SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992

ESTABLISHMENT OF SEBI SEC 3 & 4

By CG by issuing a notification in the Official Gazette.

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HO at Mumbai

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SEBI is a body corporate having perpetual succession and a common seal

CONSTITUTION OF SEBI

- **One Chairman**
- **Two members** from amongst the officials of the Ministry of CG dealing with finance and administration.
- **One member** from amongst the officials of the RBI;
- **Five other members** of whom at least three shall be whole time members

The members of SEBI shall be appointed by **CG.**

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The general superintendence, direction and management of the affairs of the SEBI shall vest in a Board of members pursuing

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The Chairman and the other members shall be persons of ability, integrity and standing who have shown capacity in dealing with problems relating to securities market or have special knowledge or experience of law, finance, economics, accountancy, administration or in any other discipline which, in the opinion of CG, shall be useful to SEBI.

OBJECTS OF THE SEBI ACT

- Protection of the interests of investors.
- Promoting orderly and healthy growth of the securities market.
- Regulation of the securities market and other incidental matters.
- Promoting the fair dealings by the issuer of securities and ensuring a market place where they can raise funds at a relatively low cost.
- Regulating & developing a code of conduct and fair practices by intermediaries with a view to making them more competitive and professional.
- Monitoring the activities of stock exchanges, mutual funds and merchant bankers etc.

PROHIBITION ON ISSUE OF PROSPECTUS SEC 11 A

SEBI may for the protection of investors, by general or special orders

- Prohibit any company from issuing of prospectus, any offer document, or advertisement soliciting money from the public for the issue of securities
- Specify the conditions subject to which the prospectus, such offer document or advertisement, if not prohibited, may be issued.

INVESTIGATION OF INTERMEDIARIES BY SEBI sec 11C

SEBI appoints an **INSPECTING OFFICER**

GROUNDS:
Intermediaries are:
- Functioning detrimentally
- Violating provisions.

DUTIES OF EMPLOYEES & OFFICERS OF INTERMEDIARIES
- Assist in investigation

PENALTY
- 1 Yr imprisonment or
- Fine upto Rs 1cr + Rs 5 lacs per day till default

POWER OF INSPECTING OFFICER
- Power to retain books & doc. For 6 mths
- Enforce attendance of any person & examine on oath
- Note on examination.

SEIZURE OF DOCUMENTS BY INSPECTING OFFICER
- An application to Magistrate of 1st class to be make if there are reasonable ground to believe that the documents will be destroyed, mutilated, altered, falsified etc
- Magistrate if satisfied orders enter & search the place & seizure such documents.

INSIDER TRADING
SEC 15 G

INSIDER
Person connected directly/ indirectly with the co
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Having access to **UNPUBLISHED PRICE SENSITIVE INFORMATION.**

UNPUBLISHED PRICE SENSITIVE INFORMATION
Information, if published will directly/ indirectly affect the price of the securities

Penalty= Rs 25 crs or 3 times of amt of profit (higher)
- If he deals himself or
- Communicate such information.

PENALTIES ON STOCK BROKERS SEC 15 F

FAIL TO ISSUE CONTRACT NOTE

5 times of amt of contact note

FAIL TO MAKE PAYMENT TO INVESTOR

RS1 LAC/day OR Rs1 crs (lower)

CHARGE COMMISSION MORE THEN SPECIFIED

Rs 1 lac or 5 times of excess (higher)

Factors considered before imposing penalty:

- Amt of loss suffered by investor
- Amt of unfair gain to stock broker
- Repetitive nature of default.

APPEAL AGAINST ORDER OF SEBI

SAT

- Against the order of
  - Adjudicating authority
  - SEBI
- Within 45 days of date of passing order. (extension on logical grounds)
- Pass following order:
  - Confirm
  - Modify
  - Set aside

SUPREME COURT

If SQL is involved

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Against SATs order

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Within 60 days from the date of order(extension on logical grounds)

SEBI (ISSUE OF CAPITAL & DISCLOSURE REQUIREMENT) REGULATION 2009

I. PUBLIC ISSSUE

IPO

- Equity shares
- Convertible securities into equity.

FPO

- Equity shares
- Convertible securities into equity.

IPO

1st condition: OPTION I

UNLISTED COMPANY

- Net tangible assets >= 3 crs in 3 PFY (full) of which not more than 50% in monetary asset
- Avg pre tax operating profits >= Rs 15 crs during 3most profitable yrs out of 5 PFY
- Net worth >=1 cr 3 PFY (full)
- If company has changed its name within last one yr, than atleast 50% of the revenue for preceding yr is earned from the activities suggested by the new name.
- Proposed issue <= 5 times the pre issue net worth

LISTED COMPANY

- If company has changed its name within last one yr, than atleast 50% of the revenue for preceding yr is earned from the activities suggested by the new name.
- Proposed issue + Pre issue in the same FY <= 5 times the pre issue net worth

OPTION II FOR BOTH LISTED AS WELL AS UNLISTED COMPANY

Book building process has been followed

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75% of the net offer to public is made to QIBs

2nd condition: prospective allotees>= 1000

3rd condition: no outstanding conversion of debt instrument.

4th condition: credit rating has been obtained.

5th condition: if the seller (normally promoter) wishes to offer his securities for sale to public if such equity shares are held by him for atleast one yr prior to the date of filing of offer document with SEBI.

FPO

OPTION 1:

- If company has changed its name within last one yr, than atleast 50% of the revenue for preceding yr is earned from the activities suggested by the new name.
- Proposed issue + Pre issue in the same FY <= 5 times the pre issue net worth

OPTION 2

- Book building process has been followed &
- Net offer to public >= 75% to QIBs

II PRICING

Issuer is free to determine the price of the securities

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Issuer fixes the price in consultation with lead merchant banker[5]

<u>1. Differential pricing</u>

RII/ employees may be offered at a price lower than the offer made to others	QIBs (anchor investors) shall not be offered at a price lower than the offer price to others.	In case of composite issue , price of public issue can be different from right issue.

2. PRICE
To be specified in the prospectus
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If not specified then to be announced

- In case of IPO: atleast **5 working days** prior to opening of offer.
- In case of FPO : atleast 1 working days prior to opening of offer.

In all the newspapers in which the pre issue advertisement was given.

3. PRICE BAND

The cap on price band shall not be more than 120% of the floor price.

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Floor price >= face value of securities.

4 FACE VALUE OF SHARES

If issue price / share >= Rs 500	If issue price / share < Rs 500
↓	↓
FV >= Rs 1/ share	FV = Rs 10/ share

III PROMOTERS

1. Minimum promoter's contribution

IPO	FPO	COMPOSITE ISSUE
Atleast 20% of post issue capital	Atleast 20% of post issue capital or 20% proposed issue size	Excluding right issue, atleast 20% of post issue capital or 20% proposed issue size

2. No minimum PC required if:

- No identifiable promoter available.
- FPO is by way of conversion of securities.

