Compliance Officer to ensure that all Rules, Regulations, Guidelines, Notifications etc. issued by the Board, the Government of India, and other regulatory organizations are complied with.

8.13.2 The Compliance Officer shall co-ordinate with regulatory authorities in various matters and provide necessary guidance as also ensure compliance internally.

8.13.3 The Compliance Officer shall also ensure that observations made/ deficiencies pointed out by the Board do not recur.

8.14 **Incentives to Prospective Shareholders**

8.14.1 The issuer shall not offer any incentives to the prospective investors by way of medical insurance scheme, lucky draw, prizes, etc.

8.15 **New Financial Instruments**

8.15.1 The lead manager shall ensure adequate disclosures in the offer document, more particularly relating to the terms and conditions, redemption, security, conversion and any other relevant features of any new financial instruments such as Deep Discount Bonds, Debentures with Warrants, Secured Premium Notes etc.

8.16 **Issue of Debentures Bearing Interest Less Than Bank Rate**

8.16.1 Whenever FCDs are issued bearing interest at a rate less than the Bank Rate, the offer document shall contain disclosures about the price that would work out to the investor, taking into account the notional interest

loss on the investment from the date of allotment of FCDs to the date(s) of conversions).

8.17 **Requirement of Monitoring Agency**

8.17.1 In case of issues exceeding Rs.500 crores, the issuer shall make arrangements for the use of proceeds of the issue to be monitored by one of the financial institutions.

8.17.2 A copy of the monitoring report as per the format specified at **Schedule XIX**, shall be filed with the Board by the said monitoring agency, on a half yearly basis, till the completion of project, for the purposes of record.

8.18 **Safety Net or Buy Back Arrangement**

8.18.1 Any safety net scheme or buy-back arrangements of the shares proposed in any public issue shall be finalised by issuer company with the lead merchant banker in advance and disclosed in the prospectus.

8.18.2 Such buy back or safety net arrangements shall be made available only to all original resident individual allottees.

8.18.3 Such buy back or safety net facility shall be limited upto a maximum of 1000 shares per allottee and the offer shall be valid at least for a period of 6 months from the last date of despatch of securities.

8.18.4 The financial capacity of the person making available buy back or safety net facility shall be disclosed in the draft prospectus.

8.19 **Utilisation of funds in case of Rights Issues**

8.19.1 [162](The issuer company may utilise funds collected against rights issues after satisfying designated stock exchange that minimum 90% subscription has been received.)

8.20 **Option to Receive Securities in Dematerialised Form**

8.20.1 The Lead merchant Banker shall incorporate a statement in the offer document and in the application form to the effect that the investors have an option to either receive securities in the form of physical certificates or hold them in a dematerialised form.

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[162] Substituted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003 for the following:
"The issuer company may utilise funds collected against rights issues after satisfying regional stock exchange that minimum 90% subscription has been received."

8.21 **Issue Opening Date**

8.21.1 [163](An issue shall open within 3 months from the date of issuance of the observation letter by the Board, if any or within 3 months from the 22nd day from the date of filing of the draft offer document with the Board, if no observation letter is issued.)

[164](**Provided that** nothing in this clause shall apply to shelf prospectus.)

8.21.2 **Presentation of financials in case of change of denomination**

In case of change in standard denomination of equity shares, the compliance with the following shall be ensured while making disclosure in the offer document:

(i) all the financial data affected by the change in denomination of shares shall be clearly and unambiguously presented in the offer document.

(ii) comparison of financial ratios representing value per share and comparison of stock market data in respect of price and volume of securities shall be clearly and unambiguously presented in the offer document.

(iii) the capital structure incorporated in the offer document shall be clearly presented giving all the relevant details pertaining to the change in denomination of the shares.

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163 Substituted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003 for the following:
"An issue shall open within 365 days from the date of issuance of the observation letter by the Board, if any or 365 days from the 22nd day from the date of filing of the draft offer document with the Board, if no observation letter is issued."

164 Inserted vide SEBI Circular No. SEBI/CFD/DIL/DIP/12/2004/8/4 dated April 8, 2004.

[165](CHAPTER VIII-A

GREEN SHOE OPTION

8A.1

(a) [166](An issuer company making a public offer of equity shares can avail of the Green Shoe Option (GSO) for stabilizing the post listing price of its shares, subject to the provisions of this Chapter.)

(b) A company desirous of availing the option granted by this Chapter, shall in the resolution of the general meeting authorizing the public issue, seek authorization also for the possibility of allotment of further shares to the 'stabilizing agent' (SA) at the end of the stabilization period in terms of clause 8A.15.

8A.2 The company shall appoint one of the [167](merchant bankers or Book Runners, as the case may be, from amongst) the issue management team, as the "stabilizing agent" (SA), who will be responsible for the price stabilization process, if required. The SA shall enter into an agreement with the issuer company, prior to filing of offer document with SEBI, clearly stating all the terms and conditions relating to this option including fees charged / expenses to be incurred by SA for this purpose.

8A.3

[168]((a) The SA shall also enter into an agreement with the promoter(s) or pre-issue shareholders who will lend their shares under the provisions of this Chapter, specifying the maximum number of shares that may be borrowed from the promoters or the shareholders, which shall not be in excess of 15% of the total issue size.)

8A.4 The details of the agreements mentioned in clause 8A.2 and 8A.3 shall be disclosed in [169](the draft prospectus,) the draft Red Herring prospectus, Red Herring prospectus and the final prospectus. The

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[165] Inserted Chapter, vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003.

[166] Substituted vide SEBI Circular No. SEBI/CFD/DIL/DIP/13/2004/28/5 dated May 28, 2004 for the following:
"(a) In case an issuer company is making an initial public offer of equity shares through the book building mechanism, the company can avail of the Green Shoe option (GSO) for stabilizing the post listing price of its shares, subject to the provisions of this Chapter".

[167] Substituted vide SEBI Circular No. SEBI/CFD/DIL/DIP/13/2004/28/5 dated May 28, 2004 for *"Lead book runners, amongst".*

[168] Substituted vide circular no SEBI/CFD/DIL/DIP/13/2004/28/5 dated May 28, 2004 for the following:
"The SA shall also enter into an agreement with the promoter(s) who will lend their shares for the purpose of clause 8A.5, specifying the maximum number of shares that may be borrowed from the promoters, which shall not be in excess of 15% of the total issue size. "

[169] Inserted vide SEBI Circular No. SEBI/CFD/DIL/DIP/13/2004/28/5 dated May 28, 2004.

agreements shall also be included as material documents for public inspection in terms of [170](clause 6.15.1).

8A.5 [171](Lead merchant banker or the) Lead Book Runner, in consultation with the SA, shall determine the amount of shares to be overallotted with the public issue, subject to the maximum number specified in clause 8A.3.

8A.6 The [172](draft prospectus,) draft Red Herring prospectus, the Red Herring prospectus and the final prospectus shall contain the following additional disclosures:

a. Name of the SA

b. The maximum number of shares (as also the percentage vis a vis the proposed issue size) proposed to be over-allotted by the company.

c. The period, for which the company proposes to avail of the stabilization mechanism,

d. The maximum increase in the capital of the company and the shareholding pattern post issue, in case the company is required to allot further shares to the extent of over-allotment in the issue.

e. The maximum amount of funds to be received by the company in case of further allotment and the use of these additional funds, in final document to be filed with RoC

f. Details of the agreement/ arrangement entered in to by SA with the promoters to borrow shares from the latter which inter-alia shall include name of the promoters, their existing shareholding, number & percentage of shares to be lent by them and other important terms and conditions including the rights and obligations of each party.

g. The final prospectus shall additionally disclose the exact number of shares to be allotted pursuant to the public issue, stating separately therein the number of shares to be borrowed from the promoters and overallotted by the SA, and the percentage of such shares in relation to the total issue size.

8A.7

[173]((a) In case of an initial public offer by a unlisted company, the promoters and pre-issue shareholders and in case of public issue by a listed

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[170] Substituted vide circular SEBI Circular No. SEBI/CFD/DIL/DIP/14/2005/25/1 dated January 25, 2005, for *"clause 6.19.15".*

[171] Inserted vide SEBI Circular No. SEBI/CFD/DIL/DIP/13/2004/28/5 dated May 28, 2004.

[172] Inserted vide SEBI Circular No. SEBI/CFD/DIL/DIP/13/2004/28/5 dated May 28, 2004.

company, the promoters and pre- issue shareholders holding more than 5% shares, may lend the shares subject to the provisions of this Chapter.

(b) The SA shall borrow shares from the promoters or the pre-issue shareholders of the issuer company or both, to the extent of the proposed over-allotment.

Provided that the shares referred to in this clause shall be in dematerialized form only.)

8A.8 The allocation of these shares shall be pro-rata to all the applicants.

8A.9 The stabilization mechanism shall be available for the period disclosed by the company in the prospectus, which shall not exceed 30 days from the date when trading permission was given by the exchange(s).

8A.10 The SA shall open a special account with a bank to be called the "Special Account for GSO proceeds of _____ company" (hereinafter referred to as the GSO Bank account) and a special account for securities with a depository participant to be called the "Special Account for GSO shares of company" (hereinafter referred to as the GSO Demat Account).

8A.11 The money received from the applicants against the overallotment in the green shoe option shall be kept in the GSO Bank Account, distinct from the issue account and shall be used for the purpose of buying shares from the market, during the stabilization period.

8A.12 The shares bought from the market by the SA, if any during the stabilization period, shall be credited to the GSO Demat Account.

8A.13 The shares bought from the market and lying in the GSO Demat Account shall be returned to the promoters immediately, in any case not later than 2 working days after the close of the stabilization period.

8A.14 The prime responsibility of the SA shall be to stabilize post listing price of the shares. To this end, the SA shall determine the timing of buying the shares, the quantity to be bought, the price at which the shares are to be bought etc.

8A.15 On expiry of the stabilization period, in case the SA does not buy shares to the extent of shares over-allotted by the company from the market, the issuer company shall allot shares to the extent of the shortfall in dematerialized form to the GSO Demat Account, within five

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173 Substituted vide SEBI Circular No. SEBI/CFD/DIL/DIP/13/2004/28/5 dated May 28, 2004 for the following:
"The SA shall borrow shares from the promoters of the company to the extent of the proposed over-allotment. These shares shall be in dematerialized form only. For the purposes of this clause, promoter means a promoter as defined in Explanation I to clause 6.4.2.1."

days of the closure of the stabilization period. These shares shall be returned to the promoters by the SA in lieu of the shares borrowed from them and the GSO Demat Account shall be closed thereafter. The company shall make a final listing application in respect of these shares to all the Exchanges where the shares allotted in the public issue are listed. The provisions of Chapter XIII shall not be applicable to such allotment.

8A.16 The shares returned to the promoters under clause 8A.13 or 8A.15, as the case may be, shall be subject to the remaining lock in period as provided in the proviso the clause 4.14.1.

8A.17 The SA shall remit an amount equal to (further shares allotted by the issuer company to the GSO Demat Account) * (issue price) to the issuer company from the GSO Bank Account. The amount left in this account, if any, after this remittance and deduction of expenses incurred by the SA for the stabilization mechanism, shall be transferred to the investor protection fund(s) of the stock exchange(s) where the shares of issuer company are listed, in equal parts if the shares are listed in more than one exchanges. The GSO Bank Account shall be closed soon thereafter.

8A.18 The SA shall submit a report to the stock exchange(s) on a daily basis during the stabilization period. The SA shall also submit a final report to SEBI in the format specified in Schedule XXIX. (Flag B)This report shall be signed by the SA and the company. This report shall be accompanied with a depository statement for the "**GSO Demat Account**" for the stabilization period, indicating the flow of the shares into and from the account. The report shall also be accompanied by an undertaking given by the SA and countersigned by the depository(ies) regarding confirmation of lock-in on the shares returned to the promoters in lieu of the shares borrowed from them for the purpose of the stabilization, as per the requirement specified in 8A.16.

8A.19 The SA shall maintain a register in respect of each issue having the green shoe option in which he acts as a SA. The register shall contain the following details of:

[174](a) in respect of each transaction effected in the course of the stabilizing action, the price, date and time

[175](b) the details of the promoters from whom the shares are borrowed and the number of shares borrowed from each; and

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[174] Numbered the bulleted sub-clause, vide SEBI Circular No. SEBI/CFD/DIL/DIP/14/2005/25/1 dated January 25, 2005.

[175] Numbered the bulleted sub-clause, vide SEBI Circular No. SEBI/CFD/DIL/DIP/14/2005/25/1 dated January 25, 2005.

[176](c) details of allotments made under clause 8A.15.

8A.20 The register must be retained for a period of at least three years from the date of the end of the stabilizing period."

8A.21 [177](For the purpose of the Chapter VIII-A,

(a) promoter means a promoter as defined in Explanation I to clause 6.4.2.1of these guidelines."

(b) Over allotment shall mean as an allotment or allocation of shares in excess of the size of a public issue, made by the SA out of shares borrowed from the promoters or the pre-issue shareholders or both, in pursuance of a green shoe option exercised by the company in accordance with the provisions of this Chapter.))

[176] Numbered the bulleted sub-clause, vide SEBI Circular No. SEBI/CFD/DIL/DIP/14/2005/25/1 dated January 25, 2005.

[177] Substituted vide SEBI Circular No. SEBI/CFD/DIL/DIP/13/2004/28/5 dated May 28, 2004 for the following: *"For the purpose of the Chapter VIII-A, Over allotment shall be defined as an allocation of shares in excess of the size of a public issue, made by the SA out of shares borrowed from the promoters, in pursuance of a green shoe option exercised by the company in accordance with the provisions of the said Chapter."*

CHAPTER IX

GUIDELINES ON ADVERTISEMENT

9.0 The Lead Merchant Banker shall ensure compliance with the guidelines on Advertisement by the issuer company.

9.1 **Guidelines on Advertisements**

9.1.0 An issue advertisement shall be truthful, fair and clear and shall not contain any statement which is untrue or misleading.

9.1.1 Any advertisement reproducing or purporting to reproduce any information contained in a offer document shall reproduce such information in full and disclose all relevant facts and not be restricted to select extracts relating to that item.

9.1.2 An issue advertisement shall be considered to be misleading, if it contains -

a) Statements made about the performance or activities of the company in the absence of necessary explanatory or qualifying statements, which may give an exaggerated picture of the performance or activities, than what it really is.

b) An inaccurate portrayal of past performance or its portrayal in a manner which implies that past gains or income will be repeated in the future.

9.1.3

a) An advertisement shall be set forth in a clear, concise and understandable language.

b) Extensive use of technical, legal terminology or complex language and the inclusion of excessive details which may distract the investor, shall be avoided.

9.1.4 An issue advertisement shall not contain statements which promise or guarantee rapid increase in profits.

9.1.5 An issue advertisement shall not contain any information that is not contained in the offer document.

9.1.6 No models, celebrities, fictional characters, landmarks or caricatures or the likes shall be displayed on or form part of the offer documents or issue advertisements.

[178](9.1.8) Issue advertisements shall not appear in the form of crawlers (the advertisements which run simultaneously with the programme in a narrow strip at the bottom of the television screen) on television.

[179](9.1.8A In case of issue advertisement on television screen:

(a) the risk factors shall not be scrolled on the screen; and

(b) the advertisement shall advise the viewers to refer to the red herring prospectus or other offer document for details.)

9.1.9 No advertisement shall include any issue slogans or brand names for the issue except the normal commercial name of the company or commercial brand names of its products already in use.

9.1.10 No slogans, expletives or non-factual and unsubstantiated titles shall appear in the issue advertisements or offer documents.

9.1.11 If any advertisement carries any financial data, it shall also contain data for the past three years and shall include particulars relating to sales, gross profit, net profit, share capital, reserves, earnings per share, dividends and the book values.

9.1.12

(a) All issue advertisements in newspapers, Magazines, brochures, pamphlets containing highlights relating to any issue shall also contain risk factors given equal importance in all respects including the print size.

(b) The print size of highlights and risk factors in issue advertisements shall not be less than point [180](7) size.

(c) [181](Subject to section 66 of the Companies Act, 1956, any advertisement made by an issuer namely Pre – Issue advertisement, advertisement for opening or closure of the issue, shall be in the format and contain the minimum disclosures as given in the relevant part of **Schedule XX – A.**

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[178] Numbered the clause as *"9.1.8"*, vide SEBI Circular No. SEBI/CFD/DIL/DIP/14/2005/25/1 dated January 25, 2005.

[179] Inserted clause 9.1.8A, vide SEBI Circular No. SEBI/CFD/DIL/DIP/12/2004/8/4 dated April 8, 2004.

[180] Substituted vide SEBI Circular No. DIP (Compendium) Circular No. 3 dated August 04, 2000 for *"9"*.

[181] Substituted vide SEBI Circular No. SEBI/CFD/DIL/DIP/14/2005/25/1 dated January 25, 2005 for the following:
"(c) It shall contain the names of Issuer company, address of its Registered Office, names of the main Lead Merchant Bankers and Registrars to the Issue.

(d) It shall contain the disclosure about the face value of shares (including the statement about the issue price being "X" times of the face value)" vide circular no SEBI/CFD/DIL/DIP/13/2004/28/5 dated May 28, 2004

Prior to the above, the above sub-clause (d) of clause 9.1.12 was inserted vide SEBI Circular No. SEBI/CFD/DIL/DIP/13/2004/28/5 dated May 28, 2004.

(d) Any pre–issue advertisement made under clause 5.6A or advertisement made in connection with opening or closing of any issue by the issuer, which is displayed in a billboard shall not contain any information apart from that mentioned in the relevant part of **Schedule XX – A**.)

9.1.13 No issue advertisement shall be released without giving "Risk Factors" in respect of the concerned issue.

Provided that an issue opening / closing advertisement which does not contain the highlights need not contain risk factors.

9.1.14 [182](All public communications and publicity material, including corporate and product advertisements of the issuer company, interviews by its promoters, directors, duly authorized employees or representatives of the issuer company, documentaries about the issuer company or its promoters, periodical reports and press releases, issued or published in any media during the period commencing from the date of the meeting of the Board of Directors of the issuer company in which the public or rights issue, as the case may be, is approved till the date of filing draft offer document with SEBI, shall be consistent with its past practices.

Provided that where such public communication or publicity material is not consistent with the past practices of the issuer company, it shall be prominently displayed or announced in such public communication or publicity material that the issuer company is proposing to make a public or rights issue of securities, as the case may be, in the near future and is in the process of filing a draft offer document with SEBI.)

[183](9.1.14A All public communications and publicity material, including corporate and product advertisements of the issuer company, interviews by its promoters, directors, duly authorized employees or representatives of the issuer company, documentaries about the issuer company or its promoters, periodical reports and press releases, issued or published in any media during the period commencing from the date of filing draft offer document with SEBI till the date of allotment of securities offered in the issue, shall comply with the following:

(a) It shall be prominently displayed or announced in such public communication or publicity material that the issuer company is proposing to make a public or rights issue of securities, as the case

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[182] Substituted clause 9.1.14, vide SEBI Circular No. SEBI/CFD/DIL/DIP/24/2006/18/10 dated October 18, 2006 for the following:

"9.1.14 No corporate advertisement of issuer company shall be issued after 21 days of the filing of the offer document with the Board till the closure of the issue unless the risk factors as are required to be mentioned in the offer document, are mentioned in such advertisement."

[183] Inserted clause, vide SEBI Circular No. SEBI/CFD/DIL/DIP/24/2006/18/10 dated October 18, 2006.

may be and has filed a draft offer document with SEBI or has filed the Red Herring Prospectus / Prospectus with the Registrar of Companies or the Letter of Offer with the Designated Stock Exchange, as the case may be.

(b) It shall further be stated in such public communication or publicity material that the draft offer document, Red Herring Prospectus or final offer document, as the case may be, is available on SEBI website at www.sebi.gov.in as well as on the Lead Managers' websites <urls to be given>.

(c) Such public communication or publicity material shall contain only factual information and shall not contain projections, estimates, conjectures, etc.

(d) Such public communication or publicity material shall also not contain any information which is extraneous to the draft offer document filed with SEBI or the Red Herring Prospectus / Prospectus filed with the Registrar of Companies or the Letter of Offer filed with Designated Stock Exchange, as the case may be.)

[184](9.1.14B The issuer company shall make prompt, true and fair disclosure of all material developments taking place during the period mentioned hereunder, relating to its business and securities and also relating to the business and securities of its subsidiaries, group companies, etc., which may have a material effect on the issuer company, by issuing public notices in all the newspapers in which the issuer company had issued pre-issue advertisement under clause 5.6.A:

(a) In case of a fixed price public issues, between the date of filing final prospectus with the Registrar of Companies and the date of allotment of securities offered in the public issue.

(b) In case of a book built issue, between the date of filing the Red Herring Prospectus with the Registrar of Companies and the date of allotment of the securities offered in the issue.

(c) In case of a rights issue, between the date of filing the Letter of Offer with the Designated Stock Exchange and the date of allotment of the securities offered in the rights issue.)

9.1.15 [185](No product advertisement of an issuer company shall contain any reference, directly or indirectly, to the performance of the issuer

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[184] Inserted the clause, vide SEBI Circular No. SEBI/CFD/DIL/DIP/24/2006/18/10 dated October 18, 2006.

[185] Substituted clause 9.1.15, vide SEBI Circular No. SEBI/CFD/DIL/DIP/24/2006/18/10 dated October 18, 2006 for the following:

"9.1.15 No product advertisement of such company shall contain any reference directly or indirectly to the performance of the company during the period mentioned in clause 9.1.14."

company during the periods mentioned in clause 9.1.14 and clause 9.1.14A.)

9.1.16

(a) No advertisement shall be issued stating that the issue has been fully subscribed or oversubscribed during the period the issue is open for subscription, except to the effect that the issue is open or closed.

(b) No announcement regarding closure of the issue shall be made except on the last closing date.

(c) If the issue is fully subscribed before the last closing date as stated in the offer document, the announcement should be made only after the issue is fully subscribed and such announcement is made on the date on which the issued is to be closed.

9.1.17 Announcement regarding closure of issue shall be made only after the Lead Merchant Banker is satisfied that at least 90% of the issue has been subscribed and a certificate has been obtained to that effect from the Registrar to the Issue.

9.1.18 No incentives, apart from the permissible underwriting commission and brokerage, shall be offered through any advertisements to anyone associated with marketing the issue.

9.1.19 In case there is a reservation for the NRIs, the issue advertisement shall specify the same and indicate the place in India from where the individual NRI applicant can procure application forms.

9.2 The Lead Merchant Banker shall also comply with the following:

a) to obtain undertaking from the issuer as part of Memorandum of Understanding to be entered into by the Lead Merchant Banker with the issuer company to the effect that the issuer company shall not directly or indirectly release, during any conference or at any other time, any material or information which is not contained in the offer documents.

b) to ensure that the issuer company obtains approval in respect of all issue advertisements and publicity materials from the Lead Merchant Banker responsible for marketing the issue and also ensure availability of copies of all issue related materials with the Lead Merchant banker at least till the allotment is completed.

[186](9.3 **Research reports**

9.3.1 The lead merchant banker shall ensure that the following are complied with in respect of research reports:

i. the research report is prepared only on the basis of published information as contained in the offer document.

ii. [187](no selective or additional information or information extraneous to the offer document shall be made available by the issuer or any member of the issue management team/ syndicate to any particular section of the investors or to any research analyst in any manner whatsoever including at road shows, presentations, in research or sales reports or at bidding centres etc.)

iii. [188](no report or information, other than the contents of the draft offer document shall be circulated by the issuer or any member of the issue management team/ syndicate or their associates, after the date of receipt of observations from SEBI.)

iv. The advertisement code is observed while circulating the research reports, and that the risk factors are reproduced wherever highlights are given, as in case of an advertisement.)

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[186] Inserted clauses 9.3 and 9.3.1 vide SEBI Circular No. RMB (Compendium) Series Circular No. 1 (2001-2002) dated July 17, 2001.

[187] Substituted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003 for the following:
"no selective or additional information or information extraneous to the offer document shall be made available by the issuer or any member of the issue management team/ syndicate to only one section of the investors in any manner whatsoever including at road shows, presentations, in research or sales reports or at bidding centres etc."

[188] Inserted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003 the following clause and the aforesaid inserted clause was deferred vide press release no. PR No.246/2003 dated October 13, 2003:
"no research report shall be circulated by the issuer or any member of the issue management team/ syndicate or their associates, commencing from a date 45 days immediately preceding the filing of draft offer document with SEBI and till 45 days after commencement of trading in the relevant securities)"

CHAPTER X

GUIDELINES FOR ISSUE OF DEBT INSTRUMENTS

10.0 A company offering Convertible/ Non Convertible debt instruments through an offer document, shall comply with the following provisions in addition to the relevant provisions contained in other chapter of these guidelines.

10.1 **Requirement of credit rating**

10.1.1 [189](No company shall make a public issue or rights issue of debt instruments (whether convertible or not), unless credit rating of not less than investment grade is obtained from not less than two registered credit rating agencies and disclosed in the offer document.)]

10.1.2 [190](Deleted)

10.1.3 [191](Where credit ratings are obtained from more than two credit rating agencies, all the credit rating/s, including the unaccepted credit ratings, shall be disclosed.)

10.1.4 All the credit ratings obtained during the three (3) years preceding the public or rights issue of debt instrument (including convertible instruments) for any listed security of the issuer company shall be disclosed in the offer document.

10.2 **Requirement in respect of Debenture Trustee**

10.2.1 [192](No company shall issue a prospectus or a letter of offer to the public for subscription of its debentures, unless the company has appointed one or more debenture trustees for such debentures in accordance with the provisions of the Companies Act, 1956.)

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[189] Substituted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003 for the following:
"No public or rights issue of debt instruments (including convertible instruments) in respect of their maturity or conversion period shall be made unless credit rating from a credit rating agency has been obtained and disclosed in the offer document."

[190] Omitted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003 for the following:
"a public / rights issue of debt security of issue greater than or equal to Rs.100 crores two ratings from two different credit rating agencies shall be obtained."

[191] Substituted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003 for the following:
"Where credit rating is obtained from more than one credit rating agencies, all the credit rating/s, including the unaccepted credit ratings, shall be disclosed."

[192] Substituted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003 for the following:
"In case of issue of debenture with maturity of more than 18 months, the issuer shall appoint a Debenture Trustee."

10.2.2 [193](The names of the debenture trustees shall be stated in the Offer Documents and also in all the subsequent periodical communications sent to the debenture holders).

10.2.3 [194](A trust deed shall be executed by the issuer company in favour of the debenture trustees within three months of the closure of the issue.)

10.2.4 Trustees to the debenture issue shall be vested with the requisite powers for protecting the interest of debenture holders including a right to appoint a nominee director on the Board of the company in consultation with institutional debenture holders.

10.2.5 [195](The merchant banker shall, along with the draft offer document, file with the Board, certificates from the bankers of the Company that the assets on which the security is to be created are free from any encumbrances and the necessary permissions to mortgage the assets have been obtained or No-objection Certificate from the Financial Institutions or Banks for a second or pari passu charged in cases where assets are encumbered.

The merchant banker shall also ensure that the security created is adequate to ensure 100% asset cover for the debentures.)

10.2.6 The debenture trustee shall ensure compliance of the following:

a) [196](It shall obtain reports from the lead bank, regarding monitoring progress of the project.)

b) [197](It shall monitor utilization of funds raised in the debenture issue.)

c) Trustees shall obtain a certificate from the company's auditors:

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[193] Substituted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003 for the following:
"The names of the debenture trustees must be stated in the offer document".

[194] Substituted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003 for the following:
"A trust deed shall be executed by the issuer company in favour of the debenture trustees within six months of the closure of the issue."

[195] Substituted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003 for the following:
"The merchant banker shall, along with draft offer document, file with Board, certificates from their bankers that the assets on which security is to be created are free from any encumbrances and the necessary permissions to mortgage the assets have been obtained or a No Objection Certificate from the financial institutions or banks for a second or pari passu charge in cases where assets are encumbered."

[196] Substituted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003 for the following:
"Lead financial institution / investment institution shall monitor the progress in respect of debentures raised for project finance / modernisation / expansion / diversification / normal capital expenditure."

[197] Substituted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003 for the following:
"The lead bank for the Company shall monitor debentures raised for working capital funds."

(i) in respect of utilisation of funds during the implementation period of projects.

(ii) in the case of debentures for working capital, certificate shall be obtained at the end of each accounting year.

d) Debenture issues by companies belonging to the groups for financing replenishing funds or acquiring share holding in other companies shall not be permitted.

Explanation:

The expression `replenishing of funds or acquiring shares in other companies' shall mean replenishment of funds or acquiring share holdings of other companies in the same group. In other words, the company shall not issue debentures for acquisition of shares / providing loan to any company belonging to the same group. However, the company may issue equity shares for purposes of repayment of loan to or investment in companies belonging to the same group.

e) The debenture trustees shall supervise the implementation of the conditions regarding creation of security for the debentures and debenture redemption reserve.

10.3 **Creation of Debenture Redemption Reserve (DRR)**

[198](10.3.1 For the redemption of the debentures issued, the company shall create debenture redemption reserve in accordance with the provisions of the Companies Act, 1956.)

10.4 **Distribution of Dividends**

(a) [199](In case of the companies which have defaulted in payment of interest on debentures or redemption of debentures or in creation of

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[198] Substituted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003 for the following:

"10.3.1 A company has to create DRR in case of issue of debenture with maturity of more than 18 months.

10.3.2 The issuer shall create DRR in accordance with the provisions given below,

(a) If debentures are issued for project finance for DRR can be created upto the date of commercial production.

(b) The DRR in respect of debentures issued for project finance may be created either in equal instalments or higher amounts if profits so permit.

(c) In the case of partly convertible debentures, DRR shall be created in respect of non-convertible portion of debenture issue on the same lines as applicable for fully non-convertible debenture issue.

(d) In respect of convertible issues by new companies, the creation of DRR shall commence from the year the company earns profits for the remaining life of debentures.

(e) DRR shall be treated as a part of General Reserve for consideration of bonus issue proposals and for price fixation related to post tax return.

(f) Company shall create DRR equivalent to 50% of the amount of debenture issue before debenture redemption commences.

(g) Drawl from DRR is permissible only after 10% of the debenture liability has actually been redeemed by the company.

(h) The requirement of creation of a DRR shall not be applicable in case of issue of debt instruments by infrastructure companies."

security as per the terms of issue of the debentures, any distribution of dividend shall require approval of the Debenture Trustees and the Lead Institution, if any.)

(b) In the case of existing companies prior permission of the lead institution for declaring dividend exceeding 20% or as per the loan covenants is necessary if the company does not comply with institutional condition regarding interest and debt service coverage ratio.

(c)

(i) Dividends may be distributed out of profit of particular years only after transfer of requisite amount in DRR.

(ii) If residual profits after transfer to DRR are inadequate to distribute reasonable dividends, company may distribute dividend out of general reserve.

10.5 **Redemption**

10.5.1 The issuer company shall redeem the debentures as per the offer document.

10.6 [200](**Disclosure and**) **Creation of Charge**

[201](10.6.1 The offer document shall specifically state the assets on which security shall be created and shall also state the ranking of the charge/s. In case of second or residual charge or subordinated obligation, the offer document shall clearly state the risks associated with such subsequent charge. The relevant consent for creation of security such as pari passu letter, consent of the lessor of the land in case of leasehold land etc. shall be obtained and submitted to the debenture trustee before opening of issue of debenture.)

[202](10.6.2 The offer document shall state the security / asset cover to be maintained. The basis for computation of the security / asset cover, the valuation methods and periodicity of such valuation shall also be disclosed. The security / asset cover shall be arrived at after reduction of the liabilities having a first / prior charge, in case the debentures are secured by a second or subsequent charge.)

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[199] Substituted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003 for the following:
"In case of new companies, distribution of dividend shall require approval of the trustees to the issue and the lead institution, if any."

[200] Inserted vide SEBI Circular No. DIP (Compendium) Circular No. 4 dated September 06, 2000.

[201] Inserted vide SEBI Circular No. DIP (Compendium) Circular No. 4 dated September 06, 2000.

[202] Inserted vide SEBI Circular No. DIP (Compendium) Circular No. 4 dated September 06, 2000.

10.6.3 [203](Deleted).

[204](10.6.4 The issue proceeds shall be kept in an escrow account until the documents for creation of security as stated in the offer document, are executed.)

[205](10.6.5) If the issuing company proposes to create a charge for debentures of maturity of less than 18 months, it shall file with Registrar of Companies particulars of charge under the Companies Act.

Provided that, where no charge is to be created on such debentures, the issuer company shall ensure compliance with the provisions of the Companies (Acceptance of Deposits) Rules, 1975, as, unsecured debentures / bonds are treated as "deposits" for purposes of these rules.

[206](10.6.6) The proposal to create a charge or otherwise in respect of such debentures, may be disclosed in the offer document along with its implications.

10.7 **Requirement of letter of option**

10.7.1 [207](Where the company desires to rollover the debentures issued by it, it shall file with SEBI a copy of the notice of the resolution to be sent to the debenture-holders for the purpose, through a merchant banker prior to dispatching the same to the debenture-holders. The notice shall contain disclosures with regard to credit rating, necessity for debenture-holders resolution and such other terms which SEBI may specify. Where the company desires to convert the debentures into equity shares in accordance with clause 10.7.2, it shall file with SEBI a

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[203] Deleted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003 the following:
"*The security shall be created within six months from the date of issue of debentures.*

Provided *that if for any reasons the company fails to create security within 12 months from the date of issue of debentures the company shall be liable to pay 2% penal interest to debenture holders.*

Provided further *that if security is not created even after 18 months, a meeting of the debenture holders shall be called within 21 days to explain the reasons thereof and the date by which the security shall be created).*"

The above clause, initially numbered as 10.6.1, was renumbered as 10.6.3, vide SEBI Circular No. DIP (Compendium) Circular No. 4 dated September 06, 2000.

[204] Inserted vide SEBI Circular No. DIP (Compendium) Circular No. 4 dated September 06, 2000.

[205] Renumbered Clause no. 6.6.2 as 6.6.5, vide SEBI Circular No. DIP (Compendium) Circular No. 4 dated September 06, 2000.

[206] Renumbered Clause no. 6.6.3 as 6.6.6 vide SEBI Circular No. DIP (Compendium) Circular No. 4 dated September 06, 2000.

[207] Substituted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003 for the following:
"10.7.1 Filing of letter of option
A letter of option containing disclosures with regard to credit rating, debenture holder resolution, option for conversion, justification for conversion price and such other terms which the Board may prescribe from time to time shall be filed with the Board through an eligible Merchant Banker, in the following cases:"

copy of the letter of option to be sent to debenture-holders with the Board, through a merchant banker, prior to dispatching the same to the debenture-holders. The letter of option shall contain disclosures with regard to option for conversion, justification for conversion price and such other terms which SEBI may specify.)

10.7.1.1 [208](**Roll over of Non Convertible Portions of Partly Convertible Debentures (PCDs) / Non Convertible Debentures (NCDs), by company not being in default.**

The non-convertible portions of PCDs or the NCDs issued by a listed company, the value of which exceeds Rs.50 lacs, can be rolled over without change in the interest rate subject to section 121 of the Companies Act, 1956 and subject to the following conditions, if the company is not in default:

(a) A resolution to this effect is passed by postal ballot, having the assent from not less than 75% of the debenture-holders.

(b) The company shall redeem the debentures of all the dissenting debenture holders, who have not assented to the resolution.

(c) Before roll over of any NCDs or non-convertible portion of the PCDs, at least two credit ratings of not less than investment grade, shall be obtained within a period of six months prior to the due date of redemption and communicated to debenture holders before roll over.

(d) Fresh trust deed shall be executed at the time of such roll over.

(e) Fresh security shall be created in respect of such debentures to be rolled over.

Provided that if the existing trust deed or the security documents provide for continuance of the security till redemption of debentures, fresh trust deed or fresh security need not be created.)

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[208] Substituted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003 for the following:
*"**In case of Roll over of Non Convertible portions of Partly Convertible Debentures(PCDs)/ Non Convertible Debentures (NCDs).***
i) In case, the non-convertible portions of PCD/NCD issued by a listed company, value of which exceeds Rs.50 lacs, can be rolled over without change in the interest rate subject to the following conditions:
(a) An option shall be compulsorily given to debenture holders to redeem the debentures as per the terms of the offer document.
(b) Roll over shall be done only in cases where debenture holders have sent their positive consent and not on the basis of the non-receipt of their negative reply.
(c) Before roll over of any NCDs or non-convertible portion of the PCDs, a fresh credit rating shall be obtained within a period of six months prior to the due date of redemption and communicated to debenture holders before roll over.
(d) Fresh trust deed shall be executed at the time of such roll over.
(e) Fresh security shall be created in respect of such debentures to be rolled over.

***Provided that** if the existing trust deed or the security documents provide for continuance of the security till redemption of debentures fresh security may not be created."*

[209](10.7.1.1A **Roll over of Non Convertible portions of Partly Convertible Debentures (PCDs)/ Non Convertible Debentures (NCDs), by the company being in default.**

The non-convertible portions of PCDs and the NCDs issued by a listed company, the value of which exceeds Rs.50 lacs, can be rolled over without change in the interest rate subject to section 121 of the Companies Act, 1956 and subject to the following conditions, where the company is in default:

(a) A resolution to this effect is passed by postal ballot, having the assent from not less than 75% of the debenture-holders.

(b) The company shall send an Auditors' certificate on the cash flow of the company with comments on the liquidity position of the company to all debenture holders, along with the notice for passing the said resolution.

(c) The company shall redeem the debentures of all the dissenting debenture holders, who have not assented to the resolution.

(d) The debenture trustee shall decide on whether the company is required to create fresh security and execute fresh trust deed in respect of such debentures to be rolled over

Provided that if the existing trust deed or the security documents provide for continuance of the security till redemption of debentures, fresh security and fresh trust deed need not be created.

10.7.1.2 **In case of conversion of instruments (PCDs/FCDs,etc.) into equity capital**

i) In case, the convertible portion of any instrument such as PCDs, FCDs etc. issued by a listed company, value of which exceeds Rs.50 Lacs and whose conversion price was not fixed at the time of issue, holders of such instruments shall be given a compulsory option of not converting into equity capital.

ii) Conversion shall be done only in cases where instrument holders have sent their positive consent and not on the basis of the non-receipt of their negative reply.

Provided that where issues are made and cap price with justification thereon, is fixed beforehand in respect of any instruments by the issuer and disclosed to the investors before issue, it will not be necessary to give option to the instrument holder for converting the instruments into equity capital within the cap price.

[209] Inserted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003.

iii) In cases where an option is to be given to such instrument holders and if any instrument holder does not exercise the option to convert the debentures into equity at a price determined in the general meeting of the shareholders, the company shall redeem that part of debenture at a price which shall not be less than its face value, within one month from the last date by which option is to be exercised.

iv) The provision of sub-clause (iii) above shall not apply if such redemption is to be made in accordance with the terms of the issue originally stated.

10.7.1.3 [210](The debenture trustee shall submit a certificate of compliance with clauses 10.7.1.1, 10.7.1.1A or 10.7.1.2, as the case may be, to the merchant banker which shall be filed with the Board within 15 days of the closure of the rollover or conversion.)

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[210] Substituted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003 for the following:

*"**In case of Conversion of Debentures Issued under Consent of Controller of Capital Issues (CCI)***

A) In case, the value of convertible portion of any instrument such as PCDs, FCDs, etc. issued by a listed company exceeds Rs 50 Lacs and;

i) where in terms of the consent issued by the Controller of Capital Issues, the price of conversion of PCDs / FCDs is to be determined at a later date by the Controller, such price and the timing of conversion shall be determined at a general meeting of the shareholders subject to -

a) the consent of the holders of PCDs / FCDs for the conversion terms shall be obtained individually and conversion will be given effect to only if the concerned debentureholders send their positive consent and not on the basis of non- receipt of their negative reply; and

b) such holders of debentures, who do not give such consent, shall be given an option to get the convertible portion of debentures redeemed or repurchased by the company at a price, which shall not be less than face value of the debentures.

c) where the consent from the Controller of Capital Issues stipulates cap price for conversion of FCDs / PCDs, the board of the Company may determine the price at which the debentures may be converted.

***Provided that** options to debentures / other instrument holders for conversion into equity not required where the consent from the Controller of Capital Issues stipulates cap price for conversion of FCDs and PCDs and the cap price has been disclosed to the investors before subscription is made.*

ii) In case of issue of debentures fully or partly convertible made in the past, where the conversion was to be made at a price to be determined by the CCI at a later date, the price of conversion and time of conversion shall be determined by the issuer company in a meeting of the debenture holders, subject to the following:
The decision in the said meeting of debenture holders may be ratified by the shareholders in their meeting. Such conversions shall be optional for acceptance on the part of individuals debenture holders. The dissenting debenture holders shall have the right to continue as debenture holders if the terms of conversions are not acceptable to them.

iii) Where issue of PCDs and FCDs is made pursuant to the consent given by the Controller of Capital Issues and the consent specifies the timing of conversion but the price of conversion of PCDs / FCDs is to be determined at a later date, the following shall be complied with:-

a) the consent of the shareholders is to be obtained only for the purposes of fixing the price of conversion and not for the pre-poning and postponing the timing of the conversion approved by CCI.

b) The conversion price shall be reasonable (in comparison with previous conversion price where the terms of the issue provide for more than one conversion) and the conversion price shall not exceed the face value of that part of the convertible debenture which is sought to be converted.

c) In cases where an option is to be given to the debentureholders and, if any debentureholder does not exercise the option to convert the debentures into equity at a price determined in the general meeting of the shareholders, the company shall redeem that part of debenture at a price which shall not be less than its face value within one month from the last date by which option is to be exercised.

d) The provision in sub-clause (c) above shall not be applicable in case such redemption is to be made in accordance with the original terms of the offer.

In cases of issues of debentures fully or partly convertible, irrespective of value made in the past, where conversion was to be made at a price to be determined by CCI and the consent order does not provide for a specific premium or a cap price for conversion, the draft letter of option to the debentureholders filed with the Board shall contain justification for the conversion price."

[211](10.7.2 Companies may issue unsecured/ subordinated debt instruments/ obligations (which are not 'public deposits' as per the provisions of Section 58 A of the Companies Act, 1956 or such other notifications, guidelines, Circular etc. issued by RBI, DCA or other authorities).

Provided that such issue shall be subscribed by Qualified Institutional Buyers or other investor who has given positive consent for subscribing to such unsecured / sub-ordinated debt instruments/ obligation.)

10.8 **Other requirements**

10.8.1 No company shall issue of FCDs having a conversion period of more than 36 months, unless conversion is made optional with "put" and "call" option.

10.8.2 If the conversion takes place at or after 18 months from the date of allotment, but before 36 months, any conversion in part or whole of the debenture shall be optional at the hands of the debenture holder.

10.8.3

(a) No issue of debentures by an issuer company shall be made for acquisition of shares or providing loan to any company belonging to the same group.

Sub-clause (a) shall not apply to the issue of fully convertible debentures providing conversion within a period of eighteen months.

10.8.4 Premium amount and time of conversion shall be determined by the issuer company and disclosed.

10.8.5 The interest rate for debentures can be freely determined by the issuer company.

10.9 **Additional Disclosures in respect of debentures**

The offer document shall contain:

(a) Premium amount on conversion, time of conversion.

(b) In case of PCDs/ NCDs, redemption amount, period of maturity, yield on redemption of the PCDs/ NCDs.

(c) Full information relating to the terms of offer or purchase including the name(s) of the party offering to purchase the khokhas (non-convertible portion of PCDs).

[211] Inserted vide SEBI Circular No. DIP (Compendium) Circular No. 4 dated September 06, 2000.

(d) The discount at which such offer is made and the effective price for the investor as a result of such discount.

(e) The existing and future equity and long term debt ratio.

(f) Servicing behaviour on existing debentures, payment of due interest on due dates on term loans and debentures.

(g) That the certificate from a financial institution or bankers about their no objection for a second or pari passu charge being created in favour of the trustees to the proposed debenture issues has been obtained.

CHAPTER XI

[212](GUIDELINES ON BOOK BUILDING)

11.1 An issuer company proposing to issue capital through book building shall comply with the following:

A) 75% Book Building Process

11.2 In an issue of securities to the public through a prospectus the option for 75% book building shall be available to the issuer company subject to the following:

(i) The option of book-building shall be available to all body corporate which are otherwise eligible to make an issue of capital to the public.

(ii)

(a) The book-building facility shall be available as an alternative to, and to the extent of the percentage of the issue which can be reserved for firm allotment, as per these Guidelines.

(b) The issuer company shall have an option of either reserving the securities for firm allotment or issuing the securities through book-building process.

(iii) The issue of securities through book-building process shall be separately identified / indicated as 'placement portion category', in the prospectus.

(iv)

(a) The securities available to the public shall be separately identified as 'net offer to the public'.

