CORPORATE FUNDING & LISTING DETAILED REVISION NOTES JUNE 2021

Yes, these notes are sufficient for revision purpose.

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NOTES ARE AMENDED FOR JUNE 2021 EXAMS
AMENDMENTS UPTO 31.12.2020 ARE INCORPORATED
CIRCULARS ARE NOT INCORPORATED. STUDENTS CAN REFER IT FROM ICSI SUPPLEMENT.


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CHAPTER 1- INDIAN EQUITY – PUBLIC FUNDING

SEBI (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2018

Chapter I	**Preliminary**
Chapter II	**Initial Public Offer on Main Board**
Chapter III	**Right Issue**
Chapter IV	**Further Public Offer**
Chapter V	**Preferential Issue**
Chapter VI	**Qualified Institutional Placement**
Chapter VII	**IPO of Indian Depository Receipts**
Chapter VIII	**Right Issue of Indian Depository Receipts**
Chapter IX	**IPO of Small & Medium Enterprises**
Chapter X	**Innovator's Growth Platform (Institutional Trading Platform)**
Chapter XI	**Bonus Issue**
Chapter XII	**Miscellaneous**

APPLICABILITY:

These regulations shall apply to the following:
(a) an initial public offer by an unlisted issuer;
(b) a rights issue by a listed issuer; where the aggregate value of the issue is ***Fifty crore rupees or more***;
(c) a further public offer by a listed issuer;
(d) a preferential issue by a listed issuer;
(e) a qualified institutions placement by a listed issuer;
(f) an initial public offer of Indian depository receipts;
(g) a rights issue of Indian depository receipts;
(h) an initial public offer by a small and medium enterprise;
(i) a listing on the **Innovator's Growth Platform** through an issue or without an issue; and
(j) a bonus issue by a listed issuer.

Provided that in case of rights issue of size less than Fifty crore rupees, the issuer shall prepare the letter of offer in accordance with requirements as specified in these regulations and file the same with the Board for information and dissemination on the Board's website.

Provided further that these regulations shall not apply to issue of securities under clause (b), (d) and (e) of sub-regulation (1) of regulation 9 of Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.

(Please Note: Limit for Applicability for Right Issue Increased from ten crores to fifty crores by SEBI (Issue of Capital and Disclosure Requirements) (Fourth Amendment) Regulations, 2020 w.e.f. 28.09.2020)

BASIS	IPO	FPO	RIGHT ISSUE
Eligibility Requirements	An Issuer can make an initial public offering (IPO) of equity shares, only if it fulfils the following conditions:- The Company has: (i) Net tangible assets of at least Rs.3 crore in each of the preceding 3 full financial years (12 months each), of which not more than 50% is held in monetary assets. *However, if more than 50% of the net tangible assets are held in monetary assets, the issuer has made firm commitments to utilize such excess monetary assets in its business or project. Further, the limit of 50% on monetary assets shall not be applicable in case the public offer is made entirely through offer for sale.* (ii) The company has a minimum average pre-tax operating profit of Rs. 15 Crores, calculated on a restated and consolidated basis, in each of these preceding three years; (iii) The Company has a Net worth of at least Rs.1 crore in each of the preceding 3 full years, calculated on a restated and consolidated basis; (iv) In case of change of name of the Company within the last one year, at least 50% of the revenue, calculated on restated & consolidated basis, for the preceding 1 full year is being earned by the company from the activity suggested by the new name **ALTERNATIVE ELIGIBILITY NORMS FOR PUBLIC ISSUE**: (**DEC 2012**) If a company does not satisfy the above conditions, it has to comply with the following conditions:-	a) An Issuer may make an FPO, if it has changed its name within the last one year, at least 50% of the revenue, calculated on restated & consolidated basis, for the preceding 1 full year is being earned by the company from the activity suggested by the new name; b) If above condition not satisfied then, If the public 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 and to refund full subscription money if it fails to make the said minimum allotment to qualified institutional buyers.	No corresponding regulation

	(a) If the public 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 and to refund full subscription money if it fails to make the said minimum allotment to qualified institutional buyers. ***Sub Regulation Inserted w.e.f 29.07.2019*** If an issuer has issued SR equity shares to its promoters/ founders, the said issuer shall be allowed to do an initial public offer of only ordinary shares for listing on the Main Board subject to compliance with the provisions of this Chapter and these clauses - i. the issuer shall be intensive in the use of technology, information technology, intellectual property, data analytics, bio-technology or nano-technology to provide products, services or business platforms with substantial value addition. ii. the SR shareholder shall not be part of the promoter group whose collective net worth is more than rupees 500 crores: Explanation: While determining the collective net worth, the investment of SR shareholder in the shares of the issuer company shall not be considered. iii. The SR shares were issued only to the promoters/ founders who hold an executive position in the issuer company; iv. The issue of SR equity shares had been authorized by a special resolution passed at a general meeting of the shareholders of the issuer, where the notice calling for such general meeting specifically provided for -		

	a. the size of issue of SR equity shares, b. ratio of voting rights of SR equity shares vis-à-vis the ordinary shares, c. rights as to differential dividends, if any d. sunset provisions, which provide for a time frame for the validity of such SR equity shares, e. matters in respect of which the SR equity shares would have the same voting right as that of the ordinary shares, v. The SR equity shares have been held for a period of atleast 6 months prior to the filing of the red herring prospectus; vi. The SR equity shares shall have voting rights in the ratio of a minimum of 2:1 upto a maximum of 10:1 compared to ordinary shares and such ratio shall be in whole numbers only; vii. The SR equity shares shall have the same face value as the ordinary shares; viii. The issuer shall only have one class of SR equity shares; ix. The SR equity shares shall be equivalent to ordinary equity shares in all respects, except for having superior voting rights.		
Pricing	**FACE VALUE OF EQUITY SHARES (Regulation 27):** The disclosure about the face value of equity shares shall be made in the draft offer document, offer document, advertisements and application forms, along with the price band or the issue price in identical font size. **PRICING (Regulation 28):** **FREE PRICING**: A company may freely price its public issue of equity shares and in case of convertible	Same as IPO. In Regulation 29(4), there should be 1 working day instead of 2 working days	(1) The **issuer shall decide** the issue price, in consultation with the lead manager(s), before determining the record date, which shall be determined in consultation with the designated stock exchange. (2) The issue price *shall not be*

	securities, the Coupon Rate and Conversion Price, in consultation with Lead Manager or Book Building, as the case may be. The issuer shall undertake the book building process in the manner specified in Schedule XIII. **PRICE AND PRICE BAND (Regulation 29):** ➢ <u>For Book Building Process</u>: The issuer company has to announce price band in place of fixed price for the issue of securities. The price band shall be included in the red herring prospectus of the Company. ➢ <u>For Other than Book Building Process</u>: The issuer company has to fix price of issue of securities before submitting prospectus with the Registrar of Companies. (1) The issuer company can mention a price in the draft prospectus (in case of a fixed price issue) and floor price or price bank in the red herring prospectus (in case of a fixed built issue) and determine the price at a later date before filing the prospectus with the Registrar of Companies. However, The Final prospectus filled with the Registrar of Companies should contain only one price. (2) The cap on the price band shall be less than or equal to 120% of the floor price. (3) The floor price or the final price should not be less than the face value of the securities. (4) If the floor price or price band is not mentioned in the red herring prospectus, the issuer company should announce the floor price or price band in all		<u>*less than the face value*</u> of the specified securities. (that means it cannot be issued at discount) (3) The issuer shall **disclose the issue price** in the letter of offer filed with the Board and the stock exchange(s). (Almost Same, but narrow scope)

	the newspapers in which the pre – issue advertisement was released at least 2 working days before the opening of the bid. (5) The announcement referred to in sub-regulation (4) 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” of the offer document. (7) The announcement referred to in sub-regulation (4) and the relevant financial ratios referred to in sub-regulation (5) shall be disclosed on the websites of the stock exchange(s) and shall also be pre-filled in the application forms to be made available on the websites of the stock exchange(s).		
Differential Pricing	An issuer company can offer securities subject to the following provisions:- (i) It will only be offered to retail individual investors/employees. (ii) The value for making an application under this category shall not be more than Rs.2 lacs. (iii) The difference shall not be more than 10% of the price at which specified securities are offered to other categories of applicants excluding Anchor Investors; (iv) If the issuer company opts for alternate method of book building, the issuer company can offer securities to its employees at a price, lower than floor price and the difference between such price and floor price shall not be more than 10%. *Discount, if any, shall be expressed in rupee terms in the offer document.*	Same as IPO; One Clause Extra, as below: In case of composite issue, the price of the specified securities offered in the public issue may be different form the price offered in rights issue and justification for such price difference shall be given in the offer document.	No Corresponding regulation

Period of Subscription	(1) Except as otherwise provided in these regulations, an initial public offer shall be kept open for at least three working days and not more than ten working days. (2) In case of a revision in the price band, the issuer shall extend the bidding (issue) period disclosed in the red herring prospectus, for a minimum period of three working days, subject to the provisions of sub-regulation (1). (3) In case of force majeure, banking strike or similar circumstances, the issuer may, for reasons to be recorded in writing, extend the bidding (issue) period disclosed in the red herring prospectus (in case of a book built issue) or the issue period disclosed in the prospectus (in case of a fixed price issue), for a minimum period of three working days, subject to the provisions of sub-regulation (1).	Same as IPO	The rights issue shall be kept open for subscription for a minimum period of fifteen days and for a maximum period of thirty days and no withdrawal of application shall be permitted after the issue closing date. **(words inserted w.e.f. 28.09.2020)**
Minimum Subscription	(1) The minimum subscription to be received in the issue shall be **at least 90%** of the offer through the offer document, except in case of an offer for sale of specified securities: Provided that the minimum subscription to be received shall be subject to the allotment of minimum number of specified securities, as prescribed under the Securities Contracts (Regulation) Rules, 1957. (2) In the event of non-receipt of minimum subscription referred to in sub-regulation (1), all application monies received shall be refunded to the applicants forthwith, but **not later than fifteen days** from the closure of the issue.	Same as IPO	(1) The minimum subscription to be received in the issue shall be at least ninety per cent. of the offer through the offer document. Provided that minimum subscription criteria shall not be applicable to an issuer if: (a) the object of the issue involves financing other than financing of capital expenditure for a project; and (b)the promoters and the

			promoter group of the issuer undertake to subscribe fully to their portion of rights entitlement and do not renounce their rights except to the extent of renunciation within the promoter group. (Proviso inserted w.e.f. 28.09.2020)
Opening of Issue	(1) Subject to the compliance with the provisions of the Companies Act, 2013, a public issue may be opened **within twelve months** from the date of issuance of the observations by the Board under regulation 25; (2) An issue shall be opened after **at least three working days** from the date of filling, the red herring prospectus, in case of a book built issue and the prospectus, in case of a fixed price issue, with the Registrar of Companies.	(1) Subject to the compliance with the provisions of the Companies Act, 2013, a public issue may be opened **within twelve months** from the date of issuance of the observations by the Board under regulation 123(4); Provided that in case of a Fast track issue, the issue shall open within the period specifically stipulated under Companies Act, 2013; (2) In case of Shelf Prospectus, the first issue may be opened within three months of issuance of observations by the Board; (3) An issue shall be opened after **at least three working days** from the date of Filing, the red herring prospectus, in case of a book built issue and the	Subject to the compliance with the provisions of the Companies Act, 2013, a Right issue may be opened **within twelve months** from the date of issuance of the observations by the Board under regulation 71; Provided that in case of a Fast track issue, the issue shall open within twelve months from the record date;

		prospectus, in case of a fixed price issue, with the Registrar of Companies.	
Application Money & Minimum Application Value	(1) A person shall not make an application in the net offer category for a number of specified securities that exceeds the total number of specified securities offered to the public. Provided that the maximum application by non-institutional investors shall not exceed total number of specified securities offered in the issue less total number of specified securities offered in the issue to qualified institutional buyers. (2) The issuer shall stipulate in the offer document the minimum application size in terms of number of specified securities which shall fall within the range of **minimum application value of Rs. 10,000 to Rs. 15,000.** (3) The issuer shall invite applications in multiples of the minimum application value, an illustration whereof is given in Part B of Schedule XIV. (4) The minimum sum payable on application per specified security shall be **at least 25% of the issue price**: Provided that in case of an offer for sale, the full issue price for each specified security shall be payable at the time of application. Explanation: For the purpose of this regulation, "minimum application value" shall be with reference to the issue price of the specified securities and not with reference to the amount payable on application.	Same as IPO	**PAYMENT OPTIONS (REGULATION 88)** The issuer shall give one of the following payment options to all the shareholders for each type of instrument: a) part payment on application with balance money to be paid in calls; or b) full payment on application: Provided that the part payment, if any, on application shall not be less than ***twenty five per cent. of the issue price*** and such issuer shall obtain the necessary regulatory approvals to facilitate the same.

Manner of Calls	If the issuer proposes to receive subscription monies in calls, it shall ensure that the outstanding subscription money is called **within twelve months** from the date of allotment in the issue and if any applicant fails to pay the call money within the said twelve months, the equity shares on which there are calls in arrears along with the subscription money already paid on such shares **shall be forfeited**: Provided that it shall not be necessary to call the outstanding subscription money within twelve months, if the issuer has appointed a monitoring agency in terms of regulation 41.	Same as IPO	Same as IPO
Allotment Procedure & Basis of Allotment	(1) The issuer shall not make an allotment pursuant to a public issue if the number of prospective allottees is less than one thousand. *So, There must be minimum 1000 Prospective Allottees.* (2) The issuer shall not make any allotment in excess of the specified securities offered through the offer document ***except*** in case of oversubscription *for the purpose of rounding off* to make allotment, in consultation with the designated stock exchange. Provided that in case of oversubscription, an allotment of ***not more than one per cent***. of the net offer to public may be made for the purpose of making allotment in minimum lots. (3) The allotment of specified securities to applicants other than to the retail individual investors and anchor investors shall be on a proportionate basis within the respective investor categories and the number of securities allotted shall be rounded off to the nearest integer, subject to minimum allotment being equal to the minimum application size as determined and disclosed in the offer document:	Same as IPO	(1) The issuer shall not make any allotment in excess of the specified securities offered through the letter of offer except as provided in regulation 74(1) and (2)]. *(words added w.e.f 28.09.2020)* (2) Allotment shall be made in the following manner: a) Full allotment to those eligible shareholders who have applied for their rights entitlement either in full or in part and also to the renouncee(s), who has/have applied for the specified securities renounced in their favour, in full or in part, as adjusted for fractional entitlement b) Allotment to eligible

	Provided that the value of specified securities allotted to any person, except in case of employees, in pursuance of reservation made under clause (a) of sub-regulation (1) or clause (a) of sub- regulation (2) of regulation 33, shall not exceed two lakhs rupees for retail investors or up to five lakhs rupees for eligible employees. (4) The allotment of specified securities to each retail individual investor shall not be less than the minimum bid lot, subject to the availability of shares in retail individual investor category, and the remaining available shares, if any, shall be allotted on a proportionate basis. (5) The authorised employees of the designated stock exchange, along with the lead manager(s) and registrars to the issue, shall ensure that the basis of allotment is finalised in a fair and proper manner in accordance with the procedure as specified in Part A of Schedule XIV.		shareholders who having applied for the specified securities in full to the extent of their rights entitlement and have also applied for additional specified securities, shall be made as far as possible on an equitable basis having due regard to the number of specified securities held by them on the record date, provided there is an under-subscribed portion after making allotment in (a) above. c) Allotment to the renouncees, who having applied for the specified securities renounced in their favour and also applied for additional specified securities, provided there is an under-subscribed portion after making full allotment specified in (a) and (b) above. The allotment of such additional specified securities may be made on a proportionate basis. (3) The authorised employees of the designated stock exchange along with the lead manager(s) and registrars to the issue shall ensure that the basis of allotment is finalised in a fair and proper manner as may be prescribed

			by the Board.
Allotment, Refund and Payment of Interest	(1) The issuer and lead manager(s) shall ensure that the specified securities are allotted and/or application monies are refunded or unblocked within such period as may be specified by the Board. (2) The lead manager(s) shall ensure that the allotment, credit of dematerialised securities and refund or unblocking of application monies, as may be applicable, are done electronically. (3) Where the specified securities are not allotted and/or application monies are not refunded or unblocked within the period stipulated in sub-regulation (1) above, the issuer shall undertake to pay interest at the rate of fifteen per cent. per annum to the investors and within such time as disclosed in the offer document and the lead manager(s) shall ensure the same.	Same as IPO	Same as IPO
Release of Subscription Money	(1) The lead manager(s) shall confirm to the bankers to the issue by way of copies of listing and trading approvals that all formalities in connection with the issue have been completed and that the banker is free to release the money to the issuer or release the money for refund in case of failure of the issue. (2) In case the issuer fails to obtain listing or trading permission from the stock exchanges where the specified securities were to be listed, it shall refund through verifiable means the entire monies received within seven days of receipt of intimation from stock exchanges rejecting the application for listing of specified securities, and if any such money is not repaid within eight days after the issuer becomes liable to repay it, the issuer and every director of the company who is an officer in default shall, on and	Same as IPO	Same as IPO

	from the expiry of the eighth day, be jointly and severally liable to repay that money with interest at the rate of fifteen per cent. per annum. (3) The lead manager(s) shall ensure that the monies received in respect of the issue are released to the issuer in compliance with the provisions of Section 40 (3) of the Companies Act, 2013, as applicable.		
IPO Grading	The issuer **may obtain** grading for its initial public offer from one or more credit rating agencies registered with the Board. (*<u>Its Optional</u>*)	No Corresponding Regulation	No Corresponding Regulation
Underwriting	(1) If the issuer making an initial public offer, other than through the book building process, desires to have the issue underwritten, it shall appoint underwriters in accordance with the Securities and Exchange Board of India (Underwriters) Regulations, 1993. (2) If the issuer makes a public issue through the book building process, a) the issue shall be underwritten by lead manager(s) and syndicate member(s): Provided that at least seventy five per cent. of the net offer proposed to be compulsorily allotted to qualified institutional buyers for the purpose of compliance of the eligibility conditions specified in sub-regulation (2) of regulation 6, cannot be underwritten. b) the issuer shall, prior to filing the prospectus, enter into underwriting agreement with the lead manager(s) and syndicate member(s), indicating therein the number of specified securities which they shall subscribe to at the predetermined price in the event of under-subscription in the issue.	Same as IPO	• If the issuer desires to have the issue underwritten, it shall appoint underwriters in accordance with the Securities and Exchange Board of India (Underwriters) Regulations, 1993. • The issue can be underwritten only to the extent of entitlement of shareholders other than the promoters and promoter group. • In case of every underwritten issue, the lead manager(s) shall undertake minimum underwriting obligations as specified in the Securities and Exchange Board of India (Merchant Bankers) Regulations, 1992.

	c) if the syndicate member(s) fail to fulfil their underwriting obligations, the lead manager(s) shall fulfil the underwriting obligations. d) the lead manager(s) and syndicate member(s) shall not subscribe to the issue in any manner except for fulfiling their underwriting obligations. e) in case of every underwritten issue, the lead manager(s) shall undertake minimum underwriting obligations as specified in the Securities and Exchange Board of India (Merchant Bankers) Regulations, 1992. f) where the issue is required to be underwritten, the underwriting obligations should at least to the extent of minimum subscription.		
Minimum Promoters Contribution	(1) The promoters of the issuer shall hold at least 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 or foreign venture capital investors or scheduled commercial banks or public financial institutions or insurance companies registered with Insurance Regulatory and Development Authority of India may contribute to meet the shortfall in minimum contribution as specified for the promoters, subject to a maximum of ten per cent. of the post-issue capital without being identified as promoter(s).* *Provided further that the requirement of minimum promoters' contribution shall not apply in case an issuer does not have any identifiable promoter.* (2) The minimum promoters' contribution shall be as follows:	(1) The promoters shall contribute in the public issue as follows: a) either to the extent of twenty percent of proposed issue size or to the extent of twenty percent of post issue capital; b) In case of a Composite Issue (FPO cum Right Issue), either to the extent twenty percent of proposed issue size or to the extent of twenty percent of post issue capital excluding rights issue component; (2) In case of a Public Issue or Composite Issue of Convertible Securities, The minimum promoters' contribution shall be as follows:	No Corresponding Regulation

	a) the promoters shall contribute twenty per cent. as stipulated in sub-regulation (1), as the case may be, either by way of equity shares including SR equity shares held, if any or by way of subscription to convertible securities: (Words inserted w.e.f 29.07.2019) 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.	a) the promoters shall contribute twenty per cent. as stipulated in sub-regulation (1), as the case may be, either by way of equity shares including SR Equity Shares held if any or by way of subscription to 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. (3) In case of a FPO or Composite Issue, where the	

	(3) The promoters shall satisfy the requirements of this regulation at least ***<u>one day prior</u>*** to the date of opening of the issue. (4) In case the promoters have to subscribe to equity shares or convertible securities towards minimum promoters' contribution, the amount of promoters' contribution shall be kept in an escrow account with a scheduled commercial bank, which 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 ***<u>shall give the cash flow statement</u>*** disclosing the use of such funds in the offer document; Provided further that where the minimum promoters' contribution is ***<u>more than one hundred crore rupees</u>*** and the initial public offer is for partly paid shares, 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 a pro-rata basis before the calls are made to the 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 (a) to sub-regulation (2) of regulation 5. (II) For computation of "weighted average price": (a) "weight" means the number of equity shares	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 provisions of regulation 164 or the issue price, whichever is higher; (4) In case the promoters have to subscribe to equity shares or convertible securities towards minimum promoters' contribution, the amount of promoters' contribution shall be kept in an escrow account with a scheduled commercial bank, which shall be released to the issuer along with the release of the issue proceeds: Provided further that where the minimum promoters' contribution is ***<u>more than one hundred crore rupees</u>*** and the initial public offer is for partly paid shares, 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 a pro-rata basis before the calls are made to the public. Explanation: For the purpose of this regulation: (I) Promoters' contribution shall	

	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 the predetermined conversion price at various stages.	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 (a) to sub-regulation (2) of regulation 5. (II) For computation of "weighted average price": (a) "weight" 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 the predetermined conversion price at various stages.	
Securities Ineligible for minimum promoters contribution	(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 these 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'	(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 these are: (i) acquired for consideration other than cash and revaluation of assets or capitalisation of intangible assets is involved in	No Corresponding Regulation

	contribution; (b) specified securities acquired by the promoters and alternative investment funds or foreign venture capital investors or scheduled commercial banks or public financial institutions or insurance companies registered with Insurance Regulatory and Development Authority of India, during the preceding one year at a price lower than the price at which specified securities are being offered to the public in the initial public offer: Provided that nothing contained in this clause shall apply: (i) if the promoters and alternative investment funds, as applicable, pay to the issuer the difference between the price at which the 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 to 394 of the Companies Act, 1956 or sections 230 to 234 of the Companies Act, 2013, as approved by a High Court or a tribunal or the Central Government, as applicable, by the 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 the infrastructure sector; (c) specified securities allotted to the 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 or limited liability partnerships, where the partners of the erstwhile	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 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 by a High Court under the sections 391 to 394 of the Companies Act, 1956 or approved by a tribunal or the Central Government under sections 230 to 234 of the Companies Act, 2013.	

	partnership firms or limited liability partnerships are the promoters of the issuer and there is no change in the management: Provided that specified securities, allotted to the promoters against the 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 by a High Court under the sections 391 to 394 of the Companies Act, 1956 or approved by a tribunal or the Central Government under sections 230 to 234 of the Companies Act, 2013.		
General Condition	An issuer making an initial public offer shall ensure that: a) it has made an application to one or more stock exchanges to seek an in-principle approval for listing of its specified securities on such stock exchanges and *has chosen one of them as the designated stock exchange*, in terms of Schedule XIX; b) it has *entered into an agreement with a depository* for dematerialization of the specified securities already issued and proposed to be issued; c) all its specified securities held by the *promoters are in dematerialised* form prior to filing of the offer document; d) all its existing partly paid-up equity shares have	Same as IPO	Same as IPO

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	either been *fully paid-up* or have been forfeited; e) it has made firm arrangements of finance through verifiable means towards seventy five per cent. of the stated means of finance for a specific project proposed to be funded from the issue proceeds, excluding the amount to be raised through the proposed public issue or through existing identifiable internal accruals. (2) The amount for *general corporate purposes*, as mentioned in objects of the issue in the draft offer document and the offer document shall *not exceed twenty five per cent*. of the amount being raised by the issuer. (3) Where the issuer or any of its promoters or directors is a wilful defaulter, the promoters or promoter group of the issuer shall not renounce their rights except to the extent of renunciation within the promoter group. (Same as in Public Issue) (4) Where the issuer has issued SR equity shares to its promoters or founders, then such a SR shareholder shall not renounce their rights and the SR shares received in a rights issue shall remain under lock-in until conversion into equity shares having voting rights same as that of ordinary equity shares along with existing SR equity shares.		
Disclosures in Draft Offer Document and Offer Document	(1) Prior to making an initial public offer, the ***issuer shall file three copies*** of the draft offer document with the ***concerned regional office of the Board*** under the jurisdiction of which the registered office of the issuer company is located through the lead manager(s). (2) The lead manager(s) shall ***submit the following***		

	to the Board along with the draft offer document: a) a ***certificate***, confirming that an agreement has been entered into between the issuer and the lead manager(s); b) a ***due diligence certificate*** as per Form A of Schedule V; c) in case of an issue of convertible debt instruments, a due diligence certificate from the debenture trustee as per Form B of Schedule V; (3) The issuer shall also ***file the draft offer document with the stock exchange***(s) where the specified securities are proposed to be listed, and submit to the stock exchange(s), the Permanent Account Number, bank account number and passport number of its promoters where they are individuals, and Permanent Account Number, bank account number, company registration number or equivalent and the address of the Registrar of Companies with which the promoter is registered, where the promoter is a body corporate. (4) The ***Board may specify changes or issue observations***, if any, on the draft offer document within thirty days from the later of the following dates: a) the date of receipt of the draft offer document under sub-regulation (1); or b) the date of receipt of satisfactory reply from the lead manager(s), where the Board has sought any clarification or additional information from them; or c) the date of receipt of clarification or information from any regulator or agency, where the Board has sought any clarification or information from such regulator or agency; or d) the date of receipt of a copy of in-principle approval letter issued by the stock exchange(s). (5) If the Board ***specifies any changes*** or issues		

	observations on the draft offer document, the ***issuer and lead manager(s) shall carry out such changes*** in the draft offer document and shall submit to the Board an updated draft offer document complying with the observations issued by the Board and ***highlighting all changes made*** in the draft offer document and before filing the offer documents with the Registrar of Companies or an appropriate authority, as applicable. (6) If there are any changes in the draft offer document in relation to the matters specified in Schedule XVI, an updated offer document or a fresh draft offer document, as the case may be, shall be filed with the Board along with fees specified in Schedule III. (7) Copy of the offer documents shall also be filed with the Board and the stock exchange(s) through the lead manager(s) promptly after filling the offer documents with Registrar of Companies. (8) The draft offer document and the offer document shall also be furnished to the Board in a soft copy. (9) The lead manager(s) shall ***submit the following documents*** to the Board ***after issuance*** of observations by the Board or after expiry of the period stipulated in sub-regulation (4) of regulation 25 if the Board has not issued observations: a) a ***statement*** certifying that all changes, suggestions and observations made by the Board have been incorporated in the offer document; b) a ***due diligence certificate*** as per Form C of Schedule V, at the time of Filling of the offer document; c) a ***copy of the resolution*** passed by the board of directors of the issuer for allotting specified securities to promoter(s) towards amount received		

	against promoters' contribution, before opening of the issue; d) a ***certificate from a statutory auditor***, before opening of the issue, certifying that promoters' contribution has been received in accordance with these regulations, accompanying therewith the names and addresses of the promoters who have contributed to the promoters' contribution and the amount paid and credited to the issuer's bank account by each of them towards such contribution; e) a ***due diligence certificate*** as per Form D of Schedule V, in the event the issuer has made a disclosure of any material development by issuing a public notice pursuant to para 4 of Schedule IX.		
Draft Offer Document & Offer Document to be made Public	(1) The draft offer document filed with the Board shall be ***made public for comments***, if any, ***for a period of at least twenty one days*** from the date of filing, by hosting it on the websites of the Board, stock exchanges where specified securities are proposed to be listed and lead manager(s) associated with the issue. (2) The issuer shall, ***within two days of filing*** the draft offer document with the Board, ***make a public announcement*** in one English national daily newspaper with wide circulation, one Hindi national daily newspaper with wide circulation and one regional language newspaper with wide circulation at the place where the registered office of the issuer is situated, disclosing the fact of filing of the draft offer document with the Board and inviting the public to provide their comments to the Board, the issuer or the lead manager(s) in respect of the disclosures made in the draft offer document. (3) The lead manager(s) shall, after expiry of the period stipulated in sub-regulation (1), ***file with the Board, details of the comments received*** by them		

	or the issuer from the public, on the draft offer document, during that period and the consequential changes, if any, that are required to be made in the draft offer document. (4) The issuer and the lead manager(s) shall ensure that the offer documents are ***hosted on the websites*** as required under these regulations and its contents are the same as the versions as filed with the Registrar of Companies, Board and the stock exchanges, as applicable. (5) The lead manager(s) and the stock exchanges shall ***provide copies of the offer document*** to the public as and when requested and may charge a reasonable sum for providing a copy of the same.		
Security Deposit	(1) The issuer shall, before the opening of the subscription list, deposit with the designated stock exchange, an amount calculated at the rate of ***one per cent. of the issue size*** available for subscription to the public in the manner specified by Board and/or stock exchange(s). (2) The amount specified in sub-regulation (1) shall be refundable or forfeitable in the manner specified by the Board.	Same as IPO	Same as IPO
Monitoring Agency	(1) If the issue size, excluding the size of offer for sale by selling shareholders, exceeds one hundred crore rupees, the issuer shall make arrangements for the use of proceeds of the issue to be monitored by a public financial institution or by a scheduled commercial bank named in the offer document as bankers of the issuer: Provided that nothing contained in this clause shall apply to an issue of specified securities made by a bank or public financial institution or an insurance company.	Same as IPO	Same as IPO

	(2) The monitoring agency shall submit its report to the issuer in the format specified in Schedule XI on a quarterly basis, till at least ninety five per cent. of the proceeds of the issue, excluding the proceeds raised for general corporate purposes, have been utilised. (3) The board of directors and the management of the issuer shall provide their comments on the findings of the monitoring agency as specified in Schedule XI. (4) The issuer shall, within forty five days from the end of each quarter, publicly disseminate the report of the monitoring agency by uploading the same on its website as well as submitting the same to the stock exchange(s) on which its equity shares are listed.		
Issue related Advertisement	(1) Subject to the provisions of the Companies Act, 2013, the issuer shall, **after filling the red herring prospectus** (in case of a book built issue) or prospectus (in case of fixed price issue) with the Registrar of Companies, make a pre-issue advertisement in one English national daily newspaper with wide circulation, Hindi national daily newspaper with wide circulation and one regional language newspaper with wide circulation at the place where the registered office of the issuer is situated. (2) The **pre-issue advertisement** shall be in the format and shall contain the disclosures specified in Part A of Schedule X. Provided that the disclosures in relation to price band or floor price and financial ratios contained therein shall only be applicable where the issuer		

	opts to announce the price band or floor price along with the pre-issue advertisement pursuant to sub-regulation (4) of regulation 29. (3) The issuer **may** release advertisements for issue opening and issue closing, which shall be in the formats specified in Parts B and C of Schedule X. (4) During the period the issue is open for subscription, no advertisement shall be released giving an impression that the issue has been fully subscribed or oversubscribed or indicating investors' response to the issue.		
Post Issue Advertisement	(1) The lead manager(s) shall ensure that an advertisement giving details relating to: • Subscription, • basis of allotment, • number, value and percentage of all applications including ASBA, • number, value and percentage of successful allottees for all applications including ASBA, • date of completion of despatch of refund orders, as applicable, or instructions to self-certified syndicate banks by the registrar, • date of credit of specified securities and • date of filing of listing application, etc. is released within ten days from the date of completion of the various activities 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.	Same as IPO	Same as IPO

	(2) Details specified in sub regulation (1) shall also be placed on the websites of the stock exchange(s).		
Post Issue responsibilities of Lead Manager	(1) The responsibility of the lead manager(s) shall continue until completion of the issue process and for any issue related matter thereafter. (2) The lead manager(s) shall regularly monitor redressal of investor grievances arising from any issue related activities. (3) The lead manager(s) shall continue to be responsible for post-issue activities till the applicants have received the securities certificates, credit to their demat account or refund of application monies and the listing agreement is entered into by the issuer with the stock exchange and listing or trading permission is obtained. (4) The lead manager(s) shall be responsible for and co-ordinate with the registrars to the issue and with various intermediaries at regular intervals after the closure of the issue to monitor the flow of applications from syndicate member(s) or collecting bank branches and/ or self-certified syndicate banks, processing of the applications including application form for ASBA and other matters till the basis of allotment is finalised, credit of the specified securities to the demat accounts of the allottees and unblocking of ASBA accounts/ despatch of refund orders are completed and securities are listed, as applicable. (5) Any act of omission or commission on the part of any of the intermediaries noticed by the lead manager(s) shall be duly reported by them to the Board. (6) In case there is a devolvement on the	Same as IPO	Same as IPO

	underwriters, the lead manager(s) shall ensure that the notice for devolvement containing the obligation of the underwriters is issued within ten days from the date of closure of the issue. (7) In the case of undersubscribed issues that are underwritten, the lead manager(s) shall furnish information in respect of underwriters who have failed to meet their underwriting devolvement to the Board, in the format specified in Schedule XVIII.		
Prohibition on payment of Incentives	Any person connected with the issue shall not offer any incentive, whether direct or indirect, in any manner, whether in cash or kind or services or otherwise to any person for making an application in the initial public offer, except for fees or commission for services rendered in relation to the issue.	Same as IPO	Same as IPO
Abridged Prospectus/ Letter of Offer	(1) The abridged prospectus shall contain the disclosures as specified in Part E of Schedule VI and shall not contain any matter extraneous to the contents of the offer document. (2) Every application form distributed by the issuer or any other person in relation to an issue shall be accompanied by a copy of the abridged prospectus.	Same as IPO	Same as IPO Name “Abridged Letter of Offer”
Reporting of Transactions of Promoters & Promoter Group	The issuer shall ensure that all transactions in securities by the promoter and promoter group between: • The date of filing of the draft offer document or offer document, as the case may be, and • The date of closure of the issue Shall be reported to the stock exchange(s), within twenty four hours of such transactions.	Same as IPO	Same as IPO

ANCHOR INVESTORS:
"anchor investor" means a qualified institutional buyer who makes an application for a value of ₹10 Crores or more in a public issue made through the book building process in accordance with these regulations.

- The anchor investor invests in an IPO **before** the offer opens to the public.

- These investors fall under the category of **Qualified Institutional Buyers**. QIBs like mutual funds, foreign institutional investors (FII), banks, venture capitals, provident funds, pension funds etc.

- The investors are got attracted to public offers before they hit the market to infuse a measure of confidence. The volume and value of the anchor subscriptions may serve as an **indicator of the company's reputation and soundness of the offer**.

- Anchor investor means a qualified institutional buyer who makes an **application for a value of ₹10 crores or more** in a public issue made through the book building process subject to the following regulations:-

(i) Allocation to Anchor Investors shall be on a discretionary basis and subject to the following:
(a) Maximum of 2 such investors shall be permitted for allocation up to 10 crore;

(b) Minimum of 2 and maximum of 15 such investors shall be permitted for allocation above ₹10 crore and up to ₹250 crore, subject to minimum allotment of ₹5 crore per such investor;

(c) Minimum of 5 and maximum of 25 such investors shall be permitted for allocation above ₹250 crore, subject to minimum allotment of ₹5 crore per such investor.

(ii) Up to 60% of the portion available for allocation to QIB shall be available to anchor investor(s) for allocation/allotment.

(iii) One – third of the anchor investor portion shall be reserved for domestic mutual funds.

(iv) The bidding for Anchor Investors shall **open one day before** the issue opening date.

(v) Anchor Investors shall **pay on application the same margin** which is payable by other categories of investors, the balance to be paid within 2 days of the date of closure of the issue.

(vi) Allocation to Anchor Investors shall be completed on the day of bidding by Anchor Investors.

(vii) There shall be a **lock – in of 30 days on the shares allotted to the Anchor Investor** from the date of allotment in the public issue.

(viii) If the price fixed as a result of book – building is higher than the price at which the allocation is made to Anchor Investor, the Anchor Investor shall bring in the additional amount. However, if the price fixed as a result of book – building is lower than the price at which the allocation is made to Anchor Investor, the excess amount shall not be refunded to the Anchor Investor and the Anchor Investor shall take allotment at the price at which allocation was made to it.

(ix) Number of shares allocated to Anchor Investors & price at which the allocation is made, shall be made available in public domain by merchant banker before opening of issue.

(x) Neither the (i) lead manager(s) or any associate of the lead managers (other than mutual funds sponsored by entities which are associate of the lead managers or insurance companies promoted by entities which are associate of the lead managers or Alternate Investment Funds (AIFs) sponsored by the entities which are associate of the lead manager or a foreign portfolio investor other than individuals, corporate bodies and family offices sponsored by the entities which are associate of the lead manager) nor (ii) any person related to the promoter/promoter group/ shall apply under the Anchor Investors category. (Substituted w.e.f 23.09.2019)

(xi) Applications made by qualified institutional buyers under Anchor Investor category and under the Non-Anchor Investor category may not be considered as multiple applications.

SUMMARY

Investment Amount	Number of investors
Upto 10 Crores	Max 2
Above 10 Crores & Upto 250 Crores	Min 2 & Max 15
Above 250 Crores	Min 5 & Max 25

GREEN SHOE OPTION:

CONCEPT & BACKGROUND:

Green Shoe Company, an American company was the first company which was allowed to use this option; therefore, this option is known as Green Shoe Option. A green shoe option (GSO) provides the option of allotting equity shares in excess of the equity shares offered in the public issue as a post – listing price stabilizing mechanism.

In other words, 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 for a period not exceeding 30 days, which is granted to a company to be exercised through a Stabilizing Agent.

In short, it is a mechanism for stabilizing prices of securities in the stock market through stabilizing agent.

Example: In India, ICICI bank has used Green Shoe Option in the first time in case of its public issue through book building mechanism in India.

Case Study: ABC Ltd. is planning to issue 2,00,000 shares, but in order to utilize the green shoe option, it actually issues 2,30,000 shares, in which case the over – allotment would be 30,000 shares. The company does not issue any new shares for the over – allotment.

The 30,000 shares used for the over – allotment are actually borrowed from the promoters with whom the stabilizing agent enters into a separate agreement. The company is required to be kept money received from the over – allotment in a separate bank account.

The Job of the stabilizing agent begins only after commencement of trading of share:
(i) In case the shares are trading at a price lower than the offer price, the stabilizing agent starts buying the shares by using the money lying in the separate bank account. In this manner, by buying the shares when others are selling, the stabilizing agent tries to put the brakes on falling prices. The shares so bought from the market are handed over to the promoters from whom they were borrowed.

(ii) In case the newly listed shares start trading at a price higher than the offer price, the stabilizing agent does not buy any shares. At this point, the company by exercising the green shoe option issues new shares to the stabilizing agent, which are in turn handed over to the promoters from whom the shares were borrowed.

PRICE STABILIZATION FUND: (JUNE 2009)
- ❖ The fund created to cause stabilization of share price of an entity specially after the public issue of securities is known as Price Stabilization Fund.
- ❖ The aim of the fun is to protect the share price from falling below the issue price. For the purpose of operating a price stabilization mechanism post listing the issuer company appoints a stabilization agent.
- ❖ The prime responsibility of SA shall be to stabilize post listing price of shares.
- ❖ To this end, 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.

The promoters or promoters' group shall not lend in excess of 15% of the total issue size. The details of the agreement between the company & stabilizing agent and the promoter & stabilizing agent must be disclosed in the draft prospectus, the draft Red Herring Prospectus, Red Herring Prospectus and the final prospectus.

REGULATION 57:
(1) Conditions & Process to be complied with:
a) **Authority**: 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 stabilizing agent, if required, on the expiry of the stabilization period;

b) **Stabilizing Agent (SA)**: the issuer has appointed a lead manager as a stabilizing agent, who shall be responsible for the price stabilization process;

c) **Agreement between Company & SA**: prior to filing the draft offer document, the issuer and the stabilizing 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 stabilizing agent for discharging its responsibilities;

d) **Agreement between SA & Promoters**: prior to filing the offer document, the stabilizing 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 in excess 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) **Quantum of Over Allotment**: subject to clause (d), the lead manager, in consultation with the stabilizing agent, shall determine the amount of specified securities to be over-allotted in the public issue;

f) **Disclosures**: the draft offer document and offer document shall contain all material disclosures about the green shoe option specified in this regard in Part A of Schedule VI;

g) **Who can Lend Securities**: 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) **How Securities should be borrowed**: the specified securities borrowed shall be in dematerialised form and allocation of these securities shall be made pro-rata to all successful applicants.

i) **Time involved in the process**: The stabilization mechanism should 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).

j) **Special Bank Account**: The stabilizing 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 stabilization period out of the monies credited in the special bank account.

k) **Return of Securities borrowed from Promoters:**
if SA bought securities from market: 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*.

If SA not able to buy securities from market: 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.

l) **Listing Application**: The issuer shall make a listing application in respect of the further specified securities allotted under sub-regulation (6), to all the 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.

PREFERENTIAL ISSUE: (CHAPTER V)

CONDITIONS FOR PREFERENTIAL ISSUE (REGULATION 160A)	A listed issuer making a preferential issue of specified securities shall ensure that: a) all equity shares allotted by way of preferential issue shall be made ***fully paid up*** at the time of the allotment; b) a ***special resolution*** has been passed by its shareholders; c) ***all*** equity shares held by the proposed allottees in the issuer are in ***dematerialised form***; d) the issuer is in ***compliance with the conditions*** for continuous listing of equity shares as specified in the listing agreement with the stock exchange where the equity shares of the issuer are listed and the SEBI (LODR), 2015, as amended, and any circular or notification issued by the Board thereunder; e) the issuer has ***obtained the PAN of the proposed allottees***, except those allottees which may be exempt from specifying their Permanent Account Number for transacting in the securities market by the Board.
TENURE OF CONVERTIBLE SECURITIES (REGULATION 162)	The tenure of the convertible securities of the issuer shall not exceed eighteen months from the date of their allotment.
DISCLOSURE TO SHAREHOLDERS (REGULATION 163)	The issuer shall, ***in addition to the disclosures required under the Companies Act, 2013 or any other applicable law***, disclose the following in the explanatory statement to the notice for the general meeting proposed for passing the special resolution: a) ***objects*** of the preferential issue; b) ***maximum number*** of specified securities to be issued; c) ***intent*** of the promoters, directors or key managerial personnel of the issuer to subscribe to the offer; d) ***shareholding pattern*** of the issuer before and after the preferential issue; e) ***time frame*** within which the preferential issue shall be completed;

	f) ***identity*** of the natural persons who are the ultimate beneficial owners of the shares proposed to be allotted and/or who ultimately control the proposed allottees, the percentage of post preferential issue capital that may be held by them and change in control, if any, in the issuer consequent to the preferential issue: g) ***undertaking*** that the issuer shall re-compute the price of the specified securities in terms of the provision of these regulations where it is required to do so; h) ***undertaking*** that if the amount payable on account of the re-computation of price is not paid within the time stipulated in these regulations, the specified securities shall continue to be locked- in till the time such amount is paid by the allottees. i) ***disclosures*** specified in Schedule VI, if the issuer or any of its promoters or directors is a ***wilful defaulter***. (2) The issuer shall place a ***copy of the certificate of its statutory auditors*** before the general meeting of the shareholders considering the proposed preferential issue, certifying that the issue is being made in accordance with the requirements of these regulations. (3) Where the specified securities are issued on a preferential basis for ***consideration other than cash***, the valuation of the assets in consideration for which the equity shares are issued shall be done by an independent valuer, which shall be submitted to the stock exchanges where the equity shares of the issuer are listed: Provided that if the stock exchange(s) is not satisfied with the appropriateness of the valuation, it may get the valuation done by any other valuer and for this purpose it may seek any information, as deemed necessary, from the issuer. (4) The special resolution shall ***specify the relevant date*** on the basis of which price of the equity shares to be allotted on conversion or exchange of convertible securities shall be calculated.
PRICING OF INFREQUENTLY TRADED SHARES (REGULATION 165)	Where the shares of an issuer ***are not frequently traded***, the price determined by the issuer shall take into account the valuation parameters including book value, comparable trading multiples, and such other parameters as are customary for valuation of shares of such companies: Provided that the issuer shall submit a certificate stating that the issuer is in compliance of this regulation, obtained from an independent valuer to the stock exchange where the equity shares of the issuer are listed.
PRICING IN PREFERENTIAL ISSUE OF SHARES OF COMPANIES HAVING	(1) In case of frequently traded shares, the price of the equity shares to be allotted pursuant to the preferential issue shall not be less than the average of the weekly high and low of the volume weighted average price of the related equity shares quoted on a recognised stock exchange during the two weeks preceding the relevant date. (2) No allotment of equity shares shall be made unless the issuer company meets any two of the following criteria:

STRESSED ASSETS (REGULATION 164A) **Inserted w.e.f. 22.06.2020**	a) the issuer has disclosed all the defaults relating to the payment of interest/ repayment of principal amount on loans from banks / financial institutions/ Systemically Important Non-Deposit taking Non-banking financial companies/ Deposit taking Non-banking financial companies and /or listed or unlisted debt securities in terms of SEBI Circular dated November 21, 2019 and such payment default is continuing for a period of at least 90 calendar days after the occurrence of such default; b) there is an Inter-creditor agreement in terms of Reserve Bank of India (Prudential Framework for Resolution of Stressed Assets) Directions 2019 dated June 07, 2019; c) the credit rating of the financial instruments (listed or unlisted), credit instruments / borrowings (listed or unlisted) of the listed company has been downgraded to "D". (3) The issuer company making the preferential issue shall ensure compliance with the following conditions: a) The preference issue shall be made to a person not part of the promoter or promoter group as on the date of the board meeting to consider the preferential issue. The preference issue shall not be made to the following entities: (i) undischarged insolvent in terms of the Insolvency and Bankruptcy Code, 2016; (ii) 'wilful defaulter' as per the guidelines of the Reserve Bank of India issued under the Banking Regulation Act, 1949; (iii) person disqualified to act as a director under the Companies Act,2013; (iv) a person debarred from trading in securities or accessing the securities market by the Board; Explanation: The restriction under (iv) shall not apply to the persons or entities mentioned therein who were debarred in the past by the Board and the period of debarment is already over as on the date of the board meeting considering the preferential issue. (v) a person declared as a fugitive economic offender; (vi) a person who has been convicted for any offence punishable with imprisonment- A. For two years or more under any Act specified under the Twelfth Schedule of the Insolvency and Bankruptcy Code, 2016 B. For seven years or more under any law for the time being in force: Provided that such restriction shall not be applicable to a person after the expiry of a period two years from the date of his release from imprisonment. (vii) A person who has executed a guarantee in favour of a lender of the issuer and such guarantee has been invoked by the lender and remains unpaid in full or part. (4) The resolution for the preferential issue and exemption from open offer shall provide for the following: a) The votes cast by the shareholders in the 'public' category in favour of the proposal shall be more than the number of votes cast against it. The proposed allottee(s) in the preferential issue that already hold specified securities shall not be included in the category of 'public' for this purpose:

	Provided that where the company does not have an identifiable promoter; the resolution shall be deemed to have been passed if the votes cast in favour are not less than three times the number of the votes, if any, cast against it. (5) The proceeds of such preferential issue shall not be used for any repayment of loans taken from promoters/ promoter group/ group companies. The proposed use of proceeds shall be disclosed in the explanatory statement sent for the purpose of the shareholder resolution. (6) a) The issuer shall make arrangements for monitoring the use of proceeds of the issue by a public financial institution or by a scheduled commercial bank, which is not a related party to the issuer: (i) The monitoring agency shall submit its report to the issuer in the format specified in terms of Schedule XI (with fields as applicable) on a quarterly basis until at least ninety five percent of the proceeds of the issue have been utilized. (ii) (The board of directors and the management of the issuer shall provide their comments on the findings of the monitoring agency as specified in Schedule XI. (iii) The issuer shall, within forty five days from the end of each quarter, publicly disseminate the report of the monitoring agency by uploading the same on its website as well as submit the same to the stock exchange(s) on which the equity shares of the issuer are listed. b) The proceeds of the issue shall also be monitored by the Audit Committee till utilization of the proceeds. (7) The allotment made shall be locked-in for a period of three years from the last date of trading approval. (8) The statutory auditor and the audit committee shall certify that all conditions under sub-regulations (1), (2), (3), (4) and (5) of regulation 164A are met at the time of dispatch of notice for general meeting proposed for passing the special resolution and at the time of allotment.
OPTIONAL PRICING IN PREFERENTIAL ISSUE **(REGULATION 164B)** **Inserted w.e.f 01.07.2020**	(1) In case of frequently traded shares, the price of the equity shares to be allotted pursuant to the preferential issue shall be determined by regulation 164 or regulation 164B, as opted for. (2) The price of the equity shares to be allotted pursuant to the preferential issue shall not be less than the higher of the following:(a) the average of the weekly high and low of the volume weighted average price of the related equity shares quoted on the recognised stock exchange during the twelve weeks preceding the relevant date; or(b) the average of the weekly high and low of the volume weighted average prices of the related equity shares quoted on a recognised stock exchange during the two weeks preceding the relevant date. (3) Specified securities allotted on a preferential basis using the pricing method determined under sub-regulation (2) shall be locked-in for a period of three years.

	(4) The pricing method determined at sub-regulation (2) shall be availed in case of allotment by preferential issue made between July 01, 2020 or from the date of notification of this regulation, whichever is later and December 31, 2020. (5) All allotments arising out of the same shareholders approval shall follow the same pricing method.

CHAPTER VI: QUALIFIED INSTITUTIONAL PLACEMENT (QIP)
(1) A listed issuer may make a QIP of eligible securities if it satisfies the following conditions: a) a ***special resolution*** approving the QIP has been passed by its shareholders, and the special resolution shall, among other relevant matters, specify that the allotment is proposed to be made through QIP; Provided that no shareholders' resolution will be required in case the QIP is through an ***offer for sale*** by promoters or promoter group for compliance with minimum public shareholding requirements specified in the Securities Contracts (Regulation) Rules, 1957; Provided further that allotment pursuant to the special resolution referred to in this clause (a) of regulation 172 shall be ***completed within a period of 365 days*** from the date of passing of the resolution. b) the equity shares of the same class, which are proposed to be allotted through QIP or pursuant to conversion or exchange of eligible securities offered through QIP, have been ***listed on a stock exchange*** 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: ***Explanation***: For the purpose of clause (b), "equity shares of the same class" shall mean equity shares which rank pari-passu in relation to rights as to dividend, voting or otherwise. c) An issuer shall be eligible to make a QIP if any of its promoters or directors is ***not a fugitive economic offender***. (2) All eligible securities issued through a QIP ***shall be listed on the recognised stock exchange*** where the equity shares of the issuer are listed. (3) The issuer shall ***not make any subsequent QIP*** until the expiry of ***six months*** from the date of the prior qualified institutions placement made pursuant to one or more special resolutions.
The promoters and members of the promoter group ***may make*** an offer for sale of ***fully paid up*** equity shares, through a QIP, for the purpose of achieving minimum public shareholding in terms of the Securities Contracts (Regulation) Rules, 1957.

Provided that the promoters or members of the promoter group ***shall not make*** such offer for sale if the promoter or member of the promoter group ***has purchased or sold*** any equity shares of the issuer ***during twelve weeks period prior*** to the date of the opening of the issue and they ***shall not purchase or sell*** any equity shares of the issuer during the ***twelve weeks period after*** the date of closure of the issue: Provided further that such promoters or members of the promoter group may, ***within the twelve week periods provided above***, sell equity shares of the issuer held by them through ***offer for sale through stock exchange mechanism specified*** by the Board or through ***an open market sale***, in accordance with the conditions specified by the Board from time to time, subject to the condition that there shall be a gap of minimum two weeks between the two successive offer(s).
• Issuer shall appoint one or more SEBI Registered Merchant banker as Lead Manager; • At least one lead manager shall not be an associate of the issuer and if any of lead managers is an associate, it shall disclose itself as an associate and its role shall be limited to marketing of the issue. • The lead manager shall seek in principal approval for listing and furnish to each stock exchange a due diligence certificate stating that the securities are being issued under QIP and complies conditions of this chapter and furnish a copy of preliminary placement document;
(1) The lead manager(s) shall ***exercise due diligence*** and shall satisfy themselves with all aspects of the Issue including the ***veracity and adequacy of disclosures*** in the offer document. (2) The QIP shall be made on the basis of a placement document which shall contain all material information, including those specified in the Companies Act, 2013, if any, and disclosures as specified in Schedule VII shall be made, including as specified therein if the issuer or any of its promoters or directors is a ***wilful defaulter***. (3) The preliminary placement document and the placement document shall be ***serially numbered*** and copies the same shall be ***circulated only to select investors***. (4) The preliminary placement document and the placement document shall be ***placed on the websites*** of the relevant stock exchange(s) and of the issuer with a disclaimer to the effect that it is in connection with a qualified institutions placement and that no offer is being made to the public or to any other category of investors.
(1) The qualified institutions placement shall be made at a price ***not less than*** the average of the weekly high and low of the closing prices of the equity shares of the same class quoted on the stock exchange during the ***two weeks*** preceding the relevant date: Provided that the issuer may offer a ***discount of not more than five per cent***. on the price so calculated, subject to approval of shareholders as specified in clause (a) of regulation 172 of these regulations, except that no shareholders' approval will be required in case of a qualified institutions placement made through an offer for sale by promoters for compliance with minimum public shareholding requirements specified in the Securities Contracts (Regulation) Rules, 1957. (2) The issuer shall ***not issue or allot partly paid-up*** eligible securities:

The tenure of the convertible or exchangeable eligible securities issued through qualified institutions placement shall not exceed sixty months from the date of allotment.
The eligible securities allotted under the 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***.
(1) The minimum number of allottees for each placement of eligible securities made under this Chapter shall at least be: 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) Qualified institutional buyers belonging to the same group or who are under same control shall be deemed to be a single allottee.
(1) The applicants in qualified institutions placement shall ***not withdraw or revise downwards their bids*** after the closure of the issue. (2) Allotment of specified securities 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 any unsubscribed portion of the said minimum percentage or any 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 the 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 the promoters***. **Explanation**: For the purpose of this clause, 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 promoter group; (b) veto rights; or (c) right to appoint any nominee director on the board of the issuer. (3) In a QIP 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.

IPO BY SMALL & MEDIUM ENTERPRISES (CHAPTER IX)

ENTITIES NOT ELIGIBLE TO MAKE IPO	An issuer shall not be eligible to make an initial public offer: (a) if the issuer, any of its promoters, promoter group or directors or selling shareholders are ***debarred from accessing the capital market*** by the Board; (b) if any of the promoters or directors of the issuer is a promoter or director of ***any other company*** which is debarred from accessing the capital market by the Board; (c) if the issuer or any of its promoters or directors is a ***wilful defaulter***. (d) if any of its promoters or directors is a ***fugitive economic offender***. Explanation: The restrictions under clauses (a) and (b) shall not apply to the persons or entities mentioned therein, who were debarred in the past by the Board and the period of debarment is already over as on the date of filing of the draft offer document with the SME Exchange.
ELIGIBILITY REQUIREMENTS	(1) An issuer shall be eligible to make an initial public offer only if its ***post-issue paid-up capital is less than or equal to ten crore rupees***. (2) An issuer, whose post issue face value capital is more than ten crore rupees and upto twenty five crore rupees, ***may also issue specified securities*** in accordance with provisions of this Chapter. (3) An issuer may make an initial public offer, if it ***satisfies track record and/or other eligibility conditions of the SME Exchange***(s) on which the specified securities are proposed to be listed. Provided that In case of an issuer which had been a partnership firm or a limited liability partnership, the track record of operating profit of the partnership firm or the limited liability partnership shall be considered only if the financial statements of the partnership business for the period during which the issuer was a partnership firm or a limited liability partnership, ***conform to and are revised in the format prescribed for companies under the Companies Act, 2013*** 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 III of the Companies Act, 2013; b) the ***financial statements are duly certified by auditors***, who have subjected themselves to the peer review process of the Institute of Chartered Accountants of India (ICAI) and hold a valid certificate issued by the Peer Review Board' of the ICAI, stating that: (i) the accounts and the disclosures made are in accordance with the provisions of Schedule III of the Companies Act, 2013; (ii) the accounting standards prescribed under the Companies Act, 2013 have been followed;

	(iii) the financial statements present a true and fair view of the firm's accounts; Provided further that in case of an issuer formed out of merger or a division of an existing company, the track record of the resulting issuer shall be considered only if the requirements regarding financial statements as specified above in the first proviso are complied with.
ALLOCATION IN NET OFFER	The allocation in the net offer category shall be as follows: (***Book Building***) 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 the unsubscribed portion in either of the categories specified in clauses (a) or (b) may be allocated to applicants in any other category: Provided further 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 ***other than through the book building process***, the allocation in the net offer 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; Provided that 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 (2), if the retail individual investor category is entitled to more than fifty per cent. of the issue size on a proportionate basis, the retail individual investors shall be allocated that higher percentage.
APPLICATION & MINIMUM APPLICATION VALUE	The minimum application size shall be ***one lakh rupees per application & in Multiples thereof;*** The minimum sum payable on application per specified security shall at least be ***twenty five per cent. of the issue price***: Provided that in case of an offer for sale, the ***full issue price*** for each specified security shall be payable on application.

ALLOTMENT PROCEDURE & BASIS OF ALLOTMENT	(1) The issuer shall ***not make an allotment*** pursuant to a public issue if the number of allottees in an initial public offer ***is less than fifty.*** (2) The issuer shall not make any allotment in excess of the specified securities offered through the offer document ***except*** in case of oversubscription for the purpose of rounding off to make allotment, in consultation with the designated stock exchange. Provided that in case of oversubscription, an allotment of ***not more than ten per cent***. of the net offer to public may be made for the purpose of making allotment in minimum lots. (3) The allotment of specified securities to applicants other than retail individual investors and anchor investors shall be on proportionate basis within the specified investor categories and the number of securities allotted shall be rounded off to the nearest integer, subject to minimum allotment being equal to the minimum application size as determined and disclosed in the offer document: Provided that the value of specified securities allotted to any person, ***except*** in case of employees, ***in pursuance of reservation*** made under clause (a) of sub-regulation (1) or clause (a) of sub-regulation (2) of regulation 254, shall ***not exceed two lakhs rupees***.
MIGRATION OF SME EXCHANGE	A listed issuer whose post-issue face value capital is ***less than twenty five crore rupees*** may migrate its specified securities to SME exchange ***if its shareholders approve*** such migration by passing a special resolution through postal ballot to this effect and if such issuer fulfils the eligibility criteria for listing laid down by the SME exchange: Provided that the special resolution shall be acted upon if and only if the votes cast by shareholders ***other than promoters*** in favour of the proposal amount to ***at least two times*** the number of votes cast by shareholders other than promoter shareholders against the proposal. (*Different meaning given to Special Resolution*)
MIGRATION TO MAIN BOARD	An issuer, whose specified securities are listed on a SME Exchange and whose post-issue face value capital is ***more than ten crore rupees*** and ***up to twenty five crore rupees***, may migrate its specified securities to the main board of the stock exchanges ***if its shareholders approve*** such a migration by passing a special resolution through postal ballot to this effect and if such issuer fulfils the eligibility criteria for listing laid down by the Main Board: Provided that the special resolution shall be acted upon if and only if the votes cast by shareholders ***other than promoters*** in favour of the proposal amount to at least two times the number of votes cast by shareholders other than promoter shareholders against the proposal. (*Different meaning given to Special Resolution*)

INNOVATOR's GROWTH PLATFORM (CHAPTER X)

APPLICABILITY	• The provisions of this Chapter shall apply to issuers seeking listing of their specified securities pursuant to an initial public offer or ***for only trading*** on a stock exchange of their specified securities ***without making a public offer***. • The Innovator's Growth platform shall be accessible only to institutional investors and non-institutional investors and ***not to retail individual investors***.
ELIGIBILITY	(1) An issuer which is intensive in the use of technology, information technology, intellectual property, data analytics, bio-technology or nano-technology to provide products, services or business platforms with substantial value addition shall be eligible for listing on the innovators growth platform, provided that as on the date of filing of draft information document or draft offer document with the Board, as the case may be, twenty five per cent of the pre-issue capital of the Issuer Company for at least a period of two years, should have been held by: I. Qualified Institutional Buyers; II. Family trust with net-worth of more than five hundred crore rupees, as per the last audited financial statements; III. Accredited Investors for the purpose of Innovators Growth Platform; IV. The following regulated entities: a. ~~Category III~~ Foreign Portfolio Investor; (Words Category III deleted, that means all Categories will be included now) (w.e.f 23.09.2019) b. An entity meeting all the following criteria: i. It is a pooled investment fund with minimum assets under management of one hundred and fifty million USD; ii. It is registered with a financial sector regulator in the jurisdiction of which it is a resident; iii. It is resident of a country whose securities market regulator is a signatory to the International Organization of Securities Commission's Multilateral Memorandum of Understanding (Appendix A Signatories) or a signatory to Bilateral Memorandum of Understanding with the Board; iv. It is not resident in a country identified in the public statement of Financial Action Task Force as: a)a jurisdiction having a strategic Anti-Money Laundering or Combating the Financing of Terrorism deficiencies to which counter measures apply; or b)a jurisdiction that has not made sufficient progress in addressing the deficiencies or has not committed to an action plan developed with the Financial Action Task Force to address the deficiencies. Explanation:(a)The following entities shall be eligible to be considered as accredited investors for the purpose of innovators growth platform: (i)any individual with total gross income of fifty lakhs rupees annually and who has minimum liquid net worth of five crore

	rupees; or(ii)any body corporate with net worth of twenty five crore rupees.(b)Not more than ten per cent of the pre-issue capital may be held by Accredited Investors.(c)For the purpose of accreditation: The persons /corporate bodies who wish to get accreditation for the purpose of innovators growth platform, shall approach the stock exchanges or depositories and follow the procedures prescribed by the Board and / or such stock exchange or depository for the purpose of accreditation as an Accredited Investor, from time to time. (2) An issuer shall be eligible for listing on the institutional trading platform if none of the promoters or directors of the issuer company is a fugitive economic offender.
LISTING WITHOUT A PUBLIC ISSUE	(1) An issuer seeking listing of its specified securities without making a public offer, shall ***file a draft information document*** along with the necessary documents with the Board in accordance with these regulations along with the fee as specified in Schedule III of these regulations. (2) The draft information document ***shall contain disclosures*** as specified for the draft offer documents in these regulations as specified in Part A of Schedule VI. (3) The regulations relating to the following as stated under the Chapter of Initial Public Offer on Main Board shall not be applicable: a) allotment; b) issue opening or closing; c) advertisements; d) underwriting; e) sub-regulation (2) of regulation 5; f) pricing; g) dispatch of issue material; and h) other such provisions related to offer of specified securities to the public. • The Issuer shall obtain an ***In-Principle approval from the stock exchanges*** on which it proposes to get its specified securities listed; • The issuer ***shall List its Securities*** on the Recognized Stock Exchange(s) ***within 30 days***: a) From the date of issuance of observations by Board or b) From the expiry of the period stipulated in sub-regulation (4) of regulation 25, if the Board has not issued any such observations. • Provisions relating to minimum public shareholding shall not be applicable. • The draft and final information document shall be approved by the board of directors of the issuer and shall be signed

	by all directors, the Chief Executive Officer, i.e., the Managing Director or Manager within the meaning of the Companies Act, 2013 and the Chief Financial Officer, i.e., the Whole-time Finance Director or any other person heading the finance function and discharging that function. • The signatories shall also certify that all disclosures made in the information document are ***true and correct***. • In case of mis-statement in the information document or any omission therein, any person who has authorized the issue of information document shall be liable in accordance with the provisions of the Act and regulations made thereunder.
MINIMUM PUBLIC SHARHOLDING & MINIMUM OFFER SIZE (REGULATION 285A)	(1) The issuer shall be in compliance with minimum public shareholding requirements specified in the Securities Contracts (Regulation) Rules, 1957. (2) The minimum offer size shall be ten crore rupees; **inserted w.e.f. 05.04.2019**
MINIMUM APPLICATION VALUE	The minimum application size shall be ***Two lakh rupees***.
ALLOTMENT & ALLOCATION IN CASE OF IPO	(1) The number of allottees in the initial public offer shall at least be ***Fifty.*** (2) The allotment to institutional investors as well as non-institutional investors shall be on a proportionate basis. ~~(3) The allotment to institutional investors may be on a discretionary or a proportionate basis whereas the allotment to non-institutional investors shall be on a proportionate basis.~~ (Omitted) ~~(4) The mode of allotment to institutional investors, i.e., whether discretionary or proportionate, shall be disclosed prior to or at the time of filing of the offer document.~~ (Omitted) ~~(5) In case of discretionary allotment to institutional investors, no institutional investor shall be allotted more than ten per cent. of the issue size.~~ (Omitted) (3) Any under-subscription in the non-institutional investor category shall be available for subscription under the institutional investors' category.