3. Securities ineligible for minimum PC

Securities acquired by promoter during 3 PFY:	Securities acquired by promoter during PFY at a price lower than offer price of IPO. However if the promoter pay to the issuer the difference between the prices (offer price – acquiring price), then such securities are valid.	Securities pledged with any creditor.
• Other than cash • By way of bonus shares out of revaluation reserve/ unrealized profit.		

Note: The entire promoter contribution including premium shall be received atleast 1 day before the issue opening date & kept with the schedule bank.

4. Lock in period

- Minimum PC = lock in period = 3 yrs from the date of allotment
- Holding beyond minimum PC = lock in period = 1 yr from the date of allotment.
- Promoters can pledge the securities with
    - Schedule banks
    - Commercial banks
    - PFIs.
- Securities held by the promoter can be transferred to another promoter during lock in period.

IV GREEN SHOE OPTION

To stabilize the post list price

1. Resolution in GM
    a. For allotment of securities
    b. For appointment of stabilization agent
2. Merchant banker shall act as stabilization agent.
3. Prior to filing of offer document, an agreement shall be entered between-

Issuer & stabilization agent	Promoters & stabilization agent
To determine terms & condition of GSO including fee aspects	To determine the amt of over allotment but shall not exceed 15%of the issue size.

4. The offer document contains all material disclosure about GSO.
5. The stabilization agent shall determine the time & qty of securities & the price of buying from the mkt.
6. Stabilization process shall be available for 30 days from the date of trading permission.
7. The securities bought from the mkt shall be deposited in a special a/c & money related to over allotment shall also be kept in separate a/c by stabilization agent.

8. Securities so bought shall be returned to the promoters within 2 days after stabilization process.
9. Any balance in separate a/c shall be remitted to the company.
10. Stabilization agent shall submit a report on daily basis during stabilizing process & a final report to SEBI.

V RIGHT ISSUE

No right issue:

- There are no outstanding convertible debt instrument.
- If any, then similar benefits are reserved for them as well.

Procedure:

Application form

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Abridged letter of offer

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Send to all the existing shareholders.

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Subscription is open for

Min - 15 days

Max - 30 days

Pre issue advertisement for right issue

Following details shall be given in advertisement-

- Details of dispatch of letter of offer.
- Center from where duplicate application form can be obtained.
- If a shareholder has not received application form & not in a position to obtain duplicate application form then he can apply on plain paper but the format is prescribed in the advertisement.
- Grounds for rejection shall be mentioned.

- Advertisement to be given in
  - One English NP.
  - One hindi NP.
  - One regional NP.

VI PREFERENTIAL ISSUE

AMENDED AS PER SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) (SECOND AMENDMENT) REGULATIONS, 2013

1. NON APPLICABILITY:

- Conversion of loan/ debt into shares
- Schemes approved by high court u/s 391 to 394 of Co. Act
- Scheme approved by BIFR.

2. RELAVENT DATE

30 days prior to the date on which meeting of shareholders is held for considering preferential issue.

3. CONDITIONS

- SR in GM. Disclosure in notice of GM of the following:
  - Object of preferential issue.
  - Proposal details.
  - Shareholding pattern before & after preferential issue.
  - Details of **proposed allottee. ("the natural persons who are the ultimate beneficial owners of the shares proposed to be allotted and/or who ultimately control")**
  - Recomputed price.
  - Statutory auditor certificate - as regard compliance of conditions related to preferential issue.
- Shares in DEMAT form only.
- Complied listing agreement.
- PAN of proposed allottee has been received by issuer.
- No preferential issue to a person who has sold equity shares of issuer during 6 mths prior to RD.
- **The issuer shall ensure that the consideration of specified securities, if paid in cash, shall be received from respective allottee's bank account.**
- **The issuer shall submit a certificate of the statutory auditor to the stock exchange where the equity shares of the issuer are listed stating that the issuer is in compliance of sub-regulation (5) and the relevant documents thereof are maintained by the issuer as on the date of certification."**

4 ALLOTMENT PERSUANT TO SR

Allotment within 15 days from passing resolution.	If Allotment not made within 15 days from passing resolution, then fresh SR required.

5. PRICING OF EQUITY SHARES

- Securities are listed in RSE for 6 mths or more from RD.
  - Avg weekly high & low of closing price during 6 mths preceding the RD.
  - Avg weekly high & low of closing price during 2 weeks preceding the RD.
  - Whichever is higher
- Securities are listed in RSE for less than 6 mths from RD.
  - Price of IPO or Avg weekly high & low of closing price during the period preceding the RD.
  - Avg weekly high & low of closing price during 2 weeks preceding the RD.
  - Whichever is higher

6. LOCK IN PERIOD

- Preferential allotment to promoter
  3 yrs **from the date of trading approval granted for.**
- Preferential allotment to others
  1 yrs from **date of trading approval granted for**
  Where the shares are partly paid up 1 yr from the date it became fully paid up.

The specified securities allotted on preferential basis shall not be transferred by the allottee till trading approval is granted for such securities by all the recognised stock exchanges where the equity shares of the issuerare listed."

VII BONUS SHARES

Following are the conditions to be satisfied:

- Authorized by AOA.
- No default in
  - Interest
  - Principal

Of fixed deposit & debt securities.

- No issue pending conversion of debt instrument unless similar benefit is reserved for them.
- No default in statutory dues.
- Bonus shares shall be made out of free reserve (not from revaluation reserve or non cash profits)
- No bonus shares in lieu of dividend.
- Announced in BM.
- No partly paid up shares.
- Once declared it cannot be withdrawn unless with the consent of shareholders.

Implementation of bonus shares

Where approval of shareholders not required	Where approval of shareholders required
Within 15 days from the date of BR.	Within 2 mths from the date of BR.

- The bonus shares shall be issued within 6 mths from the date of BR.

VIII BOOK BUILDING

- Cap of price band <= 20%
- Where the price band is to be revised, floor price can be moved up or down by 20% & the higher amt is adjusted accordingly.
- Revised price band should be-
  - Informed to RSEs
  - Displayed on website

- Press release
  - The bidding period shall be extended by 3 days.

ALLOTMENT IN NET OFFER TO PUBLIC THROUGH BOOK BUILDING

WHERE OPTION 1 OF PUBLIC REGULATION IS FOLLOWED:	WHERE OPTION 2 OF PUBLIC REGULATION IS FOLLOWED:
• RIIs – 35%MIN	• RIIs – 10%MAX
• NIBs- 15% MIN	• NIBs- 15% MAX
• QIBs- 50% MAX	• QIBs- 75% MIN

SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 ***(updated upto Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) (Fourth Amendment) Regulations, 2012 dated 12th October, 2012)***

PROVISIONS AS TO PUBLIC ISSUE PART I-ELIGIBILITY REQUIREMENTS

Reference date

25. Unless otherwise provided in this Chapter, an issuer making a public issue shall satisfy the conditions of this Chapter as on the date of filing draft offer document with the Board and also as on the date of registering the offer document with the Registrar of Companies.