(b) The requirement of minimum 25% of the securities to be offered to the public shall also be applicable.

(v) In case the book-building option is availed of, underwriting shall be mandatory to the extent of the net offer to the public.

(vi) The draft prospectus containing all the information except the information regarding the price at which the securities are offered shall be filed with the Board.

(vii) One of the lead merchant banker to the issue shall be nominated by the issuer company as a Book Runner and his name shall be mentioned in the prospectus.

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[212] Inserted heading of the Chapter vide SEBI Circular No. SEBI/CFD/DIL/DIP/14/2005/25/1 dated January 25, 2005.

(viii)

(a) The copy of the draft prospectus filed with the Board may be circulated by the Book Runner to the institutional buyers who are eligible for firm allotment and to the intermediaries eligible to act as underwriters inviting offers for subscribing to the securities.

(b) The draft prospectus to be circulated shall indicate the price band within which the securities are being offered for subscription.

(ix) The Book Runner on receipt of the offers shall maintain a record of the names and number of securities ordered and the price at which the institutional buyer or underwriter is willing to subscribe to securities under the placement portion.

(x) The underwriter(s) shall maintain a record of the orders received by him for subscribing to the issue out of the placement portion.

(xi)

(a) The underwriter(s) shall aggregate the offers so received for subscribing to the issue and intimate to the Book Runner the aggregate amount of the orders received by him.

(b) The institutional investor shall also forward its orders, if any, to the book runner.

(xii) On receipt of the information, the Book Runner and the issuer company shall determine the price at which the securities shall be offered to the public.

(xiii) The issue price for the placement portion and offer to the public shall be the same.

(xiv) On determination of the price, the underwriter shall enter into an underwriting agreement with the issuer indicating the number of securities as well as the price at which the underwriter shall subscribe to the securities.

Provided that the Book Runner shall have an option of requiring the underwriters to the net offer to the public to pay in advance all monies required to be paid in respect of their underwriting commitment.

(xv) On determination of the issue price within two day, thereafter the prospectus shall be filed with the Registrar of Company.

(xvi) The issuer company shall open two different accounts for collection of application moneys, one for the private placement portion and the other for the public subscription.

(xvii) One day prior to the opening of the issue to the public, Book Runner shall collect from the institutional buyers and the underwriters the application forms along with the application moneys to the extent of the securities proposed to be allotted to them / subscribed by them.

(xviii)

(a) Allotments for the private placement portion shall be made on the second day from the closure of the issue.

(b) However, to ensure that the securities allotted under placement portion and public portion are pari passu in all respects, the issuer company may have one date of allotment which shall be the deemed date of allotment for the issue of securities through book building process.

(xix) In case the Book Runner has exercised the option of requiring the underwriter to the net offer to the public to pay in advance all moneys required to be paid in respect of their underwriting commitment by the eleventh day of the closure of the issue the shares allotted as per the private placement category shall be eligible to be listed.

(xx)

(a) Allotment of securities under the pubic category shall be made as per the Guidelines.

(b) Allotment of securities under the public category shall be eligible to be listed.

(xxi)

(a) In case of undersubscription in the net offer to the public spillover to the extent of under subscription shall be permitted from the placement portion to the net offer to the public portion subject to the condition that preference shall be given to the individual investors.

(b) In case of under subscription in the placement portion spillover shall be permitted from the net offer to the public to the placement portion.

(xxii) The issuer company may pay interest on the application moneys till the date of allotment or the deemed date of allotment provided that payment of interest is uniformly given to all the applicants.

(xxiii)

(a) The Book Runner and other intermediaries associated with the book building process shall maintain records of the book building process.

(b) The Board shall have the right to inspect such records.

B) [213](**Offer to Public Through Book Building Process**)

11.3 [214](An issuer company may, subject to the requirements specified in this chapter, make an issue of securities to the public through a prospectus in the following manner:

a. 100% of the net offer to the public through book building process, or

b. 75% of the net offer to the public through book building process and 25% at the price determined through book building.)

11.3.1

(i) [215](Deleted)

(ii) Reservation or firm allotment to the extent of percentage specified in these Guidelines shall not be made to categories other than the categories mentioned in sub-clause (iii) below.

(iii) Book Building shall be for the portion other than the promoters contribution and the allocation made to:

(a) 'permanent employees of the issuer company and in the case of a new company the permanent employees of the promoting companies';

(b) 'shareholders of the promoting companies in the case of a new company and shareholders of group companies in the case of an existing company' either on a 'competitive basis' or on a 'firm allotment basis'.

[216]((c) persons who, on the date of filing of the draft offer document with the Board, have business association, as depositors, bondholders and subscribers to services, with the issuer making an initial public offering, provided that allotment to such persons shall not exceed 5% of the issue size.

Provided further that no reservation shall be made for the issue management team, syndicate members, their promoters, directors and

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[213] Substituted vide SEBI Circular No. RMB (Compendium) Series Circular No. 2 (2001-2002) dated November 29, 2001 for words *"100% BOOK BUILDING PROCESS".*

[214] Substituted vide SEBI Circular No. RMB (Compendium) Series Circular No. 2 (2001-2002) dated November 29, 2001 for the following:
"In an issue of securities to the public through a prospectus option for 100% Book Building shall be available to any issuer company subject to the following:"

[215] Omitted the following words vide SEBI Circular No. RMB (Compendium) Series Circular No. 1 (2001-2002) dated July 17, 2001:
"Issue of capital shall be Rs.25 crores and above."

[216] Inserted vide SEBI Circular No. RMB (Compendium) Series Circular No. 4 (2001-2002) dated March 06, 2002.

employees and for the group/associate companies of issue management team and syndicate members and their promoters, directors and employees.)

(iv) The issuer company shall appoint an eligible Merchant Banker(s) as book runner(s) and their name(s) shall be mentioned in the draft prospectus.

[217]((iv) (a) The issuer company shall enter into an agreement with one or more of the Stock Exchange(s) which have the requisite system of on-line offer of securities. The agreement shall specify inter-alia, the rights, duties, responsibilities and obligations of the company and stock exchange (s) inter se. The agreement may also provide for a dispute resolution mechanism between the company and the stock exchange.

(iv) (b) The company may apply for listing of its securities on an exchange other than the exchange through which it offers its securities to public through the on-line system.)

(v) [218](The Lead Merchant Banker shall act as the Lead Book Runner.)

[219]((v) (a) In case the issuer company appoints more than one [220](merchant banker(s)), the names of all such (merchant bankers(s)) who have submitted the due diligence certificate to SEBI, may be mentioned on the front cover page of the prospectus. A disclosure to the effect that " the investors may contact any of such (merchant bankers(s)), for any complaint pertaining to the issue" shall be made in the prospectus, after the "risk factors".)

[221]((v) (b) The lead book runner/issuer may designate, in any manner, the other Merchant Banker(s), subject to the following:

1. the inter-se allocation of responsibilities amongst the merchant bankers shall be disclosed in the prospectus on the page giving the details of the issue management team;

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[217] Inserted sub-clauses (iv)(a) and (iv) (b) vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003.

[218] Substituted vide SEBI Circular No. RMB (Compendium) Series Circular No. 4 (2001-2002) dated March 06, 2002 for the following:
"The Lead Merchant Banker shall act as the Lead Book Runner and the other eligible Merchant Banker(s), so appointed by the Issuer, shall be termed as Co-Book Runner(s)."

[219] Inserted vide SEBI Circular No. RMB (Compendium) Series Circular No. 1 (2001-2002) dated November 29, 2001.

[220] Substituted the words *"merchant banker (s)"* for the words *"book runner (s)"* in Clause (v) (a), wherever they appear, vide SEBI Circular No. RMB (Compendium) Series Circular No. 4 (2001-2002) dated March 06, 2002.

[221] Inserted vide SEBI Circular No. RMB (Compendium) Series Circular No. 4 (2001-2002) dated March 06, 2002.

2. a co-ordinator shall be appointed amongst the lead book runners, for the purpose of co-ordination with SEBI.

3. the names of only those merchant bankers who have signed the inter-se allocation of responsibilities shall be mentioned in the offer document on the page where the details of the issue management team is given.)

(vi) The primary responsibility of building the book shall be that of the Lead Book Runner.

(vii) The Book Runner(s) may appoint those intermediaries who are registered with the Board and who are permitted to carry on activity as an 'Underwriter' as syndicate members.

[222]((vii)(a) The Book Runner(s)/syndicate members shall appoint brokers of the exchange, who are registered with SEBI, for the purpose of accepting bids, applications and placing orders with the company and ensure that the brokers so appointed are financially capable of honouring their commitments arising out of defaults of their clients/investors, if any.)

[223]((vii)(b) For the purposes of this Chapter, the brokers, so appointed accepting applications and application monies, shall be considered as 'bidding/collection centres'.)

[224]((vii)(c) The broker/s so appointed, shall collect the money from his/their client for every order placed by him/them and in case the client/investors fails to pay for shares allocated as per the Guidelines, the broker shall pay such amount.)

[225]((vii)(d) The company shall pay to the broker/s a commission/fee for the services rendered by him/them. The exchange shall ensure that the broker does not levy a service fee on his clients/investors in lieu of his services.)

(viii) The draft prospectus containing all the disclosures as laid down in Chapter VI except that of price and the number of securities to be offered to the public shall be filed by the Lead Merchant Banker with the Board.

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[222] Inserted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003.

[223] Inserted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003.

[224] Inserted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003.

[225] Inserted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003.

Provided that the total size of the issue shall be mentioned in the draft prospectus.

(viii) (a) [226](The red herring prospectus shall disclose, either the floor price of the securities offered through it or a price band along with the range within which the price can move, if any.)

[227](**Provided that** in case of a further public issue of a class of securities which is already listed on a recognised stock exchange, it shall not be necessary to disclose the floor price or price band in the red-herring prospectus if the same is disclosed by way of an announcement made by the issuer or the merchant banker at least one day before the opening of the bid in all those newspapers where pre-issue advertisement was released.

Provided further that where the issuer opts not to make the disclosure of the price band or floor price in the red-herring prospectus in terms of the foregoing proviso, the following shall be additionally disclosed in the red-herring prospectus:

(a) a statement that the floor price or price band, as the case may be, shall be disclosed one before the opening of the bid;

(b) a statement that the investors may be guided in the meantime by the secondary market prices;

(c) names and editions of the newspapers where the announcement of the floor price or price band would be made;

(d) names of websites (with address), journals or other media in which the said announcement will be made.)

[228]((viii)(b) In case the red herring prospectus discloses the price band, the lead book runner shall ensure compliance with the following conditions:

(a) The cap of the price band should not be more than 20% of the floor of the band; i.e cap of the price band shall be less than or equal to 120% of the floor of the price band

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[226] Substituted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003 for the following:
"The red herring prospectus shall disclose, only the floor price of the securities offered through it and shall not mention the maximum price or the indicative price band"

Initially inserted vide SEBI Circular No. RMB (Compendium) Series Circular No. 1 (2001-2002) dated November 29, 2001.

[227] Inserted provisos vide SEBI Circular No. SEBI/CFD/DIL/DIP/15/2005/29/3 dated March 29, 2005.

[228] Inserted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003.

(b) The price band can be revised during the bidding period in which case the maximum revision on either side shall not exceed 20% i.e floor of price band can move up or down to the extent of 20% of floor of the price band disclosed in the red herring prospectus and the cap of the revised price band will be fixed in accordance with Clause (a) above;

(c) Any revision in the price band shall be widely disseminated by informing the stock exchanges, by issuing press release and also indicating the change on the relevant website and the terminals of the syndicate members.

(d) In case the price band is revised, the bidding period shall be extended for a further period of three days, subject to the total bidding period not exceeding thirteen days.

(e) The manner in which the shortfall, if any, in the project financing, arising on account of lowering of price band to the extent of 20% will be met shall be disclosed in the red herring prospectus. It shall also be disclosed that the allotment shall not be made unless the financing is tied up.)

(ix)

(a) In case of appointment of more than one Lead Merchant Banker or Book Runner for book building, the rights, obligations and responsibilities of each should be delineated.

(b) In case of an under subscription in an issue, the shortfall shall have to be made good by the Book Runner(s) to the issue and the same shall be incorporated in the interse allocation of responsibility given in **Schedule II**.

(x) [229](Deleted)

(xi)

(a) [230](Deleted)

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[229] Omitted the following clause vide SEBI Circular No. SEBI/CFD/DIL/DIP/25/2007/30/4 dated April 30, 2007:

"(x)

(a) The Board within 21 days of the receipt of the draft prospectus may suggest modifications to it.

(b) The Lead Merchant Banker shall be responsible for ensuring that the modifications / final observations made by the Board are incorporated in the prospectus.

[230] Omitted the following clause vide SEBI Circular No. SEBI/CFD/DIL/DIP/14/2005/25/1 dated January 25, 2005:

"(xi) (a) The issuer company shall after receiving the final observations, if any, on the offer document from the Board, make an advertisement in an English National daily with wide circulation, one Hindi National newspaper and a Regional language newspaper with wide circulation at the place where the registered office of the Issuer company is situated, containing the salient features of the final offer document as specified in Form 2A of the Companies Act circulated along with the application form. The advertisement in addition to other required information, shall also contain the following:

i. the date of opening and closing of the issue

ii. the method and process of application and allotment

(b) [231](The issuer company shall circulate the application forms to the Brokers)

(xii) [232](Deleted)

(xiii) The pre-issue obligations and disclosure requirements as specified in Chapter V and VI respectively of these Guidelines, shall be applicable to issue of securities through book building unless stated otherwise in this Chapter.

(xiv) The Book Runner(s) and the issuer company shall determine the issue price based on the bids received through the 'syndicate members'.

[233]((xiv)(a) Retail individual investors may bid at "cut off" price instead of their writing the specific bid prices in the bid forms.)

(xv) On determination of the price, the number of securities to be offered shall be determined (issue size divided by the price which has been determined).

(xvi) Once the final price (cut-off price) is determined all those bidders whose bids have been found to be successful (i.e. at and above the final price or cut-off price) shall become entitle for allotment of securities.

(xvii) No incentive, whether in cash or kind, shall be paid to the investors who have become entitled for allotment of securities.

(xvii) (a) [234](The broker may collect an amount to the extent of 100% of the application money as margin money from the clients/investors before

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iii. the names, addresses and the telephone numbers of the stock brokers and centres for bidding".

Prior to the above, the clause was substituted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003 for the following:
"The issuer company shall after receiving the final observations if any on the offer document from the Board make an advertisement in an English National daily with wide circulation, one Hindi National newspaper and a Regional language newspaper with wide circulation at the place where the registered office of the Issuer company is situated".

231 Substituted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003 for the following:
"The advertisement so issued shall contain the salient features of the final offer document as specified in Form 2A of the Companies Act circulated along with the application form."

232 Omitted the following clause vide SEBI Circular No. RMB (Compendium) Series Circular No. 1 (2001-2002) dated November 29, 2001:
"The issuer company shall compulsorily offer an additional 10% of the issue size offered to the public through the prospectus."

233 Inserted vide SEBI Circular No. RMB (Compendium) Series Circular No. 4 (2001-2002) dated March 06, 2002.

234 Substituted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003 for the following:

he places an order on their behalf. The margin collected from categories other than Qualified Institutional Buyers shall be uniform across the book runner(s)/syndicate members, for each such category.)

[235]((xvii)(aa) The broker/syndicate member shall collect an amount of not less than ten percent of the application money as margin money in respect of bids placed by qualified institutional buyers.)

(xvii) (b) [236](Bids for securities beyond the investment limit prescribed under relevant laws shall not be accepted by the syndicate members/brokers from any category of clients/ investors.)

[237]((xvii)(c) The lead book runner may reject a bid placed by a qualified institutional buyer for reasons to be recorded in writing provided that such rejection shall be made at the time of acceptance of the bid and the reasons therefor shall be disclosed to the bidders. Necessary disclosures in this regard shall also be made in the offer document.)

(xviii) On determination of the entitlement under sub-clause (xvi), the information regarding the same (i.e. the number of securities which the investor becomes entitled) shall be intimated immediately to the investors.

(xviii) (a) [238](Renumbered)

(xix) The final prospectus containing all disclosures as per these Guidelines including the price and the number of securities proposed to be issued shall be filed with the Registrar of Companies.

(xx) Arrangement shall be made by the issuer for collection of the applications by appointing mandatory collection centres as per these Guidelines.

"*The margin collected from categories other than Qualified Institutional Buyers shall be uniform across the book runner(s)/syndicate members, for each such category"*.
Initially inserted vide SEBI Circular No. RMB (Compendium) Series Circular No. 1 (2001-2002) dated November 29, 2001.

[235] Inserted sub-clause, vide SEBI Circular No. SEBI/CFD/DIL/DIP/16/2005/19/9 dated September 19, 2005.

[236] Substituted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003 for the following:
"Bids for securities beyond the investment limit prescribed under relevant laws shall not be accepted by the syndicate members from any category of investors."

Initially inserted as sub-clause (xvii)(a) vide circular dated November 29, 2001 and renumbered as (xvii)(b) vide SEBI Circular No. RMB (Compendium) Series Circular No. 4 (2001-2002) dated March 06, 2002.

[237] Inserted sub-clause, vide SEBI Circular No. SEBI/CFD/DIL/DIP/16/2005/19/9 dated September 19, 2005.

[238] Inserted vide SEBI Circular No. RMB (Compendium) Series Circular No. 1 (2001-2002) dated November 29, 2001 and later renumbered as (xvii) (b) vide SEBI Circular No. RMB (Compendium) Series Circular No. 4 (2001-2002) dated March 06, 2002.

[239]((xx)(a) The online, real time graphical display of demand and bid prices at the bidding terminals, shall be made. The book running lead manager shall ensure the availability of adequate infrastructure for data entry of the bids on a real time basis.)

(xxi) The investors who had not participated in the bidding process or have not received intimation of entitlement of securities may also make an application.

11.3.2 **Additional Disclosures**

Apart from meeting the disclosure requirements as specified in these Guidelines, the following disclosures shall be suitably made:

(i) [240](The particulars of syndicate members, brokers, registrars, bankers to the issue, etc.)

(ii) The following statement shall be given under the 'basis for issue price':-

"The issue price has been determined by the Issuer in consultation with the Book Runner(s), on the basis of assessment of market demand for the offered securities by way of Book-building."

(iii) [241](The following accounting ratios shall be given under the basis for issue price for each of the accounting periods for which the financial information is given:

1. EPS, pre-issue, for the last three years (as adjusted for changes in capital).

2. P/E pre-issue.

3. Average return on net-worth in the last three years.

4. Net-Asset value per share based on last balance sheet.

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[239] Inserted vide SEBI Circular No. RMB (Compendium) Series Circular No. 1 (2001-2002) dated November 29, 2001.

[240] Substituted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003 for the following:
"The particulars of syndicate members along with the details of registrars, bankers to the issue, etc."

[241] Substituted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003 for the following:
"The following accounting ratios shall be given under the basis for issue price for each of the accounting periods for which the financial information is given:
1 EPS, pre-issue, for the last three years (as adjusted for changes in capital).
2 P/E, pre-issue and comparison thereof with industry P/E where available (giving the source from which industry P/E has been taken).
3 Average return on net-worth in the last three years.
4. Net-Asset value per share based on last balance sheet.
5. The accounting ratios disclosed in the offer document shall be calculated after giving effect to the consequent increase of capital on account of compulsory conversions outstanding, as well as on the assumption that the options outstanding, if any, to subscribe for additional capital shall be exercised.

5. Comparison of all the accounting ratios of the issuer company as mentioned above with the industry average and with the accounting ratios of the peer group (i.e. companies of comparable size in the same industry. (Indicate the source from which industry average and accounting ratios of the peer group has been taken).

6. The accounting ratios disclosed in the offer document shall be calculated after giving effect to the consequent increase of capital on account of compulsory conversions outstanding, as well as on the assumption that the options outstanding, if any, to subscribe for additional capital shall be exercised).

(iv) [242](Deleted)

[243]((v) the proposed manner of allocation among respective categories of investors, in the event of under subscription.)

11.3.3 **Underwriting**

(i) [244](In case the issuer company is making an issue of securities:

a. under sub clause(a) of clause 11.3, 100% of the net offer to the public;

b. under sub clause (b) of clause 11.3, the book built portion - 75% of the net offer to the public,

shall be compulsorily underwritten by the syndicate members/book runner(s).

[245](**Provided that** nothing contained in sub-clause (i) shall apply to 50% of the net offer to the public, mandatorily to be allotted to the Qualified Institutional Buyers under proviso to clause 2.2.2 or clause

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[242] Omitted the following sub-clause, vide SEBI Circular No. SEBI/CFD/DIL/DIP/16/2005/19/9 dated September 19, 2005:
"the broad parameters on which allocation is proposed to be made to QIBs."

The sub-clause was **initially inserted** vide SEBI Circular No. SEBI/CFD/DIL/DIP/15/2005/29/3 dated March 29, 2005.

[243] Inserted sub-clause, vide SEBI Circular No. SEBI/CFD/DIL/DIP/15/2005/29/3 dated March 29, 2005.

[244] Substituted vide SEBI Circular No. RMB (Compendium) Series Circular No. 1 (2001-2002) dated November 29, 2001 for the following:
"The entire offer other than to the categories referred to in clause 11.3 (iii) above shall be fully underwritten by the 'syndicate members'/ Book Runner(s)".

[245] Substituted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003 for the following:
*"**Provided that** nothing contained in sub-clause (i) shall apply to 60% of the net offer to the public, mandatorily to be allotted to the Qualified Institutional Buyers under proviso to clause 2.2.2 or clause 2.3.2 of these guidelines, in case the company is making an issue of securities under clause 2.2.2 or clause 2.3.2)."*

2.3.2 of these guidelines, in case the company is making an issue of securities under clause 2.2.2 or clause 2.3.2, as the case may be.)

(ii)

(a) The 'syndicate members' shall enter into an underwriting agreement with the Book Runner(s) indicating the number of securities which they would subscribe at the predetermined price.

(b) The Book Runner(s) shall in turn enter into an underwriting agreement with the Issuer company.

(iii) In the event of the syndicate members not fulfilling their underwriting obligations the Book Runner(s) shall be responsible for bringing in the amount devolved.

(iv) [246](Deleted)

11.3.4 **Procedure for bidding:**

11.3.4.1 The method and process of bidding shall be subject to the following:

(i) [247](Bid shall be open for atleast [248](three working days) and not more than [249](seven working days), which may be extended to a maximum of [250](ten working days) in case the price band is revised in accordance with clause 11.3.1.)

(ii) The advertisement mentioned at clause 11.3.1 (xi) shall also contain the following:

(a) the date of opening and closing of the bidding(not less than 5 days).

(b) the names and addresses of the syndicate members as well as the bidding terminals for accepting the bids.

(c) the method and process of bidding.

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[246] Omitted the following clause vide SEBI Circular No. RMB (Compendium) Series Circular No. 1 (2001-2002) dated November 29, 2001:
"There shall not be any undersubscription in the category reserved for persons applying upto 10 tradeable lots as the Underwriters shall bring in the amount devolved subject to the fulfillment of the minimum shareholders criterion."

[247] Substituted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003 for "*Bid shall be open for atleast 5 days."*

[248] Substituted vide SEBI Circular No. SEBI/CFD/DIL/DIP/15/2005/29/3 dated March 29, 2005 for the words and figure *"5 days"*.

[249] Substituted vide SEBI Circular No. SEBI/CFD/DIL/DIP/15/2005/29/3 dated March 29, 2005 for the words and figure *"10 days"*.

[250] Substituted vide SEBI Circular No. SEBI/CFD/DIL/DIP/15/2005/29/3 dated March 29, 2005 for the words and figure *"13 days"*.

(iii) Bidding shall be permitted only if an electronically linked transparent facility is used.

(iv) The 'syndicate members' shall be present at the bidding centres so that at least one electronically linked computer terminal at all the bidding centres is available for the purpose of bidding.

(v)

(a) [251](The number of bidding centres, in case 75% of the net offer to the public is offered through the book building, process shall not be less than the number of mandatory collection centres as specified in these regulations. In case 100% of the net offer to the public is made through book building process, the bidding centres shall be at all the places, where the recognised stock exchanges are situated.)

(b) The same norms as applicable for collection centres shall be applicable for the bidding centres also.

(vi) [252](Individual as well as qualified institutional buyers shall place their bids only through the 'brokers' who shall have the right to vet the bids. The applicant shall enclose the proof of DP ID and Client ID along with the application, while making bid)

[253]((vi) (a) During the period the issue is open to the public for bidding, the applicants may approach the brokers of the stock exchange/s through which the securities are offered under on-line system, to place an order for bidding to the securities. Every broker shall accept orders from all clients/investors who place orders through him.)

(vi) (b)[254]

(vi) (c)[255]

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251 Substituted vide SEBI Circular No. RMB (Compendium) Series Circular No. 1 (2001-2002) dated November 29, 2001 for the following:
"The number of bidding centres shall not be less than the number of mandatory collection centres specified in these Guidelines."

252 Substituted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003 for the following:
"Individual as well as [252](qualified institutional buyers) shall place their bids only through the 'syndicate members' who shall have the right to vet the bids."

Prior to the above, the words *"institutional investors"* were substituted by *"qualified institutional buyers"* vide SEBI Circular No. RMB (Compendium) Series Circular No. 1 (2001-2002) dated November 29, 2001

253 Inserted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003.

254 Inserted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003 the following clause, which has been deferred vide press release no. PR No.246/2003 dated October 13, 2003:
"The broker shall collect the client registration form duly filled up and signed from the applicants before placing the order in the system as per "Know your client rule" as specified by SEBI and as may be modified from time to time."

(vi) (d)[256]

(vii) [257](The investors shall have the right to revise their bids provided that Qualified Institutional Buyers shall not be allowed to withdraw their bids after the closure of the bidding.)

(viii) **Bidding Form**

(a) There shall be a standard bidding form to ensure uniformity in bidding and accuracy.

(b) The bidding form shall contain information about the investor, the price and the number of securities that the investor wishes to bid.

(c) The bidding form before being issued to the bidder shall be serially numbered at the bidding centres and date and time stamped.

(d) The serial number may be system generated or stamped with an automatic numbering machine.

(e) The bidding form shall be issued in duplicate signed by the investor and countersigned by the syndicate member, with one form for the investor and the other for the syndicate member(s)/Book Runner(s).

(ix) At the end of each day of the bidding period the demand shall be shown graphically on the terminals for information of the syndicate members as well as the investors.

[258]((x) The identities of the Qualified Institutional Buyers making the bidding, shall not be made public)

(xi)[259]

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[255] Inserted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003 the following clause, which has been deferred vide press release no. PR No.246/2003 dated October 13, 2003:
"The broker shall, thereafter, enter the buy order in the system, on behalf of the clients and enter important details including the name, address, telephone number, and category of the applicant, the number of shares applied for, amount paid, beneficiary ID, DP code and Bid-cum Application Form number, Bid price, etc., and give an order number/order confirmation slip to the investor."

[256] Inserted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003 the following clause, which has been deferred vide press release no. PR No.246/2003 dated October 13, 2003:
"The broker shall open a separate bank account [Escrow Account] with the clearing house bank for primary market issues and the amount collected by the broker from his clients/investors as margin money shall be deposited in this account."

[257] Substituted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003 *for "The investors shall have the right to revise their bids"*

[258] Inserted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003.

[259] Inserted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003 the following clause, which has been deferred vide press release no. PR No.246/2003 dated October 13, 2003::

[260]((xii) The stock exchanges shall display data pertaining to book built issues in a uniform format, interalia giving category wise details of bids received Indicative format is given in Schedule XXX. The data pertaining to an issue shall be displayed on the site for a period of atleast three days after closure of bids.)

11.3.5 **Allocation / Allotment Procedure**

(i) [261](In case an issuer company makes an issue of 100% of the net offer to public through 100% book building process:

a) not less than [262](35%) of the net offer to the public shall be available for allocation to retail individual investors;

b) not less than [263](15%) of the net offer to the public shall be available for allocation to non institutional investors i.e. investors other than retail individual investors and Qualified Institutional Buyers;

c) not more than 50% of the net offer to the public shall be available for allocation to Qualified Institutional Buyers.

Provided that, [264](50% of net offer to public) shall be mandatorily allotted to the Qualified Institutional Buyers, in case the issuer company is making a public issue under Clause 2.2.2 and 2.3.2 of these guidelines)

"The Stock exchange shall, by the end of each day while the issue is open for subscription, send the order data to the Registrar to the Issue and Lead Managers / Book Runners. This data shall consist of only valid orders (excluding those that are cancelled). On the date of closure of the issue, the final status of orders received shall be sent to the Registrar to the issue and Lead Managers / Book Runners"

[260] Inserted sub-clause, vide SEBI Circular No. SEBI/CFD/DIL/DIP/15/2005/29/3 dated March 29, 2005.

[261] Substituted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003 for the following:
"*In case an issuer company makes an issue of 100% of the net offer to public through 100% book building process -*
a) not less than 25% of the net offer to the public shall be available for allocation to retail individual investors i.e. investors applying for upto 1000 securities;
b) not less than 15% of the net offer to the public shall be available for allocation to non institutional investors i.e. investors applying for more than 1000 securities;
c) not more than 60% of the net offer to the public shall be available for allocation to Qualified Institutional Buyers."

Initially substituted vide SEBI Circular No. RMB (Compendium) Series Circular No. 1 (2001-2002) dated November 29, 2001 for the following:
"Atleast 15% of the issue size shall be reserved for allocation to individual investors applying upto 10 tradeable lots through the syndicate member."

[262] Substituted vide SEBI Circular No. SEBI/CFD/DIL/DIP/15/2005/29/3 dated March 29, 2005 for the figures *"25%"*.

[263] Substituted vide SEBI Circular No. SEBI/CFD/DIL/DIP/15/2005/29/3 dated March 29, 2005 for the figures *"25%"*.

[264] Substituted vide SEBI Circular No. SEBI/CFD/DIL/DIP/16/2005/19/9 dated September 19, 2005 for the letters and figures *"50% of the issue size"*.

[265](**Provided further that**, in respect of issues made under Rule 19(2)(b) of Securities Contract (Regulation) Rules 1957, with 60% mandatory allocation to Qualified Institutional Buyers, the percentage allocation to retail individual investors and non institutional investors in terms of clause 11.3.5(i)(a) shall be 30% and 10% respectively.)

(ii) [266](In case an issuer company makes an issue of 75% of the net offer to public through book building process and 25% at the price determined through book building –

a. in the book built portion, not less than 25% of the net offer to the public, shall be available for allocation to non Qualified Institutional Buyers and not more than 50% of the net offer to the public shall be available for allocation to Qualified Institutional Buyers.

b. the balance 25% of the net offer to the public, offered at a price determined through book building, shall be available only to retail individual investors who have either not participated or have not received any allocation, in the book built portion.

Provided that, [267](50% of net offer to public) shall be mandatorily allotted to the Qualified Institutional Buyers, in case the issuer company is making a public issue under Clause 2.2.2 and 2.3.2 of these guidelines)

[268]((ii-a) Out of the portion available for allocation to qualified institutional buyers under sub clause (i) or (ii) or any proviso thereof, as the case may be, 5% shall be allocated proportionately to mutual funds. Mutual fund applicants shall also be eligible for proportionate allocation under the

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265 Inserted 2nd proviso vide SEBI Circular No. SEBI/CFD/DIL/DIP/15/2005/29/3 dated March 29, 2005.

266 Substituted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003 for the following:
"In case an issuer company makes an issue of 75% of the net offer to public through book building process and 25% at the price determined through book building -
a. in the book built portion, not less than 15% of the net offer to the public, shall be available for allocation to non institutional investors and not more than 60% of the net offer to the public shall be available for allocation to Qualified Institutional Buyers.
b. the balance 25% of the net offer to the public, offered at a price determined through book building, shall be available only to retail individual investors who have either not participated or have not received any allocation, in the book built portion.

***Provided that**, 60% of the issue size shall be allotted to the Qualified Institutional Buyers, in case the issuer company is making a public issue under Clause 2.2.2 or clause 2.3.2 of these guidelines." Initially substituted Vide circular dated November 29, 2001 for "10% of the issue size offered to the public through the prospectus shall be reserved for allocation to individual investors who had not participated in the bidding process or have not received an intimation for entitlement of securities under clause 11.3 (xix)."*

267 Substituted vide SEBI Circular No. SEBI/CFD/DIL/DIP/16/2005/19/9 dated September 19, 2005 for the letters and figures *"50% of the issue size"*.

268 Inserted sub-clause, vide SEBI Circular No. SEBI/CFD/DIL/DIP/16/2005/19/9 dated September 19, 2005.

balance available for Qualified Institutional Buyers as illustrated in Schedule XIX-A.)

(iii) [269](Allotment to retail individual investors, non-institutional investors and qualified institutional buyers shall be made proportionately as illustrated in Schedule XVIII.)

(iv) [270](In the event of under subscription in any category, the undersubscribed portion shall be allocated to the bidders as per disclosures made in terms of clause 11.3.2(v).

Provided that, the unsubscribed portion in the "Qualified Institutional Buyer" category, shall not be available for subscription to other categories, in case the issuer company has made an issue of securities under clause 2.2.2 or clause 2.3.2 of these guidelines.)

(v)

(a) [271](Deleted)

(b) [272](Deleted)

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[269] Substituted the sub-clause vide SEBI Circular No. SEBI/CFD/DIL/DIP/16/2005/19/9 dated September 19, 2005 for the following:
*"Allotment to (retail individual investors and non institutional investors.), shall be made on the basis of the proportionate allotment system as specified in **Schedule XVIII**."*
Of the above, the words *"retail individual investors and non institutional investors"* were initially substituted for the words "investors under sub-clauses (i) and (i) of this clause" vide SEBI Circular No. RMB (Compendium) Series Circular No. 1 (2001-2002) dated November 29, 2001

[270] Substituted the sub-clause vide SEBI Circular No. SEBI/CFD/DIL/DIP/15/2005/29/3 dated March 29, 2005 for the following:
"In case of under subscription in any category, the undersubscribed portion may be allocated to the bidders in the other categories.

***Provided that**, the unsubscribed portion in the "Qualified Institutional Buyer" category, shall not be available for subscription to other categories, in case the issuer company has made an issue of securities under clause 2.2.2 or clause 2.3.2 of these guidelines."*

Prior to the above substitution, the sub-clause was substituted vide SEBI Circular No. RMB (Compendium) Series Circular No. 1 (2001-2002) dated November 29, 2001 for the following:
"In case of undersubscription in the category referred to in clause (ii) of this clause, the Issuer company has the option to allocate it to whichever category it deems fit or let the undersubscribed portion lapse."

[271] Omitted the following sub-clause, vide SEBI Circular No. SEBI/CFD/DIL/DIP/16/2005/19/9 dated September 19, 2005:
"The allocation to QIBs shall be made as per disclosures made in terms of clause 11.3.2(iv)."

The above sub-clause was **earlier substituted** for the following sub-clause, vide SEBI Circular No. SEBI/CFD/DIL/DIP/15/2005/29/3 dated March 29, 2005:
"The allocation to the Qualified Institutional Buyers) shall be determined by the Book Runner(s) based on prior commitment, investor quality, price aggression, earliness of bids, etc."

Prior to the above substitution, the sub-clause was substituted vide SEBI Circular No. RMB (Compendium) Series Circular No. 1 (2001-2002) dated November 29, 2001 for the following:
"For the class of investors other than those mentioned at clauses (i) and (ii) of this clause, the allocation".

[272] Omitted vide SEBI Circular No. RMB (Compendium) Series Circular No. 1 (2001-2002) dated November 29, 2001the following sub-clause, which has been wrongly numbered as sub-clause (v) (a) instead of sub-clause (v) (b):
"The minimum shareholders criterion shall not be applicable to this category."

(vi) [273](Allotment shall be made not later than 15 days from the closure of the issue failing which interest at the rate of 15% shall be paid to the investors.)

(vii) [274]**(Schedule XX** may be referred to for Clarificatory Examples for issue size and allocation has been specified in **Schedule XX**.)

(viii) [275](Model Time Frame for Book Building is specified in **Schedule XXI**.)

(ix) [276](The broker shall refund the margin money collected earlier, within 3 days of receipt of basis of allocation, to the applicants who did not receive allocation)

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[273] Substituted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003 for the following clause and the aforesaid substituted clause has been deferred vide press release no. PR No.246/2003 dated October 13, 2003:
"After finalisation of basis of allocation, the Registrar to the Issue/company shall send the computer file containing the allocation details i.e. the allocation numbers, allocated quantity of successful applicants, etc. along with broker-wise funds pay-in obligation, to the Broker to the Issue and the stock exchange (s)."

[274] Substituted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003 for the following clause and the aforesaid substituted clause has been deferred vide press release no. PR No.246/2003 dated October 13, 2003:
"The Company, Lead Manager / Book Runner shall announce the pay-in day and intimate the same to Brokers and stock exchange. It shall be responsibility of the broker to deposit the amount in the Escrow Account to the extent of allocation to his clients on the pay-in date"

[275] Substituted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003 for the following clause and the aforesaid substituted clause has been deferred vide press release no. PR No.246/2003 dated October 13, 2003:
"On receipt of the basis of allocation data, the brokers shall immediately intimate the fact of allocation to their client /applicant. The broker shall ensure that each successful client/applicant pays submits the duly filled-in and signed application form to him along with the amount payable towards the application money by the pay-in date. Amount already paid by the applicant as margin money shall be adjusted towards the total allocation money payable. The broker shall, thereafter, hand over the application forms of the successful applicants who have paid the application money, to the exchange, which shall submit the same to the Registrar to Issue/company for their records"

[276] Substituted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003 for the following:
"*In case the issuer company has made an issue of 75% of the net offer to public through book building process and 25% at the price determined through book building -*

a. *the offer of 25% of the net offer to the public, made at a price determined through book building, shall open within 15 days from the date of closure of bidding ;*
b. *the offer for subscription to the public, shall remain open for a period of atleast 3 working days after completing all the requirements of advertisement and despatch of issue material to all the stock exchanges ;*
c. *during the time when the offer is open, the investors who have received an intimation of entitlement of securities under sub clause (xviii) of clause 11.3.1, shall submit the application forms along with the application moneys ;*
d. *the other retail individual investors who had not participated in the bidding process or have not received intimation of entitlement of securities under sub clause (xviii) of clause 11.3.1 may also make an application."*

Initially substituted vide SEBI Circular No. RMB (Compendium) Series Circular No. 1 (2001-2002) dated November 29, 2001 for the following clause:
"(a) The offer shall remain open for subscription from the public for a period of atleast 3 working days after completing all the requirements of advertisement and despatch of issue material to all the stock exchanges.
(b) During the time when the offer is open, the investors who have received an intimation of entitlement of securities under the clause (xviii) shall submit the application forms along with the application moneys.
(c) The other individual investors who had not participated in the bidding process or have not received intimation of entitlement of securities under clause (xviii) may also make an application."

[277]((x))

[278]((xi))

[279]((xii))

[280]((xiii))

[281]((xiv))

[282] (xv)) On payment and receipt of the sum payable on application for the amount towards minimum subscription, the company shall allot the shares to the applicants as per these Guidelines.

[283]((xvi))

[284]((xvii))

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[277] Inserted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003 the following clause, which has been deferred vide press release no. PR No.246/2003 dated October 13, 2003:
The brokers shall give details of the amount received from each client/investors and the names of clients/investors who have not paid the application money to Registrar / Book Runner the exchange. The brokers shall also give soft copy of this data to the exchange.

[278] Inserted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003 the following clause, which has been deferred vide press release no. PR No.246/2003 dated October 13, 2003:
"In the event of the successful applicants failing to pay the application money, the broker through whom such client placed orders, shall bring in the funds to the extent of the client's default. If the broker does not bring in the funds, he shall be declared as a defaulter by the stock exchange and action as prescribed under the Bye-Laws of the stock exchange shall be initiated against him. In such an event, the Book Runners in case of issues through book building process, who have underwritten the issue, shall bring-in the shortfall.

[279] Inserted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003 the following clause, which has been deferred vide press release no. PR No.246/2003 dated October 13, 2003:
On pay-in date, the clearing house shall, without any instruction from the broker, debit the escrow account of each broker to the extent of allocation made to his clients/investors and credit the amount so collected from each broker to the 'Issue Account'.

[280] Inserted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003 the following clause, which has been deferred vide press release no. PR No.246/2003 dated October 13, 2003:
The concerned Exchange shall not use the Settlement/Trade Guarantee Fund of the Exchange for honoring brokers commitments in case of failure of broker to bring in the funds.

[281] Inserted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003 the following clause and the aforesaid inserted clause was deferred vide press release no. PR No.246/2003 dated October 13, 2003:
"The broker shall open an 'Escrow Securities Account' with any depository for the purpose of receiving credit of securities on behalf of the clients.

[282] Inserted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003.

[283] Inserted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003 the following clause, which has been deferred vide press release no. PR No.246/2003 dated October 13, 2003:
"After the allotment, the Registrar to the issue shall post the share certificates to the investors or, instruct the depository to credit the Escrow Securities Account of each Broker, as the case may be.

[284] Inserted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003 the following clause, which has been deferred vide press release no. PR No.246/2003 dated October 13, 2003:
"On receipt of the credit of securities to the Escrow Securities Account, the Broker shall transfer the shares to the clients'/applicants' depository account, after receipt of confirmation of full payment from the

[285]((xviii))

[286]((xix))

[287]((xx))

[288]**(**((xxi))

[289]**(**((xxii))

[290]((xxiii)) In case the issuer company has made an issue of 75% of the net offer to public through book building process and 25% at the price determined through book building:

a) the offer of 25% of the net offer to the public, made at a price determined through book building, shall open within 15 days from the date of closure of bidding;

b) the offer for subscription to the public, shall remain open for a period of atleast 3 working days after completing all the requirements of advertisement and despatch of issue material to all the stock exchanges;

c) during the time when the offer is open, the investors who have received an intimation of entitlement of securities under sub clause (xviii) of

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clients/applicants. For this purpose broker shall be considered as Agent of the client/applicant. Broker shall confirm to the Book-runner/Registrar to the issue that shares have been credited to the account of clients /applicants not later than the day of commencement of trading, in case full payment had been received."

[285] Inserted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003 the following clause, which has been deferred vide press release no. PR No.246/2003 dated October 13, 2003:
"Any cases of dispute, amongst the broker and the clients, would be referred to arbitration as per the by-laws / regulations of the stock exchange"

[286] Inserted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003 the following clause, which has been deferred vide press release no. PR No.246/2003 dated October 13, 2003:
"The Allotment details shall be put on the website (if available) of the Registrar to the issue and the issuer. Further, online messaging facility of NSDL/CDSL or of stock exchanges may be used to communicate the Allotment details to Brokers, as an alternative of physical Confirmation of Allocation Note"

[287] Inserted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003 the following clause, which has been deferred vide press release no. PR No.246/2003 dated October 13, 2003:
"Trading shall commence within 6 days from the closure of the issue failing which interest at the rate of 15% p.a. shall be paid to the investors."

[288] Inserted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003 the following clause, which has been deferred vide press release no. PR No.246/2003 dated October 13, 2003:
"Schedule XX may be referred to for Clarificatory Examples for issue size and allocation has been specified in Schedule XX."

[289] Inserted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003 the following clause, which has been deferred vide press release no. PR No.246/2003 dated October 13, 2003.
"Model Time Frame for Book Building is specified in Schedule XXI."

[290] Inserted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003.

clause 11.3.1, shall submit the application forms along with the application moneys;

d) the other retail individual investors who had not participated in the bidding process or have not received intimation of entitlement of securities under sub clause (xviii) of clause 11.3.1 may also make an application."

11.3.6 **Maintenance of Books and Records**

(i) A final book of demand showing the result of the allocation process shall be maintained by the book runner/s.

(ii) The Book Runner/s and other intermediaries in the book building process associated shall maintain records of the book building prices.

(iii) The Board shall have the right to inspect the records, books and documents relating to the Book building process and such person shall extend full co-operation.

[291](CHAPTER XI A

GUIDELINES ON INITIAL PUBLIC OFFERS THROUGH THE STOCK EXCHANGE ON-LINE SYSTEM (e-IPO)

11A.1 A company proposing to issue capital to public through the on-line system of the stock exchange for offer of securities shall comply with the requirements as contained in this Chapter in addition to other requirements for public issues as given in these Guidelines, wherever applicable.

11A.2 **Agreement with the Stock exchange.**

11A.2.1 The company shall enter into an agreement with the Stock Exchange(s) which have the requisite system of on-line offer of securities.

[292](Deleted)

11A.2.2 The agreement mentioned in the above clause shall specify inter-alia, the rights, duties, responsibilities and obligations of the company and stock exchange (s) inter se. The agreement may also provide for a dispute resolution mechanism between the company and the stock exchange.

11A.3 **Appointment of Brokers**

11A.3.1 The stock exchange, shall appoint brokers of the exchange, who are registered with SEBI, for the purpose of accepting applications and placing orders with the company.