MIGRATION TO MIAN BOARD (Regulation 292) **(Substituted w.e.f 23.09.2019)**	**Granting companies listed on the Innovators Growth Platform pursuant to an initial public offer, an option to trade under the regular category of the main board of the stock exchange** (1) A company shall be eligible to trade under the regular category of the main board of the stock exchanges, subject to fulfilment of the conditions of the stock exchanges, if any, and the fulfilment of the following conditions: (a) It has listed its specified securities for a **minimum period of one year** on the Innovators Growth Platform of a recognised stock exchange; (b) It has **minimum of two hundred shareholders**, at the time of making the application for trading under the regular category; (c) The company, any of its promoters, promoter group or directors are **not debarred** from accessing the capital market by the Board; (d) None of the promoters or directors of the company is a promoter or director of any other company which is debarred from accessing the capital market by the Board; (e) The company or any of its promoters or directors is not a wilful defaulter; and (f) None of the promoters or directors of the Company is a fugitive economic offender. Explanation: The restrictions under (c) and (d) above shall not apply to persons or entities mentioned therein, who were debarred in the past by the Board and the period of debarment is over as on the date of application for migration of trading to the regular category of the main board of the stock exchange. **Eligibility requirements** (2) A company shall be eligible to trade under the regular category of the main board of the stock exchanges, only if: (a) it has net tangible assets of at least three crore rupees, calculated on a consolidated basis, 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; (b) it has an average operating profit of at least fifteen crore rupees, calculated on a consolidated basis, during the preceding three years (of twelve months each), with operating profit in each of these preceding three 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), calculated on a consolidated basis; and (d) in case it has changed its name within the last one year, at least fifty per cent of the revenue, calculated on a consolidated basis, for the preceding one full year has been earned by it from the activity indicated by its new name.

	(3) A company not satisfying the conditions laid down under sub-regulation (2) of regulation 292, shall, at the time of applying to trade under the regular category, have seventy five per cent. of its capital, as on date of application for migration, held by Qualified Institutional Buyers. **Minimum promoters' contribution** (4) The promoters of the company shall hold at least twenty per cent of the total capital: Provided that in case the total capital held by the promoters is less than twenty per cent, alternative investment funds or foreign venture capital investors or scheduled commercial banks or public financial institutions or insurance companies registered with Insurance Regulatory and Development Authority of India may contribute to meet the shortfall in minimum contribution as specified, subject to a maximum of ten per cent of the total capital without being identified as promoter(s): Provided further that the requirement of minimum promoters 'contribution shall not apply in case a company does not have any identifiable promoter. **Lock-in period** (5) (a) The minimum promoters' contribution including contribution made by alternative investment funds or foreign venture capital investors or scheduled commercial banks or public financial institutions or insurance companies registered with the Insurance Regulatory and Development Authority of India, shall be locked in for a period of three years from the date on which trading approval in regular category of main board is granted, and any excess over and above the 20% of promoter's holding shall be locked-in for a period of one year. (b) Wherever the contributions made by such entities had been locked-in for a period of six months at the time of listing of shares of the Company on the Innovators Growth Platform, and the company is desirous of migrating to the regular trade category of the main board after completion of listing on the Innovators Growth Platform for one year, such period shall be deducted from the stipulated lock-in requirement of three years and one year, as may be applicable. (c) The condition of lock in would not apply to a Company which has been listed on the Innovators Growth Platform for a minimum period of three years or more.

CHAPTER 2 - REAL ESTATE INVESTMENT TRUSTS
CHAPTER 3 – INVESTMENT INFRASTRUCTURE TRUSTS

Basis	REIT	InvIT
SEBI (REAL ESTATE INVESTMENT TRUST) REGULATIONS, 2014		**INV IT REGULATIONS**
DEFINITIONS	"**Sponsor Group**" – includes: (i) the sponsor(s); (ii) in case the sponsor is a body corporate: a. entities or person(s) which are controlled by such body corporate; b. entities or person(s) who control such body corporate; c. entities or person(s) which are controlled by person(s) as referred at clause b. (iii) in case sponsor is an individual: a. an immediate relative of such individual (i.e., any spouse of that person, or any parent, brother, sister or child of the person or of the spouse); and b. entities or person(s) which are controlled by such individual; ***"Associate"*** of any person shall be as defined under the Companies Act, 2013 or under the applicable accounting standards and shall also include following:- i. Any person controlled, directly or indirectly, by the said person; ii. Any person who controls, directly or indirectly, the said person; iii. Where the said person is a company or a body corporate, any person(s) who is designated as promoter(s) of the company or body corporate and any other company or body corporate with the same promoter(s); iv. Where the said person is an individual, any relative of the individual;	***"PPP Project"*** means an infrastructure project undertaken on a Public-Private Partnership basis between a public concessioning authority and a private SPV concessionaire selected on the basis of open competitive bidding or on the basis of an MOU with the relevant authorities. ***"Pre-Cod Project"*** means an infrastructure project which,– • has not achieved commercial operation date as defined under the relevant project agreements including • the concession agreement, • power purchase agreement or • any other agreement of a similar nature entered into in relation to the operation of a project or • any agreement entered into with the lenders; and • has achieved completion of at least 50% of the construction of the infrastructure project as certified by an independent engineer of such project or expended not less than 50% of the total capital cost set forth in the financial package of the relevant project agreement. ***"Eligible Infrastructure Project"*** means an infrastructure project which, prior to the date of its acquisition by, or transfer to, the InvIT, satisfies the following conditions,– • For PPP projects,– (a) the Infrastructure Project is completed and revenue generating, or (aa) the Infrastructure Project, which has achieved commercial operations date and does not have the track record of revenue from operations for a period of not less than one year, or (b) the Infrastructure Project is a pre-COD project; • In non-PPP projects, the infrastructure project has received all the requisite approvals and certifications for commencing construction of the project.

<table>
<tr><td>REGISTRATION OF REIT</td><td colspan="2">Any person shall not act as a REIT/InvIT unless it is registered with SEBI under these regulations. An application for grant of certificate of registration as REIT shall be made, by the sponsor in such form and on such fees as prescribed in these regulations.</td></tr>
<tr><td>ELIGIBILITY CRITERIA</td><td>For the purpose of the grant of certificate to an applicant, SEBI shall consider all matters relevant to the activities as a REIT.

Without prejudice to the generality of the foregoing provision, SEBI shall consider the following, namely, -

(a) <u>APPLICANT:</u>
• Applicant is the Sponsor on behalf of Trust and
• the Trust deed must be duly registered in India under the provisions of the Registration Act, 1908
• Containing the main objective as undertaking activity of REIT in accordance with the set Regulations and
• Includes responsibilities of the Trustee in accordance with the provisions of REIT regulations
• Persons have been designated as Sponsor(s), manager and trustee and all such person are separate entities.

(b) <u>SPONSOR:</u>
• There are not more than 3 sponsors,
• Each holding or proposing to hold not less than 5% of the number of units of the REIT on post-initial offer basis.
• each sponsor and sponsor group shall be clearly identified in the application of registration to the Board and in the offer document/placement memorandum, as applicable (Provided that, for each sponsor group not less than one person shall be identified as a sponsor)
• The sponsor must have a net worth of at least ₹ 100 Crores on a collective basis & each sponsor has a net worth of not less than ₹ 25 Crores and
• The Sponsor or its associates has not less than 5 years' experience in the Development of real estate or fund management in the real estate industry. However, where the sponsor is a developer, at least 2 projects of the sponsor have been completed.

(c) <u>MANAGER:</u>
• In case, Manager is a body corporate or a company, It must have net worth</td><td><u>Same as REIT Except the following differences:</u>

1. <u>SPONSOR:</u>
Each sponsor must have Net worth of not less than ₹ 100 Crores if it is a body corporate or a company; or Net tangible assets of value not less than Rs 100 crore in case it is a limited liability partnership

2. <u>INVESTMENT MANAGER:</u>
• the investment manager has not less than five years of experience in fund management or advisory services or development in the infrastructure sector or the combined experience of the directors/ partners/ employees of the investment manager in fund management or advisory services or development in the infrastructure sector is not less than 30 years:

Provided that for computing the combined experience, only the experience of the directors/partners/ employees with more than 5 years of experience in fund management or advisory services or development in the infrastructure sector shall be considered;</td></tr>
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	of not less than ₹ 10 crores or if manager is a LLP, the value of Net Tangible Assets shall not less than 10 Crores; • Manager must have not less than **5 years of experience** in fund management/ advisory services/ property management in the real estate industry or in development of real estate and not less than **2 key personnel** who each have not less than 5 years of experience in fund management/ advisory services/ property management in the real estate industry or in development of real estate. • the manager has **not less than half, of its directors** in the case of a company or of members of the governing Board in case of an LLP, as **independent** and not directors or members of the governing Board of another REIT; and • the manager has **entered into an investment management agreement** with the trustee which provides for the responsibilities of the manager in accordance with regulation 10; (d) **TRUSTEE:** It should be registered with SEBI under SEBI (Debenture Trustees) Regulations, 1993; not an associate of the sponsor/ manager/ principal valuer and the trustee has such wherewithal with respect to infrastructure, personnel, etc. to the satisfaction of SEBI and in accordance with circulars or guidelines as may be specified by SEBI; (e) The unit holder of the REIT shall not enjoy Superior voting or any other rights over a other unit holder; (f) There are no multiple classes of units of REIT; however, subordinate units may be issued only to the sponsors and its associates, where such subordinate units shall carry only inferior voting or any other rights compared to other units; (g) The applicant has clearly described details related to proposed activities at the time of application for registration. (h) The applicant and parties to the REIT are fit and proper persons based on the criteria as specified in SEBI (Intermediaries) Regulations, 2008; (i) Whether any previous application for grant of certificate by the **REIT or the parties to the REIT or their directors/members of governing board** has been rejected by SEBI.	**3. PROJECT MANAGER:** The project manager has been identified and shall be appointed in terms of the project implementation/ management agreement: Provided that the project implementation agreement/ management agreement shall be submitted along with the draft offer document/ or the placement memorandum; The project implementation agreement has been entered into between the project manager, the concessionaire SPV and the trustee acting on behalf of the InvIT which sets out obligations of the project manager with respect to execution of the project.

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<td>(j) Whether any disciplinary action has been taken by SEBI or any other regulatory authority against REIT or parties to REIT or their directors/ members of governing board under any act or regulations or circulars or guidelines make thereunder;</td>
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<td>ISSUE & ALLOTMENT OF UNITS</td>
<td>1. A REIT shall make an initial offer of its units by way of public issue only.
2. No initial offer of units by the REIT shall be made unless,-
• REIT must be registered with SEBI
• Value of Assets owned by REIT is not less than 500 crores
• Units proposed to be offered to public is not less than 25% of the total of the outstanding units of REIT and units being offered by way of offer document.
• Offer size is not less than 250 Crores;
3. For a REIT raising funds through an initial offer, the units proposed to be offered to the public through such initial offer:
<table>
<tr><th>POST ISSUE CAPITAL</th><th>MINIMUM OFFER TO PUBLIC</th></tr>
<tr><td>Less or Equal to 1600 Crores</td><td>25%</td></tr>
<tr><td>More than 1600 but Less than or equal to 4000 Crores</td><td>400 Crores</td></tr>
<tr><td>More than 4000 Crores</td><td>10%</td></tr>
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4. Any subsequent issue of units by the REIT may be by way of follow-on offer, preferential allotment, qualified institutional placement, rights issue, bonus issue, offer for sale or any other mechanism and in the manner as may be specified by SEBI.
5. REIT, through the manager, shall file a draft offer document with the designated stock exchange(s) and SEBI, not less than 30 working days before filing the final offer document with the designated stock exchange.
6. The draft offer document filed with SEBI shall be made public, for comments, to be submitted to SEBI, for not less than 21 days, by hosting it on the websites of SEBI, designated stock exchanges and merchant bankers associated with the issue.
7. The draft and final offer document shall be accompanied by a due diligence certificate signed by the Manager and lead merchant banker.
8. SEBI may communicate its comments to the lead merchant banker and, in the interest of investors, may require the lead merchant banker to carry out such modifications in the draft offer document as it deems fit.
9. The lead merchant banker shall ensure that all comments received from</td>
<td>Same as REIT

<u>Extra Points are given as below:</u>

If the InvIT raises funds by <u>way of private placement</u>:
• it shall do it through a placement memorandum;

• from Institutional investors and body corporate only, whether Indian or foreign. In case of foreign investors, such investment shall be subject to guidelines as may be specified by RBI and the government from time to time;

• with minimum investment from any investor of ₹ one crore;

Notwithstanding the above, if such an privately placed InvIT invests or proposes to invest not less than 80% of the value of the InvIT assets, in completed and revenue generating assets, the minimum investment from an investor shall be ₹ 25 Crores;

• from not less than 5 and not more than 1000 investors.

• shall file a placement memorandum with the Board</td>
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	SEBI on the draft offer document **are suitably taken into account** prior to the filing of the offer document with the designated stock exchanges. 10. In case no modifications are suggested by SEBI in the draft offer document within 21 working days, then REIT may issue the final offer document or follow-on offer document to the public after filed with the designated stock exchange. 11. The final offer document shall be **filed with the designated stock exchanges and SEBI** not less than 5 working days before opening of the offer. 12. The application for subscription shall be **accompanied by a statement containing the abridged version of the offer document**, detailing the risk factors and summary of the terms of issue. 13. The ***minimum subscription*** from any investor in initial and/or public offer shall be ₹ 50,000; 14. Initial offer and follow-on offer shall not be **open for subscription** for a period of more than 30 days. 15. The REIT shall **allot units or refund application** money as the case may be, within twelve working days from the date of closing of the issue. 16. The REIT shall issue units only in ***dematerialized form***; 17. The ***price*** of REIT units issued by way of public issue shall be determined through the book building process or any other process;	alongwith the fee as specified in Schedule II, atleast 5 days prior to opening of the issue: Provided that such opening of the issue shall not be at a date later than 3 months from the receipt of in-principle approval for listing, from exchange(s). • it shall file the final placement memorandum with the Board within a period of 10 working days from the date of listing of the units issued therein.
LISTING & TRADING OF UNITS	1. After the initial offer it shall be mandatory for all units of REITs to be listed on a recognized stock exchange having nationwide trading terminals within a period of 12 working days from the date of closure of the offer. 2. The listing of the units of the REIT shall be in accordance with the listing agreement entered into between the REIT and the designated stock exchange. 3. The units of the REIT listed in recognized stock exchanges shall be traded, cleared and settled in accordance with the bye-laws of concerned stock exchanges and such conditions as may be specified by SEBI. 4. Trading lot for the purpose of trading of units of the REIT shall consist of 100 Units. 5. The REIT shall redeem units only by way of a buy-back or at the time of delisting of units. 6. The units of REIT shall be remain listed on the designated stock exchange	**Same as REIT** Below mentioned points are separate: • It shall be mandatory for units of all InvITs to be listed on a recognized stock exchange having nationwide trading terminals, ***whether publicly issued or privately placed***. However, this sub-regulation shall not apply if the initial offer does not satisfy the minimum subscription amount or the minimum number of subscribers under these regulations. • The ***minimum number of unit***

	unless delisted under these regulation. 7. The minimum public holding for the units of the listed REIT shall be in accordance with point 3 as discussed under Issue & Allotment of Units, failing which action may be taken as may be specified by SEBI and by the designated stock exchange including delisting of units. However, in case of breach of the conditions specified in this sub-regulation, the trustee may provide a period of six months to the manager to rectify the same, failing which the manager shall apply for delisting of units accordance with these regulations. 8. Any person other than the sponsor(s) holding units of the REIT prior to initial offer shall hold the units for a period of not less than one year from the date of listing of the units subject to circulars or guidelines as may be specified by SEBI. 9. SEBI and designated stock exchanges may specify any other requirements pertaining to listing and trading of units of the REIT by issuance of guidelines or circulars. 10. In the event of non-receipt of listing permission from stock exchange(s) or withdrawal of observation letter issued by SEBI, where applicable, the units shall not be eligible for listing and REIT shall be liable to refund the subscription monies, if any, to the respective allottees immediately along with the interest at the rate of 15% per annum from the date of allotment.	***holders*** in an InvIT other than the sponsor(s) or its related parties or its associates; – in case of privately placed InvIT, shall be **5**, each holding not more than 25% of the units of the InvIT. – forming part of public shall be **20,** each holding not more than 25% of the units of the InvIT, at all times post listing of the units, failing which action may be taken as may be specified by SEBI and by the designated stock exchanges including delisting of units under these regulations. • With respect to ***listing of privately placed units***,– – its units shall be mandatorily listed on the designated stock exchange(s) within 30 working days from the date of allotment; – trading lot for the purpose of trading of units on the designated stock exchange shall be ₹ **one crore**. Notwithstanding the above, if an InvIT invests not less than 80% of the value of the InvIT assets, in completed and revenue generating assets, the trading lot for the purpose of trading of units on the designated stock exchange of such InvIT shall be ₹ **2 crores**.
DELISTING OF UNITS	1. The manager shall apply for delisting of units of the REIT to SEBI and the designated stock exchanges if,-	Same as REIT

	(a) The public holding falls below the specified limit under these regulations. (b) If there are no projects or assets remaining under the REIT for a period exceeding six months and REIT does not propose to invest in any project in future. The period may be extended by further six months, with the approval of unit holders in the manner as specified in these regulation. (c) SEBI or the designated stock exchanges require such delisting for violation of the listing agreement or these regulations or the Act; (d) The sponsor(s) or trustee requests such delisting and such request has been approved by unit holders in accordance with regulation 22(6); (e) Unit holders apply for such delisting in accordance with these regulations. (f) SEBI or the designated stock exchanges require such delisting for violation of the listing agreement, these regulations or the Act or in the interest of the unit holders. 2. SEBI and the designated stock exchanges may consider such application for approval or rejection as may be appropriate in the interest of the unit holders. 3. SEBI, instead of requiring delisting of the units, if it deems fit, may provide additional time to the REIT or parties to the REIT to comply with regulations. 4. SEBI may reject the application for delisting and take any other action, as it deems fit, for violation of the listing agreement or these regulations or the Act. 5. The procedure for delisting of units of REIT including provision of exit option to the unit holders shall be in accordance with the listing agreement and in accordance with procedure as may be specified by SEBI and by the designated stock exchanges from time to time. 6. SEBI may require the REIT to wind up and sell its assets in order to redeem units of the unit holders for the purpose of delisting of units and SEBI may through circulars or guidelines specify the manner of such winding up or sale. 7. After delisting of its units, the REIT shall surrender its certificate of	Different points: 1) (ea) the trustee and the Investment Manager of a privately placed and listed InvIT chooses to convert InvIT to a privately placed unlisted InvIT and such request has been approved by unit holders in accordance with regulation 22: Provided that exit shall be provided to dissenting unitholders.

	registration to SEBI and shall no longer undertake activity of a REIT. However, the REIT and parties to the REIT shall continue to be liable for all their acts of omissions and commissions with respect to activities of the REIT notwithstanding such surrender.	
INVESTMENT CONDITIONS & DISTRIBUTION POLICY	***<u>Common Points:</u>*** (1) A REIT shall not invest in units of other REITs. (2) A REIT shall not undertake lending to any **person other than the holding company/special purpose vehicle(s) in which the REIT has invested in, subject to disclosures specified in Schedule IV.** However, investment in debt securities shall not be considered as lending. (3) In case of any ***<u>co-investment with any person(s)</u>*** in any transaction,- (a) the investment by the other person(s) shall not be at terms more favourable than those to the REIT; (b) the investment shall not provide any rights to the person(s) which shall prevent the REIT from complying with the provisions of these regulations; (c) the agreement with such person(s) shall include the minimum percentage of distributable cash flows that will be distributed and entitlement of the REIT to receive not less than pro rata distributions and mode for resolution of any disputes between the REIT and the other person(s). (4) No schemes shall be launched under the REIT. (5) With respect to **<u>DISTRIBUTIONS MADE BY THE REIT AND THE HOLDCO AND/ OR SPV</u>**,- (a) Not less than 90% of net distributable cash flows of the SPV shall be distributed to the REIT in proportion of its holding in the SPV subject to applicable provisions in the Companies Act, 2013 or the LLP Act, 2008; (aa) with regard to distribution of net distributable cash flows by the Holdco to the REIT, subject to applicable provisions in the Companies Act, 2013 or the Limited Liability Partnership Act, 2008, the following shall be complied: (i) with respect to the cash flows received by the Holdco from underlying SPVs, 100% of such cash flows received by the Holdco shall be distributed to the REIT; and (ii) with respect to the cash flows generated by the Holdco on its own, not less than 90% of such net distributable cash flows shall be distributed by the Holdco to the REIT; (b) Not less than 90% of net distributable cash flows of the REIT shall be distributed to the unit holders; (c) Such distributions shall be declared and made not less than once every six months in every financial year and shall be	

	made not later than 15 days from the date of such declaration; (d) If any property is sold by the REIT or Holdco or SPV or if the equity shares or interest in the Holdco/SPV are sold by the REIT, then,- (i) If the REIT proposes to reinvest sale proceeds into another property, it shall not be required to distribute any sale proceeds from such sale to the unit holders; and (ii) If the REIT proposes not to invest the sales proceeds made into any other property, within a period of 1 Year, it shall be required to distribute not less than 75% of the sales proceeds in accordance with clauses (a), (b), (c) and (d) of this sub regulation. (e) If the distributions are not made within 15 days of declaration, then the manager shall be liable to pay interest to the unit holders at the rate of 15% per annum till the distribution is made and such interest shall not be recovered in the form of fees or any other form payable to the manager by the REIT. (6) The REIT may invest in properties ***through SPVs*** subject to the following,- (a) no other shareholder or partner of the SPV shall have any rights that prevents the REIT from complying with the provisions of these regulations and an agreement has been entered into with such shareholders or partners to that effect prior to the investment in the SPV; (b) the manager, in consultation with the trustee, shall appoint at least such number of nominees on the Board of directors or governing board of such SPVs, as applicable, which are in proportion to the shareholding or holding interest of the REIT in the SPV; (c) The manager, in consultation with the Trustee, shall appoint the majority of the board of directors or governing board of such SPV as applicable. (d) the manager shall ensure that in every meeting including annual general meeting of the SPV, the voting of the REIT is exercised; (7) The REIT may invest in properties through holdco subject to the following,- (a) the ultimate holding interest of the REIT in the underlying SPV(s) is not less than 26%; (b) no other shareholder or partner of the holdco or the SPV(s) shall exercise any rights that prevent the REIT, the holdco or the SPV(s) from complying with the provisions of these regulations and an agreement has been entered into with such shareholders or partners to that effect prior to investment in the holdco and/or SPVs: Provided that the shareholders' agreement or partnership agreement shall provide for an appropriate mechanism for resolution of disputes between the REIT and the other shareholders or partners in the holdco and/or SPV;

Provided further that the provisions of these regulations shall prevail in case of inconsistencies between such agreement(s) and the obligations cast upon a REIT under these regulations.

(c) the manager, in consultation with the Trustee, shall appoint atleast such number of nominees on the board of directors or the governing board of the holdco and/or the SPV, which are in proportion to the shareholding or holding interest of the REIT/holdco in the SPV;

(d) the manager shall ensure that in every meeting including annual general meeting of the holdco and/or SPV(s), the voting of the REIT is exercised;

(8) Not less than 80% of value of the REIT assets shall be invested in completed and **rent and/or income** generating properties subject to the following,-

(a) If the investment has been made through a holdco and/or SPV, whether by way of equity or debt or equity linked instruments or partnership interest, only the portion of direct investments in properties by such holdco and/or SPVs shall be considered and remaining portion shall be included as prescribed under Clause 5;

(b) If any project is implemented in stages, the part of the project which is completed and rent and/or income generating shall be considered under this sub-regulation and the remaining portion including any contiguous land as specified under Proviso to sub-regulation (2) shall be included under Clause (a) of sub regulation (5) of Investment conditions & distribution policy;

DIFFERENT POINTS:

REIT	INVIT
The Investment by a REIT shall only be in SPVs or properties or securities or TDR in India and the investment strategy as detailed in the offer document as may be amended in accordance with these regulations.	The investment by an InvIT shall only be in holdco and/ or SPVs or infrastructure projects or securities in India in accordance with these regulations and the investment strategy as detailed in the offer document or Placement memorandum
(9) Not more than 20% of the value of REIT assets shall be invested in assets other than as provided in Clause (4) and such other investment shall only be in: (a) Properties, whether directly or through company or through LLP which are: (i) Under construction properties which shall be held by the REIT for not less than 3 years after completion; (ii) Under construction properties which are a part of the existing income generating properties owned by REIT which shall be held by REIT for not less than 3 years	not more than 20% of value of the InvIT assets, shall be invested in,– (i) under-construction infrastructure projects, whether directly or through holdco and/ or SPVs: Provided that investment in such assets shall not exceed 10% of the value of the InvIT assets; (ii) listed or unlisted debt of companies or body

	after completion; (iii) Completed and not rent generating properties which shall be held by REIT for note less than 3 years from date of purchase; (b) listed or unlisted debt of companies or body corporate in real estate sector: Provided that this shall not include any investment made in debt of the holdco and/or SPVs (c) mortgage backed securities; (d) equity shares of companies which are listed on a recognized stock exchange in India which derive not less than 75% of their operating income from real estate activity as per the audited accounts of the previous financial year; (e) unlisted equity shares of companies which derive not less than 75% of their operating income from real estate activity as per the audited accounts of the previous financial year: Provided that the investments, made through unlisted equity shares of a company, in under construction properties and/or completed and not rent generating properties, shall be in compliance with clause (a) of this sub regulation. (f) government securities (g) unutilized FSI of a project where it has already made investment (h) TDR acquired for the purpose of utilization with respect to a project where it has already made investment (i) money market instruments or cash equivalents The investment conditions as specified above shall be complied at the time of offer document and thereafter;	corporate in infrastructure sector: Provided that this shall not include any investment made in debt of the holdco and/ or SPV(s); (iii) equity shares of companies listed on a recognized stock exchange in India which derive not less than 80% of their operating income from infrastructure sector as per the audited accounts of the previous financial year; (iv) government securities; (v) money market instruments, liquid mutual funds or cash equivalents; (c) if the conditions specified in clauses (a) and (b) are breached on account of market movements of the price of the underlying assets or securities, the investment manager shall inform the same to the trustee and ensure that the conditions as specified in this regulation are satisfied within six months of such breach: Provided that the period may be extended to one year subject to approval from investors in accordance with regulation 22.
RIGHTS & MEETING OF UNITHOLDERS	1. The unit holder shall have the rights to ***<u>receive income or distributions</u>*** as provided for in the Offer document or trust deed. 2. With respect to any matter requiring approval of the unit holders,- (a) a resolution shall be considered as passed when the votes cast by unit holders, so entitled and voting, in favour of the resolution exceed a certain percentage, as specified in this regulation, of the votes cast against; (b) the voting may also be done by postal ballot or electronic mode;	Same as REIT

	(c) a notice of not less than 21 days either in writing or through electronic mode shall be provided to the unit holders; (d) voting by any person who is a related party in such transaction as well as associates of such person(s) shall not be considered on the specific issue; (e) manager shall be responsible for all the activities pertaining to conducting of meeting of the unit holders, subject to overseeing by the trustee. However, In case of issue related to manager such as change in manager including removal of the manager or change in control of the manager, then trustee shall convene and handle all activities pertaining to conduct of the meetings. Further, in case of issues related to trustee such as change in the trustee, the trustee shall not be involved in any manner in the conduct of the meeting. 3. An annual meeting of all unit holders shall be held not less than once a year within 120 days from the end of financial year and the time between 2 meetings shall not exceed 15 months. 4. With respect to the annual meeting of unit holders,- (a) any information which is required to be disclosed to the unit holders and any issue, in the ordinary course of business, may require approval of the unit holders may be taken up in the meeting including,- • latest annual accounts and performance of the REIT; • approval of auditor and fees of such auditor, as may be required; • latest valuation reports; • appointment of valuer, as may be required; • any other issue including special issues as specified (b) For any issue taken up in such meetings which require approval from the unit holders, votes cast in favour of the resolution shall be more than the votes cast against the resolution. 5. In case of,- (a) any approval from unit holders required under regulation 18, 19 and 21; (b) any transaction, other than any borrowing, value of which is equal to or greater than 25% of the REIT assets; (c) any borrowing in excess of specified limit as required under sub-regulation (2) of regulation 20;	

	(d) any issue of units after initial offer by the REIT, in whatever form, other than any issue of units which may be considered by the Board under sub-regulation(6); (e) increasing period for compliance with investment conditions to one year in accordance with proviso to sub-regulation (9) of regulation 18; (f) any issue, in the ordinary course of business, which in the opinion of the sponsor(s) or trustee or manager, is material and requires approval of the unit holders, if any; (g) any issue for which the Board or the designated stock exchange requires approval under this sub-regulation, approval from unit holders shall be required where the votes cast in favour of the resolution shall be more than the votes cast against the resolution. 6. In case of ,- (a) any change in manager including removal of the manager or change in control of the manager; (b) any material change in investment strategy or any change in the management fees of the REIT; (c) the sponsor(s) or manager proposing to seek delisting of units of the REIT; (d) the value of the units held by a person along with its associates other than the sponsor(s) and its associates exceeding 50% of the value of outstanding REIT units, prior to acquiring any further units; (e) any issue, not in the ordinary course of business, which in the opinion of the sponsor(s) or manager or trustee requires approval of the unit holders; (f) any issue for which the Board or the designated stock exchanges requires approval under this sub-regulation; (g) any issue taken up on request of the unit holders including: (i) removal of the manager and appointment of another manager to the REIT; (ii) removal of the auditor and appointment of another auditor to the REIT; (iii) removal of the valuer and appointment of another valuer to the REIT; (iv) delisting of the REIT if the unit holders have sufficient reason to believe that such delisting would act in the interest of the unit holders; (v) any issue which the unit holders have sufficient reason to believe that acts detrimental to the interest of the unit holders; (vi) change in the trustee if the unit holders have sufficient reason to believe that acts of such trustee is detrimental to the interest of the unit holders,	

	approval from unit holders shall be required where the votes cast in favour of the resolution shall be not less than one and half times the votes cast against the resolution: Provided that in case of clause (d), if approval is not obtained, the person shall provide an exit option to the unitholders to the extent and in the manner as may be specified by the Board. 7. With respect to the right(s) of the unit holders under clause (g) of sub-regulation (6),- (a) not less than 25% of the unit holders by value, other than any party related to the transactions and its associates, shall apply, in writing, to the trustee for the purpose; (b) on receipt of such application, the Trustee shall require the manager to place the issue for voting in the manner as specified in these regulations; (c) with respect to sub-clause (vi) of clause (g) of sub-regulation (6) , not less than 60% of the unit holders by value shall apply, in writing, to the manager for the purpose. 8. In case of any change in sponsor or re-designated sponsor or change in control of sponsor or re-designated sponsor,- (a) prior to such changes, approval shall be obtained from the unit holders wherein votes cast in favour of the resolution shall not be less than three times the votes cast against the resolution; (b) if such change does not receive the required approval,- (i) in case of change of sponsor or re-designated sponsor, the proposed re-designated sponsor who proposes to buy the units shall provide the dissenting unit holders an option to exit by buying their units; (ii) in case of change in control of the sponsor or re-designated sponsor, the sponsor or re-designated sponsor shall provide the dissenting unit holders an option to exit by buying their units; (c) if on account of such sale, the number of unit holders forming part of the public falls below as required under sub-regulation (2A) of Regulation 14, 200 or below the trustee may provide a period of one year to the manager to rectify the same, failing which, the manager shall apply for delisting of the units of the REIT in accordance with regulation 17.	

DISCLOSURES	(1) The manager shall ensure that the disclosures in the offer document are in accordance with the Schedule III to these regulations and any circulars or guidelines issued by the Board in this regard. (2) The manager shall submit an annual report to all unit holders of the REIT with respect to activities of the REIT, within three months from the end of the financial year. (3) The manager shall submit a half-yearly report to all unit holders of the REIT with respect to activities of the REIT within 45 days from the end of the half year ending on September 30th. (4) Such annual and half yearly reports shall contain disclosures as specified under Schedule IV to these regulations. (5) The manager shall disclose to the designated stock exchanges any information having bearing on the operation or performance of the REIT as well as price sensitive information which includes but is not restricted to the following,- (a) acquisition or disposal of any properties, value of which exceeds 5% of value of the REIT assets; (b) additional borrowing, at level of holdco or SPV or the REIT, resulting in such borrowing exceeding 5% of the value of the REIT assets during the year; (c) additional issue of units by the REIT; (d) details of any credit rating obtained by the REIT and any change in such rating; (e) any issue which requires approval of the unit holders; (f) any legal proceedings which may have significant bearing on the functioning of the REIT; (g) notices and results of meetings of unit holders; (h) any instance of non-compliance with these regulations including any breach of limits specified under these regulations; (i) any material issue that in the opinion of the manager or trustee needs to be disclosed to the unit holders. (6) The manager shall submit such information to the designated stock exchanges and unit holders on a periodical basis as may be required under the listing agreement. (7) The manager shall disclose to the designated stock exchanges, unit holders	Same as REIT ***<u>Extra Points:</u>*** (1) A privately placed InvIT shall ensure that the disclosures in the placement memorandum are in accordance with the sub-regulation (4) of regulation 15 and any circulars or guidelines issued by the Board in this regard.

	and the Board such information and in the manner as may be specified by the Board..	
PARTICIPATION BY STRATEGIC INVESTORS IN REIT **(Dec 2019)**	SEBI vide its circular dated 18th January 2018 issued guidelines on participation by the strategic investors in InVIT's and REIT's. This circular seeks to give clarifications on the participation by the 'strategic investors' in the public issue of the REITs and the InVITs. 'Strategic investor' means: 1. an infrastructure finance company registered with RBI as a NBFC ; 2. a Scheduled Commercial Bank; 3. an international multilateral financial institution; 4. a systemically important NBFC with RBI; 5. a foreign portfolio investors; who invest either jointly or severally not less than 5 % of the total offer size of the InvIT or such amount as may be specified by SEBI with applicable provisions of the FEMA Act, 1999 and the rules or regulations or guidelines made thereunder. **Participation by the 'strategic investors' in the public issue of the REITs** **Holding requirements** • Holding by strategic investors – Minimum 5%, maximum 25%. • Holding by public, other than strategic investors and sponsors – Minimum 25% • Holding by sponsor – Minimum 5%, maximum 70% **Issue price of the units and utilisation of funds** • The price at which units are offered to the strategic investors must not be less than the price determined in the public issue. • It must be ensured that the subscription amount is kept in the separate account until the public issue is opened. **Lock-in period** • The units subscribed by strategic investors, pursuant to the unit subscription agreement, will be locked-in for a period of 180 days from the date of listing in the public issue.	

CHAPTER 4 - INDIAN EQUITY – PRIVATE FUNDING

BACKGROUND	• SEBI had earlier framed the SEBI (Venture Capital Funds) Regulations, 1996 ("VCF Regulations") to ***encourage investments into start-ups and mid-size companies***. • Since the introduction of the VCF Regulations, it was **observed by SEBI that the venture capital route was being used by several other categories of funds such as private equity funds, real estate funds etc.** Further, since registration as a venture capital fund ("VCF") was not mandatory under the VCF Regulations, not all private equity or other categories of funds were registering with the SEBI. • While these funds did not enjoy certain exemptions that were available to VCFs, they were not subjected to any investment restrictions. • Accordingly, SEBI notified the Alternative Investment Fund (AIF) Regulations to govern unregulated entities and create a level playing ground for existing venture capital investors. • The Securities and Exchange Board of India ("SEBI") has notified the SEBI (Alternative Investment Funds) Regulations, 2012 ('AIF Regulations') on 21 May, 2012 - a comprehensive regulatory framework for regulating private pools of capital or Alternative Investment Funds, thus bringing various funds investing in Indian securities under a unified regulatory umbrella.
IMPORTANT DEFINITIONS	**SEBI (ALTERNATIVE INVESTMENT FUNDS) REGULATIONS, 2012** "Alternative Investment Fund" means any fund established or incorporated in India in the form of a trust or a company or a limited liability partnership or a body corporate which,- (i) is a privately pooled investment vehicle which collects funds from investors, whether Indian or foreign, for investing it in accordance with a defined investment policy for the benefit of its investors; and (ii) is not covered under the SEBI (Mutual Funds) Regulations, 1996, SEBI (Collective Investment Schemes) Regulations, 1999 or any other regulations of the SEBI to regulate fund management activities: **Provided** that the following shall not be considered as Alternative Investment Fund for the purpose of these regulations,- (i) family trusts set up for the benefit of 'relatives' as defined under Companies Act, 2013; (ii) ESOP Trusts set up under the SEBI (Share Based Employee Benefits) Regulations, 2014 or as permitted under Companies Act, 2013; (iii) employee welfare trusts or gratuity trusts set up for the benefit of employees; (iv) holding companies' as defined under sub-section 46 of section 2 of Companies Act, 2013; (v) other special purpose vehicles not established by fund managers, including securitization trusts, regulated under a specific regulatory framework; (vi) funds managed by securitisation company or reconstruction company which is registered with the Reserve Bank of India under Section 3 of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002; and (vii) any such pool of funds which is directly regulated by any other regulator in India.

	“Corpus” means the total amount of funds committed by investors to the Alternative Investment Fund by way of a written contract or any such document as on a particular date. “Debt fund” means an Alternative Investment Fund which invests primarily in debt or debt securities of listed or unlisted investee companies according to the stated objectives of the Fund. “Hedge fund” means an Alternative Investment Fund which employs diverse or complex trading strategies and invests and trades in securities having diverse risks or complex products including listed and unlisted derivatives. “Infrastructure fund” means an Alternative Investment Fund which invests primarily in unlisted securities or partnership interest or listed debt or securitized debt instruments of investee companies or special purpose vehicles engaged in or formed for the purpose of operating, developing or holding infrastructure projects. “Infrastructure” shall be as defined by the Government of India from time to time. “Investee company” means any company, special purpose vehicle or limited liability partnership or body corporate or real estate investment trust or infrastructure investment trust in which an Alternative Investment Fund makes an investment. “Investible funds” means corpus of the Alternative Investment Fund net of estimated expenditure for administration and management of the fund. “Manager” means any person or entity who is appointed by the Alternative Investment Fund to manage its investments by whatever name called and may also be same as the sponsor of the Fund. “Private Equity Fund” means an Alternative Investment Fund which invests primarily in equity or equity linked instruments or partnership interests of investee companies according to the stated objective of the fund. “SME fund” means an Alternative Investment Fund which invests primarily in unlisted securities of investee companies which are SMEs or securities of those SMEs which are listed or proposed to be listed on a SME exchange or SME segment of an exchange. “Social Venture” means a trust, society or company or venture capital undertaking or limited liability partnership formed with the purpose of promoting social welfare or solving social problems or providing social benefits and includes, – (i) public charitable trusts registered with Charity Commissioner; (ii) societies registered for charitable purposes or for promotion of science, literature, or fine arts; (iii) company registered under Section 8 of the Companies Act, 2013; (iv) micro finance institutions; “Social Venture Fund” means an Alternative Investment Fund which invests primarily in securities or units of social

	ventures and which satisfies social performance norms laid down by the fund and whose investors may agree to receive restricted or muted returns; “Venture Capital Fund” means an Alternative Investment Fund which invests primarily in unlisted securities of start-ups, emerging or early-stage venture capital undertakings mainly involved in new products, new services, technology or intellectual property right based activities or a new business model and shall include an angel fund as defined under Chapter III-A of the SEBI (AIF) Regulations,2012. “Venture Capital Undertaking” means a domestic company: (i) which is not listed on a recognised stock exchange in India at the time of making investment; and (ii) which is engaged in the business for providing services, production or manufacture of article or things and does not include following activities or sectors: (1) non-banking financial companies; (2) gold financing; (3) activities not permitted under industrial policy of Government of India; (4) any other activity which may be specified by the Board in consultation with Government of India from time to time;
ELIGIBILITY CRITERIA	For the purpose of the grant of certificate to an applicant, the Board shall consider the following conditions for eligibility, namely,—(a)the memorandum of association in case of a company; or the Trust Deed in case of a Trust; or the Partnership deed in case of a limited liability partnership permits it to carry on the activity of an Alternative Investment Fund; (b)the applicant is prohibited by its memorandum and articles of association or trust deed or partnership deed from making an invitation to the public to subscribe to its securities; (c)in case the applicant is a Trust, the instrument of trust is in the form of a deed and has been duly registered under the provisions of the Registration Act, 1908; (d)in case the applicant is a limited liability partnership, the partnership is duly incorporated and the partnership deed has been duly filed with the Registrar under the provisions of the Limited Liability Partnership Act, 2008; (e)in case the applicant is a body corporate, it is set up or established under the laws of the Central or State Legislature and is permitted to carry on the activities of an Alternative Investment Fund; (f)the applicant, Sponsor and Manager are fit and proper persons based on the criteria specified in Schedule II of the Securities and Exchange Board of India (Intermediaries) Regulations, 2008;

	(g)The key investment team of the Manager of Alternative Investment Fund has – (i)adequate experience, with at least one key personnel having not less than five years of experience in advising or managing pools of capital or in fund or asset or wealth or portfolio management or in the business of buying, selling and dealing of securities or other financial assets; and (ii)at least one key personnel with professional qualification in finance, accountancy, business management, commerce, economics, capital market or banking from a university or an institution recognized by the Central Government or any State Government or a foreign university, or a CFA charter from the CFA institute or any other qualification as may be specified by the Board: Provided that the requirements of experience and professional qualification as specified in regulation 4(g)(i) and 4(g)(ii) may also be fulfilled by the same key personnel. (Substituted w.e.f. 19.10.2020) (h)the Manager or Sponsor has the necessary infrastructure and manpower to effectively discharge its activities; (i)the applicant has clearly described at the time of registration the investment objective, the targeted investors, proposed corpus, investment style or strategy and proposed tenure of the fund or scheme; (j)whether the applicant or any entity established by the Sponsor or Manager has earlier been refused registration by the Board
REGISTRATION OF AIF	1) All AIFs are required to be mandatorily registered under any of the III categories as mentioned above with SEBI. 2) The AIF Regulations permit AIF to launch multiple schemes under one AIF subject to filing of the placement memorandum with SEBI and the Certificate of Registration shall be valid until the AIF is wound up or the certificate is cancelled by SEBI. 3) An AIF which has been granted registration under a particular category cannot change its category subsequent to registration, except with the approval of SEBI. **Online Filing System for Alternative Investment Funds** • All applicants desirous of seeking registration as an AIF are now required to submit their applications online only, through SEBI Intermediary Portal at https://siportal.sebi.gov.in. • Furthermore, all SEBI registered AIFs are now required to file their compliance reports and submit applications for any request under the provisions of AIF Regulations and circulars issued thereunder, through the online

	system only.
INVESTMENT STRATEGY	All AIFs must state its investment strategy, investment purpose and its investment methodology in its placement memorandum to the investors. In case the AIF decides to alter the fund strategy, it shall be made only with the consent of atleast 2/3rd of the unit holders by value of their investment in the AIF.

CATEGORIES OF AIF			
	CATEGORY I	**CATEGORY II**	**CATEGORY III**
Meaning	Funds that invest in start – up or early stage ventures or social ventures or Small Medium Enterprises or infrastructure or other sectors which the government or regulators consider as socially or economically desirable which include VCF, SME Funds and such other AIFs as specified, in regulations.	Funds that do not fall in Categories I and III of AIF and those that do not undertake leverage or borrowing other than to meet the permitted day to day operational requirement including Private Equity Funds or Debt Funds. Category II AIF can invest in Units of Category I & II AIF; but cannot invest in other Funds of Funds.	Funds that employ diverse or complex trading strategies and may employ leverage including through investment in listed or unlisted derivatives, for e. g. Hedge Funds. Category III can invest in units of Category I & II. But cannot invest in other Funds of Funds.
Tenure	Minimum of 3 years tenure of the scheme or fund shall be determined at the time of application for registration.		No minimum Tenure
Close/Open Ended Fund	Close Ended Funds		Open Ended Funds or Close Ended Funds
Extension of tenure of close ended funds	The tenure may be extended for a further period of 2 years only with the approval by 66.6% of the unit holders by value.		
Leverage/ Hedging	• Not borrow/leverage except for temporary funding requirements, which shouldn't exceed 30 days. • The borrowing cannot be on more than four occasions in a year and cannot exceed 10% of corpus.	• Shall not borrow/leverage except for temporary funding requirements, which shall not exceed 30 days. • The borrowing cannot be on more than four occasions in a year and cannot exceed 10% of corpus. • Funds may engage in hedging subject to	May leverage or borrow (Subject to consent from investors and maximum limit specified by SEBI)

		guidelines.	
Investment in one investor company	• Shall not invest more than 25% of its Investable funds in one investee company;		Maximum 10% of the Investable funds in one investee company
Reporting	Within 180 days from the end of the year an annual report is required to be presented to the investor.		• Within 180 days from the end of the year an annual report is required to be presented to the investors. • Within 60 days from the end of the quarter, AIF is also required to provide a quarterly report to the investors.
Investment conditions	(a) Category I AIF shall invest in investee companies or venture capital undertaking or in special purpose vehicles or in limited liability partnerships or in units of other Alternative Investment Funds as specified in the AIF Regulations; (b) Fund of Category I Alternative Investment Funds may invest in units of Category I Alternative Investment Funds of same sub-category. However**,** they shall only invest in such units and shall not invest in units of other Fund of Funds.	(a) Category II Alternative Investment Funds shall invest primarily in unlisted investee companies or in units of other Alternative Investment Funds as may be specified in the placement memorandum; (b) Fund of Category II Alternative Investment Funds may invest in units of Category I or Category II Alternative Investment Funds. However, they shall only invest in such units and shall not invest in units of other Fund of Funds	(a) Category III Alternative Investment Funds may invest in securities of listed or unlisted investee companies or derivatives or complex or structured products; (b) Fund of Category III Alternative Investment Funds may invest in units of Category I or Category II Alternative Investment Funds. However, they invest solely in such units and shall not invest in units of other Fund of Funds.
PLACEMENT MEMORANDUM	• The AIF Fund may launch schemes after it files its placement memorandum/information memorandum with SEBI, which shall be filed atleast 30 days prior to the launch of the scheme along with the prescribed fees. • SEBI shall communicate its comments / observations on the document, if any, to the applicant prior to launch of the scheme and the applicant shall incorporate the comments in placement memorandum prior to the launch of scheme. • This document shall contain all <u>*material information:*</u> o about the AIF and the Manager, o background of key investment team of the Manager, o targeted investors,		

	○ fees and all other expenses proposed to be charged, ○ tenure of the Alternative Investment Fund or scheme, ○ conditions or limits on redemption, ○ investment strategy, ○ risk management tools and parameters employed, ○ key service providers, ○ conflict of interest and procedures to identify and address them, ○ disciplinary history, ○ the terms and conditions on which the Manager offers investment services, its affiliations with other intermediaries, ○ manner of winding up of the AIF or the scheme and ○ such other information as may be necessary for the investor to take an informed decision on whether to invest in the Alternative Investment Fund.
Listing	• Only units of close ended funds can be listed. • A minimum tradable lot shall be ₹ one crore. • Listing of Alternative Investment Fund units shall be permitted only after final close of the fund or scheme.

Additional investment conditions for various funds of CATEGORY I

Particulars	Minimum investment	Maximum investment
1) VCF	**At least two-thirds** of the investable funds shall be invested in: a) unlisted equity shares or equity linked instruments of a venture capital undertaking or b) in companies listed or proposed to be listed on a SME exchange or SME segment of an exchange.	**Not more than one-third** of the investable funds shall be invested in: 1) subscription to initial public offer of a venture capital undertaking whose shares are proposed to be listed; 2) debt or debt instrument of a venture capital undertaking in which the fund has already made an investment by way of equity or contribution towards partnership interest; 3) preferential allotment, including through qualified institutional placement, of equity shares or equity linked instruments of a listed company subject to lock in period of one year; 4) the equity shares or equity linked instruments of a financially weak company or a sick industrial company whose shares are listed;

			5) special purpose vehicles which are created by the fund for the purpose of facilitating or promoting investment in accordance with the AIF Regulations. *A financially weak company means a company, which has at the end of the previous financial year accumulated losses, which has resulted in erosion of more than 50% but less than 100% of its net worth as at the beginning of the previous financial year.*
	2) SME fund	**At least 75% of the investable funds** shall be invested in unlisted securities or partnership interest of venture capital undertakings or investee companies which are SMEs or in companies listed or proposed to be listed on SME exchange or SME segment of an exchange;	-
	3) Social Venture Fund	**At least 75% of the investable funds** shall be invested in unlisted securities or partnership interest of social ventures. **Special point:** 1) Such funds may accept grants, provided that such utilization of such grants shall be restricted to investing in unlisted securities or partnership interest of social ventures. 2) However, the amount of grant that may be accepted by the fund from any person shall not be less than twenty-five lakh ₹. 3) Further, no profits or gains shall accrue to the provider of such grants. 4) Such funds may give grants to social ventures, provided that appropriate disclosure is made in the placement memorandum. 5) Such funds may accept muted returns for their	-

		investors i.e. they may accept returns on their investments which may be lower than prevailing returns for similar investments.	
	4) Infrastructure Fund	1) **At least 75% of the investable funds** shall be invested in unlisted securities or units or partnership interest of venture capital undertaking or investee companies or special purpose vehicles, which are engaged in or formed for the purpose of operating, developing or holding infrastructure projects; 2) Notwithstanding the above, such funds may also invest in listed securitized debt instruments or listed debt securities of investee companies or special purpose vehicles, which are engaged in or formed for the purpose of operating, developing or holding infrastructure projects.	-

INVESTMENT IN AN AIF	The AIF, in all categories, may raise funds from any investor whether Indian, foreign or non-resident Indians only by way of issue of units. • Each scheme of the AIF shall have corpus of ***atleast ₹ 25 Crores*** and the AIF shall ***not*** accept from an investor, an investment of value ***less than ₹ 1 Crore***. In case the investors are employees or directors of the AIF Fund or employees or directors of the Manager, the minimum value of investment shall be ₹ 25 lakhs. • The Manager or Sponsor shall have a continuing interest in the AIF Fund of not less than ***2.5% of the corpus or ₹ 5 Crores, whichever is lower***, in the form of investment in the Alternative Investment Fund and such interest shall not be through the waiver of management fees in Category I and Category II AIFs. • In the case of Category III AIF, the continuing interest shall be ***not less than 5% of the corpus or ₹ 10 Crores, whichever is lower***. The Manager or Sponsor shall disclose their investment in the Alternative Investment Fund to the investors of the Alternative Investment Fund. • No scheme of the Alternative Investment Fund shall have more than ***1000 investors***. • The AIF shall collect funds *only by way of private placement.*
GENERAL INVESTMENT CONDITIONS	Investments by all categories of Alternative Investment Funds shall be subject to the following conditions:- (a) Alternative Investment Fund ***may invest in securities of companies incorporated outside India*** subject to such conditions or guidelines that may be stipulated or issued by the Reserve Bank of India and the SEBI from time to time; (b) Co-investment in an investee company by a Manager or Sponsor shall not be on terms more favorable than those offered to the Alternative Investment Fund; (c) Category I and II Alternative Investment Funds shall invest ***not more than 25%*** of the investable funds in one Investee Company;

	(d) Category III Alternative Investment Fund shall invest ***not more than 10%*** of the investable funds in one Investee Company (e) Alternative Investment Fund shall ***not invest in associates*** except with the approval of 75% of investors by value of their investment in the Alternative Investment Fund; (f) Un-invested portion of the investable funds may be invested in liquid mutual funds or bank deposits or other liquid assets of higher quality such as Treasury bills, CBLOs, Commercial Papers, Certificates of Deposits, etc. till deployment of funds as per the investment objective; (g) Alternative Investment Fund may act as ***Nominated Investor*** to SME IPOs.

ANGEL FUNDS

Particulars	
1) Meaning	As per AIF Regulations, Angel Fund means a ***sub-category*** of Venture Capital Fund under Category I Alternative Investment Fund that raises funds from angel investors and invests in accordance with the provisions of Chapter III a of the AIF Regulations.
2) Registration	An applicant may apply for registration as an angel fund in accordance with the registration requirements as specified and an Alternative Investment Fund already registered under the AIF, which has not made any investments, may apply for conversion of its category into an angel fund.
3) Minimum corpus	An angel fund shall have a corpus of at ***least ₹ 5 crore***.
4) Minimum investment in Angel Fund.	Angel funds shall accept, up to a maximum period of five years, an investment of not less than ₹ 25 lakhs from an angel investor and such funds shall be raised through **private placement** by issue of information memorandum or placement memorandum, by whatever name called
5) Maximum number of investors.	*No scheme of the angel fund shall have more than* ***200 angel investors.*** However, the provisions of the Companies Act, 2013 shall apply to the Angel Fund, if it is formed as a company.
6) Listing	Units of Angel Funds ***shall not be listed*** on any recognized stock exchange.
7) Maintenance of records	• The Manager or Sponsor shall be required to maintain following records describing: (a) the assets under the scheme/fund; (b) valuation policies and practices; (c) investment strategies; (d) particulars of investors and their contribution; (e) rationale for investments made. • The records shall be maintained for a period of ***five years*** after the winding up of the fund.

Angel Investor Here, 'Angel Investor' means any person who proposes to invest in an angel fund and satisfies one of the following conditions, namely, (a) an individual investor who has net tangible assets of at least ₹ 2 crore excluding value of his principal residence, and who: • has early stage investment experience, or • has experience as a serial entrepreneur, or • is a senior management professional with at least 10 years of Experience. *Early stage investment experience shall mean prior experience in investing in start-up or emerging or early stage ventures and 'serial entrepreneur' shall mean a person who has promoted or co-promoted more than one start-up venture.* (b) a body corporate with a net worth of at least ₹ 10 crores; or (c) an Alternative Investment Fund registered under SEBI AIF Regulations or a Venture Capital Fund registered under the SEBI (Venture Capital Funds) Regulations, 1996 **Company with family connection:** 1) If angel investor is individual: a) any company which is promoted by such individual or his relative; or b) any company where such individual or his relative is director; or c) any company in which such individual or his relative has control, shares or voting rights which entitle them to exercise 15% or more control in such company. 2) If angel investor is a company: a) a company which is subsidiary or holding company of investor; or b) any company which is a part of same group or under same management of the investor; or c) any company in which body corporate or its' directors or partners have control, shares or voting rights which entitle them to exercise 15% or more control in such company.	
INVESTMENT BY ANGEL FUNDS	(1) Angel funds shall invest in venture capital undertakings which: a. complies with the criteria regarding the age of the venture capital undertaking/startup issued by the Department for Promotion of Industry and Internal Trade, Ministry of Commerce and Industry, Government of India vide notification no. G.S.R. 127(E) dated 19th February, 2019 or such other policy made in this regard which may be in force; b. have a turnover of ***<u>less than ₹ 25 crore</u>***; c. are ***<u>not</u>*** promoted or sponsored by or related to an industrial group whose ***<u>group turnover exceeds ₹ 300 crore</u>***. For the purpose of this clause, "industrial group" shall include a group of body corporates with the same promoter(s)/promoter group, a parent company and its subsidiaries, a group of body corporates in which the same person/ group of persons exercise control, and a group of body corporates comprised of associates/subsidiaries/holding companies: For the purpose of this clause, "group turnover" shall mean combined total revenue of the industrial group.

	d. are not companies with family connection with any of the angel investors who are investing in the company. (2) Investment by an angel fund in any venture capital undertaking shall ***not be less than twenty five lakh ₹ and shall not exceed ten crores*** ₹. (3) Investment by an angel fund in the venture capital undertaking shall be ***locked-in for a period of one year***. (4) Angel Funds shall ***not invest in associates***. (5) Angel funds shall not invest more than 25% of the total investments under all its schemes in one venture capital undertaking, the compliance of which shall be ensured by the Angel Fund at the end of its tenure. (6) An angel fund ***may also invest*** in the securities of companies incorporated ***outside India*** subject to such conditions or guidelines that may be stipulated or issued by the RBI and SEBI from time to time.
SEED FUNDING	• Seed funding, taken from the word "seed" is the capital needed to start / expand your business. It often comes from the company founders' personal assets, from friends and family or other investors. • The amount of money is usually ***relatively small*** because the business is still in the idea or conceptual stage. • This type of funding is often obtained in exchange for an equity stake in the enterprise, although with less formal contractual overhead than standard equity financing. • Lenders often view seed capital as a ***risky investment*** by the promoters of a new venture, which represents a meaningful and tangible commitment on their part to making the business a success. • This would be a type of Venture Capital Funding and hence covered under the provisions of Angel Funding in the AIF Regulations.
PRIVATE EQUITY	• Private equity is a type of equity (finance) and one of the asset classes that are ***not publicly traded*** on a stock exchange. • Private equity is essentially a way to invest in some assets that isn't publicly traded, or to invest in a publicly traded asset with the intention of taking it private. • Unlike stocks, mutual funds, and bonds, private equity funds usually invest in more illiquid assets, i.e. companies. • By purchasing companies, the firms gain access to those assets and revenue sources of the company, which can lead to very high returns on investments. • Another feature of private equity transactions is their extensive use of debt in the form of high-yield bonds. By using debt to finance acquisitions, private equity firms can substantially increase their financial returns. • Capital for private equity is raised from retail and institutional investors, and can be used to fund new technologies, expand working capital within an owned company, make acquisitions, or to strengthen a balance sheet. • The major of private equity consists of institutional investors and accredited investors who can commit large sums of money for long periods of time. • Generally, the private equity fund raise money from investors like Angel investors, Institutions with diversified investment portfolio like – pension funds, insurance companies, banks, funds of funds etc. **Types of Private Equity (Dec 2019)**

	Private equity investments can be divided into the following categories: • ***Leveraged Buyout (LBO):*** This refers to a strategy of making equity investments as part of a transaction in which a company, business unit or business assets is acquired from the current shareholders typically with the use of financial leverage. The companies involved in these type of transactions that are typically more mature and generate operating cash flows. • ***Venture Capital:*** It is a broad sub-category of private equity that refers to equity investments made, typically in less mature companies, for the launch, early development, or expansion of a business. • ***Growth Capital:*** This refers to equity investments, mostly minority investments, in the companies that are looking for capital to expand or restructure operations, enter new markets or finance a major acquisition without a change of control of the business.
VENTURE CAPITAL	• Venture Capital is one of the ***innovative financing*** resource for a company in which the promoter has to give up some level of ownership and control of business in exchange for capital for a limited period, say, 3-5 years. • Venture Capital is generally equity investments made by Venture Capital funds, at an ***early stage*** in privately held companies, having potential to provide a ***high rate of return*** on their investments. • It is a resource for supporting innovation, knowledge based ideas and technology and human capital intensive enterprises. • Essentially, a venture capital company is a group of investors who pool investments focused within certain parameters. The participants in venture capital firms can be institutional investors like pension funds, insurance companies, foundations, corporations or individuals. • Unlike banks, which seek their return through interest payments, venture firms seek for capital appreciation. Generally Venture Capital firms look for a return of five to ten times the original investment. **Areas of Investment** • Different venture groups prefer different types of investments. Some specialize in seed capital and early expansion while others focus on exit financing. • Biotechnology, medical services, communications, electronic components and software companies seem to be the most likely attraction of may venture firms and receiving the most financing. • Venture capital firms finance both early and later stage investments to maintain a balance between risk and profitability. • In India, software sector has been attracting a lot of venture finance. Besides media, health and pharmaceuticals, agri-business and retailing are the other areas that are favored by a lot of venture companies.
STAGES OF INVESTMENT FINANCING	
A. EARLY STAGE FINANCING	***I. Seed Capital and R & D Projects:*** • Venture capitalists are more often interested in providing seed finance i. e. making provision of very small amounts for finance needed to turn into a business. • Research and Development activities are required to be undertaken before a product is to be launched. External

	finance is often required by the entrepreneur during the development of the product. • The financial risk increases progressively as the research phase moves into the development phase, where a sample of the product is tested before it is finally commercialised venture capitalists/ firms/ funds are always ready to undertake risks and make investments in such R & D projects promising higher returns in future. ***II. Start Ups:*** • The most risky aspect of venture capital is the launch of a new business after the Research and Development activities are over. • At this stage, the entrepreneur and his products or services are still not tried and rested in the market forces. • The finance required usually falls short of his own resources. Start-ups may include new industries / businesses set up by the experienced persons in the area in which they have knowledge, specialization and proficiency. • Others may result from the research bodies or large corporations, where a venture capitalist joins with an industrially experienced or corporate partner. ***III. Second Round Financing:*** • It refers to the stage when product has already been launched in the market but has not earned enough profits to attract new investors. • Additional funds are needed at this stage to meet the growing needs of business. Venture Capital Institutions (VCIs) provide larger funds at this stage than at other early stage financing in the form of debt. • The time scale of investment is usually three to seven years.
B. LATER STAGE FINANCING	Those established businesses which require additional financial support but cannot raise capital through public issue approach venture capital funds for financing expansion, buyouts and turnarounds or for development capital. This is known as later stage financing. It includes the following : I. ***Development Capital:*** It refers to the financing of an enterprise which has overcome the highly risky stage and have recorded profits but cannot go public, thus needs financial support. Funds are needed for the purchase of new equipment/ plant, expansion of marketing and distributing facilities, launching of product into new regions and so on. The time scale of investment is usually one to 3 years and falls in medium risk category. II. ***Expansion Finance:*** Venture capitalists perceive low risk in ventures requiring finance for expansion purposes either by growth implying bigger factory, large warehouse, new factories, new products or new markets or through purchase of existing businesses. The time frame of investment is usually from one to 3 years. It represents the last round of financing before a planned exit. III. ***Buy Outs:*** It refers to the transfer of management control by creating a separate business by separating it from their existing owners. It may be of two types. **i. *Management Buyouts (MBOs):*** In Management Buyouts (MBOs) venture capital institutions provide funds to

	enable the current operating management/ investors to acquire an existing product line/business. They represent an important part of the activity of VCIs. **ii. *Management Buy-ins (MBIs):*** Management Buy-ins are funds provided to enable an outside group of manager(s) to buy an existing company. It involves three parties: a management team, a target company and an investor (i.e. Venture capital institution). MBIs are more risky than MBOs and hence are less popular because it is difficult for new management to assess the actual potential of the target company. Usually, MBIs are able to target the weaker or under-performing companies. IV. ***Replacement Capital***: VCIs another aspect of financing is to provide funds for the purchase of existing shares of owners. This may be due to a variety of reasons including personal need of finance, conflict in the family, or need for association of a well-known name. The time scale of investment is one to 3 years and involve low risk. V. ***Turnarounds:*** Such form of venture capital financing involves medium to high risk on a time scale of three to five years. It involves buying the control of a sick company which requires specialised skills in finance. It may require rescheduling of company's all the borrowings, change in management or even a change in ownership.
FOREIGN VENTURE CAPITAL INVESTORS	Foreign Venture Capital Investor (FVCI) means an investor incorporated and established outside India, which proposes to make investment in venture capital fund(s) or venture capital undertakings in India and is registered under the SEBI (Foreign Venture Capital Investors) Regulations 2000. **Registration** All FVCIs, must get themselves registered with SEBI. **Investment Conditions** All investments to be made by a FVCI should be subject to the following conditions: (a) it should disclose to SEBI its investment strategy. (b) it can invest its total funds committed in one venture capital fund or alternative investment fund. (c) it shall make investments as enumerated below: (i) atleast 66.67% of the investible funds should be invested in unlisted equity shares or equity linked instruments of venture capital undertaking or investee company. (ii) not more than 33.33% of the investible funds may be invested by way of: (a) subscription to initial public offer of a venture capital undertaking or investee company whose shares are proposed to be listed; (b) debt or debt instrument of a venture capital undertaking or investee company in which the foreign venture capital investor has already made an investment by way of equity; (c) preferential allotment of equity shares of a listed company subject to lock in period of one year; (d) It shall disclose the duration of life cycle of the fund; (e) Special Purpose Vehicles which are created for the purpose of facilitating or promoting investment in accordance with the FVCI Regulations.

BONUS SHARES

Particulars	Companies Act, 2013	SEBI (ICDR) Regulations,2018
1) Meaning	Bonus shares mean shares issued by the company to its existing shareholders at free of cost. A Company may capitalize its profits by issuing fully – paid bonus shares provided the company has provisions in this regard.	
2) Sources	1) A company may issue fully paid – up bonus shares to its members by utilizing the following sources:- (a) Free reserves; (b) The securities premium account; or (c) The capital redemption reserve account. 2) No bonus shares shall be issued by capitalizing reserves created by the revaluation of fixed assets.	
3) Conditions	(a) It is authorized by its articles; (b) It has, on the recommendation of the Board, been authorised in the general meeting of the company; (c) It has not defaulted in payment of interest or principal in respect of fixed deposits or debt securities issued by it; (d) It has not defaulted in respect of the payment of statutory dues of the employees, such as, contribution to provident fund, gratuity and bonus; (e) The partly paid – up shares, it any outstanding on the date of allotment, are made fully paid – up. **Special point under ICDR:** Any of its promoters or directors is not a Fugitive Economic Offender.	
4) In lieu of dividend	Bonus shares shall not be issued in lieu of dividends. (*That means company cannot say that they have made bonus issue and now they are not liable to pay dividends. Both are different.*)	
5) Special points of ICDR	**1)Restrictions on a Bonus Issue (Regulation 294)** (a) An issuer shall make a bonus issue of equity shares only if 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. (b)The equity shares so reserved for the holders of fully or partly compulsorily convertible debt instruments, shall be issued to the holder of such convertible debt instruments or warrants *at the time of conversion* of such convertible debt instruments, optionally convertible instruments, warrants, as the case may be, on the same terms or same proportion at which the bonus shares were issued. **2)Completion of a Bonus Issue (Regulation 295)** (a) An issuer, announcing a bonus issue after approval by 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. (b)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.

