

**COMPLIANCE
MANUAL
ON
CAPITAL MARKET**



**THE INSTITUTE OF
Company Secretaries of India**
IN PURSUIT OF PROFESSIONAL EXCELLENCE
Statutory body under an Act of Parliament

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Preface

Securities Market plays a significant role in development of Economy. Securities Market facilitates mobilization of funds from small investors and channelizes these resources into development needs of various sectors of the economy. Securities market is a platform where sale and purchase transactions of securities are conducted on the base of demand and supply. A well-functioning securities market should be able to provide timely and accurate information on the past transactions, liquidity, low transaction costs (internal efficiency) and securities prices that rapidly adjusted to all available information (external efficiency).

In order to enable investors make well-informed investment decisions; timely, adequate and accurate disclosure of financial results on a periodical basis is needed. Better Compliance is associated with a greater number of disclosures to the Securities Market. Compliances include the compliance program, compliance audit, compliance report etc., and in other words it is called Compliance Solution. Compliances under Securities laws and any other laws are the tools for effective governance. Compliance management is to be built in advantages into the corporate eco-system to avoid non-compliances and for the same purpose audit is also carried out on periodical basis by an independent professional. The most obvious of compliance is that it decreases risk of fines, penalties, work stoppages, litigations or a closing of business.

This Publication consist of various compliances require to be done by the company while issuing securities of any kind. The manuscript of this publication has been prepared to assist the professionals to acquaint with the facilities, ease and essential compliances required to be done while issuing any kind of securities under Securities laws. In this context, the Institute has initiated the publication titled "Compliance Manual on Capital Market" to serve a clear understanding about compliances under various SEBI Regulations and other operational mechanism.

I commend the dedicated efforts put in by CS Khusbu Mohanty, Assistant Director, and CS Sunaina Bhardwaj, Consultant, Directorate of Professional Development, Perspective Planning & Studies, ICSI in preparing the manuscript of this publication under the guidance and overall supervision of CS Mahavir Lunawat, Chairman, Financial Services Committee & Central Council Member, The ICSI.

I am sure that this publication will prove to be of immense benefit to our members and other corporate professionals in understanding various legal and procedural aspects of ease of doing business through better compliance.

In any publication of this kind, there would always be scope for further refinements and improvements. I would be personally grateful to the users and readers for offering their suggestions/comments for further improvement.

New Delhi
14th July, 2017

CS (Dr.) Shyam Agarwal
President
The Institute of Company Secretaries of India

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CHAPTER 1

INTRODUCTION

The term “Compliance” means the state or fact of according with or meeting rules or standards. Better Compliance is associated with a greater number of disclosures to the securities market. Compliances include the compliance program, compliance audit, compliance report etc., and in other words it is called Compliance Solution. Compliances under Securities laws and any other laws are the tools for effective governance.

Compliance management is to be built in advantages into the corporate eco-system to avoid non-compliances and for the same purpose audit is also carried out on periodical basis by an independent professional. The most obvious of compliance is that it decreases risk of fines, penalties, work stoppages, litigations or a closing of business.

A securities market is an exchange where sale and purchase transactions of securities are conducted on the base of demand and supply. A well-functioning securities market should be able to provide timely and accurate information on the past transactions, liquidity, low transaction costs (internal efficiency) and securities prices that rapidly adjusted to all available information (external efficiency).

There are two levels of securities markets:

- **Primary Market** is the market for new securities issues and is facilitated by underwriting groups. The companies sell their securities to the public directly to the investors through the underwriters. When the firm is issuing shares for the very first time, it is called Initial Public Offering (IPO). After the initial sale, the securities trading will be conducted on the secondary market.

- **Secondary Market** is the market where the trading of the previous issued securities is conducted. On a secondary market, an investor buys securities from another investor instead of the issuer. It is important that the secondary market provides liquidity and therefore provides continuous information about the market price of the securities.

The Securities and Exchange Board of India is a **Regulator of the Securities Market**. The Securities and Exchange Board of India (SEBI) was established on April 12, 1992 in accordance with the provisions of the Securities and Exchange Board of India Act, 1992.



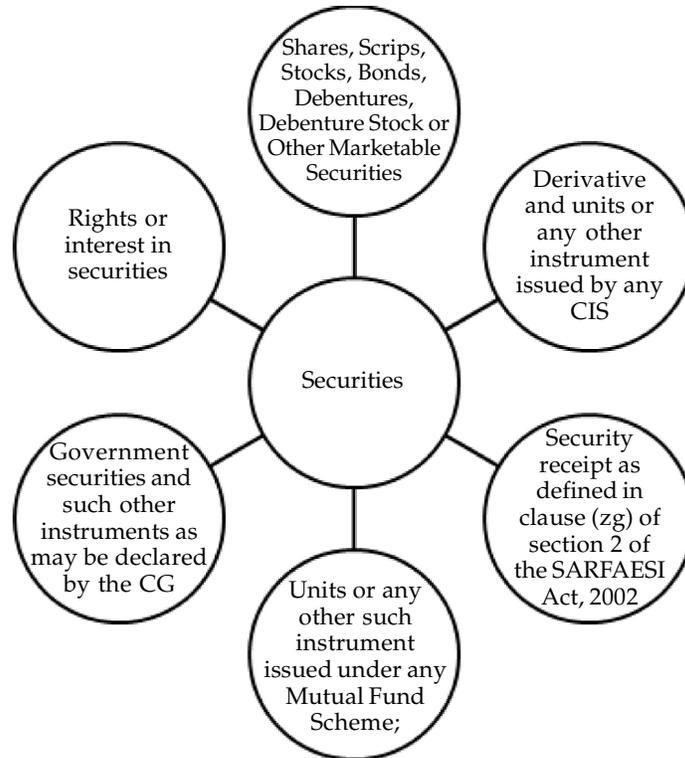
The Main objective of SEBI “**to protect the interests of investors in securities and to promote the development of, and to regulate the securities market and for matters connected therewith or incidental thereto**”.

The Listed Entity intended to list its securities on stock exchange, the prior approval for listing of securities is required in accordance with the provisions of the Securities Contracts (Regulation) Act, 1956, Securities Contracts (Regulation) Rules, 1957, Companies Act, 2013, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 and other guidelines issued by SEBI and Rules, Bye-laws and Regulations of stock exchange.

SECURITIES

Securities are a form of ownership that are traded on a secondary market. Securities allow you to own the underlying asset without taking possession. For this reason, securities are readily traded. They are easy to price, and so are an excellent indicators of the underlying value of the assets. Traders must be licensed to buy and sell securities to assure they are trained to follow the laws set by SEBI.

The Securities Contracts (Regulation) Act, 1956 provide the definition of “Securities” include:



- shares, scrips, stocks, bonds, debentures, debenture stock or other marketable securities of a like nature in or of any incorporated company or other body corporate;
- derivative and units or any other instrument issued by any collective investment scheme to the investors in such schemes;
- security receipt as defined in clause (zg) of section 2 of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002;
- units or any other such instrument issued to the investors under any mutual fund scheme;
- Government securities and such other instruments as may be declared by the Central Government to be securities; and
- rights or interest in securities;

As per Companies Act, 2013 the definition of “Securities” means the

securities as defined in clause (h) of section 2 of the Securities Contracts (Regulation) Act, 1956.

SHARES

A company can issue two types of shares viz. Equity Shares and Preference Shares. Equity shares are also known as Ordinary Shares. While Preference shareholders enjoy the benefit of receiving their dividend distribution first; the equity shareholders enjoy voting rights in major company decisions, including mergers or acquisitions. Preference shares have the right to receive dividend at a fixed rate before any dividend is paid on the equity shares. Further, when the company is wound up, they have a right to return of the capital before that of equity shares.

Equity Shares

According to explanation (i) to Section 43 of Companies Act, 2013 “Equity Share Capital”, with reference to any company limited by shares, means all share capital which is not preference share capital. Section 43 further provides for equity share capital (i) with voting rights, or (ii) with differential rights as to dividend, voting or otherwise in accordance with such rules as may be prescribed.

Shares with Differential Voting Rights

Section 43(a)(ii) of the Companies Act, 2013, authorized equity share capital with differential rights as to dividend, voting or otherwise in accordance with Rule 4 of Companies (Share Capital and Debentures) Rules, 2014 which prescribes several conditions for a company to issue equity shares with differential voting rights as to dividend, voting or otherwise, some of the conditions are as follows :

- The shares with differential rights shall not exceed twenty-six percent of the total post-issue paid up equity share capital including equity shares with differential rights issued at any point of time;
- The company having consistent track record of distributable profit for the last three years;
- 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;

- The explanatory statement to be annexed to the notice of the general meeting should contain the disclosures as mentioned in the rules.

Legal Framework for Shares

- The Companies Act, 2013 & the Companies (Share Capital & Debentures) Rules, 2014
- Securities Contracts (Regulation) Act, 1956
- Securities Contracts (Regulation) Rules, 1957
- SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Listing Regulations”)
- SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009
- SEBI (Prohibition of Insider Trading) Regulation, 2015
- SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011
- RBI Guidelines

Preference Shares

Preference share capital is defined under explanation (ii) to Section 43 of Companies Act, 2013. In simple terms, the preference shares are those shares which have rights of preference over equity shares in the case of distribution of dividend and distribution of surplus in the case of winding up. They generally carry a fixed rate of dividend and redeemable after specific period of time. According to Section 55 of the Companies Act, 2013, a company cannot issue preference shares which are irredeemable.

Legal Framework for Preference Shares

- SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009
- SEBI (Prohibition of Insider Trading) Regulation, 2015

- SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011
- The Companies Act, 2013 & the Companies (Share Capital and Debentures) Rules, 2014
- SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Listing Regulations”)
- SEBI (Issue and Listing of Non-Convertible Redeemable Preference Shares) Regulations, 2013 (“NCRPS Regulations”)
- RBI Guidelines

Debentures

Section 2(30) of the Companies Act, 2013 defines debentures. Debenture is a document evidencing a debt or acknowledging it and any document which fulfills either of these conditions is a debenture.

Legal Framework for Debentures

- The Companies Act, 2013 & the Companies (Share Capital and Debentures) Rules, 2014.
- SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009.
- SEBI (Issue and Listing of Debt Securities) Regulations, 2008.
- SEBI (Public Offer and Listing of Securitised Debt Instruments) Regulations, 2008.
- SEBI (Issue and Listing of Debt Securities by Municipalities) Regulations, 2015.
- SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Listing Regulations”).
- RBI Guidelines.

CHAPTER 2

COMPLIANCES – EQUITY SHARES

INTRODUCTION

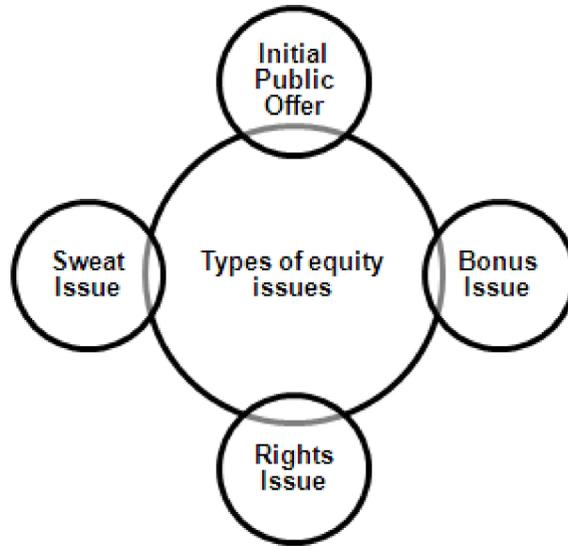
A company can issue two types of shares viz. Equity Shares and Preference Shares. Equity shares are also known as Ordinary Shares. While Preference shareholders enjoy the benefit of receiving their dividend distribution first; the equity shareholders enjoy voting rights in major company decisions, including mergers or acquisitions. Preference shares have the right to receive dividend at a fixed rate before any dividend is paid on the equity shares. Further, when the company is wound up, they have a right to return of the capital before that of equity shares



According to explanation (i) to Section 43 of Companies Act, 2013 "Equity Share Capital", with reference to any company limited by shares, means all share capital which is not preference share capital. Section 43 further provides for equity share capital (i) with voting rights, or (ii) with differential rights as to dividend, voting or otherwise in accordance with such rules as may be prescribed.

TYPES OF EQUITY ISSUES

Equity shares are the main source of long-term finance of a company. It is issued by the company to the general public. Equity shares may be issued by a company in different ways but in all cases the actual cash inflow may not arise (like bonus issue).



Initial Public Offer

A company issues a prospectus inviting the general public to subscribe its shares. Generally, in case of new issues, money is collected by the company in more than one installment – known as allotment and calls. The prospectus contains details regarding the date of payment and amount of money payable on such allotment and calls. A company can offer to the public up to its authorized capital. Right issue requires the filing of prospectus with the Registrar of Companies and with the Securities and Exchange Board of India (SEBI) through eligible registered merchant bankers.

Bonus Issue

Bonus in the general sense means getting something extra in addition to normal. In business, bonus shares are the shares issued free of cost, by a company to its existing shareholders. As per SEBI guidelines, if a company has sufficient profits/reserves it can issue bonus shares to its existing shareholders in proportion to the number of equity shares held out of accumulated profits/ reserves in order to capitalize the profit/reserves. Bonus shares can be issued only if the Articles of Association of the company permits it to do so.

Rights Issue

Rights issue is the subsequent issue of shares by an existing company to its existing shareholders in proportion to their holding. Right shares can be issued by a company only if the Articles of Association of the company permits. Rights shares are generally offered to the existing shareholders at a price below the current market price, i.e. at a concessional rate, and they have the options either to exercise the right or to sell the right to another person.

Sweat Issue

Sweat Issue means shares issued by a company to its employees or directors at a discount or for consideration other than cash are known as sweat issue. The purpose of sweat issue is to retain the intellectual property and knowhow of the company. Sweat issue can be made if it is authorized in a general meeting by special resolution. It is also governed by SEBI (Issue of Sweat Equity) Regulations, 2002.

RIGHTS OF EQUITY SHAREHOLDERS AS MEMBERS

Equity shareholders enjoy different rights as members under the Companies Act, 2013 such as:

- (a) The right to vote on every resolution placed before the company – **(Section 47)**
- (b) The rights to subscribe to shares at the time of further issue of capital by the company (Pre-emptive Right) – **(Section 62)**
- (c) Right to appoint proxy to attend and vote at the meeting on his behalf – **(Section 105)**
- (d) Right to receive copy of annual accounts of the Company – **(Section 136)**
- (e) Right to receive notice of the meeting of members – **(Section 101)**
- (f) Right to requisition extraordinary general meeting of the company – **(Section 100)**
- (g) Right to inspection of various statutory registers maintained by the company – **(Section 94)**

LEGAL FRAMEWORK FOR SHARES

1. The Companies Act, 2013 & Rules made there under
2. Securities Contracts (Regulation) Act, 1956
3. Securities Contracts (Regulation) Rules, 1957
4. SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Listing Regulations”)
5. SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009
6. SEBI (Prohibition of Insider Trading) Regulation, 2015
7. SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011
8. RBI Guidelines.

THE COMPANIES ACT, 2013

Section 43 of Companies Act, 2013 the share capital of a company limited by shares are namely : (i) Equity shares with voting rights and equity shares with differential rights as to dividend, voting or otherwise in accordance with such rules as may be prescribed; and (ii) Preference Share Capital. Preference shares carry a preferential right with respect to payment of dividend, and repayment, in the case of a winding up or repayment of capital.

Section 47 deals with the voting rights, and provides that every member having an equity share has the right to vote on every resolution placed before the company in proportion to his share and his voting right on a poll shall be in proportion to his share in the paid-up equity share capital of the Company. The provisions of this section shall not applicable to private company.

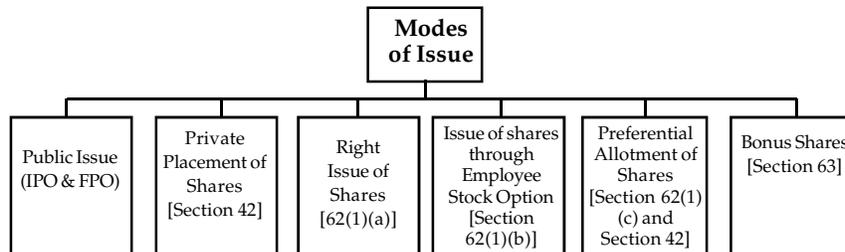
ISSUE OF SECURITIES

Section 52 of the Companies Act, 2013 provides that a company may issue securities at a premium when it is able to sell them at a price above par or above nominal value. The Companies Act, 2013, does not stipulate any conditions or restrictions regulating the issue of securities by a company at a premium.

Section 53 states that except as provided in section 54 (i.e. issue of sweat equity shares), a company shall not issue shares at a discount. Any share issued by a company at a discounted price shall be void. If a company contravenes the provisions of this section, the company shall be punishable with minimum fine of Rs. 1,00,000 but which may extend to five lakh rupees and every officer who is in default shall be punishable with imprisonment for a term which may extend to six months or with fine which shall not be less than one lakh rupees but which may extend to five lakh rupees, or with both.

Modes of Issue of shares

Section 23 of the Companies Act, 2013 discusses the option to issue shares. In order to issue shares the company needs to be a registered under Companies Act, 2013. There are four ways in which shares can be issued:



- Public issue (includes Initial Public Offering and Further Public Offering)
- Private Placement of Shares [Section 42]
- Right Issue of Shares [Section 62(1) (a)]
- Issue of shares through Employee Stock Option [Section 62(1)(b)]
- Preferential Allotment of Shares [Section 62(1) (c) and Section 42]
- Bonus Shares [Section 63]

Where a Public company can issue shares through Public Issue, Private Placement, Rights issue or Bonus issue, a Private Company may issue shares by way of Rights issue or Bonus issue and Private Placement.

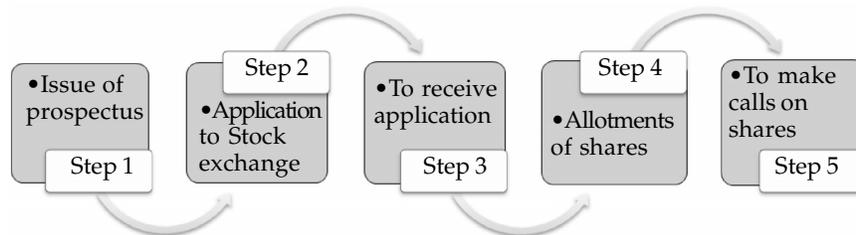
All types of companies (Including OPC) can issue securities under ESOP scheme or Preferential Issue.

Offer of shares through Prospectus [Section 23 of the Companies Act, 2013]

A Public Company may issue securities through prospectus to the public under section 23 of the Companies Act, 2013.

“Prospectus” means any document described or issued as a prospectus and includes a red herring prospectus referred to in section 32 or shelf prospectus referred to in section 31 or any notice, circular, advertisement or other document inviting offers from the public for the subscription or purchase of any securities of a body corporate.

Procedure for issue of securities through Prospectus:



Issue of prospectus: When a Public company intends to raise capital by issuing its shares to the public, it invites the public to make an offer to buy its shares through a document called 'Prospectus'. According to Section 389 provides that a copy of prospectus is required to be delivered to the Registrar for registration on or before the date of publication thereof. It contains the brief information about the company, its past record and of the project for which company is issuing share. It also includes the opening date and the closing date of the issue, amount payable with application, at the time of allotment and on calls, name of the bank in which the application money will be deposited, minimum number of shares for which application will be accepted, etc.

Application to Stock exchange(s): According to Section 40 of the Companies Act, 2013 provides that a company before making Public Offer, make an application to one or more recognised stock exchange or exchanges and obtain permission for the securities to be dealt with in such stock exchange or exchanges. If case of a prospectus states that an application has been made to the stock exchange(s), such prospectus shall also state the name or names of the stock exchange in which the securities shall be dealt with.

To receive application: After reading the prospectus if the public is satisfied then they can apply to the company for purchase of its shares on a printed prescribed form. Each application form along with application money must be deposited by the public in a schedule bank and get a receipt for the same. The company cannot withdraw this money from the bank till the procedure of allotment has been completed. The amount payable on application for share shall not be less than 5% of the nominal amount of share or such other percentage or amount as prescribed by SEBI in this behalf.

Allotments of shares: Allotments of shares means acceptance by the company of the offer made by the applicants to take up the shares applied for. The information of allotment is given to the shareholders by a letter known as 'Allotment Letter', informing the amount to be called at the time of allotment and the date fixed for payment of such money. It is on allotment that share come into existence. Thus, the application money on the share after allotment becomes a part of share capital. Decision to allot the share is taken by the Board of Directors in consultation with the stock exchange. After the closure of the subscription list, the bank sends all applications to the company. On receipt of applications, each application is carefully scrutinized to ascertain that the application form is properly filled up and signed and the money is deposited with the bank.

To make calls on shares: The remaining amount left after application and allotment money due from shareholders may be demanded in one or more parts which are termed as 'First Call' and 'Second Call' and so on. A word 'Final' word is added to the last call. The amount of call must not exceed 25% of the nominal value of the shares and at least 1 month have elapsed since the date which was fixed for the payment of the last preceding call, for which at least 14 days' notice specifying the time and place must be given.

Private Placement of Shares [Section 42 of the Companies Act, 2013]

Under the private placement, the offer of securities or invitation to subscribe securities, shall be made to such number of persons not exceeding fifty or such higher number as may be prescribed, (excluding qualified institutional buyers, and employees of the company being offered securities under a scheme of employee stock option), in a financial year and on such conditions as may be specified under Rule 14(2) of Companies (Prospectus and Allotment of Securities) Rules, 2014. Rule 14(2) prescribes that the proposed offer of securities or invitation to subscribe securities shall be approved by Special resolution and such offer or invitation shall be made to not more than 200 persons in aggregate in a Financial Year. The value of such offer or invitation per person shall be with an investment size of not less than twenty thousand rupees of face value of the securities.

Procedure to make allotment through private placement under section 42 of the Companies Act, 2013 will be discussed in Fifth Chapter.

Rights Issue of Shares [Section 62(1) (a) of the Companies Act, 2013]

Issue of shares through Rights Issue under Section 62(1) (a) is only to the existing Equity Shareholders. As the provisions in this section specifically provide for the issue of Shares to the Equity Shareholders and no person other than the existing shareholders can be allotted shares under this section.

Section 62(1) (b) specifically provides for the issue to the employees, allottees other than the existing employees are ineligible to be a part of it. Also the provisions of Rule 12 of Companies (Share Capital and Debenture) Rules, 2014 has to be complied with.

Procedures for Issue of Shares under Section 62(1) (a) of the Companies Act, 2013

- ❖ Ensure the AOA authorizes the issue of further shares. If AOA does not authorize for the issue of further shares then conduct the general meeting and pass a Special Resolution for alteration of AOA for including of an article for issue of further shares.
- ❖ File Form **MGT-14** for intimating the ROC for alteration of AOA along with the resolution passed at the meeting and altered AOA.
- ❖ Call for a board meeting with 7 clear days' notice to discuss the issue of further shares and issue notice calling for general meeting under section 100 of the Act, authorizing such person to issue notice for the meeting.
- ❖ Issue notice for the general meeting with clear 21 days' notice period.
- ❖ If in any case, criteria of 21 days' notice period is not possible then the shorter notice consent from at least 95% equity shareholders should be taken for holding the general meeting within the shorter notice.
- ❖ Explanatory statement to the notice issued u/s 102 of the Act shall as per rule 9(3) of Companies (Share Capital and Debentures) Rules, 2014 *inter-alia* provide the complete material facts concerned with and relevant to the issue of such shares, including –

- The size of the issue and number of shares to be issued and nominal value of each share;
 - The nature of such shares i.e. equity shares or preference shares;
 - The objectives of the issue, the manner of the issue of shares and the price at which such shares are proposed to be issued;
 - The terms of the issue, including terms and rates of dividend on each shares, etc.;
 - The terms of redemption, including the tenure of redemption, redemption of shares at premium and if the preference shares are convertible, the terms of conversion;
 - The manner and modes of redemption;
 - The current shareholding pattern of the company;
 - The expected dilution in equity share capital upon conversion of preference shares.
- ❖ Hold the general meeting and pass the special resolution for issue of Further Shares.
- ❖ The resolution passed for the issue shall as per rule 9(2) of Companies (Share Capital and Debentures) Rules, 2014 shall set out the following particulars in respect of the following matters relating to such shares, namely –
- (a) The priority with respect to payment of dividend or repayment of capital *vis-a-vis* equity shares;
 - (b) The participation in surplus funds;
 - (c) The participation in surplus assets and profits, on winding-up which may remain after the entire capital has been repaid;
 - (d) The payment of dividend on cumulative or non-cumulative basis;
 - (e) The conversion of preference shares into equity shares;
 - (f) The voting rights;
 - (g) The redemption of preference shares.

- ❖ After passing the resolution file the resolution along with the explanatory statement issued along with the resolution in Form **MGT-14** within 30 days of passing the resolution with the filing fee as provided in the Act and rules made thereunder, for registration of the same.
- ❖ Convene a board meeting to issue Letter of Offer for the rights issue to the existing Equity shareholders which shall also include the rights of renunciation.
- ❖ The offer should be open for not less than 15 days and not more than 30 days.
- ❖ As the acceptance or renunciation letter is received from the offerees and the funds are received from the shareholders who has accepted the offer, within 60 days of the receipt of the funds allotment of preference shares is to be made in a duly convened board meeting.
- ❖ Once the form with special resolution is approved make arrangements for calling of the board meeting with 7 days' notice for allotting the shares under Section 62(1) (a).
- ❖ Hold the board meeting and pass the resolution for allotment of shares to the existing equity shareholders on the proportion of their equity holding.
- ❖ File Form **PAS-3** with ROC with the resolution and the list of allottees in Table A & B within 30 days of passing the resolution in the board meeting with prescribed filing fee. (It is good compliance if as an attachment to the form, Letter of offer, acceptance & renunciation letter is attached along with.)

Issue of shares through Employee Stock Option [Section 62(1)(b)]

As per Section 62(1) (b) of Companies Act 2013, the Company can offer shares through employee stock option to their employees through special resolution subject to the conditions specified under Rule 12 of Companies (Share Capital and Debentures) Rules 2014.

For the purposes of clause (b) of sub-section (1) of section 62 and this rule "Employee" means –

EMPLOYEE MEANS	BUT DOES NOT INCLUDE
(a) Permanent employee (India or outside India)	(i) An employee who is a promoter or a person belonging to the promoter group; or
(b) Director whether WTD or not (Excluding independent director)	(ii) A director who either himself or through his relative or through anybody corporate, directly or indirectly, holds more than ten percent of the outstanding equity shares of the company.
(c) an employee as defined in clauses (a) or (b) of a subsidiary, in India or Outside India or of a holding company	

However, in case of Startup Company, as defined in notification number GSR 180(E) dated 17th February, 2016 issued by the Department of Industrial Policy and Promotion, Ministry of Commerce and Industry Government of India, Government of India, the conditions mentioned in table point (i) and (ii) shall not apply upto five years from the date of its incorporation or registration

Procedure for issue of securities to employees through “Employees Stock Option scheme”

- (1) Convene a Board Meeting to approve the notice of the General meeting along with special resolution, explanatory statement etc., to be approved by the shareholders through special resolution. In case of private company, it is sufficient that they obtain ordinary resolution.
- (2) The company shall make the following disclosures in the explanatory statement annexed to the notice for passing of the resolution –
 - (a) The total number of stock options to be granted;
 - (b) Identification of classes of employees entitled to participate in the Employees Stock Option Scheme;
 - (c) The appraisal process for determining the eligibility of employees to the Employees Stock Option Scheme;
 - (d) The requirements of vesting and period of vesting;
 - (e) The maximum period within which the options shall be vested;
 - (f) The exercise price or the formula for arriving at the same;
 - (g) The exercise period and process of exercise;

- (h) The Lock-in period, if any;
 - (i) The maximum number of options to be granted per employee and in aggregate;
 - (j) The method which the company shall use to value its options;
 - (k) The conditions under which option vested in employees may lapse e.g. in case of termination of employment for misconduct;
 - (l) The specified time period within which the employee shall exercise the vested options in the event of a proposed termination of employment or resignation of employee; and
 - (m) A statement to the effect that the company shall comply with the applicable accounting standards. Ensure that the special resolution is filled with ROC in MGT 14 within 30 days of passing the resolution.
- (3) The companies granting option to its employees pursuant to Employees Stock Option Scheme will have the freedom to determine the exercise price in conformity with the applicable accounting policies, if any.
- (4) The approval of shareholders by way of separate resolution shall be obtained by the company in case of-
- (a) Grant of option to employees of subsidiary or holding company;
or
 - (b) Grant of option to identified employees, during any one year, equal to or exceeding one percent of the issued capital (excluding outstanding warrants and conversions) of the company at the time of grant of option.
- (5) (a) The company may by special resolution, vary the terms of Employees Stock Option Scheme not yet exercised by the employees provided such variation is not prejudicial to the interests of the option holders.
- (b) The notice for passing special resolution for variation of terms of Employees Stock Option Scheme shall disclose full of the variation, the rationale therefore, and the details of the employees who are beneficiaries of such variation.
- (6) (a) There shall be a minimum period of one year between the grant of options and vesting of option.

Provided that in a case where options are granted by a company under its Employees Stock Option Scheme in lieu of options held by the same person under an Employees Stock Option Scheme in another company, which has merged or amalgamated with the first mentioned company, the period during which the options granted by the merging or amalgamating company were held by him shall be adjusted against the minimum vesting period required under this clause;

(b) The company shall have the freedom to specify the lock-in period for the shares issued pursuant to exercise of option.

(c) The Employees shall not have right to receive any dividend or to vote or in any manner enjoy the benefits of a shareholder in respect of option granted to them, till shares are issued on exercise of option.

(7) The amount, if any, payable by the employees, at the time of grant of option-

(a) May be forfeited by the company if the option is not exercised by the employees within the exercise period; or

(b) The amount may be refunded to the employees if the options are not vested due to non-fulfilment of conditions relating to vesting of option as per the Employees Stock Option Scheme.

(8) (a) The option granted to employees shall not be transferable to any other person.

(b) The option granted to the employees shall not be pledged, hypothecated, mortgaged or otherwise encumbered or alienated in any other manner.

(c) Subject to clause (d), no person other than the employees to whom the option is granted shall be entitled to exercise the option.

(d) In the event of the death of employee while in employment, all the options granted to him till such date shall vest in the legal heirs or nominees of the deceased employee.

(e) In case the employee suffers a permanent incapacity while in employment, all the options granted to him as on the date of permanent incapacitation, shall vest in him on that day.

(f) In the event of resignation or termination of employment, all options not vested in the employee as on that day shall expire.

However, the employee can exercise the options granted to him which are vested within the period specified in this behalf, subject to the terms and conditions under the scheme granting such options as approved by the Board.

(9) The Board of directors, shall, *inter alia*, disclose in the Directors' Report for the year, the following details of the Employees Stock Option Scheme:

- (a) Options granted;
- (b) Options vested;
- (c) Options exercised;
- (d) The total number of shares arising as a result of exercise of option;
- (e) Options lapsed;
- (f) The exercise price;
- (g) Variation of terms of options;
- (h) Money realized by exercise of options;
- (i) Total number of options in force;
- (j) Employee wise details of options granted to:-
 - (i) Key managerial personnel;
 - (ii) Any other employee who receives a grant of options in any one year of option amounting to five percent or more of options granted during that year.
 - (iii) Identified employees who were granted option, during any one year, equal to or exceeding one percent of the issued capital (excluding outstanding warrants and conversions) of the company at the time of grant;

(10) (a) The company shall maintain a Register of Employee Stock Options in Form No. SH.6 and shall forthwith enter therein the particulars of option granted under clause (b) of sub-section (1) of section 62.

(b) The Register of Employee Stock Options shall be maintained at the registered office of the company or such other place as the Board may decide.

(c) The entries in the register shall be authenticated by the company secretary of the company or by any other person authorized by the Board for the purpose.

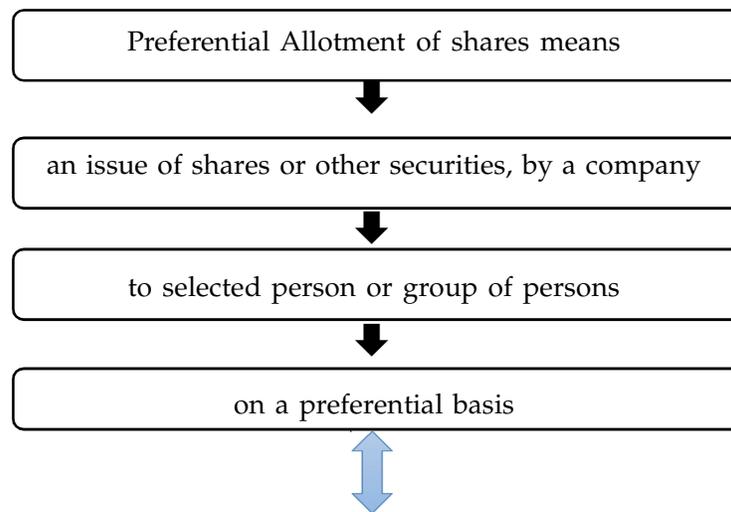
(11) Once the allotment is made, the company shall within 30 days of allotment, file with the Registrar a return of allotment in Form PAS.3, along with the fee as specified in Companies (Registration of Offices and Fees) Rules, 2014.

(12) Deliver the share certificates of allotted shares within a period of 2 months from the date of allotment.

(13) Intimate the details of allotment of shares to the Depository immediately on allotment of such shares

(14) Where the equity shares of the company are listed on a recognized stock exchange, the Employees Stock Option Scheme shall be issued, in accordance with the regulations made by SEBI in this behalf.

Preferential Allotment of Shares [Section 62(1)(c) and Section 42 of the Companies Act, 2013]



But does not includes shares or other securities offered through a public issue, rights issue, employee stock option scheme, employee stock purchase scheme or an issue of sweat equity shares or bonus shares or depository receipts issued in a country outside India or foreign securities.

Preferential Allotment of shares means an issue of shares or other securities, by a company to any selected person or group of persons on a preferential basis and does not include shares or other securities offered through a public issue, rights issue, employee stock option scheme, employee stock purchase scheme or an issue of sweat equity shares or bonus shares or depository receipts issued in a country outside India or foreign securities.

In the preferential allotment under Section 62(1) (c) any person can participate in this type of further issue subject to the adherence to Rule 13 of Companies (Share Capital and Debenture) Rule, 2014 and such issue should also comply with conditions laid down in section 42 of the Act. This make clear that Section 42 which is private placement shall always be read with Section 62(1) (c) read with Rule 13 of these Rules. Section 42 will not apply to a public issue, rights issue, employee stock option scheme, employee stock purchase scheme or an issue of sweat equity shares or bonus shares or depository receipts.

Procedure for Issue of shares to any persons other than existing equity shareholders U/S 62 (1) (c) (taking into account procedure u/s 42 also):

- 1) Prepare a list of persons (not exceeding 200 in a financial year for each kind of security) to whom offer may be made.
- 2) Ensure that no allotment against any previous offer/invitation of any kind of security is pending issue to be authorized by AOA.
- 3) Issue to be authorized by AOA. If AOA does not authorizes then conduct the general meeting and pass a Special Resolution for alteration of AOA for including of an article for issue of preference shares.
- 4) Pass special resolution for such issue.
- 5) Explanatory Statement to contain justification for price and premium, if any and also other matters as prescribed by the rules.
- 6) Valuation report of registered valuer/independent merchant banker/independent Chartered Accountant for price calculation.
- 7) Only fully paid securities can be issued.

- 8) Issue an offer letter in Form **PAS-4**. (If the shares are issued to existing members, PAS-4 is not applicable)
- 9) Requirements of Offer letter:
 - a) To be accompanied by serially numbered application form.
 - b) Addressed specifically to the person to whom offer is being made
 - c) Sent to only such person in writing/electronically
 - d) Within 30 days of recording names in the list
 - e) No person other than the addressee allowed to apply through application form
 - f) Value of offer/invitation per person not less than Rs.20,000/- of face value of the Security
 - g) To also comply with requirement of contents of notice about renunciation etc.
- 10) Maintain record of offer letters in **PAS-5**. (If the shares are issued to existing members, PAS-5 is not applicable)
- 11) File offer letter with ROC along with record of offer letters in **PAS-6** within 30 days of circulation of offer letter. (If the shares are issued to existing members, PAS-6 is not applicable)
- 12) Amount against offer to be received only by cheque/demand draft/other banking channels but not by cash only from the bank account of the subscriber.
- 13) Company to maintain record of the bank account from which payments received.
- 14) In case of joint holders, payment was received from first applicant only.
- 15) Allotment was completed within 12 months from the date of passing of special resolution. If not, another special resolution was passed to complete allotment.
- 16) Where Convertible securities are offered, price of resultant shares shall be determined beforehand on the basis valuation report.

- 17) Board resolution to specifically contain authority for issuance of share certificates by any two directors and out of which one should be director other than MD/WTD.
- 18) Share application money was kept in separate bank account and was utilized only for:-
 - a) Adjustment against allotment;
 - b) Repayment
- 19) Return of allotment in form **PAS -3** within 30 days.
- 20) Share Certificates to be issued within 2 months of allotment/6 months of allotment of debentures.
- 21) Entry in Register of Members: In case of consideration other than cash, accounting treatment as specified in Rules, was complied.

Bonus Shares [Section 63 of the Companies Act, 2013]



Bonus shares are additional shares given to the current shareholders without any additional cost, based upon the number of shares that a shareholder owns. These are company's accumulated earnings which are not given out in the form of dividends, but are converted into free shares.

Issue of bonus shares is covered under Section 63 of the Companies Act, 2013 read with rule 14 of the Companies (Share Capital and Debentures) Rules, 2014.

Source for issue of Bonus Shares:

As per Section 63(1) a company may issue fully paid up bonus shares to its members out of following:

- A. Free reserves.
- B. Securities Premium Account.
- C. Capital Redemption Reserve Account.

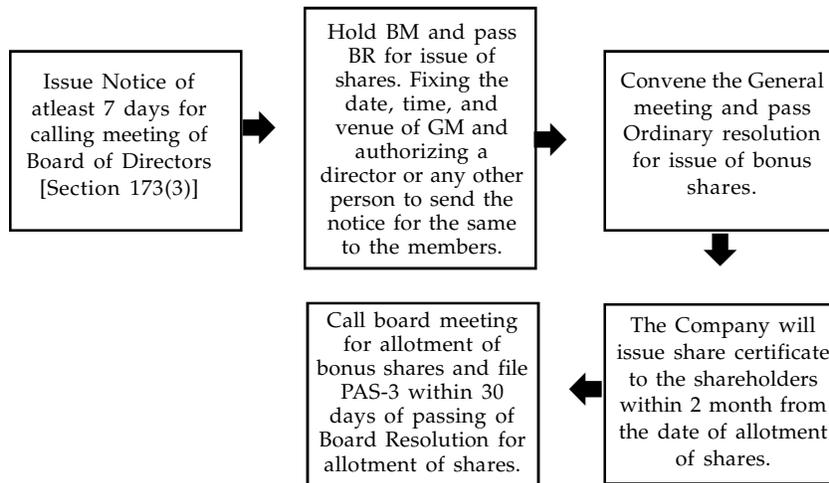
Source from which Bonus Shares can't issue:

- A. No issue of bonus shares shall be made capitalizing reserves created by the revaluation of assets. (Company can't issue Bonus Shares out of reserve create from revaluation of assets).
- B. The Company shall not issue shares in lieu of Dividend.

Conditions for Issue of Bonus Shares

Articles must contain provision for issue of bonus shares [As per Section 63(2) (a)]. Bonus issue must be authorised by the members of the company (by passing of Ordinary Resolution) on recommendation of Board. The Company should not have defaulted in payment of interest or principal in respect of fixed deposits or debt securities issued by it and no defaulted in respect of the payment of statutory dues of the employees, such as, contribution to provident fund, gratuity and bonus.

Procedure for Issue of Bonus Shares



- Issue Notice of atleast 7 days for calling meeting of Board of Directors [**Section 173(3)**]
- Hold Board meeting and pass board resolution for issue of shares. Fixing the date, time, and venue of the general meeting and authorizing a director or any other person to send the notice for the same to the members.

- Convene the General meeting and pass Ordinary resolution for issue of bonus shares.
- Call board meeting for allotment of bonus shares and file PAS-3 within 30 days of passing of Board Resolution for allotment of shares.
- The Company will issue share certificate to the shareholders within 2 month from the date of allotment of shares.

Equity Shares with Differential Voting Right

An equity share with differential rights is like an ordinary equity share, but it provides fewer voting rights to the shareholder. The difference in the voting rights can be achieved by reducing the degree of voting power. Companies issue equity share with differential rights for prevention of a hostile takeover and dilution of voting rights. It also helps strategic investors who do not want control, but are looking at a reasonably big investment in a company.

Procedure for Issue of Equity Shares with Differential Voting Rights

1. Ensure the AOA authorizes the issue of equity shares with differential rights and if not, then amend the Articles of Association of the company.
2. Hold the Board meeting to issue the notice of general meeting for issuance of equity share with differential rights along with the explanatory statement u/s 102 of the Act.
3. Before issuing equity shares with differential rights as to dividend, voting or otherwise, ensure the following:
 - (i) the shares with differential rights shall not exceed twenty-six percent of the total post-issue paid up equity share capital including equity shares with differential rights issued at any point of time;
 - (ii) the company has consistent track record of distributable profits for the last three years;
 - (iii) 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;

- (iv) 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;
- (v) 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;

However, the 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.

- (vi) the company has not been penalized by Court or Tribunal during the last three years of any offence under the Reserve Bank of India Act, 1934, the Securities and Exchange Board of India Act, 1992, the Securities Contracts Regulation Act, 1956, the Foreign Exchange Management Act, 1999 or any other special Act, under which such companies being regulated by sectoral regulators.
4. If the company is listed with any of the recognized stock exchange, then within 15 minutes of the closure of the aforesaid Board Meeting intimate to the concerned Stock Exchange about the decision taken at the Board Meeting.
 5. Pass the ordinary resolution in the general meeting.
 6. If the company is listed or if the number of members are more than 200 then ensure it obtains the approval of its shareholders through postal ballot as per rule 22 of the Companies (Management and administration) Rules, 2014.
 7. Once the company makes any allotment, then its shall, within 30 days thereafter, file with the Registrar a return allotment in

Form PAS-3, along with the fees as specified in the Companies (Registration Offices and Fees) Rules, 2014.

8. The company shall not convert its existing equity share capital with voting rights into equity share capital carrying differential voting rights and vice-versa.
9. In case of listed company, send copies of the notice and a copy of the proceedings of the general meeting to the stock exchange within 24 hours of the occurrence of event. [Regulation 30(6) of SEBI (Listing Obligations and Disclosure Requirements), 2015]
10. Complete all other proceedings for the issue of certificate of shares with differential voting rights making necessary entries in various registers. In case of a company whose shares are dematerialized form, inform the depositories about the same for credit to the respective accounts.
11. Intimate the details of allotment of shares to the Depository immediately on allotment of such shares.
12. Maintain the Register of Members under section 88 containing all the relevant particulars of the shares so issued along with details of the shareholders.

Issue of Sweat Equity Shares

According to Section 2(88) of the Companies Act, 2013, Sweat Equity Shares means such equity shares issued by a company to its directors or employees at a discount or for consideration, other than cash, for their providing know-how or making available rights in the nature of intellectual property rights or value additions, by whatever name called.

Sweat Equity Shares are different from shares issued by a company under Employee Stock Option Scheme (ESOS) and Employee Stock Purchase Scheme (ESPS).

Sweat Equity Shares

Sweat Equity Shares means such equity shares which are issued by a company only to its directors or employees at a discount or for consideration, other than cash



The rights, limitations, restrictions and provisions applicable to equity shares shall be applicable to sweat equity shares and holders of such shares shall rank pari-passu with other equity shareholders.

Conditions for issuance of sweat equity shares

Section 54 provides that, a company may issue sweat equity shares of a class of shares already issued, if the following conditions are fulfilled, namely:-

- (a) The issue is authorized by a special resolution passed by the company;
- (b) The resolution specifies the number of shares, the current market price, consideration, if any, and the class or classes of directors or employees to whom such equity shares are to be issued;
- (c) Not less than one year has, at the date of such issue, elapsed since the date on which the company had commenced business; and
- (d) Where the equity shares of the company are listed on a recognized stock exchange, the sweat equity shares are issued in accordance with the regulations made by SEBI in this behalf and if they are not so listed, the sweat equity shares are issued in accordance with such rules made under the Chapter IV of the Companies Act, 2013.

Procedure for Issue Sweat Equity Shares

The company shall not issue sweat equity shares for more than fifteen percent of the existing paid up equity in a year or shares of the issue value of rupees five crores, whichever is higher. The issuance of such sweat equity shares in the company shall not exceed twenty five percent of the paid up equity capital of the company at any time. However, a startup company may issue sweat equity shares not exceeding fifty percent of its paid up capital upto five years from the date of incorporation or registration.

1. Convene Board meeting to approve the notice of general meeting.
2. Issue notices in writing or through electronic mode, at least clear twenty one days before the date of meeting along with the explanatory statement as required u/s 102.

3. The explanatory statement to be annexed to notice and the resolution for approving the sweat equity shall *inter alia* contain the following information:
 - (a) the date of the Board meeting at which the proposal for issue of sweat equity shares was approved;
 - (b) The reasons or justification for the issue;
 - (c) The class of shares under which sweat equity shares are intended to be issued;
 - (d) The total number of shares to be issued as sweat equity;
 - (e) The class or classes of directors or employees to whom such equity shares are to be issued;
 - (f) The principal terms and conditions on which sweat equity shares are to be issued, including basis of valuation;
 - (g) The time period of association of such person with the company;
 - (h) The names of the directors or employees to whom the sweat equity shares will be issued and their relationship with the promoter or/and Key Managerial Personnel;
 - (i) The price at which the sweat equity shares are proposed to be issued;
 - (j) The consideration including consideration other than cash, if any to be received for the sweat equity;
 - (k) The ceiling on managerial remuneration, if any, be breached by issuance of such sweat equity and how it is proposed to be dealt with;
 - (l) a statement to the effect that the company shall conform to the applicable accounting standards; and
 - (m) Diluted Earnings Per Share pursuant to the issue of sweat equity shares, calculated in accordance with the applicable accounting standards.
4. A copy of gist along with critical elements of the valuation report shall be sent to the shareholders with the notice of the general meeting.

5. Hold the general meeting and pass the Special Resolution.
6. The special resolution authorizing the issue of sweat equity shares shall be valid for making the allotment within a period of not more than 12 months from the date of passing of the special resolution.
7. File the special resolution with the concerned ROC with explanatory statement in Form MGT. 14 alongwith the fees as provided in Companies (Registration of Offices and Fees) Rules, 2014 within 30 days of passing of the special resolution.
8. If the shares of the company are listed with the stock exchange, then forward copies of the notice and a copy of the proceedings of the general meeting.
9. If the shares are listed with any of the recognized stock exchange, then issue of the sweat equity shares shall be in accordance with SEBI (Issue of Sweat Equity) Regulations, 2002.
10. Once the allotment is made, the company shall within 30 days of allotment, file with the Registrar a return of allotment in Form PAS.3, along with the fee as specified in Companies (Registration of Offices and Fees) Rules, 2014.
11. The company shall maintain a register of Sweat Equity Shares in Form SH.3 at the registered office or such other place as the Board may decide. The entries in the register shall be authenticated by the Company Secretary of the company or by any other person authorized by the board for the purpose.
12. Deliver the share certificates of allotted shares within a period of 2 months from the date of allotment.
13. Intimate the details of allotment of shares to the Depository immediately on allotment of such shares.

ANNUAL COMPLIANCES UNDER COMPANIES ACT, 2013:

S. No.		Section & Rules	Form	Particular of Compliance
1.	Receipt of MBP-1	184(1)	Form MBP-1	<p>Every Director of the Company in First Meeting of the Board of Director in each Financial Year will disclose his interest in other entities.</p> <p>Every Director is required to submit with the Company fresh MBP-1 whenever there is change in his interest from the earlier given MBP-1.</p>
2.	Receipt of DIR-8	164(2)	Form DIR-8	Every Director of the Company in each Financial Year will file with the Company disclosure of non-disqualification.
3.	E- Forms Filing Requirements	92	E-form MGT-7	Annual Return: Every company will file its Annual Return within 60 days of holding of Annual General Meeting. Annual Return will be for the period 1st April to 31st March.
		137	E-form: AOC-4	<p>Financial Statement: The Company is required to filing its Balance Sheet along with Statement of Profit and Loss Account, Cash Flow Statement and Directors' Report in this form within 30 days of AGM.</p> <p>Attachment:</p> <p>Balance Sheet, Statement of Profit& Loss Account (Including Consolidated Financial Statement), Directors' Report, Auditors' Report, Cash Flow Statement and Notice of AGM.</p>
		179(3)	MGT-14	<p>Adoption of Financials and Director Report:</p> <p>The Company shall file MGT-14 along with copy of Board Resolution within 30 days of Board Meeting.</p>

		92	MGT-8	Certification of Annual Return: Every Small Company shall file with its Annual Return within 60 days of AGM.
		121	MGT-15	Report on AGM: The Company shall prepare in the Report on each AGM.
		179(3)	MGT-14	Appointment of Secretarial Auditor: The Company shall file MGT-14 along with copy of Board Resolution within 30 days of Board Meeting.
		148(3)	CRA-2	Appointment of Cost Auditor: The Company shall file copy of Board Resolution within 30 days of Board Meeting.
		149	DIR- 12	Appointment of Independent Director
		149	DIR- 12	Appointment of Women Director
4.	Directors' Report	134		Directors' Report shall be prepared by mention of all the information required for Company under Section 134. It should be signed by the "Chairperson" authorized by the Board of directors, where he is not so authorized by at least 2 Directors; one of them should be Managing Director if any and the Chief Executive Officer, if he is a director in the company, the Chief Financial Officer and the Company Secretary of the company, wherever they are appointed.
5.	XBRL			Every Listed Company and the class of companies as may be notified by the Central Government from time to time, is required to prepare its Financial Statement in Extensible Business Reporting system.
6.	Circulation of Financial	136		The Company shall send to the Members of the company approved Financial

	Statement & other relevant Documents		Statement (including consolidated Financial Statement), Directors' Report and Auditors' Report at least 21 clear days before the Annual General Meeting.	
7.	Notice of AGM	101 & SS-II	Every Notice of Annual General Meeting will be prepared as per Section 101 of Companies Act 2013 and Secretarial Standard – II. Every Listed Company will give e-voting facility.	
8.	Sending of Notice of AGM	101 & SS-II	Notice of Annual General Meeting will be sent to following: <ul style="list-style-type: none"> • All Directors, Members, Statutory Auditor. • Secretarial Auditor, If any. • Debenture Trustee, if any. 	
9.	Board Meetings	173 & SS-I	Every Company shall hold a minimum number of FOUR Meetings of its Board of Directors every year in such a manner that maximum gap between two meeting not more than 120 (One hundred Twenty) days. The Company should hold at least 1 (one) Board Meeting every quarter of calendar year.	
10.	Appointment of Auditor	139	E-form ADT-1	Auditor shall be appointed for the 5 (Five) year and form ADT-1 will be file for 5-year appointment. After that every year in AGM shareholder will ratify the Auditor but here is no need to file ADT-1.
11.	Maintenance of Registers	88	The Company shall maintain the following mandatory Registers: <ul style="list-style-type: none"> • Register of Director, Director Shareholding and Members. • Register of Loan, Guarantee, Investment made by the Company. • Register of Contract with Related Parties. 	

			<ul style="list-style-type: none"> Register of Key Managerial Personnel and their Shareholding. 	
12.	E-Voting	108	Voting Through Electronic Means:	
			It is mandatory for the Listed Company to provide e-voting facility to Shareholders.	
13.	Postal Ballot	110	Voting Through Postal Ballot:	
			There are certain Items for which it is mandatory for the company to provide Postal Ballot Facility.	
14.	Secretarial Audit	204	E- form MGT-14	All the Listed Companies are required to appoint Company Secretary for Secretarial Audit.
15.	Internal Auditor	138	E- form MGT-14	A Company is required to appoint Internal Auditor and required to file e-form within 30 days of appointment.
16.	Audit Committee	177	A Listed Company is required to constitute its Audit Committee and meetings of Committee will be as per Secretarial Standard- I.	
17.	Vigil Mechanism	177(9)	A Listed Company is required constituting policy of vigil mechanism.	
18.	Nomination & Remuneration	178	A Listed Company is required to constitute Committee its Nomination & Remuneration Committee and meetings of Committee will be as per Secretarial Standard- I.	
19.	Stake Holder Relationship Committee	178(5) & (6)	A Listed Company is required to constitute its Stake Holder Relationship Committee and meetings of Committee will be as per Secretarial Standard- I.	
20.	Return to be Filed with ROC in Case Promoters' Stake Changes	93	E- form MGT-10	The Listed Company shall file a return with the Registrar with respect to change in the number of shares held by promoters and top ten shareholders of such Company, within fifteen days of such change.
21.	E- Forms Filing Requirements	Rule- 16 Chapter V	DPT- 3	The Company if accept deposit during the year then it is required to file return of deposits on or before the 30th day of June, of every year.

		196	MR-1	Return of appointment and re-appointment of Managing Director or Whole time Director or Manager or KMP within sixty days of the appointment with the Registrar.
		203	MR-1	Appointment of KMP:- The Company required to appoint: 1. Company Secretary 2. CFO 3. MD/CEO/WTD
		149	DIR-12	Appointment of Independent Director.
		149	DIR-12	Appointment of Women Director.
		204	MR-3	A Listed Company is required to get Secretarial Audit of the Company from the Practicing Company Secretary and report of PCS will be part of Directors' Report.

SECURITIES CONTRACTS (REGULATION) ACT, 1956

The Securities Contracts (Regulation) Act, 1956 (SCRA) provides the legal framework for listing of securities by stock exchanges.

SCRA deals, *inter alia*, with the grant of recognition to the stock exchanges and empowers the Central Government to accord such recognition. Central Government has delegated this power to the SEBI.

Section 9 of SCRA empowers the recognised stock exchanges to make bye-laws for regulation and control of contracts subject to previous approval of SEBI. Such bye-laws, may *inter-alia*, provide for the listing of securities on the stock exchange, the inclusion of any security for the purpose of dealings and the suspension or withdrawal of any such securities and the suspension or prohibition of trading in any specified securities.

Sections 21 and Section 22 deal with conditions for listing of securities and right of appeal against refusal of stock exchanges to list securities of public companies.

Section 21. Conditions for listing

Section 21 provides that where securities are listed on the application of any person in any recognised stock exchange, such person shall comply with the conditions of the listing agreement with that stock exchange.

Section 22. Right of appeal against refusal of stock exchanges to list securities of public companies

Where a recognised stock exchange acting in pursuance of any power given to it by its bye-laws, refuses to list the securities of any public company or collective investment scheme, the company or scheme shall be entitled to be furnished with reasons for such refusal, and may, –

- (a) within fifteen days from the date on which the reasons for such refusal are furnished to it, or
- (b) where the stock exchange has omitted or failed to dispose of, within the time specified in sub-section (1) of section 73 of the Companies Act, 1956¹ (hereafter in this section referred to as the “specified time”), the application for permission for the shares or debentures to be dealt with on the stock exchange, within fifteen days from the date of expiry of the specified time or within such further period, not exceeding one month, as the Central Government may, on sufficient cause being shown, allow,

appeal to the Central Government against such refusal, omission or failure, as the case may be, and thereupon the Central Government may, after giving the stock exchange an opportunity of being heard,–

- (i) vary or set aside the decision of the stock exchange, or
- (ii) where the stock exchange has omitted or failed to dispose of the application within the specified time, grant or refuse the permission, and where the Central Government sets aside the decision of the recognised stock exchange or grants the permission, the stock exchange shall act in conformity with the orders of the Central Government.

1. Section 40 of Companies Act, 2013 corresponds to Section 73 of Companies Act, 1956 is in force SEBI has not amended the SCRA Act to incorporate the newly notified provisions of Companies Act, 2013.

Section 73(1) of Companies Act, 1956, has no relevance in the light of Companies Act, 2013 becoming effective. Provisions relating to appeal to Securities appellate tribunal have not been covered under Companies Act, 2013. However, Regulation 110 of SEBI (ICDR), 2009 provides that it is an obligation of stock exchange, shall grant in-principle approval/list the securities or reject the application for in-principle approval /listing by the issuer or issuing company, as the case may be, within thirty days from the later of the following dates:

- the date of receipt of application for in-principle approval/listing from issuer or the issuing company, as the case may be,;
- the date of receipt of satisfactory reply from the issuer or the issuing company, as the case may be, in cases where the stock exchange(s) has sought any clarification from them.

Section 22A. Right of appeal to Securities Appellate Tribunal against refusal of stock exchanges to list securities of public companies

Section 22A deals with right of appeal against refusal of stock exchanges to list securities of public companies and states that where a recognised stock exchange acting in pursuance of any power given to it by its bye-laws, refuses to list the securities of any company, the company shall be entitled to be furnished with reasons for such refusal, and may: -

- (a) Within fifteen days from the date on which the reasons for such refusal are furnished to it, or
- (b) Where the stock exchange has omitted or failed to dispose of, within the time specified in sub-section (1A) of Section 73 of the Companies Act, 1956 (1 of 1956) (hereafter in this section referred to as the “specified time”), the application for permission for the shares or debentures to be dealt with on the stock exchange within fifteen days from the date of expiry of the specified time or within such further period, not exceeding one month, as the Securities Appellate Tribunal may, on sufficient cause being shown, allow, appeal to the Securities Appellate Tribunal having jurisdiction in the matter against such refusal, omission or failure as the case may be, and thereupon

the Securities Appellate Tribunal may, after giving the stock exchange an opportunity of being heard –

- (i) vary or set aside the decision of the stock exchange; or
- (ii) where the stock exchange has omitted or failed to dispose of the application within the specified time, grant or refuse the permission,

and where the Securities Appellate Tribunal sets aside the decision of the recognised stock exchange or grants the permission, the stock exchange shall act in conformity with the orders of the Securities Appellate Tribunal.

Section 73(1A) of Companies Act, 1956, has no relevance in the light of Companies Act, 2013 becoming effective. Provisions relating to appeal to Securities Appellate Tribunal have not been covered under Companies Act, 2013. However, Regulation 110 of SEBI (ICDR), 2009 provides that it is an obligation of stock exchange, shall grant in-principle approval/list the securities or reject the application for in-principle approval /listing by the issuer or issuing company, as the case maybe, within thirty days from the later of the following dates:

- the date of receipt of application for in-principle approval/listing from issuer or the issuing company, as the case may be,;
- the date of receipt of satisfactory reply from the issuer or the issuing company, as the case may be, in cases where the stock exchange(s) has sought any clarification from them.

22E. Civil court not to have jurisdiction

No civil court shall have jurisdiction to entertain any suit or proceeding in respect of any matter which a Securities Appellate Tribunal is empowered by or under this Act to determine and no injunction shall be granted by any court or other authority in respect of any action taken or to be taken in pursuance of any power conferred by or under this Act.

Section 22F. Appeal to Supreme Court

Any person aggrieved by any decision or order of the Securities Appellate Tribunal may file an appeal to the Supreme Court within sixty days from the date of communication of the decision or order

of the Securities Appellate Tribunal to him on any question of law arising out of such order. The Supreme Court may, if it is satisfied that the appellant was prevented by sufficient cause from filing the appeal within the said period, allow it to be filed within a further period not exceeding sixty days.

Section 23(2) of Securities Contracts (Regulation) Act, 1956, prescribes the penalty for contravention of the provisions contained in Section 15, punishment for violation of Section 21 or Section 21A or with order of or Section 22 or with the orders of the Securities Appellate Tribunal. Under said Section 23(2), if any person is convicted, under Section 22 of SCRA, can be punished with an imprisonment for a term which may extend to ten years or with fine, which may extend to twenty-five crore rupees or with both.

SECURITIES CONTRACTS (REGULATION) RULES, 1957

Securities Contracts (Regulation) Rules, 1957 provides for the requirements which have to be satisfied by companies for the purpose of getting their securities listed on any stock exchange in India. A dispersed shareholding structure is essential for the substance of a continuous market for listed securities to provide liquidity to the investors and to discover fair prices. Further, the larger the number of shareholders, the less is the scope for price manipulation.

Rule 19(2) (b) of the Securities Contracts (Regulation) Rules, 1957 states the requirements with respect to the listing of securities on a recognised stock exchange and Rule 19A of the Securities Contracts (Regulation) Rules, 1957 provides continuous listing requirement for all companies.

Rule 19(2) (b) of the Securities Contracts (Regulation) Rules, 1957

The minimum offer and allotment to public in terms of an offer document shall be –

- (i) at least twenty five per cent of each class or kind of equity shares or debenture convertible into equity shares issued by the company, if the post issue capital of the company calculated at offer price is less than or equal to one thousand six hundred crore rupees;
- (ii) at least such percentage of each class or kind of equity shares

or debentures convertible into equity shares issued by the company equivalent to the value of four hundred crore rupees, if the post issue capital of the company calculated at offer price is more than one thousand six hundred crore rupees but less than or equal to four thousand crore rupees;

- (iii) at least ten per cent of each class or kind of equity shares or debentures convertible into equity shares issued by the company, if the post issue capital of the company calculated at offer price is above four thousand crore rupees:

However, the company referred to in sub-clause (ii) or sub-clause (iii), shall increase its public shareholding to at least twenty five per cent within a period of three years from the date of listing of the securities, in the manner specified by the Securities and Exchange Board of India.

Further, this clause shall not apply to a company whose draft offer document is pending with the Securities and Exchange Board of India on or before the commencement of the Securities Contracts (Regulation) Third Amendment Rules, 2014, if it satisfies the conditions prescribed in clause (b) of sub-rule (2) of rule 19 of the Securities Contracts (Regulation) Rules, 1956 as existed prior to the date of such commencement.

Rule 19A of the Securities Contracts (Regulation) Rules, 1957

Every listed company other than Public Sector Company shall maintain public shareholding of at least twenty five per cent.

However, any listed company which has public shareholding below twenty five per cent, on the commencement of the Securities Contracts (Regulation) (Amendment) Rules, 2010, shall increase its public shareholding to at least twenty five per cent, within a period of three years from the date of such commencement, in the manner specified by the Securities and Exchange Board of India.

Explanation: For the purposes of this sub-rule, a company whose securities has been listed pursuant to an offer and allotment made to public in terms of sub clause (ii) of clause (b) of sub-rule (2) of rule 19, shall maintain minimum twenty five per cent, public shareholding from the date on which the public shareholding in the company reaches the level of twenty five percent in terms of said sub-clause.

(2) Where the public shareholding in a listed company falls below twenty five per cent at any time, such company shall bring the public shareholding to twenty five per cent within a maximum period of twelve months from the date of such fall in the manner specified by the Securities and Exchange Board of India.

(3) Where the public shareholding in a listed company falls below twenty-five per cent in consequence to the Securities Contracts (Regulation) (Amendment) Rules, 2015, such company shall increase its public shareholding to at least twenty-five per cent in the manner specified by the Securities and Exchange Board of India within a period of three years, as the case may be, from the date of notification of:

- (a) the Depository Receipts Scheme, 2014 in cases where the public shareholding falls below twenty five per cent as a result of such scheme;
- (b) the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 in cases where the public shareholding falls below twenty-five percent, as a result of such regulations.

SEBI (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015

SEBI has notified listing agreement – *where the securities are listed on the application of any person in any recognised stock exchange, such person shall comply with the conditions of the listing agreement with that stock exchange*. It is a basic document which is executed between companies and the stock exchange when companies are listed on the stock exchange. The main purposes of this agreement are to ensure that companies are following good corporate governance. The stock exchange on behalf of the SEBI, ensures that companies follow good corporate governance.

SEBI has prescribed separate Listing Agreements for different segments of the capital market viz. Equity (including Small and Medium Enterprises (“SME”), Non-Convertible Debt Securities (“Debt Securities”), Non-Convertible Redeemable Preference Shares (“NCRPS”), Indian Depository Receipts (“IDRs”) and Securitised Debt Instruments (“SDIs”). All these agreements have different

requirements depending on the nature of security. Given the number of disclosure requirements specified in each of these Listing Agreement(s), a need was felt for laying down a regulatory framework for consolidating the listing obligations and disclosure requirements for listed entities across all these securities at one place.

With a view to consolidate and streamline the provisions of existing listing agreements for different segments of the capital market and to align the provision relating to listed entities with the Companies Act 2013, SEBI has notified the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 herein after referred as 'Listing Regulations' on September 2, 2015, after following the consultation process.

The new Listing Regulations have been structured to provide ease of reference by consolidating into one single document across various types of securities listed on the Stock exchanges.

Date of Applicability of the Regulations

SEBI has notified SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations) on **September 2, 2015** after following the consultation process. The Listing Regulations came into force w.e.f. **December 1, 2015**.

Applicability of the Regulations

These regulations shall apply to the listed entity who has listed any of the following designated securities on recognised stock exchange(s):

Applicability	specified securities listed on main board or SME Exchange or Institutional Trading Platform (ITP);
	non-convertible debt securities, non-convertible redeemable preference shares, perpetual debt instrument, perpetual non-cumulative preference shares
	Indian depository receipts (IDRs)
	securitised debt instruments;
	units issued by mutual funds;
	any other securities as may be specified by SEBI.

Meaning of Listed Entity

“Listed Entity” means an entity which has listed, on a recognised 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).

As per the regulations “designated securities” means any of the following securities –

1. **Specified Securities:** Specified securities means ‘equity shares’ and ‘convertible securities’ as defined under clause (zj) of sub-regulation (1) of regulation 2 of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;.
2. **Non-Convertible Debt Securities:** ‘Non-convertible debt securities’ which is ‘debt securities’ as defined under regulation 2(1)(e) of the Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
3. **Non-Convertible Redeemable Preference Shares:** ‘Non-convertible redeemable preference shares’ shall have the same meaning as assigned to them in the Securities and Exchange Board of India (Issue and Listing of Non-Convertible Redeemable Preference Shares) Regulations, 2013.
4. **Perpetual Debt Instrument:** ‘Perpetual debt instrument’ or ‘innovative perpetual debt instrument’ shall have the same meaning as assigned to them in the Securities and Exchange Board of India (Issue and Listing of Non-Convertible Redeemable Preference Shares) Regulations, 2013.
5. **Perpetual Non-Cumulative Preference Shares:** ‘Perpetual non-cumulative preference share’ shall have the same meaning as assigned to them in the Securities and Exchange Board of India (Issue and Listing of Non-Convertible Redeemable Preference Shares) Regulations, 2013.
6. **Indian Depository Receipts:** ‘Indian depository receipts’ means Indian depository receipts as defined in sub-section (48) of section 2 of the Companies Act, 2013.

7. **Securitized Debt Instruments:** 'Securitized debt instruments' as defined in the Securities and Exchange Board of India (Public Offer and Listing of Securitized Debt Instruments) Regulations, 2008.
8. Units issued by mutual funds;
9. Any other securities as may be specified by the SEBI.

Principles Governing Disclosures and Obligations

Regulation 4 of the Listing Regulations, 2015 provides for broad principles for periodic disclosures and for corporate governance by listed entities.

Principles for Periodic Disclosures:

The listed entity which has listed securities shall make disclosures and abide by its obligations under these regulations, in accordance with the following principles:

- ❖ Information shall be prepared and disclosed in accordance with applicable standards of accounting and financial disclosure.
- ❖ 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.
- ❖ The listed entity shall refrain from misrepresentation and ensure that the information provided to recognised stock exchange(s) and investors is not misleading.
- ❖ The listed entity shall provide adequate and timely information to recognised stock exchange(s) and investors.
- ❖ 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.
- ❖ Channels for disseminating information shall provide for equal, timely and cost efficient access to relevant information by investors.
- ❖ The listed entity shall abide by all the provisions of the applicable laws including the securities laws and also such other

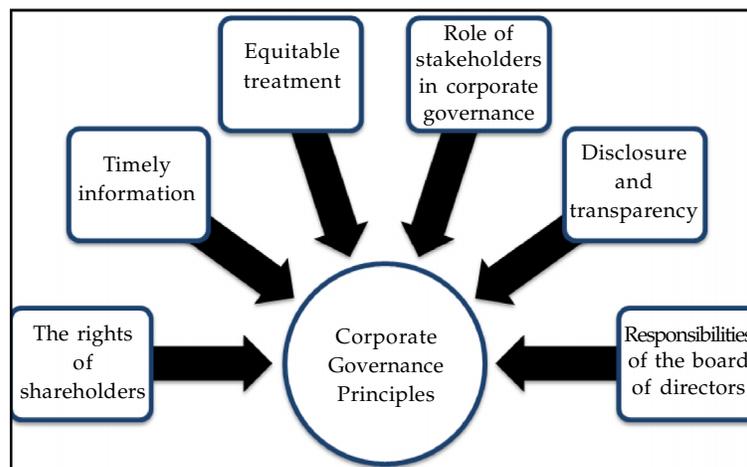
guidelines as may be issued from time to time by SEBI and the recognised stock exchange(s) in this regard and as may be applicable.

- ❖ The listed entity shall make the specified disclosures and follow its obligations in letter and spirit taking into consideration the interest of all stakeholders.
- ❖ Filings, reports, statements, documents and information which are event based or are filed periodically shall contain relevant information.
- ❖ 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.

The above principles for periodic disclosures are based on the principles given by International Organization of Securities Commissions (IOSCO). IOSCO has framed certain principles of disclosures recognizing that disclosure of reliable, timely information contributes to liquid and efficient markets by enabling investors to make investment decisions based on all the information that would be material to their decisions.

Corporate Governance Principles

The listed entity which has listed its specified securities shall comply with the corporate governance provisions as specified 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.

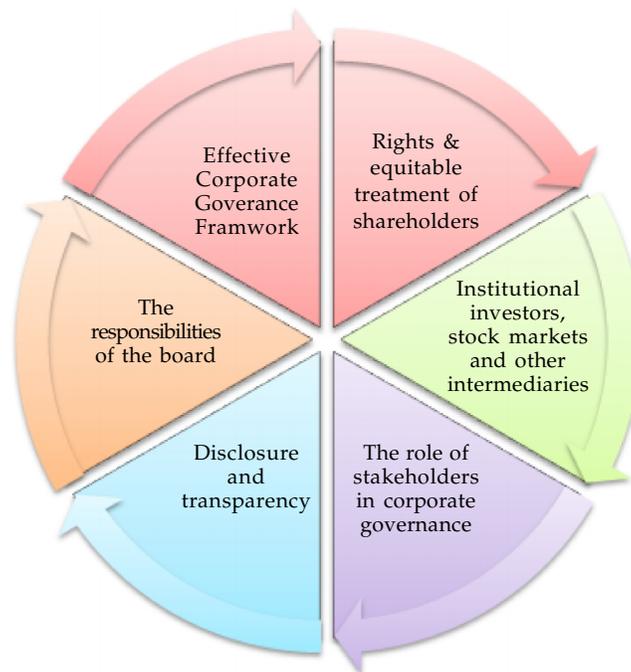
- (4) Aligning key managerial personnel and remuneration of board of directors with the longer term interests of the listed entity and its shareholders.
 - (5) Ensuring a transparent nomination process to the board of directors with the diversity of thought, experience, knowledge, perspective and gender 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.
- (iii) Other responsibilities:
- (1) The board of directors shall provide strategic guidance to the listed entity, ensure effective monitoring of the management and shall be accountable to the listed entity and the shareholders.
 - (2) The board of directors shall set a corporate culture and the values by which executives throughout a group shall behave.
 - (3) Members of the board of directors shall act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the listed entity and the shareholders.

- (4) The board of directors shall encourage continuing directors training to ensure that the members of board of directors are kept up to date.
- (5) Where decisions of the board of directors may affect different shareholder groups differently, the board of directors shall treat all shareholders fairly.
- (6) The board of directors shall maintain high ethical standards and shall take into account the interests of stakeholders.
- (7) The board of directors shall exercise objective independent judgement on corporate affairs.
- (8) The board of directors shall consider assigning a sufficient number of non-executive members of the board of directors capable of exercising independent judgement to tasks where there is a potential for conflict of interest.
- (9) The board of directors shall ensure that, while rightly encouraging positive thinking, these do not result in over-optimism that either leads to significant risks not being recognised or exposes the listed entity to excessive risk.
- (10) The board of directors shall have ability to 'step back' to assist executive management by challenging the assumptions underlying: strategy, strategic initiatives (such as acquisitions), risk appetite, exposures and the key areas of the listed entity's focus.
- (11) When committees of the board of directors are established, their mandate, composition and working procedures shall be well defined and disclosed by the board of directors.
- (12) Members of the board of directors shall be able to commit themselves effectively to their responsibilities.
- (13) In order to fulfil their responsibilities, members of the board of directors shall have access to accurate, relevant and timely information.

- (14) The board of directors and senior management shall facilitate the independent directors to perform their role effectively as a member of the board of directors and also a member of a committee of board of directors.

These principles of corporate governance are based on **The Organisation for Economic Co-operation and Development (OECD)** Principles of Corporate Governance. OECD has set out a framework for good practice which was agreed by the governments of 30 countries that are members of the OECD. They were designed to assist governments and regulatory bodies in both OECD countries and elsewhere in drawing up and enforcing effective rules, regulations and codes of corporate governance. They also provide guidance for stock-exchanges, investors, companies and others that have a role in the process of developing good corporate governance.

Broad principles of Corporate Governance given by OECD are given below:



- **Ensuring the basis for an effective corporate governance framework:** The corporate governance framework should

promote transparent and fair markets, and the efficient allocation of resources. It should be consistent with the rule of law and support effective supervision and enforcement.

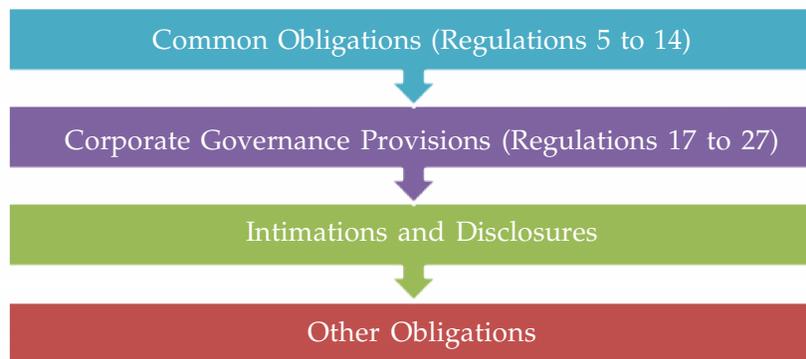
- **The rights and equitable treatment of shareholders and key ownership functions:** The corporate governance framework should protect and facilitate the exercise of shareholders' rights and ensure the equitable treatment of all shareholders, including minority and foreign shareholders. All shareholders should have the opportunity to obtain effective redress for violation of their rights.
- **Institutional investors, stock markets, and other intermediaries:** The corporate governance framework should provide sound incentives throughout the investment chain and provide for stock markets to function in a way that contributes to good corporate governance.
- **The role of stakeholders in corporate governance:** The corporate governance framework should recognise the rights of stakeholders established by law or through mutual agreements and encourage active co-operation between corporations and stakeholders in creating wealth, jobs, and the sustainability of financially sound enterprises.
- **Disclosure and transparency:** The corporate governance framework should ensure that timely and accurate disclosure is made on all material matters regarding the corporation, including the financial situation, performance, ownership, and governance of the company.
- **The responsibilities of the board:** The corporate governance framework should ensure the strategic guidance of the company, the effective monitoring of management by the board, and the board's accountability to the company and the shareholders.

Equity Shares and Convertible Securities

Chapter III of SEBI (LODR) Regulations, 2015 shall apply only to a listed entity which has listed its **Specified Securities** on a recognised stock exchange. **Specified Securities** means 'equity shares' and 'convertible securities' as defined under clause (zj) of sub-regulation

(1) of regulation 2 of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009. As per Regulation 2(1)(zj), **Convertible Security** means a security which is convertible into or exchangeable with equity shares of the issuer at a later date, with or without the option of the holder of the security and includes convertible debt instrument and convertible preference shares.

The listed entities which has listed its specified securities i.e. 'equity shares' and 'convertible securities' on any recognised stock exchange(s) either on the main board or on SME Exchange or on institutional trading platform are required to abide by following obligations –



In this chapter, we will be focusing on obligations pertaining to listed entities which have listed its specified securities i.e. equity shares or convertible securities only.

COMMON OBLIGATIONS UNDER SEBI (LODR), 2015

The Listing regulations has specified the generic obligations or common obligations of listed entity with respect to filing of information, responsibilities of compliance officer, fees etc. and these requirements are applicable to all types of listed securities. The Common Obligations includes:-

General obligation of compliance [Regulation (5)]	Appointment & obligations of Compliance Officer [Regulation (6)]	Appointment of Share Transfer Agent [Regulation (7)]	Co-operation with intermediaries registered with SEBI [Regulation (8)]
Preservation of documents [Regulation (9)]	E-Filing of information [Regulation (10)]	Scheme of Arrangement [Regulation (11)]	Payment of dividend or interest or redemption or repayment [Regulation (12)]
	Grievance Redressal Mechanism [Regulation (13)]	Fees and other charges to be paid to the recognized stock exchange(s) [Regulation (14)]	

General obligation of compliance [Regulation (5)]

The listed entity shall ensure that the key managerial personnel, directors, promoters or any other person dealing with the listed entity complies with responsibilities or obligations, if any, assigned to them under these regulations.

It is observed that the obligations and responsibilities have been extended to any person dealing with the listed entity which would include Secretarial Auditors and Statutory Auditors also. Thus, all the professionals including company secretaries both in employment and practice will have to be more responsible while performing their duties.

Appointment of Compliance Officer [Regulation (6)(1)]

A listed entity shall appoint a qualified **company secretary** as the compliance officer.

Obligations of Compliance officer [Regulation (6)(1)]

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

- ❖ Ensuring conformity with the regulatory provisions applicable to the listed entity in letter and spirit.
- ❖ Co-ordination with and reporting to SEBI, recognised stock exchange(s) and depositories with respect to compliance with rules, regulations and other directives of these authorities in manner as specified from time to time.
- ❖ Ensuring that the correct procedures have been followed that would result in the correctness, authenticity and

comprehensiveness of the information, statements and reports filed by the listed entity under these regulations.