11A.3.2 For the purposes of this Chapter, the brokers, so appointed accepting applications and application monies, shall be considered as 'collection centres'.

11A.3.3 The broker/s so appointed, shall collect the money from his/their client for every order placed by him/them and in case the client fails to pay for shares allocated as per the Guidelines, the broker shall pay such amount.

11A.3.4 The company/lead manager shall ensure that the brokers having terminals are appointed in compliance with the requirement of

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[291] Inserted Chapter, vide SEBI Circular No. DIP (Compendium) Series Circular No. 5 dated November 30, 2000.

[292] Omitted the following proviso vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003:
"***Provided that**, where the Regional Stock Exchange has the requisite system of on-line offer of securities, the company shall also, enter into an agreement with the Regional Stock Exchange for offering securities to public through on-line system."*

mandatory collection centres, as specified in clause 5.9 of Chapter V of the Guidelines.

11A.3.5 The company/lead manager shall ensure that the brokers so appointed are financially capable of honouring their commitments arising out of defaults of their clients, if any.

11A.3.6 The company shall pay to the broker/s a commission/fee for the services rendered by him/them. The exchange shall ensure that the broker does not levy a service fee on his clients in lieu of his services.

11A.4 **Appointment of Registrar to the Issue**

11A.4.1 The company shall appoint a Registrar to the Issue having electronic connectivity with the Stock Exchange/s through which the securities are offered under the system.

11A.5 **Listing**

11A.5.1 [293](The company may apply for listing of its securities on an exchange other than the exchange through which it offers its securities to public through the on-line system.)

11A.6 **Responsibility of the Lead Manager**

11A.6.1 The Lead Manger shall be responsible for co-ordination of all the activities amongst various intermediaries connected in the issue / system.

11A.6.2 The names of brokers appointed for the issue alongwith the names of the other intermediaries, namely, Lead managers to the issue and Registrars to the Issue shall be disclosed in the prospectus and application form.

11A.7 **Mode of operation**

11A.7.1 The company shall, after filing the offer document with ROC and before opening of the issue, make an issue advertisement in one English and one Hindi daily with nation wide circulation, and one regional daily with wide circulation at the place where the registered office of the issuer company is situated.

11A.7.2 The advertisement shall contain the salient features of the offer document as specified in Form 2A of the Companies (Central

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293 Substituted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003 for the following:
"Subject to the requirement of listing on the Regional Stock Exchange, the company may apply for listing of its securities on an exchange other than the exchange through which it offers its securities to public through the on-line system."

Government's) General Rules and Forms, 1956. The advertisement in addition to other required information, shall also contain the following:

i. the date of opening and closing of the issue
ii. the method and process of application and allotment
iii. the names, addresses and the telephone numbers of the stock brokers and centres for accepting the applications.

11A.7.3 During the period the issue is open to the public for subscription, the applicants may

a) approach the brokers of the stock exchange/s through which the securities are offered under on-line system, to place an order for subscribing to the securities. Every broker shall accept orders from all clients who place orders through him;

b) directly send the application form alongwith the cheque/Demand Draft for the sum payable towards application money to the Registrar to the Issue or place the order to subscribe through a stock- broker under the on-line system.

11A.7.4 In case of issue of capital of Rs. 10 crores or above the Registrar to the Issue shall open centres for collection of direct applications at the four metropolitan centres situated at Delhi, Chennai, Calcutta and Mumbai.

11A.7.5 The broker shall collect the client registration form duly filled up and signed from the applicants before placing the order in the system as per "Know your client rule" as specified by SEBI and as may be modified from time to time.

11A.7.6 The broker shall, thereafter, enter the buy order in the system, on behalf of the clients and enter details including the name, address, telephone number and category of the applicant, the number of shares applied for, beneficiary ID, DP code etc. and give an order number/order confirmation slip to the applicant.

11A.7.7 The applicant may withdraw applications in terms of the Companies Act, 1956.

11A.7.8 The broker may collect an amount to the extent of 100% of the application money as margin money from the clients before he places an order on their behalf.

11A.7.9 The broker shall open a separate bank account [Escrow Account] with the clearing house bank for primary market issues and the amount collected by the broker from his clients as margin money shall be deposited in this account.

11A.7.10 The broker shall, at the end of each day while the issue is open for subscription, download/forward the order data to the Registrar to the Issue on a daily basis. This data shall consist of only valid orders (excluding those that are cancelled). On the date of closure of the issue, the final status of orders received shall be sent to the Registrar to the issue/company.

11A.7.11 [294](On the closure of the issue, the Designated Stock Exchange, alongwith the Lead merchant banker and Registrars to the Issue shall ensure that the basis of allocation is finalised in fair and proper manner on the lines of the norms with respect to basis of allotment as specified in Chapter VII of the Guidelines, as may be modified from time to time.)

11A.7.12 After finalisation of basis of allocation, the Registrar to the Issue/company shall send the computer file containing the allocation details i.e. the allocation numbers, allocated quantity etc., of successful applicants to the Exchange. The Exchange shall process and generate the broker-wise funds pay-in obligation and shall send the file containing the allocation details to member brokers.

11A.7.13 On receipt of the basis of allocation data, the brokers shall immediately intimate the fact of allocation to their client /applicant. The broker shall ensure that each successful client/applicant submits the duly filled-in and signed application form to him along with the amount payable towards the application money. Amount already paid by the applicant as margin money shall be adjusted towards the total allocation money payable. The broker shall, thereafter, hand over the application forms of the successful applicants who have paid the application money, to the exchange, which shall submit the same to the Registrar to Issue/company for their records.

11A.7.14 The broker shall refund the margin money collected earlier, within 3 days of receipt of basis of allocation, to the applicants who did not receive allocation.

11A.7.15 The brokers shall give details of the amount received from each client and the names of clients who have not paid the application money to the exchange. The brokers shall also give soft copy of this data to the exchange.

11A.7.16 On the pay- in day, the broker shall deposit the amount collected from the clients in the separate bank account opened for primary issues with the clearing house/bank. The clearing house shall debit the primary

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294 Substituted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003 for the following:
"On the closure of the issue, the Regional Stock Exchange, alongwith the Lead merchant banker and Registrars to the Issue shall ensure that the basis of allocation is finalised in fair and proper manner on the lines of the norms with respect to basis of allotment as specified in Chapter VII of the Guidelines, as may be modified from time to time."

issue account of each broker and credit the amount so collected from each broker to the "Issue Account"

11A.7.17 In the event of the successful applicants failing to pay the application money, the broker through whom such client placed orders, shall bring in the funds to the extent of the client's default. If the broker does not bring in the funds, he shall be declared as a defaulter by the exchange and action as prescribed under the Bye-Laws of the Stock Exchange shall be initiated against him. In such a case, if the minimum subscription as disclosed in the prospectus is not received, the issue proceeds shall be refunded to the applicants.

11A.7.18 The subscriber shall have an option to receive the security certificates or hold the securities in dematerialised form as specified in the Guidelines

11A.7.19 The concerned Exchange shall not use the Settlement/Trade Guarantee Fund of the Exchange for honoring brokers commitments in case of failure of broker to bring in the funds.

11A.7.20 On payment and receipt of the sum payable on application for the amount towards minimum subscription, the company shall allot the shares to the applicants as per these Guidelines. The Registrar to the issue shall post the share certificates to the investors or, instruct the depository to credit the depository account of each investor, as the case may be.

11A.7.21 Allotment of securities shall be made not later than 15 days from the closure of the issue failing which interest at the rate of 15% shall be paid to the investors.

11A.7.22 In cases of applicants who have applied directly or by post to the Registrar to the issue, and have not received allocation, the Registrar to the issue shall arrange to refund the application monies paid by them within the time prescribed.

11A.7.23 The brokers and other intermediaries engaged in the process of offering shares through the on-line system shall maintain the following records for a period of 5 years :

i. orders received
ii. applications received
iii. details of allocation and allotment
iv. details of margin collected and refunded
v. details of refund of application money

11A.7.24 SEBI shall have the right to carry out an inspection of the records, books and documents relating to the above, of any intermediary

connected with this system and every intermediary in the system shall at all times co-operate with the inspection by SEBI. In addition the stock exchanges have the right of supervision and inspection of the activities of its member brokers connected with the system.)

CHAPTER XII

GUIDELINES FOR ISSUE OF CAPITAL BY DESIGNATED FINANCIAL INSTITUTIONS

12.0 The following guidelines shall be applicable to the Designated Financial Institutions (DFIs) approaching capital market for funds through an offer document.

12.1 **Promoters' contribution**

12.1.1 There shall be no requirement of minimum promoters' contribution in respect of any issue by DFIs.

12.1.2 In case any DFI proposes to make a reservation for promoters, such contribution from the promoters shall come only from actual promoters and not from directors, friends, relatives, associates, etc.

12.2 **Reservation for employees**

12.2.1 The DFIs may make a reservation out of the proposed issues for allotment only to their permanent employees including their Managing Director(s) or any whole time Director.

12.2.2 Such reservation shall be restricted to the number of permanent employees on the pay rolls of the DFIs as on the date of the offer document multiplied by 200 shares of Rs. 10/- each or 20 shares of Rs. 100/- each as the case may be per employee, subject to a maximum of 5% of the issue size.

12.2.3 The shares allotted under the reserved category shall be subject to a lock in for a period of 3 years.

12.2.4 In case of public issue, unsubscribed portion, if any, in the reserved category shall be added back to the public offer.

12.2.5 In case of rights issue, unsubscribed portion if any, shall lapse.

12.2.6 Where the Managing Director or the Whole Time Director represents the promoters, he may acquire securities as part of the promoters' contribution but not under the reservation made for the employees in the proposed issue.

12.3 **Pricing of issues**

12.3.1 The DFIs may freely price their issues subject to the following conditions:

(a)

(i) The DFIs have 3 years' track record of consistent profitability with profits shown in their respective audited profit and loss accounts after providing for interest, tax and depreciation in 3 out of immediately preceding 5 years with profit during the last 2 years prior to the issue.

(ii) Where interest charged on debts outstanding for more than three years has been taken into Profit & Loss Account, the same shall be excluded for reckoning net profit.

(b)

(i) DFI determines the issue price in consultation with the lead manager;

(ii) the issue price shall be authorised by a resolution passed at a duly convened meeting of the shareholders / company's Board.

(c) The offer document shall contain justification for the premium disclosing the following:

i) mode of calculation of the parameters including selection of any particular capitalisation rate and reasons therefor.

ii) whether revaluation reserves have been taken into account for determining book value; if so, the date of revaluation and whether such revaluation was done by an approved valuer and certified by the auditors.

iii) revaluation reserves shall be excluded if such revaluation has been done within 3 years from the close of previous financial year.

iv) past performance with reference to the earnings per share and book value for the past 5 years.

v) projected earning per share / book value for the next 3 years as per DFI's own assessment.

vi) stock market data covering average high & low price of the share for the last 2 years and monthly high & low for the last 6 months, wherever applicable.

vii) all other factors which have been taken into account by the issuer for determining the premium.

12.4 **Specific disclosures**

12.4.1 The offer document of the DFI shall contain specific disclosures in respect of the following:

a) the present equity and equity after conversion in case of FCDs / PCDs;

b) actual Debt Equity Ratio (DER) vis-à-vis the desirable DER of 12:1.

c) Notional Debt Service Coverage Ratio (NDSCR) vis-a-vis the desirable minimum ratio of 1.2 to be maintained for each year.

Explanation:

1.

(i) NDSCR in any year would be the ratio of 2 numbers where the numerator is the sum of net profit after tax, interest on loans, non-cash profits like depreciation and repayments received out of relending;

(ii) While the denominator is the sum of interest on borrowings, principal instalments on loans to be repaid and the apportioned principal instalments during the year on debentures.

2. While the DFI may have the discretion to make its own apportionment, a minimum of 10% of redemption value shall be apportioned each year.

3. In the case of PCDs/FCDs convertible beyond 18 months and optional at the hands of debenture holders, at least 50% of the debenture value shall be reckoned as probable redeemable debt and apportioned accordingly.

d) servicing behaviour on existing debentures, payment of interest or principal on due dates on term loans, debentures, bonds and fixed deposits;

e) outstanding principal or interest or lease rentals, etc. due from borrowing companies.

f)

(i) the assets representing "loan and other assistance" portfolios may be classified into four broad groups as Standard Assets, Sub-standard Assets, Doubtful Assets and Loss Assets, and provisions made accordingly, as specified by the Reserve Bank of India.

(ii) the accounting policies and the aggregate of provisions made for Bad & Doubtful Debts.

(iii) the classification of assets and the provisioning for bad and doubtful debts has been duly certified by the statutory auditors of the DFIs.

12.5 **Issue of debentures including bonds**

12.5.1 Credit rating of debentures or bonds shall be compulsory, if conversion or redemption, falls after 18 months.

12.5.2

(a) Premium amount on conversion, time of conversion, in stages, if any, shall be pre-determined and stated in the offer document.

(b) Redemption amount, period of maturity, yield on redemption for the PCDs / NCDs shall be indicated in the offer document.

12.5.3

(a) Issue of debentures / bonds with maturity of 18 months or less are exempt from the requirement of appointment of Trustee.

(b) In case of debenture / bonds with maturity beyond 18 months, a trustee or an agent, by whatever name called shall be appointed to take care of the interest of debenture / bond holders irrespective of whether or not the debentures / bonds are secured.

(c) Where the debentures / bonds are unsecured, the issuing DFI, incorporated as companies, shall ensure compliance with the provisions of the Companies (Acceptance of Deposits) Rules, 1975, as unsecured debentures / bonds are treated as "deposits" for purposes of these rules.

(d) The name of the trustee / agent shall be stated in the offer document and the trust deed or any other documents for the purpose shall be executed within six months of the closure of the issue.

12.5.4

(a) Any conversion in part or whole of the debentures shall be optional at the hands of the debenture holder, if the conversion takes place after 18 months from the date of allotment.

(b) In case of debentures with conversion period beyond 36 months, the issuer designated DFI may exercise call option provided disclosure to this effect has been made in the offer document.

12.5.5 The interest rate for the debentures shall be freely determinable by the issuer DFI.

12.5.6 The discount on the non-convertible portion of the PCD, where arrangements for their buy-back have been made and the procedure for their purchase on spot trading basis shall be disclosed in the offer document.

12.6 **Rollover of debentures / bonds**

12.6.1 In case non-convertible portion of PCDs or Non Convertible Bonds / Debentures are to be rolled over with or without change in the interest rate(s), an option shall be given to those debenture / bond holders, who desire to withdraw from the scheme.

12.6.2 Roll over may be given effect to only in cases, where debenture / bond holders have sent their positive consent and not on the basis of the non-receipt of their negative reply.

12.6.3 Before roll over of any non-convertible bonds or debentures or non-convertible portion of the PCDs, fresh credit rating shall be obtained within a period of six months prior to the due date for redemption and communicated to the bond / debenture holders before roll over.

12.6.4 The letter of option regarding roll over shall be filed containing disclosure with regard to the credit rating, bond / debenture holder resolution, option for conversion and such other terms which the Board may stipulate from time to time.

12.7 **Protection of the interest of debenture / bond holders**

12.7.1 Trustees to the debenture / bond issue shall be vested with the requisite powers for protecting the interest of bond / debenture holders including a right to appoint a nominee director on the Board of the DFI in consultation with other institutional debentureholders in the event of default and such events of defaults should be specified in the offer document.

Provided that the right to appoint a nominee on the Board of the DFIs may not be insisted upon in cases where the composition of the Board of such DFI is determined by the statute incorporating such DFI.

12.7.2 Trustees shall obtain a certificate annually from the DFI's auditors in respect of maintenance of DER and NDSCR as per the norms mentioned in Clause 12.4.1 (b & c) and with regard to provisioning as per Clause 12.4.1 (f) above.

Provided that if a DFI fails to meet such criteria, no dividend shall be declared by such DFI for the relevant year except with the approval of the trustees and the rate of dividend shall not exceed 10%.

12.8 **New financial instruments**

12.8.1 DFI issuing any new financial instruments such as Deep Discount Bonds, Debentures with Warrants, Secured Premium Notes, etc., shall make adequate disclosures, more particularly relating to the terms and conditions, redemption, security, conversion and any other relevant features of such instruments

12.9 **Bonus issues by DFIs**

12.9.1 The issuer DFI shall forward a certificate duly signed by itself and duly counter-signed by its statutory auditor or by a company secretary in practice to the effect that the terms and conditions for issue of bonus shares as laid down below have been complied with:

a) The bonus issue is made out of free reserves built out of the genuine profits or share premium collected in cash only;

b) Reserves created by revaluation or sale of fixed assets are not capitalised.

c) Any special reserve created for the purpose of seeking tax benefits, capital reserves created as a result of sale of assets, any reserve created without accrual of cash resources and any other reserve not being in the nature of free reserves, even though such reserves cannot be capitalised, can be considered as free reserve for the purpose of calculation of residual reserves only.

d) All contingent liabilities disclosed in the audited accounts, which have a bearing on the net profits, shall be taken into account in the calculation of the residual reserves;

e) The residual reserves after the proposed capitalisation shall be at least 40 percent of the increased paid-up capital.

f) 30 per cent of the average profits before tax of the DFI for the previous three years shall yield a rate of dividend on the expanded capital base of the DFI at 10%.

g) The DFI has not failed in the maintenance of required DER, NDSCR during the last 3 years.

h) No bonus issue shall be made:

i) in lieu of dividend;

ii) unless the partly-paid shares, if any, are fully paid-up;

iii) if there is default in payment of interest or principal in respect of fixed deposits and interest on existing debentures / bonds or principal on redemption thereof; and

iv) if there is default in payment of statutory dues of the employees such as contribution to provident fund, gratuity, bonus etc.

i) Any proposal for issue of bonus shall be given effect to within a period of six months from the date of approval of such proposal by the Board of the DFI or, the general body, as the case may be, whichever is later.

j) The shareholder shall be informed about the ability of the DFI about the estimated rate of dividend payable by the DFI during the year or the next following year after issue of bonus shares.

k)

(i) No DFI shall, pending conversion of FCDs/PCDs, issue any shares by way of rights or bonus unless similar benefit is extended to the holders of such FCDs/PCDs through reservation of shares in proportion to such convertible part of FCDs/PCDs falling due for conversion within a period of 12 months from the date of rights / bonus issue.

(ii) The shares so reserved may be issued at the time of such conversions on the same terms on which the rights or bonus issues were made.

12.10 **Other Requirements**

12.10.1 Where a DFI's shareholding is held by various merchant bankers, the appointment of any one of them as a lead manager shall be on the basis of least shareholding.

12.10.2 Subscription list for public issues shall be kept open for minimum of at least 3 working days and maximum 21 working days and the same shall be disclosed in the offer document.

12.10.3 Rights issues shall be kept open for a minimum of 15 days but not exceeding 60 days.

12.10.4

(a) The prospectus shall specify the minimum and maximum target amount proposed to be raised through the issue.

(b) The maximum target amount shall not exceed twice the minimum target.

[295](**Provided that** the aforesaid clause shall not be applicable to the information memorandum / prospectus in respect of issues made under the shelf prospectus.

[295] Inserted proviso vide SEBI Circular No. SEBI/CFD/DIL/DIP/13/2004/28/5 dated May 28, 2004.

Provided further that the issue size and over subscription limits disclosed in the information memorandum / prospectus (in respect of issues made under a shelf prospectus) shall not exceed the respective limits disclosed in the shelf prospectus.)

[296]((c) After disclosing the issue size and over subscription limits in the shelf prospectus, the DFI can raise and retain any amount through tranche issues subject to the limits specified in shelf prospectus.)

[297](**Provided that** DFI has disclosed the minimum amount proposed to be raised and the maximum over subscription proposed to be retained in the information memorandum / prospectus. issued in respect of issues under shelf prospectus.)

[298]((d) The aggregate amount collected through one or more tranches shall not exceed the maximum target amount specified in the shelf prospectus.)

12.10.5

(a) The requirement as to the minimum subscription of 90% applicable to the issues made by companies shall not apply to an issue made by DFI.

(b) DFI is free to retain any amount received by it even if it is less than the minimum target amount.

12.10.6 Where in terms of the consent issued by the Controller of Capital Issues, the price / time of conversion of PCDs / FCDs is to be determined at a later date by the Controller, such price and the timing of conversion shall be determined at a general meeting of the shareholders subject to-

the consent of the holders of PCDs / FCDs for the conversion terms shall be obtained individually and conversion shall be given effect to only if the concerned debentureholders send their positive consent and not on the basis of non-receipt of their negative reply; and

12.10.7 such holders of debentures, who do not give such consent, shall be given an option to get the convertible portion of debentures redeemed or repurchased by the DFI at a price, which shall not be less than the face value of the debentures.

12.10.8 Where the consent from the Controller of Capital Issues stipulates a cap price for conversion of FCDs / PCDs and the cap price has been disclosed to the investors before subscription is made, the Board of the

[296] Inserted vide SEBI Circular No. SEBI/CFD/DIL/DIP/13/2004/28/5 dated May 28, 2004.

[297] Inserted vide SEBI Circular No. SEBI/CFD/DIL/DIP/13/2004/28/5 dated May 28, 2004.

[298] Inserted vide SEBI Circular No. SEBI/CFD/DIL/DIP/13/2004/28/5 dated May 28, 2004.

DFI may determine the price at which the debentures may be converted and in such cases an option may not be given to debenture holders.

12.10.9 The provisions of the Companies Act, 1956 and other applicable laws / listing requirements of the stock exchange, etc., wherever applicable, shall be complied with by the DFIs in connection with issue of shares, debentures and bonds etc.

12.11 **Utilisation of money before allotment**

12.11.1 DFIs may utilise the moneys raised by them out of the public issues of debt instruments before allotment and/or listing of the instruments, provided that:

i) the DFI pays interest to the investors from a date not later than the date from which such permission to utilize the funds is granted;

ii) the DFI undertakes to refund the entire money to the investors in the event of its inability to obtain listing permission from any of the stock exchanges where application for listing of such instruments has been made; and

iii) the DFI has complied with the provisions of the Companies Act, 1956 wherever applicable.

[299](CHAPTER XII-A

SHELF PROSPECTUS

12A.1 **Applicability**

(a) This Chapter shall apply to issues of debt securities to be made by public sector banks, scheduled commercial banks and public financial institutions.

(b) Unless otherwise specified in this Chapter, the provisions of these Guidelines relating to public issues shall apply in respect of such issues.

12A.2 **Procedure**

12A.2.1 A public sector bank, scheduled commercial bank or public financial institution proposing to issue a shelf prospectus shall file a draft shelf prospectus with the Board.

12A.2.2 Where a draft shelf prospectus is filed with the Board, the provisions of Chapter V of these Guidelines shall apply as if it were a draft prospectus filed under clause 2.1.1.

12A.2.3 The shelf prospectus shall, in addition to other requisite disclosures as per these Guidelines, also disclose the aggregate amount proposed to be raised through all the stages of offers of securities made under the shelf prospectus.

12A.2.4 The observation letter issued by the Board shall be valid for a period of 365 days from the date of issuance.

12A.3 **Information memorandum**

12A.3.1 A public sector bank, scheduled commercial bank or public financial institution shall file the shelf prospectus after incorporating the updations in terms of information memorandum in respect of the second or any subsequent offer of securities with the Board.

12A.3.2 The shelf prospectus as updated in terms of Clause 12A.3.1 shall be uploaded on the website of SEBI and on the website of the lead manager.

12A.3.3 The public sector bank, scheduled commercial bank or public financial institution shall open the particular stage of offer of securities after filing the information memorandum/shelf prospectus as updated in terms of Clause 12A.3.1 with the Registrar of Companies and with the Board.)

[299] Inserted Chapter, vide circular no. SEBI/CFD/DIL/DIP/12/2004/8/4 dated April 8, 2004.

CHAPTER XIII

GUIDELINES FOR PREFERENTIAL ISSUES

13.0 The preferential issue of equity shares/ Fully Convertible Debentures (FCDs)/ Partly Convertible Debentures (PCDs) or any other financial instruments which would be converted into or exchanged with equity shares at a later date, by listed companies whose equity share capital is listed on any stock exchange, to any select group of persons under Section 81(1A) of the Companies Act 1956 on private placement basis shall be governed by these guidelines.

13.1 Such preferential issues by listed companies by way of equity shares/ Fully Convertible Debentures (FCDs)/ Partly Convertible Debentures (PCDs) or any other financial instruments which would be converted into / exchanged with equity shares at a later date, shall be made in accordance with the pricing provisions mentioned below:

13.1.1 **Pricing of the issue**

13.1.1.1 [300](Where the equity shares of a company have been listed on a stock exchange for a period of six months or more as on the relevant date, the issue of shares on preferential basis shall be made at a price not less than higher of the following:)

i) The average of the weekly high and low of the closing prices of the related shares quoted on the stock exchange during the six months preceding the relevant date;

OR

ii) The average of the weekly high and low of the closing prices of the related shares quoted on a stock exchange during the two weeks preceding the relevant date.

[301](13.1.1.2 Where the equity shares of a company have been listed on a stock exchange for a period of less than six months as on the relevant date, the issue of shares on preferential basis can be made at a price not less than the higher of the following:

i) The price at which shares were issued by the company in its IPO or the value per share arrived at in a scheme of arrangement under sections 391 to 394 of the Companies Act, 1956, pursuant to which the shares of the company were listed, as the case may be;

OR

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[300] Substituted the opening para of clause 13.1.1.1, vide SEBI Circular No. SEBI/CFD/DIL/DIP/25/2007/30/4 dated April 30, 2007, for the following:
"The issue of shares on a preferential basis can be made at a price not less than the higher of the following:"

[301] Inserted vide SEBI Circular No. SEBI/CFD/DIL/DIP/25/2007/30/4 dated April 30, 2007.

a. The average of the weekly high and low of the closing prices of the related shares quoted on the stock exchange during the period shares have been listed preceding the relevant date;

OR

b. The average of the weekly high and low of the closing prices of the related shares quoted on a stock exchange during the two weeks preceding the relevant date."

Provided that on completing a period of six months of being listed on a stock exchange, the company shall recompute the price of the shares in accordance with the provisions mentioned in sub-clause (i) of clause 13.1.1.1 and if the price at which shares were allotted on a preferential basis under clause 13.1.1.2 was lower than the price so recomputed, the difference shall be paid by the allottees to the company.)

Explanation:

a) "relevant date" [302](for the purpose of clauses 13.1.1.1 and 13.1.1.2) means the date thirty days prior to the date on which the meeting of general body of shareholders is held, in terms of Section 81(1A) of the Companies Act, 1956 to consider the proposed issue[303](; provided however that in respect of shares issued on preferential basis pursuant to a scheme approved under the Corporate Debt Restructuring framework of Reserve Bank of India, the date of approval of the Corporate Debt Restructuring package shall be the relevant date).

b) "stock exchange" [304](for the purpose of clauses 13.1.1.1 and 13.1.1.2) means any of the recognised stock exchanges in which the shares are listed and in which the highest trading volume in respect of the shares of the company has been recorded during the preceding six months prior to the relevant date.

13.1.2 **Pricing of shares arising out of warrants, etc.**

13.1.2.1

(a) Where warrants are issued on a preferential basis with an option to apply for and be allotted shares, the issuer company shall determine the price of the resultant shares in accordance with Clause 13.1.1.1 above.

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[302] Substituted vide SEBI Circular No. SEBI/CFD/DIL/DIP/25/2007/30/4 dated April 30, 2007, for the words *"for the purpose of this clause"*.

[303] Inserted vide SEBI Circular No. SEBI/CFD/DIL/DIP/25/2007/30/4 dated April 30, 2007.

[304] Substituted vide SEBI Circular No. SEBI/CFD/DIL/DIP/25/2007/30/4 dated April 30, 2007, for the words *"for the purpose of this clause"*.

(b) The relevant date for the above purpose may, at the option of the issuer be either the one referred in explanation (a) to Clause 13.1.1.1 above or a date 30 days prior to the date on which the holder of the warrants becomes entitled to apply for the said shares.

13.1.2.2 The resolution to be passed in terms of Section 81(1A) shall clearly specify the relevant date on the basis of which price of the resultant shares shall be calculated.

13.1.2.3

(a) An amount equivalent to atleast ten percent of the price fixed in terms of Clause 13.1.1.1 above shall become payable for the warrants on the date of their allotment.

(b) The amount referred to in sub-clause (a), shall be adjusted against the price payable subsequently for acquiring the shares by exercising an option for the purpose.

(c) The amount referred to in sub-clause (a) shall be forfeited if the option to acquire shares is not exercised.

13.1.3 **Pricing of shares on conversion**

13.1.3.1 Where PCDs/ FCDs/ other convertible instruments, are issued on a preferential basis, providing for the issuer to allot shares at a future date, the issuer shall determine the price at which the shares could be allotted in the same manner as specified for pricing of shares allotted in lieu of warrants as indicated in Paras 13.1.2.1& 13.1.2.2 above.

[305](13.1A The explanatory statement to the notice for the general meeting in terms of Section 173 of the Companies Act, 1956 shall contain:

i. the object/s of the issue through preferential offer,

ii. intention of promoters/ directors/ key management persons to subscribe to the offer,

iii. shareholding pattern before and after the offer,

iv. proposed time within which the allotment shall be complete

v. the identity of the proposed allottees and the percentage of post preferential issue capital that may be held by them.)

[306](vi. in case of a preferential allotment to which clause 13.1.1.2 is applicable, requirements specified in proviso to clause 13.1.1.2 and proviso mentioned after sub-clause (e) of clause 13.3.1.)

[305] Inserted vide SEBI Circular No. DIP (Compendium) Circular No. 3 dated August 04, 2000.

[307]([308](13.1B) A listed company shall not make any preferential issue of equity shares, Fully Convertible Debentures, Partly Convertible Debentures or any other instrument which may be converted into or exchanged with equity shares at a latter date if the same is not in compliance with the conditions for continuous listing.)

13.2 **Currency of financial instruments**

13.2.1 In case of Warrants/ PCDs/ FCDs/ or any other financial instruments with a provision for the allotment of equity shares at a future date, either through conversion or otherwise, the currency of the instruments shall not exceed beyond 18 months from the date of issue of the relevant instrument.

13.3 **Non-transferability of financial instruments**

13.3.1

(a) The instruments allotted on a preferential basis to the promoter / promoter group as defined in Chapter VI in [309](Explanation I, II and III to clause 6.8.3.2) of these guidelines, shall be subject to lock-in of 3 years from the date of their allotment.

(b) In any case, not more than 20% of the total capital of the company, including capital brought in by way of preferential issue, shall be subject to lock-in of three years from the date of allotment.

[310]((c) In addition to the requirements for lock in of instruments allotted on preferential basis to promoters/ promoter group as per clause 13.3.1 (a) and (b), the instruments allotted on preferential basis to any person including promoters/ promoters group shall be locked-in for a period of one year from the date of their allotment [311](Deleted).)

[312]((d)) The lock-in on shares acquired by conversion of the convertible instrument/exercise of warrants, shall be reduced to the extent the convertible instrument warrants have already been locked-in.

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[306] Inserted vide SEBI Circular No. SEBI/CFD/DIL/DIP/25/2007/30/4 dated April 30, 2007.

[307] Inserted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003.

[308] Renumbered as *"13.1B"*, vide SEBI Circular No. SEBI/CFD/DIL/DIP/14/2005/25/1 dated January 25, 2005.

[309] Substituted vide SEBI Circular No. SEBI/CFD/DIL/DIP/23/2006/16/10 dated October 16, 2006 for the words "*Clause [6.4.2 (m)]*"

[310] Inserted vide SEBI Circular No. DIP (Compendium) Circular No. 3 dated August 04, 2000.

[311] Omitted the following words vide SEBI Circular No. SEBI/CFD/DIL/DIP/12/2004/8/4 dated April 8, 2004: *"except on such allotments on preferential basis which involve swap of equity shares / securities convertible into equity shares at a later date, for acquisition"*.

[313]((e) the lock-in period in respect of the shares issued on preferential basis pursuant to a scheme approved under Corporate Debt Restructuring framework of Reserve Bank of India, shall commence from the date of allotment and shall continue for a period of one year and in case of allotment of partly paid up shares the lock-in period shall commence from the date of allotment and continue for a period of one year from the date when shares become fully paid up.

[314](**Provided that** where any amount payable by the allottee of shares under the proviso to clause 13.1.1.2 is not paid till the expiry of lock-in period mentioned in sub-clauses (a) to (e) above, lock-in period in respect of the shares issued to such allottee shall continue till the time the company receives such amount from such allottee.)

(f) no listed company shall make preferential issue of equity shares / warrants / convertible instruments to any person unless the entire shareholding of such persons in the company, if any, is held by him in dematerialized form.

(g) where the shares / warrants/ convertible instruments are issued on preferential basis, the entire pre preferential allotment shareholding of such allottees shall be under lock – in from the relevant date upto a period of six months from the date of preferential allotment.

(h) where the shares / warrants / convertible instruments are issued on preferential basis, the shareholders who have sold their shares during the six months period prior to the relevant date shall not be eligible for allotment of shares on preferential basis.)

Explanation:

(a) For the purpose of this clause "total capital" of the company shall mean-

(i) equity share capital issued by way of public/ rights issue including equity shares emerging at a later date out of any convertible securities/ exercise of warrants and

(ii) equity shares or any other security convertible at a later date into equity issued on a preferential basis in favour of promoter/ promoter groups.

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[312] Renumbered from sub-clause (c) to sub-clause (d) vide SEBI Circular No. DIP (Compendium) Circular No. 3 dated August 04, 2000.

[313] Inserted clauses (e) to (h) vide SEBI Circular No. SEBI/CFD/DIL/DIP/12/2004/8/4 dated April 8, 2004.

[314] Inserted vide SEBI Circular No. SEBI/CFD/DIL/DIP/25/2007/30/4 dated April 30, 2007.

(b)

(i) For computation of 20% of the total capital of the company, the amount of minimum promoters' contribution held and locked-in, in the past as per guidelines shall be taken into account.

(ii) The minimum promoters' contribution shall not again be put under fresh lock-in, even though it is considered for computing the requirement of 20% of the total capital of the company, in case the said minimum promoters' contribution is free of lock-in at the time of the preferential issue.

[315](13.3.2 These locked in shares/instruments may be transferred to and amongst promoter/ promoter group or to a new promoter(s) or person(s) in control of the company, subject to continuation of lock-in in the hands of transferee(s) for the remaining period and compliance of Securities and Exchange Board of India (Substantial Acquisition of shares and Takeovers) Regulations, 1997, as applicable.)

13.4 **Currency of shareholders resolutions**

13.4.1 Allotment pursuant to any resolution passed at a meeting of shareholders of a [316](company) granting consent for preferential issues of any financial instrument, shall be completed within a period of [317](fifteen days) from the date of passing of the resolution.

[318](**Provided that** where the allotment on preferential basis is pending on account of pendency of any approval of such allotment by any regulatory authority or the Central Government, the allotment shall be completed within 15 days from the date of such approval.)

[319](13.4.2 The equity shares and securities convertible into equity shares at a later date, allotted in terms of the above said resolution shall be made fully paid up at the time of their allotment.)

Provided that payment in case of warrants shall be made in terms of clause 13.1.2.3 above.)

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[315] Substituted for the following clause vide SEBI Circular No. RMB (Compendium) series 2003-04 circular no.9 dated May 2, 2003:
"These locked in shares/instruments can be transferred to and amongst promoter/promoter group subject to continuation of lock-in in the hands of transferees for the remaining period and compliance of Securities and Exchange Board of India (Substantial Acquisition of shares and Takeovers) Regulations, 1997, if applicable"

[316] Substituted vide vide SEBI Circular No. DIP (Compendium) Circular No. 3 dated August 04, 2000 for the words "*DFI".*

[317] Substituted vide SEBI Circular No. SEBI/CFD/DIL/DIP/12/2004/8/4 dated April 8, 2004 for the words *"three months".*

[318] Inserted vide SEBI Circular No. SEBI/CFD/DIL/DIP/12/2004/8/4 dated April 8, 2004.

[319] Inserted vide SEBI Circular No. DIP (Compendium) Circular No. 3 dated August 04, 2000.

[320](13.4.2A Nothing contained in clauses 13.4.1 and 13.4.2 shall apply in case of allotment of shares and securities convertible into equity shares at a later date on preferential basis pursuant to a scheme of corporate debt restructuring as per the Corporate Debt Restructuring framework specified by the Reserve Bank of India.

[321](13.4.3) If allotment of instruments and dispatch of certificates is not completed within [322](fifteen days) from the date of such resolution, a fresh consent of the shareholders shall be obtained and the relevant date referred to in explanation (a) in paragraph 13.1.1.1 above will relate to the new resolution.)

13.5 [323](**Other Requirements**)

13.5.1

(a) In case of every issue of shares/ warrants/ FCDs/ PCDs/ or other financial instruments having conversion option, the statutory auditors of the issuer [324](company) shall certify that the issue of said instruments is being made in accordance with the requirements contained in these guidelines.

(b) Copies of the auditors certificate shall also be laid before the meeting of the shareholders convened to consider the proposed issue.

[325]((c) In case of preferential allotment of shares to promoters, their relatives, associates and related entities, for consideration other than cash, valuation of the assets in consideration for which the shares are proposed to be issued shall be done by an independent qualified valuer and the valuation report shall be submitted to the exchanges on which shares of the issuer company are listed.

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[320] Inserted clause 13.4.2A, vide SEBI Circular No. SEBI/CFD/DIL/DIP/12/2004/8/4 dated April 8, 2004.

[321] Renumbered from Clause no. 13.4.1 (b) to Clause no. 13.4.3 vide SEBI Circular No. DIP (Compendium) Circular No. 3 dated August 04, 2000.

[322] Substituted vide SEBI Circular No. SEBI/CFD/DIL/DIP/14/2005/25/1 dated January 25, 2005 for *"three months"*.

[323] Substituted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003 for the words *"Certificate from Auditors".*

[324] Substituted vide vide SEBI Circular No. DIP (Compendium) Circular No. 3 dated August 04, 2000 for the words "*DFI".*

[325] Inserted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003.

Explanation:

For the purpose of this clause the word valuer shall have the same meaning as assigned to the term under clause (r) of sub-regulation (1) of Regulation 2 of the SEBI (Issue of Sweat Equity) Regulations, 2002.)

[326](13.5A The details of all monies utilised out of the preferential issue proceeds shall be disclosed under an appropriate head in the balance sheet of the company indicating the purpose for which such monies have been utilised. The details of unutilised monies shall also be disclosed under a separate head in the balance sheet of the company indicating the form in which such unutilised monies have been invested.)

13.6 **Preferential allotments to FIIs**

13.6.1 Preferential allotments, if any to be made in case of Foreign Institutional Investors, shall also be governed by the guidelines issued by the Government of India/ Board/ Reserve Bank of India on the subject.

13.7 **Non-Applicability of the guidelines**

13.7.1 Clauses 13.1 to 13.5 shall not be applicable in the following cases:

(i) where the further shares are allotted in pursuance to the merger and amalgamation scheme approved by the High court.

(ii)

(a) where further shares are allotted to a person / group of persons in accordance with the provisions of rehabilitation packages approved by BIFR.

(b) In case, such persons are promoters or belong to promoter group as defined in [327](Explanation I and II [328](to clause 6.8.3.2)) of Chapter VI of these guidelines, the lock-in provisions shall continue to apply unless otherwise stated in the BIFR order.

(iii) where further shares are allotted to All India public financial institutions in accordance with the provision of the loan agreements signed prior to August 4, 1994.

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[326] Inserted vide SEBI Circular No. DIP (Compendium) Circular No. 3 dated August 04, 2000.

[327] Substituted vide SEBI Circular No. DIP (Compendium) Circular No. 3 dated August 04, 2000 for *"Clause 6.4.2 (m)"*.

[328] Substituted vide SEBI Circular No. SEBI/CFD/DIL/DIP/14/2005/25/1 dated January 25, 2005 for **"**, *Clause 6.4.2.1*".

[329](13.7.2 Clauses 13.1 and 13.3 shall not be applicable to shares allotted to any financial institution within the meaning of sub-clauses (ia) and (ii) of clause (h) of section 2 of the Recovery of Debts due to Banks and Financial Institutions Act, 1993 (51 of 1993).)

[329] Inserted vide SEBI Circular No. SEBI/CFD/DIL/DIP/25/2007/30/4 dated April 30, 2007.

[330](CHAPTER XIII-A

GUIDELINES FOR QUALIFIED INSTITUTIONS PLACEMENT

13A.1 Applicability

13A.1.1 This Chapter shall apply to any issue of equity shares / fully convertible debentures (FCDs) / partly convertible debentures (PCDs) or any securities other than warrants, which are convertible into or exchangeable with equity shares at a later date (hereinafter referred to as "specified securities"), made to Qualified Institutional Buyers (QIBs) pursuant to this chapter, by a listed company which fulfills the following conditions:

(a) [331](its equity shares of the same class were listed on a stock exchange having nation wide trading terminals for a period of at least one year as on the date of issuance of notice to its shareholders for convening the meeting referred to in Explanation (a) to clause 13A.3.1; and)

(b) it is in compliance with the prescribed minimum public shareholding requirements of the listing agreement.

Explanation:

(i) The term "Qualified Institutional Buyers" shall have the same meaning as assigned to it in clause 2.2.2B (v).

(ii) For the purpose of sub-clause (a) of clause 13A.1.1, securities that are convertible into or exchangeable with securities which are listed on a stock exchange having nation wide trading terminals, shall be deemed to be securities of the class into which they are convertible or with which they are exchangeable.

13A.2 Investors

13A.2.1 Only QIBs shall be eligible for allotment of specified securities issued pursuant to this Chapter.

13A.2.2 Minimum of 10 per cent of specified securities issued pursuant to this chapter shall be allotted to mutual funds.

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[330] Inserted vide SEBI Circular No. SEBI/CFD/DIL/DIP/22/2006/8/5 dated May 8, 2006.

[331] Substituted vide SEBI Circular No. SEBI/CFD/DIL/DIP/25/2007/30/4 dated April 30, 2007 for the following:
"its equity shares of the same class are listed on a stock exchange having nation wide trading terminals; and"

13A.2.3 If no mutual fund is agreeable to take up the minimum portion mentioned in clause 13A.2.2 or any part thereof, such minimum portion or part thereof may be allotted to other QIBs.

13A.2.4 No allotment shall be made under this chapter, either directly or indirectly, to any QIB being a promoter or any person related to promoter/s.

Explanation:

For the purpose of this clause, QIB who has all or any of the following rights shall also be deemed to be a person related to promoter/s:

(a) rights under a shareholders' agreement or voting agreement entered into with promoters or persons related to the promoters;

(b) veto rights; or

(c) right to appoint any nominee director on the board of the issuer.

Provided that a QIB who does not hold any shares in the issuer and who has acquired the aforesaid rights in the capacity of a lender shall not be deemed to be a person related to promoter/s.

13A.2.5 Investors shall not be allowed to withdraw their bids after the closure of issue.

13A.3 **Pricing**

13A.3.1 An issue of specified securities made under this Chapter shall be made at a price not less than the higher of the following:

i) The average of the weekly high and low of the closing prices of the related shares quoted on the stock exchange during the six months preceding the relevant date;

OR

ii) The average of the weekly high and low of the closing prices of the related shares quoted on the stock exchange during the two weeks preceding the relevant date.

Explanation:

a) "relevant date" for the purpose of this clause means the day which is thirty days prior to the date on which the meeting of general body of shareholders is held, in terms of sub-section (1A) of Section 81 of the Companies Act, 1956 or other applicable provision to consider the proposed issue.

b) "stock exchange" for the purpose of this clause means any of the recognised stock exchanges in which the equity shares of the issuer of the same class are listed and in which the highest trading volume in such shares has been recorded during the six months immediately preceding the relevant date.

13A.3.2 **Pricing of shares on conversion**

13A.3.2.1 Where securities which are convertible into or exchangeable with equity shares at a later date are issued pursuant to this Chapter, the issuer shall determine the price of the resultant shares in terms of clause 13A.3.1 above, subject to clause 13A.3.2.2.

13A.3.2.2 The relevant date for the above purpose may, at the option of the issuer, be either the one referred in Explanation (a) to clause 13A.3.1 or a day thirty days prior to the date on which the holder of the securities which are convertible into or exchangeable with equity shares at a later date becomes entitled to apply for the said shares.

13A.3.3 The specified securities allotted pursuant to this Chapter shall be made fully paid up at the time of their allotment.

13A.4 **Adjustments in price**

13A.4.1 The prices considered for determination of issue price of specified securities as provided in clause 13A.3.1 and 13A.3.2.1 shall be subject to appropriate adjustments if the issuer company:

a. makes an issue of shares by way of capitalization of profits or reserves (other than by way of a dividend on shares);
b. makes an issue of shares on rights basis
c. consolidates its outstanding shares into a smaller number of shares;
d. divides its outstanding shares (including by way of stock split);
e. re-classifies any of its shares into other securities of the company;
f. is involved in such other similar events or circumstances, which in the opinion of the concerned Stock Exchange, requires adjustments.