3) A bonus issue, once announced, *shall not be withdrawn*.

(4) Issuer of SR equity shares:
If an issuer has issued SR equity shares to its promoters or founders, any bonus issue on the SR equity shares shall carry the same ratio of voting rights compared to ordinary shares and the SR equity shares issued in a bonus issue shall also be converted to equity shares having voting rights same as that of ordinary equity shares along with existing SR equity shares.

PROCEDURE FOR ISSUE OF BONUS SHARES

CHECK FOLLOWING ELIGIBILITY CONDITIONS:

1. AOA shall authorize the bonus issue.
2. No default in payment of interest or principal in respect of: (i) fixed deposits or (ii) debt securities issued by your company.
3. No default in respect of the payment of statutory dues of the employees such as contribution to provident fund, gratuity, bonus etc.
4. In case the share capital of the company consists of any partly paid-up shares, to make it fully paid-up before issue of bonus shares.
5. None of the directors or promoters of the company is a fugitive economic offender.
6. Bonus issue is made out of free reserve built out of the genuine profits or share premium collected **in cash only**; that Reserves created by revaluation of fixed assets are not capitalised; and that bonus shares are not issued in lieu of dividend.

→ Inform the SE at least 2 working days prior to the BM.

→ Convene BM and fix
- Record Date
- Date, Time, Place, Agenda of GM.

→ Implement bonus issue
- In 15 days if Co. does not require shareholders' approval.
- In 2 months from BM, if members approval is required.

→ Hold GM and pass resolution and file the same.

→ 1) Once bonus issue is announced if cannot be withdrawn.
2) Fix record date.
3) Obtained RBI approval if share are to be allotted to NRI.

→ Hold BM and complete allotment of bonus share in the manner as mentioned in resolution.

→ 1) Submit listing application to SE.
2) Obtained listing and trading approval from SE.
3) File return of allotment in PAS-03 in 30 days of allotment with ROC.

PROCEDURE FOR THE ISSUANCE OF SWEAT EQUITY SHARES

Decide number of shares, their current market price and consideration, if any, and the class or classes of directors or employees to whom such of Sweat Equity Shares are proposed to be issued.

→ Convene a BM to consider the proposal of issue of Sweat Equity Shares & fix up the date, time, place and agenda for the GM.

→ 1) Hold the GM and pass SR & file copy of SR with ROC.
2) If sweat equity shares are to be issued to promoters, then approval by simple majority shall be taken through postal ballot.

→ 1) Allot shares in 15 days of passing resolution.
2) File PAS-03 with ROC in 30 days of allotment.
3) In case of listed company, file listing application and obtain listing and trading approval.

→ **Only in case of issue of sweat equity shares by listed company**, BOD shall place certificate of auditor stating that issue is in conformance with SEBI regulations at GM held subsequently after issue of sweat equity

SPECIAL POINTS:

1) company cannot issue sweat equity shares for more than 15% of the existing paid up share capital in a year or shares of the issue value of Rs 5 crores, whichever is higher, provided that the issuance of sweat equity shares in the Company shall not exceed 25% of the paid up equity capital of the Company at any time.
2**) Startup company**, as defined in notification number G.S.R. 127(E), dated the 19th February, 2019 issued by the Department for Promotion of Industry and Internal Trade, Ministry of Commerce and Industry, Government of India, may issue sweat equity shares not exceeding fifty percent of its paid up capital upto ten years from the date of its incorporation or registration.
3) The sweat equity shares to be issued to the directors and employees shall be locked in/non-transferable for a period of 3 years from the date of allotment.
4) In case of issue of sweat equity shares **by a listed company**, the Sweat Equity shares shall be locked in for a period of 3 years from the date of allotment.

EQUITY SHARES WITH DIFFERENTIAL RIGHTS **(SECTION 43)**	The share capital of a company limited by shares shall be of two kinds, namely:– (a) equity share capital – (i) with voting rights; or (ii) with differential rights as to dividend, voting or otherwise **RULE – 4 OF Companies (Share Capital and Debentures) Rules, 2014.** (1) No company limited by shares shall issue equity shares with differential rights as to dividend, voting or otherwise, unless it complies with the following conditions, namely:- (a) the ***articles of association*** of the company ***authorizes*** the issue of shares with differential rights; (b) the issue of shares is authorized by an ***ordinary resolution*** passed at a general meeting of the ***shareholders***: (where the equity shares of a company are ***listed*** on a recognized stock exchange, the issue of such shares shall be approved by the shareholders ***through postal ballot***;)

	(c) the voting power in respect of shares with differential rights of the company ***shall not exceed 74% of total voting*** power including voting power in respect of equity shares with differential rights issued at any point of time; (d) the company has ***not defaulted*** in filing financial statements and annual returns for three financial years immediately preceding the financial year in which it is decided to issue such shares; (e) the company has ***no subsisting default*** in the payment of a declared dividend to its shareholders or repayment of its matured deposits or redemption of its preference shares or debentures that have become due for redemption or payment of interest on such deposits or debentures or payment of dividend; (f) the company has ***not defaulted*** in payment of the dividend on preference shares or repayment of any term loan from a public financial institution or State level financial institution or scheduled Bank that has become repayable or interest payable thereon or dues with respect to statutory payments relating to its employees to any authority or default in crediting the amount in Investor Education and Protection Fund to the Central Government; (Provided that a company may issue equity shares with differential rights upon expiry of five years from the end of the financial Year in which such default was made good.) (g) the company has ***not been penalized*** by Court or Tribunal during the last 3 years of any offence under the RBI Act, 1934, the SEBI Act, 1992, the SCRA, 1956, the FEMA, 1999 or any other special Act, under which such companies being regulated by sectoral regulators. (2) The ***explanatory statement*** to be annexed to the notice of the general meeting in pursuance of section 102 or of a postal ballot in pursuance of section 110 shall contain the following particulars, namely:- (a) the total number of shares to be issued with differential rights; (b) the details of the differential rights ; (c) the percentage of the shares with differential rights to the total post issue paid up equity share capital including equity shares with differential rights issued at any point of time; (d) the reasons or justification for the issue; (e) the price at which such shares are proposed to be issued either at par or at premium; (f) the basis on which the price has been arrived at; (g) i. in case of private placement or preferential issue – (a) details of total number of shares proposed to be allotted to promoters, directors and key managerial personnel; (b) details of total number of shares proposed to be allotted to persons other than promoters, directors and key managerial personnel and their relationship if any with any promoter, director or key managerial personnel; ii. in case of public issue - reservation, if any, for different classes of applicants including promoters, directors or key managerial personnel; (h) the percentage of voting right which the equity share capital with differential voting right shall carry to the total voting right of the aggregate equity share capital; (i) the scale or proportion in which the voting rights of such class or type of shares shall vary; (j) the change in control, if any, in the company that may occur consequent to the issue of equity shares with differential voting rights; (k) the diluted Earning Per Share pursuant to the issue of such shares, calculated in accordance with the applicable

	accounting standards; (l) the pre and post issue shareholding pattern along with voting rights as per clause 35 of the listing agreement issued by Security Exchange Board of India from time to time. (3) The company ***shall not convert*** its existing equity share capital with voting rights into equity share capital carrying differential voting rights and vice–versa. (4) The Board of Directors shall, inter alia, ***disclose in the Board's Report*** for the financial year in which the issue of equity shares with differential rights was completed, the following details, namely:- (a) the total number of shares allotted with differential rights; (b) the details of the differential rights relating to voting rights and dividends; (c) the percentage of the shares with differential rights to the total post issue equity share capital with differential rights issued at any point of time and percentage of voting rights which the equity share capital with differential voting right shall carry to the total voting right of the aggregate equity share capital; (d) the price at which such shares have been issued; (e) the particulars of promoters, directors or key managerial personnel to whom such shares are issued; (f) the change in control, if any, in the company consequent to the issue of equity shares with differential voting rights; (g) the diluted Earning Per Share pursuant to the issue of each class of shares, calculated in accordance with the applicable accounting standards; (h) the pre and post issue shareholding pattern along with voting rights in the format specified under sub-rule (2) of rule 4.
REGULATORY FRAMEWORK – A SNAPSHOT	The various legislations governing issuance of ESOP are as under: 1. Section 42 and section 62(1)(b) of Companies Act, 2013 and Companies (Share and Debentures) Rules,2014 [For unlisted companies] 2. SEBI (Share Based Employee Benefit) Regulations, 2014 (In case of listed entities only) 3. ICDR Regulations, 2018 (In case of listed companies only) 4. SEBI(Prohibition of Insider Trading) Regulations, 2015 (In case of listed companies only) 5. Income Tax Act, 1961 6. Foreign Exchange Management Act (FEMA), 1999 7. Department of Public Enterprise (DPE) Guidelines (additional Guidelines for PSUs only).
SEBI (SHARE BASED EMPLOYEE BENEFITS) REGULATIONS, 2014 **APPLICABILITY:**	**APPLICABILITY** The provisions of SEBI (SBEB) Regulations shall apply to any company whose shares are listed on a recognised stock exchange in India, and has a scheme: a) for direct or indirect benefit of employees; b) involving dealing in or subscribing to or purchasing securities of the company directly or indirectly and c) satisfying, directly or indirectly, any one of the following conditions: I. the scheme is set up by the company or any other company in its group;

1) Employees Stock Option Schemes. **2) Employees Stock Purchase Scheme.** **3) Stock Appreciation Rights Schemes.** **4) General Employee Benefits Schemes.** **5) Retirement Benefits Schemes.**	II. the scheme is funded or guaranteed by the company or any other company in its group; III. the scheme is controlled or managed by the company or any other company in its group. **<u>NON- APPLICABILITY</u>** 1) SEBI (SBEB) Regulations shall not apply to shares issued to employees in compliance with the provisions pertaining to preferential allotment as specified in the SEBI (ICDR) Regulations, 2018. 2) The provisions pertaining to preferential allotment as specified in SEBI (ICDR) Regulations, 2018 shall not be applicable in case of a company issuing new shares in pursuance and compliance of these regulations.

IMPLEMENTATION OF THE SCHEME THROUGH A TRUST

1) A company may implement schemes either directly or by setting up an irrevocable trust(s).
- Take approval of the members for setting up the schemes.
- If the scheme involves secondary acquisition or gift or both, then its mandatory for the company to implement such schemes(s) through a trust(s).

2) A company may implement several schemes as permitted under these regulations through a single trust.

3) **TRUST DEED:**
- Contain minimum provisions as specified by SEBI.
- Trust deed & any modifications thereto shall be mandatorily filed with the stock exchange where the shares of the company are listed.

4) **TRUSTEE CANNOT BE:**
- Director, KMP or promoter of the company or its holding subsidiary or associate company or relative of such director/KMP/promoter.
- Beneficially hold 10% or more of the paid up share capital of company.

5) **FUNCTIONS OF TRUSTEE:**
- Shall not vote in respect of shares held by trust to avoid any misuse arising out of exercising such voting rights.
- Ensure that appropriate approval from the shareholders has been obtained by the company in order to enable the trust to implement the scheme(s) & undertake secondary acquisition for the purposes of the schemes(s).

6) WORKING OF THE TRUST:

a) The trust shall not deal in derivatives & shall undertake only delivery based transactions for the purposes of secondary acquisitions as permitted by these regulations.

b) For the purposes of disclosures to the stock exchange, the shareholding of the trust shall be shown as 'non-promoter and non-public' shareholding.

c) The trust shall be permitted to undertake off market transfer of shares only in following cases
- Transfer to the employees pursuant to schemes
- When participating in open offer under SEBI (SAST)Regulations, or when participating in buy back, delisting or any other exit offered by company to shareholders.

d) The trust shall not become a mechanism for trading in shares and hence shall not sell the shares in secondary market except in following circumstances:
- Cashless exercise of options under the schemes as prescribed in these regulations.
- On vesting or exercise of SAR under the scheme.
- In case of emergency for implementing the schemes covered part D & E of chapter III of these regulations and for this purpose the trustee shall record the reasons for such sale and money so realised on sale of shares shall be utilised within a definite time period as stipulated under the scheme or trust deed.
- Participation in buy back or open offer or delisting offer or any other exit offer.
- For repaying the loan, of the unappropriated inventory of shares held by the trust is not appropriated within the timeline as provided above.
- Winding up of the scheme.

e) The trust shall be required to make disclosures and comply with SEBI (Prohibition of insider trading) regulation, 2015.

SECONDARY ACQUISITION

1) The company may lend monies to the trust on appropriate terms and conditions to acquire the shares either through new issue or secondary acquision, for the purposes the implementation of the schemes.

2) Secondary acquisition in a FY by the trust shall not exceed 2% of paid up equity capital as at the end of previous FY.

3) The trust shall be required to hold shares acquired through secondary acquisition for a minimum period of 6 months, except when they are required to transfer in specified circumstances either off market or through SE.

VARIOUS SCHEMES	LIMIT
Schemes of part A/B/C	**5%**
Schemes of part D/E	**2%**

ELIGIBILITY	An employee shall be eligible to participate in the schemes of the company as determined by the compensation committee. Explanation- Where such employee is a director nominated by an institution as its representative on the board of directors of the company – (i) The contract or agreement entered into between the institution nominating its employee as the director of a company, and the director so appointed shall, inter alia, specify the following: a. whether the grants by the company under its scheme(s) can be accepted by the said employee in his capacity as director of the company; b. that grant if made to the director, shall not be renounced in favour of the nominating institution; and c. the conditions subject to which fees, commissions, other incentives, etc. can be accepted by the director from the company. (ii) The institution nominating its employee as a director of a company shall file a copy of the contract or agreement with the said company, which shall, in turn file the copy with all the stock exchanges on which its shares are listed. (iii) The director so appointed shall furnish a copy of the contract or agreement at the first board meeting of the company attended by him after his nomination.
COMPENSATION COMMITTEE	• A company shall constitute a compensation committee for administration and superintendence of the schemes. However, the company may designate such of its other committees as compensation committee if they fulfil the criteria as prescribed in these regulations. • Further that where the scheme is being implemented through a trust the compensation committee shall delegate the administration of such scheme(s) to the trust. • The compensation committee shall be a committee of such members of the board of directors of the company as provided under section 178 of the Companies Act, 2013, as amended or modified from time to time. • The compensation committee shall, *inter alia,* formulate the detailed terms and conditions of the schemes which shall include the provisions as specified by SEBI in this regard. • The compensation committee shall frame suitable policies and procedures to ensure that there is no violation of securities laws, as amended from time to time, including SEBI (Prohibition of Insider Trading) Regulations, 2015 and SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to the Securities Market) Regulations, 2003 by the trust, the company and its employees, as applicable.
SHAREHOLDERS APPROVAL	1. Scheme shall not be offered to employees of a company unless the shareholders of the company approve it by passing a special resolution in the general meeting. 2. The explanatory statement to the notice and the resolution proposed to be passed by shareholders for the schemes shall include the information as specified by SEBI in this regard.

	3. Approval of shareholders by way of separate resolution in the general meeting shall be obtained by the company in case of: • Secondary acquisition for implementation of the schemes. Such approval shall mention the percentage of secondary acquisition (subject to limits specified under these regulations) that could be undertaken; • Secondary acquisition by the trust in case the share capital expands due to capital expansion undertaken by the company including preferential allotment of shares or qualified institutions placement, to maintain the 5% cap as prescribed in these regulations of such increased capital of the company; • Grant of option, SAR, shares or other benefits, as the case may be, to employees of subsidiary or holding company; • Grant of option, SAR, shares or benefits, as the case may be, to identified employees, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the company at the time of grant of option, SAR, shares or incentive, as the case may be.
VARIATION OF TERMS	1. The company shall not vary the terms of the schemes in any manner, which may be detrimental to the interests of the employees. However the company shall be entitled to vary the terms of the schemes to meet any regulatory requirement. 2. The company may by special resolution in general meeting vary the terms of the schemes offered pursuant to an earlier resolution of the general body but not yet exercised by the employee provided such variation is not prejudicial to the interests of the employees. 3. The provisions of shareholders' approval shall apply to such variation of terms as they apply to the original grant of option, SAR, shares or other benefits, as the case may be. 4. The notice for passing special resolution for variation of terms of the schemes shall disclose full details of the variation, the rationale therefore, and the details of the employees who are beneficiaries of such variation. 5. A company may reprise the options, SAR or shares, as the case may be which are not exercised, whether or not they have been vested if the schemes were rendered unattractive due to fall in the price of the shares in the stock market. However the company shall ensure that such repricing shall not be detrimental to the interest of the employees and approval of the shareholders in general meeting has been obtained for such repricing.
NON TRANSFERABILITY OF OPTIONS GRANTED	1. Option, SAR or any other benefit granted to an employee under the regulations shall not be transferable to any person. 2. No person other than the employee to whom the option, SAR or other benefit is granted shall be entitled to the benefit arising out of such option, SAR, benefit etc., However, in case of ESOS or SAR, under cashless exercise, the company may itself fund or permit the empaneled stock brokers to fund the payment of exercise price which shall be

adjusted against the sale proceeds of some or all the shares, subject to the provisions of the applicable law or regulations.

3. The option, SAR, or any other benefit granted to the employee shall not be pledged, hypothecated, mortgaged or otherwise alienated in any other manner.

Situation	All options, SAR or any other benefit shall vest in:
1) In the event of death of the employee while in employment	All the options, SAR or any other benefit granted to him under a scheme till such date shall vest in the legal heirs or nominees of the deceased employee.
2) In case the employee suffers a permanent incapacity while in employment	All the options, SAR or any other benefit granted to him under a scheme as on the date of permanent incapacitation, shall vest in him on that day.
3) In the event of resignation or termination of the employee	All the options, SAR, or any other benefit which are granted and yet not vested as on that day shall expire. However, an employee shall, subject to the terms and conditions formulated by the compensation committee, be entitled to retain all the vested options, SAR, or any other benefit covered by these regulations.
4) Transfer or deputation of employee under scheme to associate company	The vesting and exercise as per the terms of grant shall continue in case of such transferred or deputed employee even after the transfer or deputation.

ADMINISTRATION AND IMPLEMENTATION OF SPECIFIC SCHEMES

Particulars	ESPO	ESPS	SARS	RBS	GEBS
1) Meaning	A scheme under which a company grants employee stock option directly or through a trust.	A scheme under which a company offers shares to employees, as part of public issue or otherwise, or through a trust where the trust may undertake secondary acquisition for the purposes of the scheme.	In this scheme a right is given to a SAR grantee entitling him to receive appreciation for a specified number of shares of the company where the settlement of such appreciation may be made by way of cash payment or shares of the company. Explanation - An SAR settled by way of shares of the company shall be referred to as equity settled SAR.	A scheme of a company, framed in accordance with these regulations, dealing in shares of the company or the shares of its listed holding company, for providing retirement benefits to the employees subject to compliance with existing rules and regulations as applicable under laws relevant to retirement benefits in India.	Any scheme of a company framed in accordance with these regulations, dealing in shares of the company or the shares of its listed holding company, for the purpose of employee welfare including healthcare benefits, hospital care or benefits, or benefits in the event of sickness, accident, disability, death or scholarship funds, or such other benefit as specified by such company.
2) Details of the schemes	The scheme shall contain the details of the manner in which the scheme will be implemented and operated.				
3) Pricing	The company granting option to its employees pursuant to ESOS will have the freedom to determine the exercise price subject to conforming to the accounting policies as specified in these regulation.	The company may determine the price of shares to be issued under an ESPS, provided they conform to the provisions of accounting policies under these regulation.	-	-	-
4) Vesting period	1) There shall be a minimum vesting period of one year in	-	1) There shall be a minimum vesting period of ***one year*** in	-	-

	case of ESOS. 2)However, in case where options are granted by a company under an ESOS in lieu of options held by a person under an ESOS in another company which has merged or amalgamated with that company, the period during which the options granted by the transfer or company were held by him shall be adjusted against the minimum vesting period required under this sub-regulation.		case of SAR scheme. 2)However, in a case where SAR is granted by a company under a SAR scheme in lieu of SAR held by the same person under a SAR scheme in another company which has merged or amalgamated with the first mentioned company, the period during which the SAR granted by the transferor company were held by the employee shall be adjusted against the minimum vesting period required under this sub-regulation.		
5) Lock in	-	If ESPS is part of a public issue and the shares are issued to employees at the same price as in the public issue, the shares issued to employees pursuant to ESPS shall not be subject to lock-in.	-	-	-
6) Rights of the holders	The employee shall not have right to receive any dividend or to vote or in any manner enjoy the	-	The employee shall not have right to receive dividend or to vote or in any manner enjoy the	-	-

	benefits of a shareholder in respect of option granted to him, till shares are issued upon exercise of option.		benefits of a shareholder in respect of SAR granted to him.		
7) Special points	**<u>Consequence of failure to exercise option</u>** The amount payable by the employee, if any, at the time of grant of option, - (i) may be forfeited by the company if the option is not exercised by the employee within the exercise period; or (ii) may be refunded to the employee if the options are not vested due to non-fulfilment of conditions relating to vesting of option as per the ESOS.	-	-	**At no point** in time, the shares of the company or shares of its listed holding company **shall exceed 10% of the book value or market value or fair value of the total assets of the scheme, whichever is lower**, as appearing in its latest balance sheet for the purposes of RBS.	**At no point in time**, the shares of the company or shares of its listed holding **company shall exceed 10% of the book value or market value or fair value of the total assets of the scheme, whichever is lower**, as appearing in its latest balance sheet for the purposes of GEBS.
8) Certificate from statutory auditor	In case of company which has passed a resolution for the schemes under these regulations, the board of directors shall at each annual general meeting place before the shareholders a certificate from the auditors of the company that the scheme(s) has been implemented in accordance with these regulations and in accordance with the resolution of the company in the general meeting.				
9) Accounting policies	Any company implementing any of the share based schemes shall follow the requirements of the 'Guidance Note on Accounting for employee share-based Payments' (Guidance Note)or Accounting Standards as may be prescribed by the Institute of Chartered Accountants of India (ICAI) from time to time, including the disclosure requirements prescribed therein.				

PROCEDURE FOR ISSUING ESOP BY A LISTED COMPANY

- Hold a Board Meeting to consider and approve ESOP and formation of Compensation Committee;
- Compensation committee shall plan draft the scheme of ESOP;
- Hold Board meeting to adopt the final scheme, appoint the Merchant banker and approve the notice of the General meeting for shareholders' approval;
- Hold General Meeting for approval of shareholders;
- Make an application to the stock exchange for obtaining in-principal approval of the stock exchange;
- Issue of letter of grant of option to the eligible employees along with the letter of acceptance of option;
- On receipt of letter of acceptance of option along with upfront payment (if any), from the employee issue the option certificates;
- After expiry of vesting period, not less than one year the options shall vest in the employee.
- At that time, the Company shall issue a letter of vesting along with the letter of exercise of options;
- Receipt to letter of exercise from the employee;
- Hold a Board Meeting at the suitable Interval during the exercise period for allotment of shares on options exercised by the optioness;
- Dispatch of letter of allotment along with the share certificates or credit the shares so allotted with the Depositories;
- Make an application to the Stock exchange for listing of the Shares so allotted; and
- Receipt of Listing of the shares from the Stock exchange.

CHAPRTER 6 - DEBT FUNDING – INDIAN FUND BASED (CORPORATE DEBT)

INTRODUCTION	A vibrant capital market, both equity and bond, has to play an increasingly pivotal role to facilitate fund mobilization for sustaining India's projected economic growth momentum. The role of corporate bond market becomes even more important now, given the stress on the banking sector. Keeping in view the larger complementary role that corporate bonds have to play along-side bank credit for financing economic activities, several policy measures have been taken by the Government and the Regulators to develop a vibrant corporate bond market. Some important measures include: • Framework for allowing banks to provide Partial Credit Enhancement for enhancing creditworthiness of corporate bonds; • Information Repositories developed by Exchanges and Depositories to provide consolidated information on primary issuance and secondary market trades in corporate bonds; • Electronic Book Building mechanism for providing enhanced transparency in issuance of debt securities on private placement basis; • Enhanced standards for Credit Rating Agencies for timely monitoring of credit quality of bonds; • Specifications related to International Securities Identification Number (ISINs) for debt securities to encourage liquidity and reduce fragmentation of issues; • Tri-Party Repo trading on Exchanges to enhance liquidity and price discovery in corporate bonds; • Time taken for listing of public issue of bonds reduced from 12 days to 6 days; and • Doing away with the requirement of 1% security deposit for public issue of debt securities.
DEBENTURES	• Debenture is a document evidencing a debt or acknowledging it and any document which fulfills either of these conditions is a debenture. • They can be either convertible or non-convertible into equity shares at a later point in time. • Debenture is a written instrument acknowledging a debt to the Company. • It contains a contract for repayment of principal after a specified period or at intervals or at the option of the company and for payment of interest at a fixed rate payable usually either half-yearly or yearly on fixed dates. • **Section 2(30) of the Companies Act, 2013 defines a debenture which includes debenture stock, bonds or any other instrument of a company evidencing a debt, whether constituting a charge on the assets of the company or not**.
REGULATORY FRAMEWORK	**(1) The Companies Act, 2013 & the Companies (Share Capital and Debentures) Rules, 2014** The companies is required to comply with section 71 (Debentures) read with Rule 18 of the Companies (Share Capital and Debentures) Rules 2014. **(2) SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018**

Debt securities which are convertible, either partially or fully or optionally into listed or unlisted equity shall be guided by the disclosure norms applicable to equity or other instruments offered on conversion in terms of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018.

(3) SEBI (Issue and Listing of Debt Securities) Regulations, 2008

SEBI (Issue and Listing of Debt Securities) Regulations, 2008 pertaining to issue and listing of debt securities which are not convertible, either in whole or part into equity instruments. They provide for a rationalized disclosure requirements and a reduction of certain onerous obligations attached to an issue of debt securities.

(4) SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations")

All Listed entities shall comply with the listing conditions as stipulated in Listing Regulations to provide substantial information about the company to the stock exchanges on a daily basis. The provisions of Chapter V from Regulation 49 to 62 of 'Listing Regulations' shall apply only to a listed entity which has listed its 'Non-convertible Debt Securities' and/or 'Non-Convertible Redeemable Preference Shares' on a recognized stock exchange in accordance with SEBI (Issue and Listing of Debt Securities) Regulations, 2008 or SEBI (Issue and Listing of Non-Convertible Redeemable Preference Shares) Regulations, 2013 respectively. The provisions of chapter V shall also be applicable to "**perpetual debt instrument" and "perpetual non-cumulative preference share"** listed by banks.

(5) RBI Guidelines

RBI guidelines allow banks to raise capital by issue of non-equity instruments such as Perpetual Non-Cumulative Preference Shares (PNCPS) and innovative Perpetual Debt Instruments (PDI).These instruments need to be in compliance with the specified criteria for inclusion in Additional Tier I Capital. Further, these instruments inter-alia should be able to absorb loss either through: (i) conversion to common shares at an objective pre-specified trigger point or (ii) a write-down mechanism that allocates losses to the instruments at a pre-specified trigger point.

Whereas RBI vide circular dated September 01, 2014 on the "Implementation of Basel III Capital Regulations in India – Amendments" has inter-alia allowed banks to issue Additional Tier 1 (AT1) instruments to retail investors. Further, RBI vide its Master Circular on Basel III Capital Regulations dated July 1, 2015 has also specified additional disclosure requirements for PNCPS and PDIs. Further, to this, RBI vide its notification dated February 02, 2017 amended the Criteria for inclusion of Perpetual Debt Instruments (PDI) in Additional Tier 1 Capital.

TYPES OF DEBENTURES

SECURITY

SECURED DEBENTURES: A charge is created on the assets of the company for the purpose of payment in case of default.

UNSECURED DEBENTURES: These debentures are also known as naked debentures. These debentures are not secured by way of charge on the company's assets.

TENURE

REDEEMABLE: These debentures are payable on the expiry of the specific period either in lump sum or in Installment. These can be redeemed either at par or at premium.

IRREDEEMABLE/ PERPETUAL: These debentures are repayable on the winding-up of a company or on the expiry of a long period.

MODE OF REDEMPTION

CONVERTIBLE: These are convertible into equity shares.

NON CONVERTIBLE: These are not convertible into equity shares of the company

OPTIONALY CONVERTIBLE: Partly convertible debentures are divided into two portions, viz., convertible and non-convertible portion. The convertible portion is converted into equity shares of the company at the expiry of specified period. The non-convertible portion is redeemed at the expiry of the specified

BASIS OF NEGOTIABILITY

BEARER DEBENTURES: These debentures are payable to bearer of the debentures and transferable by mere delivery. These debentures are also known as unregistered debentures.

REGISTERED DEBENTURES: These are not transferable by mere delivery of debenture certificates and shall be transferred as per the provisions of the Companies Act, by executing transfer deeds and the transfer registered by the company.

SEBI (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2018	Issue of debt securities that are convertible, either partially or fully or optionally into listed or unlisted equity shall be governed by the disclosure requirements applicable to equity or other instruments offered on conversion in terms of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018. According to SEBI (ICDR) Regulations, 2018, convertible debt instruments means an instrument which creates or acknowledges indebtedness or is convertible into equity shares of the issuer at a later date at or without the option of the holder of the instrument, whether constituting a charge on the assets of the issuer or not. Issue and listing of non-convertible debt securities, whether issued to the public or privately placed, are required to be

	made in accordance with the provisions of SEBI (Issue and Listing of Debt Securities) Regulations, 2008. **Eligibility** An issuer shall be eligible to make an initial public offer of convertible debt instruments even without making a prior public issue of its equity shares and listing thereof. However, it is not in default of payment of interest or repayment of principal amount in respect of debt instruments issued by it to the public, if any, for a period of more than six months. **Additional requirements for issue of convertible debt instruments** In addition to other requirements laid down in these regulations, an issuer making an initial public offer of convertible debt instruments shall also comply with the following conditions: (a) it has obtained credit rating from at least one credit rating agency; (b) it has appointed at least one debenture trustee in accordance with the provisions of the Companies Act, 2013 and SEBI (Debenture Trustees) Regulations, 1993; (c) it shall create a debenture redemption reserve in accordance with the provisions of the Companies Act, 2013 and rules made thereunder; (d) if the issuer proposes to create a charge or security on its assets in respect of secured convertible debt instruments, it shall ensure that: (i) such assets are sufficient to discharge the principal amount at all times; (ii) such assets are free from any encumbrance; (iii) where security is already created on such assets in favour of any existing lender or security trustee or the issue of convertible debt instruments is proposed to be secured by creation of security on a leasehold land, the consent of such lender or security trustee or lessor for a second or pari passu charge has been obtained and submitted to the debenture trustee before the opening of the issue; (iv) the security or asset cover shall be arrived at after reduction of the liabilities having a first or prior charge, in case the convertible debt instruments are secured by a second or subsequent charge. The issuer shall redeem the convertible debt instruments in terms of the offer document. **Conversion of optionally convertible debt instruments into equity shares** • The issuer shall not convert its optionally convertible debt instruments into equity shares unless the holders of such convertible debt instruments have sent their positive consent to the issuer and non-receipt of reply to any notice sent by the issuer for this purpose shall not be construed as consent for conversion of any convertible debt instruments. • Where the value of the convertible portion of any listed convertible debt instruments issued by an issuer exceeds ten

	crore ₹ and the issuer has not determined the conversion price of such convertible debt instruments at the time of making the issue, the holders of such convertible debt instruments shall be given the option of not converting the convertible portion into equity shares. However, where the upper limit on the price of such convertible debt instruments and justification thereon is determined and disclosed to the investors at the time of making the issue, it shall not be necessary to give such option to the holders of the convertible debt instruments for converting the convertible portion into equity share capital within the said upper limit. • This provision shall not apply if such redemption is as per the disclosures made in the offer document. • Where an option is to be given to the holders of the convertible debt instruments in terms of and if one or more of such holders do not exercise the option to convert the instruments into equity share capital at a price determined in the general meeting of the shareholders, the issuer shall redeem that part of the instruments within one month from the last date by which option is to be exercised, at a price which shall not be less than its face value. **Issue of convertible debt instruments for financing** An issuer shall not issue convertible debt instruments for financing or for providing loans to or for acquiring shares of any person who is part of the promoter group or group companies. However, an issuer shall be eligible to issue fully convertible debt instruments for these purposes if the period of conversion of such debt instruments is less than eighteen months from the date of issue of such debt instruments.
SEBI (ISSUE AND LISTING OF DEBT SECURITIES) REGULATIONS, 2008	• When a public company wishes to issue and list its debt securities on stock exchanges, then it has to comply with SEBI (Issue and Listing of Debt Securities) Regulations, 2008 in addition to Companies Act, 2013. • These regulations are applicable to: a) Public issue of debt securities b) Listing of debt securities issued through public issue or private placement on a recognised stock exchange.
CONDITIONS	– The issuer or the person in control of the issuer or its promoter or its director is ***NOT restrained or prohibited or debarred by SEBI*** from accessing the securities market or dealing in securities; or – the issuer or any of its promoters or directors is ***not a willful defaulter*** or – it is ***not in default*** of payment of interest or repayment of principal amount in respect of debt securities issued by it to the public, if any, for a period of more than six months. – It has made an application to one or more recognized stock exchanges for listing of such securities therein. It has ***obtained in-principle approval*** for listing of its debt securities. – ***Credit rating*** including the unaccepted ratings obtained from more than one credit rating agencies, registered with SEBI ***shall be disclosed in the offer document***.

	– The issuer ***cannot issue debt securities*** for providing loan to or acquisition of shares of any person who is part of the same group or who is under the same management.
APPOINTMENT OF INTERMEDIARIES	The issuer is required to appoint a depository, one or more merchant bankers registered with SEBI at least one of whom shall be a lead merchant banker and a Debenture Trustee duly registered with SEBI.
DISCLOSURES OF MATERIAL INFORMATION	The offer document must contain all material disclosures which are necessary for the subscribers of the debt securities to take an informed investment decision. The offer document contains the following:- • the disclosures specified in Section 26 of the Companies Act, 2013; • disclosure specified in Schedule I of the SEBI (ILDS) Regulations; • Additional disclosures as may be specified by SEBI.
MINIMUM SUBSCRIPTION	The amount of minimum subscription which the issuer seeks to raise and underwriting arrangements shall be disclosed in the offer document but there is no compulsion to mention the same.
FILING	The issuer shall file a draft offer document with the designated stock exchange through the lead merchant banker and also forward a copy of the draft & final offer document to SEBI.
RESPONSIBILITIES OF MERCHANT BANKER	The lead merchant banker must ensure that – • The draft offer document clearly specifies the names and contact particulars of the compliance officer of the lead merchant banker and the Company including the postal and email address, telephone and fax numbers. • All comments received on the draft offer document are suitably addressed and shall also furnish to SEBI a due diligence certificate as per SEBI (ILDS) Regulations prior to the filing of the offer document with the Registrar of Companies. • The merchant banker shall, prior to filing of the offer document with the Registrar of Companies, furnish to SEBI a due diligence certificate as per Schedule II of SEBI (ILDS) Regulations.
FILING OF SHELF PROSPECTUS	The following companies or entities may file shelf prospectus under section 31 of Companies Act, 2013 for public issuance of their debt securities,- • Public financial institutions and scheduled banks • Issuers authorized by the notification of Central Board of Direct Taxes to make public issue of tax free secured bonds, with respect to such tax free bond issuances; or • Infrastructure Debt Funds – Non-Banking Financial Companies regulated by Reserve Bank of India; or • Non-Banking Financial Companies registered with Reserve Bank of India, Housing Finance Companies registered with National Housing Bank **and Listed entities** complying with the following criteria: o having a net worth of at-least ₹500 crore, as per the audited balance sheet of the preceding financial year; o having consistent track record of distributable profit for the last 3 years; o securities issued under the shelf prospectus have been assigned a rating of not less than "AA-" category or

	equivalent by a credit rating agency registered with SEBI; o no regulatory action is pending against the company or its promoters or directors before the Board, Reserve Bank of India or National Housing Bank; o the issuer has not defaulted in the repayment of deposits or interest payable thereon, redemption of debentures or preference shares or payment of dividend to any shareholder, or repayment of any term loan or interest payable thereon to any public financial institution or banking company, in the last three financial years. The issuer filing a shelf prospectus shall file a copy of an information memorandum with the recognized stock exchanges and SEBI, immediately on filing the same with the Registrar. The information memorandum shall contain the disclosures specified in Companies Act, 2013, whichever is applicable and rules made thereunder and shall include disclosures regarding summary term sheet, material updation including revision in ratings, if any along with the rating rationale and financial ratios specified in Schedule I, indicating the pre- and post-issue change. Not more than four issuances shall be made through a single shelf prospectus.
MODE OF DISCLOSURE	• The draft offer document shall be made public by posting it on the website of the designated stock exchange for seeking public comments for a period of seven working days from the date of filing the draft offer document with such exchange. • The draft offer document can also be displayed on the website of the issuer, merchant bankers and the stock exchanges where the debt securities are proposed to be listed. • The draft and final offer document shall be displayed on the websites of stock exchanges and shall be available for download in PDF / HTML formats. • Where any person makes a request for a physical copy of the offer document, the same shall be provided to him by the issuer or lead merchant banker.
ADVERTISEMENTS	(1) The issuer should make an advertisement in a national daily with wide circulation, on or before the issue opening date and such advertisement, amongst other things must contain the disclosures. (2) An issuer should not issue an advertisement – • which is misleading in material particular or which contains any information in a distorted manner or which is manipulative or deceptive or extraneous matters. • which contain a statement, promise or forecast which is untrue or misleading and the advertisement shall be truthful, fair and clear. • during the subscription period any reference to the issue of debt securities or be used for solicitation.
ABRIDGED PROSPECTUS AND	The issuer and lead merchant banker shall ensure that: • Every application form issued is accompanied by a copy of the abridged prospectus and it shall not contain any

APPLICATION FORMS	extraneous matters. • Adequate space has been provided in the application form to enable the investors to fill in various details like name, address, etc. The issuer may provide the facility for subscription of application in electronic mode.
ON-LINE ISSUANCES	An issuer proposing to issue debt securities to the public through the on-line system of the designated stock exchange shall comply with the relevant applicable requirements as may be specified by SEBI.
ISSUE PRICE	A Company may determine the price of debt securities in consultation with the lead merchant banker and the issue may be at fixed price or the price may be determined through book building process in accordance with the procedure as may be specified by SEBI.
MINIMUM SUBSCRIPTION	• The issuer **may** decide the amount of minimum subscription which it seeks to raise by issue of debt securities and disclose the same in the offer document. • In the event of non-receipt of minimum subscription all application moneys received in the public issue shall be refunded forthwith to the applicants. • However, the issuers issuing tax-free bonds, as specified by CBDT, shall be exempted from the above proposed minimum subscription limit. • **It may be noted that in any public issue of debt securities, the base issue size shall be minimum Rs 100 crores.**
OPTIONAL UNDERWRITING	A public issue of debt securities may be underwritten by an underwriter registered with SEBI and in such a case adequate disclosures regarding underwriting arrangement shall be disclosed in the offer document.
PROHIBITION OF MIS-STATEMENTS IN THE OFFER DOCUMENT	• The offer document shall not omit disclosure of any material fact which may make the statements made therein, in light of the circumstances under which they are made, misleading. • The offer document or abridged prospectus or any advertisement issued by an issuer in connection with a public issue of debt securities shall not contain any false or misleading statement.
TRUST DEED	A trust deed shall – (1) be executed by the issuer in favour of the debenture trustee within three months of the closure of the issue. (1A) Where an issuer fails to execute the trust deed within the period specified in the sub-regulation (1), without prejudice to any liability arising on account of violation of the provisions of the Act and these Regulations, the issuer shall also pay interest of at least two percent per annum to the debenture holder, over and above the agreed coupon rate, till the execution of the trust deed. (1B) A clause stipulating the requirement under sub-regulation (1A) shall form part of the Trust Deed and also be disclosed in the Offer Document. (2) Every debenture trustee shall amongst other matters, accept the trust deeds which shall contain the matters

	as prescribed under section 71 of Companies Act, 2013 and Form No. SH.12 of the Companies (Share Capital and Debentures) Rules, 2014. Such trust deed shall consist of two parts: a.Part A containing statutory/standard information pertaining to the debt issue. b.Part B containing details specific to the particular debt issue. (3) not contain a clause which has the effect of – • Limiting or extinguishing the obligations and liabilities of the debenture trustees or the issuer in relation to any rights or interests of the investors. • Limiting or restricting or waiving the provisions of the Act, these regulations and circulars or guidelines issued by SEBI. • Indemnifying the debenture trustees or the issuer for loss or damage caused by their act of negligence or commission or omission.
DEBENTURE REDEMPTION RESERVE	• The issuer ***shall create*** a debenture redemption reserve in accordance with the provisions of the Companies Act, 2013 and circulars issued by Central Government in this regard. • Where the Company has defaulted in payment of interest on debt securities or redemption thereof or in creation of security as per the terms of the issue of debt securities, any distribution of dividend ***shall require approval of the debenture trustees***.
CREATION OF CHARGE	The proposal to create a charge or security, if any, in respect of secured debt securities shall be disclosed in the offer document along with its implications. An undertaking from the Company is given in the offer document that the assets on which charge is created are free from any encumbrances and if the assets are already charged to secure a debt, the permissions or consent to create second or pari passu charge on the assets of the issuer have been obtained from the earlier creditor. 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.
CREATION OF SECURITY (REGULATION 21B)	The issuer shall give an undertaking in the Information Memorandum that the assets on which charge is created are free from any encumbrances and in cases where the assets are already charged to secure a debt, the permission or consent to create a second or pari-passu charge on the assets of the issuer has been obtained from the earlier creditor. (**Inserted w.e.f 8.10.2020)**
RIGHT TO RECALL OR REDEEM PRIOR TO MATURITY	An issuer making public issue of debt securities may recall such securities prior to maturity date at his option (call) or provide such right of redemption prior to maturity date (put) to all the investors or only to retail investors, at their option, subject to the following: • Such right to recall or redeem debt securities prior to maturity date is exercised in accordance with the terms of issue and detailed disclosure in this regard is made in the offer document including date from which such right is

	exercisable, period of exercise (which shall not be less than 3 working days), redemption amount (including the premium or discount at which such redemption shall take place); • The issuer or investor may exercise such right with respect to all the debt securities issued or held by them respectively or with respect to a part of the securities so issued or held ; • In case of partial exercise of such right in accordance with the terms of the issue by the issuer, it shall be done on proportionate basis only; • No such right shall be exercisable before expiry of twenty four months from the date of issue of such debt securities; • Issuer shall send notice to all the eligible holders of such debt securities at least twenty one days before the date from which such right is exercisable; • Issuer shall also provide a copy of such notice to the stock exchange where the such debt securities are listed for wider dissemination and shall make an advertisement in the national daily having wide circulation indicating the details of such right and eligibility of the holders who are entitled to avail such right ; • Issuer shall pay the redemption proceeds to the investors along with the interest due to the investors within fifteen days from the last day within which such right can be exercised; • Issuer shall pay interest at the rate of 15% per annum for the period of delay, if any, • After the completion of the exercise of such right, the issuer shall submit a detailed report to the stock exchange for public dissemination regarding the debt securities redeemed during the exercise period and details of redemption thereof. It may be noted that retail investor shall mean the holder of debt securities having face value not more than ₹ two lakh.
REDEMPTION AND ROLL-OVER	(1) The issuer shall redeem the debt securities in terms of the offer document. (2) An issuer desirous of rolling-over the debt securities issued by it, it shall do so only upon passing of a special resolution of holders of such securities and give 15 days' notice of the proposed roll over to them. (3) The notice shall contain disclosures with regard to credit rating and rationale for roll-over. (4) Prior to sending the notice to holders of debt securities, the issuer must file a copy of the notice and proposed resolution with the stock exchanges where such securities are listed, for dissemination of the same to public on its website. (5) The debt securities issued can be rolled over subject to the following conditions – • A special resolution has been passed by the holders of debt securities through postal ballot having the consent of not less than 75% of the holders by value of such debt securities. • At least one rating is obtained from a credit rating agency within a period of six months prior to the due date of redemption and is disclosed in the notice. • Fresh trust deed shall be executed at the time of such roll-over or the existing trust deed can be continued if the trust deed provides for such continuation.

	• Adequate security shall be created or maintained in respect of such debt securities to be rolled-over. The issuer shall redeem the debt securities of all the debt securities holders, who have not given their positive consent to the roll-over.
MANDATORY LISTING	• An issuer desirous of making an offer of debt securities to public shall make an application for listing to one or more recognized stock exchanges in terms of sub-section (1) of section 40 of the Companies Act, 2013. • It must comply with conditions of listing of such debt securities as specified in the Listing Agreement with the stock exchange where such debt securities are sought to be listed. • Where of the Company has disclosed the intention to seek listing of debt securities issued on private placement basis, it shall forward the listing application along with the disclosures specified in Schedule I to the recognized stock exchange within fifteen days from the date of allotment of such debt securities.
CONSOLIDATION AND RE-ISSUANCE	An issuer may carry out consolidation and re-issuance of its debt securities in the manner as may be specified by SEBI from time to time, subject to the fulfilment of the following conditions: a) the articles of association of the issuer shall not have any provision, whether express or implied, contrary to such consolidation and re-issuance; b) the issue is through private placement; c) the issuer has obtained fresh credit rating for each re-issuance from at least one credit rating agency registered with SEBI and is disclosed; d) such ratings shall be revalidated on a periodic basis and the change, if any, shall be disclosed; e) Appropriate disclosures are made with regard to consolidation and re-issuance in the Term Sheet.
CONTINUOUS LISTING	(1) all the issuer shall comply with the conditions of listing specified in the respective listing agreement for debt securities while making public issues of debt securities or seeking listing of debt securities issued on private placement basis. (2) each rating obtained by the issuer shall be periodically reviewed by the registered credit rating agency and any revision in the rating shall be promptly disclosed by the issuer to the stock exchange(s) where the debt securities are listed. (3) any change in rating shall be promptly disseminated to investors and prospective investors in such manner as the stock exchange may determine from time to time. (4) debenture trustee must disclose the information to the investors and the general public by issuing a press release in any of the following events: 1) default by the issuer to pay interest on debt securities or redemption amount; 2) failure to create a charge on the assets; 3) revision of rating assigned to the debt securities.
TRADING	• While issuing debt securities to the public or on a private placement basis, which are listed in recognized stock exchanges, shall be traded and such trades shall be cleared and settled in recognized stock exchanges it should

	satisfy the conditions as specified by SEBI. • The trades of debt securities which have been made over the counter shall be reported on a recognized stock exchange having a nationwide trading terminal or such other platform as may be specified by SEBI. • SEBI may specify conditions for reporting of trades on the recognized stock exchange or other platform.
OBLIGATIONS OF DEBENTURE TRUSTEE	• The debenture trustee shall prior to the opening of the public issue, furnish to SEBI a due diligence certificate as per of SEBI (ILDS) Regulations. • The debenture trustee shall be vested with the requisite powers for protecting the interest of holders of debt securities including a right to appoint a nominee director on the Board of the issuer in consultation with institutional holders of such securities. • The debenture trustee shall carry out its duties and perform its functions under these regulations, the SEBI (Debenture Trustees) Regulations, 1993, the trust deed and offer document, with due care, diligence and loyalty. • The debenture trustee shall ensure disclosure of all material events on an ongoing basis. • The debenture trustees shall supervise the implementation of the conditions regarding creation of security for the debt securities and debenture redemption reserve.
OBLIGATIONS OF THE ISSUER, LEAD MERCHANT BANKER, ETC.	o The issuer ensure that all the material facts disclosed in the offer documents issued or distributed to the public are true, fair and adequate and there is no mis-leading or untrue statements or mis-statement in the offer document. o The Merchant Banker shall ensure verify and confirm that the disclosures made in the offer documents are true, fair and adequate and the issuer is in compliance with these regulations as well as all transaction specific disclosures specified in section 26 of the Companies Act, 2013. o The issuer shall treat the applicant in a fair and equitable manner as per the procedures as may be specified by SEBI. o In respect of assignments undertaken for issue, offer and distribution of securities to the public the intermediaries shall be responsible for the due diligence. o A person shall not employ any device, scheme or artifice to defraud in connection with issue or subscription or distribution of debt securities which are listed or proposed to be listed on a recognized stock exchange. o The issuer and the merchant banker shall ensure that the security created to secure the debt securities is adequate to ensure 100% asset cover for the debt securities. o The issuer shall create a recovery expense fund in the manner as maybe specified by the Board from time to time and inform the Debenture Trustee about the same.
Day count convention for debt securities issued under the SEBI (Issue and Listing of Debt Securities) Regulations, 2008	**Day count convention** **Interest payment date is holiday:** a) Interest shall be payable on next working day. b) No change in next interest payment schedule. **Tenor of security has a leap year:** Denominator shall be taken 366 irrespective of whole interest is paid annually, half yearly, quarterly or monthly.

PRIVATE PLACEMENT UNDER SEBI (ISSUE AND LISTING OF DEBT SECURITIES) REGULATIONS, 2008	"Private placement" means an offer or invitation to subscribe to the debt securities in terms of sub-section (1) (b) of section 23 of the Companies Act, 2013. SEBI has allowed issue of debt securities through private placement under the provisions of SEBI (Issue and Listing of Debt Securities) Regulations, 2008. This is a faster way for a company to raise capital. **Conditions for listing of debt securities issued on private placement basis [Regulation 20] :** • An issuer may list its debt securities issued on private placement basis on a recognized stock exchange subject to the following conditions: a) the issuer has issued such debt securities in compliance with the provisions of the Companies Act, 2013, rules prescribed thereunder and other applicable laws; b) credit rating has been obtained in respect of such debt securities from at least one credit rating agency registered with SEBI; c) the debt securities proposed to be listed are in dematerialized form ; d) the disclosures as provided in regulation 21 have been made. e) where the application is made to more than one recognized stock exchange, the issuer shall choose one of them as the designated stock exchange. • The issuer shall comply with conditions of listing of such debt securities as specified in the Listing Agreement with the stock exchange where such debt securities are sought to be listed. • The designated stock exchange shall collect a regulatory fee as specified in Schedule V from the issuer at the time of listing of debt securities issued on private placement basis.
DISCLOSURES IN RESPECT OF PRIVATE PLACEMENTS OF DEBT SECURITIES	(1) The issuer making a private placement of debt securities and seeking listing thereof on a recognized stock exchange **shall make disclosures in a disclosure document** as specified in Schedule I of SEBI (ILDS) Regulations accompanied by the latest Annual Report of the issuer. (2) The disclosures as provided in above shall be made **on the web sites of stock exchanges** where such securities are proposed to be listed and shall be available for download in PDF / HTML formats.
FILING OF SHELF DISCLOSURE DOCUMENT	• An issuer making a private placement of debt securities and seeking listing thereof on a recognized stock exchange **may** file a Shelf Disclosure Document containing disclosures as provided in Schedule I of these regulations. • The issuer is not required to file disclosure document, while making subsequent private placement of debt securities **for a period of 180 days from the date of filing of the shelf disclosure document.** • However, while making any private placement under Shelf Disclosure Document, it shall file with the concerned stock exchange **updated disclosure document** with respect to each tranche, containing details of the private placement

	and material changes, if any, in the information provided in Shelf Disclosure Document.
FUND RAISING BY ISSUANCE OF DEBT SECURITIES BY LARGE ENTITIES	SEBI has been working on operationalizing the 2018-19 Budget announcement which mandates large corporates to raise 25% of their financing needs from the corporate bond market. Naturally, given the nascent stage of development of corporate bond market, such framework has to be relatively soft touch. SEBI came out with a discussion paper on July 20, 2018. Based on feedback received on the discussion paper and wider consultation with market participants including entities, the detailed guidelines for operationalizing the above budget announcement are given below:
APPLICABILITY OF FRAMEWORK	• For the entities following April-March as their financial year, the framework shall come into effect from April 01, 2019 and for the entities which follow calendar year as their financial year, the framework shall become applicable from January 01, 2020. • The framework shall be applicable for all listed entities (except for Scheduled Commercial Banks) which are Large Corporate.
LARGE CORPORATES (LC)	1) Have their specified securities or debt securities or non-convertible redeemable preference shares listed on recognised stock exchange in terms of Listing Regulations, 2015 and 2) Have an outstanding long term borrowing of **Rs 100 crores or above** and 3) Have credit rating of **AA and above.** **NOTE: Outstanding long term borrowing means any outstanding borrowing with original maturity of more than 1 year and excludes ECB and inter corporate borrowings between parent and subsidiary.**
FRAMEWORK	• A LC shall **raise not less than 25% of its incremental borrowings**, during the financial year subsequent to the financial year in which it is identified as a LC, by way of issuance of debt securities, as defined under SEBI ILDS Regulations. • Here "incremental borrowings" shall mean any borrowing done during a particular financial year, of original maturity of more than 1 year, irrespective of whether such borrowing is for refinancing/repayment of existing debt or otherwise and shall exclude external commercial borrowings and inter-corporate borrowings between a parent and subsidiary(ies). • For an entity identified as a LC, the following shall be applicable: i. For FY 2020 and 2021, the requirement of meeting the incremental borrowing norms shall be applicable on an annual basis. Accordingly, a listed entity identified as a LC on last day of FY 2019 and FY 2020, shall comply with the requirement as laid down under para 3.1, by last day of FY 2020 and FY 2021, respectively. However, in case where a LC is unable to comply with the above requirement, it shall provide an explanation for such shortfall to the Stock Exchanges. ii. From FY 2022, the requirement of mandatory incremental borrowing by a LC in a FY will need to be met over a

	contiguous block of two years. Accordingly, a listed entity identified as a LC, as on last day of FY "T-1", shall have to fulfil the requirement of incremental borrowing for FY "T", over FY "T" and "T+1". iii.However, if at the end of two years i.e. last day of FY "T+1", there is a shortfall in the requisite borrowing (i.e. the actual borrowing through debt securities is less than 25% of the incremental borrowings for FY "T"), a monetary penalty/fine of 0.2% of the shortfall in the borrowed amount shall be levied and the same shall be paid to the Stock Exchange(s).
DISCLOSURE REQUIREMENTS FOR LARGE ENTITIES	1) A listed entity, identified as a LC under the instant framework, shall make the following disclosures to the stock exchanges, where its security (ies) are listed: i. Within 30 days from the beginning of the FY, disclose the fact that they are identified as a LC. ii. Within 45 days of the end of the FY, the details of the incremental borrowings done during the FY. 2) The disclosures made shall be **certified both by the Company Secretary and the Chief Financial Officer**, of the LC.

ELECTRONIC BOOK MECHANISM FOR ISSUANCE OF SECURITIES ON PRIVATE PLACEMENT BASIS

In order to streamline procedures for issuance of debt securities on private placement basis and enhance transparency to discover prices, SEBI has laid down a framework for issuance of debt securities on private placement basis through an electronic book mechanism.

DEFINITIONS

1) ***"Arranger"*** means a SEBI registered Merchant Banker, broker or a RBI registered Primary Dealer, who on behalf of the eligible participants bid on the EBP platform. Provided, that any of the aforesaid entities, prior to acting as an arranger in an issue, shall be authorized by the issuer to act as an arranger for that issue.

2) ***"Electronic Book Provider"* or "EBP"** means a recognized stock exchange(s), which pursuant to obtaining approval from SEBI, provides an electronic platform for private placement of securities.

3) **"Eligible participant**" means following:

a) Qualified Institutional Buyers (QIBs), as defined under SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018.

b) Any non-QIB investor including arranger(s), who/which has been authorized by the issuer, to participate in a particular issue on EBP Platform.

4) ***"EBP Platform*" or "Electronic Platform"** means the platform provided by an EBP for private placement of securities.

5) ***"Estimated cut off yield*"** means yield so estimated by the issuer, prior to opening of issue.

6) Eligible Issuer

The following issuers shall have an option to follow either electronic book mechanism or the existing mechanism:

– a single issue, inclusive of green shoe option, if any, of Rs 200 crore or more;
– a shelf issue, consisting of multiple tranches, which cumulatively amounts to Rs 200 crore or more, in a financial year;
– a subsequent issue, where aggregate of all previous issues by an issuer in a financial year equals or exceeds Rs 200 crore.

Electronic Book Provider and its Obligations

1. The recognized stock exchange and depository are identified to act as an EBP. An EBP:
   - shall provide an on-line platform for placing bids;
   - shall have necessary infrastructure like adequate office space, equipments, risk management capabilities, manpower and other information technology infrastructure to effectively discharge the activities of an EBP;
   - shall ensure that the private placement memorandum/information memorandum, term sheet and other issue related information is available to the eligible participants on its platform immediately on receipt of the same from issuer;
   - has adequate backup, disaster management and recovery plans are maintained for the EBP;
   - shall ensure safety, secrecy, integrity and retrievability of data.

2. The EBP platform so provided by the EBP shall be subject to periodic audit by Certified Information Systems Auditor (CISA).
3. EBP, shall make information related to the issue available on its website.

Obligations and duties

– EBP shall ensure that all details regarding issuance is updated on the website of the EBP.
– EBPs shall together ensure that the operational procedure is standardized across all EBP platforms and the details of such operational procedure are disclosed on their website.
– Where an issuer has disclosed estimated cut-off yield/range to the EBP, the EBP shall ensure its electronic audit trail and secrecy.
– All EBPs shall ensure coordination amongst themselves and also with depositories so as to ensure that the cooling off period for issuers and debarment period for investors is adhered to.
– EBP shall ensure that bidding is done.
– The EBP shall be responsible for accurate, timely and secured bidding process of the electronic bid by the bidders.
– The EBP shall be responsible for addressing investor grievances arising from bidding process.
– EBP shall ensure that the pay-in of funds towards allotment of securities, placed through EBP platform, are done through clearing corporation mechanism.

Bidding Announcement

1) **On EBP at least one working day before initiating the bidding process.**
2) Bidding announcement shall be **accompanied with details of bid opening and closing time,** and any other details as required by EBP from time to time.
3) Changes in bidding time &/or date can be made for maximum 2 times & such changes shall be intimated to EBP during operational hours.

Bidding & Allotment process

1) Bidding process on EBP platform shall be on an **anonymous order driven system**.
2) Bid shall be made by way of entering bid amount in Rupees (INR) and coupon/ yield in basis points (bps) i.e. up to four decimal places.
3) Modification or cancellation of the bids shall be allowed, subject to following:
   a) can be made only during the bidding period;
   b) no cancellation of bids shall be permitted in the last 10 minutes of the bidding period;
   c) in the last 10 minutes of the bidding period, only revision allowed would for improvement of coupon/yield and upward revision in terms of the bid size.
4) Investors are now **permitted to place multiple bids in an issue.**
5) The bid placed in the system shall have an audit trail which includes bidder's identification details, time stamp and unique order number.
6) Further against such bids, EBP shall provide an acknowledgement number.
7) All the bids made on a particular issue, should be disclosed on the EBP platform on a real time basis.
8) Allotment to the bidders shall be done on yield priority basis in the following manner:-
   a) All the bids shall be arranged in the ascending order of the yields, and a cut-off yield shall be determined.
   b) All the bids below the cut-off yield shall be accepted and full allotment should be made to such bidders.
   c) For all the bids received at cut-off yield, allotment shall be made on pro-rata basis.

Bidding timings & period

– In order to ensure **operational uniformity** across various EBP platforms, the bidding shall take place **between 9 a.m. to 5 p.m.** only, on the working days of the RSE.
– The **bidding window** shall be open for the period as specified by the issuer in the bidding announcement, however the same shall be open for **atleast one hour.**

STREAMLINING THE PROCESS OF PUBLIC ISSUE UNDER THE SEBI (ISSUE AND LISTING OF DEBT SECURITIES)	In order to make the existing process of issuance of debt securities, easier, simpler and cost effective for both issuers and investors under the SEBI (ILDS) Regulations respectively, SEBI has reduced the time taken for listing after the closure of the issue to 6 working days as against the present requirement of 12 working days. Submission of application form: All the investors applying in a public issue shall use only Application Supported by Blocked Amount (ASBA) facility for making payment i.e. writing their bank account numbers and authorising the banks to make payment in case of

REGULATIONS, 2008 ('SEBI ILDS')	allotment by signing the application forms. An investor, intending to subscribe to a public issue, shall submit a completed bid-cum application form to Self-Certified Syndicate Banks (SCSBs), with whom the bank account to be blocked is maintained or any of the following intermediaries: a) A syndicate member (or sub-syndicate member) b) A stock broker registered with a recognised stock exchange c) A depository participant ('DP') d) A registrar to an issue and share transfer agent ('RTA'). **INDICATIVE TIMELINE SCHEDULE FOR VARIOUS ACTIVITIES**

No	Details of Activities	Due Date
1	Issue Closes	T (Issue Closing Date)
2	a) Stock exchanger(s) shall allow modification of selected fields (till 01:00 PM) in the bid details already uploaded. b) Registrar to get the electronic bid details from the stock exchanges by end of the day. c) SCSBs to continue / begin blocking of funds. d) Designated branches of SCSBs may not accept schedule and applications after T+1 day. e) Registrar to give bid file received from stock exchanges containing the application number and amount to all the SCSBs who may use this file for validation/ reconciliation at their end.	T + 1
3	a) Issuer, merchant banker and registrar to submit relevant documents to the stock exchange(s) except listing application, allotment details and demat credit and refund details for the purpose of listing permission. b) SCSBs to send confirmation of funds blocked (Final Certificate) to the registrar by end of the day. c) Registrar shall reconcile the compiled data received from the stock exchange(s) and all SCSBs (hereinafter referred to as the "reconciled data"). d) Registrar to undertake "Technical Rejection" test based on electronic bid details and prepare list of technical rejection cases	T + 2
4	a) Finalization of technical rejection and minutes of the meeting between issuer, lead manager, registrar. b) Registrar shall finalise the basis of allotment and submit it to the designated stock exchange for approval. c) Designated Stock Exchange to approve the basis of allotment. d) Registrar to prepare funds transfer schedule based on approved basis of allotment. e) Registrar and merchant banker to issue funds transfer instructions to SCSBs	T + 3

	5	a) SCSBs to credit the hinds in public issue account of the issuer and confirm the same. b) Issuer shall make the allotment, c) Registrar/Issuer to initiate corporate action for credit of debt securities, NCRPS, SDI to successful allottees. d) Issuer and registrar to file allotment details with designated stock exchange(s) and confirm all formalities are complete except demat credit. e) Registrar to send bank-wise data of allottees, amount due 011 debt securities, NCRPS, SDI allotted, if any, and balance amount to be unblocked to SCSBs.	T + 4
	6	a) Registrar to receive confirmation of demat credit from depositories, b) Issuer and registrar to file confirmation of demat credit and issuance of instructions to unblock ASBA hinds, as applicable, with stock exchange (s). c) The lead manager(s) shall ensure that the allotment, credit of dematerialised debt securities, NCRPS, SDI and refund or unblocking of application monies, as may be applicable, are done electronically. d) Issuer to make a listing application to stock exchange(s) and stock exchange (s) to give listing and trading permission. e) Stock exchangers) to issue commencement of trading notice	T + 5
	7	Trading commences	T + 6
		* Working days shall be all trading days of stock exchanges excluding Sundays and bank holidays in Mumbai.	
GREEN DEBT SECURITIES		**1) Meaning of Green Debt Securities :** A Debt Security shall be considered as "Green or Green Debt Securities", if the funds raised through issuance of the debt securities are to be utilized for project(s) and/or asset(s) falling under any of the following broad categories: a) Renewable and sustainable energy including wind, solar, bioenergy, other sources of energy which use clean technology etc.; b) Clean transportation including mass/public transportation etc.; c) Sustainable water management including clean and/or drinking water, water recycling etc.; d) Climate change adaptation; e) Energy efficiency including efficient and green buildings etc.; f) Sustainable waste management including recycling, waste to energy, efficient disposal of wastage etc.; g) Sustainable land use including sustainable forestry and agriculture, afforestation etc.; h) Biodiversity conservation; i) Any other category as may be specified by SEBI, from time to time.	

	2) Obligations of the issuer: 1) The project and or asset shall be eligible for Green Debt Securities issue. 2) To utilize the proceeds only for stated purpose. 3) The project and or asset shall be continuously eligible for Green Debt Securities issue. 4) To discharge globally accepted standards for issuance of green debt securities i.e. measurement of environmental impact/identification of project and or assets or utlization of the proceeds, etc. **3) Disclosures in offer document:** 1) Statement on environmental objectives. 2) Process followed to determine the eligible green projects, criteria, environmental sustainability objectives of the proposed investment. 3) Procedure for tracking the utilisation of the proceeds including refinancing of existing green assets and loan projects. 4) Issuer may appoint independent third party reviewer who certifies the project, its' process and selection criteria. **4) Continuous disclosures:** 1) Details of utilised and unutilized proceeds shall be disclosed half yearly and annually. 2) Additional disclosures in annual report: - List of projects and or assets. - Amount disbursed. - confidentiality agreement - Amount for specific projects and or assets. - Gualitative and quantitative performance indicators and measures. - Methods and key assumptions used in the performance indicators.