- ❖ Monitoring e-mail address of grievance redressal division as designated by the listed entity for the purpose of registering complaints by investors.

Appointment of Share Transfer Agent [Regulation (7)]

- ❖ The listed entity shall appoint a share transfer agent or manage the share transfer facility in-house.

However, in the case of in-house share transfer facility, as and when the total number of holders of securities of the listed entity exceeds one lakh, the listed entity shall either register with SEBI as a Category II share transfer agent or appoint Registrar to an issue and share transfer agent registered with SEBI.

- ❖ The listed entity shall ensure 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.
- ❖ 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 compliance with the requirements of sub- regulation (2).
- ❖ In case of any change or appointment of a new share transfer agent, the listed entity shall enter into a tripartite agreement between the existing share transfer agent, the new share transfer agent and the listed entity, in the manner as specified by SEBI from time to time.

However, in case the existing share transfer facility is managed in-house, the agreement referred above shall be entered into between the listed entity and the new share transfer agent.

- ❖ The listed entity shall intimate such appointment, to the stock exchange(s) within seven days of entering into the agreement.
- ❖ The agreement discussed above shall be placed in the subsequent meeting of the board of directors.

However, the requirements of this regulation shall not be applicable to the units issued by mutual funds that are listed on recognised stock exchange(s).

Co-operation with intermediaries registered with SEBI [Regulation (8)]

The listed entity, wherever applicable, shall co-operate with and submit correct and adequate information to the intermediaries registered with SEBI such as credit rating agencies, registrar to an issue and share transfer agents, debenture trustees etc., within timelines and procedures specified under the Act, regulations and circulars issued there under.

Preservation of documents [Regulation (9)]

The listed entity shall have a policy for preservation of documents, approved by its board of directors, classifying them in at least two categories as follows –

- (a) documents whose preservation shall be permanent in nature;
- (b) documents with preservation period of not less than eight years after completion of the relevant transactions.

The documents specified in clause (a) and (b) above may be preserved in electronic mode.

E-Filing of information [Regulation (10)]

The listed entity shall put in place infrastructure for filing of the reports, statements, documents, filings and any other information with the recognised stock exchange(s) on the electronic platform as specified by SEBI or the recognised stock exchange(s). Therefore, all the reports, statements and documents will now be filed electronically. Physical filing has been totally eliminated now.

Pursuant to this regulation, BSE has mandated the Listing Centre as the “Electronic Platform” for filing all filings and communication to be carried out by the Company.

The Bombay Stock Exchange has also launched a facility of XBRL based reporting for shareholding pattern in June 2015 and has recently extended it for reporting of Financial Results. BSE is providing a free Excel Utility to the companies listed on BSE. Users will be required to fill in data in the Excel utility available on BSE ‘Listing Centre’ which will generate the Financial Results in XBRL format after due validations. The Financial Results are required to be filed online through the ‘Listing Centre’. BSE would be introducing XBRL filing facility for submissions under other relevant Clauses of the Listing Agreement also.

Scheme of Arrangement [Regulation (11)]

The listed entity shall ensure that any scheme of arrangement/ amalgamation/merger /reconstruction /reduction of capital etc. to be presented to any Court or Tribunal does not in any way violate, override or limit the provisions of securities laws or requirements of the stock exchange(s). However, exemption to this regulation is granted by way of circular issued by SEBI on November 30, 2015. SEBI had revised such exemption on March 10, 2017 and also made clarification related to “record date” on March 23, 2017.

1. SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred to as “listing regulations”) place obligations with respect to Scheme of Arrangement on Listed Entities and Stock Exchange(s) in Regulation 11, 37 and 94.
2. Regulation 11 of the listing regulations, *inter-alia*, provides that any scheme of arrangement/amalgamation/merger/reconstruction/reduction of capital etc. to be presented to any Court or Tribunal does not in any way violate, override or limit the provisions of securities laws or requirements of the Stock Exchanges. Regulation 37 of listing regulations provides that the listed entities desirous of undertaking scheme of arrangement or involved in a scheme of arrangement shall file the draft scheme with Stock Exchange(s) for obtaining Observation Letter or No-objection Letter, before filing such scheme with any court or Tribunal. Regulation 94 of the listing regulations requires Stock Exchanges to forward such draft schemes to SEBI in the manner prescribed by SEBI.
3. SEBI Circular No. CIR/CFD/CMD/16/2015 dated November 30, 2015 lays down the detailed requirements to be complied with by listed entities while undertaking schemes of arrangements.
4. Sub-rule (7) of rule 19 of the Securities Contracts (Regulation) Rules, 1957 (hereinafter referred to as “the SCRR”) provides that Securities and Exchange Board of India (SEBI) may, at its own discretion or on the recommendation of a recognised Stock Exchange, waive or relax the strict enforcement of any or all of the requirements with respect to listing prescribed by these rules.
5. In consultation with the stock exchanges and market participants, it has been decided to revise the regulatory framework for such

schemes of arrangement. Certain regulations as mentioned in this circular have been amended. The details of revised requirements to be complied with are given in Annexure-I.

6. **Applicability:** The schemes filed after the date of this circular shall be governed under this circular. The Schemes already submitted to the stock exchange in terms of SEBI Circular No. CIR/CFD/CMD/16/2015 dated November 30, 2015, shall be governed by the requirements specified in that circular.

Payment of dividend or interest or redemption or repayment [Regulation 12]

The listed entity shall use any of the electronic mode of payment facility approved by the Reserve Bank of India, in the manner specified in Schedule I of the regulations, for the payment of the following:

- ❖ Dividends;
- ❖ Interest;
- ❖ Redemption or repayment amounts.

However, where it is not possible to use electronic mode of payment, 'payable at par' warrants or cheque may be issued. Further that where the amount payable as dividend exceeds one thousand and five hundred rupees, the payable at par warrants or cheque shall be sent by speed post.

Grievance Redressal Mechanism [Regulation (13)]

- ❖ The listed entity shall ensure that adequate steps are taken for expeditious redressal of investor complaints.
- ❖ The listed entity shall ensure that it is registered on the SCORES platform or such other electronic platform or system of SEBI as shall be mandated from time to time, in order to handle investor complaints electronically in the manner specified by SEBI.
- ❖ The listed entity shall file with the recognised stock exchange(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.

- ❖ The statement as specified above shall be placed, on quarterly basis, before the board of directors of the listed entity.

Fees and other charges to be paid to the recognized stock exchange(s) [Regulation (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).

CORPORATE GOVERNANCE UNDER SEBI (LODR), 2015

The listed entities which has listed its specified securities on any recognised stock exchange(s) either on the main board or on SME Exchange or on institutional trading platform has to comply with certain corporate governance provisions which are specified in Regulations 17 to 27 of the Listing Regulations.



Exceptions

Regulation 15(2) of the Listing Regulations, the compliance with the

corporate governance provisions as specified in Regulations 17 to 27 and clauses (b) to (i) of Regulation 46(2) and para C, D and E of Schedule V shall not apply, in respect of following –

1. The listed entity having:-
 - paid up equity share capital not exceeding rupees 10 crore and
 - net worth not exceeding rupees 25 crore, as on the last day of the previous financial year.

(If the provisions of the regulations become applicable to a listed entity at a later date, such listed entity shall comply with the requirements those regulations within six months from the date on which the provisions became applicable to the listed entity.)

2. The listed entity which has listed its specified securities on the SME Exchange.

(For other listed entities which are not companies, but body corporate or are subject to regulations under other statues, the provisions shall apply to the extent that it does not violate their respective statutes and guidelines or directives issued by the relevant authorities.)

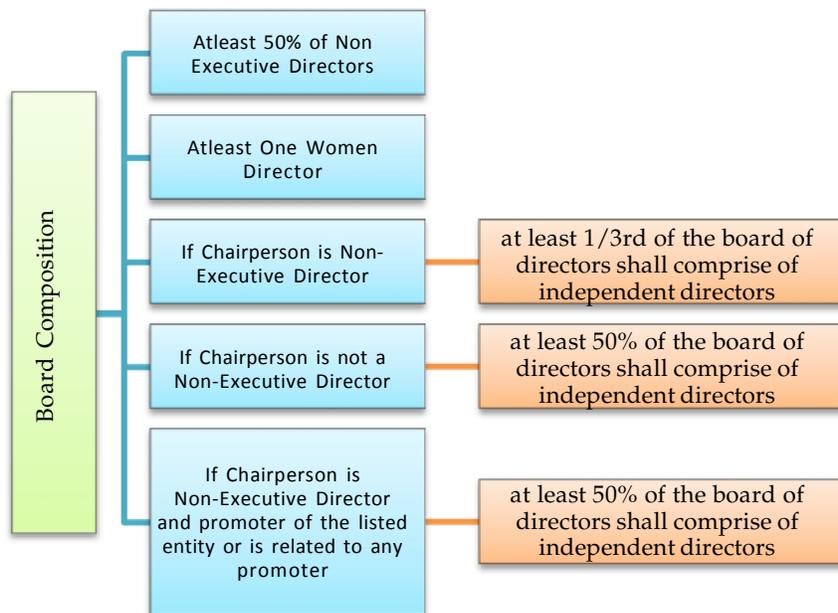
Notwithstanding, any provisions under Regulation 15(2) stated above, the provisions of Companies Act, 2013 shall continue to apply, wherever applicable.

Board Composition [Regulation 17(1)]

The composition of board of directors of the listed entity shall be as follows:

- Board of directors shall have an optimum combination of executive and non-executive directors with at least one woman director and
- At least 50% of the board of directors shall comprise of non-executive directors.
- If the chairperson of the board of directors is a non-executive director, at least 1/3rd of the board of directors shall comprise of independent directors.

- If the chairperson of the board of directors is not a non-executive director, at least 50% of the board of directors shall comprise of independent directors.
- If the regular non-executive chairperson is a promoter of the listed entity or is related to any promoter or person occupying management positions at the level of board of director or at one level below the board of directors, at least 50% of the board of directors of the listed entity shall consist of independent directors.



Frequency of Board Meeting [Regulation 17(2)]

The board of directors shall meet:-

- At least 4 board meeting;
- Maximum gap between two meetings 120 days.

Duties/Obligations of Board of Directors

- The board of directors shall periodically review compliance reports pertaining to all laws applicable to the listed entity, prepared by the listed entity as well as steps taken by the listed entity to rectify instances of non-compliances. **[Regulation 17(3)]**

- The board of directors of the listed entity shall satisfy itself that plans are in place for orderly succession for appointment to the board of directors and senior management. **[Regulation 17(4)]**
- The board of directors shall lay down a code of conduct for all members of board of directors and senior management of the listed entity which shall suitably incorporate the duties of independent directors as laid down in the Companies Act, 2013. **[Regulation 17(5)]**
- The board of directors shall recommend all fees or compensation, if any, paid to non-executive directors, including independent directors after taking approval of shareholders in general meeting. However the requirement of obtaining approval of shareholders in general meeting shall not apply to payment of sitting fees to non-executive directors, if made within the limits prescribed under the Companies Act, 2013 for payment of sitting fees without approval of the Central Government. The approval of shareholders mentioned shall also specify the limits for the maximum number of stock options that may be granted to non-executive directors, in any financial year and in aggregate. Independent directors shall not be entitled to any stock option. **[Regulation 17(6)]**
- The minimum information to be placed before the board of directors is specified in Part A of Schedule II. **[Regulation 17(7)]**
- The chief executive officer and the chief financial officer shall provide the compliance certificate to the board of directors as specified in Part B of Schedule II. **[Regulation 17(8)]**
- The board of directors shall be responsible for framing, implementing and monitoring the risk management plan for the listed entity. However, the listed entity shall lay down procedures to inform members of board of directors about risk assessment and minimization procedures. **[Regulation 17(9)]**
- The entire board of directors shall do the performance evaluation of independent directors, provided that in the evaluation process, the directors who are subject to evaluation shall not participate. **[Regulation 17(10)]**

Definition of an Independent Director

According to regulation 16(1) (b) of the Listing Regulations, an

“independent director” means a non-executive director, other than a nominee director of the listed entity -

- (i) who, in the opinion of the board of directors, is a person of integrity and possesses relevant expertise and experience;
- (ii) who is or was not a promoter of the listed entity or its holding, subsidiary or associate company;
- (iii) who is not related to promoters or directors in the listed entity, its holding, subsidiary or associate company;
- (iv) who, apart from receiving director’s remuneration, has or had no material pecuniary relationship with the listed entity, its holding, subsidiary or associate company, or their promoters, or directors, during the two immediately preceding financial years or during the current financial year;
- (v) none of whose relatives has or had pecuniary relationship or transaction with the listed entity, its holding, subsidiary or associate company, or their promoters, or directors, amounting to two per cent or more of its gross turnover or total income or Rs. 50 lakh or such higher amount as may be prescribed from time to time, whichever is lower, during the two immediately preceding financial years or during the current financial year;
- (vi) who, neither himself, nor whose relative(s) holds or has held the position of a key managerial personnel or is or has been an employee of the listed entity or its holding, subsidiary or associate company in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed;
- (vii) who, neither himself, nor whose relative(s) is or has been an employee or proprietor or a partner, in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed, of –
 - a firm of auditors or company secretaries in practice or cost auditors of the listed entity or its holding, subsidiary or associate company; or
 - any legal or a consulting firm that has or had any transaction with the listed entity, its holding, subsidiary

or associate company amounting to ten per cent or more of the gross turnover of such firm;

- (viii) who, neither himself, nor whose relative(s) holds together with his relatives 2% or more of the total voting power of the listed entity; or
- (ix) who, neither himself, nor whose relative(s) is a chief executive or director, by whatever name called, of any non-profit organisation that receives twenty-five per cent or more of its receipts or corpus from the listed entity, any of its promoters, directors or its holding, subsidiary or associate company or that holds two per cent or more of the total voting power of the listed entity;
- (x) who, neither himself, nor whose relative(s) is a material supplier, service provider or customer or a lessor or lessee of the listed entity;
- (xi) who is not less than 21 years of age.

Meaning of “related to any promoter”

- (i) if the promoter is a listed entity, its directors other than the independent directors, its employees or its nominees shall be deemed to be related to it;
- (ii) if the promoter is an unlisted entity, its directors, its employees or its nominees shall be deemed to be related to it.

Board Committees under Listing Regulations



Audit Committee

Constitution of Audit Committee

Every listed entity shall constitute a qualified and independent audit committee in accordance with its terms of reference, subject to the following conditions: [**Regulation 18(1)**]



Note:

- “Financially literate” shall mean the ability to read and understand basic financial statements i.e. balance sheet, profit and loss account, and statement of cash flows.
- A member shall be considered to have accounting or related financial management expertise if he or she possesses experience in finance or accounting, or requisite professional certification in accounting, or any other comparable experience or background which results in the individual’s financial sophistication, including being or having been a CEO, CFO or other senior officer with financial oversight responsibilities.

Number of Meetings

The audit committee shall meet at least four times in a year and not more than one hundred and twenty days shall elapse between two meetings. **[Regulation 18(2) (a)]**

Quorum

The quorum for audit committee meeting shall either be:-

- 2 members or
- 1/3rd of the members of the audit committee, whichever is greater; and
- with atleast 2 independent directors. **[Regulation 18(2)(b)]**

The requirement of minimum 2 independent directors in the meeting of Audit Committee is new provision which must be complied by all the listed entities.

Powers of Audit Committee

The audit committee shall have powers to investigate any activity within its terms of reference, seek information from any employee, obtain outside legal or other professional advice and secure attendance of outsiders with relevant expertise, if it considers necessary. **[Regulation 18(2) (c)]**

Role of Audit Committee **[Regulation 18(3)]**

The role of the audit committee **and the information to be reviewed by it** shall include the following (Part C of Schedule II) -

- i. oversight of the listed entity's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;
- ii. recommendation for appointment, remuneration and terms of appointment of auditors of the listed entity;
- iii. approval of payment to statutory auditors for any other services rendered by the statutory auditors;
- iv. reviewing, with the management, the annual financial statements and auditor's report thereon before submission to the board for approval, with particular reference to:
 - a) matters required to be included in the director's responsibility statement to be included in the board's report in terms of clause (c) of sub-section (3) of Section 134 of the Companies Act, 2013;
 - b) changes, if any, in accounting policies and practices and reasons for the same;
 - c) major accounting entries involving estimates based on the exercise of judgment by management;
 - d) significant adjustments made in the financial statements arising out of audit findings;
 - e) compliance with listing and other legal requirements relating to financial statements;
 - f) disclosure of any related party transactions;
 - g) modified opinion(s) in the draft audit report;
- v. reviewing, with the management, the quarterly financial statements before submission to the board for approval;
- vi. reviewing, with the management, the statement of uses/ application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document/ prospectus/notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the board to take up steps in this matter;
- vii. reviewing and monitoring the auditor's independence and

- performance, and effectiveness of audit process;
- viii. approval or any subsequent modification of transactions of the listed entity with related parties;
 - ix. scrutiny of inter-corporate loans and investments;
 - x. evaluation of undertakings or assets of the listed entity, wherever it is necessary;
 - xi. evaluation of internal financial controls and risk management systems;
 - xii. reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems;
 - xiii. reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;
 - xiv. discussion with internal auditors of any significant findings and follow up there on;
 - xv. reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board;
 - xvi. discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;
 - xvii. to look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors;
 - xviii. to review the functioning of the whistle blower mechanism;
 - xix. approval of appointment of chief financial officer after assessing the qualifications, experience and background, etc. of the candidate;
 - xx. Carrying out any other function as is mentioned in the terms of reference of the audit committee.

Information to be reviewed by the Audit Committee [Regulation 18(3)]

The audit committee shall mandatorily review the following

information: (Part C of Schedule II)

- management discussion and analysis of financial condition and results of operations;
- statement of significant related party transactions (as defined by the audit committee), submitted by management;
- management letters/letters of internal control weaknesses issued by the statutory auditors;
- internal audit reports relating to internal control weaknesses; and
- the appointment, removal and terms of remuneration of the chief internal auditor shall be subject to review by the audit committee.
- statement of deviations:
 - a) Quarterly statement of deviation(s) including report of monitoring agency, if applicable, submitted to stock exchange(s) in terms of Regulation 32(1).
 - b) Annual statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice in terms of Regulation 32(7).

Nomination and Remuneration Committee

Constitution of Nomination and Remuneration Committee

SEBI shall constitute the Nomination and Remuneration Committee as follows: [**Regulation 19(1)**]

the committee shall comprise of at least 3 directors

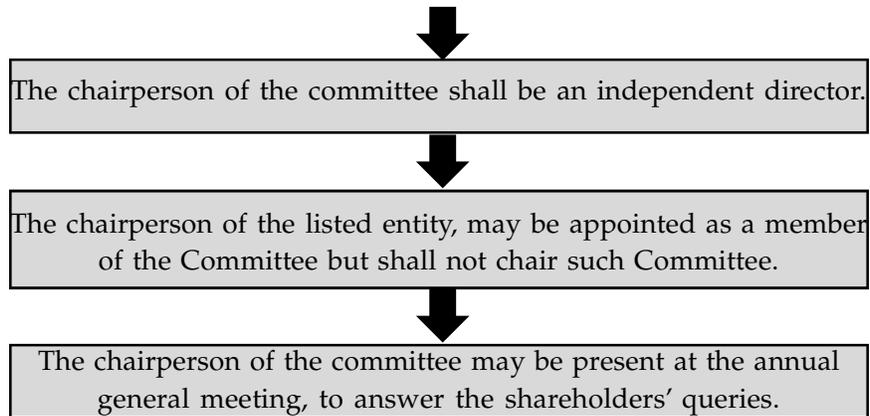


all directors of the committee shall be non-executive directors; and



at least 50% of the directors shall be independent directors.





Role of Nomination and Remuneration Committee [Regulation 19(4)]

The role of the Nomination and Remuneration committee shall include the following - (Part D, Schedule II)

- (1) formulation of the criteria for determining qualifications, positive attributes and independence of a director and recommend to the board of directors a policy relating to, the remuneration of the directors, key managerial personnel and other employees;
- (2) formulation of criteria for evaluation of performance of independent directors and the board of directors;
- (3) devising a policy on diversity of board of directors;
- (4) identifying persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, and recommend to the board of directors their appointment and removal.
- (5) whether to extend or continue the term of appointment of the independent director, on the basis of the report of performance evaluation of independent directors.

Stakeholders Relationship Committee [Regulation 20]

- The listed entity shall constitute a Stakeholders Relationship Committee to specifically look into the mechanism of redressal of grievances of shareholders, debenture holders and other security holders.

- The board of directors shall decide other members of this committee.
- The chairperson of the committee shall be a non-executive director.
- The role of the Stakeholders Relationship Committee shall be to consider and resolve the grievances of the security holders of the listed entity including complaints related to transfer of shares, non-receipt of annual report and non-receipt of declared dividends. **[Part D of Schedule II]**

Risk Management Committee [Regulation 21]

- The board of directors shall constitute a Risk Management Committee.
- The majority of members of Risk Management Committee shall consist of members of the board of directors.
- The Chairperson of the Risk management committee shall be a member of the board of directors and senior executives of the listed entity may be members of the committee.
- The board of directors shall define the role and responsibility of the Risk Management Committee and may delegate monitoring and reviewing of the risk management plan to the committee and such other functions as it may deem fit.
- The provisions of this regulation shall be applicable to top 100 listed entities, determined on the basis of market capitalisation, as at the end of the immediate previous financial year.

Vigil Mechanism [Regulation 22]

- The listed entity shall formulate a vigil mechanism for directors and employees to report genuine concerns.
- The vigil mechanism shall provide for adequate safeguards against victimization of director(s) or employee(s) or any other person who avail the mechanism.
- The vigil mechanism shall also provide for direct access to the chairperson of the audit committee in appropriate or exceptional cases.

Related Party Transactions [Regulation 23]*Related Party Definitions under Different laws**Under Listing Regulations, 2015*

Regulation 2(1) (zb) defines “related party” means a related party as defined under sub-section (76) of section 2 of the Companies Act, 2013 or under the applicable accounting standards.

Under Companies Act, 2013

According to section 2 (76) “related party”, with reference to a company, means –

- (i) a director or his relative;
- (ii) a key managerial personnel or his relative;
- (iii) a firm, in which a director, manager or his relative is a partner;
- (iv) a private company in which a director or manager or his relative is a member or director;
- (v) a public company in which a director and manager is a director and holds along with his relatives, more than two per cent of its paid-up share capital;
- (vi) anybody corporate whose Board of Directors, managing director or manager is accustomed to act in accordance with the advice, directions or instructions of a director or manager;
- (vii) any person on whose advice, directions or instructions a director or manager is accustomed to act;

However, nothing in sub-clauses (vi) and (vii) shall apply to the advice, directions or instructions given in a professional capacity;

- (viii) any company which is –
 - (A) a holding, subsidiary or an associate company of such company; or
 - (B) a subsidiary of a holding company to which it is also a subsidiary;

- (ix) such other person as may be prescribed.

Policy on materiality of related party transactions

The listed entity shall formulate a policy on materiality of related party transactions and on dealing with related party transactions.

When will a transaction with a related party be material?

A transaction with a related party shall be considered material if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds 10% of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity.

Approval of Audit Committee

All related party transactions shall require prior approval of the audit committee.

Omnibus Approval: Audit committee may grant omnibus approval for related party transactions proposed to be entered into by the listed entity subject to the following conditions –

- (a) the audit committee shall lay down the criteria for granting the omnibus approval in line with the policy on related party transactions of the listed entity and such approval shall be applicable in respect of transactions which are repetitive in nature;
- (b) the audit committee shall satisfy itself regarding the need for such omnibus approval and that such approval is in the interest of the listed entity;
- (c) the omnibus approval shall specify:
 - (i) the name(s) of the related party, nature of transaction, period of transaction, maximum amount of transactions that shall be entered into,
 - (ii) the indicative base price/current contracted price and the formula for variation in the price if any; and
 - (iii) such other conditions as the audit committee may deem fit provided where the need for related party transaction cannot

be foreseen and aforesaid details are not available, audit committee may grant omnibus approval for such transactions subject to their value not exceeding rupees one crore per transaction.

- (d) the audit committee shall review, at least on a quarterly basis, the details of related party transactions entered into by the listed entity pursuant to each of the omnibus approvals given.
- (e) Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year:

Approval of the shareholders

All material related party transactions shall require approval of the shareholders through resolution and the related parties shall abstain from voting on such resolutions whether the entity is a related party to the particular transaction or not.

Exceptions

The approval of Audit committee and shareholders shall not be required in the following cases:

- (a) transactions entered into between two government companies;
- (b) transactions entered into between a holding company and its wholly owned subsidiary whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval.

“Government Company(ies) means Government Company as defined in sub-section (45) of section 2 of the Companies Act, 2013.

Other provisions

- The provisions of this regulation shall be applicable to all prospective transactions.
- For the purpose of this regulation, all entities falling under the definition of related parties shall abstain from voting irrespective of whether the entity is a party to the particular transaction or not.

- All existing material related party contracts or arrangements entered into prior to the date of notification of these regulations and which may continue beyond such date shall be placed for approval of the shareholders in the first General Meeting subsequent to notification of these regulations.

Corporate Governance requirements with respect to Subsidiary of Listed Entity

Regulation 24 of listing regulations provides for the following corporate governance requirements with respect to subsidiary of listed entity –

- (1) At least one independent director on the board of directors of the listed entity shall be a director on the board of directors of an unlisted material subsidiary, incorporated in India.
- (2) The audit committee of the listed entity shall also review the financial statements, in particular, the investments made by the unlisted subsidiary.
- (3) The minutes of the meetings of the board of directors of the unlisted subsidiary shall be placed at the meeting of the board of directors of the listed entity.
- (4) The management of the unlisted subsidiary shall periodically bring to the notice of the board of directors of the listed entity, a statement of all significant transactions and arrangements entered into by the unlisted subsidiary.

Explanation. – For the purpose of this regulation, the term “significant transaction or arrangement” shall mean any individual transaction or arrangement that exceeds or is likely to exceed ten percent of the total revenues or total expenses or total assets or total liabilities, as the case may be, of the unlisted material subsidiary for the immediately preceding accounting year.

- (5) A listed entity shall not dispose of shares in its material subsidiary resulting in reduction of its shareholding (either on its own or together with other subsidiaries) to less than fifty percent or cease the exercise of control over the subsidiary without passing a special resolution in its General Meeting except in cases where such divestment is made under a scheme of arrangement duly approved by a Court/Tribunal.

- (6) Selling, disposing and leasing of assets amounting to more than twenty percent of the assets of the material subsidiary on an aggregate basis during a financial year shall require prior approval of shareholders by way of special resolution, unless the sale/disposal/lease is made under a scheme of arrangement duly approved by a Court/Tribunal.
- (7) Where a listed entity has a listed subsidiary, which is itself a holding company, the provisions of this regulation shall apply to the listed subsidiary in so far as its subsidiaries are concerned.

Obligations With Respect To Independent Directors [Regulation 25]

Maximum number of listed entities in which one can serve as Independent Director

- A person shall not serve as an independent director in more than 7 listed entities.
- If any person who is serving as a whole time director in any listed entity shall serve as an independent director in not more than 3 listed entities.

Tenure of Independent Directors

The maximum tenure of independent directors shall be in accordance with the Companies Act, 2013 and rules made thereunder, in this regard, from time to time.

Separate meeting of Independent directors

The independent directors of the listed entity shall hold at least one meeting in a year, without the presence of non-independent directors and members of the management and all the independent directors shall strive to be present at such meeting. The independent directors in this meeting shall, inter alia-

- (a) review the performance of non-independent directors and the board of directors as a whole;
- (b) review the performance of the chairperson of the listed entity, taking into account the views of executive directors and non-executive directors;

- (c) assess the quality, quantity and timeliness of flow of information between the management of the listed entity and the board of directors that is necessary for the board of directors to effectively and reasonably perform their duties.

Liability of Independent directors

An independent director shall be held liable, only in respect of such acts of omission or commission by the listed entity which had occurred with his knowledge, attributable through processes of board of directors, and with his consent or connivance or where he had not acted diligently with respect to the provisions contained in these regulations.

Appointment of new Independent director on removal or resignation of existing director

An independent director who resigns or is removed from the board of directors of the listed entity shall be replaced by a new independent director by listed entity at the earliest but not later than the immediate next meeting of the board of directors or 3 months from the date of such vacancy, whichever is later.

If the listed entity fulfils the requirement of independent directors in its board of directors without filling the vacancy created by such resignation or removal, the requirement of replacement by a new independent director shall not apply.

Therefore, a listed entity must maintain the minimum number of Independent directors in its board in case of removal or resignation of any director at the earliest but not later than 3 months of such resignation or removal.

Familiarisation programmes for Independent directors

The listed entity shall familiarise the independent directors through various programmes about the listed entity, including the following:

- (a) nature of the industry in which the listed entity operates;
- (b) business model of the listed entity;
- (c) roles, rights, responsibilities of independent directors; and
- (d) any other relevant information.

Obligations With Respect To Employees Including Senior Management, Key Managerial Persons, Directors and Promoters [Regulation 26]

- (1) A director shall not be a member in more than ten committees or act as chairperson of more than five committees across all listed entities in which he is a director which shall be determined as follows:
 - (a) the limit of the committees on which a director may serve in all public limited companies, whether listed or not, shall be included and all other companies including private limited companies, foreign companies and companies under Section 8 of the Companies Act, 2013 shall be excluded;
 - (b) For the purpose of determination of limit, chairpersonship and membership of the audit committee and the Stakeholders' Relationship Committee alone shall be considered.
- (2) Every director shall inform the listed entity about the committee positions he or she occupies in other listed entities and notify changes as and when they take place.
- (3) All members of the board of directors and senior management personnel shall affirm compliance with the code of conduct of board of directors and senior management on an annual basis.
- (4) Non-executive directors shall disclose their shareholding, held either by them or on a beneficial basis for any other persons in the listed entity in which they are proposed to be appointed as directors, in the notice to the general meeting called for appointment of such director
- (5) Senior management shall make disclosures to the board of directors relating to all material, financial and commercial transactions, where they have personal interest that may have a potential conflict with the interest of the listed entity at large.

Explanation – For the purpose of this sub-regulation, conflict of interest relates to dealing in the shares of listed entity, commercial dealings with bodies, which have shareholding of management and their relatives etc.

- (6) No employee including key managerial personnel or director or promoter of a listed entity shall enter into any agreement for himself or on behalf of any other person, with any shareholder or any other third party with regard to compensation or profit sharing in connection with dealings in the securities of such listed entity, unless prior approval for the same has been obtained from the Board of Directors as well as public shareholders by way of an ordinary resolution.

However, if such agreement, whether subsisting or expired, entered during the preceding three years from the date of coming into force of this sub-regulation, shall be disclosed to the stock exchanges for public dissemination. Further that subsisting agreement, if any, as on the date of coming into force of this sub-regulation shall be placed for approval before the Board of Directors in the forthcoming Board meeting.

Additionally if the Board of Directors approve such agreement, the same shall be placed before the public shareholders for approval by way of an ordinary resolution in the forthcoming general meeting. All interested persons involved in the transaction covered under the agreement shall abstain from voting in the general meeting.

Explanation – For the purposes of this sub-regulation, ‘interested person’ shall mean any person holding voting rights in the listed entity and who is in any manner, whether directly or indirectly, interested in an agreement or proposed agreement, entered into or to be entered into by such a person or by any employee or key managerial personnel or director or promoter of such listed entity with any shareholder or any other third party with respect to compensation or profit sharing in connection with the securities of such listed entity.

Discretionary Corporate Governance Requirements [Regulation 27 (1)]

The listed entity may, at its discretion, comply with following requirements as specified in Part E of Schedule II. [Regulation 27(1)]

- A. The Board: A non-executive chairperson may be entitled to maintain a chairperson’s office at the listed entity’s expense and also allowed reimbursement of expenses incurred in performance of his duties.

- B. Shareholder Rights: A half-yearly declaration of financial performance including summary of the significant events in last six-months, may be sent to each household of shareholders.
- C. Modified opinion(s) in audit report: The listed entity may move towards a regime of financial statements with unmodified audit opinion.
- D. Separate posts of chairperson and chief executive officer: The listed entity may appoint separate persons to the post of chairperson and managing director or chief executive officer.
- E. Reporting of internal auditor: The internal auditor may report directly to the audit committee.

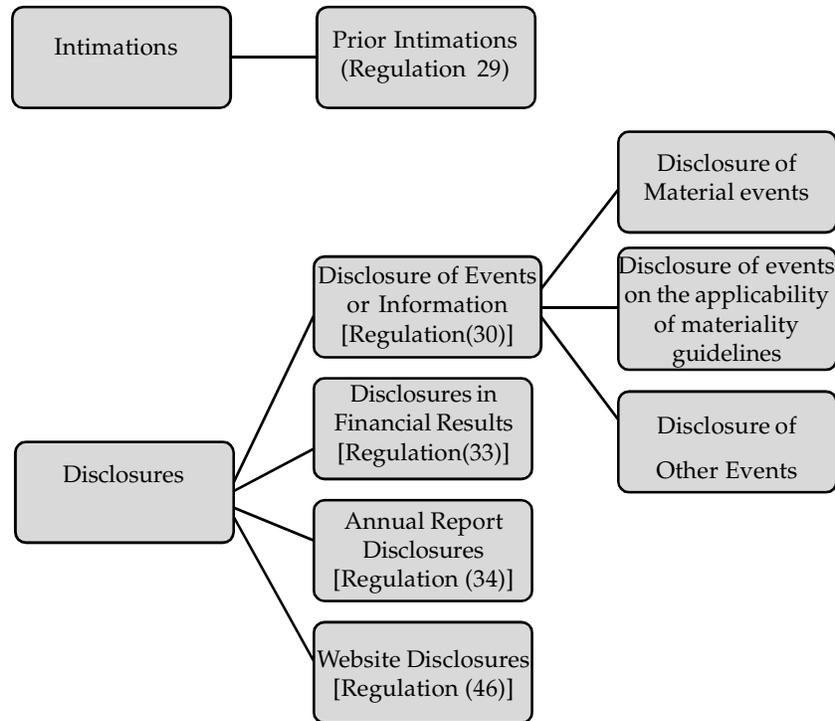
Quarterly Compliance Report on Corporate Governance [Regulation 27(2)]

- The listed entity shall submit a quarterly compliance report on corporate governance in the format as specified in '*Annexure B*' within fifteen days from close of the quarter.
- The Report shall also include details of all material transactions with related parties.
- The report shall be signed either by the compliance officer or the chief executive officer of the listed entity.

The Compliance report on Corporate Governance has been changed from checkbox format to detailed report. It is compulsory for companies to submit the details of Board Meetings and Audit Committee quarterly. For other committees it has been made optional.

INTIMATIONS AND DISCLOSURES UNDER SEBI (LODR), 2015

Under SEBI (Listing Obligations Disclosure Regulations), 2015, there are certain intimations and disclosures which are required to be made to the stock exchanges for the timely and accurate dissemination of the information to all the stakeholders. The listed entities which have listed its specified securities on any recognised stock exchange(s) either on the main board or on SME Exchange or on institutional trading platform are required to make following intimations and disclosures.



PRIOR INTIMATIONS (Regulation 29)

The listed entity shall give prior intimation to stock exchange about the meeting of the board of directors in the following manner-

- A. At least two working days in advance, excluding the date of the intimation and date of the meeting in which any of the following proposals is due to be considered-
 - ❖ proposal for buyback of securities;
 - ❖ proposal for voluntary delisting by the listed entity from the stock exchange(s);
 - ❖ 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;
 - ❖ 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;
- ❖ 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.
- B. At least five days in advance excluding the date of the intimation and date of the meeting in which following proposal is due to be considered-
- ❖ financial results viz. quarterly, half yearly, or annual, as the case may be; (the intimation shall include the date of such meeting of board of directors also)
- C. At least eleven working days before any of the following proposal is placed before the board of directors -
- ❖ 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.
 - ❖ 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)]

A. Disclosure of Material Events

Regulation 30(1) and (2) of the Listing Regulations specifies that every listed entity shall make disclosures upon occurrence of following events or information which are deemed to be material events as per Part 'A' of Schedule III. These events or information should be disclosed as soon as reasonably possible and not later than 24 hours from the occurrence of event or information. In case the disclosure is made after 24 hours of occurrence of the event or information, the listed entity shall, along with such disclosures provide explanation for delay.

- (i) Acquisition(s) (including agreement to acquire), Scheme of Arrangement (amalgamation/merger/demerger restructuring), or sale or disposal of any unit(s), division(s) or subsidiary of the listed entity or any other restructuring;

- (ii) Issuance or forfeiture of securities, split or consolidation of shares, buyback of securities, any restriction on transferability of securities or alteration in terms or structure of existing securities including forfeiture, reissue of forfeited securities, alteration of calls, redemption of securities etc.;
- (iii) Revision in Rating(s);
- (iv) Agreements (viz. shareholder agreement(s), joint venture agreement(s), family settlement agreement(s) (to the extent that it impacts management and control of the listed entity), agreement(s)/treaty(ies)/contract(s) with media companies) which are binding and not in normal course of business, revision(s) or amendment(s) and termination(s) thereof;
- (v) Fraud/defaults by promoter or key managerial personnel or by listed entity or arrest of key managerial personnel or promoter;
- (vi) Change in directors, key managerial personnel (Managing Director, Chief Executive Officer, Chief Financial Officer , Company Secretary etc.), Auditor and Compliance Officer;
- (vii) Appointment or discontinuation of share transfer agent;
- (viii) Corporate debt restructuring;
- (ix) One time settlement with a bank;
- (x) Reference to BIFR and winding-up petition filed by any party/ creditors;
- (xi) Issuance of Notices, call letters, resolutions and circulars sent to shareholders, debenture holders or creditors or any class of them or advertised in the media by the listed entity;
- (xii) Proceedings of Annual and extraordinary general meetings of the listed entity;
- (xiii) Amendments to memorandum and articles of association of listed entity, in brief;
- (xiv) Schedule of Analyst or institutional investor meet and presentations on financial results made by the listed entity to analysts or institutional investors.

The listed entity shall disclose to the Stock Exchange(s), outcome of

Meetings of the board of directors **within 30 minutes of the closure of the meeting**, held to consider the following:

- (i) dividends and/or cash bonuses recommended or declared or the decision to pass any dividend and the date on which dividend shall be paid/dispatched;
- (ii) any cancellation of dividend with reasons thereof;
- (iii) the decision on buyback of securities;
- (iv) the decision with respect to fund raising proposed to be undertaken;
- (v) increase in capital by issue of bonus shares through capitalization including the date on which such bonus shares shall be credited/dispatched;
- (vi) reissue of forfeited shares or securities, or the issue of shares or securities held in reserve for future issue or the creation in any form or manner of new shares or securities or any other rights, privileges or benefits to subscribe to;
- (vii) short particulars of any other alterations of capital, including calls;
- (viii) financial results;
- (ix) decision on voluntary delisting by the listed entity from stock exchange(s).

SEBI vide its circular dated September 09, 2015 has indicated the details that need to be provided while disclosing events specified in Para A of Part A of Schedule III of Listing Regulations which are given below-

1. Acquisition(s) (including agreement to acquire), Scheme of Arrangement (amalgamation/ merger/ demerger/restructuring), or sale or disposal of any unit(s), division(s) or subsidiary of the listed entity or any other restructuring:

1.1. Acquisition (including agreement to acquire):

- a) name of the target entity, details in brief such as size, turnover etc.;
- b) whether the acquisition would fall within related party transaction(s) and whether the promoter/ promoter group/

group companies have any interest in the entity being acquired?
If yes, nature of interest and details thereof and whether the same is done at “arms length”;

- c) industry to which the entity being acquired belongs;
- d) objects and effects of acquisition (including but not limited to, disclosure of reasons for acquisition of target entity, if its business is outside the main line of business of the listed entity);
- e) brief details of any governmental or regulatory approvals required for the acquisition;
- f) indicative time period for completion of the acquisition;
- g) nature of consideration - whether cash consideration or share swap and details of the same;
- h) cost of acquisition or the price at which the shares are acquired;
- i) percentage of shareholding/control acquired and/or number of shares acquired;
- j) brief background about the entity acquired in terms of products/line of business acquired, date of incorporation, history of last 3 years turnover, country in which the acquired entity has presence and any other significant information (in brief);

[*Explanation:* For the purpose of the above disclosures the term ‘acquisition’ shall have the same meaning as defined in explanation of sub-para (1) of Para (A) of Part (A) of Schedule III of Listing Regulations.]

1.2. Amalgamation/ Merger:

- a) name of the entity(ies) forming part of the amalgamation/ merger, details in brief such as, size, turnover etc.;
- b) whether the transaction would fall within related party transactions? If yes, whether the same is done at “arms length”;
- c) area of business of the entity(ies);
- d) rationale for amalgamation/ merger;
- e) in case of cash consideration – amount or otherwise share exchange ratio;

- f) brief details of change in shareholding pattern (if any) of listed entity.

1.3. De-merger:

- a) brief details of the division(s) to be demerged;
- b) turnover of the demerged division and as percentage to the total turnover of the listed entity in the immediately preceding financial year/based on financials of the last financial year;
- c) rationale for demerger;
- d) brief details of change in shareholding pattern (if any) of all entities;
- e) in case of cash consideration – amount or otherwise share exchange ratio;
- f) whether listing would be sought for the resulting entity.

1.4. Sale or disposal of unit(s) or division(s) or subsidiary of the listed entity:

- a) the amount and percentage of the turnover or revenue or income and net worth contributed by such unit or division of the listed entity during the last financial year;
- b) date on which the agreement for sale has been entered into;
- c) the expected date of completion of sale/disposal;
- d) consideration received from such sale/disposal;
- e) brief details of buyers and whether any of the buyers belong to the promoter/ promoter group/group companies. If yes, details thereof;
- f) whether the transaction would fall within related party transactions? If yes, whether the same is done at “arms length”;
- g) additionally, in case of a slump sale, indicative disclosures provided for amalgamation/merger, shall be disclosed by the listed entity with respect to such slump sale.

For the purpose of this sub-clause, “slump sale” shall mean the transfer of one or more undertakings, as a result of the sale for a lump sum consideration, without values being assigned to the individual assets and liabilities in such sales.

1.5. Other Restructuring:

- a) details and reasons for restructuring;
- b) quantitative and/ or qualitative effect of restructuring;
- c) details of benefit, if any, to the promoter/promoter group/ group companies from such proposed restructuring;
- d) brief details of change in shareholding pattern (if any) of all entities.

2. Issuance or forfeiture of securities, split or consolidation of shares, buyback of securities, any restriction on transferability of securities or alteration in terms or structure of existing securities including forfeiture, reissue of forfeited securities, alteration of calls, redemption of securities etc.**2.1. Issuance of securities:**

- a) type of securities proposed to be issued (viz. equity shares, convertibles etc.);
- b) type of issuance (further public offering, rights issue, depository receipts (ADR/GDR), qualified institutions placement, preferential allotment etc.);
- c) total number of securities proposed to be issued or the total amount for which the securities will be issued (approximately);
- d) in case of preferential issue the listed entity shall disclose the following additional details to the stock exchange(s):
 - i. names of the investors;
 - ii. post allotment of securities - outcome of the subscription, issue price/allotted price (in case of convertibles), number of investors;
 - iii. in case of convertibles - intimation on conversion of securities or on lapse of the tenure of the instrument;
- e) in case of bonus issue the listed entity shall disclose the following additional details to the stock exchange(s):
 - i. whether bonus is out of free reserves created out of profits or share premium account;

- ii. bonus ratio;
 - iii. details of share capital - pre and post bonus issue;
 - iv. free reserves and/ or share premium required for implementing the bonus issue;
 - v. free reserves and/ or share premium available for capitalization and the date as on which such balance is available;
 - vi. whether the aforesaid figures are audited;
 - vii. estimated date by which such bonus shares would be credited/dispatched;
- f) in case of issuance of depository receipts (ADR/GDR) or FCCB the listed entity shall disclose following additional details to the stock exchange(s):
- i. name of the stock exchange(s) where ADR/GDR/FCCBs are listed (opening – closing status)/proposed to be listed;
 - ii. proposed no. of equity shares underlying the ADR/GDR or on conversion of FCCBs;
 - iii. proposed date of allotment, tenure, date of maturity and coupon offered, if any of FCCB's;
 - iv. issue price of ADR/GDR/FCCBs (in terms of USD and in INR after considering conversion rate);
 - v. change in terms of FCCBs, if any;
 - vi. details of defaults, if any, by the listed entity in payment of coupon on FCCBs & subsequent updates in relation to the default, including the details of the corrective measures undertaken (if any);
- g) in case of issuance of debt securities or other non-convertible securities the listed entity shall disclose following additional details to the stock exchange(s):
- i. size of the issue;
 - ii. whether proposed to be listed? If yes, name of the stock exchange(s);

- iii. tenure of the instrument - date of allotment and date of maturity;
 - iv. coupon/interest offered, schedule of payment of coupon/interest and principal;
 - v. charge/security, if any, created over the assets
 - vi. special right/interest/privileges attached to the instrument and changes thereof;
 - vii. delay in payment of interest/principal amount for a period of more than three months from the due date or default in payment of interest/principal;
 - viii. details of any letter or comments regarding payment/non-payment of interest, principal on due dates, or any other matter concerning the security and /or the assets along with its comments thereon, if any;
 - ix. details of redemption of preference shares indicating the manner of redemption (whether out of profits or out of fresh issue) and debentures;
- h) any cancellation or termination of proposal for issuance of securities including reasons thereof.

2.2. Split/consolidation of shares:

- a) split/consolidation ratio;
- b) rationale behind the split/consolidation;
- c) pre and post share capital – authorized, paid-up and subscribed;
- d) expected time of completion;
- e) class of shares which are consolidated or subdivided;
- f) number of shares of each class pre and post-split or consolidation;
- g) number of shareholders who did not get any shares in consolidation and their pre-consolidation shareholding.

2.3. Buy back of securities:

- a) number of securities proposed for buyback;

- b) number of securities proposed for buyback as a percentage of existing paid up capital;
- c) buyback price;
- d) actual securities in number and percentage of existing paid up capital bought back;
- e) pre & post shareholding pattern.

2.4. Any restriction on transferability of securities:

- a) authority issuing attachment or prohibitory orders;
- b) brief details and reasons for attachment or prohibitory orders;
- c) name of registered holders against whom restriction on transferability has been placed;
- d) total number of securities so affected;
- e) distinctive numbers of such securities if applicable;
- f) period for which order would be applicable (if stated).

2.5. Any action, which will result in alteration of the terms or structure of any existing securities, including, but not limited to:

- a) forfeiture of shares;
- b) reissue of forfeited shares or securities, or the issue of shares or securities held in reserve for future issue or the creation in any form or manner of new shares or securities or any other rights, privileges or benefits to subscribe to;
- c) proposal to issue any class of securities;
- d) alterations of capital, including calls;
- e) change in the terms regarding redemption/cancellation/retirement in whole or in part of any securities issued by the listed entity.

3. Revision in Rating(s)

The listed entity shall notify the stock exchange(s), the details of any new rating or revision in rating assigned from a credit rating agency to any debt instrument of the listed entity or to any fixed deposit programme or to any scheme or proposal of the listed entity involving mobilization of funds whether in India or abroad. In case of a

downward revision in ratings, the listed entity shall also intimate the reasons provided by the rating agency for such downward revision.

4. Outcome of meetings of the board of directors: The listed entity shall intimate to the Exchange(s), within 30 minutes of the closure of the meeting, held to consider or decide the following:

- 4.1 dividends and/or cash bonuses recommended or declared or the decision to pass any dividend and the date on which dividend shall be paid/dispatched;
- 4.2 any cancellation of dividend with reasons thereof;
- 4.3 the decision on buyback of securities;
- 4.4 the decision with respect to fund raising proposed to be undertaken;
- 4.5 increase in capital by issue of bonus shares through capitalization including the date on which such bonus shares would be credited/dispatched;
- 4.6 reissue of forfeited shares or securities, or the issue of shares or securities held in reserve for future issue or the creation in any form or manner of new shares or securities or any other rights, privileges or benefits to subscribe to;
- 4.7 short particulars of any other alterations of capital, including calls;
- 4.8 financial results;
- 4.9 decision on voluntary delisting by the listed entity from stock exchange(s);

The intimation of outcome of meeting of the board of directors shall also contain the time of commencement and conclusion of the meeting.

5. Agreements (viz. shareholder agreement(s), joint venture agreement(s), family settlement agreement(s) (to the extent that it impacts management and control of the listed entity), agreement(s)/treaty(ies)/contract(s) with media companies) which are binding and not in normal course of business, revision(s) or amendment(s) and termination(s) thereof:

- 5.1 name(s) of parties with whom the agreement is entered;

- 5.2 purpose of entering into the agreement;
- 5.3 shareholding, if any, in the entity with whom the agreement is executed;
- 5.4 significant terms of the agreement (in brief) special rights like right to appoint directors, first right to share subscription in case of issuance of shares, right to restrict any change in capital structure etc.;
- 5.5 whether, the said parties are related to promoter/promoter group/ group companies in any manner. If yes, nature of relationship;
- 5.6 whether the transaction would fall within related party transactions? If yes, whether the same is done at “arms length”;
- 5.7 in case of issuance of shares to the parties, details of issue price, class of shares issued;
- 5.8 any other disclosures related to such agreements, viz., details of nominee on the board of directors of the listed entity, potential conflict of interest arising out of such agreements, etc.;
- 5.9 in case of termination or amendment of agreement, listed entity shall disclose additional details to the stock exchange(s):
 - a) name of parties to the agreement;
 - b) nature of the agreement;
 - c) date of execution of the agreement;
 - d) details of amendment and impact thereof or reasons of termination and impact thereof.

6. Fraud/ Defaults by promoter or key managerial personnel or by the listed entity or arrest of key managerial personnel or promoter:

6.1 At the time of unearthing of fraud or occurrence of the default/ arrest:

- a) nature of fraud/default/arrest;
- b) estimated impact on the listed entity;
- c) time of occurrence;

- d) person(s) involved;
- e) estimated amount involved (if any);
- f) whether such fraud/default/arrest has been reported to appropriate authorities.

6.2. Subsequently intimate the stock exchange(s) further details regarding the fraud/default/arrest including:

- a) actual amount involved in the fraud /default (if any);
- b) actual impact of such fraud /default on the listed entity and its financials; and
- c) corrective measures taken by the listed entity on account of such fraud/default.

7. Change in directors, key managerial personnel (Managing Director, Chief Executive Officer, Chief Financial Officer, Company Secretary etc.), Auditor and Compliance Officer:

- 7.1 reason for change viz. appointment, resignation, removal, death or otherwise;
- 7.2 date of appointment/cessation (as applicable) & term of appointment;
- 7.3 brief profile (in case of appointment);
- 7.4 disclosure of relationships between directors (in case of appointment of a director).

8. Appointment or discontinuation of share transfer agent:

- 8.1 reason for appointment or discontinuation;
- 8.2 date on which above would become effective.

9. Corporate debt restructuring (“CDR”):

- 9.1 whether CDR is voluntary and reasons for opting or referred by lenders/creditors;
- 9.2 details of the loan to be subjected to restructuring under CDR;
- 9.3 brief details of the CDR proposal (if any);
- 9.4 the following updates to be provided at the time of the execution and at various stages of the implementation of the CDR scheme;

- a) upon execution of any agreement in relation to the CDR proposal, disclose details such as date of execution, parties to the agreement and principal terms;
- b) details of final CDR package as approved by RBI and the lenders;
- c) lenders involved;
- d) brief summary of the CDR scheme including details of the securities, interest payment, repayment schedule, negative and other restrictive covenants.

10. One time settlement (OTS) with a Bank:

- 10.1 reasons for opting for OTS;
- 10.2 brief summary of the OTS.

11. Reference to BIFR and winding-up petition filed by any party/creditors:

- 11.1 reasons for such a reference/petition;
- 11.2 impact of such reference/petition on listed entity.

12. Issuance of notices, call letters, resolutions and circulars sent to shareholders, debenture holders or creditors or any class of them or advertised in the media by the listed entity and the following:

- 12.1 date of notice/call letters/resolutions etc.;
- 12.2 brief details viz. agenda (if any) proposed to be taken up, resolution to be passed, manner of approval proposed etc.

13. Proceedings of annual and extraordinary general meetings of the listed entity and the following details in brief:

- 13.1 date of the meeting;
- 13.2 brief details of items deliberated and results thereof;
- 13.3 manner of approval proposed for certain items (e-voting etc.).

14. Amendments to memorandum and articles of association of listed entity, in brief.

15. Schedule of analyst or institutional investor meet and presentations on financial results made by the listed entity to analysts or institutional investors.

B. Disclosures of events upon application of the Materiality Guidelines

Regulation 30(3) of the Listing Regulations specifies that the listed entity shall make disclosure of events specified in Part 'A' of Schedule III, based on application of the guidelines for materiality.

What are the Materiality Guidelines?

As per Sub-Regulation (4), the listed entity shall frame a policy for determination of materiality of events/ information, approved by the board of directors and which shall be disclosed on its website on the basis of following criteria-

- 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; or
- c) 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.

Following events shall be disclosed upon application of the guidelines for materiality referred sub-regulation (4) of regulation (30). These events or information should be disclosed as soon as reasonably possible and not later than 24 hours from the occurrence of event or information. In case the disclosure is made after 24 hours of occurrence of the event or information, the listed entity shall, along with such disclosures provide explanation for delay.

1. Commencement or any postponement in the date of commencement of commercial production or commercial operations of any unit/division;
2. Change in the general character or nature of business brought about by arrangements for strategic, technical, manufacturing, or marketing tie-up, adoption of new lines of business or closure of operations of any unit/division (entirety or piecemeal);

3. Capacity addition or product launch;
4. Awarding, bagging/ receiving, amendment or termination of awarded/bagged orders/contracts not in the normal course of business;
5. Agreements (viz. loan agreement(s) (as a borrower) or any other agreement(s) which are binding and not in normal course of business) and revision(s) or amendment(s) or termination(s) thereof;
6. Disruption of operations of any one or more units or division of the listed entity due to natural calamity (earthquake, flood, fire etc.), force majeure or events such as strikes, lockouts etc.;
7. Effect(s) arising out of change in the regulatory framework applicable to the listed entity;
8. Litigation(s)/dispute(s)/regulatory action(s) with impact;
9. Fraud/defaults etc. by directors (other than key managerial personnel) or employees of listed entity;
10. Options to purchase securities including any ESOP/ESPS Scheme;
11. Giving of guarantees or indemnity or becoming a surety for any third party;
12. Granting, withdrawal, surrender, cancellation or suspension of key licenses or regulatory approvals;

C. Disclosure of Other Events

Any other information/event viz. major development that is likely to affect business, e.g. emergence of new technologies, expiry of patents, any change of accounting policy that may have a significant impact on the accounts, etc. and brief details thereof and any other information which is exclusively known to the listed entity which may be necessary to enable the holders of securities of the listed entity to appraise its position and to avoid the establishment of a false market in such securities must be disclosed. (Para C, Part 'A' of Schedule III)

DISCLOSURES OF FINANCIAL RESULTS [Regulation (33)]

The listed entity shall make the following disclosures while preparing the financial results as specified in Part A of Schedule IV.

- A. Changes in accounting policies, if any, shall be disclosed in accordance with Accounting Standard 5 or Indian Accounting Standard 8, as applicable, specified in 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.
- B. If the auditor has expressed any modified opinion(s) in respect of audited financial results submitted or published under this para, the listed entity shall disclose such modified opinion(s) and cumulative impact of the same on profit or loss, net worth, total assets, turnover/total income, earning per share [total expenditure, total liabilities] or any other financial item(s) which may be impacted due to modified opinion(s), while publishing or submitting such results.
- C. If the auditor has expressed any modified opinion(s) or other reservation(s) in his audit report or limited review report in respect of the financial results of any previous financial year or quarter which has an impact on the profit or loss of the reportable period, the listed entity shall include as a note to the financial results –
 - (i) how the modified opinion(s) or other reservation(s) has been resolved; or
 - (ii) if the same has not been resolved, the reason thereof and the steps which the listed entity intends to take in the matter.
- D. If the listed entity has changed its name suggesting any new line of business, it shall disclose the net sales or income, expenditure and net profit or loss after tax figures pertaining to the said new line of business separately in the financial results and shall continue to make such disclosures for the three years succeeding the date of change in name. Provided that the tax expense shall be allocated between the said new line of business and other business of the listed entity in the ratio of the respective figures of net profit before tax, subject to any

exemption, deduction or concession available under the tax laws.

- E. If the listed entity had not commenced commercial production or commercial operations during the reportable period, the listed entity shall, instead of submitting financial results, disclose the following details:
- (i) details of amount raised i.e. proceeds of any issue of shares or debentures made by the listed entity;
 - (ii) the portions thereof which is utilized and that remaining unutilized;
 - (iii) the details of investment made pending utilisation ;
 - (iv) brief description of the project which is pending completion;
 - (v) status of the project and
 - (vi) expected date of commencement of commercial production or commercial operations:

However, the details mentioned above shall be approved by the board of directors based on certification by the chief executive officer and chief financial officer.

- F. All items of income and expenditure arising out of transactions of exceptional nature shall be disclosed.
- G. Extraordinary items, if applicable, shall be disclosed in accordance with Accounting Standard 5 (AS 5 – Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies) or Companies (Accounting Standards) Rules, 2006, whichever is applicable.
- H. The listed entity, whose revenues are subject to material seasonal variations, shall disclose the seasonal nature of their activities and the listed entity may supplement their financial results with information for the twelve month period ending on the last day of the quarter for the current and preceding years on a rolling basis.
- I. The listed entity shall disclose any event or transaction which occurred during or before the quarter that is material to an

understanding of the results for the quarter including but not limited to completion of expansion and diversification programmes, strikes and lock-outs, change in management, change in capital structure and the listed entity shall also disclose similar material events or transactions that take place subsequent to the end of the quarter.

- J. The listed entity shall disclose the following in respect of dividends paid or recommended for the year, including interim dividends :
- (i) amount of dividend distributed or proposed for distribution per share; the amounts in respect of different classes of shares shall be distinguished and the nominal values of shares shall also be indicated;
 - (ii) where dividend is paid or proposed to be paid pro-rata for shares allotted during the year, the date of allotment and number of shares allotted, pro-rata amount of dividend per share and the aggregate amount of dividend paid or proposed to be paid on pro-rata basis.
- K. The listed entity shall disclose the effect on the financial results of material changes in the composition of the listed entity, if any, including but not limited to business combinations, acquisitions or disposal of subsidiaries and long term investments, any other form of restructuring and discontinuance of operations.
- L. The listed entity shall ensure that segment reporting is done in accordance with AS-17 or Indian Accounting Standard 108 as applicable, specified in 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.

ANNUAL REPORT DISCLOSURES [Regulation (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 as per the provisions of the Companies Act, 2013 which shall contain the following:

- audited financial statements i.e. balance sheets, profit and loss accounts etc.; and Statement on Impact of Audit Qualifications as stipulated in regulation 33(3)(d), if applicable;
- consolidated financial statements audited by its statutory auditors;
- 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;
- directors report;
- management discussion and analysis report either as a part of directors report or addition thereto;
- Business Responsibility reports: For the top 500 listed entities based on market capitalization (calculated as on March 31 of every financial year). The listed entities other than top 100 listed companies based on market capitalization may include these business responsibility reports on a voluntary basis in the format as specified in Annexure 'E'.

The annual report shall contain any other disclosures specified in Companies Act, 2013 along following additional disclosures as specified in Schedule V.

A. Related Party Disclosure:

1. The listed entity shall make disclosures in compliance with the Accounting Standard on "Related Party Disclosures".
2. The disclosure requirements shall be as follows:

<i>Sr. No.</i>	<i>In the accounts of</i>	<i>Disclosures of amounts at the year end and the maximum amount of loans/ advances/Investments outstanding during the year.</i>
1	Holding Company	<ul style="list-style-type: none"> • Loans and advances in the nature of loans to subsidiaries by name and amount. • Loans and advances in the nature of loans to associates by name and amount.

		<ul style="list-style-type: none"> • Loans and advances in the nature of loans to firms/companies in which directors are interested by. • Name and amount.
2	Subsidiary	Same disclosures as applicable to the parent company in the accounts of subsidiary company
3	Holding Company	Investments by the loanee in the shares of parent company and subsidiary company, when the company has made a loan or advance in the nature of loan.

For the purpose of above disclosures directors' interest shall have the same meaning as given in Section 184 of Companies Act, 2013.

3. The above disclosures shall be applicable to all listed entities except for listed banks.

B. Management Discussion and Analysis:

1. This section shall include discussion on the following matters within the limits set by the listed entity's competitive position:

- (i) Industry structure and developments.
- (ii) Opportunities and Threats.
- (iii) Segment-wise or product-wise performance.
- (iv) Outlook
- (v) Risks and concerns.
- (vi) Internal control systems and their adequacy.
- (vii) Discussion on financial performance with respect to operational performance.
- (viii) Material developments in Human Resources/Industrial Relations front, including number of people employed.

2. Disclosure of Accounting Treatment: Where in the preparation of financial statements, a treatment different from that prescribed in an Accounting Standard has been followed, the fact shall be disclosed in the financial statements, together with the management's

explanation as to why it believes such alternative treatment is more representative of the true and fair view of the underlying business transaction.

C. Corporate Governance Report:

The following disclosures shall be made in the section on the corporate governance of the annual report.

- (1) A brief statement on listed entity's philosophy on code of governance.
- (2) Board of directors:
 - composition and category of directors (e.g. promoter, executive, non-executive, independent non-executive, nominee director - institution represented and whether as lender or as equity investor);
 - attendance of each director at the meeting of the board of directors and the last annual general meeting;
 - number of other board of directors or committees in which a directors is a member or chairperson;
 - number of meetings of the board of directors held and dates on which held;
 - disclosure of relationships between directors inter-se;
 - number of shares and convertible instruments held by non-executive directors;
 - weblink where details of familiarisation programmes imparted to independent directors is disclosed.
- (3) Audit committee:
 - brief description of terms of reference;
 - composition, name of members and chairperson;
 - meetings and attendance during the year.
- (4) Nomination and Remuneration Committee:
 - brief description of terms of reference;
 - composition, name of members and chairperson;

- meeting and attendance during the year;
- performance evaluation criteria for independent directors.

(5) Remuneration of Directors:

- all pecuniary relationship or transactions of the non-executive directors vis-à-vis the listed entity shall be disclosed in the annual report;
- criteria of making payments to non-executive directors alternatively, this may be disseminated on the listed entity's website and reference drawn thereto in the annual report;
- disclosures with respect to remuneration: In addition to disclosures required under the Companies Act, 2013, the following disclosures shall be made:
 - i. all elements of remuneration package of individual directors summarized under major groups, such as salary, benefits, bonuses, stock options, pension etc.;
 - ii. details of fixed component and performance linked incentives, along with the performance criteria;
 - iii. service contracts, notice period, severance fees;
 - iv. stock option details, if any and whether issued at a discount as well as the period over which accrued and over which exercisable.

(6) Stakeholders' grievance committee:

- name of non-executive director heading the committee;
- name and designation of compliance officer;
- number of shareholders' complaints received so far;
- number not solved to the satisfaction of shareholders;
- number of pending complaints.

(7) General body meetings:

- location and time, where last three annual general meetings held;

- whether any special resolutions passed in the previous three annual general meetings;
- whether any special resolution passed last year through postal ballot – details of voting pattern;
- person who conducted the postal ballot exercise;
- whether any special resolution is proposed to be conducted through postal ballot;
- procedure for postal ballot.

(8) Means of communication:

- quarterly results;
- newspapers wherein results normally published;
- any website, where displayed;
- whether it also displays official news releases; and
- presentations made to institutional investors or to the analysts.

(9) General shareholder information:

- annual general meeting - date, time and venue;
- financial year;
- dividend payment date;
- the name and address of each stock exchange(s) at which the listed entity's securities are listed and a confirmation about payment of annual listing fee to each of such stock exchange(s);
- stock code;
- market price data- high, low during each month in last financial year;
- performance in comparison to broad-based indices such as BSE sensex, CRISIL Index etc.;
- in case the securities are suspended from trading, the directors report shall explain the reason thereof;
- registrar to an issue and share transfer agents;

- share transfer system;
- distribution of shareholding;
- dematerialization of shares and liquidity;
- outstanding global depository receipts or American depository receipts or warrants or any convertible instruments, conversion date and likely impact on equity;
- commodity price risk or foreign exchange risk and hedging activities;
- plant locations;
- address for correspondence.

(10) Other Disclosures:

- (a) disclosures on materially significant related party transactions that may have potential conflict with the interests of listed entity at large;
- (b) details of non-compliance by the listed entity, penalties, strictures imposed on the listed entity by stock exchange(s) or the board or any statutory authority, on any matter related to capital markets, during the last three years;
- (c) details of establishment of vigil mechanism, whistle blower policy, and affirmation that no personnel has been denied access to the audit committee;
- (d) details of compliance with mandatory requirements and adoption of the non-mandatory requirements;
- (e) weblink where policy for determining 'material' subsidiaries is disclosed;
- (f) weblink where policy on dealing with related party transactions;
- (g) disclosure of commodity price risks and commodity hedging activities.

(11) Non-compliance of any requirement of corporate governance report of sub-paras (2) to (10) above, with reasons thereof shall be disclosed.

- (12) The corporate governance report shall also disclose the extent to which the discretionary requirements as specified in Part E of Schedule II have been adopted.
- (13) The disclosures of the compliance with corporate governance requirements specified in regulation 17 to 27 and clauses (b) to (i) of sub-regulation (2) of regulation 46 shall be made in the section on corporate governance of the annual report.

D. Declaration signed by the chief executive officer stating that the members of board of directors and senior management personnel have affirmed compliance with the code of conduct of board of directors and senior management.

E. Compliance certificate from either the auditors or practicing company secretaries regarding compliance of conditions of corporate governance shall be annexed with the directors' report.

F. Disclosures with respect to demat suspense account/ unclaimed suspense account

The listed entity shall disclose the following details in its annual report, as long as there are shares in the demat suspense account or unclaimed suspense account, as applicable:

- aggregate number of shareholders and the outstanding shares in the suspense account lying at the beginning of the year;
- number of shareholders who approached listed entity for transfer of shares from suspense account during the year;
- number of shareholders to whom shares were transferred from suspense account during the year;
- aggregate number of shareholders and the outstanding shares in the suspense account lying at the end of the year;
- that the voting rights on these shares shall remain frozen till the rightful owner of such shares claims the shares.

WEBSITE DISCLOSURES [Regulation (46)]

The listed entity shall maintain a functional website. The listed entity

shall ensure that the contents of the website are correct and shall update any change in the content of its website within two working days from the date of such change in content. The listed entity shall disseminate the following information 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 programmes imparted to independent directors including the following details:-
 - number of programmes attended by independent directors (during the year and on a cumulative basis till date),
 - number of hours spent by independent directors in such programmes (during the year and on cumulative basis till date), and
 - 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:
 - notice of meeting of the board of directors where financial results shall be discussed;

- financial results, on conclusion of the meeting of the board of directors where the financial results were approved;
 - 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) following information published in the newspaper-
- notice of meeting of the board of directors where financial results shall be discussed
 - 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.
 - 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;
 - notices given to shareholders by advertisement.

Website disclosures under the Companies Act, 2013

<i>Section/Rules</i>	<i>Requirement as per Companies Act</i>
Section 13(8) (i) read with Rule 32(3) of the Companies	A company, which has raised money from public through prospectus and still has any unutilised amount out of the money so raised, shall not change its objects for which it raised the money through prospectus unless a special resolution is passed by the company, the details in respect of such resolution, shall also be placed on the website of the company, if any.
Section 73 read with Rule 4(3) of the Companies (Acceptance of Deposits) Rules, 2014	A company intending to invite deposits shall upload a copy of circular issued to members inviting deposits on its website, if any.
Section 91 read with Rule 10(1) of the Companies (Management and Administration) Rules, 2014	Seven days previous notice of closure of the register of members, debenture holders or other security holders to be uploaded on the website of the company, if any, or any other website as notified by the Central Government.
Section 101 read with Rule 18(3)(ix) of the Companies (Management and Administration) Rules, 2014	In case notice of general meeting is sent through electronic means, such notice shall be uploaded on the website of the company, if any, or any website as notified by the Central Government.
Section 108 read with Rule 20(3) (xiv) of the Companies (Management and Administration) Rules, 2014	In case the voting at general meeting is held through electronic mode, the results declared along with the scrutinizer's report shall be placed on the website of the company, if any, immediately after the result is declared by the Chairman.
Section 110 read with Rule 22 (4) of the Companies (Management and Administration) Rules, 2014	Where any resolution is being passed by postal ballot, notice of postal ballot to be uploaded on the website of the company, if any, and it shall remain on the website till the last date for receipt of the postal ballot from members.
Section 110 read with Rule	Where any resolution is being passed

22(13) of the Companies (Management and Administration) Rules, 2014	by postal ballot, the result declared along with the scrutinizer's report shall be uploaded on the website of the company, if any.
Section 115 read with Rule 23(3) of the Companies (Management and Administration) Rules, 2014	Where for a resolution special notice has been given by a member of the company and it is not possible for the company to send the notice in the same manner as notice of general meeting, then apart from publishing it in the newspaper, notice shall be placed on the website of the company, if any, within seven days before the meeting.
Section 124(2)	The company, making any transfer of an amount to the Unpaid Dividend Account, prepare a statement containing the names, their last known addresses and the unpaid dividend to be paid to each person and place it on the website of the company, if any, and also on any other website approved by the Central Government for this purpose within 90 days of making any transfer.
Section 135(4) (a) read with Rule 9 of Companies (Corporate Social Responsibility Policy) Rules, 2014	The Company shall disclose contents of CSR Policy in Board's report and also place it on its website, if any.
Section 136(1)	A listed company shall also place its financial statements and all other documents required to be attached thereto, on its website, if any.
Section 136(1)(a)	Every company having a subsidiary or subsidiaries shall, place separate audited accounts in respect of each of its subsidiary on its website, if any.
Section 177(10)	Details of establishment of vigil mechanism shall be disclosed by the company on its website, if any.
Section 230(3)	Where a meeting is proposed to be called in pursuance of an order of the Tribunal under sub-section (1) of section 230, a notice of such meeting and every detail

	shall also be placed on the website of the company, if any.
Section 160 read with Rule 13 of the Companies (Appointment and Qualification of Director) Rules, 2014	Place the notice of or intention for the candidature of a person for the office of a director on the website of the company, if any, Seven days before the general meeting.
Section 168 read with Rule 15 of the Companies (Appointment and Qualification of Director) Rules, 2014)	Information about resignation of the Director shall be posted on the website of the company, if any, within 30 days from the date of receipt of notice.
Rule 7(3) of the Companies (Prospectus and Allotment of Securities) Rules, 2014	The notice of special resolution with regard to variation in terms of contractor objects in prospectus shall be placed on the website of the company, if any.
Rule 20(3)(b) the Companies (Incorporation) Rules, 2014	The existing company shall, for the purpose of license under section 8, to publish a notice in the newspaper, and shall also be uploaded on the websites as may be notified by the Central Government, within a week from the date of making the application to the Registrar.
Rule 22(1)(b) the Companies (Incorporation) Rules, 2014	The Companies registered under section 8 for the purpose of seeking conversion in to any other kind shall upload a notice on the website of the company, if any, within a week from the date of making the application to the Regional Director.

OTHER OBLIGATIONS

Submission of statement showing holding of specified securities and shareholding pattern [Regulation 31]

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. -

- (a) one day prior to listing of its securities on the stock exchange(s);
- (b) on a quarterly basis, within twenty one days from the end of each quarter; and,

- (c) within ten days of any capital restructuring of the listed entity resulting in a change exceeding 2% of the total paid-up share capital.

If listed entities which have listed their specified securities on SME Exchange, the above statements shall be submitted on a half yearly basis within 21 days from the end of each half year. **[Regulation 31(1)]**

In the above statement, the holding of specified securities shall be divided into the following 3 categories viz.

- Promoter and Promoter Group,
- Public and
- Non Promoter Non Public (It is a new category added and would include depository Receipts Holders and ESOPs etc.)

The details of the shareholding of the promoters and promoter group must be accompanied with PAN Number (first holder in case of joint holding). Further, the shareholding of the promoter and promoter group is to be consolidated on the basis of the PAN and folio number to avoid multiple disclosures of shareholding of the same person.

Maintenance of shareholding of promoters in dematerialized form [Regulation 31(2) and (3)]

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 SEBI. The listed entity shall comply with circulars or directions issued by SEBI from time to time with respect to maintenance of shareholding in dematerialized form.

Submission of Statement of deviation(s) or variation(s) [Regulation 32]

- The listed entity shall submit to the stock exchange the following statement(s) after review by the audit committee 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 utilisation of funds made by it in its offer document or explanatory statement to the notice for the general meeting, as applicable and the actual utilisation of funds.
- These statement(s) shall be continued to be given till such time the issue proceeds have been fully utilised or the purpose for which these proceeds were raised has been achieved. Such statement shall be placed before the audit committee for review and after such review, shall be submitted to the stock exchange(s). The listed entity shall also furnish an explanation for the variations above, in the directors' report in the annual report.
- The listed entity shall prepare an annual statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice, certified by the statutory auditors of the listed entity, and place it before the audit committee till such time the full money raised through the issue has been fully utilized.
- Where the listed entity has appointed a monitoring agency to monitor utilisation of proceeds of a public or rights issue, the listed entity shall submit to the stock exchange(s) any comments or report received from the monitoring agency.
- Where the listed entity has appointed a monitoring agency to monitor the utilisation of proceeds of a public or rights issue, the monitoring report of such agency shall be placed before the audit committee on an annual basis, promptly upon its receipt.

If listed entities which have listed their specified securities on SME Exchange, "quarterly/quarter" shall respectively be read as "half yearly/half year".

Compliances to be done while preparing Financial Results [Regulation 33(1)]

While preparing financial results, the listed entity shall comply with the following:

- (a) The financial results shall be prepared on the basis of accrual accounting policy and shall be in accordance with uniform accounting practices adopted for all the periods.
- (b) The quarterly and year to date results shall be prepared in accordance with the recognition and measurement principles laid down in Accounting Standard 25 or Indian Accounting Standard 31 (AS 25/ Ind AS 34 – Interim Financial Reporting), 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.
- (c) The standalone financial results and consolidated financial results shall be prepared as per Generally Accepted Accounting Principles in India: Provided that in addition to the above, the listed entity may also submit the financial results, as per the International Financial Reporting Standards notified by the International Accounting Standards Board.
- (d) The listed entity shall ensure that the limited review or audit reports submitted to the stock exchange(s) on a quarterly or annual basis are to be given only by an auditor who has subjected himself to the peer review process of Institute of Chartered Accountants of India and holds a valid certificate issued by the Peer Review Board of the Institute of Chartered Accountants of India.
- (e) The listed entity shall make the disclosures specified in Part A of Schedule IV. (Discussed under Intimations and Disclosures)

Approval and authentication of the financial results [Regulation 33(2)]

The approval and authentication of the financial results shall be done by listed entity in the following manner:

- (a) The quarterly financial results submitted shall be approved by the board of directors: Provided that while placing the financial results before the board of directors, the chief executive officer and chief financial officer of the listed entity shall certify that the financial results do not contain any false or misleading statement or figures and do not omit any material fact which

may make the statements or figures contained therein misleading.

- (b) The financial results submitted to the stock exchange 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 board of directors to sign the financial results.
- (c) The limited review report shall be placed before the board of directors, at its meeting which approves the financial results, before being submitted to the stock exchange(s).
- (d) The annual audited financial results shall be approved by the board of directors of the listed entity and shall be signed in the manner stated above.

Submission of the financial results [Regulation 33(3)]

The listed entity shall submit the financial results in the following manner:

- (a) The listed entity 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.
- (b) In case the listed entity has subsidiaries, in addition to the above, the listed entity may also submit quarterly/year-to-date consolidated financial results subject to following:
 - (i) the listed entity shall intimate to the stock exchange, whether or not listed entity opts to additionally submit quarterly/year-to-date consolidated financial results in the first quarter of the financial year and this option shall not be changed during the financial year. Provided that this option shall also be applicable to listed entity that is required to prepare consolidated financial results for the first time at the end of a financial year in respect of the quarter during the financial year in which the listed entity first acquires the subsidiary.
 - (ii) in case the listed entity changes its option in any subsequent year, it shall furnish comparable figures for the previous year in accordance with the option exercised for the current financial year.

- (c) The quarterly and year-to-date financial results may be either audited or unaudited subject to the following:
- (i) In case the listed entity opts to submit unaudited financial results, they shall be subject to limited review by the statutory auditors of the listed entity and shall be accompanied by the limited review report. Provided that in case of public sector undertakings this limited review may be undertaken by any practicing Chartered Accountant.
 - (ii) In case the listed entity opts to submit audited financial results, they shall be accompanied by the audit report.
- (d) The listed entity shall submit audited standalone financial results for the financial year, within sixty days from the end of the financial year along with the audit report and Statement on Impact of Audit Qualifications for audit report with modified opinion. (As per SEBI (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2016, w.e.f. 01.04.2016)

Provided that if the listed entity has 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 for audit report with modified opinion. (As per SEBI (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2016, w.e.f. 01.04.2016)

- (e) 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, with a note stating that the figures of last quarter are the balancing figures between audited figures in respect of the full financial year and the published year-to-date figures upto the third quarter of the current financial year.
- (f) 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.
- (g) The Statement on Impact of Audit Qualifications (for audit report

with modified opinion)] and the accompanying annual audit report submitted shall be reviewed by the stock exchange(s).

Submission of Annual Information Memorandum [Regulation 35]

The listed entity shall submit to the stock exchange(s) an Annual Information Memorandum in the manner specified by SEBI from time to time.

Sending of Annual Report to shareholders [Regulation 36(1) and (2)]

The listed entity shall send the annual report not less than twenty-one days before the annual general meeting in the following manner to the shareholders:

- ❖ Soft copies of full annual report to all those shareholder(s) who have registered their email address(es) for the purpose;
- ❖ 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;
- ❖ Hard copies of full annual reports to those shareholders, who request for the same.

Information to be provided to shareholders in case of the appointment of a new director or re-appointment of a director [Regulation 36(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.

**Filing of Draft Scheme of Arrangement & Scheme of Arrangement
[Regulation 37]**

- 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, with the stock exchange(s) for obtaining Observation Letter or No-objection letter, 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.
- 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).
- 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. However, 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.
- 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 SEBI and/or stock exchange(s) from time to time.
- Nothing contained in this regulation shall apply to draft schemes which solely provide for merger of a wholly owned subsidiary with its holding company. However, such draft schemes shall be filed with the stock exchanges for the purpose of disclosures.