13A.5 **Currency of the Security**

13.A.5.1 In case of a security which is convertible into or exchangeable with equity shares at a later date, the same may be converted/ exchanged in to equity shares at any time after the date of allotment of the security, no later than sixty months from the date of allotment.

13.A.6 **Shareholders' Resolution**

13A.6.1 Allotment of specified securities issued pursuant to this Chapter shall be completed within twelve months from the date of passing of the resolution in terms of sub-section (1A) of Section 81 of the Companies Act, 1956 or any other applicable provision.

13A.6.2 The resolution passed at the meeting of shareholders referred to in clause 13A.6.1 above shall specify that the allotment is proposed to be made to QIBs pursuant to this Chapter and shall also specify the relevant date on the basis of which price of the resultant shares as specified under clause 13A.3.2.2 shall be determined.

13A.6.3 The placements made pursuant to authority of the same shareholders' resolution shall be separated by at least six months between each placement.

13A.7 **Placement Document**

13A.7.1 Specified securities shall be issued pursuant to this Chapter on the basis of a placement document.

13A.7.2 The placement document shall contain all material information, including the information specified in Schedule XXIA.

13A.7.3 The placement document shall be a private document provided to select investors, through serially numbered copies.

13A.7.4 The placement document shall also be placed on the website of the concerned stock exchange and of the issuer with a disclaimer to the effect that it is in connection with an issue to QIBs under this Chapter and that no offer is being made to the public or to any other category of investors.

13A.7.5 A copy of the placement document shall be filed with the Board for record purpose within 30 days of the allotment of specified securities.

13A.8 **Number of allottees**

13A.8.1 The minimum number of allottees for each placement of specified securities made pursuant to this Chapter shall not be less than:

(a) two, where the issue size is less than or equal to Rs. 250 crores;
(b) five, where the issue size is greater than Rs. 250 crores.

Provided that no single allottee shall be allotted more than 50% of the issue size.

Provided further that QIBs belonging to the same group or those who are under common control shall be deemed to be a single allottee for the purpose of this clause.

Explanation:

For the purpose of this clause –

i. The expression 'QIBs belonging to the same group' shall derive meaning from the concept of 'companies under the same group' as provided in sub-section (11) of Section 372 of the Companies Act, 1956;

ii. "Control" shall have the same meaning as is assigned to it by clause (c) of Regulation 2 of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997.

13A.9 **Restrictions on amount raised**

13A.9.1 The aggregate of the proposed placement and all previous placements made in the same financial year pursuant to this Chapter shall not exceed five times the net worth of the issuer as per the audited balance sheet of the previous financial year.

13A.10 **Transferability of specified securities**

13A.10.1 Specified securities allotted pursuant to this Chapter shall not be sold by QIB for a period of one year from the date of allotment, except on a recognised stock exchange.

Explanation:

For the purpose of this clause, it is clarified that any sale by way of a bulk or block transaction in accordance with the procedures prescribed by the Board and the stock exchange, shall also be treated as a sale on a recognised stock exchange.

13A.11 **Obligations of Merchant Bankers**

13A.11.1 Any issue and allotment of specified securities pursuant to this Chapter shall be managed by Merchant Banker(s) registered with SEBI.

13A.11.2 The merchant banker shall exercise due diligence.

13A.11.3 The merchant banker shall furnish to each stock exchange on which the same class of shares or other securities are listed, a due diligence

certificate stating that the issue is being made pursuant to this Chapter and complies with its requirements, along with the application made for seeking in-principle approval for listing of the specified securities.

13A.11.4 The merchant banker shall also furnish to each stock exchange on which the same class of shares or other securities are listed, the documents, undertakings, etc, if any, specified in the listing agreement for the purpose of seeking in-principle approval and final permission from Stock Exchanges for listing of the specified securities.

13A.12 **Issuer Certification**

13A.12.1 The issuer shall furnish a copy of the placement document to each stock exchange on which the same class of shares or other securities are listed.

13A.12.2 The issuer shall also furnish to each stock exchange on which the same class of shares or other securities are listed, a certificate stating that the issue is being made pursuant to this Chapter and complies with its requirements, along with the application made for seeking in-principle approval for listing of the specified securities.

13A.12.3 The issuer shall also furnish to each stock exchange on which the same class of shares or other securities are listed, the documents, undertakings, etc, if any, specified in the listing agreement for the purpose of seeking in-principle approval and final permission from Stock Exchanges for listing of the specified securities.

13A.13 **Non-applicability of Chapter XIII**

13A.13.1 Nothing contained in Chapter XIII shall apply to an issue of specified securities made pursuant to this Chapter.

CHAPTER XIV

GUIDELINES FOR OTCEI ISSUES

14.0 Any company making an initial public offer of equity share or any other security convertible at a later date into equity shares and proposing to list them on the Over The Counter Exchange of India (OTCEI) shall comply with all the requirements specified in these guidelines:

14.1 **Eligibility norms**

14.1.1 Any company making an initial public offer of equity share or any other security convertible at a later date into equity shares and proposing to list them on the OTCEI, is exempted from the eligibility norms specified in Clause 2.2 of Chapter II of these guidelines subject to its fulfilling the following besides the listing criteria laid down by the OTCEI:

i. it is sponsored by a member of the OTCEI and;

ii. has appointed at least two market makers (one compulsory and one additional market maker).

14.1.2 Any offer for sale of equity share or any other security convertible at a later date into equity shares resulting out of a Bought out Deal (BOD) registered with the OTCEI is exempted from the eligibility norms specified in Clause 2.2 of Chapter II of these guidelines subject to the fulfillment of the listing criteria laid down by the OTCEI.

Provided that the issuer company which has made issue of capital under Clause 14.1.1 & 14.1.2 above, shall not delist its securities from OTCEI for a minimum period of three years from the date of admission to dealing of such securities on OTCEI..

14.2 **Pricing Norms**

14.2.1 Any offer for sale of equity share or any other security convertible at a later date into equity shares resulting out of a Bought out Deal (BOD) registered with OTCEI is exempted from the pricing norms specified in Clause 3.2 of Chapter III of these guidelines subject to the following conditions:

i) The promoters after such issue shall retain at least 20% of the total issued capital with the lock-in of three years from the date of the allotment of securities in the proposed issue; and

ii) At least two market makers (One Compulsory and one additional market maker) are appointed in accordance with the Market Making guidelines stipulated by the OTCEI.

14.3 **Projections**

14.3.1 In case of securities proposed to be listed on OTCEI, for the purpose of Clause (6.12.1) of Chapter VI of these guidelines, projections based on the appraisal done by the sponsor who undertakes to do market making activity in the securities offered in the proposed issue can be included in the offer document subject to compliance with other conditions contained in the said clause.

CHAPTER XV

GUIDELINES FOR BONUS ISSUES

15.0 A listed company proposing to issue bonus shares shall comply with the following:

15.1.1

(a) No company shall, pending conversion of FCDs/PCDs, issue any shares by way of bonus unless similar benefit is extended to the holders of such FCDs/PCDs, through reservation of shares in proportion to such convertible part of FCDs or PCDs.

(b) The shares so reserved may be issued at the time of conversion(s) of such debentures on the same terms on which the bonus issues were made.

15.1.2 The bonus issue shall be made out of free reserves built out of the genuine profits or share premium collected in cash only.

15.1.3 Reserves created by revaluation of fixed assets are not capitalised.

15.1.4 The declaration of bonus issue, in lieu of dividend, is not made.

15.1.5 The bonus issue is not made unless the partly-paid shares, if any existing, are made fully paid-up.

15.1.6 The Company -

(a) has not defaulted in payment of interest or principal in respect of fixed deposits and interest on existing debentures or principal on redemption thereof and

(b) has sufficient reason to believe that it has not defaulted in respect of the payment of statutory dues of the employees such as contribution to provident fund, gratuity, bonus etc.

15.1.7 A company which announces its bonus issue after the approval of the Board of Directors must implement the proposal within a period of six months from the date of such approval and shall not have the option of changing the decision.

15.1.8

(i) The Articles of Association of the company shall contain a provision for capitalisation of reserves, etc.

(ii) If there is no such provision in the Articles the company shall pass a Resolution at its general body meeting making provisions in the Articles of Associations for capitalisation.

15.1.9 Consequent to the issue of Bonus shares if the subscribed and paid-up capital exceed the authorised share capital, a Resolution shall be passed by the company at its general body meeting for increasing the authorised Capital.

15.1.10 A certificate duly signed by the issuer company and counter signed by statutory auditor or by Company Secretary in practice to the effect that the provision of clause 15.1.1 to 15.1.9 have been complied with shall be forwarded to the Board.

CHAPTER XVI

OPERATIONAL GUIDELINES

16.0 The eligible merchant bankers shall ensure compliance with the following:

16.1 **Submission of draft and final offer document**

16.1.1

(a) The offer documents of size upto Rs. 20 crores shall be filed by lead merchant bankers with the concerned regional office of Board under the jurisdiction of which the registered office of the issuer company falls.

(b) The jurisdiction of regional offices/ head office shall be as per **Schedule XXII**.

16.1.2

(a) As per Clause 5.6 of Chapter V of the Guidelines, the draft offer document filed with the Board shall be made public.

(b) [332](The lead merchant banker shall make ten (10) copies of the draft offer document available to the dealing office of the Board, three (3) copies to the Primary Market Department, SEBI, Head Office and 25 copies to the stock exchange(s) where the issue is proposed to be listed.)

(c) Copies of the draft offer document shall be made available to the public by the lead merchant bankers / Stock Exchange.

(d) The lead merchant banker and the Stock Exchanges(s) may charge such reasonable charge for providing a copy of the draft offer document.

16.1.3

[333]((a) The lead merchant banker shall submit the draft offer document on a computer floppy to the dealing office of the Board and to the Primary Market Department, SEBI, Head Office, as specified in **Schedule XXIII**.

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[332] Substituted for the following clause vide SEBI Circular No. DIP (Compendium) Circular No. 3 dated August 04, 2000:
"The lead merchant banker shall make10 copies of the draft offer document available to Board and 25 copies to the Stock Exchange(s) where the issue is proposed to be listed".

[333] Substituted for the following clause vide SEBI Circular No. DIP (Compendium) Circular No. 3 dated August 04, 2000:
"The Lead Merchant Banker shall also submit to Board the draft offer document on a computer floppy as per the format specified in Schedule XXIII".

(b) In case of book built issues the lead merchant banker shall submit a printed and soft copy on a computer floppy, of the draft offer document incorporating the Board's observations and a printed copy of bid cum application form to the Primary Market Department, SEBI, Head Office at least five days before opening of bidding.)

16.1.4

(a) The Lead Merchant Bankers shall submit two copies of final printed copy of the final offer document to dealing offices of Board [334](within three (3) days of filing offer document with Registrar of Companies / concerned Stock Exchange(s) as the case may be)

(b) [335](The lead merchant banker shall submit one final printed copy of the final offer document to Primary Market Department, SEBI, Head Office, within three (3) days of filing the offer document with Registrar of Companies / concerned Stock Exchange(s) as the case may be.)

[336]((c) The lead merchant banker shall submit a computer floppy containing the final prospectus/ letter of offer to Primary Market Department, SEBI, Head Office, as specified in **Schedule XXIII** within three (3) days of filing the final prospectus/ letter of offer with the Registrar of Companies/ concerned Stock Exchange(s). Along with the floppy, the lead manager shall submit an undertaking to SEBI certifying that the contents of the floppy are is in HTML format and are identical to the printed version of prospectus/ letter of offer filed with Registrar of Companies/ concerned Stock Exchange as the case may be.)

16.1.5

[337]((a)) Whenever offer documents (for public/ rights issues, takeovers or for any other purpose) are filed with any Department/ office of Board, the following details [338](about themselves) [339](certified as correct) shall be given by the lead merchant banker in the forwarding letters:

i. Registration No.

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[334] Substituted vide SEBI Circular No. RMB (Compendium) Series Circular No. 2 (1999-2000) dated February 16, 2000 for *"10 days prior to issue opening date"*.

[335] Substituted vide SEBI Circular No. RMB (Compendium) Series Circular No. 2 (1999-2000) dated February 16, 2000 for the following:
"the lead merchant banker shall make 10 copies of the draft offer document available to Board and 25 copies to the Stock Exchange (s) where the issue is proposed to be listed"

[336] Inserted vide SEBI Circular No. RMB (Compendium) Series Circular No. 2 (1999-2000) dated February 16, 2000.

[337] Renumbered Clause no. 16.1.5 to Clause no. 16.1.5 (a) vide SEBI Circular No. DIP (Compendium) Circular No. 3 dated August 04, 2000.

[338] Inserted vide SEBI Circular No. DIP (Compendium) Circular No. 3 dated August 04, 2000.

[339] Inserted vide SEBI Circular No. RMB (Compendium) Series Circular No. 2 (1999-2000) dated February 16, 2000.

ii. Date of Registration / Renewal of registration.
iii. Date of expiry of registration.
iv. If applied for renewal, date of application.
v. Any communication from the Board prohibiting from acting as a merchant banker.
vi. Any inquiry / investigation being conducted by the Board.
vii. [340](Deleted)
viii. [341](Deleted)
ix. [342](Deleted)
x. [343](Deleted)
xi. [344](Deleted)
xii. [345](Deleted)
xiii. [346](Deleted)

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[340] Omitted the following clause vide SEBI Circular No. DIP (Compendium) Circular No. 3 dated August 04, 2000:
"*Period upto which registration / renewal fees has been paid."*

Initially Inserted vide SEBI Circular No. RMB (Compendium) Series Circular No. 2 (1999-2000) dated February 16, 2000.

[341] Omitted the following clause vide SEBI Circular No. DIP (Compendium) Circular No. 3 dated August 04, 2000:
"Whether any promoter/ director/ group and/ or associate company of the Lead Manager is associated with securities related business and registered with SEBI."

Initially Inserted vide SEBI Circular No. RMB (Compendium) Series Circular No. 2 (1999-2000) dated February 16, 2000.

[342] Omitted the following clause vide SEBI Circular No. DIP (Compendium) Circular No. 3 dated August 04, 2000:
"If any one or more of these persons/entities are registered with SEBI, their respective registration numbers."

Initially Inserted vide SEBI Circular No. RMB (Compendium) Series Circular No. 2 (1999-2000) dated February 16, 2000.

[343] Omitted the following clause vide SEBI Circular No. DIP (Compendium) Circular No. 3 dated August 04, 2000:
"If registration has expired, reasons for non renewal."

Initially Inserted vide SEBI Circular No. RMB (Compendium) Series Circular No. 2 (1999-2000) dated February 16, 2000.

[344] Omitted the following clause vide SEBI Circular No. DIP (Compendium) Circular No. 3 dated August 04, 2000:
"Details of any enquiry / investigation conducted by SEBI at any time."

Initially Inserted vide SEBI Circular No. RMB (Compendium) Series Circular No. 2 (1999-2000) dated February 16, 2000.

[345] Omitted the following clause vide SEBI Circular No. DIP (Compendium) Circular No. 3 dated August 04, 2000:
"Penalty imposed by SEBI (Penalty includes deficiency/warning letter, adjudication proceedings, suspension/ cancellation / prohibitory orders)"

Initially Inserted vide SEBI Circular No. RMB (Compendium) Series Circular No. 2 (1999-2000) dated February 16, 2000.

[346] Omitted the following clause vide SEBI Circular No. DIP (Compendium) Circular No. 3 dated August 04, 2000:
"Outstanding fees payable to SEBI by these entities, if any."

[347]((b) The following details about the issuer company certified as correct shall be furnished by the lead merchant banker along with their forwarding letter while filing offer documents for public/ rights issue/ buyback/ takeovers:

(i) whether any promoter/ director/ group /associate company/entity of the issuer company and/or any company/entity with which any of the above is associated as promoter/ director/ partner/ proprietor, is/was engaged in securities related business and registered with SEBI.

(ii) If any one or more of these persons/entities are/ were registered with SEBI, their respective registration numbers.

(iii) If registration has expired, reasons for non renewal.

(iv) Details of any enquiry / investigation conducted by SEBI at any time.

(v) Penalty imposed by SEBI (Penalty includes deficiency/warning letter, adjudication proceedings, suspension / cancellation / prohibitory orders).

(vi) Outstanding fees payable to SEBI by these entities, if any.

(c) The draft and final offer documents submitted to the Board on computer floppies as per the clause 16.1.3 and 16.1.4(c) shall be accompanied by the information as per format in **Schedule XXIIIA**.)

16.1.6 Offer documents not accompanied by the information referred to in clause 16.1.5 may be rejected.

16.1.7

(a) Lead Merchant Bankers shall obtain similar information from other intermediaries to ensure that they comply with these guidelines and are eligible to be associated with the concerned issue.

(b) The intermediaries shall also indicate in their letters that they have obtained such information from other intermediaries.

16.1.8 **Despatch of issue material**

16.1.8.1

(a) Lead merchant bankers shall ensure that whenever there is a reservation for NRIs, 10 copies of the prospectus together with 1000 application forms are despatched in advance of the issue opening date directly along with a letter addressed in person to Adviser (NRI), Indian

Initially Inserted vide SEBI Circular No. RMB (Compendium) Series Circular No. 2 (1999-2000) dated February 16, 2000.

[347] Inserted vide SEBI Circular No. DIP (Compendium) Circular No. 3 dated August 04, 2000.

Investment Centre, Jeevan Vihar Bldg., Sansad Marg, New Delhi - 110001.

(b) Twenty copies of the prospectus and application forms shall be despatched in advance of the issue opening date to the various Investors Associations.

16.1.9 **Underwriting**

16.1.9.1

(a) While selecting underwriters and finalising underwriting arrangements, lead merchant bankers shall ensure that the underwriters do not overexpose themselves so that it may become difficult to fulfil underwriting commitments.

(b) The overall exposure of underwriter(s) belonging to the same group or management in an issue shall be assessed carefully by the lead Merchant Banker.

(c) OTC Dealers registered with Board under Securities and Exchange Board of India (Stock Brokers and Sub-Brokers) Rules and Regulations, 1992 shall be treated at par with the brokers of other stock exchanges in respect of underwriting arrangement.

16.2 [348](**Instructions on post-issue obligations**)

16.2.0 The merchant banker shall ensure compliance with the following post-issue obligations:

16.2.1 [349](Deleted)

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[348] Numbered the clause as *"16.2"*, vide SEBI Circular No. SEBI/CFD/DIL/DIP/14/2005/25/1 dated January 25, 2005.

[349] Omitted the following clause vide SEBI Circular No. DIP (Compendium) Circular No. 3 dated August 04, 2000:

" 16.2.1 Association of Resource Personnel

16.2.1.1

(a) In terms of Clause 7.1 of Chapter VII of these Guidelines in case of over-subscription in public issues, a Board nominated public representative shall be associated in the process of finalisation of basis of allotment.

(b) The lead merchant banker shall intimate the person so nominated the date, time, venue etc. in respect of process of finalisation of basis of allotment.

(c) The expenses of the public representatives associated in the allotment process of oversubscribed issues shall be borne by the lead merchant bankers and recovered from the issuers.

(d) Honorarium at minimum of Rs.500/- per day plus normal conveyance charges shall be paid to the public representatives.

(e) The Board's Regional Managers at New Delhi, Chennai and Calcutta shall be associated with the public representatives".

16.2.2 **Redressal of investor grievances**

16.2.2.1

(a) The merchant bankers shall assign high priority to investor grievances and take all preventive steps to minimise the number of complaints.

(b) The lead merchant banker shall set up proper grievance monitoring and redressal system in co-ordination with the issuers and the Registrars to Issue, and take all necessary measures to resolve the grievances quickly.

16.2.2.2 The merchant bankers shall actively associate with the post-issue refund and allotment activities and regularly monitor investor grievances arising therefrom.

16.2.3 **Submission of post issue monitoring reports**

16.2.3.1

(a) The concerned lead merchant banker shall submit, in duplicate, the Post Issue Monitoring Reports specified in Clause 7.2 of Chapter VII of these Guidelines, within 3 working days from the due dates either by registered post or deliver at respective regional offices/ head office at the addresses given in **Schedule XXII.**

(b) Where the offer document has been dealt with by any of the regional offices of the Board, a copy of the report shall be sent to the Board's Head office, Mumbai.

16.2.3.2 The Lead Merchant Banker(s) shall inform the Board on important developments about the particular issues being lead managed by them during the intervening period of the reports.

16.2.4 **Issue of No objection certificate(NOC)**

[350](16.2.4.1

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[350] Substituted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003 for the following:
"16.2.4.1
(a) As per the Listing Agreement of the Stock Exchanges, the issuer companies shall deposit 1% of the amount of securities offered to the public and/or to the holders of the existing securities of the company, as the case may be, with the regional Stock Exchange, which can be released by the concerned stock exchange only after obtaining an NOC from the Board.
(b) An application for NOC shall be submitted by issuer company to the Board in the format specified in ***Schedule XXIV****.*

16.2.4.2 The following conditions shall be complied before submitting the application for issue of NOC:
a) Completion of 4 months from the date of obtaining the listing permission from the concerned Regional Stock Exchange or the last date when the listing permission was obtained from any of the other stock exchanges, where the securities are proposed to be listed, whichever is later.
b) Satisfactory redressal of all complaints received at the Board against the Company.
c) Certificate from the Regional Stock Exchange to the issuer company to the effect that underwriting/brokerage commission as well as Registrars/Lead merchant bankers fees have been duly paid by the company.

(a) As per the Listing Agreement of the Stock Exchanges, the issuer companies shall deposit 1% of the amount of securities offered to the public and/or to the holders of the existing securities of the company, as the case may be, with the designated Stock Exchange, which can be released by the concerned stock exchange only after obtaining an NOC from the Board.

(b) An application for NOC shall be submitted by issuer company to the Board in the format specified in **Schedule XXIV**.

16.2.4.2 The following conditions shall be complied before submitting the application for issue of NOC:

a) Completion of 4 months from the date of obtaining the listing permission from the concerned Designated Stock Exchange or the last date when the listing permission was obtained from any of the other stock exchanges, where the securities are proposed to be listed, whichever is later.

b) Satisfactory redressal of all complaints received at the Board against the Company.

c) Certificate from the Designated Stock Exchange to the issuer company to the effect that underwriting/brokerage commission as well as Registrars/Lead merchant bankers fees have been duly paid by the company.

16.2.4.3 Applications for issue of NOC shall be filed by merchant bankers with the concerned designated office of Board under the jurisdiction to which the registered office of the issuer company falls, as specified in **Schedule XXII**.

16.2.4.4 In cases where issues (i.e. public/rights/offer of sale or any other) fail and the investors monies are fully refunded, an NOC from the Board may not be required and the concerned designated Stock Exchange can refund the 1% security deposit after duly verifying that the refund orders have actually been despatched.

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*16.2.4.3. Applications for issue of NOC shall be filed by merchant bankers with the concerned regional office of Board under the jurisdiction to which the registered office of the issuer company falls, as specified in **Schedule XXII**.*

16.2.4.4. In cases where issues (i.e. public/rights/offer of sale or any other) fail and the investors monies are fully refunded, an NOC from the Board may not be required and the concerned regional Stock Exchange can refund the 1% security deposit after duly verifying that the refund orders have actually been despatched.

16.2.4.5

(a) The complaints with respect to non-receipt of underwriting /brokerage commission and non-receipt of Registrars/Lead merchant bankers fees may be filed with the concerned Regional Stock Exchanges.

*(b) Responses against complaints forwarded by the Board to the concerned companies shall be submitted to the Board as per the proforma specified in **Schedule XXV** for updation of records."*

16.2.4.5

(a) The complaints with respect to non-receipt of underwriting /brokerage commission and non-receipt of Registrars/Lead merchant bankers fees may be filed with the concerned Designated Stock Exchanges.

(b) Responses against complaints forwarded by the Board to the concerned companies shall be submitted to the Board as per the proforma specified in **Schedule XXV** for updation of records.)

[351](16.3.0 **Merchant Bankers**)

[352](16.3.1) **Registration and renewal of registration of Merchant Bankers**

16.3.1.1

(a) Application for renewal of Certificate of Registration shall be made by the Merchant Bankers as per regulation 9 of Securities and Exchange Board of India (Merchant Bankers) Rules and Regulations, 1992.

(b) While filing the renewal application for the certificate of registration as merchant banker, it shall provide a statement highlighting the changes that have taken place in the information that was submitted to the Board for the earlier registration and a declaration stating that no other changes other than as mentioned in the above statement has taken place.

(c) Merchant Bankers while forwarding the renewal application in form A as per Securities and Exchange Board of India (Merchant Bankers) Rules and Regulations, 1992, shall also forward the additional information as specified in **Schedule XXVI.**

16.3.2 **Reporting requirements in respect of merchant banking activities**

16.3.2.1

(a) In terms of regulation 28 of Securities and Exchange Board of India (Merchant Bankers Regulation) 1992, the merchant bankers shall send half yearly report in the format specified at **Schedule XXVII** relating to their merchant banking activities.

(b) The report referred to in sub-clause (a) shall be submitted twice a year, as on March 31 and September 30 and it should reach the Board within three months from the close of the period to which it relates.

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[351] Inserted the heading vide SEBI Circular No. SEBI/CFD/DIL/DIP/14/2005/25/1 dated January 25, 2005.

[352] Renumbered the clause as *"16.3.1"*, vide SEBI Circular No. SEBI/CFD/DIL/DIP/14/2005/25/1 dated January 25, 2005.

16.4 **Registration with Association of Merchant Bankers of India (AMBI)**

16.4.4 Registered Merchant Bankers shall inform the Board of their having become a member of AMBI with relevant details.

16.5 **Issue of Penalty Points**

16.5.1

(a) Penalty points may be imposed on the merchant banker for violation of any of the provisions of operational guidelines under these Chapters.

(b) The Merchant Banker, on whom penalty point of four or more has been imposed may be restrained from filing any offer document or associating or managing any issues for a particular period.

(c) The Board may initiate action under the SEBI (Merchant Bankers) Regulations against the Merchant Bankers, irrespective of whether any penalty point is imposed or not.

(d) Imposition of penalty point is not a condition precedent for initiation of proceeding against the Merchant Banker under the Securities and Exchange Board of India (Merchant Bankers) Regulations.

CHAPTER XVII

MISCELLANEOUS

17.0 **Directions by the Board**

17.1 In case of violation of these Guidelines, the Board may in the interest of the securities market and in the interest of the investors may pass the following directions under section 11B:

(a) directing the persons concerned to refund any money collected under an issue to the investors with or without requisite interest, as the case may be.

(b) directing the persons concerned not to access the capital market for a particular period.

(c) directing the stock exchange concerned not to list or permit trading in the securities.

(d) directing the stock exchange concerned to forfeit the security deposit deposited by the issuer company.

(e) any other direction which the Board may deem fit and proper in the circumstances of the case.

Provided that before issuing any directions the Board may give a reasonable opportunity to the person concerned.

Provided further that if any interim direction is sought to be passed, the Board may give post decisional hearing to such person.

17.2 **Action against intermediaries**

17.2.1 The Board may initiate action including for suspension or cancellation of certificate of registration of any intermediary who fails to exercise due diligence or who fails to comply with the obligations entrusted under the guidelines or who is alleged to have violated any of these Guidelines.

Provided that no such certificate of registration shall be suspended or cancelled unless the procedure specified in the regulations applicable to such intermediary is followed.

[353](17.2A **Exemption**

17.2A.1 The Board may grant exemption from the application of any particular provision(s) of these guidelines:

(a) on an application made by any listed company or intermediary connected with the issue;

(b) of a technical violation or a possible technical violation; or,

(c) on being satisfied that the violation was caused or may be caused due to factors beyond the control of the applicant.)

17.3 **Repeal and Saving**

17.3.1 The Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 1992 and the clarifications issued from time to time are hereby repealed.

17.3.2 Notwithstanding such repeal:-

(a) Anything done or any actin taken or purported to have been done or taken including observation made in respect of any draft offer document, any enquiry or investigation commenced or show cause notice issued in respect of the said guidelines shall be deemed to have been done or taken under the corresponding provisions of these guidelines;

(b) Any application made to the Board under the said Guidelines and pending before it shall be deemed to have been made under the corresponding provisions of these Guidelines.

[353] Inserted clauses 17.2A and 17.2A.1 vide SEBI Circular No. RMB (Compendium) Series Circular No. 10 dated June 2, 2003.

SCHEDULE I

(Clause 5.3.1.2)

MEMORANDUM OF UNDERSTANDING BETWEEN THE LEAD MERCHANT BANKER TO THE ISSUE AND THE ISSUER COMPANY

THIS MEMORANDUM OF UNDERSTANDING MADE BETWEEN..... (name of the issuing company), A COMPANY WITHIN THE MEANING OF THE COMPANIES ACT, 1956 AND HAVING ITS REGISTERED OFFICE AT ..... (registered office address of the issuing company) (HEREINAFTER REFERRED TO AS "the Company") AND..... a Company registered under the Companies Act 1956, and having its registered office at..... with the branch office at (hereinafter referred to as the "Lead Merchant Banker").

WHEREAS:

1. The Company is taking steps for issue of..... (particulars of the issue) to the public / existing shareholders of the Company; the said issue of shares/debentures is hereinafter referred to as "the issue"; AND

2. The company has approached the Lead Merchant Banker to manage the issue and the Lead Merchant Banker has accepted the engagement inter-alia subject to the company entering into memorandum of understanding for the purpose being these presents;

NOW, THEREFORE, the Company and the Lead Merchant Banker do hereby agree as follows:

1. Besides the Lead Merchant Banker, ..., ..., and ....., would be acting as the co-managers to the issue.

2. The Company hereby declares that it has complied with or agrees to comply with all the statutory formalities under the Companies Act, Guidelines for Disclosure and Investor Protection issued by the Securities and Exchange Board of India (hereinafter referred to as "the Board") and other relevant statutes to enable it to make the issue and in particular in respect of the following matters:

   (Give details and particulars of statutory compliances which the company has to fulfil before making the issue)

   Consent of the general body has been obtained vide..... (details of the resolution) and in accordance to the terms of the Resolution passed by the General Meeting held on ..... (date of the meeting).

3. The company undertakes and declares that any information made available to the Lead Merchant Banker or any statement made in the Offer Documents shall

be complete in all respects and shall be true and correct and that under no circumstances it shall give or withhold any information or statement which is likely to mislead the investors.

4. The Company also undertakes to furnish complete audited annual report(s), other relevant documents, papers, information relating to pending litigations, etc. to enable the Lead Merchant Banker to corroborate the information and statements given in the Offer Documents.

5. The Company shall, if so required, extend such facilities as may be called for by the Lead Merchant Banker/(s) to enable him to visit the plant site, office of the Company or such other place/(s) to ascertain for himself the true state of affairs of the company including the progress made in respect of the project implementation, status and other facts relevant to the issue.

6. The Company shall extend all necessary facilities to the Lead Merchant Banker to interact on any matter relevant to the Issue with the solicitors / legal advisors, auditors, co-managers, consultants, advisors to the Issue, the financial institutions, banks, or any other organisation, and also with any other intermediaries who may be associated with the issue in any capacity whatsoever.

7. The Company shall ensure that all advertisements prepared and released by the Advertising Agency or otherwise in connection with the Issue conform to regulations, guidelines etc. issued by the Board and instructions given by the Lead Merchant Banker/(s) from time to time and that it shall not make any misleading, incorrect statement in the advertisements, press releases, or in any material relating to the Issue or at any Press / Brokers / Investors Conferences.

8. The Company shall not, without prior approval of the Lead Merchant Banker, appoint other intermediaries or other persons such as Registrars to the Issue, Bankers to the Issue, Refund Bankers, Advertising Agencies, Printers for printing application forms, allotment advices / allotment letters, share certificates/ debenture certificates, refund orders or any other instruments, circulars, or advices.

9. In consultation with the Lead Merchant Banker, the company shall, whenever required, enter into a Memorandum of Understanding with the concerned intermediary associated with the issue, clearly setting forth their mutual rights, responsibilities and obligations. A certified true copy of such Memorandum shall be furnished to the Lead Merchant Banker.

10. The Company shall take such steps as are necessary to ensure the completion of allotment and despatch of letters of allotment and refund orders to the applicants including NRIs soon after the basis of allotment has been approved by the stock exchanges and in any case not later than the statutory time limit and in the event of failure to do so pay interest to the applicants as provided under the Companies Act, 1956.

11. The Company shall take steps to pay the underwriting commission and brokerage to the underwriters and stock brokers, etc. within the time specified in any agreement with such underwriters or within a reasonable time.

12. The Company undertakes to furnish such information and particulars regarding the issue as may be required by the Lead Merchant Banker to enable him to file a report with the Board in respect of the issue.

13. The company shall keep the Lead Merchant Banker informed if it encounters any problems due to dislocation of communication system or any other material adverse circumstance which is likely to prevent or which has prevented the Company from complying with its obligations, whether statutory or contractual, in respect of the matters pertaining to allotment, despatch of refund orders / share certificates / debenture certificates etc.

14. The company shall not resort to any legal proceedings in respect of any matter having a bearing on the issue except in consultation with and after receipt of the advice from the Lead Merchant Banker.

15. The company shall not access the money raised in the issue till finalisation of basis of allotment or completion of offer formalities.

16. The company shall refund the money raised in the issue to the applicants if required to do so for any reason such as failing to get listing permission or under any direction or order of SEBI. The company shall pay requisite interest amount if so required under the laws or direction or order of SEBI.

17. Clauses relating to rights of Lead Merchant Banker vis-à-vis the issuer shall be inserted.

18. Consequences of breach.

In Witness whereof the parties hereto have set their hands on the day and the year hereinabove written.

SCHEDULE II

(Clause 5.3.2.1)

INTERSE ALLOCATION OF RESPONSIBILITIES

I. The Lead Merchant Bankers shall make interse allocation of the activities / sub activities.

II. The lead merchant banker shall ensure that activity wise allocation is properly delineated and that the Board is advised the name of the Lead Merchant Banker responsible for each set of activities / sub-activities, well before opening of issue. This advice must be signed by all Lead Merchant Bankers to issue.

III. Where the circumstances warrant joint and several responsibility of Lead Merchant Bankers for a particular activity, a co-ordinator designated from among the Lead Merchant Bankers shall furnish to the Board, when called for, with information, report, comments etc. on matters relating to the activity (of joint and several responsibility).

IV. The activities / sub-activities may be grouped on the following lines:

(a) Capital structuring with the relative components and formalities such as composition of debt and equity, type of instruments.

(b) Drafting and Design of the offer document and of advertisement / publicity material including newspaper advertisements and brochure / memorandum containing salient features of the offer document.

(c) The designated Lead Merchant Banker shall ensure compliance with the Guidelines for Disclosure and Investor Protection and other stipulated requirements and completion of prescribed formalities with Stock Exchange, Registrar of Companies and SEBI.

(d) Marketing of the issue, which will cover, inter alia, formulating marketing strategies, preparation of publicity budget, arrangements for selection of (i) ad-media, (ii) centres of holding conferences of brokers, investors etc. (iii) bankers to issue, (iv) collection centres (v) brokers to issue and (vi) underwriters and the underwriting arrangement, distribution of publicity and issue material including application form, prospectus and brochure, and deciding on the quantum of issue material.

(e) Selection of various agencies connected with issue, namely Registrars to Issue, printers and advertising agencies.

(f) Follow-up with bankers to the issue to get quick estimates of collection and advising the issuer about closure of the issue, based on the correct figures.

(g) The post-issue activities will involve essential follow-up steps, which must include finalisation of basis of allotment / weeding out of multiple applications, listing of instruments and despatch of certificates and refunds, with the various agencies connected with the work such as registrars to the issue, bankers to the issue, and the bank handling refund business.

(h) Even if many of these post-issue activities would be handled by other intermediaries, the designated Lead Merchant Banker shall be responsible for ensuring that these agencies fulfil their functions and enable him to discharge this responsibility through suitable agreements with the issuer company.

(i) Ordinarily, one Lead Merchant Banker shall be responsible for post issue activities.

[354](SCHEDULE III)

[354] Substituted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003 for the following:

"SCHEDULE III

(Clause 5.3.3.1)

FORMAT OF DUE DILIGENCE CERTIFICATE TO BE GIVEN BY LEAD MERCHANT BANKER(S) ALONGWITH DRAFT OFFER DOCUMENT

To,

SECURITIES AND EXCHANGE BOARD OF INDIA

Dear Sirs,

*SUB.: **ISSUE OF _____ BY _____LTD**.*

We, the under noted Lead Merchant Banker (s) to the above mentioned forthcoming issue state as follows :

1. *We have examined various documents including those relating to litigation like commercial disputes, patent disputes, disputes with collaborators etc. and other materials more particularly referred to in the Annexure hereto in connection with the finalisation of the draft prospectus/letter of offer pertaining to the said issue;*

(2) *On the basis of such examination and the discussions with the company, its directors and other officers, other agencies, independent verification of the statements concerning the objects of the issue, projected profitability, price justification and the contents of the documents mentioned in the Annexure and other papers furnished by the company, WE CONFIRM that:*

(a) *the draft prospectus/letter of offer forwarded to the Board is in conformity with the documents, materials and papers relevant to the issue;*

(b) *all the legal requirements connected with the said issue as also the guidelines, instructions, etc. issued by the Board, the Government and any other competent authority in this behalf have been duly complied with; and*

(c) *the disclosures made in the draft prospectus / letter of offer are true, fair and adequate to enable the investors to make a well informed decision as to the investment in the proposed issue.*

(3) *We confirm that besides ourselves, all the intermediaries named in the prospectus/letter of offer are registered with the Board and that till date such registration is valid.*

(4) *We have satisfied ourselves about the worth of the underwriters to fulfil their underwriting commitments.*

(5) *We certify that written consent from shareholders has been obtained for inclusion of their securities as part of promoters' contribution subject to lock-in and the securities proposed to form part of promoters' contribution subject to lock-in, will not be disposed / sold / transferred by the promoters during the period starting from the date of filing the draft prospectus with the Board till the date of commencement of lock-in period as stated in the draft prospectus.*

PLACE: *LEAD MERCHANT BANKER(S) TO THE ISSUE*
DATE: *WITH HIS/ THEIR SEAL (S)*

ANNEXURE TO THE DUE DILIGENCE CERTIFICATE FOR THE ISSUE OF _____ BY _____LIMITED

1. *Memorandum and Articles of Association of the Company.*
2. *Letter of Intent/SIA Registration/Foreign Collaboration Approval/Approval for import of plant and machinery, if applicable.*
3. *Necessary clearance from governmental, statutory, municipal authorities etc. for implementation of the project, wherever applicable.*
4. *Documents in support of the track record and experience of the promoters and their professional competence.*
5. *Listing agreement of the Company for existing securities on the Stock Exchanges.*
6. *Consent letters from Company's auditors, Bankers to issue, Bankers to the Company, Lead Merchant Bankers, Brokers and where applicable, Proposed Trustees.*
7. *Applications made by the company to the financial institutions/banks for financial assistance as per object of the Issue and copies of relative sanction letters.*
8. *Underwriting letters from the proposed underwriters to the issue.*
9. *Audited Balance Sheets of the Company/Promoter companies for relevant periods.*
10. *Auditors certificate regarding tax-benefits available to the Company, Shareholders and Debenture holders.*

(Clause 5.3.3.1)

FORMAT OF DUE DILIGENCE CERTIFICATE TO BE GIVEN BY LEAD MERCHANT BANKER(S) ALONGWITH DRAFT OFFER DOCUMENT

To,

SECURITIES AND EXCHANGE BOARD OF INDIA

Dear Sirs,

SUB.: **ISSUE OF _____ BY _____LTD**.

We, the under noted Lead Merchant Banker (s) to the above mentioned forthcoming issue state as follows:

1. We have examined various documents including those relating to litigation like commercial disputes, patent disputes, disputes with collaborators etc. and other materials more particularly referred to in the Annexure hereto in connection with the finalisation of the draft prospectus/letter of offer pertaining to the said issue;

2. On the basis of such examination and the discussions with the company, its directors and other officers, other agencies, independent verification of the statements concerning the objects of the issue, projected profitability, price justification and the contents of the documents mentioned in the Annexure and other papers furnished by the company, WE CONFIRM that:

---

11. Certificate from Architects or any other competent authority on project implementation schedule furnished by the company, if applicable.
12. Reports from Government agencies / expert agencies / consultants / company regarding market demand and supply for the product, industry scenario, standing of the foreign collaborators, etc.
13. Documents in support of the infrastructural facilities, raw material availability, etc.
14. Auditors' Report indicating summary of audited accounts for the period including that of subsidiaries of the company.
15. Stock Exchange quotations of the last 3 years duly certified by regional stock exchange in case of an existing company.
16. Applications to RBI and approval thereof for allotment of shares to non-residents, if any, as also for collaboration terms and conditions.
17. Minutes of Board and General Body meetings of the company for matters which are in the prospectus.
18. Declaration in Form 32 from Directors (for particulars of Directorship) or the Company Secretary's certificate in this regard.
19. Revaluation certificate of company's assets given by Government Valuer or any other approved Valuer.
20. Environmental clearance as given by Pollution Control Board of the State Government or the Central Government as applicable.
21. Certificate from company's solicitors in regard to compliance of legal provisions of the Prospectus as also applicability of FERA/MRTP provisions to the company.
22. Other documents, reports etc. as are relevant / necessary for true, fair and adequate disclosures in the draft prospectus / letter of offer (to give details).
23. True copy of the Board resolution passed by the issuer authorising a representative of the Registrar to act on its behalf in relation to handling of stockinvests.

PLACE: *LEAD MERCHANT BANKER (S) TO THE ISSUE*
DATE:" *WITH HIS / THEIR SEAL (S)*

(a) the draft prospectus/letter of offer forwarded to the Board is in conformity with the documents, materials and papers relevant to the issue;

(b) all the legal requirements connected with the said issue as also the guidelines, instructions, etc. issued by the Board, the Government and any other competent authority in this behalf have been duly complied with; and

(c) the disclosures made in the draft prospectus / letter of offer are true, fair and adequate to enable the investors to make a well informed decision as to the investment in the proposed issue.

3. We confirm that besides ourselves, all the intermediaries named in the prospectus/letter of offer are registered with the Board and that till date such registration is valid.

4. We have satisfied ourselves about the worth of the underwriters to fulfil their underwriting commitments.

5. We certify that written consent from shareholders has been obtained for inclusion of their securities as part of promoters' contribution subject to lock-in and the securities proposed to form part of promoters' contribution subject to lock-in, will not be disposed / sold / transferred by the promoters during the period starting from the date of filing the draft prospectus with the Board till the date of commencement of lock-in period as stated in the draft prospectus.

PLACE: LEAD MERCHANT BANKER(S) TO THE ISSUE
DATE: WITH HIS/ THEIR SEAL (S)

ANNEXURE TO THE DUE DILIGENCE CERTIFICATE FOR THE ISSUE OF _____ BY _____LIMITED

1. Memorandum and Articles of Association of the Company.

2. Letter of Intent/SIA Registration/Foreign Collaboration Approval/Approval for import of plant and machinery, if applicable.

3. Necessary clearance from governmental, statutory, municipal authorities etc. for implementation of the project, wherever applicable.

4. Documents in support of the track record and experience of the promoters and their professional competence.

5. Listing agreement of the Company for existing securities on the Stock Exchanges.

6. Consent letters from Company's auditors, Bankers to issue, Bankers to the Company, Lead Merchant Bankers, Brokers and where applicable, Proposed Trustees.

7. Applications made by the company to the financial institutions/banks for financial assistance as per object of the Issue and copies of relative sanction letters.

8. Underwriting letters from the proposed underwriters to the issue.

9. Audited Balance Sheets of the Company/Promoter companies for relevant periods.

10. Auditors certificate regarding tax-benefits available to the Company, Shareholders and Debenture holders.

11. Certificate from Architects or any other competent authority on project implementation schedule furnished by the company, if applicable.

12. Reports from Government agencies / expert agencies / consultants / company regarding market demand and supply for the product, industry scenario, standing of the foreign collaborators, etc.

13. Documents in support of the infrastructural facilities, raw material availability, etc.

14. Auditors' Report indicating summary of audited accounts for the period including that of subsidiaries of the company.

15. Stock Exchange quotations of the last 3 years duly certified by designated stock exchange in case of an existing company.

16. Applications to RBI and approval thereof for allotment of shares to non-residents, if any, as also for collaboration terms and conditions.

17. Minutes of Board and General Body meetings of the company for matters which are in the prospectus.

18. Declaration in Form 32 from Directors (for particulars of Directorship) or the Company Secretary's certificate in this regard.