CHAPTER 7 - DEBT FUNDING – INDIAN FUND BASED (GOVERNMENT DEBT & BANKING FINANCE)

BONDS	Bonds are the debt security where an issuer is bound to pay a specific rate of interest agreed as per the terms of payment and repay principal amount at a later time. The bond holders are generally like a creditor where a company is obliged to pay the amount. The amount is paid on the maturity of the bond period. Generally these bonds duration would be for 5 to 10 years. A bond, whether issued by a government or a corporation, has a specific maturity date, which can range from a few days to 20-30 years or even more. Based on the maturity period, bonds are referred to as bills or short- term bonds and long-term bonds. Bonds have a fixed face value, which is the amount to be returned to the investor upon maturity of the bond. During this period, the investors receive a regular payment of interest, semi-annually or annually, which is calculated as a certain percentage of the face value and know as a 'coupon payment.' There are various types of bonds in India: **GOVERNMENT BONDS:** These are the bonds issued either directly by Government of India or by the Public Sector Units (PSU's) in India. These bonds are secured as they are backed up with security from Government. These are generally offered with low rate of interest compared to other types of bonds. **CORPORATE BONDS:** These are the bonds issued by the private corporate companies. Indian corporates issue secured or non-secured bonds. E.g. IIFL bonds issue which came up during Sep-2012 was unsecured bond and Shriram city union bond issue in Sep-2012 was a secured bond issue. **BANKS AND OTHER FINANCIAL INSTITUTIONS BONDS:** These bonds are issued by banks or any financial institution. The financial market is well regulated and the majority of the bond markets are from this segment. However care to be taken to consider the credit rating given by Credit Rating Agencies before investing in these bonds. In case of poor credit rating, better to stay away from such bonds. **TAX SAVING BONDS:** In India, the tax saving bonds are issued by the Government of India for providing benefit to investors in the form of tax savings. Along with getting normal interest, the bond holder would also get tax benefit. In India, all these bonds are listed in National Stock Exchange and Bombay Stock Exchange in India, hence they can be easily liquidated and sold in the open market.
MASALA BONDS	❖ Masala Bonds are **rupee denominated** borrowings by Indian companies in the overseas markets. ❖ This is different from the other overseas borrowings in the sense that the in the other borrowings, the currency is

	normally dollar, euro, yen etc. ❖ The advantage of issuing masala bonds is that the company does not have to worry about the depreciation in the rupee in comparison to the other currencies. This is normally a big worry for corporates while raising money in the overseas markets. ❖ If the rupee weakens at the time of the redemption of the bonds, the company will have to pay more rupees to repay the dollars. This is a big advantage, as many companies which had raised via the Foreign Currency Convertible Bonds in 2007 found themselves in a great difficulty as the rupee had depreciated very sharply during the global financial crisis. ❖ In order to compensate the risk of currency depreciation, the buyer of the Masala Bond will get a **higher coupon rate** and therefore earns a higher yield. ❖ **HDFC was the first company** to issue Masala Bonds for an aggregate amount of ₹3000 crores and has raised an aggregate of ₹5000 crores through issuance of Masala Bonds in four tranches. The First issue of Masala bond by HDFC bears a fixed semi-annual coupon of 7.875 percent per annum and has a tenor of 3 years and 1 month. The bonds have been issued at a price of 99.24% of the par value and will be redeemed at par. The all-in annualised yield to the investors is 8.33 percent per annum. The bonds are traded on the London Stock Exchange and not in India. ❖ Many public and private companies are in the fray to issue masala bonds as the companies can have access to more funds at a marginally higher cost of financing. ❖ The masala bonds were reckoned under both corporate debt and external commercial borrowings for Foreign Portfolio investment. The Reserve Bank of India recently amended the Regulations and currently treats Masala Bonds under the **ECB category** only, where a borrower just needs to seek the **RBI's approval** to sell those securities.
BANK FINANCE	Banking Regulation Act 1949 classifies bank finance into secured loans and unsecured loans. Secured loan means loans granted on the backing of some tangible security, while Unsecured loan is one for which the banker has to rely upon the personal security of the borrower. Unsecured advances are not popular in India. Most of the bank advances are secured ones. Only a small portion of about 11% to 15% of the total bank advance is unsecured. Banks finance their customers not only in the form of loans, but through other types of credit facilities. The other types of bank finance are tailor made to suit the needs of customers. The loans and advances wherein immediate flow of funds available to borrowers, are called funds based facility. In non-fund based facilities like issuance of letter of guarantee, letter of credit etc., banks get fee income and there is no immediate outflow of funds from bank. The nature of credit facilities which are different from loans are described here-under.

CREDIT FACILITIES PROVIDED BY THE BANKS	**OVERDRAFTS** • Overdraft means allowing the customer to draw cheques over and above credit balance in his account. • Overdraft is normally allowed to Current Account Customers and in exceptional cases Savings bank account holders are also allowed to overdraw their account. • High rate of interest is charged on daily debit balance of overdraft account as these are clean advances .i.e. banks do not have any securities to fall back if these facilities are not repaid. • There are two types of overdraft accounts are prevalent in Banks i.e. (i) Temporary overdraft or clean overdraft and (ii) Secured overdraft. • Temporary overdrafts are allowed purely on personal credit worthiness of the customer concerned and it is meant for the customer to meet some urgent commitments on rare occasions. Allowing a customer to draw against his cheques sent in clearing – known as “against clearing” also falls under this category. • Secured overdraft is allowed up to a certain limit against some tangible security like bank deposits, LIC policies, National Saving Certificates, shares and other similar assets. • Secured overdraft is most popular with traders as lesser operating cost, simple application and document formalities are involved in this facility. **CASH CREDIT ACCOUNT:** • A cash credit facility is a short-term finance to a borrower company, having a tenure of up to one year which can be renewed for further period by the bank on the basis of projected sales and satisfactory operation in the account during the period of finance. • Cash credit facility is extended in two forms viz. Open Cash Credit and Key Cash Credit. • Open Cash credit account is a running account just like a current account where the borrower is allowed to maintain debit balance in the account up to a sanctioned limit or drawing power whichever is lower. • The Cash Credit facility is offered to a borrowers normally either against pledge (Key Cash Credit) or hypothecation of stocks of raw materials, semi finished goods and finished goods and Book Debts (Receivables). • In the case of Key Cash Credit, the borrower lodges the stocks in his godown and the key of the godown will be handed over to the bank. By this process, the goods lodged in the godown are pledged to the bank and the bank will allow the customer to draw funds against the value of the goods less margin. This is known as Drawing Power. • The pledged goods are allowed to be removed by the borrower on remitting into his CC account the amount equivalent to value of the goods. The bank would release further funds to the borrower within the Drawing Power (DP)/sanctioned limit on borrower depositing (pledge) more stock in the godown. Therefore, such facility is called Key Cash Credit. • Cash Credit limits are also sanctioned to a borrower against security of term deposits, LIC policies, NSCs or Gold Jewels. This type of limit is offered mainly to traders who find it difficult to maintain stock register and submitting periodic stock statements.

	BILLS FINANCE • Bills finance is short term and self-liquidating finance in nature. • The bills can be classified as Demand Bills and Usance Bills. • Demand Bill is purchased and Usance bill is discounted by the banks. • The credits available to the seller against the bills drawn under Letter of Credit either on sight draft or usance draft are called bills negotiated by the banks. • The advantage of bills finance is that the seller of goods (borrower) gets immediate money from the bank for the goods sold by him irrespective of whether it is a purchase, discount or negotiation by the bank. • The 'Demand Bills' can be documentary or clean. Usually banks accept only documentary bills for purchase. However, clean bills from good parties also purchased by the banks. • The 'Documentary Bills' may be drawn by a Seller of Goods ('Drawer') on D/P (Delivery against payment) or D/A (Delivery against Acceptance) terms. • In case of D/P terms the documents of title to goods are delivered to the buyer of the goods (drawee) against payment of bill amount. • In case of D/A bills, the documents to the title of goods are to be delivered to the drawee (Buyer) against acceptance of bills. These types of bills are called "Usance Bills' which means bills are maturing on a future date and payment will be made on due date. In case of 'Usance Bills' bills become clean after it is delivered to drawee on acceptance. • Therefore banks take into consideration the credit worthiness not only of the borrower but also of the drawee. **LEASING FINANCE** • A lease is a contract between the owner (lessor) and the user (lessee). • There are various types of leases viz. operating lease & finance lease. • In terms of lease agreement the lessor pays money to the supplier who in turn delivers the article to the lessee. The lessee (hirer of the article) makes periodical payment to the lessor. At the end of lease period the asset is restored to the lessor. • Commercial banks in India have been financing the activities of leasing companies, by providing overdraft/Cash credit account/Demand loan against fully paid new machinery or equipment by hypothecation of security. The repayment should be from rentals of machinery/ equipment leased out. • The maximum period of repayment is five years or the economic life of the equipment whichever is lower. • The bank is allowed to periodical inspection of the asset. Lease contracts are only for productive purpose and not for consumer durable.
HIRE-PURCHASE FINANCE	o Hire-Purchase transactions are very similar to leasing transactions. In the Hire-purchase finance takes place predominantly in **automobile sector**. o Like Leasing Finance, the ownership of the vehicle continues to remain with the Leasing Company till the agreement period ends. However, **at the end of the stipulated period**, the hirer (lessee) has options either to return the asset to leasing company while terminating the agreement or purchase the asset upon terms set out in

	the hire-purchase agreement. o Since hire-purchase finance takes place predominantly in automobile sector, banks have started direct finance to transport operator as the nature of advance being classified as **priority sector lending**. o By and large most banks financé vehicles under Hypothecation arrangement instead of Hire-Purchase. HPA is usually resorted to by NBFCs/Credit Societies/ Private Financiers (unorganized sector).
DIFFERENCE BETWEEN HIRE-PURCHASE AND HYPOTHECATION	• For a long time, Hypothecation was not defined legally in India, until it was defined by SARFAESI Act in 2002. • It is a charge on any movable asset/property of a borrower for which bank has extended it's finance. It is an equitable charge on the assets in favour of the financing bank where the asset is owned by the borrower as well as possession is with him on behalf of the bank. • If a borrower fails to repay the finance extended for the movable asset the bank can repossess the asset with the consent of the borrower. • If the borrower surrenders the asset to the bank, bank has a legal right to sell the asset without the intervention of the court and adjust the proceeds towards the loan dues. • Under SARFAESI Act bank also has got the right to sell the movable asset of a defaulted borrower without the intervention of a court subject to following rules laid down in this regard. • Under Hire Purchase Agreement, as explained above the ownership of the financed assets remains with the lender till it is purchased by the borrower at the end of the hire purchase period as per agreed terms between the financing agency and the borrower. • Under Hire Purchase the financing entity may get the benefit of depreciation as well as ownership of the asset financed. • Banks cannot take advantage of Hire Purchase Arrangement, as ownership aspect of the asset will result in violating permitted line of activity under the banking license granted by RBI. • For example if a bank finances a public transport vehicle under Hire Purchase, it implies that the bank as the owner of the public transport vehicle, is involved in the business of public transportation which is against permitted activities under the Banking license. • Also in a Hire Purchase arrangement, if an accident takes place, bank will be a party to the claim suit filed by the injured passengers which will involve monetary loss and as well as damage to the image of the bank.
CREDIT FACILITIES (FUND BASED) GRANTED TO THE EXPORTERS BY BANKS	In order to encourage exports and to help exporters financially, RBI introduced Export Credit scheme in the year 1967. As on date, Exporters can avail credit for their export activities either in Rupees or in Foreign Currency as per their choice and subject to RBI directions in this regard.
PRE-SHIPMENT/PACKING CREDIT	**RUPEE EXPORT CREDIT** • A short term advance/loan given to an exporter for procuring, processing, manufacturing/packing goods prior to shipping such goods. Such export credit can be given for working capital purposes also.

	• Banks are at liberty to decide the tenor of such loans (which are usually up to three/six months or in exceptional cases nine months) depending upon individual cases. • These loans are given at concessional interest rates. • If these loans are not adjusted by submission of export documents within 360 days, banks will charge normal rate of interest on such loans/advances instead of concessional rates. • Pre-shipment advances are to be repaid out of finance made available at Post-shipment stage or from eligible resources of the exporting customer as per RBI directions.
POST-SHIPMENT CREDIT	This is again a short term advance/loan given to an exporter after shipment of goods to the date of realization of proceeds of exported goods. Such credit facility granted to an exporter has to be repaid out of the proceeds of goods exported or from eligible resources of the exporter as permitted by RBI directions. The period of such advance/loan will be as specified by Foreign Exchange Dealers Association of India (FEDAI). Taking the pre-shipment example of XYZ Limited mentioned above, once XYZ Limited has shipped the goods they can present the Shipping documents along with commercial documents of the transaction to their bankers for availing Post-shipment credit. XYZ's bank can grant them post-shipment credit in any of the following ways : 1. By purchase/discounting/negotiation of Export bills. 2. By providing an advance against the export bills given for collection. 3. By providing an advance against export incentives receivable from Government of India. The loan amount of the post-shipment will be used by XYZ's bank to close the Pre-shipment advance/loan granted to the company earlier. The post-shipment advance granted by XYZ Limited's banker will be closed out of the export proceeds that will be received by the Bank from the importer's Bank in UK subsequently.
RUPEE DEEMED EXPORT CREDIT	A deemed export transaction is one in which goods are supplied to a project in India itself which are funded by International/ Multilateral agencies or where goods are supplied to units in SEZs or foreign shipping companies calling on Indian ports, Supply of goods to foreign tourists etc., such that the proceeds of such goods supplied will be paid in foreign currencies. Such transactions are treated as prima facie Export transactions and enjoy incentives and other concessions given to normal export transactions. Pre-shipment and Post-shipment credit facilities granted to Rupee Deemed Export Credit transactions are similar to finance/credit extended under Rupee Export credit - Pre-shipment as well as Post-shipment as described herein. However in Deemed Export transactions the date of supply to the projects/SEZ units/ foreign tourists is taken as date of export. Also the value of the transaction will be based on Free on Rails (FOR) basis instead of usual Free on Board (FOB) basis, usually associated with export transactions.
PRE-SHIPMENT	**FOREIGN CURRENCY EXPORT CREDIT**

CREDIT IN FOREIGN CURRENCY (PCFC)	The objective of PCFC facility is to provide an additional source of finance at internationally competitive rates to Indian exporters. Normally this is facility is applicable to **Cash Exports**. Cash exports are those where "payment for goods is received prior to the export". An exporter can avail PCFC in any one of the following ways: 1. Avail pre-shipment credit in Rupees and convert the same in Foreign currency at the discretion of financing bank. 2. Avail pre-shipment credit in Foreign currency and discount/rediscount export bills in Foreign currency under Export Bill Rediscounting Scheme (EBR). 3. Avail Pre-shipment credit in Rupees and post-shipment credit either in Rupees or in foreign currency by discounting/re-discounting export bills under EBR. PCFC is normally available for a maximum period of 360 days. Further extension is subject to the financing bank's terms and conditions. PCFC is liquidated by discounting or re-discounting of Export bills under EBR scheme at the post-shipment stage. PCFC is also allowed for Deemed Exports subject to a maximum period of 30 days or up to the date of payment by project authorities whichever is earlier. PCF is also subject to the overall directions of RBI from time to time in this regard.
POST-SHIPMENT CREDIT IN FOREIGN CURRENCY (PSCFC)	Banks are permitted to extend PSCFC facility to their export customers,(by utilizing their foreign exchange resources held by them or availed by them from foreign banks by way of line of credit in foreign currency etc.) through discounting the usance export bills received from their customers who have availed PCFC or otherwise by rediscounting these bills with foreign banks. Normally the PSCFC scheme covers export bills of usance period up to 180 days from the date of shipping. If a customer is eligible to draw bills beyond a usance period of 180 days, PSCFC facility is allowed to be provided beyond the period of 180 days too. Banks can rediscount the export bills abroad and square up the PSCFC. **Import Finance** Apart from the usual financing methods of short term credit facilities, import finance can also be availed by importers in India through **Buyers credit**, **Suppliers Credit** as well as through **External Commercial Borrowings ('ECB')**. A brief overview of the same is as under: **Buyers Credit** Buyers' credit refers to loans for payment of imports into India arranged by the importer from overseas bank or financial institution. Imports should be as permissible under the extant Foreign Trade Policy of the Director General of Foreign Trade (DGFT). For the overseas exporter the transaction becomes a cash sale. **Suppliers Credit** Suppliers' credit relates to the credit for imports into India extended by the overseas supplier. In this case too, imports

	should be as permissible under the extant Foreign Trade Policy of the DGFT. Usually this type of facility is availed for import of Capital goods. The importer pays an agreed amount of down payment and the balance amounts are paid in instalments over a deferred period. Interest rates for the transactions are decided at the initial contracting stage and are included in the instalments payable by the importer. **External Commercial Borrowings:** This is covered in detail under Lesson 9. **Forfaiting** Forfaiting is a mechanism through which exporters can avail finance by discounting their medium term/long term export receivables with a forfaiter. Long term receivable can be as long as 10 years where as medium term can be anywhere between three to five years. Thus receivables on deferred basis evidenced by export bills and commercial documents can be forfeited. Forfaiting is done on a without recourse basis i.e. if the importer fails to pay, the forfaiter cannot recover the dues from the exporter for whom he has discounted the export receivable. Of course, a forfaiter covers this risk by getting the export documents co-accepted by a importer's bank/ reputable bank from the importer's country. A brief overview of general working mechanism of Forfaiting is as follows: 1) A foreign importer and an Indian exporter meet and finalize the transaction between them by entering in to a contract. 2) Thereafter the exporter readies goods and ships the same to the importer as per contract terms. 3) Exporter simultaneously prepares set of export documents. (which are in a standardized formats of the forfaiter.) 4) Before hand, the foreign importer agrees to get the co-acceptance the export documents sent by the Indian importer, from his bank/reputed bank in his country as agreed between him and the exporter – this is known as "avalised "document. 5) Once the co-accepted documents reach the exporter he hands over the same to the forfaiter 'forfait' the same - .i.e. discount the same," without recourse" basis to him. 6) The 'forfaiter' discounts the same and credits the amount of the bill after deducting his charges such as Commitment Fee, Discount and Documentation fee. 7) The forfaiter thereafter sends the export documents to the importer's bank/ co-accepted bank for reimbursement on maturity date of the bill. Forfaiting is an approved method of export financing by RBI. EXIM Bank in India has been authorised to facilitate the forfaiting transactions. The advantage for the exporter is that he can convert the credit sale in to cash sale without recourse to him or his banker.
PROJECT FINANCE	• **Project Finance** is the long-term financing of infrastructure and industrial projects based upon the projected cash flows of the project. • Usually, a project financing structure involves a number of equity investors, known as 'sponsors', a 'syndicate' of

banks or other lending institutions that provide loans to the operation.

- They are most commonly loans which are secured by the project assets and paid entirely from project cash flow, rather than from the general assets or creditworthiness of the project sponsors.
- The financing is typically secured by all of the project assets, including the revenue-producing contracts. Project lenders are given a lien on all of these assets and are able to assume control of a project if the project company has difficulties complying with the loan terms.
- Generally, a special purpose entity is created for each project, thereby shielding other assets owned by a project sponsor from the detrimental effects of a project failure. As a special purpose entity, the project company has no assets other than the project.
- Capital contribution commitments by the owners of the project company are sometimes necessary to ensure that the project is financially sound or to assure the lenders of the sponsors' commitment. Project finance is often more complicated than alternative financing methods. Traditionally, project financing has been most commonly used in the infrastructure industry.

The companies can finance their projects using two ways:
(1) Corporate Financing and
(2) Project Financing.

In Corporate Finance, in order to guarantee the additional credit provided by the lenders. The promoters / sponsors use all the assets and cash flows from the existing firm. So if the project fails these assets and cash flows are used to repay the debt of the creditors, while in Project financing the new project and the existing firm live separate lives so even if the new project fails the creditors cannot claim their debt repayment from the asset and cash flow available in the existing firm. This deal is costlier than corporate financing.

Risk identification and allocation is a key component of project finance. A project may be subject to a number of technical, environmental, economic and political risks, particularly in developing countries and emerging markets. Financial institutions and project sponsors may conclude that the risks inherent in project development and operation are unacceptable (unfinanceable). The patterns of implementation are sometimes referred to as "project delivery methods." The financing of these projects must be distributed among multiple parties, so as to distribute the risk associated with the project while simultaneously ensuring profits for each party involved. In designing such risk-allocation mechanisms, it is more difficult to address the risks of developing countries› infrastructure markets as their markets involve higher risks.

The features of project finance transactions are:

1) ***<u>Capital Intensive</u>*** – They tend to be large scale projects requiring debt and equity in a large amount.
2) ***<u>Highly leveraged</u>*** – These transactions have high debt proportion as compared to equity
3) ***<u>Long Term</u>*** – The tenor for project financings can easily reach 15 to 20 years
4) ***<u>Independent Entity With A Finite Life</u>*** – They form a new legal entity with the sole purpose of executing the project

	5) ***Non-Recourse Or Limited Recourse Financing*** – It means a the creditor has no or limited claims on the loan in case of default 6) ***Many Participants*** – There are many national and international participants involved in a project laying different risk. 7) ***Allocated Risk*** – There are many risk involved in a project for example Environmental, Country risk, market risk, project risk, Product risk, Supply risk, Funding risk, Currency risk, Interest risk 8) ***Costly*** – Raising capital through project finance is generally more costly than through typical corporate finance avenues. **Project Report** For getting financial assistance from any Bank or Financial Institution for implementation of any business idea, a company is required to prepare a Project Report. A Project Report is a detailed report containing all the details of company. A good project report must present diverse range analytical challenges to its clients and shareholders. Report covering certain important aspects of the project as detailed below: • Introductory Page • Summary of the project • Details about the Promoters, their educational qualifications, work experience, etc. • Current Status of the Bank, its products and services, target market, and activities. • Infrastructure facilities, tools deployed, operational premises, machinery, etc. • Customers, details about them as well as prospective customers • Fiscal acquisitions and tie-ups • Means of Financing • Profitability projections and Cash flows for the entire repayment period of financial assistance • Balance Sheet • Profit and Loss Statements • Fund Flow Statement • Chief Ratios • Break Even Point Evaluations • Project location • Cost of the Project and Means of financing thereof
LOAN AGAINST SECURITIES	Banks and financial institutions come up with innovative ways to fulfill the monetary requirements of every individual as per their credit worthiness and paying capacity. One step in this direction has been Loan against Securities, popularly referred to as LAS. Under "Loan against Securities", loan is advanced to a customer against pledge of securities or simply put loan against insurance policy, mutual funds, NSC and other securities.

<table>
<tr><td></td><td>The list of approved securities against which LAS can be advanced varies from bank to bank, but primarily the following are considered to be approved securities against which LAS could be given.
1. Non-Convertible Debentures
2. Mutual Fund Units
3. NABARD Bonds
4. Dematerialised Shares
5. National Saving Certificates/Kissan Vikas Patra (Accepted only in Demat form)
6. Insurance Policies

By pledging the securities held by the borrower, a loan against Securities is provided by a bank or a financial institution as an overdraft facility. The value of the overdraft limit that is advanced is determined on the basis of the securities that are pledged. The rate of interest is calculated only on the amount withdrawn and only for the period of utilization.

The advantageous part of pledging your securities is one that the borrower is able to get steady cash easily at the time of need and secondly the borrower need not be devoid of the benefits as a shareholder. This means that the borrower enjoys the rights of receiving dividends and bonuses along with gaining from the price movements in the shares. This facility is ideal to meet short-term financial needs and the interest rates are lesser than that in a personal loan.

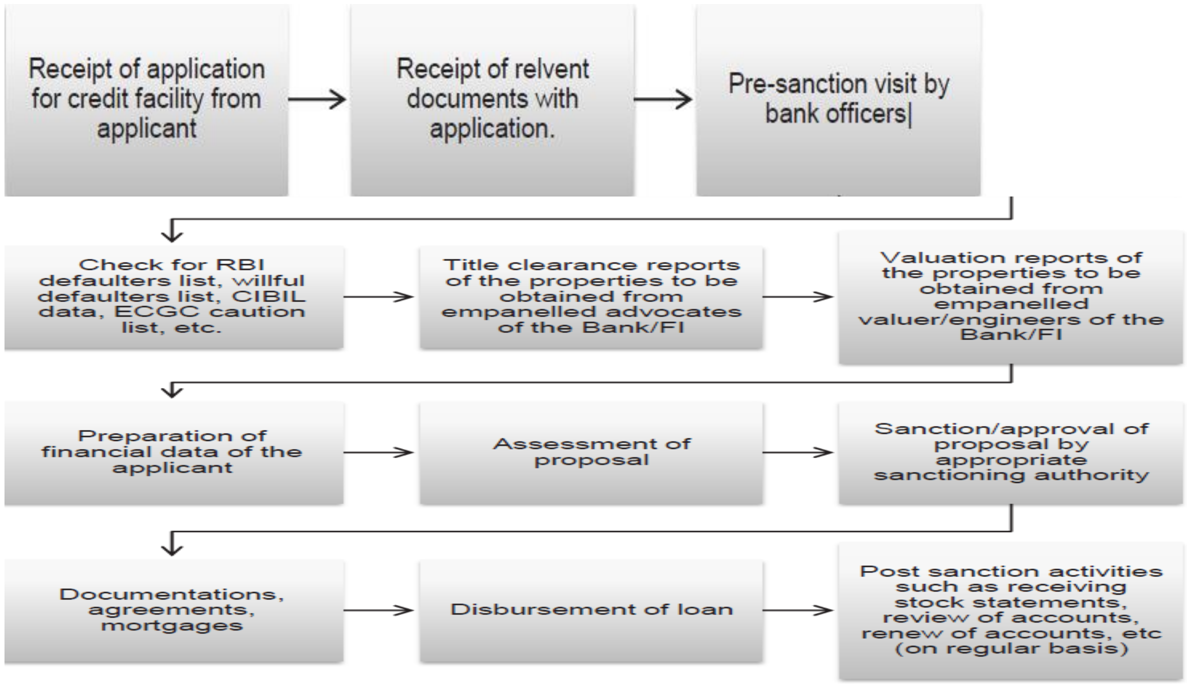
Features of Loan Against Securities
1. Secured Loan - Loan against securities is a secured loan as the bonds, shares, debentures or mutual funds owned by the borrower are kept as collateral security when this loan is advanced.
2. Tenure - The tenure of loan against securities is generally one year.
3. Rate of Interest - Generally interest rates at which loan against securities is advanced varies from 12% - 15% p.a.
4. Processing Fees - Banks and financial institutions usually charge approximately 2% as processing fees.
5. Loan Amount - The loan amount for which the borrower may be eligible depends upon the type of security that is being offered. For example, in case equity shares are offered then the amount that is eligible would be 50% of the value of such shares.
6. Prepayment Charges – There are generally no prepayment charges.</td></tr>
<tr><td>LOAN AGAINST PROPERTIES</td><td>• This is a loan, banks grant against property owned by the prospective borrower.
• Banks take the property as security and based on the valuation of the property, they extend a loan, net of the margin fixed by them.
• The types of Property against which LAP can be availed can range from owned residential properties g, self-occupied property, owned and rented property, owned land, owned commercial property, owned but rented out commercial property.
• The proceeds from these are used by borrowers for personal, business and consumption purposes.
• After due appraisal Banks sanction generally anywhere between 50% to 65% of the value of borrower's property.
• Banks offer repayment period of 10 to 15 years at competitive interest rates. For sanctioning loans against</td></tr>
</table>

	properties banks insist on creating a mortgage in their favour.
DISCOUNTING	• Commercial bills are basically ***negotiable instruments*** accepted by buyers for goods or services obtained by them on credit. • Such bills being bills of exchange can be kept upto the due maturity date and encashed by the seller or may be endorsed to a third party in payment of dues owing to the latter. • The most common practice is that the seller who gets the accepted bills of exchange discounts it with the Bank or financial institution or a bill discounting house and collects the money (less the interest charged for the discounting). • The difficulties which stand in the way of bill market development are, the incidence of stamp duty, shortage of stamp paper, reluctance of buyers to accept bills, predominance of cash credit system of lending and the administrative work involved in handling documents of title to goods. • To be freely negotiable and marketable, the bills ***should be first class bills*** i.e. those accepted by companies having good reputation. • Alternatively, the bills accepted by companies should be ***co-accepted by banks*** as a kind of guarantee. In the absence of these criteria, bill market has not developed in India as the volume of first class bills is very small.
FACTORING	• Factoring is a financial transaction where an entity sells its receivables to a third party called a 'factor', at discounted prices. • Factoring is a financial option for the management of receivables. In simple definition it is the conversion of credit sales into cash. • In factoring, a financial institution (factor) buys the accounts receivable of a company (Client) and pays up to 80% (rarely up to 90%) of the amount immediately on formation of agreement. • Factoring company pays the remaining amount (Balance 20%-finance cost-operating cost) to the client when the customer pays the debt. • Collection of debt from the customer is done either by the factor or the client depending upon the type of factoring. The account receivable in factoring can either be for a product or service. • Examples: factoring against goods purchased, factoring for construction services (usually for government contracts where the government body is capable of paying back the debt in the stipulated period of factoring. Contractors submit invoices to get cash instantly), factoring against medical insurance etc. **Parties in Factoring** The factoring transaction involves three parties: – The Seller, who has produced the goods/services and raised the invoice. – The Buyer, the consumer of goods/services and the party to pay. – The Factor, the financial institution that advances the portion of funds to the seller. **Factoring Process**

	The steps involved in factoring are listed below: – The seller interacts with the funding specialist/broker and explains the funding needs. – The broker prepares a preliminary client profile form and submits to the appropriate funder for consideration. – Once both parties agree that factoring is possible, the broker puts the seller in direct contact with the funder to ask/answer any additional questions and to negotiate a customized factoring agreement, which will meet the needs of all concerned. – At this point, the seller may be asked to remit a fee with formal application to cover the legal research costs, which will be incurred during "due diligence". This is the process by which the buyer's credit worthiness is evaluated through background checks, using national database services. – During the next several days, the funder completes the "due diligence" process on the seller, further verifies invoices and acknowledges any liens, UCC filings, judgments or other recorded encumbrances on the seller's accounts receivables. – The seller is advised of the facility and is asked to advise the buyers of the Factor by letter and submit an acknowledged copy of the same to the Factor for records. – A detailed sanction letter is given to the seller and their acceptance on the same taken, with the Required signatories. (Authorized signatories would be mentioned in the "Signing Authorities" section of the Proposal presented by seller). – The discounting rates, charges fixed. – In case of discounts given by the seller to the buyer, which value would be financed by the factor (since the factored amount should never exceed the amount actually payable by buyer). – Usually within 7 to 10 days of the initial contact with the factor, agreements are signed, customers are notified, UCC forms filed and the first advance is forwarded to the company. This advance can vary between 70 - 80% of the face value of the invoices being factored. In the construction industry, the advances may be in the range of 60 - 70%. The remaining amount is called the "reserve" which is held by the factor until the invoices are paid. The factor then deducts his fee and returns the remaining funds to the seller. – The seller performs services or delivers products, thus creating an invoice. – The seller sends or faxes a copy of the invoice directly to the factor. – The funder verifies the invoice and the advance is sent to the seller as per the agreement with the factor. In certain cases, the funder wires the funds to the seller's account for an additional fee. – The buyer pays the factor. The factor then returns any remaining reserve, minus the fee, which has been predetermined in the negotiated agreement.
ADVANTAGES FOR THE SELLER	• The Seller gets funds immediately after the sale is effected and on presentation of accepted sales invoices and Promissory notes. • Major part of paper work and correspondence is taken care of by the factor. The follow-up, for recovery of funds, is done mainly by the factor. • The Interest rates are not as high as normal discounting. There is an Immediate funding arrangement. • No additional debt is incurred on balance sheet. Other assets are not encumbered and approval is not based on seller's credit rating

TYPES OF FACTORING	**Non-Recourse or Full Factoring** Under this type of factoring the bank takes all the risk and bear all the loss in case of debts becoming bad debts. **Recourse Factoring** Under this type of factoring the bank purchases the receivables on the condition that any loss arising out or bad debts will be borne by the company which has taken factoring. **Maturity Factoring** Under this type of factoring bank does not give any advance to the company rather bank collects it from customers and pays to the company either on the date of collection from the customers or on a guaranteed payment date. **Advance Factoring** Under advance factoring arrangement the factor provides an advance against the uncollected and non-due receivables to the firm. **Undisclosed Factoring** Under this type of factoring, the customer is not informed of the factoring arrangement. The firm may collect dues from the customer on its own or instruct to make remit once at some other address. **Invoice Discounting** Under this type of factoring the bank provide an advance to the company against the account receivables and in turn charges interest rate from the company for the payment which bank has given to the company.
ISLAMIC BANKING	• **Islamic Banking or Sharia-Compliant Finance** is banking or financing activity that complies with sharia (Islamic law) and its practical application through the development of Islamic economics. • Some of the modes of Islamic banking/finance include Mudarabah (Profit sharing and loss bearing), Wadiah (safekeeping), Musharaka (joint venture), Murabahah (cost plus), and Ijara (leasing). • Sharia prohibits riba, or usury, defined as interest paid on all loans of money (although some Muslims dispute whether there is a consensus that interest is equivalent to riba).Investment in businesses that provide goods or services considered contrary to Islamic principles (e.g. pork or alcohol) is also haraam («sinful and prohibited»). • Sharia-compliant financial institutions represented approximately 1% of total world assets, concentrated in the Gulf Cooperation Council (GCC) countries, Iran, and Malaysia. • Although Islamic Banking still makes up only a fraction of the banking assets of Muslims, since its inception it has been growing faster than banking assets as a whole, and is projected to continue to do so. • The first successful example of an Islamic Bank was perhaps a financial institution called Tabung Haji in Malaysia which originally came into being due to high demand of interest-free money for pilgrimage (Hajj) since this was not possible by way of conventional banking system. • Islamic Banks work on the principles of an interest free banking. Riba or interest under Islamic Law basically

	means anything in "excess" – the investor should not make an "undue" profit from the hard work of the other. But it is permitted to follow a system of reasonable profit and return from investment where the investor takes a risk that is well calculated. Thus, Islamic banks make available accounts which provide profit or loss instead of interest rates. • The banks use this money collected by them and invest in something that is shariat compliant, that is not haraam and does not involve high risks. Thus, businesses involving alcohol, drugs, war weapons etc. as well as all other high risk and speculative activities are prohibited. Islamic Banking, therefore, acts as an agent by collecting the money on behalf of its customers, investing them in shariat compliant projects and sharing the profits or losses with them. The Dow Jones Islamic Market Index came into being in the year 1999 for investors willing to invest in shariat compliant projects. • There are various products in Islamic Banking that cover the needs and requirements of the consumers. Some of them are Mudarbah (profit sharing – one party provides finances, the other provides expertise), Musharaka (joint venture – both parties share everything equally), Murabaha (cost plus profit), Ijara (letting on lease), Istisna amongst others
ISLAMIC BANKING IN INDIA	However, the Indian banking laws will have to be amended so as to incorporate the provisions relating to Islamic banking. For example, the Banking Regulation Act requires payment of interest which is against the principles of Islamic Banking. The Act also specifies "banking" to mean accepting deposits of money from public for lending or investment, thus excluding within its ambit the instruments of Islamic banking that promote profit and loss.
HOW TO PREPARE CMA DATA FOR DIFFERENT TYPES OF LOANS AND CREDIT FACILITIES	**CMA refers to Credit Monitoring Arrangement data,** which is a report to be presented to a bank to show the company's past financial history, current financial position and future financial planning. It is necessary for a bank loan or a working capital loan or for seeking Cash Credit Limit. In CMA data there are different parts: In case of existing units, the data should be for current year estimated) and past 3 years (Audited) and projections for next 5 to 7 years covering the proposed repayment period of Term loan. **Operating statement** – Profitability statement. In CMA data the expenses are mainly grouped into following categories: Raw Material consumed. (Opening stock + Purchases – Closing Stock) Other Spares Electricity / Power / Fuel Factory / Direct wages Repairs & Maintenance Other overheads Total of the above expenses **plus** opening stock of Stock in process and Finished goods **Less** closing stock of Stock in process and Finished goods is the **"Total Cost of Sales".**

	All other office expenses and indirect expenses related to business **excluding** Interest paid on Bank loan (which is shown separately- for Cash Credit and for Term Loan) are clubbed under the head "**Selling, General & Administrative Expenses".**
APPRAISAL METHODOLOGY FOR DIFFERENT TYPE OF LOANS AND CREDIT PRODUCTS	• Credit Appraisal is the process by which **a lender appraises the technical feasibility, economic viability and bankability including creditworthiness of the prospective borrower.** • Appraisal of credit is **generally carried by the Banks/financial institutions** which are involved in providing financial funding to its customers. • Credit appraisal process of a customer lies in assessing if that customer is capable of repaying the loan amount in the stipulated time, or not. • The **banks have has their own methodology** to determine if a borrower is creditworthy or not. It is determined in terms of the norms and standards set by the banks. • All banks employ their own unique objective, subjective, financial and non-financial techniques to evaluate the creditworthiness of their customers.  While assessing a customer, the bank needs to know the following information: • Incomes of applicants and co-applicants, age of applicants, educational qualifications, profession, experience, additional sources of income, past loan record, family history, employer/business, security of tenure, tax history,

assets of applicants and their financing pattern, recurring liabilities, other present and future liabilities and investments (if any).

Out of these, the incomes of applicants are the most important criteria to understand and calculate the credit worthiness of the applicants. As stated earlier, the actual norms decided by banks differ greatly. Each has certain norms within which the customer needs to fit in to be eligible for a loan. Based on these parameters, the maximum amount of loan that the bank can sanction and the customer is eligible for is worked out.

Besides the above said process, profile of the customer is studied properly. Their CIBIL (Credit Information Bureau (India) Limited) score is checked.

I. Working Capital

- Funds required for day to-day working like for purchase of raw materials/ stores/ fuel, for employment of labour, for power charges etc., for storing finishing goods till they are sold out & for financing the sales by way of sundry debtors/ receivables, are financed through working capital limit.
- Capital or funds required for an industry can therefore be bifurcated as fixed capital & working capital. Working capital in this context is the excess of current assets over current liabilities. The excess of current assets over current liabilities is treated as net working capital or liquid surplus & represents that portion of the working capital which has been provided from the long term source.
- Thus Working Capital Requirement is dependent on :
  - The volume of activity (viz. level of operations i.e. Production & sales)
  - The activity carried on viz. manufacturing process, product, production programme, the materials & marketing mix.

1. Operating Cycle Method: Any manufacturing activity is characterized by a cycle of operations consisting of purchase of raw materials for cash, converting these into finished goods & realizing cash by sale of these finished goods.

The time gap between cash outlay & cash realization by sale of finished goods & realization of sundry debtors is known as the length of the operating cycle.

Operating cycle is also called the cash-to-cash cycle & indicates how cash is converted into raw material, stocks in process, finished goods, bills (receivables) & finally back to cash. Working capital is the total cash that is circulating in this cycle. Therefore, working capital can be turned over or redeployed after completing the cycle.

a) That is, the operating cycle consists of:

- Time taken to acquire raw materials & average period for which they are in store.
- Conversion process time
- Average period for which finished goods are in store &

- Average collection period of receivables (Sundry Debtors)

2. Turnover Method (Nayak Committee) : This method of assessing working capital requirement of a firm is given by "Nayak Committee". The committee headed by Mr. P.R. Nayak examined the adequacy of institutional credit to SSI sector and gave its recommendations which are as under:

Under this method, bank credit for working capital purposes for borrowers requiring fund based limits up to ₹ 5 crore for Small Scale Industries borrowers and ₹ 2 crore in case of other borrowers, may be assessed at minimum of 25% of the projected annual turnover of which should be provided by the borrower (i.e. minimum margin of 5% of the annual turnover to be provided by the borrower) and balance 4/5th (i.e. 20% of the annual turnover) can be extended by way of working capital finance.

Since the bank finance is only intended to support the need based requirement of a borrower, if the available Net Working Capital (net long term surplus funds) is more than 5%of the turnover the former should be reckoned for assessing the extent of bank finance.

3. Maximum Permissible Banking Finance Method (Tandon Committee) : A committee headed by Mr. P.L. Tandon, ex-chairman of PNB, was constituted with view to suggest improvement in the existing ash credit system. It submitted its report on guidelines for follow up of credit in August 1974, suggesting three methods of lending.
These are as follows:

- ***1st Method of Lending***: 75% of the working capital gap (Working Capital Gap= Total current assets–Total current liabilities other than bank borrowings) is financed by the bank and the balance 25% of the Working Capital Gap considered as margin is to come out of long term source i.e. owned funds and term borrowings.

- ***2nd Method of Lending***: Bank will finance maximum up to 75% of total current assets (TCA) and borrower has to provide a minimum of 25% of total current assets as the margin out of long term sources. This will give a minimum current ratio of 1.33:1.

- ***3rd Method of Lending***: This is same as 2nd method of lending, but excluding core current assets from total assets and the core current assets are financed out of long term funds of the company. The term 'core current assets' refers to the absolute minimum level of investment in current assets, which is required at all times to carry out minimum level of business activity.

4. Chore Committee: The R.B.I constituted, in April 1979, a working group under the chairmanship of Sri K.B Chore, to review the system of cash credit with the particular reference to the gap between sanctioned limit and the extent of their utilization. It was also asked to suggest alternative type of credit facilities which would ensure greater credit discipline and enable the banks to relate the credit limits to increase in output or other productive activities.

The committee recommended assessment of working capital requirements have to be mandatorily assessed based on

	2nd method of lending suggested by Tandon Committee except for sick/Units under rehabilitation. **5. Cash Budget System:** In case of tea, sugar, construction companies, film industries and service sector requirement of finance may be at the peak during certain months while the sale proceeds may be realised throughout the year to repay the outstanding in the account. Therefore, credit limits are fixed on the basis of projected monthly cash budgets to be received before beginning of the season. **II. Appraisal of Term Loans** Appraisal of term loan for an industrial unit is a process comprising several steps. There are four broad aspects of appraisal, namely ❖ ***Technical Feasibility*** - To determine the suitability of the technology selected & the adequacy of the technical investigation & design; ❖ ***Economic Feasibility*** - To ascertain the extent of profitability of the project & its sufficiency in relation to the repayment obligations pertaining to term assistance; ❖ ***Financial Feasibility*** - To determine the accuracy of cost estimates, suitability of the envisaged pattern of financing & general soundness of the capital structure; & ❖ ***Managerial Competency*** – To ascertain that competent men are behind the project to ensure its successful implementation & efficient management after commencement of commercial production.

CHAPTER 8 - DEBT FUNDING – INDIAN NON-FUND BASED

CREDIT FACILITIES PROVIDED BY THE BANKS	**Fund Based Facilities and Non-Fund Based Facilities** In Funded (Fund based) facility, there is cash outflow right from the initial stage. The examples of funded facility are Term Loan, Cash Credit and Bill Purchased or bill discounting. When a term loan is disbursed, cash credit facility is sanctioned or a bill is purchased or discounted cash flow takes place. The income earned by the banks when they extend funded facilities to the borrowers, is accounted under income head interest (in case of term loans and cash credits) and discount (in case of bill discounting facility). In Non-funded (Non-fund based) facility, initially there is no cash outflow, later on there may or may not be cash outflow. The examples of non-fun based facility are Bank Guarantees (BGs) including deferred payment guarantees and Letter of Credit (LCs). When BG or LC is issued, there is no cash out flow. However latter on if the guarantee is invoked by the beneficiary, the bank will have to make the payment under the guarantee at times even if there is no balance in the account of customer. Similarly when bills negotiated under LC are due for payment the bank may have to honour the same at times by creating forced loan in the account of the buyer on whose behalf Letter of Credit is issued. The income earned by banks while issuing bank guarantees or LCs is accounted under the income head “commission”. **Non-Fund based credit facilities to non-borrowers of the bank (Dec 2019)** Banks can grant non-funded facilities including partial credit enhancement to customers, not availing fund based facility from any bank in India under following conditions : 1) Banks are to ensure that the borrower has not availed any fund based facility from any bank operating in India. At the time of granting non-funded facilities, bank to obtain declaration from the customer about the non-funded credit facilities already enjoyed by them from other banks. 2) Banks are to undertake similar credit appraisal as for fund based facilities. 3) Credit information relating to such facility shall be mandatorily be furnished to the Credit Information Companies.
LETTER OF CREDIT	A letter of credit is a document from a bank that guarantees payment. A Letter of Credit is issued by a bank at the request of its customer (importer / buyer) in favour of the beneficiary (exporter / seller). It is an undertaking/ commitment by the bank, advising/informing the beneficiary that the documents under a letter of credit would be honoured, if the beneficiary (exporter) submits all the required documents as per the terms and conditions of the letter of credit.
TYPES OF LETTER OF CREDIT	• **Sight Credit** – Under this letter of credit, documents are payable at sight/ upon presentation, i.e., Payment is made to the seller immediately (maximum within 7 days) after the required documents have been submitted. • **Acceptance Credit/ Time Credit** – The Bills of Exchange which are drawn, payable after a period, are called usance bills. Under acceptance credit usance bills are accepted upon presentation and eventually honoured on due dates. The documents of title to goods (R/R, L/R, MTR, Bill of Lading etc.) are delivered to the applicant (importer / buyer) on acceptance of Bill of exchange drawn under LC by the Seller / exporter. To that extent these LCs are unsecured.

• **Revocable and Irrevocable Credit** – A revocable letter of credit is a credit, in which the terms and conditions of the credit can be amended/cancelled by the Issuing bank, any time and without prior notice to the beneficiaries. If the negotiating bank makes a payment to the beneficiary prior to receiving notice of cancellation / amendments, it is obligatory for issuing bank to make payment to reimburse the negotiating bank. An irrevocable letter of credit is a credit, the terms and conditions of which can neither be amended nor cancelled without the consent of the beneficiary. Hence, the opening bank is bound by the commitments given in the letter of credit. If nothing is stated, the LC is treated as irrevocable.

• **Confirmed Credit** – Only Irrevocable letter of credit can be confirmed. A confirmed letter of credit is one when a banker other than the Issuing bank, adds its own confirmation to the credit. In case of confirmed letter of credits, the beneficiary's bank would forward the LC to the confirming banker with a request to add their confirmation. The liability of the confirming bank is same as the issuing bank.

• **Back-to-Back Letter of Credit** – Back-to-Back Letter of Credit is a negotiable instrument in which the seller gets a Letter of Credit from the buyer and the seller further transfers the Letter of Credit to its supplier. In simple words, the seller first gets the Letter of Credit from the buyer to ensure timely payment and further the same seller hands over the Letter of Credit to someone from whom he buys goods or materials. There are various advantages and disadvantages of Letter of Credit. Let us take an example to under the concept of Back-to-Back Letter Of Credit.

• **Transferable Credit** – While a letter of credit is not a negotiable instrument, the Bills of Exchange drawn under it are negotiable. A Transferable letter of credit is one in which a beneficiary can transfer his rights to third party / parties in whole or in part (in that case the unused portion can be transferred back to the original beneficiary) . Such letter of credit should clearly indicate that it is a 'Transferable' letter of credit. Transferable Letter of Credit is transferrable only once.

• **Red Clause Letter of Credit** – Red clause letter of credit is an advance payment letter of credit. Under the red clause letter of credit, the issuing bank will make an advance payment to the exporter i.e. the seller before the seller ships the goods to the importer i.e. buyer. This is usually done to provide aid to the seller in the form of working capital to purchase raw material, processing and packaging of goods, etc. The advance payment will be done against documentary requirement under the red clause letter of credit. Generally, documents required are written undertaking and receipts.

• **Green Clause Letter of Credit** – Green clause letter of credit is an extension of red clause letter of credit. Which means it provides the advance not only for the purchase of raw materials, processing, and packaging of goods, etc. but also for pre-shipment warehousing at the port of origin and insurance expense. In usual cases, the advance under this letter of credit is granted only after the purchased goods are stored in bonded warehouses. This type of letter of credit is usually used in transactions related to commodity market such as wheat, rice, gold, etc

	• **Standby letter of credit** – In certain countries there are restrictions to issue guarantees, as a substitute these countries use standby credit. In case the guaranteed service is not provided, the beneficiary can claim under the terms of the standby credit. In case of Standby letter of credits, the documents required are proof of non-performance or a simple claim form. • **Revolving Credit** – Here the amount of drawings made would be reinstated and made available to the beneficiary again and again for further drawings during the currency of credit provided. At times an overall turnover cap is also stipulated.
PARTIES INVOLVED IN LETTER OF CREDIT	Parties involved in letter of credit finance: 1. **Applicant**: The buyer /importer of goods: This person has to make payment of letter of credit to the issuing bank if the documents are in accordance with the terms and conditions of LC. 2. **Issuing Bank**: Importer's or buyer's bank who lends its name or credit, is issuing Bank. It is liable for payment of LC in case the documents are received by it from the nominated or negotiating bank and the documents are in terms of letter of credit. This bank gets 5 days to check the documents. 3. **Advising Bank**: Issuing bank branch or correspondent in exporter country to whom the letter of credit is sent for onward transmission to the seller or beneficiary, after authentication of genuineness of the credit. Where it is unable to verify he authenticity, it can seek instructions from the opening bank or can advise the LC to the beneficiary, without any liability on its part. This bank has no obligation to negotiate the document. 4. **Beneficiary**: The party to whom the credit is addressed i.e. seller or the exporter or the supplier of the goods. It gets payment against documents as per LC from the nominated bank within validity period of negotiation maximum 21 days from date of shipment. 5. **Negotiating bank**: The bank nominated by the issuing bank to negotiate the documents when submitted by the exporter or alternatively the bank to whom the beneficiary presents the documents for negotiation. It claims payment from the reimbursing bank or opening bank and gets 5 banking days to check the documents. 6. **Reimbursing Bank**: Third bank which repays, settle or funds the negotiating bank at the request of its principal, the issuing bank. 7. **Confirming Bank**: The bank adding confirmation to the credit, which undertakes the responsibility of payment by the issuing bank and on his failure, to pay. The confirmation, is added on request of the opening bank.
DOCUMENTS HANDLED UNDER LETTERS OF	The important documents handled under LCs are broadly classified as **(a) Bill of Exchange:** Bill of exchange, is drawn by the beneficiary (exporter) on the LC issuing bank. When the bill of exchange is not drawn

CREDIT

under a LC, the drawer of the bill of exchange (exporter), draws the bill of exchange on the drawee (importer). In such a case, the exporter takes credit risk on the importer, whereas, when the Bill of Exchange is drawn under LC, the credit risk for the exporter is not on the importer but on the LC issuing bank. Banks should be careful in ensuring that the Bill of Exchange is drawn strictly as per the terms and conditions of the credit.

(b) Commercial Invoice:

This is another important document. Commercial invoice is prepared by the beneficiary, which contains

(i) relevant details about goods in terms of value, quantity, weights (gross/net), importer's name and address, LC number

(ii) Commercial invoice should exactly reflect the description of the goods as mentioned in LC.

(iii) Another important requirement is that the commercial invoice should indicate the terms of sale contract (Inco terms) like FOB, C&F, CIF, etc

(iv) Other required details like shipping marks, and any specific detail as per the LC terms should also be covered.

(c) Transport Documents: (Documents of title to the goods)

When goods are shipped from one port to another port the transport document issued is called the bill of lading. Goods can be transported by means of airways, waterways, roadways and railways depending upon the situations. In case goods are transported by means of water ways, the document is called bill of lading (B/L), by airways it is known as airway bills (AWB) and by roadways called as lorry receipt(LR) and by railways it is known as railway receipt (RR). In case of a single transaction, when different modes are used to transport the goods from the beneficiary's country to the importer's destination, a single transport document can be used viz., Multi Modal Transport Document. For ease of reference the most commonly used document i.e., Bill of Lading is discussed here.

(d) Bill of Lading (B/L):

The B/ L is the shipment document, evidencing the movement of goods from the port of acceptance (in exporter's country) to the port of destination (in importer's country). It is a receipt, signed and issued by the shipping company or authorized agent. It should be issued in sets (as per the terms of credit).

Other important features:

As per the terms and conditions of the credit, a bill of lading should clearly indicate:

(i) the description of goods shipped, as indicated in the invoice

(ii) conditions of goods "Clean" or otherwise (not in good condition/ shortage/damaged)

(iii) drawn to the order of the shipper, blank endorsed or in favour of the opening bank

(iv) the gross and net weight

(v) Freight payable or prepaid

(vi) Port of acceptance and port of destination

Insurance Policy/ Certificate: This document is classified as a document to cover risk.

(a) It must be issued by the insurance company or their authorized agents

	(b) It should be issued in the same currency in which the LC has been issued (c) It should be issued to cover “All Risks” (d) The date of issuance of the policy/ certificate should be on or before the date of issuance of the shipment, and should clearly indicate that the cover is available from the date of shipment (e) Unless otherwise specified, it should be issued for an amount of 110% of CIF value of goods (f) The description of the goods in the policy/certificate should be as per the terms of the credit (g) The other important details like the port of shipment, port of destination etc need~~s~~ to be clearly indicated
UNIFORM CUSTOMS AND PRACTICE FOR DOCUMENTARY CREDIT (UCPDC 600)	• International Chamber of Commerce (ICC), arranges to issue uniform guidelines to handle documents under Letters of Credit. These guidelines are used by various parties involved in letters of credit transactions like, exporters, importers, their bankers, shipping and insurance companies. • These guidelines gives clarity for the persons to draw and handle various documents. The latest guidelines is called as UCPDC 600 and it came into effect in July 2007. • Banks, which are involved in LC transactions need to be familiar with UCPDC 600. The overall objective of UCPDC document is to reduce confusions in understanding terminologies involved in international trade and reduce disputes among various parties involved in the transaction. **Process:** 1. A manufacturer gets an order from a new customer overseas. The manufacturer has no way of knowing if this customer can (or will) pay for the goods after they’re produced and shipped. 2. To manage risk, the seller uses an agreement requiring the buyer to pay with a letter of credit as soon as shipment is made. 3. To move forward, the buyer needs to apply for a letter of credit at a local bank. The buyer may need to have funds on hand at that bank or get approval for financing from the bank. 4. The buyer’s bank will only release funds to the seller after the seller proves that the shipment happened. To do so, the seller typically provides documents showing how goods were shipped (with details like the exact dates, destination, and contents). In some ways, the buyer also enjoys protection under a letter of credit: Buyers might prefer to pay a bank with a big legal department than send the money directly to an unknown seller. The bank will only issue a letter of credit if the bank is confident that the buyer will pay. Some buyers have to pay the bank up front or allow the bank to freeze funds held at the bank. Others use a line of credit with the bank, effectively getting a loan from the bank. Sellers must trust that the bank issuing the letter of credit is legitimate and that the bank will pay as agreed. If sellers have any doubts, they can use a “confirmed” letter of credit, which means that another (presumably more trustworthy) bank will guarantee payment. Sellers typically get letters of credit confirmed by banks in their home country.

	When Does Payment Happen? A beneficiary only gets paid after performing specific actions and meeting the requirements spelled out in a letter of credit. For international trade, the seller may have to deliver merchandise to a shipyard to satisfy the requirements of the letter of credit. Once the merchandise is delivered, the seller receives documentation proving that he made delivery, and the documents are forwarded to the bank. In many cases, the letter of credit now must be paid even if something happens to the shipment. If a crane falls on the merchandise or the ship sinks, it's not necessarily the seller's problem. The bank is not concerned with the quality of goods or other items that may be important to the buyer and seller. That doesn't necessarily mean that sellers can send a shipment of junk: Buyers can insist on an inspection certificate as part of the deal, which allows somebody to review the shipment and ensure that everything is acceptable. Additionally under UCPDC the following provisions are also mentioned for the guidance/benefit of the parties concerned. • A credit is irrevocable even if there is no such mention in the document. • The words 'to', 'until', 'from' and 'between' when used to determine a period of shipment include the date mentioned and the words 'before' and 'after' exclude the date mentioned. • The words 'from' and 'after' when used to determine a maturity date exclude the date mentioned. • Branches in different countries are considered to be separate banks. • The date of issuance of the transport documents will be deemed to be the date of dispatch, taking in charge or shipped on board and the date of shipment. If the transport document indicates by stamp or notation, a date of dispatch taking in charge or shipped on on board, this date will be deemed to be the date of shipment. • Transshipment means unloading from one mode of conveyance during the carriage, from the place of dispatch taking in charge or shipment to the place of final destination stated in the credit. • A clean transport document is one having no clause of notation expressly declaring a defective condition of the goods or their packaging.
STANDBY LETTER OF CREDIT (SLOC)	A standby letter of credit (SLOC or SBLC), also known as a standby or LOC, is a lender's guarantee of payment to an interested third-party in the event the client defaults on an agreement. Standby letters of credit are formal documents that specify the duties and obligations of each party and serve as an act of good faith. The bank issuing the SLOC performs general underwriting duties to ensure the financial credibility of the party seeking the letter of credit. Then it sends a notification to the bank of the party requesting the letter of credit (typically a seller or creditor). A financial SLOC, the most common type, is typically used in international trade or other high-value purchase contracts where litigation or other non-payment actions may not be feasible. A financial SLOC guarantees payment to the beneficiary if contract requirements are unfulfilled. For example, an exporter sells goods to a foreign buyer who guarantees payment in 30 days. When no payment is received by the deadline, the exporter presents the SLOC to the buyer's bank to receive payment. A performance SLOC ensures that time, cost, amount, quality of work, and other criteria are fulfilled in a manner

	acceptable to the client. The bank pays the beneficiary if any contractual obligations are unmet. For example, a contractor guarantees a construction project will be finished in 90 days. If work remains incomplete after the 90-day period, the client can present the SLOC to the contractor's bank and receive payment. Standby letters of credit and bank guarantees are both methods of providing assurance to a vendor of payment on credit. A bank guarantee is a commitment by a bank to pay its client's obligation up to a certain amount, while standby letter of credit is a more formal document that details the obligations of both parties.
BANK GUARANTEE	Bank guarantees are part of non-fund based credit facilities provided by the bank to the customers. Bank issue bank guarantee on behalf of his client as a commitment to third party assuring her/ him to honour the claim against the guarantee in the event of the non- performance by the bank's customer. A Bank Guarantee is a legal contract which can be imposed by law. The banker as guarantor assures the third party (beneficiary) to pay him a certain sum of money on behalf of his customer, in case the customer fails to fulfill his commitment to the beneficiary. Banks issue different types of guarantees, on behalf of their customers, as illustrated below: 1) **Financial Guarantee**: The banker issues guarantee in favour of a government department against caution deposit or earnest money to be deposited by bank's client. At the request of his customer, in lieu of a caution deposit/ earnest money, the banker issues a guarantee in favour of the government department. This is an example of a Financial Guarantee. This type of guarantee helps the bank's customer to bid for the contract without depositing actual money. In case, the contractor does not take up the awarded contract, then the government department would invoke the guarantee and claim the money from the bank. 2) **Performance Guarantee**: Performance Guarantees are issued by banks on behalf of their clients. In performance guarantee bank issue on behalf of his client to assure the third party to complete some work on time or as per the terms of contact between the parties. If the work is not completed as per the term of contract then the third party can request the bank to invoke the bank guarantee and make payment for default. **Purpose of issuing Performance Bank Guarantees**: • Performance Bank Guarantees are issued guaranteeing due performance of contract or obligation of the Borrower under the contract. In the event of non-performance of obligation in terms of contract the bank assumes monetary liability up to the amount specified in the Guarantee. • Some of the purposes for which Bank Guarantees are issued are: i. Due performance of a specific contract undertaken by a customer in favour of Govt. bodies / Others - for e.g. supply of materials, Construction of Roads, Buildings Dams, Civil Work, etc. ii. To secure any claims by the buyer on the seller arising from default in delivery or performance of the terms of the contract (e.g. construction, assembly, execution). iii. Due performance of an equipment/project after completion for a specific period due to possible defects appearing after delivery during warranty period of the equipments.

	iv. Execution of Long Term Infrastructure Projects such as Seaports, Airports, Road Construction, Bridges, Sanitation and Sewerage Projects, Telecommunication Services, Construction of Educational Institutions and Hospitals, Generation/ Transmission/ Distribution of Power, etc. 3) **Deferred Payment Guarantee (DPG)**: It is clear from the name of the Bank guarantee that under this guarantee, the banker guarantees payments of installments spread over a period of time. Here the banks undertake to make payment of instalments payable by the buyer of capital goods such as machinery, on long term credit given by the supplier. Normally advance payment of 10 to 15% of the price of the capital goods is made by the borrower (margin). The balance amount with interest is payable in installments spread over may be 1 to 5 years. The supplier accordingly draws bills due on different dates which are accepted by the borrower and further co-accepted by the banker or bank issues DPG. On every due date the buyer's bank makes payment of the bill to the supplier irrespective of there being balance in the buyer's (borrower's) account or not. Banks secure such guarantees by creating charge over the assets purchased. – On expiry of the validity period of the guarantee, a registered acknowledgement due notice is to be sent to the beneficiary indicating that the liability of the bank under said guarantee stands discharged. If no reply is received from the beneficiary in reasonable time the entry is reversed in books of account. – If beneficiary invokes the guarantee, the amount claimed needs to be paid immediately without any delay for whatsoever the reason. – In the bank guarantee, the extent of monetary liability and the validity period should be specific. The limitation clause is inserted for this purpose. As such even when the period of liability is specified in the guarantee, the beneficiary can claim till the limitation period is alive. – No bank guarantee should normally have a maturity period of more than 10 years. The bank should have a policy approved by the Board in case guarantee for more than 10 years is to be issued.
APPRAISAL METHODOLOGY FOR DIFFERENT TYPE OF NON FUND BASED CREDIT PRODUCTS	**Credit Appraisal** Credit Appraisal is a process to ascertain the risks associated with the extension of the credit facility. Appraisal of credit is generally carried by the Banks/financial institutions which are involved in providing financial funding to its customers. To ascertain the credit risk associated with every credit proposal appraisal is required. Credit worthiness of a borrower can be assessed by proper credit appraisal. **I. Letter of Credit Limit:** Letter of credit (LC) is a method of settlement of payment of a trade transaction and is widely used to finance purchase of raw material, machinery etc. It contains a written undertaking by the bank on behalf of the

purchaser to the seller to make payment of a stated amount on presentation of stipulated documents and fulfillment of all the terms and conditions incorporated therein. Letters of credit thus offers both parties to a trade transaction a degree of security. The seller can look forward to the issuing bank for payment instead of relying on the ability and willingness of the buyer to pay.

Assessment of Limit of Letter of Credit

Particulars	
Annual Raw Material Consumption	**A**
Annual Raw Material Procurement through ILC/ FLC	**B**
Monthly Consumption	**C**
Usance	**D**
Lead Time	**E**
Total Time	**F=D+E**
LC Time Required	**G=F*C**

II. Bank Guarantee Limit: Appraisal of proposals for Bank guarantees is done with same diligence as in the case of fund-base limits. Whenever an application for the issue of bank guarantee is received, Bank examine & satisfy about the following aspects:
a) The need of the bank guarantee & whether it is related to the applicant's normal trade/business.
b) Whether the requirement is one time or on the regular basis.
c) The nature of bank guarantee i.e., financial or performance.
d) Applicant's financial strength/ capacity to meet the liability/ obligation under the bank guarantee in case of invocation.
e) Past record of the applicant in respect of bank guarantees issued earlier; e.g., instances of invocation of bank guarantees, the reasons thereof, the customer's response to the invocation, etc.
f) Present o/s on account of bank guarantees already issued.
g) Margin.
h) Collateral security offered.

Assessment of Limit of Bank Guarantee

Particulars	
Outstanding Bank Guarantee as per Audited Balance Sheet	**A**
Add Bank Guarantee required during the period	**B**
Less Estimated maturity or cancellation of Bank Guarantee during the period	**C**
Requirement of Bank Guarantee	**D=A+B-C**

CHAPTER 9 - FOREIGN FUNDING – INSTRUMENTS & INSTITUTIONS

INTRODUCTION

Increased globalization and investor appetite for investing in India, offer unique opportunity to companies looking to tap a new investor base, awareness or raise capital.

Capital can be raised from international capital market in foreign currency by accessing foreign capital market. Funds raised through foreign currency are called as euro equity or debt.

- **Euro Equity**: Euro equity issue represents shares denominated in dollar terms, issued by non-American and non-European companies to list their shares on American and European stock exchanges by complying the regulations of respective stock exchanges where the shares are intended to be listed. The euro equity issue can be made in different forms like American Depository Receipts and Global Depository Receipts.

- **Euro Debt**: Debts raised from international capital market by complying regulations of the respective country of which the capital market is accessed is called as euro debt. Euro debt can be issued in the form of ECB/FCCB/FCEB etc.

Indian companies are allowed to raise capital in the international market through the issue of GDR/ADR/FCCB/FCEB and through External Commercial Borrowings.

EXTERNAL COMMERICAL BORROWINGS

Master Direction No. 5 /2018-19 Dated 26th March 2019

External Commercial Borrowings are commercial loans raised by eligible resident entities from recognised non-resident entities and should conform to parameters such as minimum maturity, permitted and non-permitted end-uses, maximum all-in-cost ceiling, etc. The parameters given below apply in totality and not on a standalone basis.