Compliance with Minimum Public Shareholding [Regulation 38]

The listed entity shall comply with the minimum public shareholding requirements specified in the Securities Contracts (Regulation) Rules, 1957 in the manner as specified by SEBI from time to time.

Issuance of Certificates or Receipts/Letters/Advices for securities and dealing with unclaimed securities

- The listed entity shall issue certificates or receipts or advices, as applicable, of subdivision, split, consolidation, renewal, exchanges, endorsements, issuance of duplicates thereof or issuance of new certificates or receipts or advices, as applicable, in cases of loss or old decrepit or worn out certificates or receipts or advices, as applicable within a period of thirty days from the date of such lodgement.
- The listed entity shall submit information regarding loss of share certificates and issue of the duplicate certificates, to the stock exchange within two days of its getting information.
- The listed entity shall comply with below procedural requirements while dealing with securities issued pursuant to the public issue or any other issue, physical or otherwise, which remain unclaimed and/or are lying in the escrow account, as applicable.

A. The listed entity may delegate the following procedural requirements to a share transfer agent.

B. Reminders to be sent

- (1) The listed entity shall send at least three reminders at the address as mentioned below:
 - (a) For shares in physical form, reminders shall be sent to the address given in the application form as well as last available address as per listed entity's record.
 - (b) For shares in demat form, reminders shall be sent to the address captured in depository's database or address given in the application form, in case of application made in physical form.

C. Procedure in case of non-receipt of response to reminders

- (1) For shares in demat form, the unclaimed shares shall be credited to a demat suspense account with one of the Depository Participants, opened by the listed entity for this purpose.
- (2) For shares in physical form, the listed entity shall transfer all the shares into one folio in the name of Unclaimed Suspense Account and shall dematerialise the shares held in the Unclaimed Suspense Account with one of the Depository Participants.
- (3) The listed entity shall maintain details of shareholding of each individual allottee whose shares are credited to such demat suspense account or unclaimed suspense account, as applicable.
- (4) The demat suspense account or unclaimed suspense account, as applicable shall be held by the listed entity purely on behalf of the allottees who are entitled to the shares and the shares held in such suspense account shall not be transferred in any manner whatsoever except for the purpose of allotting the shares to the allottee as and when he/she approaches the listed entity.

Provided that all such shares, in respect of which unpaid or unclaimed dividend has been transferred under Section 124 (5) of the Companies Act, 2013, shall also be transferred by the listed entity in accordance with Section 124 (6) of the Companies Act, 2013 and rules made thereunder.

D. Procedure in case of claim by allottee

- (1) As and when the allottee approaches the listed entity, the listed entity shall, after proper verification of the identity of the allottee either credit the shares lying in the Unclaimed Suspense Account or demat suspense account, as applicable, to the demat account of the allottee to the extent of the allottee's entitlement, or deliver the physical certificates after re-materialising the same, depending on what has been opted for by the allottee:

Provided that the rematerializing of the physical certificates shall be done only in case where the shares were originally issued in physical form.

E. Dealing with Corporate Benefits (in terms of securities accruing) and Voting Rights on such Unclaimed Shares

(1) Any corporate benefits in terms of securities accruing on such shares, viz., bonus shares, split etc., shall also be credited to such demat suspense account or unclaimed suspense account, as applicable for a period of seven years and thereafter shall be transferred by the listed entity in accordance with provisions of Section 124(5) read with Section 124 (6) of the Companies Act, 2013 and rules made thereunder.

(2) The voting rights on such unclaimed shares shall remain frozen till the rightful owner claims the shares.

Intimation of Record Date [Regulation 42]

- The listed entity shall intimate the record date to all the stock exchange(s) where it is listed at least seven working days in advance (excluding the date of intimation and the record date) specifying the purpose of the record date which may be any of the following –
 - (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 and bonus shares, where stock derivatives are available on the stock of listed entity or where listed entity's stocks form part of an index on which derivatives are available;
 - (f) such other purposes as may be specified by the stock exchange(s).
- 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.
- The listed entity shall ensure the time gap of at least thirty days between two record dates.

- 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 the above requirements; Provided that the listed entity shall ensure that there is a time gap of atleast thirty days between two dates of closure of its transfer books.

Declaration of Dividends [Regulation 43]

The listed entity shall declare and disclose the dividend on per share basis only. The listed entity shall not forfeit unclaimed dividends before the claim becomes barred by law and such forfeiture, if effected, shall be annulled in appropriate cases.

Dividend Distribution Policy [Regulation 43A]

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 websites.

The dividend distribution policy shall include the following parameters:

- the circumstances under which the shareholders of the listed entities may or may not expect dividend;
- the financial parameters that shall be considered while declaring dividend;
- internal and external factors that shall be considered for declaration of dividend;
- policy as to how the retained earnings shall be utilized; and
- parameters that shall be adopted with regard to various classes of shares:

However, if the listed entity proposes to declare dividend on the basis of parameters in addition to above mentioned clauses 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.

The listed entities excluding top 500 listed entities, may disclose their

dividend distribution policies on a voluntary basis in their annual reports and on their websites.

E-Voting facility [Regulation 44]

The listed entity shall provide the facility of remote e-voting facility to its shareholders, in respect of all shareholders' resolutions in compliance with the conditions specified under the Companies (Management and Administration) Rules, 2014, or amendments made thereto.

- The listed entity shall submit to the stock exchange, within 48 hours of conclusion of its General Meeting, details regarding the voting results in the format as specified by SEBI.
- 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.

In the new format, the listed entity is required to make disclosure for each agenda item whether promoter/ promoter group are interested in the agenda/resolution.

Conditions to be fulfilled for Change in name of the listed entity [Regulation 45]

The listed entity is 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 fifty percent 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 fifty percent of the assets of the listed entity.

However, 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.

On satisfaction of conditions above, the listed entity shall file an application for name availability with Registrar of Companies. 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 stated above.

Information to be published in Newspapers [Regulation 47]

- 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.
- The listed entity shall give a reference in the newspaper publication, to link of the website of listed entity and stock exchange(s), where further details are available.
- The listed entity shall publish the information given above in the newspaper simultaneously with the submission of the same to the stock exchange(s).
- The financial results shall be published within 48 hours of conclusion of the meeting of board of directors at which the financial results were approved.

- The information given above 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.

Compliance with Accounting Standards [Regulation 48]

The listed entity shall comply with all the applicable and notified Accounting Standards from time to time.

LIABILITY FOR CONTRAVENTION OF THE REGULATIONS

Action by Stock Exchanges [Regulation 98]

The listed entity or any other person thereof who contravenes any of the provisions of these regulations, shall, in addition to liability for action in terms of the securities laws, be liable for the following actions by the respective stock exchange(s), in the manner specified in circulars or guidelines issued by SEBI:

- (a) imposition of fines;
- (b) suspension of trading;
- (c) freezing of promoter/promoter group holding of designated securities, as may be applicable, in coordination with depositories.
- (d) any other action as may be specified by the Board from time to time

Failure to pay fine [Regulation 99]

If listed entity fails to pay any fine imposed on it within such period as specified from time to time, by the recognised stock exchange(s), after a notice in writing has been served on it, the stock exchange may initiate action.

Accordingly, recognized stock exchanges shall use imposition of fines as action of first resort in case of such non-compliances and invoke

suspension of trading in case of subsequent and consecutive defaults.

In order to ensure effective enforcement of the Listing Regulations, the depositories, on receipt of intimation from concerned recognized stock exchange, shall freeze or unfreeze, as the case may be, the entire shareholding of the promoter and promoter group in such entity.

The recognized stock exchanges shall also disclose on their website the action/s taken against the listed entities for non-compliance(s); including the details of respective requirement, amount of fine, period of suspension, freezing of shares, etc.

In order to maintain consistency and uniformity of approach the recognized stock exchanges shall follow the following procedure:

- (a) Uniform fine structure for non-compliance with Listing Regulations regarding non-submission of certain periodic reports;
- (b) Standard Operating Procedure (SOP) for suspension and revocation of suspension of trading of specified securities.

Compliance Calendar of Equity Shares and Convertible Securities

- ❖ Quarterly;
- ❖ Half yearly;
- ❖ Annual; and
- ❖ Event based

Quarterly Compliances

<i>Regulation</i>	<i>Particulars of Compliances</i>	<i>Time frame within which it shall be complied</i>	<i>Date by which is to be complied</i>
13(3)	Statement Grievance Redressal Mechanism	Within Twenty one days from the end of each quarter &	21st Jul 21st Oct 21st Jan 21st Apr
27(2)(a)	Compliance Report on Corporate Governance	Within 15 days from the end of quarter	15th Jul 15th Oct 15th Jan 15th Apr

31(1)(b)	Statement showing holding of Securities and Shareholding Pattern	– 1 day prior to listing of securities – Within 21 days from quarter end – Within ten days of any capital restructuring resulting in change exceeding 2% of the total paid-up capital	21st Jul, 21st Oct 21st Jan 21st Apr
32(1)	Statement of deviation or variation	Within 21 days from quarter end	-do-
33(3)(a)	Quarterly and year to date Financial Results	Within 45 days from quarter end other than last quarter.	14th Aug 14th Nov 14th Feb

Half yearly Compliances

<i>Regulation</i>	<i>Particulars</i>	<i>Period</i>	<i>Due date</i>
7(3)	Compliance Certificate to the exchange	Within one month of the end of each half of the financial year	31st Oct 30th Apr
33(3)(f)	A statement of assets and liabilities	Within 45 days from quarter end	Along with financial filed with exchange
40(10)	Compliance Certificate w.r.t Transfer or transmission or transposition of securities within 30 Days	The company shall file the certificate with the stock exchange or within one month of the end of each half of the financial year	31st Oct 30th Apr

Annual Compliances

<i>Regulation</i>	<i>Particulars</i>	<i>Period</i>	<i>Due date</i>
14	Listing fees	Apr-Mar	30th Apr
33(3)(d)	Audited Standalone Financial Results for the year	within 60 days from end of Financial Year & Statement on Impact of Audit Qualifications for audit report	30th May
34(1)	Annual Report	Within 21 working days of its approval and adopted in the AGM as per the provisions of the Companies Act, 2013
35	Annual Information Memorandum	Manner to be provided by SEBI
44(3)	Details regarding voting results of GM	Within 48 hours from the conclusion of GM

Event Based Compliances

<i>Regulation</i>	<i>Particulars</i>	<i>Time frame within which it shall be complied</i>
7(5)	Intimation of appointment of Share Transfer Agent	Within 7 days of Agreement with RTA
28(1)	In-principle approval	Prior to issuance of Security
29(1)(a) read along with proviso to 29(2)	Prior Intimations of Board Meeting for financial Result viz. Quarterly, half yearly or annual	At least 5 clear days in advance excluding date of meeting and intimation day
29(1) (b), (c), (d), (e) & (f) read along	Prior Intimations of Board Meeting for Buyback, Voluntary delisting, Fund	At least 2 days in advance excluding date of meeting and intimation

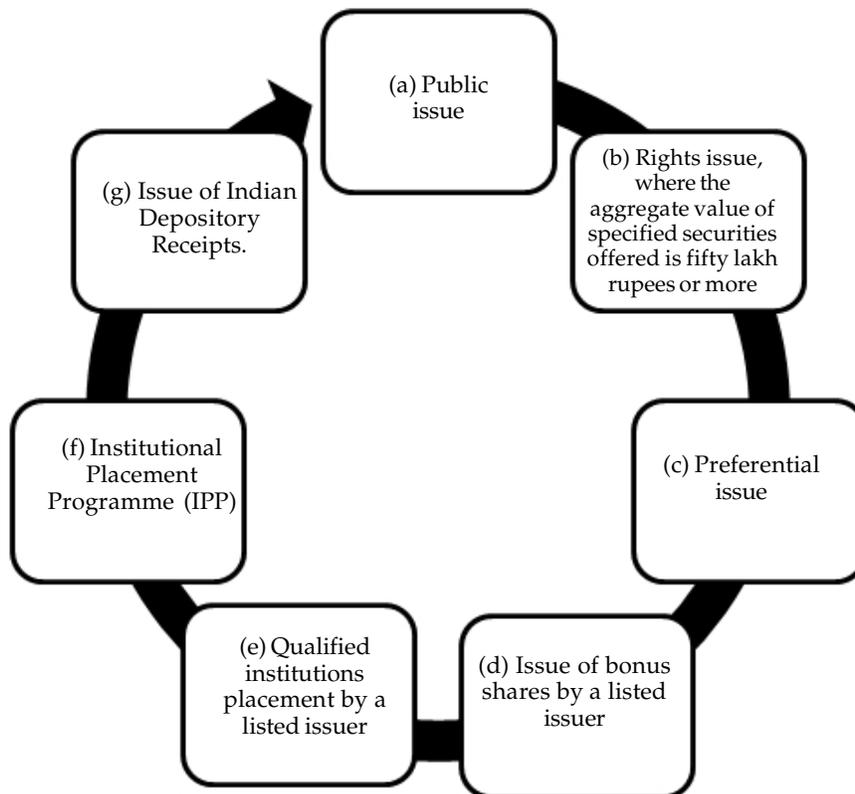
with 29(2)	raising by way of FPO, Rights Issue, ADR, GDR, QIP FCCB, Preferential issue, debt issue or any other method, Declaration/ recommendation of dividend, issue of convertible securities carrying a right to subscribe to equity shares or the passing over of dividend, proposal for declaration of Bonus securities, etc.	day
29(3)	Prior Intimations of Board Meeting for alteration in nature of Securities	At least 11 clear working days in Advance
30(6) read with Part A of Schedule III	Disclosure of Price Sensitive Information	Not later than twenty four hours from the occurrence of events or information
31(1)(a)	Shareholding Pattern prior to listing of Securities	One day prior to listing of Securities
31(1)(c)	Shareholding Pattern in case of Capital Restructuring	Within 10 days of any change in Capital Structure exceeding 2%
37(2)	Draft Scheme of Arrangement with Court	Prior approval before filing
42(2)	Record date or Date of closure of transfer books	At least 7 clear working days in Advance excluding the date of intimation and record date specifying the purpose of record date
42(3)	Record date for declaring dividend and/or cash bonus	At least 5 clear working days in Advance (excluding the date of intimation and the record date) before the record date fixed for the purpose.
44(3)	Voting results by Shareholders	Within 48 Hours
45(3)	Change in name of listed Entity	Prior approval

SEBI (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009

SEBI had issued SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 (“ICDR Regulations”), to promote the development of a healthy capital market and to protect the interests of investors in securities. SEBI carefully monitors the dealings and actions of companies planning to raise money on the stock exchanges. The Regulations were notified on September 3, 2009 and replace the Disclosure and Investor Protection (DIP) Guidelines 2000 that now stand rescinded.

Applicability of the Regulations [Regulation 3]

These regulations shall apply to the following :



- (a) Public issue
- (b) Rights issue, where the aggregate value of specified securities offered is fifty lakh rupees or more
- (c) Preferential issue
- (d) Issue of bonus shares by a listed issuer
- (e) Qualified institutions placement by a listed issuer
- (f) Institutional Placement Programme (IPP)
- (g) Issue of Indian Depository Receipts.

Types of Issues

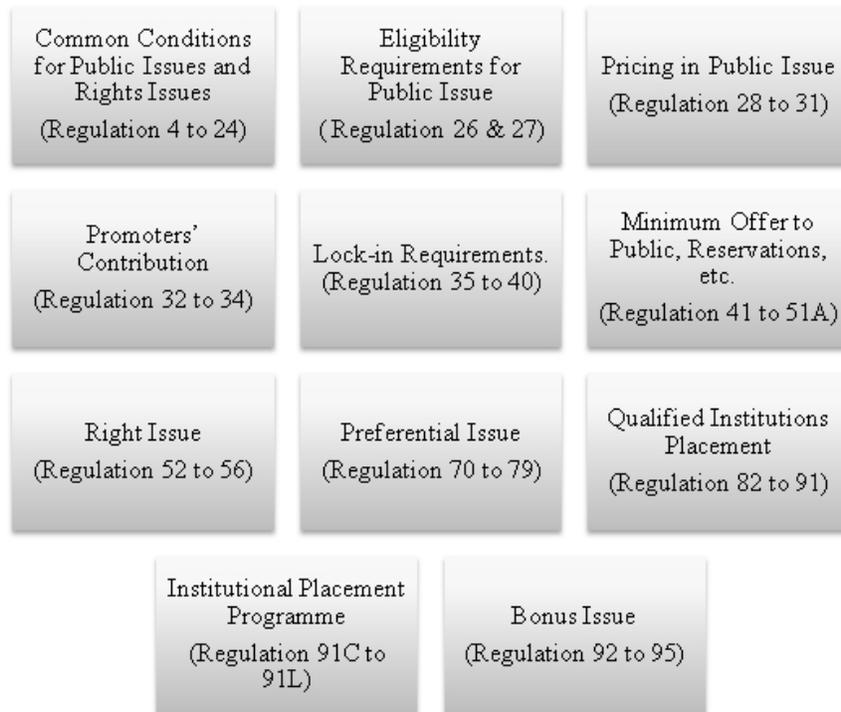
A company can raise funds from the primary market through different method.

- (a) **Public issue:** When an issue/offer of securities is made to new investors for becoming part of shareholders' family of the issuer it is called a public issue. Public issue can be further classified into Initial public offer (IPO) and Further public offer (FPO). The significant features of each type of public issue are illustrated below:
 - **Initial public offer (IPO):** When an unlisted company makes either a fresh issue of securities or offers its existing securities for sale or both for the first time to the public, it is called an IPO. This paves way for listing and trading of the issuer's securities in the Stock Exchanges.
 - **Further public offer (FPO) or Follow on offer:** When an already listed company makes either a fresh issue of securities to the public or an offer for sale to the public, it is called a FPO.
- (b) **Right issue (RI):** When an issue of securities is made by an issuer to its shareholders existing as on a particular date fixed by the issuer (i.e. record date), it is called a rights issue. The rights are offered in a particular ratio to the number of securities held as on the record date.
- (c) **Bonus issue:** When an issuer makes an issue of securities to its

existing shareholders as on a record date, without any consideration from them, it is called a bonus issue. The shares are issued out of the Company's free reserve or share premium account in a particular ratio to the number of securities held on a record date.

- (d) **Private placement:** When an issuer makes an issue of securities to a select group of persons not exceeding 49, and which is neither a rights issue nor a public issue, it is called a private placement. Private placement of shares or convertible securities by listed issuer can be of two types:
- **Preferential allotment:** When a listed issuer issues shares or convertible securities, to a select group of persons in terms of provisions of Chapter VII of SEBI (ICDR) Regulations, it is called a preferential allotment. The issuer is required to comply with various provisions which inter alia include pricing, disclosures in the notice, lock in etc., in addition to the requirements specified in the Companies Act, 2013.
 - **Qualified institutions placement (QIP):** When a listed issuer issues equity shares or securities convertible in to equity shares to Qualified Institutions Buyers (QIBs) only in terms of provisions of Chapter VIII of SEBI (ICDR) Regulations, it is called a QIP.
 - **Institutional placement programme (IPP):** When a listed issuer makes a further public offer of equity shares, or offer for sale of shares by promoter/promoter group of listed issuer in which, the offer allocation and allotment of such shares is made only to QIBs in terms of chapter VIIIA of SEBI (ICDR) Regulations, 2009 for the purpose of achieving minimum public shareholding it is called an IPP.

Any Company offering specified securities i.e., **Equity Shares or Convertible Security** shall satisfy the following conditions of SEBI (ICDR) Regulations, 2009.



COMMON CONDITIONS FOR PUBLIC ISSUES AND RIGHTS ISSUES

Conditions for Equity Shares and Rights Issue [Regulation 4]

(1) The issuer shall satisfy the conditions for issue of specified securities through a public issue or rights issue at the time of filing draft offer document with SEBI and at the time of registering or filing the final offer document with the Registrar of Companies or designated stock exchange, as the case may be.

(2) The issuer shall not make a public issue or rights issue of specified securities:

- (a) if the issuer, any of its promoters, promoter group or directors or persons in control of the issuer are debarred from accessing the capital market by SEBI;
- (b) if any of the promoters, directors or persons in control of the issuer was or also is a promoter, director or person in control of any other company which is debarred from accessing the capital market under any order or directions made by SEBI;

- (c) The issuer shall make an application to one or more recognised stock exchanges for listing of specified securities on such stock exchanges and has chosen one of them as the designated stock exchange.

However, in case of an initial public offer, the issuer shall make an application for listing of the specified securities in at least one recognised stock exchange having nationwide trading terminals;

- (e) The issuer shall enter into an agreement with a depository for dematerialisation of specified securities already issued or proposed to be issued;
- (f) All existing partly paid-up equity shares of the issuer shall be made fully paid up or forfeited;
- (g) Made firm arrangements of finance through verifiable means towards seventy five per cent of the stated means of finance, excluding the amount to be raised through the proposed public issue or rights issue or through existing identifiable internal accruals.

(3) Warrants may be issued along with public issue or rights issue of specified securities subject to the following:

- a) the tenure of such warrants shall not exceed eighteen months from their date of allotment in the public/rights issue;
- b) not more than one warrant shall be attached to one specified security ;
- c) the price or conversion formula of the warrants shall be determined upfront and at least 25% of the consideration amount shall also be received upfront;
- d) in case the warrant holder does not exercise the option to take equity shares against any of the warrants held by him, the consideration paid in respect of such warrant shall be forfeited by the issuer.

(4) The amount for general corporate purposes, as mentioned in objects of the issue in the draft offer document filed with SEBI, shall not exceed twenty five per cent of the amount raised by the issuer by issuance of specified securities.

(5) The issuer shall not make:-

- (a) a public issue of equity securities, if the issuer or any of its promoters or directors is a wilful defaulter; or
 - (b) a public issue of convertible debt instruments, if 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 debt instruments issued by it to the public, if any, for a period of more than six months.
- (6) An issuer making a rights issue of specified securities, shall make disclosures as in the offer document and abridged letter of offer, if the issuer or any of its promoters or directors is a wilful defaulter.
- (7) In case of a rights issue of specified securities, the promoters or promoter group of the issuer, shall not renounce their rights except to the extent of renunciation within the promoter group.

Filing of Offer Document [Regulation 6]

An issuer company cannot make any public issue of securities where the aggregate value of the specified securities offered in Fifty Lakh Rupees or more, unless a draft offer document has been filed with SEBI through a Merchant Banker, at least 30 days prior to registering the prospectus, red herring prospectus or shelf prospectus with the Registrar of Companies (ROC) or filing the letter of offer with the designated stock exchange.

However, if SEBI specifies changes or issues observations on the draft Prospectus within 30 days from the date of receipt of the draft Prospectus by SEBI the issuer company, the Lead Manager to the Issue shall carry out such changes in the draft Prospectus or comply with the observations issued by SEBI before filing the Prospectus with ROC.

The lead merchant banker should while filing the offer document with SEBI, file a copy of such document with the recognized stock exchanges where the specified securities are proposed to be listed and a soft copy of the offer document should also be furnished to SEBI.

Security Deposit [Regulation 7]

The issuer shall deposit, before the opening of subscription list, and keep deposited with the stock exchange(s), an amount calculated at the rate of one per cent of the amount of securities offered for subscription to the public.

The amount specified shall be deposited in the manner specified by

SEBI and/or stock exchange(s). The amount shall be refundable or forfeitable in the manner specified by SEBI.

Fast Track Issues [Regulation 10]

The fast-track route of fund raising is an alternative available for companies to access public funds by way of further capital offerings. Considering the need to enable well established and compliant listed companies to access Indian primary market in a time effective manner through follow-on public offerings and rights issues, SEBI decided to enable listed companies satisfying certain specified requirements to make Fast Track Issues (FTIs). Accordingly such listed companies are now able to proceed with follow-on public offering/rights issue by filing a copy of the Red Herring Prospectus (in case of book built issue)/Prospectus (in case of fixed price issue) registered with the Registrar of Companies or the letter of offer filed with Designated Stock Exchange, as the case may be, with SEBI and stock exchanges. Such companies are not required to file draft offer document with SEBI and stock exchanges.

Accordingly, the provisions relating to filing of offer document are not applicable to public issue of securities by a listed issuer company or a rights issue of securities by a listed issuer company, if the following conditions are satisfied:

- a) The shares of the company have been listed on any stock exchange having nationwide terminals for a period of at least three years immediately preceding the reference date;
- b) The “average market capitalisation of public shareholding” of the company is at least one thousand crore rupees in case of public issue and two hundred and fifty crore rupees in case of rights issue.
- c) The annualized trading turnover of the shares of the company during six calendar months immediately preceding the month of the reference date has been at least two per cent of the weighted average number of shares listed during the said six months period;

However, for issuers whose public shareholding is less than 15% of its issued equity capital, the annualized trading turnover of its equity shares has been at least 2% of the weighted number of equity shares available as free float during such six months period.

- d) The company has redressed at least 95% of the total shareholder/investor grievances or complaints received till the end of the quarter immediately preceding the month of the reference date;
- e) The company has been compliance with the equity listing agreement for a period of at least three years immediately preceding the reference date;

However, if the issuer has not complied with the provision of the equity listing agreement relating to composition of board of directors, for any quarter during the last three years immediately preceding the reference date, but is compliant with such provisions at the time of filing of offer document with the Registrar of Companies or designated stock exchange, as the case may be, and adequate disclosures are made in the offer document about such non-compliances during the three years immediately preceding the reference date, it shall be deemed as compliance with the condition.

Further imposition of only monetary fines by stock exchanges on the issuer shall not be a ground for ineligibility for undertaking issuances under this regulation.

- f) The impact of auditors' qualifications, if any, on the audited accounts of the company in respect of the financial years for which such accounts are disclosed in the offer document does not exceed 5% of the net profit/loss after tax of the company for the respective years.
- g) No prosecution proceedings or show cause notices issued by SEBI are pending against the company or its promoters or whole time directors as on the reference date; and
- h) The issuer or promoter or promoter group or director of the issuer has not settled any alleged violation of securities laws through the consent or settlement mechanism with SEBI during three years immediately preceding the reference date.
- i) The entire shareholding of the promoter group is held in dematerialised form as on the reference date.
- j) In case of a rights issue, promoters and promoter group shall mandatorily subscribe to their rights entitlement and shall not renounce their rights, except to the extent of renunciation within the promoter group or for the purpose of complying with

minimum public shareholding norms prescribed under Rule 19A of the Securities Contracts (Regulation) Rules, 1957.

- k) The equity shares of the issuer have not been suspended from trading as a disciplinary measure during last three years immediately preceding the reference date.
- l) The annualized delivery-based trading turnover of the equity shares during six calendar months immediately preceding the month of the reference date has been at least ten percent of the weighted average number of equity shares listed during such six months' period.
- m) There shall be no conflict of interest between the lead merchant banker(s) and the issuer or its group or associate company in accordance with applicable regulations.

A listed issuer company satisfying all the requirements specified in this clause and filing a red herring prospectus (in case of a book built issue) or prospectus (in case of a fixed price issue) with ROC or letter of offer with Designated Stock Exchange, as the case may be, shall simultaneously with such filing or as soon thereafter as reasonably practicable, but in any case not later than the opening of the issue, file a copy thereof with SEBI.

Opening of an issue [Regulation 11]

Subject to the compliance with section 26 of the Companies Act, 2013 a public issue or rights issue may be opened:

- within 12 months from the date of issuance of the observations by SEBI under regulation 6; or
- within 3 months of expiry of the period stipulated in regulation 6, if SEBI has not issued observations;

However, in case of a fast track issue, the issue shall open within the period stipulated in section 26 of the Companies Act, 2013. In case of shelf prospectus, the first issue may be opened within three months of issuance of observations by SEBI.

The issuer shall, before registering the red herring prospectus (in case of a book built issue) or prospectus (in case of a fixed price issue) with the Registrar of Companies or filing the letter of offer with the designated stock exchange, as the case may be, file with SEBI through the lead merchant bankers, an updated offer document highlighting all changes made in the offer document.

An issue shall be opened after at least three working days from the date of registering the red herring prospectus with the ROCs.

Restriction on further capital issues [Regulation 19]

The issuer shall not make any further issue of specified securities in any manner whether by way of public issue, rights issue, preferential issue, qualified institutions placement, issue of bonus shares or otherwise:

- (a) in case of a fast track issue, during the period between the date of registering the red herring prospectus (in case of a book built issue) or prospectus (in case of a fixed price issue) with the ROCs or filing the letter of offer with the designated stock exchange and the listing of the specified securities offered through the offer document or refund of application moneys; or
- (b) in case of other issues, during the period between the date of filing the draft offer document with SEBI and the listing of the specified securities offered through the offer document or refund of application moneys;

Unless full disclosures regarding the total number of specified securities and amount proposed to be raised from such further issue are made in such draft offer document or offer document, as the case may be.

ELIGIBILITY REQUIREMENTS FOR PUBLIC ISSUE

Conditions for Initial Public Offer (IPO) [Regulation 26]

Unlisted Company

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

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

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 an offer for sale.

- (b) The company has a minimum average pre-tax operating profit of rupees fifteen crore, calculated on are stated and consolidated basis, during the three most profitable years out of the immediately preceding five years.
- (c) The company has a net worth of at least Rs. 1 crore in each of the preceding 3 full years (of 12 months each);
- (d) The aggregate of the proposed issue and all previous issues made in the same financial year in terms of size, does not exceed five (5) times its pre-issue net worth as per the audited balance sheet of the last financial year.
- (e) In case the company has changed its name within the last one year, at least 50% of the revenue for the preceding 1 full year is earned by the company from the activity suggested by the new name; and

Listed Company

A listed company shall be eligible to make a public issue of equity shares or any other security which may be converted into or exchanged with equity shares at a later date. The aggregate of the proposed issue and all previous issues made in the same financial year in terms of size, issue size does not exceed 5 times its pre-issue networkth as per the audited balance sheet of the last financial year.

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

Alternative Eligibility Norms for Public Issue

To provide sufficient flexibility and also to ensure that genuine companies do not suffer on account of rigidity of the parameters, SEBI has provided alternative route to company not satisfying any of the above conditions, for accessing the Primary Market, if the issue is made through the book-building process and the issuer undertakes to allot, at least seventy five percent of the net offer to public, to qualified

institutional buyers and to refund full subscription money if it fails to make the said minimum allotment to qualified institutional buyers. An issuer shall not make an allotment pursuant to a public issue if the number of prospective allottees is less than one thousand. Further, an issuer shall not make an initial public offer if there are any outstanding convertible securities or any other right which would entitle any person with any option to receive equity shares.

PRICING IN PUBLIC ISSUE

An issuer may determine the price of specified securities in consultation with the lead merchant banker or through the book building process. An issuer may determine the coupon rate and conversion price of convertible debt instruments in consultation with the lead merchant banker or through the book building process.

Differential Pricing [Regulation 29]

An issuer can offer specified securities at different prices, subject to the following:

- Retail individual investors or retail individual shareholders or employees entitled for reservation making an application for a value of not more than two lakh rupees, can be offered specified securities at a price lower than the price at which net offer is made to other categories of applicants.

However, such difference shall not be more than 10% of the price at which specified securities are offered to other categories of applicants.

- In case of a book built issue, the price of the specified securities offered to an anchor investor should not be lower than the price offered to other applicants;

If the issuer opts for alternate method of book building, the issuer can offer specified 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%.

- In case of a composite issue, the price of the specified securities offered in the public issue can be different from the price offered in rights issue and justification for such price difference should be given in the offer document.

Price and Price Band [Regulation 30]

- The issuer can mention a price or price band in the draft prospectus (in case of a fixed price issue) and floor price or price band in the red herring prospectus (in case of a book built issue) and determine the price at a later date before registering the prospectus with the Registrar of Companies.

However, the prospectus registered with the Registrar of Companies should contain only one price or the specific coupon rate, as the case may be.

- The issuer should announce the floor price or price band at least 5 working days before the opening of the bid (in case of an initial public offer) and at least 1 working day before the opening of the bid (in case of a further public offer), in all the newspapers in which the pre issue advertisement was released.
- The announcement should contain relevant financial ratios computed for both upper and lower end of the price band and also a statement drawing attention of the investors to the section titled “basis of issue price” in the prospectus.
- The announcement and the relevant financial ratios shall be disclosed on the websites of those stock exchanges where the securities are proposed to be listed and shall also be pre-filled in the application forms available on the websites of the stock exchanges.
- The cap on the price band shall be less than or equal to one hundred and twenty per cent of the floor price.
- The floor price or the final price should not be less than the face value of the specified securities. “Cap on the price band” includes cap on the coupon rate in case of convertible debt instruments.

Face value of Equity Shares [Regulation 31]

An eligible company shall be free to make public or rights issue of equity shares in any denomination determined by it in accordance with the provisions of the Companies Act, 2013 and in compliance with the following and other norms as may be specified by SEBI from time to time.

- (i) In case of initial public offer by an unlisted company:
 - (a) if the issue price is Rs. 500/- or more, the issuer company

shall have a discretion to fix the face value below Rs. 10/- per share subject to the condition that the face value shall in no case be less than Re. 1 per share.

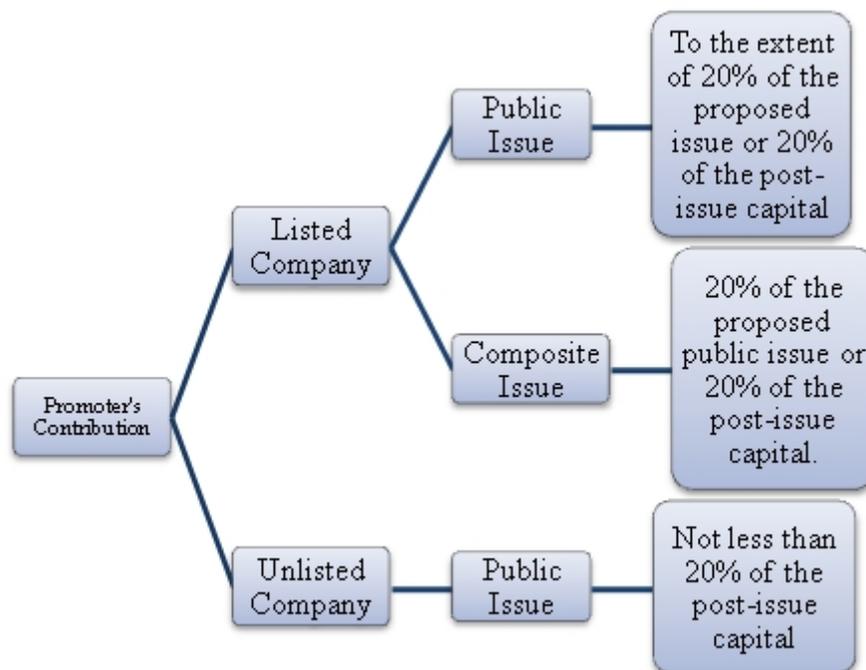
- (b) if issue price is less than Rs. 500 per share, the face value shall be Rs. 10/- per share.

It may be noted that this condition is not applicable to IPO made by Government company statutory authority, or corporation or any special purpose vehicle set up by any of them which is in infrastructure sector.

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

PROMOTERS’ CONTRIBUTION

Minimum Promoter’s Contribution in case of Public issue/ Composite Issue of Shares [Regulation 32(1)]



Note:

- *In case the post issue shareholding of the promoters is less than 20%, alternative investment funds may contribute for the purpose of meeting the shortfall in minimum contribution as specified for promoters, subject to a maximum of 10 % of the post issue capital.*
- *Rights issue component of the composite issue shall be excluded while calculating the post-issue capital.*

Promoter's Contribution in case of Public issue/Composite Issue of Convertible Securities [Regulation 32(2)]

- The promoters shall contribute 20 per cent as stipulated, either by way of equity shares or by way of subscription to the convertible securities.
- In case of price of the equity shares allotted pursuant to conversion is not predetermined 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.
- 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.

Promoters' Contribution to be brought in Before Public Issue Opens [Regulation 32(3)& (4)]

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

However, where the promoters' contribution has been brought prior to the public issue and has already been deployed by the company, the company shall give the cash flow statement in the offer document

disclosing the use of such funds received as promoters' contribution. If the promoters' minimum contribution exceeds Rs.100 crores, the promoters shall bring in Rs.100 crores before the opening of the issue and the remaining contribution shall be brought in by the promoters in advance on pro-rata basis before the calls are made on public.

Ineligible Securities for Promoters' Contribution [Regulation 33]

For the computation of minimum promoters' contribution, the following specified securities shall not be eligible:

(a) specified securities acquired during the preceding three years, if they are:

- acquired for consideration other than cash and revaluation of assets or capitalisation of intangible assets is involved in such transaction; or
- resulting from a bonus issue by utilisation of revaluation reserves or unrealised profits of the issuer or from bonus issue against equity shares which are ineligible for minimum promoters' contribution;

(b) specified securities acquired by promoters during the preceding one year at a price lower than the price at which specified securities are being offered to public in the initial public offer.

However, this clause shall not apply:

- if promoters pay to the issuer, the difference between the price at which specified securities are offered in the initial public offer and the price at which the specified securities had been acquired;
- if such specified securities are acquired in terms of the scheme under sections 230-234 of the Companies Act, 2013, as approved by Tribunal, by promoters in lieu of business and invested capital that had been in existence for a period of more than one year prior to such approval;
- to an initial public offer by a government company, statutory authority or corporation or any special purpose vehicle set up by any of them, which is engaged in infrastructure sector;

(c) specified securities allotted to promoters during the preceding

one year at a price less than the issue price, against funds brought in by them during that period, in case of an issuer formed by conversion of one or more partnership firms, where the partners of the erstwhile partnership firms are the promoters of the issuer and there is no change in the management.

However, specified securities, allotted to promoters against capital existing in such firms for a period of more than one year on a continuous basis shall be eligible;

(d) specified securities pledged with any creditor.

Exemption from requirement of promoters' Contribution [Regulation 34]

The requirements of minimum promoters' contribution shall not apply in case of:

- An issuer which does not have any identifiable promoter;
- In case of a FPO*, where the equity shares of the issuer are not infrequently traded in a recognised stock exchange for a period of at least 3 years and the issuer has a track record of dividend payment for at least immediately preceding 3 years;
- Rights issues.

Note: - Where promoters propose to subscribe to the specified securities offered to the extent greater than higher of the two options available in clause (b) of sub-regulation (1) of regulation 32, the subscription in excess of such percentage shall be made at a price determined in terms of the provisions of regulation 76 or the issue price, whichever is higher.*

LOCK-IN-REQUIREMENTS

Specified securities held by promoters (In case of Public Issue) [Regulation 36]

Where specified securities allotted in a public issue, the specified securities held by promoters they have been locked-in for the period stipulated hereunder:

(a) Incase of minimum promoters' contribution including contribution made by alternative investment funds (where applicable), for period of 3 years from the date of commencement of commercial production or date of allotment in the public issue, whichever is later;

(Note: Date of commencement of commercial production means the last date of the month in which commercial production in a manufacturing company is expected to commence as stated in the offer document.)

(b) Promoters' holding in excess of minimum promoters' contribution shall be locked-in for a period of one year.

(Note: In case of FPI, Participation by promoters in the proposed public issue in excess of the required minimum percentage should be subject to lock in.)

Lock-in of specified securities held by persons other than promoters [Regulation 37]

In case of an initial public offer, the issuer has ensured that the entire pre-issue capital held by persons other than promoters is locked-in for a period of one year.

The provisions of a lock in for a period of one year would not apply when:

- Equity shares allotted to employees under an employee stock option or employee stock purchase scheme of the issuer prior to the initial public offer, if the issuer has made full disclosures with respect to such options or scheme in accordance with **Part A of Schedule VIII**;
- Equity shares held by a venture capital fund or alternative investment fund of Category I or a foreign venture capital investor. However, such equity shares shall be locked in for a period of at least one year from the date of purchase by the venture capital fund or alternative investment fund or foreign venture capital investor.

Note: The lock-in provisions shall not apply with respect to the specified securities lent to stabilizing agent for the purpose of green shoe option, during the period starting from the date of lending of such specified securities and ending on the date on which they are returned to the lender in terms of regulation 45. However, the specified securities shall be locked-in for the remaining period from the date on which they are returned to the lender. [Regulation 38]

Pledge of locked-in specified securities [Regulation 39]

Specified securities held by promoters and locked-in may be pledged

with any scheduled commercial bank or public financial institution as collateral security for loan granted by such bank or institution, subject to the following:

- (a) if the specified securities are locked-in in terms of clause (a) of regulation 36, the loan has been granted by such bank or institution for the purpose of financing one or more of the objects of the issue and pledge of specified securities is one of the terms of sanction of the loan;
- (b) if the specified securities are locked-in in terms of clause (b) of regulation 36 and the pledge of specified securities is one of the terms of sanction of the loan.

Transferability of locked-in specified securities [Regulation 40]

The specified securities held by promoters and locked-in as per regulation 36 may be transferred to another promoter or any person of the promoter group or a new promoter or a person in control of the issuer and the specified securities held by persons other than promoters and locked-in as per regulation 37 may be transferred to any other person holding the specified securities which are locked-in along with the securities proposed to be transferred.

However, lock-in on such specified securities shall continue for the remaining period with the transferee and such transferee shall not be eligible to transfer them till the lock-in period stipulated in these regulations has expired.

MINIMUM OFFER TO PUBLIC, RESERVATIONS, ETC.

The minimum net offer to the public shall be subject to the provisions of clause (b) of sub-rule (2) of rule 19 of Securities Contracts (Regulations) Rules, 1957.

Reservation on competitive basis [Regulation 42]

Reservation on competitive basis means reservation wherein specified securities are allotted in portion of the number of specified securities applied for in respect of a particular reserved category to the number of specified securities reserved for that category.

According to SEBI (ICDR) Regulations, 2009, there are certain persons eligible for reservation on competitive basis.

- In case of an issue made through the book building process, the issuer may make reservation on competitive basis out of the issue size excluding promoters' contribution and net offer to public in favour of the following categories of persons.
 - a) Employees, in case of new issuer, persons who are in the permanent and full time employment of the promoting companies.
 - b) Shareholders (other than promoters) of:
 - listed promoting companies, in case of a new issuer; and
 - listed group companies, in case of an existing issuer.

However, if the promoting companies are designated financial institutions or state and central financial institutions, the shareholders of such promoting companies shall not be eligible for the reservation on competitive basis.

- c) persons who, as on the date of filing the draft offer document with SEBI, are associated with the issuer as depositors, bondholders or subscribers to services of the issuer making an initial public offer.

- In case of an issue made other than through the book building process the issuer may make reservation on competitive basis out of the issue size excluding promoters' contribution and net offer to public in favour of the following categories of persons:
 - a) Employees and in case of new issuer, persons who are in the permanent and full time employment of the promoting companies.
 - b) Shareholders (other than promoters) of:
 - listed promoting companies, in case of a new issuer; and
 - listed group companies, in case of an existing issuer.

However, if the promoting companies are designated financial institutions or state and central financial institutions, the shareholders of such promoting companies

shall not be eligible for the reservation on competitive basis.

- In case of a FPO (not being a composite issue), the issuer may make reservation on competitive basis out of the issue size excluding promoters' contribution and net offer to public in favour of retail individual shareholders of the issuer.
- The reservation on competitive basis shall be subject to following conditions:
 - a) the aggregate of reservations for employees shall not exceed 5% of the post issue capital of the issuer;
 - b) reservation for shareholders shall not exceed 10% of the issue size;
 - c) reservation for persons who as on the date of filing the draft offer document with SEBI have business association as depositors, bondholders and subscribers to services with the issuer making an initial public offer shall not exceed 5% of the issue size;
 - d) no further application for subscription in the net offer to public category shall be entertained from any person (except an employee and retail individual shareholder) in favour of whom reservation on competitive basis is made;
 - e) any unsubscribed portion in any reserved category may be added to any other reserved category and the unsubscribed portion, if any, after such inter-se adjustments among the reserved categories shall be added to the net offer to the public category;
 - f) in case of under-subscription in the net offer to the public category, spill-over to the extent of under subscription shall be permitted from the reserved category to the net public offer category;
 - g) value of allotment to any employee made shall not exceed two lakh rupees.

However, in the event of under-subscription in the employee reservation portion, the unsubscribed portion may be allotted on a proportionate basis, for a value in excess of two lakhs

rupees, subject to the total allotment to an employee not exceeding five lakhs rupees.

- In the case of reserved categories, a single applicant in the reserved category may make an application for a number of specified securities which exceeds the reservation.

Allocation in net offer to public [Regulation 43]

A person shall not make an application in the net offer to public category for that number of specified securities which exceeds the number of specified securities offered to public.

In case of an issue made through the book building process as per regulation 26(1), then the allocation in the net offer to public category shall be as follows:

- not less than 35 % to retail individual investors;
- not less than 15 % to non-institutional investors;
- not more than 50% to qualified institutional buyers, 5 % of which shall be allocated to mutual fund

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

- not less than 35 % to retail individual investors;
- not more than 10% to retail individual investors;
- not more than 15% to non-institutional investors;
- not less than 75% to qualified institutional buyers, 5% of which shall be allocated to mutual fund

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

- Minimum 50% to retail individual investors; and
- Remaining to:
 - (i) individual applicants other than RII and
 - (ii) other investors including corporate bodies or institutions, irrespective of the number of specified securities applied for;
- the unsubscribed portion in either of the categories specified above may be allocated to applicants in the other category.

Note: -

- 1. In case of an issue made through Book Building process under regulation 26(1) and 26(2), addition of 5% allocation available to mutual funds shall be eligible for allocation under the balance available for qualified institutional buyers.*
- 2. The issuer may allocate up to 60% of the portion available for allocation to qualified institutional buyers to an anchor investor.*
- 3. For above purpose, if the retail individual investor category is entitled to more than 50% on proportionate basis, the retail individual investors shall be allocated that higher percentage.*

Safety-net arrangement [Regulation 44]

An issuer may provide for a safety-net arrangement for the specified securities offered in any public issue in consultation with the merchant banker after ascertaining the financial capacity of the person offering the safety-net arrangement, subject to disclosures specified in this regard in **Part A of Schedule VIII**.

However, any such arrangement shall provide for an offer to purchase up to a maximum of one thousand specified securities per original resident retail individual allottee at the issue price within a period of six months from the last date of dispatch of security certificates or credit of demat account.

Price stabilization through green shoe option [Regulation 45]

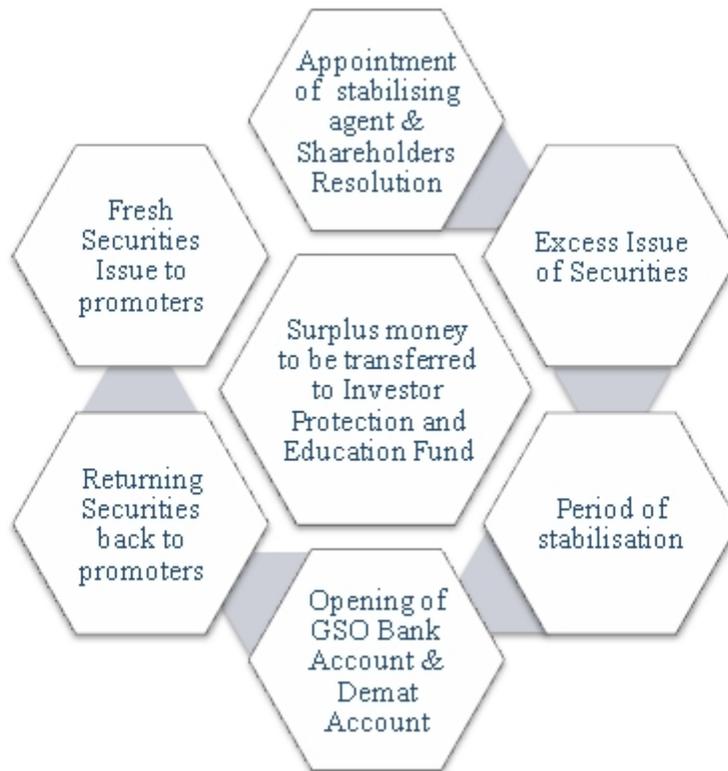
A green shoe option (GSO) provides the option of allotting equity shares in excess of the equity shares offered in the public issue as a post-listing price stabilizing mechanism.

“Green Shoe Option” means an option of allocating shares in excess of the shares included in the public issue and operating a post-listing price stabilizing mechanism in accordance with the provisions of Regulation 45 of SEBI (ICDR) Regulations, 2009.

GSO in the system of IPO using book-building method was recognised by SEBI in India through its new guidelines on 14th August 2003 (vide SEBI/ CFD/DIL/DIP/ Circular No. 11). ICICI bank has used Green Shoe Option first time in its public issue through book building mechanism in India.

A company desirous of availing this option, should in the resolution of the general meeting authorizing the public issue, seek authorization also for the possibility of allotment of further shares to the 'Stabilizing Agent' (SA) at the end of the stabilization period.

Process of Green Shoe Option



1. Appointment of stabilizing agent & Shareholders Resolution

The company need to appoint one of the merchant bankers or book runners, amongst the issue management team, as the “stabilizing agent” (SA), who will be responsible for the price stabilization process. A resolution required to be passed in General Meeting for approval of shareholders to allot specified securities to the stabilizing agent on expiry of stabilizing period.

2. Excess Issue of Securities

The SA shall enter into an agreement with the promoter(s) or pre-issue shareholders for borrowing specified from them not be in excess

of 15% of the total issue size. Only those promoters who are having more than 5% of pre issue capital are entitled to lend securities to stabilizing agent.

3. Period of stabilization

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).

4. Opening of GSO Bank Account & Demat Account

The SA should open a special account with a bank to be called the "Special Account for GSO proceeds of..... company" (hereinafter referred to as the GSO Bank Account) and a special account for securities with a depository participant to be called the "Special Account of GSO shares of..... company" (hereinafter referred to as the GSO Demat Account).

The money received from the applicants against the over-allotment in the green shoe option should be kept in the GSO Bank Account, distinct from the issue account and shall be used for the purpose of buying shares from the market, during the stabilization period.

5. Returning Securities back to promoters

The securities which are brought form market and kept in special account need to be returned to promoters within 2 working days after the end of stabilizing period.

6. Fresh Securities Issue to promoters

On expiry of the stabilization period, in case the SA does not buy shares to the extent of shares over-allotted by the company from the market, the issuer company shall allot shares to the extent of the shortfall in dematerialized form to the GSO Demat Account, within five days of the closure of the stabilization period. These shares shall be returned to the promoters by the SA in lieu of the shares borrowed from them and the GSO Demat Account shall be closed thereafter.

7. Surplus money to be transferred to Investor Protection and Education Fund

Any monies left in the special bank account after remittance of monies

to the issuer under and deduction of expenses incurred by the stabilizing agent for the stabilization process shall be transferred to the Investor Protection and Education Fund established by SEBI and the special bank account shall be closed soon thereafter.

The stabilizing agent shall submit a report to the stock exchange on a daily basis during the stabilization period and a final report to SEBI. The stabilizing agent shall maintain a register for a period of at least three years from the date of the end of the stabilization period and such register shall contain the following particulars:

- (a) The names of the promoters or pre-issue shareholders from whom the specified securities were borrowed and the number of specified securities borrowed from each of them;
- (b) The price, date and time in respect of each transaction effected in the course of the stabilization process; and
- (c) The details of allotment made by the issuer on expiry of the stabilization process.

Period of subscription [Regulation 46]

A public issue shall be kept open for at least three working days but not more than ten working days including the days for which the issue is kept open in case of revision in price band. In case the price band in a public issue made through the book building process is revised, the bidding (issue) period disclosed in the red herring prospectus shall be extended for a minimum period of three working days. However, the total bidding period shall not exceed ten working days.

Pre-issue advertisement for public issue [Regulation 47]

The issuer shall, after registering 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.

The pre-issue advertisement shall be in the format and shall contain the disclosures specified in **Part A of Schedule XIII**.

Issue opening and issue closing advertisement for public issue [Regulation 48]

An issuer may issue advertisements for issue opening and issue closing advertisements, which shall be in the formats specified in **Parts B and C of Schedule XIII**.

Minimum application value [Regulation 49]

The issuer shall specify 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 often thousand rupees to fifteen thousand rupees. The issuer shall invite applications in multiples of the minimum application value.

The minimum sum payable on application shall not be less than twenty five per cent of the issue Price. However, in case of an offer for sale, the issue price payable for each specified security shall be brought in 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.

Allotment procedure and basis of allotment [Regulation 50]

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 by the issuer.

However, the value of specified securities allotted to any person in pursuance of reservation made under of regulation 42, shall not exceed two lakhs rupees.

The allotment of specified securities to each retail individual investor shall not be less than the minimum bid lot, subject to availability of shares in retail individual investor category, and the remaining available shares, if any, shall be allotted on a proportionate basis.

The executive director or managing director of the designated stock exchange along with the post issue lead merchant bankers and

registrars to the issue shall ensure that the basis of allotment is finalised in a fair and proper manner in accordance with the allotment procedure as specified in **Schedule XV**.

Utilisation of subscription money [Regulation 51]

The post-issue lead merchant banker shall ensure that moneys received in respect of the issue are released to the issuer in compliance with the provisions of section 40 of the Companies Act, 2013.

Annual Updation of Offer Document [Regulation 51A]

The disclosures made in the red herring prospectus while making an initial public offer, shall be updated on an annual basis by the issuer and shall be made publicly accessible in the manner specified by SEBI.

RIGHT ISSUE

Rights issue as identified in the SEBI Regulations is an issue of capital under Section 62 of the Companies Act, 2013 to be offered to the existing shareholders of the company through a letter of offer.

According to SEBI (ICDR) Regulations, 2009 regarding rights issues of a company are as follows:

1. Applicability

These regulations apply to the rights issues made by existing listed companies. A listed company cannot make any rights issue of securities, where the aggregate value of such securities, including premium, if any, exceeds Rs. 50 lakhs unless a draft letter of offer has been filed with SEBI, through a Merchant Banker, at least 30 days prior to the filing of the letter of offer with the Designated Stock Exchange (DSE).

However, in case of the rights issue where the aggregate value of the securities offered is less than Rs. 50 Lakhs, the company shall prepare the letter of offer in accordance with the disclosure requirements specified in these regulation and file the same with SEBI for its information and for being put on the SEBI website.

2. Filing Draft letter of Offer

An issuer company cannot make any public issue of securities, unless

a letter of offer has been filed with SEBI through a Merchant Banker, at least 30 days prior to the filing of the Prospectus with the Registrar of Companies (ROC). While filing draft offer document, issue price or price band may not be disclosed in the draft letter of offer filed with SEBI. The issue price may be determined any time before fixation of the record date, in consultation with the Designated Stock Exchange.

However, if SEBI specifies changes or issues observations on letter of offer within 30 days from the date of receipt of the draft Prospectus by SEBI the issuer company or the Lead Manager to the Issue shall carry out such changes or comply with the observations issued by SEBI before filing the letter of offer with ROC.

3. Partly Paid Shares

A Company cannot make a rights issue of equity share or any security convertible at later date into equity share, unless all the existing partly paid-up shares have been fully paid or forfeited.

4. Funding Plan [Means of finance]

A company cannot make a rights issue of securities unless firm arrangements of finance through verifiable means towards 75% of the stated means of finance, excluding the amount to be raised through proposed Public/Rights issue, or through identifiable internal accruals have been made.

5. Agreement with Intermediaries

The company shall make entered into a Memorandum of Understanding with a lead merchant banker specifying their mutual rights, liabilities and obligations relating to the issue. In case a rights issue is managed by more than one Merchant Banker the rights, obligations and responsibilities of each merchant banker shall be demarcated as specified in Chapter VI.

6. Agreement with Depository

The company shall enter into an agreement with the depository for dematerialization:

- (i) Of securities already issued;

- (ii) Proposed to be issued;
- (iii) The subscribers/shareholders must be given an option of holding the shares in a dematerialised mode or by way of share certificates.

6. Dispatch of letter of offer

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

After the prospectus or letter of offer has been filed with the Registrar of Companies or stock exchange the printed prospectus or letter of offer shall be forwarded to SEBI at least 10 days prior to the issue opening date.

7. Restriction on Further Capital Issues:

No company shall make any further issue of capital in any manner, whether by way of issue or otherwise, during the period commencing from the submission of offer document to SEBI on behalf of the company for rights issue, till the securities referred to in the said offer document have been listed or application moneys refunded on account of non-listing or under subscription, etc.

8. Withdrawal of a Rights Issue

Rights issue cannot be withdrawn after the announcement of the record date. If done, then no security of the company shall be eligible for listing up to 12 months.

9. Closure of Rights Issue

The rights issue must be kept open for a minimum period of 30 days. It cannot remain open for more than 60 days.

10. Minimum Subscription

SEBI requires the following clauses in respect of minimum subscription to be stated in the letter of offer.

Where the company does not receive the minimum subscription of 90% of the issue the entire subscription will be refunded to the

applicants within 42 days from the date of closure of the issue. If there is delay in the refund of the application money by more than 8 days after the company becomes liable to pay the amount, i.e. forty two days after closure of the issue, the company will pay interest for the delayed period, @ 15% per annum as prescribed in section 40 of the Companies act, 2013.

11. No Reservation in Rights Issues

No reservation shall be allowed in rights issue.

12. Promoters Contribution and Lock-in-period

The requirement of promoter's contribution shall not be applicable in case of rights issues.

13. Rights of FCD/PCD Holders

No company shall, pending conversion of fully convertible debentures/partly convertible debentures (FCD/PCD) issue any shares by way right unless similar benefit is extended to the holders of such FCDs or PCDs. The benefit shall be extended by making a reservation of shares in proportion to the convertible part of FCDs/PCDs. The shares so reserved may be issued at the time of conversion of such debentures on the same terms on which the rights issue was made.

14. Over Subscription not to be retained

Over-subscription shall not be retained under any circumstances.

15. Offer Document to be made Public

The draft offer document filed with SEBI shall be made public for a period of 21 days from the date of filing the offer document with SEBI.

The Lead Merchant Banker shall

- (a) Simultaneously file copies of the draft offer document with the stock exchanges where the securities offered through the issue are proposed to be listed.
- (b) Make copies of offer document available to the public.

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

16. No Complaints Certificate

After a period of 21 days from the date the draft offer document was made public, the Lead Merchant Banker shall file a statement with SEBI:

- (a) Giving a list of complaints received by it.
- (b) A statement by it whether it is proposed to amend the draft offer document or not, and
- (c) Highlight of those amendments.

17. Composite Issues

The Lead Merchant Banker shall ensure that the requirements of 'minimum subscription' is satisfied both jointly and severally, i.e., independently for both rights and public issues.

18. Underwriters

(a) (i) If the issue is proposed to be closed at the earliest closing date, the Lead Merchant Banker shall satisfy himself that the issue is fully subscribed before announcing closure of the issue.

(ii) In case, there is no definite information about subscription figures, the issue shall be kept open for the required number of days to take care of the underwriters' interests and to avoid any dispute, at a later date, by the underwriters in respect of their liability.

(c) In case there is a devolvement on underwriters, the Lead Merchant Banker shall ensure that the underwriters honour their commitments within 42 days from the date of closure of the issue.

(d) In case of under-subscribed issues, the lead merchant banker shall furnish information in respect of underwriters who have failed to meet their under writing devolvement's to SEBI in the specified format.

19. Additional Facility for Applying

The Lead Merchant Banker shall ensure that an advertisement giving

the date of completion of dispatch of letters of offer is released in at least in one English National Daily with wide circulation, one Hindi National Paper and a Regional language daily circulated at the place where registered office of the issuer company is situated. The advertisement must be published at least 7 days before the date of opening of the issue.

20. Utilisation of Funds in Case of Rights Issues

The issuer company may utilise funds collected against rights issues after satisfying Regional Stock Exchange that minimum 90% subscription has been received.

21. Compliance Report:

The Post-Issue Lead Merchant Banker shall file.

(a) 3 Day Post Issue Monitoring Report:

The report shall be filed on the 3rd day from the date of closure of the subscription of the issue.

(b) 50-Day Post-Issue Monitoring Report:

This report shall be filed on the 50th day from the date of closing of subscription of the issue.

PREFERENTIAL ISSUE

Preferential issue means issuance of equity shares to promoter group or selected investors. It covers allotment of fully convertible debentures, partly convertible debentures or any other financial instruments that could be converted into equity shares at a later date. The investors could be institutional investors, private equity investors, high net-worth individuals, or companies.

Preferential issue is one of the key sources of funding for companies. It has its own advantages and disadvantages.

One of the biggest advantages of a preferential issue is that the company can raise money quickly and cheaply compared with other means of raising money, say IPO or issue of shares on a rights basis.

On the other hand, preferential issues and private placement is only for selected class of investors and not for the retail investors. It is

like a wholesale market, where institutions with financial clout are allowed to participate. This deprives investment opportunity to the retail investors.

SEBI (ICDR) Regulations, 2009 Regarding Preferential Issue

1. Applicability

The preferential issue of equity shares/Fully Convertible Debentures (FCDs)/ Partly Convertible Debentures (PCDs) or any other financial instruments which would be converted into or exchanged with equity shares at a later date, by listed companies whose equity share capital is listed on any stock exchange, to any select group of persons under Section 62 of the Companies Act, 2013 on private placement basis is governed by these Regulations.

2. Pricing of the issue

Regulation 76 lays down the pricing of equity share in case of frequently traded shares

- Where the equity shares of the company have been listed on a stock exchange for a period of twenty six weeks or more as on the relevant date, the issue of equity shares on preferential basis is being made at a price not less than 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 stock exchange during the twenty six weeks preceding the relevant date; **OR**
 - (b) the average of the weekly high and low of the volume weighted average price of the related equity shares quoted on a stock exchange during the two weeks preceding the relevant date.
- Where the equity shares of a company have been listed on a stock exchange for a period of less than twenty six weeks as on the relevant date, the issue of shares on preferential basis has been made at a price not less than the higher of the following:
 - (a) The price at which shares were issued by the company in its IPO or the value per share arrived at in a scheme of arrangement under Section 230 to 232 of the Companies

Act, 2013, pursuant to which shares of the company were listed , as the case may be; OR

- (b) The average of the weekly high and low of the volume weighted average price of the related shares quoted on the stock exchange during the period shares have been listed preceding the relevant date; OR
- (c) The average of the weekly high and low of the volume weighted average price of the related shares quoted on a stock exchange during the two weeks preceding the relevant date.

Where the price of the equity shares is determined in terms of provision (ii), such price shall be recomputed by the issuer on completion of twenty six weeks from the date of listing on a recognized stock exchange with reference to the average of weekly high and low of the volume weighted average price of the related equity shares quoted on the recognized stock exchange during these twenty six weeks and if such recomputed price is higher than the price paid on allotment, the difference shall be paid by the allottees to the issuer.

An issue of shares on preferential basis to Qualified Institutional Buyers not exceeding five in numbers all be made at a price not less than the average of the weekly high and low of the volume weighted average price of the related shares quoted on a stock exchange during the two weeks preceding the relevant date.

Regulation 76A lays down the pricing of equity shares in case of infrequently traded shares

Where the shares are not frequently traded, the price determined by the company shall take into account valuation parameters including book value, comparable trading multiples, and such other parameters as are customary for valuation of shares of such companies.

However, the company shall submit a certificate stating that the company is in compliance of this regulation, obtained from an independent merchant banker or an independent chartered accountant in practice having a minimum experience of ten years, to the stock exchange where the equity shares of the company are listed.

Regulation 76B lay down the adjustments in pricing in case of frequently or infrequently traded shares

The price determined for preferential issue in accordance with regulation 76 or regulation 76A, shall be subject to appropriate adjustments, if the company :

- (a) makes an issue of equity shares by way of capitalization of profits or reserves, other than by way of a dividend on shares;
- (b) makes a rights issue of equity shares;
- (c) consolidates its outstanding equity shares into a smaller number of shares;
- (d) divides its outstanding equity shares including by way of stock split;
- (e) re-classifies any of its equity shares into other securities of the issuer;
- (f) is involved in such other similar events or circumstances, which in the opinion of the concerned stock exchange, requires adjustments.

Relevant date means the date thirty days prior to the date on which the meeting of general body of shareholders is held, in terms of Section 62 of the Companies Act, 2013.

3. Payment of consideration [Regulation 77]

- Full consideration of specified securities other than warrants issued under this Chapter shall be paid by the allottees at the time of allotment of such specified securities.

However, preferential issue of specified securities pursuant to a scheme of corporate debt restructuring as per the corporate debt restructuring framework specified by RBI, the allottee may pay the consideration in terms of such scheme.

- An amount equivalent to at least 25% of the consideration determined in terms of regulation 76 shall be paid against each warrant on the date of allotment of warrants.
- The balance 75% of the consideration shall be paid at the time of allotment of equity shares pursuant to exercise of option against each such warrant by the warrant holder.

- In case the warrant holder does not exercise the option to take equity shares against any of the warrants held by him, the consideration paid in respect of such warrant shall be forfeited by the issuer.
- The company shall ensure that the consideration of specified securities, if paid in cash, shall be received from respective allottee's bank account.
- The company shall submit a certificate of the statutory auditor to the stock exchange where the equity shares of the company are listed stating that the company is in compliance of above provisions and the relevant documents thereof are maintained by the company as on the date of certification.

4. Disclosures

- The company shall, in addition to the disclosures required under section 102 of 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 special resolution:
 - (a) The objects of the preferential issue;
 - (b) The proposal of the promoters, directors or key management personnel of the issuer to subscribe to the offer;
 - (c) The shareholding pattern of the issuer before and after the preferential issue;
 - (d) The proposed time within which the preferential issue shall be completed;
 - (e) The 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 control, if any, in the issuer consequent to the preferential issue.

However, if there is any listed company, mutual fund, bank or insurance company in the chain of ownership of the proposed allottee, no further disclosure will be necessary.

- (f) An 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.

- (g) An 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.
 - (h) Disclosures, similar to disclosures specified in **Part G of schedule VIII**, if the issuer or any of its promoters or directors is a wilful defaulter.
- The issuer shall place a copy of the certificate of its statutory auditor 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. Where specified securities are issued on a preferential basis to promoters, their relatives, associates and related entities 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 qualified valuer, which shall be submitted to the recognised stock exchanges where the equity shares of the issuer are listed.
 - The recognised stock exchange 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 obtain any information, as deemed necessary, from the issuer. 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.

5. Tenure of Convertible Securities

The tenure of the convertible securities of the issuer does not exceed beyond 18 months from the date of their allotment.

6. Lock-in-period [Regulation 78]

- a) The specified securities allotted on a preferential basis to the promoter or promoter group and the equity shares allotted to such promoter or promoter group pursuant to exercise of options attached to warrants issued on preferential basis are

to promoter or promoter group subjected to lock in period of three years from the date of trading approval granted.

However, not more than 20% of the total capital of the company, should be locked in for a period of three years from the date of trading approval.

Further the equity shares allotted in excess of twenty percent pursuant to exercise of options attached to warrants issued on preferential basis to promoter/promoter group of the issuer, should be locked-in for a period of one year from the date of trading approval.

- b) The specified securities allotted on preferential basis and the equity shares allotted pursuant to exercise of options attached to warrants issued on preferential basis to any person other than the promoter/ promoter group of the issuer should be locked in for a period of one year from the date of their allotment.
- c) Shares acquired by conversion of the convertible instruments other than warrants should be locked in for a period as reduced by the extent the convertible instrument other than warrants have already been locked in.
- d) The lock-in period in respect of shares issued on preferential basis pursuant to a scheme approved under Corporate Debt Restructuring framework of Reserve Bank of India, shall commence from the date of trading approval and has been continued for a period of one year and in case of allotment of partly paid up shares the lock-in period shall commence from the date of trading approval and continue for a period of one year from the date when shares become fully paid up.
- e) The entire pre preferential allotment shareholding of such allottees shall be under lock-in from the relevant date upto a period of six months from the date of preferential allotment.

7. Allotment Pursuant to Shareholders Resolutions

- a) Allotment pursuant to special resolution shall be completed within a period of fifteen days from the date of passing of the resolution.

However, where any application for exemption for the allotment on preferential basis is pending on account of pendency of any approval of such allotment by any regulatory authority or the Central Government; the allotment shall be completed within 15 days from the date of such approval.

However, SEBI has granted relaxation to the issuer in terms of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, the preferential allotment of shares, fully convertible debentures and partly convertible debentures, shall be made by it within such time as may be specified by SEBI in its order granting relaxation.

- b) If the allotment of specified securities is not completed within 15 days from the date of special resolution, a fresh special resolution shall be passed and the relevant date for determining the price of specified securities under this Chapter will be taken with reference to the date of latter special resolution.
- c) Where a preferential allotment is made that attracts an obligation to make an open offer for shares of the company under SEBI (Substantial Acquisition of Shares and Takeovers) Regulation, 2011, and there is no offer made of regulation 20 of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulation, 2011, the period of 15 days shall be counted from the expiry of the period specified in regulation 20 or date of receipt of all statutory approvals required for the completion of an open offer under the SEBI (Substantial Acquisition of Shares and Takeovers) Regulation, 2011.

However, if an offer is made under regulation 20 of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulation, 2011, the period of 15 days shall be counted from the expiry of the offer period as defined in the SEBI (Substantial Acquisition of Shares and Takeovers) Regulation, 2011.

Further that the provisions of this regulation shall not apply to an offer made under regulation 20 of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulation, 2011, pursuant to a preferential allotment.

- d) Allotment shall only be made in dematerialised form. The requirement of allotment in dematerialised form shall also be

applicable for the equity shares to be allotted pursuant to exercise of option attached to warrant or conversion of convertible securities.

8. Transferability of locked-in specified securities and warrants issued on preferential basis

Any specified securities held by promoters and locked-in as prescribed in regulation, may be transferred among promoters or promoter group or to a new promoter or persons in control of the company. Lock-in on such specified securities shall continue for the remaining period with the transferee. The specified securities allotted on preferential basis shall not be transferred by the allottee till trading approval is granted for such securities by all the recognised stock exchanges where the equity shares of the issuer are listed.

Explanations : “Total capital of the issuer” means equity share capital issued by way of public issue or rights issue including equity shares issued pursuant to conversion of specified securities which are convertible; and specified securities issued on a preferential basis to promoter or promoter group.

“The date of trading approval” means the latest date when trading approval has been granted by all the recognised stock exchanges where the equity shares of the issuer are listed, for specified securities allotted as per the provisions of this Chapter.

Further that requirement of allotment within fifteen days shall not apply to allotment of specified securities on preferential basis pursuant to a scheme of corporate debt restructuring as per the corporate debt restructuring framework specified by RBI.

9. Use of Issue Proceeds

The details of all monies utilised out of the preferential issue proceeds should be disclosed under an appropriate head in the balance sheet of the company indicating the purpose for which such monies have been utilised. The details of unutilised monies should also be disclosed under a separate head in the balance sheet of the company indicating the form in which such utilised monies have been invested.

10. Other Requirements

- A special resolution is required to be passed by its shareholders.
- All the equity shares if any, held by the proposed allottees in the issuer are in dematerialise form.

- An issuer cannot make preferential issue of securities to any person who has sold any equity shares of the issuer during the six months preceding the relevant date.
- A listed company shall not make any preferential issue of specified securities unless it is in compliance with the conditions for continuous listing.
- A listed company shall not make any preferential allotment of specified securities unless it has obtained the Permanent Account Number of the proposed allottees.

Non-Applicability

(1) These regulations are not applicable in case of the following:

- pursuant to conversion of loan or option attached to convertible debt instruments in terms of Sections 62 of the Companies Act, 2013.
- pursuant to a scheme approved by a High Court under Section 230 to 232 of the Companies Act, 2013.
- in terms of the rehabilitation scheme approved by the Board of Industrial and Financial Reconstruction under the Sick Industrial Companies (Special Provisions) Act, 1985 or the Tribunal under the Insolvency and Bankruptcy Code, 2016, whichever applicable.

(2) Pricing and lock-in provisions of SEBI (ICDR) Regulations, 2009 shall not apply to equity shares allotted to any financial institution within the meaning of sub-clauses (ia) and (ii) of Clause (h) of Section 2 of the Recovery of Debts due to Banks and Financial Institutions Act, 1993.

(3) Disclosure and pricing relating to a preferential issue of equity shares and compulsorily convertible debt instruments, whether fully or partly, where SEBI has granted relaxation to the issuer in terms of regulation 29A of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations 1997 or regulation 11 of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, whichever applicable, 2011, if adequate disclosures about the plan and process proposed to be followed for identifying the allottees are given in the explanatory statement to notice for the general meeting of shareholders.

(4) Criteria relating to Lock –in and selling of equity shares during six months preceding the preferential issue shall not apply to preferential issue of specified securities where the proposed allottee is a Mutual Fund registered with the Board or Insurance Company registered with Insurance Regulatory and Development Authority.

(5) Conversion of debt into equity under strategic debt restructuring scheme. The provisions of this Chapter shall not apply where the preferential issue of equity shares is made to the consortium of banks and financial institutions pursuant to conversion of their debt, as part of the strategic debt restructuring scheme in accordance with the guidelines specified by RBI, subject to the following conditions:

- a) conversion price shall be determined in accordance with the guidelines specified by the RBI for strategic debt restructuring scheme, which shall not be less than the face value of the equity shares.
- b) conversion price shall be certified by two independent qualified valuers and for this purpose ‘valuer’ shall have the same meaning as assigned to it under regulation 2(1)(r) of the SEBI (Issue of Sweat Equity) Regulations, 2002.
- c) Equity shares so allotted shall be locked in for a period of one year from the date of trading approval.

However, for the purposes of transferring the control, the consortium of banks and financial institutions may transfer their shareholding to an entity before completion of the lock in period subject to continuation of the lock in on such shares for the remaining period with the transferee;

- d) Applicable provisions of Companies Act, 2013 are complied with, including the requirement of special resolution.

(6) The provisions of this Chapter shall not apply when any other secured lenders opt to join the strategic debt restructuring scheme in accordance with the guidelines specified by RBI and convert their debt into equity share.

QUALIFIED INSTITUTIONS PLACEMENT (QIP)

Qualified Institutions Placement means allotment of equity shares, non-convertible debt instruments and convertible securities by a listed

company to Qualified Institutional Buyers (QIBs) on private placement basis as provided under Chapter VIII of SEBI (ICDR) Regulation, 2009.

QIP is a convenient & speedy method of private placement whereby a listed company can issue shares or convertible securities to selected Qualified Institutional Buyer

(QIBs). SEBI introduced QIP through a circular issued on May 8, 2006 to encourage Indian companies to raise funds from within our country without moving to overseas market.

Qualified Institutional Buyer (QIB)

A QIB means –

- A mutual fund, venture capital fund, alternative investment fund and foreign venture capital investor registered with SEBI;
- A foreign portfolio investor other than Category III foreign portfolio investor registered with SEBI;
- A public financial institution as defined in section 2(72) of the Companies Act, 2013;
- A scheduled commercial bank;
- A multilateral and bilateral development financial institution;
- A state industrial development corporation;
- An insurance company registered with the Insurance Regulatory and Development Authority;
- A provident fund with minimum corpus of twenty five crore rupees;
- A pension fund with minimum corpus of twenty five crore rupees;
- National Investment Fund set up by the Government of India published in the Gazette of India;
- Insurance funds set up and managed by army, navy or air force of the Union of India;
- Insurance funds set up and managed by Department of Posts, India.

- Systemically important non-banking financial companies.

Explanation : **Systemically Important Non-Banking Financial Company** means a non-banking financial company registered with the Reserve Bank of India and having a net-worth of more than five hundred crore rupees as per the last audited financial statements.

Relevant date

- In case of allotment of equity shares, the date of the meeting in which the board of directors or the committee of directors duly authorised by the board of directors of the issuer decides to open the proposed issue.
- In case of allotment of eligible convertible securities, either the date as mentioned above or the date on which the holders of such convertible securities become entitled to apply for the equity shares.

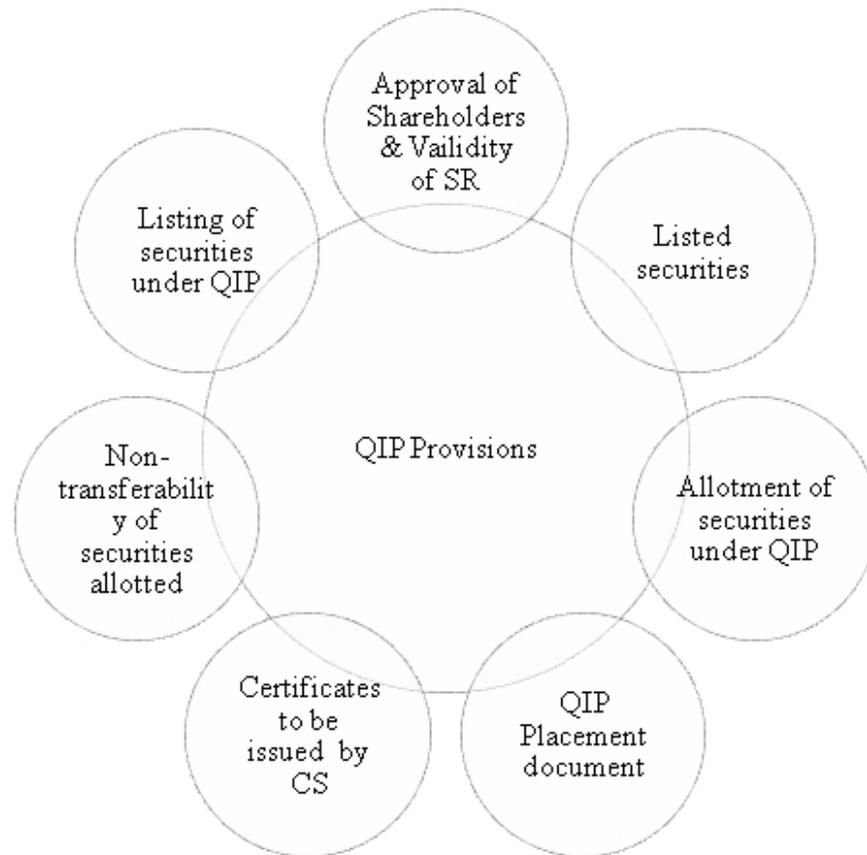
Merchant Banker

Merchant Banker is an organisation that acts as an intermediary between the issuing company and proposed allottees/applicants in the fresh-securities market. Merchant Banker usually engages itself in the business of issue management and acts as manager, consultant, advisor or renders corporate advisory service in relation to such issue management.