19. Revaluation certificate of company's assets given by Government Valuer or any other approved Valuer.

20. Environmental clearance as given by Pollution Control Board of the State Government or the Central Government as applicable.

21. Certificate from company's solicitors in regard to compliance of legal provisions of the Prospectus as also applicability of FERA/MRTP provisions to the company.

22. Other documents, reports etc. as are relevant / necessary for true, fair and adequate disclosures in the draft prospectus / letter of offer (to give details).

23. [355](Deleted)

PLACE: LEAD MERCHANT BANKER (S) TO THE
DATE: ISSUE WITH HIS / THEIR SEAL (S)

[355] Omitted the following clause vide SEBI Circular No. SEBI/CFD/DIL/DIP/14/2005/25/1 dated January 25, 2005:
"True copy of the Board resolution passed by the issuer authorising a representative of the Registrar to act on its behalf in relation to handling of stockinvests".

[356](SCHEDULE III-A)

(See clause 5.3.3.1A)

FORMAT OF DUE DILIGENCE CERTIFICATE TO BE GIVEN BY THE DEBENTURE TRUSTEE BEFORE OPENING OF THE ISSUE

To,

SECURITIES AND EXCHANGE BOARD OF INDIA

Dear Sirs,

SUB.: **ISSUE OF _____ BY _____LTD**.

We, the under noted Debenture Trustee (s) to the above mentioned forthcoming issue state as follows:

(1) We have examined various documents pertaining to the security to be created for the said issue and other such relevant documents.

(2) On the basis of such examination and of the discussions with the company, its directors and other officers, other agencies and of independent verification of the various relevant documents, WE CONFIRM that:

(a) The company has made adequate provisions for and/or has taken steps to provide for adequate security for the debentures to be issued.

(b) The company has obtained all the permissions necessary for creating security on the said property (ies).

(c) The company has made all the relevant disclosures about the security and also its continued obligations towards the debenture holders.

(d) All disclosures made in the draft prospectus / letter of offer with respect to the security are true, fair and adequate to enable the investors to make a well informed decision as to the investment in the proposed issue.

(3) We have satisfied ourselves about the ability of the company to service the debentures.

PLACE
DATE:"

DEBENTURE TRUSTEE TO THE ISSUE
WITH HIS SEAL

[356] Inserted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003.

SCHEDULE IV

[Clause 5.3.3.2 (ii)]

FORMAT FOR DUE DILIGENCE CERTIFICATE AT THE TIME OF FILING THE OFFER DOCUMENT WITH ROC

To,

Securities and Exchange Board of India
Mumbai/Chennai/New Delhi/Calcutta

Dear Sir(s),

Sub: Public issue of _____shares of _____ etc. (Details of the issue)

This is to certify that the offer document filed with Registrar of companies on _____ was suitably updated under intimation to the Board and that the said offer document contains all the material disclosures in respect of the issuer company as on the said date.

We confirm that the registrations of all the Intermediaries named in the offer document are valid as on date and that none of these intermediaries have been debarred from functioning by any regulatory authority.

We confirm that written consent from shareholders has been obtained for inclusion of their securities as part of promoters' contribution subject to lock-in.

We further confirm that the securities proposed to form part of promoters' contribution and subject to lock-in, have not been disposed / sold / transferred by the promoters during the period starting from the date of filing the draft prospectus with SEBI till date.

Yours faithfully,

SCHEDULE V

[Clause 5.3.3.2(iii)]

FORMAT FOR DUE DILIGENCE CERTIFICATE AT THE TIME OF OPENING OF THE ISSUE.

To,

Securities and Exchange Board of India
Mumbai/Chennai/New Delhi/Calcutta

Dear Sir(s),

Sub: Public issue of _____shares of _____ etc. (Details of the issue)

This is to certify that all the material disclosures in respect of the issuer company as on the date of opening of the issue have been made through the offer document filed with ROC on _____and subsequent amendments/ advertisements (if applicable) dated _____.

We confirm:

a) that the registrations of all the Intermediaries named in the offer document are valid as on date and that none of these intermediaries have been debarred from functioning by any regulatory authority as on date.

b) that written consent from shareholders has been obtained for inclusion of their securities as part of promoters' contribution subject to lock-in

c) that the securities proposed to form part of promoters' contribution and subject to lock-in, have not been disposed / sold / transferred by the promoters during the period starting from the date of filing the draft prospectus with SEBI till date.

d) that the abridged prospectus contains all the disclosures as specified in the SEBI guidelines for Disclosure and Investor Protection.

Yours faithfully,

SCHEDULE VI

[Clause 5.3.3.2(iv)]

FORMAT FOR DUE DILIGENCE CERTIFICATE AFTER THE ISSUE HAS OPENED BUT BEFORE IT CLOSES FOR SUBSCRIPTION.

To,

Securities and Exchange Board of India
Mumbai/Chennai/New Delhi/Calcutta

Dear Sir(s),

Sub: Public issue of _____shares of _____ etc. (Details of the issue)

This is to certify that all the material disclosures in respect of the issuer company as on date have been made through the offer document filed with ROC on _____and subsequent amendments/ advertisements (if applicable) dated _____.

We confirm that the registrations of all the Intermediaries named in the offer document are valid as on date and that none of these intermediaries have been debarred from functioning by any regulatory authority as on date.

We also confirm that the securities proposed to form part of promoters' contribution and subject to lock-in, have not been disposed / sold / transferred by the promoters during the period starting from the date of filing the draft prospectus with SEBI till date.

Yours faithfully,

SCHEDULE VII

[Clause 5.9.1)(c)]

MANDATORY COLLECTION CENTRES

A. NORTHERN REGION

S. No.	Exchange	City
1.	Ludhiana Stock Exchange	Ludhiana
2.	Delhi Stock Exchange	Delhi
3.	Jaipur Stock Exchange	Jaipur
4.	U.P. Stock Exchange	Kanpur

B. SOUTHERN REGION

S. No.	Exchange	City
1.	Hyderabad Exchange	Hyderabad
2.	Bangalore Stock Exchange	Bangalore
3.	Coimbatore Stock Exchange	Coimbatore
4.	Cochin Stock Exchange	Cochin
5.	Madras Stock Exchange	Madras
6.	Mangalore Stock Exchange	Mangalore

C. EASTERN REGION

S. No.	Exchange.	City
1.	Calcutta Stock Exchange	Calcutta
2.	Gauhati Stock Exchange	Gauhati
3.	Magadh Stock Exchange	Patna
4.	Bhubaneswar Stock Exchange	Bhubaneswar

D. WESTERN REGION

S. No.	Exchange	City
1.	Bombay Stock Exchange	Bombay
2.	National Stock Exchange	Bombay
3.	OTC Exchange of India	Bombay
4.	Pune Stock Exchange	Pune
5.	M P Stock Exchange	Indore
6.	Vadodara Stock Exchange	Vadodara
7.	Ahmedabad Stock Exchange	Ahmedabad
8.	Saurashtra Kutch Stock Exchange	Rajkot

[357](SCHEDULE VIIA)

(Clause 6.1.1)

ORDER OF PRESENTATION OF DISCLOSURES IN PROSPECTUS

SR. NO.	CONTENTS OF OFFER DOCUMENT
I.	**Cover Pages**
	1. **Front Cover Pages:** (i) **Issue Details:** (a) Logo, name, previous name, if any, address, telephone number, fax number, contact person, website address and e-mail address of the issuer company. (b) Nature, number, price and amount of instruments offered and issue size, as may be applicable. (c) Risks in relation to first issue. (d) General risk regarding investments in equity. (e) Issuer's Absolute Responsibility clause. (f) Logo, names and addresses of all the Lead Merchant Bankers with their titles who file the prospectus with the Board, along with their telephone numbers, fax numbers, website addresses and e-mail addresses. (g) Logo, names of the Registrar to the Issue, along with its telephone number, fax number, website address and e-mail address. (h) Issue Schedule. (i) Credit Rating, if applicable. [358]((i-a) IPO Grading.) (j) Names of the Stock Exchanges where listing is proposed along with details of in-principle approval. 2. **Back Cover Pages.**
II.	**Table of Contents**
	To include all the main heads.
III.	**Definitions and Abbreviations**
	1. Conventional/ General terms. 2. Offering-related Terms. 3. Company/ Industry-related Terms. 4. Abbreviations.
IV.	**Risk Factors**
	1. Forward-looking Statements and Market Data, if any (to be disclosed on voluntary basis). 2. **Risk Factors:** (i) Risks envisaged by Management. (ii) Proposals, if any, to address the risks. (iii) Notes to the risk factors.
V.	**Introduction**

[357] Inserted vide SEBI Circular No. SEBI/CFD/DIL/DIP/14/2005/25/1 dated January 25, 2005.

[358] Inserted vide SEBI Circular No. SEBI/CFD/DIL/DIP/25/2007/30/4 dated April 30, 2007.

1. **Summary:**
   (i) Summary of the industry and business of the issuer company.
   (ii) Offering details in brief.
   (iii) Summary Consolidated Financial, Operating and Other Data.
2. **General Information:**
   (i) Name, address of registered office and the registration number of the issuer company, along with the address of the Registrar of Companies where the issuer company is registered.
   (ii) Board of Directors of the issuer company.
   (iii) Brief details of the Chairman, Managing Director, Whole Time Director, etc.
   (iv) Names, addresses, telephone numbers, fax numbers and e-mail addresses of the Company Secretary, Legal Advisor and Bankers to the Company.
   (v) Name, address, telephone number, fax number and e-mail address of the Compliance Officer.
   (vi) Names, addresses, telephone numbers, fax numbers, contact person, website addresses and e-mail addresses of the Merchant Bankers, Co-Managers, Registrars to the Issue, Bankers to the Issue, Brokers to the Issue, Syndicate members, etc.
   (vii) Names, addresses, telephone numbers, fax numbers and e-mail addresses of the auditors of the issuer company.
   (viii) Statement of interse allocation of responsibilities among Lead Managers.
   (ix) Credit Rating (in case of debenture issue).
   [359]((ix-a) IPO Grading.)
   (x) Names, addresses, telephone numbers, fax numbers, website addresses and e-mail addresses of the trustees under debenture trust deed (in case of debenture issue).
   (xi) Name of the monitoring agency, if applicable.
   (xii) Where the project is being appraised, name, address, telephone number and e-mail address of the appraising entity.
   (xiii) Book Building Process in brief.
   (xiv) Details of Underwriting, if any.
3. **Capital Structure:**
   (i) Capital structure.
   (ii) Classes of shares, if applicable.
   (iii) Notes to capital structure.
4. **Objects of the Offering:**
   (i) Funds Requirement.
   (ii) Funding Plan (Means of Finance).
   (iii) Appraisal.
   (iv) Schedule of Implementation.
   (v) Funds Deployed.
   (vi) Sources of Financing of Funds already deployed.
   (vii) Details of Balance Fund Requirement.
   (viii) Interim Use of Funds.
   (ix) Basic Terms of Issue.
   (x) Basis for issue price.
   (xi) Tax Benefits.

[359] Inserted vide SEBI Circular No. SEBI/CFD/DIL/DIP/25/2007/30/4 dated April 30, 2007.

VI.	**About the Issuer Company**

1. Industry overview.
2. Business overview.
   - (i) **Details of the business of the issuer company:**
     - (a) Location of the project.
     - (b) Plant, machinery, technology, process, etc.
     - (c) Collaborations, any performance guarantee or assistance in marketing by the collaborators.
     - (d) Infrastructure facilities for raw materials and utilities like water, electricity, etc.
     - (e) Products/ services of the company.
   - (ii) **Business strategy:**
     - (a) Brief statement about business strategy.
     - (b) Brief statement about future prospects, including capacity & capacity utilization and projections.
   - (iii) Competitive strengths (to be disclosed on a voluntary basis).
   - (iv) Insurance (to be disclosed on a voluntary basis).
   - (v) Property.
   - (vi) Purchase of property.
3. Key Industry-Regulation (if applicable).
4. **History and Corporate Structure of the issuer company:**
   - (i) History and Major Events.
   - (ii) Main objects.
   - (iii) Subsidiaries of the issuer company, if any and their businesses.
   - (iv) Shareholders agreements.
   - (v) Other agreements.
   - (vi) Strategic partners.
   - (vii) Financial partners.
5. **Management:**
   - (i) Board of Directors.
   - (ii) Compensation of Managing Directors/ Whole time Directors.
   - (iii) Compliance with Corporate Governance requirements.
   - (iv) Shareholding of Directors, including details of qualification shares held by them.
   - (v) Interest of the Directors.
   - (vi) Change, if any, in the directors in last three years and reasons thereof, wherever applicable.
   - (vii) Management Organisation Structure.
   - (viii) Details regarding Key Management Personnel.
   - (ix) Employees.
   - (x) Disclosures regarding employees stock option scheme/ employees stock purchase scheme of the issuer company, if any, as required by the Guidelines or Regulations of the Board relating to Employee Stock Option Scheme and Employee Stock Purchase Scheme.
   - (xi) Payment or Benefit to Officers of the Company (non-salary related).
6. **Promoters/ Principal Shareholders:**
   - (i) Details about promoters who are individuals.
   - (ii) Details about promoters which are companies.
   - (iii) Common pursuits.
   - (iv) Interest of promoters.
   - (v) Payment or benefit to promoters of the issuer company.
   - (vi) Related party transactions as per the Financial Statements.

	7. Exchange rates (to be disclosed on voluntary basis). 8. Currency of presentation. 9. Dividend policy.
VII.	**Financial Statements**
	1. Selected Consolidated Financial and Operating data. 2. Financial information of the issuer company. 3. Financial information of group companies. 4. Changes in Accounting Policies in the last three years. 5. **Management's Discussion and Analysis of Financial Condition and Results of Operations as Reflected in the Financial Statements:** (i) Overview of the business of the issuer company. (ii) Significant developments subsequent to the last financial year. (iii) Factors that may affect Results of the Operations. (iv) Discussion on Results of Operations. (v) Comparison of recent financial year with the previous financial years (last three years) on the major heads of the Profit & Los Statement. (vi) Liquidity and Capital Resources (to be disclosed on voluntary basis). (vii) Capital Expenditure (to be disclosed on voluntary basis). (viii) Foreign Exchange Risk (to be disclosed on voluntary basis). (ix) Interest rate Risk (to be disclosed on voluntary basis). (x) Recent accounting pronouncements (to be disclosed on voluntary basis).
VIII.	**Legal & Other Information**
	1. **Outstanding litigations and Material Developments** (i) Outstanding litigations involving the issuer company. (ii) Outstanding litigations against the issuer company's subsidiaries (if applicable). (iii) Outstanding litigations involving the promoter and group companies. (iv) Material developments since the last balance sheet date. 2. **Government approvals/ Licensing Arrangements:** (i) Investment approvals (FIPB/ RBI, etc.). (ii) All government and other approvals. (iii) Technical approvals. (iv) Letter of intent/ industrial license and declaration of the Central Government/ RBI about non-responsibility for financial soundness or correctness of statements.
IX.	**Other Regulatory and Statutory Disclosures**
	1. Authority for the issue and details of the resolution passed for the issue. 2. Prohibition by SEBI. 3. Eligibility of the Issuer Company to enter the Capital market. 4. Disclaimer clause. 5. Caution. 6. Disclaimer in respect of jurisdiction. 7. Disclaimer clause of the stock Exchanges. 8. Disclaimer clause of the Reserve Bank of India (if applicable). 9. Filing of prospectus with the Board and the Registrar of Companies. 10. Listing. 11. Impersonation. 12. Consents. 13. Expert opinion obtained, if any. 14. Expenses of the issue. 15. Details of fees payable.

	16. Underwriting commission, brokerage and selling commission. 17. Previous rights and public issues if any (during the last five years). 18. Previous issues of shares otherwise than for cash. 19. Commission and brokerage on previous issues. 20. Particulars in regard to the issuer company and other listed companies under the same management within the meaning section 370 (1)(B) of the Companies Act, 1956 which made any capital issue during the last three years. 21. Promise vis-à-vis performance. 22. Outstanding debentures or bonds and redeemable preference shares and other instruments issued by the issuer company outstanding as on the date of prospectus and terms of issue. 23. Stock market data for equity Shares of the issuer company, if listed. 24. Mechanism evolved for redressal of investor grievances. 25. Change, if any, in the auditors during the last three years, and reasons, thereof. 26. Capitalisation of reserves or profits (during last five years). 27. Revaluation of assets, if any (during last five years).
X.	**Offering Information**
	1. **Terms of the issue:** (i) Ranking of equity shares. (ii) Mode of payment of dividend. (iii) Face value and issue price/ floor price/ price band. (iv) Rights of the equity shareholder. (v) Market lot. (vi) Nomination facility to investor. (vii) Minimum subscription. (viii) Arrangements for Disposal of Odd Lots. (ix) Restrictions, if any, on transfer and transmission of shares/ debentures and on their consolidation/ splitting. 2. **Issue procedure:** (i) Fixed price issue or book building procedure as may be applicable, including details regarding bid form / application form, who can bid/apply, maximum and minimum bid/application size, bidding process, bidding, bids at different price levels, etc. (ii) Option to subscribe in the issue. (iii) How to apply - availability of forms, prospectus and mode of payment. (iv) **Escrow mechanism:** (a) Escrow A/c. of the company. (b) Escrow A/c. of the syndicate member. (v) Terms of payment and payment into the Escrow Collection Account. (vi) Electronic registration of bids. (vii) Build up of the book and revision of bids. (viii) Price discovery and allocation. (ix) Signing of underwriting agreement. (x) Filing of prospectus with the Registrar of Companies. (xi) Announcement of pre-issue Advertisement. (xii) Issuance of Confirmation of Allocation note (“CAN”) and Allotment in the Issue. (xiii) Designated date. (xiv) **General instructions:**

	(a) Do's. (b) Don'ts. (c) Instructions for completing the Bid form. (d) Bidders bank details. (e) Bids by NRIs or FIIs on a repatriation basis. (xv) **Payment instructions:** (a) Payment into escrow account of the Issuer Company. (b) Payment into escrow account of the Syndicate member. (xvi) Submission of bid form. (xvii) **Other instructions:** (a) Joint bids in the case of individuals. (b) Multiple bids. (c) Pan or GIR number. (d) Company's right to reject bids. (e) Equity shares in demat form with NSDL or CDSL. (f) Investor's attention invited to contact the compliance officer in case of any pre-issue/ post-issue related problems. (xviii) Disposal of application and Application moneys. (xix) Provisions of sub-section (1) of section 68A of the Companies Act, 1956 relating to punishment for fictitious applications. (xx) Interest on refund of excess bid amount. (xxi) Basis of allotment or allocation. (xxii) Procedure and time of schedule for allotment and issue of certificates. (xxiii) Method of proportionate allotment. (xxiv) Letters of allotment or refund orders. (xxv) Despatch of refund orders. (xxvi) Interest in Case of Delay in Despatch of Allotment Letters/ Refund Orders in Case of Public Issues. (xxvii) Undertaking by the company. (xxviii) Utilisation of Issue Proceeds. (xxix) Restrictions on foreign ownership of Indian securities, if any. (a) Investment by NRIs . (b) Investment by FIIs.
XI.	**Description of Equity Shares and Terms of the Articles of Association**
	1. Rights of members regarding voting, dividend, lien on shares and the process for modification of such rights and forfeiture of shares. 2. Main provisions of the Articles of Association.
XII.	**Other Information**
	1. List of material contracts and documents for inspection. 2. Declaration.

SCHEDULE VIII

[[360](Clause 6.8.3.2 (b))]

PROMOTERS' CONTRIBUTION AND LOCK-IN

Sr. No.	Date of Allotment	Date when made fully paid-up	Consideration (Cash, bonus, kind, etc.)	No. of shares	Face Value	Issue Price	% of Post-Issue paid-up capital	Lock-in Period

[360] Substituted vide SEBI Circular No. SEBI/CFD/DIL/DIP/14/2005/25/1 dated January 25, 2005 for "*Clause 6.4.2.1(b)*)".

SCHEDULE IX

[[361](Clause 6.8.3.2(c))]

PROMOTERS' CONTRIBUTION AND LOCK-IN IN RESPECT OF PROMOTERS WHOSE NAME FIGURE IN THE PROSPECTUS AS PROMOTERS [362]()

Sr. No.	Name of the promoter	Date of Allot-ment	Date When made fully paid-up	Consi-deration (Cash, bonus, kind, etc.)	No. of shares	Face Value	Issue Price	% of Post-Issue paid-up capital	Lock-in Period

[361] Substituted vide SEBI Circular No. SEBI/CFD/DIL/DIP/14/2005/25/1 dated January 25, 2005 for "***Clause 6.4.2.1(c)(ii)***".

[362] Omitted the following words vide SEBI Circular No. SEBI/CFD/DIL/DIP/14/2005/25/1 dated January 25, 2005: *"**IN THE PARAGRAPH ON "PROMOTERS AND THEIR BACKGROUND""**.*

SCHEDULE X

[[363](Clause 6.10.2.7(b)(v))]

STATEMENT OF PROFITS AND LOSSES

Year ended March 31,

	1991	**1992**	**1993**	**1994**	**1995**
	(Rupees In Lacs)				
Income					
Sales :					
Of products manufactured by the Company	1000	1240	1640	1800	1800
Of products traded in by the Company	100	60	60	200	200
Total	**1100**	**1300**	**1700**	**2000**	**2000**
Other income	10	30	40	60	100
Increase (Decrease) in Inventories	40	(70)	60	180	310
	1150	**1260**	**1800**	**2240**	**2410**
Expenditure					
Raw Materials consumed	400	480	630	1110	1200
Staff Costs	200	220	240	340	400
Other manufacturing expenses	250	260	280	540	650
Administration Expenses	40	42	60	80	85
Selling and Distribution Expenses	110	120	130	190	250
Interest	60	55	90	200	140
	1095	**1227**	**1495**	**2635**	**2795**
Net Profit before tax and extraordinary items	55	33	305	(295)	(385)
Taxation	25	12	144	(185)	(235)
Net Profit before Extraordinary Items	30	21	161	(110)	(150)
Extra-ordinary items (net of tax)	-	49	(64)	800	1000
Net Profit after Extraordinary Items	**30**	**70**	**97**	**700**	**850**

[363] Substituted vide SEBI Circular No. SEBI/CFD/DIL/DIP/14/2005/25/1 dated January 25, 2005 for *"Clause 6.18.7(iv)(b)*"

SCHEDULE XI

[[364](Clause 6.10.2.7 (b)(vi))]

STATEMENT OF ASSETS AND LIABILITIES

As at March 31ST

		1991	1992	1993	1994	1995
			(Rupees in lacs)			
A.	**Fixed Assets :** Gross Block	440	750	900	922	1350
	Less Depreciation	(55)	(107)	(170)	(250)	(320)
	Net Block	385	643	730	672	1030
	Less : Revaluation Reserve	(100)	(95)	(89)	(83)	(75)
	Net Block after adjustment for Revaluation Reserve	285	548	641	589	955
B.	**Current Assets, Loans and Advances :** Inventories	485	420	720	1030	3200
	Sundry Debtors	28	30	30	500	2500
	Cash and Bank Balances	13	14	22	200	400
	Loans and Advances	78	100	85	1100	2000
	Other Current Assets	70	80	55	200	220
		674	644	912	3080	8320
C.	**Liabilities and Provisions :** Secured Loans	376	607	616	620	460
	Unsecured Loans	3	3	-	-	4000
	Current Liabilities and Provisions	250	180	330	460	1100
		(629)	(790)	(946)	(1080)	(5560)
D.	**Networth**	330	402	607	2589	3715
E.	**Represented by**					
	1. Share Capital	300	300	400	1600	2000
	2. Reserves	130	197	296	1072	1790
	Less Revaluation Reserve	(100)	(95)	(89)	(83)	(75)
	Reserves (Net of Revaluation Reserves)	30	102	207	989	1715
	Networth	330	402	607	2589	3715

[364] Substituted vide SEBI Circular No. SEBI/CFD/DIL/DIP/14/2005/25/1 dated January 25, 2005 for ***"Clause 6.18.7.(vi)"***.

SCHEDULE XII

[[365](Clause 6.10.2.7(i)(iv))]

TAX SHELTER STATEMENT

YEAR ENDED MARCH 31ST

	1991	1992	1993	1994	1995
		(Rupees in lacs)			
Tax at Notional Rate	28	70	89	546	675
Adjustments : **Export Profits**	(4)	(5)	(20)	(100)	(120)
Difference between Tax Depreciation and Book Depreciation	(6)	(8)	(9)	(10)	(10)
Other Adjustments	3	3	4	4	5
Net Adjustments	**(7)**	**(10)**	**(25)**	**(106)**	**(125)**
Tax Saving thereon :	(3)	(5)	(13)	(49)	(58)
Total Taxation	25	65	76	497	617
Taxation on extra-ordinary Items	-	53	(68)	682	852
Tax on profits before extra-ordinary items	**25**	**12**	**144**	**(185)**	**(235)**

[365] Substituted vide SEBI Circular No. SEBI/CFD/DIL/DIP/14/2005/25/1 dated January 25, 2005 for **"*Clause 6.18.7.(viii)*"**.

SCHEDULE XIII

[[366](Clause 6.10.2.7(g)(iii))]

CAPITALISATION STATEMENT

	Pre-issue as at 30-6-1995	As Adjusted for issue
		(Rupees in lacs)
Short-Term Debt	1870	1870
Long Term Debt	4370	4370
Shareholders Funds		
Share Capital	4000	4450
Reserves	14570	37520
Total Shareholders Funds	18570	41940
Long Term Debt/Equity	0.24:1	0.10:1

Note:
Since 31-3-1995 (which is the last date as of which financial information has been given in para of this document) share capital was increased form Rs.3000 lacs to Rs.4000 lacs by the issue of bonus shares in the ratio of 1 share for every 3 shares.

[366] Substituted vide SEBI Circular No. SEBI/CFD/DIL/DIP/14/2005/25/1 dated January 25, 2005 for *"**Clause 6.18.7.(iii)**"*.

[367](Deleted)

[367] Omitted the following Schedule XIV vide SEBI Circular No. SEBI/CFD/DIL/DIP/14/2005/25/1 dated January 25, 2005:

"SCHEDULE XIV

(Clause 6.12.2(iii))

FORM OF AUDITOR'S CERTIFICATE REGARDING PROFIT FORECAST

The Directors
XYZ Company Limited

Dear Sirs,

We have reviewed the accounting policies, standards and calculations adopted in arriving at the forecast of the profit after taxation but before extraordinary items of XYZ Company Limited for the year ending _____for which the directors of the company are solely responsible as set out in the section headed "Profit Forecast" in the prospectus of the Company dated _____ (the "Prospectus"). The forecast has been prepared by the directors of the Company based on the unaudited accounts of the company for the months ended _____ and a forecast of the results of the Company for the remaining _____ months of the year ending _____ on the basis of that the company has been in existence throughout the entire year.

In our opinion, the profit forecast, as far as the accounting policies, standards and calculations are concerned, has been properly complied in accordance with the assumptions made by the directors of the company as set out in the Prospectus / offer documents and is presented on the basis consistent in all material respects with the accounting policies normally adopted by the Company as set out in the report on the profits and losses of the Company for the years ended _____ made by us and disclosed in the Prospectus.

Yours faithfully,"

SCHEDULE XV

[[368](Clause 6.8.4.11(a)(vii))]

BASIS FOR ISSUE PRICE

1.	**Adjusted Earning Per Share (EPS)**	
(a)	1992-93	Rs. .41
(b)	1993-94	Rs. 8.39
(c)	1994-95	Rs. 13.82
(d)	Weighted Average	Rs. 10.94
2.	**Price/ Earning Ration (P/E) in relation to Issue Price**	
(a)	Based on 94/95 EPS	37.63
(b)	Industry P/E	
	(i) Highest	61.2
	(ii) Lowest	0.8
	(iii) Average	25.3
	(*Based on Economic Times of 26/6/95)	
3.	**Return on Net Worth**	
(a)	1992-93	27.36%
(b)	1993-94	28.77%
(c)	1994-95	33.45%
(d)	Weighted Average	30.88%
4.	**Minimum Return on Total Net Worth after Issue needed to maintain EPS at Rs.13.82**	14.65%
5.	**Net Asset Value (NAV)**	
(a)	As at 31-3-1995	Rs. 46.40
(b)	After issue	Rs. 94.29
(c)	Issue price	Rs. 520.00

[368] Substituted vide SEBI Circular No. SEBI/CFD/DIL/DIP/14/2005/25/1 dated January 25, 2005 for ***"Clause 6.13.1(g)"***.

[369](SCHEDULE XVI)

[369] Substituted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003 for the following:

*"**SCHEDULE XVI***
(Clause 7.2.1)

POST ISSUE MONITORING REPORTS

PUBLIC ISSUE

SUBSCRIPTION STATUS : (SUBSCRIBED / UNDERSUBSCRIBED)

3-DAY MONITORING REPORT
(RESPONSIBILITY: POST ISSUE LEAD MERCHANT BANKER)
(To be submitted IN DUPLICATE : Within 3 days from closure of the Public Issue)

1. Name of the Issuer Company :
2. ssue opening date :
3. Earliest closing date :
4. Actual closing date :
5. Date of filing prospectus with RoC :
6. **Issue Details (as per the prospectus)**
   - 6.1 Nature of instrument : (Equity/FCD/PCD/NCD/Others, Etc.)
   - 6.2 Offer price per instrument for different categories :
   - 6.3 Amt. per instrument on application for different categories :
   - 6.4 Issue Size : (Rs lakhs)
   - (a) Promoters' contribution :
   - (a)(i) Date of submission of auditors' certificate to SEBI for receipt of promoters' contribution :
   - (b) Amount through offer document (including reserved categories and net public offer) :
   - (b) (i) Reserved Category — Amount reserved (Rs lakhs): Firm basis / Competitive basis

Mutual funds		
FIS / Banks		
FIIs		
NRIs / OCBs		
Employees		
Others (Please specify)		

   - (b)(ii) Net public offer :

7(a). Provisional Subscription Details of Net Public offer (including unsubscribed portion of reserved categories
- i) Total amount to be collected on application : Rs lakhs
- ii) Amount collected on application : Rs lakhs
- iii) % subscribed i.e. % of (ii) to (i) : (%)

7(b). Amount subscribed by the reserved categories on competitive basis : Rs. lakhs

8) Please tick mark whether 90% minimum subscription of the amount through offer document is collected.
(i) YES (ii) NO

Signed by ... Signed by .....
Registrars to the Issue Company

Signed by.....
Lead Merchant Banker(s)

Place: Date :

Note: This is the responsibility of Lead Merchant banker(s) to give correct information after verifying it from the company and the Registrar to the issue.

PUBLIC ISSUE

SUBSCRIPTION STATUS : (SUBSCRIBED / UNDERSUBSCRIBED)

78-DAY MONITORING REPORT
(RESPONSIBILITY: POST ISSUE LEAD MERCHANT BANKER)
(To be submitted IN DUPLICATE: Within 78 days from closure of the public issue)

1. *Name of the Company :*
2. *Issue opening date :*
3. *Actual closing date :*
4. *3-Day Report*
   Due on :
   Submitted on :
5. *No. of Collecting Banks :*
   (Allso specify no. of Bank Branches)
6. *Bank-wise names of branches which did not submit final consolidated certificates within 21 days from closure of issue and mention the dates when they actually submitted :*
7. *Subscription Details*
   a) *Public Offer (Net) (Including unsubscribed portion of reserved category added back to net public offer)*
      1) *No. of applications recd. :*
      2) *No. of instruments applied for :*
      3) *Amount of subscription received : Rs.*
      4) *No. of times issue subscribed :*
      5) *No. of applications accompanied by stock invests :*
      6) *No. of instruments applied through stock invest :*
      7) *Amount of subscription received through stock invest : Rs.*
      8) *Percentage of subscription through stock invest in total subscription :*

   (b) *Information relating to reserved categories*

Reservations	*No.of applications*	*No. of instruments applied for*	*Amount subscribed*
NRIs			
FIs			
FIIs			
MFs			
Employees			
Others			
(Specify)			

   The firm allottees who did not meet their commitments though mentioned in the prospectus (Please give their names and amount and whether the promoters have subscribed to that amount before opening of the issue).
9. *Actual Date of finalisation of Basis of Allotment (enclose copy) :*
10. *Allotment Details*
    10.1 No. of successful allottees per 1 lac shares :
    10.2 No. of successful allottees from stock-invest applicants :
    10.3 No. of instruments allotted to stockinvest applicants :
    10.4 Percentage of stockinvest allottees in total allottees :
    10.5 No. of unsuccessful allottees :
11. *Actual Date(s) of completion of despatch of -*
    (a) Refund Orders :
    (b) Cancelled stock invests :
    (c) Certificates/Allotment Letters :
    (d) Certificate/allotment letter against application by stock Invest :

	(e)	Reasons for delay in despatch, if any	:
	(f)	Whether interest paid for delayed period, if so, for which period	:
12.	If there is a reservation for NRIs, date(s) of completion of despatch of -		
	(a)	Refund Orders	:
	(b)	Cancelled Stockinvests	:
	(c)	Certificate/Allotment Letters	:
	(d)	Reasons for delay in despatch, if any	:
	(e)	Whether interest paid for delayed period	:
	(f)	Date of submission of application to the RBI for approval for despatch of share certificates	:
	(g)	Date of approval received from RBI	:
13.	Amount of refund due		: Rs.
14.	Refund Banker(s) (Name and Address):		
15.	Date of transfer of refund amount to Refund Banker, if any		:
16.	Date of completion of despatch of refund orders/ cancelled stock invests		:
17	Name of Regional Stock Exchange		:
18	Names of other stock exchanges where listing is sought		:
19.	Date on which application was filed with each stock exchange for listing of instruments		:
20.	Date when listing and trading permission given by each stock exchange (Enclose copies of permission letters of stock exchanges)		:
21.	Reasons for delay in listing for trading, if any		:

TO BE FILLED UP IN CASE OF UNDERSUBSCRIBED ISSUES ONLY:

1.	If the issue underwritten, mention the amount of issue underwritten		:
2.	Extent of under subscription on the date of closure of the issue		
	a)	Percentage	:
	b)	Amount	
3.	Total no. of Underwriters		:
4.	If devolvement notices had not been issued, mention how the shortfall was met		:
5.	No. of Underwriters to whom devolvement notices had been issued		:
6.	Date of Issue of devolvement notices		:
7.	No. of Underwriters who did not pay devolvement (Please give names, amount underwritten and reasons for not paying)		:
8.	In case of default from underwriters, mention how the shortfall was met		:
9.	In case where FIs/MFs had subscribed to make up shortfall not as underwriter		:
	a)	Name of FI/MF	:
	b)	No. of Instruments applied for	:
	c)	Amount Received	:

CERTIFIED that the information given above and also in the enclosures are true to the best of our knowledge and no refund orders / allotment letters / certificates are pending for despatch in respect of the issue.

CERTIFIED that shares to be locked in are duly inscribed with the words "Share cannot be hypothecated / transferred / sold till .....)

Signed by ...
Registrars to the Issue

Signed by .....
Company

Signed by.....

Lead Merchant Banker(s)

Place: *Date :*

Note:

(i) It is the responsibility of Lead Merchant banker(s) to give correct information after verifying the facts from the company and the Registrar to the issue.

(ii) The lead merchant banker shall enclose a certificate from the refund banker that the amount of refund due from the company to investors is deposited in a separate account giving details of the total amount deposited in the account and date of deposit.

****

RIGHTS ISSUE

SUBSCRIPTION STATUS : (SUBSCRIBED / UNDERSUBSCRIBED)

3-DAY MONITORING REPORT
(RESPONSIBILITY: POST ISSUE LEAD MERCHANT BANKER)
(To be submitted IN DUPLICATE: Within 3 days from closure of the Rights Issue)

1.	*Name of the Company*	*:*
2.	*Issue Opening date*	*:*
3.	*Actual closing date*	*:*
4.	*Date of filing letter of offer with the stock Exchange*	*:*
5.	*Issue Details (as per the letter of offer)*	*:*
	5.1 Basis of offer (Ratio)	*:*
	5.2 Nature of instrument	*:(Equity/FCD/PCD/NCD/Others, etc)*
	5.3 Offer price per instrument	*:*
	5.4 Amt. per instrument on application	*:*
	5.5 Issue Size	*: Amt in Rs lakhs*
6.	*Record date*	*:*
7.	*Provisional Subscription Details of the issue:*	
	i) Total Amount to be collected on application	*: Rs lakhs*
	ii) Amount collected on application	*: Rs lakhs*
	iii) % subscribed i.e. % of (ii) to (i):	*(%)*
	iv) Please tick mark whether 90% minimum subscription collected :	

(i) YES *(ii) NO*

Signed by ... *Signed by .....*
Registrars to the Issue *Company*

Signed by.....
Lead Merchant Banker(s)

Place: *Date :*

Note:

It is the responsibility of Lead Merchant banker(s) to give correct information after verifying it from the company and the Registrar to the issue.

RIGHTS ISSUE

SUBSCRIPTION STATUS : (SUBSCRIBED / UNDERSUBSCRIBED)

50-DAY MONITORING REPORT
(RESPONSIBILITY: POST ISSUE LEAD MERCHANT BANKER)
(To be submitted IN DUPLICATE : Within 50 days from closure of the Rights Issue)

1.	*Name of the Company*	*:*
2.	*Issue Opening date*	*:*
3.	*Actual closing date*	*:*

4.	*Issue Details (as per the letter of offer)*			
	4.1 Basis of offer	*:*		
	4.2 Nature of instrument	*:*	*(Equity/FCD/PCD/NCD, etc.)*	
	4.3 Offer price per instrument	*:*		
	4.4 Amt. per instrument on application	*:*		
	4.5 Issue Size	*:*	*Rs in lakhs*	
5.	*3 Day Report Due on*	*:*		
	Submitted on			
6.	*No. of Collecting Banks*	*:*		
	(Also specify No. of Bank Branches)			
7.	*Bank-wise names of branches which did not submit final consolidated certificate within 21 days from closure of issue and mention the dates when they actually submitted*	*:*		
8.	*Details of Subscription*			
	(i) percentage of rights taken up by-			
	a) Promoters	*:*		
	b) Other Shareholders	*:*		
	(ii) percentage of rights renounced by -			
	a) Promoters	*:*		
	b) Others	*:*		
	(iii) percentage of rights taken by shareholders/ renounces	*:*		
	(iv) percentage at the disposal of the Board	*:*		
	(v) Out of the unsubscribed portion as in (vi) above, taken by:			
	(a) Promoters	*:*		
	(b) Others	*:*		
9.	*Promoters shareholdings*	*:*	*No .of Shares*	*Percentage*
	(a) Prior to the Issue	*:*		
	(b) On Expanded Capital after the rights issue	*:*		
10.	*Date of finalisation of allotment (enclose copy of the basis of allotment)*	*:*		
11.	*(a) Name and Address of Refund Banker*	*:*		
	(b) Amount of refund due	*:*		
	(c) Date of transfer of refund amount to Refund Banker, if any	*:*		
12.	*Actual Date(s) of completion of despatch of -*			
	(a) Refund Orders	*:*		
	(b) Certificate/Allotment Letters	*:*		
	(c) Reasons for delay in despatch, if any			
	(d) Whether interest paid for delayed period, if so, for which period	*:*		
13.	*Name of Regional Stock Exchange:*			
14.	*Names of other stock exchanges where listing is sought*	*:*		
15.	*42nd day from the date of closure of the issue*			
16.	*Date on which application was filed with each stock exchange for listing of instruments*	*:*		
17.	*Date when listing and trading permission given by each stock exchange (Enclose copies of permission letters of stock exchanges)*	*:*		
18.	*Reason for delay in listing for trading, if any:*			

TO BE FILLED UP IN CASE OF UNDERSUBSCRIBED ISSUES ONLY:

1.	*Extent of under subscription on the date of closure of the issue*		
	a) Percentage	*:*	
	b) Amount	*:*	
2.	*Details of Standby assistance, if any*		
	a. No. of Underwriters		
	b. No. of Underwriters who did not pay devolvement (Please give names, amount underwritten and reasons for not paying)	*:*	
3.	*In case where FIs/MFs had subscribed to make up shortfall not as underwriter*		
	a) Name of FI/MF	*:*	
	b) No. of Instruments applied for	*:*	

(Clause 7.2.1)

POST ISSUE MONITORING REPORTS

PUBLIC ISSUE

SUBSCRIPTION STATUS: (SUBSCRIBED/ UNDERSUBSCRIBED)

3-DAY MONITORING REPORT
(RESPONSIBILITY: POST ISSUE LEAD MERCHANT BANKER)

1.	Name of the Issuer Company	:
2.	Issue opening date	:
3.	Earliest closing date	:
4.	Actual closing date	:
5.	Date of filing prospectus with RoC	:
6.	**Issue Details (as per the prospectus)**	
6.1	Nature of instrument (Equity/FCD/PCD/NCD/Others, etc.)	:
6.2	Offer price per instrument for different categories	:
6.3	Amt. per instrument on application for different categories	:
6.4	Issue Size	: (Rs lakhs)
	(a) Promoters' contribution	:
	(a)(i) Date of submission of auditors' certificate to SEBI for receipt of promoters' contribution	:
	(b) Amount through offer document (including reserved categories and net public offer)	:

(b)(i)	Reserved Category	Amount reserved (Rs lakhs)

---

c) Amount Received :

CERTIFIED that the information given above and also in the enclosures are true to the best of our knowledge and no refund orders / allotment letters / certificates are pending for despatch in respect of the issue.

CERTIFIED that shares to be locked in are duly inscribed with the words "Share can not be hypothecated / transferred / sold till .....)

Signed by ...
Registrars to the Issue

Signed by .....
Company

Signed by.....
Lead Merchant Banker(s)

Place:

Date :

Note:

(i) It is the responsibility of Lead Merchant banker(s) to give correct information after verifying it from the company and the Registrar to the issue.

(ii) The lead Merchant Banker shall enclose a certificate from the refund banker that the amount of refund due from the company to investors is deposited in a separate account giving details of the total amount deposited in the account and date of deposit."

	Firm basis	Competitive basis
Mutual funds		
FIS / Banks		
FIIs		
NRIs / OCBs		
Employees		
Others (Please specify)		

(b)(ii) Net public offer :

7(a) Provisional Subscription Details of Net Public offer (including unsubscribed portion of reserved categories

i) Total amount to be collected on application : Rs lakhs

ii) Amount collected on application : Rs lakhs

iii) % subscribed i.e. % of (ii) to (i) : (%)

7(b) Amount subscribed by the reserved categories on competitive basis : Rs. lakhs

8. Please tick mark whether 90% minimum subscription of the amount through offer document is collected.

(i) YES (ii) NO

Signed by....
Registrars to the Issue

Signed by.....
Company

Signed by.....
Lead Merchant Banker(s)

Place: Date:

Note:
This is the responsibility of Lead Merchant banker(s) to give correct information after verifying it from the company and the Registrar to the issue.