Conditions for initial public offer

26. (1)An issuer may make an initial public offer, if:

(a) it has net tangible assets of at least three crore rupees in each of the preceding three full years (of twelve months each), of which not more than fifty per cent. are held in monetary assets:

Provided that if more than fifty per cent. of the net tangible assets are held in monetary assets, the issuer has made firm commitments to utilise such excess monetary assets in its business or project;

Provided further that the limit of fifty per cent. on monetary assets shall not be applicable in case the public offer is made entirely through an offer for sale.

(b) it has a minimum average pre-tax operating profit of rupees fifteen crore, calculated on a restated and consolidated basis, during the three most profitable years out of the immediately preceding five years.

(c) it has a net worth of at least one crore rupees in each of the preceding three full years (of twelve months each);

(d) the aggregate of the proposed issue and all previous issues made in the same financial year in terms of issue size does not exceed five times its pre-issue net worth as per the audited balance sheet of the preceding financial year;

(e) if it has changed its name within the last one year, at least fifty per cent. of the revenue for the preceding one full year has been earned by it from the activity indicated by the new name.

(2) ***An issuer not satisfying the condition stipulated in sub-regulation (1) may make an initial public offer if the issue is made through the book-building process and the issuer undertakes to allot, at least seventy five percent of the net offer to public, to qualified institutional buyers and to refund full subscription money if it fails to make the said minimum allotment to qualified institutional buyers.***

(3) An issuer may make an initial public offer of convertible debt instruments without making a prior public issue of its equity shares and listing thereof.

(4) An issuer shall not make an allotment pursuant to a public issue if the number of prospective allottees is less than one thousand.

(5) No issuer shall make an initial public offer if there are any outstanding convertible securities or any other right which would entitle any person with any option to receive equity shares: Provided that the provisions of this sub-regulation shall not apply to:

> (a) a public issue made during the currency of convertible debt instruments which were issued through an earlier initial public offer, if the conversion price of such convertible debt instruments was determined and disclosed in the prospectus of the earlier issue of convertible debt instruments;
>
> (b) outstanding options granted to employees pursuant to an employee stock option scheme framed in accordance with the relevant Guidance Note or Accounting Standards, if any, issued by the Institute of Chartered Accountants of India in this regard.
>
> (c) fully-paid up outstanding convertible securities which are required to be converted on or before the date of filing of the red herring prospectus (in case of book-built issues) or the prospectus (in case of fixed price issues), as the case may be.

(6) Subject to provisions of the Companies Act, 1956 and these regulations, equity shares may be offered for sale to public if such equity shares have been held by the sellers for a period of at least one year prior to the filing of draft offer document with the Board in accordance with sub-regulation (1) of regulation 6: Provided that in case equity shares received on conversion or exchange of fully paid-up compulsorily convertible securities including depository receipts are being offered for sale, the holding period of such convertible securities as well as that of resultant equity shares together shall be considered for the purpose of calculation of one year period referred in this sub-regulation: Provided further that the requirement of holding equity shares for a period of one year shall not apply:

(a) in case of an offer for sale of specified securities of a government company or statutory authority or corporation or any special purpose vehicle set up and
controlled by any one or more of them, which is engaged in infrastructure sector;

(b) if the specified securities offered for sale were acquired pursuant to any scheme approved by a High Court under sections 391-394 of the Companies Act, 1956, in lieu of business and invested capital which had been in existence for a period of more than one year prior to such approval.

(7) No issuer shall make an initial public offer, unless as on the date of registering prospectus or red herring prospectus with the Registrar of Companies, the issuer has obtained grading for the initial public offer from at least one credit rating agency registered with the Board**.**

Explanation: For the purposes of this regulation:

(I) "net tangible assets" mean the sum of all net assets of the issuer, 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 monies are proposed to be raised to cover the objects of the issue;
(III) In case of an issuer which had been a partnership firm, the track record of distributable profits of the partnership firm shall be considered only if the financial statements of the partnership business for the period during which the issuer was a partnership firm, 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 issuer as per Schedule VI of the Companies Act, 1956;
(b) the financial statements are duly certified by a Chartered Accountant stating that:
(i) the accounts and the disclosures made are in accordance with the provisions of Schedule VI of the Companies Act, 1956;
(ii) the accounting standards of the Institute of Chartered Accountants of India have been followed;
(iii) the financial statements present a true and fair view of the firm's accounts;

(I) In case of an issuer 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 provided for partnership firms in Explanation III are complied with;
(II) "bid-ask spread" means the difference between quotations for sale and purchase;
(III) The term "infrastructure sector" includes the facilities or services as specified in **Schedule X.**

Conditions for further public offer
27. An issuer may make a further public offer if it satisfies the conditions specified in clauses (d) and (e) of sub-regulation (1) of regulation 26 and if it does not satisfy those conditions, it may make a further public offer if it satisfies the conditions specified in sub- regulation (2) of regulation 26.

PART II - PRICING IN PUBLIC ISSUE
An issuer may determine the price of specified securities in consultation with the lead merchant banker or through the book building process.
An issuer may determine the coupon rate and conversion price of convertible debt instruments in consultation with the lead merchant banker or through the book building process.
The issuer shall undertake the book building process in a manner specified in **Schedule XI**.
Differential pricing **29.** An issuer may offer specified securities at different prices, subject to the following:
(a) retail individual investors or retail individual shareholders or employees entitled for reservation made under regulation 42 making an application for specified securities of value not more than two lakhs rupees, may be offered specified securities at a price lower than the price at which net offer is made to other categories of applicants:
Provided that such difference shall not be more than ten per cent. of the price at which specified securities are offered to other categories of applicants;

(b) in case of a book built issue, the price of the specified securities offered to an anchor investor shall not be lower than the price offered to other applicants;
(c) in case of a composite issue, the price of the specified securities offered in the public issue may be different from the price offered in rights issue and justification for such price difference shall be given in the offer document.
(d) In case the issuer opts for the alternate method of book building in terms of Part D of Schedule XI, the issuer may offer specified securities to its employees at a price lower than the floor price:
Provided that the difference between the floor price and the price at which specified securities are offered to employees shall not be more than ten per cent. of the floor price.
Price and price band30. (1) The issuer may mention a price or price band in the draft prospectus (in case of a
fixed price issue) and floor price or price band in the red herring prospectus (in caseof a book built issue) and determine the price at a later date before registering the prospectus with the Registrar of Companies: Provided that the prospectus registered with the Registrar of Companies shall contain only one price or the specific coupon rate, as the case may be.

. (2) The issuer shall announce the floor price or price band at least ***five working days*** before the opening of the bid (in case of an initial public offer) and at least one working day before the opening of the bid (in case of a further public offer), in all the newspapers in which the pre issue advertisement was released.
. (3) The announcement referred to in sub-regulation (2) shall contain relevant financial ratios computed for both upper and lower end of the price band and also a statement drawing attention of the investors to the section titled "basis of issue price" in the prospectus.