A QIP shall be managed by merchant banker(s) registered with SEBI who shall exercise due diligence. The merchant banker would help the company allot securities under a QIP. The merchant banker shall, while seeking in-principle approval for listing of the eligible securities issued under qualified institutional placement, furnish to stock exchange a due diligence certificate stating that the eligible securities are being issued under qualified institutional placement and that the issuer complies with requirements of Chapter VIII of these regulations.

Important Provisions regarding QIP

The SEBI (ICDR) regulations, 2009 has laid down certain conditions and restrictions for QIP which are to be complied by the company without fail. The company shall adhere to the following –



I. Approval of shareholders & validity of Special resolution

The company shall pass a Special resolution approving the qualified institutional placement. Allotment of securities pursuant to the special resolution referred to in clause (a) of ICDR regulation 82 shall be completed within a period of 12 months from the date of passing of the resolution. The provisions of Section 62 of The Companies Act 2013 also would apply to the QIP issue.

II. Listed securities

Listed securities are the same class of eligible securities which shall be listed in the stock exchange having nationwide trading terminal for a period of at least one year prior to the date of issuance of AGM notice to its shareholders. Transferee Company in a scheme of merger, de-merger, amalgamation or arrangement sanctioned by a Tribunal under sections 230 to 234 of the Companies Act, 2013, may make QIP,

where the equity shares of the same class of the transferor company were listed for a period of 1 year as mentioned above.

III. Allotment of securities under QIP

The listed Entity may allot securities to the QIBs if the following conditions are compiled –

1. Compliance with listing agreement.
2. Compliance with FDI norms in case allotment to NRIs
3. *Minimum number of allottees* : The number of QIBs to whom shares are allotted shall not be less than:
 - (a) two, where the issue size is less than or equal to Rs.250 crores
 - (b) five, where the issue size is greater than Rs.250 crores
4. *Issue Size* : No single allottee shall be allotted more than 50 % of the issue size.
5. *Mutual Funds* : Minimum of 10% of eligible securities shall be allotted to mutual funds. However, if the mutual funds do not subscribe to said minimum percentage or any part thereof, such minimum portion or part thereof may be allotted to other qualified institutional buyers.
6. *Promoter shall not be allotted shares* : No allotment shall be made, either directly or indirectly, to any qualified institutional buyer who is a promoter or any person related to promoters of the issuing company. "Promoter" means the person(s) who are in control of the issuer or the person(s) who are instrumental in the formulation of a plan or programme pursuant to which specified securities are offered to public or person(s) named in the offer document as promoters. A financial institution, scheduled bank and foreign institutional investor who approaches the issuer company which is its subsidiary company or mutual fund/ company promoted by it shall be treated as 'promoter'.

The following persons are not promoters/promoter group –

- a) a person/ director/officer of the issuer acting merely in his professional capacity promoter;

- b) a financial institution, scheduled bank, foreign institutional investor and mutual fund who merely holds 10% or more of the equity share capital of the issuer.

Also the QIBs belonging to the same group or who are under same control shall not be considered as separate allottees but shall be deemed to be a single allottee.

7. *Partly paid up securities* : The issuer shall not allot partly paid up securities. However, in case of allotment of non-convertible debt instruments along with warrants, the allottees may pay the full consideration or part thereof payable with respect to warrants, at the time of allotment of such warrants. Further that on allotment of equity shares on exercise of options attached to warrants, such equity shares shall be fully paid up.
8. *Bid* : The applicants in qualified institutional placement shall not withdraw their bids after the closure of the issue.
9. *Quantum of issue* : The aggregate of the proposed qualified institutional placement and all previous qualified institutional placements made by the issuer in the same financial year shall not exceed 5 times of the net worth of the issuer as per the audited balance sheet of the previous financial year.
10. *Pricing* : Issue of shares under QIP 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. Where eligible securities are convertible into or exchangeable with equity shares of the issuer, the issuer shall determine the price of such equity shares allotted pursuant to such conversion or exchange taking the relevant date as decided and disclosed by it while passing the special resolution.

****Relevant date***

Relevant date means date of the meeting in which the board of directors of the issuer or the committee of directors of the issuer decides to open the proposed issue of equity shares.

In case of allotment of convertible securities, relevant date means –

- the date of the meeting in which the board of directors decides to open the issue of such convertible securities
 - OR**
 - the date on which the holders of such convertible securities become entitled to apply for the equity shares.
11. Prior Approval from stock exchange to be obtained by submitting the following –
- Certified true copy of the resolution passed by the Board of Directors approving the placement of securities with Qualified Institutional Buyers (QIBs);
 - Copy of the AGM notice sent to the shareholders of the Company;
 - Certified true copy of the AGM resolution passed;
 - Draft placement document for issue of specified securities to QIBs;
 - Latest shareholding pattern of the Company (LA - Clause 35);
 - Net worth Certificate by the Statutory Auditors of the Company based on the audited figures of the previous FY;
 - Confirmation from the lead Merchant Banker that the issue is being made in compliance with Chapter VIII of SEBI (Issue of Capital & Disclosure Requirement) Regulations, 2009;
 - The Managing Director/ Company Secretary of the Company shall confirm that the company has complied with minimum public shareholding under clause 40A & 35 and that issue shall be floated as per chapter VIII of ICDR Regulations.
12. Tenure of convertible securities:
- The tenure of the convertible or exchangeable securities issued through qualified institutions placement shall not exceed 60 months from the date of allotment.

13. Previous QIP : Atleast 6 months should have elapsed from the previous QIP. However, special resolution is mandatory.

IV. QIP Placement document

The company shall submit the Preliminary Placement Document for being uploaded on the website of stock exchange before the same is circulated to the QIBs or displayed on the website of the Company.

The following shall be submitted to Stock Exchange-

- Hard copy of the Preliminary Placement document
- Soft copy of the Preliminary Placement Document
- Due diligence Certificate of the lead Merchant Banker in compliance with ICDR regulations.

There is no pre-issue filing of the placement document with SEBI. The (final) placement document shall be serially numbered and copies shall be circulated only to QIBs. The placement document shall contain 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.

However, a copy of the placement document shall be filed with SEBI for its record within 30 days of the allotment of eligible securities.

Disclosures in placement document

Following disclosures are required to be made in the placement document –

- Disclaimer that no offer is being made to the public or any other class of investors.
- Details of Financial statements i.e. Consolidated balance sheet & profit and loss account, CFS, Related party transactions etc.
- Merchant bankers to the placement and other advisors.
- Details of securities to be issued e.g. Convertible securities, equity shares etc.
- Risk factors that is likely to affect our business e.g. Increase in price of raw material would affect the business etc.

- Market price information i.e. stock price high & close of previous FY ending March 31
- Use of proceeds after deduction of (estimated) management fees, offer fee, commissions etc.
- Capitalization & Indebtedness Statement
- The audited consolidated or unconsolidated financial statements prepared in accordance with Indian GAAP.
- Report of Independent Auditors on the Financial Statements.
- Managements Discussion and Analysis of financial condition and results of operations
- Industry & Business description
- Organizational structure and major shareholders
- Board of directors and senior management
- Taxation aspects relating to the eligible securities
- Legal proceedings against company and directors both as plaintiff & defendant – under Income tax, excise, customs, Cr.PC etc. which would materially affect the assets/revenue or financial position of the company.
- Proceedings against promoters.
- Accountants
- General information e.g. details of shareholder approval, principal objects of company, consolidated financial position etc.
- Any material information which would enable the investors to take an informed decision.

The various penal provisions relating to misstatement in prospectus would apply here also where the director/promoters is found to have made untrue statements in the placement document.

V. Certificates to be issued by Company Secretary

The company secretary shall issue the following certificates to the merchant banker for necessary filings with Stock Exchange –

- a. Certificate that the issue will be in compliance with the prescribed requirements of Regulation 38 and 31 of the SEBI

(LODR), 2015 and that the minimum public shareholding shall be maintained under New listing agreement (“LODR 2015”).

- b. Certificate that the aggregate of the proposed QIP made by the issuer in the same financial year shall not exceed 5 times of the net worth of the issuer as per the audited balance sheet of the previous year.
- c. Certificate that the issue will be in compliance with the Chapter VIII of SEBI (ICDR) Regulations, 2009.
- d. Certificate that the new shares to be issued will rank pari-passu with existing equity shares in every respect including dividend.

VI. Non-transferability of securities allotted under QIP

The securities allotted under qualified institutions placement shall not be sold by the allottee for a period of 1 year from the date of allotment, except on a recognised stock exchange.

VII. Listing of securities under QIP

The Merchant banker shall submit the following documents for listing of securities:

- Certified true copy of Board of Director resolution.
- Certified true copy of Annual General Meeting/ General Meeting notice.
- Certified true copy of Annual General Meeting/ General Meeting resolution.
- Final Placement document copy.
- Certificates from CS as given in (V) above.
- Certificate that the issue will be in compliance with the chapter VIII of SEBI (ICDR) Regulations, 2009.
- Statutory auditors/PCA/PCS on calculation of floor price.
- Certificate of confirmation from CS that/on.
- Complied with Regulation 38 of Listing Agreement;
- Issue size is 5 times of net worth;
- Relevant date.

- Details of issue- opening date & closing date
- List of allottees
- In-principle approval from Stock Exchange
- Listing fee & processing fee
- Shareholding pattern-certified true copy
- Certified true copy of amended MOA and AOA
- Confirmation that 'III(6)' given above is compiled
- Copy of forms filed with Registrar of Companies (ROC)
- Relevant documents asked for by the Stock Exchange.

INSTITUTIONAL PLACEMENT PROGRAMME

“Institutional Placement Programme” means a further public offer of eligible securities by an eligible seller, in which the offer, allocation and allotment of such securities is made only to qualified institutional buyers in terms of this Chapter.

SEBI vide its notification dated January 30, 2012 has amended the Issue of Capital and Disclosure Requirements Regulations, 2009 whereby Chapter VIII-A - Institutional Placement Programme (IPP) has been inserted.

The provisions of this Chapter shall apply to issuance of fresh shares and or offer for sale of shares in a listed issuer for the purpose of achieving minimum public shareholding in terms of Rule 19(2) (b) and 19A of the Securities Contracts (Regulation) Rules, 1957.

Conditions for Institutional Placement Programme [Regulation 91C]

- An institutional placement programme may be made only after a special resolution approving the institutional placement programme has been passed by the shareholders of the issuer in terms of section 62 of the Companies Act, 2013.
- No partly paid-up securities shall be offered.
- The issuer shall obtain an in-principle approval from the stock exchange(s).

Appointment of Merchant Banker [Regulation 91D]

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

Offer Document [Regulation 91E]

- The institutional placement programme shall be made on the basis of the offer document which shall contain all material information.
- The issuer shall, simultaneously while registering the offer document with the Registrar of Companies, file a copy thereof with SEBI and with the stock exchange(s) through the lead merchant banker.
- The issuer shall file the soft copy of the offer document with SEBI, along with the fee.
- The offer document shall also be placed on the website of the concerned stock exchange and of the issuer clearly stating that it is in connection with institutional placement programme and that the offer is being made only to the qualified institutional buyers.
- The merchant banker shall submit to SEBI a due diligence certificate, stating that the eligible securities are being issued under institutional placement programme and that the issuer complies with requirements of this Chapter.

Pricing and Allocation/allotment [Regulation 91F]

- The eligible seller shall announce a floor price or price band at least one day prior to the opening of institutional placement programme.
- The eligible seller shall have the option to make allocation/allotment as per any of the following methods -
 - Proportionate basis;
 - Price priority basis; or
 - Criteria as mentioned in the offer document.
- The method chosen shall be disclosed in the offer document.

- Allocation/allotment shall be overseen by stock exchange before final allotment.

Restrictions [Regulation 91G]

The promoter or promoter group shall not make institutional placement programme if the promoter or any person who is part of the promoter group has purchased or sold the eligible securities during the 12 weeks period prior to the date of the programme and they shall not purchase or sell the eligible securities during the twelve weeks period after the date of the programme.

However, such promoter or promoter group may, within the period provided above, offer eligible securities held by them through institutional placement programme or offer for sale through stock exchange mechanism specified by SEBI, subject to the condition that there shall be a gap of minimum two weeks between the two successive offer(s) and /or programme(s).

Allocation/allotment under the institutional placement programme shall be made subject to the following conditions:

- Minimum of twenty five per cent of eligible securities shall be allotted to mutual funds and insurance companies. However, if the mutual funds and insurance companies do not subscribe to said minimum percentage or any part thereof, such minimum portion or part thereof may be allotted to other qualified institutional buyers;
- No allocation/allotment shall be made, either directly or indirectly, to any qualified institutional buyer who is a promoter or any person related to promoters of the issuer. However, a qualified institutional buyer who does not hold any shares in the issuer and who has acquired the rights in the capacity of a lender shall not be deemed to be a person related to promoters.
- The issuer shall accept bids using ASBA facility only.
- The bids made by the applicants in institutional placement programme shall not be revised downwards or withdrawn.

Minimum number of allottees [Regulation 91H]

The minimum number of allottees for each offer of eligible securities

made under institutional placement programme shall not be less than ten. However, no single allottees shall be allotted more than twenty five per cent of the offer size. The QIBs belonging to the same group or who are under same control shall be deemed to be a single allottee.

Restrictions on size of the offer [Regulation 91I]

- The aggregate of all the tranches of institutional placement programme made by the eligible seller shall not result in increase in public shareholding by more than ten per cent or such lesser per cent as is required to reach minimum public shareholding.
- Where the issue has been oversubscribed, an allotment of not more than ten percent of the offer size shall be made by the eligible seller.

Period of Subscription and display of demand [Regulation 91J]

- The issue shall be kept open for a minimum of one day or maximum of two days.
- The aggregate demand schedule shall be displayed by stock exchange(s) without disclosing the price.

Withdrawal of offer [Regulation 91K]

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

Transferability of eligible securities [Regulation 91L]

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

BONUS SHARES

A company may, if its Articles provide, capitalize its profits by issuing fully-paid bonus shares. The issue of bonus shares by a company is a common feature. When a company is prosperous and accumulates large distributable profits, it converts these accumulated profits into capital and divides the capital among the existing members in

proportion to their entitlements. Members do not have to pay any amount for such shares. They are given free.

The bonus shares allotted to the members do not represent taxable income in their hands. [*Commissioner of Income Tax, Madras v. A.A.V. Ramchandra Chettiar* (1964) 1 Mad CJ 281]. Issue of bonus shares is a bare machinery for capitalizing undistributed profits. The vesting of the rights in the bonus shares takes place when the shares are actually allotted and not from any earlier date.

Advantages of Issuing Bonus Shares

- Fund flow is not affected adversely.
- Market value of the Company's shares comes down to their nominal value by issue of bonus shares.
- Market value of the members' shareholdings increases with the increase in number of shares in the company.
- Bonus shares is not an income. Hence it is not a taxable income.
- Paid-up share capital increases with the issue of bonus shares.

Pursuant to the provisions of Section 52 of the Companies Act, 2013, securities premium account can be used in paying up unissued shares of the company to be issued to its members as fully-paid bonus shares. Other free reserves created from out of the profits actually earned during earlier years like general reserve, capital redemption reserve account, devolvement rebate reserve etc. can be utilised by company for issue of fully paid bonus shares to its members.

There are no guidelines on issuing bonus shares by private or unlisted companies. However, SEBI has notified Regulations for Bonus Issue which are contained in Chapter IX of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 with regard to bonus issues by listed companies.

When a company has accumulated free reserves and is desirous of bridging the gap between the capital and fixed assets, it issues bonus shares to its equity shareholders. Such an issue would not place any fresh funds in the hands of the company. On the contrary, after a bonus issue it would become necessary for the company to earn more to effectively service the increased capital. The shareholder will, however, be benefitted by way of increased return on investment and increased number of shares in their hands.

The following conditions must be satisfied before issuing bonus shares:

- Bonus Issue must be authorised by the articles of the company. Such a provision is generally there in articles of almost all the companies as they adopt Table A. Schedule I of the Companies Act, 2013.
- Bonus Issue must be sanctioned by shareholders in general meeting on recommendation of the Board of directors of the company.
- Regulations issued by SEBI must be complied with.
- Authorised Capital must be increased where necessary.

SEBI Regulations Pertaining To Bonus Issue

1. Out of Free Reserves

The bonus issue is to be made out of free reserves built out of the genuine profits or securities premium collected in cash only.

2. Revaluation Reserves

The reserves created by revaluation of fixed assets should not be capitalized. These reserves are in fact capital reserves. However, if the assets are subsequently sold and the profits are realized, such profits could be utilised for capitalisation purposes. In fact the Government has in the past approved issue of bonus shares out of capital reserves representing realized capital profits.

3. Bonus Issue not to be in lieu of Dividend

Bonus issue should not be made in lieu of dividend.

4. Fully Paid Shares

If there are any partly paid-up shares outstanding on the date of allotment, these shares should be made fully paid-up before the bonus issue is made.

5. No Default in respect of Fixed Deposits/Debentures

The company should not have defaulted in the payment of any interest or principal in respect of its fixed deposits, debt securities issued by it.

6. Statutory Dues of the Employees

The company should not have defaulted in the payment of its statutory dues to the employees such as contribution to provident fund, gratuity and bonus.

7. Implementation of Proposal within fifteen days

A company which announces bonus should implement bonus issue within fifteen days issue after the approval of board of directors and does not require shareholders' approval for capitalisation of profits or reserves for making bonus issue as per the Articles of Association and shall not have the option of changing the decision.

However, where the company is required to seek shareholders' approval for capitalisation of profits or reserves for making bonus issue as per the Articles of Association, the bonus issue should be implemented within two months from the date of the meeting of the board of directors wherein the decision to announce bonus was taken subject to shareholders' approval.

8. Provision in Articles of Association

The Articles of Association of the Company should provide for capitalisation of reserves and if not a General Meeting of the company is to be held and a special resolution making provisions in the Articles of Association for capitalisation should be passed.

9. Authorised Capital

If consequent upon the issue of bonus shares, the subscribed and paid-up capital of the company exceed the authorised share capital, a General Meeting of the company should be held to pass necessary resolution for increasing the authorised capital.

Steps in Issue of Bonus Shares

A company issuing bonus shares should ensure that the issue is in conformity with the Regulations for bonus issue laid down by SEBI (ICDR) Regulations, 2009.

The procedure for issue of bonus shares by a listed company is enumerated below:

- Ensure that bonus issue has been made out of free reserves built out of the genuine profits or securities premium collected in cash only.

- Ensure that reserves created by revaluation of fixed assets are not capitalised.
- Ensure that the company has not defaulted in payment of interest or principal in respect of fixed deposits or debt securities issued by it or in respect of the payment of statutory dues of the employees such as contribution to provident fund, gratuity, bonus etc.
- Ensure that the bonus issue is not made in lieu of dividend.
- There should be a provision in the articles of association of the company permitting issue of bonus shares; if not, steps should be taken to alter the articles suitably.
- The share capital as increased by the proposed bonus issue should be well within the authorised capital of the company; if not, necessary steps have to be taken to increase the authorised capital.
- Finalise the proposal and fix the date for the Board Meeting for considering the proposal and for authorising the taking up of incidental and attendant matters.
- If there are any partly paid-up shares, ensure that these are made fully paid-up before the bonus issue is recommended by the Board of directors.
- The date of the Board Meeting at which the proposal for bonus issue is proposed to be considered should be notified to the Stock Exchange(s) where the company's shares are listed.
- Hold the Board Meeting and get the proposal approved by the Board of directors.
- The resolution to be passed at the General Meeting should also be approved by the Board of Directors in its meeting. The intention of the Board of directors regarding the rate of dividend to be declared in the year after the bonus issue should be indicated in the resolution for bonus issue to be passed by members in general meeting.
- Immediately after the Board meeting intimate the Stock Exchange(s) regarding the outcome of the Meeting.
- Ensure that the company has announced bonus issue after the approval of Board of Directors and did not require

shareholders' approval for capitalization of profits or reserves for making bonus issue as per the Article of Association, had implemented bonus issue within fifteen days from the date of approval of the issue by the board of directors of the company and must not have the option of changing the decision.

However, where the company was required to seek shareholders' approval for capitalization of profits or reserves for making bonus issue as per the Article of Association, the bonus issue has implemented within two months from the date of the meeting of the Board of Directors where in the decision to announce bonus was taken subject to shareholders' approval.

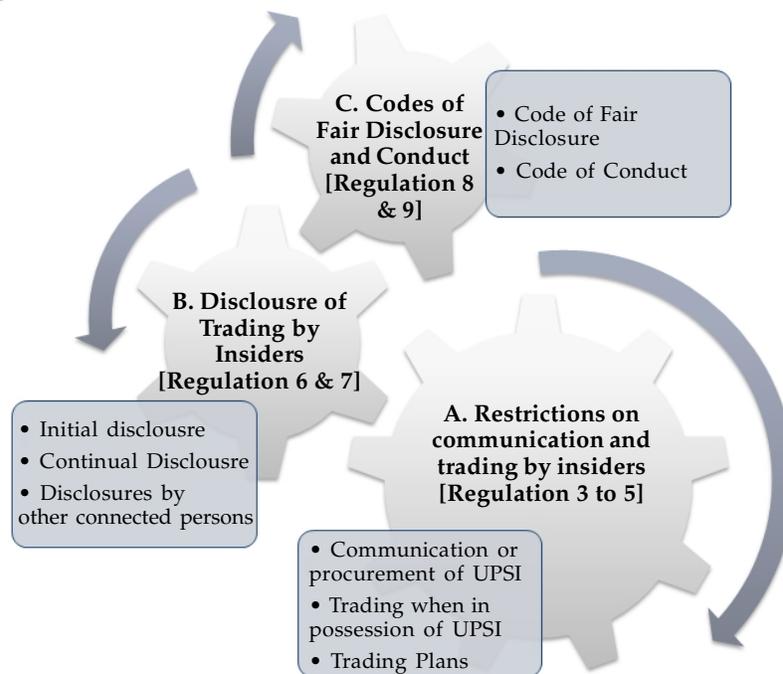
- Arrangements for convening the general meeting should then be made keeping in view the requirements of the Companies Act, with regard to length of notice, explanatory statement etc. Also three copies of the notice should be sent to the Stock Exchange(s) concerned.
- Hold the general meeting and get the resolution for issue of bonus shares passed by the members. A copy of the proceedings of the meeting is to be forwarded to the concerned Stock Exchange(s).
- In consultation with the Regional Stock Exchange fix the date for closure of register of members or record date and get the same approved by the Board of directors. Issue a general notice under Section 91 of Companies Act, 2013 in respect of the fixation of the record date in two newspapers one in English language and other in the language of the region in which the Registered Office of the company is situated.
- Give 7 days' notice to the Stock Exchange(s) concerned before the date of book closure/record date.
- After the record date process the transfers received and prepare a list of members entitled to bonus shares on the basis of the register of members as updated. This list of allottees is to be approved by the Board or any Committee thereof. The list usually serves as allotment list and on this basis the allotment is to be made to the eligible members.
- File return of allotment with the Registrar of Companies within 30 days of allotment (Section 39 of the Companies Act, 2013). Also intimate Stock Exchange(s) concerned regarding the allotments made.

- Ensure that the allotment is made within fifteen days of the date on which the Board of directors approved the bonus issue.
- Submit an application to the Stock Exchange(s) concerned for listing the bonus shares allotted.

SEBI (PROHIBITION OF INSIDER TRADING) REGULATION, 2015

The SEBI (Prohibition of Insider Trading) Regulation, 2015 comprises of five chapters and two schedules encompassing the various regulations related to insider trading. Chapter I deal mainly with the definition used in regulation. Chapter II provides for restriction on communication and trading in securities by insiders. Chapter III deals with disclosure of trading by insiders. Chapter IV deals with the code of fair disclosure and conduct to be followed by listed companies and other entities. Chapter V deals with miscellaneous matters like sanction for violation, power to remove difficulties, repeal and savings.

Compliances under SEBI (Prohibition of Insider Trading) Regulation, 2015



A. RESTRICTIONS ON COMMUNICATION AND TRADING BY INSIDERS

Communication or Procurement of Unpublished Price Sensitive Information (UPSI) [Regulation 3]

An insider shall not –

- communicate, provide, or allow access to any UPSI or
- procure from or cause the communication by any insider of UPSI,
- relating to a company or securities listed or proposed to be listed or proposed to be listed
- Excluding in furtherance of legitimate purposes, performance of duties or discharge of legal obligations.

“Insider means any person who, is a connected or in possession of or having access to unpublished price sensitive information.”

Notwithstanding anything contained in this regulation, an unpublished price sensitive information may be communicated, provided, allowed access to or procured, in connection with a transaction that would:–

- entail an obligation to make an open offer under the takeover regulations where the board of directors of the company is of informed opinion that the proposed transaction is in the best interests of the company or
- not attract the obligation to make an open offer under the takeover regulations but where the board of directors of the company is of informed opinion that the proposed transaction is in the best interests of the company and the information that constitute unpublished price sensitive information is disseminated to be made generally available at least 2 trading days prior to the proposed transaction being effected in such form as the board of directors may determine.

The board of directors shall require the parties to execute agreements to contract confidentiality and non-disclosure obligations and such parties shall keep information so received confidential, except for the purpose specified above and shall not otherwise trade in securities

of the company when in possession of unpublished price sensitive information.

Trading when in possession of Unpublished Price Sensitive Information (UPSI) [Regulation 4]

An Insider shall not trade in securities which are listed or proposed to be listed on stock exchange when in possession of unpublished price sensitive information.

Exemption

The following are the exemptions relating to the trading when in possession of Unpublished Price Sensitive Information (UPSI):

- When there is an off-market transfer between promoters
- who are aware of price sensitive information without being in breach of regulation 3 and
- both parties had made a conscious and informed trade decision; or
- In the case of non-individual insiders
- the individuals who were in possession of such unpublished price sensitive information were different from the individuals taking trading decisions and
- such decision-making individuals were not in possession of such unpublished price sensitive information when they took the decision to trade; and
- appropriate and adequate arrangements were in place to ensure that these regulations are not violated and no unpublished price sensitive information was communicated by the individuals possessing the information to the individuals taking trading decisions and
- there is no evidence of such arrangements having been breached;
- the trades were pursuant to a trading plan set up in accordance with regulation 5.

In case of connected persons, the onus of establishing, that they were not in possession of unpublished price sensitive information, shall be

on such connected persons and in other cases, the onus would be on SEBI. SEBI may specify such standards and requirements, from time to time, as it may deem necessary for the purpose of these regulations.

Trading Plans [Regulation 5]

An insider shall require to submit trading plan in advance to the compliance officer for his approval. The compliance officer is also empowered to take additional undertakings from the insiders for approval of the trading plan. Such trading plan on approval will also be disclosed to the Stock Exchanges, where the securities of the company are listed.

The trading plan shall comply with requirements as follows:

- It shall be submitted for a minimum period of 12 months;
- No overlapping of plan with the existing plan submitted by Insider;
- It shall set out either the value of trades to be effected or the number of securities to be traded along with :
 - the nature of the trade and
 - the intervals at, or
 - dates on which such trades shall be effected;
- Trading can only commence only after 6 months from public disclosure of plan;
- No trading between 20th day prior to closure of financial period and 2nd trading day after disclosure of financial results;
- Compliance officer to approve the plan;
- Such trading in securities shall not entail Market Abuse not entail trading in securities for market abuse.
- The trading plan once approved shall be irrevocable and the insider shall mandatorily have to implement the plan, without being entitled to either deviate from it or to execute any trade in the securities outside the scope of the trading plan;

Except in few cases like where insider is in possession of price sensitive information at the time of formulation of the plan and such information has

not become generally available at the time of the commencement of implementation)

Upon approval of the trading plan, the compliance officer shall notify the plan to the stock exchanges on which the securities are listed.

B. DISCLOSURES OF TRADING BY INSIDERS

Every public disclosure shall be made in such form as may be specified by SEBI. The disclosures to be made by any person shall include those relating to trading by such person's immediate relatives, and by any other person for whom such person takes trading decisions. The disclosure shall be maintained for a minimum period of 5 years. [Regulation 6]

Initial Disclosures [Regulation 7(1)]

- Every promoter, key managerial personnel and director of every company whose securities are listed on any recognised stock exchange shall disclose his holding of securities of the company as on the date of these regulations taking effect, to the company within thirty days of these regulations taking effect;
- Every person on appointment as a key managerial personnel or a director of the company or upon becoming a promoter shall disclose his holding of securities of the company as on the date of appointment or becoming a promoter, to the company within seven days of such appointment or becoming a promoter.

Continual Disclosures [Regulation 7(2)]

- 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 rupees or such other value as may be specified;
- 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.

Disclosures by other connected persons [Regulation 7(3)]

Any company whose securities are listed on stock exchange may, at its discretion require any other connected person or class of connected persons to make disclosures of holdings and the company may determine trading in securities of the company in such from and at such frequency as may be determined by the Company.

C. CODES OF FAIR DISCLOSURE AND CONDUCT

Code of Fair Disclosure [Regulation 8]

The board of Director of the company, whose securities are listed on a stock exchange, *shall formulate and publish on its official website*, a code of practices and procedures for fair disclosure of UPSI which shall follow in order to adhere to each of the principles set out in Schedule A to these regulations, without diluting the provisions of these regulations in any manner. Every such code of practices and procedures for fair disclosure of UPSI and every amendment thereto shall be promptly intimated to the stock exchanges where the securities are listed.

Principles and Procedures of Fair Disclosure

Schedule A of these regulations lays down the following principles of fair disclosure for purposes of Code of Practices and Procedures for Fair Disclosure of Unpublished Price Sensitive Information:-

1. Prompt public disclosure of unpublished price sensitive information that would impact price discovery no sooner than credible and concrete information comes into being in order to make such information generally available.
2. Uniform and universal dissemination of unpublished price sensitive unpublished price sensitive information to avoid selective disclosure.
3. Designation of a senior officer as a chief investor relations officer to deal with dissemination of information and disclosure of unpublished price sensitive information.

4. Prompt dissemination of unpublished price sensitive information that gets disclosed selectively, inadvertently or otherwise to make such information generally available.
5. Appropriate and fair response to queries on news reports and requests for verification of market rumours by regulatory authorities.
6. Ensuring that information shared with analysts and research personnel is not unpublished price sensitive information.
7. Developing best practices to make transcripts or records of proceedings of meetings with analysts and other investor relations conferences on the official website to ensure official confirmation and documentation of disclosures made.
8. Handling of all unpublished price sensitive information on a need-to-know basis.

Code of Conduct [Regulation 9]

The board of directors of every listed company and market intermediary shall formulate a code of conduct *to regulate, monitor and report* trading by its employees and other connected persons towards achieving compliance with these regulations, adopting the minimum standards as prescribed in schedule B to these regulations.

Every other person who is required to handle unpublished price sensitive information in the course of business operations shall formulate a code of conduct to regulate, monitor and report trading by employees and other connected persons towards achieving compliance with these regulations, adopting the minimum standards as prescribed in these regulations, without diluting the provisions of these regulations in any manner.

Every listed company, market intermediary and other persons formulating a code of conduct shall identify and designate a compliance officer to administer the code of conduct and other requirements under these regulations.

Minimum Standards for Code of Conduct

Schedule B of these regulations lays down the following minimum standards for Code of Conduct to regulate, monitor and report trading by insiders :-

- The compliance officer shall report to the board of directors and in particular, shall provide reports to the Chairman of the Audit Committee, if any, or to the Chairman of the board of directors at such frequency as may be stipulated by the board of directors.
- All information shall be handled within the organisation on a need to know basis and no unpublished price sensitive information shall be communicated to any person except in furtherance of the insider's legitimate purposes, performance of duties or discharge of his legal obligations.
- The code of conduct shall contain norms for appropriate Chinese Walls procedures, and processes for permitting any designated person to "cross the wall".
- Employees and connected persons designated on the basis of their functional role ("designated persons") in the organisation shall be governed by an internal code of conduct governing dealing in securities.
- The board of directors shall in consultation with the compliance officer specify the designated persons to be covered by such code on the basis of their role and function in the organisation. Due regard shall be had to the access that such role and function would provide to unpublished price sensitive information in addition to seniority and professional designation.
- Designated persons may execute trades subject to compliance with these regulations. Towards this end, a notional trading window shall be used as an instrument of monitoring trading by the designated persons.
- The trading window shall be closed when the compliance officer determines that a designated person or class of designated persons can reasonably be expected to have possession of unpublished price sensitive information. Such closure shall be imposed in relation to such securities to which such unpublished price sensitive information relates.
- Designated persons and their immediate relatives shall not trade in securities when the trading window is closed.
- The timing for re-opening of the trading window shall be

determined by the compliance officer taking into account various factors including the unpublished price sensitive information in question becoming generally available and being capable of assimilation by the market, which in any event shall not be earlier than forty-eight hours after the information becomes generally available.

- The trading window shall also be applicable to any person having contractual or fiduciary relation with the company, such as auditors, accountancy firms, law firms, analysts, consultants etc., assisting, or advising the company.
- When the trading window is open, trading by designated persons shall be subject to preclearance by the compliance officer, if the value of the proposed trades is above such thresholds as the board of directors may stipulate. No designated person shall apply for pre-clearance of any proposed trade if such designated person is in possession of unpublished price sensitive information even if the trading window is not closed.
- The compliance officer shall confidentially maintain a list of such securities as a “restricted list” which shall be used as the basis for approving or rejecting applications for preclearance of trades.
- Prior to approving any trades, the compliance officer shall be entitled to seek declarations to the effect that the applicant for pre-clearance is not in possession of any unpublished price sensitive information. He shall also have regard to whether any such declaration is reasonably capable of being rendered inaccurate.
- The code of conduct shall specify any reasonable timeframe, which in any event shall not be more than seven trading days, within which trades that have been pre-cleared have to be executed by the designated person, failing which fresh pre-clearance would be needed for the trades to be executed.
- The code of conduct shall specify the period, which in any event shall not be less than six months, within which a designated person who is permitted to trade shall not execute a contra trade. The compliance officer may be empowered to grant relaxation from strict application of such restriction for reasons

to be recorded in writing provided that such relaxation does not violate these regulations. Should a contra trade be executed, inadvertently or otherwise, in violation of such a restriction, the profits from such trade shall be liable to be disgorged for remittance to SEBI for credit to the Investor Protection and Education Fund administered by SEBI under the Act.

- The code of conduct shall stipulate such formats as the board of directors deems necessary for making applications for pre-clearance, reporting of trades executed, reporting of decisions not to trade after securing pre-clearance, recording of reasons for such decisions and for reporting level of holdings in securities at such intervals as may be determined as being necessary to monitor compliance with these regulations.
- The code of conduct shall stipulate the sanctions and disciplinary actions, including wage freeze, suspension etc. that may be imposed, by the persons required to formulate a code of conduct for the contravention of the code of conduct.
- The code of conduct shall specify that in case it is observed by the persons required to formulate a code of conduct, that there has been a violation of these regulations, they shall inform the Board promptly.

The requirements under the SEBI Insider Trading regulations are as follows:

<i>Regulations</i>	<i>Particulars of compliances</i>	<i>Time frame within which it shall be complied</i>
5	Submission of Trading Plans	Not less than 12 months
7(1)(a)	Initial Disclosure of shareholding by every Promoter, KMP and director to the company	Within 30 days from these regulations taking effect (These Regulations are effective from 120th day of the date of notification i.e. on and from 15th May, 2015)
7(1)(b)	Initial Disclosure of shareholding by every person on appointment as a KMP or a director or upon becoming a promoter to the company	Within 7 days of such appointment or becoming a promoter

7(2)(a)	Continual disclosure of securities acquired or disposed of by promoter, employee and director to the company	Within 2 trading days if the trading value of the securities traded, whether in one transaction or a series of transactions over any calendar quarter, aggregate to a traded value in excess of Rs. 10 lakh.
7(2)(b)	Continual Disclosure of the particulars of trading by the company to stock exchange	Within two trading days of receipt of the disclosure or from becoming aware of such information
8(1) & (2)	Formulation and Publication of a code of practices and procedures for fair disclosure of UPSI or any amendment	On its official website & Promptly intimate to stock exchange

SEBI (Substantial Acquisition of Shares and Takeovers) Regulations 2011

SEBI has introduced SEBI (Substantial Acquisitions of Shares and Takeover) Regulations 2011 to regulate the acquisition of shares and voting rights in Public Listed Companies in India. These regulations have been framed in order to protect the interest of all stakeholders of the concerned entity i.e. the investee company, acquirer, promoter and shareholder.

The SEBI (Substantial Acquisition of Shares and Takeovers) Regulation 2011, comprises of Six chapters and one schedules encompassing the various regulations related to Substantial Acquisition of Shares and Takeovers. Chapter I (Regulation 1-2) deals mainly with the definitions used in these regulation. Chapter II (Regulation 3-11) provides for substantial acquisition of shares, Voting Rights or Control, threshold limit for open offer. It also contains the exemption available to the Company. Chapter III (Regulation 12-23) narrates the open offer process and deals with concept related to open offer. Chapter IV (Regulation 24-27) deals with the other obligations of target company, Acquirer, Manager etc., Chapter V (regulation 28-31) deals with disclosure requirements of Shareholding and control and limit for making disclosures. Chapter VI (regulation 32-35) deals with miscellaneous provisions relating to powers of SEBI and its right to issue directions.

Substantial Acquisition of Shares and Takeovers aims at protecting

interest of the investors in securities of a listed company providing amongst others, an opportunity for the public shareholders to exit where there is a substantial acquisition of shares or voting rights or control over a listed company, consolidation of holdings by existing shareholders and related disclosures and penalties for non-compliance etc.

Acquisition means directly or indirectly, acquiring or agreeing to acquire shares or voting rights in, or control over, a target company.

Takeover means when an Acquirer takes over the control of the target company.

Persons Acting in Concert (PAC) means persons who, with a common objective **or purpose of acquisition of shares or voting rights in, or exercising control over a target company**, pursuant to an agreement or understanding, formal or informal, directly or indirectly cooperate for acquisition of shares or voting rights in, or exercise of control over the target company.

Deemed Person acting in Concert

Without prejudice to the generality of the foregoing, the persons falling within the following categories shall be deemed to be persons acting in concert with other persons within the same category, unless the contrary is established, –

- a company, its holding company, subsidiary company and any company under the same management or control;
- a company, its directors, and any person entrusted with the management of the company;
- directors of companies which is mentioned above of this sub-clause and associates of such directors;
- promoters and members of the promoter group and immediate relatives;
- a mutual fund, its sponsor, trustees, trustee company, and asset management company;
- a collective investment scheme and its collective investment management company, trustees and trustee company;
- a venture capital fund and its sponsor, trustees, trustee company and asset management company;

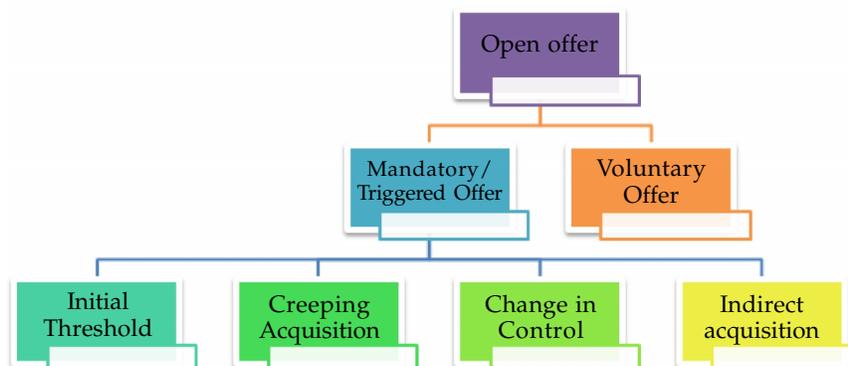
- an alternate investment fund and its sponsor, trustees, trustee company and manager;
- a merchant banker and its client, who is an acquirer;
- a portfolio manager and its client, who is an acquirer;
- banks, financial advisors and stock brokers of the acquirer, or of any company which is a holding company or subsidiary of the acquirer, and where the acquirer is an individual, of the immediate relative of such individual.
- an investment company or fund and any person who has an interest in such investment company or fund as a shareholder or unit holder having not less than 10 per cent of the paid-up capital of the investment company or unit capital of the fund, and any other investment company or fund in which such person or his associate holds not less than 10 per cent of the paid-up capital of that investment company or unit capital of that fund.

Applicability

These regulations shall apply to direct and indirect acquisition of shares or voting rights, in or control over Target Company. However, these regulations shall not apply to direct and indirect acquisition of shares or voting rights in, or control over a company listed without making a public issue in the Institutional trading platform of a recognized stock exchange.

Compliances under SEBI (Substantial Acquisition of Shares and Takeovers) Regulations 2011

Trigger Point for Making an Open Offer



1. Initial Threshold [Regulation 3(1)]

An acquirer, along with Persons acting in concert (PAC), if any, who intends to acquire shares which along with his existing shareholding would entitle him to exercise 25% or more voting rights, can acquire such additional shares only after making a Public Announcement (PA) to acquire minimum twenty six percent shares of the Target Company from the shareholders through an Open Offer.

2. Creeping acquisition limit [Regulation 3(2)]

An acquirer along with PAC, if any, who holds 25% or more voting rights in the target company but less than maximum permissible non-public shareholding of the Target Company, may acquire such additional shares as would entitle him to exercise more than 5% of the voting rights in any financial year ending March 31st only after making a public announcement to acquire minimum twenty six percent shares of Target Company from the shareholders through an Open Offer.

Change in control [Regulation 4]

No acquirer shall acquire, directly or indirectly, control over such target company unless the acquirer makes a public announcement of an open offer for acquiring shares of such target company in accordance with these regulations.

Indirect acquisition of shares or control [Regulation 5]

(1) For the purposes of regulation 3 and regulation 4, acquisition of shares or voting rights in, or control over, any company or other entity, that would enable any person and persons acting in concert with him to exercise or direct the exercise of such percentage of voting rights in, or control over, a target company, the acquisition of which would otherwise attract the obligation to make a public announcement of an open offer for acquiring shares under these regulations, shall be considered as an indirect acquisition of shares or voting rights in, or control over the target company.

(2) Notwithstanding anything contained in these regulations, in the case of an indirect acquisition attracting the provisions of sub-regulation (1) where, –

- (a) the proportionate net asset value of the target company as a percentage of the consolidated net asset value of the entity or business being acquired;
- (b) the proportionate sales turnover of the target company as a percentage of the consolidated sales turnover of the entity or business being acquired; or
- (c) the proportionate market capitalisation of the target company as a percentage of the enterprise value for the entity or business being acquired;

is in excess of eighty per cent, on the basis of the most recent audited annual financial statements, such indirect acquisition shall be regarded as a direct acquisition of the target company for all purposes of these regulations including without limitation, the obligations relating to timing, pricing and other compliance requirements for the open offer.

Explanation. – For computing the percentage referred to in clause (c) of this sub-regulation, the market capitalisation of the target company shall be taken into account on the basis of the volume-weighted average market price of such shares on the stock exchange for a period of sixty trading days preceding the earlier of, the date on which the primary acquisition is contracted, and the date on which the intention or the decision to make the primary acquisition is announced in the public domain, as traded on the stock exchange where the maximum volume of trading in the shares of the target company are recorded during such period.

Voluntary Offer (Regulation 6)

A voluntary open offer is an offer made by a person who himself or through or along with Persons acting in concert with him if any, holds 25% or more shares or voting rights in the target company, but less than the maximum permissible non-public shareholding limit, for such number of shares such that the aggregate of the shareholding of the acquirer after the offer shall not exceed the maximum permissible non-public shareholding.

Restrictions on voluntary open offer

A voluntary offer cannot be made if the acquirer or PACs with him has acquired any shares of the target company within 52 weeks prior

to the voluntary offer without attracting the provisions of the regulations, to make a public announcement. The acquirer is prohibited from acquiring any shares during the offer period other than through the acquisitions in the open offer. The acquirer is also not entitled to acquire any shares for a period of 6 months, after completion of open offer except pursuant to another voluntary open offer.

Exemptions from Open Offer

Exemption from Open Offer are :

- Automatic Exemption as per Regulation 10
- Exemption by SEBI as per Regulation 11

Exemption under Regulation 10 (Automatic exemption)

The following acquisitions shall be exempt from the obligation to make an open offer under regulation 3 and regulation 4:

(1) (a) acquisition pursuant to *inter se* transfer of shares amongst qualifying persons, being, –

- immediate relatives;
- persons named as promoters in the shareholding pattern filed by the target company in terms of the listing agreement or these regulations for not less than three years prior to the proposed acquisition;
- a company, its subsidiaries, its holding company, other subsidiaries of such – holding company, persons holding not less than fifty per cent of the equity shares of such company, other companies in which such persons hold not less than fifty per cent of the equity shares, and their subsidiaries subject to control over such qualifying persons being exclusively held by the same persons;
- persons acting in concert for not less than three years prior to the proposed acquisition, and disclosed as such pursuant to filings under the listing agreement;
- shareholders of a target company who have been persons acting in concert for a period of not less than three years prior

to the proposed acquisition and are disclosed as such pursuant to filings under the listing agreement, and any company in which the entire equity share capital is owned by such shareholders in the same proportion as their holdings in the target company without any differential entitlement to exercise voting rights in such company.

However, for purposes of availing of the exemption under this clause, –

- If the shares of the target company are frequently traded, the acquisition price per share shall not be higher by more than twenty-five per cent of the volume-weighted average market price for a period of sixty trading days preceding the date of issuance of notice for the proposed inter se transfer, as traded on the stock exchange where the maximum volume of trading in the shares of the target company are recorded during such period, and if the shares of the target company are infrequently traded, the acquisition price shall not be higher by more than twenty five percent of the price determined; and
- the transferor and the transferee shall have complied with applicable disclosure requirements set out in these regulations.

(b) acquisition in the ordinary course of business by, –

- an underwriter registered with SEBI by way of allotment pursuant to an underwriting agreement in terms of the SEBI (ICDR) Regulations, 2009;
- a stock broker registered with SEBI on behalf of his client in exercise of lien over the shares purchased on behalf of the client under the bye-laws of the stock exchange where such stock broker is a member;
- a merchant banker registered with SEBI or a nominated investor in the process of market making or subscription to the unsubscribed portion of issue in terms of Chapter XB of SEBI (ICDR) Regulations, 2009;
- any person acquiring shares pursuant to a scheme of safety net in terms of SEBI (ICDR) Regulations, 2009;
- a merchant banker registered with SEBI acting as a stabilising agent or by the promoter or preissue shareholder in terms of SEBI (ICDR) Regulations, 2009;

- by a registered market-maker of a stock exchange in respect of shares for which he is the market maker during the course of market making;
- a Scheduled Commercial Bank, acting as an escrow agent; and
- invocation of pledge by Scheduled Commercial Banks or Public Financial Institutions as a pledgee.

(c) acquisitions at subsequent stages, by an acquirer who has made a public announcement of an open offer for acquiring shares pursuant to an agreement of disinvestment, as contemplated in such agreement:

However, both the acquirer and the seller are the same at all the stages of acquisition; and full disclosures of all the subsequent stages of acquisition, if any, have been made in the public announcement of the open offer and in the letter of offer.

(d) acquisition pursuant to a scheme, –

- made under section 18 of the Sick Industrial Companies (Special Provisions) Act, 1985 or any statutory modification or re-enactment thereto;
- of arrangement involving the target company as a transferor company or as a transferee company, or reconstruction of the target company, including amalgamation, merger or demerger, pursuant to an order of a court or a competent authority under any law or regulation, Indian or foreign; or
- of arrangement not directly involving the target company as a transferor company or as a transferee company, or reconstruction not involving the target company's undertaking, including amalgamation, merger or demerger, pursuant to an order of a court or a competent authority under any law or regulation, Indian or foreign, subject to, –
 - A. the component of cash and cash equivalents in the consideration paid being less than twenty five per cent of the consideration paid under the scheme; and
 - B. where after implementation of the scheme of arrangement, persons directly or indirectly holding at least thirty-three per cent of the voting rights in the combined entity are the same as the persons who held the entire voting rights before the implementation of the scheme.

(e) acquisition pursuant to the provisions of the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002;

(f) acquisition pursuant to the provisions of SEBI (Delisting of Equity Shares) Regulations, 2009;

(g) acquisition by way of transmission, succession or inheritance;

(h) acquisition of voting rights or preference shares carrying voting rights arising out of the operation of subsection (2) of section 47 of the Companies Act, 2013.

(i) Conversion of debt into equity under Strategic Debt Restructuring Scheme - Acquisition of equity shares by the consortium of banks, financial institutions and other secured lenders pursuant to conversion of their debt as part of the Strategic Debt Restructuring Scheme in accordance with the guidelines specified by the RBI.

However, the conditions specified under sub-regulation (5) or (6) of regulation 70 of SEBI (ICDR) Regulations, 2009, as may be applicable, are complied with.

(j) increase in voting rights arising out of the operation of sub-section (1) of section 106 of the Companies Act, 2013 or pursuant to a forfeiture of shares by the target company, undertaken in compliance with the provisions of the Companies Act, 2013 and its articles of association

(2) The acquisition of shares of a target company, not involving a change of control over such target company, pursuant to a scheme of corporate debt restructuring in terms of the Corporate Debt Restructuring Scheme notified by the Reserve Bank of India vide Circular No. B.P.BC 15/21.04, 114/2001 dated August 23, 2001, or any modification or re-notification thereto provided such scheme has been authorised by shareholders by way of a special resolution passed by postal ballot, shall be exempted from the obligation to make an open offer under regulation 3.

(3) An increase in voting rights in a target company of any shareholder beyond the limit attracting an obligation to make an open offer under sub-regulation (1) of regulation 3, pursuant to buy-back of shares by the target company shall be exempt from the obligation to make an open offer provided such shareholder reduces his shareholding such that his voting rights fall to below the threshold referred to in sub-

regulation (1) of regulation 3 within ninety days from the date of the closure of the said buy back offer.

(4) The following acquisitions shall be exempt from the obligation to make an open offer under sub-regulation (2) of regulation 3, –

- acquisition of shares by any shareholder of a target company, upto his entitlement, pursuant to a rights issue;
- acquisition of shares by any shareholder of a target company, beyond his entitlement, pursuant to a rights issue, subject to fulfilment of the following conditions, –
 - (i) the acquirer has not renounced any of his entitlements in such rights issue; and
 - (ii) the price at which the rights issue is made is not higher than the ex-rights price of the shares of the target company, being the sum of –
 - (A) the volume weighted average market price of the shares of the target company during a period of sixty days ending prior to the date of determination of the rights issue price, multiplied by the number of shares outstanding prior to the rights issue, divided by the total number of shares outstanding after allotment under the rights issue. However, such volume weighted average market price shall be determined on the basis of trading on the stock exchange where the maximum volume of trading in the shares of such target company is recorded during such period; and
 - (B) the price at which the shares are offered in the rights issue, multiplied by the number of shares so offered in the rights issue divided by the total number of shares outstanding after allotment under the rights issue.
- increase in voting rights in a target company of any shareholder pursuant to buy-back of shares. However,
 - i. such shareholder has not voted in favour of the resolution authorising the buy-back of securities under section 68 of the Companies Act, 2013;

- ii. in the case of a shareholder resolution, voting is by way of postal ballot;
 - iii. where a resolution of shareholders is not required for the buy-back, such shareholder, in his capacity as a director, or any other interested director has not voted in favour of the resolution of the board of directors of the target company authorising the buy-back of securities under section 68 of the Companies Act, 2013; and
 - iv. the increase in voting rights does not result in an acquisition of control by such shareholder over the target company. However, where the aforesaid conditions are not met, in the event such shareholder reduces his shareholding such that his voting rights fall below the level at which the obligation to make an open offer would be attracted under sub-regulation (2) of regulation 3, within ninety days from the date of closure of the buy-back offer by the target company, the shareholder shall be exempt from the obligation to make an open offer;
- acquisition of shares in a target company by any person in exchange for shares of another target company tendered pursuant to an open offer for acquiring shares under these regulations;
 - acquisition of shares in a target company from state-level financial institutions or their subsidiaries or companies promoted by them, by promoters of the target company pursuant to an agreement between such transferors and such promoter;
 - acquisition of shares in a target company from a venture capital fund or foreign venture capital investor registered with SEBI, by promoters of the target company pursuant to an agreement between such venture capital fund or category I Alternative Investment Fund or foreign venture capital investor and such promoters.
- (5) In respect of acquisitions under clause (a) of sub-regulation (1), and clauses (e) and (f) of sub-regulation (4), the acquirer shall intimate the stock exchanges where the shares of the target company are listed, the details of the proposed acquisition in such form as may be

specified, at least four working days prior to the proposed acquisition, and the stock exchange shall forthwith disseminate such information to the public.

(6) In respect of any acquisition made pursuant to exemption provided in this regulation, the acquirer shall file a report with the stock exchanges where the shares of the target company are listed, in such form as may be specified not later than four working days from the acquisition, and the stock exchange shall forthwith disseminate such information to the public.

(7) In respect of any acquisition of or increase in voting rights pursuant to exemption provided in clause (a) of sub-regulation (1), sub-clause (iii) of clause (d) of sub-regulation (1), clause (h) of sub-regulation (1), sub regulation (2), sub-regulation (3) and clause (c) of sub-regulation (4), clauses (a), (b) and (f) of sub-regulation (4), the acquirer shall, within twenty-one working days of the date of acquisition, submit a report in such form as may be specified along with supporting documents to SEBI giving all details in respect of acquisitions, along with a non-refundable fee of rupees one lakh fifty thousand by way of direct credit in the bank account through NEFT/RTGS/IMPS or any other mode allowed by RBI or by way of a , banker's cheque or demand draft payable in Mumbai in favour of SEBI.

Exemptions under Regulation 11 (Exemptions by the SEBI)

(1) SEBI may for reasons recorded in writing, grant exemption from the obligation to make an open offer for acquiring shares under these regulations subject to such conditions as SEBI deems fit to impose in the interests of investors in securities and the securities market.

(2) SEBI may for reasons recorded in writing, grant a relaxation from strict compliance with any procedural requirement under Chapter III and Chapter IV subject to such conditions as SEBI deems fit to impose in the interests of investors in securities and the securities market on being satisfied that, –

- (a) the target company is a company in respect of which the Central Government or State Government or any other regulatory authority has superseded the board of directors of the target company and has appointed new directors under any law for the time being in force, if, –

- (i) such board of directors has formulated a plan which provides for transparent, open, and competitive process for acquisition of shares or voting rights in, or control over the target company to secure the smooth and continued operation of the target company in the interests of all stakeholders of the target company and such plan does not further the interests of any particular acquirer;
 - (ii) the conditions and requirements of the competitive process are reasonable and fair;
 - (iii) the process adopted by the board of directors of the target company provides for details including the time when the open offer for acquiring shares would be made, completed and the manner in which the change in control would be effected; and
- (b) the provisions of Chapter III and Chapter IV are likely to act as impediment to implementation of the plan of the target company and exemption from strict compliance with one or more of such provisions is in public interest, the interests of investors in securities and the securities market.
- (3) For seeking exemption under sub-regulation (1), the acquirer shall, and for seeking relaxation under sub-regulation (2) the target company shall file an application with SEBI, supported by a duly sworn affidavit, giving details of the proposed acquisition and the grounds on which the exemption has been sought.
- (4) The acquirer or the target company, as the case may be, shall along with the application referred to under sub-regulation (3) pay a non-refundable fee of rupees five lakh, by way of direct credit in the bank account through NEFT/RTGS/IMPS or any other mode allowed by RBI or by way of banker's cheque or demand draft in payable in favour of Mumbai.
- (5) SEBI may after affording reasonable opportunity of being heard to the applicant and after considering all the relevant facts and circumstances, pass a reasoned order either granting or rejecting the exemption or relaxation sought as expeditiously as possible:
- However, SEBI may constitute a panel of experts to which an application for an exemption under sub-regulation (1) may, if

considered necessary, be referred to make recommendations on the application to SEBI.

(6) The order passed under sub-regulation (5) shall be hosted by SEBI on its official website.

Minimum public shareholding

Acquirer cannot delist voluntarily for a year from open offer, if his shareholding exceeds maximum permissible limit. The acquirer is not entitled to acquire or enter into any agreement to acquire shares or voting rights exceeding maximum permissible non-public shareholding (generally 75%). If maximum permissible non-public shareholding exceeds, say 75%, pursuant to open offer – the acquirer is required to bring down his or her shareholding to 75% within the time specified as per SCRR. The acquirer, whose shareholding exceeds 75% pursuant to an open offer, cannot make a voluntary delisting offer under the SEBI Delisting Regulations, for one year from the date of completion of open offer.

Compliance Checklist under the SEBI (SAST) Regulations are as follows:

<i>Regulation</i>	<i>Particulars of Compliances</i>	<i>Time frame within which it shall be complied</i>
PUBLIC ANNOUNCEMENT		
13(1)	Agreement to acquire shares or voting rights or control over the Target Company	On the same day of entering into agreement to acquire share, voting rights or control over the Target Company.
13(2)(a)	Market Purchase of shares	Prior to the placement of purchase order with the stock broker.
13(2)(b)	Acquisition pursuant to conversion of Convertible Securities without a fixed date of conversion or upon conversion of depository receipts for the underlying shares	On the same day when the option to convert such securities into shares is exercised.

13(2)(c)	Acquiring shares or voting rights or control pursuant to conversion of Convertible Securities with a fixed date of conversion	On the second working day preceding the scheduled date of conversion of such securities into shares.
13(2)(d)	In case of disinvestment	On the date of execution of agreement for acquisition of shares or voting rights or control over the Target Company.
13(2)(e)	In case of Indirect Acquisition where the parameters mentioned in Regulation 5(2) are not met	Within four working days of the following dates, whichever is earlier: a. When the primary acquisition is contracted; or b. Date on which the intention or decision to make the primary acquisition is announced in the public domain.
13(2)(f)	In case of Indirect Acquisition where the parameters mentioned in Regulation 5(2) are met	On the same day of the following dates, whichever is earlier: a. When the primary acquisition is contracted; or b. Date on which the intention or decision to make the primary acquisition is announced in the public domain.
13(2)(g)	Acquisition of shares, voting rights or control over the Target Company pursuant to Preferential Issue	On the date when the board of directors of the target company authorizes such preferential issue
13(2)(h)	Increase in voting rights pursuant to a buy-back not	Not later than 90th day from the date of closure of

	qualifying for exemption under Regulation 10	the buy-back offer by the target company.
13(2)(i)	Acquisition of shares, voting rights or control over the Target Company where acquisition is beyond the control of acquirer	Not later than two working days from the date of receipt of such intimation.
13(3)	Voluntary Offer	On the same day when the Acquirer decides to make Voluntary Offer
14(1)	Public Announcement shall be sent to all the stock exchanges and same information disseminate to public	On the same day
14(2)	Public Announcement shall be sent to Board of Directors and Target Company at its Registered Office	One working day from the date of the public announcement
14(3)	Detailed Public Statement pursuant to the public announcement shall be published in Editions of any one English Newspaper, any one Hindi Newspaper and any one Regional Language newspaper, where registered office of company is situated and in any one Regional Language Newspaper; place of stock exchange where highest volume traded in preceeding 60 days	Within 5 working days from the date of Public Announcement
14(4)	Detailed public statement in the newspapers, a copy of the same shall be sent to : a) SEBI;	Immediately

	b) All the stock exchanges on which the shares of the target company are listed; c) at the registered office of the target company	
16	Submission of Letter of Offer to SEBI with non-refundable fees	within 5 working days from the date of detailed public announcement
17	Opening of Escrow Account	Not later than two working days prior to the date of the detailed public statement of the open offer for acquiring shares
18(1)	The acquirer shall send a copy of the draft letter of offer to the target company at its registered office address and to all stock exchanges where the shares of the target company are listed.	Immediately
18(2)	The letter of offer shall be dispatched to the shareholders whose names appear on the register of members of the target company as of the identified date	Not later than seven working days from the receipt of comments from SEBI or where no comments are offered by SEBI, within seven working days from the expiry of the period stipulated in regulation 16(4)
18(3)	The acquirer shall send the letter of offer to the custodian of shares underlying depository receipts, if any, of the target company.	Immediately
18(8)	Opening of the offer	Not later than 12 working days from the date of receipt of comments from SEBI and shall remain open for 10 working days
18(10)	Completion of requirements	Within 10 working days

	relating to the Open Offer	from the last date of the tendering period
EVENT BASED DISCLOSURES		
	Disclosure of Acquisition and Disposal	
29(1)	When an Acquirer together with PAC acquires 5% or more in aggregate of the shares or voting rights of the target company (together with the existing shares or voting rights held by them) shall disclose to Stock Exchange & Target Company	Within 2 working days of the receipt of intimation of allotment of shares or acquisition of shares or voting rights
29(2)	When an Acquirer together with PAC holding 5% or more in a target company shall disclose every acquisition or disposal of shares representing 2% or more of the shares or voting rights.	Within 2 working days of the receipt of intimation of allotment of shares or disposal or acquisition of shares or voting rights
ANNUAL DISCLOSURES		
Continual disclosures		
30(1)	Acquirer with PAC holding 25% or more shares or voting rights shall disclose their holding to stock exchange and Target Company.	Within seven working days from the end of each financial year i.e., 31st March
30(2)	Promoter with PAC shall disclose their aggregate shareholding to the stock exchange and Target Company.	Within seven working days from the end of each financial year i.e., 31st March
DISCLOSURE OF ENCUMBERED SHARES		
31(1)	A Promoter shall disclose details of shares in such target company encumbered	Within 7 working days from the creation or invocation or release of

	by him or by PAC's with him to stock exchange and target company.	encumbrance as the case may be
31(2)	A Promoter shall disclose details of invocation of such encumbrance or release of such encumbrance of shares to stock exchange and target company.	Within 7 working days from the creation or invocation or release of encumbrance as the case may be

RBI Guidelines

Banks are the veins of circulation of money in any economy. Bank is a financial institution which receives deposits from the public and lends them for investment purpose i.e., deposits of money and advances is the main function of banks, but in the era of globalization banks indulges themselves in many activities like Insurance, Mutual Fund Business and Investment in Stock Exchanges.

Banks need new instruments as part of regulatory capital to fund credit growth while meeting capital requirements under Basel II. To enable banks to raise the required capital, RBI allowed them to issue innovative capital instruments for inclusion under Tier I capital, and hybrid debt capital instruments for inclusion under Tier II capital. In October 2007, RBI also allowed Indian banks to also issue preference shares as capital. Under the guidelines, perpetual non-cumulative preference shares (PNCPS) will be treated on par with equity, while all other types of preference share are to be treated as debt.

The RBI constituted **Basel Committee on Banking Supervision (BCBS)** which provides a forum for regular cooperation on banking supervisory matters. The **BCBS** is a committee of banking supervisory authorities that was established by the central bank governors of the group of ten countries in 1974. Its objective is to enhance understanding of key supervisory issues and improve the quality of banking supervision worldwide. This committee purposed three Basel which is Basel I, Basel II and Basel III.

Basel I & II norms which ensured banks follow supervisory structure, risk management, have transparent reporting, have adequate capital as a percentage of the overall credit, income recognition and identification of Non-Performing loans. Basel III is the third in the

series and is at the individual bank level and requires having a good Liquidity Coverage, Net Stable Funding, Liquidity Risk Management and Monitoring metrics.

Basel I

In 1988, the Basel Committee on Banking Supervision (BCBS) in Basel, Switzerland, published a set of minimum capital requirements for banks. These were known as Basel I. There are two fundamental objectives of the Committee's work on regulatory convergence are: (i) the framework should serve to strengthen the soundness and stability of the international banking system; and (ii) the framework should be fair and have a high degree of consistency in its application to banks in different countries with a view to diminishing an existing source of competitive inequality among international banks.

Under these norms, assets of banks were classified and grouped in five categories according to credit risk, carrying risk weights of 0%, 10%, 20%, 50% and 100% and no rating. Banks with an international presence are required to hold capital equal to 8% of their risk-weighted assets (RWA) - At least 4% in Tier I Capital (Equity Capital + Retained Earnings) and more than 8% in Tier I and Tier II Capital Target by 1992.

One of the major role of Basel norms is to standardize the banking practice across all countries. However, there are major problems with definition of Capital and Differential Risk Weights to Assets across countries, like Basel standards are computed on the basis of book value accounting measures of capital, not market values. Other problem was that the risk weights do not attempt to take account of risks other than credit risk, viz., market risks, liquidity risk and operational risks that may be important sources of insolvency exposure for banks.

Basel II

Basel II was introduced in 2004 and it is an international business standard that requires financial institutions to maintain enough cash reserves to cover risks incurred by operations. The Basel accords are a series of recommendations on banking laws and regulations issued by the **BSBS**. The name for the accords is derived from Basel, Switzerland, where the committee that maintains the accords meets.

Basel II improved on Basel I, by offering more complex models for calculating regulatory capital. Essentially, the accord mandates that banks holding riskier assets should be required to have more capital on hand than those maintaining safer portfolios.

Basel II also requires companies to publish both the details of risky investments and risk management practices. The full title of the accord is *Basel II: The International Convergence of Capital Measurement and Capital Standards - A Revised Framework*.

There are three essential requirements of Basel II are:

- Mandating that capital allocations by institutional managers are more risk sensitive.
- Separating credit risks from operational risks and quantifying both.
- Reducing the scope or possibility of regulatory arbitrage by attempting to align the real or economic risk precisely with regulatory assessment.

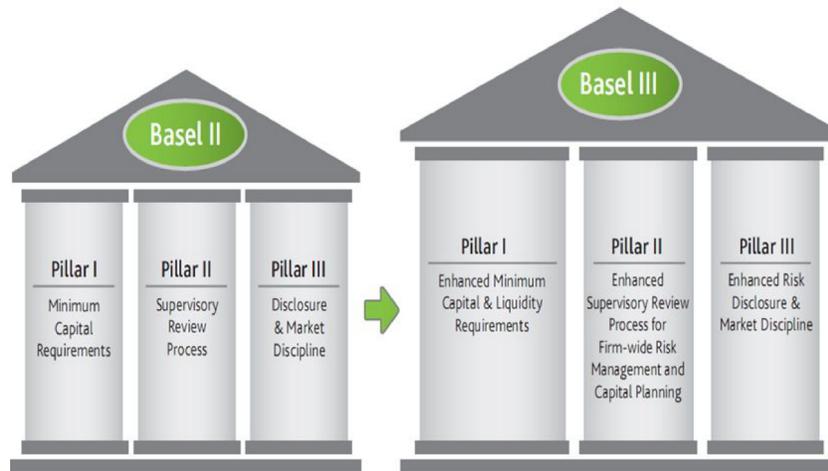
Basel III

Basel III is a comprehensive set of reform measures, developed by the Basel Committee on Banking Supervision, to strengthen the regulation, supervision and risk management of the banking sector. These measures aim to:

- improve the banking sector's ability to absorb shocks arising from financial and economic stress, whatever the source
- improve risk management and governance
- strengthen banks transparency and disclosures.

RBI notified Basel III norms on 2010, and then RBI vide circular dated September 01, 2014 amend Basel III which allow 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.

The Key modifications happened with Basel III are as follows:-



Basel III Guidelines

Basel III reforms strengthen the bank-level i.e. micro prudential regulation, with the intention to raise the resilience of individual banking institutions in periods of stress. Besides, the reforms have a macro prudential focus also, addressing system wide risks, which can build up across the banking sector, as well as the pro cyclical amplification of these risks over time.

Effective Date

The Basel III capital regulations are being implemented in India with effect from April 1, 2013. Banks have to comply with the regulatory limits and minima as prescribed under Basel III capital regulations, on an ongoing basis. To ensure smooth transition to Basel III, appropriate transitional arrangements have been provided for meeting the minimum Basel III capital ratios, full regulatory adjustments to the components of capital etc. Consequently, Basel III capital regulations would be fully implemented as on March 31, 2019. In view of the gradual phase-in regulatory adjustments to the Common Equity component of Tier 1 capital under Basel III, certain specific prescriptions of Basel II capital adequacy framework (e.g. rules relating to deductions from regulatory capital, risk weighting of investments in other financial entities etc.) will also continue to apply till March 31, 2017 on the remainder of regulatory adjustments not treated in terms of Basel III rules.

Components of Capital

Total regulatory capital will consist of the sum of the following categories:

- (i) Tier 1 Capital (going-concern capital)
 - a) Common Equity Tier 1
 - b) Additional Tier 1
- (ii) Tier 2 Capital (gone-concern capital)

(i) Tier Capital (going-concern capital) – Indian Banks***a) Common Equity Tier 1 Capital***

The Elements of Common Equity component of Tier 1 capital will comprise the following:

- (i) Common shares (paid-up equity capital) issued by the bank which meet the criteria for classification as common shares for regulatory purposes;
- (ii) Stock surplus (share premium) resulting from the issue of common shares;
- (iii) Statutory reserves;
- (iv) Capital reserves representing surplus arising out of sale proceeds of assets;
- (v) Other disclosed free reserves, if any;
- (vi) Balance in Profit & Loss Account at the end of the previous financial year;
- (vii) Banks may reckon the profits in current financial year for CRAR calculation on a quarterly basis provided the incremental provisions made for non-performing assets at the end of any of the four quarters of the previous financial year have not deviated more than 25% from the average of the four quarters. The amount which can be reckoned would be arrived at by using the following formula:

$$EP_t = \{NP_t - 0.25 * D * t\}$$

Where;

E_{Pt} = Eligible profit up to the quarter's' of the current financial year; t varies from 1 to 4

NP_t = Net profit up to the quarter's'

D = average annual dividend paid during last three years

- (viii) While calculating capital adequacy at the consolidated level, common shares issued by consolidated subsidiaries of the bank and held by third parties (i.e. minority interest) which meet the criteria for inclusion in Common Equity Tier 1 capital; and
- (ix) Less: Regulatory adjustments/deductions applied in the calculation of Common Equity Tier 1 capital [i.e. to be deducted from the sum of items (i) to (viii)].

Criteria for Classification as Common Shares for Regulatory Purposes:
Common Equity is recognised as the highest quality component of capital and is the primary form of funding which ensures that a bank remains solvent. Therefore, under Basel III, common shares to be included in Common Equity Tier 1 capital must meet the criteria as furnished by RBI in this regard.

b) Additional Tier 1 Capital

The Elements of Additional Tier 1 Capital will consist of the sum of the following elements:

- (i) Perpetual Non-Cumulative Preference Shares (PNCPS), which comply with the regulatory requirements;
- (ii) Stock surplus (share premium) resulting from the issue of instruments included in Additional Tier 1 capital;
- (iii) Debt capital instruments eligible for inclusion in Additional Tier 1 capital, which comply with the regulatory requirements;
- (iv) Any other type of instrument generally notified by the Reserve Bank from time to time for inclusion in Additional Tier 1 capital;
- (v) While calculating capital adequacy at the consolidated level, Additional Tier 1 instruments issued by consolidated subsidiaries of the bank and held by third parties which meet the criteria for inclusion in Additional Tier 1 capital; and
- (vi) Less: Regulatory adjustments/deductions applied in the

calculation of Additional Tier 1 capital [i.e. to be deducted from the sum of items (i) to (v)].

Criteria for Classification as Additional Tier 1 Capital for Regulatory Purposes: Under Basel III, the criteria for instruments to be included in Additional Tier 1 capital have been modified to improve their loss absorbency. Criteria for inclusion of Perpetual Non-Cumulative Preference Shares (PNCPS) in Additional Tier 1 Capital and Criteria for inclusion of Perpetual Debt Instruments (PDI) in Additional Tier 1 Capital are furnished by RBI.

(ii) Tier 2 Capital (gone-concern capital)

- a) General Provisions and Losses of Reserves
- b) Debt Capital Instruments issued by the banks
- c) Preference Share Capital Instruments [Perpetual Cumulative Preference Shares (PCPS)/Redeemable Non-Cumulative Preference Shares (RNCPS)/Redeemable Cumulative Preference Shares (RCPS)] issued by the banks
- d) Stock surplus (share premium) resulting from the issue of instruments
- e) Revaluation reserves at a discount of 55%
- f) Any other type of instrument generally notified by the Reserve Bank from time to time;
- g) Less: Regulatory adjustments/deductions applied in the calculation of Tier 2 capital [i.e. to be deducted from the sum of items (a) to (g)].

The guidelines covering **Common Shares (Paid-up Equity Capital) for Regulatory Purposes – Indian Banks**, indicating the minimum regulatory requirements are furnished by RBI.

Criteria for Classification as Common Shares (Paid-up Equity Capital) for Regulatory Purposes – Indian Banks

1. All common shares should ideally be the voting shares. However, in rare cases, where banks need to issue non-voting common shares as part of Common Equity Tier 1 capital, they must be identical to voting common shares of the issuing bank

in all respects except the absence of voting rights. Limit on voting rights will be applicable based on the provisions of respective statutes governing individual banks. [i.e. Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970/1980 in case of nationalized banks; SBI Act, 1955 in case of State Bank of India; State Bank of India (Subsidiary Banks) Act, 1959 in case of associate banks of State Bank of India; Banking Regulation Act, 1949 in case of Private Sector Banks, etc.].

2. Represents the most subordinated claim in liquidation of the bank.
3. Entitled to a claim on the residual assets which is proportional to its share of paid up capital, after all senior claims have been repaid in liquidation (i.e. has an unlimited and variable claim, not a fixed or capped claim).
4. Principal is perpetual and never repaid outside of liquidation (except discretionary repurchases/buy backs or other means of effectively reducing capital in a discretionary manner that is allowable under relevant law as well as guidelines, if any, issued by RBI in the matter).
5. The bank does nothing to create an expectation at issuance that the instrument will be bought back, redeemed or cancelled nor do the statutory or contractual terms provide any feature which might give rise to such an expectation.
6. Distributions are paid out of distributable items. The level of distributions is not in any way tied or linked to the amount paid up at issuance and is not subject to a contractual cap (except to the extent that a bank is unable to pay distributions that exceed the level of distributable items). As regards 'distributable items', it is clarified that the dividend on common shares will be paid out of current year's profit only.
7. There are no circumstances under which the distributions are obligatory. Non-payment is therefore not an event of default.
8. Distributions are paid only after all legal and contractual obligations have been met and payments on more senior capital instruments have been made. This means that there are no preferential distributions, including in respect of other elements

classified as the highest quality issued capital.

9. It is the paid up capital that takes the first and proportionately greatest share of any losses as they occur. Within the highest quality capital, each instrument absorbs losses on a going concern basis proportionately and *pari passu* with all the others.
10. The paid up amount is classified as equity capital (i.e. not recognised as a liability) for determining balance sheet insolvency.
11. The paid up amount is classified as equity under the relevant accounting standards.
12. It is directly issued and paid up and the bank cannot directly or indirectly have funded the purchase of the instrument. Banks should also not extend loans against their own shares.
13. The paid up amount is neither secured nor covered by a guarantee of the issuer or related entity nor subject to any other arrangement that legally or economically enhances the seniority of the claim.
14. Paid up capital is only issued with the approval of the owners of the issuing bank, either given directly by the owners or, if permitted by applicable law, given by the Board of Directors or by other persons duly authorised by the owners.
15. Paid up capital is clearly and separately disclosed in the bank's balance sheet.

CHAPTER 3

COMPLIANCES – PREFERENCE SHARES

INTRODUCTION

A company can issue two types of shares viz. Equity Shares and Preference Shares. Equity shares are also known as Ordinary Shares. While Preference shareholders enjoy the benefit of receiving their dividend distribution first; the equity shareholders enjoy voting rights in major company decisions, including mergers or acquisitions. Preference shares have the right to receive dividend at a fixed rate before any dividend is paid on the equity shares. Further, when the company is wound up, they have a right to return of the capital before that of equity shares.

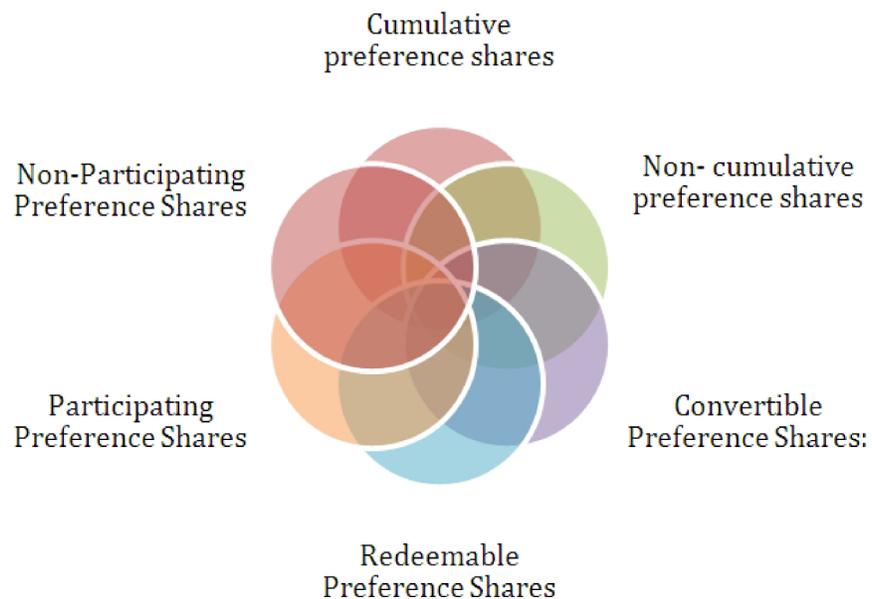


The Preference Shares may carry some more rights such as the right to participate in excess profits, which a specified dividend has been paid on the equity shares or the right to receive a premium at the time of redemption. The preference shares are safer investments than the equity shares. In case the company is wound up and its assets (land, buildings, offices, machinery, furniture, etc.) are being sold, the money that comes from this sale is given to the shareholders. After all, shareholders invest in a business and own a portion of it.

The preference shares are most commonly issued by companies to institutions. For example, banks and financial institutions may want to invest in a company but do not want to bother with the hassles of fluctuating share prices. In that case, they would prefer to invest in a company's preference shares. Companies, on the other hand, may need money but are unwilling to take a loan. So they will issue preference shares.

According to Section 55 of the Companies Act, 2013, a company cannot issues preference shares which are irredeemable.

The following kinds of preference shares are issued by the companies:



- *Cumulative preference shares*: Cumulative preference shares means those shares where the preference dividend gets accumulated for being paid subsequently if the company does not have adequate profits. Such arrears of dividend need to be paid in subsequent years before payment of equity dividends.
- *Non-cumulative preference shares*: In the case of these preference shares, dividend does not accumulate. If there are no profits or the profits are inadequate in any year, the shares are not entitled to any dividend for that year. Unless there is a specific provision in the Articles of Association of the company, the

preference shareholders have no right to participate in the surplus profits or in the surplus assets in a winding up.