The framework for raising loans through ECB (hereinafter referred to as the ECB Framework) comprises the following two options:

Parameters	FCY Denominated ECB	INR denominated ECB
Currency of Borrowing	Any freely convertible Foreign Currency	Indian Rupee (INR)
Forms of ECB	Loans including bank loans; floating/ fixed rate notes/ bonds/ debentures (other than fully and compulsorily convertible instruments); Trade credits beyond 3 years; FCCBs; FCEBs and Financial Lease.	Loans including bank loans; floating/ fixed rate notes/bonds/ debentures/ preference shares (other than fully and compulsorily convertible instruments); Trade credits beyond 3 years; and Financial Lease. Also, plain vanilla Rupee denominated bonds issued overseas, which can be either placed privately or listed on exchanges as per host country regulations.
Eligible borrowers	Loans including bank loans; floating/ fixed	a) All entities eligible to raise FCY ECB; and

<table>
<tr><td></td><td>rate notes/bonds/ debentures/ preference shares (other than fully and compulsorily convertible instruments); Trade credits beyond 3 years; and Financial Lease. Also, plain vanilla Rupee denominated bonds issued overseas, which can be either placed privately or listed on exchanges as per host country regulations.</td><td>b) Registered entities engaged in micro-finance activities, viz., registered Not for Profit companies, registered societies/trusts/ cooperatives and Non-Government Organisations.</td></tr>
<tr><td>Recognised lenders</td><td colspan="2">The lender should be resident of FATF or IOSCO compliant country, including on transfer of ECB. However,

a) Multilateral and Regional Financial Institutions where India is a member country will also be considered as recognised lenders;

b) Individuals as lenders can only be permitted if they are foreign equity holders or for subscription to bonds/debentures listed abroad; and

c) Foreign branches / subsidiaries of Indian banks are permitted as recognised lenders only for FCY ECB (except FCCBs and FCEBs). Foreign branches / subsidiaries of Indian banks, subject to applicable prudential norms, can participate as arrangers/underwriters/market-makers/traders for Rupee denominated Bonds issued overseas. However, underwriting by foreign branches/subsidiaries of Indian banks for issuances by Indian banks will not be allowed.</td></tr>
<tr><td>Minimum Average Maturity Period (MAMP)</td><td colspan="2">MAMP for ECB will be 3 years. Call and put options, if any, shall not be exercisable prior to completion of minimum average maturity. However, for the specific categories mentioned below, the MAMP will be as prescribed therein:
<table>
<tr><td>Category</td><td>MAMP</td></tr>
<tr><td>ECB raised by manufacturing companies up to USD 50 million or its equivalent per financial year.</td><td>1 Year</td></tr>
<tr><td>ECB raised from foreign equity holder for working capital purposes, general corporate purposes or for repayment of Rupee loans</td><td>5 Years</td></tr>
<tr><td>ECB raised for
(i) working capital purposes or general corporate purposes
(ii) on-lending by NBFCs for working capital purposes or general corporate purposes</td><td>10 Years</td></tr>
</table></td></tr>
</table>

		ECB raised for (i) working capital purposes or general corporate purposes (ii) on-lending by NBFCs for working capital purposes or general corporate purposes | 7 Years
		ECB raised for (i) working capital purposes or general corporate purposes (ii) on-lending by NBFCs for working capital purposes or general corporate purposes | 10 Years
		for the categories mentioned at (b) to (e) – (i) ECB cannot be raised from foreign branches / subsidiaries of Indian banks (ii) the prescribed MAMP will have to be strictly complied with under all circumstances.
	All-in-cost ceiling per annum	Benchmark rate plus 450 bps spread.
	Other costs	Prepayment charge/ Penal interest, if any, for default or breach of covenants, should not be more than 2 per cent over and above the contracted rate of interest on the outstanding principal amount and will be outside the all-in-cost ceiling.
	End-uses (Negative list)	The negative list, for which the ECB proceeds cannot be utilised, would include the following: a) Real estate activities. b) Investment in capital market. c) Equity investment. d) Working capital purposes, except in case of ECB mentioned at v(b) and v(c) above. e) General corporate purposes, except in case of ECB mentioned at v(b) and v(c) above. f) Repayment of Rupee loans, except in case of ECB mentioned at v(d) and v(e) above. g) On-lending to entities for the above activities, except in case of ECB raised by NBFCs as given at v(c), v(d) and v(e) above.
	Exchange rate	Change of currency of FCY ECB into INR ECB can be at the exchange rate prevailing on the date of the agreement for such change between the parties concerned or at an exchange rate, which is less than the rate prevailing on the date of the | For conversion to Rupee, the exchange rate shall be the rate prevailing on the date of settlement.

	agreement, if consented to by the ECB lender.	
Change of currency of borrowing	Change of currency of ECB from one freely convertible foreign currency to any other freely convertible foreign currency as well as to INR is freely permitted.	Change of currency from INR to any freely convertible foreign currency is not permitted.

Note: The ECB framework is not applicable in respect of investments in Non-Convertible Debentures in India made by Registered Foreign Portfolio Investors. Lending and borrowing under the ECB framework by Indian banks and their branches/subsidiaries outside India will be subject to prudential guidelines issued by the Department of Banking Regulation of the Reserve Bank. Further, other entities raising ECB are required to follow the guidelines issued, if any, by the concerned sectoral or prudential regulator.

PARKING OF ECB PROCEEDS: ECB proceeds are permitted to be parked abroad as well as domestically in the manner given below:

Parking of ECB proceeds abroad: ECB proceeds meant only for foreign currency expenditure can be parked abroad pending utilisation. Till utilisation, these funds can be invested in the following liquid assets (a) deposits or Certificate of Deposit or other products offered by banks rated not less than AA (-) by Standard and Poor/Fitch IBCA or Aa3 by Moody's; (b) Treasury bills and other monetary instruments of one-year maturity having minimum rating as indicated above and (c) deposits with foreign branches/subsidiaries of Indian banks abroad.

Parking of ECB proceeds domestically: ECB proceeds meant for Rupee expenditure should be repatriated immediately for credit to their Rupee accounts with AD Category I banks in India. ECB borrowers are also allowed to park ECB proceeds in term deposits with AD Category I banks in India for a maximum period of 12 months cumulatively. These term deposits should be kept in unencumbered position.

PROCEDURE OF RAISING ECB: All ECB can be raised under the automatic route if they conform to the parameters prescribed under this framework. For approval route cases, the borrowers may approach the RBI with an application in prescribed format (Form ECB) for examination through their AD Category I bank. Such cases shall be considered keeping in view the overall guidelines, macroeconomic situation and merits of the specific proposals. ECB proposals received in the Reserve Bank above certain threshold limit (refixed from time to time) would be placed before the Empowered Committee set up by the Reserve Bank. The Empowered Committee will have external as well as internal members and the Reserve Bank will take a final decision in the cases taking into account recommendation of the Empowered Committee. Entities desirous to raise ECB under the automatic route may approach an AD Category I bank with their proposal along with duly filled in Form ECB.

REPORTING REQUIREMENTS: Borrowings under ECB Framework are subject to following reporting requirements apart from any other specific reporting required under the framework:

1) Loan Registration Number (LRN): Any draw-down in respect of an ECB should happen only after obtaining the LRN from the Reserve Bank. To obtain the LRN, borrowers are required to submit duly certified Form ECB, which also contains terms and conditions of the ECB, in duplicate to the designated AD Category I bank. In turn, the AD Category I bank will forward one copy to the Director, Reserve Bank of India, Department of Statistics and Information Management, External Commercial Borrowings Division, Bandra-Kurla Complex, Mumbai – 400 051 (Contact numbers 022-26572513 and 022-26573612). Copies of loan agreement for raising ECB are not required to be submitted to the Reserve Bank.

2) Changes in terms and conditions of ECB: Changes in ECB parameters in consonance with the ECB norms, including reduced repayment by mutual agreement between the lender and borrower, should be reported to the DSIM through revised Form ECB at the earliest, in any case not later than 7 days from the changes effected. While submitting revised Form ECB the changes should be specifically mentioned in the communication.

3) Monthly Reporting of actual transactions: The borrowers are required to report actual ECB transactions through Form ECB 2 Return through the AD Category I bank on monthly basis so as to reach DSIM within seven working days from the close of month to which it relates. Changes, if any, in ECB parameters should also be incorporated in Form ECB 2 Return.

4) Late Submission Fee (LSF) for delay in reporting:
6.4.1. Any borrower, who is otherwise in compliance of ECB guidelines, can regularise the delay in reporting of drawdown of ECB proceeds before obtaining LRN or delay in submission of Form ECB 2 returns, by payment of late submission fees as detailed in the following matrix

Type of return	**Period of Delay**	**Applicable LSF**
ECB 2	Up to 30 calendar days from due date of submission	Rs. 5000
ECB 2	Up to three years from due date of submission/date of drawdown	Rs. 50,000 Per Year
ECB 2	Beyond three years from due date of submission/date of drawdown	Rs. 1,00,000 per year

The borrower, through its AD bank, may pay the LSF by way of demand draft in favour of “Reserve Bank of India” or any other mode specified by the Reserve Bank. Such payment should be accompanied with the requisite return(s). Form ECB and Form ECB 2 returns reporting contraventions will be treated separately. Non-payment of LSF will be treated as contravention of reporting provision and shall be subject to compounding or adjudication as provided in FEMA 1999 or regulations/rules framed thereunder.

SPECIAL DISPENSATIONS UNDER THE ECB FRAMEWORK	**ECB FACILITY FOR OIL MARKETING COMPANIES:** Notwithstanding the provisions contained Public Sector Oil Marketing Companies (OMCs) can raise ECB for working capital purposes with minimum average maturity period of 3 years from all recognized lenders under the automatic route without mandatory hedging and individual limit requirements. The overall ceiling for such ECBs shall be USD 10 billion or equivalent. However, OMCs should have a Board approved forex mark to market procedure and prudent risk management policy, for such ECBs. All other provisions under the ECB framework will be applicable to such ECBs. **ECB FACILITY FOR STARTUPS:** AD Category-I banks are permitted to allow Startups to raise ECB under the automatic route as per the following framework: ***i. Eligibility:*** An entity recognised as a Startup by the Central Government as on date of raising ECB. ***ii. Maturity:*** Minimum average maturity period will be 3 years. ***iii. Recognised lender:*** Lender / investor shall be a resident of a FATF compliant country. However, foreign branches/subsidiaries of Indian banks and overseas entity in which Indian entity has made overseas direct investment as per the extant Overseas Direct Investment Policy will not be considered as recognized lenders under this framework. ***iv. Forms:*** The borrowing can be in form of loans or non-convertible, optionally convertible or partially convertible preference shares. ***v. Currency:*** The borrowing should be denominated in any freely convertible currency or in Indian Rupees (INR) or a combination thereof. In case of borrowing in INR, the non-resident lender, should mobilise INR through swaps/outright sale undertaken through an AD Category-I bank in India. ***vi. Amount:*** The borrowing per Startup will be limited to USD 3 million or equivalent per financial year either in INR or any convertible foreign currency or a combination of both. ***vii. All-in-cost:*** Shall be mutually agreed between the borrower and the lender. ***viii. End uses:*** For any expenditure in connection with the business of the borrower.

	ix. Conversion into equity: Conversion into equity is freely permitted subject to Regulations applicable for foreign investment in Startups. ***x. Security:*** The choice of security to be provided to the lender is left to the borrowing entity. Security can be in the nature of movable, immovable, intangible assets (including patents, intellectual property rights), financial securities, etc. and shall comply with foreign direct investment / foreign portfolio investment / or any other norms applicable for foreign lenders / entities holding such securities. Further, issuance of corporate or personal guarantee is allowed. Guarantee issued by a non-resident(s) is allowed only if such parties qualify as lender under ECB for Startups. However, issuance of guarantee, standby letter of credit, letter of undertaking or letter of comfort by Indian banks, all India Financial Institutions and NBFCs is not permitted. ***xi. Hedging:*** The overseas lender, in case of INR denominated ECB, will be eligible to hedge its INR exposure through permitted derivative products with AD Category – I banks in India. The lender can also access the domestic market through branches/ subsidiaries of Indian banks abroad or branches of foreign bank with Indian presence on a back to back basis. **Note**: Startups raising ECB in foreign currency, whether having natural hedge or not, are exposed to currency risk due to exchange rate movements and hence are advised to ensure that they have an appropriate risk management policy to manage potential risk arising out of ECBs. ***xii. Conversion rate:*** In case of borrowing in INR, the foreign currency - INR conversion will be at the market rate as on the date of agreement. ***xiii. Other Provisions:*** Other provisions like parking of ECB proceeds, reporting arrangements, powers delegated to AD banks, borrowing by entities under investigation, conversion of ECB into equity will be as included in the ECB framework. However, provisions on leverage ratio and ECB liability: Equity ratio will not be apply.
DEPOSITORY RECEIPTS	A Depository Receipt (DR) is a negotiable financial instrument issued by a company in a foreign jurisdiction. They represent certain securities like bonds, shares etc. DR is an important mechanism for raising funds by tapping foreign investors who otherwise may not be able to participate in the domestic market. In India, any company, whether listed or unlisted are capable of issuing D₹ The issue of DRs is regulated by Ministry of Finance and by the Depository Receipts Scheme, 2014. Depending upon the location in which DRs are issued, they are called as American Depository Receipt ("ADR") or in general as Global Depository Reciepts (GDRs).

	Depository Receipts are generally classified as under: **Sponsored** A sponsored issue of depository receipts is based on a stock agreement, between the foreign depository and the issuer of securities for the creation of the depository receipts. The sponsored depository receipts can be further classified as: **Capital Raising:** The Indian issuer deposits the freshly issued securities with the domestic custodian. On the basis of such deposit, the foreign depository then creates/issues depository receipts abroad for sale to global investors. This constitutes a capital raising exercise, as the proceeds of the sale of depository receipts eventually go to the Indian issuer. **Non-Capital Raising:** In a non-capital raising issue, no fresh underlying securities are issued. Rather, the issuer gets holders of its existing securities to deposit these securities with a domestic custodian, so that depository receipts can be issued abroad by the foreign depository. This is not a capital raising exercise for the Indian issuer, as the proceeds from the sale of the depository receipts go to the holders of underlying securities. **Unsponsored** Where there is no stock agreement between the foreign depository and the Indian issuer, any person, without any involvement of the issuer, may deposit the securities with a domestic custodian in India. A foreign depository then issues depository receipts abroad on the back of such deposited underlying securities. The proceeds from the sale of such depository receipts go to the holders of the underlying securities. Based on whether a depository receipt is traded in an organised market or in the Over the Counter ("OTC") market, the depository receipts can be classified as listed or unlisted. **Listed:** Listed depository receipts are traded on stock exchanges. **Unlisted:** The unlisted depository receipts are those which are inter-traded between parties and where such depository receipts are not listed on any stock exchanges.
DEPOSITORY RECEIPTS SCHEME 2014	**DEPOSITORY RECEIPTS SCHEME, 2014** In simple terms, a depository receipt is a foreign currency denominated instrument which is issued by an overseas depository to non-residents against securities of the Indian company. Hitherto, instruments issued by Indian companies to tap global capital markets, viz. American depository receipts (ADRs) or global depository receipts (GDRs) or convertible debt instruments in the form of foreign currency convertible bonds (FCCBs) were governed by the Issue of Foreign Currency Convertible Bonds and Ordinary Shares (Through Depository Receipts Mechanism) Scheme, 1993, which had been amended from time to time. On October 21, 2014, the Ministry of Finance ("MoF") notified ("Notification"), the Depository Receipts Scheme, 2014

	("DR Scheme") by virtue of which issuance of DRs has been taken out of the 1993 Scheme and is now regulated by the DR Scheme. The 1993 Scheme stands repealed to the extent that it applies to Depository Receipts ('DRs'). It will, however, continue to apply to FCCBs. The DR Scheme has come into effect from December 15, 2014. The DR Scheme is based on the recommendations of the Sahoo Committee, which under the chairmanship of Mr. M.S. Sahoo undertook a comprehensive review of the 1993 Scheme and proposed significant deregulation and rationalisation of the manner in which Indian companies could tap global capital markets. **DEFINITIONS** **Permissible Jurisdiction** 'Permissible Jurisdiction' as foreign jurisdiction which is a member of the Financial Action Task Force on Money Laundering and the regulator of the securities market in that jurisdiction is a member of the International Organization of Securities Commission. Schedule I of the scheme gives the list of permissible jurisdiction. **Permissible securities** 'Permissible securities' mean 'securities' as defined under section 2(h) of the Securities Contracts (Regulation) Act, 1956 and include similar instruments issued by private companies which: (i) may be acquired by a person resident outside India under the Foreign Exchange Management Act,1999: and (ii) is in dematerialised form. **Right to issue voting instruction** 'Right to issue voting instruction' means the right of a depository receipt holder to direct the foreign depository to vote in a particular manner on its behalf in respect of permissible securities.
ELIGIBILITY FOR ISSUE OF DEPOSITORY RECEIPTS	The following persons are eligible to issue or transfer permissible transactions to a foreign depository for the issue of depository receipts: • Any Indian company, listed or unlisted, private or public; • Any other issuer of permissible securities; • Any person holding permissible securities which has not been specifically prohibited from accessing the capital market or dealing in securities. Unsponsored depository receipts on the back of the listed permissible securities can be issued only if such depository receipts gave the holder the right to issue voting instruction and are listed on an international exchange.
ISSUE OF DEPOSITORY RECEIPTS	• The aggregate of permissible securities which may be issued or transferred to foreign depositories for issue of depository receipts, along with permissible securities already held by persons resident outside India shall not exceed the limit on foreign holding of such permissible securities under the FEMA, 1999; • The depository receipts may be converted to underlying permissible securities and vice versa;

	• A foreign depository may issue depository receipts by way of a public offering or private placement or in any other manner prevalent in a permissible jurisdiction; • An issuer may issue permissible securities to a foreign depository for the purpose of issue of depository receipts by any mode permissible for issue of such permissible securities to investors; • The holders of permissible securities may transfer permissible securities to a foreign depository for the purpose of the issue of depository receipt, with or without the approval of issue of such permissible securities through transactions on a recognized stock exchange, bilateral transactions or by tendering through a public platform; • The permissible securities shall not be issued to a foreign depository for the purpose of issuing depository receipts at a price less than the price applicable to a corresponding mode of issue of such securities to domestic investors under the applicable laws; • Any approval necessary for issue or transfer of permissible securities to a person resident outside India shall apply to the issue or transfer of such permissible securities to a foreign depository for the purpose of issue of depository receipts. Subject to this the issue of depository receipts shall not require any approval from any government agency, if the issuance is in accordance with the scheme.
RIGHTS AND DUTIES	The following are the rights and duties for the foreign depository: • The foreign depository shall be entitled to exercise voting rights, if any, associated with the permissible securities whether pursuant to voting instruction from the holder of depository receipts or otherwise; • The shares of a company underlying the depository receipts shall form part of the public shareholding of the company under Securities Contracts (Regulation) Rules, 1957, if: a) the holder of such depository receipts has the right to issue voting instruction; and b) such depository receipts are listed on an international exchange; • In the cases not covered under second point, shares of the company underlying depository receipts shall not be included in the total shareholding and in the public shareholding for the purpose of computing the public shareholding of the company; A holder of depository receipts issued on the back of equity shares of a company shall have the same obligations as if it is the holder of the underlying equity shares, if it has the right to issue voting instruction.
OBLIGATIONS	1)The scheme imposes certain obligations on the **domestic custodian** which are • to ensure that the relevant provisions of the scheme related to the issue and cancellation of depository receipts is complied with; • to maintain records in respect of, and report to, Indian depositories all transactions in the nature of issue and

	cancellation of depository receipts for the purpose of monitoring limits under the FEMA, 1999; • to provide the information and data as may be called upon by SEBI, the RBI, Ministry of Finance, • Ministry of Corporate Affairs and any other authority of law; and to file with SEBI a copy of the document by whatever name called, which sets the terms of issue of depository receipts issued on the back of securities, as defined under Section 2(h) of SCRA, 1956, in a permissible jurisdiction. 2)The following are the obligations imposed on the **Indian Depositories** that- • they shall co-ordinate among themselves; • they shall disseminate the outstanding permissible securities against which the depository receipts are outstanding; and • they shall disseminate the limit up to which permissible securities can be converted to depository receipts. 3) A person issuing or transferring permissible securities to a foreign depository for the purpose of the issue of depository receipts shall comply with relevant provisions of the Indian law, including the scheme, related to the issue and cancellation of depository receipts.
APPROVAL	Any approval necessary for issue or transfer of permissible securities to a person resident outside India shall apply to the issue or transfer of such permissible securities to a foreign depository for the purpose of issue of depository receipts. No approval is required if the issue of depository receipt is in accordance with the scheme.
PRICING	Price of permissible securities issued to foreign depository for the purpose of issuing depository receipts shall not be less than price if such security issued to domestic investors. Explanation I: A company listed or proposed to be listed on a recognised stock exchange shall not issue equity shares on preferential allotment to a foreign depository for the purpose of issue of depository receipts at a price less than the price applicable to preferential allotment of equity shares of the same class to investors under ICDR. Explanation II: Whereas a listed company makes a qualified institutional placement of permissible securities to a foreign depository for the purpose of issue of depository receipts, the minimum pricing norms of such placement is applicable under the SEBI (ICDR) Regulations, 2009 shall be complied with. Example: XYZ Limited, a listed company makes a Qualified Institution Placement of shares and the Floor price comes at ₹ 60 per share after complying with pricing norms of ICDR Regulations. Now, if same class of shares is being issued to foreign depository for the purpose of issuing DRs, price cannot be less than ₹60 and minimum price regulation of SEBI (ICDR) Regulations, 2018 shall be complied with.

ISSUE OF FCCBS AND DEPOSITORY RECEIPTS (DRS)	The inward remittance received by the Indian Company vide issuance of DRs and FCCBs are treated as FDI and counted towards FDI. • FCCBs/DRs may be issued in accordance with the Scheme for issue of Foreign Currency Convertible Bonds and Ordinary Shares (Through Depository Receipt Mechanism) Scheme, 1993 and DR Scheme 2014 respectively, as per the guidelines issued by the Government of India thereunder from time to time. • DRs are foreign currency denominated instruments issued by a foreign Depository in a permissible jurisdiction against a pool of permissible securities issued or transferred to that foreign depository and deposited with a domestic custodian. • In terms of Foreign Exchange Management (Transfer or Issue of Security by a person Resident Outside India) Regulations, 2017 as amended from time to time, a person will be eligible to issue or transfer eligible securities to a foreign depository, for the purpose of converting the securities so purchased into depository receipts in terms of Depository Receipts Scheme, 2014 and guidelines issued by the Government of India thereunder from time to time. • A person can issue DRs, if it is eligible to issue eligible instruments to person resident outside India under Schedule 9 of Foreign Exchange Management Transfer or Issue of Security by a person Resident Outside India) Regulations, 2017 as amended from time to time. • The aggregate of eligible securities which may be issued or transferred to foreign depositories, along with eligible securities already held by persons resident outside India, shall not exceed the limit on foreign holding of such eligible securities under the relevant regulations framed under FEMA, 1999. • The pricing of eligible securities to be issued or transferred to a foreign depository for the purpose of issuing depository receipts should not be at a price less than the price applicable to a corresponding mode of issue or transfer of such securities to domestic investors under the relevant regulations framed under FEMA, 1999. • The issue of depository receipts as per DR Scheme 2014 shall be reported to the Reserve Bank of India by the domestic custodian as per the reporting guidelines for DR Scheme 2014. **ADR/GDR** Typically, companies in India issue securities in the form of depository receipts (DR) viz American Depository Receipts (ADR), Global Depository Receipts (GDR) or Foreign Currency Convertible Bonds (FCCB). While ADR and GDR are equity instruments, FCCB is a convertible debt instrument. The DR Scheme 2014 is solely applicable to ADR and GDR. The 1993 Scheme continues to govern FCCB. Regulation 2(c) of the Foreign Exchange Management (Transfer or Issue of Any Foreign Security) Regulations, 2004 defines ADR as under: *"American Depository Receipt (ADR)" means a security issued by a bank or a depository in United States of America (USA)*

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against underlying rupee shares of a company incorporated in India.”
Regulation 2(i) of the Foreign Exchange Management (Transfer or Issue of Any Foreign Security) Regulations, 2004, defines GDR as under:
“Global Depository Receipt (GDR)” means a security issued by a bank or a depository outside India against underlying rupee shares of a company incorporated in India.
Difference between American Depository Receipts (ADR) and Global Depository Receipts (GDR)

ADR are US $ denominated and traded only in US.
GDRs are traded in various places such as New York Stock Exchange, London Stock Exchange, etc.

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<td>TWO-WAY FUNGIBILITY SCHEME</td>
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A limited Two-Way Fungibility scheme has been put in place by the Government of India for ADRs /GDR Under this Scheme, a stock broker in India, registered with SEBI, can purchase shares of an Indian company from the market for conversion into ADRs/GDRs based on instructions received from overseas investors. Re-issuance of ADRs /GDRs would be permitted to the extent of ADRs /GDRs which have been redeemed into underlying shares and sold in the Indian market
TERMS ONE SHOULD KNOW
ONE WAY FUNGIBILITY – Here investors could cancel their depository receipt and recover the proceeds by selling the underlying shares in the Indian market; DRs once redeemed could not be converted into shares.
TWO WAY FUNGIBILITY – It means that the shares so released can be reconverted by the company into DRs for purchase by the overseas investors. It implies that the re-issuance of DRs would be permitted to the extent of DRs that have been redeemed and underlying shares are sold in domestic market.
SPONSOR – It is a process of disinvestment by the Indian shareholders of their holding in overseas market.
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<td>PROVISIONS UNDER THE COMPANIES ACT, 2013</td>
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1) The Companies Act, 2013 has laid down provisions for issue of GDRs under Section 41 and The Companies (Issue of Global Depository Receipts) Rules, 2014.
2)Section 41 provides that a company may, after passing a special resolution in its general meeting, issue depository receipts in any foreign country in such manner, and subject to such conditions, as may be prescribed.
3) According to Section 2(44) of Companies Act, 2013, “Global Depository Receipt” means any instrument in the form of a depository receipt, by whatever name called, created by a foreign depository outside India and authorised by a company making an issue of such depository receipts.
Section 41 provides that a company may, after passing a special resolution in its general meeting, issue depository receipts in any foreign country in such manner, and subject to such conditions, as may be prescribed.
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COMPANIES (ISSUE OF GLOBAL DEPOSITORY RECEIPTS) RULES, 2014	**Eligibility to issue depository receipts** Rule 3 lays down that a company may issue depository receipts provided it is eligible to do so in terms of the Scheme and relevant provisions of the Foreign Exchange Management Rules and Regulations. **Conditions for issue of depository receipts** Rule 4 lays down the following conditions to be fulfilled by a company for issue of depository receipts: • The Board of Directors of the company intending to issue depository receipts shall pass a resolution authorizing the company to do so. • The company shall take prior approval of its shareholders by a special resolution to be passed at a general meeting. However, a special resolution passed under section 62 of Companies Act, 2013 for issue of shares underlying the depository receipts, shall be deemed to be a special resolution for the purpose of section 41 of Companies Act, 2013 as well. • The depository receipts shall be issued by an overseas depository bank appointed by the company and the underlying shares shall be kept in the custody of a domestic custodian bank. • The company shall ensure that all the applicable provisions of the Scheme and the rules or regulations or guidelines issued by the Reserve Bank of India are complied with before and after the issue of depository receipts. • The company shall appoint a merchant banker or a practicing chartered accountant or a practising cost accountant or a practising company secretary to oversee all the compliances relating to issue of depository receipts and the compliance report taken from such merchant banker or practising chartered accountant or practising cost accountant or practising company secretary, as the case may be, shall be placed at the meeting of the Board of Directors of the company or of the committee of the Board of directors authorised by the Board in this regard to be held immediately after closure of all formalities of the issue of depository receipts. However, that the committee of the Board of directors referred to above shall have at least one independent director in case the company is required to have independent directors. **Manner and form of depository receipts** Rule 5 deals with the manner and form of issue of depository receipts. • The depository receipts can be issued by way of public offering or private placement or in any other manner prevalent abroad and may be listed or traded in an overseas listing or trading platform. • The depository receipts may be issued against issue of new shares or may be sponsored against shares held by shareholders of the company in accordance with such conditions as the Central Government or Reserve Bank of India may prescribe or specify from time to time. • The underlying shares shall be allotted in the name of the overseas depository bank and against such shares, the depository receipts shall be issued by the overseas depository bank. **Voting rights** Rule 6 provides the provisions for voting rights of depository receipts holder. • A holder of depository receipts may become a member of the company and shall be entitled to vote as such only on conversion of the depository receipts into underlying shares after following the procedure provided in the Scheme

	and the provisions of this Act. • Until the conversion of depository receipts, the overseas depository shall be entitled to vote on behalf of the holders of depository receipts in accordance with the provisions of the agreement entered into between the depository, holders of depository receipts and the company in this regard. **Proceeds of Issue** Rule 7 provides that the proceeds of issues of depository receipts shall either be remitted to a bank account in India or deposited in an Indian bank operating abroad or any foreign bank (which is a Scheduled Bank under the Reserve Bank of India Act, 1934) having operations in India with an agreement that the foreign bank having operations in India shall take responsibility for furnishing all the information which may be required and in the event of a sponsored issue of Depository Receipts, the proceeds of the sale shall be credited to the respective bank account of the shareholders. **Non-applicability of certain provisions of the Act** (1) The provisions of the Act and any rules issued thereunder insofar as they relate to public issue of shares or debentures shall not apply to issue of depository receipts. (2) The offer document, by whatever name called and if prepared for the issue of depository receipts, shall not be treated as a prospectus or an offer document within the meaning of this Act and all the provisions as applicable to a prospectus or an offer document shall not apply to a depository receipts offer document. (3) Notwithstanding anything contained under section 88 of the Companies Act, 2013, until the redemption of depository receipts, the name of the overseas depository bank shall be entered in the Register of Members of the Company.
APPROVALS REQUIRED	**PROCEDURE FOR ISSUANCE OF ADRs/GDRs (DEC 2019)** The issue of ADRs/GDRs requires the approval of a Board of Directors, shareholders, "In principle and Final" approval of Ministry of Finance, approval of Reserve Bank of India, In-principle consent of Stock Exchange for listing of underlying shares and In-principle consent of Financial institutions. **APPROVAL OF BOARD OF DIRECTORS** • A meeting is required to be held for passing board resolution is to be passed to approve the raising of finance by issue of GDRs/FCCBs. • The resolution should indicate therein specific purposes for which funds are required, quantum of the issue, country in which issue is to be launched, time of the issue etc. • The Board meeting shall also decide and approve the notice of Extraordinary general meeting of shareholders at which special resolution is to be considered. **APPROVAL OF SHAREHOLDERS** A special resolution under Section 62 of the Companies Act, 2013 is required to be passed at a duly convened general meeting of the shareholders of the company

	APPROVAL OF MINISTRY OF FINANCE – "IN PRINCIPLE AND FINAL" As ADR/GDR is brought under the automatic route and therefore the requirement of obtaining approval of MOF has been dispersed with. Further, private placement of ADR/GDR will also not require prior approval provided the issue is managed by investment banker. **IN-PRINCIPLE CONSENT OF STOCK EXCHANGES FOR LISTING OF UNDERLYING SHARES** The issuing company has to make a request to the domestic stock exchange for in-principle consent for listing of underlying shares which shall be lying in the custody of domestic custodian. **IN-PRINCIPLE CONSENT OF FINANCIAL INSTITUTIONS** If agreement relating to the loan contains a stipulation that the consent of the financial institution has to be obtained.
APPOINTMENT OF INTERMEDIARIES	**Lead Manager** The company has to choose a competent lead manager to structure the issue and arrange for the marketing. Lead managers usually charge a fee as a percent of the issue. The issues related to public or private placement, nature of investment, coupon rate on bonds and conversion price are to be decided in consultation with the lead manager. **Co-Lead/Co-Manager** In consultation with the lead manager, the company has to appoint co-lead/co-manager to coordinate with the issuing company/lead manager to make the smooth launching of the Euro issue. **Overseas Depository Bank** It is the bank which is authorised by the issuing company to issue Depository Receipts against issue of ordinary shares or Foreign Currency Convertible Bonds of issuing company. **Domestic Custodian Bank** A banking company which acts as custodian for the ordinary shares or Foreign Currency Convertible Bonds of an Indian company, which are issued by it. The function of the domestic custodian bank is to co-ordinate with the depository bank. When the shares are issued by a company the same are registered in the name of depository and physical possession is handed over to the custodian. The beneficial interest in respect of such shares, however, rests with the investors. **Listing Agent** One of the conditions of Euro-issue is that it should be listed at one or more Overseas Stock Exchanges. The appointment of listing agent is necessary to coordinate with issuing company for listing the securities on Overseas Stock Exchanges. **Legal Advisors**

	The issuing company should appoint legal advisors who will guide the company and the lead manager to prepare offer document, depository agreement, indemnity agreement and subscription agreement. **Printers** The issuing company should appoint printers of international repute for printing Offer Circular. **Auditors** The role of issuer company's auditors is to prepare the auditors report for inclusion in the offer document, provide requisite comfort letters and reconciliation of the issuer company's accounts between Indian GAAP/UK GAAP/US-GAAP and significant differences between Indian GAAP/UK GAAP/US-GAAP. **Underwriters** It is desirable to get the Euro issue underwritten by banks and syndicates. Usually, the underwriters subscribe for a portion of the issue with arrangements for tie-up for the balance with their clients. In addition, they will interact with the influential investors and assist the lead manager to complete the issue successfully.
PRINCIPAL DOCUMENTATION	**Subscription Agreement** Subscription Agreement provides that Lead Managers and other managers agree, severally and not jointly, with the company, subject to the satisfaction of certain conditions, to subscribe for GDRs at the offering price set forth. It may provide that obligations of managers are subject to certain conditions precedent. Subscription agreement may also provide that for certain period from the date of the issuance of GDR the issuing company will not (a) authorize the issuance of, or otherwise issue or publicly announce any intention to issue; (b) issue offer, accept subscription for, sell, contract to sell or otherwise dispose off, whether within or outside India; or (c) deposit into any depository receipt facility, any securities of the company of the same class as the GDRs or the shares or any securities in the company convertible or exchangeable for securities in the company of the same class as the GDRs or the shares or other instruments representing interests in securities in the company of the same class as the GDRs or the shares. Subscription agreement also provides, an option to be exercisable within certain period after the date of offer circular, to the lead manager and other managers to purchase upto a certain prescribed number of additional GDRs solely to cover over-allotments, if any. **Depository Agreement** Depository Agreement lays down the detailed arrangements entered into by the company with the Depository, the forms and terms of the depository receipts which are represented by the deposited shares. It also sets forth the rights and duties of the depository in respect of the deposited shares and all other securities, cash and other property received subsequently in respect of such deposited shares. Holders of GDRs are not parties to deposit agreement and thus have

no contractual rights against or obligations to the company.

The depository is under no duty to enforce any of the provisions of the deposit agreement on behalf of any holder or any other person. Holder means the person or persons registered in the books of the depository maintained for such purpose as holders. They are deemed to have notice of, be bound by and hold their rights subject to all of the provisions of the deposit agreement applicable to them. They may be required to file from time to time with depository or its nominee proof of citizenship, residence, exchange control approval, payment of all applicable taxes or other governmental charges, compliance with all applicable laws and regulations and terms of deposit agreement, or legal or beneficial ownership and nature of such interest and such other information as the depository may deem necessary or proper to enable it to perform its obligations under Deposit Agreement.

The company may agree in the deposit agreement to indemnify the depository, the custodian and certain of their respective affiliates against any loss, liability, tax or expense of any kind which may arise out of or in connection with any offer, issuance, sale, resale, transfer, deposit or withdrawal of GDRs, or any offering document. Copies of deposit agreement are to be kept at the principal office of Depository and the Depository is required to make available for inspection during its normal business hours, the copies of deposit agreement and any notices, reports or communications received from the company.

Custodian Agreement
Custodian works in co-ordination with the depository and has to observe all obligations imposed on it including those mentioned in the depository agreement. The custodian is responsible solely to the depository. In the case of the depository and the custodian being same legal entity, references to them separately in the depository agreement or otherwise may be made for convenience and the legal entity will be responsible for discharging both functions directly to the holders and the company. Whenever the depository in its discretion determines that it is in the best interests of the holders to do so, it may, after prior consultation with the company terminate, the appointment of the custodian and in such an event the depository shall promptly appoint a successor custodian, which shall, upon acceptance of such appointment, become the custodian under the depository agreement. The depository shall notify holders of such change promptly. Any successor custodian so appointed shall agree to observe all the obligations imposed on him.

Agency Agreement
In case of FCCBs, the company has to enter into an agency agreement with certain persons known as conversion agents. In terms of this agreement, these agents are required to make the principal and interest payments to the holders of FCCBs from the funds provided by the company. They will also liaise with the company at the time of conversion/redemption option to be exercised by the investor at maturity.

Trust Deed
In respect of FCCBs the company enters into a Covenant (known as Trust Deed) with the Trustee for the holders of FCCBs, guaranteeing payment of principal and interest amount on such FCCBs and to comply with the obligations in respect of such FCCBs.

PRE AND POST LAUNCH – ADDITIONAL KEY ACTIONS	Apart from obtaining necessary approvals, appointment of various agencies and proper documentation, the following additional key actions are necessary for making the Euro-issue a success. (i) Constitution of a Board Sub-Committee; (ii) Selection of Syndicate Members; (iii) Constitution of a task force for due diligence; (iv) Listing; (v) Offering Circular; (vi) Research papers; (vii) Pre-marketing; (viii) Timing, pricing and size of the issue; (ix) Roadshows; (x) Book building and pricing of the issue; (xi) Closing of the issue; (xii) Allotment; (xiii) Investor Relation Programme; and (xiv) Quarterly Statement. **Constitution of a Board Sub-Committee** To launch a Euro-issue, the issuing company has to take a large number of decisions in time. These decisions normally fall within the power of Board of Directors. It is usually difficult to call Board Meetings frequently and to ensure presence of adequate Board Members. Thus, it is normally advisable to constitute a sub-committee of the Board with full delegation of powers with regard to Euro-issue. The delegation of powers to the Board sub- committee should normally include the following: • Appointment of agencies; • Authority to make applications for seeking various approvals; • Authority to finalise and execute documents and agreements; • Decisions about the timing, size and pricing of the issue; and • Allotment of shares. **Selection of Syndicate Members** The success of any Euro-issue depends upon the well planned and coordinated efforts of the syndicate members and the company. The selection of the Syndicate members should be made depending upon the strength and capabilities of each member in different areas of specialisation such as marketing, financial research, distribution etc. The lead manager may be entrusted with the work of selection of syndicate members. The lead manager while selecting the above members, in addition to their strength and capability, should also evaluate their standing, image, reputation, infrastructure, past experience in handling Indian Euro-issue, etc. **Constitution of a task force for due diligence** The due diligence is a process in which a team consisting of legal, technical and financial experts of the lead manager meets top executives of the company and visits the sites of the company in order to understand the strengths, weaknesses, problems and opportunities of the company. The team also studies and analyses the balance sheet of the company and its subsidiaries, its financial arrangement with the group, investment pattern and also the future prospects of the company. It also scrutinize the minutes of the company, various arrangements entered into by the company with regard to marketing, purchase, technology, ancillary units, employment, etc. and analyse the impact of litigations on the profitability of the company. The purpose of above exercise is to draft the offering circular (prospectus) and work out marketing strategies for the Euro-issue.

	Listing One of the conditions of Euro-issues is that the securities are to be listed on one or more Overseas Stock Exchanges. The issuing company has to fulfill all the requirements particularly disclosure and documentation as prescribed by the Overseas Stock Exchanges. The company shall take the help of the listing agent in getting its Euro-issue instruments listed on the Overseas Stock Exchanges. The issuing company shall prepare the requisite documents as prescribed by the Overseas Stock exchange authorities and submit the same along with application to it after scrutinizing the application and obtain the formal listing approval shall be issued by the Overseas Stock Exchange. The underlying shares against GDRs are to be listed on one or more Indian Stock Exchange(s) on which the company's existing shares are already listed. For this purpose, the company has to apply to the stock exchange authorities to get the shares represented by GDRs listed on the Indian Stock Exchanges. Trading of such shares on Indian Stock Exchange(s) will not commence until the period specified in the guidelines after the date of issue of the GDR. **Offering Circular** Offering Circular is a mirror through which the prospective investors can access vital information regarding the company in order to form their investment strategies. It is to be prepared very carefully giving true and complete information regarding the financial strength of the company, its past performance, past and envisaged research and business promotion activities, track record of promoters and the company, ability to trade the securities on Euro capital market. The Offering Circular should be very comprehensive to take care of overall interests of the prospective investor. The Offering Circular for Euro-issue offering should typically cover the following contents: • Background of the company and its promoters including date of incorporation and objects, past performance, production, sales and distribution network, future plans, etc. • Capital structure of the company-existing, proposed and consolidated. • Deployment of issue proceeds. • Financial data indicating track record of consistent profitability of the company. • Group investments and their performance including subsidiaries, joint venture in India and abroad. • Investment considerations. • Description of shares. • Terms and conditions of global depository receipt and any other instrument issued along with it. • Economic and regulatory policies of the Government of India. • Details of Indian securities market indicating stock exchange, listing requirements, foreign investments in Indian securities. • Market price of securities. • Dividend and capitalisation. • Securities regulations and exchange control. • Tax aspects indicating analysis of tax consequences under Indian law of acquisition, membership and sale of

shares, treatment of capital gains tax, etc.

- Status of approvals required to be obtained from Government of India.
- Summary of significant differences in Indian GAAP, UK GAAP and US GAAP and expert's opinion.
- Report of statutory auditor.
- Subscription and sale.
- Transfer restrictions in respect of instruments.
- Legal matters etc.
- Other general information not forming part of any of the above.

A copy of the Offering Circular is required to be sent to the Registrar of Companies, SEBI and the Indian Stock Exchanges for record purposes.

Research Papers

Research analysts team of lead manager/co-lead manager prepares research papers on the company before the issue. These papers are very important marketing tools as the international investors normally depend a lot on the information provided by the research analysts for making investment decisions.

Pre-marketing

Pre-marketing exercise is a tool through which the syndicate members evaluate the prospects of the issue. This is normally done closer to the issue. The research analysts along with the sales force of the syndicate members meet the prospective investors during pre-marketing roadshows. This enables the syndicate members to understand the market and the probable response from the prospective investors. The pre-marketing exercise helps in assessing the depth of investors' interest in the proposed issue, their view about the valuation of the share and the geographical locations of the investors who are interested in the issue. The response received during pre-marketing provides vital information for taking important decisions relating to timing, pricing and size of the issue. This would also help the syndicate members in evolving strategies for marketing the issue.

Timing, pricing and size of the Issue

After pre-marketing exercise, the important decisions of timing, pricing and size of the issue are taken. The proper time of launching the issue is when the fundamentals of the company and the industry are strong and the market price of the shares are performing well at Indian Stock Exchanges. The timing should also not clash with some other major issues of the Indian as well as other country companies. The decision regarding the size of issue is inversely linked with the pricing i.e. larger the size, the comparatively lower the price or vice-versa.

Roadshows

Roadshows represent meetings of issuers, analysts and potential investors. Details about the company are presented in the roadshows and such details usually include the following information about the company making the issue:

- History
- Organisational structure

	• Principal objects • Business lines • Position of the company in Indian and international market • Past performance of the company • Future plans of the company • Competition - domestic as well as foreign • Financial results and operating performance • Valuation of shares • Review of Indian stock market and economic situations. Thus at road shows, series of information presentations are organised in selected cities around the world with analysts and potential institutional investors. It is, in fact, a conference by the issuer with the prospective investors. Road show is arranged by the lead manager by sending invitation to all prospective investors. **Book building and pricing of the Issue** During road shows, the investors give indication of their willingness to buy a particular quantity at particular terms. Their willingness is booked as orders by the marketing force of lead manager and co-lead manger. This process is known as book building. Price is a very critical element in the market mix of any product or service. This is more so in case of financial assets like stocks and bonds and specially in case of Euro issues. The market price abroad has a strong correlation to the near future earnings potential, fundamentals governing industry and the basic economic state of the country. Several other factors like prevalent practices, investor sentiment, behaviour towards issues of a particular country, domestic market process etc., are also considered in determination of issue price. Other factors such as the credit rating of the country, interest rate and the availability of an exit route are important. **Closing of the Issue and Allotment** Closing is essentially an activity confirming completion of all legal documentation and formalities based on which the company issues the share certificate to the depository and deposits the same with the domestic custodian. Once the issue is closed and all legal formalities are over, the allotment is finalised. Thereafter, the company issues shares in favour of the Overseas Depository Bank and deposits the same with the domestic custodian for custody. The particulars of the Overseas Depository Bank are required to be entered into the Register of Members of the company.
FOREIGN CURRENCY CONVERTIBLE BONDS	• Foreign Currency Convertible Bonds (FCCBs) are optionally convertible bonds issued in a currency other than Indian Rupees. A convertible bond is a mix between a debt and equity instruments. It acts like a bond by making regular coupon and principal payments, but these bonds also give the bondholders the option to convert the bond into shares at the expiry the term of the Bond. • The FCCBs are unsecured, carry a fixed rate of interest and an option for conversion into a fixed number of equity shares of the issuer company. Interest and redemption price (if conversion option is not exercised) is payable in

	dollars. FCCBs shall be denominated in any freely convertible Foreign Currency. However, it must be kept in mind that FCCB issue proceeds need to conform to ECB end use requirements. • Apart from the policy of ECB, issue of FCCB is also required to adhere to FEMA Regulations and in accordance with the scheme viz., “Issue of Foreign Convertible Bonds and Ordinary Shares (Through Depository Receipt Mechanism) Scheme, 1993. • Foreign investors also prefer FCCBs because of the dollar denominated servicing, the conversion option and, the arbitrage opportunities presented by conversion of the FCCBs into equity at a discount on prevailing Indian market price. • In addition, 25% of the FCCB proceeds can be used for general corporate restructuring. • The major drawbacks of FCCBs are that the issuing company cannot plan its capital structure as it is not assured of conversion of FCCBs. Moreover, the projections for cash outflow at the time of maturity cannot be made. **Benefits to the Issuer Company** • Being Hybrid instrument, the coupon rate on FCCB is particularly lower than pure debt instrument there by reducing the debt financing cost. • FCCBs are book value accretive on conversion. It saves risks of immediate equity dilution as in the case of public shares. Unlike debt, FCCB does not require any rating nor any covenant like securities, cover etc. • It can be raised within a month while pure debt takes a longer period to raise. Because the coupon is low and usually payable at the time of redeeming the instrument, the cost of withholding tax is also lower for FCCBs compared with other ECB instruments. **Benefits to the Investor** • It has advantage of both equity and debt. • It gives the investor much of the upside of investment in equity, and the debt portion protects the downside. • Assured return on bond in the form of fixed coupon rate payments. • Ability to take advantage of price appreciation in the stock by means of warrants attached to the bonds, which are activated when price of a stock reaches a certain point. • Significant Yield to maturity (YTM) is guaranteed at maturity. • Lower tax liability as compared to pure debt instruments due to lower coupon rate.

FCCB AND ORDINARY SHARES (THROUGH DEPOSITORY RECEIPT MECHANISM) SCHEME, 1993

FCCBs are governed by the 'Issue of Foreign Currency Convertible Bonds and Ordinary Shares (through Depositary Receipt Mechanism) Scheme, 1993' as amended from time to time and Notification FEMA No.120/ RB-2004 dated July 7, 2004.

The issuance of FCCBs was brought under the ECB guidelines in August 2005. In addition to the requirements of:
(i) having the maturity of the FCCB not less than 5 years,
(ii) the call & put option, if any, shall not be exercisable prior to 5 years,
(iii) issuance of FCCBs only without any warrants attached,
(iv) the issue related expenses not exceeding 4% of issue size and in case of private placement, shall not exceed 2% of the issue size, etc.

as required in terms of Notification FEMA No. 120/RB-2004 dated July 7, 2004, FCCBs are also subject to all the regulations which are applicable to ECBs.

Domestic Custodian Bank	It means a banking company which acts as a custodian for the ordinary shares or Foreign Currency Convertible Bonds of an Indian Company which are issued by it against Global Depository Receipts or certificates.
Foreign Currency Convertible Bonds	It means bonds issued in accordance with this scheme and subscribed by a non-resident in foreign currency and convertible into ordinary shares of the issuing company in any manner, either in whole, or in part, on the basis of any equity related warrants attached to debt instruments.
Issuing Company	It means an Indian Company permitted to issue Foreign Currency Convertible Bonds or ordinary shares of that company against Global Depository Receipts.
Overseas Depository Bank	It means a bank authorised by the issuing company to issue Global Depository Receipts against issue of Foreign Currency Convertible Bonds or ordinary shares of the issuing company.
Redemption of FCCBs	Keeping in view the need to provide a window to facilitate refinancing of FCCBs by the Indian companies which may be facing difficulty in meeting the redemption obligations, Designated AD Category - I banks have been permitted to allow Indian companies to refinance the outstanding FCCBs, under the automatic route, subject to compliance with the terms and conditions set out hereunder: • Fresh ECBs/ FCCBs shall be raised with the stipulated average maturity period and applicable all-in- cost being as per the extant ECB guidelines; • The amount of fresh ECB/FCCB shall not exceed the outstanding redemption value at maturity of the outstanding FCCBs; • The fresh ECB/FCCB shall not be raised six months prior to the maturity date

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<td>of the outstanding FCCBs ;
The purpose of ECB/FCCB shall be clearly mentioned as 'Redemption of outstanding FCCBs' in Form 83 at the time of obtaining Loan Registration Number from the Reserve Bank;
• The designated AD - Category I bank should monitor the end-use of funds;
• ECB / FCCB beyond USD 500 million for the purpose of redemption of the existing FCCB will be considered under the approval route; and
• ECB / FCCB availed of for the purpose of refinancing the existing outstanding FCCB will be reckoned as part of the limit of USD 750 million available under the automatic route as per the extant norms.</td>
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<td>Restructuring of FCCBs</td>
<td>Restructuring of FCCBs involving change in the existing conversion price is not permissible. Proposals for restructuring of FCCBs not involving change in conversion price will, however, be considered under the approval route depending on the merits of the proposal.</td>
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<td>FOREIGN CURRENCY EXCHANGEABLE BONDS</td>
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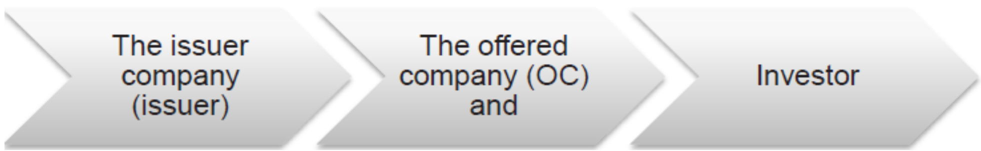
- The issue of FCEB helps the promoter to meet the financing requirements within the group. Issue of Foreign Currency Exchangeable Bonds (FCEB) are governed by Foreign Currency Exchangeable Bonds Scheme, 2008 issued by Ministry of Finance, Department of Economic Affairs.

What is an FCEB?

According to the "Issue of Foreign Currency Exchangeable Bonds (FCEBs) Scheme, 2018, FCEB means :

- a bond expressed in foreign currency.
- the principal and the interest in respect of which is payable in foreign currency.
- issued by an issuing company, being an Indian company.
- subscribed to by a person resident outside India.
- Exchangeable into equity shares of another company, being Offered company in any manner.
- Either wholly or partly or on the basis of any equity related warrants attached to debt instruments.
- May be denominated

Parties of FCEB



- Under this option, an issuer company may issue FCEBs in foreign currency, and these FCEBs are convertible

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into shares of another company (offered company) that forms part of the same promoter group as the issuer company.

For example, company ABC Ltd. issues FCEBs, then the FCEBs will be convertible into shares of company XYZ Ltd. that are held by company ABC Ltd. and where companies ABC Ltd. and XYZ Ltd. form part of the same promoter group. Unlike FCCBs that convert into shares of issuer itself, FCEBs are exchangeable into shares of OC. Also, relatively, FCEB has an inherent advantage that it does not result in dilution of shareholding at the OC level.

FOREIGN CURRENCY EXCHANGEABLE BONDS SCHEME, 2008

Issuer Company	The Issuing Company shall be part of the promoter group of the Offered Company and shall hold the equity share/s being offered at the time of issuance of FCEB.
Offered Company	The Offered Company shall be a listed company, which is engaged in a sector eligible to receive Foreign Direct Investment (FDI) and eligible to issue or avail of Foreign Currency Convertible Bond (FCCB) or External Commercial Borrowings (ECB).
Entities not eligible to issue FCEB	An Indian company, which is not eligible to raise funds from the Indian securities market, including a company which has been restrained from accessing the securities market by the SEBI shall not be eligible to issue FCEB.
Eligible subscriber	Entities complying with the FDI policy and adhering to the sectoral caps at the time of issue of FCEB can subscribe to FCEB. Prior approval of the Foreign Investment Promotion Board (FIPB), wherever required under the FDI policy, should be obtained.
Entities not eligible to subscribe to FCEB	Entities prohibited to buy, sell or deal in securities by the SEBI will not be eligible to subscribe to FCEB.
End use of FCEB Proceeds	**Issuing Company** i. The proceeds of the FCEB may be invested in promoter group companies. ii. The proceeds of FCEB can be invested overseas by way of direct investment including in Joint Ventures or Wholly Owned Subsidiaries subject to the existing guidelines on Indian Direct Investment in Joint Ventures or Wholly Owned Subsidiaries abroad. **Promoter Companies** Promoter Companies receiving investments out of the FCEB proceeds may

		utilise the amount in accordance with end-uses prescribed under the ECB policy.
	All-in-cost	The rate of interest payable on FCEB and the issue expenses incurred in foreign currency shall be within the all-in-cost ceiling as specified by Reserve Bank under the ECB policy.
	Operational procedure	• Prior approval of the RBI shall be required for issuance of FCEB. • The FCEB may be denominated in any freely convertible foreign currency.
	Pricing of FCEB	At the time of issuance of FCEB the exchange price of the offered listed equity shares shall not be less than the higher of the following two: (i) The average of the weekly high and low of the closing prices of the shares of the offered company quoted on the stock exchange during the six months preceding the relevant date; and (ii) The average of the weekly high and low of the closing prices of the shares of the offered company quoted on a stock exchange during the two week preceding the relevant date.
	Maturity	Minimum maturity of FCEB shall be five years. The exchange option can be exercised at any time before redemption. While exercising the exchange option, the holder of the FCEB shall take delivery of the offered shares. Cash (Net) settlement of FCEB shall not be permissible.
	Parking of FCEB proceeds abroad	The proceeds of FCEB shall be retained and/or deployed overseas by the issuing/promoter group companies in accordance with the policy for the ECB. It shall be the responsibility of the issuing company to ensure that the proceeds of FCEB are used by the promoter group company only for the permitted end-uses prescribed under the ECB policy.

INTERNATIONAL AGENCIES & DEVELOPMENT BANKS

IFC

1) Sister Concern of World Bank & member of World Bank group
2) Largest global development institution focused on private sector in developing countries.
3) Offers Investment, advisory & asset management services to encourage private sector development in developing countries.
4) Financially autonomous entity & makes independent Investment decisions.
5) Advises government on building infrastructure and partnership to further support private sector development.
6) Offer innovative financial products to private sector projects in developing countries.
7) Provides to mix of financing and advisory services that is tailored to meet needs of each project.
8) Owned and governed by its member's countries but has its own executive leadership and staff to conduct its normal business operations.

ADB

1) Composed of 67 members and out of which 48 are from Asia & Pacific region.
2) Assists its members & partners; by providing loans, technical assistance; growth and other equity investments to promote social and economic development.
3) Committed to achieve a prosperous inclusive, resident and sustainable Asia & Pacific; while sustaining its efforts to eradicate extreme poverty.
4) Maximizes the development impact of its Assistance by
- Facilitating policy dialogues
- Providing advisory services.
- Mobilizing financial resources.

5) As a multilateral development financial institutional it provides loans, technical assistance & grants.
6) ADB in partnership with member government, Independent specialists and other financial institutions is focused on delivering projects in developing member countries to create economic & development impact.

IMF

1) It was created in 1945.
2) Organization of 189 countries.
3) Working to foster global monetary Co-operation, secure financial stability, facilitate International trade; promote high employment and sustainable economic growth.
4) Primary purpose is to ensure stability of International Monetary system.
5) Assists countries hit by crisis by providing them financial support.
6) Three ways of achieving primary purpose:-
- Keeping track of global economy and economies of member countries;
- Lending to countries with balance of payment difficulty
- Giving practical help to members.

INTER-CORPORATE LOANS

Particulars	
1) section 186(1)	• A Company shall make investment through not more than two layers of investment companies. • 'Layer' according to explanation (d) of Section 2(87) of the Act in relation to a holding Company means its subsidiary or subsidiaries. • 'Investment Company' means a Company whose principal business is the acquisition of shares, debentures or other securities". • The provisions of Section 186 (1) shall not have effect in the following cases: – If a company acquires any company which is incorporated outside India and such company has investment subsidiaries beyond two layers as per the laws of such country. – A subsidiary company from having any investment subsidiary for the purposes of meeting the requirement under any law/ rule/ regulation framed under any law for the time being in force. –
2) Limit 186(2)	1)In pursuant to provisions of Section 186(2) of the Act, no company shall directly or indirectly – give any loan to any person or other body corporate, – give any guarantee or provide security in connection with a loan to any other body corporate or person and acquire by way of subscription, purchase or otherwise, the securities of any other body corporate **exceeding 60% of its paid-up share capital plus free reserves plus securities premium account or 100% of its free reserves plus securities premium account, whichever is more**. 2) It is the investor company which shall be held liable in case of any violation of the section; therefore, It is prudent and advisable that the investee company to seek a declaration from the investor company whether the investment made by the investor is coming from more than two layers up. 3) Section 186(2) shall not apply on Specified IFSC public and private company if a company passes a resolution either at a meeting of the Board of Directors or by circulation.
3) Members' approval	1) Section 186(3), empowers a Company to give loan, guarantee or provide any security or acquisition beyond the limit but subject to prior approval of members by a special resolution passed at a general meeting. 2) Section 186(3) shall not apply on Specified IFSC public and private company if a company passes a resolution either at a meeting of the Board of Directors or by circulation. 3) Exemptions to wholly owned subsidiary company: i. Where a loan or guarantee is given or where a security has been provided by a company to its wholly owned subsidiary company or a joint venture company, or acquisition is made by a holding company, by way of subscription, purchase or otherwise of, the securities of its wholly owned subsidiary company, the requirement of sub- section (3) of section 186 shall not apply. ii. In such cases, the company are required to disclose the details of such loans or guarantee or security or

	acquisition in the financial statement as provided under sub- section (4) of section 186.
4) Disclosures in financial statements 186(4)	The full particulars of the loans given, investment made or guarantee given or security provided. – The purpose for which the loan or guarantee or security is proposed to be utilised by the recipient of the loan or guarantee or security.
5) Details to be provided in notice of general meeting	The notice of the general meeting for passing resolution shall indicate that (a) The limits that will be required in excess of the prescribed limits involved in the proposal; (b) The particulars of the body corporate in which the investment is proposed to be made or to which the loan or guarantee or security proposed to be given. (c) The purpose of the investment, loan, guarantee or security; (d) The source of funding for meeting the proposal; and (e) Other details as may be specified.
6) Prior approval of banks or financial institution. 185(5)	1) Every company shall take consent of all the directors **present at the board meeting** before making any investment, giving loan and guarantee and providing security. 2) In case of a Specified IFSC public and private company, the Board can exercise powers by means of **resolutions passed at meetings of the Board of Directors or through resolutions passed by circulation.** 3)The prior approval of a Public Financial Institutions is required in case :- a) The aggregate of the loans and investments so far made, the amount for which guarantee or security so far provided to or in all other bodies corporate, along with the investments, loans, guarantee or security proposed to be made or given exceeds the limit as specified in Section 186(2) b) There is a default in repayment of loan instalments or payment of interest thereon as per the terms and conditions of such loan to the public financial institution.
7) SEBI registered company 186(6)	No company which is registered with SEBI or other companies notified by CG in consultation with SEBI, shall take intercorporate loans or deposits in excess of the limit as specified in the regulations applicable to such companies.
8) Rate of interest on loan. 186(7)	A rate of interest shall not be lower than the prevailing yield of one year, three year, five year or ten year Government Security closest to the tenor of the loan.
9) No loan by defaulter company. 186(8)	No company which is in default in the repayment of any deposits accepted before or after the commencement of this Act or in payment of interest thereon, shall give any loan or give any guarantee or provide any security or make an acquisition till such default is subsisting.
10) Register 186(9)& (10)	1) Section 186(9) of the Act mandates every Company to maintain a register which shall contain particulars of loan or guarantee given or security provided or investment made.

	2) Every company giving loan or giving guarantee or providing security or making an acquisition of securities shall, from the date of its incorporation maintain a register in Form **MBP 2** and entered therein separately, the particulars of loan and guarantee given, securities provided and acquisitions made as aforesaid. 3) MCA vide General Circular No. 15/2014 dated 9th June 2014 clarified that registers maintained by companies pursuant to sub-section (5) of Section 372A of Companies Act, 1956 may continue as per requirements under these provisions and the new format prescribed vide Form MBP2 shall be used for particulars entered in such registers on and from 1.4.2014. 4) This register shall be kept at registered office of the company and the register shall be preserved permanently and shall be kept in the custody of company secretary of the company or any person authorized by the Board for the purpose. 5) The entries in the register (either manual or electronic) shall be authenticated by the company secretary of the company or by any other person authorized by the Board for the purpose. 6) The extracts of the register may be opened for inspection and copies may be furnished to members who demands for the same on payment of prescribed fee as mentioned in the Articles which shall not exceed ten ₹ for each page.
11) Penalty for contravention of section 186	**For Company:** Every Company which contravenes the provisions of this Section shall be liable to a penalty which shall not be less than ₹ 25,000 but which may extend to ₹ 5,00,000. **For Officers:** Every officer of the Company who is default shall be punishable with imprisonment for a term which may extend to two years and fine which shall not be less than ₹ 25,000 but which may extend to ₹ 1,00,000.

NON-APPLICABILITY OF SECTION 186

Exemption (All 186 except Sub Sec. 1)

Loan/Guarantee/Security

1) Banking/Insurance/ Housing Finance Company (If in Ordinary Course of Business)
2) Company engaged in financing activity or providing infrastructural facility.

Acquisition

1) NBFC whose principal business is acquisition of security
2) Investment Company
3) Right Issue [62(1)(1)]
4) Banking/Insurance/Housing Finance Company

Exemption Notification (Govt. Co.) (186 full Exemption)

1) Govt. Company engaged in defence production.
2) Unlisted Govt. Company after taking prior approval of department of CG or SG which is exclusively administrating such company.

<table>
<tr><td>MEANING OF THE TERM INVESTMENT</td><td>Investment for the purposes of section 186(1) would mean as used in section 186(2)(c) of the Act, 2013. Thus the following will be counted as “investments”:
– Subscription or purchase of shares
– Subscription or purchase of share warrants
– Subscription or purchase of debentures bonds or similar debt securities.

The following will not be counted as investments:
– Making of loans or advances
– Any other financial transactions such as leases, purchase of receivables, or other credit facilities</td></tr>
<tr><td>COMMERCIAL PAPER</td><td>Commercial Paper (CP) is an <u>unsecured money market instrument</u> issued in the form of a promissory note.
CP, as a privately placed instrument, was introduced in India in 1990 with a view to enable highly rated corporate borrowers to diversify their sources of short-term borrowings and to provide an additional instrument to investors.
Subsequently, primary dealers (PDs), and all-India financial institutions were also permitted to issue CP to enable them to meet their short-term funding requirements for their operations.
The Guidelines for issue of CP are presently governed by various directives issued by the Reserve Bank of India, as amended from time to time.
The guidelines for issue of CP are given below:
Companies, PDs and financial institutions (FIs) are permitted to raise short-term resources under the umbrella limit fixed by the Reserve Bank of India (RBI) are eligible to issue CP.

A company would be eligible to issue CP provided:
(a) the tangible net worth of the company, as per the latest audited balance sheet, is not less than ₹ 4 crores;
(b) the company has been sanctioned working capital limit by bank/s or FIs; and
(c) the borrowal account of the company is classified as a Standard Asset by the financing bank/ institution.

<u>MERITS OF COMMERCIAL PAPER</u>
1) It provides <u>more funds</u> compared to other sources. the cost pf commercial paper to the issuing firm is lower than the cost of commercial bank loans.
2) It is <u>freely transferable</u> in nature, therefore it has high liquidity also. Additionally, SEBI vide its circulars dated October 22, 2019 and December 24, 2019 prescribed framework for listing if Commercial Papers which will provide additional liquidity to the investors of CPs.
3) It produce a <u>continuing source</u> of funds. This is because their maturity can be tailored to suit the needs of issuing firm. It is highly secure and does not contain any restrictive condition.

<u>DEMERITS OF COMMERCIAL PAPER</u>
1) Only financially secure and highly rated organizations can raise money through commercial papers. New and</td></tr>
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	moderately rated organizations are not in a position to raise funds by this method 2) The amount of money that can be raised through commercial paper is limited to the deductible liquidity available with the suppliers of funds at a particular point. 3) The duration cannot be extended.

