

## **SECURITIES LAW**

### **Amendments in SEBI (ICDR) Regulations, 2009**

Market Regulator SEBI vide Notification No. LAD-NRO/GN/2012-13/18/5391 dated October 12, 2012, has notified certain amendments in SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009.

A brief of all the major amendments are being discussed in foregoing paragraphs.

#### **1. Introduction of Definition of 'General Corporate Purpose'**

"General Corporate Purposes" include such identified **purposes for which no specific amount is allocated** or any amount so specified towards General Corporate Purpose or any such purpose by whatever name called, in the draft offer document filed with the Board.

#### **2. Common Conditions for Public Issues and Rights Issues**

1. Amount used for **general corporate purposes** shall not exceed 25% of the amount raised by the issuer by issuance of specified securities. **[Regulation 4(3)]**
2. If any of the merchant bankers is an associate of the issuer, it shall declare itself as a marketing lead manager and its role shall be limited to marketing of the issue. **[proviso to Regulation 5(3)]**
3. In case of Fast Track Issue, the average market capitalisation of public shareholding of the issuer has been reduced from least Rs. 5000 crore to Rs. 3000 crore. **[Regulation 10(1)(b)]**
4. A Public Issue shall be opened after at least 3 working days from the date of registering the red herring prospectus with the Registrar of Companies. **[Regulation 11(5)]**

#### **3. Provisions as to Public Issue (Eligibility conditions for initial public offer)**

1. Instead of having track record distributable profit for at least 3 out of 5 years, now the Issuer should have **minimum average pre-tax operating profit of Rs. 15 crore**, calculated on a restated and consolidated basis, during the 3 most profitable years out of the immediately preceding 5 years. **[Regulation 26(1)(b)]**
2. To reduce the risks of gullible investors, the limit of mandatory allotment to QIBs has been increased from 50% to 75% in case of Issuers not having track record or not fulfilling the eligibility criteria.
3. The issuer who is not satisfying the condition stipulated in regulation 26(1), may make an IPO if the **issue is made through the book-building process and the issuer undertakes to allot, at least 75% of the net offer to public, to Qualified Institutional Buyers (QIB)** and to refund full subscription money if it fails to make the said minimum allotment to QIB. **[Regulation 26(2)]** It is also provide that the whole of 75% portion of net offer to public proposed to be compulsorily allotted to qualified institutional buyers for the purpose of compliance of the eligibility condition specified in sub-regulation (2) of regulation 26 and regulation 27, cannot be under written **[amendment in proviso to Regulation 13(2)]**
4. In case of an IPO, the issuer shall announce the floor price or price band **at least 5 working days** before the opening of the bid. **[Regulation 30(2)]**
5. The announcement related to floor price or price band shall be disclosed on the websites of those stock exchanges where the securities are proposed to be listed and shall also be pre-filled in the application forms available on the websites of the stock exchanges. **[Regulation 30(3A)]**
6. In case of IPO, the promoters of the Issuer shall contribute minimum 20% of the post issue capital. However **if the post issue shareholding of the promoters is less than 20%, then alternative investment funds**

may contribute to meet such shortfall, subject to a maximum of 10% of the post issue capital. [Regulation 32(1)(a)]

Such contribution shall be locked in for a period of 3 years as specified in Regulation 36(a).

7. The allocation in the net offer to public category shall be as follows:

| If the issuer is eligible to make IPO under Regulation 26(1)                                                                                                                                                                                                                                                                                                            | If the issuer is eligible to make IPO under Regulation 26(2)                                                                                                                                                                                                                                                                                                            |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> <li>○ Minimum 35% to retail individual investors;</li> <li>○ Minimum 15% to non-institutional investors;</li> <li>○ Maximum 50% to QIBs, 5% of which shall be allocated to mutual funds:</li> </ul> <p>In addition to 5% allocation to mutual funds, they shall be eligible for allocation under the balance available for QIBs.</p> | <ul style="list-style-type: none"> <li>○ Maximum 10% to retail individual investors;</li> <li>○ Maximum 15% to non-institutional investors;</li> <li>○ Minimum 75% to QIBs, 5% of which shall be allocated to mutual funds:</li> </ul> <p>In addition to 5% allocation to mutual funds, they shall be eligible for allocation under the balance available for QIBs.</p> |

8. The minimum application size has been increased from the existing range of Rs. 5000 - Rs. 7000 to Rs. 10,000 - Rs. 15000. **[Regulation 49(1)]**
9. A new sub-regulation is also inserted to mandate that the allotment of specified securities to each retail individual investor shall not be less than the minimum bid lot, subject to availability of shares in retail individual investor category, and the remaining available shares, if any, shall be allotted on a proportionate basis **[Regulation 50(1A)]**
10. **Annual Updation of Offer Document** - The red herring prospectus filed for making an initial public offer, further public offer or Rights Issue shall be updated on an annual basis by the issuer and shall be made publicly accessible in the manner specified by the Board. **[Regulation 51A and 57(2)(b)]**

#### Qualified Institutions Placement

A minor change has been made in the regulations pertaining to QIP. Now, the issuer may offer a discount of 5% on the price calculated in accordance with Regulation 85(1), subject to approval of shareholders under Regulation 82(a). **[proviso to Regulation 85(1)]**

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