- *Convertible Preference Shares*: If the terms of issue of preference shares includes a right for converting them into equity shares at the end of a specified period they are called convertible preference shares.
- *Redeemable Preference Shares*: These are such preference shares which are redeemed after specific period and money is returned to shareholders. Companies engaged in infrastructure projects can issue shares redeemable exceeding 20 years subject to condition mentioned in rule 9 and 10 of the Companies (Share Capital and Debenture) Rules, 2014.
- *Participating Preference Shares*: Subject to provision in the terms of issue these shares can be entitled to participate in the surplus profits left, after payment of dividend to the preference and the equity shareholders to the extent provided therein. Subject to provisions in the terms of issue such preference shares can be entitled even to bonus shares.
- *Non-Participating Preference Shares*: Unless the terms of issue indicate specifically otherwise, all preference shares are to be regarded as non-participating preference shares.

LEGAL FRAMEWORK FOR PREFERENCE SHARES

1. SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009
2. SEBI(Prohibition of Insider Trading) Regulation, 2015
3. SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011
4. The Companies Act, 2013 & the Companies (Share Capital and Debentures) Rules, 2014
5. SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Listing Regulations”)
6. SEBI (Issue and Listing of Non-Convertible Redeemable Preference Shares) Regulations, 2013 (“NCRPS Regulations”)
7. RBI Guidelines

SEBI (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009

Under SEBI (ICDR) Regulations 2009, “specified securities” means equity shares and convertible securities. The “convertible security” has been defined to mean a security which is convertible into or exchangeable with equity shares of the issuer at a later date, with or without the option of the holder of the security and includes convertible debt instrument and convertible preference shares. Thus, the conditions specified in Second Chapter under these regulations for Equity shares are equally applicable to public issue of convertible preference shares also.

SEBI (PROHIBITION OF INSIDER TRADING) REGULATION, 2015

These regulations deals with compliances with respect to restriction on communication and trading in securities by insiders, disclosure of trading by insiders, code of fair disclosure and conduct to be followed by listed companies and other entities, disclosure requirements, and miscellaneous matters like sanction for violation, power to remove difficulties, repeal and savings.

The provisions of these regulation is equally applicable on Preference shares which we have already discussed in Second Chapter.

SEBI (SUBSTANTIAL ACQUISITION OF SHARES AND TAKEOVERS) REGULATIONS, 2011

These regulations have been framed in order to protect the interest of all stakeholders of the concerned entity i.e. the investee company, acquirer, promoter and shareholder.

The SEBI (Substantial Acquisition of Shares and Takeovers) Regulation 2011, deals with compliances with respect to substantial acquisition of shares, voting rights or control, threshold limit for open offer, open offer process, obligations of target company, acquirer, manager etc., disclosure requirements of shareholding and control and limit for making disclosures. It also contains the exemption available to the company.

The provisions of these regulations is equally applicable on preference shares which we have already discussed in Second Chapter.

THE COMPANIES ACT, 2013 & THE COMPANIES (SHARE CAPITAL AND DEBENTURES) RULES, 2014

Section 43 of Companies Act, 2013 the share capital of a company limited by shares are namely : (i) Equity shares with voting rights and equity shares with differential rights as to dividend, voting or otherwise in accordance with such rules as may be prescribed; and (ii) Preference Share Capital. Preference shares carry a preferential right with respect to payment of dividend, and repayment, in the case of a winding up or repayment of capital.

The definition of Preference Shares has not mentioned in Companies Act, 2013. As per Section 47(2) of the Companies Act, 2013, a preference shareholder has a right to vote only on resolutions placed before the company which directly affect the rights attached to his preference shares, including matters like voluntary winding-up, reduction/repayment of capital etc.

Preference shares are considered as quasi-debt instruments since they combine the features of equity as well as debt. On one side, they carry a preferential right over the ordinary shares to receive dividend at a fixed rate and on the other, they carry an equity risk of not being secured, except to the preferential right of repayment in case of winding-up of the company. Preference shares have proved beneficial for investors, since such quasi-debt instrument provides protection to their investment by possessing voting rights on matters affecting their interest, more so with the fixed rate of dividend. For the promoters, issue of preference shares to investors ensures access to capital without a need to provide any security, with a continued control.

Section 47 of Companies Act, 2013 prescribes restrictions on voting rights of preference shareholders. Although these restrictions mirror the restrictions that prevailed under the provisions of Companies Act 1956, but there are some differences:

The Companies Act, 1956 made a distinction between when preference shareholders holding cumulative or non-cumulative preference shares could exercise their respective voting rights. This distinction was based on the period for which the dividend remained unpaid. The Companies Act, 2013 has removed this distinction between cumulative and non-cumulative preference shares and entitles a preference

shareholder to vote on every resolution placed before the company at any meeting if the company has not paid the dividend in respect of a class of preference shareholders for a period of consecutive 2(two) or more years under Section 47.

As per Section 55 of the Companies Act, 2013, it deals with issue and redemption of preference shares.

PROCEDURE FOR ISSUE OF PREFERENCE SHARES UNDER THE COMPANIES ACT, 2013

Issue of shares can be in various modes:

- Right Issue of Shares [Section 62(1) (a)]
- Issue of shares through Employee Stock Option [Section 62(1)(b)]
- Issue of shares on Preferential Basis [Section 62(1)(c)]
- Private Placement of Shares [Section 42]

In earlier chapter, we have already discussed in detail the procedure for issue of shares by Right Issue, Issue of shares through Employee Stock Option, Issue of shares on Preferential Basis and Private Placement. Same Procedure will be applicable on issue of Preference Shares.

CHECKS FOR ISSUE OF PREFERENCE SHARES

1. Check whether nominal capital of company divides into Equity Share Capital and Preference Share Capital.
2. Check whether there is Provision in Article of Association of company regarding issue of Preference shares.
3. At the time of issue of Preference shares no subsisting default in the redemption of preference shares issued. (Rule-9(1)(b) of the Companies (Share Capital & Debentures) Rules, 2014).
4. At the time of issue of Preference shares no subsisting default in payment of dividend due on any preference share. (Rule-9(1)(b) of the Companies (Share Capital & Debentures) Rules, 2014).

ISSUE AND REDEMPTION OF PREFERENCE SHARES (Section 55 of Companies Act, 2013)**Issue of Preference shares**

A Private/Unlisted Public Company can issue only redeemable preference shares i.e., a Private/Unlisted Public Company is not allowed to issue irredeemable preference shares. All the preference shares issued shall be redeemable within a period not exceeding twenty years from the date of their issue subject to such conditions as may be prescribed.

However, a Private/ Unlisted Public company may issue preference shares for a period exceeding twenty years for infrastructure projects subject to the redemption of such percentage of shares as may be prescribed on an annual basis at the option of such preferential shareholders.

Following are the conditions for issue of preference shares –

- (a) Preference shares shall be redeemed only out of the profit of the company which would otherwise be available for dividend or out of the proceeds of a fresh issue of shares made for the purpose of such redemption;
- (b) Only fully paid preference shares shall be redeemed;
- (c) Where such shares are proposed to be redeemed out of the profits of the company, there shall out of such profits be transferred a sum equal to the nominal amount of shares to be redeemed to a reserve, called Capital Redemption Reserve Account. The provision of this Act relating to reduction of shares capital of a company shall apply as if the Capital Redemption Reserve Account were paid-up share capital of the company subject to provisions of this section.
- (d) In case of such class of companies as may be prescribed and whose financial statement comply with the accounting standards, the premium, if any, payable on redemption shall be provided for out of the profits of the company, before the shares are redeemed. The premium if any, payable on redemption of any preference shares issued on or before the commencement of this Act by any such company shall be provided for out of the profits of the company or out of the

company's securities premium account before such shares are redeemed. In case of other companies the premium, if any, payable on redemption shall be provided for out of the profits of the company or out of the company's securities premium account, before such shares are redeemed.

As per Rule 9 of the Companies (Share Capital and Debentures) Rules, 2014, the following are the procedure for issue of preference shares:-

Issue of Preference Shares

A Private/Unlisted Public Company having a share capital may, if so authorised by its articles, issue preference shares subject to the following conditions, namely:-

- (a) The issue of preference shares has been authorized by passing a special resolution in the general meeting of the company.
- (b) The company, at the time of such issue of preference shares, has no subsisting default in the redemption of preference shares issued either before or after the commencement of this Act or in payment of dividend due on any preference shares.

Terms and Conditions in Resolution

A Private/Unlisted Public Company issuing preference shares shall set out in the resolution, particulars in respect of the following matters relating to such shares, namely:-

- (a) the priority with respect to payment of dividend or repayment of capital vis-a-vis equity shares;
- (b) the participation in surplus fund;
- (c) the participation in surplus assets and profits, on winding-up which may remain after the entire capital has been repaid;
- (d) the payment of dividend on cumulative or non-cumulative basis;
- (e) the conversion of preference shares into equity shares;
- (f) the voting rights; and
- (g) the redemption of preference shares.

Explanatory Statement

The explanatory statement to be annexed to the notice of the general

meeting shall, *inter-alia* provide the complete material facts concerned with and relevant to the issue of preference shares.

Register of Members

Where a Private/Unlisted Public Company issues preference shares, the Register of Members maintained under section 88 of the Companies Act, 2013 shall contain the particulars in respect of such preference shareholder(s).

Redemption of Preference Shares

There is no such procedure given for Redemption of preference shares under the Companies Act 2013 except section 55 and Rule 9 and Rule 10 of the Companies (Share Capital and Debentures) Rules, 2014.

Sources for Redemption of Preference Shares (Section 55 (2)(a))

Preference shares can be redeemed only out of the profits available for distribution to its shareholders as Dividend. Preference shares can be redeemed only out of Preference shares can be redeemed only fresh proceeds of shares issued solely for the purpose of funding the redemption of the preference shares

Conditions for Redemption of Preference Shares (Rule 9)

A Private/Unlisted Public Company may redeem its preference shares only on the terms on which they were issued or as varied after due approval of preference shareholders under proviso section 48 of the Companies Act, 2013. Only fully paid-up preference shares can be redeemed.

The preference shares may be redeemed:-

- (a) at a fixed time or on the happening of a particular event;
- (b) any time at the company's option; or
- (c) any time at the shareholder's option.

Capital Redemption Reserve (Section 55(2) (c))

Where the redemption of preference shares are redeemed out of the profits available for distribution, a sum equivalent to the nominal amount of shares being redeemed shall be transferred to the Capital Redemption Reserve.

The CRR shall be treated as the paid up share capital of the company for all purposes and can also be utilized for bonus issue of shares.

Company is not in position to Redeem (Section 55 (3))

Where Private/Unlisted Public Company is not in a position to redeem any preference share or to pay dividend, if any, it may issue further redeemable preference shares equal to the amount due including dividend thereon, in respect of the unredeemed preference shares, and on issue of such further redeemed preference shares, the unredeemed preference shares shall be deemed to have redeemed. This means, preference shares may be redeemed by issuing further preference shares.

The conditions to be fulfilled are –

- (i) Consent of the holders of three – fourths in value of such preference shares, and
- (ii) With the approval of the Tribunal on petition made in this behalf.

The Tribunal shall, while giving approval, order the redemption immediately of preference shares held by dissenting persons. This issue or redemption of the redeemable preference shares shall not be deemed to be an increase or a reduction in the share capital of the company.

Conditions for Infrastructural Projects (Rule 10)

A Private/Unlisted Public Company engaged in the setting up and dealing with of infrastructural projects may issue preference shares for a period exceeding twenty years but not exceeding thirty years, subject to the redemption of a minimum ten percent of such preference shares per year from the twenty first year onwards or earlier, on proportionate basis, at the option of the preference shareholders.

SEBI (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015 ('Listing Regulations')

Chapter V of SEBI (LODR) Regulations, 2015 shall apply only to a listed entity which has listed its '**Non-Convertible Redeemable Preference Shares and/or Non-convertible Debt Securities**' on a recognised stock exchange.

The provisions of this chapter shall also be applicable to “perpetual debt instrument” and “perpetual non-cumulative preference share” listed by banks.

Intimation to stock exchange(s) [Regulation 50]

- 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.
- 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.

However, 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.

- 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 [Regulation 51]

- 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.

- 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**.

Part B of Schedule III

Disclosure of Information Having Bearing on Performance/Operation of Listed Entity and/ or Price Sensitive Information: Non-Convertible Debt Securities & Non-convertible Redeemable Preference Shares

The listed entity shall promptly inform to the stock exchange(s) of all information which shall have bearing on performance/operation of the listed entity or is price sensitive or shall affect payment of interest or dividend of non-convertible preference shares or redemption of non-convertible debt securities or redeemable preference shares including:

- (1) expected default in timely payment of interests/preference dividend or redemption or repayment amount or both in respect of the non-convertible debt securities and non-convertible redeemable preference shares and also default in creation of security for debentures as soon as the same becomes apparent;
- (2) any attachment or prohibitory orders restraining the listed entity from transferring non-convertible debt securities or non-convertible redeemable preference shares from the account of the registered holders along-with the particulars of the numbers of securities so affected, the names of the registered holders and their demat account details;
- (3) any action which shall result in the redemption, conversion, cancellation, retirement in whole or in part of any non-convertible debt securities or reduction, redemption, cancellation, retirement in whole or in part of any non-convertible redeemable preference shares;
- (4) any action that shall affect adversely payment of interest on non-convertible debt securities or payment of dividend on non-

convertible redeemable preference shares including default by issuer to pay interest on non-convertible debt securities or redemption amount and failure to create a charge on the assets;

- (5) any change in the form or nature of any of its non-convertible debt securities or non-convertible redeemable preference shares that are listed on the stock exchange(s) or in the rights or privileges of the holders thereof and make an application for listing of the securities as changed, if the stock exchange(s) so require;
- (6) any changes in the general character or nature of business/ activities, disruption of operation due to natural calamity, and commencement of commercial production/commercial operations;
- (7) any events such as strikes and lock outs which have a bearing on the interest payment/dividend payment/principal repayment capacity;
- (8) details of any letter or comments made by debenture trustees regarding payment/non-payment of interest on due dates, payment/non-payment of principal on the due dates or any other matter concerning the security, the listed entity and /or the assets along with its comments thereon, if any;
- (9) delay/ default in payment of interest or dividend/principal amount /redemption for a period of more than three months from the due date;
- (10) failure to create charge on the assets within the stipulated time period;
- (11) any instance(s) of default/delay in timely repayment of interests or principal obligations or both in respect of the debt securities including, any proposal for rescheduling or postponement of the repayment programmes of the dues/debts of the listed entity with any investor(s)/lender(s).

Explanation. – For the purpose of this sub-para, ‘default’ shall mean Non-payment of interest or principal amount in full on the pre-agreed date and shall be recognized at the first instance of delay in servicing of any interest or principal on debt.

- (12) any major change in composition of its board of directors, which may amount to change in control as defined in Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
- (13) any revision in the rating;
- (14) the following approvals by board of directors in their meeting:-
 - (a) the decision to pass any interest payment;
 - (b) short particulars of any increase of capital whether by issue of bonus securities through capitalization, or by way of right securities to be offered to the debenture holders, or in any other way;
- (15) all the information, report, notices, call letters, circulars, proceedings, etc. concerning non-convertible redeemable preference shares or non-convertible debt securities;
- (16) any other change that shall affect the rights and obligations of the holders of non-convertible debt securities/non-convertible redeemable preference shares, any other information not in the public domain necessary to enable the holders of the listed securities to clarify its position and to avoid the creation of a false market in such listed securities or any other information having bearing on the operation/performance of the listed entity as well as price sensitive information.

Financial Results [Regulation 52]

- The listed entity shall prepare and submit un-audited or audited financial results on a half yearly basis in the format as specified by SEBI within forty five days from the end of the half year to the recognised stock exchange(s).
- 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 practising Chartered Accountant, in the format as specified by SEBI.

However, 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 recognised 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.
- (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.

However, 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) The applicable format of Statement on Impact of Audit Qualifications for audit report with modified opinion shall be in the manner as specified by SEBI.

- 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:

However, 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.

Further, 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.

- While submitting the information required, the listed entity shall submit to stock exchange(s), a certificate signed by debenture trustee that it has taken note of the contents.
- 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);

However, 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. However, 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.

However, in case of 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.

- 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.

- 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, in at least one English national daily newspaper circulating in the whole or substantially the whole of India.

Annual Report [Regulation 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, 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**.

Para A of Schedule V

The annual report shall contain the following additional disclosures:

A. Related Party Disclosure:

1. The listed entity shall make disclosures in compliance with the Accounting Standard on “Related Party Disclosures”.
2. The disclosure requirements shall be as follows:

<i>Sr. No.</i>	<i>In the accounts of</i>	<i>Disclosures of amounts at the year end and the maximum amount of loans/ advances/ Investments outstanding during the year.</i>
1.	Holding Company	<ul style="list-style-type: none"> • Loans and advances in the nature of loans to subsidiaries by name and amount. • Loans and advances in the nature of loans to associates by name and amount. • Loans and advances in the nature of loans to firms/companies in which directors are interested by name and amount.
2.	Subsidiary	Same disclosures as applicable to the parent company in the accounts of subsidiary company.
3.	Holding Company	Investments by the loanee in the shares of parent company and subsidiary company, when the company has made a loan or advance in the nature of loan.

For the purpose of above disclosures directors' interest shall have the same meaning as given in Section 184 of Companies Act, 2013.

3. The above disclosures shall be applicable to all listed entities except for listed banks.

B. Management Discussion and Analysis:

1. This section shall include discussion on the following matters within the limits set by the listed entity's competitive position:
 - (a) Industry structure and developments;
 - (b) Opportunities and Threats;
 - (c) Segment-wise or product-wise performance;
 - (d) Outlook;
 - (e) Risks and concerns.
 - (f) Internal control systems and their adequacy.
 - (g) Discussion on financial performance with respect to operational performance.
 - (h) Material developments in Human Resources/Industrial Relations front, including number of people employed.

2. Disclosure of Accounting Treatment:

Where in the preparation of financial statements, a treatment different from that prescribed in an Accounting Standard has been followed, the fact shall be disclosed in the financial statements, together with the management's explanation as to why it believes such alternative treatment is more representative of the true and fair view of the underlying business transaction.

C. Corporate Governance Report: The following disclosures shall be made in the section on the corporate governance of the annual report.

- (1) A brief statement on listed entity's philosophy on code of governance.
- (2) Board of directors:
 - (a) composition and category of directors (e.g. promoter, executive, non-executive, independent non-executive, nominee director – institution represented and whether as lender or as equity investor);
 - (b) attendance of each director at the meeting of the board of directors and the last annual general meeting;
 - (c) number of other board of directors or committees in which a directors is a member or chairperson;
 - (d) number of meetings of the board of directors held and dates on which held;
 - (e) disclosure of relationships between directors inter-se;
 - (f) number of shares and convertible instruments held by non- executive directors;
 - (g) web link where details of familiarisation programmes imparted to independent directors is disclosed.
- (3) Audit committee:
 - (a) brief description of terms of reference;
 - (b) composition, name of members and chairperson;
 - (c) meetings and attendance during the year.

- (4) Nomination and Remuneration Committee:
 - (a) brief description of terms of reference;
 - (b) composition, name of members and chairperson;
 - (c) meeting and attendance during the year;
 - (d) performance evaluation criteria for independent directors.
- (5) Remuneration of Directors:
 - (a) all pecuniary relationship or transactions of the non-executive directors visà- vis the listed entity shall be disclosed in the annual report;
 - (b) criteria of making payments to non-executive directors. alternatively, this may be disseminated on the listed entity's website and reference drawn thereto in the annual report;
 - (c) disclosures with respect to remuneration: In addition to disclosures required under the Companies Act, 2013, the following disclosures shall be made:
 - (i) all elements of remuneration package of individual directors summarized under major groups, such as salary, benefits, bonuses, stock options, pension etc;
 - (ii) details of fixed component and performance linked incentives, along with the performance criteria;
 - (iii) service contracts, notice period, severance fees;
 - (iv) stock option details, if any and whether issued at a discount as well as the period over which accrued and over which exercisable.
- (6) Stakeholders' grievance committee:
 - (a) name of non-executive director heading the committee;
 - (b) name and designation of compliance officer;
 - (c) number of shareholders' complaints received so far;
 - (d) number not solved to the satisfaction of shareholders;
 - (e) number of pending complaints.

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- (7) General body meetings:
- (a) location and time, where last three annual general meetings held;
 - (b) whether any special resolutions passed in the previous three annual general meetings;
 - (c) whether any special resolution passed last year through postal ballot – details of voting pattern;
 - (d) person who conducted the postal ballot exercise;
 - (e) whether any special resolution is proposed to be conducted through postal ballot;
 - (f) procedure for postal ballot.
- (8) Means of communication:
- (a) quarterly results;
 - (b) newspapers wherein results normally published;
 - (c) any website, where displayed;
 - (d) whether it also displays official news releases; and
 - (e) presentations made to institutional investors or to the analysts.
- (9) General shareholder information:
- (a) annual general meeting - date, time and venue;
 - (b) financial year;
 - (c) dividend payment date;
 - (d) the name and address of each stock exchange(s) at which the listed entity's securities are listed and a confirmation about payment of annual listing fee to each of such stock exchange(s);
 - (e) stock code;
 - (f) market price data- high, low during each month in last financial year;
 - (g) performance in comparison to broad-based indices such as BSE Sensex, CRISIL Index etc;

- (h) in case the securities are suspended from trading, the directors report shall explain there as on thereof;
 - (i) registrar to an issue and share transfer agents;
 - (j) share transfer system;
 - (k) distribution of shareholding;
 - (l) dematerialization of shares and liquidity;
 - (m) outstanding global depository receipts or American depository receipts or warrants or any convertible instruments, conversion date and likely impact on equity;
 - (n) commodity price risk or foreign exchange risk and hedging activities;
 - (o) plant locations;
 - (p) address for correspondence.
- (10) Other Disclosures:
- (a) disclosures on materially significant related party transactions that may have potential conflict with the interests of listed entity at large;
 - (b) details of non-compliance by the listed entity, penalties, strictures imposed on the listed entity by stock exchange(s) or the board or any statutory authority, on any matter related to capital markets, during the last three years;
 - (c) details of establishment of vigil mechanism, whistle blower policy, and affirmation that no personnel has been denied access to the audit committee;
 - (d) details of compliance with mandatory requirements and adoption of the non-mandatory requirements;
 - (e) weblink where policy for determining 'material' subsidiaries is disclosed;
 - (f) weblink where policy on dealing with related party transactions;
 - (g) disclosure of commodity price risks and commodity hedging activities.

- (11) Non-compliance of any requirement of corporate governance report of sub paras (2) to (10) above, with reasons thereof shall be disclosed.
- (12) The corporate governance report shall also disclose the extent to which the discretionary requirements as specified in Part E of Schedule II have been adopted.
- (13) The disclosures of the compliance with corporate governance requirements specified in regulation 17 to 27 and clauses (b) to (i) of sub-regulation (2) of regulation 46 shall be made in the section on corporate governance of the annual report.

D. Declaration signed by the chief executive officer stating that the members of board of directors and senior management personnel have affirmed compliance with the code of conduct of board of directors and senior management.

E. Compliance certificate from either the auditors or practicing company secretaries regarding compliance of conditions of corporate governance shall be annexed with the directors' report.

F. Disclosures with respect to demat suspense account/ unclaimed suspense account

The listed entity shall disclose the following details in its annual report, as long as there are shares in the demat suspense account or unclaimed suspense account, as applicable:

- (a) aggregate number of shareholders and the outstanding shares in the suspense account lying at the beginning of the year;
- (b) number of shareholders who approached listed entity for transfer of shares from suspense account during the year;
- (c) number of shareholders to whom shares were transferred from suspense account during the year;
- (d) aggregate number of shareholders and the outstanding shares in the suspense account lying at the end of the year;
- (e) that the voting rights on these shares shall remain frozen till the rightful owner of such shares claims the shares.

Documents and information to holders of non-convertible debt securities and nonconvertible preference shares [Regulation 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.

Structure of non-convertible debt securities and non-convertible redeemable preference Shares [Regulation 59]

- (1) The listed entity shall not make material modification without prior approval of the stock exchange(s) where the non-convertible debt securities or non-convertible redeemable preference shares, as applicable, are listed, to:

- (a) the structure of the debenture in terms of coupon, conversion, redemption, or otherwise.
 - (b) the structure of the non-convertible redeemable preference shares in terms of dividend of non-convertible preference shares payable, conversion, redemption, or otherwise.
- (2) The approval of the stock exchange referred to in sub-regulation (1) shall be made only after:
- (a) approval of the board of directors and the debenture trustee in case of non-convertible debt securities and
 - (b) after complying with the provisions of Companies Act, 2013 including approval of the consent of requisite majority of holders of that class of securities.

Record Date [Regulation 60]

The listed entity shall fix a record date for purposes of payment of interest, dividend and payment of redemption or repayment amount or for such other purposes as specified by the stock exchange.

The listed entity shall give notice in advance of at least seven working days (excluding the date of intimation and the record date) to the recognised stock exchange(s) of the record date or of as many days as the stock exchange(s) may agree to or require specifying the purpose of the record date.

Terms of non-convertible debt securities and non-convertible redeemable preference shares [Regulation 61]

- The listed entity shall ensure timely payment of interest or dividend of non-convertible redeemable preference shares or redemption payment.

However, the listed entity shall not declare or distribute any dividend wherein it 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.

Further, this requirement shall not be applicable in case of unsecured debt securities issued by regulated financial sector entities eligible for meeting capital requirements as specified by respective regulators.

- The listed entity shall not forfeit unclaimed interest/dividend and such unclaimed interest/dividend shall be transferred to the 'Investor Education and Protection Fund' set up as per Section 125 of the Companies Act, 2013.
- Unless the terms of issue provide otherwise, the listed entity shall not select any of its listed securities for redemption otherwise than pro rata basis or by lot.
- The listed entity shall comply with requirements as specified in regulation 40 for transfer of securities including procedural requirements specified in **Schedule VII**.

Schedule VII – TRANSFER OF SECURITIES

A. REQUIREMENT OF PAN

1. For registration of transfer of securities, the transferee(s) as well as transferor(s) shall furnish a copy of their PAN card to the listed entity for registration of transfer of securities.
2. For securities market transactions and/or for off-market or private transactions involving transfer of shares in physical form, the transferee(s) as well as transferor(s) shall furnish copy of PAN card to the listed entity for registration of such transfer of securities.
3. In cases where PAN card is not available i.e. in case of residents of Sikkim, the requirement of PAN Card may be substituted with Identity proof.
4. In case of mismatch in PAN card details as well as difference in maiden name and current name, in case of married women, of the holder(s) of securities, the listed entity may collect the PAN card as submitted by the transferee(s) or transferor(s) as the case may be.

Provided that this shall be subject to the listed entity verifying the veracity of the claim of such transferee(s) or transferor(s) by collecting sufficient documentary evidence in support of the identity of the transferee(s) or transferor(s).

DIFFERENCES IN SIGNATURE

1. In case of minor differences in the signature of the transferor(s),

the listed entity shall follow the following procedure for registering transfer of securities:

- (a) the listed entity shall promptly send to the first transferor(s), via speed post an intimation of the aforesaid defect in the documents and inform the transferor(s) that objection, supported by valid proof, is not lodged by the transferor(s) with the listed entity within fifteen days of receipt to the listed entity's letter, then the securities shall be transferred;
- (b) if the intimation to the transferor(s) is delivered and the objection from the transferor(s) with supporting documents is not received within fifteen days, the listed entity shall transfer the securities provided the listed entity does not suspect fraud or forgery in the matter.

Provided that the listed entity shall maintain proof of delivery for in their record(s).

2. In case of major differences in, or non-availability of, the signature of the transferor(s), the listed entity shall follow the following procedure for registering transfer of securities.

- (a) The listed entity shall promptly send to the transferee(s), via Speed Post, an Objection Memo along with the documents in original marking the reason as "material signature difference/ non-availability of signature" and an advice to ensure submission of requested documents of the transferor(s);
- (b) The listed entity shall also send a copy of the Objection memo as per clause (a) of sub-para (2) to the transferor(s), via Speed Post, simultaneously;
- (c) The above Objection Memo in clause (a) and (b) of sub-para (2) shall also state the requirement of additional documents of transferor(s) as follows for effecting the transfer:
 - i. an Affidavit to update transferor(s) signature in its records;
 - ii. an original unsigned cancelled cheque and banker's attestation of the transferor(s) signature and address);
 - iii. contact details of the transferor(s) and ;

- (d) If the intimation to both the transferor(s) and the transferee(s) are delivered, requested documents of the transferor(s) are submitted to the listed entity and the address attested by the bank tallies with the address available in the database of listed entity, the listed entity, shall transfer the securities provided the listed entity does not suspect fraud or forgery in the matter.

Provided that listed entity shall maintain proof of delivery in their record(s).

ADDITIONAL DOCUMENTATION REQUIREMENTS IN CASE OF TRANSMISSION OF SECURITIES

1. In case of transmission of securities held in dematerialized mode, where the securities are held in a single name without a nominee, for the purpose of following simplified documentation, as prescribed by the depositories vide bye-laws or operating instructions, as applicable, the threshold limit is rupees five lakhs only per beneficiary owner account.
2. In case of transmission of securities held in physical mode:
 - (a) where the securities are held in single name with a nominee:
 - (i) duly signed transmission request form by the nominee;
 - (ii) original or copy of death certificate duly attested by a notary public or by a gazetted officer;
 - (iii) self attested copy of PAN card of the nominee.
 - (b) where the securities are held in single name without a nominee, an affidavit made on appropriate non-judicial stamp paper, to the effect of identification and claim of legal ownership to the securities shall be required and additionally
 - (i) for value of securities, threshold limit of upto rupees two lakh only, per listed entity, as on date of application, one or more of the following documents may be submitted :

1. No objection certificate from all legal heir(s) who do not object to such transmission or copy of family settlement deed duly notarized or attested by a gazetted officer and executed by all the legal heirs of the deceased holder;
 2. indemnity made on appropriate non-judicial stamp paper, indemnifying the listed entity ;
- (ii) for value of securities, threshold limit, more than rupees two lakh, per listed entity, as on date of application, succession certificate or probate of will or letter of administration or court decree shall be submitted;
- (iii) the listed entity however, at its discretion, may enhance value of securities, threshold limit, of rupees two lakh.

Website [Regulation 62]

- (1) The listed entity shall maintain a functional website containing the following information about the listed entity:-
- (a) details of its business;
 - (b) financial information including complete copy of the annual report including balance sheet, profit and loss account, directors report etc.;
 - (c) contact information of the designated officials of the listed entity who are responsible for assisting and handling investor grievances;
 - (d) email address for grievance redressal and other relevant details;
 - (e) name of the debenture trustees with full contact details;
 - (f) the information, report, notices, call letters, circulars, proceedings, etc., concerning non-convertible redeemable preference shares or non-convertible debt securities;
 - (g) all information and reports including compliance reports filed by the listed entity;

(h) information with respect to the following events:

- default by issuer to pay interest on or redemption amount;
- failure to create a charge on the assets;
- revision of rating assigned to the non-convertible debt securities:

(2) The listed entity may also issue a press release with respect to the events specified in sub regulation (1).

(3) The listed entity shall ensure that the contents of the website are correct and updated at any given point of time.

Compliance Calendar under SEBI (LODR), 2015 regarding listing of Non-Convertible Redeemable Preference Shares

<i>Regulation No. of SEBI (LODR) Regulations, 2015</i>	<i>Heading</i>	<i>SEBI (LODR) Regulation, 2015</i>	<i>Time Period</i>
Regulation 50(1)	Prior intimation for payment of interest.	The company has to make prior intimation for payment of interest to Stock Exchange.	At least 11 days before the date on which interest is payable
Regulation 50(2) & (3)	Prior Intimation to Stock Exchange in case of fresh NCRPFs.	The company shall give PRIOR intimation to stock exchange, whenever intention of the company is raise fresh NCRPFs. The intimation will be given before the board meeting to be held for above purpose.	At least 2 working days in advance , (while calculating 2 days date of intimation and date of board meeting shall be excluded)
Regulation 51(1) & (2)	Price Sensitive Information to Stock Exchange	The company has to make prompt intimation to Stock Exchange in case of any price sensitive information or any action that can	Prompt means, as soon as practically possible (Event Based)

		effect dividend of non-convertible preference shares or redeemable preference shares. The company has to comply with requirements as specified Part B of Schedule III.	
Regulation 52(1)	Half yearly un-audited or audited Financial Results	The company has to submit half yearly un-audited or audited financial results along with statement indicating material deviation.	within 45 days from end of half year
Regulation 52(7)	Statement of Material Deviations	In case there is material deviation in the use of proceeds of issue of non-convertible preference shares from the objects stated in the offer document, then the company shall include a statement indicating material deviation along with half yearly results	to be included in half yearly results
Regulation 52(8)	Publication of financial result	The company shall on conclusion of board meeting, publish financial result along with material deviation statement (if any) in one English national daily.	within 2 calendar days of conclusion of Board Meeting
Regulation 53	Annual Report	The Annual Report shall contain: (a) Audited Financial Statements (b) Cash Flow statement (c) Auditors and Directors Report	

		(d) The name of the debenture trustees with full contact details (e) Related Party Disclosures as per para A of Schedule V.	
Regulation 58(1)	Annual Reports	The company shall send annually annual reports by : (a) mail (b) hard copy(if requested)	Event based
Regulation 58(2) & (3)	Notice of all meetings to NCRPFs	The company has to send notice of all meetings along with proxy form to NCRPFs.	Event based
Regulation 59	Prior approval from Stock Exchange for making material modification in the NCRPFs and NCDs	Material modification in structure of NCRPFs and NCDs should be made with prior approval from Stock Exchange.	Event based
Regulation 60	Prior intimation to Stock Exchange of record date for payment of interest	The company has to make notice to Stock Exchange intimating record date for payment of interest.	Atleast 7 days (excluding the date of intimation and record date) advance before record date
Regulation 61	Not eligible to declare dividend	If it has made default in payment of interest.	Event based
Regulation 61(4)	Transfer of Securities	In case of transfer of securities, the company has to comply with the requirements under schedule VII.	Event based

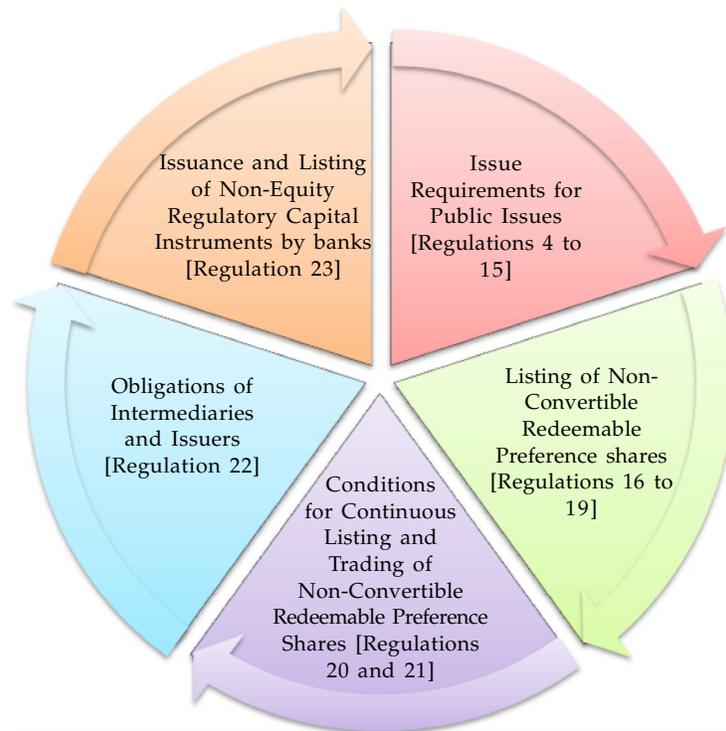
Regulation 62(1)	Website Disclosure	<p>The Company shall maintain a website containing:</p> <p>(a) Details of its business;</p> <p>(b) Financial Information;</p> <p>(c) Contact Information of designated professionals who are responsible for assisting and handling investors grievances;</p> <p>(d) Email address for grievances redressal;</p> <p>(e) name and contact details of debenture trustee;</p> <p>(f) Information, report, notices, call, letters, circulars, proceedings etc. concerning NCDs;</p> <p>(g) all information and reports;</p> <p>(h) Information with respect to :</p> <ul style="list-style-type: none"> • default by company to payment of interest; • failure to create a charge on the assets; • revision of rating assigned to NCDs. 	As soon as possible (if yet to be maintained)
Regulation 62(2)	Press Release	The Company shall issue press release for above events	Event based

SEBI (ISSUE AND LISTING OF NON-CONVERTIBLE REDEEMABLE PREFERENCE SHARES) REGULATIONS, 2013

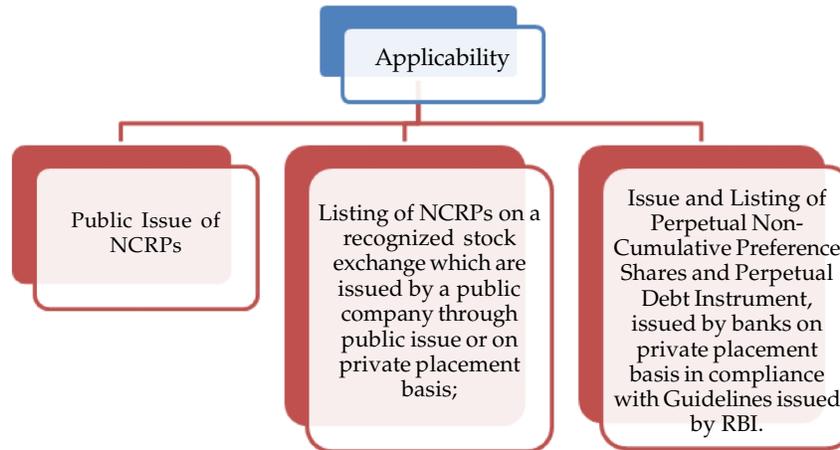
When a public company wishes to issue and list its NCRPS on stock exchanges, then it has to comply with **SEBI (Issue and Listing of Non-Convertible Redeemable Preference Shares) Regulations, 2013** in addition to Companies Act, 2013. SEBI notified these regulations to bring more transparency in raising of funds through such securities and to safeguard the interest of small investors from such high-risk securities.

Further, for listing of NCRPs is required to comply with SEBI LODR Regulations, 2015. However, it may be noted that SEBI (ICDR) regulations, 2009 is not applicable to issue and redemption of NCRPs as because ICDR regulations specifically deals with convertible securities.

Compliances under SEBI (Issue and Listing of Non-Convertible Redeemable Preference Shares) Regulations, 2013 ('NCRPS Regulations')



Applicability



Conditions for Issue of NCRPs [Regulation 4]

- (1) An issuer cannot make any public issue of NCRPs, 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 SEBI 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) The issuer cannot make a public issue of non-convertible redeemable preference shares, as on the date of filing of draft offer document and final offer document if the following conditions are not satisfied :-
 - (a) it has made an application to one or more recognized stock exchanges for listing of NCRPs;
 - (b) it has obtained in-principle approval for listing of its NCRPs;
 - (c) credit rating obtained from atleast one credit rating

- agency, registered with SEBI along with unaccepted ratings if any has been disclosed in the offer document;
- (d) it has entered into an arrangement with a depository for dematerialization of NCRPs, in accordance with the Depositories Act, 1996 and regulations made thereunder;
 - (e) the minimum tenure of NCRPs shall not be less than three years; and
 - (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 has created a capital redemption reserve in accordance with the provisions of the Companies Act, 2013;

Restriction [Regulation 4(4)]

The issuer cannot issue NCRPs 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.

Appointment of Intermediaries [Regulation 4(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 of Material Information in offer document [Regulation 5]

1. The offer document must contain all material disclosures which are necessary for the subscribers of the non-convertible redeemable preference shares to take an informed investment decision.
2. The issuer and the lead merchant banker shall ensure that the offer document contains the following:
 - (a) the disclosures specified in Section 26 of the Companies Act, 2013;
 - (b) disclosure specified in Schedule I of these regulations;
 - (c) additional disclosures as may be specified by SEBI.

Filing of draft offer document [Regulation 6]

The company shall file draft offer document with the designated stock exchange through the lead merchant banker and also forward a copy of draft and final offer document to SEBI for its records, along with fees as specified in **Schedule III** of regulation.

Responsibilities of Merchant Banker [Regulation 6 (4) & (7)]

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 issuer 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 **Schedule II** of these regulations prior to the filing of the offer document with the Registrar of Companies.

Mode of Disclosure of Offer Document [Regulation 7]

- 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 [Regulation 8]

- (1) 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 per **Schedule I**.
- (2) The issuer shall not issue an advertisement which is misleading

in material particulars or which contains any information in a distorted manner or which is manipulative or deceptive.

- (3) The advertisement shall be truthful, fair and clear and shall not contain a statement, promise or forecast which is untrue or misleading.
- (4) The credit rating shall be prominently displayed in the advertisement.
- (5) Any advertisement issued by the issuer shall not contain any matters which are extraneous to the contents of the offer document.
- (6) The advertisement shall urge the investors to invest only on the basis of information contained in the offer document.
- (7) 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.

Abridged Prospectus and application forms [Regulation 9]

The issuer and lead merchant banker shall ensure that:-

- (a) Every application form issued by the issuer is accompanied by a copy of the abridged prospectus;
- (b) The abridged prospectus shall not contain matters which are extraneous to the contents of the prospectus;
- (c) Adequate space shall be 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.

Electronic Issuances [Regulation 10]

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.

Price Discovery through Book Building [Regulation 11]

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 fixed price or the price may be determined through book building process in accordance with the procedure as may be specified by SEBI.

Redemption [Regulation 12]

The issuer shall redeem the non-convertible redeemable preference shares in terms of the offer document.

Minimum Subscription [Regulation 13]

The Company 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 moneys received in the public issue shall be refunded forthwith to the applicants. In the event, the application monies are refunded beyond 8 days from the last day of the offer, then such amounts shall be refunded together with interest at such rate as may be set out in the offer document which shall not be less than 15% per annum.

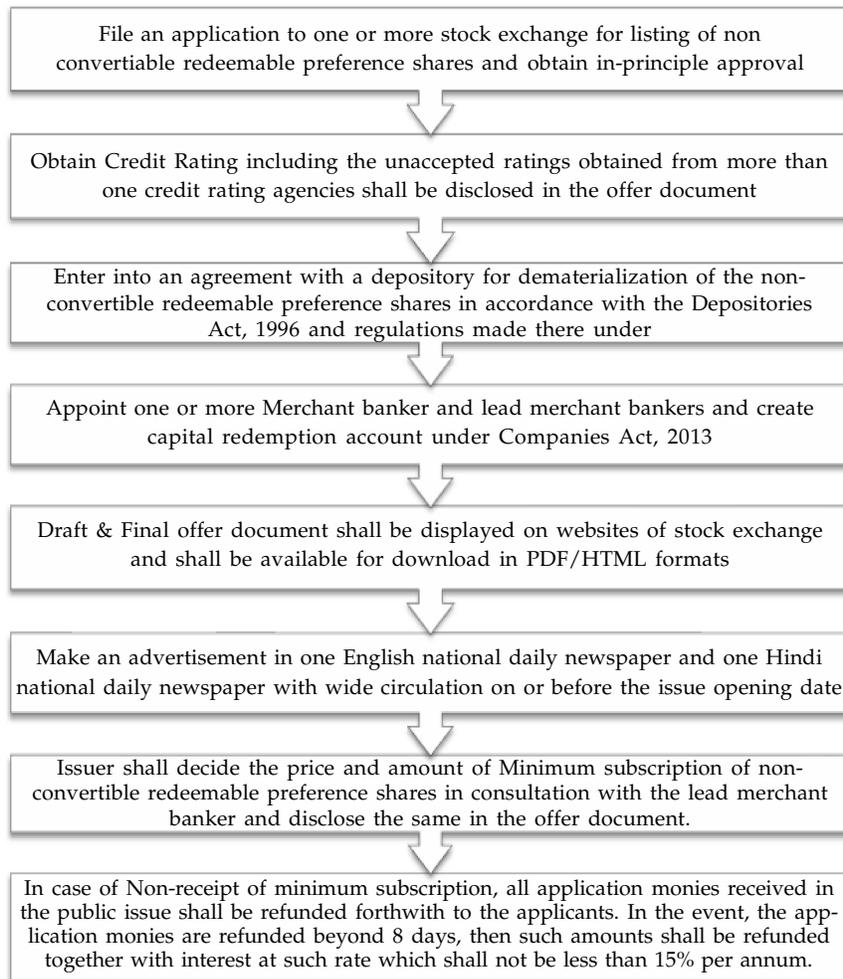
Optional Underwriting [Regulation 14]

A public issue of non-convertible redeemable preference shares may be underwritten by an underwriter registered with SEBI and in such a case adequate disclosures regarding underwriting arrangements shall be made in the offer document.

Prohibition of Mis-Statements in the Offer Document [Regulation 15]

1. 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.
2. 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.

Flow Chat for Issuance of Non-Convertible Redeemable Preference Shares under SEBI (Non-Convertible Redeemable Preference Shares) Regulations, 2013



Mandatory Listing [Regulation 16]

- (a) A Company desirous of making an offer of non-convertible redeemable preference shares to public shall make an application for listing to one or more recognized stock exchanges in terms of section 40 of the Companies Act, 2013.
- (b) It must 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.
- (c) Where of the company has disclosed the intention to seek listing of non-convertible redeemable preference shares 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 non-convertible redeemable preference shares.

Section 40 of the Companies Act, 2013 - Securities to be dealt with in stock exchanges

1. Every company making public offer shall, before making such offer, make an application to one or more recognised stock exchange or exchanges and obtain permission for the securities to be dealt with in such stock exchange or exchanges.
2. Where a prospectus states that an application has been made to the recognised stock exchange or exchanges, such prospectus shall also state the name or names of the stock exchange in which the securities shall be dealt with.
3. All monies received on application from the public for subscription to the securities shall be kept in a separate bank account in a scheduled bank and shall not be utilised for any purpose other than—
 - for adjustment against allotment of securities where the securities have been permitted to be dealt with in the stock exchange or stock exchanges specified in the prospectus; or
 - for the repayment of monies within the time specified by the Securities and Exchange Board of India, received from

applicants in pursuance of the prospectus, where the company is for any other reason unable to allot securities.

4. Any condition purporting to require or bind any applicant for securities to waive compliance with any of the requirements of this section shall be void.

5. If a default is made in complying with the provisions of this section, the company shall be punishable with a fine which shall not be less than five lakh rupees but which may extend to fifty lakh rupees and every officer of the company who is in default shall be punishable with imprisonment for a term which may extend to one year or with fine which shall not be less than fifty thousand rupees but which may extend to three lakh rupees, or with both.

6. A company may pay commission to any person in connection with the subscription to its securities subject to such conditions as may be prescribed.

Listing Agreement [Regulation 16A]

Every issuer desirous of listing its non-convertible redeemable preference shares, or perpetual non-cumulative preference shares or innovative perpetual debt instruments on a recognized stock exchange, shall execute an agreement with such stock exchange.

Every issuer who 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 6 months of the date of notification of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Security Deposit [Regulation 16B]

The issuer shall deposit, before the opening of subscription list, and keep deposited with the stock exchange(s) an amount calculated at the rate of 1% of the amount of securities offered for subscription to the public. The amount stipulated in above shall be deposited and refundable or forfeitable in the manner specified by SEBI.

Relaxation of Strict Enforcement of Rule 19 of Securities Contracts (Regulation) Rules, 1957 [Regulation 19]

In exercise of the powers conferred by sub-rule (7) of rule 19 of the Securities Contracts (Regulations) Rules, 1957, SEBI hereby relaxes the strict enforcement of sub-rules (1) and (3) of rule 19 of the said rules in relation to listing of non-convertible redeemable preference shares issued by way of a public issue or a private placement.

Continuous Listing Conditions [Regulation 20]

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 [Regulation 21]

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 it should satisfy the 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.

Obligations of the issuer, lead merchant banker, etc. [Regulation 22]

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 required as per Companies Act, 2013.

3. 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.

4. 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.

5. 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.

RBI GUIDELINES

The RBI constituted **Basel Committee on Banking Supervision (BCBS)** which provides a forum for regular cooperation on banking supervisory matters. The **BCBS** is a committee of banking supervisory authorities that was established by the central bank governors of the Group of Ten countries in 1974. Its objective is to enhance understanding of key supervisory issues and improve the quality of banking supervision worldwide. This committee purposed three Basel which is Basel I, Basel II and Basel III.

The Basel III capital regulations are being implemented in India with effect from April 1, 2013. Banks have to comply with the regulatory limits and minima as prescribed under Basel III capital regulations, on an ongoing basis. To ensure smooth transition to Basel III, appropriate transitional arrangements have been provided for meeting the minimum Basel III capital ratios, full regulatory adjustments to the components of capital etc. Consequently, Basel III capital regulations would be fully implemented as on March 31, 2019. In view of the gradual phase-in of regulatory adjustments to the Common Equity component of Tier 1 capital under Basel III, certain

specific prescriptions of Basel II capital adequacy framework (e.g. rules relating to deductions from regulatory capital, risk weighting of investments in other financial entities etc.) will also continue to apply till March 31, 2017 on the remainder of regulatory adjustments not treated in terms of Basel III rules.

Components of Capital

Total regulatory capital will consist of the sum of the following categories:

- (i) Tier 1 Capital (going-concern capital)
 - a) Common Equity Tier 1
 - b) Additional Tier 1
- (ii) Tier 2 Capital (gone-concern capital)

(i) Tier Capital (going-concern capital) – Indian Banks

(a) Common Equity Tier 1

The guidelines with respect to Common Equity Tier I has already discussed in Fourth Chapter.

(b) Additional Tier 1 Capital

The Elements of Additional Tier 1 Capital will consist of the sum of the following elements:

- (i) Perpetual Non-Cumulative Preference Shares (PNCPS), which comply with the regulatory requirements;
- (ii) Stock surplus (share premium) resulting from the issue of instruments included in Additional Tier 1 capital;
- (iii) Debt capital instruments eligible for inclusion in Additional Tier 1 capital, which comply with the regulatory requirements;
- (iv) Any other type of instrument generally notified by the Reserve Bank from time to time for inclusion in Additional Tier 1 capital;
- (v) While calculating capital adequacy at the consolidated level, Additional Tier 1 instruments issued by consolidated subsidiaries of the bank and held by third parties which meet the criteria for inclusion in Additional Tier 1 capital; and

- (vi) Less: Regulatory adjustments/deductions applied in the calculation of Additional Tier 1 capital [i.e. to be deducted from the sum of items (i) to (v)].

Criteria for Classification as Additional Tier 1 Capital for Regulatory Purposes: Under Basel III, the criteria for instruments to be included in Additional Tier 1 capital have been modified to improve their loss absorbency. Criteria for inclusion of Perpetual Non-Cumulative Preference Shares (PNCPS) in Additional Tier 1 Capital and Criteria for inclusion of Perpetual Debt Instruments (PDI) in Additional Tier 1 Capital are furnished by RBI.

(ii) Tier 2 Capital (gone-concern capital)

- a) General Provisions and Loss Reserves
- b) Debt Capital Instruments issued by the banks
- c) Preference Share Capital Instruments [Perpetual Cumulative Preference Shares (PCPS)/Redeemable Non-Cumulative Preference Shares (RNCPS)/Redeemable Cumulative Preference Shares (RCPS)] issued by the banks
- d) Stock surplus (share premium) resulting from the issue of instruments
- e) Revaluation reserves at a discount of 55%
- f) Any other type of instrument generally notified by the Reserve Bank from time to time;
- g) Less: Regulatory adjustments/deductions applied in the calculation of Tier 2 capital [i.e. to be deducted from the sum of items (a) to (g)].

The guidelines covering **Perpetual Non-Cumulative Preference Shares (PNCPS) eligible for inclusion as Tier I capital** and **Perpetual Cumulative Preference Shares (PCPS)/ Redeemable Non-Cumulative Preference Shares (RNCPS)/Redeemable Cumulative Preference Shares (RCPS) as Tier 2 Capital** indicating the minimum regulatory requirements are furnished by RBI.

Criteria for Inclusion of Perpetual Non-cumulative Preference Shares (PNCPS) in Additional Tier 1 Capital

The PNCPS will be issued by Indian banks, subject to extant legal

provisions only in Indian rupees and should meet the following terms and conditions to qualify for inclusion in Additional Tier 1 Capital for capital adequacy purposes:

1. Terms of Issue of Instruments

Paid up Status

The instruments should be issued by the bank (i.e. not by any 'SPV' etc., set up by the bank for this purpose) and fully paid up.

Amount

The amount of PNCPS to be raised may be decided by the Board of Directors of banks.

Limits

While complying with minimum Tier 1 of 7% of risk weighted assets, a bank cannot admit, Perpetual Non-Cumulative Preference Shares (PNCPS) together with Perpetual Debt Instruments (PDI) in Additional Tier 1 Capital, more than 1.5% of risk weighted assets. However, once this minimum total Tier 1 capital has been complied with, any additional PNCPS and PDI issued by the bank can be included in Total Tier 1 capital reported. Excess PNCPS and PDI can be reckoned to comply with Tier 2 capital if the latter is less than 2% of RWAs i.e. while complying with minimum Total Capital of 9% of risk weighted assets.

Maturity Period

The PNCPS shall be perpetual i.e. there is no maturity date and there are no step-ups or other incentives to redeem.

Rate of Dividend

The rate of dividend payable to the investors may be either a fixed rate or a floating rate referenced to a market determined rupee interest benchmark rate.

Optionality

PNCPS shall not be issued with a 'put option'. However, banks may issue the instruments with a call option at a particular date subject to following conditions:

- (a) The call option on the instrument is permissible after the instrument has run for at least five years;

- (b) To exercise a call option a bank must receive prior approval of RBI (Department of Banking Regulation); and
- (c) A bank must not do anything which creates an expectation that the call will be exercised. For example, to preclude such expectation of the instrument being called, the dividend/coupon reset date need not be co-terminus with the call date. Banks may, at their discretion, consider having an appropriate gap between dividend/coupon reset date and call date; and
- (d) Banks must not exercise a call unless:
 - They replace the called instrument with capital of the same or better quality and the replacement of this capital is done at conditions which are sustainable for the income capacity of the bank; or
 - The bank demonstrates that its capital position is well above the minimum capital requirements after the call option is exercised.

The use of tax event and regulatory event calls may be permitted. However, exercise of the calls on account of these events is subject to the requirements set out in points (b) to (d) of criterion as specified above, RBI will permit the bank to exercise the call only if the RBI is convinced that the bank was not in a position to anticipate these events at the time of issuance of PNCPS.

To illustrate, if there is a change in tax treatment which makes the capital instrument with tax deductible coupons into an instrument with non-tax deductible coupons, then the bank would have the option (not obligation) to repurchase the instrument. In such a situation, a bank may be allowed to replace the capital instrument with another capital instrument that perhaps does have tax deductible coupons. Similarly, if there is a downgrade of the instrument in regulatory classification (e.g. if it is decided by the RBI to exclude an instrument from regulatory capital) the bank has the option to call the instrument and replace it with an instrument with a better regulatory classification, or a lower coupon with the same regulatory classification with prior approval of RBI. However, banks may not create an expectation/signal an early redemption/maturity of the regulatory capital instrument.

Repurchase/Buy-back/Redemption

(i) Principal of the instruments may be repaid (e.g. through repurchase or redemption) only with prior approval of RBI and banks should not assume or create market expectations that supervisory approval will be given (this repurchase/buy-back /redemption of the principal is in a situation other than in the event of exercise of call option by the bank. One of the major differences is that in the case of the former, the option to offer the instrument for repayment on announcement of the decision to repurchase/buy-back /redeem the instrument, would lie with the investors whereas, in case of the latter, it lies with the bank).

(ii) Banks may repurchase/buy-back/redeem the instruments only if:

- (a) They replace such instrument with capital of the same or better quality and the replacement of this capital is done at conditions which are sustainable for the income capacity of the bank; or
- (b) The bank demonstrates that its capital position is well above the minimum capital requirements after the repurchase/buy-back/redemption.

Dividend Discretion

- (i) The bank must have full discretion at all times to cancel distributions/payments;
- (ii) Cancellation of discretionary payments must not be an event of default;
- (iii) Banks must have full access to cancelled payments to meet obligations as they fall due;
- (iv) Cancellation of distributions/payments must not impose restrictions on the bank except in relation to distributions to common stakeholders; and
- (v) Dividends must be paid out of distributable items. As regards 'distributable items', it is clarified that the dividend on perpetual non-cumulative preference shares (PNCPS) will be paid out of current year's profit only.
- (vii) The dividend shall not be cumulative. i.e., dividend missed in a year will not be paid in future years, even if adequate profit

is available and the level of CRAR conforms to the regulatory minimum. When dividend is paid at a rate lesser than the prescribed rate, the unpaid amount will not be paid in future years, even if adequate profit is available and the level of CRAR conforms to the regulatory minimum.

- (viii) The instrument cannot have a credit sensitive coupon feature, i.e. a dividend that is reset periodically based in whole or in part on the banks' credit standing. For this purpose, any reference rate including a broad index which is sensitive to changes to the bank's own creditworthiness and/or to changes in the credit worthiness of the wider banking sector will be treated as a credit sensitive reference rate. Banks desirous of offering floating reference rate may take prior approval of the RBI (DBR) as regard permissibility of such reference rates.
- (ix) In general, it may be in order for banks to have dividend stopper arrangement that stop dividend payments on common shares in the event the holders of AT1 instruments are not paid dividend/coupon. However, dividend stoppers must not impede the full discretion that bank must have at all times to cancel distributions/payments on the Additional Tier 1 instrument, nor must they act in a way that could hinder the re-capitalisation of the bank.

For example, it would not be permitted for a stopper on an Additional Tier 1 instrument to:

- attempt to stop payment on another instrument where the payments on this other instrument were not also fully discretionary;
- prevent distributions to shareholders for a period that extends beyond the point in time that dividends/coupons on the Additional Tier 1 instrument are resumed;
- impede the normal operation of the bank or any restructuring activity (including acquisitions/disposals).

A stopper may act to prohibit actions that are equivalent to the payment of a dividend, such as the bank undertaking discretionary share buybacks, if otherwise permitted.

Treatment in Insolvency

The instrument cannot contribute to liabilities exceeding assets if such a balance sheet test forms part of a requirement to prove insolvency under any law or otherwise.

Loss Absorption Features

PNCPS should have principal loss absorption through either (i) conversion to common shares at an objective pre-specified trigger point or (ii) a write-down mechanism which allocates losses to the instrument at a pre-specified trigger point. The write-down will have the following effects:

- (a) Reduce the claim of the instrument in liquidation;
- (b) Reduce the amount re-paid when a call is exercised; and
- (c) Partially or fully reduce dividend payments on the instrument.

Various criteria for loss absorption through conversion/write-down/write-off on breach of pre-specified trigger and at the point of non-viability.

Prohibition on Purchase/Funding of PNCPS

Neither the bank nor a related party over which the bank exercises control or significant influence (as defined under relevant Accounting Standards) should purchase PNCPS, nor can the bank directly or indirectly should fund the purchase of the instrument. Banks should also not grant advances against the security of PNCPS issued by them.

Re-capitalisation

The instrument cannot have any features that hinder re-capitalisation, such as provisions which require the issuer to compensate investors if a new instrument is issued at a lower price during a specified time frame.

Reporting of Non-payment of Dividends

All instances of non-payment of dividends should be notified by the issuing banks to the Chief General Managers-in-Charge of Department of Banking Regulation and Department of Banking Supervision of the Reserve Bank of India, Mumbai.

Seniority of Claim

The claims of the investors in instruments shall be

- (i) Superior to the claims of investors in equity shares;
- (ii) Subordinated to the claims of PDIs, all Tier 2 regulatory capital instruments, depositors and general creditors of the bank; and
- (iii) is neither secured nor covered by a guarantee of the issuer nor related entity or other arrangement that legally or economically enhances the seniority of the claim vis-à-vis bank creditors.

Investment in Instruments Raised in Indian Rupees by Foreign Entities/NRIs

- (i) Investment by FIIs and NRIs shall be within an overall limit of 49% and 24% of the issue respectively, subject to the investment by each FII not exceeding 10% of the issue, and investment by each NRI not exceeding 5% of the issue. Investment by FIIs in these instruments shall be outside the ECB limit for rupee-denominated corporate debt, as fixed by Government of India from time to time. The overall non-resident holding of Preference Shares and equity shares in public sector banks will be subject to the statutory/regulatory limit.
- (ii) Banks should comply with the terms and conditions, if any, stipulated by SEBI/other regulatory authorities in regard to issue of the instruments.

Compliance with Reserve Requirements

The funds collected by various branches of the bank or other banks for the issue and held pending finalisation of allotment of the Additional Tier 1 Preference Shares will have to be taken into account for the purpose of calculating reserve requirements.

However, the total amount raised by the bank by issue of PNCPS shall not be reckoned as liability for calculation of net demand and time liabilities for the purpose of reserve requirements and, as such, will not attract CRR/SLR requirements.

Reporting of Issuances

- (i) Banks issuing PNCPS shall submit a report to the Chief General

Manager-in-charge, Department of Banking Regulation, Reserve Bank of India, Mumbai giving details of the debt raised, including the terms of issue specified at above paragraphs, together with a copy of the offer document soon after the issue is completed.

- (ii) The issue-wise details of amount raised as PNCPS qualifying for Additional Tier 1 capital by the bank from FIIs/NRIs are required to be reported within 30 days of the issue to the Chief General Manager, Reserve Bank of India, Foreign Exchange Department, Foreign Investment Division, Central Office, Mumbai 400 001 in the proforma given at the end of this Annex. The details of the secondary market sales/purchases by FIIs and the NRIs in these instruments on the floor of the stock exchange shall be reported by the custodians and designated banks, respectively, to the Reserve Bank of India through the soft copy of the LEC Returns, on a daily basis, as prescribed in Schedule 2 and 3 of the **FEMA Notification No.20 dated 3rd May 2000**, as amended from time to time.

Investment in Additional Tier 1 Capital Instruments (PNCPS) Issued by Other Banks/ FIs

- (i) A bank's investment in PNCPS issued by other banks and financial institutions will be reckoned along with the investment in other instruments eligible for capital status while computing compliance with the overall ceiling of 10% of investing banks' capital funds.
- (ii) Bank's investments in PNCPS issued by other banks/financial institutions will attract risk weight as provided above, whichever applicable for capital adequacy purposes.
- (iii) A bank's investments in the PNCPS of other banks will be treated as exposure to capital market and be reckoned for the purpose of compliance with the prudential ceiling for capital market exposure as fixed by RBI.

Classification in the Balance Sheet

PNCPS will be classified as capital and shown under 'Schedule I - Capital' of the Balance sheet.

PNCPS to Retail Investors

With a view to enhancing investor education relating to risk characteristics of regulatory capital requirements, banks issuing PNCPS to retail investors, subject to approval of their Board, should adhere to the following conditions:

- (a) The requirement for specific sign-off as quoted below, from the investors for having understood the features and risks of the instrument may be incorporated in the common application form of the proposed issue.
- (b) All the publicity material, application form and other communication with the investor should clearly state in bold letters how PNCPS is different from common shares. In addition, the loss absorbency features of the instrument should be clearly explained and the investor's sign-off for having understood these features and other terms and conditions of the instrument should be obtained.

Criteria for Inclusion of Perpetual Cumulative Preference Shares (PCPS)/ Redeemable Non-Cumulative Preference Shares (RNCPS)/ Redeemable Cumulative Preference Shares (RCPS) as Part of Tier 2 Capital**1. Terms of Issue of Instruments****Paid-in Status**

The instruments should be issued by the bank (i.e. not by any 'SPV' etc. set up by the bank for this purpose) and fully paid-in.

Amount

The amount to be raised may be decided by the Board of Directors of banks.

Maturity Period

These instruments could be either perpetual (PCPS) or dated (RNCPS and RCPS) instruments with a fixed maturity of minimum five years and there should be no step-ups or other incentives to redeem. The perpetual instruments shall be cumulative. The dated instruments could be cumulative or non-cumulative.

Amortisation

The Redeemable Preference Shares (both cumulative and non-cumulative) shall be subjected to a progressive discount for capital adequacy purposes over the last five years of their tenor, as they approach maturity as indicated in the table below for being eligible for inclusion in Tier 2 capital.

<i>Remaining Maturity of Instruments</i>	<i>Rate of Discount (%)</i>
Less than one year	100
One year and more but less than two years	80
Two years and more but less than three years	60
Three years and more but less than four years	40
Four years and more but less than five years	20

Coupon

The coupon payable to the investors may be either at a fixed rate or at a floating rate referenced to a market determined rupee interest benchmark rate. Banks desirous of offering floating reference rate may take prior approval of the RBI (DBR) as regard permissibility of such reference rates.

Optionality

These instruments shall not be issued with a 'put option'. However, banks may issue the instruments with a call option at a particular date subject to following conditions:

- (a) The call option on the instrument is permissible after the instrument has run for at least five years; and
- (b) To exercise a call option a bank must receive prior approval of RBI (Department of Banking Regulation); and
- (c) A bank must not do anything which creates an expectation that the call will be exercised. For example, to preclude such expectation of the instrument being called, the dividend/coupon reset date need not be co-terminus with the call date. Banks may, at their discretion, consider having an appropriate gap between dividend/coupon reset date and call date; and

- (d) Banks must not exercise a call unless:
- They replace the called instrument with capital of the same or better quality and the replacement of this capital is done at conditions which are sustainable for the income capacity of the bank; or
 - The bank demonstrates that its capital position is well above the minimum capital requirements after the call option is exercised.

The use of tax event and regulatory event calls may be permitted. However, exercise of the calls on account of these events is subject to the requirements set out in points (b) to (d) of criterion as specified above. RBI will permit the bank to exercise the call only if the RBI is convinced that the bank was not in a position to anticipate these events at the time of issuance of these instruments as explained in case of Additional Tier 1 instruments.

Treatment in Bankruptcy/Liquidation

The investor must have no rights to accelerate the repayment of future scheduled payments (coupon or principal) except in bankruptcy and liquidation.

Prohibition on Purchase/Funding

Neither the bank nor a related party over which the bank exercises control or significant influence (as defined under relevant Accounting Standards) should purchase these instruments, nor can the bank directly or indirectly should fund the purchase of the instrument. Banks should also not grant advances against the security of these instruments issued by them.

Reporting of Non-payment of Coupon

All instances of non-payment of coupon should be notified by the issuing banks to the Chief General Managers-in-Charge of Department of Banking Regulation and Department of Banking Supervision of the Reserve Bank of India, Mumbai.

Seniority of Claim

The claims of the investors in instruments shall be:

- (i) senior to the claims of investors in instruments eligible for inclusion in Tier 1 capital;
- (ii) subordinate to the claims of all depositors and general creditors of the bank; and
- (iii) is neither secured nor covered by a guarantee of the issuer or related entity or other arrangement that legally or economically enhances the seniority of the claim vis-à-vis bank creditors.

Investment in Instruments Raised in Indian Rupees by Foreign Entities/NRIs

- (i) Investment by FIIs and NRIs shall be within an overall limit of 49% and 24% of the issue respectively, subject to the investment by each FII not exceeding 10% of the issue and investment by each NRI not exceeding 5% of the issue. Investment by FIIs in these instruments shall be outside the ECB limit for rupee denominated corporate debt as fixed by Government of India from time to time. However, investment by FIIs in these instruments will be subject to separate ceiling of USD 500 million. The overall non-resident holding of Preference Shares and equity shares in public sector banks will be subject to the statutory/regulatory limit.
- (ii) Banks should comply with the terms and conditions, if any, stipulated by SEBI/other regulatory authorities in regard to issue of the instruments.

Compliance with Reserve Requirements

- (a) The funds collected by various branches of the bank or other banks for the issue and held pending finalization of allotment of these instruments will have to be taken into account for the purpose of calculating reserve requirements.
- (b) The total amount raised by a bank through the issue of these instruments shall be reckoned as liability for the calculation of net demand and time liabilities for the purpose of reserve requirements and, as such, will attract CRR/SLR requirements.

Reporting of Issuances

Banks issuing these instruments shall submit a report to the Chief General Manager-in-charge, Department of Banking Regulation ,

Reserve Bank of India, Mumbai giving details of the debt raised, including the terms of issue specified above, together with a copy of the offer document soon after the issue is completed.

Investment in these Instruments Issued by other Banks/ FIs

- (i) A bank's investment in these instruments issued by other banks and financial institutions will be reckoned along with the investment in other instruments eligible for capital status while computing compliance with the overall ceiling of 10% of investing banks' total capital funds and also subject to cross holding limits.
- (ii) Bank's investments in these instruments issued by other banks/ financial institutions will attract risk weight for capital adequacy purposes as provided above.

Classification in the Balance Sheet

These instruments will be classified as 'Borrowings' under Schedule 4 of the Balance Sheet under item no. I (i.e. Borrowings).

PCPS/RNCPS/RCPS to Retail Investors

With a view to enhancing investor education relating to risk characteristics of regulatory capital requirements, banks issuing PCPS/RNCPS/RCPS to retail investors, subject to approval of their Board, should adhere to the following conditions:

- (a) The requirement for specific sign-off as quoted below, from the investors for having understood the features and risks of the instrument may be incorporated in the common application form of the proposed issue.
- (b) All the publicity material, application form and other communication with the investor should clearly state in bold letters how a PCPS/RNCPS/RCPS is different from common shares /fixed deposit particularly that it is not covered by deposit insurance. In addition, the loss absorbency features of the instrument should be clearly explained and the investor's sign-off for having understood these features and other terms and conditions of the instrument should be obtained.

CHAPTER 4

COMPLIANCES – DEBENTURES

INTRODUCTION

The word 'debenture' has been derived from a Latin word 'debere' which means to borrow. 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.

Debenture includes debenture stock, bonds and any other securities of a company whether constituting a charge on the assets of a company or not as defined in the Companies Act. This is an inclusive definition and amounts to borrowing of monies from the holders of debentures on such terms and conditions subject to which the debentures have been issued.

This is an inclusive definition and amounts to borrowing of monies from the holders of debentures on such terms and conditions subject to which the debentures have been issued. Basically it is a document or certificate signed by the authorized officers of a company acknowledging money lent and guaranteeing repayment with interest and creating security on the assets of the company for due performance of its obligation.

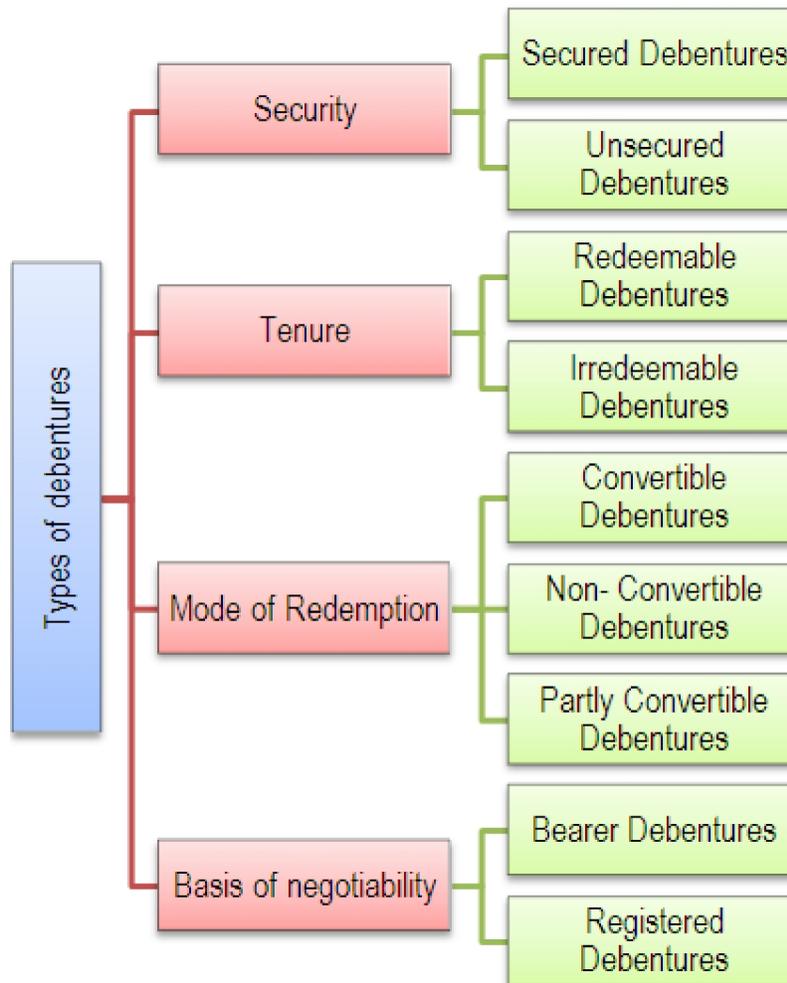
A debenture means a document, which creates or acknowledges a debt.

Debentures



Section 2(30) of the Companies Act, 2013 defines debentures. Debenture is a document evidencing a debt or acknowledging it and any document which fulfills either of these conditions is a debenture.

TYPES OF DEBENTURES



Security:

(a) Secured Debentures

Secured debentures refer to those debentures where a charge is created on the assets of the company for the purpose of payment in case of default. A charge ranking *Pari Passu* with the first charge on

any assets referred to in Schedule III of the Act excluding intangible assets of the company.

The secured debenture holders have greater protection. Holders of secured debentures remain convinced about the payment of interest and payment of principal in the event of redemption.

(b) Unsecured Debentures

These debentures are also known as naked debentures. These debentures are not secured by way of charge on the company's assets. Interest rate payable on unsecured debentures is generally higher than that which is payable on secured debentures.

Tenure

Redeemable Debentures

Redeemable debentures are those which are payable on the expiry of the specific period (Maximum period 10 years from the date of issue) either in lump sum or in Installments during the life time of the company. Debentures can be redeemed either at par or at premium.

Irredeemable Debentures

Irredeemable debentures are also known as Perpetual Debentures because the company does not give any undertaking for the repayment of money borrowed by issuing such debentures. These debentures are repayable on the winding-up of a company or on the expiry of a long period. Debentures may be for fixed terms or payable on demand. Debentures may be for fixed term of years or repayable on notice. They can legally be framed as payable to bearer.

Mode of Redemption:

These debentures are issued by a company on the basis of option provided to them for conversion of debenture in the equity shares of the company after a certain period. It may be classified in the following categories:

a. *Convertible Debenture*

These debentures are converted into equity shares of the company on the expiry of a specified period.

b. *Non-Convertible Debenture*

Non-convertible debentures do not have any option to convert the

same into equity shares and are redeemed at the expiry of specified period(s).

c. Partly Convertible Debenture:

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 period in terms of the issue.

Basis of negotiability

Debentures issued by a company may be negotiable or non-negotiable. There are following two types of debentures:—

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 debentures 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. Registered debentures are not negotiable instruments. A registered holder of a debenture means a person whose name appears both in the debenture certificate and in the register of debenture holders. Principal and interest amount, when due in respect of these debentures are payable to the registered holders thereof only.

GOVERNING FRAMEWORK FOR DEBENTURES

- The Companies Act, 2013 & the Companies (Share Capital and Debentures) Rules, 2014.
- SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009.
- SEBI (Issue and Listing of Debt Securities) Regulations, 2008.
- SEBI (Public Offer and Listing of Securitised Debt Instruments) Regulations, 2008.

- SEBI (Issue and Listing of Debt Securities by Municipalities) Regulations, 2015.
- SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Listing Regulations”).
- RBI Guidelines

THE COMPANIES ACT, 2013 & THE COMPANIES (SHARE CAPITAL AND DEBENTURES) RULES, 2014

As per Sec. 2(30) of the CA, 2013, “*Debenture*” includes debenture stock, bonds or any other instrument of the company evidencing a debt, whether constituting a charge on the assets of the company or not.

A company may issue debentures with an option to convert such debentures into shares, either wholly or partly at the time of redemption, which shall be approved by a special resolution passed at a general meeting. No company shall issue any debentures carrying any voting rights.

Conditions for issue of secured debentures

The company shall not issue secured debentures, unless it complies with the following conditions, namely:-

1. Term of Debentures:

An issue of secured debentures may be made, provided the date of its redemption shall not exceed 10 years from the date of issue.

However, the following classes of companies may issue secured debentures for a period **exceeding ten years but not exceeding thirty years** :-

- (i) Companies engaged in setting up of infrastructure projects;
- (ii) ‘Infrastructure Finance Companies’ as defined in clause (viiia) of sub direction (1) of direction 2 of Non-Banking Financial (Non-deposit accepting or holding) Companies Prudential Norms (Reserve Bank) Directions, 2007;
- (iii) Infrastructure Debt Fund Non-Banking Financial Companies’ as defined in clause (b) of direction 3 of Infrastructure Debt Fund Non-Banking Financial Companies (Reserve Bank) Directions, 2011;

- (iv) Companies permitted by a Ministry or Department of the Central Government or by Reserve Bank of India or by the National Housing Bank or by any other statutory authority to issue debentures for a period exceeding ten years.

2. Secured by charge:

An issue of debentures shall be secured by the creation of a charge, on the properties or assets of the company, having a value which is sufficient for the due repayment of the amount of debentures and interest thereon.

3. Appoint Debenture Trustee:

The company shall appoint a debenture trustee before the issue of prospectus or letter of offer for subscription of its debentures and not later than 60 days after the allotment of the debentures, execute a debenture trust deed to protect the interest of the debenture holders.

4. Charge/Mortgage in favour of Debenture Trustee:

The security for the debentures by way of a charge or mortgage shall be created in favour of the debenture trustee on-

- any specific movable property of the company (not being in the nature of pledge); or
- any specific immovable property wherever situate, or any interest therein.

Conditions for appointment of Debenture Trustees

No company shall issue a prospectus or make an offer or invitation to the public or to its members exceeding 500 for the subscription of its debentures, unless the company has, before such issue or offer, appointed one or more debenture trustees.