(3A) The announcement referred to in sub-regulation (2) and the relevant financial ratios referred to in sub-regulation (3) 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.

. (4) The cap on the price band shall be less than or equal to one hundred and twenty per cent. of the floor price.
. (5) The floor price or the final price shall not be less than the face value of the specified securities.

Explanation: For the purposes of sub-regulation (4), the "cap on the price band" includes cap on the coupon rate in case of convertible debt instruments.
Face value of equity shares

31. (1) Subject to the provisions of the Companies Act, 1956, the Act and these regulations, an issuer making an initial public offer may determine the face value of the equity shares in the following manner:
(a) if the issue price per equity share is five hundred rupees or more, the issuer shall have the option to determine the face value at less than ten rupees per equity share: Provided that the face value shall not be less than one rupee per equity share;
(b) if the issue price per equity share is less than five hundred rupees, the face value of the equity shares shall be ten rupees per equity share: Provided that nothing contained in this sub-regulation 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.

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

Explanation: For the purposes of this regulation, the term “infrastructure sector” includes the facilities or services as specified in **Schedule X.**

PART III - PROMOTERS’ CONTRIBUTION MINIMUM PROMOTERS’ CONTRIBUTION

32. (1) The promoters of the issuer shall contribute in the public issue as follows:

(a) in case of an initial public offer, not less than twenty per cent. of the post issue capital:

Provided that in case the post issue shareholding of the promoters is less than twenty per cent., alternative investment funds may contribute for the purpose of meeting the shortfall in minimum contribution as specified for promoters, subject to a maximum of ten per cent of the post issue capital.

(b) in case of a further public offer, either to the extent of twenty per cent. of the proposed issue size or to the extent of twenty per cent. of the post-issue capital;

(c) in case of a composite issue, either to the extent of twenty per cent. of the proposed issue size or to the extent of twenty per cent. of the post-issue capital excluding the rights issue component.

(2) In case of a public issue or composite issue of convertible securities, minimum promoters’ contribution shall be as follows:

(a) the promoters shall contribute twenty per cent. as stipulated in clauses (a), (b) or (c) of sub-regulation (1), as the case may be, either by way of equity shares or by way of subscription to the convertible securities: Provided that if the price of the equity shares allotted pursuant to conversion is not pre- determined and not disclosed in the offer document, the promoters shall contribute only by way of subscription to the convertible securities being issued in the public issue and shall undertake in writing to subscribe to the equity shares pursuant to conversion of such securities.

(b) in case of any issue of convertible securities which are convertible or exchangeable on different dates and if the promoters’ contribution is by way of equity shares (conversion price being pre-determined), such contribution shall not be at a price lower than the weighted average price of the equity share capital arising out of conversion of such securities.

(c) subject to the provisions of clause (a) and (b) above, in case of an initial public offer of convertible debt instruments without a prior public issue of equity shares, the promoters shall bring in a contribution of at least twenty per cent. of the project cost in the form of equity shares, subject to contributing at least twenty per cent. of the issue size from their own funds in the form of equity shares:

Provided that if the project is to be implemented in stages, the promoters’ contribution shall be with respect to total equity participation till the respective stage vis-à-vis the debt raised or proposed to be raised through the public issue.

(3) In case of a further public offer or composite issue where the promoters contribute more than the stipulated minimum promoters’ contribution, the allotment with respect to excess contribution shall be made at a price determined in terms of the provisions of regulation 76 or the issue price, whichever is higher.

(4) The promoters shall satisfy the requirements of this regulation at least one day prior to the date of opening of the issue and the amount of promoters’ contribution shall be kept in an

escrow account with a scheduled commercial bank and shall be released to the issuer along with the release of the issue proceeds: Provided that where the promoters' contribution has already been brought in and utilised, the issuer shall give the cash flow statement disclosing the use of such funds in the offer document; Provided further that where the minimum promoters' contribution is more than one hundred crore rupees, the promoters shall bring in at least one hundred crore rupees before the date of opening of the issue and the remaining amount may be brought on pro-rata basis before the calls are made to public.

Explanation: For the purpose of this regulation:

(I) Promoters' contribution shall be computed on the basis of the post-issue expanded capital:

(a) assuming full proposed conversion of convertible securities into equity shares;

(b) assuming exercise of all vested options, where any employee stock options are outstanding at the time of initial public offer in terms of proviso (b) to sub-regulation (5) of regulation 26.

(II) For computation of "weighted average price":

(a) "weights" means the number of equity shares arising out of conversion of such specified securities into equity shares 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.

Securities ineligible for minimum promoters' contribution 33. (1) For the computation of minimum promoters' contribution, the following specified securities shall not be eligible: (a) specified securities acquired during the preceding three years, if they are:

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

(ii) resulting from a bonus issue by utilisation of revaluation reserves or unrealised profits of the issuer or from bonus issue against equity shares which are ineligible for minimum promoters' contribution;

(b) specified securities acquired by promoters ***and alternative investment funds*** during the preceding one year at a price lower than the price at which specified securities are being offered to public in the initial public offer:

Provided that nothing contained in this clause shall apply:

(i) if promoters/***altenative investment funds*** pay to the issuer, the difference between the price at which specified securities are offered in the initial public offer and the price at which the specified securities had been acquired;

(ii) if such specified securities are acquired in terms of the scheme under sections 391-394 of the Companies Act, 1956, as approved by a High Court, by promoters in lieu of business and invested capital that had been in existence for a period of more than one year prior to such approval;

(iii) to an initial public offer by a government company, statutory authority or corporation or any special purpose vehicle set up by any of them, which is engaged in infrastructure sector;

(c) specified securities allotted to promoters and alternative investment funds during the preceding one year at a price less than the issue price, against funds brought in by them during that period, in case of an issuer formed by conversion of one or more partnership firms, where the partners of the erstwhile partnership firms are the promoters of the issuer and there is no change in the management:

Provided that specified securities, allotted to promoters against capital existing in such firms for a period of more than one year on a continuous basis, shall be eligible;
(d) specified securities pledged with any creditor.
(2) Specified securities referred to in clauses (a) and (c) of sub-regulation (1) shall be eligible for the computation of promoters' contribution, if such securities are acquired pursuant to a scheme which has been approved under sections 391-394 of the Companies Act, 1956.
Explanation: For the purposes of clause (b) of sub-regulation (1), the term "infrastructure sector" includes the facilities or services as specified in **Schedule X.**
Requirement of minimum promoters' contribution not applicable in certain cases 34. The requirements of minimum promoters' contribution shall not apply in case of:
(a) an issuer which does not have any identifiable promoter;
(b) a further public offer, where the equity shares *of the issuer* and are not infrequently traded in a recognised stock exchange for a period of at least three years and the issuer has a track record of dividend payment for at least immediately preceding three years:
Provided that where promoters propose to subscribe to the specified securities offered to the extent greater than higher of the two options available in clause (b) of sub-regulation (1) of regulation 32, the subscription in excess of such percentage shall be made at a price determined in terms of the provisions of regulation 76 or the issue price, whichever is higher.
(c) rights issues.
Explanation: For the purpose of clause (b), the words "infrequently traded" have the same meaning as assigned to them in Explanation to sub-regulation (5) of regulation 20 of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 and the reference date for the purpose of computing the annualised trading turnover referred to in the said Explanation shall be the date of filing the draft offer document with the Board and in case of a fast track issue, the date of filing the offer document with the Registrar of Companies before opening of the issue.