PROCEDURE FOR ISSUANCE OF COMMERCIAL PAPERS:

Particulars	
1) Maturity	• CP can be issued for maturities between a minimum of 7 days and a maximum of up to one year from the date of issue. • The maturity date of the CP should not go beyond the date up to which the credit rating of the issuer is valid.
2) Denomination	CP can be issued in denominations of ₹ 5 lakh and multiples thereof. The amount invested by a single investor should not be less than ₹ 5 lakh (face value).
3) Amount	• The aggregate amount of CP from an issuer shall be within the limit as approved by its Board of Directors or the quantum indicated by the CRA for the specified rating, whichever is lower. • The total amount of CP proposed to be issued should be raised within a period of two weeks from the date on which the issuer opens the issue for subscription.
4) Issue and Paying Agent	Only a scheduled bank can act as an IPA for issuance of CP.
5) Investment in CP	CP may be issued to individuals, banking companies, other corporate bodies (registered or incorporated in India) and unincorporated bodies, Non-Resident Indians and Foreign Institutional Investors (FIIs). However, investment by FIIs would be within the limits set for them by SEBI and compliance with the provisions of the FEMA 1999, and rules and regulations made thereunder.
6) Trading	All OTC trades in CP shall be reported within 15 minutes of the trade to the reporting platform of Clear corp Dealing Systems (India) Ltd. (CDSIL).
7) Mode of Issuance	• CP can be issued either in the form of a promissory note and held in physical form or in a dematerialised form through any of the depositories approved by and registered with SEBI. • All RBI regulated entities can deal in and hold CP only in dematerialised form through such depositories. • CP will be issued at a discount to face value as may be determined by the issuer. • No issuer shall have the issue of CP underwritten or co- accepted.
8)	• Option is available to both issuers and subscribers to issue/hold CP in dematerialised or physical form.

Dematerialisation	• However, banks, FIs and PDs are required to make fresh investments and hold CP only in dematerialised form.
9) Payment	The initial investor in CP shall pay the discounted value of the CP by means of a crossed account payee cheque to the account of the issuer through IPA. On maturity of CP, when CP is held in physical form, the holder of CP shall present the instrument for payment to the issuer through the IPA. However, when CP is held in demat form, the holder of CP will have to get it redeemed through the depository and receive payment from the IPA
10) Procedure	• Every issuer must appoint an IPA for issuance of CP. • The issuer should disclose to the potential investors, its financial position as per the standard market practice. • After the exchange of deal confirmation between the investor and the issuer, issuing company shall issue physical certificates to the investor or arrange for crediting the CP to the investor's account with a depository. • Investors shall be given a copy of IPA certificate to the effect that the issuer has a valid agreement with the IPA and documents are in order.
11) Credit Rating	The minimum credit rating of 'A2' shall be obtained by all the issuers of CP.

Role and Responsibilities

The role and responsibilities of issuer, IPA and CRA are set out below:

❖ Issuer

With the simplification in the procedures for issuance of CP, issuers would now have greater flexibility. However, they have to ensure that the guidelines and procedures laid down for CP issuance are strictly adhered to.

❖ Issuing and Paying Agent (IPA)

- The IPA would ensure that the issuer has the minimum credit rating as stipulated by RBI and the amount mobilized through issuance of CP is within the quantum indicated by CRA for the specified rating or as approved by its Board of Directors, whichever is lower.
- The IPA has to verify all the documents submitted by the issuer, viz., copy of board resolution, signatures of authorised executants (when CP is issued in physical form) and issue a certificate to this effect.
- Certified copies of original documents, verified by the IPA, should be held in the custody of IPA.
- All scheduled banks, acting as the IPAs should submit the data pertaining to CP issuances on the Online Returns Filing System (ORFS) module of the RBI within two days from the date of issuance of CP.
- The IPA shall certify that it has a valid agreement with the issuer.

❖ Credit Rating Agency (CRA)

- The CRA shall be abide by the Code of Conduct prescribed by the SEBI for CRAs for undertaking rating of capital market instruments shall be applicable to CRAs for rating CPs.
- The CRAs would henceforth have the discretion to determine the validity period of the rating depending upon its perception about the strength of the issuer. Accordingly, they shall, at the time of rating, clearly indicate the date when the rating is due for review.
- The CRAs would have to closely monitor the rating assigned to issuers vis-à-vis their track record at regular intervals and would be

required to make their revision in the ratings public through their publications and website.	
DEPOSITS	An ICD is an unsecured loan extended by one corporate to another. Another aspect of this market is that the better-rated corporates can borrow from the banking system and lend in this market to make speculative profits. As the cost of funds for a corporate in much higher than that of a bank, thus, the rates in this market are higher than those in the other markets. ICDs are unsecured, and hence the risk inherent is high. The ICD market is an unorganized market with very less information available publicly about transaction details.

<u>Deposit by Companies</u> **(Sec 73 to 76A of the Act) Acceptance of deposits Rules 2014**

Members

Eligible & Non-Eligible Companies both can accept deposits from Members.
[Sec. 73(2) Both Secured & Unsecured]

i) Issuance of Circular to all its members in form DPT – 1 (Registered post or speed post or by Electronic Mode).
ii) File copy of Circular with ROC within 30 days before date of Issue of Circular.
iii) Deposit at least 15% of deposits maturing during the FY and FY next following; in a separate Bank A/c in scheduled Bank to be called as deposit Repayment Reserve A/c.
iv) Certify that Company has not committed any default in deposits accepted before on offer CA; 2013 on Interest thereon
v) If deposits are secured; create charge on Assets of Company.
vi) Publish Circular in English Newspaper and vernacular newspaper (voluntary).

From General Public

Only Eligible Companies can accept deposits from Public → Public Company
i) NW ≥ 100 Cr.; or
ii) Turnover ≥ 500 Cr.
&
(Prior Consent of Members)

≤ Limit specified u/s 186 → OR
>Limit specified u/s 186 → SR

Sec 76

i) Shall be required to take credit rating at the time of acceptance of deposits & every year during the tenure of deposits.
ii) If secured deposits are accepted from public, then company shall create a charge on assets of the company within 30 days for an amount equal to amount of deposits accepted.
iii) Company shall issue an advertisement in form DPT-01 in English and vernacular newspaper and upload on its website.

Secured deposits

1) Charge on the assets of the company shall be created, where the value shall be equal to amount of deposits and interest thereon.
2) Security shall be created on, not by way pledge, on following kinds of assets of the company:
- moveable property
-specific immoveable property wherever situated or interest therein.

Trustees

A) Who cannot be trustee?

1) Director, KMP, officer or employee of company, holding company, subsidiary company or associate company.
2) Person who is indebted to company, holding company, associate company, subsidiary company or subsidiary of holding company.
3) Person having material pecuniary relationship with company.
4) Guarantor of the company.

B) Removal of trustees:

1) Trustees cannot be removed prior to expiry of term; however if trustees are to be removed, he shall be removed in the presence of at least one independent director, if company is required to appoint independent director. In other case, all directors shall be present at the meeting wherein resolution for removal of trustees is to be passed.

Duties of Trustees

As per Rule 8 of Companies (Acceptance of Deposits) Rules, 2014, it shall be the duty of every trustee for depositors to-
(a) ensure that the assets of the company on which charge is created together with the amount of deposit insurance are sufficient to cover the repayment of the principal amount of secured deposits outstanding and interest accrued thereon;
(b) satisfy himself that the circular or advertisement inviting deposits does not contain any information which is inconsistent with the terms of the deposit scheme or with the trust deed and is in compliance with the rules and provisions of the Act;
(c) Ensure that the company does not commit any breach of covenants and provisions of the trust deed;
(d) Take such reasonable steps as may be necessary to procure a remedy for any breach of covenants of the trust deed or the terms of invitation of deposits;
(e) Take steps to call a meeting of the holders of depositors as and when such meeting is required to be held;
(f) Supervise the implementation of the conditions regarding creation of security for deposits and the terms of deposit insurance;
(g) Do such acts as are necessary in the event the security becomes enforceable;
(h) Carry out such acts as are necessary for the protection of the interest of depositors and to resolve their grievances.
As per Rule 9 of Companies (Acceptance of Deposits) Rules, 2014, the trustee for depositors shall call a meeting of all the depositors on-
(a) Requisition in writing signed by at least one-tenth of the depositors in value for the time being outstanding;
(b) The happening of any event, which constitutes a default or which, in the opinion of the trustee for depositors, affects the interest of the depositors.

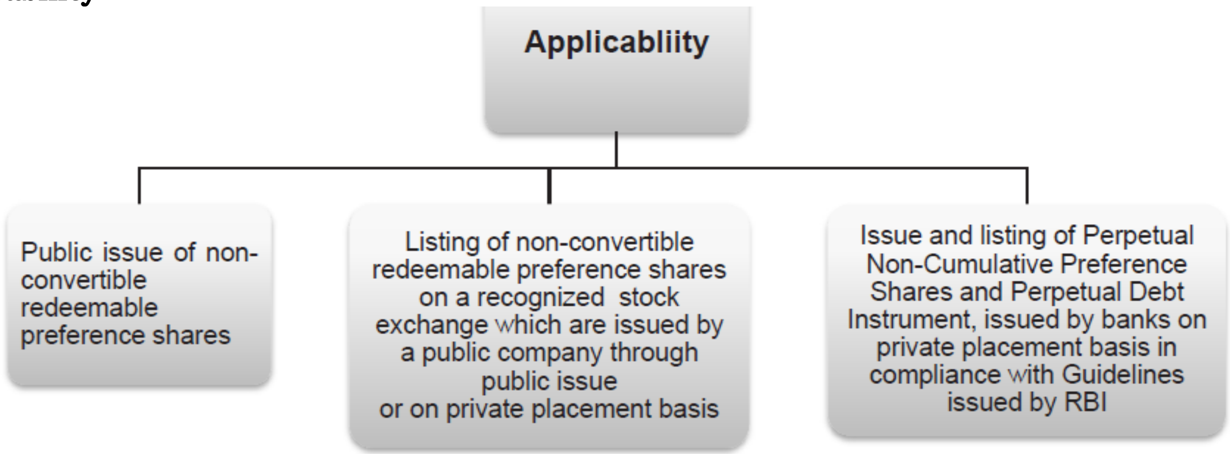
CHECK LIST OF SECRETARIAL COMPLIANCE FOR ACCEPTANCE OF DEPOSITS AS PER COMPANIES ACT 2013:

The Company Secretary should check:
1) Whether proper Board meeting has been held and the matter of acceptance of deposit has been proposed and issue of notice for holding

	general meeting for obtaining approval of the shareholder has been taken place. 2) Whether general meeting has been held and approval of the shareholders by means of a special or ordinary resolution has been passed. 3) Whether the said resolution has been filed with Registrar in Form MGT-14 within 30 days of passing of such resolution. 4) Whether Board meeting has been held to obtain the approval for the draft Circular/Form of Advertisement from the Board and the said draft Circular/Form of Advertisement has been signed by majority of the directors of the Company. 5) Whether copy of Circular/Form of Advertisement approved by the Board has been filed with the Registrar of Companies in Form DPT-1 for registration. 6) Whether one or more deposit trustees for creating security for the secured deposits has been appointed and the company has executed a deposit trust deed in Form DPT-2 at least seven days before issuing circular or circular in the form of advertisement. 7) Whether the company has enter into a contract providing for deposit insurance at least thirty days before the issue of circular or advertisement with Insurance Company. 8) Whether the company has obtain the rating (including its net worth, liquidity and ability to pay its deposits on due date) from a recognized credit rating agency for informing the public the rating given to the Company. 9) Whether the company has issued circular/form of advertisement after 30 days from the date of filing of a copy of Circular/Form of Advertisement with the Registrar. 10) Whether the circular has been issued to members by registered post with acknowledgement due or speed post or by electronic mode or publish the circular in the form of an advertisement in Form DPT-1 and in addition to such issue of circular the company has published the same in one English newspaper and one vernacular language in vernacular newspaper having wide circulation in the state of registered office of the company. 11) Whether the company has uploaded the copy of the circular on the Company's website, if any. 12) Whether the company has issued deposit receipt in the prescribed format and under the signature of officer duly authorized by Board, within a period of two weeks from the date of receipt of money or realization of cheques. 13) Whether the company has made entries in the register as per the instruction provided in the rules within seven days from the date of issuance of the deposit receipt and such entries shall be authenticated by a director or secretary of the Company or by any other officer authorized by the Board. 14) Whether the company has filed deposit return in Form DPT-3 by furnishing information contained therein as on 31st day of March duly audited by auditors before 30th June every year. 15) Whether the company has prepared the statement regarding deposits existing as on the date of commencement of the act in Form DPT-4.
CUSTOMER ADVANCE	Sometimes businessmen insist on their customers to make some advance payment. It is generally asked when the value of order is quite large or things ordered are very costly. Customers' advance represents a part of the payment towards price on the product (s) which will be delivered at a later date. A firm can meet its short-term requirements with the help of customers' advances. **Merits** (a) **Interest free**: Amount offered as advance is interest free. Hence funds are available without involving financial burden. (b) **No tangible security** : The seller is not required to deposit any tangible security while seeking advance from the customer. Thus assets remain free of charge. (c) No repayment obligation : Money received as advance is not to be refunded. Hence there are no repayment obligations.

	Demerits (a) **Limited amount** : The amount advanced by the customer is subject to the value of the order. Borrowers' need may be more than the amount of advance. (b) **Limited period** : The period of customers' advance is only upto the delivery goods. It cannot be reviewed or renewed. (c) **Penalty in case of non-delivery of goods** : Generally advances are subject to the condition that in case goods are not delivered on time, the order would be cancelled and the advance would have to be refunded along with interest.

CHAPTER 11 - NON-CONVERTIBLE REDEEMABLE PREFERENCE SHARES

INTRODUCTION	Non-Convertible Redeemable Preference Share means a preference share which is redeemable in accordance with the provisions of the Companies Act, 2013 and does not include a preference share which is convertible into or exchangeable with equity shares of the issuer at a later date, with or without the option of the holder.
SEBI (ISSUE AND LISTING OF NON-CONVERTIBLE REDEEMABLE PREFERENCE SHARES) REGULATIONS, 2013	SEBI issued (Issue and Listing of Non-Convertible Redeemable Preference Shares) Regulations, 2013 pertaining to Issue and Listing of Non-Convertible Redeemable Preference Shares which are not convertible, either in whole or part into equity instruments. They provide for rationalized disclosure requirements and a reduction of certain onerous obligations erstwhile attached to an issue of Non-Convertible Redeemable Preference securities. **Applicability** 
REQUIREMENTS FOR PUBLIC ISSUE OF NCRPS	1. No issuer shall make any public issue of non-convertible redeemable preference shares if as on the date of filing of draft offer document or final offer document, (a) the issuer or the person in control of the issuer or its promoter or its director is restrained or prohibited or debarred by the Board from accessing the securities market or dealing in securities; or (b) the issuer or any of its promoters or directors is a wilful defaulter or it is in default of payment of interest or repayment of principal amount in respect of non-convertible redeemable preference shares issued by it to the public, if any, for a period of more than six months. 2. No issuer shall make a public issue of non-convertible redeemable preference shares unless the following conditions are satisfied, as on the date of filing of draft offer document and final offer document: (a) it has made an ***<u>application to one or more recognized stock exchanges for listing</u>*** of such securities being issued and where the application is made to more than one recognized stock exchange, the issuer

	shall choose one of them as the designated stock exchange. (b) it has ***obtained in-principle approval*** for listing of its non-convertible redeemable preference shares on the recognized stock exchanges where the application for listing has been made. (c) it has ***obtained a credit rating*** from at least one credit rating agency registered with SEBI and is disclosed in the offer document. In case the issuer company has obtained credit ratings from more than one credit rating agency, all the ratings, including the unaccepted ratings, shall be disclosed in the offer document. (d) it has ***entered into an arrangement*** with a depository registered with SEBI for dematerialization of the non-convertible redeemable preference shares that are proposed to be issued to the public, in accordance with the Depositories Act, 1996 and regulations made thereunder. (e) the ***minimum tenure*** of the non-convertible redeemable preference shares shall not be less than 3 years. (f) the issue has been ***assigned a rating*** of not less than AA- or equivalent by a credit rating agency registered with SEBI (3) The issuer ***shall create a capital redemption reserve*** in accordance with the provisions of the Companies Act, 2013. (4) The issuer shall not issue non-convertible redeemable preference shares for providing loan to or acquisition of shares of any person who is part of the same group or who is under the same management, other than to subsidiaries of the issuer; Explanation: For the purpose of this regulation, the terms “part of the same Group” and “under the same management” shall have the same meaning as provided in the explanation to Regulation 23 of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009. (5) In case of public issue of non-convertible redeemable preference shares, the issuer shall appoint one or more merchant bankers registered with SEBI at least one of whom shall be a lead merchant banker.
DISCLOSURES IN THE OFFER DOCUMENT	1. The offer document must contain all material disclosures which are necessary for the subscribers of the NCRPS to take an informed investment decision. The offer document shall necessarily contain the following: (a) the disclosures specified in Section 26 of the Companies Act, 2013; (b) disclosure specified in Schedule I of the SEBI (Issue and listing of NCRPS) Regulations; (c) additional disclosures as may be specified by SEBI 2. The amount of minimum subscription which the issuer seeks to raise and underwriting arrangements shall be disclosed in the offer document.
FILING OF THE OFFER DOCUMENT	The issuer shall not make a public issue of NCRPS unless a draft offer document has been filed with the designated stock exchange through the lead merchant banker. Draft offer document filed with the designated stock exchange shall be made public by posting the same on the

	website of the designated stock exchange for seeking public comments for a period of seven working days from the date of filing the draft offer document with such exchange. The draft offer document may also be displayed on the website of the issuer, merchant bankers and the stock exchanges where the non-convertible redeemable preference shares are proposed to be listed. The lead merchant banker shall ensure that the draft offer document clearly specifies the names and contact particulars of the compliance officer of the lead merchant banker and the issuer including the postal and email address, telephone and fax numbers. The lead merchant banker shall ensure that all comments received on the draft offer document are suitably addressed prior to the filing of the offer document with the Registrar of Companies. A copy of draft and final offer document shall also be forwarded to SEBI for its records, along with fees as specified in Schedule III of the SEBI (Issue and Listing of NCRPS) Regulations, simultaneously with filing of these documents with designated stock exchange. The lead merchant banker shall, prior to filing of the offer document with the Registrar of Companies, furnish to SEBI a due diligence certificate in the format specified in Schedule II of the SEBI (Issue and Listing of NCRPS) Regulations
MODE OF DISCLOSURE OF OFFER DOCUMENT	The draft and final offer document shall be displayed on the websites of stock exchanges and shall be available for download in PDF /HTML formats. The offer document shall be filed with the designated stock exchange, simultaneously with filing thereof with the Registrar of Companies, for dissemination on its website prior to the opening of the issue. Where any person makes a request for a physical copy of the offer document, the same shall be provided to him by the issuer or lead merchant banker.
ADVERTISEMENTS FOR PUBLIC ISSUES	The issuer shall make an advertisement in one English national daily newspaper and one Hindi national daily newspaper with wide circulation at the place where the registered office of the issuer is situated, on or before the issue opening date and such advertisement shall, amongst other things, contain the disclosures as specified in Schedule I of the SEBI (Issue and Listing of NCRPS) Regulations. No issuer shall issue an advertisement which is misleading in material particulars or which contains any information in a distorted manner or which is manipulative or deceptive. The advertisement shall be truthful, fair and clear and shall not contain a statement, promise or forecast which is untrue or misleading. The credit rating shall be prominently displayed in the advertisement. Any advertisement issued by the issuer shall not contain any matters which are extraneous to the contents of the offer document. The advertisement shall urge the investors to invest only on the basis of information contained in

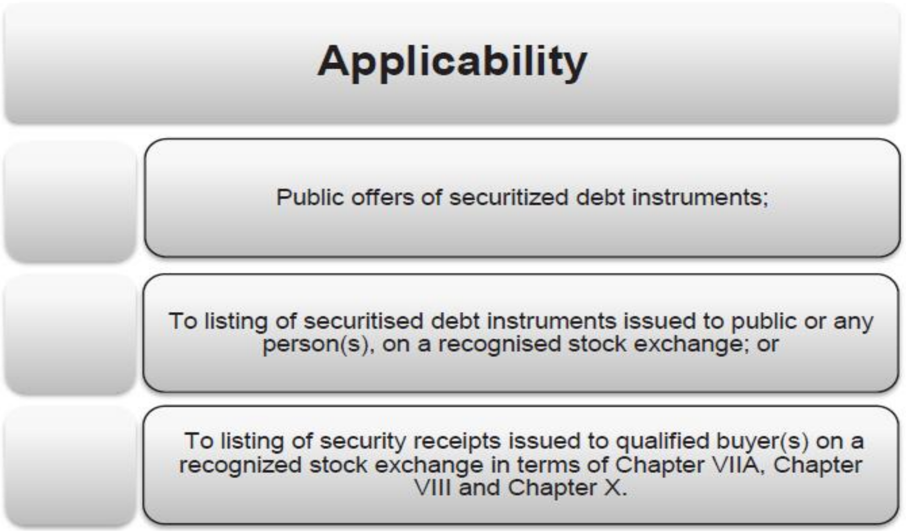
	the offer document. Any corporate or product advertisement issued by the issuer during the subscription period shall not make any reference to the issue of non-convertible redeemable preference shares or be used for solicitation of subscription to the issue of non-convertible redeemable preference shares.
ABRIDGED PROSPECTUS AND APPLICATION FORMS	The issuer and lead merchant banker shall ensure that, every application form issued by the issuer is accompanied by a copy of the abridged prospectus, the abridged prospectus shall not contain matters which are extraneous to the contents of the prospectus and adequate space shall be provided in the application form to enable the investors to fill in various details like name, address, etc.
ELECTRONIC ISSUANCES **(Dec 2019)**	The issuer may provide the facility for subscription of application in electronic mode (please refer SEBI Circular dated January 5, 2018) https://www.sebi.gov.in/legal/circulars/jan-2018/electronic-book-mechanism-for-issuance-of-securities-on-private-placement-basis_37295.html. An issuer proposing to issue non-convertible redeemable preference shares to the public through the on-line system of the designated stock exchange shall comply with the relevant applicable requirements as may be specified by SEBI, which are as under:. All the investors applying in a public issue shall use only Application Supported by Blocked Amount (ASBA) facility for making payment i.e. writing their bank account numbers and authorising the banks to make payment in case of allotment by signing the application forms. An investor, intending to subscribe to a public issue, shall submit a completed bid-cum application form to Self-Certified Syndicate Banks (SCSBs), with whom the bank account to be blocked is maintained or any of the following intermediaries: (a) A syndicate member (or sub-syndicate member) (b) A stock broker registered with a recognised stock exchange (c) A depository participant ('DP') (d) A registrar to an issue and share transfer agent ('RTA')
PRICE DISCOVERY THROUGH BOOK BUILDING	The issuer may determine the price of non-convertible redeemable preference shares in consultation with the lead merchant bankers and the issue may be at a fixed price or the price may be determined through book building process.
REDEMPTION	The issuer shall redeem the non-convertible redeemable preference shares in terms of the offer document.
MINIMUM SUBSCRIPTION	The issuer may decide the amount of minimum subscription which it seeks to raise by public issue of non-convertible redeemable preference shares in accordance with the provisions of Companies Act, 2013 and disclose the same in the offer document. In the event of non-receipt of minimum subscription, all application monies received in the public issue shall be refunded forthwith to the applicants. In the event the application monies are refunded beyond eight days from the last day of the offer, then such amounts shall be refunded along with interest

	at such rate as may be set out in the offer document which shall not be less than 15% per annum.
UNDERWRITING	Public issue of non-convertible redeemable preference shares may be underwritten by an underwriter registered with SEBI and in case the issue is underwritten, adequate disclosures regarding underwriting arrangements shall be made in the offer document.
PROHIBITIONS OF MIS-STATEMENTS IN THE OFFER DOCUMENT	The offer document shall not omit disclosure of any material fact which may make the statements made therein, in light of the circumstances under which they are made, misleading. Further, the offer document or abridged prospectus or any advertisement issued by an issuer in connection with a public issue of non-convertible redeemable preference shares shall not contain any false or misleading statement.
MANDATORY LISTING	An issuer desirous of making an offer of non-convertible redeemable preference shares to the public shall make an application for listing to one or more recognized stock exchanges in terms of Section 40 of the Companies Act, 2013. The issuer shall comply with conditions of listing of such non-convertible redeemable preference shares as specified in the Listing Agreement with the stock exchange where such non-convertible redeemable preference shares are sought to be listed. Listing shall be completed within a period of 6 working days from the date of closing of the Issue.
LISTING AGREEMENT	Every issuer which has previously entered into agreements with a recognized stock exchange to list non-convertible redeemable preference shares, or perpetual non-cumulative preference shares or innovative perpetual debt instruments shall execute a fresh listing agreement with such stock exchange within six months of the date of notification of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015. Any issue after the notification of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 shall execute a Listing Agreement with the stock exchange in accordance with the provisions of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.
ISSUE OF NCRPS ON A PRIVATE PLACEMENT BASIS	An issuer may list its non-convertible redeemable preference shares issued on private placement basis on a recognized stock exchange subject to the following conditions: a) the issuer has issued such non-convertible redeemable preference shares in compliance with the provisions of the Companies Act, 2013 rules prescribed thereunder and other applicable laws; b) credit rating has been obtained in respect of such non-convertible redeemable preference shares from at least one credit rating agency registered with SEBI. where credit ratings are obtained from more than one credit rating agencies, all the ratings shall be disclosed in the offer document; c) the non-convertible redeemable preference shares proposed to be listed are in dematerialized form; d) the disclosures as provided in Regulation 18 of the SEBI NCRPS Regulations have been made; e) the minimum application size for each investor is not less than ten lakh; f) the issuer shall create a capital redemption reserve in accordance with the provisions of the Companies Act,

	2013 ; g) the issuer shall not issue non-convertible redeemable preference shares for providing loan to or acquisition of shares of any person who is part of the same group or who is under the same management, other than to subsidiaries of the issuer; and h) where the application is made to more than one recognised stock exchange, the issuer shall choose one of them as the designated stock exchange. The issuer shall comply with conditions of listing of such non-convertible redeemable preference shares as specified in the Listing Agreement with the stock exchange where such non-convertible redeemable preference shares are sought to be listed.
DISCLOSURES IN RESPECT OF PRIVATE PLACEMENTS OF NON-CONVERTIBLE REDEEMABLE PREFERENCE SHARES	The issuer making a private placement of non-convertible redeemable preference shares and seeking listing thereof on a recognized stock exchange shall make disclosures as specified in Schedule I of the SEBI NCRPS Regulations, accompanied by the latest Annual Report of the Issuer. The disclosures as provided shall be made on the web sites of stock exchanges where such securities are proposed to be listed and shall be available for download in PDF / HTML formats.
LISTING	Where the issuer has disclosed the intention to seek listing of non- convertible redeemable preference shares issued on private placement basis, the issuer shall forward the listing application along with the disclosures specified in Schedule I to the recognized stock exchange within fifteen days from the date of allotment of such non-convertible redeemable preference shares.
CONTINUOUS LISTING CONDITIONS	All the issuers making public issues of non-convertible redeemable preference shares or seeking listing of non-convertible redeemable preference shares issued on private placement basis shall comply with the conditions of listing specified in the respective listing agreement for non-convertible redeemable preference shares. The issuer and stock exchanges shall disseminate all information and reports on non-convertible redeemable preference shares including compliance reports filed by the issuers regarding the non-convertible redeemable preference shares to the investors and the general public by placing them on their websites. **Trading of non-convertible redeemable preference shares** The non-convertible redeemable preference shares issued to the public or on a private placement basis, which are listed in recognized stock exchanges, shall be traded and such trades shall be cleared and settled in recognized stock exchanges subject to conditions specified by SEBI. In case of trades of non-convertible redeemable preference shares which have been made over the counter, such trades shall be reported on a recognized stock exchange having a nation-wide trading terminal or such other platform as may be specified by SEBI. SEBI may specify conditions for reporting of trades on the recognized stock exchange or other platform referred to in the Regulations.

OBLIGATIONS OF THE ISSUER AND THE INTERMEDIARIES	1. The issuer shall disclose all the material facts in the offer documents issued or distributed to the public and shall ensure that all the disclosures made in the offer document are true, fair and adequate and there is no mis-leading or untrue statements or mis-statement in the offer document. 2. The Merchant Banker shall verify and confirm that the disclosures made in the offer documents are true, fair and adequate and ensure that the issuer is in compliance with these regulations as well as all transaction specific disclosures. 3. Each rating obtained by an issuer shall be reviewed by the registered credit rating agency atleast once a year and any revision in the rating shall be promptly disclosed by the issuer to the stock exchange(s) where the non-convertible redeemable preference shares are listed. Any change in rating shall be promptly disseminated to investors and prospective investors in such manner as the stock exchange where such securities are listed may determine from time to time. 4. The issuer shall treat the applicants in a public issue of non-convertible redeemable preference shares in a fair and equitable manner as per the procedures as may be specified by SEBI. 5. The intermediaries shall be responsible for the due diligence in respect of assignments undertaken by them in respect of issue, offer and distribution of securities to the public. 6. No person shall employ any device, scheme or artifice to defraud in connection with issue or subscription or distribution of non-convertible redeemable preference shares which are listed or proposed to be listed on a recognized stock exchange.
APPLICABILITY	**ISSUANCE AND LISTING OF NON EQUITY REGULATORY CAPITAL INSTRUMENTS BY BANKS** The provisions of Chapter VI of SEBI NCRPS Regualtions may, apply to the issuance and listing of Perpetual Non-Cumulative Preference Shares and Innovative Perpetual Debt Instruments by banks. No issuer other than a bank shall issue these instruments. A bank may issue such instruments subject to the prior approval and in compliance with the Guidelines issued by Reserve Bank of India: (a) If a bank is incorporated as a company under Companies Act, 1956 / 2013 , it shall, in addition, comply with the provisions of Companies Act, 1956 and/or other applicable statues. (b) The bank shall comply with the terms and conditions as may be specified by the Board from time to time and shall make adequate disclosures in the offer document regarding the features of these instruments and relevant risk factors and if such instruments are listed, shall comply with the listing requirements. **STREAMLINING THE PROCESS OF PUBLIC ISSUE UNDER THE SEBI (ISSUE AND LISTING OF NON-CONVERTIBLE REDEEMABLE PREFERENCE SHARES) REGULATIONS, 2013** In order to make the existing process of issuance of debt securities, NCRPS and SDI easier, simpler and cost effective for both issuers and investors under the SEBI ILDS, SEBI NCRPS and SEBI SDI regulations respectively, it has been decided to reduce the time taken for listing after the closure of the issue to 6 working days as against the present requirement of 12 working days.

CHAPTER 12 – SECURITIZATION

INTRODUCTION	Securitization is the transformation of financial assets into securities. Securitization is used by financial entities to raise funding other than what is available via the traditional methods of on-balance-sheet funding. In other words, Securitization is the process of pooling and repackaging of homogenous illiquid financial assets into marketable securities that can be sold to investors. The process leads to the creation of financial instruments that represent ownership interest in, or are secured by a segregated income producing asset or pool of assets. The pool of assets collateralizes securities. These assets are generally secured by personal or real property (e.g. automobiles, real estate, or equipment loans), but in some cases are unsecured (e.g. credit card debt, consumer loans). There are four steps in a securitization: (i) Special Purpose Distinct Entity (SPDE) is created to hold title to assets underlying securities; (ii) the originator or holder of assets sells the assets (existing or future) to the SPDE; (iii) the SPDE with the help of an investment banker, issues securities which are distributed to investors; and (iv) the SPDE pays the originator for the assets with the proceeds from the sale of securities
SEBI (ISSUE AND LISTING OF SECURITIZED DEBT INSTRUMENTS AND SECURITY RECEIPTS) REGULATIONS, 2008	SEBI notified SEBI (Issue and Listing of Securitized Debt Instruments and Security Receipts) Regulations, 2008 on May 26, 2008 taking into account the market needs, cost of the transactions, competition policy, the professional expertise of credit rating agencies, disclosures and obligations of the parties involved in the transaction and the interest of investors in such instruments. 
ELIGIBILITY	A person cannot make a public offer of securitized debt instruments or seek listing for such securitized debt instruments unless –

(DEC 2019)	(a) it is constituted as a special purpose distinct entity; (b) all its trustees are registered with the SEBI under the SEBI (Issue and Listing of Securitized Debt Instruments and Security Receipts) Regulations, 2008; and (c) it complies with all the applicable provisions of these regulations and the SEBI Act. The requirement of obtaining registration is not applicable for the following persons, who may act as trustees of special purpose distinct entities: (a) any person registered as a debenture trustee with SEBI; (b) any person registered as a securitization company or a reconstruction company with the RBI under the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002; (c) the National Housing Bank established by the National Housing Bank Act, 1987; (d) the National Bank for Agriculture and Rural Development established by the National Bank for Agriculture and Rural Development Act, 1981. (e) any scheduled commercial bank other than a regional rural bank; (f) any public financial Institution as defined under clause (72) of section 2 of the Companies Act, 2013; and (g) any other person as may be specified by SEBI. However, these persons and special purpose distinct entities of which they are trustees are required to comply with all the other provisions of the SEBI (Public Offer and Listing of Securitized Debt Instruments and Security Receipts) Regulations, 2008. An applicant seeking registration to act as a trustee shall:– (a) have a networth of not less than two crore ₹. (b) have in its employment, a minimum of two persons who, between them, have atleast five years experience in activities related to securitization and atleast one among them shall have a professional qualification in law from any university or institution recognised by the Central Government or any State Government or a foreign university. The application for registration shall be made by the Trustee in the prescribed format along with the prescribed fees.
LAUNCHING OF SCHEMES	1) A special purpose distinct entity may raise funds by making an offer of securitized debt instruments through formulating schemes in accordance with these regulations. 2) Where there are multiple schemes, the special purpose distinct entity shall maintain separate and distinct accounts in respect of each such scheme and shall not commingle asset pools or realisations of a scheme with those of other schemes. 3) A special purpose distinct entity and trustees thereof shall ensure that realisations of debts and receivables are held and correctly applied towards redemption of securitized debt instruments issued under the respective schemes or towards payment of returns on such instruments or towards other permissible expenditure of the scheme. 4) The terms of issue of the securitized debt instruments may provide for exercise of a clean -up call option by the special purpose distinct entity, subject to adequate disclosures.

	5) No expenses shall be charged to the scheme in excess of the allowable expenses as may be specified in the scheme and any such expenditure, if incurred, shall be borne by the trustees.
OBLIGATION TO REDEEM SECURITIZED DEBT INSTRUMENTS	❖ The trustee and the special purpose distinct entity shall ensure timely payment of interest and redemption amounts to the investors in terms of the offer document or other terms of issue of the securitized debt instruments out of the realisations from the asset pool, credit enhancer or liquidity provider. ❖ The trustee shall ensure that the servicer adopts such prudent measures as may be expected under the origination documents to recover the dues from the obligors in the event of any default in any portion thereof. ❖ The expected period of maturity of each scheme and the possibility of extension or shortening of such period shall be disclosed in the offer document together with the likely circumstances in which such extension or shortening may take place.
SERVICERS	❖ A SPDE may appoint either the originator or any other person as servicer in respect of any of its schemes, subject to the following, namely:- (a) the trustees shall ensure that the servicer keeps proper accounts in respect of the activities delegated to him; (b) the trustees shall ensure that the servicer has adequate operational systems and resources to administer the asset pool in relation to a securitization transaction. ❖ Servicer may be appointed by the special purpose distinct entity to do all or any of the following, namely:- (i) to coordinate with the obligors, manage the asset pool and collections therefrom; (ii) administer the cash flows of such asset pool, distributions to investors; and Reinvestment, if any, in accordance with the scheme; and (iii) manage incidental matters. ❖ Where a special purpose distinct entity appoints the originator as servicer, it shall adopt internal procedures designed to avoid conflict of interest.
HOLDING OF ORIGINATOR	❖ No originator shall at any time subscribe to or hold securitized debt instruments in excess of 20% of the total securitized debt instruments issued by the special purpose distinct entity in a particular scheme. ❖ This applies only to the classes of securitized debt instruments which are offered to the public or listed. ❖ Nothing shall apply to the holdings of an originator acquired on account of underwriting of a public issue of securitized debt instruments or in pursuance of an arrangement for credit enhancement. ❖ Provided that the possibilities of such holdings are disclosed in the offer document or in the listing particulars. These are applicable only to the classes of securitized debt instruments which are offered to the public or listed.
MAINTENANCE OF RECORDS	• A SPDE shall maintain or cause to be maintained other records and documents, including a register of holders of securitized debt instruments, for each scheme so as to explain its transactions and its accounts. However, the register of beneficial owners maintained by a depository in respect of Securitized debt instruments held in dematerialized form with it shall be deemed to be a register of holders of securitised debt instruments for the purposes of these regulations.

	• A SPDE shall intimate to SEBI the places where the records and documents maintained and the accounts maintained are kept. • The SPDE shall maintain its books of account, records and other documents in respect of its schemes for a minimum period of eight years from the redemption of all instruments issued under the scheme.
WINDING UP OF SCHEMES	A scheme may be wound up in the event of the following: • when the securitized debt instruments have been fully redeemed as per the scheme; • upon legal maturity as stated in the terms of issue of the securitized debt instrument. However, if any debt or receivable is outstanding on legal maturity, the trustees shall dispose off the same in accordance with the scheme and distribute the proceeds; • by vote of investors by a special resolution.
PUBLIC OFFER OF SECURITIZED DEBT INSTRUMENTS	**Offer to the Public** • No offer shall be treated as made to the public, if the offer can properly be regarded, in all the circumstances – (a) as not being likely to result, directly or indirectly, in the securitised debt instruments becoming available for subscription or purchase by persons other than those receiving the offer; (b) otherwise as being the domestic concern of the persons making and receiving the offer. However, above mentioned conditions apply only in respect of securitized debt instruments which belong to the same tranche and which are pari passu in all respects. • Any offer of securitized debt instruments made to fifty or more persons in a financial year shall always be deemed to have been made to the public. **Submission and filing of final offer document** • A SPDE or trustee thereof shall not make an offer of securitized debt instruments to the public unless it files a draft offer document with SEBI at least fifteen working days before the proposed opening of the issue. • Such offer document shall be filed along with the minimum filing fee as mentioned in Schedule II of SEBI (Issue and Listing of Securitized Debt Instruments and Security Receipts) Regulations, 2008. However, the balance filing fee provided in Schedule II of the Regulations shall be paid to SEBI within seven days of closure of the public offer. • If SEBI specifies any changes to be made in the offer document within the said period of fifteen working days, the SPDE and trustee thereof shall carry out such changes in the draft offer document prior to filing it with the designated stock exchange or issuing it. • The final offer document shall be filed with SEBI and with every recognised stock exchange to which an application for listing of the securitized debt instruments is proposed to be made prior to its issuance to public. **Arrangements for dematerialisation** Prior to submitting the draft offer document with SEBI, the SPDE shall enter into an arrangement with a registered depository for dematerialisation of the securitized debt instruments that are proposed to be issued to the public. The SPDE

	shall give an option to the investors to receive the securitised debt instruments either in the physical form or in dematerialised form. The holders of dematerialised instruments shall have the same rights and liabilities as holders of physical instruments. **Credit rating** A SPDE shall offer securitized debt instruments to the public unless credit rating is obtained from not less than two registered credit rating agencies. All credit ratings obtained by a SPDE on the securitized debt instruments shall be disclosed in the offer document, including unaccepted credit ratings. **Offer period** A public offer of securitized debt instruments shall not remain open for more than thirty days. **Minimum subscription** • No securitized debt instruments shall be allotted under the public offer unless subscriptions have been received in respect of the minimum number of securitized debt instruments which will constitute minimum subscription. • In the event of non-receipt of minimum subscription or refusal of listing by any recognised stock exchange, all application moneys received in the public offer shall be refunded forthwith to the applicants. **Prohibition of misstatements in the offer document** • An offer document or any report or memorandum issued by a SPDE in connection with an offer of securitized debt instruments shall not contain any false or misleading statement. • An offer document shall not omit disclosure of any material fact which may make the statements made therein, in light of the circumstances under which they are made, misleading. **Oversubscription** No SPDE shall retain any oversubscription received in any public offer. In the event of over-subscription, the allotment shall be made as per the basis of allotment finalized in consultation with the recognized stock exchanges to which an application for listing was made. **Allotment** The securitized debt instruments shall be allotted to the investors within the following time periods:- (a) in case of dematerialized securitized debt instruments – within five days of closure of the offer; (b) in case of securitized debt instruments in the physical form – the certificates shall be dispatched within eight days of closure of the offer. Where the allotment is not made within the time period mentioned or where the certificates are not dispatched within the time, the SPDE and every trustee thereof, and where any such trustee is a body corporate, every director thereof, who is in default shall, on and from the expiry of such period, be jointly and severally liable to pay interest at the rate of 15% per annum to the concerned applicants.

Refunds
• The SPDE shall dispatch refund orders to unsuccessful or partially successful applicants within eight days of closure of the offer.
• In a case where the issue proceeds become liable to be refunded in accordance with the disclosures made in the offer document, the SPDE shall dispatch refund orders to the applicants within eight days of closure of the offer.

Where the refund orders are not dispatched within the time mentioned, the SPDE and every trustee thereof, and where any such trustee is a body corporate, every director thereof, who is in default shall, on and from the expiry of the eighth day, be jointly and severally liable to repay that money with interest at the rate of 15% per annum. credit to demat accounts of the allottees shall be made by the issuer within two working days from the date of allotment.

Rights of Investors
1. The trust deed or other instrument comprising the terms of issue of the securitised debt instruments issued by a special purpose distinct entity shall provide that investors holding such securitised debt instruments have such beneficial interest in the underlying debt or receivables as may have been conferred by the scheme.

2. In the event of failure of the special purpose distinct entity to redeem any securitised debt instruments offered through an offer document or listed, within the time and in accordance with the conditions stated in the offer document or other terms of issue, the investors holding not less than 10% in nominal value of such securitised debt instruments shall be entitled to call a meeting of all such investors.

3. In such meeting, the investors may move a motion to–
   (a) call upon the trustee and the special purpose distinct entity to wind up the scheme and distribute the realisations;
   (b) remove the trustee;
   (c) appoint a new trustee in place of the one removed under clause (b):
   However, any such decision shall be taken by means of a special resolution of the investors of the scheme and sections 109 and 114 of the Companies Act, 2013 shall *mutatis mutandis* apply to such special resolution. However, the new trustee appointed is registered with SEBI under these regulations or is exempted from such registration.

4. The trustee and the special purpose distinct entity shall take all reasonable steps to carry out the resolutions passed by the investors.

5. Any reasonable expenses incurred in calling and holding a meeting and any reasonable expenses incurred by the trustee or the new trustee, as the case may be, in winding up the scheme and incidental activities shall be met from or reimbursed out of realisations from the asset pool.

6. The terms of issue of securitised debt instruments shall not be adversely varied without the consent of the investors.

	7. The investors shall be deemed to have given their consent to variation if and only if twenty one days' notice is given to them of the proposed variation and it is approved by a special resolution passed by them through postal ballot. 8. Sections 114 and 117 of the Companies Act, 2013 and the rules framed thereunder shall *mutatis mutandis* apply to the special resolution referred above.
LISTING OF SECURITIZED DEBT INSTRUMENTS	**Mandatory listing** A SPDE desirous of making an offer of securitized debt instruments to the public shall make an application for listing to one or more recognized stock exchanges. **Application for listing** A SPDE to get the securitized debt instruments issued by it listed on a recognised stock exchange or otherwise desirous of getting the securitized debt instruments issued by it so listed shall make an application to the stock exchange in the form specified by it along with the requisite documents and particulars. **Listing Agreement** Every SPDE desirous of listing securitized debt instruments on a recognised stock exchange, shall execute an agreement with such stock exchange. Every SPDE which has previously entered into agreements with a recognised stock exchange to list securitized debt instruments shall execute a fresh listing agreement with such stock exchange in line with SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. **Minimum public offering for listing** In respect of public offer of securitized debt instruments, the SPDE or trustee thereof shall satisfy the recognised stock exchange to which a listing application is made that each scheme of securitized debt instruments was offered to the public for subscription through advertisements in newspapers for a period of not less than two days and that applications received in pursuance of the offer were allotted in accordance with these regulations and the disclosures made in the offer document. In case of a private placement of securitized debt instruments, the SPDE shall ensure that it has obtained credit rating from a registered credit rating agency in respect of its securitized debt instruments. In case of a private placement of securitized debt instruments, the special purpose distinct entity shall file listing particulars with the recognised stock exchange, along with the application, containing such information as may be necessary for any investor in the secondary market to make an informed investment decision in respect of its securitized debt instruments and the SPDE shall promptly disseminate such information, as prescribed, in such manner as the recognised stock exchange(s) may determine from time to time. All credit ratings obtained including unaccepted ratings, if any, shall be disclosed in the listing particulars filed with the recognized stock exchange.

	Continuous listing conditions The SPDE or trustee thereof shall submit such information, including financial information relating to the schemes, to the stock exchanges and investors and comply with such other continuing obligations as may be stipulated in the listing agreement. **Trading of securitized debt instruments** The securitized debt instruments issued to the public or on a private placement basis, which are listed in recognised stock exchanges, shall be traded and such trades shall be cleared and settled in recognised stock exchanges subject to conditions specified by SEBI.
ELIGIBILITY	**ISSUANCE AND LISTING OF SECURITY RECEIPTS** An issuer proposing to issue and list security receipts or only list its already issued security receipts shall comply with the provisions of chapter VIIA of SEBI (Issue and Listing of Securitized Debt Instruments and Security Receipts) Regulations, 2008. Security receipts proposed to be listed shall; i. be issued in compliance with the applicable rules and guidelines, as framed by the Reserve Bank of India, from time to time; ii. be issued on a private placement basis; iii. comply with the provisions pertaining to issue of security receipts.
SALE OF SECURITY RECEIPTS BY THE EXISTING HOLDERS	• Any existing holder of security receipts, who proposes to sell, whole or part of, its holding of security receipts to the qualified buyers on private placement basis, where such security receipts are proposed to be listed, may do so, in accordance with the provisions of Chapter VIIA of these regulations. However, such sale by any holder of security receipts shall be permitted only if the holding is not less than 50% of the outstanding security receipts. • A sale of security receipts by any existing holder of such security receipts under these regulations, shall be subject to the issuer compulsorily listing the security receipts before complying with the provisions of this chapter.
CONDITIONS FOR LISTING OF SECURITY RECEIPTS	An issuer may list its security receipts on a recognized stock exchange subject to the following conditions: (a) the security receipts have been issued on a private placement basis; (b) the issuer has issued such security receipts in compliance with the applicable laws; (c) the offer or invitation to subscribe to security receipts shall be made to such number of persons not exceeding 200 or such other number, in a financial year, as may be prescribed from time to time. (d) the security receipts proposed to be listed are in dematerialized form; (e) the disclosures as provided in Regulation 38E of SEBI (Issue and Listing of Securitized Debt Instruments and Security Receipts) Regulations, 2008 have been made in the offer document;

	(f) the minimum allotment made to the qualified buyers is ₹ 10 lakhs; (g) such security receipts have been valued prior to listing; However, such valuation shall not be more than three months old from the date of listing and shall be done by an independent valuer; (h) the security receipts have been rated by a credit rating agency registered with SEBI. However, such rating shall not be more than three months old from the date of listing. The issuer shall comply with the conditions of listing of such security receipts as specified in SEBI Listing Regulations, 2015.
OFFER DOCUMENT	• An issuer seeking listing of security receipts on a recognized stock exchange shall make such disclosures in the offer document as specified by the Reserve Bank of India from time to time, and as specified in Schedule VA of SEBI (Issue and Listing of Securitized Debt Instruments and Security Receipts) Regulations, 2008. However, the offer document shall not contain any false or misleading statement and shall disclose all material facts. • The offer document shall be made available for download on the web sites of stock exchanges where such securities are listed. • In exercise of the powers conferred by sub-rule (7) of rule 19 of the Securities Contracts (Regulation) Rules, 1957, SEBI shall waive the strict enforcement of sub-rules (1) to (3) of the said rule in relation to listing of security receipts issued in terms of these regulations, subject to compliance with these regulations.
TRADING OF SECURITY RECEIPTS	• The security receipts issued on a private placement basis, which are listed on recognised stock exchanges, shall be traded and such trades shall be cleared and settled in recognised stock exchanges subject to conditions specified by SEBI. • The trading lot of the security receipts shall not be less than Rs 10 lakh. • The trades of security receipts which have been made over the counter, shall be reported on a recognized stock exchange having a nation-wide trading terminal or such other platform as may be specified by SEBI. • SEBI may specify conditions for reporting of trades on the recognized stock exchange or other platform.
STREAMLINING THE PROCESS OF PUBLIC ISSUE UNDER THE SEBI (ILDS) REGULATIONS, 2008	In order to make the existing process of issuance of debt securities, NCRPS and SDI easier, simpler and cost effective for both issuers and investors under the SEBI ILDS, SEBI NCRPS and SEBI SDI regulations respectively, it has been decided to reduce the time taken for listing after the closure of the issue to 6 working days as against the present requirement of 12 working days. Please refer Lesson No. 6 as the same procedure will also be applicable for Securitized Debt Instruments.

CHAPTER 13 - LISTING – INDIAN STOCK EXCHANGES

<table>
<tr><td>INTRODUCTION
(XII chapters and X schedules)</td><td>

Before the Listing Regulations were notified, there were multiple listing agreements and the responsibility for the enforcement of the various clauses of the Listing Agreement was that of the Stock exchanges on which the securities were listed. In Order to enhance the enforceability of the regulatory provisions contained in the Listing Agreement and also to comply with the mandate of the Parliament given in Section 12A of the SCRA and Section 11A of the SEBI Act, a committee was formed for drafting an all-encompassing umbrella the SEBI Listing Regulations which provides the listing conditions and disclosure requirements for various categories of securities.
SEBI vide its Notification dated September 02, 2015 has notified the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations) and these regulations became effective from December 01, 2015 which is the compilation of all previous listing agreements for different securities with suitable amendments and additions / deletions.

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<tr><td>APPLICABILITY OF THE REGULATIONS (Regulation 3)</td><td>
These regulations shall apply to the listed entity who has listed any of the following designated securities on recognised stock exchange(s):

As per the SEBI Listing Regulations, 2015, “designated securities” means any of the following securities –

<u>Specified Securities</u>: Specified securities means ‘equity shares’ and ‘convertible securities’
Non-Convertible Debt Securities
Non-Convertible Redeemable Preference Shares
Perpetual Debt Instrument
Perpetual Non-Cumulative Preference Shares
Indian Depository Receipts
Securitized Debt Instruments
Units issued by mutual funds;
Security Receipts;
Any other securities as may be specified by SEBI.

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<tr><td>MEANING OF LISTED ENTITY</td><td>
According to Section 2 (52) of the Companies Act, 2013, listed company means a company which has any of its securities listed on any recognised stock exchange. This means, if a private limited company has its debt securities listed on any recognised stock exchange, then such company is under the ambit of listed company category for complying with the Companies Act, 2013 and rules and regulation made thereunder.

According to SEBI Listing Regulations, 2015, “listed entity” means an entity which has listed, on a recognized stock exchange(s), the designated securities issued by it or designated securities issued under schemes managed by it, in accordance with the listing agreement entered into between the entity and the recognised stock exchange(s).
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<tr><td colspan="2" align="center">PRINCIPLES UNDER THE
LODR REGULATIONS, 2015</td></tr>
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(Regulation 4)
The principles have been divided into three groups as under:
a. On Disclosure and transparency
b. On Corporate Governance and protection of the minority shareholders
c. On responsibilities of the Board of Directors

Principles Governing Disclosures [Regulation 4 (1)]

The listed entity shall abide by the following principles, while making disclosures to the stock exchanges or its website or through any other medium:
(a) Information shall be prepared and disclosed in accordance with applicable standards of accounting and financial disclosure.
(b) The listed entity shall implement the prescribed accounting standards in letter and spirit in the preparation of financial statements taking into consideration the interest of all stakeholders and shall also ensure that the annual audit is conducted by an independent, competent and qualified auditor.
(c) The listed entity shall refrain from misrepresentation and ensure that the information provided to recognised stock exchange(s) and investors is not misleading.
(d) The listed entity shall provide adequate and timely information to recognised stock exchange(s) and investors.
(e) The listed entity shall ensure that disseminations made under provisions of these regulations and circulars made thereunder, are adequate, accurate, explicit, timely and presented in a simple language.
(f) Channels for disseminating information shall provide for equal, timely and cost efficient access to relevant information by investors.
(g) The listed entity shall abide by all the provisions of the applicable laws including the securities laws and also such other guidelines as may be issued from time to time by the Board and the recognised stock exchange(s) in this regard and as may be applicable.
(h) The listed entity shall make the specified disclosures and follow its obligations in letter and spirit taking into consideration the interest of all stakeholders.
(i) Filings, reports, statements, documents and information which are event based or are filed periodically shall contain relevant information.
(j) Periodic filings, reports, statements, documents and information reports shall contain information that shall enable investors to track the performance of a listed entity over regular intervals of time and shall provide sufficient information to enable investors to assess the current status of a listed entity.

Principles governing Corporate Governance and protection of Minority Shareholders [Regulation 4 (2)]

The listed entity which has listed its specified securities shall comply with the corporate governance provisions as specified in chapter IV which shall be implemented in a manner so as to achieve the objectives of the principles as mentioned below:

(a) **The rights of shareholders**: The listed entity shall seek to protect and facilitate the exercise of the following rights of shareholders:
(i) right to participate in, and to be sufficiently informed of, decisions concerning fundamental corporate changes.
(ii) opportunity to participate effectively and vote in general shareholder meetings.
(iii) being informed of the rules, including voting procedures that govern general shareholder meetings.
(iv) opportunity to ask questions to the board of directors, to place items on the agenda of general meetings, and to propose resolutions, subject to reasonable limitations.
(v) Effective shareholder participation in key corporate governance decisions, such as the nomination and election of members of board of

directors.
(vi) exercise of ownership rights by all shareholders, including institutional investors.
(vii) adequate mechanism to address the grievances of the shareholders.
(viii) protection of minority shareholders from abusive actions by, or in the interest of, controlling shareholders acting either directly or indirectly, and effective means of redress.

(b) **Timely information**: The listed entity shall provide adequate and timely information to shareholders, including but not limited to the following:
(i) sufficient and timely information concerning the date, location and agenda of general meetings, as well as full and timely information regarding the issues to be discussed at the meeting.
(ii) Capital structures and arrangements that enable certain shareholders to obtain a degree of control disproportionate to their equity ownership.
(iii) rights attached to all series and classes of shares, which shall be disclosed to investors before they acquire shares.

(c) **Equitable treatment**: The listed entity shall ensure equitable treatment of all shareholders, including minority and foreign shareholders, in the following manner:
(i) All shareholders of the same series of a class shall be treated equally.
(ii) Effective shareholder participation in key corporate governance decisions, such as the nomination and election of members of board of directors, shall be facilitated.
(iii) Exercise of voting rights by foreign shareholders shall be facilitated.
(iv) The listed entity shall devise a framework to avoid insider trading and abusive self-dealing.
(v) Processes and procedures for general shareholder meetings shall allow for equitable treatment of all shareholders.
(vi) Procedures of listed entity shall not make it unduly difficult or expensive to cast votes.

(d) **Role of stakeholders in corporate governance:** The listed entity shall recognise the rights of its stakeholders and encourage co-operation between listed entity and the stakeholders, in the following manner:
(i) The listed entity shall respect the rights of stakeholders that are established by law or through mutual agreements.
(ii) Stakeholders shall have the opportunity to obtain effective redress for violation of their rights.
(iii) (Stakeholders shall have access to relevant, sufficient and reliable information on a timely and regular basis to enable them to participate in corporate governance process.
(iv) The listed entity shall devise an effective whistle blower mechanism enabling stakeholders, including individual employees and their representative bodies, to freely communicate their concerns about illegal or unethical practices.

(e) **Disclosure and transparency**: The listed entity shall ensure timely and accurate disclosure on all material matters including the financial situation, performance, ownership, and governance of the listed entity, in the following manner:
(i) Information shall be prepared and disclosed in accordance with the prescribed standards of accounting, financial and non-financial disclosure.
(ii) Channels for disseminating information shall provide for equal, timely and cost efficient access to relevant information by users.
(iii) Minutes of the meeting shall be maintained explicitly recording dissenting opinions, if any.

(f) **Responsibilities of the board of directors:** The board of directors of the listed entity shall have the following responsibilities:

(i) **Disclosure of information**:
(1) Members of board of directors and key managerial personnel shall disclose to the board of directors whether they, directly, indirectly, or on behalf of third parties, have a material interest in any transaction or matter directly affecting the listed entity.

(2) The board of directors and senior management shall conduct themselves so as to meet the expectations of operational transparency to stakeholders while at the same time maintaining confidentiality of information in order to foster a culture of good decision-making.

(ii) **Key functions of the board of directors** :
(1) Reviewing and guiding corporate strategy, major plans of action, risk policy, annual budgets and business plans, setting performance objectives, monitoring implementation and corporate performance, and overseeing major capital expenditures, acquisitions and divestments.
(2) Monitoring the effectiveness of the listed entity's governance practices and making changes as needed.
(3) Selecting, compensating, monitoring and, when necessary, replacing key managerial personnel and overseeing succession planning.
(4) Aligning key managerial personnel and remuneration of board of directors with the longer term interests of the listed entity and its shareholders.
(5) Ensuring a transparent nomination process to the board of directors with the diversity of thought, experience, knowledge, perspective and gender in the board of directors.
(6) Monitoring and managing potential conflicts of interest of management, members of the board of directors and shareholders, including misuse of corporate assets and abuse in related party transactions.
(7) Ensuring the integrity of the listed entity's accounting and financial reporting systems, including the independent audit, and that appropriate systems of control are in place, in particular, systems for risk management, financial and operational control, and compliance with the law and relevant standards.
(8) Overseeing the process of disclosure and communications.
(9) Monitoring and reviewing board of director's evaluation framework.

COMMON OBLIGATIONS

COMPLIANCE OFFICER

1) A listed entity shall appoint a **qualified CS** as the compliance officer.

2) The compliance officer of the listed entity shall be **responsible for**-

- Ensuring **compliances** in letter and spirit.
- Monitoring email address of **grievance redressal division** for the purpose of registering complaints by investors.

SHARE TRANSFER AGENT

1) Listed entity shall appoint STA or manage in-house share transfer facility.

2) If security holders exceeds 1,00,000, then shall appoint STA.

3) In case of change or appointment of new STA, enter into tripartite agreement.

4) Intimate such appointment to SE in 7 days.

PRESERVATION OF DOCUMENTS

1) Prepare a policy for preservation of documents.

2) BOD shall approve the policy.

3) Classifying documents in at least two categories as follows-

(a) Whose preservation shall be permanent in nature.

(b) Documents with preservation period of not less than eight years after completion of the relevant transactions:

Any scheme of arrangement/merger/demerger/reconstruction/etc shall not violate securities laws or requirements of RSE.

CO-OPERATION WITH INTERMEDIARIES REGISTERED WITH BOARD.

Submit correct and adequate information.

FILING OFINFO/REPORTS,ETC on electronic platform specified by SEBI/RSE.

(1)The listed entity shall expeditiously redress investors' complaints.

(2) The listed entity shall be registered on the SCORES platform or other electronic platform or system of the Board as specified.

(3) The listed entity shall file with the RSE(s) on a quarterly basis, **within twenty one days** from the end of each quarter, a statement giving the number of investor complaints pending at the beginning of the quarter, those received during the quarter, disposed of during the quarter and those remaining unresolved at the end of the quarter & shall be placed before BOD quarterly.

1) Use electronic facility approved by RBI for **payment of dividend/interest/redemption amount.**

2) If not possible, then issuer shall use issue at par warrants/ cheque.

3) If dividend amount exceeds 1500/- then warrants/cheque shall be sent by speed post.

NOTE: PROVISIONS OF COMPLIANCE OFFICER/ SHARE TRANSFER AGENT/ CO-OPERATION WITH INTERMEDIARIES/ SCHEME OF ARRANGEMENT SHALL NOT BE APPLICABLE TO UNITS ISSUED BY MUTUAL FUND AND PROVISIONS OF SEBI (MUTUAL FUNDS) REGULATIONS SHALL BE APPLICABLE.	
CHAPTER IV: OBLIGATIONS OF LISTED ENTITES WHICH HAS LISTED ITS SPECIFIED SECURITIES	
	For the purpose of those entities, whose specified securities are listed on the Main Board of a Stock Exchange: The listed entity has to Comply with the Corporate Governance Requirement as prescribed under Regulation 16 to Regulation 27. **(Note for students: The students may refer the study material Governance, Risk Management, Compliances and Ethics of Professional Programme- Module 1, Paper 1. The same is covered there.)**
IN PRINCIPAL APPROVAL OF RSE (Regulation 28) **(Dec 2019)**	(1) The listed entity, before issuing securities, shall obtain an in-principle approval from recognized stock exchange(s) in the following manner: (a) where the securities are listed only on recognized stock exchange(s) having nationwide trading terminals, from all such stock exchange(s); (b) where the securities are not listed on any recognized stock exchange having nationwide trading terminals, from all the stock exchange(s) in which the securities of the issuer are proposed to be listed; (c) where the securities are listed on recognized stock exchange(s) having nationwide trading terminals as well as on the recognized stock exchange(s) not having nationwide trading terminals, from all recognized stock exchange(s) having nationwide trading terminals: (2) The requirement of obtaining in-principle approval from recognized stock exchange(s), shall not be applicable for securities issued pursuant to the scheme of arrangement for which the listed entity has already obtained No-Objection Letter from recognized stock exchange(s) in accordance with regulation 3
PRIOR INTIMATIONS (29) **(Dec 2019)**	(1) The listed entity shall give prior intimation to stock exchange about the meeting of the board of directors in which any of the following proposals is due to be considered: (a) financial results viz. quarterly, half yearly, or annual, as the case may be; (b) proposal for buyback of securities; (c) proposal for voluntary delisting by the listed entity from the stock exchange(s); (d) fund raising by way of further public offer, rights issue, American Depository Receipts/Global Depository Receipts/Foreign Currency Convertible Bonds, qualified institutions placement, debt issue, preferential issue or any other method and for determination of issue price: Provided that intimation shall also be given in case of any annual general meeting or extraordinary general meeting or postal ballot that is proposed to be held for obtaining shareholder approval for further fund raising indicating type of issuance.

	(e) declaration/recommendation of dividend, issue of convertible securities including convertible debentures or of debentures carrying a right to subscribe to equity shares or the passing over of dividend. (f) the proposal for declaration of bonus securities where such proposal is communicated to the board of directors of the listed entity as part of the agenda papers: ~~Provided that in case the declaration of bonus by the listed entity is not on the agenda of the meeting of board of directors, prior intimation is not required to be given to the stock exchange(s).~~ (Omitted w.e.f. 01.10.2018) (2) The intimation required under sub-regulation (1), shall be given at least two working days in advance, excluding the date of the intimation and date of the meeting: Provided that intimation regarding item specified in clause (a) of sub-regulation (1), to be discussed at the meeting of board of directors shall be given at least five days in advance (excluding the date of the intimation and date of the meeting), and such intimation shall include the date of such meeting of board of directors. (3) The listed entity shall give intimation to the stock exchange(s) at least eleven working days before any of the following proposal is placed before the board of directors - (a) Any alteration in the form or nature of any of its securities that are listed on the stock exchange or in the rights or privileges of the holders thereof. (b) Any alteration in the date on which, the interest on debentures or bonds, or the redemption amount of redeemable shares or of debentures or bonds, shall be payable.
DISCLOSURE OF EVENTS OR INFORMATION (Regulation 30)	(1) Every listed entity shall make disclosures of any events or information which, in the opinion of the board of directors of the listed company, is material. (2) Events specified in Para A of Part A of Schedule III are deemed to be material events and listed entity shall make disclosure of such events. (3) The listed entity shall make disclosure of events specified in Para B of Part A of Schedule III, based on application of the guidelines for materiality, as specified in sub-regulation (4). (4) (i) The listed entity shall consider the following criteria for determination of materiality of events/ information: (a)the omission of an event or information, which is likely to result in discontinuity or alteration of event or information already available publicly; or (b)the omission of an event or information is likely to result in significant market reaction if the said omission came to light at a later date; (c)In case where the criteria specified in sub-clauses (a) and (b) are not applicable, an event/information may be treated as being material if in the opinion of the board of directors of listed entity, the event / information is considered material. (ii) The listed entity shall frame a policy for determination of materiality, based on criteria specified in this sub-regulation, duly approved by its board of directors, which shall be disclosed on its website.