The company shall appoint debenture trustees after complying with the following conditions, namely:-

- (a) The *names of the debenture trustees shall be stated in letter of offer* inviting subscription for debentures and also in all the subsequent notices or other communications sent to the debenture holders;

- (b) Before the appointment of debenture trustee or trustees, *a written consent shall be obtained from such debenture trustee* or trustees proposed to be appointed and a statement to that effect shall appear in the letter of offer issued for inviting the subscription of the debentures;
- (c) A person shall not be appointed as a debenture trustee, if he-
- *beneficially holds* shares in the company;
 - is *a promoter, director or KMP or any other officer* or an employee of the company or its holding, subsidiary or associate company;
 - is *beneficially entitled to moneys* which are to be paid by the company otherwise than as remuneration payable to the debenture trustee;
 - is *indebted to the company*, or its subsidiary or its holding or associate company or a subsidiary of such holding company;
 - has *furnished any guarantee* in respect of the principal debts secured by the debentures or interest thereon;
 - has any *pecuniary relationship with the company* amounting to 2% or more of its gross turnover or total income or Rs.50 Lakhs or such higher amount as may be prescribed, whichever is lower, during the two immediately preceding financial years or during the current financial year;
 - is *relative of any promoter or any person* who is in the employment of the company as a director or KMP.
- (d) The Board *may fill any casual vacancy in the office of the trustee* but while any such vacancy continues, the remaining trustee or trustees, if any, may act. However, if such vacancy is caused by the resignation of the debenture trustee, the vacancy shall only be filled with the written consent of the majority of the debenture holders.
- (e) Any *debenture trustee may be removed from office before the expiry* of his term only if it is *approved by the holders of not less 3/4th in value* of the debentures outstanding, at their meeting.

Duties of Debenture Trustee:

It shall be the duty of every debenture trustee to-

- a) satisfy himself that the letter of offer does not contain any matter which is inconsistent with the terms of the issue of debentures or with the trust deed;
- b) satisfy himself that the covenants in the trust deed are not prejudicial to the interest of the debenture holders;
- c) call for periodical status or performance reports from the company;
- d) communicate promptly to the debenture holders defaults, if any, with regard to payment of interest or redemption of debentures and action taken by the trustee therefor;
- e) appoint a nominee director on the Board of directors of the company in the event of-
 - (i) 2 consecutive defaults in payment of interest to the debenture holders;
 - (ii) default in creation of security for debentures; or
 - (iii) default in redemption of debentures
- f) ensure that the company does not commit any breach of the terms of issue of debentures or covenants of the trust deed and take such reasonable steps as may be necessary to remedy any such breach;
- g) inform the debenture holders immediately of any breach of the terms of issue of debentures or covenants of the trust deed;
- h) ensure the implementation of the conditions regarding creation of security for the debentures, if any, and debenture redemption reserve;
- i) ensure that the assets of the company issuing debentures and of the guarantors, if any, are sufficient to discharge the interest and principal amount at all times and that such assets are free from any other encumbrances except those which are specifically agreed to by the debenture holders;
- j) do such acts as are necessary in the event the security becomes enforceable;

- k) call for reports on the utilization of funds raised by the issue of debentures;
- l) take steps to convene a meeting of the holders of debentures as and when such meeting is required to be held;
- m) ensure that the debentures have been converted or redeemed in accordance with the terms of the issue of debentures;
- n) perform such acts as are necessary for the protection of the interest of the debenture holders and do all other acts as are necessary in order to resolve the grievances of the debenture holders.

Convening Meeting of Debenture holders by Debenture Trustee

The meeting of all the debenture holders shall be convened by the debenture trustee on-

- (a) requisition in writing signed by debenture holders holding at least 1/10th in value of the debentures for the time being outstanding;
- (b) the happening of any event, which constitutes a breach, default or which in the opinion of the debenture trustees affects the interest of the debenture holders.

Liability of Debenture Trustee

Any provision contained in a trust deed for securing the issue of debentures, or in any contract with the debenture holders secured by a trust deed, shall be void in so far as it would have the effect of exempting a trustee thereof from, or indemnifying him against, any liability for breach of trust, where he fails to show the degree of care and due diligence required of him as a trustee, having regard to the provisions of the trust deed conferring on him any power, authority or discretion.

The liability of the debenture trustee shall be subject to such exemptions as may be agreed upon by a majority of debenture holders holding not less than 3/4th in value of the total debentures at a meeting held for the purpose.

Creation of Debenture Redemption Reserve A/c

The company shall create a Debenture Redemption Reserve for the purpose of redemption of debentures, in accordance with the conditions given below:

- (a) The Debenture Redemption Reserve shall be created out of the profits of the company available for payment of dividend;
- (b) The company shall create Debenture Redemption Reserve (DRR) in accordance with following conditions:-
 - No DRR is required for debentures issued by All India Financial Institutions (AIFIs) regulated by Reserve Bank of India and Banking Companies for both public as well as privately placed debentures. For other Financial Institutions (FIs) within the meaning of clause (72) of section 2 of the Companies Act, 2013, DRR will be as applicable to NBFCs registered with RBI.
 - For NBFCs registered with the RBI under Section 45-IA of the RBI (Amendment) Act, 1997, and for housing finance companies registered with the national housing bank 'the adequacy' of DRR will be 25% of the value of outstanding debentures issued through public issue as per present SEBI (Issue and Listing of Debt Securities) Regulations, 2008, and no DRR is required in the case of privately placed debentures.
 - For other companies including manufacturing and infrastructure companies, the adequacy of DRR will be 25% of the value of outstanding debentures issued through public issue as per present SEBI (Issue and Listing of Debt Securities), Regulations 2008 and also 25% DRR is required in the case of privately placed debentures by listed companies. For unlisted companies issuing debentures on private placement basis, the DRR will be 25% of the value of outstanding debentures.

However, where a company intends to redeem its debentures prematurely, it may provide for transfer of such amount in Debenture Redemption Reserve as is necessary for redemption of such debentures even if it exceeds the limits specified in this sub-rule.

- (c) every company required to create Debenture Redemption Reserve shall on or before the 30th day of April in each year, invest or deposit, as the case may be, a sum which shall not be less than 15% of the amount of its debentures maturing during the year ending on the 31st day of March of the next year, in any one or more of the following methods, namely:-
- in deposits with any scheduled bank, free from any charge or lien;
 - in unencumbered securities of the CG or of any SG;
 - in unencumbered securities mentioned in sub-clauses (a) to (d) and (ee) of section 20 of the Indian Trusts Act, 1882;
 - in unencumbered bonds issued by any other company which is notified under sub-clause (f) of section 20 of the Indian Trusts Act, 1882;
 - the amount invested or deposited as above shall not be used for any purpose other than for redemption of debentures maturing during the year referred above:

The amount remaining invested or deposited, as the case may be, shall not at any time fall below 15% of the amount of the debentures maturing during the year ending on the 31st day of March of that year.

- (d) in case of partly convertible debentures, Debenture Redemption Reserve shall be created in respect of non-convertible portion of debenture issue in accordance with this sub-rule.
- (e) the amount credited to the Debenture Redemption Reserve shall not be utilised by the company except for the purpose of redemption of debentures.

Contract enforce by Decree

A contract with the company to take up and pay for any debentures of the company may be enforced by a decree for specific performance.

Redemption of Debentures

A company shall pay interest and redeem the debentures in accordance with the terms and conditions of their issue.

Debenture Trustee file petition before Tribunal

The debenture trustee may file a petition before the Tribunal. If any time the debenture trustee comes to a conclusion that the assets of the company are insufficient or are likely to become insufficient to discharge the principal amount as and when it becomes due.

Order by Tribunal

The Tribunal may, after hearing the company and any other person interested in the matter, by order, impose such restrictions on the incurring of any further liabilities by the company as the Tribunal may consider necessary in the interests of the debenture holders.

The Tribunal may, on the application of any or all of the debenture holders, or debenture trustee and, after hearing the parties concerned, direct, by order, the company to redeem the debentures forthwith on payment of principal and interest due thereon.

If a company fails to redeem the debentures on the date of their maturity or fails to pay interest on the debentures when it is due.

Inspection of Trust Deed

A trust deed for securing any issue of debentures shall be open for inspection to any member or debenture holder of the company, in the same manner, to the same extent and on the payment of the same fees, as if it were the register of members of the company.

Copies of Trust Deed

A copy of the trust deed shall be forwarded to any member or debenture holder of the company, at his request, **within 7 days** of the making thereof, on payment of fee.

Nothing contained in this rule shall apply to any amount received by a company against issue of commercial paper or any other similar instrument issued in accordance with the guidelines or regulations or notification issued by RBI.

In case of any offer of foreign currency convertible bonds or foreign currency bonds issued in accordance with the Foreign Currency Convertible Bonds and Ordinary Shares (Through Depository Receipt Mechanism) Scheme, 1993 or regulations or directions issued by the

Reserve Bank of India, the provisions of this rule shall not apply unless otherwise provided in such scheme or regulations or directions.

SEBI (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009

Issue of debt securities that 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, 2009.

According to SEBI (ICDR) Regulations, 2009, 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.

General Conditions

The Issuer shall not make a public issue of convertible debt instruments if,

- 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 debt instruments issued by it to the public, if any, for a period of more than six months.

An issuer making a rights issue of specified securities, shall make disclosures as specified in **Part G of Schedule VIII**, in the offer document and abridged letter of offer, if the issuer or any of its promoters or directors is a wilful defaulter.

In case of a rights issue of specified securities, the promoters or promoter group of the issuer, shall not renounce their rights except to the extent of renunciation within the promoter group.

Credit Rating

An issuer can make an initial public offer of convertible debt instruments without making a prior public issue of its equity shares and listing thereof, subject to the following conditions:

- No company can make a public issue or rights issue of convertible debt instruments unless credit rating is obtained from one or more agencies i.e. credit rating is mandatory.
- The company is required to give the following details of credit ratings in case of a public issue or rights issue of convertible debt instruments:
 - a. The names of all the credit rating agencies from which credit rating including unaccepted rating has been obtained for the issue of convertible debt instruments.
 - b. All the credit ratings obtained during three years prior to the filing the offer document for any of the issuer's listed convertible debt instruments at the time of accessing the market through a convertible debt instrument.

Appointment of Debenture Trustee

The company is required to appoint one or more debenture trustees in accordance with the provisions of section 71 of the Companies Act, 2013 and SEBI (Debenture Trustees) Regulations, 1993.

The issuer is required to disclose the complete name and address of the debenture trustee in the annual report.

Debenture Redemption Reserve

The company is required to create a debenture redemption reserve in accordance with the provisions of section 71 of the Companies Act, 2013.

Redemption

The issuer is required to redeem the convertible debt instruments in terms of the offer document.

Documents to be submitted before Opening of the Issue

The lead merchant bankers shall submit a due diligence certificate

from the debenture trustee in a prescribed form to SEBI along with the draft offer document.

Creation of Charge

If the issuer proposes to create a charge or security on its assets in respect of secured convertible debt instruments, it is required to ensure that –

- such assets are sufficient to discharge the principal amount at all times;
- such assets are free from any encumbrance;
- where security is already created on such assets in favour of financial institutions or banks or the issue of convertible debt instruments is proposed to be secured by creation of security on a leasehold land, the consent of such financial institution, bank or lessor for a second or *pari passu* charge has been obtained and submitted to the debenture trustee before the opening of the issue;
- the security/asset cover is required to be arrived at after reduction of the liabilities having a first/prior charge, in case the convertible debt instruments are secured by a second or subsequent charge.

Roll Over of Non-Convertible Portion of Partly Convertible Debt Instruments

The non-convertible portion of partly convertible debt instruments issued by a listed issuer, the value of which exceeds fifty lakh rupees can be rolled over without change in the interest rate, subject to compliance with the provisions of Companies Act, 2013, and the following conditions–

- a) 75% of the holders of the convertible debt instruments of the issuer have, through a resolution through postal ballot, approved the rollover.
- b) the issuer has along with the notice for passing the resolution, sent to all holders of the convertible debt instruments, an auditors' certificate on the cash flow of the issuer and with comments on the liquidity position of the issuer.

- c) the issuer has undertaken to redeem the non-convertible portion of the partly convertible debt instruments of all the holders of the convertible debt instruments who have not agreed to the resolution.
- d) credit rating has been obtained from at least one credit rating agency registered with the SEBI within a period of six months prior to the due date of redemption and has been communicated to the holders of the convertible debt instruments, before the roll over.

However, the creation of fresh security and execution of fresh trust deed is not mandatory if the existing trust deed or the security documents provide for continuance of the security till redemption of secured convertible debt instruments.

Further, whether the issuer is required to create fresh security and to execute fresh trust deed or not is to be decided by the debenture trustee.

Conversion of Optionally Convertible Debt Instruments into Equity Share Capital

- No issuer can 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 is not construed as consent for conversion of any convertible debt instruments.
- Where the value of the convertible portion of any convertible debt instruments issued by a listed issuer exceeds fifty lakh rupees 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 are required to 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 is not 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.

- Where an option is to be given to the holders of the convertible debt instruments in terms of Para (2) 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 is required to 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.

However, this provision is not applicable if such redemption is in terms of the disclosures made in the offer document.

Restriction

An issuer cannot issue convertible debt instruments for financing replenishment of funds or for providing loan to or for acquiring shares of any person who is part of the same group or who is under the same management.

However, an issuer may 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.

Determination of Coupon Rate and Conversion Price

An issuer can determine the coupon rate and conversion price of convertible debt instruments in consultation with the lead merchant banker or through the book building process.

Minimum Promoter's Contribution

In case of public issue or composite issue of convertible debt securities, the promoters shall contribute twenty per cent as stipulated for public issue under Regulation 32(1), either by way of equity shares or by way of subscription to the convertible securities. However, if the price of the equity shares allotted pursuant to conversion is not predetermined 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.

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.

In case of an initial public offer of convertible debt instruments without a prior public issue of equity shares, the promoters are required to 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.

However, if the project is to be implemented in stages, the promoters' contribution is required to 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.

Auditor's Certificate

The issuer is required to forward the details of utilisation of the funds raised through the convertible debt instruments duly certified by the statutory auditors of the issuer, to the debenture trustees at the end of each half-year.

Obligation of the Issuer

In case of an issue of convertible debt instruments, the issuer shall also give undertakings to the following effect in the offer document:

- that the issuer shall forward the details of utilisation of the funds raised through the convertible debt instruments duly certified by the statutory auditors of the issuer, to the debenture trustees at the end of each half-year.
- that the issuer shall disclose the complete name and address of the debenture trustee in the annual report.
- that the issuer shall provide a compliance certificate to the convertible debt instrument holders (on yearly basis) in respect of compliance with the terms and conditions of issue of convertible debt instruments as contained in the offer document, duly certified by the debenture trustee.

- that the issuer shall furnish a confirmation certificate that the security created by the issuer in favour of the convertible debt instrument holders is properly maintained and is adequate to meet the payment obligations towards the convertible debt instrument holders in the event of default.
- that necessary cooperation with the credit rating agency(ies) shall be extended in providing true and adequate information till the debt obligations in respect of the instrument are outstanding.

SEBI (ISSUE AND LISTING OF DEBT SECURITIES) REGULATIONS, 2008

SEBI issued (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.

As per SEBI (ILDS) Regulations, 2008, debt securities means a non-convertible debt securities which create or acknowledge indebtedness, and include debenture, bonds and such other securities of a body corporate or any statutory body constituted by virtue of a legislation, whether constituting a charge or the any sets of the body corporate or not, but excludes bonds issued by Government or such other bodies as may be specified by SEBI. Securities receipts and securitized debt instruments.

Applicability

These Regulations are applicable to –

- public issue of debt securities and
- listing of debt securities issued through public issue or on private placement basis on a recognized 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

a wilful defaulter or it is 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. If the application is made to more than one recognized stock exchanges, the issuer must choose one of them which has nationwide trading terminals as the designated stock exchange.
- 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

- It shall enter into an arrangement with a depository registered with SEBI in accordance with the Depositories Act, 1996 and regulations made there under.
- The issuer should appoint one or more merchant bankers registered with SEBI at least one of whom shall be a lead merchant banker.
- The issuer is required to appoint one or more debenture trustees in accordance with the provisions of Section 71 of the Companies Act, 2013 and SEBI (Debenture Trustees) Regulations, 1993.

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 these regulations;
- additional disclosures as may be specified by SEBI

The amount of minimum subscription which the issuer seeks to raise and underwriting arrangements shall be disclosed in the offer document.

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.

Filing of Shelf Prospectus

(1) The following companies or entities may file shelf prospectus under section 31 of Companies Act, 2013 for public issuance of their debt securities,-

- a) Public financial institutions as defined under clause (72) of section 2 of the Companies Act, 2013, and scheduled banks as defined under clause (e) of section 2 of the Reserve Bank of India Act, 1934; or
- b) 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
- c) Infrastructure Debt Funds – Non-Banking Financial Companies regulated by Reserve Bank of India; or
- d) Non-Banking Financial Companies registered with Reserve Bank of India and Housing Finance Companies registered with National Housing Bank complying with the following criteria:
 - having a net worth of at-least Rs.500 crore, as per the audited balance sheet of the preceding financial year;
 - having consistent track record of distributable profit for the last three years;
 - 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;

- no regulatory action is pending against the company or its promoters or directors before SEBI, Reserve Bank of India or National Housing Bank;
- 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.

Or

e) Listed entities complying with the following criteria:

- whose public issued equity shares or debt securities are listed on recognized stock exchange for a period of at least three years immediately preceding the issue and have been complying with the listing agreement entered into between the issuer and the recognized stock exchanges where the said securities of the issuer are listed;
- having a net worth of at-least Rs.500 crore, as per the audited balance sheet of the preceding financial year;
- having consistent track record of distributable profit for the last three years;
- 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;
- no regulatory action is pending against the company or its promoters or directors before SEBI, Reserve Bank of India or National Housing Bank;
- 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.

(2) The issuer filing a shelf prospectus shall file a copy of an information memorandum with the recognised stock exchanges and SEBI, immediately on filing the same with the Registrar.

(3) The information memorandum shall contain the disclosures specified in Companies Act, 1956 or 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.

(4) Not more than four issuances shall be made through a single shelf prospectus.

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 these regulations prior to the filing of the offer document with the Registrar of Companies.
- The lead 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 these regulations.

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.

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.

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 specified in these regulations.

(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 Application Forms

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 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 minimum subscription for public issue of debt securities shall be specified as 75% of the base issue size for both NBFCs and Non NBFC issuers. Further, if the issuer does not receive minimum subscription of its base issue size (75%), then the entire application monies shall be refunded within 12 days from the date of the closure of the issue. In the event, there is a delay, by the issuer in making the aforesaid refund, then the issuer shall refund the subscription amount along with interest at the rate of 15% per annum for the delayed period.

However, the issuers issuing tax-free bonds, as specified by CBDT, shall be exempted from the above proposed minimum subscription limit.

Explanation: 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.

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.

(2) contain such clauses as may be prescribed under section 71 of the Companies Act, 2013 and those mentioned in Schedule IV of SEBI (Debenture Trustees) Regulations, 1993.

(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.

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 three 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 fifteen per cent 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.

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 twenty one 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.

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.

Consolidation and re-issuance

An issuer may carry out consolidation and re-issuance of its debt securities, subject to the fulfilment of the following conditions:

- a) there is such an enabling provision in its articles under which it has been incorporated;
- 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:

- a) default by the issuer to pay interest on debt securities or redemption amount;
- b) failure to create a charge on the assets;
- c) 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.

Information to be displayed on Website

- The disclosures as specified in Schedule-I accompanied by the latest annual report shall be made on the websites of stock exchanges where such securities are proposed to be listed and shall be available for download in PDF/HTML formats.
- The issuer, the respective debenture trustees and stock exchanges shall disseminate all information and reports including compliance reports filed by the issuers and the debenture trustees regarding the debt securities to the investors and the general public by placing them on their websites.
- The information shall also be placed on the websites, if any, of the debenture trustee, the issuer and the stock exchanges.

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 these 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.

- 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.

- 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.
- The issuer shall treat the applicant in a fair and equitable manner as per the procedures as may be specified by SEBI.
- In respect of assignments undertaken for issue, offer and distribution of securities to the public the intermediaries shall be responsible for the due diligence.
- 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.
- 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.

Electronic book mechanism for issuance of debt securities on private placement basis

SEBI (Issue and Listing of Debt Securities) Regulations, 2008, govern public issue of debt securities and listing of debt securities issued through public issue or on private placement basis, on a recognized stock exchange. Regulation 31(2) of SEBI (ILDS) Regulations, 2008 *inter alia* provides that:-

“In particular, and without prejudice to the generality of the foregoing power and provisions of these regulations, such orders or circulars may provide for all or any of the following matters, namely: Electronic issuances and other issue procedures including the procedure for price discovery”

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.

Electronic book mechanism would be mandatory for all private placements of debt securities in primary market with an issue size of Rs.500 crores and above, inclusive of green shoe option, if any.

Need for Electronic Book Mechanism

Electronic Book Mechanism is used to simplify the procedures for issuance of debt securities on private placement basis and enhance transparency of the price discovery mechanism vis-à-vis over the telephone market and reduction of cost and time taken for such issuance.

Usage of electronic platforms by investors for trading securities in Indian markets (and globally) have demonstrated that the benefits can emerge in terms of efficient price discovery, reduction in timelines, reduction of cost, ease of trading, etc.

Electronic Book Provider (EBP)

Recognized stock exchanges (RSEs) will be eligible to act as EBP only after obtaining prior approval from SEBI. SEBI has laid the eligibility conditions for a recognized stock exchange to act as EBP.

Eligibility criteria for RSEs to act as EBP

The following shall be eligibility conditions for a recognised stock exchange to act as EBP:-

- EBP shall provide an on-line platform for receiving bids in private placement of debt securities.
- EBP shall own website/ URL on which it proposes to offer its services.
- EBP shall have necessary infrastructure like adequate office space, equipment's, risk management capabilities, manpower and other information technology infrastructure to effectively discharge the activities of EBP.
- EBP shall ensure that there is adequate backup, disaster management and recovery plans for the electronic book mechanism so provided by EBP.
- The EBP shall ensure safety, secrecy, integrity and retrievability of data.

- The electronic book mechanism so provided by EBP would be subject to periodic audit by Certified Information Systems Auditor (CISA) under Annual System Audit prescribed by SEBI.

Participants in Electronic Book Mechanism

- Issuer;
- Arranger like Merchant Bankers, RBI registered Primary Dealers or any other registered intermediaries as notified by SEBI;
- Sub-arranger, appointed by the arranger like brokers registered with SEBI;
- Institutional Investors;
- All the investors apart from the Institutional Investors.

Applicability

- Electronic book mechanism shall be mandatory for private placement of bonds above Rs.500 crore. This shall include green shoe option, if any. However, the said mechanism is voluntary in case of issue size being below Rs.500 crore, inclusive of green shoe option, if any.
- The requirement of using electronic book mechanism shall also be applicable for those tranche issue(s) which individually may be less than Rs 500 crore, however is/ are part of a shelf offer, which including green shoe option, is more than Rs 500 crore.
- Further, in case, the issuer comes with multiple issues in a financial year which are individually less than Rs. 500 crore however, the aggregate issue size in the same year crosses Rs.500 crore, in such scenario, issuer shall use EBP mechanism for any incremental private placement which takes aggregate issue size in the year equal to Rs.500 crore or above.
- The above said conditions shall be applicable to all the issues made after July 01, 2016.
- Further, the mechanism is voluntary for those issues of debt securities which have a single investor and where the coupon rates are fixed. However arrangers acting as underwriters shall not be considered as single investors in these cases.

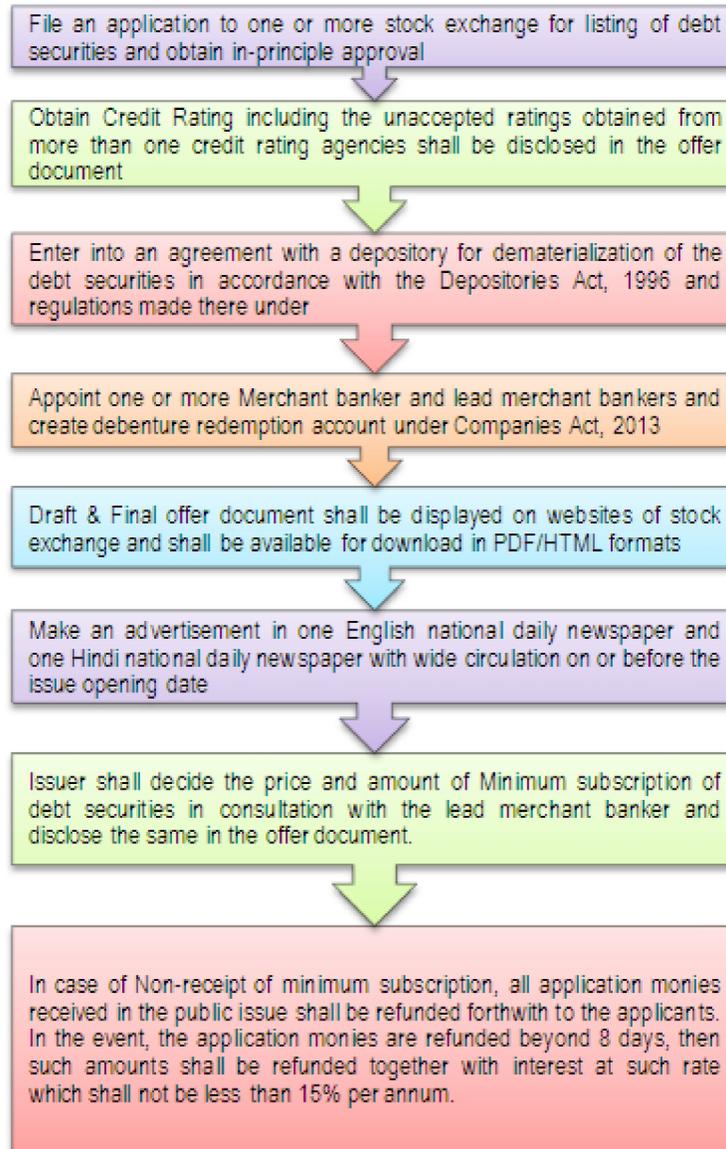
Procedure for Electronic Book Mechanism

- Participants shall be required to enroll with EBP before entering bids and only eligible participants may participate in the bidding process.
- Qualified Institutional Buyer may also participate in the bidding process.
- In case, the issuer is Non-Banking Financial Companies (NBFC) which are registered with RBI and Housing Finance Companies (HFC) registered with National Housing Bank(NHB), the Qualified Institutional Buyer, eligible bidders (as determined by the issuer) and other participants enrolled with EBP may participate in the bidding process subject to them complying with RBI requirements.
- The issuer/arranger/EBP shall ensure KYC of the bidders before allowing them to make bids on the book.
- The issuer shall specify minimum issue size and bidding shall be allowed in the bidding time window specified by the issuer.
- Participants shall be allowed to enter multiple bids i.e. single participant may enter more than one bid.
- Requirement of minimum bid size for institutional investors is left to the discretion of the issuer.
- The issuer shall enter into an agreement with the EBP, before using its services. The agreement shall contain necessary terms and conditions for usage of the book as well as rights and liabilities of both the parties.
- The issuer shall provide the draft Private Placement Memorandum to the bidders without incorporating coupon details.
- Any dispute between issuer and bidders or between EBP or bidders before listing of privately placed bonds in RSE shall be settled as per their agreement and post listing as per arbitration bye-laws of exchange.
- Electronic Book Provider (EBP) shall provide all bids/application to the issuer after end of bidding and after that bidding details & allotment details shall provide to centralized repository as specified by SEBI. Further, EBP shall disclose

aggregate volume data on anonymous basis to avoid any speculation.

- The issuer and EBP shall ensure that all requisite compliances prescribed under various legislations such as Companies Act, SEBI Regulations etc., with regards to private placement, are adhered to by the electronic book. For example – the EBP shall ensure that there is no public solicitation and the total number of bidders should not exceed 200 (excluding QIBs) as required under Companies Act, 2013 and the rules made thereunder.
- Issuer shall have the option to accept or reject bids received, if the issuer agrees to the yield so discovered.
- The EBP shall lay down operational procedure including steps for uploading of the private placement offer letter/ placement memorandum containing details about private placement, list of the eligible participants for bidding in auctions, respective time lines for each event etc. Such information should be disclosed to the eligible bidders.
- Disclosure with regards to requirement of margin money or pay in, if any, to be made in the private placement memorandum. (PPM)
- Disclosure shall be made in the PPM with regards to green shoe option along with the reasons for the retention of excess amount, if any.
- EBP shall upload the allotment data on its website to be made available to the public.

Procedure for Issue of debt securities under SEBI (Issue and Listing of Debt Securities) Regulations, 2008



ISSUANCE AND LISTING OF GREEN DEBT SECURITIES

SEBI (Issue and Listing of Debt Securities) Regulations, 2008 (“SEBI ILDS Regulations”), governs public issue of debt securities and listing of debt securities issued through public issue or on private placement basis, on a recognized stock exchange. For public issue and listing of

Green Debt Securities and listing of privately placed Green Debt Securities, in addition to the requirements as prescribed under SEBI ILDS Regulations and Circulars made thereunder, following shall also be applicable.

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 utilised 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.

Disclosures in Offer Document/Disclosure Document and other requirements

The issuer of a Green Debt Securities shall make following disclosures:

- a) A statement on environmental objectives of the issue of Green Debt Securities;
- b) Brief details of decision-making process issuer has followed/ would follow for determining the eligibility of project(s) and/or asset(s), for which the proceeds are been raised through issuance of Green Debt Securities. An indicative guideline of the details to be provided is as under:

- process followed/to be followed for determining how the project(s) and/or asset(s) fit within the eligible green projects categories;
 - the criteria, making the project(s) and/or asset(s) eligible for using the Green Debt Securities proceeds; and
 - environmental sustainability objectives of the proposed green investment.
- c) Issuer shall provide the details of the system/procedures to be employed for tracking the deployment of the proceeds of the issue.
- d) Details of the project(s) and/or asset(s) or areas where the issuer, proposes to utilise the proceeds of the issue of Green Debt Securities, including towards refinancing of existing green project(s) and/or asset(s), if any.
- e) The issuer may appoint an independent third party reviewer/certifier, for reviewing /certifying the processes including project evaluation and selection criteria, project categories eligible for financing by Green Debt Securities, etc. Such appointment is optional and shall be disclosed in the offer document.

Continuous Disclosure

An issuer who has listed its Green Debt Securities, alongwith compliances as under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, shall provide following disclosures along with its annual report and financial results:

- a) Details of utilisation of the proceeds and unutilized proceeds of the issue, as disclosed in offer document/disclosure document. These details shall be provide along with the half yearly and annual financial results.

However, the utilisation of the proceeds shall be verified by the report of an external auditor, to verify the internal tracking method and the allocation of funds towards the project(s) and/or asset(s), from the proceeds of Green Debt Securities.

- b) Other additional disclosures have to be provided along with annual report:
- List of project(s) and/or asset(s) to which proceeds of the Green Debt Securities have been allocated/invested

including a brief description of such project(s) and/or asset(s) and the amounts disbursed.

However, where confidentiality agreements limit the amount of details that can be made available about specific project(s) and/or asset(s), information shall be presented about the areas in which such project(s) and/or asset(s) fall into.

- Qualitative performance indicators and, where feasible, quantitative performance measures of the environmental impact of the project(s) and/or asset(s). If the quantitative benefits/impact cannot be ascertained, then the said fact may be appropriately disclosed along with the reasons for non-ascertainment of the benefits/impact on the environment.
- Methods and the key underlying assumptions used in preparation of the performance indicators and metrics;

Obligations of the issuer

An issuer of Green Debt Securities shall:

- Maintain a decision-making process which it uses to determine the continuing eligibility of the project(s) and/or asset(s). This includes, without limitation a statement on the environmental objectives of the Green Debt Securities and a process to determine whether the project(s) and/or asset(s) meet the eligibility requirements.
- Ensure that all project(s) and/or asset(s) funded by the proceeds of Green Debt Securities, meet the documented objectives of Green Debt Securities.
- Utilise the proceeds only for the stated purpose, as disclosed in the offer document.

An issuer of Green Debt Securities or any agent appointed by the issuer, if follows any globally accepted standard(s) for the issuance of Green Debt Securities including measurement of the environmental impact, identification of the project(s) and/or asset(s), utilisation of proceeds, etc., shall disclose the same in the offer document/disclosure document and/or in continuous disclosures.

SEBI (ISSUE AND LISTING OF DEBT SECURITIES BY MUNICIPALITIES) REGULATIONS, 2015

A municipality is a self-government institution constituted under Article 243Q of the Constitution of India and includes a municipal corporation, a municipal council and a nagar panchayat. To facilitate funding mechanisms for municipalities, SEBI notified the SEBI (Issue and Listing of Debt Securities by Municipalities) Regulations, 2015, on July 15, 2015.

These regulations discuss the eligibility requirement for public issue, listing of debt securities requirement for both public issues and private placement, conditions for continuous trading of debt securities, obligations of intermediaries and issuer provisions. These regulations are in line with the Government of India guidelines for issue of tax-free bonds by Municipalities.

Applicability

These regulations shall apply to –

- public issue of debt securities; and
- listing of debt securities issued through public issue or on private placement basis on a recognised stock exchange.

Definitions

“General obligation bonds” means debt securities where principal and interest are serviced through tax proceeds of the municipality.

“Revenue bonds” means debt securities which are serviced by revenues from one or more projects.

“Municipality” means an institution of self-government constituted under Article 243Q of the Constitution of India.

General conditions

An issuer making public issue of debt securities shall only issue revenue bonds.

No issuer shall make a public issue of revenue bonds unless following conditions are complied with:

- (a) it has made an application to one or more recognised stock exchanges for listing of such securities therein. However, where the application is made to more than one recognised stock exchanges, the issuer shall choose one of them as the designated stock exchange. Further, where any of such stock exchanges have nationwide trading terminals, the issuer shall choose one of them as the designated stock exchange;

Explanation.- For any subsequent public issue, the issuer may choose a different stock exchange as a designated stock exchange subject to the requirements of this regulation;

- (b) it has obtained in-principle approval for listing of its revenue bonds on the recognised stock exchanges where the application for listing has been made;
- (c) municipality shall have surplus income as per its Income and Expenditure Statement, in any of the immediately preceding three financial years or any other financial criteria as may be specified by SEBI from time to time. However, a corporate municipal entity shall not have negative net worth in any of immediately preceding three financial years.
- (d) municipality shall not have defaulted in repayment of debt securities or loans obtained from banks or financial institutions, during the last three hundred and sixty five days. However, where the issuer is a corporate municipal entity, the requirements at clauses (b) and (d) shall be complied by the municipality which is being financed.

Advertisements for public issues

- The issuer may make an advertisement in a national daily with wide circulation, on or before the issue opening date and such advertisement shall, amongst other things, contain the disclosures as per Schedule IV of these regulations.
- No issuer shall issue an advertisement which is misleading in material particular or which contain 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.

- 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 promotional or educative advertisement issued by the issuer during the subscription period shall not make any reference to the issue of revenue bonds or be used for solicitation.

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:

However, such minimum subscription limit shall not be less than seventy five per cent of the issue size.

- In the event of non-receipt of minimum subscription as specified above, all application moneys received in the public issue shall be refunded forthwith to the applicants, within twelve days from the date of the closure of the issue.
- In the event, there is a delay by the issuer in making the aforesaid refund, then the issuer shall refund the subscription amount along with interest at the rate of ten per cent per annum for the delayed period.

Utilization of issue proceeds

- The funds raised from public issue of debt securities shall be used only for projects that are specified under objects in the offer document.
- The proceeds of the issue shall be clearly earmarked for a defined project or a set of projects for which requisite approvals have been obtained from concerned authorities.
- The issuers shall maintain a bank account in which the amount raised from the issue shall be transferred immediately after the closure of the issue and such amount shall only be utilised for specified project(s). However, where the issuer is a

Corporate Municipal Entity, the issue proceeds, net of issue expenses, shall be used only for onward lending to municipalities, as disclosed in the offer document.

Further, where the issuer is a corporate municipal entity, it shall maintain sufficient interest margin while onward lending to the municipalities, to meet its operating expenses and obligations.

- The issuer shall establish a separate project implementation cell and designate a project officer who shall not be below the rank of deputy commissioner, who shall monitor the progress of the project(s) and shall ensure that the funds raised are utilised only for the project(s) for which the debt securities were issued.

However, where the issuer is a corporate municipal entity, such requirement shall be complied by the Municipality which is being financed.

- Issuer's contribution for each project shall not be less than twenty per cent of the project costs, which shall be contributed from their internal resources or grants.

However, where the issuer is a corporate municipal entity, contribution of the concerned municipality, which is being financed by the corporate municipal entity, shall not be less than twenty per cent of the project costs, which shall be contributed from its internal resources or grants.

- The issuer shall disclose the schedule of implementation of the project in the offer document in a tabular form and the funds raised by the issuer shall be utilized in accordance with the said schedule.

Mandatory listing

An issuer desirous of making an offer of debt securities to the public shall make an application for listing to one or more recognised stock exchanges:

However, in case of issuer being corporate municipal entity, such an application shall be made in terms of sub-section (1) of section 40 of the Companies Act, 2013.

Trust deed

- A trust deed for securing the issue of debentures shall be executed by the issuer in favour of the independent trustee or debenture trustee, as applicable, within three months of the closure of the issue.
- The trust deed shall contain such clauses as may be prescribed in **Schedule IV** of the SEBI (Debenture Trustees) Regulations, 1993.

However, in case of private placement by a corporate municipal entity, the trust deed shall, in-addition, contain such clauses as prescribed under section 71 of the Companies Act, 2013 and Companies (Share Capital and Debentures) Rules 2014.

- The trust deed shall not contain a clause which has the effect of:
 - a) limiting or extinguishing the obligations and liabilities of the debenture trustees or the issuer in relation to any rights or interests of the investors;
 - b) limiting or restricting or waiving the provisions of the Act, these regulations and circulars or guidelines issued by SEBI;
 - c) indemnifying the debenture trustees or the issuer for loss or damage caused by their act of negligence or commission or omission.

Debenture redemption reserve

For the redemption of the debentures issued by a corporate municipal entity, the issuer shall create debenture redemption reserve in accordance with the provisions of the Companies Act, 2013 and the rules made thereunder.

Where the issuer is a corporate municipal entity and the issuer 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.

Continuous listing conditions

- All the issuers making public issues of debt securities or seeking listing of debt securities issued on private placement basis, shall comply with conditions of listing including continuous disclosure and other requirements specified by SEBI in general and those specified in **Schedule V** to these regulations.
- Where the issuer is corporate municipal entity, one-third of its Board shall comprise of independent directors, as defined in section 149 of the Companies Act, 2013.
- Every rating obtained by an 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.
- In the event of credit rating being downgraded by two or more notches below the rating assigned at the time of issue, the issuer shall present to all bondholders, the reasons for fall in rating and the steps, if any, it intends to take to recover the rating.
- Any change in rating shall be promptly disseminated in such manner as the stock exchange where such securities are listed may determine from time to time.
- The issuer, the respective debenture trustees, wherever appointed, and stock exchanges shall disseminate all information and reports regarding debt securities including compliance reports filed by the issuers and the debenture trustees, if appointed, to the investors and the general public by placing them on their websites.
- The information referred shall also be placed on the websites, if any, of the debenture trustee, the issuer and the stock exchanges.

Trading and reporting of debt securities

- The debt securities 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 Clearing Corporation subject to conditions specified by SEBI.
- The trading lot for privately placed debt securities shall be rupees one lakh or such amount as may be specified by SEBI.

- In case of trades of debt securities which have been made over the counter, such trades shall be reported on a recognised stock exchange having a nationwide trading terminal or such other platform as may be specified by SEBI from time to time.
- The information in respect of issues such as issuer details, instrument details, ratings, rating migration, coupon, buyback, redemption details, shall be required to be reported to a common database with depositories or any other platform as may be specified by SEBI.

SEBI (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015

Chapter V of SEBI (LODR) Regulations, 2015 provides for the obligations of Listed Entity which has listed its Non-convertible Debt Securities' and/or 'Non-Convertible Redeemable Preference Shares' on a recognised 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.

“Non-Convertible Debt Securities” means a securities which create or acknowledge indebtedness, and include debenture, bonds and such other securities of a body corporate or any statutory body constituted by virtue of a legislation, whether constituting a charge on the assets of the body corporate or not, but excludes bonds issued by Government or such other bodies as may be specified by SEBI, security receipts and securitized debt instruments.

Compliances under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

Obligation of Listed Entity which has listed its non-convertible debt securities

The Provisions of Chapter V of SEBI (LODR) Regulations, 2015 shall apply only to a listed entity which has listed its '**Non-convertible Debt Securities**' on a recognised stock exchange in accordance with SEBI (Issue and Listing of Debt Securities) Regulations, 2008 or Securities and Exchange Board of India (Issue and Listing of Non-Convertible Redeemable Preference Shares) Regulations, 2013 respectively.

In addition to the provisions mentioned below, the provisions under SEBI (LODR), 2015 which are already discussed in detail on Third Chapter will also applicable on Non-convertible Debt Securities.

Asset Cover [Regulation 54]

- In respect of its listed non-convertible debt securities, the listed entity shall maintain hundred percent asset cover sufficient to discharge the principal amount at alltimes for the non-convertible debt securities issued.
- 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.
- The requirement specified above in Clause, shall not be applicable in case of unsecured debt securities issued by regulated financial sector entities eligible for meeting capital requirements as specified by respective regulators.

Credit Rating [Regulation 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 SEBI.

Documents and Intimation to Debenture Trustees [Regulation 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 utilisation 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 utilised or the purpose for which these funds were intended has been achieved.

- b) a copy of all notices, resolutions and circulars relating to-
- new issue of non-convertible debt securities at the same time as they are sent to shareholders/holders of non-convertible debt securities;
 - 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 :
- any revision in the rating;
 - any default in timely payment of interest or redemption or both in respect of the non-convertible debt securities;
 - failure to create charge on the assets;
- d) a half-yearly certificate regarding maintenance of hundred percent asset cover in respect of listed non-convertible debt securities, by either a practicing company secretary or a practicing chartered accountant, along with the half yearly financial results.

However, submission of such half yearly certificates is not applicable in cases where a listed entity is a bank or non-banking financial companies registered with Reserve Bank of India or 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.

Other submissions to stock exchange(s) [Regulation 57]

- The listed entity shall submit a certificate to the stock exchange within two days of the interest or principal or both becoming due that it has made timely payment of interests or principal obligations or both in respect of the non-convertible debt securities.

- The listed entity shall provide an undertaking to the stock exchange(s) on annual basis stating that all documents and intimations required to be submitted to Debenture Trustees in terms of Trust Deed and Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 have been complied with.
- The listed entity shall forward to the stock exchange any other information in the manner and format as specified by SEBI from time to time.

Obligations of Listed Entity which has listed its specified securities and either non-convertible debt securities or both

Applicability : Entity which has listed its 'specified securities' and 'non-convertible debt securities' or 'non-convertible redeemable preference shares' or both on any recognised stock exchange, shall be bound by the provisions in Chapter IV and additionally comply with Chapter V of these regulations.

However, the listed entity which has submitted any information to the stock exchange in compliance with the disclosure requirements under Chapter IV of these regulations, need not re-submit any such information under the provisions of this regulations without prejudice to any power conferred on SEBI or the stock exchange or any other authority under any law to seek any such information from the listed entity. Further, the listed entity, which has satisfied certain obligations in compliance with other chapters, shall not separately satisfy the same conditions under chapter VI.

Delisting (Regulation 64)

In the event specified securities of the listed entity are delisted from the stock exchange, the listed entity shall comply with all the provisions in Chapter V of these regulations.

In the event that non-convertible debt securities and non-convertible redeemable preference shares' of the listed entity do not remain listed on the stock exchange, the listed entity shall comply with all the provisions in Chapter IV of these regulations.

RBI GUIDELINES

Basel III Capital Regulations is applicable on Equity Capital, Preference Capital and Debt capital also. The Detailed Guidelines of RBI has already discussed in Fourth and Fifty Chapter. Debt capital instruments is covered in Elements of Additional Tier 1 Capital and Tier 2 Capital (gone-concern capital).

The guidelines covering **Perpetual Debt Instruments (PDI) eligible for inclusion as Tier I capital and Debt Capital instruments as Tier 2 capital** indicating the minimum regulatory requirements are furnished by RBI.

Criteria for Inclusion of Perpetual Debt Instruments (PDI) in Additional Tier 1 Capital

The Perpetual Debt Instruments that may be issued as bonds or debentures by Indian banks should meet the following terms and conditions to qualify for inclusion in Additional Tier 1 Capital for capital adequacy purposes:

1. Terms of Issue of Instruments Denominated in Indian Rupees

1.1 Paid-in Status

The instruments should be issued by the bank (i.e. not by any 'SPV' etc. set up by the bank for this purpose) and fully paid-in.

1.2 Amount

The amount of PDI to be raised may be decided by the Board of Directors of banks.

1.3 Limits

While complying with minimum Tier 1 of 7% of risk weighted assets, a bank cannot admit, Perpetual Debt Instruments (PDI) together with Perpetual Non-Cumulative Preference Shares (PNCPS) in Additional Tier 1 Capital, more than 1.5% of risk weighted assets. However, once this minimum total Tier 1 capital has been complied with, any additional PNCPS and PDI issued by the bank can be included in Total Tier 1 capital reported. Excess PNCPS and PDI can be reckoned to comply with Tier 2 capital if the latter is less than 2% of RWAs i.e. while complying with minimum Total Capital of 9% of risk weighted assets.

1.4 Maturity Period

The PDIs shall be perpetual i.e. there is no maturity date and there are no step-ups or other incentives to redeem.

1.5 Rate of Interest

The interest payable to the investors may be either at a fixed rate or at a floating rate referenced to a market determined rupee interest benchmark rate.

1.6 Optionality

PDIs shall not have any 'put option'. However, banks may issue the instruments with a call option at a particular date subject to following conditions:

- a. The call option on the instrument is permissible after the instrument has run for at least five years;
- b. To exercise a call option a bank must receive prior approval of RBI (Department of Banking Regulation);
- c. A bank must not do anything which creates an expectation that the call will be exercised. For example, to preclude such expectation of the instrument being called, the dividend/coupon reset date need not be co-terminus with the call date. Banks may, at their discretion, consider having an appropriate gap between dividend/coupon reset date and call date; and
- d. Banks must not exercise a call unless:
 - (i) They replace the called instrument with capital of the same or better quality and the replacement of this capital is done at conditions which are sustainable for the income capacity of the bank; or
 - (ii) The bank demonstrates that its capital position is well above the minimum capital requirements after the call option is exercised.

The use of tax event and regulatory event calls may be permitted. However, exercise of the calls on account of these events is subject to the requirements set out in points (b) to (d) of criterion 1.6. RBI will permit the bank to exercise the call only if the RBI is convinced that the bank was not in a position to anticipate these events at the time of issuance of PDIs.

To illustrate, if there is a change in tax treatment which makes the capital instrument with tax deductible coupons into an instrument with non-tax deductible coupons, then the bank would have the option (not obligation) to repurchase the instrument. In such a situation, a bank may be allowed to replace the capital instrument with another capital instrument that perhaps does have tax deductible coupons. Similarly, if there is a downgrade of the instrument in regulatory classification (e.g. if it is decided by the RBI to exclude an instrument from regulatory capital) the bank has the option to call the instrument and replace it with an instrument with a better regulatory classification, or a lower coupon with the same regulatory classification with prior approval of RBI. However, banks may not create an expectation/signal an early redemption/maturity of the regulatory capital instrument.

1.7 Repurchase/Buy-back/Redemption

- (i) Principal of the instruments may be repaid (e.g. through repurchase or redemption) only with prior approval of RBI and banks should not assume or create market expectations that supervisory approval will be given (this repurchase/buy-back /redemption of the principal is in a situation other than in the event of exercise of call option by the bank. One of the major differences is that in the case of the former, the option to offer the instrument for repayment on announcement of the decision to repurchase/buy-back /redeem the instrument, would lie with the investors whereas, in case of the latter, it lies with the bank).
- (ii) Banks may repurchase/buy-back/redemption only if:
 - (a) They replace the such instrument with capital of the same or better quality and the replacement of this capital is done at conditions which are sustainable for the income capacity of the bank; or
 - (b) The bank demonstrates that its capital position is well above the minimum capital requirements after the repurchase/buy-back/redemption.

1.8 Coupon Discretion

- (a) The bank must have full discretion at all times to cancel distributions/payments ;

- (b) Cancellation of discretionary payments must not be an event of default;
- (c) Banks must have full access to cancelled payments to meet obligations as they fall due;
- (d) Cancellation of distributions/payments must not impose restrictions on the bank except in relation to distributions to common stakeholders;
- (e) Coupons must be paid out of distributable items. In this context, coupon may be paid out of current year profits. However, if current year profits are not sufficient i.e. payment of coupon is likely to result in losses during the current year, the balance amount of coupon may be paid out of revenue reserves (i.e. revenue reserves which are not created for specific purposes by a bank) and/or credit balance in profit and loss account, if any;

However, payment of coupons on PDIs from the revenue reserves is subject to the issuing bank meeting minimum regulatory requirements for CET1, Tier 1 and Total Capital ratios at all times and subject to the requirements of capital buffer frameworks (i.e. capital conservation buffer, countercyclical capital buffer and Domestic Systemically Important Banks);

Banks must ensure and indicate in the offer document that they have full discretion at all times to cancel distributions/payments in order to meet the eligibility criteria for perpetual debt instruments;

- (f) the interest shall not be cumulative;
- (g) The instrument cannot have a credit sensitive coupon feature, i.e. a dividend that is reset periodically based in whole or in part on the banks' credit standing. For this purpose, any reference rate including a broad index which is sensitive to changes to the bank's own credit worthiness and/or to changes in the credit worthiness of the wider banking sector will be treated as a credit sensitive reference rate. Banks desirous of offering floating reference rate may take prior approval of the RBI (DBR) as regard permissibility of such reference rates;
- (h) In general, it may be in order for banks to have dividend

stopper arrangement that stop dividend payments on common shares in the event the holders of AT1 instruments are not paid dividend/coupon. However, dividend stoppers must not impede the full discretion that bank must have at all times to cancel distributions/payments on the Additional Tier 1 instrument, nor must they act in a way that could hinder the re-capitalisation of the bank. For example, it would not be permitted for a stopper on an Additional Tier 1 instrument to:

- attempt to stop payment on another instrument where the payments on this other instrument were not also fully discretionary;
- prevent distributions to shareholders for a period that extends beyond the point in time that dividends/coupons on the Additional Tier 1 instrument are resumed;
- impede the normal operation of the bank or any restructuring activity (including acquisitions/disposals).

A stopper may act to prohibit actions that are equivalent to the payment of a dividend, such as the bank undertaking discretionary share buybacks, if otherwise permitted.

1.9 Treatment in Insolvency

The instrument cannot contribute to liabilities exceeding assets if such a balance sheet test forms part of a requirement to prove insolvency under any law or otherwise.

1.10 Loss Absorption Features

PDIs may be classified as liabilities for accounting purposes (not for the purpose of insolvency as indicated in paragraph 1.9 above). In such cases, these instruments must have principal loss absorption through either (i) conversion to common shares at an objective pre-specified trigger point or (ii) a write-down mechanism which allocates losses to the instrument at a pre-specified trigger point.

The write-down will have the following effects:

- (a) Reduce the claim of the instrument in liquidation;
- (b) Reduce the amount re-paid when a call is exercised; and
- (c) Partially or fully reduce coupon payments on the instrument.

Various criteria for loss absorption through conversion/write-down/write-off on breach of pre-specified trigger and at the point of non-viability are furnished by RBI in this behalf.

1.11 Prohibition on Purchase/Funding of Instruments

Neither the bank nor a related party over which the bank exercises control or significant influence (as defined under relevant Accounting Standards) should purchase the instrument, nor can the bank directly or indirectly fund the purchase of the instrument. Banks should also not grant advances against the security of the debt instruments issued by them.

1.12 Re-capitalisation

The instrument cannot have any features that hinder re-capitalisation, such as provisions which require the issuer to compensate investors if a new instrument is issued at a lower price during a specified time frame.

1.13 Reporting of Non-payment of Coupons

All instances of non-payment of coupon should be notified by the issuing banks to the Chief General Managers-in-Charge of Department of Banking Regulation and Department of Banking Supervision of the Reserve Bank of India, Mumbai.

1.14 Seniority of Claim

The claims of the investors in instruments shall be:

- (i) superior to the claims of investors in equity shares and perpetual non-cumulative preference shares;
- (ii) subordinated to the claims of depositors, general creditors and subordinated debt of the bank;
- (iii) is neither secured nor covered by a guarantee of the issuer nor related entity or other arrangement that legally or economically enhances the seniority of the claim vis-à-vis bank creditors.

1.15 Investment in Instruments Raised in Indian Rupees by Foreign Entities/NRIs

- (i) Investment by FIIs in instruments raised in Indian Rupees shall be outside the ECB limit for rupee denominated corporate debt, as fixed by the Govt. of India from time to time, for investment

by FIIs in corporate debt instruments. Investment in these instruments by FIIs and NRIs shall be within an overall limit of 49% and 24% of the issue, respectively, subject to the investment by each FII not exceeding 10% of the issue and investment by each NRI not exceeding 5% of the issue.

- (ii) Banks should comply with the terms and conditions, if any, stipulated by SEBI/other regulatory authorities in regard to issue of the instruments.

1.16 Terms of Issue of Instruments Denominated in Foreign Currency

Banks may augment their capital funds through the issue of PDIs in foreign currency without seeking the prior approval of the Reserve Bank of India, subject to compliance with the requirements mentioned below:

- (i) Instruments issued in foreign currency should comply with all terms and conditions as applicable to the instruments issued in Indian Rupees.
- (ii) Not more than 49% of the eligible amount can be issued in foreign currency.
- (iii) Instruments issued in foreign currency shall be outside the existing limit for foreign currency borrowings by Authorised Dealers, stipulated in terms of Master Circular No. RBI/2006-07/24 dated July 1, 2006 on Risk Management and Inter-Bank Dealings as updated from time to time.

1.17 Compliance with Reserve Requirements

The total amount raised by a bank through debt instruments shall not be reckoned as liability for calculation of net demand and time liabilities for the purpose of reserve requirements and, as such, will not attract CRR/SLR requirements.

1.18 Reporting of Issuances

Banks issuing PDIs shall submit a report to the Chief General Manager-in-charge, Department of Banking Regulation, Reserve Bank of India, Mumbai giving details of the debt raised, including the terms of issue specified at paragraph 1 above, together with a copy of the offer document soon after the issue is completed.

1.19 Investment in Additional Tier 1 Debt Capital Instruments (PDIs) Issued by Other Banks/ FIs

- (i) A bank's investment in debt instruments issued by other banks and financial institutions will be reckoned along with the investment in other instruments eligible for capital status while computing compliance with the overall ceiling of 10% for cross holding of capital among banks/FIs prescribed vide circular DBOD.BP.BC.No.3/ 21.01.002/ 2004-05 dated July 6, 2004 and also subject to cross holding limits.
- (ii) Bank's investments in debt instruments issued by other banks will attract risk weight for capital adequacy purposes, as prescribed in paragraphs 5.6 and 8.3.5 of the Master Circular on Basel III Capital Regulations, whichever applicable.

1.20 Classification in the Balance Sheet

The amount raised by way of issue of debt capital instrument may be classified under 'Schedule 4 – Borrowings' in the Balance Sheet.

1.21 Raising of Instruments for Inclusion as Additional Tier 1 Capital by Foreign Banks in India

Foreign banks in India may raise Head Office (HO) borrowings in foreign currency for inclusion as Additional Tier 1 capital subject to the same terms and conditions as mentioned in items 1.1 to 1.18 above for Indian banks. In addition, the following terms and conditions would also be applicable:

- a) *Maturity period*: If the amount of Additional Tier 1 capital raised as Head Office borrowings shall be retained in India on a perpetual basis.
- b) *Rate of interest*: Rate of interest on Additional Tier 1 capital raised as HO borrowings should not exceed the on-going market rate. Interest should be paid at half yearly rests.
- c) *Withholding tax*: Interest payments to the HO will be subject to applicable withholding tax.
- d) *Documentation*: The foreign bank raising Additional Tier 1 capital as HO borrowings should obtain a letter from its HO agreeing to give the loan for supplementing the capital base for the Indian operations of the foreign bank. The loan

documentation should confirm that the loan given by HO shall be eligible for the same level of seniority of claim as the investors in debt capital instruments issued by Indian banks. The loan agreement will be governed by and construed in accordance with the Indian law.

- e) *Disclosure*: The total eligible amount of HO borrowings shall be disclosed in the balance sheet under the head 'Additional Tier 1 capital raised in the form of Head Office borrowings in foreign currency'.
- f) *Hedging*: The total eligible amount of HO borrowing should remain fully swapped in Indian Rupees with the bank at all times.
- g) *Reporting and certification*: Details regarding the total amount of Additional Tier 1 capital raised as HO borrowings, along with a certification to the effect that the borrowing is in accordance with these guidelines, should be advised to the Chief General Managers-in-Charge of the Department of Banking Regulation (International Banking Division), Department of External Investments and Operations and Financial Markets Regulation Department, Reserve Bank of India, Mumbai.

1.22 Perpetual Debt Instruments to Retail Investors

With a view to enhancing investor education relating to risk characteristics of regulatory capital requirements, banks issuing Perpetual Debt Instruments to retail investors, subject to approval of their Board, should adhere to the following conditions:

- (a) For floating rate instruments, banks should not use its Fixed Deposit rate as benchmark.
- (b) The requirement for specific sign-off as quoted below, from the investors for having understood the features and risks of the instrument may be incorporated in the common application form of the proposed debt issue.

"By making this application, I/We acknowledge that I/We have understood the terms and conditions of the Issue of [insert the name of the instruments being issued] of [Name of The Bank] as disclosed in the Draft Shelf Prospectus, Shelf Prospectus and Tranche Document ".

- (c) All the publicity material, application form and other communication with the investor should clearly state in bold letters (**with font size 14**) how a Perpetual Debt Instrument is different from fixed deposit particularly that it is not covered by deposit insurance. In addition, the loss absorbency features of the instrument should be clearly explained and the investor's sign-off for having understood these features and other terms and conditions of the instrument should be obtained.

Criteria for Inclusion of Debt Capital Instruments as Tier 2 Capital

The Tier 2 debt capital instruments that may be issued as bonds/debentures by Indian banks should meet the following terms and conditions to qualify for inclusion as Tier 2 Capital for capital adequacy purposes:

1. Terms of Issue of Instruments Denominated in Indian Rupees

1.1 Paid-in Status

The instruments should be issued by the bank (i.e. not by any 'SPV' etc. set up by the bank for this purpose) and fully paid-in.

1.2 Amount

The amount of these debt instruments to be raised may be decided by the Board of Directors of banks.

1.3 Maturity Period

The debt instruments should have a minimum maturity of five years and there are no step-ups or other incentives to redeem.

1.4 Discount

The debt instruments shall be subjected to a progressive discount for capital adequacy purposes. As they approach maturity these instruments should be subjected to progressive discount as indicated in the table below for being eligible for inclusion in Tier 2 capital.

<i>Remaining Maturity of Instruments</i>	<i>Rate of Discount (%)</i>
Less than one year	100
One year and more but less than two years	80
Two years and more but less than three years	60
Three years and more but less than four years	40
Four years and more but less than five years	20

1.5 Rate of Interest

- (i) The interest payable to the investors may be either at a fixed rate or at a floating rate referenced to a market determined rupee interest benchmark rate.
- (ii) The instrument cannot have a credit sensitive coupon feature, i.e. a coupon that is reset periodically based in whole or in part on the banks credit standing. Banks desirous of offering floating reference rate may take prior approval of the RBI (DBR) as regard permissibility of such reference rates.

1.6 Optionality

The debt instruments shall not have any 'put option'. However, it may be callable at the initiative of the issuer only after a minimum of five years:

- (a) To exercise a call option a bank must receive prior approval of RBI (Department of Banking Regulation); and
- (b) A bank must not do anything which creates an expectation that the call will be exercised. For example, to preclude such expectation of the instrument being called, the dividend/coupon reset date need not be co-terminus with the call date. Banks may, at their discretion, consider having an appropriate gap between dividend/coupon reset date and call date; and
- (c) Banks must not exercise a call unless:
 - (i) They replace the called instrument with capital of the same or better quality and the replacement of this capital is

done at conditions which are sustainable for the income capacity of the bank; or

- (ii) The bank demonstrates that its capital position is well above the minimum capital requirements after the call option is exercised.

The use of tax event and regulatory event calls may be permitted. However, exercise of the calls on account of these events is subject to the requirements set out in points(a) to (c) of criterion 1.6. RBI will permit the bank to exercise the call only if the RBI is convinced that the bank was not in a position to anticipate these events at the time of issuance of these instruments as explained in case of Additional Tier 1 instruments.

1.7 Treatment in Bankruptcy/Liquidation

The investor must have no rights to accelerate the repayment of future scheduled payments (coupon or principal) except in bankruptcy and liquidation.

1.8 Prohibition on Purchase/Funding of Instruments

Neither the bank nor a related party over which the bank exercises control or significant influence (as defined under relevant Accounting Standards) should purchase the instrument, nor can the bank directly or indirectly should fund the purchase of the instrument. Banks should also not grant advances against the security of the debt instruments issued by them.

1.9 Reporting of Non-payment of Coupons

All instances of non-payment of coupon should be notified by the issuing banks to the Chief General Managers-in-Charge of Department of Banking Regulation and Department of Banking Supervision of the Reserve Bank of India, Mumbai.

1.10 Seniority of Claim

The claims of the investors in instruments shall be:

- i. senior to the claims of investors in instruments eligible for inclusion in Tier 1 capital;
- ii. subordinate to the claims of all depositors and general creditors of the bank; and

- iii. is neither secured nor covered by a guarantee of the issuer or related entity or other arrangement that legally or economically enhances the seniority of the claim vis-à-vis bank creditors.

1.11 Investment in Instruments Raised in Indian Rupees by Foreign Entities/NRIs

- (i) Investment by FIIs in Tier 2 instruments raised in Indian Rupees shall be outside the limit for investment in corporate debt instruments, as fixed by the Govt. of India from time to time. However, investment by FIIs in these instruments will be subject to a separate ceiling of USD 500 million. In addition, NRIs shall also be eligible to invest in these instruments as per existing policy.
- (ii) Banks should comply with the terms and conditions, if any, stipulated by SEBI/other regulatory authorities in regard to issue of the instruments.

1.12 Terms of Issue of Tier 2 Debt Capital Instruments in Foreign Currency

Banks may issue Tier 2 Debt Instruments in Foreign Currency without seeking the prior approval of the Reserve Bank of India, subject to compliance with the requirements mentioned below:

- i. Tier 2 Instruments issued in foreign currency should comply with all terms and conditions applicable to instruments issued in Indian Rupees.
- ii. The total outstanding amount of Tier 2 Instruments in foreign currency shall not exceed 25% of the unimpaired Tier 1 capital. This eligible amount will be computed with reference to the amount of Tier 1 capital as on March 31 of the previous financial year, after deduction of goodwill and other intangible assets but before the deduction of investments, as per paragraph 4.4.9 of the Master Circular on Basel III capital regulations.
- iii. This will be in addition to the existing limit for foreign currency borrowings by Authorised Dealers stipulated in terms of Master Circular No. 14/2010-11 dated July 1, 2010 on Risk Management and Inter-Bank Dealings as updated from time to time.

1.13 Compliance with Reserve Requirements

- (i) The funds collected by various branches of the bank or other banks for the issue and held pending finalisation of allotment of the Tier 2 Capital instruments will have to be taken into account for the purpose of calculating reserve requirements.
- (ii) The total amount raised by a bank through Tier 2 instruments shall be reckoned as liability for the calculation of net demand and time liabilities for the purpose of reserve requirements and, as such, will attract CRR/SLR requirements.

1.14 Reporting of Issuances

Banks issuing debt instruments shall submit a report to the Chief General Manager-in-charge, Department of Banking Regulation, Reserve Bank of India, Mumbai giving details of the debt raised, including the terms of issue specified at para 1 above, together with a copy of the offer document soon after the issue is completed.

1.15 Investment in Tier 2 Debt Capital Instruments Issued by Other Banks/ FIs

A bank's investment in Tier 2 debt instruments issued by other banks and financial institutions will be reckoned along with the investment in other instruments eligible for capital status while computing compliance with the overall ceiling of 10% for cross holding of capital among banks/FIs prescribed vide circular DBOD.BP.BC.No.3/21.01.002/ 2004-05 dated 6th July 2004 and also subject to cross holding limits.

Bank's investments in Tier 2 instruments issued by other banks/ financial institutions will attract risk weight as per paragraphs 5.6 and 8.3.5 of the Master Circular on Basel III Capital Regulations, whichever applicable for capital adequacy purposes.

1.16 Classification in the Balance Sheet

The amount raised by way of issue of Tier 2 debt capital instrument may be classified under 'Schedule 4 – Borrowings' in the Balance Sheet.

1.17 Debt Capital Instruments to Retail Investors

With a view to enhancing investor education relating to risk characteristics of regulatory capital requirements, banks issuing

subordinated debt to retail investors, subject to approval of their Board, should adhere to the following conditions:

- a) For floating rate instruments, banks should not use its Fixed Deposit rate as benchmark.
- b) The requirement for specific sign-off as quoted below, from the investors for having understood the features and risks of the instrument may be incorporated in the common application form of the proposed debt issue.

“By making this application, I/We acknowledge that I/We have understood the terms and conditions of the Issue of [insert the name of the instruments being issued] of [Name of The Bank] as disclosed in the Draft Shelf Prospectus, Shelf Prospectus and Tranche Document “.

- c) All the publicity material, application form and other communication with the investor should clearly state in bold letters (with font size 14) how a subordinated bond is different from fixed deposit particularly that it is not covered by deposit insurance. In addition, the loss absorbency features of the instrument should be clearly explained and the investor’s sign-off for having understood these features and other terms and conditions of the instrument should be obtained.

1.18 Raising of Instruments for Inclusion as Tier 2 Capital by Foreign Banks in India

Foreign banks in India may raise Head Office (HO) borrowings in foreign currency for inclusion as Tier 2 capital subject to the same terms and conditions as mentioned in items 1.1 to 1.17 above for Indian banks. In addition, the following terms and conditions would also be applicable:

- a) *Maturity period:* If the amount of Tier 2 debt capital raised as HO borrowings is in tranches, each tranche shall be retained in India for a minimum period of five years.
- b) *Rate of interest:* Rate of interest on Tier 2 capital raised as HO borrowings should not exceed the on-going market rate. Interest should be paid at half yearly rests.

- c) *Withholding tax*: Interest payments to the HO will be subject to applicable withholding tax.
- d) *Documentation*: The foreign bank raising Tier 2 debt capital as Borrowings should obtain a letter from its HO agreeing to give the loan for supplementing the capital base for the Indian operations of the foreign bank. The loan documentation should confirm that the loan given by HO shall be eligible for the same level of seniority of claim as the investors in debt capital instruments issued by Indian banks. The loan agreement will be governed by and construed in accordance with the Indian law.
- e) *Disclosure*: The total eligible amount of HO borrowings shall be disclosed in the balance sheet under the head 'Tier 2 debt capital raised in the form of Head Office borrowings in foreign currency'.
- f) *Hedging*: The total eligible amount of HO borrowing should remain fully swapped in Indian Rupees with the bank at all times.
- g) *Reporting and certification*: Details regarding the total amount of Tier 2 debt capital raised as HO borrowings, along with a certification to the effect that the borrowing is in accordance with these guidelines, should be advised to the Chief General Managers-in-Charge of the Department of Banking Regulation (International Banking Division), Department of External Investments and Operations and Financial Markets Regulation Department, Reserve Bank of India, Mumbai.
- h) *Features*: The HO borrowings should be fully paid up, i.e. the entire borrowing or each tranche of the borrowing should be available in full to the branch in India. It should be unsecured, subordinated to the claims of other creditors of the foreign bank in India, free of restrictive clauses and should not be redeemable at the instance of the HO.
- i) *Rate of discount*: The HO borrowings will be subjected to progressive discount as they approach maturity at the rates indicated below:

<i>Remaining maturity of borrowing</i>	<i>Rate of discount (%)</i>
More than 5 years	Not Applicable (the entire amount can be included as subordinated debt in Tier 2 capital)
More than 4 years and less than 5 years	20
More than 3 years and less than 4 years	40
More than 2 years and less than 3 years	60
More than 1 year and less than 2 years	80
Less than 1 year	100 (No amount can be treated as subordinated debt for Tier 2 capital)

1.19 Requirements

The total amount of HO borrowings is to be reckoned as liability for the calculation of net demand and time liabilities for the purpose of reserve requirements and, as such, will attract CRR/SLR requirements.

1.20 Hedging

The entire amount of HO borrowing should remain fully swapped with banks at all times. The swap should be in Indian rupees.

1.21 Reporting and Certification

Such borrowings done in compliance with the guidelines set out above would not require prior approval of Reserve Bank of India. However, information regarding the total amount of borrowing raised from Head Office under this Annex, along with a certification to the effect that the borrowing is as per the guidelines, should be advised to the Chief General Managers-in-Charge of the Department of Banking Regulation (International Banking Division), Department of External Investments and Operations and Financial Markets Regulation Department, Reserve Bank of India, Mumbai.

CHAPTER 5

**PRIVATE PLACEMENT OF SHARES &
DEBENTURES**

INTRODUCTION

The Companies Act, 2013 made significant changes in the provisions relating to private placement of securities, which was an important route for raising the funds by the companies. The Companies Act, 1956 did not define the term 'private placement' rather certain offers of shares or debentures/invitation to subscribe for shares or debentures to any section of the public were not regarded as public issues under section 67(3) the Act, 1956 i.e., where shares or debentures are available for subscription or purchase only to those receiving the offer/invitation and offer/invitation is a domestic concern of the issuer and those receiving the offer/invitation, were termed as private placement.

However, as per the proviso to section 67(3) of the Act, 1956, when a company made an offer or invitation to subscribe for shares or debentures to 50 or more persons, such offers was treated as made to public. Under the Companies Act, 1956 the conditions relating to private placement were applicable only to public companies. On the other hand, the Companies Act, 2013 provides various conditions for private placement of shares and debentures which apply to both private companies and public companies.

BACKGROUND

The conditions imposed in relation to private placements by companies seem to have been issued after the ruling of the Hon'ble Supreme Court of India in the case of Sahara Group wherein the companies Sahara India Real Estate Corporation Limited ('SIRECL') and Sahara Housing Investment Corporation Limited ('SHICL') issued unsecured optionally fully convertible debentures

(“OFCDs”) amounting to about Rs. 24,000 crores to more than 2 crore investors.

When SEBI, had come to know of the large collection of money from the public through issuance of OFCDs by Sahara group, it issued a show cause notice to SIRECL and SHICL *inter alia* stating that the issuance of OFCD’s are public issue and therefore liable to be listed u/s 73 of Act, 1956 and also directed to refund the money solicited and mobilized through the prospectus issued with respect to the OFCDs, since there was violation of various other clauses of the SEBI (Disclosure and Investor Protection) Guidelines, 2000 (repealed now) and also various provisions of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009.

It was contended by the Sahara Group that OFCDs were issued in the nature of “hybrid instruments” as defined u/s 2(19A) the Act, 1956 and SEBI did not have jurisdiction to administer those securities since hybrid securities were not included in the definition of ‘securities’ under the Securities and Exchange Board of India Act, 1992 (“SEBI Act”), or Securities Contract (Regulation) Act, 1956 (“SCRA”), but would be governed by the Central Government under section 55A(c) of the Act, 1956.

The Supreme Court held that OFCDs issued by Sahara Group were public issue of debentures and once the number of subscribers cross 49, then the proviso to Section 67(3) becomes effective and it is an issue to the public, which attracts Section 73(1) of Act, 1956 and application for listing becomes mandatory which falls under the administration of SEBI u/s 55A (1) (b) of the Act, 1956. The Court upheld the proceedings of the SEBI and Sahara Group was ordered to refund the amount to investors along with interest.

PRIVATE PLACEMENT UNDER COMPANIES ACT, 2013

Chapter III, Part II of the Companies Act, 2013 deals exclusively with private placements.

Section 42 of the Companies Act, 2013 defines ‘private placement’ which means any offer of securities or invitation to subscribe securities to a selected group of persons by a company (other than by way of public offer) through issue of a private placement offer letter and which satisfies the conditions specified in this section including the

condition that offer or invitation shall not more than 50 or such higher number as may be prescribed, (excluding qualified institutional buyers, and employees of the company being offered securities under a scheme of employee stock option), in a financial year and on such conditions as may be specified under rule 14(2) of Companies (Prospectus and Allotment of Securities) Rules, 2014.

Rule 14(2) prescribes that such offer or invitation shall be made to not more than 200 persons in aggregate in a financial year.

The provisions of private placement apply on issue of “securities” and not “shares”. Thus the provisions have widened the scope and cover a whole form of instruments such as shares, bonds, debentures and other marketable securities etc.

Private Placement shall be treated as a Public Offer

Section 42(4) of the Companies Act, 2013 mandates a company to comply with the provisions of SEBI Act, 1992 & Securities Contracts (Regulation) Act, 1956, if any offer or invitation is not in compliance with the provisions of the section and such offer or invitation shall be treated as a public offer.

Allotment of Securities

Section 42(6) provides that all the securities under this section, are to be allotted within a period of 60 days from the receipt of application money. If the company is not able to allot the securities within the specified period, the application money is to be refunded within a period of 15 days from completion of 60 days’ time and if the company fails to repay the application money within the aforesaid period, it shall be liable to repay that money with interest at the rate of twelve per cent per annum from the expiry of the sixtieth day. Every company making any allotment under the said section shall submit with the Registrar, the particulars of every private offer within 30 days of circulation of offer letter.

Monies to be kept in Separate Bank Account

The money raised by the issue of offer or invitation shall be in a separate bank account and cannot be used any purpose other than –

- (a) For adjustment against allotment of securities;

- (b) For the repayment of monies where the company is unable to allot securities.

Exemption to Non-Banking Financial Companies (NBFCs) and Housing Finance Companies (HFCs)

Rule 14(5) of the Companies (Prospectus and Allotment of Securities) Rules, 2014 provides that the criteria of offer or invitation to 200 persons in aggregate in a financial year and minimum investment size of twenty thousand rupees of face value shall not be applicable to NBFCs registered with the Reserve Bank of India and Housing Finance Companies(HFCs) registered with the National Housing Bank(NHB), if they are complying with the regulations made by RBI or NHB in respect of offer or invitation to be issued on private placement basis.

Procedure to Make Allotment through Private Placement under the Companies Act, 2013 read with the Companies (Prospectus and Allotment of Securities) Rules, 2014

1. Hold the board meeting and pass board resolution for convening the meeting of members and approving draft notice of meeting of members;
2. Hold the general meeting and pass the special resolution; [**Rule 14(2) (a)**]
3. Send letter of offer in Form **PAS-4** along with application form to the proposed subscribers, whose names are recorded by the company prior to the invitation subscribe; [**Rule 14(1) (a)**]
4. File Form **MGT-14** along with the fees as provided in the Companies (Registration of Offices and Fees) Rules, 2014, with the Registrar within 30 days of passing the resolution; [**Section 117(1)**]
5. The explanatory statement annexed to the notice for the general meeting required u/s 102 shall disclose the basis or justification for the price (including premium, if any) at which the offer or invitation is being made; [**First Proviso to Rule 14(2)(a)**]
6. If the said offer or invitation is for non-convertible debentures, it shall be sufficient if the company has passed a previous special

resolution during year for all the offers or invitation for such debentures; [**Second Proviso to Rule 14(2) (a)**]

7. The offer or invitation shall not be made to not more than 200 persons in the aggregate in a financial year excluding QIBs and employees offered securities under ESOP; [**Rule 14(2)(b)**]
8. The value of such offer or invitation per person shall be with an investment size of not less than 20,000 rupees of face value of the securities. [**Rule 14(2) (c)**]
9. All monies payable towards subscription of securities under this section shall be paid through cheque or demand draft or other banking channels but not by cash; [**Section 42(5)**]
10. The payment to be made for subscription to securities shall be made from the bank account of the person subscribing to such securities and the company shall keep the record of the bank account from where such payments for subscriptions have been received and the monies payable on subscription to securities to be held by joint holders shall be paid from the bank account of the person whose name appears first in the application; [**Rule 14(2) (d)**]
11. The company shall maintain a complete record of private placement offers in Form **PAS-5**; [**Rule 14(3)**]
12. File Form **PAS-5** along with the private placement offer letter in Form **PAS-4** with the Registrar with fee as provided in Companies (Registration Offices and Fees) Rules, 2014 and where the company is listed, with the Securities and Exchange Board within a period of 30 days of circulation of the private placement offer letter; [**Proviso to Rule 14(3)**]
13. A return of allotment of securities under section 42 shall be filed with the Registrar within thirty days of allotment in Form **PAS-3** and with the fee as provided in the Companies (Registration Offices and Fees) Rules, 2014 along with a complete list of all security holders containing –
 - (i) The full name, address, Permanent Account Number and E-mail ID of such security holder;
 - (ii) The class of security held;

- (iii) The date of allotment of security;
 - (iv) The number of securities held, nominal value and amount paid on such securities and particulars of consideration received if the securities were issued for consideration other than cash. [Rule 14(4)]
14. Issue share certificates and update minute's book and registers. [Section 46]
 15. The company shall intimate the details of allotment of securities to depository immediately on allotment of such shares.

PRIVATE PLACEMENT UNDER SEBI (ISSUE AND LISTING OF NON-CONVERTIBLE REDEEMABLE PREFERENCE SHARES) REGULATIONS, 2013

“Private placement” means an offer or invitation to subscribe to the non-convertible redeemable preference shares in terms of sub-section (1) (b) of section 23 of the Companies Act, 2013. SEBI has allowed issue of non-convertible redeemable preference shares through private placement under the provisions of SEBI (Issue and Listing of Non-Convertible Redeemable Preference Shares) Regulations, 2013. This is a faster way for a company to raise capital. The following are the conditions for listing of non-convertible redeemable preference shares issued on Private placement basis:-

1. 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:
 - In compliance with the provisions of the Companies Act, 2013, rules prescribed thereunder and other applicable laws;
 - Credit rating has been obtained from at least one credit rating agency registered with SEBI;
 - Should be in dematerialized form;
 - The disclosures as provided in regulation have been made;
 - The minimum application size for each investor is not less than 10 lakh rupees; 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.
- 2. 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.
- 3. 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 these regulations accompanied by the latest Annual Report of the issuer.
- 4. The disclosures as provided above shall be made on the websites of stock exchanges where such securities are proposed to be listed and shall be available for download in PDF / HTML formats.