PUBLIC ISSUE

SUBSCRIPTION STATUS: (SUBSCRIBED / UNDERSUBSCRIBED)

FINAL POST ISSUE MONITORING REPORT
(RESPONSIBILITY: POST ISSUE LEAD MERCHANT BANKER)

1. Name of the Company :
2. Issue opening date :
3. Actual closing date :
4. 3-Day Report
   Due on :
   Submitted on :
5. No. of Collecting Banks :
   (Also specify no. of Bank Branches)
6. Bank-wise names of branches which did not submit final consolidated certificates within 21days from closure of issue and mention the dates when they actually submitted :
7. Subscription Details
   a) Public Offer (Net) (Including unsubscribed portion of reserved category added back to net public offer)
      1) No. of applications recd. :
      2) No. of instruments applied for :
      3) Amount of subscription received : Rs.
      4) No. of times issue subscribed :
      5) [370](Deleted)
      6) [371](Deleted)
      7) [372](Deleted)
      8) [373](Deleted)

   b) Information relating to reserved categories

Reservations	No. of applications	No. of instruments applied for	Amount subscribed
NRIs			
FIs			

[370] Omitted the following vide SEBI Circular No. SEBI/CFD/DIL/DIP/14/2005/25/1 dated January 25, 2005: *"5)No. of applications accompaniedby stock invests :"*

[371] Omitted the following vide SEBI Circular No. SEBI/CFD/DIL/DIP/14/2005/25/1 dated January 25, 2005: *"6)No. of instruments applied throughstock invest :"*

[372] Omitted the following vide SEBI Circular No. SEBI/CFD/DIL/DIP/14/2005/25/1 dated January 25, 2005: *"7)Amount of subscription received through stock invest : Rs."*

[373] Omitted the following vide SEBI Circular No. SEBI/CFD/DIL/DIP/14/2005/25/1 dated January 25, 2005: *"8)Percentage of subscription through stock invest in total subscription : "*

FIIs
MFs
Employees
Others
(Specify)

8. The firm allottees who did not meet their commitments though mentioned in the prospectus (Please give their names and amount and whether the promoters have subscribed to that amount before opening of the issue).
9. Actual Date of finalisation of Basis of Allotment (enclose copy) :
10. Allotment Details
    - 10.1 No. of successful allottees per 1 lac shares :
    - 10.2 [374](Deleted) :
    - 10.3 [375](Deleted) :
    - 10.4 [376](Deleted)
    - 10.5 No. of unsuccessful allottees :
11. Actual Date(s) of completion of despatch of:
    - (a) Refund Orders :
    - (b) Cancelled stock invests :
    - (c) Certificates/Allotment Letters :
    - (d) Certificate/allotment letter against application by stock Invest :
    - (e) Reasons for delay in despatch, if any :
    - (f) Whether interest paid for delayed period, if so, for which period :
12. If there is a reservation for NRIs, date(s) of completion of despatch of:
    - (a) Refund Orders :
    - (b) [377](Deleted) :
    - (c) Certificate/Allotment Letters :
    - (d) Reasons for delay in despatch, if any :
    - (e) Whether interest paid for delayed period :
    - (f) Date of submission of application to the RBI for approval for despatch of share certificates :
    - (g) Date of approval received from RBI :
13. Amount of refund due : Rs.
14. Refund Banker(s) (Name and Address) :
15. Date of transfer of refund amount to Refund

---

[374] Omitted the following vide SEBI Circular No. SEBI/CFD/DIL/DIP/14/2005/25/1 dated January 25, 2005: *"No. of successful allottees from stock-invest applicants :"*

[375] Omitted the following vide SEBI Circular No. SEBI/CFD/DIL/DIP/14/2005/25/1 dated January 25, 2005: *"No. of instruments allotted to stockinvest applicants :"*

[376] Omitted the following vide SEBI Circular No. SEBI/CFD/DIL/DIP/14/2005/25/1 dated January 25, 2005: *"Percentage of stockinvest allottees in total allottees :"*

[377] Omitted the following vide SEBI Circular No. SEBI/CFD/DIL/DIP/14/2005/25/1 dated January 25, 2005: *"Cancelled Stockinvests".*

	Banker, if any	:
16.	Date of completion of despatch of refund orders/ [378](Deleted)	:
17.	Name of Designated Stock Exchange	:
18.	Names of other stock exchanges where listing is sought	:
19.	Date on which application was filed with each stock exchange for listing of instruments	:
20.	Date when listing and trading permission given by each stock exchange (Enclose copies of permission letters of stock exchanges)	:
21.	Reasons for delay in listing for trading, if any	:

TO BE FILLED UP IN CASE OF UNDERSUBSCRIBED ISSUES ONLY:

1.	If the issue underwritten, mention the amount of issue underwritten	:
2.	Extent of under subscription on the date of closure of the issue	
	a) Percentage	:
	b) Amount	:
3.	Total no. of Underwriters	:
4.	If devolvement notices had not been issued, mention how the shortfall was met	:
5.	No. of Underwriters to whom devolvement notices had been issued	:
6.	Date of Issue of devolvement notices	:
7.	No. of Underwriters who did not pay devolvement (Please give names, amount underwritten and reasons for not paying)	:
8.	In case of default from underwriters, mention how the shortfall was met	:
9.	In case where FIs/ MFs had subscribed to make up shortfall not as underwriter	:
	a) Name of FI/MF	:
	b) No. of Instruments applied for	:
	c) Amount Received	:

CERTIFIED that the information given above and also in the enclosures are true to the best of our knowledge and no refund orders / allotment letters / certificates are pending for despatch in respect of the issue.

CERTIFIED that shares to be locked in are duly inscribed with the words "Share cannot be hypothecated / transferred / sold till .....)

[378] Omitted the following vide SEBI Circular No. SEBI/CFD/DIL/DIP/14/2005/25/1 dated January 25, 2005: *"Cancelled Stockinvests"*.

Signed by ... Signed by .....
Registrars to the Issue Company

Signed by.....
Lead Merchant Banker(s)

Place: Date:

Note:

(i) It is the responsibility of Lead Merchant banker(s) to give correct information after verifying the facts from the company and the Registrar to the issue.

(ii) The lead merchant banker shall enclose a certificate from the refund banker that the amount of refund due from the company to investors is deposited in a separate account giving details of the total amount deposited in the account and date of deposit.

RIGHTS ISSUE

SUBSCRIPTION STATUS: (SUBSCRIBED / UNDERSUBSCRIBED)

3-DAY MONITORING REPORT
(RESPONSIBILITY: POST ISSUE LEAD MERCHANT BANKER)

1.	Name of the Company	:
2.	Issue Opening date	:
3.	Actual closing date	:
4.	Date of filing letter of offer with the Stock Exchange	:
5.	Issue Details (as per the letter of offer)	:
5.1	Basis of offer (Ratio)	:
5.2	Nature of instrument	:(Equity/FCD/PCD/NCD/ Others, etc.)
5.3	Offer price per instrument	:
5.4	Amt. per instrument on application	:
5.5	Issue Size	: Amt. in Rs. lakhs
6.	Record date	:
7.	Provisional Subscription Details of the issue	:
	i) Total Amount to be collected on application	: Rs. lakhs
	ii) Amount collected on application	: Rs. lakhs
	iii) % subscribed i.e. % of (ii) to (i)	: (%)
	ii) Please tick mark whether 90% minimum subscription collected	:
	(i) YES (ii) NO	

Signed by…
Registrars to the Issue

Signed by…
Company

Signed by.....
Lead Merchant Banker(s)

Place: Date:

Note:
It is the responsibility of Lead Merchant banker(s) to give correct information after verifying it from the company and the Registrar to the issue.

RIGHTS ISSUE

SUBSCRIPTION STATUS: (SUBSCRIBED / UNDERSUBSCRIBED)

50-DAY MONITORING REPORT
(RESPONSIBILITY: POST ISSUE LEAD MERCHANT BANKER)

1.	Name of the Company	:	
2.	Issue Opening date	:	
3.	Actual closing date	:	
4.	Issue Details (as per the letter of offer)		
4.1	Basis of offer	:	
4.2	Nature of instrument (Equity/FCD/PCD/NCD, etc.)	:	
4.3	Offer price per instrument	:	
4.4	Amt. per instrument on application	:	
4.5	Issue Size	:	Rs. in lakhs
5.	3 Day Report		
	Due on	:	
	Submitted on	:	
6.	No. of Collecting Banks (Also specify No. of Bank Branches)	:	
7.	Bank-wise names of branches which did not submit final consolidated certificate within 21 days from closure of issue and mention the dates when they actually submitted	:	
8.	Details of Subscription		
	(i) percentage of rights taken up by:		
	a) Promoters	:	
	b) Other Shareholders	:	
	(ii) percentage of rights renounced by:		
	a) Promoters	:	
	b) Others	:	
	(iii) percentage of rights taken by shareholders/ renounces	:	
	(iv) percentage at the disposal of the Board	:	
	(v) Out of the unsubscribed portion as in above, taken by:		
	(a) Promoters	:	
	(b) Others	:	
9.	Promoters shareholdings	:	No. of Shares / Percentage
	(a) Prior to the Issue	:	
	(b) On Expanded Capital after the rights issue:		
10.	Date of finalisation of allotment (enclose copy of the basis of allotment)	:	
11.	(a) Name and Address of Refund Banker	:	
	(b) Amount of refund due	:	

(c) Date of transfer of refund amount to Refund Banker, if any :

12. Actual Date(s) of completion of despatch of:
    (a) Refund Orders :
    (b) Certificate/Allotment Letters :
    (c) Reasons for delay in despatch, if any :
    (d) Whether interest paid for delayed period, if so, for which period :
13. Name of Designated Stock Exchange :
14. Names of other stock exchanges where listing is sought :
15. 42nd day from the date of closure of the issue :
16. Date on which application was filed with each stock exchange for listing of instruments :
17. Date when listing and trading permission given by each stock exchange (Enclose copies of permission letters of stock exchanges) :
18. Reason for delay in listing for trading, if any :

TO BE FILLED UP IN CASE OF UNDERSUBSCRIBED ISSUES ONLY:

1. Extent of under subscription on the date of closure of the issue
    a) Percentage :
    b) Amount :
2. Details of Standby assistance, if any
    a. No. of Underwriters :
    b. No. of Underwriters who did not pay devolvement (Please give names, amount underwritten and reasons for not paying) :
3. In case where FIs/ MFs had subscribed to make up shortfall not as underwriter
    a) Name of FI/MF :
    b) No. of Instruments applied for :
    c) Amount Received :

CERTIFIED that the information given above and also in the enclosures are true to the best of our knowledge and no refund orders / allotment letters / certificates are pending for despatch in respect of the issue.

CERTIFIED that shares to be locked in are duly inscribed with the words "Share can not be hypothecated / transferred / sold till .....)

Signed by ... Signed by.....
Registrars to the Issue Company

Signed by.....
Lead Merchant Banker(s)

Place: Date :

Note:

(i) It is the responsibility of Lead Merchant banker(s) to give correct information after verifying it from the company and the Registrar to the issue.

(ii) The lead Merchant Banker shall enclose a certificate from the refund banker that the amount of refund due from the company to investors is deposited in a separate account giving details of the total amount deposited in the account and date of deposit.

SCHEDULE XVII

[Clause 7.4.1.2(c)]

UNDERWRITING DEVOLVEMENT STATEMENT

NAME OF THE MERCHANT BANKER :

NAME OF THE ISSUER COMPANY :

ISSUE SIZE :

ISSUE-WISE STATEMENT OF NON-ACCEPTANCE OF UNDERWRITING DEVOLVEMENT

Sr. No.	Name of the Underwriter	Amount underwritten	Amount devolved	Date of issue of notice of devolvement, if any	Reasons for not accepting devolvement

[379](SCHEDULE XVIII)

[Clause 7.6.1.1 and Clause 11.3.5(iii)]

ILLUSTRATION EXPLAINING THE PROCEDURE OF ALLOTMENT

1. Total shares on offer@ Rs. 600 per share: 10 crore shares
2. Shares on offer for retail category: 2.5 crore shares
3. The total issue is over subscribed 4 times whereas the retail category is over subscribed 8.25 times

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[379] Substituted vide SEBI Circular No. SEBI/CFD/DIL/DIP/13/2004/28/5 dated May 28, 2004 for the following:

*"**(Clause 7.6.1.1.(c))***

BASIS OF ALLOTMENT PROCEDURE

Size of public offer - 2,00,000 equity shares of Rs.10/- each .

No. of times oversubscribed - 3 times.

Total Number of shares applied for - 6,00,000 equity shares.

Sr. No.	*No. of Shares applied for category (Category-wise)*	*No. of applicants*	*Total No. Of shares applied by each applicant (2x3)*	*Proportionate allocation to each Category (One-third)*	*No. of Shares Allotted Per application by rounding off*	*No. of successful applicants*	*Total No. of shares allotted (6x7)*
(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*	*(7)*	*(8)*
1.	*100*	*1,500*	*1,50,000*	*50,000*	*100*	*500*	*50,000*
				*+9,900**		*+ 99**	*+ 9,900*
2.	*200*	*400*	*80,000*	*26,700*	*100*	*267*	*26,700*
3.	*300*	*300*	*90,000*	*30,000*	*100*	*300*	*30,000*
4.	*400*	*300*	*1,20,000*	*40,000*	*100*	*300*	*30,000*
5.	*500*	*200*	*1,00,000*	*33,300*	*200*	*167#*	*33,400*
				+ 100 #			
6.	*600*	*100*	*60,000*	*20,000*	*200*	*100*	*20,000*
			6,00,000	*2,00,000*			*2,00,000*

Notes:

A) In the above example the number of shares allocable to each category of the applicants have been arrived at in column no. 5 in proportion to the number of times the issue has been oversubscribed.

B) In the case of category number 4, the number of shares actually allotted is less than the number of shares available for allotment in that category on proportionate basis. This surplus has been included in the category 1 i.e. The applicants who had applied for minimum number of shares (after making adjustments for exceptional situations as in (c) below.

C) The adjustment is on account of rounding off the number of successful applicants in category 5 from 166.5 to167.

D) In the case of applicants in categories 1 and 2 who have applied for 100 and 200 shares respectively, the applicants in each of the above categories shall be entitled to 33 and 66 equity shares respectively which have been rounded off to marketable lots of 100 each. As a result the successful applicants shall be getting 100 shares.

In the case of applicants in category 3,4, 5 and 6 they should be respectively entitled to allotment of 100, 133, 166 and 200 equity shares respectively. However, the actual entitlement would be rounded off to 100 shares each for categories 3 and 4 and 200 shares for categories 5 and 6 respectively."

4. Issuer decides to fix the minimum application / bid size as 9 shares (falling within the range of Rs. 5000- 7000). Application can be made for a minimum of 9 shares and in multiples thereof.

Assume three retail investors A, B & C. A has applied for 81 shares. B has applied for 72 shares and C has applied for 45 shares. As per allotment procedure, the allotment to retail individual investors would be on proportionate basis i.e., at 1/8.25th of the total number of shares applied for. The actual entitlement shall be as follows:

Sr. No.	Name of Investor	Total Number of shares applied for	Total number of shares eligible to be allotted (No. of shares applied for / 8.25)
1	A	81	81/8.25 = 9.82 shares rounded off to 10 shares
2	B	72	72/8.25 = 8.73 shares rounded off to 9 shares (i.e. minimum application size).
3	C	45 shares	45/8.25=5.45 shares. Application liable to be rejected. (as the entitlement is less than the minimum application size). However, the successful applicants out of the total applicants shall be determined by drawal of lots.

[380](SCHEDULE XVIIIA)

[Clause 8.6.1(iii)]

ILLUSTRATION EXPLAINING THE MINIMUM APPLICATION SIZE

An issue is being made at a price of Rs.390 per share. In this case, the issuer in consultation with the merchant banker can determine the minimum application lot within the range of 13 – 17 shares (in value terms between Rs.5000- Rs.7000), as detailed hereunder:

Options	I	II	III	IV	V
Lot Size @ Rs.390/- per share	13 shares	14 shares	15 shares	16 shares	17 shares
Application / Bid amount for 1 lots	5070	5469	5850	6240	6630
Application / Bid amount for 2 lots	10140	10920	11700	12480	13260
Application / Bid amount for 4 lots	20280	21840	23400	24960	26520
Application / Bid amount for 8 lots	40560	43680	46800	49920	---
Application / Bid amount for 9 lots	45630	49140	---	---	--

The options given above are only illustrative and not exhaustive.

Where the issuer company in consultation with merchant banker decides to fix the minimum application / bid size as 14 (Option II), necessary disclosures to the effect that the applicant can make an application for 14 shares and in multiples thereof shall be made in the offer document.

[380] Inserted vide SEBI Circular No. SEBI/CFD/DIL/DIP/13/2004/28/5 dated May 28, 2004.

SCHEDULE XIX

(Clause 8.17.2)

FORMAT OF THE REPORT TO BE SUBMITTED BY THE MONITORING AGENCY

NAME OF THE MONITORING AGENCY :

MONITORING REPORT FOR THE HALF YEAR ENDED _____

1. Name of the Company :

2. About the issue whose proceeds to be monitored
   a. Issue date, type of issue(public/rights), type of instrument(Equity/ FCDs, NCDs, PCDs, etc.)
   b. Issue size (Rs. crores)
   c. Amount collected (Rs. crores)

3. Give details of the arrangement made by you to ensure the monitoring of issue proceeds.

4. Project details (to be monitored) :

   a. Name of the project (particulars and location) :

   b. Cost of the project details : (Rs. crores)
   (As mentioned in the offer document)

Item Head	Original Cost	Revised	Remarks

   If, any cost overrun, how it is proposed to be financed.

   c. Progress in the project:

      i) Expenditure incurred during the six months period (Rs. crores)

Item Head	During Six months	Cumulative

      ii) Means of finance raised during six months period (Rs. Crores)

   d. If total cumulative amount raised is more than the expenditure incurred on the project, explain how the surplus funds are utilised/ proposed to be utilised. Give details on investment like instruments, maturity, earnings and other conditions. Indicate name of the party/ company in which amounts have been invested. The following data shall be given separately for investment in group companies and others:

Type of instrument/ Instrument	Amount invested Rs. in lakhs	Maturity date	Earnngs

e. Comments of Monitoring Agency on utilisation of funds.

f. If there is any delay in implementation of the project, the same may be specified the reason thereof and the proposed course of action. (Please give the comparative statement of schedule of various activities as mentioned in the offer document and their actual implementation).

g. Status of Government/ statutory approvals related to the project as disclosed in offer document.

h. Technical assistance/ collaboration (Please mention arrangements contemplated at the time of issue and the progress thereafter)

i. Major deviations from the earlier progress reports.

j. Any favourable/ unfavourable events affecting / improving project viability.

k. Any other relevant information.

Signature
Name:
Designation:

(Name of the Monitoring Agency)

SCHEDULE XIX-A

[[381](Clause 11.3.5 (ii-a))]

ILLUSTRATION REGARDING ALLOTMENT TO QIBs

A. ISSUE DETAILS

Sr. No.	Particulars	Issue details
1	Issue size	200 crores equity shares
2	Allocation to QIB (50%)	100 crores equity shares
	Of which	
	a. Reservation to MF (5%)	5 crores equity shares
	b. Balance for all QIBs including MFs	95 crores equity shares
3	No. of QIB applicants	10
4	No. of shares applied for	500 crores equity shares

B. DETAILS OF QIB BIDS

S. No.	Type of QIB bidders	No. of shares bid for (in crores)
1	A1	50
2	A2	20
3	A3	130
4	A4	50
5	A5	50
6	MF1	40
7	MF2	40
8	MF3	80
9	MF4	20
10	MF5	20
	TOTAL	**500**

A1-A5 (QIB bidders other than MFs)
MF1-MF5 (QIB bidders which are MFs)

[381] Inserted schedule, vide SEBI Circular No. SEBI/CFD/DIL/DIP/16/2005/19/9 dated September 19, 2005.

C. DETAILS OF ALLOTMENT TO QIB BIDDERS/APPLICANTS

(No. of equity shares in crores)

Type of QIB bidders	Shares bid for	Allocation of 5 crores shares to MFs proportionately (See Note 2)	Allocation of balance 95 crores shares to QIBs proportionately (See Note 4)	Aggregate allocation to MFs
(I)	**(II)**	**(III)**	**(IV)**	**(V)**
A1	50	0	9.60	0
A2	20	0	3.84	0
A3	130	0	24.95	0
A4	50	0	9.60	0
A5	50	0	9.60	0
MF1	40	1	7.48	8.48
MF2	40	1	7.48	8.48
MF3	80	2	14.97	16.97
MF4	20	0.5	3.74	4.24
MF5	20	0.5	3.74	4.24
	500	**5**	**95**	**42.42**

Notes:

1. The illustration presumes compliance with the provisions of clause .7.6.1.1 of the guidelines pertaining to minimum allotment.

2. Out of 100 crore equity shares allocated to QIBs, 5 crores (i.e. 5%) will be allocated on proportionate basis among 5 mutual fund applicants who applied for 200 shares in QIB category.

3. The balance 95 crore equity shares [i.e. 100 - 5 (available for MFs)] will be allocated on proportionate basis among 10 QIB applicants who applied for 500 shares (including 5 MF applicants who applied for 200 shares).

4. The figures at Col. No. IV are arrived as under :
   a. For QIBs other than mutual funds (A1 to A5) = No. of shares bid for (i.e Col II) X 95 / 495

   b. For mutual funds (MF1 to MF5) = { (No. of shares bid for (i.e Col II) less shares allotted (i.e., col. III)} X 95/495

   c. The numerator and denominator for arriving at allocation of 95 crore shares to the 10 QIBs are reduced by 5 crore shares, which has already been allotted to mutual funds at Col. No. (III).

SCHEDULE XX

[[382](Clause 11.3.5 (vii))]

CLARIFICATORY EXAMPLES

i. **In case of an issuer making an initial public offer**:

Suppose the post issue capital is Rs. 100 crores. As per the extant guidelines the promoters' contribution shall not be less than 20% of the post issue capital subject to the condition that at least 25% of the post issue capital shall be offered to the public. In case, the promoters bring in only the minimum specified contribution, then Rs. 20 crores shall be allocated to the promoters. In such a scenario, Book Building facility may be for Rs. 80 crores, which is the issue size offered to the public through the prospectus.

Allocation in such a scenario shall be as follows;

Allocation for **individual investors** applying for upto 10 tradeable lots through the syndicate members shall be atleast 15% of the post-issue capital (Rs. 100 crores) i.e., atleast Rs. 15 crores.

Allocation to Institutional investors as well as other investors applying through the syndicate members shall be Rs.65 crores (Rs. 80 crores - Rs. 15 crores).

Allocation to **individual investors** applying not through the syndicate members but during the time when the issue is open would be 10% of the issue size offered to the public through the prospectus (Rs. 80 crores) i.e., Rs. 8 crores.

Due to allocation to **individual investors** applying not through the syndicate members the post issue capital would increase to Rs. 108 crores and therefore the promoters need to bring in extra capital of Rs. 2.4 crores to ensure that their post issue holding (Rs.20 crores + Rs. 2.4 crores = Rs. 22.4 crores) does not fall below the minimum specified percentage (20% of Rs.110.4 crores i.e. Rs. 108 crores + Rs. 2.4 crores).

Allocation to **individual investors** would therefore total at least Rs. 23 crores (Rs.15 crores + Rs. 8 crores).

Similarly, the computation can be worked out for varying levels of promoters' contribution.

The point that needs to be understood is that in case of a company going in for an initial public offer and availing the facility of Book Building, **the allocation to individual investors applying through the syndicate**

[382] Inserted reference clause to the schedule, vide SEBI Circular No. SEBI/CFD/DIL/DIP/14/2005/25/1 dated January 25, 2005.

members shall be with reference to the post issue capital, while the allocation to individual investors applying not through the syndicate members shall be with reference to the issue size offered to the public through the prospectus.

ii. **The allocation process shall be as follows for a listed company**:

Suppose a listed company with a capital of Rs. 50 crores makes a further issue of capital to the public of Rs. 50 crores. As per the guidelines, the promoters have to participate to the extent of 20% of the proposed issue or ensure that his post-issue holding does not fall below 20% of the expanded capital.

In case the promoters participate to the extent of 20% of the proposed issue, then the promoters' contribution shall be Rs. 10 crores. The amount available for Book Building, in such a case, shall be Rs. 40 crores, which is the issue size offered to the public through the prospectus.

Allocation for **individual investors** applying for upto 10 tradeable lots through the syndicate members shall be atleast 15% of the proposed issue size(Rs. 50 crores) i.e. atleast Rs.7.5 crores.

Allocation to Institutional investors as well as other investors applying through the syndicate members shall be Rs.32.5 crores (Rs. 40 crores - Rs. 7.5 crores). [383](Deleted).

Allocation to **individual investors** applying not through the syndicate members but during the time when the issue is open would be 10% of the issue size offered to the public through the prospectus (Rs. 40 crores) i.e., Rs. 4 crores.

Due to allocation to **individual investors** applying not through the syndicate members the capital issued through the present issue would increase to Rs. 54 crores and therefore the promoters need to bring in extra capital of Rs. 1.2 crores to ensure that their post issue holding (Rs.10 crores + Rs. 1.2 crores = Rs. 11.2 crores) does not fall below the minimum specified percentage (20% of Rs. 55.2 crores i.e., Rs. 54 crores + Rs. 1.2 crores).

Allocation to **individual investors** would therefore total at least Rs. 11.5 crores (Rs. 7.5 crores + Rs. 4 crores).

In case of a listed company going in for a further issue of capital and availing the facility of Book Building**, the allocation to individual investors applying through the syndicate members shall be with reference to the proposed**

[383] Omitted the following words, vide SEBI Circular No. SEBI/CFD/DIL/DIP/16/2005/19/9 dated September 19, 2005:
"*Allocation would be determined by the Book Runner(s) in consultation with the Issuer as well as the syndicate members on the basis of prior commitment, quality of investor, earliness of bid, price aggression etc.*"

issue, while the allocation to individual investors applying not through the syndicate members shall be with reference to the issue size offered to the public through the prospectus.

iii. **The allocation process shall be as follows for an unlisted company going in for an offer for sale:**

Suppose an unlisted company with a capital of Rs.100 crores makes an offer for sale. As per the guidelines, the promoters shall ensure that their shareholding after disinvestment shall not be less than 20% of the total issued capital of the company subject to the condition that at least 25% of the total issued capital of the company shall be offered to the public.

In case the promoters' shareholding after disinvestment remains at 20% of the total issued capital, then the promoters' contribution shall be Rs. 20 crores. The amount available for Book Building, in such a case, shall be Rs. 80 crores, which is the issue size offered to the public through the prospectus.

Allocation for **individual investors** applying for upto 10 marketable lots through the syndicate members shall be atleast 15% of the post issue capital(Rs. 100 crores) i.e. atleast Rs. 15 crores.

Allocation to **individual investors** applying not through the syndicate members but during the time when the issue is open would be 10% of the issue size offered to the public through the prospectus (Rs. 80 crores) i.e. Rs. 8 crores.

Allocation to Institutional investors as well as other investors applying through the syndicate members shall be Rs.57 crores (Rs. 80 crores - Rs. 15 crores - Rs. 8 crores). [384](Deleted).

Allocation to **individual investors** would therefore total at least Rs. 23 crores (Rs. 8 crores + Rs. 15 crores).

In case of an unlisted company going in for an offer for sale and availing the facility of Book Building**, the allocations to the individual investors applying through the syndicate members shall be with reference to the post-issue capital, while the allocations to the individual investors not applying through the syndicate members shall be with reference to the issue size offered to the public through the prospectus.**

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[384] Omitted the following words, vide SEBI Circular No. SEBI/CFD/DIL/DIP/16/2005/19/9 dated September 19, 2005:
"Allocation would be determined by the Book Runner(s) in consultation with the Issuer as well as the syndicate members on the basis of quality of investor, earliness of bid, price aggression etc."

[385](SCHEDULE XX-A)

[Clauses 5.6A, 9.1.12 (c) and 9.5]

FORMATS OF ISSUE ADVERTISEMENTS

PART A

SAMPLE FORMAT FOR PRE-ISSUE ADVERTISEMENT FOR PUBLIC ISSUE (FIXED PRICE / BOOKBUILT)

This is only an advertisement for information purposes and not a prospectus announcement.

ABC LTD.

(Incorporated on _____ under the Companies Act as _____ and subsequently renamed _____ on _____)

Registered Office: _____ Tel: _____ Fax _____

Corporate Office:

_____

Tel: _____ Fax: _____ e-mail: _____ Website: _____

THE ISSUE

Public issue of _____ equity shares / debentures (if applicable) of Rs. ____ each at a price of Rs._____ (Floor price or price band or as the case may be for Book built issue) for cash aggregating Rs._____ (appropriate disclosure for Book Built issue)

Disclosure as per Clause 3.7.1(ii)

The Issue is being made through the 100% Book Building Process wherein at least ___% of the Issue shall be allocated on a [386](proportionate) basis to Qualified Institutional Buyers. Further, not less than ___% of the Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and the remaining ____% of the Issue shall be available for allocation on a proportionate basis to Retail Bidders, subject to valid bids being received at or above the Issue Price. ***(The disclosure about details of allocation shall be given in case of Book built issues in these lines)***

PROMOTERS

XXXX

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[385] Inserted schedule vide SEBI Circular No. SEBI/CFD/DIL/DIP/14/2005/25/1 dated January 25, 2005.

[386] Substituted vide SEBI Circular No. SEBI/CFD/DIL/DIP/16/2005/19/9 dated September 19, 2005 for the word *"discretionary"*.

PROPOSED LISTING
Names of Stock Exchanges

[387]**(Disclaimer Clause of SEBI**
SEBI only gives its observations on the offer documents and this does not constitute approval of either the issue or the offer document.)

LEAD MANAGERS / BOOK RUNNING LEAD MANAGERS / CO-BOOK RUNNING LEAD MANAGERS
(as the case may be)
Name, address, telephone and fax numbers, email ID, website address and contact person

COMPLIANCE OFFICER OF ISSUER COMPANY
Name, address, telephone and fax numbers, email ID, website address

CREDIT RATING (only if applicable)
DEBENTURE TRUSTEES (only if applicable)

[388](**IPO GRADING**)

AVAILABILITY OF APPLICATION FORMS
Names of Issuer, Lead Managers, Book runners, Syndicate Members, Brokers and Bankers to the issue (as the case may be) (Addresses optional)

AVAILABILITY OF PROSPECTUS
Investors are advised to refer to the prospectus, and the risk factors contained therein, before applying in the issue. Full copy of the prospectus is available at www.sebi.gov.in and websites of issuer / lead manager/s / Stock Exchange/s at www……

ISSUE / BID OPENS ON :
ISSUE / BID CLOSES ON :

Issued by
Directors of Issuer

[387] Inserted vide SEBI Circular No. SEBI/CFD/DIL/DIP/17/2005/11/11 dated November 11, 2005.

[388] Inserted vide SEBI Circular No. SEBI/CFD/DIL/DIP/25/2007/30/4 dated April 30, 2007.

PART B

SAMPLE FORMAT FOR ISSUE OPENING ADVERTISEMENT FOR PUBLIC ISSUES
(FIXED PRICE / BOOKBUILT)

This is only an advertisement for information purposes and not a prospectus announcement.

ABC LTD.

(Incorporated on _____ under the Companies Act as _____ and subsequently renamed _____ on _____)

Registered Office: _____ Tel: _____ Fax _____

Corporate Office:

_____

Tel: _____ Fax: _____ e-mail: _____ Website: _____

THE ISSUE

Public issue of _____ equity shares / debentures (if applicable) of Rs. ____ each at a price of Rs._____ **(Floor price or price band or as the case may be for Book built issue)** for cash aggregating Rs._____ **(appropriate disclosure for Book Built issue)**

Disclosure as per Clause 3.7.1(ii)

The Issue is being made through the 100% Book Building Process wherein at least ___% of the Issue shall be allocated on a [389](proportionate) basis to Qualified Institutional Buyers. Further, not less than ___% of the Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and the remaining ____% of the Issue shall be available for allocation on a proportionate basis to Retail Bidders, subject to valid bids being received at or above the Issue Price. ***(The disclosure about details of allocation shall be made in case of Book built issues in these lines)***

PROMOTERS

XXXX

PROPOSED LISTING

Names of Stock Exchanges

[390](Disclaimer Clause of SEBI

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[389] Substituted vide SEBI Circular No. SEBI/CFD/DIL/DIP/16/2005/19/9 dated September 19, 2005 for the word *"discretionary"*.

[390] Inserted vide SEBI Circular No. SEBI/CFD/DIL/DIP/17/2005/11/11 dated November 11, 2005.

SEBI only gives its observations on the offer documents and this does not constitute approval of either the issue or the offer document.)

LEAD MANAGERS / BOOK RUNNING LEAD MANAGERS / CO-BOOK RUNNING LEAD MANAGERS (as the case may be)

Name, address, telephone and fax numbers, email ID, website address and contact person

COMPLIANCE OFFICER OF ISSUER COMPANY

Name, address, telephone and fax numbers, email ID, website address

CREDIT RATING (only if applicable)

DEBENTURE TRUSTEES (only if applicable)

[391](**IPO GRADING**)

AVAILABILITY OF APPLICATION FORMS

Names of Issuer, Lead Managers, Book runners, Syndicate Members, Brokers and Bankers to the issue **(as the case may be**) (Addresses optional)

AVAILABILITY OF PROSPECTUS

Investors are advised to refer to the prospectus, and the risk factors contained therein, before applying in the issue. Full copy of the prospectus is available at www.sebi.gov.in and websites of issuer / lead manager/s / Stock Exchange/s at www……

ISSUE / BID OPENS TODAY

Issued by
Directors of Issuer

[391] Inserted vide SEBI Circular No. SEBI/CFD/DIL/DIP/25/2007/30/4 dated April 30, 2007.

PART C

SAMPLE FORMAT FOR ISSUE CLOSING ADVERTISEMENT FOR PUBLIC ISSUES
(FIXED PRICE / BOOKBUILT)

This is only an advertisement for information purposes and not a prospectus announcement.

ABC LTD.

(Incorporated on _____ under the Companies Act as _____ and subsequently renamed _____ on _____)

Registered Office: _____ Tel: _____ Fax _____

Corporate Office:

_____

Tel: _____ Fax: _____ e-mail: _____ Website: _____

THE ISSUE

Public issue of _____ equity shares (if applicable) of Rs. ____ each at a price of Rs._____ **(Floor price or price band or as the case may be for Book built issue)** for cash aggregating Rs._____ **(appropriate disclosure for Book Built issue)**

Disclosure as per Clause 3.7.1(ii)

The Issue is being made through the 100% Book Building Process wherein at least ___% of the Issue shall be allocated on a [392](proportionate) basis to Qualified Institutional Buyers. Further, not less than ___% of the Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and the remaining ____% of the Issue shall be available for allocation on a proportionate basis to Retail Bidders, subject to valid bids being received at or above the Issue Price. (***The disclosure about details of allocation shall be made in case of Book built issues in these lines)***

PROMOTERS

XXXX

PROPOSED LISTING

Names of Stock Exchanges

[393](Disclaimer Clause of SEBI

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[392] Substituted vide SEBI Circular No. SEBI/CFD/DIL/DIP/16/2005/19/9 dated September 19, 2005 for the word *"discretionary"*.

[393] Inserted vide SEBI Circular No. SEBI/CFD/DIL/DIP/17/2005/11/11 dated November 11, 2005.

SEBI only gives its observations on the offer documents and this does not constitute approval of either the issue or the offer document.)

LEAD MANAGERS / BOOK RUNNING LEAD MANAGERS / CO-BOOK RUNNING LEAD MANAGERS (as the case may be)

Name, address, telephone and fax numbers, email ID, website address and contact person

COMPLIANCE OFFICER OF ISSUER COMPANY

Name, address, telephone and fax numbers, email ID, website address

CREDIT RATING (only if applicable)

DEBENTURE TRUSTEES (only if applicable)

[394](**IPO GRADING**)

AVAILABILITY OF APPLICATION FORMS

Names of Issuer, Lead Managers, Book runners, Syndicate Members, Brokers and Bankers to the issue **(as the case may be**) (Addresses optional)

AVAILABILITY OF PROSPECTUS

Investors are advised to refer to the prospectus, and the risk factors contained therein, before applying in the issue. Full copy of the prospectus is available at www.sebi.gov.in and websites of issuer / lead manager/s / Stock Exchange/s at www……

ISSUE / BID CLOSES TODAY

Issued by
Directors of Issuer

****"

[394] Inserted vide SEBI Circular No. SEBI/CFD/DIL/DIP/25/2007/30/4 dated April 30, 2007.

[395](SCHEDULE XXI)

[[396]([Clause 11.3.5 (viii)])]

BOOK BUILDING – MODEL TIME FRAME

After, the final observation from SEBI has been received on the offer document, the minimum number of application forms accompanied with Form 2A and offer document containing the final observations received from SEBI, without mentioning the final price, shall be despatched to the members of the Stock Exchanges. However, the issue opening and closing date shall be mentioned in the application form. A minimum of 200 application forms per active member of the Stock Exchange where the securities of the issuer company are proposed to be listed and 10,000 forms each to other Stock Exchanges shall be despatched. Further, minimum 1000 offer document, containing the final observations received from SEBI , to each Stock exchange where the securities of the issuer company are proposed to be listed and minimum 200 offer document, containing the final observations received from SEBI, each to other Stock Exchanges would also have to be despatched. These shall be despatched subject to the condition that a minimum gap of 14 days is maintained between the receipt of these applications and the issue opening date.

After, the price has been determined on the basis of bidding the statutory public advertisement containing, inter alia, the price as well as a table showing the number of securities and the amount payable by an investor, based on the price determined, shall be issued. The statutory advertisement may be issued before the ROC filing. There shall be a minimum time gap of five (5) days between the statutory public advertisement and the issue opening date. The statutory public advertisement shall be issued for a continuos period of three days in an English National daily with wide circulation, one Hindi National paper and a Regional language newspaper with daily circulation at the place where the registered office of the issuer company is situated."

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395 The following schedule, which was inserted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003 to substitute the then existing schedule, has been deferred vide press release no. PR No.246/2003 dated October 13, 2003:

T	*T+1*	*T+2*	*T+3*	*T+4*	*T+5*	*T+6*
Book Closed	• *Price Determination* • *Determination of offer size*	• *Registrar draws the allocation list* • *All entered bids assumed as valid*	• *Stock Exchanges approve the basis of allocation* • *Final prospectus printed and dispatched* • *CANs sent to QIBs* • *Allocation details electronically communicated by Registrar/ Company to brokers*	• *Pay–in (Only high-value)* • *Bankers to confirm clearance of fund* • *Board Meeting* • *Stock Exchanges to issue the listing and trading permission* • *Company to instruct NSDL/CDSL to credit shares to the demat account of brokers*	• *Brokers account to be credited with shares* • *Broker to credit shares to the demat account of investors*	• *Trading commences*

396 Inserted reference clause to the schedule, vide SEBI Circular No. SEBI/CFD/DIL/DIP/14/2005/25/1 dated January 25, 2005.

[397](SCHEDULE XXIA

[Clause 13A.7.2]

DISCLOSURES IN PLACEMENT DOCUMENT

1. Disclaimer to the effect that the Memorandum relates to an issue made to Qualified Institutional Buyers under Chapter XIIIA and that no offer is being made to the public or any other class of investors.
2. Glossary of Terms/Abbreviations
3. [Financial Statements Contained Herein]
4. Merchant Bankers/Managers to the placement and other advisors
5. Summary of the Offering and Instrument
6. Risk Factors
7. Market Price Information
   Disclose particulars of:-
   a. high, low and average market prices of shares of the company during the preceding three years
   b. monthly high and low prices for the six months preceding the date of filing of theprospectus
   c. number of shares traded on the days when high and low prices were recorded in the relevant stock exchange during period of (i) and (ii) above, and total volume traded on those dates
   d. the stock market data referred to above shall be shown separately for periods marked by a change in capital structure, with such period commencing from the date the concerned stock exchange recognizes the change in the capital structure (e.g., when the shares have become ex-rights or ex-bonus)
   e. the market price immediately after the date on which the resolution of the Board of Directors approving the issue was approved
   f. the volume of securities traded in each month during the six months preceding the date on which the offer document is filed with ROC
   g. Along with high, low and average prices of shares of the company, details relating to volume of business transacted should also be stated for respective periods.

8. Use of proceeds
   a. purpose of the issue;
   b. break-up of the cost of project for which the money is raised through issue;
   c. the means of financing such project; and
   d. proposed deployment status of the proceeds at each stage of the project.

9. Capitalization Statement
10. Dividends
11. Selected Financial and Other Information

[397] Inserted vide SEBI Circular No. SEBI/CFD/DIL/DIP/22/006/8/5 dated May 8, 2006.

The audited consolidated or unconsolidated financial statements prepared in accordance with Indian GAAP shall contain the following:

a. Report of Independent Auditors on the Financial Statements
b. Balance Sheets
c. Statements of Income
d. Schedules to Accounts
e. Statements of Changes in Stockholders' Equity
f. Statements of Cash Flows
g. Statement of Accounting Policies
h. Notes to Financial Statements
i. Statement Relating to Subsidiary Companies (in case of unconsolidated financial statements)

12. Management's Discussion and Analysis of Financial Condition and Results of Operations
13. Industry Description
14. Business Description
15. Organizational Structure and Major Shareholders
16. Board of Directors and Senior Management
17. Taxation Aspects relating to the Instrument
18. Legal Proceedings
19. Accountants
20. General Information
21. Such Other information as is appropriate to enable the investor to make an informed decision.)

SCHEDULE XXII

[Clause 16.1.1(b), 16.2.3.1, 16.2.4.3]

JURISDICTION OF REGIONAL OFFICES/ HEAD OFFICE OF THE BOARD

REGIONAL OFFICE HEAD OFFICE	TERRITORIAL JURISDICTION	ADDRESS OF SEBI OFFICE
NORTHERN REGION	Haryana, Himachal Pradesh, Jammu and Kashmir, Punjab, Rajasthan, Uttar Pradesh, Chandigarh and Delhi.	[398](5th Floor, Bank of Baroda Building, 16, Sansad Marg, New Delhi - 110 001)
EASTERN REGION	Assam, Bihar, Manipur, Meghalaya, Nagaland, Orissa, West Bengal, Arunachal Pradesh, Mizoram & Tripura.	[399](3rd Floor, 16 Camac Street, Kolkata - 700 017.)
SOUTHERN REGION	Andhra Pradesh, Karnataka, Kerala, Tamilnadu and Pondicherry.	3rd Floor, D'monte Building, No. 32, D'monte Colony, TTK Road, Alwarpet, CHENNAI - 18.
HEAD OFFICE	Gujarat, Maharashtra, Madhya Pradesh, Dadra and Nagar Haveli and Goa.	1) Mittal Court, 'B' Wing, 1st Floor, 224 Nariman Point MUMBAI - 21. 2) Earnest House, 14th Floor, Nariman Point, MUMBAI - 21. [400](3) Plot No.C4-A, 'G' Block, Bandra Kurla Complex, Bandra (East), Mumbai – 400051.)

[398] Substituted vide SEBI Circular No. SEBI/CFD/DIL/DIP/25/2007/30/4 dated April 30, 2007 for the following: *"Built-up Space Block No.1, Rajendra Bhavan Rajendra Place, Dist. Centre, NEW DELHI - 8."*

[399] Substituted vide SEBI Circular No. SEBI/CFD/DIL/DIP/25/2007/30/4 dated April 30, 2007 for the following: *FMC, Fortuna, 5th Floor, 234/3A, AJC, Bose Road, CALCUTTA – 47"*

[400] Inserted vide SEBI Circular No. SEBI/CFD/DIL/DIP/25/2007/30/4 dated April 30, 2007.

SCHEDULE XXIII

[Clause 16.1.3 & 16.1.4(c)]

FORMAT FOR SUBMITTING DRAFT AND FINAL OFFER DOCUMENT ON A COMPUTER FLOPPY

1. [401](The soft copes of draft offer documents shall be submitted in both HTML and PDF formats in a floppy placed in a sealed envelope. The Floppy (1.44 MB, write protect mode) should be submitted in a sealed envelope.

2. One floppy shall contain prospectus / letter of offer of a single issue only and in one single file.

3. They must go through the offer documents after conversion into HTML and PDF formats thoroughly to ensure that their internal notings, additions / deletions or corrections do not appear in the final format which is submitted to SEBI. It is to be ensured that the data given in the tables is in systematic order. It is to be understood that merchant bankers are fully responsible for the contents of soft copies of the offer documents.

4. The Merchant Bankers are required to submit an undertaking to SEBI while filing the offer document certifying that the information contained in the floppy is in HTML format and matches exactly with the contents of the hard copy.

5. The floppies containing the soft copy of the offer document should have a sticker duly posted giving the following information:
   The name of merchant banker
   Name of the issuer company
   Issue type (public/rights/offer for sale)
   Signature of the by the person who has signed the due diligence certificate.

6. If the requirements of this circular regarding submission of soft copy of the offer document are not fulfilled, the offer document would not be processed.

7. Merchant Bankers are further advised to confirm to SEBI in writing, within one day of the posting of draft offer document on the website (if the next day is a holiday, on the first working day), that the contents of the draft offer document appearing on the website are in order.

8. The merchant bankers are advised to follow the above procedure explained above in respect of the draft offer document, for the final offer document as well. The sticker mentions at clause (5) above shall contain following additional information:

(a) Date of filing with Registrar of Companies / Stock Exchange
(b) Issue opening date.)

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[401] Substituted vide SEBI Circular No. RMB (Compendium) Series Circular No. 2 (1999-2000) dated February 16, 2000.

[402](SCHEDULE XXIII A)

[[403](Clause 16.1.5 (c))]

INFORMATION TO BE SUBMITTED WITH SOFT COPY OF DRAFT AND FINAL OFFER DOCUMENTS

1.	Soft copy submitted by:	
2.	Content Title:	
3.	Whether the Documents are in HTML Format?	YES/NO
4.	Whether the tabular data in the HTML format are in order?	YES/NO/N.A.
5.	Whether the Sr. Numbers of paragraph/points are in order and matches with the printed copy?	YES/NO/N.A.
6.	Whether the alignments of all paragraphs are in order?	YES/NO
7.	Whether all relevant image files, if any are available in the floppy.	YES/NO/N.A.
8.	Whether the contents of the HTML format and Hard copy of the document have been compared and found to be in order?	YES/NO
9.	Whether the letter of confirmation for the point no.8 has been enclosed?	YES/NO
10.	Whether the spacing between lines and paragraphs is uniform?	YES/NO
11.	Remarks, if any	

Prepared by: Verified by:
Date:

(For office use only)

FOR THE USE OF DIVISION/DEPARTMENT CONCERNED

Date of receipt of floppy RNI
No:_____

Whether the contents of floppy are prima facie in Order : Yes/No.