	(5) The board of directors of the listed entity shall authorize one or more Key Managerial Personnel for the purpose of determining materiality of an event or information and for the purpose of making disclosures to stock exchange(s) under this regulation and the contact details of such personnel shall be also disclosed to the stock exchange(s) and as well as on the listed entity's website. (6) The listed entity shall first disclose to stock exchange(s) of all events, as specified in Part A of Schedule III, or information as soon as reasonably possible and not later than twenty four hours from the occurrence of event or information: Provided that in case the disclosure is made after twenty four hours of occurrence of the event or information, the listed entity shall, along with such disclosures provide explanation for delay: Provided further that disclosure with respect to events specified in sub-para 4 of Para A of Part A of Schedule III shall be made within thirty minutes of the conclusion of the board meeting. (7) The listed entity shall, with respect to disclosures referred to in this regulation, make disclosures updating material developments on a regular basis, till such time the event is resolved/closed, with relevant explanations. (8) The listed entity shall disclose on its website all such events or information which has been disclosed to stock exchange(s) under this regulation , and such disclosures shall be hosted on the website of the listed entity for a minimum period of five years and thereafter as per the archival policy of the listed entity, as disclosed on its website. (9) The listed entity shall disclose all events or information with respect to subsidiaries which are material for the listed entity. (10) The listed entity shall provide specific and adequate reply to all queries raised by stock exchange(s) with respect to any events or information: Provided that the stock exchange(s) shall disseminate information and clarification as soon as reasonably practicable. (11) The listed entity may on its own initiative also, confirm or deny any reported event or information to stock exchange(s). (12) In case where an event occurs or an information is available with the listed entity, which has not been indicated in Para A or B of Part A of Schedule III, but which may have material effect on it, the listed entity is required to make adequate disclosures in regard thereof.
HOLDING OF SPECIFIED SECURITIES & SHAREHOLDING PATTERN	(1) The listed entity shall submit to the stock exchange(s) a statement showing holding of securities and shareholding pattern separately for each class of securities, in the format specified by the Board from time to time within the following timelines - (a) one day prior to listing of its securities on the stock exchange(s);

(Regulation 31)	(b) on a quarterly basis, within twenty one days from the end of each quarter; and, (c) within 10 days of any capital restructuring of the listed entity resulting in a change exceeding 20% of the total paid-up share capital: Provided that in case of listed entities which have listed their specified securities on SME Exchange, the above statements shall be submitted on a half yearly basis within twenty one days from the end of each half year. (2) The listed entity shall ensure that 100% of shareholding of promoter(s) and promoter group is in dematerialized form and the same is maintained on a continuous basis in the manner as specified by the Board. (3) The listed entity shall comply with circulars or directions issued by the Board from time to time with respect to maintenance of shareholding in dematerialized form. (4) All entities falling under promoter and promoter group shall be disclosed separately in the shareholding pattern appearing on the website of all stock exchanges having nationwide trading terminals where the specified securities of the entity are listed, in accordance with the formats specified by the Board. (Inserted w.e.f. 16.11.2018)
CONDITIONS FOR RE-CLASSIFICATION OF ANY PERSON AS PROMOTER / PUBLIC (Regulation 31A) **(Substituted w.e.f. 16.11.2018)**	(1) For the purpose of this regulation: (a) “promoter(s) seeking re-classification” shall mean all such promoters/persons belonging to the promoter group seeking re-classification of status as public. (b) “persons related to the promoter(s) seeking re-classification” shall mean such persons with respect to that promoter(s) seeking re-classification who fall under sub-clauses (ii), (iii) and (iv) of clause (pp) of sub-regulation (1) of regulation 2 of Securities and Exchange Board of India(Issue of Capital and Disclosure Requirements) Regulations, 2018. (2) Re-classification of the status of any person as a promoter or public shall be permitted by the stock exchanges only upon receipt of an application from the listed entity along with all relevant documents subject to compliance with conditions specified in these regulations; Provided that in case of entities listed on more than one stock exchange, the concerned stock exchanges shall jointly decide on the application. (3) Re-classification of status of a promoter/ person belonging to promoter group to public shall be permitted by the stock exchanges only upon satisfaction of the following conditions: (a)an application for re-classification to the stock exchanges has been made by the listed entity consequent to the following procedures and not later than thirty days from the date of approval by shareholders in general meeting:

	(i)the promoter(s) seeking re-classification shall make a request for re-classification to the listed entity which shall include rationale for seeking such re-classification and how the conditions specified in clause (b) below are satisfied; (ii)the board of directors of the listed entity shall analyze the request and place the same before the shareholders in a general meeting for approval along with the views of the board of directors on the request: Provided that there shall be a time gap of at least three months but not exceeding six months between the date of board meeting and the shareholder's meeting considering the request of the promoter(s) seeking re-classification. (iii)the request of the promoter(s) seeking re-classification shall be approved in the general meeting by an ordinary resolution in which the promoter(s) seeking re-classification and persons related to the promoter(s) seeking re-classification shall not vote to approve such re-classification request. (b)the promoter(s) seeking re-classification and persons related to the promoter(s) seeking re-classification shall not: (i)together, hold more than 10% of the total voting rights in the listed entity; (ii)exercise control over the affairs of the listed entity directly or indirectly; (iii)have any special rights with respect to the listed entity through formal or informal arrangements including through any shareholder agreements; (iv)be represented on the board of directors (including not having a nominee director) of the listed entity; (v)act as a key managerial person in the listed entity; (vi)be a 'wilful defaulter' as per the Reserve Bank of India Guidelines; (vii)be a fugitive economic offender. (c)the listed entity shall: (i)be compliant with the requirement for minimum public shareholding as required under regulation 38 of these regulations; (ii)not have trading in its shares suspended by the stock exchanges; (iii)not have any outstanding dues to the Board, the stock exchanges or the depositories. (4) The promoter(s) seeking re-classification, subsequent to re-classification as public, shall comply with the following conditions: (a) he shall continue to comply with conditions mentioned at sub-clauses (i), (ii) and (iii) of clause (b) of sub-regulation3 as specified above at all times from the date of such re-classification failing which, he shall automatically

	be reclassified as promoter/ persons belonging to promoter group, as applicable; (b) he shall comply with conditions mentioned at sub-clauses (iv) and (v)of clause (b) of sub-regulation 3 for a period of not less than 3 years from the date of such re-classification failing which, he shall automatically be reclassified as promoter/ persons belonging to promoter group, as applicable. (5) If any public shareholder seeks to re-classify itself as promoter, it shall be required to make an open offer in accordance with the provisions of Securities and Exchange Board of India(Substantial Acquisition of Shares and Takeovers) Regulations, 2011. (6) In case of transmission, succession, inheritance and gift of shares held by a promoter/ person belonging to the promoter group: (a)immediately on such event, the recipient of such shares shall be classified as a promoter/ person belonging to the promoter group, as applicable. (b)subsequently, in case the recipient classified as a promoter/person belonging to the promoter group proposes to seek re-classification of status as public, it may do so subject to compliance with conditions specified in sub-regulation (3) above. (c)in case of death of a promoter/person belonging to the promoter group, such person shall automatically cease to be included as a promoter/person belonging to the promoter group. (7) A listed entity shall be considered as 'listed entity with no promoters' if due to re-classification or otherwise, the entity does not have any promoter; (8) The following events shall deemed to be material events and shall be disclosed by the listed entity to the stock exchanges as soon as reasonably possible and not later than twenty four hours from the occurrence of the event: (a)receipt of request for re-classification by the listed entity from the promoter(s) seeking re-classification; (b)minutes of the board meeting considering such request which would include the views of the board on the request; (c)submission of application for re-classification of status as promoter/public by the listed entity to the stock exchanges; (d)decision of the stock exchanges on such application as communicated to the listed entity; (9) The provisions of sub-regulations 3, 4 and clauses (a)and (b)of sub-regulation 8 of this regulation shall not apply, if re-classification of promoter(s)/ promoter group of the listed entity is as per the resolution plan approved under section 31 of the Insolvency Code, subject to the condition that such promoter(s) seeking re-classification shall not remain in control of the listed entity

STATEMENT OF DEVIATIONS/ VARIATIONS (Regulation 32)	(1) The listed entity shall submit to the stock exchange the following statement(s) on a quarterly basis for public issue, rights issue, preferential issue etc. (a) indicating deviations, if any, in the use of proceeds from the objects stated in the offer document or explanatory statement to the notice for the general meeting, as applicable; (b) Indicating category wise variation (capital expenditure, sales and marketing, working capital etc.) between projected utilization of funds made by it in its offer document or explanatory statement to the notice for the general meeting, as applicable and the actual utilization of funds. (2) The statement(s) specified in sub-regulation (1), shall be continued to be given till such time the issue proceeds have been fully utilized or the purpose for which these proceeds were raised has been achieved. Where an entity has raised funds through preferential allotment or qualified institutions placement, the listed entity shall disclose every year, the utilization of such funds during that year in its Annual Report until such funds are fully utilized.
FINANCIAL RESULTS (Regulation 33)	• The listed entity or its subsidiaries shall submit quarterly and year-to-date standalone financial results to the stock exchange ***within 45 days of end of each quarter***, other than the last quarter. • Unaudited financial result shall be accompanied by Limited Review Report. Audited financial results accompanied by audit report. • FR shall be signed by the chairperson or managing director, or a whole time director or in the absence of all of them; it shall be signed by any other director of the listed entity who is duly authorized by the BOD to sign the FR. • The listed entity shall submit with stock exchange ***within 60 days from the end of the financial year,*** annual audited standalone financial results for the financial year along with the audit report or in case entity having subsidiaries it shall, while submitting annual audited standalone financial results also submit annual audited consolidated financial results along with the audit report and Statement on Impact of Audit Qualifications, applicable only for audit report with modified opinion and the listed entity shall also submit the audited financial results in respect of the last quarter along-with the results for the entire financial year. • The listed entity shall also submit as part of its standalone or consolidated financial results for the half year, by way of a note, a statement of assets and liabilities as at the end of the half-year. • The listed entity shall also submit as part of its standalone and consolidated financial results for the half year, by way of a note, statement of cash flows for the half-year. • The statutory auditor of a listed entity shall undertake a limited review of the audit of all the entities/ companies

	whose accounts are to be consolidated with the listed entity as per AS 21 in accordance with guidelines issued by the Board on this matter.
ANNUAL REPORT (Regulation 34)	1) The listed entity shall submit to the stock exchange and publish on its website- (a)a copy of the annual report sent to the shareholders along with the notice of the annual general meeting not later than the day of commencement of dispatch to its shareholders; (b)in the event of any changes to the annual report, the revised copy along with the details of and explanation for the changes shall be sent not later than 48 hours after the annual general meeting. (2) The annual report shall contain the following: (a) audited financial statements i.e. balance sheets, profit and loss accounts etc (b) consolidated financial statements audited by its statutory auditors; (c) cash flow statement presented only under the indirect method as prescribed in Accounting Standard-3 or Indian Accounting Standard 7, as applicable, specified in Section 133 of the Companies Act, 2013 read with relevant rules framed thereunder or as specified by the Institute of Chartered Accountants of India, whichever is applicable; (d) directors report; (e) management discussion and analysis report - either as a part of directors report or addition thereto; (f) for the top 1000 listed entities based on market capitalization (calculated as on March 31 of every financial year),business responsibility report describing the initiatives taken by them from an environmental, social and governance perspective, in the format as specified by the Board from time to time: Provided that listed entities other than top 1000 listed companies based on market capitalization and listed entities which have listed their specified securities on SME Exchange, may include these business responsibility reports on a voluntary basis in the format as specified. (3) The annual report shall contain any other disclosures specified in Companies Act, 2013 along with other requirements as specified in Schedule V of these regulations.
ANNUAL INFORMATION MEMORANDUM (Regulation 35)	The listed entity shall submit to the stock exchange(s) an Annual Information Memorandum in the manner specified by the Board from time to time.
DOCUMENTS & INFORMATION TO SHAREHOLDERS (Regulation 36)	(1) The listed entity shall send the annual report in the following manner to the shareholders: (a) Soft copies of full annual report to all those shareholder(s) who have registered their email address(es) either with the listed entity or with any depository; (b) Hard copy of statement containing the salient features of all the documents, as prescribed in Section 136 of

	Companies Act, 2013 or rules made thereunder to those shareholder(s) who have not so registered; (c) Hard copies of full annual reports to those shareholders, who request for the same. (2) The listed entity shall send annual report referred to in sub-regulation (1), to the holders of securities, not less than twenty-one days before the annual general meeting. (3) In case of the appointment of a new director or re-appointment of a director the shareholders must be provided with the following information: (a) a brief resume of the director; (b) nature of his expertise in specific functional areas; (c) disclosure of relationships between directors inter-se; (d) names of listed entities in which the person also holds the directorship and the membership of Committees of the board; and (e) Shareholding of non-executive directors. (4) The disclosures made by the listed entity with immediate effect from date of notification of these amendments-(a) to the stock exchanges shall be in XBRL format in accordance with the guidelines specified by the stock exchanges from time to time; and(b) to the stock exchanges and on its website, shall be in a format that allows users to find relevant information easily through a searching tool: Provided that the requirement to make disclosures in searchable formats shall not apply in case there is a statutory requirement to make such disclosures in formats which may not be searchable, such as copies of scanned documents. (5) The notice being sent to shareholders for an annual general meeting, where the statutory auditor(s) is/are proposed to be appointed/re-appointed shall include the following disclosures as a part of the explanatory statement to the notice: (a)Proposed fees payable to the statutory auditor(s) along with terms of appointment and in case of a new auditor, any material change in the fee payable to such auditor from that paid to the outgoing auditor along with the rationale for such change; (b)Basis of recommendation for appointment including the details in relation to and credentials of the statutory auditor(s) proposed to be appointed. (Inserted w.e.f 01.04.2019)
DRAFT SCHEME OF ARRANGEMENT & SCHEME OF ARRANGEMENT	(1)Without prejudice to provisions of regulation 11, the listed entity desirous of undertaking a scheme of arrangement or involved in a scheme of arrangement, **shall file the draft scheme of arrangement**, proposed to be filed before any Court or Tribunal under sections 391-394 and 101 of the Companies Act, 1956 or under Sections 230-234 and Section 66 of Companies Act, 2013, whichever applicable, along with a non-refundable

(Regulation 37)	fee as specified in Schedule XI, **<u>with the stock exchange(s)for obtaining Observation Letter or No-objection letter</u>**, before filing such scheme with any Court or Tribunal, in terms of requirements specified by the Board or stock exchange(s) from time to time. (2)The listed entity shall not file any scheme of arrangement under sections 391-394 and 101 of the Companies Act, 1956 or under Sections 230-234 and Section 66 of Companies Act, 2013 ,whichever applicable, with any Court or Tribunal unless it has obtained observation letter or No-objection letter from the stock exchange(s). (3)The listed entity shall place the Observation letter or No-objection letter of the stock exchange(s) before the Court or Tribunal at the time of seeking approval of the scheme of arrangement: Provided that the validity of the 'Observation Letter' or No-objection letter of stock exchanges shall be six months from the date of issuance, within which the draft scheme of arrangement shall be submitted to the Court or Tribunal. (4)The listed entity shall ensure compliance with the other requirements as may be prescribed by the Board from time to time. (5)Upon sanction of the Scheme by the Court or Tribunal, the listed entity shall submit the documents, to the stock exchange(s), as prescribed by the Board and/or stock exchange(s) from time to time. (6) Nothing contained in this regulation shall apply to draft schemes which solely provide for merger of a wholly owned subsidiary with its holding company: Provided that such draft schemes shall be filed with the stock exchanges for the purpose of disclosures. (7)The requirements as specified under this regulation and under regulation 94 of these regulations shall not apply to a restructuring proposal approved as part of a resolution plan by the Tribunal under section 31 of the Insolvency Code, subject to the details being disclosed to the recognized stock exchanges within one day of the resolution plan being approved.
MINIMUM PUBLIC SHAREHOLDING (Regulation 38)	The listed entity shall comply with the minimum public shareholding requirements specified in **<u>Rule 19(2) and Rule 19A</u>** of the Securities Contracts (Regulation) Rules, 1957 in the manner as specified by SEBI from time to time. However, the provisions of this regulation shall not apply to entities listed on Innovators Growth platform without making a public issue.
TRANSFER OR TRANSMISSION OR TRANSPOSITION (Regulation 40)	(1) Save as otherwise specified in provisions of securities laws or Companies Act, 2013 and rules made thereunder, the listed entity shall also comply with the requirements as specified in this regulation for effecting transfer of securities; Provided that, except in case of transmission or transposition of securities, requests for effecting transfer of securities

	shall not be processed unless the securities are held in the dematerialized form with a depository. (2) The board of directors of a listed entity may delegate the power of transfer of securities to a committee or to compliance officer or to the registrar to an issue and/or share transfer agent(s): Provided that the board of directors and/or the delegated authority shall attend to the formalities pertaining to transfer of securities at least once in a fortnight: Provided further that the delegated authority shall report on transfer of securities to the board of directors in each meeting. (3) On receipt of proper documentation, the listed entity shall register transfers of its securities in the name of the transferee(s) and issue certificates or receipts or advices, as applicable, of transfers; or issue any valid objection or intimation to the transferee or transferor, as the case may be, within a period of fifteen days from the date of such receipt of request for transfer: Provided that the listed entity shall ensure that transmission requests are processed for securities held in dematerialized mode and physical mode within seven days and twenty one days respectively, after receipt of the specified documents: Provided further that proper verifiable dated records of all correspondence with the investor shall be maintained by the listed entity. (4) The listed entity shall not register transfer when any statutory prohibition or any attachment or prohibitory order of a competent authority restrains it from transferring the securities from the name of the transferor(s). (5) The listed entity shall not register the transfer of its securities in the name of the transferee(s) when the transferor(s) objects to the transfer: Provided that the transferor serves on the listed entity, within sixty working days of raising the objection, a prohibitory order of a Court of competent jurisdiction. (6) The listed entity shall not decline to, register or acknowledge any transfer of shares, on the ground of the transferor(s) being either alone or jointly with any other person or persons indebted to the listed entity on any account whatsoever. (7) The listed entity shall comply with all procedural requirements as specified in Schedule VII with respect to transfer of securities. (8) In case the listed entity has not effected transfer of securities within fifteen days or where the listed entity has failed to communicate to the transferee(s) any valid objection to the transfer, within the stipulated time period of

	fifteen days, the listed entity shall compensate the aggrieved party for the opportunity losses caused during the period of the delay: Provided that during the intervening period on account of delay in transfer above, the listed entity shall provide all benefits, which have accrued, to the holder of securities in terms of provisions of Section 126 of Companies Act, 2013, and Section 27 of the Securities Contracts (Regulation) Act, 1956: Provided further that in case of any claim, difference or dispute under this sub-regulation the same shall be referred to and decided by arbitration as provided in the bye-laws and/or regulations of the stock exchange(s). (9) The listed entity shall ensure that the share transfer agent and/or the in-house share transfer facility, as the case may be, produces a certificate from a practicing company secretary within one month of the end of each half of the financial year, certifying that all certificates have been issued within thirty days of the date of lodgement for transfer, subdivision, consolidation, renewal, exchange or endorsement of calls/allotment monies. (10) The listed entity shall ensure that certificate mentioned at sub-regulation (9), shall be filed with the stock exchange(s) simultaneously. (11) In addition to transfer of securities, the provisions of this regulation shall also apply to the following : (a) deletion of name of the deceased holder(s) of securities, where the securities are held in the name of two or more holders of securities ; (b) transmission of securities to the legal heir(s), where deceased holder of securities was the sole holder of securities; (c) transposition of securities, when there is a change in the order of names in which physical securities are held jointly in the names of two or more holders of securities.
OTHER PROVISIONS RELATING TO SECURITIES (Regulation 41)	(1) The listed entity shall not exercise a lien on its fully paid shares and that in respect of partly paid shares it shall not exercise any lien except in respect of moneys called or payable at a fixed time in respect of such shares. (2) The listed entity shall, in case of any amount to be paid in advance of calls on any shares stipulate that such amount may carry interest but shall not in respect thereof confer a right to dividend or to participate in profits. (3) The listed entity shall not issue shares in any manner that may confer on any person; superior or inferior rights as to dividend vis-à-vis the rights on equity shares that are already listed or inferior voting rights vis-à-vis the rights on equity shares that are already listed: Provided that, a listed entity having SR equity shares issued to its promoters/ founders, may issue SR equity shares to its SR shareholders only through a bonus, split or rights issue in accordance with the provisions of the Securities

	and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 and the Companies Act, 2013. (Substituted w.e.f 29.07.2019) (4) The listed entity shall, issue or offer in the first instance all shares (including forfeited shares), securities, rights, privileges and benefits to subscribe pro rata basis , to the equity shareholders of the listed entity, unless the shareholders in the general meeting decide otherwise. (5) Unless the terms of issue otherwise provide, the listed entity shall not select any of its listed securities for redemption otherwise than on pro-rata basis or by lot.
OTHER PROVISIONS RELATING TO OUTSTANDING SR EQUITY SHARES (Regulation 41A) (INSERTED W.E.F 29.07.2019)	(1) The SR equity shares shall be treated at par with the ordinary equity shares in every respect, including dividends, except in the case of voting on resolutions. (2) The total voting rights of SR shareholders (including ordinary shares) in the issuer upon listing, pursuant to an initial public offer, shall not at any point of time exceed 74%. (3) The SR equity shares shall be treated as ordinary equity shares in terms of voting rights (i.e. one SR share shall only have one vote) in the following circumstances - i. appointment or removal of independent directors and/or auditor; ii. where a promoter is willingly transferring control to another entity; iii. related party transactions in terms of these regulations involving an SR shareholder; iv. voluntary winding up of the listed entity; v. changes to the Articles of Association or Memorandum of Association of the listed entity, except any change affecting the SR equity share; vi. initiation of a voluntary resolution process under the Insolvency Code; vii. utilization of funds for purposes other than business; viii. substantial value transaction based on materiality threshold as specified under these regulations; ix. passing of special resolution in respect of delisting or buy-back of shares; and x. other circumstances or subject matter as may be specified by the Board, from time to time. (4) The SR equity shares shall be converted into equity shares having voting rights same as that of ordinary shares on the fifth anniversary of listing of ordinary shares of the listed entity: Provided that the SR equity shares may be valid for upto an additional five years, after a resolution to that effect has been passed, where the SR shareholders have not been permitted to vote: Provided further that the SR shareholders may convert their SR equity shares into ordinary equity shares at any time prior to the period as specified in this sub-regulation. (5) The SR equity shares shall be compulsorily converted into equity shares having voting rights same as that of

	ordinary shares on the occurrence of any of the following events - i. demise of the promoter(s) or founder holding such shares; ii. an SR shareholder resigns from the executive position in the listed entity; iii. merger or acquisition of the listed entity having SR shareholder/s, where the control would no longer remain with the SR shareholder/s; iv. the SR equity shares are sold by an SR shareholder who continues to hold such shares after the lock-in period but prior to the lapse of validity of such SR equity shares.
RECORD DATE OR DATE OF CLOSURE OF TRANSFER BOOKS (Regulation 42)	(1)The listed entity shall intimate the record date for the following events to all the stock exchange(s) where it is listed or where stock derivatives are available on the stock of the listed entity or where listed entity's stock form part of an index on which derivatives are available: (a)declaration of dividend; (b)issue of right or bonus shares; (c)issue of shares for conversion of debentures or any other convertible security; (d)shares arising out of rights attached to debentures or any other convertible security (e) corporate actions like mergers, de-mergers, splits, etc; (f)such other purposes as may be specified by the stock exchange(s). (2) The listed entity shall give notice in advance of at least seven working days (excluding the date of intimation and the record date) to stock exchange(s) of record date specifying the purpose of the record date. Provided that in the case of rights issues, the listed entity shall give notice in advance of atleast three working days (excluding the date of intimation and the record date). (3) The listed entity shall recommend or declare all dividend and/or cash bonuses at least five working days (excluding the date of intimation and the record date) before the record date fixed for the purpose. (4) The listed entity shall ensure the time gap of at least thirty days between two record dates. (5) For securities held in physical form, the listed entity may, announce dates of closure of its transfer books in place of record date for complying with requirements as specified in sub-regulations (1) to (4): Provided that the listed entity shall ensure that there is a time gap of at least thirty days between two dates of closure of its transfer books.
DIVIDEND DISTRIBUTION POLICY	(1) The top 500 listed entities based on market capitalization (calculated as on March 31 of every financial year) shall formulate a dividend distribution policy which shall be disclosed in their annual reports and on their

(Regulation 43A)	websites. (2) The dividend distribution policy shall include the following parameters: (a)the circumstances under which the shareholders of the listed entities may or may not expect dividend; (b)the financial parameters that shall be considered while declaring dividend; (c)internal and external factors that shall be considered for declaration of dividend; (d)policy as to how the retained earnings shall be utilized; and (e)parameters that shall be adopted with regard to various classes of shares: Provided that if the listed entity proposes to declare dividend on the basis of parameters in addition to clauses (a) to (e) or proposes to change such additional parameters or the dividend distribution policy contained in any of the parameters, it shall disclose such changes along with the rationale for the same in its annual report and on its website. (3) The listed entities other than top 500 listed entities based on market capitalization may disclose their dividend distribution policies on a voluntary basis in their annual reports and on their websites
MEETINGS OF SHAREHOLDERS & VOTING (Regulation 44)	(1) The listed entity shall provide the facility of remote e-voting facility to its shareholders, in respect of all shareholders' resolutions. (2)The e-voting facility to be provided to shareholders in terms of sub-regulation (1),shall be provided in compliance with the conditions specified under the Companies (Management and Administration) Rules, 2014,or amendments made thereto. (3)The listed entity shall submit to the stock exchange, within forty eight hours of conclusion of its General Meeting, details regarding the voting results in the format specified by the Board. (4)The listed entity shall send proxy forms to holders of securities in all cases mentioning that a holder may vote either for or against each resolution. (5) The top 100 listed entities by market capitalization, determined as on March 31st of every financial year, shall hold their annual general meetings within a period of five months from the date of closing of the financial year. (6) The top 100 listed entities shall provide one-way live webcast of the proceedings of the annual general meetings.
CHANGE IN NAME OF ENTITY (Regulation 45)	(1) The listed entity shall be allowed to change its name subject to compliance with the following conditions: (a) a time period of at least one year has elapsed from the last name change; (b) at least 50% of the total revenue in the preceding one year period has been accounted for by the new activity suggested by the new name; or (c) the amount invested in the new activity/project is at least 50% of the assets of the listed entity:

	Provided that if any listed entity has changed its activities which are not reflected in its name, it shall change its name in line with its activities within a period of six months from the change of activities in compliance of provisions as applicable to change of name prescribed under Companies Act, 2013 (2) On satisfaction of conditions at sub-regulation (1), the listed entity shall file an application for name availability with Registrar of Companies. (3) On receipt of confirmation regarding name availability from Registrar of Companies, before filing the request for change of name with the Registrar of Companies in terms of provisions laid down in Companies Act, 2013 and rules made thereunder, the listed entity shall seek approval from Stock Exchange by submitting a certificate from chartered accountant stating compliance with conditions at sub-regulation (1).
WEBSITE (Regulation 46)	The listed entity shall disseminate the following information under a separate section on its website: (a) details of its business; (b) terms and conditions of appointment of independent directors; (c) composition of various committees of board of directors; (d) code of conduct of board of directors and senior management personnel; (e) details of establishment of vigil mechanism/ Whistle Blower policy; (f) criteria of making payments to non-executive directors , if the same has not been disclosed in annual report; (g) policy on dealing with related party transactions; (h) policy for determining _material' subsidiaries; (i) details of familiarization programs imparted to independent directors including the following details:- (i) number of programs attended by independent directors (during the year and on a cumulative basis till date), (ii) number of hours spent by independent directors in such programs (during the year and on cumulative basis till date), and (iii) other relevant details (j) the email address for grievance redressal and other relevant details; (k) contact information of the designated officials of the listed entity who are responsible for assisting and handling investor grievances; (l) financial information including: (i) notice of meeting of the board of directors where financial results shall be discussed; (ii) financial results, on conclusion of the meeting of the board of directors where the financial results were approved; (iii) complete copy of the annual report including balance sheet, profit and loss account, directors report, corporate governance report etc; (m) shareholding pattern; (n) details of agreements entered into with the media companies and/or their associates, etc;

	(o) schedule of analyst or institutional investor meet and presentations made by the listed entity to analysts or institutional investors simultaneously with submission to stock exchange; (p) new name and the old name of the listed entity for a continuous period of one year, from the date of the last name change; (q) Items as prescribed in Regulation 47(1); (r) With effect from October 1, 2018, all credit ratings obtained by the entity for all its outstanding instruments, updated immediately as and when there is any revision in any of the ratings. (s) separate audited financial statements of each subsidiary of the listed entity in respect of a relevant financial year, uploaded at least 21 days prior to the date of the annual general meeting which has been called to inter alia consider accounts of that financial year.
ADVERTISEMENT IN NEWSPAPER (Regulation 47)	(1) The listed entity shall publish the following information in the newspaper: (a) notice of meeting of the board of directors where financial results shall be discussed (b) financial results, as specified in regulation 33, along-with the modified opinion(s) or reservation(s), if any, expressed by the auditor: Provided that if the listed entity has submitted both standalone and consolidated financial results, the listed entity shall publish consolidated financial results along-with (1) Turnover, (2) Profit before tax and (3) Profit after tax, on a stand-alone basis, as a foot note; and a reference to the places, such as the website of listed entity and stock exchange(s), where the standalone results of the listed entity are available. (c) statements of deviation(s) or variation(s) as specified in sub-regulation (1) of regulation 32 on quarterly basis, after review by audit committee and its explanation in directors report in annual report; (d) notices given to shareholders by advertisement. (2) The listed entity shall give a reference in the newspaper publication, in sub-regulation (1), to link of the website of listed entity and stock exchange(s), where further details are available. (3) The listed entity shall publish the information specified in sub-regulation (1) in the newspaper simultaneously with the submission of the same to the stock exchange(s). Provided that financial results at clause (b) of sub-regulation (1), shall be published within 48 hours of conclusion of the meeting of board of directors at which the financial results were approved. (4) The information at sub-regulation (1) shall be published in at least one English language national daily newspaper circulating in the whole or substantially the whole of India and in one daily newspaper published in the language of the region, where the registered office of the listed entity is situated:

	Provided that the requirements of this regulation shall not be applicable in case of listed entities which have listed their specified securities on SME Exchange.
ACCOUNTING STANDARDS (Regulation 48)	The listed entity shall comply with all the applicable and notified Accounting Standards from time to time;

SUMMARY OF COMPLIANCE UNDER SEBI LODR

The Listed entity shall comply with the following compliances under the Listing Regulations:-
– One Time Compliances
– Quarterly Compliances
– Half yearly Compliances
– Yearly Compliances
– Event based Compliances

ONE-TIME COMPLIANCES

The following are the one time compliances:-

Regulation	Compliance Particulars
6(1)	A listed entity shall appoint a Company Secretary as the Compliance Officer
7(1)	The listed entity shall appoint a share transfer agent or the listed entity register with SEBI as Category II share transfer agent in case of share transfer facility in house.
9	The listed entity shall have a policy for preservation of documents, approved by its Board of Directors. Constitution of Committees – Audit Committee (Regulation 18) – Nomination and Remuneration Committee (Regulation 19) – Stakeholders Relationship Committee (Regulation 20) – Risk Management Committee (Regulation 21) – Vigil Mechanism (Regulation 22)

QUARTERLY COMPLIANCES

Regulation	Compliance	Time
13(3)	The listed entity shall file with the recognised stock exchange, a statement giving the	within 21 days from end of

	number of investor complaints pending at the beginning of the quarter, those received during the quarter, disposed of during the quarter and those remaining unresolved at the end of the quarter	quarter
27	The listed entity shall submit a quarterly compliance report on corporate governance in the format as specified by SEBI from time to time to the recognized stock exchange(s)	within 15 days from end of quarter
31(1)(B)	The listed entity shall submit to the stock exchange(s) a statement showing holding of securities and shareholding pattern separately for each class of securities, in the format specified by SEBI from time to time	within 21 days from end of quarter
32(1)	The listed entity shall submit to the stock exchange a statement of deviation or variation	-
33(3)	The listed entity shall submit quarterly and year-to-date financial results to the stock exchange	within forty-five days of end of each quarter, other than the last quarter

HALF YEARLY COMPLIANCES:

Regulation	Compliance	Time
7(3)	The listed entity shall submit a compliance certificate to the exchange, duly signed by both the compliance officer of the listed entity and the authorised representative of the share transfer agent	Within one month of end of each half of the financial year.
40(9)	The listed entity shall ensure that the share transfer agent and/or the in-house share transfer facility, as the case may be, produces a certificate from a practising company secretary	within one month of the end of each half of the financial year

YEARLY COMPLIANCES

Regulation	Compliance	Time
14	The listed entity shall pay all such fees or charges, as applicable, to the recognised stock exchange(s), in the manner specified by SEBI or the recognised stock Exchange (s).	within 30 days of the end of financial year
33(3)	The listed entity shall submit annual audited standalone financial results with audit report and Statement on Impact of Audit Qualifications applicable only for audit report with modified opinion to the stock exchange	within 60 days from the end of the financial year
34	The listed entity shall submit the annual report to the stock exchange	within twenty one working days of it being approved and

		adopted in the annual general meeting

EVENT BASED COMPLIANCES:

Regulation	Compliance	Test
7(5)	The listed entity shall intimate the appointment of Share Transfer Agent, to the stock exchange(s)	Within 7 days of Agreement with RTA
28(1)	The listed entity shall obtain In-principle approval from recognised stock exchange	Prior to issuance of Security
29(1)(a) read with 29(2)	Prior Intimations of Board Meeting for financial Result viz. quarterly, half yearly or annual, to the stock exchange(s)	At least 5 clear days in advance (excluding the date of the intimation and the date of the meeting)
29(1)(b) to (f) read with 29(2)	Prior Intimations of Board Meeting for Buyback, Voluntary delisting , Fund raising by way of FPO, Rights Issue, ADR, GDR, QIP, FCCB, Preferential issue, debt issue or any other method, Declaration/ recommendation of dividend, issue of convertible securities carrying a right to subscribe to equity shares or the passing over of dividend, proposal for declaration of Bonus securities etc., to the stock exchange(s)	At least 2 working days in advance
29(3)	Prior Intimations of Board Meeting for alteration in nature of Securities, alteration in the date on which interest on debentures/bonds/redemption amount, etc. shall be payable to the stock exchange(s)	At least 11 clear working days in Advance
30(6)	Disclosure of Price Sensitive Information to the stock exchange(s)	Not later than twenty four hours as per Part A of Schedule III
31(1)(a)	The listed entity shall submit to the stock exchange(s) a statement showing holding of securities and shareholding pattern separately for each class of securities prior to listing of securities	One day prior to listing of Securities
31(1)(c)	The listed entity shall submit to the stock exchange(s) a statement showing holding of securities and shareholding pattern separately for each class of securities in case of Capital Restructuring	One day prior to listing of Securities
37(2)	The listed entity shall file draft Scheme of Arrangement to the stock exchange(s)	Prior approval before filing with Court

42(2)	The listed entity shall intimate the record date or date of closure of transfer books to all the stock exchange(s)	At least 7 clear working days in advance
42(3)	The listed entity shall give notice to stock exchange(s) of Record date for declaring dividend and/or cash bonus	At least 5 clear working days in advance
44(3)	The listed entity shall submit to the stock exchange details regarding voting results by Shareholders	Within 48 Hours of conclusion of its General Meeting
45(3)	The listed entity shall allowed to change its name	Prior approval from Stock Exchange(s)

<table>
<tr>
<td>FOR THE PURPOSE OF THOSE ENTITIES, WHOSE EQUITY SHARES ARE LISTED ON THE SMALL AND MEDIUM ENTERPRISE (SME) EXCHANGE</td>
<td>SMALL AND MEDIUM ENTERPRISE (SME)

All the provisions as prescribed under chapter I, II, III & IV of SEBI Listing Regulations 2015 will be applicable to an entity listed on SME Exchange except certain provisions which are discussed below.

Regulation 31: Holding of specified securities and shareholding pattern

The listed entities which have listed their specified securities on SME Exchange shall submit to the stock exchange(s) a statement showing holding of securities and shareholding pattern separately for each class of securities, in the format specified by SEBI from time to time on a half yearly basis within twenty one days from the end of each half year as compared to quarterly submission prescribed for companies listed on Main Board of the Exchanges.

Regulation 32: Statement of deviation(s) or variation(s)
The listed entities which have listed their specified securities on SME Exchange shall submit the statement of deviation and variations as prescribed under this regulation on a half yearly basis.

Regulation 33: Financial results
The listed entity shall submit financial results to the stock exchange within forty-five days of end of each half year as compared to quarterly submission prescribed for companies listed on Main Board of the Exchanges.

The requirement of submitting 'year-to-date' financial results shall not be applicable for a listed entity which has listed their specified securities on SME Exchange.
Apart from this, rest of all the provision will be same as required for an entity to be listed on Main Board.

Regulation 34: Annual Report</td>
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	All the provisions applicable to an entity listed on Main Board will be applicable for a company listed on SME Exchange **excep**t the following: • The listed entities which have listed their specified securities on SME Exchange, may include in the annual report, **the business responsibility reports on a voluntary basis** in the format as specified by SEBI. **Regulation 47: Advertisements in Newspapers** The requirements of this regulation shall not be applicable in case of listed entities which have listed their specified securities on SME Exchange.

CHAPTER V: OBLIGATIONS OF LISTED ENTITES WHICH HAS LISTED ITS NON-CONVERTIBLE DEBT SECURITIES OR NON CONVERTIBLE REDEEMABLE PREFERENCE SHARES OR BOTH	
INTIMATION TO STOCK EXCHANGE(S) (50)	(1) The listed entity shall give prior intimation to the stock exchange(s) at least eleven working days before the date on and from which the interest on debentures and bonds, and redemption amount of redeemable shares or of debentures and bonds shall be payable. (2) The listed entity shall intimate the stock exchange(s), its intention to raise funds through new non-convertible debt securities or non-convertible redeemable preference shares it proposes to list either through a public issue or on private placement basis, prior to issuance of such securities: Provided that the above intimation may be given prior to the meeting of board of directors wherein the proposal to raise funds through new non-convertible debt securities or non-convertible redeemable preference shares shall be considered. (3) The listed entity shall intimate to the stock exchange(s), at least two working days in advance, excluding the date of the intimation and date of the meeting, regarding the meeting of its board of directors, at which the recommendation or declaration of issue of non-convertible debt securities or any other matter affecting the rights or interests of holders of non-convertible debt securities or non-convertible redeemable preference shares is proposed to be considered.
DISCLOSURE OF INFORMATION HAVING BEARING ON PERFORMANCE/ OPERATION OF LISTED ENTITY AND/OR PRICE SENSITIVE INFORMATION (51)	(1) The listed entity shall promptly inform the stock exchange(s) of all information having bearing on the performance/operation of the listed entity, price sensitive information or any action that shall affect payment of interest or dividend of non-convertible preference shares or redemption of non-convertible debt securities or redeemable preference shares. Explanation.-The expression _promptly inform‘, shall imply that the stock exchange must be informed as soon as practically possible and without any delay and that the information shall be given first to the stock exchange(s) before providing the same to any third party. (2) Without prejudice to the generality of sub-regulation(1), the listed entity who has issued or is issuing non-convertible debt securities and/or non-convertible redeemable preference shares shall make disclosures as specified in Part B of Schedule III.
FINANCIAL RESULTS (52)	(1)The listed entity shall prepare and submit un-audited or audited financial results on a half yearly basis in the format as specified by the Board within forty five days from the end of the half year to the recognized stock exchange(s). Provided that in case of entities which have listed their equity shares and debt securities, a copy of the financial results submitted to stock exchanges shall be provided to Debenture Trustees on the same day the information is submitted to stock exchanges. (Inserted w.e.f 07.05.2019)

	(2) The listed entity shall comply with following requirements with respect to preparation, approval, authentication and publication of annual and half-yearly financial results: (a) Un-audited financial results shall be accompanied by limited review report prepared by the statutory auditors of the listed entity or in case of public sector undertakings, by any practicing Chartered Accountant, in the format as specified by the Board: Provided that if the listed entity intimates in advance to the stock exchange(s) that it shall submit to the stock exchange(s) its annual audited results within sixty days from the end of the financial year, un-audited financial results for the last half year accompanied by limited review report by the auditors need not be submitted to stock exchange(s). (b) Half-yearly results shall be taken on record by the board of directors and signed by the managing director / executive director. (c) The audited results for the year shall be submitted to the recognized stock exchange(s) in the same format as is applicable for half-yearly financial results. (d) If the listed entity opts to submit un-audited financial results for the last half year accompanied by limited review report by the auditors, it shall also submit audited financial results for the entire financial year, as soon as they are approved by the board of directors. (e) Modified opinion(s) in audit reports that have a bearing on the interest payment/ dividend payment pertaining to non-convertible redeemable debentures/ redemption or principal repayment capacity of the listed entity shall be appropriately and adequately addressed by the board of directors while publishing the accounts for the said period. (3) (a) The annual audited financial results shall be submitted along with the annual audit report and [Statement on Impact of Audit Qualifications (applicable only for audit report with modified opinion. Provided that, in case of audit reports with unmodified opinion, the listed entity shall furnish a declaration to that effect to the Stock Exchange(s) while publishing the annual audited financial results. (b) The Statement on Impact of Audit Qualifications (for audit report with modified opinion and the accompanying annual audit report submitted in terms of clause (a) shall be reviewed by the stock exchange(s); (c) Omitted; (d) The applicable format of Statement on Impact of Audit Qualifications (for audit report with modified opinion shall be in the manner as specified by the Board. (4) The listed entity, while submitting half yearly / annual financial results, shall disclose the following line items along

	with the financial results: (a) credit rating and change in credit rating (if any); (b) asset cover available, in case of non-convertible debt securities; (c) debt-equity ratio; (d) previous due date for the payment of interest/ dividend for non-convertible redeemable preference shares/ repayment of principal of non-convertible preference shares /non-convertible debt securities and whether the same has been paid or not; and, (e) next due date for the payment of interest/ dividend of non-convertible preference shares /principal along with the amount of interest/ dividend of non-convertible preference shares payable and the redemption amount; (f) debt service coverage ratio; (g) interest service coverage ratio; (h) outstanding redeemable preference shares (quantity and value); (i) capital redemption reserve/debenture redemption reserve; (j) net worth; (k) net profit after tax; (l) earnings per share: Provided that the requirement of disclosures of debt service coverage ratio, asset cover and interest service coverage ratio shall not be applicable for banks or non-banking financial companies registered with the Reserve Bank of India. Provided further that the requirement of this sub- regulation shall not be applicable in case of unsecured debt instruments issued by regulated financial sector entities eligible for meeting capital requirements as specified by respective regulators. (5) The listed entity shall, within seven working days from the date of submission of the information required under sub-regulation (4), submit to stock exchange(s), a certificate signed by debenture trustee that it has taken note of the contents. (Substituted w.e.f 7.05.2019) (6) The listed entity which has listed its non-convertible redeemable preference shares shall make the following additional disclosures as notes to financials: (a) profit for the half year and cumulative profit for the year; (b) free reserve as on the end of half year; (c) securities premium account balance (if redemption of redeemable preference share is to be done at a premium, such premium may be appropriated from securities premium account): Provided that disclosure on securities premium account balance may be provided only in the year in which non-convertible redeemable preference shares are due for redemption;

	(d) track record of dividend payment on non-convertible redeemable preference shares: Provided that in case the dividend has been deferred at any time, then the actual date of payment shall be disclosed; (e) breach of any covenants under the terms of the non-convertible redeemable preference shares: Provided that in case a listed entity is planning a fresh issuance of shares whose end use is servicing of the non-convertible redeemable preference shares (whether dividend or principle redemption), then the same shall be disclosed whenever the listed entity decided on such issuances. (7) The listed entity shall submit to the stock exchange on a half yearly basis along with the half yearly financial results, a statement indicating material deviations, if any, in the use of proceeds of issue of non-convertible debt securities and non-convertible redeemable preference shares from the objects stated in the offer document. (8)The listed entity shall, within two calendar days of the conclusion of the meeting of the board of directors, publish the financial results and statement referred to in sub-regulation (4), in at least one English national daily newspaper circulating in the whole or substantially the whole of India.
ANNUAL REPORT (53)	The annual report of the listed entity shall contain disclosures as specified in Companies Act, 2013 along with the following: (a) audited financial statements i.e. balance sheets, profit and loss accounts etc and Statement on Impact of Audit Qualifications as stipulated in regulation 52(3)(a), if applicable;] (b) cash flow statement presented only under the indirect method as prescribed in Accounting Standard-3/ Indian Accounting Standard 7, mandated under Section 133 of the Companies Act, 2013 read with relevant rules framed thereunder or by the Institute of Chartered Accountants of India, whichever is applicable; (c) auditors report; (d) directors report; (e) name of the debenture trustees with full contact details ; (f) related party disclosures as specified in Para A of Schedule V.
ASSET COVER (54)	(1) In respect of its listed non-convertible debt securities, the listed entity shall maintain hundred percent. asset cover or asset cover as per the terms of offer document/Information Memorandum and/or Debenture Trust Deed, sufficient to discharge the principal amount at all times for the non-convertible debt securities issued. (2) The listed entity shall disclose to the stock exchange in quarterly, half-yearly, year-to-date and annual financial statements, as applicable, the extent and nature of security created and maintained with respect to its secured listed non-convertible debt securities.

CREDIT RATING (55)	Each rating obtained by the listed entity with respect to non-convertible debt securities shall be reviewed at least once a year by a credit rating agency registered by the Board.
DOCUMENTS AND INTIMATION TO DEBENTURE TRUSTEES (56)	(1) The listed entity shall forward the following to the debenture trustee promptly: (a) a copy of the annual report at the same time as it is issued along with a copy of certificate from the listed entity's auditors in respect of utilization of funds during the implementation period of the project for which the funds have been raised: Provided that in the case of debentures or preference shares issued for financing working capital or general corporate purposes or for capital raising purposes the copy of the auditor's certificate may be submitted at the end of each financial year till the funds have been fully utilized or the purpose for which these funds were intended has been achieved. (b) a copy of all notices, resolutions and circulars relating to- (i) new issue of non-convertible debt securities at the same time as they are sent to shareholders/ holders of non-convertible debt securities; (ii) the meetings of holders of non-convertible debt securities at the same time as they are sent to the holders of non-convertible debt securities or advertised in the media including those relating to proceedings of the meetings; (c)intimations regarding: (i)any revision in the rating; (ii)any default in timely payment of interest or redemption or both in respect of the non convertible debt securities; (iii)failure to create charge on the assets; (iv) all covenants of the issue (including side letters, accelerated payment clause, etc. (d) a half-yearly certificate regarding maintenance of hundred percent asset cover or asset cover as per the terms of offer document/ Information Memorandum and/or Debenture Trust Deed, including compliance with all the covenants, in respect of listed non-convertible debt securities, by the statutory auditor, along with the half-yearly financial results: Provided that the submission of half yearly certificate is not applicable where bonds are secured by a Government guarantee. (2) The listed entity shall forward to the debenture trustee any such information sought and provide access to relevant books of accounts as required by the debenture trustee. (3) The listed entity may, subject to the consent of the debenture trustee, send the information stipulated in sub-regulation (1), in electronic form/fax.

DOCUMENTS ANDINFORMATION TO HOLDERS OF NON - CONVERTIBLE DEBT SECURITIES AND NON-CONVERTIBLE PREFERENCE SHARES (58)	(1) The listed entity shall send the following documents: (a) Soft copies of full annual reports to all the holders of non-convertible preference share who have registered their email address(es) for the purpose; (b) Hard copy of statement containing the salient features of all the documents, as specified in Section 136 of Companies Act, 2013 and rules made thereunder to those holders of non-convertible preference share who have not so registered; (c) Hard copies of full annual reports to those holders of non-convertible debt securities and non-convertible preference share, who request for the same. (d) Half yearly communication as specified in sub-regulation (4) and (5) of regulation 52, to holders of non-convertible debt securities and non-convertible preference shares; (2) The listed entity shall send the notice of all meetings of holders of non-convertible debt securities and holders of non-convertible redeemable preference shares specifically stating that the provisions for appointment of proxy as mentioned in Section 105 of the Companies Act, 2013, shall be applicable for such meeting. (3) The listed entity shall send proxy forms to holders of non-convertible debt securities and non-convertible redeemable preference shares which shall be worded in such a manner that holders of these securities may vote either for or against each resolution.
RECOGNITION TO COMPANY SECRETARY UNDER THE SEBI LISTING REGULATIONS 2015	SEBI has recognized the significant role played by a Company Secretary as a Governance Professional under the SEBI Listing Regulations and recognized the role to be played by a Company Secretary under various provisions of the SEBI Listing Regulations, 2015, which are discussed below: 1) Regulation 6 provides that a listed entity shall appoint a qualified company secretary as the compliance officer. 2) Regulation 7 (3) requires that the listed entity shall submit a compliance certificate to the exchange, duly signed by both the compliance officer of the listed entity and the authorised representative of the share transfer agent, wherever applicable, within one month of end of each half of the financial year, certifying that all activities in relation to both physical and electronic share transfer facility are maintained either in house or by Registrar to an issue and share transfer agent registered with SEBI. 3) Regulation 16 (1) (d) provides that “Senior Management” shall mean Officers/Personnel of the listed entity who are members of its core management team excluding Board of directors and normally this shall comprise all members of management one level below Chief Executive Officer/ Managing Director/Whole Time Director/ Manager (including Chief Executive Officer/Manager, in case they are not part of the board) and shall specifically include Company Secretary and Chief Financial Officer. 4) Regulation 24A mandates that every listed entity and its material unlisted subsidiaries incorporated in India shall

	undertake Secretarial Audit and shall annex with its Annual Report, a Secretarial Audit Report, given by a Company Secretary in Practice, in such form as may be specified with effect from the year ended March 31, 2019. 5) Regulation 40 (9) requires that the share transfer agent and/ or the in-house share transfer facility, as the case may be, produces a certificate from a practising Company Secretary within one month of the end of each half of the financial year, certifying that all certificates have been issued within thirty days of the date of lodgement for transfer, sub-division, consolidation, renewal, exchange or endorsement of calls/allotment monies. 6) Regulation 56 (1) (d) provides that a half-yearly certificate regarding maintenance of 10% asset cover in respect of listed non-convertible debt securities, by either a practising Company Secretary or a practicing Chartered Accountant, along with the half yearly financial results. 7) Schedule V, Clause E requires compliance certificate from either the auditors or practising Company Secretaries regarding compliance of conditions of corporate governance to be annexed with the directors' report. 8) As per Schedule V, Part C , Clause 10 (i), a certificate from a Company Secretary in practice that none of the directors on the board of the company have been debarred or disqualified from being appointed or continuing as Directors of Companies by SEBI/ Ministry of Corporate Affairs or any such Statutory Authority.

CHAPTER 14 - INTERNATIONAL LISTING

INTRODUCTION	**Benefits of Listing on International Stock Exchange: (Dec 2019)** **1. Increased Market Liquidity** International listing enables companies to trade its shares in numerous time zones and multiple currencies. This increases the issuing company's liquidity and gives it more ability to raise capital. **2. Market Segmentation** Market segmentation is the practice of dividing a large market into clear segments with similar needs. International listing enables firms to divide foreign investor markets into segments which are easy to access. Companies seek to list internationally because they anticipate gaining from a lesser cost of capital. This arises because their stocks become more available to foreign investors. Their access to these stocks may otherwise be restricted due to international investment barrier. **3. Capital needs and growth opportunities** Companies in emerging markets need to use international listing to raise capital to continue to grow beyond their home market. **4. Wider shareholder base** International listing provides access to a larger pool of potential investors (both retail and institutional). Wider shareholder base are less risky. **5. Better Investor Protection** Companies need to comply with the provisions of all the regulatory aspects of the listing of those countries, where sought to be listed. Investors will therefore find themselves more protected and comfortable to invest in these companies. **6. Secure Clearing** A stock exchange provides a reliable and secure clearing mechanism. Listing on a foreign stock exchange is possible only after creating robust and advance clearing system. **7. Other benefits** Higher visibility/brand awareness, increased opportunities for mergers and acquisitions, entering markets with better investment protection reduces costs and creates bonding (a signal of corporate governance).
SINGAPORE EXCHANGE LIMITED (SGX)	SGX is Asia's key risk management centre with a wide a range of innovative products and fast-to-market services. *Singapore is one of the few Asian countries with an "AAA" rating.* As a listing destination for global companies, SGX listing rules provide flexibility for companies with diverse backgrounds to source for public financing in Singapore. While SGX continues to attract more global companies, its listing standards and the quality of listed companies are never compromised.

ABOUT MAIN BOARD	Singapore operates a predominantly disclosure-based regime for capital markets. SGX's Listing Rules augment the disclosure-based regime with high baseline admission standards and continuing requirements for issuers. A cornerstone of the regime is to require listed issuers to make timely disclosure of all material information to the marketplace. Our requirements are benchmarked against international standards and are in line with best practices from developed jurisdictions. SGX's regulatory team reviews listing applications to ensure that issuers meet the minimum requirements prescribed. In reviewing listing applications, SGX's regulatory team relies on due diligence carried out by issue managers and their representations to determine the applicants' suitability to list.
ABOUT CATALIST	Unlike issuers listed on SGX's Main Board, Catalist companies are directly supervised by their sponsors. Sponsors are qualified professional companies experienced in corporate finance and compliance advisory work. They are authorised and regulated by SGX through strict admission criteria and continuing obligations. However, SGX continues to regulate issuers through its rules for admission and continuing obligation. It also retains the power to discipline them when there is a rule breach. There are Two Listing processes at SGX: • **Mainboard Listing Process:** caters to the needs of established enterprises. Mainboard-listed companies enjoy the prestige of an established market place and access to the widest range of institutional and retail investors. • **Catalist Listing Process:** caters to the needs of fast-growing enterprises. Companies seeking a primary listing on the Catalist must be brought to list by authorised Sponsors via an initial public offering (IPO) and reverse take-over. There are various conditions in respect of Markey Capitalisation, Pre- tax profit, Offer size, Public float etc. which need to be fulfilled by the company desirous to listed at SGX.

PROCESS OF LISTING ON MAIN BOARD & CATALIST SEGMENT:

	STEPS	MAIN BOARD	CATALIST
1.	Meet With Accredited Issue Managers (Main Board) & Authorised Full Sponsors (Catalist)	Meet with accredited Issue Managers to share your company's plans and learn how to get listed. Only an accredited Issue Manager can make submissions for Mainboard listings	Same as Main Board
2.	Appoint An Accredited Issue Manager (Main Board) & Authorised Full Sponsors (Catalist)	The Issue Manager will manage the listing application for your company, including recommendations on the appointment of other professionals required.	Same as Main Board
3.	Assessment Period	You will work closely with your mandated Issue Manager to decide on a suitable structure and method of offering of your company's securities. The Issue Manager will guide you in preparing the listing application for your company.	Same as Main Board
4.	Stage 1: Submission Of Section (A) Of The Listing Admissions Pack	• The Issue Manager will proceed to submit Section (A) of the Listing Admissions Pack, which includes information of your company and sets out the key issues for SGX's assessment on whether these issues have been adequately resolved. • SGX will inform the Issue Manager whether the key issues have been adequately resolved. • Upon completion of SGX's review of the matters in Section (A) of the Listing Admissions Pack including a review of advice rendered by the LAC, if applicable, SGX will inform the Issue Manager whether it can proceed to Stage 2 of the application.	***Pre-Clearance Consultation*** Preparation for the listing application begins. Companies and Full Sponsors are encouraged to make use of our pre-clearance consultation for guidance on the listing process, regulatory framework and corporate governance best practices. During the pre-clearance consultation, the Full Sponsor can present major issues and possible solutions to SGX. ***Submission of the pre-admission notification*** After Once received clearance from SGX for the pre-clearance consultation, an issuer can submit the preadmission notification to apply for a listing.
5.	Stage 2: Submission of Section (B) Of The Listing Admissions Pack	• After SGX has informed the Issue Manager that it may proceed with Stage 2 of the application, the Issue Manager can submit Section (B) of the Listing Admissions Pack, together with the full listing application (including the relevant undertakings and confirmations required under the Mainboard Listing Manual and the prospectus/shareholders' circular).	
6.	Approval	Once your submission is approved, SGX will issue an ETL (Eligibility to List) letter, which is valid for three months.	

7.	Lodgement Of Documents & Public Exposure	Your company can now lodge the preliminary prospectus on MAS' website OPERA, for public feedback for at least a week. After lodgement of the preliminary prospectus, there are other processes which are undertaken solely by your company and your Issue Managers/other professionals which do not involve SGX such as book building where you may find cornerstone and institutional investors.	Same as Main Board
8.	Registration Of Documents & Launch Of Offer (IPO)	Your company can now register the final prospectus on OPERA, pending public feedback or changes and approval from MAS. The offer period commences thereafter and applications to subscribe for the company's securities starts.	Same as Main Board
9.	Confirmation of Allotment & Trading Commences	Once the offer period closes, allocation of the subscriptions will commence and your company's securities will be allotted and credited to successful investors.	Same as Main Board

NATIONAL ASSOCIATION OF SECURITIES DEALERS AUTOMATED QUOTATIONS (NASDAQ)	NASDAQ began primarily as a U.S.-based equities exchange. Today, Nasdaq is recognized around the globe as a diversified worldwide financial technology, trading and information services provider to the capital markets, with more than 3,500 colleagues serving businesses and investors from over 50 offices in 26 countries across six continents – and in every capital market. There are three distinct markets within NASDAQ: the NASDAQ Global Market (NGM), the newly created NASDAQ Global Select Market (NGSM) and the NASDAQ Capital Market (NCM). The NGSM mandates the highest initial listing requirements of any market in the world, while its maintenance requirements are identical to those of the NGM. The NGM, in turn, has more stringent quantitative listing and maintenance requirements than does the NCM. The quantitative listing and maintenance criteria applicable to non-Canadian foreign private issuers for the NGM, NGSM and NCM are identical to those of US domestic and Canadian issuers. Foreign Private Issuers (FPI) (including Canadian issuers) may, however, elect to follow home country practice in lieu of compliance with the NASDAQ corporate governance requirements. **1. GLOBAL SELECT MARKET (NGSM)** The NASDAQ Global Select Market has the highest initial listing standards of any exchange in the world. It is a mark of achievement and stature for qualified companies. **2. GLOBAL MARKET(NGM)** The NASDAQ Global Market lists companies with an overall global leadership and international reach with their products or services. **3. CAPITAL MARKET (NCM)**

	NASDAQ Capital Markets are focused on its core purpose for those companies listed -- capital raising.
LONDON STOCK EXCHANGE	The London Stock Exchange is one of the world's most international capital markets, home to approximately 2,200 companies from more than 70 countries around the world. More than 500 of these companies are international. The markets of the London Stock Exchange put UK and international companies in touch with one of the world's deepest pools of global capital. London's position at the heart of the global financial community is one of the reasons that so many international companies choose to join our markets. Many of the world's leading investment houses and financial institutions are based here, while London's professional investors are known for their outward-looking approach, offering companies from around the world access to a deep and wide pool of investment capital. London has become synonymous with 'intelligent regulation' and is recognised globally for its flexible, principles-based approach to regulating its capital markets. The Exchange provides an active and efficient secondary market for trading in a wide range of securities, via a number of different trading services. The appropriate platform for the securities will be determined by a number of factors including whether the issuer is UK based or international issuer.
MAIN MARKET	• The Main Market is the flagship market for larger, more established companies, and is home to some of the world's largest and best known companies. • Underpinned by London's balanced and globally-respected standards of regulation and corporate governance, the Main Market represents a badge of quality for every company admitted and traded on it and an aspiration for many companies worldwide. • It is an EU Regulated Market. The Main Market has four segments that cater for a range of businesses and securities. • ***Premium:*** Part of the FCA's (Financial Conduct Authority (FCA) is a financial regulatory body in the United Kingdom) Official List, this segment is home to some of the world's largest corporations that are subject to the highest standards of regulation and governance. • ***Standard:*** Subject to EU minimum standards and part of the Official List, open to shares and debt securities. • ***Specialist Fund Segment:*** Designed for highly specialised investment entities that wish to target institutional, highly knowledgeable investors or professionally advised investors only. • ***High Growth Segment:*** A new addition to the Main Market offering, this segment is specifically designed for equity securities of high growth, revenue generating businesses that are over time seeking to become Premium listed companies.
ALTERNATIVE INVESTMENT	AIM is the London Stock Exchange's international market for smaller growing companies. A wide range of businesses including early stage, venture capital backed as well as more established companies join AIM seeking access to growth

MARKET (AIM)	capital.
NOMAD	The Nominated Adviser (Nomad), broker and other advisers play a central role in a company's admission to AIM. It is important that a company is confident that it can establish a good working relationship with the appointed Nomad as they will be working closely together at admission and on an ongoing basis. In choosing its advisers, a company will want to ensure that they: • understand its business • have appropriate experience in the sector • share the company's vision for the future.
ROLE OF NOMINATED ADVISERS **(Dec 2019)**	Nomads are corporate finance advisers approved by the London Stock Exchange to act in this capacity. To obtain approval as Nomad, a firm must meet the eligibility criteria set out in the AIM Rules for Nominated Advisers. A Nomad is responsible for advising and guiding a company on its responsibilities in relation to its admission to AIM as well as its continuing obligations once on market. To help fulfil this role, the Nomad will: • undertake extensive due diligence to ensure a company is suitable for AIM • provide guidance throughout the flotation process • prepare the company for being on a public market • help prepare the AIM admission document • confirm appropriateness of the company to the Exchange • act as the primary regulator throughout a company's time on AIM.
PROFESSIONAL SECURITIES MARKET (PSM) **(Dec 2019)**	The Professional Securities Market is an innovative, specialised market designed to suit the specific needs of issuers. It facilitates the raising of capital through the issue of specialist debt securities or depositary receipts (DRs) to professional investors. Companies wishing to raise capital may do so without the additional cost of following a retail or equity regime. As a listed, exchange-regulated market, the Professional Securities Market enables issuers to enjoy the benefits of a flexible and pragmatic approach to regulatory requirements. Issuers of debt or DRs are not required to report historical financial information to IFRS or an equivalent standard, either in listing documents or as a continuing obligation. Instead, issuers can use their domestic accounting standards.

<table>
<tr>
<td>LISTING OF DEPOSITORY RECEIPTS ON THE PSM

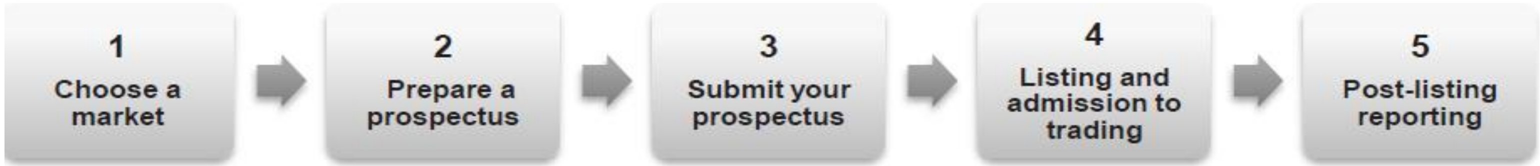
(Dec 2019)</td>
<td>DRs are typically held in US dollars and issued by a depository bank. Several forms of DRs can be listed and traded in London, including Global Depositary Receipts (GDRs) and American Depository Receipts (ADRs).

Admitting DRs to the PSM involves a two-step, simultaneous process. A company submits its ‘Listing Particulars’ to the UKLA, while also applying to the Exchange for admission of its DRs to trading on the PSM.

Trading platform:
All DRs admitted to the PSM are traded on the International Order Book (IOB), the world’s leading electronic order book for DRs.</td>
</tr>
<tr>
<td>LUXEMBOURG STOCK EXCHANGE</td>
<td>The Luxembourg Stock Exchange is well known for its independent and international listing expertise. Instruments that are currently listed are shares, warrants, bonds of many types, depositary receipts and investment funds.

Listing in Luxembourg is both relatively straightforward and flexible. There are three main phases in the process:
– The pre-application and file submission phase.
– The application phase.
– The approval phase.

Listing with the Luxembourg Stock Exchange is a 5-step process:



The Luxembourg Stock Exchange offers a choice of two markets, the main EU-regulated market (called “the BdL market” or the Bourse de Luxembourg market”) and an exchange-regulated market (called “the Euro MTF”)

When listing on the Euro MTF (Multilateral Trading Facility) market, the Luxembourg Stock Exchange is in charge of prospectus approval and the prospectus is drawn up according to our own rules and regulations. When listing on the BdL market, Luxembourg’s financial regulator, the Commission de Surveillance du Secteur Financier (CSSF), reviews and approves a prospectus.

By being outside the scope of EU regulations, issuers on the Euro MTF market benefit from less stringent requirements for financial reporting.
However, only issuers that list on the BdL market have access to EU passporting, meaning that the same prospectus approval can be used to list on other EU exchanges.</td>
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	BdL market EU-regulated market	Euro MTF market Exchange-regulated market
	• The CSSF, Luxembourg's supervisory authority, is in charge of prospectus approval. • Eligible for a European passport. • Entry for issuers is subject to the Prospectus and Transparency Obligation Directives. • Issuers subject to International Financial Reporting Standards (IFRS), or an equivalent, for non-EU issuers.	• The Luxembourg Stock Exchange is in charge of prospectus approval. • No European passport provided. • Outside the scope of the Prospectus and Transparency Obligation Directives . • Financial reporting is in line with IFRS. • However, other accounting standards, such as Generally Accepted Accounting Principles (GAAP), are accepted.