PRIVATE PLACEMENT UNDER SEBI (ISSUE AND LISTING OF DEBT SECURITIES) REGULATIONS, 2008

- (1) An issuer may list its debt securities issued on private placement basis on a recognized stock exchange subject to the following conditions:
 - In compliance with the provisions of the Companies Act, 2013, rules prescribed there under and other applicable laws.
 - Credit rating has been obtained from at least one credit rating agency registered with SEBI.
 - Should be in dematerialized form.
 - The disclosures as provided in these regulation have been made.
 - Where application is made to more than one recognised stock exchange, the issuer shall choose one of them as the designated stock exchange.
- (2) 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.

- (3) The issuer making a private placement of debt securities and seeking listing thereof on a recognised stock exchange shall make disclosures in a disclosure document as specified in Schedule I of these regulations accompanied by the latest Annual Report of the issuer.
- (4) The designated stock exchange shall collect a regulatory fee from the issuer at the time of listing of debt securities issued on private placement basis.

PRIVATE PLACEMENT UNDER SEBI (ISSUE AND LISTING OF DEBT SECURITIES BY MUNICIPALITIES) REGULATIONS, 2015

Conditions for listing of debt securities issued on private placement basis

An issuer may list its debt securities issued on private placement basis on a recognised stock exchange subject to the following conditions:

- a) an issuer may issue general obligation bonds or revenue bonds;
- b) accounts of municipality being the issuer, shall be prepared in accordance with National Municipal Accounts Manual or in accordance with similar Municipal Accounts Manual adopted by the respective State Government for at least three immediately preceding financial years;
- c) municipality shall have surplus income as per its Income and Expenditure Statement, in any of the immediately preceding three financial years or any other financial criteria as may be specified by SEBI from time to time. However, a corporate municipal entity shall not have negative net worth in any of immediately preceding three financial years.
- d) municipality shall not have defaulted in repayment of debt securities or loans obtained from banks or financial institutions, during the last three hundred and sixty five days. However, where the issuer is a corporate municipal entity, the requirements at clauses (b) and (d) shall be complied by the municipality which is being financed;

- e) no order or direction of restraint, prohibition or debarment by SEBI against the corporate municipal entity or its directors is in force;
- f) the issuer, being a corporate municipal entity, has issued such debt securities in compliance with the provisions of Companies Act, 2013 and particularly section 42 of the Companies Act, 2013 and rules prescribed there under and other applicable laws;
- g) the issuer shall not solicit or collect funds by issue of debt securities, except by way of private placement;
- h) the minimum subscription amount per investor shall not be less than rupees twenty five lakh or such amount as may be specified by SEBI from time to time;
- i) credit rating has been obtained in respect of such debt securities from at least one credit rating agency registered with SEBI;
- j) the debt securities proposed to be listed are in dematerialized form;
- k) the disclosures as provided in **Schedule I** of these regulations have been made.

Disclosures

SEBI issued disclosures norms under regulation 23 of SEBI (Issue and Listing of Debt Securities by Municipalities) Regulations, 2015 ('ILD M Regulation'). All the issuers making public issues of debt securities or seeking listing of debt securities issued on private placement basis, shall comply with conditions of listing including continuous disclosure and other requirements specified by SEBI. The said disclosures, *inter-alia*, include disclosures for financial as well as non-financial information.

The following are disclosures norms:

1. Disclosure of financial information

While disclosing its financial information to the Stock Exchanges, an issuer of debt securities under SEBI ILDM Regulations shall comply with the following:

a) Frequency and time period for disclosures

- The issuer shall prepare and submit un-audited financial results

on a half yearly basis to the stock exchange and debenture trustee, wherever applicable, as soon as the same is available but not later than three months from the end of the half year.

- The issuer shall prepare and submit the annual audited financial results with the stock exchange and debenture trustee, wherever applicable, as soon as the same is available but not later than six months from the end of the financial year. The audited financial results shall be accompanied by the annual report of the issuer.

b) Comparative information:

- The annual financial information shall contain comparative information for the immediately preceding financial year.
- The comparative information would consist of corresponding amounts (comparative figures) for all the items shown in the key financial statements, including notes.

c) Key financial statements:

The key financial statements shall include the following:

- Balance Sheet;
- Income and Expenditure Statement;
- Statement of Cash flows (a summary of an enterprise's cash flow over a given period of time);
- Receipts and Payments Account (detailed as per the account heads);
- Notes to Accounts; and
- Financial Performance Indicators.

d) Annual report:

The annual report shall include the following:

- Key Financial statements;
- Report of the Auditor;
- Municipal commissioner's Report on the Annual Financial Statements and the qualifications and comments made in the Report of the Auditor; and

- Standing Committee's Action Taken Report on the qualifications and comments made in the Report of the Auditor and the Report of the Municipal commissioner.

e) Approval and authentication of financial information:

Before submission of the financial information to the Stock Exchanges, the financial information shall be taken on record by Standing Committee or General Body or Board of Directors or Board of Trustee, as applicable or equivalent.

f) Audit of Financial Information:

The annual financial information shall be audited, by the auditor appointed by the issuer as per the SEBI ILDM Regulations.

2. Other Continuous Disclosures to Stock Exchange(s) and Other Compliances

a) Listing Agreement

- An issuer shall enter into a simplified listing agreement, with all the Stock Exchanges where it proposes to list debts securities.
- However, with respect to the compliance with the listing conditions, an issuer shall follow the SEBI (Issue and Listing of Debt Securities by Municipalities) Regulations, 2015 and circulars issued therein.

b) Intimation to/ Approval from Stock Exchange(s)

i) Intention to raise funds:

The issuer shall intimate the stock exchange(s), its intention to raise funds through debt securities or 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 the Standing Committee/General Body wherein the proposal to raise funds through new debt securities shall be considered.

ii) Disclosure of Material and Price sensitive information:

The issuer shall first disclose to stock exchange(s) of all events or information having bearing on the performance/operation of the listed entity, material or price sensitive information or any action that shall

affect payment of interest or redemption of debt securities issued under SEBI ILDM Regulations as soon as reasonably possible and not later than twenty four hours from the occurrence of event or information.

iii) Timely payment of interests or principal obligations or both:

The issuer shall submit a certificate to the stock exchange within five working days of the interest or principal or both becoming due that it has made timely payment of interests or principal obligations or both in respect of the debt securities issued under SEBI ILDM Regulations.

iv) Approval from the stock exchange(s) for any material modification:

The issuer shall not make material modification such as the structure of the debt security in terms of coupon, redemption, or otherwise, without prior approval of the stock exchange(s) where the debt securities issued under SEBI ILDM Regulations are listed, to :

Provided that an application for approval from the stock exchange(s) shall be made only after approval of the designated committee/competent authorities and with the approval of the consent of requisite majority of holders of that class of securities.

v) Record Date:

The issuer shall fix a record date for purposes of payment of interest to the holder of debts securities and payment of redemption or repayment amount or for such other purposes as specified by the stock exchange. The issuer shall also give notice in advance of at least seven working days (excluding the date of intimation and the record date) to the recognized stock exchange(s) of the record date or of as many days as the stock exchange(s) may agree to or require specifying the purpose of the record date.

3. Other conditions:

a) Documents and information to holders of debt securities:

The listed entity shall send the following documents and information to holders of debt securities issued under SEBI ILDM Regulations:

- Soft copies of full annual reports to all the holders of the debt securities who have registered their email address (es) for the purpose;

- Hard copies of full annual reports to those holders of debt securities, who request for the same.

b) Credit Rating:

Every credit rating, wherever required to be obtained by an issuer as per Regulation 5(2) (c) and 15(1)(g) of the SEBI ILDM Regulations, shall be reviewed at least once a year, by the registered credit rating agency.

c) Grievance Redressal Mechanism:

- An issuer of debt securities under SEBI ILDM Regulations shall ensure that adequate steps are taken for expeditious redressal of investor complaints.
- An issuer of debt securities under SEBI ILDM Regulations shall ensure that it is registered on the SCORES platform or such other electronic platform or system of SEBI as shall be mandated from time to time, in order to handle investor complaints electronically in the manner specified by SEBI.
- An issuer of debt securities under SEBI ILDM Regulations shall file with the recognized stock exchange(s), where its securities are listed, on half yearly basis, within thirty working days from the end of each half year a statement giving the following details:
 - 1) Number of investor complaints pending at the beginning of the half year;
 - 2) Number of investor complaints received during the half year;
 - 3) Number of investor complaints disposed of during the half year;
 - 4) Number of investor complaints pending at the end of the half year.

d) The Standing Committee or General Body or Board of Directors or Board of Trustee, as applicable shall review the aforementioned statement, before submission of the same to the Stock Exchange(s), and shall ensure that all investor complaints are redressed by the issuer in timely manner.

e) Periodic disclosures to be made on half yearly basis in terms of para 2 of Schedule V of SEBI ILDM Regulations shall be submitted within 30 working days from the end of the half year.

4. Appointment of Compliance Officer:

An issuer shall appoint a Compliance Officer who shall be responsible for:

- i. ensuring conformity with the regulatory provisions applicable to the issuer in letter and spirit.
- ii. co-ordination with and reporting to SEBI, recognized stock exchange(s) and depositories with respect to compliance with rules, regulations and other directives of these authorities in manner as specified from time to time.
- iii. ensuring that the correct procedures have been followed that would result in the correctness, authenticity and comprehensiveness of the information, statements and reports filed by the issuer under these regulations.
- iv. monitoring email of grievance redressal division as designated by the issuer for the purpose of registering complaints by investors.

The issuer who has listed its debt securities under the SEBI ILDM Regulations shall forward to the stock exchange any other information in the manner and format as specified by SEBI from time to time.

Submission of accounts for Private Placement

Any issuer proposing to issue debt securities on private placement basis under SEBI (Issue and Listing of Debt Securities by Municipalities) Regulations, 2015, in the FY 2017-18, shall submit the following documents:

- a) Audited accounts for the financial years 2013-14, 2014-15 and 2015-16 in the information memorandum to the stock exchanges.
- b) For the immediately preceding FY i.e. FY 2016-17, the issuers shall submit the half yearly financial statements, as available (audited or unaudited) as on September 2016.

Although, the audited accounts for 2016-17 would have to be submitted within one year from the end of March 31, 2018 to stock exchanges where the debt securities have been listed. Such audited accounts would have to be displayed on the website of the recognised stock exchanges and the issuer. In addition, the issuers would be required to provide, on request, a copy (physical or electronic) of such audited accounts to its investors.

ANNEXURE I

SCHEDULE III OF SEBI (LODR), 2015

**PART D : DISCLOSURE OF INFORMATION HAVING
BEARING ON PERFORMANCE/ OPERATION OF LISTED
ENTITY AND/OR PRICE SENSITIVE INFORMATION:
SECURITISED DEBT INSTRUMENT**

[See Regulation 83(2)]

A. The listed entity shall promptly inform the stock exchange(s) of all information having bearing on the performance/operation of the listed entity and price sensitive information including:

- 1) any attachment or prohibitory orders restraining the listed entity from transferring securitized debt instruments from the account of the registered holders and particulars of the numbers of securitized debt instruments so affected and the names of the registered holders and their demat account details;
- 2) any action that shall result in the redemption, conversion, cancellation, retirement in whole or in part of any securitized debt instruments;
- 3) any action that shall affect adversely payment of interest on securitized debt instruments;
- 4) any change in the form or nature of any of its securitized debt instruments that are listed on the stock exchange(s) or in the rights or privileges of the holders thereof and to make an application for listing of the said securities as changed, if the stock exchange(s) so requires;
- 5) expected default in timely payment of interest or redemption or repayment amount or both in respect of the securitized debt instruments listed on the recognised stock exchange(s) as soon as the same becomes apparent;
- 6) changes in the General Character or nature of business / activities, disruption of operation due to natural calamity etc;
- 7) revision in rating as a result of credit rating done periodically;
- 8) delay/ default in payment of interest/principal amount to the

investors for a period of more than three months from the due date; and

- 9) any other change that shall affect the rights and obligations of the holders of securitized debt instruments, any other information not in the public domain necessary to enable the holders of the listed securitized debt instruments to clarify its position and to avoid the creation of a false market in such listed securities or any other information having bearing on the operation/performance of the listed entity as well as price sensitive information.

SCHEDULE IV

PART A: DISCLOSURES IN FINANCIAL RESULTS

[See Regulation 33(1)(e)]

The listed entity shall disclose the following while preparing the financial results:-

- A. Changes in accounting policies, if any, shall be disclosed in accordance with Accounting Standard 5 or Indian Accounting Standard 8, as applicable, specified in 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.
- B. If the auditor has expressed any modified opinion(s) [***]³² in respect of audited financial results submitted or published under this para, the listed entity shall disclose such modified opinion(s) [***]³³ and cumulative impact of the same on profit or loss, net worth, total assets, turnover/total income, earning per share [, total expenditure, total liabilities]³⁴ or any other financial item(s) which may be impacted due to modified opinion(s) [***]³⁵, while publishing or submitting such results.
 - [BA. If the auditor has expressed any modified opinion(s), the management of the listed entity has the option to explain its views on the audit qualifications and the same shall be included in the Statement on Impact of Audit Qualifications (for audit report with modified opinion).
 - BB. With respect to audit qualifications where the impact of the qualification is not quantifiable:
 - (i) The management shall make an estimate and the auditor shall review the same and report accordingly; or

32. The words 'or other reservation(s)' omitted by SEBI (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2016, w.e.f. 01.04.2016

33. The words 'or other reservation(s)' omitted by SEBI (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2016, w.e.f. 01.04.2016

34. Inserted by SEBI (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2016, w.e.f. 04.2016

35. The words 'or other reservation(s)' omitted by SEBI (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2016, w.e.f. 01.04.2016

- (ii) If the management is unable to make an estimate, it shall provide the reasons and the auditor shall review the same and report accordingly.

The above shall be included in the statement on impact of audit qualifications (for audit report with modified opinion).]³⁶

- C. If the auditor has expressed any modified opinion(s) or other reservation(s) in his audit report or limited review report in respect of the financial results of any previous financial year or quarter which has an impact on the profit or loss of the reportable period, the listed entity shall include as a note to the financial results –
 - (i) how the modified opinion(s) or other reservation(s) has been resolved; or
 - (ii) if the same has not been resolved, the reason thereof and the steps which the listed entity intends to take in the matter.
- D. If the listed entity has changed its name suggesting any new line of business, it shall disclose the net sales or income, expenditure and net profit or loss after tax figures pertaining to the said new line of business separately in the financial results and shall continue to make such disclosures for the three years succeeding the date of change in name:

Provided that the tax expense shall be allocated between the said new line of business and other business of the listed entity in the ratio of the respective figures of net profit before tax, subject to any exemption, deduction or concession available under the tax laws.
- E. If the listed entity had not commenced commercial production or commercial operations during the reportable period, the listed entity shall, instead of submitting financial results, disclose the following details:
 - (i) details of amount raised i.e. proceeds of any issue of shares or debentures made by the listed entity;

36. Inserted by SEBI (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2016, w.e.f. 04.2016

- (ii) the portions thereof which is utilized and that remaining unutilized;
- (iii) the details of investment made pending utilisation ;
- (iv) brief description of the project which is pending completion;
- (v) status of the project and
- (vi) expected date of commencement of commercial production or commercial operations:

Provided that the details mentioned above shall be approved by the board of directors based on certification by the chief executive officer and chief financial officer.

- F. All items of income and expenditure arising out of transactions of exceptional nature shall be disclosed.
- G. Extraordinary items, if applicable, shall be disclosed in accordance with Accounting Standard 5 (AS 5 – Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies) or Companies (Accounting Standards) Rules, 2006, whichever is applicable.
- H. The listed entity, whose revenues are subject to material seasonal variations, shall disclose the seasonal nature of their activities and the listed entity may supplement their financial results with information for the twelve month period ending on the last day of the quarter for the current and preceding years on a rolling basis.
- I. The listed entity shall disclose any event or transaction which occurred during or before the quarter that is material to an understanding of the results for the quarter including but not limited to completion of expansion and diversification programmes, strikes and lock-outs, change in management, change in capital structure and the listed entity shall also disclose similar material events or transactions that take place subsequent to the end of the quarter.
- J. The listed entity shall disclose the following in respect of dividends paid or recommended for the year, including interim dividends :

- (i) amount of dividend distributed or proposed for distribution per share; the amounts in respect of different classes of shares shall be distinguished and the nominal values of shares shall also be indicated;
 - (ii) where dividend is paid or proposed to be paid pro-rata for shares allotted during the year, the date of allotment and number of shares allotted, pro-rata amount of dividend per share and the aggregate amount of dividend paid or proposed to be paid on pro-rata basis.
- K. The listed entity shall disclose the effect on the financial results of material changes in the composition of the listed entity, if any, including but not limited to business combinations, acquisitions or disposal of subsidiaries and long term investments, any other form of restructuring and discontinuance of operations.
- L. The listed entity shall ensure that segment reporting is done in accordance with AS-17 or Indian Accounting Standard 108 as applicable, specified in 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.

ANNEXURE II**SCHEDULE I**

[See Regulation 5(2)(b), Regulation 19(3), Regulation 21 and Regulation 21A of SEBI (Issue and Listing of Debt Securities), Regulations 2008]

DISCLOSURES

1. The issuer seeking listing of its debt securities on a recognized stock exchange shall file the following disclosures along with the listing application to the stock exchange:
 - A. Memorandum and Articles of Association and necessary resolution(s) for the allotment of the debt securities;
 - B. Copy of last three years audited Annual Reports;
 - C. Statement containing particulars of, dates of, and parties to all material contracts and agreements;
 - D. Copy of the Board / Committee Resolution authorizing the borrowing and list of authorized signatories.
 - E. An undertaking from the issuer stating that the necessary documents for the creation of the charge, where applicable, including the Trust Deed would be executed within the time frame prescribed in the relevant regulations/act/rules etc and the same would be uploaded on the website of the Designated Stock exchange, where the debt securities have been listed, within five working days of execution of the same.
 - F. Any other particulars or documents that the recognized stock exchange may call for as it deems fit.

-
- Redemption Date
 - Put / Call option _____
 - Proposed listing of the debt securities with ____ Stock Exchange
 - Issuance Physical /Demat mode
 - Trading Demat mode only
 - Depository _____
 - Security
 - Rating ____ by ____ (All the credit rating/s, including any unaccepted credit ratings, shall be disclosed in the draft offer document to be filed with SEBI)
 - Settlement By way of [Insert details of payment procedure]
 - Issue Schedule :
 - Issue opens on: _____

- Issue closes on _____
 - Pay-in date _____
 - Deemed date of allotment _____
- G. An undertaking that permission / consent from the prior creditor for a second or *pari passu* charge being created, where applicable, in favour of the trustees to the proposed issue has been obtained.
2. Issuer shall submit the following disclosures to the Debenture Trustee in electronic form (soft copy) at the time of allotment of the debt securities:
- A. Memorandum and Articles of Association and necessary resolution(s) for the allotment of the debt securities;
 - B. Copy of last three years audited Annual Reports;
 - C. Statement containing particulars of, dates of, and parties to all material contracts and agreements;
 - D. Latest Audited / Limited Review Half Yearly Consolidated (wherever available) and Standalone Financial Information (Profit & Loss statement, Balance Sheet and Cash Flow statement) and auditor qualifications , if any.
 - E. An undertaking to the effect that the Issuer would, till the redemption of the debt securities, submit the details mentioned in point (D) above to the Trustee within the timelines as mentioned in Simplified Listing Agreement issued by SEBI vide circular No. SEBI/IMD/BOND/1/2009/11/05 dated May 11, 2009 as amended from time to time, for furnishing / publishing its half yearly/ annual result. Further, the Issuer shall within 180 days from the end of the financial year, submit a copy of the latest annual report to the Trustee and the Trustee shall be obliged to share the details submitted under this clause with all „Qualified Institutional Buyers (QIBs) and other existing debenture-holders within two working days of their specific request.
3. The following disclosures shall be made where relevant:
- A. Issuer Information

- (a) Name and address of the following:-
- (i) Registered office of the Issuer
 - (ii) Corporate office of the Issuer
 - (iii) Compliance officer of the Issuer
 - (iv) CFO of the Issuer
 - (v) Arrangers, if any, of the instrument
 - (vi) Trustee of the issue
 - (vii) Registrar of the issue
 - (viii) Credit Rating Agency (-ies) of the issue and
 - (ix) Auditors of the Issuer
- (b) A brief summary of the business/ activities of the Issuer and its line of business containing atleast following information:-
- (i) Overview
 - (ii) Corporate Structure
 - (iii) Key Operational and Financial Parameters * for the last 3 Audited years
 - (iv) Project cost and means of financing, in case of funding of new projects

** At least covering the following - Consolidated basis (wherever available) else on standalone basis*

<i>Parameters</i>	<i>Upto latest Half Year</i>	<i>FY.....</i>	<i>FY.....</i>	<i>FY.....</i>
For Non-Financial Entities				
Networth				
Total Debt				
of which – Non Current Maturities of Long Term Borrowing				
– Short Term Borrowing				

- Current Maturities of Long Term Borrowing				
Net Fixed Assets				
Non Current Assets				
Cash and Cash Equivalents				
Current Investments				
Current Assets				
Current Liabilities				
Net sales				
EBITDA				
EBIT				
Interest				
PAT				
Dividend amounts				
Current ratio				
Interest coverage ratio				
Gross debt/equity ratio				
Debt Service Coverage Ratios				
For Financial Entities				
Networth				
Total Debt				
of which – Non Current Maturities of Long Term Borrowing				
- Short Term Borrowing				
- Current Maturities of Long Term Borrowing				
Net Fixed Assets				
Non Current Assets				
Cash and Cash Equivalents				
Current Investments				
Current Assets				

Current Liabilities				
Assets Under Management				
Off Balance Sheet Assets				
Interest Income				
Interest Expense				
Provisioning & Write-offs				
PAT				
Gross NPA (%)				
Net NPA (%)				
Tier I Capital Adequacy Ratio (%)				
Tier II Capital Adequacy Ratio (%)				

Gross Debt: Equity Ratio of the Company:-

Before the issue of debt securities	
After the issue of debt securities	

(c) A brief history of the Issuer since its incorporation giving details of its following activities:-

(i) Details of Share Capital as on last quarter end:-

Share Capital	Rs
Authorized Share Capital	
Issued, Subscribed and Paid-up	
Share Capital	

(ii) Changes in its capital structure as on last quarter end, for the last five years:-

Date of Change (AGM/EGM)	Rs	Particulars

(iii) Equity Share Capital History of the Company as on last quarter end, for the last five years:-

Date of Allotment	No of Equity shares	Face Value (Rs.)	Issue Price (Rs.)	Consideration (Cash, other than case, etc.)	Nature of Allotment	Cumulative			Remark
						No of equity shares	Equity shares capital (Rs.)	Equity share premium (Rs.)	

Notes: (If any)

(iv) Details of any Acquisition or Amalgamation in the last 1 year.

(v) Details of any Reorganization or Reconstruction in the last 1 year:-

Type of Event	Date of Announcement	Date of Completion	Details

(d) Details of the shareholding of the Company as on the latest quarter end:-

(i) Shareholding pattern of the Company as on last quarter end:-

Sr. No	Particulars	Total No. of equity shares	No. of shares in demat form	Total shareholding as % of total no. of equity shares

Notes : - Shares pledged or encumbered by the promoters (if any)

(ii) List of top 10 holders of equity shares of the Company as on the latest quarter end:-

Sr. No	Name of the shareholder	Total No. of equity shares	No. of shares in demat form	Total shareholding as % of total no. of equity shares

(e) Following details regarding the directors of the Company:-

(i) Details of the current directors of the Company*

Name, designation and DIN	Age	Address	Director of the company	Details of other since director-ship

**Company to disclose name of the current directors who are appearing in the RBI defaulter list and/or ECGC default list, if any.*

(ii) Details of change in directors since last three years:-

Name, Designation and DIN	Date of Appointment/ Resignation	Director of the Company since (in case of resign-ation)	Remarks

(f) Following details regarding the auditors of the Company:-

(i) Details of the auditor of the Company:-

Name	Address	Auditor since

(ii) Details of change in auditor since last three years:-

Name	Address	Date of appointment/ resignation	Auditor of the company since (in case of resignation)	Remarks

(g) Details of borrowings of the Company, as on the latest quarter end:-

(i) Details of Secured Loan Facilities :

Lender's Name	Type of Facility	Amount Sanctioned	Principal Amount outstanding	Repayment Date / Schedule	Security

(ii) Details of Unsecured Loan Facilities:-

Lender's Name	Type of Facility	Amount Sanctioned	Principal Amount outstanding	Repayment Date / Schedule

(iii) Details of NCDs:-

Debt Series	Tenor/ period of maturity	Coupon	Amount	Date of Allotment	Redemption Date/ Schedule	Credit Rating	Secured/ un-secured	Security

(iv) List of Top 10 Debenture Holders (as on)

Sr. No.	Name of debenture holders	Amount

Note: Top 10 holders (in value terms, on cumulative basis for all outstanding debentures issues) details should be provided.

(v) The amount of corporate guarantee issued by

the Issuer along with name of the counterparty (like name of the subsidiary, JV entity, Group Company, etc) on behalf of whom it has been issued.

- (vi) Details of Commercial Paper:- The total Face Value of Commercial Papers Outstanding as on the latest quarter end to be provided and its breakup in following table :

Maturity Date	Amount Outstanding

- (vii) Details of Rest of the borrowing (if any including hybrid debt like FCCB, Optionally Convertible Debentures/Preference Shares) as on:-

Party Name (in case of Facility)/ Instrument Name	Type of Facility/ Instrument	Amount Sanctioned/	Principal Amount outstanding/ issued	Repayment date/ Schedule	Credit Rating	Secured/ unsecured	Security

- (viii) Details of all default/s and/or delay in payments of interest and principal of any kind of term loans, debt securities and other financial indebtedness including corporate guarantee issued by the Company, in the past 5 years .

- (ix) Details of any outstanding borrowings taken/ debt securities issued where taken / issued (i) for consideration other than cash, whether in whole or part, (ii) at a premium or discount, or (iii) in pursuance of an option;

- (h) Details of Promoters of the Company:-

(i) Details of Promoter Holding in the Company as on the latest quarter end:-

Sr No	Name of the shareholders	Total No of equity shares	No of shares in demat form	Total shareholding as % of total no of equity shares	No of shares pledged	% of Shares pledged with respect to shares Owned.

- (i) Abridged version of Audited Consolidated (wherever available) and Standalone Financial Information (like Profit & Loss statement, Balance Sheet and Cash Flow statement) for at least last three years and auditor qualifications , if any. *
- (j) Abridged version of Latest Audited / Limited Review Half Yearly consolidated (wherever available) and Standalone Financial Information (like Profit & Loss statement, and Balance Sheet) and auditor's qualifications, if any. *
- (k) Any material event/ development or change having implications on the financials/credit quality (e.g. any material regulatory proceedings against the Issuer/ promoters, tax litigations resulting in material liabilities, corporate restructuring event etc) at the time of issue which may affect the issue or the investors decision to invest / continue to invest in the debt securities.
- (l) The names of the debenture trustee(s) shall be mentioned with statement to the effect that debenture trustee(s) has given his consent to the Issuer for his appointment under regulation 4 (4) and in all the subsequent periodical communications sent to the holders of debt securities.
- (m) The detailed rating rationale (s) adopted (not older than one year on the date of opening of the issue)/ credit rating letter issued (not older than one month on the date of opening of the issue) by the rating agencies shall be disclosed.

- (n) If the security is backed by a guarantee or letter of comfort or any other document / letter with similar intent, a copy of the same shall be disclosed. In case such document does not contain detailed payment structure (procedure of invocation of guarantee and receipt of payment by the investor along with timelines), the same shall be disclosed in the offer document.
- (o) Copy of consent letter from the Debenture Trustee shall be disclosed.
- (p) Names of all the recognised stock exchanges where the debt securities are proposed to be listed clearly indicating the designated stock exchange.
- (q) Other details
 - (i) DRR creation - relevant regulations and applicability.
 - (ii) Issue/instrument specific regulations - relevant details (Companies Act, RBI guidelines, etc).
 - (iii) Application process.

**Issuer shall provide latest Audited or Limited Review Financials in line with timelines as mentioned in Simplified Listing Agreement issued by SEBI vide circular No. SEBI/IMD/BOND/1/2009/11/05 dated May 11, 2009 as amended from time to time, for furnishing / publishing its half yearly/ annual result.*

B. Issue details

- (a) Summary term sheet shall be provided which shall include at least following information (where relevant) pertaining to the Secured / Unsecured Non-Convertible debt securities (or a series thereof):-

Security Name	Name of the bond which includes (Issuer Name, Coupon and maturity year) e.g. 8.70% XXX 2015.
Issuer	

Type of Instrument	
Nature of Instrument	Secured or Unsecured
Seniority	Senior or Subordinated.
Mode of Issue	Private placement
Eligible Investors	
Listing (including name of stock exchange(s) where it will be listed and timeline for listing)	
Rating of the Instrument	_____ by _____ Ltd.
Issue Size	
Option to retain over subscription (Amount)	
Objects of the Issue	
Details of the utilization of the Proceeds	
Coupon Rate	
Step Up/Step Down Coupon Rate ¹	
Coupon Payment Frequency	
Coupon payment dates	Dates on which coupon will be paid.
Coupon Type	Fixed, floating or other coupon structure.
Coupon Reset Process (including rates, spread, effective date, interest rate cap and floor etc).	
Day Count Basis	Actual/ Actual
Interest on Application Money	
Default Interest Rate	
Tenor	__ Months from the Deemed Date of Allotment

Redemption Date	Dates on which Principal will be repaid.
Redemption Amount	
Redemption Premium / Discount	
Issue Price	The price at which bond is issued
Discount at which security is issued and the effective yield as a result of such discount.	
¹⁷ [Put] Date	
¹⁸ [Put] Price	
¹⁹ [Call] Date	
Put Notification Time	Timelines by which the investor need to intimate Issuer before exercising the ²¹ [put].
Call Notification Time	Timelines by which the Issuer need to intimate investor before exercising the ²² [call].
Face Value	Rs 10 lakhs per instrument for all the issues
Minimum Application and in multiples of __	
Debt securities thereafter	
Issue Timing	
1. Issue Opening Date	
2. Issue Closing Date	
3. Pay-in Date	

17. Substituted by the SEBI (Issue and Listing of Debt Securities) (Amendment) Regulations, 2015 w.e.f. 24-03-15 for the words "Put option".

18. *Ibid.*

19. Substituted by the SEBI (Issue and Listing of Debt Securities) (Amendment) Regulations, 2015 w.e.f. 24-03-15 for the words "Call option".

20. [Call] Price

4. Deemed Date of Allotment	
Issuance mode of the Instrument	Demat only (for private placement)
Trading mode of the Instrument	Demat only (for private placement)
Settlement mode of the Instrument	Insert details of payment procedure
Depository	
Business Day Convention ²	
Record Date	15 days prior to each Coupon Payment / ²³ [Put] Date / [Call] Date / Redemption date.
Security (where applicable) (Including description, type of security, type of charge, likely date of creation of security, minimum security cover, revaluation, replacement of security).	
Transaction Documents ³	
Conditions Precedent to Disbursement	
Condition Subsequent to Disbursement	
Events of Default	
Provisions related to Cross Default Clause	N/A (Not Applicable) in case clause is not there else full description of the clause to be provided
Role and Responsibilities of Debenture Trustee	
Governing Law and Jurisdiction	

Notes :

- 1. If there is any change in Coupon Rate pursuant to any event including elapse of certain time period or downgrade in rating, then such new Coupon Rate and events which lead to such change should be disclosed.*
- 2. The procedure used to decide the dates on which the payment can be made and adjusting payment dates in response to days when payment can't be made due to any reason like sudden bank holiday etc., should be laid down.*
- 3. The list of documents which has been executed or will be executed in connection with the issue and subscription of debt securities shall be annexed.*

(b) In privately placed issues, additional Covenants shall be included as part of the Issue Details on the following lines, as per agreement between the issuer and investor:

- (i) Security Creation (where applicable): In case of delay in execution of Trust Deed and Charge documents, the Company will refund the subscription with agreed rate of interest or will pay penal interest of atleast 2% p.a. over the coupon rate till these conditions are complied with at the option of the investor.
- (ii) Default in Payment: In case of default in payment of Interest and/or principal redemption on the due dates, additional interest of atleast @ 2% p.a. over the coupon rate will be payable by the Company for the defaulting period
- (iii) Delay in Listing: In case of delay in listing of the debt securities beyond 20 days from the deemed date of allotment, the Company will pay penal interest of atleast 1 % p.a. over the coupon rate from the expiry of 30 days from the deemed date of allotment till the listing of such debt securities to the investor.

The interest rates mentioned in above three cases are the minimum interest rates payable by the Company and are independent of each other.

[C. Disclosures pertaining to wilful default

- (1) In case of listing of debt securities made on private placement, the following disclosures shall be made:
 - (a) Name of the bank declaring the entity as a wilful defaulter;
 - (b) The year in which the entity is declared as a wilful defaulter;
 - (c) Outstanding amount when the entity is declared as a wilful defaulter;
 - (d) Name of the entity declared as a wilful defaulter;
 - (e) Steps taken, if any, for the removal from the list of wilful defaulters;
 - (f) Other disclosures, as deemed fit by the issuer in order to enable investors to take informed decisions;
 - (g) Any other disclosure as specified by the Board.
- (2) The fact that the issuer or any of its promoters or directors is a wilful defaulter shall be disclosed prominently on the cover page with suitable cross-referencing to the pages.

SCHEDULE II

[See regulation 6 (7)]

**FORMAT FOR DUE DILIGENCE CERTIFICATE AT THE TIME
OF FILING THE OFFER DOCUMENT WITH REGISTRAR OF
COMPANIES AND PRIOR TO OPENING OF THE ISSUE**

To,

SECURITIES AND EXCHANGE BOARD OF INDIA

Dear Sir / Madam,

SUB.: ISSUE OF _____ BY _____ LTD.

1. We confirm that neither the issuer nor its promoters or directors have been prohibited from accessing the capital market under any order or direction passed by the Board. We also confirm that none of the intermediaries named in the offer document have been debarred from functioning by any regulatory authority.
2. We confirm that all the material disclosures in respect of the issuer have been made in the offer document and certify that any material development in the issue or relating to the issue up to the commencement of listing and trading of the shares offered through this issue shall be informed through public notices/ advertisements in all those newspapers in which pre-issue advertisement and advertisement for opening or closure of the issue have been given.
3. We confirm that the offer document contains all disclosures as specified in the Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008.
4. We also confirm that all relevant provisions of the Companies Act, 1956, Securities Contracts, (Regulation) Act, 1956, Securities and Exchange Board of India Act, 1992 and the Rules, Regulations, Guidelines, Circulars issued thereunder are complied with.

We confirm that all comments/ complaints received on the draft offer document filed on the website of _____ (designated stock exchange) have been suitably addressed.

PLACE

DATE :

LEAD MERCHANT BANKER (S)

SCHEDULE III

[See regulation 6 (8)]

**FORMAT OF DUE DILIGENCE CERTIFICATE TO BE GIVEN BY
THE DEBENTURE TRUSTEE BEFORE OPENING OF THE
ISSUE**

To,

SECURITIES AND EXCHANGE BOARD OF INDIA

Dear Sir / Madam,

SUB.: ISSUE OF _____ BY _____ LTD.

We, the Debenture Trustee (s) to the above mentioned forthcoming issue state as follows:

- (1) We have examined documents pertaining to the said issue and other such relevant documents.
- (2) On the basis of such examination and of the discussions with the issuer, its directors and other officers, other agencies and of independent verification of the various relevant documents, WE CONFIRM that:
 - (a) The issuer has made adequate provisions for and/or has taken steps to provide for adequate security for the debt securities to be issued.
 - (b) The issuer has obtained the permissions / consents necessary for creating security on the said property (ies).
 - (c) The issuer has made all the relevant disclosures about the security and also its continued obligations towards the holders of debt securities.
 - (d) All disclosures made in the offer document with respect to the debt securities are true, fair and adequate to enable the investors to make a well informed decision as to the investment in the proposed issue.

We have satisfied ourselves about the ability of the issuer to service the debt securities.

PLACE

**DATE: _____ DEBENTURE TRUSTEE TO THE ISSUE
WITH HIS SEAL**

ANNEXURE III**SCHEDULE I**

[See Regulation 5(2)(b) and Regulation 18(1) of SEBI (Issue and Listing of Non-Convertible Redeemable Preference Shares) Regulations, 2013]

DISCLOSURES

I. The issuer seeking listing of its non-convertible redeemable preference shares on a recognized stock exchange shall file the following disclosures along with the listing application to the stock exchange:

- (a) Memorandum and Articles of Association and necessary resolution(s) for the allotment of the non-convertible redeemable preference shares;
- (b) Copies of last three years audited Annual Reports;
- (c) Statement containing particulars of dates of, and parties to all material contracts and agreements;
- (d) Copy of the Board/Committee Resolution authorizing the borrowing and its list of authorised signatories:

Provided that a recognized stock exchange may call for such further particulars or documents as it deems proper.

II. The following disclosures shall be made in the Offer document/ Disclosure Document, where relevant:

- A. A prominent disclosure in bold writing on the cover page of offer document stating the following:

“Instruments offered through the offer document are non-convertible redeemable preference shares and not debentures/ bonds. They are riskier than debentures/bonds and may not carry any guaranteed coupon and can be redeemed only out of the distributable profits of the company or out of the proceeds of a fresh issue of shares made, if any, by the company for the purposes of the redemption”

B. Issuer Information

- (i) Details of the following:-

- (1) Name and address of the following:-
 - (a) Registered office of the Issuer
 - (b) Corporate office of the Issuer
- (2) Names and addresses of the following:-
 - (a) Compliance officer of the Issuer
 - (b) CFO of the Issuer
 - (c) Arrangers, if any, of the instrument
 - (d) Registrar of the issue
 - (e) Credit Rating Agency (-ies) of the issue and
 - (f) Auditors of the Issuer
- (ii) A brief summary of the business/ activities of the Issuer and its line of business containing particularly atleast following:-
 1. Overview
 2. Corporate Structure
 3. Key Operational and Financial Parameters * for the last 3 Audited years
 4. Project cost and means of financing, in case of funding of new projects

* At least covering the following - Consolidated basis (wherever available) else on standalone basis

Parameters	Upto latest Half Year	FY.....	FY.....	FY.....
For Non-Financial Entities				
Networth				
Total Debt of which				
- Non -Current Maturities of				
1. Long Term Borrowing				
2. Short Term Borrowings				
- Current Maturities of Long Term Borrowing				

Net Fixed Assets				
Non-Current Assets				
Cash and Cash Equivalents				
Current Investments				
Current Assets				
Current Liabilities				
Net sales				
EBITDA				
EBIT				
Interest				
PAT				
Dividend amounts				
Current ratio (X)				
Interest cover (X)				
Gross debt/equity ratio (X)				
Debt Service Coverage Ratios (X)				
For Financial Entities				
Networth				
Total Debt of which				
– Non Current Maturities of				
1. Long Term Borrowing				
2. Short Term Borrowing				
- Current Maturities of Long Term Borrowing				
Net Fixed Assets				
Non Current Assets				
Cash and Cash Equivalents				
Current Investments				
Current Assets				
Current Liabilities				
Asset Under Management				
Off Book Assets				

Interest Income				
Interest Expense				
Provisioning & Write-offs				
PAT				
Gross NPA (%)				
Net NPA (%)				
Tier I Capital Adequacy Ratio (%)				
Tier II Capital Adequacy Ratio (%)				
Interest Expense				
Provisioning & Write-offs				
PAT				
Gross NPA (%)				
Net NPA (%)				
Tier I Capital Adequacy Ratio (%)				
Tier II Capital Adequacy Ratio (%)				

Gross Debt: Equity Ratio (X) of the Company:

Before the issue of non-convertible redeemable preference shares	
After the issue of non-convertible redeemable preference shares	

(iii) And a brief history of the Issuer since its incorporation giving details of its following activities:-

1. Details of Share Capital as on last quarter end

Share Capital	Rs. _____
Authorized Share Capital	
Issued, Subscribed and Paid-up Share Capital	

2. Changes in its capital structure as on last quarter end, (authorized) for the last five years

Date of Change (AGM/EGM)	Rs	Particulars

3. Equity Share Capital History of the Company as on last quarter end for the last five years

Date of Allotment	No of equity shares	Face value (Rs)	Issue price (Rs)	Consideration (cash, other than case, etc.)	Nature of allotment	Cumulative			Remark
						No of equity shares	Equity shares capital (Rs.)	Equity share premium (Rs.)	

Notes: (If any)

4. Details of any Acquisition or Amalgamation in the last 1 year
5. Details of any Reorganization or Reconstruction, in the last 1 year as under

Type of Event	Date of Announcement	Date of Completion	Details

(iv) Details of the shareholding of the Company as on the latest quarter end:-

1. Shareholding pattern of the Company as on last quarter end

Sr. No	Particulars	Total No. of equity shares	No. of shares in demat form	Total shareholding as % of total no. of equity shares

Notes: - Share pledged or encumbered by the promoters (if any)

2. List of top 10 holders of equity shares of the Company as on the latest quarter end

Sr. No	Name of the shareholder	Total No. of equity shares	No. of shares in demat form	Total shareholding as % of total no. of equity shares

- (v) Following details regarding the directors of the Company:-

Details of the current directors of the Company*

Name, Designation and DIN	Age	Address	Director of the Company	Details of other since director-ship

* Company to disclose name of the current directors who are appearing in name of RBI defaulter list and/or ECGC default list.

Details of change in directors since last three years

Name, designation and DIN	Date of Appointment/ Resignation	Director of the Company since (in case of resignation)	Remarks

- (vi) Following details regarding the auditors of the Company:-
Details of the auditor of the Company

Name	Address	Auditor since

Details of change in auditor since last three years

Name	Address	Date of appointment/ resignation	Auditor of the company since (in case of resignation)	Remarks

(vii) Details of borrowings of the Company, segregating the Rupee Denominated Borrowings and Borrowings made in Foreign Currency, as on as on the latest quarter end:-

1. Details of Secured Loan Facilities:-

Lender's Name	Type of Facility	Amount Sanctioned	Principal Amount outstanding	Repayment Date / Schedule	Security

2. Details of Unsecured Loan Facilities:-

Lender's Name	Type of Facility	Amount Sanctioned	Principal Amount outstanding	Repayment Date / Schedule

3. Details of NCDs:-

Debt Series	Tenor/ period of maturity	Coupon	Amount	Date of Allotment	Redemption Date/ Schedule	Credit Rating	Secured/ un-secured	Security

List of Top 10 Debenture Holders (as on)

Sr. No.	Name of debenture holders	Amount

Note: Top 10 holders' (in value terms, on cumulative basis for all outstanding debentures issues) details should be provided.

4. The amount of corporate guarantee issued by the

Issuer along with name of the counterparty (like name of the subsidiary, JV entity, group company, etc) on behalf of whom it has been issued.

5. Details of Commercial Paper:-

The total Face Value of Commercial Papers Outstanding as on the latest quarter end to be provided and its breakup in following table:-

Maturity Date	Amount Outstanding

6. Details of Rest of the borrowing (if any including hybrid debt like FCCB, Optionally Convertible Debentures / Preference Shares) as on:-

Party Name (in case of Facility)/ Instrument Name	Type of Facility/ Instrument	Amount Sanctioned/	Principal Amount outstanding/ issued	Repayment date/ Schedule	Credit Rating	Secured/ unsecured	Security

G. Details of all default/s or delay in payments of interest and principal of any kind of term loans, debt securities and other financial indebtedness including corporate guarantee given by the Company in the past 5 years .

H. Details of any outstanding borrowings taken / debt securities issued where taken / issued (i) for consideration other than cash, whether in whole or part, (ii) at a premium or discount, or (iii) in pursuance of an option;

- Details of Promoter of the Company:-

1. Details of Promoter Holding in the Company as on the latest quarter end :-

Sr No	Name of the shareholders	Total No. of equity shares	No. of shares in demat form	Total shareholding as % of total no of equity shares	No of shares pledged	% of Shares pledged with respect to shares Owned.

- 2 Abridged version of Audited Consolidated (wherever available) and Standalone Financial Information (like Profit & Loss statement , Balance Sheet and Cash Flow statement) for at least last three years and auditor qualifications , if any. *
- 3 Abridged version of Latest Audited / Limited reviewed Half Yearly Consolidated (wherever available) and Standalone Financial Information (like Profit & Loss statement , and Balance Sheet) and auditors qualifications ,if any. *
- 4 Any material event/ development or change having implications on the financials/credit quality (e.g. any material regulatory proceedings against the Issuer/ promoters, tax litigations resulting in material liabilities, corporate restructuring event etc) at the time of issue which may affect the issue or the investor's decision to invest / continue to invest in the non-convertible redeemable preference shares.
4. The detailed rating rationale (s) adopted (not older than one year on the date of opening of the issue)/ credit rating letter (not older than one month on the date of opening of the issue) issued by the rating agencies shall be disclosed.
5. Names of all the recognized stock exchanges where non-convertible redeemable preference shares are proposed to be listed clearly indicating the designated stock exchange
6. Other details
 - (b) Capital Redemption Reserve (CRR) creation - relevant regulations and applicability
 - (c) Nature of the instrument: whether cumulative

or non-cumulative and complete details thereof;

- (d) Terms of Redemption: Out of distributable profits or out of fresh issue of shares for the purpose of redemption or both.
- (e) Issue/instrument specific regulations - relevant details (Companies Act, RBI guidelines, etc)
- (f) Application process

** Issuer will provide latest Audited or Limited Review Financials in line with timelines mentioned in Simplified Listing Agreement, notified by SEBI vide circular No. SEBI/IMD/BOND/1/2009/11/05 dated May 11, 2009 and amended from time to time , for furnishing / publishing its half yearly/ annual result.*

III. Issue details

- (i) Summary term sheet shall be provided which shall include at least following information (where relevant) pertaining to the non-convertible redeemable preference shares (or a series thereof):

Security Name	Name of the non-convertible redeemable preference shares which includes (Issuer
	Name, Dividend Rate and maturity year) e.g. 8.70% XXX 2015.
Issuer	
Type of Instrument	
Nature of Instrument	
Seniority	
Mode of Issue	Public issue/Private placement
Eligible Investors	
Listing (including name of stock Exchange(s) where it will be listed and timeline for listing)	

Rating of the Instrument	_____ by _____ Ltd.
Issue Size	
Option to retain over subscription (Amount)	
Objects of the Issue	
Details of the utilization of the Proceeds	
Dividend	
Dividend Payment Frequency	
Dividend payment dates	Dates on which dividend will be paid.
Cumulative or non-cumulative	
Interest on Application Money	
Default Interest Rate	
Tenor	__ Months from the Deemed Date of Allotment
Redemption Date	Dates on which Principal will be repaid.
Redemption Amount	
Redemption Premium/Discount	
Mode of redemption (Out of profit or out of fresh issue of capital or both)	
Issue Price	The price at which non-convertible redeemable preference share is issued
Discount at which non-convertible redeemable preference share is issued and the effective yield as a result of such discount.	

Put option Date	
Put option Price	
Call Option Date	
Call Option Price	
Put Notification Time	Timelines by which the investor need to intimate Issuer before exercising the put option.
Call Notification Time	Timelines by which the Issuer need to intimate investor before exercising the call option.
Face Value	
Minimum Application and in multiples of __ Non-convertible redeemable preference shares thereafter	
Issue Timing c. Issue Opening Date d. Issue Closing Date 3. Pay-in Date 4. Deemed Date of Allotment	
Issuance mode of the Instrument	Demat only
Trading mode of the Instrument	Demat only
Settlement mode of the Instrument	Insert details of payment procedure
Depository	
Business Day Convention ¹	
Record Date	15 days prior to each Dividend Payment / Put Option Date / Call Option Date / Redemption date.
Transaction Documents ²	

Conditions Precedent to Disbursement	
Condition Subsequent to Disbursement	
Events of Default	
Provisions related to Cross Default Clause	N/A (Not Applicable) in case clause is not there else full description of the clause to be provided
Governing Law and Jurisdiction	

1. The procedure used to decide the dates on which the payment can be made and adjusting payment dates in response to days when payment can't be made due to any reason like sudden bank holiday or day being Sunday, etc. should be laid down.
2. The list of documents which have been executed or will be executed in connection with the issue and subscription of non-convertible redeemable preference shares shall be annexed.

(ii) Additional Covenants Default in Payment :

In case of default in payment of Dividend and/or principal redemption on the due dates, with additional Dividend of atleast @ 2% p.a. over the dividend rate will be payable by the Company for the defaulting period

Delay in Listing:

In case of delay in listing of the non-convertible redeemable preference shares beyond 20 days from the deemed date of allotment, the Company will pay penal amount of atleast 1 % p.a. over the dividend rate from the expiry of 30 days from the deemed date of allotment till the listing of such non-convertible redeemable preference shares to the investor.

The rates mentioned in above cases are the minimum rates payable by the Company and are independent of each other.

Delay in Dispatch of Allotment Letters or Refund Orders:

Issuer agrees that allotment of non-convertible redeemable

preference shares offered to the public shall be made not later than fifteen days of the closure. ⁸[Issuer agrees that credit to demat accounts of the allottees shall be made within two working days from the date of the allotment.] The issuer further agrees that, in such cases, it shall pay interest at the rate of fifteen per cent. per annum, if the allotment letters or refund orders have not been dispatched to the applicants or if, in a case where the refund or portion thereof is made in electronic manner, the refund instructions have not been given to the clearing system in the disclosed manner within fifteen days from the date of the closure of the issue.

⁹[IV. Disclosures pertaining to wilful default

- In case of listing of non-convertible redeemable preference shares made on private placement, the following disclosures shall be made :

- (j) Name of the bank declaring the entity as a wilful defaulter;
 - (k) The year in which the entity is declared as a wilful defaulter;
 - (l) Outstanding amount when the entity is declared as a wilful defaulter;
 - (m) Name of the entity declared as a wilful defaulter;
 - (n) Steps taken, if any, for removal the from the list of wilful defaulter;
 - (o) Other disclosures, as deemed fit by the issuer in order to enable investors to take informed decisions;
 - (p) Any other disclosure as specified by the Board.
- (iii) The fact that the issuer or any of its promoters or directors is a wilful defaulter shall be disclosed prominently on the cover page with suitable cross-referencing to the pages.
- (iv) Disclosures specified herein shall be made as a separate chapter or section distinctly identifiable in the Index / Table of Contents.]

8. Inserted by the SEBI(Listing Obligations and Disclosure Requirements) Regulations, 2015, w.e.f. 1-12-2015

9. Inserted by the SEBI (Issue and Listing of Non-Convertible Redeemable Preference Shares) (Amendment) Regulations, 2016 w.e.f. 25-05-16.

SCHEDULE II**FORMAT FOR DUE DILIGENCE CERTIFICATE AT THE TIME
OF FILING****THE OFFER DOCUMENT WITH REGISTRAR OF COMPANIES
AND PRIOR TO OPENING OF THE ISSUE**

To,

SECURITIES AND EXCHANGE BOARD OF INDIA

Dear Sir / Madam,

SUB.: ISSUE OF _____ BY _____ LTD.

- (iv) We confirm that neither the issuer nor its promoters or directors have been prohibited from accessing the capital market under any order or direction passed by the Board. We also confirm that none of the intermediaries named in the offer document have been debarred from functioning by any regulatory authority.
- (v) We confirm that all the material disclosures in respect of the issuer have been made in the offer document and certify that any material development in the issue or relating to the issue up to the commencement of listing and trading of the shares offered through this issue shall be informed through public notices/ advertisements in all those newspapers in which pre-issue advertisement had been given prior or before opening of the issue.
- (vi) We confirm that the offer document contains all disclosures as specified in the Securities and Exchange Board of India (Issue and Listing of Non-Convertible Redeemable Preference Shares) Regulations, 2013.
- (vii) We also confirm that all relevant provisions of the Companies Act, 1956, Securities Contracts, (Regulation) Act, 1956, Securities and Exchange Board of India Act, 1992 and the Rules, Regulations, Guidelines, Circulars issued there under are complied with.

We confirm that all comments/ complaints received on the draft offer document filed on the website of ____ (designated stock exchange) have been suitably addressed.

PLACE:

DATE:

LEAD MERCHANT BANKER (S)

ANNEXURE IV**SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF
CAPITAL AND DISCLOSURE REQUIREMENTS)
REGULATIONS, 2009****SCHEDULE VIII**

[See regulations 14(3), 37(a), 44, 45(1)(f), 57(2)(a), 57(2)(b), 58(1) and 58(2)]

**DISCLOSURES IN OFFER DOCUMENT, ABRIDGED
PROSPECTUS AND ABRIDGED LETTER OF OFFER**

²⁴⁰[(i) The words “group companies”, wherever they occur, shall include such companies as covered under the applicable accounting standards and also other companies as considered material by the board of the issuer.

(ii) The policy on materiality shall be disclosed in the offer document.]

PART A

[See regulations 14(3), 37(a), 44, 45(1)(f), 57(2)(a) and 57(2)(b)]

**DISCLOSURES IN RED HERRING PROSPECTUS, SHELF
PROSPECTUS AND PROSPECTUS****(1) Instructions:**

- (a) Only relevant and updated information and statistics shall be disclosed in the offer document. Further, the source and basis of all statements or claims made shall be disclosed. Terms such as “market leader”, “leading player”, etc. shall not be used unless they can be substantiated by proper source of information which shall be disclosed.
- (b) All blank spaces in the draft offer document shall be filled up with appropriate data before registering the offer document with the Registrar of Companies or filing the same with the recognised stock exchanges.

240 Substituted by the SEBI (Issue of Capital and Disclosure Requirements) (Fourth Amendment) Regulations, 2015, w.e.f. 14.08.2015. Prior to its substitution, it read as under :

The words “group companies”, wherever they occur, shall mean companies, firms, ventures, etc. promoted by the promoters of the issuer, irrespective of whether such entities are covered under section 370(1)(B) of the Companies Act, 1956 or not.

- (c) Simple English for easy understanding of the contents of the offer document may be used. The technical terms used in explaining the business of the issuer may be clarified using simple terms to ensure better understanding by investors.
- (d) Wherever it is mentioned in the offer document that details are given elsewhere in the document, the same shall be adequately cross-referenced by indicating the page and paragraph numbers.
- (e) The offer document should not make any forward looking statements that cannot be substantiated.
- (f) Consistency may be ensured in the style of disclosures. If first person is used, the same may be used through out. Sentences that contain a combination of first and third persons may be avoided.
- (g) The issuer shall ensure that all material matters informed or reports circulated prior to the issue or thereafter by the issuer or any person on its behalf or attributed or attributable to the issuer having a material bearing in taking an informed decision shall also be covered in the offer document, except to the extent specifically disallowed under the regulations.

²⁴¹[(h) The issuer shall ensure that in the document of the Red Herring Prospectus, the document shall only be referred to as 'Red Herring Prospectus' or 'RHP'.]

(2) An issuer making a public issue of specified securities shall make the following disclosures in the offer document. However, an issuer making a fast track issue of specified securities may not make the disclosures specified in Part B of this Schedule in the offer document. Further, an issuer making a further public offer of specified securities may not make the disclosures specified in Part C of this Schedule, in the offer document, if it satisfies the conditions specified in para 2 of that Part:

(I) Cover Pages: The cover page shall be of adequate thickness (preferably minimum hundred gcm. quality).

241. Inserted by SEBI (Issue of Capital and Disclosure Requirements) (Second Amendment) Regulations, 2011, w.e.f. 23.09.2011.

(A) Front Cover Pages:

(1) The front outside and inside cover pages of the offer document shall be white and no patterns or pictures shall be printed on these pages.

(2) The front outside cover page of the offer document shall contain only the following issue details:

(a) The type of offer document (“Red Herring Prospectus” / “Shelf Prospectus”/ “Prospectus”).

²⁴²[(aa) The following clause shall be incorporated in a prominent manner, below the title of the offer document:

“Please read Section 60B of the Companies Act, 1956.”]

(b) The name of the issuer, date and place of its incorporation, its logo, address of its registered office, its telephone number, fax number, contact person, website address, e-mail address and where there has been any change in the address of the registered office or the name of the issuer, reference to the page of the offer document where details thereof are given.

(c) The names of the promoters of the issuer.

(d) The nature, number, price and amount of specified securities offered and issue size, as may be applicable.

(e) The aggregate amount proposed to be raised through all the stages of offers of specified securities made through the shelf prospectus.

(f) The following clause on ‘Risks in relation to the First Issue’ (wherever applicable) shall be incorporated in a box format in case of an initial public offer:

“This being the first issue of the issuer, there has been no formal market for the securities of the issuer. The

242. Inserted by SEBI (Issue of Capital and Disclosure Requirements) (Second Amendment) Regulations, 2011, w.e.f. 23.09.2011.

face value of the equity shares is (____) and the issue price / floor price / price band is 'X-times' of the face value. The issue price / floor price / price band (has been determined and justified by the lead merchant banker and the issuer as stated under the paragraph on "Basis for Issue Price") should not be taken to be indicative of the market price of the specified securities after the specified securities are listed. No assurance can be given regarding an active or sustained trading in the equity shares of the issuer nor regarding the price at which the equity shares will be traded after listing."

- (g) The following clause on 'General Risk' shall be incorporated in a box format: "Investment in equity and equity related securities involve a degree of risk and investors should not invest any funds in this offer unless they can afford to take the risk of losing their investment. Investors are advised to read the risk factors carefully before taking an investment decision in this offering. For taking an investment decision, investors must rely on their own examination of the issuer and the offer including the risks involved. The securities have not been recommended or approved by the Securities and Exchange Board of India (SEBI) nor does SEBI guarantee the accuracy or adequacy of this document. Specific attention of investors is invited to the statement of 'Risk factors' given on page number(s) under the section 'General Risks'"
- (h) The following clause on 'Issuer's Absolute Responsibility' clause shall be incorporated in a box format:

"The issuer, having made all reasonable inquiries, accepts responsibility for and confirms that this offer document contains all information with regard to the issuer and the issue which is material in the context of the issue, that the information contained in the offer document is true and correct in all material aspects and is not misleading in any material respect,

that the opinions and intentions expressed herein are honestly held and that there are no other facts, the omission of which make this document as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect.”

- (i) The names, logos and addresses of all the lead merchant bankers with their titles who have signed the due diligence certificate and filed the offer document with the Board, along with their telephone numbers, fax numbers, website addresses and e-mail addresses. ²⁴³[Where any of the merchant bankers is an associate of the issuer, it shall disclose the same and shall declare itself to be a ‘Marketing Lead Manager’.]
- (j) The name, logo and address of the registrar to the issue, along with its telephone number, fax number, website address and e-mail address.
- (k) Issue schedule:
 - (i) Date of opening of the issue.
 - (ii) Date of closing of the issue.
 - (iii) Date of earliest closing of the issue, if any.
- (l) Credit rating, if applicable.
- (m) The following details under the heading “IPO Grading” shall be incorporated in case of an initial public offer ²⁴⁴[(if applicable)]: All the grades obtained for the initial public offer and reference to the page number(s) on which the details of IPO grading are given.
- (n) The name(s) of the recognised stock exchanges where the specified securities are proposed to be listed and

²⁴³ Inserted by SEBI (Issue of Capital and Disclosure Requirements) (Fourth Amendment) Regulations, 2012, w.e.f. 12.10.2012.

²⁴⁴ Inserted by the SEBI (Issue of Capital and Disclosure Requirements) (Amendment) Regulations, 2014, w.e.f. 4-2-2014.

the details of in-principle approval for listing obtained from these stock exchanges.

(B) Back Cover Pages: The back inside cover page and back outside cover page shall be in white.

(II) Table of Contents: The table of contents shall appear immediately after the front inside cover page.

(III) Definitions and Abbreviations:

- (A) Conventional or general terms.
- (B) Issue related terms.
- (C) Issuer and industry related terms.
- (D) Abbreviations.

(IV) Risk Factors:

- (A) The risk factors, other than those specified in sub-paras. (f), (g) and (h) of para. (2) of sub-item (A) of Item (I) above, shall be printed in clear readable font (preferably of minimum point ten size).
- (B) The risk factors shall be classified as those which are specific to the project and internal to the issuer and those which are external and beyond the control of the issuer.
- (C) The risk factors shall be determined on the basis of their materiality. In determining the materiality of risk factors, the following shall be considered :
 - (1) Some risks may not be material individually but may be material when considered collectively.
 - (2) Some risks may have an impact which is qualitative though not quantitative.
 - (3) Some risks may not be material at present but may have a material impact in the future.
- (D) The risk factors shall appear in the offer document in the following manner:
 - (1) The risks envisaged by the management.
 - (2) The proposals, if any, to address the risks and the manner

in which the same are proposed to be addressed.

- (E) The proposals to address risks shall not contain any speculative statement on the positive outcome of any litigation, etc.
- (F) The proposals to address risks shall not be given for any matter that is sub-judice before any Court / Tribunal.
- (G) The risk factors shall be disclosed in the descending order of materiality. Wherever risks about material impact are stated, the financial and other implications of the same shall be disclosed. If it cannot be quantified, a distinct statement about the fact that the implications cannot be quantified shall be made.
- (H) The disclosures of Risk factors shall include, where applicable, the following:
 - (1) The criminal charges under Indian Penal Code and violations of securities law;
 - (2) All statutory clearances and approval that are yet to be received by the issuer;
 - (3) The seasonality of the business of the issuer;
 - (4) The issue of specified securities by the issuer within the last twelve months at a price lower than the issue price;
 - (5) The non-identification of acquisition targets, where any object of the issue is to finance acquisitions, along with the details of interim use of funds and the probable date of completing the acquisitions;
 - (6) If the industry segment for which the issue is proposed by the issuer has contributed to less than twenty five per cent. of the revenues of the issuer in the last three fiscal years.
 - (7) The dependence of the issuer or any of its business segments, upon a single customer or a few customers, the loss of any one or more of which would have a material adverse effect on the issuer.
 - (8) The refusal of listing of any securities of the issuer or any of its subsidiaries or associates at any time by any of the recognised stock exchanges in India or abroad.

- (9) The failure of the issuer or any of its subsidiary or group companies to meet the listing requirements of any recognised stock exchange(s) in India or abroad and the details of penalty, if any including suspension of trading, imposed by such exchange(s).
- (10) The trading of any securities of the issuer on stock exchanges or in OTC market, if limited or sporadic.
- (11) In case of outstanding debt instruments issued to public or to any person on private placement basis by the issuer, the default in compliance with the material covenants such as in creation of full security as per terms of issue, default in payment of interest, default in redemption, non-creation of debenture redemption reserve, default in payment of penal interest wherever applicable, non-availability or non-maintenance of asset cover, interest cover, debt-service cover, etc.
- (12) The fact that the unsecured loans taken by the issuer, promoter, group companies or associates can be recalled by the lenders at any time.
- (13) The default in repayment of deposits or payment of interest thereon. The roll over of liability, if any.
- (14) The potential conflict of interest, if the promoters or directors of the issuer are involved with one or more ventures which are in the same line of activity or business as that of the issuer.
- (15) The shortfall in performance vis-a-vis objects stated in the previous issues of the issuer and group companies, as disclosed under the heading "Performance vis-a- vis Objects" in the section "Other Regulatory and Statutory Disclosures", quantifying such shortfall or delays.
- (16) The interests of the promoters, directors or key management personnel of the issuer, other than reimbursement of expenses incurred or normal remuneration or benefits.
- (17) The portion of the issue proceeds, if proposed to be paid to the promoters, directors or key management personnel

of the issuer or the group companies.

- (18) The relationship, if any, of the entities from whom the issuer has acquired the land or proposes to acquire land, with any of the promoters or directors of the issuer, along with the relevant details.
- (19) The lack of adequate background and experience of the promoters of the issuer in the activities for which the issue is proposed.
- (20) The excessive dependence on key management personnel for the project for which the issue is proposed
- (21) The loss making group companies of the issuer.
- (22) Any investment in debt instruments which are unsecured or which carry interest rate lower than the market rate.
- (23) The non-provision for decline in the value of investments.
- (24) A summary of the outstanding litigations, disputes, non-payment of statutory dues, overdues to banks or financial institutions, defaults against banks or financial institutions, contingent liabilities not provided for, the details of proceedings initiated for economic offences or civil offences (including the past cases, if found guilty), any disciplinary action taken by the Board or recognised stock exchanges, etc., pertaining to the issuer, promoter and wholetime directors of the issuer and group companies, along with the nature of the litigation, quantum of funds involved, with a cross reference to the page where the detailed disclosures have been made in the offer document. If any the above mentioned litigations, etc., arise after the filing the draft offer document, the facts shall be incorporated appropriately in the offer document.
- (25) The delay, if any, in the schedule of the implementation of the project for which the funds are being raised in the public issue.
- (26) The fact that the deployment of the issue proceeds is entirely at the discretion of the issuer and is not subject to any monitoring by any independent agency.

- (27) Negative cash flow, if any.
- (28) The fact that the land is not registered in the name of the issuer.
- (29) Any lack of arrangements in place for borrowings, bank finance or institutional finance in respect of working capital requirements.
- (30) Any restrictive covenants, as regards interests of equity shareholders, in a shareholders' agreement, promoters' agreement or any agreement for short term (secured and unsecured) and long term borrowings.
- (31) All disputed or contested tax demands and other government claims, along with the disclosures of amount, period for which such demands or claims are outstanding, financial implications and the status of the case.
- (32) The existence of large number of pending investor grievances against the issuer and other listed companies under the same management within the meaning of section 370 (1B) of the Companies Act, 1956.
- (33) The risks associated with second or residual charge or subordinated obligation created on the asset cover, in case of issue of secured convertible debt instruments.
- (34) The risk associated with orders not having been placed for plant and machinery indicating the percentage and value terms of the plant and machinery for which orders are yet to be placed

(V) Prominent Notes: This section shall contain notes which are required to be given prominence and shall also include the following:

- (A) A disclosure to the effect that "the investors may contact any of the merchant bankers who have submitted the due diligence certificate to the Board, for any complaint pertaining to the issue".
- (B) The net worth before the issue (as per latest audited financial statement disclosed in the offer document) and issue size.
- (C) The cost per share to the promoters and book value per share.

- (D) The details of the group companies having business interests or other interests in the issuer.
- (E) The details of transaction by the issuer with group or subsidiary companies during the last year, the nature of transactions and the cumulative value of transactions.
- (F) If there is a change in the name of the issuer at any time during the last three years immediately preceding the date of filing draft offer document with the Board, the reasons for the change and whether and when the objects clause of Memorandum of Association was amended to carry on activities as reflected by the new name.
- (G) The details of all financing arrangements whereby the promoter group, the directors of the company which is a promoter of the issuer, the directors of the issuer and their relatives have financed the purchase by any other person of securities of the issuer other than in the normal course of the business of the financing entity during the period of six months immediately preceding the date of filing draft offer document with the Board.

(VI) Introduction:

(A) Summary:

- (1) The summary of the industry and business of the issuer. The summary shall not be one-sided to disclose the highlights of the issuer or issue.
- (2) Issue details in brief.
- (3) Summary consolidated financial, operating and other data.

(B) General Information:

- (1) The name and address of the registered office and the registration number of the issuer, along with the address of the Registrar of Companies where the issuer is registered.
- (2) The board of directors of the issuer.
- (3) The brief details of the chairman, managing director, whole time directors, etc. of the issuer.

- (4) The names, addresses, telephone numbers, fax numbers and e-mail addresses of the Company Secretary, legal advisor and bankers to the issuer.
- (5) The name, address, telephone number, fax number and e-mail address of the compliance officer.
- (6) The names, addresses, telephone numbers, fax numbers, contact person, website addresses and e-mail addresses of the merchant bankers, co-managers, registrars to the issue, bankers to the issue, brokers to the issue, syndicate members, Self Certified Syndicate Banks, ²⁴⁵[registrar to issue and share transfer agents, depository participants,] etc.
- (7) The names, addresses, telephone numbers, fax numbers and e-mail addresses of the auditors of the issuer.
- (8) The statement of inter-se allocation of responsibilities among lead merchant bankers, where more than one merchant banker is associated with the issue.
- (9) The following details of credit rating, in case of a public issue of convertible debt instruments:
 - (a) The names of all the credit rating agencies from which credit rating including unaccepted rating has been obtained for the issue of convertible debt instruments.
 - (b) The details of all the credit ratings including unaccepted rating obtained for the issue of convertible debt instruments.
 - (c) All the credit ratings obtained during three years prior to the filing the offer document for any of the issuer's listed convertible debt instruments at the time of accessing the market through a convertible debt instrument.

245. Inserted by the SEBI (Issue of Capital and Disclosure Requirements) (Fifth Amendment) Regulations, 2015, w.e.f. 01.01.2016.

- (10) The following details of IPO Grading ²⁴⁶[, if applicable]:
 - (a) The names of all the credit rating agencies from which grading has been obtained for the initial public offer of specified securities.
 - (b) The details of all the grades obtained from such credit rating agencies.
 - (c) The rationale or description of the grading(s) so obtained, as furnished by the credit rating agency(ies).
- (11) The names, addresses, telephone numbers, fax numbers, website addresses and e-mail addresses of the trustees under debenture trust deed, in case of a public issue of convertible debt instruments.
- (12) The name of the monitoring agency, if appointed and the disclosure as to whether the appointment is pursuant to regulation 16 of these regulations.
- (13) The name, address, telephone number and e-mail address of the appraising entity, in case the project has been appraised.
- (14) Where the issue is being made through the book building process, the details in brief explaining the book building process.
- (15) The details of underwriting, if any:
 - (a) The names, addresses, telephone numbers, fax numbers and e-mail addresses of the underwriters and the amount underwritten by them.
 - (b) Declaration by the board of directors of the issuer that the underwriters have sufficient resources to discharge their respective obligations.
 - (c) In case of partial underwriting of the issue, the extent of underwriting.

²⁴⁶ Inserted by the SEBI (Issue of Capital and Disclosure Requirements) (Amendment) Regulations, 2014, w.e.f. 04.02.2014.

- (d) The details of final underwriting arrangement indicating actual number of specified securities underwritten, in the prospectus or red herring prospectus before it is registered with Registrar of Companies.
 - (e) ²⁴⁷[The undenvriting agreement shall list out the role and obligations of each syndicate member and *inter-alia* contain a clause stating that margin collected shall be uniform across all categories indicating the percentage to be paid as margin by the investor at the time of bidding.]
- (C) Green Shoe Option, if applicable:
- (1) The name of the stabilising agent.
 - (2) The maximum number of equity shares, in number and as a percentage of the proposed issue size, proposed to be over-allotted by the issuer.
 - (3) The period for which the issuer proposes to avail of the stabilisation mechanism.
 - (4) The maximum increase in the equity share capital of the issuer and the shareholding pattern, post-issue, in case the issuer is required to allot further equity shares to the extent of over-allotment in the issue.
 - (5) The maximum amount of funds to be received by the issuer in case of further allotment and the use of these additional funds shall be disclosed in the offer document.
 - (6) The details of the agreement or arrangement entered into by the stabilising agent with the promoters or shareholders to borrow equity shares from the latter. The details shall, *inter-alia*, include the name of the promoters or

247. Substituted by SEBI (Issue of Capital and Disclosure Requirements) (Third Amendment) Regulations, 2010, w.e.f. 01.05.2010. Prior to its substitution clause (e) read as under:

“(e) The underwriting agreement shall list out the role and obligations of each syndicate member and *alia* contain a clause stating that margin collected from categories other than qualified institutional buyers shall be uniform across the book runner(s) or syndicate members for each such category, indicating the percentage to be paid as margin by the investor at the time of bidding.”

shareholders, their existing shareholding in the issuer, the number and percentage of equity shares to be lent by them and other important terms and conditions including rights and obligations of each party.

- (7) The exact number of equity shares to be allotted pursuant to the public issue, stating separately the number of equity shares to be borrowed from the promoters or shareholders and over-allotted by the stabilising agent and the percentage of such equity shares in relation to the total issue size.

(D) Capital Structure:

- (1) The capital structure shall be presented in the following manner in a tabular form:
 - (a) The authorised, issued, subscribed and paid up capital (number of securities, description and aggregate nominal value).
 - (b) Size of the present issue, giving separately the promoters' contribution, reservation for specified categories and net offer to public (number of securities, description, aggregate nominal value and issue amount (to be disclosed in that order), names of the group companies if reservation has been made for shareholders of the group companies and applicable percentages may be given in case of a book built issue).
 - (c) Paid up capital:
 - (i) After the issue.
 - (ii) After conversion of convertible instruments (if applicable).
 - (d) Share premium account (before and after the issue).
- (2) The following notes shall be incorporated after the details of capital structure:
 - (a) The details of the existing share capital of the issuer in a tabular form, indicating therein with regard to

each allotment, the date of allotment, the number of shares allotted, the face value of the shares allotted and the form of consideration.

- (b) Where shares have been issued for consideration other than cash or out of revaluation reserves at any point of time, the details shall be furnished in a separate table, indicating the date of issue, persons to whom issued, price, reasons for the issue and whether any benefits have accrued to the issuer out of the issue.
- (c) Where shares have been allotted in terms of any scheme approved under sections 391-394 of the Companies Act, 1956, the fact shall be distinctly stated and the details of such shares allotted shall be given, along with the page numbers of the offer document where extensive details of such scheme is given.
- (d) In case of bonus shares made out of revaluation reserves, the same shall be separately mentioned indicating the date of issue and the date of revaluation of assets.
- (e) The disclosures specified at paras (a) to (d) above shall be subject to the following:
 - (i) Where the issuer has issued equity shares under one or more employee stock option schemes, particulars of equity shares issued under the employee stock option schemes may be aggregated quarter-wise, indicating the aggregate number of equity shares issued and the price range within which equity shares have been issued in each quarter.
 - (ii) Where item (i) is applicable, a document giving date-wise details of equity shares issued under employee stock option schemes, including the price at which such equity shares were issued, shall be made available as a material document for inspection.

- (f) If the issuer has made any issue of specified securities at a price lower than the issue price during the preceding one year, specific details of the names of the persons to whom such specified securities have been issued, whether they are part of promoters group, reasons for such issue and the price shall be given.
- (g) The proposal or intention, negotiations and consideration of the issuer to alter the capital structure by way of split or consolidation of the denomination of the shares, or issue of specified securities on a preferential basis or issue of bonus or rights or further public issue of specified securities or qualified institutions placement, within a period of six months from the date of opening of the present issue.
- (h) The total shareholding of the promoters in a tabular form, clearly stating the name of the promoter, nature of issue, date of allotment, number of shares, face value, issue price/ consideration, date when the shares were made fully paid up, percentage of the total pre and post issue capital, the lock in period, if any and the number and percentage of pledged shares, if any, held by each promoter.
 - (i) The details of:
 - (i) the aggregate shareholding of the promoter group and of the directors of the promoters, where the promoter is a body corporate.
 - (ii) the aggregate number of specified securities purchased or sold by the promoter group and/ or by the directors of the company which is a promoter of the issuer and/or by the directors of the issuer and their immediate relatives (as defined in sub-clause (ii) of clause (zc) of sub-regulation (1) of regulation 2 ²⁴⁸[]) within six

248. Inserted by SEBI (Issue of Capital and Disclosure Requirements) (Third Amendment) Regulations, 2010, w.e.f. 13.4.2010.

months immediately preceding the date of filing draft offer document with the Board.

- (iii) all financing arrangements whereby the promoter group, the directors of the company which is a promoter of the issuer, the directors of the issuer and their relatives have financed the purchase by any other person of securities of the issuer other than in the normal course of the business of the financing entity during the period of six months immediately preceding the date of filing draft offer document with the Board.
- (iv) the maximum and minimum price at which purchases and sales referred to in clause (ii) were made, along with the relevant dates.
- (j) Promoters' contribution:
 - (i) The details of promoters' contribution and lock-in period in a tabular form, separately in respect of each promoter, stating the date of allotment of specified securities, the date when fully paid up, the nature of allotment (rights, bonus, preferential etc.), the number, face value and issue price, the percentage of promoters' contribution to total issued capital and the date upto which the specified securities are subject to lock-in.
 - (ii) In the case of an initial public offer, the details regarding individual allotments shall be given from the date of incorporation of the issuer. In the case of a listed issuer, the details shall be given for five years immediately preceding the date of filing the draft offer document.
 - (iii) The shares acquired by promoters through public issue, rights issue, preferential issue, bonus issue, conversion of depository receipts or under any employee stock option scheme or

- employee stock purchase scheme shall be shown separately from the shares acquired in the secondary market. The aggregate cost of shares acquired in the secondary market, if available.
- (iv) The details of compliance with regulation 32²⁴⁹[and regulation 33] has been complied with.
 - (v) If the issuer is exempt from the requirements of promoters' contribution, the relevant provisions under which it is exempt.
 - (vi) A statement that promoters' contribution has been brought in to the extent of not less than the specified minimum lot and from persons defined as promoters under these regulations.
 - (vii) A statement that the promoters undertake to accept full conversion, if the promoters' contribution is in terms of the same optionally convertible debt instrument as is being offered to the public.
- (k) A statement that the issuer, its directors or the lead merchant bankers have not entered into any buy back arrangements for purchase of the specified securities of the issuer, other than the arrangements, if any, entered for safety net facility as permitted in the Regulations. In case any safety net is provided in the issue, the lead merchant banker shall certify that the person offering the safety net has the ability to honour the commitments and disclose the same in the offer document. Further, complete details shall be given regarding safety net arrangements such as number of specified securities covered, duration, price, complete terms of guarantee, if any, given by any person, including conditions subject to which the guarantee may be invoked.
- (l) A statement that an over-subscription to the extent

249. Inserted by SEBI (Issue of Capital and Disclosure Requirements) (Third Amendment) Regulations, 2010, w.e.f. 13.04.2010.

of ten per cent of the net offer to public can be retained for the purpose of rounding off to the nearer multiple of minimum allotment lot.

- (m) A disclosure to the effect that all securities offered through the issue shall be made fully paid-up or may be forfeited for non-payment of calls within twelve months from the date of allotment of securities
- (n) A disclosure stating that:
 - (i) The unsubscribed portion in any reserved category may be added to any other reserved category.
 - (ii) The unsubscribed portion, if any, after such inter se adjustments among the reserved categories shall be added back to the net offer to the public portion.
 - (iii) In case of under-subscription in the net offer to the public portion, spill-over to the extent of under subscription shall be permitted from the reserved category to the net offer to public portion.
- (o) The following details regarding major shareholders:
 - (i) The names of the ten largest shareholders of the issuer as on the date of registering the offer document with the Registrar of Companies.
 - (ii) The number of equity shares held by the shareholders specified in clause (i) including number of equity shares which they would be entitled to upon exercise of warrant, option or right to convert a debenture, loan or other instrument.
 - (iii) The particulars specified in items (i) and (ii) as on a date two years prior to the date of registering the offer document with the Registrar of Companies.
 - (iv) The particulars specified in items (i) and (ii) as

on a date ten days prior to the date of registering the offer document with the Registrar of Companies.