PART IV - RESTRICTION ON TRANSFERABILITY (LOCK-IN) OF PROMOTERS' CONTRIBUTION, ETC.

35. (1) Save as otherwise provided in this Chapter, specified securities held by promoters and persons other than promoters shall not be transferable (hereinafter referred to as "lock-in') from the date of allotment of the specified securities in the proposed public issue for the period stipulated in this Chapter .
(2) The certificate of specified securities which are subject to lock-in shall contain the inscription "non transferable" and the lock-in period and in case such specified securities are dematerialised, the issuer shall ensure that lock-in is recorded by the depository.
(3) Where the specified securities which are subject to lock-in are partly paid-up and the amount called-up on such specified securities is less than the amount called-up on the specified securities issued to the public, the "lock-in" shall end only on the expiry of three years after such specified securities have become pari-passu with the specified securities issued to the public.
Lock-in of specified securities held by promoters.36. In a public issue, the specified securities held by promoters shall be locked-in for the

period stipulated hereunder:

(a) minimum promoters' contribution ***including contribution made by alternative investment funds, referred to in proviso to clause (a) of sub-regulation (1) of regulation 32***

shall be locked-in for a period of three years from the date of commencement of commercial production or date of allotment in the public issue, whichever is later;
(b) promoters' holding in excess of minimum promoters' contribution shall be locked-in for a period of one year:
Provided that excess promoters' contribution as provided in proviso to clause (b) of regulation 34 shall not be subject to lock-in.

Explanation: For the purposes of this clause, 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.
Lock-in of specified securities held by persons other than promoters. **37.** In case of an initial public offer, the entire pre-issue capital held by persons other than promoters shall be locked-in for a period of one year:
Provided that nothing contained in this regulation shall apply to:
(a) equity shares allotted to employees under an employee stock option or employee stock purchase scheme of the issuer prior to the initial public offer, if the issuer has made full disclosures with respect to such options or scheme in accordance with **Part A of Schedule VIII**;
(b) equity shares held by a venture capital fund or a foreign venture capital investor for a period of at least one year prior to the date of filing the draft prospectus with the Board:
Explanation: For the purpose of clause (b), in case such equity shares have resulted pursuant to conversion of fully paid-up compulsorily convertible securities, the holding period of such convertible securities as well as that of resultant equity shares together shall be considered for the purpose of calculation of one year period and convertible securities shall be deemed to be fully paid-up, if the entire consideration payable thereon has been paid and no further consideration is payable at the time of their conversion.
Pledge of locked-in specified securities
39. Specified securities held by promoters and locked-in may be pledged with any scheduled commercial bank or public financial institution as collateral security for loan granted by such bank or institution, subject to the following:
(a) if the specified securities are locked-in in terms of clause (a) of regulation 36, the loan has been granted by such bank or institution for the purpose of financing one or more of the objects of the issue and pledge of specified securities is one of the terms of sanction of the loan;
(b) if the specified securities are locked-in in terms of clause (b) of regulation 36 and the pledge of specified securities is one of the terms of sanction of the loan.
PART V - MINIMUM OFFER TO PUBLIC, RESERVATIONS, ETC.
Allocation in net offer to public
43. (1) **(2)**No person shall make an application in the net offer to public category for that number of specified securities which exceeds the number of specified securities offered to public.
In an issue made through the book building process under sub-regulation (1) of regulation 26, the allocation in the net offer to public category shall be as follows:

. **(a) not less than thirty five per cent to retail individual investors;**
. **(b) not less than fifteen per cent to non-institutional investors;**
. **(c) not more than fifty per cent to qualified institutional buyers, five per cent. of which shall be allocated to mutual funds:**

Provided that in addition to five per cent allocation available in terms of clause (c), mutual funds shall be eligible for allocation under the balance available for qualified institutional buyers.

(2A) In an issue made through the book building process under sub-regulation (2) of regulation 26, the allocation in the net offer to public category shall be as follows:

. ***(a) not more than ten per cent to retail individual investors;***

. ***(b) not more than fifteen per cent to non-institutional investors;***

. ***(c) not less than seventy five per cent to qualified institutional buyers, five per cent of which shall be allocated to mutual funds:***

Provided that in addition to five per cent. allocation available in terms of clause (c), mutual funds shall be eligible for allocation under the balance available for qualified institutional buyers."

In an issue made through the book building process, the issuer may allocate upto thirty per cent. of the portion available for allocation to qualified institutional buyers to an anchor investor in accordance with the conditions specified in this regard in Schedule XI.

In an issue made other than through the book building process, allocation in the net offer to public category shall be made as follows:

(a) minimum fifty per cent. to retail individual investors; and

(b) remaining to:

(i) individual applicants other than retail individual investors; and

(ii) other investors including corporate bodies or institutions, irrespective of the number of specified securities applied for;

(c) the unsubscribed portion in either of the categories specified in clauses (a) or (b) may be allocated to applicants in the other category.

Explanation: For the purpose of sub-regulation (4), if the retail individual investor category is entitled to more than fifty per cent. on proportionate basis, the retail individual investors shall be allocated that higher percentage.

Price stabilisation through green shoe option

45. (1) An issuer making a public issue of specified securities may provide green shoe option for stabilising the post listing price of its specified securities, subject to the following:

(a) the issuer has been authorized, by a resolution passed in the general meeting of shareholders approving the public issue, to allot specified securities to the stabilising agent, if required, on the expiry of the stabilisation period;

(b) the issuer has appointed a merchant banker or book runner, as the case may be, from amongst the merchant bankers appointed by the issuer as a stabilising agent, who shall be responsible for the price stabilisation process;

(c) prior to filing the draft offer document with the Board, the issuer and the stabilising agent have entered into an agreement, stating all the terms and conditions relating to the green shoe option including fees charged and expenses to be incurred by the stabilising agent for discharging his responsibilities;