Secretary Officer Division Chief
Date:

[402] Inserted vide SEBI Circular No. DIP (Compendium) Circular No. 3 dated August 4, 2000.

[403] Substituted vide SEBI Circular No. SEBI/CFD/DIL/DIP/14/2005/25/1 dated January 25, 2005 for *"Clause 16.1.3 and 16 1.4 (c)".*

FOR THE USE OF INFORMATION SYSTEMS DIVISION

Date of receipt of floppy:

Whether the contents of floppy are prima facie in order: YES/NO

Date on which the document is displayed on the SEBI web site:

Secretary Officer Division chief

FOR THE USE OF DEPARTMENT/DIVISION CONCERNED AND ISD

The contents on the net were verified and found to be prima facie in order.

[404](SCHEDULE XXIV)

[404] Substituted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003 for the following:

*"**SCHEDULE XXIV***

[clause 16.2.4.1 (b)]

APPLICATION FORM FOR ISSUE OF NO OBJECTION CERTIFICATE FOR RELEASE OF 1% DEPOSIT PLACED WITH THE REGIONAL STOCK EXCHANGE

(to be submitted to the Board on Issuer Company's Letter Head)

1. *Issue details indicating :*
   a) *Name of the Company*
   b) *Details of Registrars*
   c) *Nature and size*
   d) *Date of closure*
   e) *No. of applications received and amount subscribed*
   f) *No. of times the issue was subscribed*
   g) *First and last date of despatch of original refund orders/cancelled stock-invests*
   h) *First and last date of despatch of allotment letters/certificate*
   i) [404]*(First and last date of sending security certificates to NRIs (Enclose RBI acknowledgement letter. If acknowledgement is not received, date of filing the documents with RBI along with a copy of a letter forwarded to RBI)*
   j) *Mode of despatch of Refund orders/Allotment letters/ Certificates.*
   k) *Total amount transferred to the Refund Acount and balance outstanding as of latest date (Enclosed bank certificate)*
   l) *Name of the Regional Stock Exchange and the amount deposited as 1% deposit.*
2. *A note on the existing complaint redressal system followed by the Company/Registrar to the Issue highlighting*
   a) *Name & address of Compliance officer;*
      a) *Infrastructure*
      b) *Manpower*
      c) *computer back-up*
      d) *level of attention and*
      e) *average time taken in solving the complaints*
3. *Performance in redressal of investor complaints*
   a) *Status of investor complaints as on a recent date against the company in the following format :*

Sr.No.	*Source*	*No. of Complaints*		
		Received	*Resolved*	*Pending*
(i)	*Directly*			
(ii)	*SEBI*			
(iii)	*Stock Exchange*			
(iv)	*Investor Associations*			

   b) *State briefly the nature of complaints indicating the approximate percentage break-up of various types*
   c) *Give reasons for pendency of complaints*
4. *A copy of the letter from the concerned Regional stock exchange directing the company to obtain NOC from the Board.*
5. *A copy of the letter from the respective stock exchanges giving permission for trading in the shares of the issue for which NOC is sought (Give reasons for delay, if any, in listing of securities)*
6. *A Certificate from the concerned Regional stock exchange to the effect that underwriting/brokerage commission as well as Registrars/Lead Managers fees have been duly paid by the company.*
7. [404]*(Certificate from the Registrars countersigned by the post issue lead manager that the certificates to the NRIs have been dispatched)*
8. *Any other information.*

CERTIFIED that the information given above and also in the enclosures are true to the best of our knowledge and no refund orders/allotment letters/certificates are pending for despatch in respect of the issue.

FOR COMPANY *Place :*
(Name & Signature of *Date :*
Authorised Signatory)"

Prior to the above, sub-clause (i) of clause (1) and clause (7) were substituted vide SEBI Circular No. RMB (Compendium) Series Circular No. 1 (2001-2002) dated July 17, 2001.

[Clause 16.2.4.1 (b)]

APPLICATION FORM FOR ISSUE OF NO OBJECTION CERTIFICATE FOR RELEASE OF 1% DEPOSIT PLACED WITH THE DESIGNATED STOCK EXCHANGE

(to be submitted to the Board on Issuer Company's Letter Head)

1. Issue details indicating:
   a) Name of the Company
   b) Details of Registrars
   c) Nature and size
   d) Date of closure
   e) No. of applications received and amount subscribed
   f) No. of times the issue was subscribed
   g) First and last date of despatch of original refund orders/cancelled stock-invests
   h) First and last date of despatch of allotment letters/certificate
   i) First and last date of sending security certificates to NRIs (Enclose RBI acknowledgement letter. If acknowledgement is not received, date of filing the documents with RBI along with a copy of a letter forwarded to RBI
   j) Mode of despatch of Refund orders/Allotment letters/ Certificates.
   k) Total amount transferred to the Refund Acount and balance outstanding as of latest date (Enclosed bank certificate)
   l) Name of the Designated Stock Exchange and the amount deposited as 1% deposit.

2. A note on the existing complaint redressal system followed by the Company/Registrar to the Issue highlighting
   a) Name & address of Compliance officer;
   b) infrastructure
   c) manpower
   d) computer back-up
   e) level of attention and
   f) average time taken in solving the complaints

3. Performance in redressal of investor complaints
   a) Status of investor complaints as on a recent date against the company in the following format:

Sr. No.	Source	No. of Complaints Received	Resolved	Pending
(i)	Directly			
(ii)	SEBI			
(iii)	Stock Exchange			
(iv)	Investor Associations			

b) State briefly the nature of complaints indicating the approximate percentage break-up of various types
c) Give reasons for pendency of complaints.

4. A copy of the letter from the concerned Designated stock exchange directing the company to obtain NOC from the Board.

5. A copy of the letter from the respective stock exchanges giving permission for trading in the shares of the issue for which NOC is sought (Give reasons for delay, if any, in listing of securities)

6. A Certificate from the concerned Designated stock exchange to the effect that underwriting/brokerage commission as well as Registrars/Lead Managers fees have been duly paid by the company.

7. Certificate from the Registrars countersigned by the post issue lead manager that the certificates to the NRIs have been dispatched

8. Any other information.

CERTIFIED that the information given above and also in the enclosures are true to the best of our knowledge and no refund orders/allotment letters/certificates are pending for despatch in respect of the issue.

FOR COMPANY
(Name & Signature of
Authorised Signatory)

Place :
Date :

SCHEDULE XXV

[Clause 16.2.4.5(b)]

PROFORMA FOR SENDING RESPONSES TO SEBI

(i) The proforma in which companies shall send their responses to investor complaints is as specified below.

(ii) **The proforma shall be strictly adhered to, failing which the replies will not be updated.**

Sr. No.	Company Ref. No.	Type/ Category	Name of complainant	Action taken in brief	Date of action	Despatch details Reg. No.

Note:

(a) Action taken in brief should indicate the action taken by the company to resolve the complaint.

(b) Where the company has asked the investor to execute an indemnity bond, the company has to invariably furnish the proof of original despatch of refund orders / certificates / dividends / interest warrants / maturity amounts by giving date of despatch and Registration no.

(c) In cases where further details are sought from the investor like Application No., Folio No., Bank Serial No., etc. and no response is forthcoming from the investor, the company is required to send at least two reminders by UCP over an interval of two months each from the despatch of first letter and intimate SEBI giving proof of postal despatch of such reminder letters along with one specimen copy of the reminders sent.

Sample Example:

Sr. No.	Company Ref. No.	Type/ category	Name of complainant	Action taken in brief	Date of action	Despatch details Reg. No.
1.	95/1/35808/ 01	IA	XYZ	Refund Order No. 2345678	31/12/94	3329
2.	95/1/24678/ 02	IA	ABC	Indemnity format sent Original R/O sent lost in postal transit	5/5/95 12/12/94	2684

3.	94/1/98356/ 09	IA	LMN	Bank Sr. Number asked on -----. Reminder I sent on -------. Reminder II sent on -------. (Specimen enclosed with postal proof)	10/01/95 15/03/95 25/05/95	
4.	94/1/12346/ 09	IIIB	PQR	Shares transferred	06/03/95	34566

SCHEDULE XXVI

[CLAUSE 16.3.1.1(c)]

ADDITIONAL INFORMATION FOR RENEWAL OF REGISTRATION AS MERCHANT BANKER

1.0 **Key personnel**

1.1 Detailed bio-data clearly giving following information for the key personnel who joined merchant banking division after the previous registration.

(a) Name
(b) Qualification
(c) Designation in the applicant company.
(d) Experience Details giving information about: name of the organisation, duration, area of work [including of applicant company, if any].

1.2 A copy of experience certificate from previous employers, copy of Appointment letter, acceptance letter, copy of experience certificates and copy of salary slip in the applicant company.

2.0 **Details of directors**

2.1 If any of the Directors are wholetime directors the same to be indicated.

3.0 **Details of membership of stock exchange**

3.1 If the applicant company / associate company /group company / subsidiary company of these are member of any recognised stock exchange, the following be submitted:

i) A conduct certificate from the concerned stock exchange regarding its functioning as member.

ii) Details regarding payment of fees and also whether the member is facing any charges/disciplinary action or if in past any such action has been taken by the concerned stock exchange/ Board.

iii) NOC from the stock exchange for functioning as a merchant banker (in case applicant company holds a corporate membership)/ Director/ full time employee.

4.0 **Final accounts**

4.1 A Copy of Audited annual accounts (including Auditors report and schedules) as on .... (latest F.Y.)/ as on date of meeting the networth criteria.

5.0 State whether issuer company is registered as Non Banking Finance Company with RBI. If yes, state the place where it is registered and give the registration number and details about any comment of RBI for their inspection for latest three financial years.

6.0 **Declarations to be furnished:** (to be signed by two Directors)

"We hereby declare and undertake as under:

i) That the applicant company, its promoter, director, partner or employee has not at any time been convicted for any offence involving moral turpitude or has been found guilty of any economic offence.

ii) That the applicant company/associate company, its promoters, directors, partners or employees are not involved in any litigation connected with the securities market and there are no charges against them as on date.

iii) That none of the associate, subsidiary, inter-connected or group company of the applicant company has applied or has been granted registration by the board to undertake merchant banking activities.

iv) That the applicant company/associate company, its directors, partners are not facing any charges/ disciplinary action from any stock exchange.

v) That the applicant company, its associates, its director, partner or principal officer is not involved in the securities scam and are not named in the Janakiraman Committee Report/ J P C Report. (If involved, detailed comments may be forwarded).

vi) That all investments indicated in the certified annual accounts are held in the name of the company only." (If not, details of such holdings may be forwarded).

SCHEDULE XXVII

[CL.16.3.2.1 (a)]

FORMAT FOR HALF YEARLY REPORT TO BE SUBMITTED BY MERCHANT BANKERS

(For the period ending September / March 199)

1. Name/Category of registration.

2. SEBI Registration No.

3. Name of the Compliance Officer.

4. Addition / deletion / change in address etc. of branch offices from last submitted report.

5. Change, if any, in constitution of the organisation (private limited, public limited, partnership, merges, acquisition etc.)

6. Change, if any, in directorship details since the last report.

Name	Induction/ retirement/ resignation	Reasons	Effective Qualification Date	Brief Experience (in case of induction)	Share in the company

7. Change in the key management personnel since last report (since grant of registration in case of first report)

Name	Date of App./ Resignation/ Termination	Qualification	Experience

8. Change including addition to/in associate concerns

Name of Co./ firm	Nature of change	Activities Handled	Nature of interest with Merchant Banker

9. New activities undertaken/discontinuation of any existing activities

Activity	When commenced/ discontinued	Object of the new activities/ reasons for discontinuation.

10. Details of all pending litigations involving the merchant banker.

11. Issue management activities (Attach separate sheet if required):

Name of issuer Companies	Type of issue (public/rights/ composite)	Instrument
Offer Amount (Rs. In Lakhs)	Issue Price/ Conversion Price	Issue opening date
Issue Closing date	No. of times oversubscribed	Functional Responsibility
Stock Exchanges where instruments were to be listed	Reasons for delay in listing	First date of trading in respective SEs
Opening trading price at respective SEs	Current market price	Remarks

12. Penalty/warnings given by SEBI, if any.

13. **Underwriting activities**

13.1 Total number of issues underwritten during the period.
13.2 Total amount underwritten during the period (Rs. In lakhs).
13.3 Outstanding underwriting commitment at the close of the period (Rs. in lakhs).
13.4 Details of disputed/devolved cases

Sr. No.	Name of the issuer	Instru-ment	Amount under-written (Rs. in lakhs)	Amount devolved (Rs. in lakhs)	Devolve-ment met yes/no	If not met, the reasons thereof & how dispute was settled	Penalty/ warning if any issued by SEBI

14. **Redressal of Investor Grievances**

14.1 System of redressal of investor grievances (a brief write up).
(i) Number of investor grievances received during the period.
(ii) Nature of grievances.

(iii) Number of grievances resolved.
(iv) Number of grievances pending.
(v) The date of oldest grievance.

15. **Financial information**

Capital Structure	Year ended (Rs in lakhs)	Previous Year ended (Rs. In lakhs)
i) Paid-up capital		
ii) Free reserves		
iii) Secured loan		
iv) Unsecured loan		
v) Others		
TOTAL		
i) Fixed Assets (net block)		
ii) Quoted investment at cost/market price whichever is lower		
iii) Unquoted investment		
iv) Current assets		
v) Misc. exp. not written off		
vi) Others		
TOTAL		

(Please enclose the copy of latest audited financial results alongwith schedules)

16. Changes, if any in major share holding (more than 5%)

Name of the shareholder	Investment/ disinvestment	Percentage of total paid-up capital

17. Name of the major shareholders holding more than 5%.

18. Any capital issue (rights or public) during the period. If yes, details thereof inclusive of status of complaints from investors and their redressal.

19. Indictment or involvement in any economic offence by the merchant banker or their directors or principle officer, if any, during the period.

PLACE:
DATE: AUTHORISED SIGNATORY

[405](SCHEDULE XXVIII)

(Clause 8.3.5)

CONTENTS OF THE ADVERTISEMENT TO BE ISSUED IN TERMS OF CLAUSE 8.3.5.4

1. Name and address of registered office of the company.

2. Details of change of name and/or object clause.

3. Capital structure - Pre and post scheme of amalgamation. This shall provide details of the authorized, issued, subscribed and paid up capital (Number of instruments, description, aggregate nominal value)

4. Shareholding pattern giving details of promoter group shareholding, group companies.

5. Names of ten largest shareholders of the company - number and percentage of shares held by each of them, their interest, if any, in the company.

6. Details of promoters of the company - educational qualifications, experience, address.

7. Business of company and management.

8. Reason for the amalgamation.

9. Financial statement for the previous 3 years prior to the date of listing.

10. Latest audited financial statements along with notes to accounts and any audit qualifications. Change in accounting policies in the last 3 years and their effect on profits and reserves of the company {Financial statements should not be later than 6 months prior to the date of listing}.

11. Details of other group companies including their capital structure and financial statements.

12. Outstanding litigations and defaults of the company, promoters, directors or any of the group companies.

13. Particulars of high, low and average prices of the shares of the listed company during the preceding 3 years.

14. Any material development after the date of the balance sheet.

15. Such other information as may be prescribed by SEBI from time to time.

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[405] Inserted Schedule, vide SEBI Cir. No. RMB (Compendium) Series Cir. No. 1 (2001-2002) dated July 17, '01.

[406](SCHEDULE XXIX)

(Clause 8A)

FINAL REPORT FOR GREEN SHOE OPTION

a.	Name of the company	:
b.	Name of the SA (Registration No.)	:
c.	Issue size (No. of shares)	:
d.	Issue opened on	:
e.	Issue closed on	:
f.	Over-allotment in issue (%)	:
g.	Date of commencement of trading	:
h.	Amount in the GSO Bank Account (Rs..)	:
i.	Details of promoter(s) from whom shares borrowed (Name & Number of shares borrowed)	:
j.	Date on which the stabilisation period ended	:
k.	Number of shares bought during the stabilization period	:
l.	Date on which company allotted further shares to the extent of shortfall	:
m.	Date when the shares in the GSO Demat Account were returned to the promoter(s)	:
n.	Date when the money in the GSO Bank Account was remitted to the company	:
o.	Details of the Depository account (Special account for GSO securities) where shares purchased from the market were kept inter-alia the following: [407](i) Depository Participant [408](ii) Account No. [409](iii) Number of shares purchased, date wise. [410](iv) Number of shares taken out, date wise.	:

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[406] Inserted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003.

[407] Renumbered sub-point *"(p)"* as sub-point *"(i)"*, vide SEBI Circular No. SEBI/CFD/DIL/DIP/14/2005/25/1 dated January 25, 2005.

[408] Renumbered sub-point *"(q)"* as sub-point *"(ii)"*, vide SEBI Circular No. SEBI/CFD/DIL/DIP/14/2005/25/1 dated January 25, 2005.

[409] Renumbered sub-point *"(r)"* as sub-point *"(iii)"*, vide SEBI Circular No. SEBI/CFD/DIL/DIP/14/2005/25/1 dated January 25, 2005.

[410] Renumbered sub-point *"(s)"* as sub-point *"(iv)"*, vide SEBI Circular No. SEBI/CFD/DIL/DIP/15/2005/29/3 dated March 29, 2005.

[411](SCHEDULE XXX)

[Clause 11.3.4.1(xii)]

<NAME OF THE ISSUE> - BID DETAILS

Sr. No.	Category	No. of shares offered / reserved	No of shares bid for	No of times / %age of total meant for the category
1	QIBs			
1 (a)	FIIs			
	Domestic Financial Institutions (Banks / FIs / Insurance Companies etc.)			
1 (b)	Mutual Funds			
1 (c)	Others			
2	Non Institutional Investors			
2 (a)	Corporates			
2 (b)	Individuals (other than RIIs)			
2 (c)	Others			
3	Retail Individual Investors (RIIs)			
3 (a)	Cut off			
3 (b)	Price bids			
4	Reservation categories, if any			
4 (a)	Cut off			
4 (b)	Price bids			

Notes:

1. The graph should have the title "**Graphical display of bids received**".

2. A statement to the effect that the position indicated above is only bids position and does not necessarily convey the subscription to the issue.

3. Statement as to how the multiple bids are accounted for in the data and graph.

4. Time of updation.

5. Additional comments, if any.

[411] Inserted Schedule, vide SEBI Circular No. SEBI/CFD/DIL/DIP/15/2005/29/3 dated March 29, 2005.

Text of Sections I and II of Chapter VI of these Guidelines, prior to substitution made vide SEBI Circular No. SEBI/CFD/DIL/DIP/14/2005/25/1 dated January 25, 2005

"SECTION I - CONTENTS OF THE PROSPECTUS

6.1 The offer document shall contain all material information which shall be true and adequate so as to enable the investors to make informed decision on the investments in the issue.

6.1.1 The offer document shall also contain the information and statements specified in this chapter.

[412](6.1.2 The draft offer document and final offer document shall be approved by the Board of Directors of the issuer company and signed by all the Directors (including the Managing Director), Chief Executive Officer and Chief Financial Officer of the issuer company. They shall also certify that all the disclosures made in the offer document are true and correct.)

6.2 Cover Pages

6.2.1 Front Outer Cover Page

6.2.1.1

a) The front cover page of the prospectus shall be white and no patterns or pictures shall be printed on this page.

b) The cover page paper shall be of adequate thickness (preferably minimum 100 gcm. quality).

6.2.1.2 The front outer cover page of the prospectus shall contain the following details only:

i. The word "Prospectus"

ii. The name of the issuer company and address of the registered office of the company along with telephone fax number and E.mail address.

iii. The nature, number, price and amount of the instruments offered.

Iv

(a)[413] (The 'Risks in relation to the first issue' (wherever applicable) shall be incorporated in a box format in case of a initial public issue:
"This being the first issue of the company, there has been no formal market for the securities of the company. ***The face value of the shares is (-----) and the issue price is 'X-times' of the face value.*** *The issue price (has been determined and justified by the Lead Merchant Banker and the issuer company as stated under Justification of Premium paragraph - in case of premium issue) should not be taken to be indicative of the market price of the equity shares after the shares are listed. No assurance can be given regarding an active or sustained trading in the shares of the company nor regarding the price at which the equity shares will be traded after listing.")*

b) In case of issue proposed to be listed on the Over the Counter Exchange of India and / or where market maker has been appointed, the concluding sentence of the above risk factor shall read as under:
"No assurance can be given regarding the price at which the equity shares of the company will be traded after listing."

v The following general risk shall be incorporated:
"Investment in equity and equity related securities involve a degree of risk and investors should not invest any funds in this offer unless they can afford to take the risk of losing their investment. Investors are advised to read the risk factors carefully before taking an investment decision in this offering. For taking an investment decision, investors must rely on their own examination of the issuer and the offer including the risks involved. The securities have not been recommended or approved by Securities and Exchange Board of India (SEBI) nor does SEBI guarantee the accuracy or adequacy of this document."
Specific attention of investors shall be invited to the summarised and detailed statement of Risk Factors by indicating their page number(s) in the 'General Risks'.

vi 'Issuer's Absolute Responsibility' clause shall be incorporated as under :
"The issuer, having made all reasonable inquiries, accepts responsibility for and confirms that this offer document contains all information with regard to the issuer and the issue, which is material in the context of the issue, that the information contained in the offer document is true and correct in all

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[412] Inserted vide SEBI Circular No. RMB (Compendium) series 2003-04 circular no.9 dated May 2, 2003.

[413] Substituted vide SEBI Circular No. SEBI/CFD/DIL/DIP/13/2004/28/5 dated May 28, 2004 for the following:
"The 'Risks in relation to the first issue' (wherever applicable) shall be incorporated in a box format in case of a initial public issue:
"This being the first issue of the company, there has been no formal market for the securities of the company. The issue price (has been determined and justified by the Lead Merchant Banker and the issuer company as stated under Justification of Premium paragraph - in case of premium issue) should not be taken to be indicative of the market price of the equity shares after the shares are listed. No assurance can be given regarding an active or sustained trading in the shares of the company nor regarding the price at which the equity shares will be traded after listing."

material aspects and is not misleading in any material respect, that the opinions and intentions expressed herein are honestly held and that there are no other facts, the omission of which make this document as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect."

vii.

a) The name and address of only of the Lead Merchant Banker who files the offer document with Board along with its telephone, fax number and E.mail address shall appear on the front outer cover page.

b) The names of the other Lead Merchant Bankers, Co-Managers, etc. may be mentioned on the back cover page.

c)[414] *(If more than one merchant banker are associated with the issue, the inter-se allocation of responsibility of each Merchant Banker as demarcated and submitted to the Board in terms of clause 5.3.2, shall be disclosed in the offer document)*

viii. The name and address of the Registrar to the issue along with the telephone number and fax number.

ix. Issue Opening Date

x. Credit Rating, if applicable

xi. Name/s of stock exchanges where listing of the securities is proposed [415] *(and the details of in-principle approval for listing obtained from these stock exchanges.)*

6.2.2 Front Inside Cover Page

6.2.2.1 Index shall appear on the Front Inside Cover Page.

6.2.3 Inner Cover Pages

6.2.3.1 The other risk factors shall be printed in clear readable font (preferably of minimum point 10 size) starting on the first inner cover page to be numbered page i (and, if need be, shall continue on subsequent pages ii, iii, etc. as distinct from the page number of the offer document proper which would run as 1, 2, 3, etc.) in addition to appearing in the Part I of the Prospectus.

6.2.3.2

[416] *(i. The Risk factors shall be classified as those which are specific to the project and internal to the issuer company and those which are external and beyond the control of the issuer company.*

ii. The Risk factor shall be determined on the basis of their materiality.

iii Materiality shall be decided taking the following factors into account

- *a. Some events may not be material individually but may be found material collectively.*
- *b. Some events may have material impact qualitatively instead of quantitatively.*
- *c. Some events may not be material at present but may be having material impacts in future.*

iv. The Risk factors shall appear in the Offer Document in the following manner:

- *a. Risks envisaged by Management*
- *b. Proposals, if any, to address the risks.)*

6.2.4 ***Back Cover Pages***

6.2.4.1 Back Inside Cover Page and Back Outside Cover Page shall be in white.

6.2.4.2 Any 'notes' required to be given prominence shall appear immediately after the Risk Factors wherever they appear.

PART I

6.3 General Information

6.3.1 Name and address of registered office of the issuer company.

6.3.2 Letter of intent / industrial license and declaration of the Central Govt./RBI about non-responsibility for financial soundness or correctness of statements.

6.3.3 Disclaimer Clause

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[414] *Inserted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003.*

[415] *Inserted vide SEBI Circular No. DIP (Compendium) Circular No. 3 dated August 04, 2000.*

[416] *Substituted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003 for the following:*
"The risk factors shall be classified as those which are specific to the project and internal to the issuer company and those which are external and beyond the control of the issuer company. Management perception of the internal and external risk factors shall be given immediately after each of the risk factors and not as a separate heading under management perception."

6.3.3.1 A prospectus shall contain the following disclaimer clause in bold capital letters:

i) "It is to be distinctly understood that submission of offer document to SEBI should not in any way be deemed or construed that the same has been cleared or approved by SEBI. SEBI does not take any responsibility either for the financial soundness of any scheme or the project for which the issue is proposed to be made or for the correctness of the statements made or opinions expressed in the offer document. Lead Merchant Banker, _____ has certified that the disclosures made in the offer document are generally adequate and are in conformity with SEBI (Disclosures and Investor Protection) Guidelines in force for the time being. This requirement is to facilitate investors to take an informed decision for making investment in the proposed issue.

It should also be clearly understood that while the Issuer Company is primarily responsible for the correctness, adequacy and disclosure of all relevant information in the offer document, the Lead Merchant Banker is expected to exercise Due Diligence to ensure that the Company discharges its responsibility adequately in this behalf and towards this purpose, the Lead Merchant Banker _____ has furnished to SEBI a Due Diligence Certificate dated _____ in accordance with SEBI (Merchant Bankers) Regulations 1992 which reads as follows :

i.) We have examined various documents including those relating to litigation like commercial disputes, patent disputes, disputes with collaborators etc. and other materials in connection with the finalisation of the offer document pertaining to the said issue;

ii.) On the basis of such examination and the discussions with the Company, its Directors and other officers, other agencies, independent verification of the statements concerning the objects of the issue, projected profitability, price justification and the contents of the documents mentioned in the Annexure and other papers furnished by the company.

WE CONFIRM that :

(a) the offer document forwarded to SEBI is in conformity with the documents, materials and paper relevant to the issue;

(b) all the legal requirements connected with the said issue, as also the guidelines, instructions, etc. issued by SEBI, the Government and any other competent authority in this behalf have been duly complied with; and

(c) the disclosures made in the offer document are true, fair and adequate to enable the investors to make a well informed decision as to the investment in the proposed issue.

(d) We confirm that beside ourselves, all the intermediaries named in the prospectus are registered with SEBI and till date such registration is valid.

(e) We have satisfied ourselves about the worth of the underwriters to fulfill their underwriting commitments.

The filing of offer document does not, however, absolve the company from any liabilities under section 63 or 68 of the Companies Act, 1956 or from the requirement of obtaining such statutory or other clearances as may be required for the purpose of the proposed issue. SEBI, further reserves the right to take up, at any point of time, with the lead merchant banker(s) any irregularities or lapses in offer document."

6.3.4 Disclaimer Statement from the Issuer

6.3.4.1 A statement to the effect that the issuer accepts no responsibility for statements made otherwise than in the prospectus or in the advertisement or any other material issued by or at the instance of the issuer and that anyone placing reliance on any other source of information would be doing so at his own risk should be incorporated .

6.3.5 Filing of offer document with the Board and RoC

a) Under this head, the office of the Board where the offer document has been filed shall be mentioned.

b) The RoC where copy of the offer document, having attached thereto the Material Contracts and Documents referred to elsewhere in the offer document, has been filed shall also be mentioned.

6.3.6 [417](Names of the Designated stock exchange and other exchanges where application has been made for listing of the present issue shall be mentioned.)

6.3.7 *Provisions of sub-section (1) of section 68A of the Companies Act, relating to punishment for fictitious applications, shall be mentioned.*

6.3.8 Minimum Subscription Clause

Following statements shall appear:

6.3.8.1 For Non-underwritten Public Issues

" If the company does not receive the minimum subscription of 90% of the issued amount on the date of closure of the issue, or if the subscription level falls below 90% after the closure of issue on account of cheques having being returned unpaid or withdrawal of applications, the company shall forthwith refund

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417 *Substituted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003 for the following:*
"Names of regional stock exchange and other stock exchanges where application made for listing of present issue, shall be mentioned."

the entire subscription amount received. If there is a delay beyond 8 days after the company becomes liable to pay the amount, the company shall pay interest as per Section 73 of the Companies Act 1956."

6.3.8.2 For Underwritten Public Issues

"If the company does not receive the minimum subscription of 90% of the net offer to public including devolvement of Underwriters within 60 days from the date of closure of the issue, the company shall forthwith refund the entire subscription amount received. If there is a delay beyond 8 days after the company becomes liable to pay the amount, the company shall pay interest prescribed under Section 73 of the Companies Act 1956."

6.3.8.3 For Composite Issues

i. *The Lead Merchant Banker shall ensure that the requirement of "minimum subscription" is satisfied both jointly and severally, i.e., independently for both rights and public issues.*

ii. *If the company does not receive the minimum subscription in either of the issues the company shall refund the entire subscription received.*

6.3.8.4 Offer for sale

6.3.8.4.1 The requirement of minimum subscription shall not be applicable to offer for sale.

6.3.8.5 Public issues by infrastructure companies

The requirement of minimum subscription shall not be applicable to an eligible infrastructure company, provided disclosures regarding the alternate source of funding is made in the offer documents.

6.3.9 *Declaration about the issue of allotment letters or refunds within a period of 10 weeks and interest in case of any delay in refund at the prescribed rate under section 73(2) / 73(2A) of the Companies Act, shall be mentioned.*

6.3.10 Issue Schedule

(a) Date of opening of the issue
(b) Date of closing of the issue
(c) Date of earliest closing of the issue

6.3.11 Intermediaries and auditors

a. Name and address of auditors and lead managers.
b. Name and address of registrars to the issue.
c. Name and address of trustee under debenture trust deed (in case of debenture issue)

6.3.12 Credit Rating

a. The credit rating obtained from a credit rating agency for the proposed issue of debt security including convertible instruments.
b. If the rating has been obtained from more than one credit rating agencies, disclosures shall be made of all ratings including unaccepted rating.
c. All the credit ratings obtained during the previous three years before filing of the offer document for any of its listed debt-securities at the time of accessing the market through a rated debt-security shall be disclosed.

6.3.13 Underwriting of the issue

a. Names and addresses of the underwriters and the amount underwritten by them
b. Declaration by board of directors of the issuer company that the underwriters have sufficient resources to discharge their respective obligations.

6.3.14 Compliance Officer

a. The name, address telephone number, fax and E.mail number and address of Compliance Officer.
b. The investor's attention shall also be invited to contact the compliance officer in case of any pre-issue / post-issue related problems such as non-receipt of letters of allotment / share certificates / refund orders / cancelled stockinvests, etc.

6.4 Capital Structure of the company

6.4.1 The lead merchant banker shall present the capital structure in the following manner:
a. Authorised issued subscribed and paid up capital (Number of instruments, description, aggregate nominal value)
b. Size of present issue giving separately promoters contribution, firm allotment / reservation for specified categories and net offer to public. (Number of instruments, description, aggregate nominal value and issue amount shall be given in that order, Name(s) of group companies to be given, in case, reservation has been made for shareholders of the group companies)
c. Paid-up Capital
i. after the issue
ii. after conversion of securities (if-applicable)

d. Share Premium Account (before and after the issue)

6.4.2 Notes to Capital Structure

After the details of capital structure, the following notes shall be incorporated:-

a. Note relating to promoters' contribution and lock-in period stating date of allotment, date when made fully paid up, Nature of allotment (rights, bonus, etc.), number of securities, face value of securities, issue price of securities, percentage of promoters contribution to total issued capital and the date up to which the securities are locked-in.

*b. An illustrative format of promoters contribution and lock-in is specified in **Schedule VIII.***

(i) percentage of contribution by the promoters whose name figured in the prospectus as promoters in the paragraph on "Promoters and their background" and the date up to which the securities are locked-in.

*(ii) An illustrative format of promoters contribution whose name figures in prospectus is specified in **Schedule IX**.*

c. statement that promoters contribution has been brought in not less than the specified minimum lot and from persons defined as promoters under the Guidelines.

d. Statement that the promoters undertake to accept full conversion, if the promoters contribution is in terms of the same optionally convertible security as is being offered to the public.

e. Details of all "buy-back" and `stand by' and similar arrangements for purchase of securities by promoters, directors and lead merchant bankers shall be disclosed.

f. An over-subscription to the extent of 10% of the net offer to public can be retained for the purpose of rounding off to the nearer multiple of 100 while finalising the allotment

g. A disclosure to the effect that the securities offered through this public/ rights issue shall be made fully paid up or may be forfeited within 12 months from the date of allotment of securities in the manner specified in clause 8.6.2.

h. A note stating that;-

(i) unsubscribed portion in any reserved category may be added to any other reserved category.

(ii) The unsubscribed portion, if any, after such inter se adjustments amongst the reserved categories shall be added back to the net offer to the public.

i. In case of under-subscription in the net offer to the public portion spillover to the extent of undersubscription shall be permitted from the reserved category to the net public offer portion.

j. Following details regarding major shareholders:-

(i) names of the ten largest shareholders as on the date of filing of the prospectus with the registrar of Companies;

(ii) number of shares held by shareholders at (i) above including number of shares which they would be entitled to upon exercise of warrant, option, rights to convert a debenture, loan or other instrument;

(iii) particulars as in (i) and (ii) above as on a date two years prior to the date of filing the prospectus with the Registrar of Company, -

(iv) Particulars as in (i) and (ii) above as on a date 10 days prior to the date of filing of the prospectus with the Registrar of the Company;

(v) if the issuer company has made an initial public offering within the immediately preceding two years, the above information shall be given separately indicating the names of persons who acquired shares by subscriptions to the public issue and those who acquired the shares by allotment on a firm basis or by private placement.

k. The details of:-

(i) the aggregate shareholding of the Promoters group and of the directors of the Promoters, where the promoter is a company;

(ii) aggregate number of securities purchased or sold by the Promoters Group and the directors of the promoter during a period of six months preceding the date on which the draft prospectus is filed with Board and to be updated by incorporating the information in this regard till the time of filing the prospectus with the Registrar of the Company;

(iii) the maximum and minimum price at which purchases and sales referred to in (ii) above were made along with the relevant dates.

l. In the event of it not being possible to obtain information regarding sales and purchase of securities by any relative of the promoters, a statement to that effect shall be made in the prospectus on the basis of the transfers recorded in the books of the company.

Explanation I

For the purpose of sub-clauses (i) to (iii) of clause k above, the term 'promoter' shall include -

a) the person or persons who are in over-all control of the company.

b) the person or persons who are instrumental in the formulation of a plan or programme pursuant to which the securities are offered to the public;

c) the persons or persons named in the prospectus as promoters(s) :

***Provided that** a director / officer of the issuer company or person, if they are acting as such merely in their professional capacity shall not be included in the Explanation.*

Explanation II

'Promoter Group' shall include-

a) the promoter,

b) an immediate relative of the promoter (i.e. any spouse of that person, or any parent, brother, sister or child of the person or of the spouse);and

c) in case promoter is a company-

(i) a subsidiary or holding company of that company;
(ii) any company in which the promoter holds 10% or more of the equity capital or which holds 10% or more of the equity capital of the Promoter;
(iii) any company in which a group of individuals or companies or combinations thereof who holds 20% or more of the equity capital in that company also holds 20% or more of the equity capital of the issuer company; and
d) in case the promoter is an individual,-
i) any company in which 10% or more of the share capital is held by the promoter or an immediate relative of the promoter' or a firm or HUF in which the 'Promoter' or any one or more of his immediate relative is a member;
ii) any company in which a company specified in (i) above, holds 10% or more, of the share capital;
iii) any HUF or firm in which the aggregate share of the promoter and his immediate relatives is equal to or more than 10% of the total, and
e) all persons whose shareholding is aggregated for the purpose of disclosing in the prospectus "shareholding of the promoter group".

***Explanation III** - The Financial Institution, Scheduled Banks, Foreign Institutional Investors (FIIs) and Mutual Funds shall not be deemed to be a promoter or promoter group merely by virtue of the fact that 10% or more of the equity of the issuer company is held by such institution.*
Provided that the Financial Institutions, Scheduled banks, Foreign Institutional Investors, shall be treated as promoters or promoter group for the subsidiaries or companies promoted by them or for the mutual fund sponsored by them.

6.5 Terms of the present issue

6.5.1 Terms of payments

6.5.1.1 The caption "Interest in Case of Delay in Despatch of Allotment Letters/ Refund Orders in Case of Public Issues" shall appear and shall contain the following statement:
"The company agrees that as far as possible allotment of securities offered to the public shall be made within 30 days of the closure of public issue. The company further agrees that it shall pay interest @15% per annum if the allotment letters / refund orders have not been despatched to the applicants within 30 days from the date of the closure of the issue. However applications received after the closure of issue in fulfillment of underwriting obligations to meet the minimum subscription requirement, shall not be entitled for the said interest."

6.5.2 Arrangements for Disposal of Odd Lots
6.5.2.1
a) Any arrangements made by the issuer company for providing liquidity for and consolidation of the shares held in odd lots, particularly when such odd lots arise on account of issues by way of rights, bonus, conversion of debentures/warrants etc., shall be intimated to the shareholders/investors.
b) The company is free to make arrangements for providing liquidity in respect of odd lot shares through any investment or finance company, broking firms or through any other agency and the particulars of such arrangement, if any, may be disclosed in the offer documents related to the concerned issue of capital.

6.5.2.2 Lead Merchant Banker shall ascertain whether the companies coming for fresh issue of capital propose to set up trusts in order to provide service to the investors in the matter of disposal of odd lot shares of the company held by them and if so, disclosures relating to setting up and operation of the trust shall be contained in the offer document.

6.5.2.3Whenever any issue results in issue of shares in odd lots, the issuer company, shall as far as possible issue certificates in the denomination of 1-2-5-10-20-50 shares.

***6.5.3** Rights of the instrument holders*

6.5.4 How to apply - availability of forms, prospectus and mode of payment

6.5.4.1Applications by mutual funds
a. Lead Merchant Bankers shall clearly incorporate necessary disclosures under the heads "Procedure for applications by mutual funds" and "Multiple Applications"to indicate that a separate application can be made in respect of each scheme of an Indian mutual fund registered with the Board and that such applications shall not be treated as multiple applications.
b. The applications made by the AMCs or custodians of a Mutual Fund shall clearly indicate the name of the concerned scheme for which application is being made.

6.5.4.2 Applications by NRIs

6.5.4.2.1 The Lead merchant banker shall ensure the following disclosures:

a. *the name and address of at least one place in India from where individual NRI applicants can obtain the application forms.*
b. *"NRI applicants may please note that only such applications as are accompanied by payment in free foreign exchange shall be considered for allotment under the reserved category. The NRIs who intend to make payment through Non-Resident Ordinary (NRO) accounts shall use the form meant for Resident Indians and shall not use the forms meant for reserved category."*

6.5.4.3 Disclosures about Stock invests

a. *The disclosures regarding manner of obtaining and mode of drawing stockinvests, non-utilisation of stockinvests by third party, time period for utilisation of stockinvests by the purchasers and disposal of applications accompanied by stock invest as specified by RBI shall be incorporated at the appropriate places in the offer document.*
b. *Name of the bank through which the stockinvests shall be realised, shall be given in the prospectus.*
c. *The following paragraph shall be incorporated at the appropriate places in the prospectus.*
"Registrars to the Issue have been authorised by the company (through resolution of the Board passed on _____) to sign on behalf of the company to realise the proceeds of the Stockinvest from the issuing bank or to affix non allotment advice on the instrument or cancel the Stockinvest of the non allottees or partially successful allotees who have enclosed more than one stockinvest. Such cancelled stockinvest shall be sent back by the Registrars directly to the investors."

6.5.5 Despatch of Refund Orders

6.5.5.1 The following clause shall be incorporated in the prospectus:
"The company shall ensure despatch of refund orders of value over Rs.1500/- and share/debenture certificates by Registered Post only and adequate funds for the purpose shall be made available to the Registrars by the issuer company ".

6.5.6 Undertaking by the Issuer Company.

6.5.6.1 The following undertaking by the issuer company shall be incorporated in the offer document :
a. *that the complaints received in respect of the Issue shall be attended to by the issuer company expeditiously and satisfactorily;*
b. [418]*(that all steps for completion of the necessary formalities for listing and commencement of trading at all stock exchanges where the securities are to be listed are taken within 7 working days of finalisation of basis of allotment.)*
c. *that the issuer company shall apply in advance for the listing of equities on the conversion of Debentures / Bonds;*
d. *that the funds required for despatch of refund orders/allotment letters/ certificates by registered post shall be made available to the Registrar to the Issue by the issuer company;*
e. *that the promoters' contribution in full, wherever required, shall be brought in advance before the Issue opens for public subscription and the balance, if any, shall be brought in pro rata basis before the calls are made on public;*
f. *that the certificates of the securities/refund orders to the non-resident Indians shall be despatched within specified time.*
g. *that no further issue of securities shall be made till the securities offered through this offer document are listed or till the application moneys are refunded on account of non-listing, undersubscription, etc.*
h. *that necessary cooperation with the credit rating agency(ies) shall be extended in providing true and adequate information till the debt obligations in respect of the instrument are outstanding.*

6.5.6.2[419]*(In case of a debenture issue, the company shall also give undertakings to the following effect in the offer document:*
- i. *That the company shall forward the details of utilization of the funds raised through the debentures duly certified by the statutory auditors of the company, to the debenture trustees at the end of each half-year.*
- ii. *That the company shall disclose the complete name and address of the debenture trustee in the annual report.*
- iii. *That the company shall provide a compliance certificate to the debenture holders (on yearly basis) in respect of compliance with the terms and conditions of issue of debentures as contained in the offer document, duly certified by the debenture trustee.*
- iv *That the company shall furnish a confirmation certificate that the security created by the company in favour of the debenture holders is properly maintained and is adequate enough to meet the payment obligations towards the debenture holders in the event of default.)*

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[418] *Substituted vide SEBI Circular No. DIP (Compendium) Circular No. 3 dated August 04, 2000 for the following: "that the issuer company shall take necessary steps for the purpose of getting the securities listed in the concerned stock exchange within the specified time;"*

[419] *Inserted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003.*

6.5.7 Utilisation of Issue Proceeds

6.5.7.1 A statement by the Board of Directors of issuer company to the effect that–

a. all monies received out of issue of shares or debentures to public shall be transferred to separate bank account other than the bank account referred to in sub-section (3) of section 73;

b. details of all monies utilised out of the issue referred to in sub-item(i) shall be disclosed under an appropriate separate head in the balance-sheet of the company indicating the purpose for which such monies had been utilised; and

c. details of all unutilised monies out of the issue of shares or debentures, if any, referred to in sub-item(i) shall be disclosed under an appropriate separate head in the balance-sheet of the company indicating the form in which such unutilised monies have been invested.

[420]*(6.5.7.2 - The offer document shall contain a statement of the Board of Directors of the issuer company to the effect that –*

i. the utilisation of monies received under promoters' contribution and from firm allotments and reservations shall be disclosed under an appropriate head in the balance sheet of the company indicating the purpose for which such monies have been utilised.

ii. the details of all unutilised monies out of the funds received under promoters' contribution and from firm allotments and reservations shall be disclosed under a separate head in the balance sheet of the company indicating the form in which such unutilised monies have been invested).

6.5.8 *Any special tax benefits for company and its shareholders.*

6.6 Particulars of the issue

6.6.1

[421]*(6.6.1.1* ***Objects***

6.6.1.2 Whether the company proposes to raise funds for a purpose like fixed asset creation and/or for rotation such as working capital etc shall be disclosed clearly in the offer document

6.6.1.3. Where the company proposes to raise funds for a purpose like fixed asset creation, the requirement of funds shall also be disclosed clearly.)

Objects

6.6.2 Project Cost

a. Where the company proposes to undertake more than one activity i.e diversification, modernisation, expansion etc. the total project cost shall be given activity- wise.

b. Where the company is implementing the project in a phased manner, the cost of each phase including the phase, if any, which has already been implemented shall be separately given.

c. The total project cost shall reflect the cost involved in each of the projects mentioned under the section on "Objects of the issue".

6.6.3 [422]***(Means of financing.***

a. An undertaking shall be given in the offer document by the issuer company confirming firm arrangements of finance through verifiable means towards 75% of the stated means of finance, excluding the amount to be raised through proposed Public/Rights issue, have been made."

b.. The balance portion of the 'Means of Finance' for which no firm arrangement has been made shall be mentioned without specification.)