PROCESS OF LISTING ON BDL MARKET & EURO MTF MARKET:

STEPS	BDL MARKET	MTF MARKET
Choose a listing agent (optional):	It is not mandatory to appoint a listing agent. Either the issuer itself or a company acting on its behalf can submit requests for approval.	Same as BDL
Approval	Before listing a share or GDR on the BdL market, one must first file a prospectus with the CSSF. Note that some issuers may not fall under the scope of the Prospectus Law and should instead send their prospectus directly to LuxSE.	Listing on the Euro MTF will require submission of a prospectus to LuxSE.
Listing Requirements	In order to list on the BdL market, an issuer must fulfil the following criteria, among others : − Minimum capital of €1,000,000, or equivalent value in other currencies − Minimum public free float of 25% − Securities should be eligible for clearing and settlement − Securities should be freely negotiable and fungible.	Same as BDL
Listing process	File a prospectus: An issuer must also file an application with LuxSE before being admitted to trading on the BdL market with the following documents: 1. A copy of your prospectus 2. Application form 3. Undertaking letter 4. Articles of association 5. Existing agreements/conventions 6. The last three annual financial reports (if published)	File a prospectus: To begin the listing process, the following documents to be sent to LuxSE: 1. A copy of your prospectus; 2. Application form 3. Undertaking letter 4. Articles of association 5. Existing agreements/conventions 6. The last three annual financial reports (if

	− <u>Final submission</u>: Listing can take place after receipt of the following items: 1. Final version of the prospectus 2. First listing price (current market price)	published) − **Prospectus review:** A first set of comments on a complete draft prospectus will be sent to you within a maximum period of three business days from the date of receipt of the filed application. Additional comments following submission of an updated draft prospectus will be provided within a maximum of two business days after submission. − Final submission: Listing can take place after receipt of the following items: 1. Final version of the prospectus 2. First listing price
Fees	Fees related to the approval of a prospectus are to be paid to the CSSF. Listing and maintenance fees are to be paid to LuxSE and are priced in euros. Fees will vary depending on whether or not the company is a "recently established company", i.e. a company that has not published or registered annual accounts for the three previous financial years.	All fees are to be paid to LuxSE and are priced in euros. The fee structure will vary depending on whether or not you are a "recently established company", i.e. a company that has not published or registered annual accounts for the three previous financial years.
Continuing Obligations	After listing and admission to trading, issuers are required to fulfil certain reporting obligations, as outlined under the Law of January 2008 (as amended), which implements the requirements of the EU Transparency Directive.	Same
LEI Code	In the context of MiFID II / MiFIR and MAR, the LuxSE is obliged to collect a 'Legal Entity Identifier' or 'LEI' code from any issuer operating on its regulated market (Bourse de Luxembourg) and on its Multilateral Trading Facility (Euro MTF) and communicate it to the relevant supervisory authorities.	Same

US SECURITIES AND EXCHANGE COMMISSION	• The mission of the U.S. Securities and Exchange Commission is to protect investors, maintain fair, orderly, and efficient markets, and facilitate capital formation. • As more and more first-time investors turn to the markets to help secure their futures, pay for homes, and send children to college, our investor protection mission is more compelling than ever. • The laws and rules that govern the securities industry in the United States derive from a simple and straightforward concept: ***all investors, whether large institutions or private individuals, should have access to certain basic facts about an investment prior to buying it, and so long as they hold it***. To achieve this, the SEC requires public companies to disclose meaningful financial and other information to the public. • The SEC ***oversees the key participants*** in the securities world, including securities exchanges, securities brokers and dealers, investment advisors, and mutual funds. Here the SEC is concerned primarily with promoting the disclosure of important market-related information, maintaining fair dealing, and protecting against fraud. • Though it is the ***primary overseer and regulator of the U.S. securities markets***, the SEC works closely with many other institutions, including Congress, other federal departments and agencies, the self-regulatory organizations (e.g. the stock exchanges), state securities regulators, and various private sector organizations. In addition, the Chairman of the SEC represents the agency as a member of the Financial Stability Oversight Council (FSOC). The laws that govern the Securities Industry in US: • Securities Act of 1933 • Securities Exchange Act of 1934 • Trust Indenture Act of 1939 • Investment Company Act of 1940 • Investment Advisers Act of 1940 • Sarbanes-Oxley Act of 2002 • Rules and Regulations
SECURITIES EXCHANGE ACT OF 1934	With this Act, Congress created the Securities and Exchange Commission. The Act empowers the SEC with broad authority over all aspects of the securities industry. This includes the power to register, regulate, and oversee brokerage firms, transfer agents, and clearing agencies as well as the nation's securities self-regulatory organizations (SROs). The various securities exchanges, such as the New York Stock Exchange, the NASDAQ Stock Market, and the Chicago Board of Options are SROs. The Financial Industry Regulatory Authority (FINRA) is also an SRO. The Act also identifies and prohibits certain types of conduct in the markets and provides the Commission with disciplinary powers over regulated entities and persons associated with them. The Act also empowers the SEC to require periodic reporting of information by companies with publicly traded securities.

CHAPTER 15 - PREPARING A COMPANY FOR AN IPO AND GOVERNANCE REQUIREMENTS

PREPARING A COMPANY FOR AN IPO & GOVERNANCE REQUIREMENTS

Going public is certainly a very important milestone in the life of a Company. Initial Public Offer (IPO) happens only "once in life cycle" during corporate journey of the Company. It is a complex process. It is time consuming and may be expensive sometime. Some of the advantages of going public and attaining listing include;

• **Raising capital**

Companies require funds to finance its needs for expansion/growth, acquisitions & present business operations. IPO is one of the most important ways to access the capital market & raising required equity resources. IPO route is also utilized by existing investors such as Private Equity, Venture/Angel Funds as well as promoters to exit from the company or dilute their stake by making an 'Offer for Sale' and benefits of listing are available to company and its stakeholders.

• **Currency for Mergers & Acquisitions**

The established publicly traded Companies can use the equity shares as currency to acquire other business. Equity shares of listed Company can be utilized to swap & do a stock deal as a consideration.

• **Leveraging**

Equity shares listed on Stock Exchanges command a price and liquidity which leads to enhanced market capitalization. Often promoters of the listed company can utilize their existing holding to raise further capital by pledging the equity shares or offering it as a security to the Bank and Financial Institutions to raise further money for growth.

• **Talent Acquisition & Management**

Listed Companies can offer attractive Employee Stock Option (ESOP) or Employee Share Purchase Schemes (ESPS) to attract required talent pool and also to retain them. Being listed, the ESOP/ESPS may command good price gain and attraction to the employees. ESOP & ESPS are used to attract talent as well as to retain the key employees and managerial personnel which is an important human capital for business. In many Companies employee reservation in the IPO is considered as one of the incentive where employees will be able to acquire shares at a discount to the IPO price.

• **Enhancing Brand Image**

Listing a Company definitely enhances Company's image & its profile. Listed stocks get attention of large pool of investors and other stakeholders/market participants which is helpful in creating and enhancing brand awareness. In the sophisticated markets the information of listed Companies is freely available which helps Companies to get international exposure.

• **Higher Valuations**

Companies that have their shares listed in the stock exchange have investors competing with one another to invest in them. As a result of this competition, the price of the shares is driven higher. Since the stock market makes it

	possible to put a price tag on public sentiments about a firm's business, many successful businesses watch their valuations rise high when they list on the exchange.
PREPARING A COMPANY FOR AN IPO	Considering its complexity it is important that every corporate which strives to take the path of attaining 'listed' status should be aware of requirements, regulatory or otherwise. Being 'once a life time' event, miscalculation of any nature can create a hurdle for Company's future growth. It is imperative that planning and proper preparation requires significant spadework to be able to be ready for an IPO. The Regulatory aspects such as eligibility of SEBI and Stock Exchanges i.e. BSE and NSE as well as requirements under the Companies Act are separately covered under various lessons in this module. Besides those some of the important aspects which a Company and its Key Managerial Personnel/Management shall consider while preparing for an IPO are enumerated as follows :
DUE DILIGENCE – REGULATORY FRAMEWORK AND SCOPE OF DUE DILIGENCE	■ The SEBI Regulations requires a Merchant Banker, amongst other things, to exercise due diligence, ensure proper care and exercise independent professional judgment. Further, it requires Merchant Banker to ensure that adequate disclosures are made to potential investors in a timely manner in accordance with the applicable regulations and guidelines so as to enable them to make a balanced and informed investment decision. The SEBI Regulations requires Merchant Banker to maintain records and documents pertaining to due diligence exercised in pre-issue and post-issue matters. The ICDR Regulations require that Offer Documents[1] should contain all material disclosures, which are true and adequate to enable prospective investors to take an informed decision. Furthermore, the SEBI ICDR Regulations, 2018 require due diligence certificate to be issued by the Merchant Banker. ■ Whilst the regulatory framework does not specifically define what constitutes due diligence, as a matter of practice, the objective of due diligence is to collect information about the Issuer company that helps the Merchant Banker draft as well as assess disclosures that are made in the Offer Document. It is pertinent to understand that while the Merchant Banker continues to be responsible for due diligence, external expert assistance is necessary. Whilst under the applicable Code of Conduct, the Merchant Bankers are required to demonstrate that all reasonable steps were taken to exercise due diligence and ensure adequate disclosures were made to potential investors, they should have the flexibility regarding the manner in which the due diligence exercise is conducted as they may not possess the expertise with respect to certain aspects of due diligence, such as technical, legal and accounting matters. ■ In terms of the ICDR Regulations, the Merchant Bankers are required to submit due diligence certificate to SEBI and the formats for such certificate have been provided in the ICDR Regulations. An examination of the format of the due diligence certificate provides clarity of expectations from the Merchant Bankers, to a certain extent, and can act as guiding principles for the diligence to be exercised.
DUE DILIGENCE - PROCEDURE	A Merchant Banker is expected to: i. carry out the procedures to demonstrate that it had no reasonable ground to believe and did not believe that there were material misstatements or omissions in the Offer Documents which could have had an impact on an investment decision;

	ii. have detailed discussions with the management and key customers, suppliers (where practicable) and the Issuer's auditors with respect to the business and associated risks and financial reporting statements; iii. identify procedures such that disclosures in the Offer Document that are material to an investment decision are backed by appropriate documentation, such as corporate and secretarial records or certificates of the Issuer or third parties and independent third party reports; and iv. inform the Issuer that it may be required to provide documents that have been reviewed for an Issue, post completion of the Issue in instances of receipt of clarifications or questions from SEBI or other regulatory agencies or other persons. It must be clearly understood that due diligence is the backbone of any primary market offering. The risk that the Merchant Banker runs for any lapse in conducting due diligence is not restricted only to any regulatory action but extends to reputational risk with the investors & Issuers. Though Merchant Bankers are supposed to carry out diligence and comply with all the requirements of applicable regulations, the Company and the Management is responsible for the contents of offer document and have to declare and certify that all the information in the offer document is true and fair. Offer document being a legal document defined under the Companies Act as well as applicable regulations, responsibility of the management is final. Companies need to prepare and be ready for the process of the diligence. The process of preparation for IPO thus commences with due diligence and further important aspects to be considered are as follows :
SETTING UP OF RELEVANT TEAMS	As explained the preparation for IPO is a complex process and requires input from various functionaries within the Company, for e.g. Finance & Account, Secretarial Department, Marketing set up, Production & Manufacturing set up and the Administrative set up. There is a need to identify personnel from each of these functionaries to be available for assembling the required information and data. There is a practice of setting up of transaction team from the end of Issuer Company, Merchant Banker and Legal Advisors which comprises of two layers generally. One team to address routine queries regarding documents/compliances and other being at a policy and decision making level where all the important decisions are to be taken based on the critical inputs from the senior teams. While Company is required to proactively submit the information/documents, the other teams work on assembling the same and putting it in a required manner in the offer document.
MANAGEMENT STRUCTURE	Being listed, Companies need to have a proper Board structure comprising of optimum mix of non-executive and executive Directors as well as independent & non-independent Directors. Hitherto closely held Companies generally operate in a family structure and effort is needed to invite outside professionals on the Board to be able to follow the required Regulations. Considering that about 50% of the Directors shall be independent, management/promoters will have to take into account background of Directors. Generally professionals from Banking & Finance, Legal Profession, Accounts & Taxation background & lastly persons with relevant industry experience are sought. Even

	the regulatory committees such as Audit Committee etc also need a composition of people from experience in relevant areas. Investors assign large importance to the promoters and the management structure. It is perceived that better managed Companies command better valuation in the listed space.
DATA ROOM	❖ Preparation for an offer document involves humungous documentation and paper work. ❖ At the time of commencement of due diligence Merchant Banker and the Legal Advisor circulate the 'Compliance Manual' enumerating detailed requirements along with various formats and undertakings to be submitted by the Company. ❖ Only on assembling majority of documents the process of diligence actually starts. Companies set up specific location where all the documents and the copies of the same are made available for examination & verification. Such location is popularly known as 'Data Room'. ❖ In the present scenario these data rooms are also set up in virtual space and are called as 'Digital Data Room' or 'Virtual Data Room' on various drives such as Google drive. All the concerned executives will have access to the Data Room while drafting the offer document.
FINANCIAL INFORMATION & REPORTING PROCESS	Companies are required to incorporate 3 years historical financial information in the offer document and also in respect of a stub period which should not be older than 6 months from the date of filing and date of opening of the IPO. There is a need to assess the suitability of accounting policies and Companies shall also prepare for segment reporting and identify disclosure requirements with applicable accounting standards Indian Gaap/Ind AS. In case the IPO is required to be marketed in overseas geographies like UK, US, Hong Kong, Singapore etc., there is a separate requirement of presentation of financials in "Pro forma Financial Information" format and also a requirement of obtaining 'Legal Wrap' from the overseas auditors and certifications from overseas Legal Advisors. Only on completion of these processes, Company would be able to market their IPO in international jurisdiction. Management will have to also assess existing IT systems, financial reporting system & management information system in advance to identify weaknesses in the reporting systems and manage the improvement in the same ahead of the IPO.
OTHER REGULATORY COMPLIANCES	As discussed elsewhere in the curriculum, Companies need to comply with all the applicable provisions of Securities Contract Regulations Act (SCRA), Securities Contract Regulation Rules (SCRR), Companies Act, 2013, SEBI Regulations particularly SEBI (ICDR) Regulations 2018, SEBI (Listing Obligations & Disclosure Requirements) Regulations 2015, SEBI (Prohibition of Insider Trading) Regulations, 2015. However, compliance with only these Regulations is not sufficient from the point of view of due diligence and disclosure requirement in the offer document. While preparing an offer document, due diligence is required to be conducted by the Merchant Bankers who are assisted by Legal Advisors. While conducting due diligence, compliance with all the other regulatory requirements is also checked thoroughly. Following compliances are included amongst many requirements:

	• Filing of various form/returns with Registrar of Companies (ROC), Ministry of Corporate Affairs (MCA) in the past • Compliance with requirements of factory license & other approvals • Compliance with requirements of Provident Fund rules, Gratuity rules & other Labour laws • Filing of Tax Returns and its up-to-date status • Litigations, disputes, show cause notices etc. of whatsoever nature. All the above requirements in respect of not only Issuer Company but for all the Group/Associate Companies & Directors of the Company are required to be checked. The Legal advisors conduct independent search & review from their resources and also from their access to the database of various legal authorities such as Civil Courts, High Courts etc. and also important websites such as 'Watch out investors', 'CIBIL' etc. Said search is not only conducted in respect of the Issuer Company but also in respect of all its Group/Associate Companies, its promoters/directors. Detailed information of all the aspects shall be made available to the Merchant Bankers and Legal Advisors. Companies shall be prepared in this regard in advance.
INDUSTRY DATA	The offer document comprises of an important Chapter on 'Industry Information'. Companies are required to give information about the industry segment in which it operates enabling the Regulators and investors to get a fair idea about the segment. Managements are required to gather information from the authenticated sources and should have comprehensive information made available. It is observed that reproducing an information from publicly available websites, reports etc. also sometimes need permissions from those entities to be able to publish in the offer document (besides government resources). Industry data to be included in the offer document can also be obtained tailor-made from Rating/Research Agencies such as CARE, CRISIL, ICRA, A C Nielsen etc. Said process shall be commenced in advance to be able to deliver in a timely manner.
MANAGEMENT DISCUSSION & ANALYSIS	❖ Many unlisted Companies may comply with all the requirements under the Companies Act, 2013 and rules made thereunder as far as presentation of Balance Sheet is concerned. ❖ However, they have not been putting efforts to include the important information about the Company's business, its progress and future opportunities it may have. ❖ It is often advised to the IPO bound Companies that the Annual Report & Balance sheets of the Company for past years be consciously prepared to include the relevant information for the benefits of investors and also to make it neat and attractive. ❖ Management is required to consider not only the regulatory requirements of disclosure but also try to meet the expectations of outside investors. ❖ Management discussions include comparative analysis of key financial information of the Company for past 3 years. As far as offer document is concerned, it is one of the important Chapters where managements can include and discuss about existing business as well as prospective business. Companies need to prepare for this in advance.

PUBLICITY & ADVERTISING	Companies often have large list of clients, vendors, suppliers & other stakeholders etc. Inclusion of their name in the draft offer document often helps the Companies to market its issue/credentials to the investors at large. However, in many instances, to include their name in the draft offer document there is a need to obtain consent of those entities. It is often a time consuming process and in many cases Companies are not able to obtain the consent of these Companies for inclusion of their name in the offer document. Preparation for the same needs to be done in advance. Once the offer document is filed with the Regulators, management is required to adhere to the code of advertisement & publicity which basically restricts the management from publicizing anything outside the contents/information included in the offer document. Companies need to also put a disclaimer clause of the regulators in such advertisements. No public information with respect to IPO shall contain any offer of incentives to the investors directly or indirectly. No Advertisement relating to product or services by Issuer Company shall have any reference to the performance of Issuer during the period from Board Resolution approving IPO till allotment in the IPO.
ROAD SHOWS	❖ Management needs to prepare for proposed Road shows and Investor Meets in advance. ❖ Adequate representation of promoters & key managerial person should be available for various meets, Road shows etc. ❖ Often there is a need to undergo training for the representatives of the Company about their conduct & behavior during these road shows. ❖ IPO bound Companies prepare a 'Corporate Film' which includes brief about the Company, its past and also take investors through the present set up, practices followed by the Company, overview of proposed expansion, brief information of management, financials of the Company including various financial ratios & parameters and basis of IPO price. ❖ Besides this a short and concise 'Press Note' about the Company and its IPO is required to be released for publications. The Road show generally comprises of a press meet and meeting with Brokers and Investors/Analysts. ❖ 'Press Conference' is aimed at giving information to the press for publication in their papers/newspapers for dissemination of information to the investors whereas 'Brokers, Investors/Analysts Meet' aims at giving detailed information to the market participants about the Company enabling them to understand the details and take it further to the ultimate investors. ❖ Many a times IPO bound Companies also organize 'site/plant visit' for the market participants enabling them to take a view of manufacturing facilities and other administrative set up of the Company. Managements are required to take into consideration all the above factors while preparing for marketing of an IPO.
MATERIAL CONTRACTS & DOCUMENTS	• The SEBI Regulations as well as Companies Act, 2013 requires management to certify that all the relevant provisions of the Companies Act and Rules, Regulations & Guidelines issued by Government of India or by SEBI have been complied with and no statement made in the offer document is contrary to the provisions of these Acts, Rules & Regulations.

	• The offer document also requires disclosure of contracts which are or may be deemed material & are not in its ordinary course of business. • The copies of these material contracts and documents for inspection are required to be attached to the copy of offer document delivered to ROC and said documents are also required to be made available for inspection at registered office of the Company from draft offer document stage till the closure of the IPO. • The standard material contracts & documents for inspection include following : **A. Material Contracts to the Issue** 1) Offer/Issue Agreement between Company, the Merchant Banker and Selling Shareholders (if any). 2) Memorandum of Understanding or Agreement between Company and the Registrar to the Issue. 3) Bankers to the Issue Agreement between Company, Merchant Banker and the Banker to the Issue. 4) Underwriting Agreement between Company, Merchant Banker & other Underwriters (if any). 5) Market Making agreement between Company, the Lead Managers and the Marker Maker to the Issue (If applicable). 6) Syndicate Agreement between Company, Merchant Banker & Syndicate Members. 7) Copy of Tripartite agreement entered into between Company, CDSL and the Registrar to the Issue. 8) Copy of Tripartite agreement entered into between Company, NSDL and the Registrar to the Issue. **B. Material Documents** 1) Certified copies of the updated Memorandum of Association and Articles of Association of Company, as amended from time to time. 2) Certificate of Incorporation of Company. 3) Certificate of commencement of business. 4) Copies of the Board and shareholders resolutions authorizing the Issue. 5) Report of the Statutory Auditors/Peer Review Auditor on Company's Restated Financial Statements (Standalone) for past 3 financial years and stub period not older than 6 months from the date of filing & opening of IPO. 6) Report of the Peer Review Auditor on Company's Restated Financial Statements (Consolidated) for past 3 financial years and stub period not older than 6 months from the date of filing & opening of IPO. 7) Statement of Tax Benefits from Chartered Accountants. 8) Copies of annual reports of Company for the past three (3) Financial Years. 9) Consents of Statutory Auditors, Peer Review Auditors, Bankers to Company, Merchant Banker, Registrar to the Issue, Legal Advisor to the Issue, Directors of Company, Company Secretary and Compliance Officer, as referred to, in their respective capacities. 10) In-principle approval from the Stock Exchanges for listing of the securities. 11) Due Diligence certificate to SEBI from the Merchant Banker. 12) Observation Letter issued by the Securities and Exchange Board of India and reply to the observation by Merchant Banker.

APPRAISING THE BOARD AND OTHER FUNCTIONS IN THE ORGANISATION REGARDING THE POST IPO/ LISTING GOVERNANCE CHANGES	If going public is a complex process, being public is all the more complex as it assumes tremendous responsibilities on the managements and promoters of the Company once listed. The reason being, that the new set of shareholders would have acquired the ownership in the Company and the management has more responsibility towards outside shareholders as well as Regulators. Further, being publicly listed ownership of shareholding can change any time without the knowledge of the promoters & Company. In fact once the Companies are listed, responsibility of the management towards the shareholders enhance manifold and managements shall continue to strive for maintaining good governance standards, implementing ethical business practices and continue to comply with applicable Regulations in a sustained manner. **Some of the important functions in the organization after listing can be enumerated as follows :** **■ Board Procedure** • On listing, Companies will have additional responsibility of complying with various disclosure requirements of the stock exchanges besides those required under Companies Act, 2013. • The stock exchanges will have a standard list of compliances to be followed by listed Companies at predetermined schedules. • Notice of every proposed Board meeting which is likely to consider any decision which is considered as "price sensitive", must be given in advance as prescribed. • The outcome of the Board Meeting must be intimated to the stock exchanges within 30 minutes of conclusion of the Board Meeting. • Every listed Company must have a qualified Company Secretary holding a certificate from ICSI who besides being Key Managerial Personnel as defined under Companies Act is also a designated 'Compliance Officer'. • The Board process should be such streamlined that the calendar of proposed dates of Board Meeting in the financial year is required to be prepared in advance and intimated. • The exchanges have developed robust disclosure systems wherein even the time of dissemination of information is mentioned on the stock exchanges. **■ Compliance Requirements** • The listed Companies are required to comply with continuous listing norms and have to adhere to periodic disclosures to the stock exchanges. • The listed Companies basically will have to comply (besides provisions of Companies Act 2013) with applicable requirements of : – SEBI (Listing Obligation & Disclosure Requirements) Regulations 2015 (Listing Regulations) – SEBI (SAST) Regulations 2011 (Takeover Regulations) – SEBI (Prohibition of Insider Trading) Regulations 2015 (Insider Trading Regulations) The stock exchanges have standard 'Compliance Calendar' to be followed by the Company Secretaries/Management

of the listed Companies which has been discussed in detail in lesson 13 of this module.

The 'Compliance Calendar' under SEBI (SAST) Regulations 2011 is as under :

Sr. No.	Particulars
1.	**Regulation 30(1) and 30(2)** 30(1) Every person, who together with persons acting in concert with him, holds shares or voting rights entitling him to exercise 25% or more of the voting rights in a listed company, shall disclose their aggregate shareholding and voting rights as of the thirty-first day of March, in such target company in such form as may be specified. 30(2) The promoter of every listed company shall together with persons acting in concert with him, disclose their aggregate shareholding and voting rights as of the thirty-first day of March, in such target company in such form as may be specified. The disclosures required under sub-regulation (1) and sub-regulation (2) shall be made within seven working days from the end of each financial year to; – every stock exchange where the shares of the company are listed; and – the company at its registered office.

The 'Compliance Calendar' under (Prohibition of Insider Trading) Regulations 2015 is as under :

Sr. No.	Particulars	Timeline
1.	**Regulation 7(2)** 7(2) Continual Disclosures : (a) Every promoter, employee and director of every company shall disclose to the company the number of such securities acquired or disposed of within two trading days of such transaction if the value of the securities traded, whether in one transaction or a series of transactions over any calendar quarter, aggregates to a traded value in excess of ten lakh ₹ or such other value as may be specified; (b) Every company shall notify the particulars of such trading to the stock exchange on which the securities are listed within two trading days of receipt of the disclosure or from becoming aware of such information. (Transaction type include buy/sales/pledge/revoke/Invoke)	**Within 2 trading days of such transaction**
2.	**Regulation 7(1)(b) read with Regulation 6(2) – Disclosure on becoming a director KMP/Promoter** Details of Securities held on appointment of Key Managerial Personnel (KMP) or Director or upon becoming a Promoter of a listed company and other such	**Within 7 days of such event**

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Details of trading in securities by other connected persons as identified by the company.</td><td></td></tr>
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Besides these there are many “Event Based” disclosures which Companies will have to make to Stock Exchanges.
Pursuant to Regulation 10 of the Listing Regulations, the listed entity shall file the reports, statements, documents, filings and any other information with the recognised stock exchange(s) on the electronic platform as specified by the SEBI or the recognised stock exchange(s).
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<td>OTHER COMPLIANCES</td>
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Once equity shares are listed, the information dissemination to the outside world is of utmost importance. The Board of Directors & other Key Managerial Personnel shall always be alert as regards any information related to the Company & the Management as any event vis-a-vis Company and management may fall under the category of ‘price sensitive’ and may have repercussions on the share price of the Company. The Board of Directors & Key Managerial Personnel are also duty bound to disclose various important matters to the Company and to the stock exchanges in terms of applicable regulations. Some of the important factors the Board of Directors and the Key Managerial Personnel including the Company Secretaries shall comply with can be enumerated as follows:
– Board Composition
Board of Directors of the Company shall always be in compliance with Corporate Governance Requirements and accordingly the composition of Board shall be structured. Any appointment & resignation of Board of Directors shall be promptly informed.
– Independent Directors
While appointing the Independent Directors, Companies will have to satisfy the ‘condition of independence’ as mentioned in SEBI (LODR) Regulations. All the Independent Directors shall be given the appointment letter and same shall be made publicly available.
– Code of Conduct
Company shall have a code of conduct for the Board of Directors and also a code of conduct as prescribed under SEBI (Prohibition of Insider Trading) Regulations. Companies are required to identify “Designated Employees” as required under the Insider Trading Regulations. Internal procedures which are also to be streamlined to ensure compliance.
– Board Appointed Committees
Every listed Company must have various Committees statutorily required to be formed in terms of the SEBI Listing
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	Regulations. These are Audit Committee, Nomination & Remuneration Committee and Stakeholders Relationship Committee. – **Auditors** Statutory auditors of the listed Companies must be 'Peer reviewed' auditors as prescribed under the provisions of Companies Act 2013. – **Corporate Social Responsibility (CSR)** As prescribed under the Companies Act 2013, all the listed Companies which fall under the requirements prescribed for CSR applicability shall comply with CSR requirements. Accordingly, a separate Committee looking after CSR activities of the Company is formed.
DISCLOSURE REGARDING USAGE OF FUNDS RAISED IN IPO	• All the listed Companies are under obligation to disclose details of ***utilization of funds*** on the objects for which the money was raised after listing. • The information related to the utilization of the IPO proceeds must be included in the Quarterly Limited Review Statement. Companies will also have to include the details of funds not utilized for the objects for which it was raised and said funds must be kept in the Bank accounts as disclosed in the offer document. • In case Companies wish to utilize the funds raised through an IPO for the objects other than those mentioned in the offer document, this can only be done by obtaining assent of the shareholders by way of special resolution through postal ballot in accordance with Section 13(8) and section 27 of the Companies Act 2013 & applicable rules. The promoters of the Company will be required to provide an exit opportunity to the shareholders who do not agree to the proposal of varying the objects at such price and in such manner as prescribed by SEBI.
COMPANY WEBSITE	• In today's world, website of the Company assumes great importance as it is medium of information about the Company. • The management's are conscious about the contents of websites of the Companies as it is a true reflection of Company's philosophy, business, history, background etc. • Information dissemination through website assumes significance particularly in respect of listed Companies as Companies are under obligation to comply with various requirements as far as contents of the website is concerned. • Various regulations prescribe certain requirements of disclosure on website. Every website of a listed Company must contain statutory disclosures in terms of listing regulations which are enumerated as follows: **– Financial Information** • Each Company shall upload unaudited financial results for each quarter of the financial year and also the audited financial results for the financial year for past 3 years. • Annual accounts of the subsidiary companies are also required to be uploaded. • Annual reports of the Company for past 3 financial years also are required to be uploaded.

	– Policies Listed Companies shall disclose certain management policies on the website of the Company such as : • Code of conduct for Board of Directors & Senior Management • Code of conduct in terms of Insider Trading Regulations • Code of practices & procedures for fair disclosures of unpublished price sensitive information • Appointment letters to Independent Directors • Familiarization programme for Independent Directors • Whistle Blower Policy • Policy of Related Party Transaction • Material subsidiary policy • Risk Management Policy • Archival Policy • Policy for disclosure of material information • Internal Financial Control • Dividend Policy (Top 500 Companies with reference to Market Capitalisation) • Policy against sexual harassment **Other disclosure requirements** Details of unclaimed dividend Scrutinizers Report for the latest financial year. Details of compulsory transfer of shares to IEPF Suspense Account Board Committees Board Meeting notice. **Investor Grievance Redressal Mechanism** • Every listed Company must have in place Investor Grievance Redressal Mechanism to address grievances of any shareholders. • A Company must have Shareholders Relationship Committee to look after grievances of any nature against the listed Company. • All listed Companies must register themselves on SEBI Complaints Redressal System (SCORES) platform. • Any shareholder or aggrieved party can upload its complaint against the listed Company on this platform and listed Company is under obligation to address/redress the same within time bound programme prescribed by SEBI.

CHAPTER 16 – DOCUMENTATION

DOCUMENTATION FOR IPO/FPO	The stage wise documentation for IPO/FPO is as follows: • In principal Approval Stage • Basis of Allotment Stage • Listing & Trading Approval Stage
IPO/FPO DRAFT PROSPECTUS/ RHP CLEARANCE	Along with the application for seeking in-principle approval of the Exchange to use name of the Exchange in the offer document, the following documents/information shall to be filed by the Company with the Exchange: 1) 10 copies of the draft offer document. 2) Copy of Board resolution and members' resolution approving public issue. 3) Copy of the letter vide which the draft Offer Document was filed with SEBI. 4) Latest date/period up to which the information has been incorporated in the draft offer document. Date of opening of public issue to be intimated as soon as it is finalized. 5) Certified true copies of Company's relevant statement of bank accounts wherein promoter's contribution, if any, received by the Company is reflected. 6) PAN, TAN, Bank Account Number, Passport Number of the Promoters. 7) Printed Balance Sheets, Profit & Loss Accounts and Cash Flow Statements for the preceding 5 years. 8) A statement containing particulars of the dates of, and parties to all the material contracts, agreements (except those entered into in the ordinary course of business carried on or intended to be carried on by the company); 9) Name of the exchange which is proposed to be designated by the Company as the lead exchange, for the purposes of approval of the basis of allotment, and for depositing the security deposit as required under the listing conditions of the exchanges. 10) Copy of Form 32/DIR 12 filed with the ROC for appointment of directors and company secretary. 11) Memorandum & Articles of Association of the Company. 12) Confirmation from the Issuer Company confirming that: − The Company is in compliance with all the eligibility criteria of the Exchange − There are no restrictive clauses in the Articles of Association of the Company − The provisions of the Memorandum and Articles of Association are not inconsistent with the clauses of the Listing agreement or any other applicable law, Rules or Regulations 13) A ***certificate*** from the statutory auditor/practicing chartered accountant certifying compliance of conditions of ***Corporate Governance*** as stipulated SEBI (LODR) Regulations, 2015. 14) Complete details of any ***outstanding ESOP*** and other employee benefit schemes and a confirmation from Merchant Bankers & Statutory Auditor that said schemes are in compliance with the requirement of the SEBI (Share Based Employee Benefits) Regulations, 2014. 15) Processing Fees
BASIS OF ALLOTMENT	1) Copy of Prospectus filed with the ROC (also in soft copy CD) along with letter from all the merchant bankers involved in the issue specifying details of amendments/ changes made in RHP (which were subsequently

	incorporated in Prospectus). **To submit the same in track changes mode also.** 2) Proceeding details / minutes of basis of allotment, verified and signed by R & T Agent, BRLM (Responsible for post issue) and the Issuer along with the reasons for exception to rejection cases. 3) Category wise, summary of list of "technical rejection" cases Specifying – Application No., Category, Name & Add., Pan, Quantity, price Amount and reason for rejection along with photo-copies of Application forms. 4) Confirmation from registrar regarding withdrawal of applications received, considered in the basis, indicating date and time (should not be more than 12 hours from time of submission of basis). 5) Statements giving branch wise/bank wise/city wise/state wise/zone wise details of the total collections with a breakup of ASBA fund received at the various participating bank branches in response to the public issue / offer for sale. 6) Category wise, Bid lot wise, two copies of Calculation sheet of proposed basis of allotment of equity shares to the Qualified Institutional Buyers, Non-Institutional Bidders and Retail Bidders, Reserved category etc. duly signed by RTA, BRLM & Issuer. 7) Photo copy of the final certificate issued by the controlling branch of ASBA bankers giving branch wise details of collections received. 8) Undertakings from the company, lead managers and the registrars & transfer agents in respect of the basis of allotment. 9) Copy of the statutory advertisement released in respect of the public issue / offer for sale, opening and closing of the issue, price revision, if any etc. upto the stage of basis of allotment. 10) Auditors certificate with regard to the promoters contribution, if applicable. 11) Declaration from the Managing Director / Company Secretary that there is no injunction / prohibition order of a competent court of law on the issue or on a part of any particular category of the issue. 12) List of all prospective allottees (valid) along with number of shares applied, amount paid, bank account details, PAN number, Demat account details etc. (in soft copy CD) 13) If Approval from SEBI is sought for relaxation in PAN mismatch applications, then copy of SEBI approval letter as well as the true copy of request letter to SEBI, should be submitted.
TRADING & LISTING STAGE **T + 2**	Documents to be submitted on T+2 days (i.e. within 2 working days from the closure of the issue) 1) All **due diligence certificates** filed with SEBI by Merchant banker(s). 2) **Observation Letter** issued by SEBI pursuant to filing of draft offer document. 3) **List of authorized signatories** along with their specimen signatures. 4) Confirmation from Lead Managers that devolvement notices have been sent to underwriters (applicable if the issue has devolved). 5) Certificate from the BRLM(s) that the issue has received minimum subscription as specified under Regulation 45 (1) of SEBI (ICDR) Regulations, 2018. . 6) Copies of all **advertisements published** in connection with the issue upto T+1 stage. 7) **Confirmation** from the company stating that they **have obtained authentication for SCORES** from SEBI as per Regulation 13 of LODR, Regulations, 2015.

DOCUMENTS TO BE SUBMITTED BEFORE T+3 DAYS	The documents as per Basis of Allotment checklist.
T + 4 Days **FOR STOCK EXCHANGES OTHER THAN DESIGNATED STOCK EXCHANGE**	The following documents to be submitted before T + 4 days (i.e. within 4 working days from the closure of the issue): 1) One Copy of final prospectus filed with ROC alongwith ROC filing acknowledgement copy. 2) Certified true copy of the basis of allotment approved by the Designated Stock Exchange. 3) Copy of Internal Minutes executed in between Lead Manager, Issuer and Registrar.
DOCUMENTS TO BE SUBMITTED ON T+4 DAYS **(I.E. WITHIN 4 WORKING DAYS FROM THE CLOSURE OF THE ISSUE)** **(Dec 2019)**	1. Letter of **listing application.** 2. Initial Listing Fees, Annual Listing Fees 3. **Listing Agreement** as per SEBI (LODR), Regulations, 2015 duly **executed on non-judicial stamp paper** along with certified true copy of the resolution passed by the Board of Directors for authorizing officer to sign and execute the listing agreement. 4. CIN,PAN,TAN & GSTIN of the Company 5. DIN & PAN of Promoters and Directors 6. Certified true **copy of the resolution passed by the Board of Directors for allotment** of securities (the resolution should specifically make a mention of total number of Securities allotted/allocated by the issuer) 7. **Lock-in confirmation from depositories** for pre-IPO equity shares held in dematerialized form 8. **Shareholding pattern** of company (pre issue, issue and post issue) in format given as per Regulation 31 of SEBI (LODR), Regulations, 2015 with PAN. **Also provide Post issue shareholding pattern (without PAN).** 9. Copies of all statutory advertisements published till date 10. Certification of Compliance with Regulation 17-27 of the SEBI (LODR), Regulations, 2015 relating to Corporate Governance and **if there is any change after In-Principle Approval kindly highlight the same.** 11. Confirmation from the issuer for the following: – That the copies of all advertisements published as regards the present issue have been submitted to the Exchange. – That the issuer is compliant with the requirement of common agency as specified by SEBI. – That all securities required to be under lock-in are subjected to lock-in, as mentioned in Offer Document for the issue. 12. Confirmation from the Lead Manager and Issuer confirming that the issue in compliance with all requirements of Companies Act, 2013, SEBI (ICDR) Regulations 2018 and any other applicable law(s), Rules and Regulations and no statutory authority has restrained the Company from issuing and listing of shares pursuant to present issue. 13. **List of all allottees**, addresses, category wise & sub-category wise, (QIB/HNI/Retail/Reserved category) along with number of shares applied, allotted, amount paid, bank account details, PAN number, Demat account details etc. 14. Confirmation from the company stating that they have obtained authentication for SCORES from SEBI as per Regulation 13 of SEBI (LODR), Regulations, 2015

	15. Date of Listing & Scrip Symbol (max 10 alphabets)
DOCUMENTS TO BE SUBMITTED BEFORE T+5 DAYS **(I.E. WITHIN 5 WORKING DAYS FROM THE CLOSURE OF THE ISSUE)**	1) Certified true copy of the letter from Registrars and lead manager regarding dispatch of share/debenture/warrant certificates, allotment advice, refund orders, underwriting commission, uploading of electronic credit of Securities, uploading of ECS/NEFT/RTGS credits and brokerage warrants. 2) Confirmation from the depositories regarding the credit of beneficiary accounts of the security holders. 3) Confirmation of lock-in of securities from the depositories 4) Certificate from the Registrar reconciling the total securities allotted with the total securities credited, and securities that have failed to be credited. 5) Basis of allotment advertisement.
RIGHTS ISSUE **PRE ISSUE FORMALITIES:**	The following document should be submitted to obtain in-principle approval for the proposed Rights issue: 1. Certified true copy of resolution of BOD approving right issue. 2. Certified true copy of the resolution passed by the Shareholders, if any; a. for issue of securities under proposed rights issue/ fast track rights issue. b. increase in the authorized share capital (if required). 3. **Undertaking from the Company** that the **entire issued capital of the Company is listed** with the Stock Exchange and are fully paid up. 4. Undertaking from the Compliance Officer of the issuer as per the following format : "Neither the issuer nor any of its promoters or directors is a wilful defaulter as defined SEBI (ICDR) Regulations, 2018"; OR "<Name of the issuer> / <name>, the promoter(s) of the issuer / <name> the director(s) of the issuer is a wilful defaulter as defined under SEBI (ICDR) Regulations, 2018 and disclosures in this regard has been made at <place of disclosure>.as per the format given in said regulation." 5. **Certificate** from all Lead Manager/Merchant Banker and Company **w.r.t compliance with of SEBI (ICDR) Regulation, 2018 (in case of fast track rights issue).** 6. 10 Copies of **Draft Letter of Offer** along with a soft copy on CD. 7. Processing fees.
FORMALITIES BEFORE ISSUE OPENING- RIGHTS ISSUE	1. 10 Copies of Final Letter of Offer along with Composite Application Form ("CAF"). 2. ASBA Fees. 3. 1% Security Deposit. 4. A request letter from Company/LM for activation of Right Renunciation Facility on the Stock Exchange (if required).
POST ISSUE FORMALITIES-	**Checklist of documents for Basis of allotment** Company has to finalise the basis of allotment, and submit the documents as under, **within 10 days from closure of**

RIGHTS ISSUE	**the issue:** 1. **Bid data of Exchanges** other than the designated stock exchange. 2. All **rejections application** along with Summary statement (1 set photocopy to be submitted). 3. Certified copies of all **Bank final certificates** (ASBA & NON ASBA). 4. **Minutes of Basis of allotment** duly signed by all the Lead Manager, Registrar and the Company. 5. **Basis of allotment sheet** for each category. 6. Round summary in case of over subscription, in hard as well as soft format. 7. Copy of **post issue initial monitoring report** filed with SEBI (3 day monitoring report). 8. Undertaking from Lead Manager, Company and the Registrar. 9. Pre Allotment shareholding and Post proposed Allotment Shareholding pattern as per Regulation 31 of the SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015. 10. The **calculation of ex-right price** by the Statutory Auditor/ Practicing company secretary/ Practicing Chartered Accountant, if not available in the offer document.
CHECKLIST OF DOCUMENTS FOR LISTING OF SECURITIES ISSUED PURSUANT TO THE RIGHTS ISSUE	The company should submit the letter of application along with the following documents / formalities: 1. **Listing Application** for all types of securities issued on rights basis should be submitted. 2. Certified **copy of the resolution passed by the Board of Directors** for allotment of securities on Right Basis. 3. Shareholding pattern for pre and post issue as per the format prescribed under SEBI (LODR), Regulations, 2015 for all types of securities issued on Rights basis. 4. A certified **copy of Basis of Allotment** as approved by Designated Stock Exchange should be filed. 5. **Auditors/Practicing CA/CS certificate** that allotment has been done as per basis of allotment approved by the designated stock exchange. 6. The **total number of securities allotted in the physical category and in Demat** (CDSL & NSDL Separately) with category wise distinctive numbers should be filed. 7. An undertaking from the Managing Director/Compliance Officer certifying that all the documents filed by the Company with the Exchange **are same/similar/identical** in all respect with the documents filed by the Company with Register of Companies/SEBI/RBI/FIPB in respect of the allotment/enlistment of the aforesaid rights share on the Exchange, and that the company has complied with all the legal and statutory formalities and no statutory authority has restrained the company from issuing and allotting the securities on rights basis. 8. **Undertaking from the Compliance Officer** of the issuer as per the following format: • "The company or its promoters or whole time directors are not in violation of the provisions of Regulation 24 of the SEBI Delisting Regulations, 2009". • "We hereby confirm that the company, its promoters, its directors are not in violation of the restrictions imposed by SEBI under SEBI circular no. SEBI/HO/ MRD/DSA/CIR/P/2017/92 dated August 01, 2017." 9. **Undertaking from the Compliance Officer of the issuer** as per the following format: "Neither the issuer nor any of its promoters or directors is a wilful defaulter as defined under SEBI (ICDR)

	Regulations, 2018”; OR “<Name of the issuer> / <name>, the promoter(s) of the issuer / <name> the director(s) of the issuer is a wilful defaulter as defined under SEBI (ICDR) Regulations, 2018and disclosures in this regard has been made at <place of disclosure>.as per the format given in said regulation.” 10. Annual Listing fees
FORMALITIES FOR OBTAINING TRADING APPROVAL	1. A certified true copy of the Certificate/Letter from Registrars to Issue confirming the date of completion of posting of Refund Orders and Share certificate/Debenture Certificates in Physical form (if any). 2. Confirmation from the depositories for crediting of securities to the beneficiary owner’s account 3. Copies of Newspaper advertisement of Basis of Allotment.
BONUS ISSUE **DOCUMENTS FOR GRANTING IN PRINCIPLE APPROFVAL OF STOCK EXCHANGE.**	1. Certified copy of the **resolution passed by the Board & shareholders** of the Company approving the bonus issue. 2. Certified copy of **the notice sent to the shareholders** of the company for the proposed bonus issue. 3. **Clause in the Articles of Association granting powers** to the Board of Directors to capitalize the profits. 4. Copy of the shareholders resolution for increase in authorized capital in case the existing authorized share capital is insufficient to accommodate the bonus issue 5. Confirmation by the Managing Director/ Company Secretary. 6. Statement of total bonus entitlement as per the existing capital, bonus shares to be allotted and shares kept in abeyance, if any to be given by the Company Secretary. 7. Processing fee. 8. Copy of the latest audited annual report. 9. Certified true copy of the amended copy of the Memorandum and Articles of Association of the Company. In case the Memorandum and Articles of Association is not amended, confirmation from the company regarding the same. 10. Name & Designation of the Contact Person of the Company. − Telephone Nos. (landline & mobile) − Email add.
DOCUMENTS REQUIRED FOR LISTING APPROVAL FOR BONUS EQUITY SHARES ISSUED BY THE COMPANIES	1. Letter of Application (i.e. by Listed companies applying for listing of further issue) duly completed. 2. Certified true copy of the Board resolution in which the equity shares were allotted. 3. Brief particular of the new securities issued. 4. Shareholding Pattern as per the format prescribed under Regulation 31 of the SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015 giving details pre and post allotment of bonus shares. 5. Certificate from Statutory Auditors / Practicing Chartered Accountant / Practicing Company Secretary to the effect that the SEBI (ICDR) Regulations, 2018 for bonus issue has been complied with. 6. Confirmation by the Managing Director/ Company Secretary.

	7. Details of further listing /processing fee remitted
PREFERENTIAL ISSUE **(Dec 2019)**	**PRE-ISSUE FORMALITIES**: 1.Certified copy of the **resolution passed by the Board of Directors** of the company for the proposed preferential issue 2.Printed copy of notice of AGM/EGM 3. Where allotment is : **I) for consideration other than cash:** a) Certified copy of valuation report b) Certified copy of Shareholders Agreements. c) Certified copy of approval letters from FIPB and RBI if applicable. **II) pursuant to CDR Scheme/ Order of High Court/ BIFR:** a) Certified copy of relevant scheme/ order **III) pursuant to conversion of loan of financial institutions:** a) Certified copy of the Loan Agreement executed by the company. 4. Brief **particulars of the proposed preferential issue**. 5. In case if the prior holding of the allottee is under pledge with banks/ financial institution(s), company needs to provide an undertaking/ confirmations from the banks/ financial institutions, company and allottee(s). 6. Confirmation by the Managing Director/ Company Secretary. 7. Certificate from Statutory Auditors/ Practicing Chartered Accountant/ Practicing Company Secretary. 8. Pricing certificate by Statutory Auditor/ Practicing Chartered Accountant/ Practicing Company Secretary**.** In case the securities of the company are infrequently traded pricing certificate as prescribed under the SEBI (ICDR) Regulation, 2018. 9. Non-refundable processing fees.
POST ISSUE FORMALITIES	Documents required for **granting listing approvals,** for the equity shares issued on a preferential basis: 1) **Letter of Application** (i.e. by Listed companies applying for listing of further issue) duly completed. 2) Brief **particular of the new securities** issued. 3) Certified **copy of the resolution passed by board of directors** for allotment of equity shares along with depository confirmation for the credit of securities in dematerialized form. 4) Certified **copy of the resolution** passed by board of directors **for allotment of convertible instrument, applicable only where the allotment of equity shares is pursuant to conversion of convertible instrument**. 5) Certified copy of the **resolution passed by the shareholders** of the Company approving the allotment on preferential basis and the resolution passed for increasing the authorized capital wherever applicable. 6) **Shareholding Pattern** as per the format prescribed under Regulation 31 of the SEBI (LODR), Regulations, 2015 giving details pre and post allotment. 7) Certified copy of the **compliance certificate** from the Statutory Auditor placed before the shareholders in the general meeting.

	8) Certificate from Statutory Auditor of the company for receipt of funds. 9) Certificate from the Statutory Auditors/ Practicing Chartered Accountant/ Practicing Company Secretary for compliance. 10) Certificate from the Managing Director/Company Secretary of the company. 11) Confirmation for authentication on SEBI for SCORES. 12) Certified copy of the order passed by Hon'ble High Court/ BIFR/ Scheme approved by CDR, if applicable. 13) Details of Processing fee/ Additional listing fee, if applicable, to be paid on the enhanced capital.
QUALIFIED INSTITUTIONAL PLACEMENT	**QIPS- PRE ISSUE:** Documents required for granting approvals under Regulation 28(1) of SEBI (LODR), 2015, for the companies coming out with Qualified Institutions Placement (QIPs) - Prior Approval : **Covering letter should mention whether Company intends to give discount to the investors.** 1. Copy of the **two days prior intimation given by the company to the Exchange** about the proposed meeting of the Board of Directors in which fund raising by way of QIP issue is specifically mentioned as required under Regulations 29(1) and (2) of Listing Regulations. 2. Certified true copy of **the resolution** passed by the Board of Directors AND shareholders of the Company approving QIP. 3. Copy of the **notice sent to the shareholders** of the company. 4. Draft placement document for issue of specified securities to QIBs. The placement document required to be prepared in accordance with SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018, shall contain disclaimer in bold capital letters to the effect that **"the placement is meant only for QIBs on a private placement basis and is not an offer to the public or to any other class of investors."** 5. Abridged **shareholding pattern** of the Company at the time of application for in-principle approval. 6. **Net worth certificate** from PCA/PCS together with related workings of the company based on the audited balance sheet of the previous financial year. 7. Confirmation from the Merchant Banker that the proposed issue of (Name of the Company), is being made in compliance with SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 and the (Name of the Company) complies with the requirements of SEBI (ICDR) Regulations, 2018. 8. Confirmation by the Managing Director/ Company Secretary. 9. Processing fee. 10. Undertaking from MD/ CS/ Compliance Officer of the company stating: "We hereby confirm that the company or its promoters or whole time directors are not in violation of the provisions of Regulation 24 of the SEBI Delisting Regulations, 2009." 11. Undertaking from MD/ CS/ Compliance Officer of the company stating: "We hereby confirm that the company, its promoters, its directors are not in violation of the restrictions imposed by SEBI under SEBI circular no. SEBI/HO/ MRD/DSA/CIR/P/2017/92 dated August 01, 2017."

	Documents required for hosting of Preliminary Placement Document on the Website of the Exchange: After the company decides to open the issue, the company is **required to submit the Preliminary Placement Document** for uploading on the website of the Stock Exchange before the same is circulated to the QIBs and displayed on the website of the Company. 1. Certified **true copy of the resolution in which the Board** of the company or the Committee of Directors of the company decided to open the proposed issue. 2. Soft **copy of Preliminary Placement document** (Not applicable if no changes have been made therein after submission of the same at the time of obtaining prior in-principle approval) 3. Soft copy of the Preliminary Placement Document in pdf **format** **QIP- Post Issue** Documents required for granting listing approvals, for the securities issued by the companies under Qualified Institutions Placement (QIPs) – Post Allotment: 1. **Letter of Application** (i.e. by Listed companies applying for listing of further issue) duly completed along with Distribution Schedule pre and post allotment. 2. Certified true **copy of the Board resolution** in which the securities were allotted. 3. **List of allottees and the number of equity shares allotted** to them should be filed with the Stock Exchange. 4. **List of allottees who have been allotted more than 5% of the securities** offered in the issue giving details such as name of the allottees, nos. of equity shares allotted, % of the issue size, etc. and the number of equity shares. 5. **Shareholding Pattern** Form duly completed with relevant enclosures giving details **before** and **after** the issue. 6. **Additional listing fee**, if applicable, to be paid on the enhanced capital as per the enclosed schedule of listing fee. 7. Confirmation by the Managing Director/ Company Secretary. 8. PCA/PCS Certificate confirming the floor price and receipt of funds against the placement if securities with QIBs. 9. **Due diligence certificate from the Merchant Bankers** that the placement of ____________ securities issued to QIBs by (Name of the Company) has been made in compliance with Chapter VIII of SEBI (ICDR) Regulations, 2009 and the (Name of the Company) complies with the requirements of SEBI (ICDR) Regulations, 2018. 10. **Confirmation** from the post-issue Merchant Banker **giving summary of bids received** and details of allocations made to QIBs. 11. Certified **true copy of the final Placement Document** along with soft copy in pdf format.
PRE ISSUE FORMALITIES	**ESPS/ ESOS/ SARS/ GEBS/ RBS:** Checklist - **Prior In-principle** under SEBI (LODR), Regulations, 2015 for ESPS/ESOS/SARS/GEBS/RBS: 1. Certified copy of Stock Option/Stock Purchase Scheme/ Stock Appreciation Rights Scheme/ General Employee Benefits Scheme/ Retirement Benefit Schemes, certified by the Company Secretary. [CERTIFIED COPY OF SCHEME] 2. Certified **copy of statement to be filed with the Stock Exchange** as required under Reg 10(b) SEBI (Share Based Employee Benefits) Regulations, 2014

	3. Certified **true copy of the notice of AGM/EGM** for approving the Scheme/for amending the Scheme/for approving grants under Regulation 6 of the SEBI (Share Based Employee Benefits) Regulations, 2014, certified by the company secretary. 4. Certified **true copy of resolution passed by the shareholders** of the Company approving/ amending the Scheme. 5. **Certificate of Auditors** on compliance with SEBI (Share Based Employee Benefits) Regulations, 2014. 6. **Certificate of Merchant Banker on compliance** with SEBI (Share Based Employee Benefits) Regulations, 2014. 7. **List of Promoters** as defined under the SEBI (Share Based Employee Benefits) Regulations, 2014. 8. Details of employee (wherever applicable) – a) Who have been granted options/issued shares in excess of 5% of option/Shares issued in one year. b) Who have been granted options/issued shares equal to or exceeding 1% of issued capital during any one year. 9. Copy of latest **Annual Report.** 10. Specimen copy of **Share certificate** (where shares are issued in physical form) 11. Confirmation whether options lapsed / forfeited will re-issued or not. 12. Certified true copy of irrevocable trust deed. 13. Certified true copy of Disclosure document (applicable only for ESOS and SARS). 14. Processing fees.
POST ISSUE FORMALITIES	Documents required for listing of equity shares issued pursuant to exercise of options granted under ESPS/ESOS/SARS/GEBS/RBS: 1. **Letter of application and listing application**. 2. Applicable Additional **Listing Fees**. 3. A certified copy of **the resolution passed by the Board** of Directors in which the company has allotted these shares. 4. Certificate from Company Secretary for receipt of money. 5. Certificate for receipt of money from the Statutory Auditors/Practicing Company Secretary/ Practicing Chartered Accountant specifically certifying that the company has received the application/allotment monies from the applicants of these shares. For other than ESPS, in case the company opt to submit the above certificate on a quarterly basis the same should be mentioned in the application. Further, the company should ensure submission of quarterly certificate from the Statutory Auditors/Practicing Company Secretary/ Practicing Chartered Accountant specifically certifying that the company has received the application/allotment monies from the applicants of these shares. 6. **List of allottees** specifying the name of the allottee, number of shares allotted. 7. Statement of the Compliance Officer/Company Secretary/ Authorised signatory showing number of shares for which the in-principle approval was taken and no. of shares allotted, date of allotment and the balance outstanding. 8. Undertaking from the Compliance Officer/ Managing Director/ Company Secretary of the issuer as per the following: a) “The company has complied with all the legal and statutory formalities and no statutory authority has restrained the company from issuing and allotting the above referred shares”. b) “The company or its promoters or whole time directors are not in violation of the provisions of Regulation 24 of

the SEBI Delisting Regulations, 2009”.

c) “We hereby confirm that the company, its promoters, its directors are not in violation of the restrictions imposed by SEBI under SEBI circular no. SEBI/HO/ MRD/DSA/CIR/P/2017/92 dated August 01, 2017.”

PRE ISSUE- FORMALITIES GDRS/ADRS/FCCBS:

Documents required for **granting approval** under SEBI (LODR), Regulations, 201

1. Certified true copy of the **resolution passed by the Board of Directors AND shareholders** of the Company approving the issue of the GDRs/ADRs/FCCBs.
2. Copy of the notice sent to the shareholders of the company.
3. **Draft offering circular** for issue of the GDRs/ADRs/FCCBs.
4. Confirmation by the Managing Director and/or Company Secretary.

Documents required **for listing approval** for equity shares underlying GDRs/ ADRs/ or equity shares allotted upon conversion of FCCBs issued by the Companies:

1. **Letter of Application** (i.e. by Listed companies applying for listing of further issue) duly completed. (In case of conversion of FCCBs only post allotment distribution schedule is requited to submitted).
2. Brief **particular of the new securities issued**.
3. Certified **true copy of the Board resolution** in which the equity shares were allotted.
4. **List of allottees** and the number of equity shares allotted.
5. In case of GDRs/ADRs **the list of GDR/ADR holders** and the number of GDRs/ADRs allotted.
6. **Shareholding Pattern** as per the format prescribed under Regulation 31 of the SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015 giving details pre and post allotment.
7. Processing Fee **[Processing fee is not payable on the first conversion, where the company has paid the same at the time of obtaining prior approval under Regulation 28(1) of the SEBI (LODR), Regulations, 2015. In case prior approval obtained after 01/04/2017, the aforesaid Processing Fees is not applicable].**
8. Additional Annual Listing Fee, if applicable, on enhanced capital.
9. Certified **true copy of letter issued by the overseas Stock Exchange** granting listing/ trading permission to the GDRs/ADRs/FCCBs.
10. Certified true copy of the resolution in which the Board of the company or the Committee of Directors of the company decided to open the proposed issue of GDRs/ADRs/FCCBs.
11. Auditor’s Certificate confirming the floor price for the proposed issue and receipt of funds against the said issue.
12. A copy of the **final offering circular**
13. Detailed **valuation report** with related workings/calculations on the basis of which company proposes to acquire the foreign company.

Documents at Sr. Nos. 9 to 13 are required to be submitted only at the time of filing the first application in respect of any offer document.

Checklist for Basis of Allotment – SME IPO:

1. One **Copy of final prospectus filed with ROC** alongwith ROC filing acknowledgement copy.
2. **Minutes of basis of allotment,**
3. **Confirmation from registrar regarding withdrawal of applications received**, considered in the basis, indicating date and time (should not be more than 12 hours from time of submission of basis.
4. Category wise, **summary of list of "technical rejection" cases** Specifying – Application No., Category, Name& Add., Pan #, DP ID CL ID, Quantity, price Amount and reason for rejection along with photo-copies of Application forms.
5. Statements giving details of the total collections with a breakup of ASBA fund received at the various participating bank branches in response to the public issue / offer for sale.
6. **Final certificate issued by the controlling branch of ASBA** bankers giving branch wise details of collections received.
7. **Undertakings** from the company, lead managers and the registrars & transfer agents **in respect of the basis of allotment.**
8. Copy of the **statutory advertisement** released in respect of the public issue / offer for sale, opening and closing of the issue, price revision, if any etc. upto the stage of basis of allotment
9. **Auditors certificate** for the following.

a) Receipt of the **minimum promoter's contribution**, if applicable with date and amount.

b) If minimum promoter's has been brought in by AIF or FVCI or SCB or PFI or insurance companies, bifurcation of the same shall be provided with date of receipt of the same from each of the party with percentage to the post issue capital.

10. Confirmation from RTA and Merchant Bankers that:

- QIB as specified in ICDR has bid and proposed to be allotted equity shares under QIB category only.
- The basis of allotment has been prepared in compliance

SME IPO Checklist – In Principle Approval:

1. 10 copies of the **draft offer document.**
2. Copy of resolution passed by the Board of Directors AND shareholders for issue of securities through IPO.
3. Undertaking from BRLM(s) / LM(s) that offer document contain true and material disclosures and those which are specified in the regulations & Companies Act, 2013
4. Confirmation from the Issuer **Company** and **BRLM (s)/ LM(s)** confirming that:

a) The Company is eligible to make an issue under SEBI (ICDR) Regulations, 2018.

b) There are no restrictive clauses in the Articles of Association of the Company & provisions are not inconsistent with any law.

c) For the proposed IPO, the company has complied with all the statutory requirements.

d) The company has appointed compliance officer.

5. Details of Company Directors including their PAN number along with PAN & TAN of the company.
6. If the Promoters are **Individuals**: PAN , Bank Account Number & if the Promoters are **Body Corporates**: PAN , Bank Account Number ,Permanent Account Number, Company Registration Number or equivalent and the address of the ROC with which the promoter is registered.
7. Printed Balance Sheets, Profit & Loss Accounts and Cash Flow Statements for the preceding 5 years (or for such applicable periods)
8. Name of the exchange which is proposed to be designated by the Company as the lead exchange.
9. MOA & AOA of the company.
10. A certificate from the statutory auditor/PCA **certifying compliance of conditions of Corporate Governance** as stipulated in SEBI (LODR) Regulations
11. One Time Listing Processing Fees.
12. Due Diligence Certificate as submitted to SEBI & Stock Exchange.
13. The Company shall undertake to inform the Exchange any material development which takes place after the filing of the application with SE but prior to the issue of the in-principle approval that may render the information provided to the Exchange incorrect

LISTING AND TRADING OF SME IPO

Documents to be submitted on T+2 days (i.e. within 2 working days from the closure of the issue)

1) All due diligence certificates filed with SEBI by MB.
2) List of authorized signatories along with their specimen signatures.
3) Confirmation from Lead Managers that **devolvement notices** have been sent to underwriters (applicable if the issue has devolved).
4) The company should inform that the dividend entitlement for the current year for all the existing shares including the shares issued in the public issue shall rank *pari-passu*.
5) Confirmation from the company regarding the email ID for Investor Grievances as per Regulation 46 of SEBI (LODR), Regulations, 2015.
6) Copies of all advertisements published in connection with the issue upto T+2 stage.
7) Confirmation from the company stating that they have obtained authentication for SCORES from SEBI as per SEBI Circular dated April 13, 2012.

Documents to be submitted before T+5 days (i.e. within 5 working days from the closure of the issue)

1) Certified **true copy of the letter from Registrars and lead manager** regarding dispatch of share/debenture/warrant certificates, allotment advice, refund orders, underwriting commission, uploading of electronic credit of Securities, uploading of ECS/NEFT/RTGS credits and brokerage warrants.
2) **Confirmation from the depositories regarding the credit of beneficiary accounts of the security holders**.
3) **Certificate from the Registrar reconciling the total securities allotted** with the total securities credited, and securities that have failed to be credited.
4) Basis of allotment advertisement.

Documents to be submitted before T+4 days (i.e. within 4 working days from the closure of the issue)

The following documents to be submitted :

1) Copy of Prospectus (also in soft copy CD).
2) Copy of the RoC filing acknowledgement for filing of Prospectus.
3) Certified true copy of the additional material contracts and documents (mentioned in the final offer document/Prospectus) which have not been submitted earlier with the Exchange. **(Soft copy for all the material contracts and documents)**
4) Certified true copy of Table showing region- wise collection of application money.
5) Certificate from the bankers to the issue regarding the collection of application money.
6) Certified true copy of the basis of allotment approved by the Designated Stock Exchange.
7) Copy of the letter from Registrar addressed to Merchant bankers regarding the details they have verified with the depositories (NSDL/ CDSL).

Documents to be submitted <u>on or before</u> T+4 days (i.e. within 4 working days from the closure of the issue)

1) Clauses relating to Articles of Association.
2) Letter of application
3) Listing Agreement as per SEBI (LODR), Regulations, 2015 duly executed on non-judicial stamp paper along with Certified true copy of the resolution passed by the Board of Directors for authorizing officer to sign and execute the listing agreement.
4) Certified true copy of the resolution passed by the Board of Directors for allotment of securities.
5) Lock-in confirmation from depositories for pre-IPO equity shares
6) In case Securities issued (including anchor investors) in dematerialized form are under lock in then a certificate from the depositories must be furnished stating that the Securities are under lock in confirming the date upto which they are under lock-in (applicable only in cases where the equity Securities issued are under lock in).
7) Shareholding pattern of company (pre issue, issue and post issue) in format with PAN given as per Regulation 31 of SEBI (LODR), Regulations, 2015. **Also provide post issue shareholding pattern without PAN details)**
8) Copies of all advertisements published after till date
9) Details regarding compliance with the conditions of Corporate Governance as stipulated in Companies Act, 2013 and Regulation 17 to 27 of the SEBI (LODR) Regulations.
10) Annual Fees.
11) Confirmation from the Lead Manager and Issuer confirming that the issue in compliance with all requirements of Companies Act, 2013, SEBI (ICDR) Regulations 2018 and any other applicable law(s), Rules and Regulations and no statutory authority has restrained the Company from issuing and listing of shares pursuant to present issue.
12) 12.List of all allottees, addresses, category wise (QIB/HNI/Retail/Reserved category) along with number of shares applied, allotted, amount paid, bank account details, PAN number, Demat account details etc. (in soft copy CD)
13) Confirmation from the company stating that they have obtained authentication for SCORES from SEBI as per SEBI Circular dated April 13, 2012 if not given at the time of T+2 documentation.
14) Confirmation of effective date of listing and Symbol to be used for Scrip ID and BOLT.
15) 15.Undertaking from MD/ CS/ Compliance Officer of the company stating:
    i. "We hereby confirm that the company or its promoters or whole time directors are not in violation of the provisions of Regulation 24 of the SEBI Delisting Regulations, 2009."
    ii. "We hereby confirm that the company, its promoters, its directors are not in violation of the restrictions imposed by SEBI under SEBI circular no. SEBI/HO/ MRD/DSA/CIR/P/2017/92 dated August 01, 2017."
16) 16.CIN, PAN, TAN & GSTIN of the Company along with DIN & PAN of promoters and directors.