(d) prior to filing the offer document with the Board, the stabilising agent has entered into an agreement with the promoters or pre-issue shareholders or both for borrowing specified securities from them in accordance with clause (g) of this sub- regulation, specifying therein the

maximum number of specified securities that may be borrowed for the purpose of allotment or allocation of specified securities inexcess of the issue size (hereinafter referred to as the "over-allotment"), which shall not be in excess of fifteen per cent. of the issue size;
(e) subject to clause (d), the lead merchant banker or lead book runner, in consultation with the stabilising agent, shall determine the amount of specified securities to be over-allotted in the public issue;
(f) the draft and final offer documents shall contain all material disclosures about the green shoe option specified in this regard in Part A of Schedule VIII;
(g) in case of an initial public offer pre-issue shareholders and promoters and in case of a further public offer pre-issue shareholders holding more than five per cent. specified securities and promoters, may lend specified securities to the extent of the proposed over-allotment;
(h) the specified securities borrowed shall be in dematerialised form and allocation of these securities shall be made pro-rata to all successful applicants.
(2) For the purpose of stabilisation of post-listing price of the specified securities, the stabilising agent shall determine the relevant aspects including the timing of buying such securities, quantity to be bought and the price at which such securities are to be bought from the market.
(3) The stabilisation process shall be available for a period not exceeding thirty days from the date on which trading permission is given by the recognised stock exchanges in respect of the specified securities allotted in the public issue.
(4) The stabilising agent shall open a special account, distinct from the issue account, with a bank for crediting the monies received from the applicants against the over- allotment and a special account with a depository participant for crediting specified securities to be bought from the market during the stabilisation period out of the monies credited in the special bank account.
(5) The specified securities bought from the market and credited in the special account with the depository participant shall be returned to the promoters or pre-issue shareholders immediately, in any case not later than two working days after the end of the stabilization period.
(6) On expiry of the stabilisation period, if the stabilising agent has not been able to buy specified securities from the market to the extent of such securities over-allotted, the issuer shall allot specified securities at issue price in dematerialised form to the extent of the shortfall to the special account with the depository participant, within five days of the closure of the stabilisation period and such specified securities shall be returned to the promoters or pre-issue shareholders by the stabilising agent in lieu of the specified securities borrowed from them and the account with the depository participant shall be closed thereafter.
(7) The issuer shall make a listing application in respect of the further specified securities allotted under sub-regulation (6), to all the recognised stock exchanges where the specified securities allotted in the public issue are listed and the provisions of Chapter VII shall not be applicable to such allotment.
(8) The stabilising agent shall remit the monies with respect to the specified securities allotted under sub-regulation (6) to the issuer from the special bank account.
(9) Any monies left in the special bank account after remittance of monies to the issuer under sub- regulation (8) and deduction of expenses incurred by the stabilising agent for the stabilisation process shall be transferred to the Investor Protection and Education Fund established by the Board and the special bank account shall be closed soon thereafter.
(10) The stabilising agent shall submit a report to the stock exchange on a daily basis during the stabilisation period and a final report to the Board in the format specified in **Schedule XII**.

(11) The stabilising agent shall maintain a register for a period of at least three years from the date of the end of the stabilisation period and such register shall contain the following particulars:

(a) The names of the promoters or pre-issue shareholders from whom the specified securities were borrowed and the number of specified securities borrowed from each of them;

(b) The price, date and time in respect of each transaction effected in the course of the stabilisation process; and

(c) The details of allotment made by the issuer on expiry of the stabilisation process.

CHAPTER IV RIGHTS ISSUE

A listed issuer making a rights issue shall announce a record date for the purpose of determining the shareholders eligible to apply for specified securities in the proposed rights issue.

The issuer shall not withdraw rights issue after announcement of the record date.

If the issuer withdraws the rights issue after announcing the record date, it shall not make an application for listing of any of its specified securities on any recognised stock exchange for a period of twelve months from the record date announced under sub- regulation (1):

Provided that the issuer may seek listing of its equity shares allotted pursuant to conversion or exchange of convertible securities issued prior to the announcement of the record date, on the recognised stock exchange where its securities are listed.

Restriction on rights issue.

Letter of offer, abridged letter of offer, pricing and period of subscription.

54. (1)The abridged letter of offer, along with application form, shall be dispatched through registered post or speed post to all the existing shareholders at least three days before the date of opening of the issue:

Provided that the letter of offer shall be given by the issuer or lead merchant banker to any existing shareholder who has made a request in this regard.

(2) The shareholders who have not received the application form may apply in writing on a plain paper, along with the requisite application money.

(3) The shareholders making application otherwise than on the application form shall not renounce their rights and shall not utilise the application form for any purpose including renunciation even if it is received subsequently.

(4) Where any shareholder makes an application on application form as well as on plain paper, the application is liable to be rejected.

(5) The issue price shall be decided before determining the record date which shall be determined in consultation with the designated stock exchange.

(6) A rights issue shall be open for subscription for a minimum period of fifteen days and for a maximum period of thirty days.

(7) The issuer shall give only one payment option out of the following to all the investors -

(a) part payment on application with balance money to be paid in calls; or

(b) full payment on application:

Provided that where the issuer has given the part payment option to investors, such issuer shall obtain the necessary regulatory approvals to facilitate the same."

Pre-Issue Advertisement for rights issue

55. (1) The issuer shall issue an advertisement for rights issue disclosing the following:

(a) the date of completion of despatch of abridged letter of offer and the application form;

(b) the centres other than registered office of the issuer where the shareholders or the persons entitled to receive the rights entitlements may obtain duplicate copies of the application forms in case they do not receive the application form within a reasonable time after opening of the rights issue;

(c) a statement that if the shareholders entitled to receive the rights entitlements have neither received the original application forms nor they are in a position to obtain the duplicate forms, they may make application in writing on a plain paper to subscribe to the rights issue;

(d) a format to enable the shareholders entitled to apply against their rights entitlements, to make the application on a plain paper specifying therein necessary particulars such as name, address, ratio of rights issue, issue price, number of equity shares held, ledger folio numbers, depository participant ID, client ID, number of equity shares entitled and applied for, additional shares if any, amount to be paid along with application, and particulars of cheque, etc. to be drawn in favour of the issuer's account;

(e) a statement that the applications can be directly sent by the shareholders entitled to apply against rights entitlements through registered post together with the application moneys to the issuer's designated official at the address given in the advertisement;

(f) a statement to the effect that if the shareholder makes an application on plain paper and also on application form both his applications shall be liable to be rejected at the option of the issuer.

(2) The advertisement shall be made in at least one English national daily newspaper with wide circulation, one Hindi national daily newspaper with wide circulation and one regional language daily newspaper with wide circulation at the place where registered office of the issuer is situated, at least three days before the date of opening of the issue.

Reservation for employees alongwith rights issue.

55A. Subject to other applicable provision of these regulations the issuer may make reservation for [***] employees alongwith rights issue subject to the condition that value of allotment to any employee shall not exceed *two lakhs* rupees.

Utilisation of funds raised in rights issue.□**56.** The issuer shall utilise funds collected in rights issues after the finalisation of the basis of allotment.