6.6.4 Appraisal

6.6.4.1

(a) The scope and purpose of the appraisal along with the date of appraisal shall be disclosed in the offer document.

(b) The offer document shall contain the cost of the project and means of finance as per the appraisal report.

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[420] *Inserted vide SEBI Circular No. DIP (Compendium) Circular No. 3 dated August 04, 2000.*

[421] *Substituted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003 for "**Objects"**.*

[422] *Substituted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003 for "**Means of financing."***

(c) The weaknesses and threats, if any, given in the appraisal report, shall be disclosed in the offer document by way of risk factors.

6.6.5 Deployment of funds in the project

a. Actual expenditure incurred on the project (in cases of companies raising capital for a project) upto a date not earlier than 2 months from the date of filing the prospectus with Registrar of Companies.
b. Means and source of financing including details of "bridge loan" or other financial arrangement, which may be repaid from the proceeds of the issue.
c. Year wise break up of the expenditure proposed to be incurred on the said project.
d. Investment avenues in which the management proposes to deploy issue proceeds pending its utilisation in the proposed project.

6.6.6 *Name of monitoring agency, if applicable, to be disclosed.*

6.7 Company, Management and Project

6.7.1 History and main objects and present business of the company

6.7.2 Subsidiary(ies) of the company, if any

6.7.3 Promoters and their Background

a [423]((i)A complete profile of the promoters including their age, educational qualifications, experience in the business or employment and in the line of business proposed in the offer document , their business and financial activities, photograph, Voter ID Number, Driving License Number shall be disclosed.
(ii) A disclosure, confirming that the Permanent Account Number, Bank Account Number and Passport Number of the promoters have been submitted to the Stock Exchanges on which securities are proposed to be listed, at the time of filing the draft offer document to them)

b In case, the promoters are companies, history of the companies and the promoters of the companies shall be furnished.
c Details in change of management of the companies if any, including details of the persons who are holding the controlling interest together with the applicability and compliance of Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997.)

6.7.4 Key Managerial Personnel
a. A paragraph on the key managerial personnel shall be incorporated giving full details of the personnel recruited as on the date of filing of the offer document with the Board indicating name, date of joining, qualification, details of previous employment etc.
b. The Lead Merchant Banker shall verify and ensure that the persons whose name appear in this para are in the employment of the company as permanent employees."
c. Any change otherwise than by way of retirement in the normal course in the key senior managerial personnel particularly in charge of production, planning, finance and marketing within one year prior to the date of filing the offer document with the Board shall be disclosed.

6.7.5 Names, address and occupation of manager, managing director, and other directors (including nominee-directors, whole-time directors (giving their directorships in other companies)

6.7.6 Location of the Project

6.7.7 Plant and machinery , technology, process, etc.
a. Details in a tabular form to be given shall include the machines required to be bought by the company, cost of the machines, name of the suppliers, the date of placement of order and the date / expected date of supply.
b. In case of machines yet to be delivered, the date of quotations relied upon for the cost estimates given, shall also be mentioned.
c. Percentage and value terms the plant and machinery for which orders are yet to be placed shall be stated and also be given by way of a risk factor.
d. Details of second hand machinery bought / proposed to be bought, if any, including the age of the machines, balance estimated life, etc. shall also be given.

6.7.8 Collaboration, any performance guarantee or assistance in marketing by the collaborators

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[423] *Substituted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003 for the following:*
"A complete profile of the promoters including their age, educational qualifications, experience in the business or employment and in the proposed line of business, their business and financial activities shall be furnished."

6.7.8.1 Following information regarding persons/entities with whom technical and financial agreements have been entered into to be given:

a. place of registration and year of incorporation;
b. paid up share capital;
c. turnover of the last financial year of operation;
d. general information regarding such persons relevant to the issuer.

6.7.9 Infrastructure facilities for raw materials and utilities like water, electricity, etc.

6.7.10 Schedule of implementation of the project and progress made so far, giving details of land acquisition, civil works, installation of plant and machinery, trial production, date of commercial production, etc.

6.7.11 The products

6.7.11.1 Nature of the product/ s – consumer / industrial and end users
6.7.11.2
(a) Market including details of the competition, past production figures for the industry, existing installed capacity, past trends and future prospects regarding exports (if, applicable), demand and supply forecasts (if given, should be essentially with assumptions unless sourced from a market research agency of repute), etc. to be given.
(b) Source of data used shall be mentioned.

6.7.11.3 Approach to marketing and proposed marketing set up.

6.7.11.4 Export possibilities and export obligations, if any (in case of a company providing any "service" particulars, as applicable, be furnished)

6.7.12 Future prospects

6.7.12.1 Capacity & Capacity Utilisation
a. A table shall be incorporated giving the existing installed capacities for each product, capacity utilisation for these products in the previous 3 years, proposed capacities for existing as well as proposed products and the assumptions for future capacity utilisation for the next three years (from the date of commencement of commercial production) in respect of existing as well as proposed products.
b. If the projected capacity utilisation is higher than the actual average capacity utilisation by more than 25% during the previous 3 years, how the company proposes to achieve the projected levels of capacity utilisation in view of its failure to achieve levels of similar capacity utilisation in the past, shall be stated.

6.7.13 Stock Market Data

6.7.13.1 Particulars of:-
a. high, low and average market prices of the share of the company during the preceding three years;
b. monthly high and low prices for the six months preceding the date of filing the draft prospectus with Board which shall be updated till the time of filing the prospectus with the Registrar of Company / Stock Exchange concerned;
c. number of shares traded on the days when the high and low prices were recorded in the relevant stock exchange during said period of (i) and (ii) above;
d. the stock market data referred to above shall be shown separately for periods marked by a change in capital structure, with such period commencing from the date the concerned stock exchange recognises the change in the capital structure (e.g. when the shares have become ex-rights or ex-bonus);
e. the market price immediately after the date on which the resolution of the Board of Directors approving the issue was approved;
f. the volume of securities traded in each month during the six months preceding the date on which the prospectus is filed with ROC; and
g. to volume of business transacted along with high, low and average prices of shares of the company shall also be stated for respective periods.

6.8 Management Discussion and Analysis of the Financial Condition and Results of the Operations as Reflected in the Financial Statements.
6.8.1 A summary of past financial results after adjustments as given in the auditors report for the past three years containing significant items of income and expenditure shall be given.
6.8.2 An analysis of reasons for the changes in significant items of income and expenditure shall also be given, inter alia, containing the following:
a. unusual or infrequent events or transaction;
b. significant economic changes that materially affected or (are likely to effect income from continuing operations;
c. known trends or uncertainties that have had or are expected to have a material adverse impact on sales, revenue or income from continuing operations;
d. future changes in relationship between costs and revenues, in case of events such as future increase in labour or material costs or prices that will cause a material change are known;

e. the extent to which material increases in net sales or revenue are due to increased sales volume, introduction of new products or services or increased sales prices;
f. total turnover of each major industry segment in which the company operated
g. status of any publicly announced new products or business segment;
h. the extent to which business is seasonal;
i. any significant dependence on a single or few suppliers or customers;
j. competitive conditions.

6.8.3 A statement by the directors whether in their opinion there have arisen any circumstances since the date of the last financial statements as disclosed in the prospectus any which materially and adversely affect or is likely to affect the trading or profitability of the company, or the value of its assets, or its ability to pay its liabilities within the next twelve months.

[424](6.8.4 One standard financial unit shall be used in the offer document.)

6.9 Financial of Group Companies

6.9.1 The following information for the last 3 years based on the audited statements in respect of all the companies, firms, ventures, etc. promoted by the promoters irrespective of whether these are covered under section 370 (1)(B) of the Companies Act, 1956 shall be given, wherever applicable:
- *a. Date of Incorporation;*
- *b. Nature of activities;*
- *c. Equity Capital;*
- *d. Reserves (excluding revaluation reserve);*
- *e. Sales;*
- *f. Profit after tax (PAT);*
- *g. Earnings per share (EPS); and*
- *h. Net Asset Value (NAV);*
- *i. The highest and lowest market price of shares during the preceding six months with suitable disclosures for changes in capital structure during the period and the market value on the date of filing the prospectus with the Registrar of Companies;*
- *j. If any of the companies has made public or rights issue in the preceding three years, the issue price of the security, the current market price and particulars of changes in the capital structure, if any, since the date of issue and a statement regarding the cost and progress of implementation of the project in comparison with the cost and implementation schedule given in the offer document;*
- *k. Information regarding adverse factors related to the company and in particular regarding;*
- *i. whether the company has become a sick company within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1995 or is under winding up;*
- *ii. whether the company has made a loss in the immediately preceding year and if so, the profit or loss figures for the immediately preceding three years.*

6.9.2
- *(a) In case, the issuer company has more than five listed group companies, the financial information may be restricted to the five largest listed companies to be determined on the basis of market capitalisation one month before the date of filing draft prospectus with the Board.*
- *(b) The information regarding company(ies) which has become BIFR company or is under winding up or has a negative net worth shall be provided.*

6.9.3 If the promoters have disassociated themselves from any of the companies/firms during preceding three years, the reasons therefore and the circumstances leading to the disassociation shall be furnished together with the terms of such disassociation.

6.9.4
- *(a) In case there are common pursuits among these companies, the reasons and justification for the same shall be spelt out and the conflict of interest situations shall be stated.*
- *(b) The related business transactions within the group shall also be mentioned.*
- *(c) The significance of these transactions on the financial performance of the company/companies shall be stated.*

6.9.5 Sales or purchase between companies in the promoter group when such sales or purchases exceed in value in the aggregate 10% of the total sales or purchases of the issuer and also disclose material items of income or expenditure arising out of transactions in the promoter group.

6.10 Following particulars in regard to the company and other listed companies under the same management within the meaning section 370 (1)(B) of the Companies Act, 1956 which made any capital issue during the last three years shall be given
- *a. Name of the company*
- *b. Year of Issue*
- *c. Type of Issue (Public/ Rights/Composite)*
- *d. Amount of issue*
- *e. Date of closure of issue*

***[424]** Inserted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003.*

f. Date of completion of delivery of share/debenture certificates
g. Date of completion of the project, where object of the issue was financing the project
h. Rate of dividend paid

6.11 Promise vis-à-vis Performance

6.11.1 Issuer Company

a. A separate para entitled "Promise Vs Performance - Last three issues" shall be given indicating whether all the objects mentioned in the respective offer Documents relating to the earlier issues by the company were met and whether all projections made in the said offer documents were achieved.
b. If not, non-achievement of objects/projections shall be brought out distinctly shortfall and delays shall be quantified.

6.11.2 Listed Ventures of Promoters

a. A separate para on issues of group/associate companies entitled "Promise Vs Performance - Last one Issue of group/associate companies" shall be given indicating whether all the objects mentioned in the respective offer Documents relating to group/ associate companies were met and whether all projections made in the offer documents were achieved.
b. If not, non-achievement of objects/ projections shall be brought out distinctly. Shortfall and delays shall be quantified.

6.12 Projections

[425](No forecast of projections relating to financial performance of the issuer company shall be given in the offer document.)

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[425] Substituted vide SEBI Circular No. DIP (Compendium) Circular No. 3 dated August 04, 2000 for the following clauses:

6.12.1 No projections of profits shall be made except

a. by a company which has not completed twelve months of commercial operations and its audited operative results are not available; or
b. by a company which is undertaking a new project or is proposing to substantially expand its activities beyond 100% of the existing capacity.

Provided that the projections by (a) and (b) above may be made only if:-

i) the projections are based solely on an appraisal by a public financial institution or a scheduled commercial bank;
ii) such appraising agency has financed the project or part thereof or is committed to finance the project or part thereof;
iii) the projections are not for a period exceeding two years from the date of expected commencement of commercial production or three years from the date of closure of the issue, whichever is later;
iv) the major assumptions on which projections are base are specified.

Explanation

For the purpose of eligibility of banks or FIs to appraise the projects and give projections in the offer documents, it is clarified that:

a) The subsidiaries of banks/FIs are not eligible for the purpose of giving projections in the offer documents. If a project is appraised by a subsidiary of a bank or FI and the project is financed/committed to be financed by the parent bank/FI, the projections made by the subsidiaries cannot be given in the offer documents.
b. If a bank/FI has appraised a project and has extended assistance by way of lease finance/hire purchase which is part of means of finance of the project as given in the offer document, the projections made by such banks/FIs can be given in the offer document.
c. If the appraisal is done by a bank/FI which is holding the equity of the company before the issue or is participating in the firm allotment category, the projection made by such bank/FI can be given in the offer document and a disclosure of the extent of their participating in the equity of the company should be given.
d. Provided that participation of banks/FI in the reserved category on competitive basis shall not eligible for giving projections as allotment to them is not certain.
e. In case of rights issues, if the banks/FIs are the shareholders and give an undertaking that they would subscribe to their entitlement fully or partially, and if projects are appraised by them, projections can be given and a disclosure of the extent of their taking up the rights shares should be made in the offer document.
f. Underwriting by the banks/FIs shall not be considered as financing the project and projections given by them shall not be given in the offer documents.

6.12.2 Forecast of Estimated Profits

i. The forecast of the estimated profits for the financial year ending immediately before the date of the prospectus (if such information has not already been given in the offer document) and for the financial year ending immediately after the date of the prospectus, duly supported by an auditors' certificate, shall be given in the prospectus.
ii. The major assumptions on which the forecast is based shall be specified and the auditor should give assurance on the arithmetical calculations derived from such assumptions.
iii. A specimen of Auditor's Certificate is given in Schedule XIV.

6.13 Basis for Issue Price

[426]*(6.13.1 Following information shall be disclosed for all issues irrespective of the issue price.*

a. Earnings per share i.e. EPS pre-issue for the last three years (as adjusted for changes in capital);

b. P/E pre-issue

c. average return on net worth in the last three years

d. minimum return on increased net worth required to maintain pre-issue EPS;

e. Net Asset Value per share based on last balance sheet;

f. Net Asset Value per share after issue and comparison thereof with the issue price.

*g. An illustrative format of disclosure in respect of basis for issue price is given in **Schedule XV.***

h. Comparison of all the accounting ratios of the issuer company as mentioned above with the industry average and with the accounting ratios of the peer group (i.e companies of comparable size in the same industry.(Indicate the source from which industry average and accounting ratios of the peer group has been taken)

[427]*(i the face value of shares (including the statement about the issue price being "X" times of the face value)*

***Provided that** the projected earnings shall not be used as a justification for the issue price in the offer document.*

***Provided** further that the accounting ratios disclosed in the offer documents in support of basis of the issue price shall be calculated after giving effect to the consequent increase in capital on account of compulsory conversions outstanding, as well as on the assumption that the options outstanding, if any, to subscribe for additional capital will be exercised.)*

[428]*(6.13.2*

(i) The issuer company and the lead merchant banker shall provide the accounting ratios as mentioned in clause 6.13.1 above to justify the basis of issue price.
Provided that, the lead merchant banker shall not proceed with the issue in case the accounting ratios mentioned above, do not justify the issue price.

(ii) In case of book built issues, the offer document shall state that the final price has been determined on the basis of the demand from the investors.)

6.14 Outstanding litigations or Defaults

a. All pending litigations in which the promoters are involved, defaults to the financial institutions/banks, non-payment of statutory dues and dues towards instrument holders like debenture holders, fixed deposits, and arrears on cumulative preference shares by the promoters and the companies/firms promoted by the promoters, shall be listed in the prospectus together with the amounts involved and the present status of such litigations/defaults. The likely adverse effect of these litigations/defaults, etc. on the financial performance of the company shall also be mentioned.

Provided that such forecast shall not be given if;

a. the forecast period has already been covered in projections.

b. the company has not commenced commercial production".

[426] *Substituted vide SEBI Circular No. RMB (Compendium) series 2003-04 circular no.9 dated May 2, 2003 for the following clause:*
"Following information shall be disclosed for all issues irrespective of the issue price.

a. Earnings per share i.e. EPS pre-issue for the last three years (as adjusted for changes in capital);

b. P/E pre-issue and comparison thereof with industry P/E where available (giving the source from which industry P/E has been taken) ;

c. average return on net worth in the last three years;

d. minimum return on increased net worth required to maintain pre-issue EPS;

e. Net Asset Value per share based on last balance sheet;

f. Net Asset Value per share after issue and comparison thereof with the issue price.

*g. An illustrative format of disclosure in respect of basis for issue price is given in **Schedule XV.***
***Provided that** the projected earnings shall not be used as a justification for the issue price in the offer document.*
***Provided** further that the accounting ratios disclosed in the prospectus in support of basis of the issue price shall be calculated after giving effect to the consequent increase in capital on account of compulsory conversions outstanding, as well as on the assumption that the options outstanding, if any, to subscribe for additional capital will be exercised.*

[427] *Inserted vide circular no SEBI/CFD/DIL/DIP/13/2004/28/5 dated May 28, 2004.*

[428] *Inserted vide SEBI Circular No. DIP (Compendium) Circular No. 3 dated August 04, 2000.*

b. *Further, the cases of pending litigations, defaults, etc. in respect of companies/firms/ventures with which the promoters were associated in the past but are no longer associated shall also be disclosed in case their name(s) continues to be associated with particular litigation(s).*

c.

i) *The above information is required to be furnished in addition to the litigations against the company or against any other company whose outcome could have a materially adverse effect of the position of the company.*

ii) *Further, all the litigations against the promoter or directors involving violation of statutory regulations or criminal offence shall be furnished in the offer document.*

d.

i) *The pending proceedings initiated for economic offences against the directors, the promoters, companies and firms promoted by the promoters shall be disclosed separately indicating their present status.*

ii) *The details of the past cases in which penalties were imposed by the concerned authorities.*

e. *Outstanding litigations, defaults, etc., pertaining to matters likely to affect operations and finances of the company including disputed tax liabilities, prosecution under any enactment in respect of Schedule XIII to the Companies Act, 1956 (1 of 1956) shall be furnished in the prospectus in the prescribed format.*

f. *The lead merchant banker shall ensure to appropriately incorporate in the prospectus and as risk factor(s), information regarding pending litigations, defaults, non payment of statutory dues, proceedings initiated for economic offences/Civil offences (including the past cases, if found guilty), any disciplinary action taken by the Board/ stock exchanges against the company/Promoters and their other business ventures (irrespective of the fact whether they fall under the purview of Sec 370 (1B) of the Company's Act, 1956) / Directors.*

g. *The name(s) of small scale undertaking(s) or any other creditors to whom the company owes a sum exceeding Rs. 1 lakh which is outstanding more than 30 days; and*

h.

i. *If any of the above mentioned litigations, etc., arise after the filing of the offer document, the facts shall be incorporated appropriately in the prospectus (and as risk factors).*

ii. *In case there are no such cases a distinct negative statement is required to be made in this regard in the prospectus.*

6.15 Risk factors and management perception on the same, if any

6.16 Disclosure on Investor Grievances and Redressal System

The offer documents shall disclose the arrangements or any mechanism evolved by the company for redressal of investor grievances.

1. *The company shall disclose the time normally taken by it for disposal of various types of investor grievances.*
2. *Similar disclosure shall be made in regard to the listed companies under the same management within the meaning of Section 370 (1B) of the Companies Act for the period of 3 years prior to the date of filing of the offer documents with ROC / Stock Exchange.*

PART II

6.17 General Information

6.17.1 Consent of directors, auditors, solicitors/ advocates, managers to the issue, Registrar of Issue, Bankers to the company, bankers to the issue and experts.

6.17.2 Expert opinion obtained, if any

6.17.3 Change, if any, in directors and auditors during the last three years, and reasons, thereof

6.17.4 Authority for the issue and derails of resolution passed for the issue

6.17.4 Procedure and time of schedule for allotment and issue of certificates

6.17.5 Names and address of the company secretary, legal adviser, lead managers, co-managers, auditors, bankers to the company, bankers to the issue and brokers to the issue.

6.18 Financial Information

6.18.1 A report by the auditors of the company with respect to-

a. *profits and losses and assets and liabilities, in accordance with clause 6.18.2 or 6.18.3 of this clause, as the case may require; and*

b. *the rates of dividends, if any, paid by the company in respect of each class of shares in the company for each of the five financial years immediately preceding the issue of the prospectus, giving particulars of each class of shares on which such dividends have been paid and particulars of the cases in which no dividends have been paid in respect of any class of shares for any of those years; and, if no accounts have been made up in respect of any part of the period of five years ending on a date three months*

before the issue of the prospectus, containing a statement of that fact (and accompanied by a statement of the accounts of the company in respect of that part of the said period up to a date not earlier than six months of the date of issue of the prospectus indicating the profit or loss for that period and the assets and liabilities position as at the end of that period together with a certificate from the auditors that such accounts have been examined and found correct by them. The said statement may indicate the nature of provision or adjustments made or are yet to be made).

6.18.2 If the company has no subsidiaries, the report shall -

a. so far as regards profits and losses, deal with the profits or losses of the company (distinguishing items of a non- recurring nature) for each of the five financial years immediately preceding the issue of the prospectus; and

b. so far as regards assets and liabilities, deal with the assets and liabilities of the company and the last date to which the accounts of the company were made up.

6.18.3 If the company has subsidiaries, the report shall -

a. so far as regards profits and losses, deal separately with the company's profits or losses as provided by 6.18.2 and in addition deal either -

i. as a whole with the combined profits or losses of its subsidiaries, so far as they concern members of the company or

ii. individually with the profits or losses of each subsidiary so far as they concern members of the company or, instead of dealing separately with the company's profits or losses, deal as a whole with the profits or losses of the company, and, so far as they concern members of the company, with the combined profits or losses of its subsidiaries and

b. so far as regards assets and liabilities, deal separately with the company's assets and liabilities as provided by 6.18.2 and in addition, deal either –

i) as a whole with the combined assets and liabilities of its subsidiaries, with or without the company's assets and liabilities or

ii) individually with the assets and liabilities of each subsidiaries and shall indicate as respects the assets and liabilities of the subsidiaries, the allowance to be made for persons other than members of the company.

6.18.4 If the proceeds, or any part of the proceeds, of the issue of the shares or debentures are or is to be applied directly or indirectly -

i. in the purchase of any business; or

ii. in the purchase of an interest in any business and by reason of that purchase, or anything to be done in consequence thereof, or in connection therewith; the company will become entitled to an interest as respects either the capital or profits and losses or both, in such business exceeding fifty percent thereof;

iii. a report made by accountants (who shall be named in the prospectus) upon-

a. the profits or losses of the business of each of the five financial years immediately preceding the issue of the prospectus and

b. the assets and liabilities of the business at the last date to which the accounts of the business were made up, being a date not more than one hundred and twenty days before the date of the issue of the prospectus.

6.18.5 If-

a. the proceeds, or any part of the proceeds, of the issue of the shares or debentures are or is to be applied directly or indirectly in any manner resulting in the acquisition by the company of shares in any other body corporate; and

b. by reason of that acquisition or anything to be done in consequence thereof or in connection therewith, that body corporate will become a subsidiary of the company; and

c. a report made by accountants (who shall be named in the prospectus) upon–

i. the profits or losses of the other body corporate for each of the five financial years immediately preceding the issue of the prospectus; and

ii. the assets and liabilities of the other body corporate at the last date to which its accounts were made up.

iii. The said report shall -

a. indicate how the profits or losses of the other body corporate dealt with by the report would, in respect of the shares to acquired, have concerned members of the company and what allowance would have fallen to me made, in relation to assets and liabilities so dealt with for holders of other shares, if the company had at all material times held the shares to be acquired; and

b. where the other body corporate has subsidiaries deal with the profits or losses and the assets and liabilities of the body corporate and its subsidiaries in the manner provided by sub-clause (2) above in relation to the company and its subsidiaries.

6.18.6 Principal terms of loan and assets charged as security.

6.18.7 Other provisions relating to accounts of the issuer company

a. All significant accounting policies and standards followed in the preparation of the financial statements shall be disclosed.

b. Statements of Assets and Liabilities and Profit and Loss or any other financial information shall be incorporated after making the following adjustments, wherever quantification is possible:

(i) *Adjustments / rectification for all incorrect accounting practices or failures to make provisions or other adjustments which resulted in audit qualifications;*

(ii) *Material amounts relating to adjustments for previous years shall be identified and adjusted in arriving at the profits of the years to which they relate irrespective of the year in which the event triggering the profit or loss occurred;*

(iii) *a) Where there has been a change in accounting policy, the profits or losses of the earlier years (required to be shown in the offer documents) and of the year in which the change in the accounting policy has taken place shall be re-computed to reflect what the profits or losses of those years would have been if a uniform accounting policy was followed in each of these years.*
b) If an incorrect accounting policy is followed, the re-computation of the financial statements shall be in accordance with correct accounting policies;

(iv)

a) *Statement of profit or loss shall disclose both the profit or loss arrived at before considering extraordinary items and after considering the profit or loss from extraordinary items.*

b) *An illustrative format of the disclosure of profits and losses on this basis is specified at* ***Schedule X.***

(v) *The statement of assets and liabilities shall be prepared after deducting the balance outstanding on revaluation reserve account from both fixed assets and reserves and the networth arrived at after such deductions.*

(vi) *A suggested format of assets and liabilities is specified at* ***Schedule XI.***

c. *The turnover disclosed in the Profit and Loss Statement shall be bifurcated into:-*

(i) *turnover of products manufactured by the company;*

(ii) *turnover of products traded in by the company; and*

(iii) *turnover in respect of products not normally dealt in by the company but included in (ii) above, shall be mentioned separately.*

d. *The offer document shall disclose details of `Other Income' in all cases where such income (net of related expenses) exceeds 20% of the net profit before tax, including:*

i. *the sources and other particulars of such income; and*

ii. *an indication as to whether such income is recurring or non-recurring, or has arisen out of business activities/other than the normal business activities.*

e)

i) *Changes (with quantification wherever possible) in the activities of the issuer which may have had a material effect on the statement of profit/loss for the five years.*

ii) *Disclosure of these changes in the activities of the company shall include discontinuance of lines of business, loss of agencies or markets and similar factors.*

f) *The following accounting ratios shall be given for each of the accounting periods for which financial information is given.*

i. *Earnings per Share: This ratio shall be calculated after excluding extra ordinary items.*

ii. *Return on net worth: This ratio shall be calculated excluding revaluation reserves.*

iii. *Net Asset Value per share. This ratio shall be calculated excluding revaluation reserves.*

g)

i. *A Capitalisation Statement showing total debt net worth, and the debt/equity ratios before and after the issue is made shall be incorporated.*

ii. *In case of any change in the share capital since the date as of which the financial information has been disclosed in the offer document, a note explaining the nature of the change shall be given.*

iii. *An illustrative format of the Capitalisation Statement is specified at* ***Schedule XIII.***

h.

i. *Break-up of total outstanding unsecured loans taken by the company, promoters/group companies/associate companies and others shall be given in the offer documents.*

ii. *In respect of each such unsecured loan of the former category, the terms and conditions including interest rates and the repayment schedule.*

iii. *If the loan can be recalled by the lenders at any time, the fact to be given as a risk factor.*

iv. *Profits after tax are often affected by the tax shelters which are available.*

v. *Some of these are of a relatively permanent nature (for example, arising out of export profits) while others may be limited in point of time (for example, tax holidays for new undertakings).*

vi. *Tax provisions are also affected by timing differences which can be reversed in the future (for example, the difference between book depreciation and tax depreciation).*

vii. *For a proper understanding of the future tax incidence, these factors shall be identified and explained through proper disclosures.*
An illustrative format of statement in respect of tax shelter is specified in Schedule XII.

[429]*(6.18.8*

a. *The Issuer Company, if it so desires , may include in the offer document, the financial statements prepared on the basis of more than one accounting standards subject to disclosure of the material differences arising because of differences in the accounting policies of two different accounting standards.*

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[429] *Inserted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003.*

b 'Management Discussion and Analysis (MDA)' and 'Accounting and other Ratios' computed as per Clause No. 6.8 and 6.13 of the Guidelines shall be based on the Financial Statements prepared on the basis of Indian Accounting Standards. In addition, the issuer company may present MDA based on other Accounting Standards.)

6.19 Statutory and other information

6.19.1 Minimum Subscription

6.19.2 Expenses of the issue giving separately fee payable to :-
- *a. Advisers*
- *b. Registrars to the Issue*
- *c. Managers to the Issue*
- *d. Trustees for the debenture-holders*

6.19.3 Underwriting commission and brokerage

6.19.4 Previous issue for cash

6.19.5 Previous public or rights issue, if any:
(during last five years)
- *a. Date of allotment: Closing Date:*
  Date of refunds
  Date of listing on the stock exchange:
- *b. If the issue (s) at premium or discount and the amount thereof*
- *c. The amount paid or payable by way of premium, if any, on each share which had been issued within the two years preceding the date of the prospectus or is to be issued, stating the dates or proposed dates of issue and, where some shares have been or are to be issued at a premium and other shares of the same class at a lower premium, or at par or at a discount, the reasons for the differentiation and how any premiums received have been or are to be disposed off.*

6.19.6 Commission or brokerage on previous issue

6.19.7 Issue of shares otherwise than for cash

6.19.8 Debentures and redeemable preference shares and other instruments issued by the company outstanding as on the date of prospectus and terms of issue.

6.19.9 Option to subscribe
- *a. The details of option to subscribe for securities to be dealt with in a depository.*
- *b. The lead merchant banker shall incorporate a statement in the offer document and in the application form to the effect that the investor shall have an option either to receive the security certificates or to hold the securities in dematerialised form with a depository.*

6.19.10 Purchase of property
- *a. As respects any property to which this clause applies-*
- *i. the names, address, descriptions and occupations of the vendors;*
- *ii. the amount paid or payable in cash, shares or debentures to the vendor and, where there is more than one separate vendor, or the company is a sub-purchaser, the amount so paid or payable to each vendor, specifying separately the amount, if any, paid or payable for goodwill;*
- *iii. the nature of the title or interest in such property acquired or to be acquired by the company;*
- *iv. short particulars of every transaction relating to the property completed within the two preceding years, in which any vendor of the property to the*
- *v. company or any person who is, or was at the time of the transaction, a promoter, or a director or proposed director of the company had any interest, direct or indirect, specifying the date of the transaction and the name of such promoter, director or proposed director and stating the amount payable by or to such vendor, promoter, director or proposed director in respect of the transaction.*
- *b. The property to which sub-clause (a) applies is a property purchased or acquired by the company or proposed to be purchased or acquired, which is to be paid for wholly or partly out of the proceeds of the issue offered for subscription by the prospectus or the purchase or acquisition of which has not been completed at the date of issue of the prospectus, other than property -*
- *i. the contract for the purchase or acquisition whereof was entered into in the ordinary course of the company's business, the contract not being made in contemplation of the issue nor the issue in consequence of the contract; or*
- *ii. as respects which the amount of the purchase money is not material.*
- *c. for the purpose of this clause, where a vendor is a firm,, the members of the firm shall not be treated as separate vendors*
- *d. if the company proposes to acquire a business which has been carried on for less than three years, the length of time during which the business has been carried*

6.19.11 Following details may be given in the offer document:

a.

i. Details of directors, proposed directors, whole-time directors, their remuneration, appointment and remuneration of managing directors, interests of directors, their borrowing powers and qualification shares.

ii. Any amount or benefit paid or given within the two preceding years or intended to be paid or given to any promoter or officer and consideration for payment of giving of the benefit.

b. The dates, parties to, and general nature of -

i. every contract appointing or fixing the remuneration of a managing director or manager whenever entered into, that is to say, whether within or more than, two years before the date of the prospectus;

ii. every other material contract, not being a contract entered into in the ordinary course of the business carried on or intended to be carried on by the company or a contract entered into more than two years before the date of the prospectus.

iii. A reasonable time and place at which any such contract or a copy thereof may be inspected.

c. Full particulars of the nature and extent of the interest, if any, of every director or promoter-

i. in the promotion of the company; or

ii. in any property acquired by the company within two years of the date of the prospectus or proposed to be acquired by it.

iii. Where the interest of such a director or promoter consists in being a member of a firm or company, the nature and extent of the interest of the firm or company, with a statement of all sums paid or agreed to be paid to him or to the firm or company in cash or shares or otherwise by any person either to induce him to become, or to qualify him as, a director, or otherwise for services rendered by him or by the firm or company, in connection with the promotion or formation of the company.

6.19.12 Rights of members regarding voting, dividend, lien on shares and the process for modification of such rights and forfeiture of shares.

6.19.13 Restrictions, if any, on transfer and transmission of shares / debentures and on their consolidation / splitting.

6.19.14 Revaluation of assets, if any (during last five years)

6.19.15 Material contracts and inspection of documents, eg

a. Material contracts

b. Documents

c. Time and place at which the contracts together with documents will be available for inspection from the date of prospectus until the date of closing of the subscription list.

SECTION II: CONTENTS OF ABRIDGED PROSPECTUS

6.20 The abridged prospectus shall contain the disclosures as specified under Section I of Chapter VI.

6.20.1 The disclosure requirement as specified shall also be applicable in case of abridged prospectus.

6.21 General Information

6.21.1 Name and address of registered office of the company

6.21.2 Name/s of stock exchanges where listing of the securities is proposed.

6.21.3 Date of opening, closing and earliest closing of the issue

6.21.4 Disclaimer Clause

6.21.5 Name and address of lead managers.

6.21.6 Name and address of registrars to the issue.

6.21.7 Name and address of trustee under debenture trust deed (in case of debenture issue)

6.21.8 Rating for the proposed debenture/ preference shares issue, if any, obtained from any other Credit Rating Agency

6.21.9

(a) The name, address telephone number, fax number and address of Compliance Officer.

(b) The investor's attention shall also be invited to contact the compliance officer in case of any pre-issue / post-issue related problems such as non-receipt of letters of allotment / share certificates / refund orders / cancelled stockinvests, etc.

6.21.10 Provisions of sub section (1) of section 68A of the Companies Act, relating to punishment for fictitious applications.

6.21.11 Declaration about the issue of allotment letters/refunds within a period of 30 days and interest in case of delay in dispatching refund/ allotment letters @ 15% p.a. as at the rate as may be specified.

6.21.12 Risk Factors and Issue Highlights:

6.21.13 The Risk Factors and management perception on the same shall be printed along with Issue Highlights with equal treatment in printing in all respects.

6.22 Capital Structure of the company

6.22.1 Following details shall appear

- *a. Authorised, issued, subscribed and paid up capital (Number of instruments, description, aggregate nominal value)*
- *b. Size of present issue giving separately promoters contribution, firm allotment/ reservation for specified categories and net offer to public.*
- *c. (Number of instruments, description, aggregate nominal value and issue amount shall be given in that order, Name(s) of group companies to be given, in case, reservation has been made for shareholders of the group companies)*
- *d. Paid-up Capital*
- *i. after the issue*
- *ii. after conversion of securities (if-applicable)*
- *e. Share Premium Account (before and after the issue)*

6.22.2 A disclosure to the effect that the securities offered through this public/ rights issue shall be made fully paid up or forfeited within 12 months from the date of allotment of securities in a manner as specified in clause 8.5.2.

6.23 Terms of the present issue

6.23.1

i. Authority for the issue, terms of payment and procedure and time schedule for allotment and issue of certificates.

ii. The caption "Interest in Case of Delay in Despatch of Allotment Letters/ Refund Orders in Case of Public Issues" shall appear.

6.23.2 How to apply - availability of forms, prospectus and mode of payment

6.23.2.1 Applications by NRIs

a) In the application form meant for Indian Public, the declaration relating to Nationality and Residentship shall be shown prominently as under:
"Nationality and Residentship (Tick whichever is applicable)

- *i. I am / We are Indian National(s) resident in India and I am/we are not applying for the said equity shares as nominee(s) of any person resident outside India or Foreign National(s).*
- *ii. I am / We are Indian National(s) resident in India and I am / We are applying for the said equity shares as Power of Attorney holder(s) of Non-Resident Indian(s) mentioned below on non-repatriation basis.*
- *iii. I am / We are Indian National(s) resident outside India and I am/we are applying for the said equity shares on my / our own behalf on non-repatriation basis."*

b) The application form meant for NRIs shall not contain provision for payment through NR(O) accounts.

- *i On the face of the form, the following legend shall be printed in a box:*
  "Attention NRI Applicants: Payment must be made through their Non Resident External (NRE) / Foreign Currency Non Resident (FCNR) accounts or through cheques / drafts sent from abroad and drawn on convertible rupee accounts in India. Forms accompanied by cheques drawn on NR(O) accounts are liable to be rejected".

c) Attention of NRIs shall be invited to the following:

- *i. the name and address of at least one place in India from where individual NRI applicants can obtain the application forms.*
- *ii. Such applications as are accompanied by payment in free foreign exchange shall be considered for allotment under the reserved category.*
- *iii. Such NRIs who wish to make payment through Non-Resident Ordinary (NRO) accounts shall use the form meant for Resident Indians and shall not use the form meant for reserved category.*

d) The application form should contain necessary instructions/provision for the following:

i. Instructions to applicants to mention the number of application form on the reverse of the instruments to avoid misuse of instruments submitted along with the applications for shares/debentures in public issues.

ii. Provision in the application form for inserting particulars relating to savings bank / current account number and the name of the bank with whom such account is held, to enable the Registrars to print the said details in the refund orders after the names of the payees.

iii. Disclosure of PAN/GIR number in respect of applications for monetary value of the investment of Rs.50,000 and above.

iv. Giving an option to investors to either receive securities in the form of physical certificates or hold them in dematerialised form.

6.23.3 Any special tax benefits for company and its shareholders

6.24 Particulars of the issue

6.24.1 Objects

6.24.2 Project Cost

6.24.3 Means of financing

6.25 Company, Management and Project

6.25.1 History and main objects and present business of the company

6.25.2 Promoters and their Background

6.25.3 Names, address and occupation of manager, managing director, and other directors (including nominee-directors, whole-time directors (giving their directorships in other companies)

6.25.4 Location of the Project

6.25.5 Plant and machinery , technology, process, etc

6.25.6 Collaboration, any performance guarantee or assistance in marketing by the collaborators

6.25.7.Infrastructure facilities for raw materials and utilities like water, electricity, etc.

6.25.8 Schedule of implementation of the project and progress made so far, giving details of land acquisition, civil works, installation of plant and machinery, trial production, date of commercial production etc

6.25.9 The products

6.25.9.1 Nature of the product/s - consumer / industrial and end users

6.25.9.2 Market including details of the competition, past production figures for the industry, existing installed capacity, past trends and future prospects regarding exports (if, applicable), demand and supply forecasts (if given, should be essentially with assumptions unless sourced from a market research agency of repute), etc. to be given.

6.25.9.3Source of data used shall be mentioned.

6.25.9.4 Approach to marketing and proposed marketing set up

6.25.9.5 Export possibilities and export obligations, if any (in case of a company providing any "service" particulars, as applicable, be furnished)

6.25.10 Future prospects

6.25.11 Stock Market Data

i) Particulars of:-

a. high, low and average market prices of the share of the company during the preceding three years;

b. monthly high and low prices for the six months preceding the date of filing the draft prospectus with Board which shall be updated till the time of filing the prospectus with the Registrar of Company / Stock Exchange concerned.

c. number of shares traded on the days when the high and low prices were recorded in the relevant stock exchange during said period of (i) and (ii) above;

d. the stock market data referred to above shall be shown separately for periods marked by a change in capital structure, with such period commencing from the date the concerned stock exchange recognises the change in the capital structure (e.g. when the shares have become ex-rights or ex-bonus);

e. the market price immediately after the date on which the resolution of the Board of Directors approving the issue was approved;

f. *the volume of securities traded in each month during the six months preceding the date on which the offer document is filed with ROC.*
g. *Along with high, low and average prices of shares of the company, details relating to volume of business transacted should also be stated for respective periods.*

6.26 Following particulars in regard to the listed companies under the same management with the meaning of Section 370(1B) which made any capital issue in the last three years.

a. Name of the company
b. Year of issue
c. Type of issue (public/ rights/ composite)
d. Amount of issue
e. Date of closure of issue
f. Date of despatch of share/ debenture certificate completed
g. Date of completion of the project, where object of the issue was financing of a project
h. Rate of dividend paid

6.27 Basis for Issue Price

[430]*(Following information shall be disclosed for all issues irrespective of the issue price.*

a. Earnings per share i.e. EPS pre-issue for the last three years (as adjusted for changes in capital);
b. P/E pre-issue
c. average return on net worth in the last three years
d. minimum return on increased net worth required to maintain pre-issue EPS;
e. Net Asset Value per share based on last balance sheet;
f. Net Asset Value per share after issue and comparison thereof with the issue price.
***g.** Comparison of all the accounting ratios of the issuer company as mentioned above with the industry average and with the accounting ratios of the peer group (i.e companies of comparable size in the same industry.(Indicate the source from which industry average and accounting ratios of the peer group has been taken)*

***Provided that** the projected earnings shall not be used as a justification for the issue price in the offer document.*

***Provided** further that the accounting ratios disclosed in the offer documents in support of basis of the issue price shall be calculated after giving effect to the consequent increase in capital on account of compulsory conversions outstanding, as well as on the assumption that the options outstanding, if any, to subscribe for additional capital will be exercised."*

[431]*((h) the face value of shares (including the statement about the issue price being "X" times of the face value))).*

6.28 Management perceptions of risk factors (e.g. Sensitivity to foreign exchange rate fluctuations, difficulty in availability of raw materials or in marketing of products, cost/ time overrun).

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[430] *Substituted for the following clause vide RMB (Compendium) series 2003-04 Circular no. 9 dated May 2, 2003:*

(i) Following information shall be disclosed:-
a. Earnings per share i.e. EPS pre-issue for the last three years (as adjusted for changes in capital);
b. P/E pre-issue and comparison thereof with industry P/E where available (giving the source from which industry P/E has been taken) ;
c. average return on net worth in the last three years;
d. minimum return on increased net worth required to maintain pre-issue EPS;
e. Net Asset Value per share based on last balance sheet;
f. Net Asset Value per share after issue and comparison thereof with the issue price.
***Provided that** projected earnings shall not be used as a justification for the issue price in the offer document.*
***Provided** further that the accounting ratios disclosed in the prospectus in support of basis of the issue price shall be calculated after giving effect to the consequent increase of capital on account of compulsory conversions outstanding, as well as on the assumption that the options outstanding, if any, to subscribe for additional capital will be exercised.*

[430]*((ii) The issuer company and the lead merchant banker shall provide the accounting ratios as mentioned in sub clause (i) to clause 6.27 above to justify the basis of issue price.*
***Provided that**, the lead merchant banker shall not proceed with the issue in case the accounting ratios mentioned above, do not justify the issue price.*

(iii) In case of Book Built issues, the offer document shall state that the final price has been determined on the basis of the demand from the investors.)"

***Prior to the above,** sub-clauses (ii) and (iii) above were initially inserted vide SEBI Circular No. DIP (Compendium) Circular No. 3 dated August 04, 2000.*

[431] *Inserted vide SEBI Circular No. SEBI/CFD/DIL/DIP/13/2004/28/5 dated May 28, 2004.*

6.29 Outstanding litigations

6.30 Whether all Payment/ Refunds, Debentures, Deposits of banks or companies, Interest on Deposits, Debenture Interest, Institutional Dues have been paid up to date.

6.31 If not, details of the arrears if any to be stated.

6.32 Any material development after the date of the latest balance sheet and its impact on performance and prospects of the company.

6.33 Expert opinion obtained if any.

6.34 Change, if any, in directors and auditors during the last three years and reasons thereof.

6.35 Option to Subscribe.

a. The details of option to subscribe for securities to be dealt in a depository.

b. The lead merchant banker shall incorporate a statement in the offer document and in the application form to the effect that the investor shall have an option either to receive the security certificates or to hold the securities in dematerialised form with a depository.

c. [432](In case of public issues by unlisted companies, the lead merchant banker shall incorporate a statement in the offer documents that the trading in the securities shall be in dematerialised form only for all the investors.)

6.36 Material contracts and time and place of inspection.

***6.37 Financial Performance of the Company for the Last Five Years:** (Figures to be taken from the audited annual accounts in tabular form)*

a. Balance Sheet Data: Equity Capital, Reserves (State Revaluation Reserve, the year of revaluation and its monetary effect on assets) and borrowings

b. Profit and Loss data: Sales, Gross profit, Net profit, dividend paid, if any

c. Any change in accounting policies during the last three years and their effect on the profits and the reserves of the company

d. Lead Merchant Banker shall ensure that the financial information about the issuer company appearing in the abridged prospectus, is as per Auditors' report of the prospectus.

*6.38 **Statements after minimum subscription clause:***

a) Minimum subscription clause shall appear followed by the statement given below:

(b) No statement made in this Form shall contravene any of the provisions of the Companies Act, 1956 and the rules made thereunder".”

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432 *Inserted vide SEBI Circular No. RMB (Compendium) Series Circular No. 2 (1999-2000) dated February 16, 2000.*