CHAPTER VII PREFERENTIAL ISSUE

70. (1)The provisions of this Chapter shall not apply where the preferential issue of equity shares is made:

(a) pursuant to conversion of loan or option attached to convertible debt instruments in terms of sub-sections (3) and (4) of sections 81 of the Companies Act, 1956;

(b) pursuant to a scheme approved by a High Court under section 391 to 394 of the Companies Act, 1956;

(c) in terms of the rehabilitation scheme approved by the Board of Industrial and Financial

Reconstruction under the Sick Industrial Companies (Special Provisions) Act, 1985:

Provided that the lock-in provisions of this Chapter shall apply to preferential issue of equity shares mentioned in clause (c).

The provisions of this Chapter relating to pricing and lock-in shall not apply to equity 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).

The provisions of regulation 73 and regulation 76 shall not apply to a preferential issue of equity shares and compulsorily convertible debt instruments, whether fully or partly, where the Board has granted relaxation to the issuer in terms of regulation 29A of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, if adequate disclosures about the plan and process proposed to be followed for identifying the allottees are given in the explanatory statement to notice for the general meeting of shareholders.

The provisions of sub-regulation (2) of regulation 72 and sub-regulation (6) of regulation 78 shall not apply to a preferential issue of specified securities where the proposed allottee is a Mutual Fund registered with the Board or Insurance Company registered with Insurance Regulatory and Development Authority.

Relevant date□

71. For the purpose of this Chapter, "relevant date" means:

(a) in case of preferential issue of equity shares, the date thirty days prior to the date on which the meeting of shareholders is held to consider the proposed preferential issue: Provided that in case of preferential issue of equity shares 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) in case of preferential issue of convertible securities, either the relevant date referred to in clause (a) of this regulation or a date thirty days prior to the date on which the holders of the convertible securities become entitled to apply for the equity shares.

Conditions for preferential issue

72. (1) A listed issuer may make a preferential issue of specified securities, if:

(a) a special resolution has been passed by its shareholders;

(b) all the equity shares, if any, held by the proposed allottees in the issuer are in dematerialised form;

(c) the issuer is in compliance with the conditions for continuous listing of equity shares as specified in the listing agreement with the recognised stock exchange where the equity shares of the issuer are listed;

(d) the issuer has obtained the Permanent Account Number of the proposed allottees.

(2) The issuer shall not make preferential issue of specified securities to any person who has sold any equity shares of the issuer during the six months preceding the relevant date:

Pricing of equity shares.

76. If the equity shares of the issuer have been listed on a recognised stock exchange for a period of ***twenty six weeks*** or more as on the relevant date, the equity shares shall be allotted at a price not less than higher of the following:

(a) The average of the weekly high and low of the closing prices of the related equity shares quoted on the recognised stock exchange during the ***twenty six weeks*** preceding the relevant date; or

(b) The average of the weekly high and low of the closing prices of the related equity shares quoted on a recognised stock exchange during the two weeks preceding the relevant date.

If the equity shares of the issuer have been listed on a recognised stock exchange for a period of less than ***twenty six weeks*** as on the relevant date, the equity shares shall be allotted at a price not less than the higher of the following:

(a) the price at which equity shares were issued by the issuer in its initial public offer 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 equity shares of the issuer were listed, as the case may be; or

(b) the average of the weekly high and low of the closing prices of the related equity shares quoted on the recognised stock exchange during the period shares have been listed preceding the relevant date; or

(c) the average of the weekly high and low of the closing prices of the related equity shares quoted on a recognised stock exchange during the two weeks preceding the relevant date.

Where the price of the equity shares is determined in terms of sub-regulation (2), such price shall be recomputed by the issuer on completion of ***twenty six weeks*** from the date of listing on a recognised stock exchange with reference to the average of the weekly high and low of the closing prices of the related equity shares quoted on therecognised stock exchange during these ***twenty six weeks*** and if such recomputed price is higher than the price paid on allotment, the difference shall be paid by the allottees to the issuer.

(4) Any preferential issue of specified securities, to qualified institutional buyers not exceeding five in number, shall be made at a price not less than the average of the weekly high and low of the closing prices of the related equity shares quoted on a recognised stock exchange during the two weeks preceding the relevant date.

Explanation: For the purpose of this regulation, 'stock exchange' means any of the recognised stock exchanges in which the equity shares are listed and in which the highest trading volume in respect of the equity shares of the issuer has been recorded during the preceding ***twenty six weeks*** prior to the relevant date.

Lock-in of specified securities

78. (1) The specified securities allotted on preferential basis to promoter or promoter group and the equity shares allotted pursuant to exercise of options attached to warrants issued on preferential basis to promoter or promoter group, shall be locked-in for a period of three years from the date of allotment of the specified securities or equity shares allotted pursuant to exercise of the option attached to warrant, as the case may be:

Provided that not more than twenty per cent. of the total capital of the issuer shall be locked-in for three years from the date of allotment:

Provided further that equity shares allotted in excess of the twenty per cent. shall be locked-in for one year from the date of their allotment pursuant to exercise of options or otherwise, as the case may be.

(2) The specified securities allotted on preferential basis to persons other than promoter and promoter group and the equity shares allotted pursuant to exercise of options attached to warrants issued on preferential basis to such persons shall be locked in for a period of one year from the date of their allotment.

(3) The lock-in of equity shares allotted pursuant to conversion of convertible securities other than warrants, issued on preferential basis shall be reduced to the extent the convertible securities have already been locked-in. **{date of allotment is substituted by date of trading approval granted}**

CHAPTER VIII QUALIFIED INSTITUTIONS PLACEMENT

Conditions for qualified institutions placement. 82. A listed issuer may make qualified institutions placement if it satisfies the following conditions:

(a) a special resolution approving the qualified institutions placement has been passed by its shareholders;

(b) the equity shares of the same class, which are proposed to be allotted through qualified institutions placement or pursuant to conversion or exchange of eligible securities offered through qualified institutions placement, have been listed on a recognised stock exchange having nation wide trading terminal for a period of at least one year prior to the date of issuance of notice to its shareholders for convening the meeting to pass the special resolution: Provided that where an issuer, being a transferee company in a scheme of merger, de-merger, amalgamation or arrangement sanctioned by a High Court under sections 391 to 394 of the Companies Act, 1956, makes qualified institutions placement, the period for which the equity shares of the same class of the transferor company were listed on a stock exchange having nation wide trading terminals shall also be considered for the purpose of computation of the period of one year.

(c) it is in compliance with the requirement of minimum public shareholding specified in the Securities Contracts (Regulation) Rules, 1957;

(d) In the special resolution, it shall be, among other relevant matters, specified that the allotment is proposed to be made through qualified institutions placement and the relevant date referred to in sub-clause (ii) of clause (c) of regulation 81 shall also be specified.

Explanation: For the purpose of clause (b), "equity shares of the same class" shall have the same meaning as assigned to them in Explanation to sub-rule (4) of rule 19 of the Securities Contracts (Regulation) Rules, 1957.

Restrictions on allotment.

86. (1) Allotment under the qualified institutions placement shall be made subject to the following conditions:

(a) Minimum of ten per cent. of eligible securities shall be allotted to mutual funds: Provided that if the mutual funds do not subscribe to said minimum percentage or any part thereof, such minimum portion or part thereof may be allotted to other qualified institutional buyers;

(b) No allotment shall be made, either directly or indirectly, to any qualified institutional buyer who is a promoter or any person related to promoters of the issuer:

Provided that a qualified institutional buyer who does not hold any shares in the issuer and who has acquired the said rights in the capacity of a lender shall not be deemed to be a person related to promoters.

(2) In a qualified institutions placement of non-convertible debt instrument along with

warrants, an investor can subscribe to the combined offering of non- convertible debt instruments with warrants or to the individual securities, that is, either non- convertible debt instruments or warrants.

(3) The applicants in qualified institutions placement shall not withdraw their bids after the closure of the issue.

Explanation: For the purpose of clause (b) of sub-regulation (1), a qualified institutional buyer who has any of the following rights shall be deemed to be a person related to the promoters of the issuer:

(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.

Minimum number of allottees.

87. (1) The minimum number of allottees for each placement of eligible securities made under qualified institutions placement shall not be less than:

(a) two, where the issue size is less than or equal to two hundred and fifty crore rupees;

(b) five, where the issue size is greater than two hundred and fifty crore rupees:

Provided that no single allottee shall be allotted more than fifty per cent. of the issue size.

(2) The qualified institutional buyers belonging to the same group or who are under same control shall be deemed to be a single allottee.

Explanation: For the purpose of sub-regulation (2), the expression "qualified institutional buyers belonging to the same group" shall have the same meaning as derived from sub-section (11) of section 372 of the Companies Act, 1956;

Validity of the special resolution. 88. (1) Allotment pursuant to the special resolution referred to in clause (a) of regulation 82 shall be completed within a period of twelve months from the date of passing of the resolution.

(2) The issuer shall not make subsequent qualified institutions placement until expiry of six months from the date of the prior qualified institutions placement made pursuant to one or more special resolutions.

Restrictions on amount raised

89. The aggregate of the proposed qualified institutions placement and all previous qualified institutions placements made by the issuer in the same financial year shall not exceed five times the net worth of the issuer as per the audited balance sheet of the previous financial year.

Tenure□90. The tenure of the convertible or exchangeable eligible securities issued through qualified

institutions placement shall not exceed sixty months from the date of allotment.

Transferability of eligible securities

91. The eligible securities allotted under qualified institutions placement shall not be sold by the allottee for a period of one year from the date of allotment, except on a recognised stock exchange.

"CHAPTER VIII-A INSTITUTIONAL PLACEMENT PROGRAMME

Conditions for institutional placement programme.

91C.(1) An institutional placement programme may be made only after a special resolution approving the institutional placement programme has been passed by the shareholders of the issuer in terms of section 81(1A) of the Companies Act, 1956.

(2) No partly paid-up securities shall be offered.

(3) The issuer shall obtain an in-principle approval from the stock exchange(s).

Appointment of merchant banker.

91D.An institutional placement programme shall be managed by merchant banker(s) registered with the Board who shall exercise due diligence.

Pricing and allocation/allotment.

91F . (1) The eligible seller shall announce a floor price or price band at least one day prior to the opening of institutional placement programme.

(2) The eligible seller shall have the option to make allocation/allotment as per any of the following methods –

(a) proportionate basis;

(b) price priority basis; or

(c) criteria as mentioned in the offer document.

(3) The method chosen shall be disclosed in the offer document.

(4) Allocation/allotment shall be overseen by stock exchange before final allotment.

Minimum number of allottees.

91H. (1) The minimum number of allottees for each offer of eligible securities made under institutional placement programme shall not be less than ten:

Provided that no single allottee shall be allotted more than twenty five per cent. of the offer size.

(2) The qualified institutional buyers belonging to the same group or who are under same control shall be deemed to be a single allottee.

Explanation:For the purpose of sub-regulation (2), the expression "qualified institutional buyers belonging to the same group" shall have the same meaning as

derived from sub-section (11) of section 372 of the Companies Act, 1956;

Restrictions on size of the offer.

91-I. (1) The aggregate of all the tranches of institutional placement programme made by the eligible seller shall not result in increase in public shareholding by more than ten per cent. or such lesser per cent as is required to reach minimum public shareholding.

(2) Where the issue has been oversubscribed, an allotment of not more than ten per cent. of the offer size shall be made by the eligible seller.

Period of Subscription and display of demand.

91J. (1) The issue shall be kept open for a minimum of one day or maximum of two days.

(2) The aggregate demand schedule shall be displayed by stock exchange(s) without disclosing the price.

Withdrawal of offer.

91K. The eligible seller shall have the right to withdraw the offer in case it is not fully subscribed.

Transferability of eligible securities.

91L. The eligible securities allotted under institutional placement programme shall not be sold by the allottee for a period of one year from the date of allocation/allotment, except on a recognised stock exchange.

CHAPTER IX BONUS ISSUE

Conditions for bonus issue.92. Subject to the provisions of the Companies Act, 1956 or any other applicable law for the time being in force, a listed issuer may issue bonus shares to its members if:

(a) it is authorised by its articles of association for issue of bonus shares, capitalisation of reserves, etc.: Provided that if there is no such provision in the articles of association, the issuer shall pass a resolution at its general body meeting making provisions in the articles of associations for capitalisation of reserve;

(b) it has not defaulted in payment of interest or principal in respect of fixed deposits or debt securities issued by it;

(c) it 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 and bonus;

(d) the partly paid shares, if any outstanding on the date of allotment, are made fully paid up

Restriction on bonus issue

93. (1) (2) No issuer shall make a bonus issue of equity shares, unless it has made reservation of equity shares of the same class in favour of the holders of outstanding ***compulsorily*** convertible debt instruments***, if any***, in proportion to the convertible part thereof.

The equity shares ***so*** reserved for the holders of fully or partly ***compulsorily*** convertible debt instruments shall be issued at the time of conversion of such convertible debt instruments on the same terms or same proportion ***at*** which the bonus shares were issued.

Bonus shares only against reserves, etc. if capitalised in cash.

94. (1) The bonus issue shall be made out of free reserves built out of the genuine profits or securities premium collected in cash only and reserves created by revaluation of fixed assets shall not be capitalised for the purpose of issuing bonus shares.

(2) Without prejudice to the provisions of sub-regulation (1), the bonus share shall not be issued in lieu of dividend.

Completion of bonus issue

95. (1) An issuer, announcing a bonus issue after the approval of its board of directors and not requiring shareholders' approval for capitalisation of profits or reserves for making the bonus issue, shall implement the bonus issue within fifteen days from the date of approval of the issue by its board of directors:

Provided that where the issuer is required to seek shareholders' approval for capitalisation of profits or reserves for making the bonus issue, the bonus issue shall be implemented within two months from the date of the meeting of its board of directors wherein the decision to announce the bonus issue was taken subject to shareholders' approval.

(2) Once the decision to make a bonus issue is announced, the issue can not be withdrawn.