- (v) If the issuer has made an initial public offer of specified securities within the immediately preceding two years prior to filing draft offer document with the Board, the particulars specified in items (i), (ii),
 - (iii) and (iv) shall be disclosed to indicate separately the names of the persons who acquired equity shares by subscription to the public issue and those who acquired the equity shares by allotment on a firm basis or by private placement.
- (p) The details of shareholding, if any, of the lead merchant bankers and their associates in the issuer.
- (q) In case it is not possible to obtain information regarding sales and purchases of specified securities by any relative of the promoters, the information shall be disclosed on the basis of the transfers as recorded in the books of the issuer and/or the depository, as applicable and a statement to such effect shall be made in the offer document.
- (r) The details of options granted or equity shares issued under any scheme of employee stock option or employee stock purchase of issuer, in last three years (separately for each year) and on a cumulative basis for all options or equity shares issued prior to the date of the offer document, including the following details in cases where options granted to employees in pursuance of any employee stock option scheme existing prior to the initial public offer, are outstanding at the time of the initial public offer:
 - (i) options granted;
 - (ii) the pricing formula;
 - (iii) options vested;

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- (iv) options exercised;
 - (v) the total number of shares arising as a result of exercise of option;
 - (vi) options lapsed;
 - (vii) variation of terms of options;
 - (viii) money realised by exercise of options;
 - (ix) total number of options in force;
 - (x) employee-wise details of options granted to:
 - senior managerial personnel;
 - any other employee who receives a grant in any one year of options amounting to five per cent or more of options granted during that year;
 - identified employees who were granted options, during any one year, equal to or exceeding one per cent. of the issued capital (excluding outstanding warrants and conversions) of the issuer at the time of grant;
 - (xi) diluted Earnings Per Share pursuant to issue of equity shares on exercise of options calculated in accordance with Accounting Standard (AS) 20 'Earnings Per Share'.
 - (xii) where the issuer has calculated the employee compensation cost using the intrinsic value of the stock options, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognised if it had used the fair value of the options and the impact of this difference on profits and on the Earnings Per Share of the issuer.
 - (xiii) weighted average exercise prices and weighted average fair values of options whose exercise

price either equals or exceeds or is less than the market price of the stock.

- (xiv) a description of the method and significant assumptions used during the year to estimate the fair values of options, including weighted-average information, namely, risk-free interest rate, expected life, expected volatility, expected dividends, and the price of the underlying share in market at the time of grant of the option.
- (xv) the impact on the profits and on the Earnings Per Share of the last three years if the issuer had followed the accounting policies specified in clause 13 of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 in respect of options granted in the last three years.
- (xvi) the intention of the holders of the equity shares allotted on exercise of options granted under an employee stock option scheme or allotted under an employee stock purchase scheme, to sell their equity shares within three months after the date of listing of the equity shares in the initial public offer (aggregate number of equity shares intended to be sold by the holders of options), if any. In case of an employee stock option scheme, this information same shall be disclosed regardless of whether equity shares arise out of options exercised before or after the initial public offer.
- (xvii) specific disclosures about the intention to sell equity shares arising out of an employee stock option scheme or allotted under an employee stock purchase scheme within three months after the date of listing, by directors, senior managerial personnel and employees having equity shares issued under an employee stock option scheme or employee stock purchase

scheme amounting to more than one per cent. of the issued capital (excluding outstanding warrants and conversions), which inter-alia shall include name, designation and quantum of the equity shares issued under an employee stock option scheme or employee stock purchase scheme and the quantum they intend to sell within three months.

²⁵⁰[(xviii) the details of the number of shares issued in ESPS, the price at which such shares are issued, employee-wise details of the shares issued to

- senior managerial personnel;
- any other employee who is issued shares in any one year amounting to 5% or more shares issued during that year;
- identified employees who were issued shares during any one year equal to or exceeding 1% of the issued capital of the company at the time of issuance;

(xix) diluted Earning Per Share (EPS) pursuant to issuance of shares under ESPS; and consideration received against the issuance of shares.]

(s) In case of a listed issuer, which has earlier (after being a listed issuer) made any preferential allotment or bonus issue of specified securities or qualified institutions placement of eligible securities, a confirmation that the relevant provisions of the regulations have been complied with.

(VII) Particulars of the Issue:

(A) Objects of the Issue:

- (1) The objects of the issue shall be disclosed.
- (2) If one of the objects is investment in a joint venture or a

250. Inserted by SEBI (Issue of Capital and Disclosure Requirements) (Third Amendment) Regulations, 2010, w.e.f. 13.04.2010

subsidiary or an acquisition, the following additional disclosures shall be made:

- (a) Details of the form of investment, i.e., equity, debt or any other instrument
 - (b) If the form of investment has not been decided, a statement to that effect;
 - (c) If the investment is in debt instruments, complete details regarding rate of interest, nature of security, terms of repayment, subordination, etc.
 - (d) If the investment is in equity, whether any dividends are assured;
 - (e) The nature of benefit expected to accrue to the issuer as a result of the investment;
- (3) If one of the objects of the issue is the grant of a loan to any entity, details of the loan agreements, including the rate of interest, whether secured or unsecured, duration, nature of security, terms of repayment, subordination etc. and the nature of benefit expected to accrue to the issuer as a result of the investment. If such loan is to be granted to a subsidiary, group or associate company, details of the same.
- (4) If one of the objects of the issue is utilisation of the issue proceeds for long term working capital, the following additional disclosures shall be made.
- (a) Basis of estimation of working capital requirement along with the relevant assumptions.
 - (b) Reasons for raising additional working capital substantiating the same with relevant facts and figures.
 - (c) Details of the projected working capital requirement, including detailed assessment of working capital after implementation of the project or achievement of objects of the issue, as the case may be, capacity utilisation assumptions, break up of expected current assets into raw materials, finished goods, work in

- progress, sundry debtors etc., with assumption about the holding norms for each type of current asset, total current liabilities, net current assets and envisaged sources of finance for net current assets, i.e., bank finance, institutional finance, own funds ,etc..
- (d) The total envisaged working capital requirement in a tabular form, the margin money thereof and the portion to be financed by any bank(s) or otherwise.
 - (e) A complete perspective on the present working capital position vis-a-vis the projected one based on which the money is proposed to be raised in the public issue.
 - (f) Details of the existing working capital available to the issuer with a break up for total current assets into raw materials, finished goods, work in progress, sundry debtors, etc., total current liabilities, net current assets and sources of finance for net current assets i.e. bank finance, institutional finance, own funds etc..
 - (g) If no working capital is shown a part of project, the reasons therefor.
- (5) Disclosure of asset cover etc. in case of public issue of secured convertible debt instruments: The details of the assets on which security/ asset cover, if required, shall be created, the basis for computation of the security/asset cover, the valuation methods, the periodicity of such valuation and the ranking of the charge(s).
- ²⁵¹[(6) Full disclosures in the draft offer document or offer document as the case may be, shall be made for warrants issued along with public issue or rights issue, regarding the objects towards which the funds from conversions of warrants are proposed to be used. In such cases, the provisions of this Part dealing with Objects of the Issue shall apply, mutatis mutandis.]

251. Inserted by SEBI (Issue of Capital and Disclosure Requirements) (Amendment) Regulations, 2012, w.e.f. 30.01.2012.

(B) Requirement of Funds:

- (1) The requirement for funds proposed to be raised through the issue.
- (2) Where the issuer proposes to undertake more than one activity, such as diversification, modernisation, expansion, etc., the total project cost shall be given activity-wise or project wise, as the case may be.
- (3) Where the issuer is implementing the project in a phased manner, the cost of each phase, including the phase, if any, which has already been implemented, shall be separately given.
- (4) The details of all material existing or anticipated transactions in relation to utilisation of the issue proceeds or project cost with promoters, directors, key management personnel, associates and group companies. The relevant documents shall be included in the list of material documents for inspection.

(C) Funding Plan (Means of Finance):

- (1) An undertaking shall be given in the offer document by the issuer confirming firm arrangements of finance through verifiable means towards seventy five per cent. of the stated means of finance, excluding the amount to be raised through proposed issue and existing identifiable internal accruals, have been made.
- (2) The balance portion of the means of finance for which no firm arrangement has been made shall be mentioned without specification.
- (3) The details of funds tied up and the avenues for deployment of excess proceeds, if any.

(D) Appraisal:

- (1) The scope and purpose of the appraisal, if any, along with the date of appraisal.
- (2) The cost of the project and means of finance shall be as per the appraisal report.

- (3) The revision, if any, in the project cost and the means of finance after the date of issue of the appraisal report shall be explained and disclosed.
- (4) The weaknesses and threats, if any, given in the appraisal report, shall be disclosed by way of risk factors.

(E) Schedule of Implementation:

- (1) The schedule of implementation of the project in a tabular form and the progress made so far, giving details of land acquisition, civil works, installation of plant and machinery, trial production, date of commercial production and reasons for delay, if any.

(F) Deployment of Funds:

- (1) The details of the sources of funds and the deployment of these funds on the project (where the issuer is raising capital for a project), up to a date not earlier than two months from the date of registering the offer document with the Registrar of Companies, as certified by a Chartered Accountant, along with the name of the chartered accountant and the date of the certificate.
- (2) Where the promoters' contribution has been brought prior to the public issue and has already been deployed by the issuer, the issuer shall give the cash flow statement in the offer document disclosing the use of such funds received as promoters' contribution.

(G) Sources of Financing of Funds Already Deployed: The means and source of financing, including details of bridge loan or other financial arrangement, which may be repaid from the proceeds of the issue.

(H) Deployment of Balance Funds: Year-wise break up of the expenditure proposed to be incurred on the project.

(I) ²⁵²[Interim Use of Funds: Net issue proceeds pending utilization

252. Substituted by the SEBI (Issue of Capital and Disclosure Requirements) (Third Amendment) Regulations, 2015, w.e.f. 11.08.2015. Prior to its substitution, sub-item (I) read as under :

“(I) Interim Use of Funds : Investment avenues in which the management proposes to deploy issue proceeds, pending its utilisation in the proposed project.”

(for the stated objects) shall be deposited only in the scheduled commercial banks included in the Second Schedule of Reserve Bank of India Act, 1934.]

(J) Basic Terms of Issue

(K) Basis for Issue Price:

- (1) The basis for issue price, floor price or price band, as the case may be, shall be disclosed and justified by the issuer in consultation with the lead merchant banker on the basis of the following information, which shall be also disclosed separately:
 - (a) Earnings Per Share and Diluted Earnings Per Share, pre-issue, for the last three years (as adjusted for changes in capital).
 - (b) Price Earning ratio pre-issue.
 - (c) Average Return on Net Worth in the last three years.
 - (d) Minimum Return on Increased Net Worth required to maintain pre-issue Earnings Per Share.
 - (e) Net Asset Value per share based on last balance sheet.
 - (f) Net Asset Value per share after issue and comparison thereof with the issue price.
 - (g) An illustrative format of disclosure in respect of basis for issue price is given hereunder:

(1) Adjusted Earning Per Share (EPS) and Adjusted Diluted EPS	
(a) 1992-93	Rs. 0.41
(b) 1993-94	Rs. 8.39
(c) 1994-95	Rs. 13.82
(d) Weighted Average	Rs. 10.94
(2) Price/ Earning Ration (P/E) in relation to Issue Price	
(a) Based on 94/95 EPS	37.63

(b) Industry P/E	
(i) Highest	61.2
(ii) Lowest	0.8
(iii) Average	25.3
(*Based on Economic Times of 26/6/95)	
(3) Return on Net Worth	
(a) 1992-93	27.36%
(b) 1993-94	28.77%
(c) 1994-95	33.45%
(d) Weighted Average	30.88%
(4) Minimum Return on Total Net Worth after Issue needed to maintain EPS at Rs.13.82	14.65%
(5) Net Asset Value	
(a) As at 31-3-1995	Rs. 46.40
(b) After issue	Rs. 94.29
(c) Issue price	Rs. 520.00

²⁵³(h) Comparison of accounting ratios of the issuer as mentioned in items (a) to (g) above with the industry average and with the accounting ratios of the peer group (i.e. companies of comparable size in the same industry). The source from which industry average and accounting ratios of the peer group has been taken shall be indicated. In this regard, the following shall be ensured :

25. Substituted by SEBI (Issue of Capital and Disclosure Requirements) (Second Amendment) Regulations, 2011 w.e.f. 23.09.2011. Prior to its substitution, sub-clause (h) read as under:

“(h) Comparison of all the accounting ratios of the issuer as mentioned in items (it) to (g) above with the industry average and with the accounting ratios of the peer group (i.e.. companies of comparable size in the same industry the source from which industry average and accounting ratios of the peer group has been taken shall be indicated)”

- Consistency in comparison of financial ratios of issuer with companies in the peer group, i.e., ratios on standalone/consolidated basis of issuer shall be compared with ratios on standalone/consolidated basis of peer group, respectively.
 - Explicit statement as to whether the financial ratios (of issuer as well as its peer group) are either on standalone or consolidated basis. Financial information relating to companies in the peer group shall be extracted from regulatory filings made by such companies to compute corresponding financial ratios.
- (i) The fact of dilution of financial ratios consequent upon issue of bonus shares, if any, and justification of the issue price after taking into account the diluted ratios with reference to expanded capital.
 - (j) In case of a book built issue, the following statement shall be disclosed in the red herring prospectus:

“The issue price has been determined by the issuer in consultation with the book runner(s), on the basis of assessment of market demand for the offered securities by way of book-building.”
 - (k) The face value of equity shares and the statement that the issue price, floor price or price band, as the case may be, is “X” times of the face value.
 - (l) The accounting ratios disclosed in the offer document in support of basis of the issue price shall be calculated after giving effect to the consequent increase in capital on account of compulsory conversions outstanding, as well as on the assumption that the options outstanding, if any, to subscribe for additional capital will be exercised.
- (2) The issuer shall not proceed with the issue in case the accounting ratios mentioned in items (a) to (g) above do not justify the issue price.
 - (3) In case the option of differential pricing under regulation

29 has been availed, justification for the price difference shall be given in the offer document.

- (4) Issue of debt instruments bearing interest less than bank rate: Whenever fully convertible debt instruments are issued bearing interest at a rate less than the Bank Rate, the offer document shall contain disclosures about the price that would work out to the investor, taking into account the notional interest loss on the investment from the date of allotment of FCDs to the date(s) of conversions).

(L) Tax Benefits: Any special tax benefits for the issuer and its shareholders.

(VIII) About the Issuer:

(A) Industry Overview

(B) Business Overview

(1) Details of the business of the issuer:

- (a) Location of the project;
- (b) Plant, machinery, technology, process, etc.:
 - (i) Details shall be given in a tabular form, which shall include the details of the machines required to be bought by the issuer, cost of the machines, name of the suppliers, date of placement of order and the date or expected date of supply, etc..
 - (ii) In case machines are yet to be delivered, the date of quotations relied upon for the cost estimates given shall also be mentioned.
 - (iii) The percentage and value terms of the plant and machinery for which orders are yet to be placed shall be stated.
 - (iv) The details of the second hand machinery bought or proposed to be bought, if any, including the age of the machines, balance estimated life, etc. shall also be given.

- (c) Collaborations, any performance guarantee or assistance in marketing by the collaborators: The following information regarding persons or entities with whom technical and financial agreements have been entered into shall be given:
 - (i) place of registration and year of incorporation.
 - (ii) paid up share capital.
 - (iii) turnover of the last financial year of operation.
 - (iv) general information regarding such persons relevant to the issuer.
 - (d) Infrastructure facilities for raw materials and utilities like water, electricity, etc.
 - (e) Products or services of the issuer:
 - (i) The nature of the product(s), that is, consumer or industrial and end users.
 - (ii) The details about the market, including details of the competition, past production figures for the industry, existing installed capacity, past trends and future prospects regarding exports (if applicable), demand and supply forecasts (if given, should be essentially with assumptions unless sourced from a market research agency of repute), etc. The source of data used shall be mentioned.
 - (iii) The approach to marketing and proposed marketing set up.
 - (iv) The export possibilities and export obligations, if any (in case of a issuer providing any “service” particulars, as applicable).
- (2) Business strategy:**
- (a) A brief statement about business strategy.
 - (b) A brief statement about future prospects, including the following:

(i) Capacity and Capacity Utilisation:

- A table shall be incorporated giving the existing installed capacities for each product, capacity utilisation for these products in the previous three years, proposed capacities for existing as well as proposed products and the assumptions for future capacity utilisation for the next three years (from the date of commencement of commercial production) in respect of existing as well as proposed products.
- If the projected capacity utilisation is higher than the actual average capacity utilisation by more than 25% during the previous three years, how the issuer proposes to achieve the projected levels of capacity utilisation in view of its failure to achieve levels of similar capacity utilisation in the past, shall be stated.

(ii) No forecast of projections relating to financial performance of the issuer shall be given in the offer document.

(3) Intellectual property rights:

- (a) If the issuer is entitled to certain intellectual property rights such as trade marks, brand names, etc. whether the same are legally held by the issuer and whether all formalities in this regard have been complied with.
- (b) In case the intellectual property rights are not registered in the name of the issuer, the name of the entity with which they are registered.
- (c) In case the intellectual property rights are registered in the name of entity in which the promoters are interested, the salient features of the agreement entered into for the use of the intellectual property rights by the issuer.

(4) Property

(5) Purchase of property:

- (a) As respects any property referred to in sub-clause (b):
 - (i) the names, address, descriptions and occupations of the vendors;
 - (ii) the amount paid or payable in cash, shares or debentures to the vendor and, where there is more than one separate vendor, or the issuer is a sub purchaser, the amount so paid or payable to each vendor, specifying separately the amount, if any, paid or payable for goodwill;
 - (iii) the nature of the title or interest in such property acquired or to be acquired by the issuer;
 - (iv) short particulars of every transaction relating to the property completed within the two preceding years, in which any vendor of the property to the issuer or any person who is, or was at the time of the transaction, a promoter, or a director or proposed director of the issuer had any interest, direct or indirect, specifying the date of the transaction and the name of such promoter, director or proposed director and stating the amount payable by or to such vendor, promoter, director or proposed director in respect of the transaction.
- (b) The property to which sub-clause (a) applies is a property purchased or acquired by the issuer or proposed to be purchased or acquired, which is to be paid for wholly or partly out of the proceeds of the issue offered for subscription by the offer document or the purchase or acquisition of which has not been completed at the date of issue of the offer document, other than property:

- (i) the contract for the purchase or acquisition whereof was entered into in the ordinary course of the issuer's business, the contract not being made in contemplation of the issue nor the issue in consequence of the contract; or
- (ii) as respects which the amount of the purchase money is not material.
 - for the purpose of this clause, where a vendor is a firm, the members of the firm shall not be treated as separate vendors.
 - if the issuer proposes to acquire a business which has been carried on for less than three years, the length of time during which the business has been carried.

(6) Land :

- (a) The names of the entities from whom the land has been acquired/ proposed to be acquired alongwith the cost of acquisition, along with the relation, if any, of such entities to any promoter or director of the issuer.
- (b) Details of whether the land acquired by the issuer is free from all encumbrances and has a clear title and whether it is registered in the name of the issuer.
- (c) Details of whether the issuer has applied/ received all the approvals pertaining to land. If no such approvals are required to be taken by the issuer, then this fact may be indicated by way of an affirmative statement.
- (d) The figures appearing under this section shall be consistent with the figures appearing under the section "Cost of the Project".

(C) Key Industry-Regulation (if applicable)**(D) History and Corporate Structure of the issuer:**

- (1) History and main objects and present business of the issuer including the following details:
 - (a) Details of the issuer such as the date of incorporation, date of commencement of business, date of conversion of partnership into limited company or private limited company to public limited company, as applicable, dates on which names have been changed, if applicable, reasons for change of name, changes in registered offices of the issuer and reasons therefore, dates on which the Memorandum of Association of the issuer have been amended citing the details of amendment.
 - (b) Details of the major events in the history of the issuer, including the details of:
 - (i) Capacity/facility creation, location of plant, products, marketing, competition etc.
 - (ii) Raising of capital in form of equity or debt,
 - (iii) Time/cost overrun in setting up projects including the proposed project,
 - (iv) Defaults or rescheduling of borrowings with financial institutions/ banks, conversion of loans into equity along with reasons thereof, lock out, strikes and reasons for the same etc.
 - (v) Negative features like time / cost overrun, defaults and lock out / strikes etc
 - (vi) Details regarding the changes in the activities of the issuer during the last five years which may have had a material effect on the profits/ loss, including discontinuance of lines of business, loss of agencies or markets and similar factors.
 - (c) Complete details of the subsidiaries and holding company, if applicable.

- (d) Corporate profile of the issuer regarding its history, the description of the activities, services, products, market of each segment, the growth of the issuer, exports and profits due to foreign operations together with the country-wise analysis, the standing of the issuer with reference to the prominent competitors with reference to its products, management, major suppliers and customers, environmental issues, segment, i.e. geographical, etc.
 - (e) Injunction or restraining order, if any, with possible implications.
 - (f) The technology, market, managerial competence and capacity built-up.
 - (g) Details regarding acquisition of business/ undertakings, mergers, amalgamation, revaluation of assets etc, if any.
 - (h) The number of members/ shareholders of the issuer.
- (2) Main objects as set out in the Memorandum of Association of the issuer
- (3) Details regarding subsidiary(ies) of the issuer including:
- (a) Name of the subsidiary;
 - (b) nature of business;
 - (c) capital structure;
 - (d) shareholding of the issuer;
 - (e) amount of accumulated profits or losses of the subsidiary(ies) not accounted for by the issuer;
 - (f) ²⁵⁴[***]

254. Omitted by SEBI (Issue of Capital and Disclosure Requirements) (Third Amendment) Regulations, 2010 w.e.f. 12.04.2010. Prior to its omission, sub-clause (f) read as under :

“(I) amount of accumulated profits or losses of the subsidiary (its) not accounted for by the issuer.”

(4) Shareholders' agreements:

- (a) Key terms of subsisting shareholders' agreements, if any (to be provided even if the issuer is not a party to such an agreement, but is aware of such an agreement).
- (b) Guarantees, if any, given to third parties by the promoters offering their shares in the proposed offer for sale, stating reasons, amount, obligations on the issuer, period of guarantee, financial implications in case of default, security available, consideration etc.
- (c) All such agreements shall be included in the list of material contracts required under sub-item (A) of Item ²⁵⁵[(XVI)].

(5) Other agreements:

- (a) The dates, parties to, and general nature of every other material contract, not being a contract entered into in the ordinary course of the business carried on or intended to be carried on by the issuer or a contract entered into more than two years before the date of the offer document.
 - (b) All such agreements shall be included in the list of material contracts required under sub-item (A) of Item (XII)
- (6) Strategic partners.
 - (7) Financial partners.

(E) Management:**(1) Board of Directors:**

- (a) Name, age, qualifications, Director Identification Number, experience, address, occupation and date of expiration of the current term of office of manager, managing director, and other directors (including

255. Substituted for "(XII)" by the SEBI (Issue of Capital and Disclosure Requirements) (Fourth Amendment) Regulations. 2010. w.e.f. 12.11.2010.

nominee directors, whole-time directors), giving their directorships in other companies.

²⁵⁶[(ai) Details of current and past directorship(s) in listed companies whose shares have been/were suspended from being traded on the Bombay Stock Exchange Ltd. National Stock Exchange of India Ltd., as follows:

- Name of the Company :
- Listed on [give name of the Stock Exchange(s)] :
- Date of Suspension on stock exchanges :
- Suspended more than three months: Yes/No. If yes, reasons for suspension and period of suspension.
- Whether suspension revoked: Yes/No. If yes, date of revocation of suspension.
- Term (along with relevant dates) of Director in the above company(ies).

Explanation : The above details shall be given with respect to a period of five years prior to date of filing of draft offer document and ought to be updated upto the date of filing of RHP. In case of offer documents for fast track issues filed under Regulation 10, the period of five years shall be reckoned on the date of filing of prospectus with Registrar of Companies or letter of offer with the designated stock exchange.

(a) (ii) Details of current and past directorship(s) in listed companies which have been/were delisted from the stock exchange(s), as follows:

- Name of the Company :
- Listed on [give name of the Stock Exchange(s)] :
- Date of delisting on the Stock Exchange(s) :
- Compulsory or voluntary delisting :

256. Inserted by the SEBI (Issue of Capital and Disclosure Requirements) (Fourth Amendment) Regulations, 2010. w.e.f. 12.11.2010.

- Reasons for delisting :
 - Whether relisted: Yes/No. If yes, date of relisting on [give name of the Stock Exchange(s)]:
 - Term (alongwith relevant dates) of Director in the above company/ies.]
- (b) The nature of any family relationship between any of the directors.
- (c) Any arrangement or understanding with major shareholders, customers, suppliers or others, pursuant to which of the directors was selected as a director or member of senior management.
- (d) Details of service contracts entered into by the directors with the issuer providing for benefits upon termination of employment and a distinct negative statement in the absence of any such contract.
- (e) Details of borrowing powers.
- (2) Compensation of Managing Directors/ Whole time Directors:**
- (a) The dates, parties to, and general nature of every contract appointing or fixing the remuneration of a Director, Whole-time Director, Managing Director or Manager whenever entered into within or more than, two years before the date of the offer document. During the last financial year, the amount of compensation paid, and benefits in kind granted on an individual basis to all such persons, by the issuer for services in all capacities to the issuer. The disclosure shall also cover contingent or deferred compensation accrued for the year, even if the compensation is payable at a later date.
- (b) If any portion of the compensation was paid pursuant to a bonus or profit- sharing plan, a brief description of the plan and the basis upon which the directors participate in the plan.
- (c) All such contracts shall be included in the list of

material contracts required under sub-item (A) of Item (XII).

- (3) Shareholding of directors, including details of qualification shares held by them, wherever applicable.

(4) Interest of directors:

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

(i) in the promotion of the issuer; or

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

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

- (5) Change, if any, in the directors during the last three years, and reasons, thereof.

- (6) Management Organisation Structure.

(7) Corporate Governance:

- (a) A disclosure to the effect that the issuer has complied with the requirements of Corporate Governance contained in the Equity Listing Agreement, particularly those relating to composition of board of directors, constitution of committees such as Audit Committee, Shareholder/Investor Grievance Committee, etc

- (b) Details relating to the issuer's audit committee and remuneration committee, including the names of committee members and a summary of the terms of

reference under which the committees operate shall also be disclosed.

(8) Key Management Personnel:

- (a) Details of the key management personnel as on the date of filing the offer document with the Board indicating name, date of joining, qualification, term of office with date of expiration of term and details of service contracts including termination/retirement benefits, if any, details of previous employment, etc.
- (b) Name, business experience, functions and areas of experience in the issuer.
- (c) The nature of any family relationship between any of the key managerial personnel.
- (d) Any arrangement or understanding with major shareholders, customers, suppliers or others, pursuant to which any of the key managerial personnel, was selected as a director or member of senior management.
- (e) During the last financial year, the amount of compensation paid, and benefits in kind granted, to the key managerial personnel on an individual basis, by the issuer for services in all capacities to the company. The disclosure shall also cover contingent or deferred compensation accrued for the year, even if the compensation is payable at a later date.
- (f) If any portion of the compensation was paid pursuant to a bonus or profit-sharing plan, a brief description of the plan and the basis upon which the key management personnel participate in the plan.
- (g) Disclose status of key management personnel, whether they are in the employment as permanent employees or otherwise.
- (h) The shareholding of the key management personnel.
- (i) Bonus or Profit Sharing Plan for the key management personnel.

- (j) Changes in the Key Management Personnel: Any change otherwise than by way of retirement in the normal course in the senior key management personnel particularly in charge of production, planning, finance and marketing during the last three years prior to the date of filing the offer document with the Board shall be disclosed. If the turnover of key management personnel is high compared to the industry, reasons should be ²⁵⁷[disclosed].

(9) Employees:

- (a) Refer the page of the offer document where disclosures regarding employees stock option scheme/ employees stock purchase scheme of the issuer, if any, as required by the Regulations or Regulations of the Board relating to Employee Stock Option Scheme and Employee Stock Purchase Scheme, is given.
- (b) Payment or Benefit to Officers of the issuer (non-salary related): Any amount or benefit paid or given within the two preceding years or intended to be paid or given to any officer and consideration for payment of giving of the benefit.

(F) Promoters/ Principal Shareholders:

- (1) Where the promoters are individuals:
 - (a) A complete profile of the promoters, including their name, age, personal addresses, educational qualifications, experience in the business or employment and in the line of business proposed in the offer document, positions/posts held in the past, Directorship held, other ventures of each promoter, special achievements, their business and financial activities, photograph, voter ID number, driving license number shall be disclosed.

²⁵⁷. Substituted for "discussed" by the SEBI (Issue of Capital and Disclosure Requirements) (Third Amendment) Regulations, 2010. w.e.f. 13.04.2010.

- (b) A declaration, confirming that Permanent Account Number, Bank Account Number and Passport Number of the promoters have been submitted to the recognised stock exchanges on which the specified securities are proposed to be listed, at the time of filing the draft offer document with them;

(2) Where the promoters are companies:

- (a) History of the companies and the promoters of the companies shall be furnished. Where the promoters of such companies are again companies or bodies corporate, names of natural persons in control (i.e., holding fifteen per cent. or more voting rights) or who are on the board of directors of such bodies corporate shall be disclosed.
- (b) Details of change in control or management of the promoter companies, if any, including details of the persons who held the controlling interest in the three years immediately preceding the filing the draft offer document.
- (c) A declaration, confirming that the Permanent Account Numbers, Bank Account Numbers, the Company Registration Numbers and the addresses of the Registrars of Companies where the companies are registered have been submitted to the recognised stock exchanges on which the specified securities are proposed to be listed, at the time of filing the draft offer document with them;

²⁵⁸[(2A) Where the shares for lock-in towards minimum promoters contribution is offered by principal shareholders such as Venture Capital Funds or Foreign Venture Capital Investors registered with SEBI:

- (a) Details of Fund Manager;
- (b) Generic details of the Fund which is the investor in the issuer company;

258. Inserted by SEBI (Issue of Capital and Disclosure Requirements) (Amendment) Regulations, 2012. w.e.f. 30.01.2012.

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- (c) Details such as total number of investors in the Fund, distribution of investors category - wise (institutional, corporate, individual etc.) and percentage stake held by each investor category;
- (d) Details of companies funded by the Funds, namely:-
- (i) Total number of companies funded;
 - (ii) Distribution of such companies- country wise, holding period wise, sector wise;
 - (iii) Number of companies under the control of the Fund, directly or indirectly;
 - (iv) In respect of companies where such Funds have offered their shares for lock-in as part of minimum promoter's contribution:-
 - Name of the company
 - Date of listing on each stock exchange
 - Fund's shareholding in the company as on the date of listing
 - Fund's shareholding in the company as on the date of filing of the DRHP of the company that now seeks to get listed
- (e) Average holding period of the Fund's investments;
- (f) Sector focus/core specialization of the Fund, if applicable.]
- (3) If the present promoters are not the original promoters and control of the issuer was acquired within five years immediately preceding the date of filing draft offer document with the Board, disclosure shall be made of the details regarding the acquisition of control, date of acquisition, terms of acquisition, consideration paid for acquisition and compliance with the provisions of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 and Listing Agreement as applicable.
- (4) If there is no identifiable promoter, such fact shall be disclosed and a further disclosure shall be made of the

shareholders who control individually or as a group, fifteen per cent. or more of the voting rights of the issuer and of persons, if any, who have the right to appoint director(s) on the board of directors of the issuer.

- (5) If the promoters do not have experience in the proposed line of business, that fact shall be disclosed explaining how the proposed activities would be carried out/ managed.
- (6) If the promoters have any interest in the issuer other than as promoters, brief details of the interest shall be given along with cross-reference to the pages on which extensive details have been given in the offer document.
- (7) The following information in respect of all the group companies shall be given wherever applicable:
 - (a) the name and type of organisation
 - (b) brief description of the business;
 - (c) nature and extent of interest of the promoters
- (8) Full particulars of the nature and extent of the interest, if any, of every promoter, directors or group companies :
 - (a) in the promotion of the issuer; or
 - (b) in any property acquired by the issuer within two years of the date of filing draft offer document with the Board or proposed to be acquired by it.
 - (c) Where the interest of such a director or promoter consists in being a member of a firm or company, the nature and extent of the interest of the firm or company, with a statement of all sums paid or agreed to be paid to him or to the firm or company in cash or shares or otherwise by any person either to induce him to become, or to qualify him as, a director, or otherwise for services rendered by him or by the firm or company, in connection with the promotion or formation of the issuer.
 - (d) in any transaction in acquisition of land, construction

of building and supply of machinery, etc. with full details of the transaction and the amount involved

- (9) **Payment or benefit to promoters of the issuer:** Any amount or benefit paid or given within the two years preceding the date of filing draft offer document with the Board or intended to be paid or given to any promoter or promoter group and consideration for payment of giving of the benefit.

(G) **Currency of presentation:** One standard financial unit shall be used in the offer document.

(H) **Dividend policy**

(IX) **Financial Statements:**

²⁵⁹[[Notes :

1. The financial informations specified in this item shall be certified by only those 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.
2. All financial informations specified in this item must be reaudited for one full financial year and the stub period, by the auditor certifying them in case where the financial statements were audited by an auditor who had not been subjected to peer review process of ICAI.]

(A) **Selected Consolidated Financial and Operating data:**

- (1) The consolidated financial statement prepared on the basis of Accounting Standard 21(AS 21) "Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India shall be incorporated in the offer document.
- (2) All the notes to the accounts, significant accounting policies as well as the auditors' qualifications shall be incorporated.

259. Inserted by the SEBI (Issue of Capital and Disclosure Requirements) (Amendment) Regulations, 2009, w.e.f. 01.04.2010.

(B) Financial Information of the issuer:

- (1) A report by the auditors of the issuer with respect to:
 - (a) profits and losses and assets and liabilities, in accordance with para (2) or (3) of sub-item (B) of Item (IX), as the case may require; and
 - (b) the rates of dividends, if any, paid by the issuer in respect of each class of shares in the issuer for each of the five financial years immediately preceding the issue of the offer document, giving particulars of each class of shares on which such dividends have been paid and particulars of the cases in which no dividends have been paid in respect of any class of shares for any of those years;

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

- (2) If the issuer has no subsidiaries, the report shall:
 - (a) so far as regards profits and losses, deal with the profits or losses of the issuer (distinguishing items of a non- recurring nature) for each of the five financial years immediately preceding the issue of the offer document; and
 - (b) so far as regards assets and liabilities, deal with the assets and liabilities of the issuer at the last date to which the accounts of the issuer were made up.

- (3) If the issuer has subsidiaries, the report shall:
- (a) so far as regards profits and losses, deal separately with the issuer's profits or losses as provided by para (2) of sub-item (B) of Item (IX) and in addition, deal either:
 - (i) as a whole with the combined profits or losses of its subsidiaries, so far as they concern the members of the issuer; or
 - (ii) individually with the profits or losses of each subsidiary, so far as they concern the members of the issuer;or, instead of dealing separately with the issuer's profits or losses, deal as a whole with the profits or losses of the issuer, and, so far as they concern the members of the issuer, with the combined profits or losses of its subsidiaries; and
 - (b) so far as regards assets and liabilities, deal separately with the issuer's assets and liabilities as provided by para (2) of sub-item (B) of Item (IX) and in addition, deal either:
 - (i) as a whole with the combined assets and liabilities of its subsidiaries, with or without the issuer's assets and liabilities; or
 - (ii) individually with the assets and liabilities of each subsidiaries;and shall indicate as respects the assets and liabilities of the subsidiaries, the allowance to be made for persons other than the members of the issuer.
- (4) If the proceeds, or any part of the proceeds, of the issue of the shares or debentures are, or is, to be applied directly or indirectly:
- (a) in the purchase of any business; or
 - (b) in the purchase of an interest in any business and by reason of that purchase, or anything to be done in consequence thereof, or in connection therewith; the issuer will become entitled to an

interest as respects either the capital or profits and losses or both, in such business exceeding fifty percent, thereof;

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

- (i) the profits or losses of the business of each of the five financial years immediately preceding the issue of the offer document; and
- (ii) the assets and liabilities of the business at the last date to which the accounts of the business were made up, being a date not more than one hundred and twenty days before the date of the issue of the offer document.

(5)

(a) If:

- (i) the proceeds, or any part of the proceeds, of the issue of the shares or debentures are or is to be applied directly or indirectly in any manner resulting in the acquisition by the issuer of shares in any other body corporate; and
- (ii) by reason of that acquisition or anything to be done in consequence thereof or in connection therewith, that body corporate will become a subsidiary of the issuer;

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

- the profits or losses of the other body corporate for each of the five financial years immediately preceding the issue of the offer document; and
- the assets and liabilities of the other body corporate at the last date to which its accounts were made up.

(b) The said report shall:

- (i) indicate how the profits or losses of the other body corporate dealt with by the

report would, in respect of the shares to acquired, have concerned members of the issuer and what allowance would have fallen to be made, in relation to assets and liabilities so dealt with for holders of other shares, if the issuer had at all material times held the shares to be acquired; and

- (ii) where the other body corporate has subsidiaries, deal with the profits or losses and the assets and liabilities of the body corporate and its subsidiaries in the manner provided by sub-clause (a) (ii) above in relation to the issuer and its subsidiaries.
- (6) Principal terms of loan and assets charged as security: Brief terms and conditions of the term loans including re-schedulement, prepayment, penalty, default, etc.
 - (7) (a) Age-wise analysis of sundry debtors shall be given.
(b) Aggregate book value of quoted investments as well as aggregate market value of quoted investments shall be disclosed.
 - (8) All significant accounting policies and standards followed in the preparation of the financial statements shall be disclosed including all notes thereto and the auditors' qualifications shall be incorporated.
 - (9) Statements of Assets and Liabilities and Profit and Loss or any other financial information shall be incorporated after making the following adjustments, wherever quantification is possible:
 - (a) Adjustments/ rectification for all incorrect accounting practices or failures to make provisions or other adjustments which resulted in audit qualifications.. Audit qualifications, which have not been given effect to, if any, shall be highlighted along with the management comments. If the impact of non-provisions is not considered ascertainable, then a statement to that effect by the auditors
 - (b) Material amounts relating to adjustments for previous years shall be identified and adjusted

in arriving at the profits of the years to which they relate irrespective of the year in which the event triggering the profit or loss occurred.

- (c) Where there has been a change in accounting policy, the profits or losses of the earlier years (required to be shown in the offer document) and of the year in which the change in the accounting policy has taken place shall be recomputed to reflect what the profits or losses of those years would have been if a uniform accounting policy was followed in each of these years.
- (d) If an incorrect accounting policy is followed, the re-computation of the financial statements shall be in accordance with correct accounting policies.
- (e) Statement of profit or loss shall disclose the profit or the loss arrived at before considering extraordinary items and after considering the profit or loss from extraordinary items. An illustrative format of the disclosure of profits and losses on this basis is specified hereunder:

	Year ended March 31,....				
	20X1	20X2	20X3	20X4	20X5
			<i>(Rupees in lakhs)</i>		
Income					
Sales -					
of products manufactured by the issuer	1000	1240	1640	1800	1800
of products traded in by the issuer	100	60	60	200	200
Total	1100	1300	1700	2000	2000
Other income	10	30	40	60	100
Increase (decrease) in inventories	40	(70)	60	180	310
	1150	1260	1800	2240	2410

Expenditure					
Raw materials consumed	400	480	630	1110	1200
Staff costs	200	220	240	340	400
Other manufacturing expenses	250	260	280	540	650
Administration expenses	40	42	60	80	85
Selling and distribution expenses	110	120	130	190	250
Interest	60	55	90	200	140
	1095	1227	1495	2635	2795
Net profit before tax and extraordinary items	55	33	305	(295)	(385)
Taxation	25	12	144	(185)	(235)
Net profit before extraordinary items	30	21	161	(110)	(150)
Extraordinary items - (net of tax)		49	(64)	800	1000
Net Profit after Extraordinary Items	30	70	97	700	850

- (f) The statement of assets and liabilities shall be prepared after deducting the balance outstanding on revaluation reserve account from both fixed assets and reserves and the net worth arrived at after such deductions. An illustrative format of assets and liabilities is specified hereunder:

260[As at March 31,...					
	20X1	20X2	20X3	20X4	20X5
	<i>(Rupees in lakhs)</i>				
(1) Equity & Liabilities					
Shareholders' Funds					
(a) Share capital					
(b) Reserves & surplus					
(2) Non Current Liabilities					
(a) Long term borrowings					

260 Substituted by the SEBI (Issue of Capital and Disclosure Requirements) (Amendment) Regulations, 2014, w.e.f. 4-2-2014. Prior to its substitution, said illustrative format read as under:

"As at March 31, ...					
	20X1	20X2	20X3	20X4	20X5
	<i>(Rupees in lakhs)</i>				
(1) Fixed Assets					
Gross Block	440	750	900	922	1350
Less : Depreciation	(55)	(107)	(170)	(250)	(320)
Net Block	385	643	730	672	1030
Less : Revaluation Reserve	(100)	(95)	(89)	(83)	(75)
Net Block after adjustment for Revaluation Reserve	285	548	641	589	955
(2) Current Assets, Loans and Advances					
Inventories	485	420	720	1030	3200
Sundry Debtors	28	30	30	500	2500
Cash and Bank Balances	13	14	22	200	400
Loans and Advances	78	100	85	1100	2000
Other Current Assets	70	80	55	200	220
Total	674	644	912	3080	8320
(3) Liabilities and Provisions:					
Secured Loans	376	607	616	620	460
Unsecured Loans	3	3	—	—	4000
Current Liabilities and Provisions	250	180	330	460	1100
Total	(629)	(790)	(946)	(1080)	(5560)
(4) Net worth	330	402	607	2589	3715
(5) Represented by					
Share Capital	300	300	400	1600	2000
Reserves	130	197	296	1072	1790
Less : Revaluation Reserve	(100)	(95)	(89)	(83)	(75)
Reserves (Net of revaluation reserves)	30	102	207	989	1715
Net worth	330	402	607	2589	3715

(b) Deferred tax liabilities (net)					
(c) Long term provisions					
(3) Current Liabilities					
(a) Short term borrowings					
(b) Trade payables					
(c) Other current liabilities					
(d) Short term provisions					
Total					
Assets					
(4) Non Current Assets					
(a) Fixed Assets					
(b) Non current investments					
(c) Long term loans and advances					
(d) Other non current assets					
(5) Current Assets					
(a) Current Investments					
(b) Inventories					
(c) Trade receivables					
(d) Cash and bank balances					
(e) Short term loans and advances					
(f) Other current assets					
Total					

- (g) Relevant details of all the contingent liabilities.
- (10) The turnover disclosed in the Profit and Loss Statement shall be bifurcated into:
- (a) turnover of products manufactured by the issuer;
 - (b) turnover of products traded in by the issuer; and
 - (c) turnover in respect of products not normally

dealt in by the issuer but included in (b) above, shall be mentioned separately.

- (11) The offer document shall disclose details of 'Other Income' in all cases where such income (net of related expenses) exceeds twenty per cent. of the net profit before tax, including:
 - (d) the sources and other particulars of such income; and
 - (e) an indication as to whether such income is recurring or non-recurring, or has arisen out of business activities/ other than the normal business activities.
- (12) Related Party Transactions: The issuer shall disclose the following details of related party transactions and make disclosures in accordance with the requirements of Accounting Standard (AS 18) "Related Party Disclosures" issued by the Institute of Chartered Accountants of India:
 - (a) Information with respect to transactions or loans between the issuer and
 - (i) enterprises that directly or indirectly through one or more intermediaries, control or are controlled by, or are under common control with, the issuer;
 - (ii) associates;
 - (iii) individuals owning, directly or indirectly, an interest in the voting power of the company that gives them significant influence over the issuer, and close members of any such individual's family;
 - (iv) key managerial personnel, that is, those persons having authority and responsibility for planning, directing and controlling the activities of the issuer, including directors and senior management of companies and close members of such individuals' families;

- (v) enterprises in which a substantial interest in the voting power is owned, directly or indirectly, by any person described in ²⁶¹[(iii) or (iv)] or over which such a person is able to exercise significant influence and includes enterprises owned by directors or major shareholders of the issuer.
 - (b) The nature and extent of any transactions which are material to the issuer or the related party, or any transactions that are unusual in their nature or conditions, involving goods, services, or tangible or intangible assets, to which the issuer or any of its parent companies was a party.
 - (c) The amount of outstanding loans (including guarantees of any kind) made by the issuer or any of its parent companies to or for the benefit of any of the directors or key managerial personnel. The information given should include the amount outstanding as of the latest date, the nature of the loan and the transaction in which it was incurred, and the interest rate on the loan.
- (13) Accounting and other ratios:
- (a) The following key accounting ratios shall be given for each of the accounting periods for which financial information is given.
 - (b) Earnings per Share and Diluted Earnings Per Share: This ratio shall be calculated after excluding extra ordinary items.
 - (c) Return on net worth: This ratio shall be calculated after excluding revaluation reserves and extra-ordinary items.
 - (d) Net Asset Value per share. This ratio shall be calculated excluding revaluation reserves.

²⁶¹. Substituted for “(c)” or (d)” by SEBI (Issue of Capital and Disclosure Requirements) (Third Amendment) Regulations, 2010, w.e.f. 13.04.2010.

- (e) 'Accounting and other Ratios' shall be based on the Financial Statements prepared on the basis of Indian Accounting Standards.
- (f) In the event of capital structure undergoing a change on account of capitalisation of reserves, its impact on the key ratios should be distinctly brought out. The impact of outstanding financial instruments, if any, on the ratios, should also be disclosed.

(14) Capitalisation Statement:

- (a) A Capitalisation Statement showing total debt, net worth, and the debt/ equity ratios before and after the issue is made shall be incorporated.
- (b) In case of any change in the share capital since the date as of which the financial information has been disclosed in the offer document, a note explaining the nature of the change shall be given.
- (c) An illustrative format of the Capitalisation Statement is specified hereunder:

<i>Particulars</i>	<i>Pre-issue as at 30-6-20X1</i>	<i>As Adjusted for issue</i>
	<i>(Rupees in lakhs)</i>	
Short-Term Debt	1870	1870
Long Term Debt	4370	4370
Shareholders Funds		
Share Capital	4000	4450
Reserves	14570	37520
Total Shareholders Funds	18570	41940
Long Term Debt/Equity	0.24:1	0.10:1

Note: Since 31-3-20X1 (which is the last date as of which financial information has been given in para of this document) share capital was increased from Rs.3000 lacs to Rs.4000 lacs by the issue of bonus shares in the ratio of 1 share for every 3 shares.

- (15) Presentation of financials in case of change of denomination: In case of change in standard denomination of equity shares, the compliance with the following shall be ensured while making disclosure in the offer document:
- (a) all the financial data affected by the change in denomination of shares shall be clearly and unambiguously presented in the offer document.
 - (b) comparison of financial ratios representing value per share and comparison of stock market data in respect of price and volume of securities shall be clearly and unambiguously presented in the offer document.
 - (c) the capital structure incorporated in the offer document shall be clearly presented giving all the relevant details pertaining to the change in denomination of the shares.
- (16) Unsecured loans:
- (a) Break-up of total outstanding unsecured loans taken by the issuer shall be given in the offer document into the amount borrowed from promoters/group companies/subsidiaries / material associate companies and amount borrowed from others. Further, in respect of each such loan of the former category, terms and conditions shall be disclosed including the interest rates and repayment schedule. If the loans can be recalled by the lenders at any time, the same shall be disclosed.
 - (b) Break-up of the total outstanding unsecured loans taken ²⁶²[from the issuer] by the promoters, group companies, related parties, material associate companies and others shall be disclosed.

²⁶² Inserted by SEBI (Issue of Capital and Disclosure Requirements) (Third Amendment) Regulations, 2010, w.e.f. 13.04.2010.

- (c) If the loans can be recalled by the lenders at any time, the same shall be disclosed along with details of such loans.
- (17) For a proper understanding of the future tax incidence, the following factors shall be identified and explained through proper disclosures:
- (a) Profits after tax are often affected by the tax shelters which are available.
- (b) Some of these are of a relatively permanent nature (for example, arising out of export profits) while others may be limited in point of time (for example, tax holidays for new undertakings).
- (c) Tax provisions are also affected by timing differences which can be reversed in the future (for example, the difference between book depreciation and tax depreciation).
- (d) In respect of provision for taxation, adjustment shall be made for deferred tax assets and deferred tax liabilities in accordance with the requirements of Accounting Standard (AS 22) "Accounting for Taxes on Income" issued by the Institute of Chartered Accountants of India and a reconciliation of taxable income and book profits shall be disclosed in accordance with the illustrative format given hereunder:

Year ended March 31,....					
	20X1	20X2	20X3	20X4	20X5
	<i>(Rupees in lakhs)</i>				
Tax at Notional Rate	28	70	89	546	675
Adjustments:					
Export Profits	(4)	(5)	(20)	(100)	(120)
Difference between Tax Depreciation and Book Depreciation	(6)	(8)	(9)	(10)	(10)

Other Adjustments	3	3	4	4	5
Net Adjustments	(7)	(10)	(25)	(106)	(125)
Tax Saving thereon	(3)	(5)	(13)	(49)	(58)
Total Taxation	25	65	76	497	617
Taxation on Extraordinary Items-		53	(68)	682	852
Tax on Profits before Extraordinary Items	25	12	144	(185)	(235)

- (18) The issuer, if it so desires, may include in the offer document, the financial statements prepared on the basis of more than one accounting practices, subject to disclosure of the material differences arising because of differences in the accounting policies of different accounting practices.
- (19) In respect of the periods, within the period of five years, when the relevant Accounting Standard issued by the Institute of Chartered Accountants of India was mandatory in respect of such issuers:
- (a) Where, in respect of listed issuers, the auditors report does not deal with the profits and losses and assets and liabilities of the issuer and its subsidiaries as a whole, the consolidated balance sheets and profit and loss accounts shall be presented in respect of the periods, within the period of five years, when preparation of such statements was mandatory in respect of such issuers under the listing agreement with the recognised stock exchanges.
 - (b) In respect of business segments, disclosure shall be made of segment revenue, segment result and net capital employed and where the primary segment is a geographic segment, similar details by geographic segments shall be given.
- (20) The latest statement of audited/unaudited quarterly financial results published by the issuer in accordance with clause 41 of the equity listing agreement with the stock exchanges shall be reproduced.

- (21) It shall be disclosed in the offer document whether any of the sundry debtors is related to the directors or promoters or the issuer in any way. Similar disclosures shall be made in case of loans and advances.
- ²⁶³[(22) If the issuer has entered into any scheme of arrangement during the period for which the financials are disclosed in the offer document, lead merchant banker to the issue shall ensure that the following disclosure requirements as specified in Accounting Standard 14 has been complied with:-
- (a) A description of the accounting treatment followed in respect of financials contained in the schemes of arrangement and the reasons for following the treatment if it is different from those, which has been prescribed in applicable Accounting Standards.
 - (b) In case of deviations, disclosure of the accounting treatment had the applicable standard been followed.
 - (c) Impact on the financials, if any, arising due to such deviation.]
- ²⁶⁴[(23) Proforma Financial Statements
- (1) In addition to other requirements laid down in these regulations and subject to the stipulation in sub-para (3) of this para, the issuer shall disclose Proforma Financial Statements in the offer document, if –
 - (a) an acquisition or divestment is made by the issuer after the end of the latest disclosed annual financial results in the offer document, due to which certain companies

263 Inserted by SEBI (Issue of Capital and Disclosure Requirements) (Amendment) Regulations, 2009, w.e.f. 01.01.2010.

264. Inserted by the SEBI (Issue of Capital and Disclosure Requirements) (Fourth Amendment) Regulations, 2010, w.e.f. 12.11.201.

become/cease to be direct or indirect subsidiaries of the issuer, and

- (b) the financial statements of such acquired or divested entity is material to the financial statements of the issuer company.

Explanation: The financial statements of the acquired or divested entity shall be “material” to the financial statements of the issuer if:

- (i) the total book value of the assets of the acquired/ divested entity amounts to more than 20% of the pre-acquisition/pre-divestment book value of the assets of the issuer; or
 - (ii) the total income of the acquired/divested entity amounts to more than 20% of the pre-acquisition/pre-divestment total income of the issuer.
- (2) Proforma Financial Statements shall be disclosed in respect of the following, namely:
- i. the last completed accounting year, and
 - ii. the period beginning from the date of the end of the last completed accounting year and ending on the date on which financial statements of the issuer have been disclosed in the offer document.
- (3) Where the said acquisition or divestment does not fulfill the tests of materiality specified in clause 23(1)(b) above, the fact of the acquisition or divestment along with the consideration paid/received and the mode of financing such acquisition shall be disclosed.
- (4) The information disclosed as per sub-clause (2) and (3) above shall be certified by the statutory auditor of the issuer.]

²⁶⁵[(BA) Alternate Financial Information of the issuer in further public offers:

- (1) An issuer making further public offer may disclose the financial information specified in clause (2) of this sub-item , in lieu of information specified under sub-item (B) if:
 - (i) the issuer is making further public offer in accordance with provisions of regulation 10;
 - (ii) the specified securities offered in further public offer are of the same class of those already listed on a recognised stock exchange;
 - (iii) financial reports of the issuer are available on the website of any recognised stock exchange having nationwide trading terminals or on a common e-filing platform specified by the Board;
 - (iv) there has not been any change in management of the issuer;
 - (v) specified securities of issuer have not been listed pursuant to relaxation granted from clause (b) of sub-rule (2) of rule 19 of Securities Contracts (Regulation) Rules, 1957.
- (2) The issuer satisfying the conditions specified in clause (1) may disclose its financial statements as under:
 - (i) Stand-alone and consolidated financial statements of the issuer:
 - (1) A report by the auditors of the issuer with respect to profit or loss and assets and liabilities (indicating changes in accounting policies, if any) in respect of the last completed accounting year for which audit has been completed.
 - (2) A report by the auditors of the issuer on a limited review of the profit or loss and assets and liabilities (indicating changes in accounting

265. Inserted by SEBI (Issue of Capital and Disclosure Requirements) (Amendment) Regulations, 2009, w.e.f. 11.12.2009.

policies, if any), as at a date not earlier than six months prior to the date of the opening of the issue, where audited accounts as at such date are not available.

- (3) For the purpose of sub-clauses (1) and (2) above, it shall be sufficient if:
- (a) In the statement of the assets and liabilities, the main heads of assets and liabilities as provided in Part I of Schedule VI of the Companies Act, 1956 have been provided. If an issuer is governed by a statute other than the Companies Act, 1956, the main heads of assets and liabilities as specified in such statute shall be provided in the statement of assets and liabilities.
 - (b) In the statement of profit or loss, the information required to be disclosed under the heads of income and expenditure as per clause 41 of the equity listing agreement in respect of quarterly financial information to be filed with the recognised stock exchanges, has been provided.
- (ii) In addition, the following information for the period between the last date of the balance sheet and profit and loss account sent to the shareholders and up to the end of the last but one month preceding the date of the offer document shall be furnished.
- (1) Working results of the issuer under following heads:
- (a) (i) Sales / turnover
 - (ii) Other income
 - (b) Estimated gross profit / loss (excluding depreciation and taxes)
 - (c) (i) Provision for depreciation
 - (ii) Provision for taxes

- (d) Estimated net profit / loss
- (2) Material changes and commitments, if any affecting financial position of the issuer.
- (3) Week-end prices for the last four weeks; current market price; and highest and lowest prices of equity shares during the period with the relative dates.
- (iii) Stock market quotation of shares/ convertible instruments of the company (high/ low price in each of the last three years and monthly high/low price during the last six months).
- (iv) Accounting and other ratios: The following accounting ratios shall be given for each of the accounting periods for which financial information is given:
 - (1) Earnings per share: This ratio shall be calculated after excluding extra ordinary items.
 - (2) Return on Networth: This ratio shall be calculated excluding revaluation reserves.
 - (3) Net Asset Value per share: This ratio shall be calculated excluding revaluation reserves.
 - (4) Accounting and other ratios shall be based on the financial statements prepared on the basis of Indian Accounting Standards.
- (v) Capitalisation Statement:
 - (1) A Capitalisation Statement showing total debt, net worth, and the debt/ equity ratios before and after the issue is made shall be incorporated.
 - (2) In case of any change in the share capital since the date as of which the financial information has been disclosed in the prospectus, a note explaining the nature of the change shall be given.
 - (3) An illustrative format of the Capitalisation Statement is specified hereunder:

<i>Particulars</i>	<i>Pre-issue as at 30-6-1995</i>	<i>As Adjusted for issue</i>
<i>(Rupees in lakhs)</i>		
Short-Term Debt	1870	1870
Long Term Debt	4370	4370
Shareholder s Funds		
Share Capital	4000	4450
Reserves	1 45 70	37520
Total Shareholder s Funds	18570	41940
Long Term Debt/Equity	0.24:1	0.10:1

Note: Since 31-3-1995 (which is the last date as of which financial information has been given in para ... of this document), share capital was increased from Rs.3000 lacs to Rs.4000 lacs by the issue of bonus shares in the ratio of 1 share for every 3 shares.

- (vi) One standard financial unit shall be used in the offer document.]

(C) Financial Information of Group Companies:

- (1) In case of an issuer not being a government company, statutory authority or corporation or any special purpose vehicle set up by any of them, the following information for the last three years, based on the audited statements, in respect of all the group companies for past three years shall be given, wherever applicable, along with significant notes of auditors.
- (a) Date of Incorporation;
 - (b) Nature of activities;
 - (c) Equity Capital;
 - (d) Reserves (excluding revaluation reserve);
 - (e) Sales;
 - (f) Profit after tax;
 - (g) Earnings per share and Diluted Earnings Per Share;

- (h) Net Asset Value;
- (i) The highest and lowest market price of shares during the preceding six months with suitable disclosures for changes in capital structure during the period and the market value on the date of registering the offer document with the Registrar of Companies.
- (j) If any of the companies has made public or rights issue in the preceding three years, the issue price of the security, the current market price and particulars of changes in the capital structure, if any, since the date of issue and a statement regarding the cost and progress of implementation of the project in comparison with the cost and implementation schedule given in the offer document.
- (k) Information regarding significant adverse factors related to the group companies and in particular regarding:
 - (i) whether the company has become a sick company within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1995 or is under winding up;
 - (ii) whether the company has made a loss in the immediately preceding year and if so, the profit or loss figures for the immediately preceding three years.
- (l) Disclosure shall be made about group companies which had remained defunct and for which application was made to the Registrar of Companies for striking off the name of the company, during the five years preceding the date of filing draft offer document with the Board. The disclosure shall include reasons for the company having become defunct as also all pending litigations, if any, in respect of such companies.
- (m) The information under items (e), (f), (g) and (k)(ii) need not be given in respect of a company which is

a private limited company not being a subsidiary of a public limited company.

- (2) In case there are more than five listed group companies, the financial information may be restricted to the five largest listed group companies to be determined on the basis of the market capitalization one month before the date of filing the draft offer document or in case of a fast track issue, one month before the reference date referred to in Explanation (I) to sub-regulation (1) of regulation 10. In case there are less than five listed group companies, the financial information shall be given for all the listed group companies and in addition for the largest unlisted group companies (based on turnover) so that the total number of listed and unlisted group companies for which the information is required to be given does not exceed five.

²⁶⁶[In case there are no listed group companies, the financial information shall be given for the five largest unlisted group companies based on turnover:]

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

- (3) If the promoters have disassociated themselves from any of the companies or firms during the three years preceding the date of filing the draft offer document, the reasons therefor and the circumstances leading to the disassociation shall be furnished together with the terms of such disassociation.
- (4) Common Pursuits:
- (a) In case there are common pursuits among the group-companies/ subsidiaries/associates companies and the issuer, the reasons and justification for the same shall be spelt out and the conflict of interest situations shall be stated.

266. Inserted by the SEBI (Issue of Capital and Disclosure Requirements) (Third Amendment) Regulations, 2010, w.e.f. 13.04.2010.

- (b) The related business transactions within the group and their significance on the financial performance of the issuer.
- (5) Sales or purchase between group companies/subsidiaries/ associate companies when such sales or purchases exceed in value in the aggregate ten per cent. of the total sales or purchases of the issuer and also disclose material items of income or expenditure arising out of such transactions
- (6) If any of the other group companies/subsidiaries/associate companies has business interests in the issuer then the amount of commercial business that the said company has /proposes to have with the issuer may be quantified. If no, a distinct negative statement may be incorporated to this effect.

(D) Changes in accounting policies in the last three years

(E) Management's Discussion and Analysis of Financial Condition and Results of Operations as Reflected in the Financial Statements.

- (1) Overview of the business of the issuer.
- (2) Significant developments subsequent to the last financial year: A statement by the directors whether in their opinion there have arisen any circumstances since the date of the last financial statements as disclosed in the offer document and which materially and adversely affect or is likely to affect the trading or profitability of the issuer, or the value of its assets, or its ability to pay its liabilities within the next twelve months.
- (3) Factors that may affect the results of operations.
- (4) Discussion on the results of operations: This information shall inter-alia contain the following:
 - (a) A summary of the past financial results after adjustments as given in the auditor's report for the past three years containing significant items of income and expenditure shall be given.
 - (b) A summary of major items of income and expenditure

- for the last three years and most recent entering period
- (c) The income and sales on account of major product/main activities.
 - (d) In case, other income constitutes more than 10% of the total income, the break up of the same along with the nature of the income, i.e., recurring or non-recurring shall be stated.
 - (e) If a material part of the income is dependant upon a single customer or a few major customers, disclosure of this fact along with relevant data. Similarly if any foreign customer constitutes a significant portion of the issuer's business, disclosure of the fact along with its impact on the business on account of exchange rate fluctuations.
 - (f) In case the issuer has followed any unorthodox procedure for recording sales and revenues, its impact may be analysed and disclosed.
 - (g) The nature of miscellaneous income and miscellaneous expenditure for the interim period and the preceding years
- (5) Comparison of recent financial year with the previous financial years (last three years) on the major heads of the profit and loss statement, including an analysis of reasons for the changes in significant items of income and expenditure shall also be given, inter-alia, containing the following:
- (a) unusual or infrequent events or transactions including unusual trends on account of business activity, unusual items of income, change of accounting policies and discretionary reduction of expenses etc.
 - (b) significant economic changes that materially affected or are likely to affect income from continuing operations;
 - (c) known trends or uncertainties that have had or are

- expected to have a material adverse impact on sales, revenue or income from continuing operations;
- (d) future changes in relationship between costs and revenues, in case of events such as future increase in labour or material costs or prices that will cause a material change are known;
 - (e) the extent to which material increases in net sales or revenue are due to increased sales volume, introduction of new products or services or increased sales prices;
 - (f) total turnover of each major industry segment in which the issuer operated;
 - (g) status of any publicly announced new products or business segment;
 - (h) the extent to which business is seasonal;
 - (i) any significant dependence on a single or few suppliers or customers;
 - (j) competitive conditions.
- (6) 'Management's Discussion and Analysis of Financial Condition and Results of Operations as Reflected in the Financial Statements' shall be based on the financial statements prepared on the basis of Indian accounting practices and may additionally be presented based on other accounting practices and shall also include the post audit period.

(X) Legal and Other Information:**(A) Outstanding Litigations and Material Developments:**

- ²⁶⁷ [(1) Litigations involving the issuer/ its directors/promoters/ group companies/ subsidiaries:
- (i) All criminal proceedings;
 - (ii) All actions by statutory / regulatory authorities;
 - (iii) Taxation - Separate disclosures regarding claims related to direct and indirect taxes, in a consolidated manner giving details of number of cases and total amount;

267. Substituted by the SEBI (Issue of Capital and Disclosure Requirements) (Fourth Amendment) Regulations, 2015, w.e.f. 14.08.2015. Prior to their substitution, sub-clauses (1) and (2) read as under :

“(1) Outstanding litigations involving the issuer:

- (a) Litigations against the issuer or against any other company whose outcome could have a materially adverse effect of the position of the issuer;
- (b) All litigations against the directors involving violation of statutory regulations or alleging criminal offence;
- (c) Any criminal/civil prosecution against the directors for any litigation towards tax liabilities;
- (d) Pending proceedings initiated for economic offences against the issuer or its directors along with their present status;
- (e) Adverse findings, if any, in respect of the issuer as regards compliance with the securities laws;
- (f) The details of the past cases in which penalties were imposed by the authorities concerned on the issuer or its directors;
- (g) Outstanding litigations, defaults, etc. pertaining to matters likely to affect operations and finances of the issuer, including disputed tax liabilities, prosecution under any enactment in respect of Schedule XIII to the Companies Act, 1956 (1 of 1956) etc.;
- (h) The information regarding pending litigations, defaults, non-payment of statutory dues, proceedings initiated for economic offences or civil offences (including the past cases, if found guilty), any disciplinary action taken by the Board or stock exchanges against the issuer or its directors shall be appropriately disclosed under this head and as risk factor(s);
- (i) The name(s) of the small scale undertaking(s) or any other creditors to whom the issuer owes a sum exceeding Rs. one lakh which is outstanding more than thirty days.

(2) The information regarding outstanding litigations as specified sub-para (g) of para (1) of sub-item (A) of Item (X) shall also be furnished in respect of the subsidiaries of the issuer.”

- (iv) Other pending litigations - As per policy of materiality defined by the board of the issuer and disclosed in the offer document.
- (2) Outstanding dues to creditors:
 - (i) Based on the policy on materiality of the board of the issuer and as disclosed in the offer document, disclosure for such creditors;
 - (ii) Consolidated information on outstanding dues to small scale undertakings and other creditors, separately giving details of number of cases and amount involved;
 - (iii) Complete details about outstanding dues to creditors as per (i) and (ii) above shall be disclosed on the webpage of the company with a web link thereto in the offer document.]
- (3) ²⁶⁸***]
- (4) If any the above mentioned litigations, etc., arise after

268. Omitted by the SEBI (Issue of Capital and Disclosure Requirements) (Fourth Amendment) Regulations, 2015, w.e.f. 14.08.2015. Prior to its substitution, sub-clause (3) read as under :

“(3) Outstanding litigations involving the promoter and group companies:

- (a) In case of an issuer not being a Government company, statutory authority or corporation or any special purpose vehicle set up by any of them, all pending litigations in which the promoters are involved, defaults to the financial institutions or banks, non-payment of statutory dues and dues towards instrument holders such as debt instrument holders, fixed deposits and arrears on cumulative preference shares, by the promoters and group companies, together with the amounts involved and the present status of such litigations or defaults and the details of proceedings initiated for economic offences or civil offences (including the past cases, if found guilty), any disciplinary action taken by the Board or recognised stock exchanges against the promoters and group companies. The likely adverse effect of these litigations, defaults, etc. on the financial performance of the issuer shall also be mentioned.
- (b) The cases of pending litigations, defaults, etc. in respect of group companies with which the promoters were associated in the past but are no longer associated shall also be disclosed in case their name(s) continue to be associated with the particular litigation(s).
- (c) If any of the group companies had faced/is facing any litigations/defaults/overdues or labour problems/closure etc., the same shall be disclosed.
- (d) All the litigations against the promoter involving violation of statutory regulations or alleging criminal.

the filing the offer document, the facts shall be incorporated appropriately in the offer document. In case there are no such cases, a distinct negative statement is required to be made in this regard in the offer document.

(5) Material developments since the last balance sheet date.

(B) Government Approvals or Licensing Arrangements:

- (1) Investment approvals (FIPB/ RBI, etc.).
- (2) All government and other approvals.
- (3) Technical approvals.
- (4) Letter of intent or industrial license and declaration of the Central Government, Reserve Bank of India or any regulatory authority about the non-responsibility for financial soundness or correctness of the statements.

(XI) Other Regulatory and Statutory Disclosures:

- (A) Authority for the issue and details of resolution passed for the issue.
- (B) Prohibition by the Board: A specific confirmation that there is no prohibition on the issuer, promoters, promoter group, directors, group companies or on the natural persons behind the body corporate if the promoter is a body corporate, from accessing the capital market for any reasons by the Board or any other authorities.
- (C) A confirmation whether any of the directors of the issuer are associated with the securities market in any manner, if yes, whether the Board has initiated any action against the said entities and the related details.
- (D) Eligibility of the issuer to enter the capital market. Details of compliance with eligibility requirements to make a fast track issue, if applicable.
- (E) It may be disclosed whether the issuer, promoters, group companies, the relatives (as per Companies Act, 1956) of promoters, group companies are identified as wilful defaulters²⁶⁹[* **]

269. by Reserve Bank of India or other authorities by the SEBI (Issue of Capital and Disclosure Requirements) (Third Amendment) Regulations, 2016, w.e.f. 25.05.2016.

(F) Compliance with Part B of this Schedule, as the case may be, if applicable.

(G) Disclaimer clauses:

(1) The offer document shall contain the following disclaimer clause in bold capital letters:

“It is to be distinctly understood that submission of offer document to the Securities and Exchange Board of India (SEBI) should not in any way be deemed or construed that the same has been cleared or approved by SEBI. SEBI does not take any responsibility either for the financial soundness of any scheme or the project for which the issue is proposed to be made or for the correctness of the statements made or opinions expressed in the offer document. The lead merchant banker, has certified that the disclosures made in the offer document are generally adequate and are in conformity with the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 in force for the time being. This requirement is to facilitate investors to take an informed decision for making investment in the proposed issue.

It should also be clearly understood that while the Issuer is primarily responsible for the correctness, adequacy and disclosure of all relevant information in the offer document, the lead merchant banker is expected to exercise due diligence to ensure that the issuer discharges its responsibility adequately in this behalf and towards this purpose, the lead merchant banker has furnished to SEBI a due diligence certificate dated which reads as follows :

(due diligence certificate submitted to the Board to be reproduced here)

The filing of the offer document does not, however, absolve the issuer from any liabilities under section 63 or section 68 of the Companies Act, 1956 or from the requirement of obtaining such statutory or other clearances as may be required for the purpose of the proposed issue. SEBI further reserves the right to take

up, at any point of time, with the lead merchant banker any irregularities or lapses in offer document.”

- (2) Disclaimer Statement from the issuer and lead merchant banker: A statement to the effect that the issuer and the lead merchant banker accept no responsibility for statements made otherwise than in the offer document or in the advertisement or any other material issued by or at the instance of the issuer and that anyone placing reliance on any other source of information would be doing so at his own risk.

(H) Caution.

- (I) Disclaimer in respect of jurisdiction:** A brief paragraph mentioning the jurisdiction under which provisions of law and the rules and regulations are applicable to the ²⁷⁰[offer document].

- (J) Disclaimer clause of the stock exchanges.

- (K) Disclaimer clause of the Reserve Bank of India ²⁷¹[or Insurance Regulatory and Development Authority] (if applicable).

- (L) Filing or registering of the offer document with the Board and the Registrar of Companies:

- (1) Under this head, the office of the Board where the offer document has been filed shall be mentioned.
- (2) Address of the Registrar of Companies, where copy of the offer document, having attached thereto the material contracts and documents referred to elsewhere in the offer document, has been registered.

- (M) Listing: Names of the designated stock exchange and other recognised stock exchanges to which application has been made for listing of the specified securities offered in the present issue.

- (N) Consent of the Directors, auditors, solicitors or advocates, merchant bankers to the issue, registrar to the issue, bankers

270. Substituted for “letter of offer” by the SEBI (Issue of Capital and Disclosure Requirements) (Third Amendment) Regulations, 2010. w.e.f. 13.04.2010.

271. Inserted by the SEBI (Issue of Capital and Disclosure Requirements) (Fourth Amendment) Regulations, 2010. w.e.f. 12.11.2010.

to the issuer, lenders and experts.

- (O) Expert opinion obtained, if any.
- (P) Expenses of the issue along with a break up for each item of expense and shall include details of fees payable to .(in terms of amount, as a percentage of total issue expenses and as a percentage of total issue size) separately as under:
 - (1) Lead merchant bankers.
 - (2) Co-lead merchant bankers, if any
 - (3) Co-managers, if any
 - (4) Other merchant bankers
 - (5) Registrars to the issue.
 - (6) Advisors
 - (7) Bankers to issues
 - (8) Trustees for the debt instrument holders.
 - (9) Underwriting commission, brokerage and selling commission.
 - (10) Others, if any (specify).
- (Q) Previous public or rights issues, if any (during the last five years):
 - (1) Closing Date.
 - (2) Date of allotment.
 - (3) Date of refunds.
 - (4) Date of listing on the recognised stock exchange.
 - (5) If the issue(s) was at premium or discount and the amount thereof.
 - (6) The amount paid or payable by way of premium, if any, on each equity share which had been issued within the two years preceding the date of the offer document or is to be issued, stating the dates or proposed dates of issue and, where some shares have been or are to be issued at a premium and other shares of the same class at a lower

premium, or at par or at a discount, the reasons for the differentiation and how any premiums received have been or are to be disposed of.

- (R) Previous issues of securities otherwise than for cash.
- (S) Commission or brokerage on previous issues.
- (T) Following particulars in regard to the issuer and other listed group- companies/ subsidiaries/associates which made any capital issue during the last three years shall be given:
 - (1) Name of the company.
 - (2) Year of Issue.
 - (3) Type of Issue (public/ rights/ composite).
 - (4) Amount of issue.
 - (5) Date of closure of issue.
 - (6) Date of completion of delivery of share/ debenture certificates.
 - (7) Date of completion of the project, where object of the issue was financing the project.
 - (8) Rate of dividend paid.
- (U) Performance vis-a-vis objects:
 - (1) Issuer:
 - (a) A list of all the public/rights issues made during the period of ten years immediately preceding the date of filing the draft offer document with the Board, along with the year of issue.
 - (b) A separate para entitled "Performance vis-a-vis objects - Last three issues of the issuer" shall be given, indicating whether all the objects mentioned in the respective offer documents of the last three issues of the issuer during the period of ten years immediately preceding the date of filing draft offer document with the Board were met.
 - (c) If not, non-achievement of objects shall be brought out distinctly. Shortfall and delays shall be quantified.

-
- (2) Listed Group Companies/Subsidiaries/ Associates companies :
 - (a) A separate paragraph entitled "Performance vis-a-vis objects - Last one issue of group companies/ subsidiaries / associate companies " shall be given, indicating whether all the objects mentioned in the offer document of the last one issue of each of such companies during the period of ten years immediately preceding the date of filing draft offer document with the Board were met.
 - (b) If not, non-achievement of objects shall be brought out distinctly. Shortfall and delays shall be quantified.
 - (V) Outstanding debentures or bonds and redeemable preference shares and other instruments issued by the issuer outstanding as on the date of offer document and terms of issue.
 - (W) Stock market data for equity shares of the issuer, if listed: The particulars of:
 - (1) high, low and average market prices of the share of the issuer during the preceding three years;
 - (2) monthly high and low prices for the six months preceding the date of filing the draft offer document with the Board which shall be updated till the time of registering the offer document with the Registrar of Companies;
 - (3) number of shares traded on the days when high and low prices were recorded in the relevant stock exchange(s) during the said period of (a) and (b) above and indicating the total number of days of trading during the six months preceding the date of filing the draft offer document and the average volume of shares traded during that period and if the shares were not actively traded, such fact shall be disclosed;
 - (4) the stock market data referred to above shall be shown separately for periods marked by a change in capital structure, with such period commencing from the date the relevant stock exchange recognises the change in the capital structure (e.g. when the shares have become ex-rights or ex-bonus);

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- (5) the market price immediately after the date on which the resolution of the board of directors approving the issue was approved;
 - (6) the volume of securities traded in each month during the six months preceding the date on which the offer document is registered with the Registrar of Companies; and
 - (7) the volume of shares traded along with high, low and average prices of shares of the issuer shall also be stated for respective periods.
- (X) Mechanism evolved for redressal of investor grievances:
- (1) The arrangements or mechanism evolved by the issuer for redressal of investor grievances.
 - (2) the number of investor complaints received during the three years preceding the filing draft offer document with the Board and the number of complaints disposed off during that period
 - (3) the number of investor complaints pending on the date of filing draft offer document with the Board
 - (4) the number of investor complaints pending on the date of filing draft offer document with the Board in respect of the five largest (in terms of market capitalization) listed group companies.
 - (5) The time normally taken by the issuer for disposal of various types of investor grievances.
 - (6) Similar disclosure shall be made in regard to the listed companies under the same management within the meaning of section 370 (1B) of the Companies Act, 1956 for the period of three years prior to the date of registering the offer document with the Registrar of Companies.
- (Y) Change, if any, in the auditors during the last three years, and reasons, thereof.

(Z) Capitalisation of reserves or profits (during last five years).

(A) Revaluation of assets, if any (during the last five years)

(XII) Offering Information:

(A) Terms of the Issue:

- (1) Ranking of equity shares: The shares issued in the issue shall be pari passu with the existing shares in all respects including dividends.
- (2) In the case of offer for sale, the dividend for the entire year shall be payable to the transferees. Further, disclose name of the entity bearing the cost of making offer for sale along with reasons.
- (3) Mode of payment of dividend.
- (4) Face value and issue price/ floor price/ price band.
- (5) Rights of the instrument holders.
- (6) Market lot.
- (7) Nomination facility to investor.
- (8) The period of operation of subscription list of public issue.
- (9) Minimum subscription:
 - (a) For Non-underwritten Public Issues: The following statement shall appear:

“If the issuer does not receive the minimum subscription of ninety per cent. of the offer through offer document on the date of closure of the issue, or if the subscription level falls below ninety per cent. after the closure of issue on account of cheques having being returned unpaid or withdrawal of applications, the issuer shall forthwith refund the entire subscription amount received. If there is a delay beyond eight days after the issuer becomes liable to pay the amount, the issuer shall pay interest as per section 73 of the Companies Act, 1956.”
 - (b) For Underwritten Public Issues: The following statement shall appear:

“If the issuer does not receive the minimum subscription of ninety per cent. of the offer through offer document including devolvement of Underwriters within sixty days from the date of closure of the issue, the issuer shall forthwith refund the entire subscription amount received. If there is a delay beyond eight days after the issuer becomes liable to pay the amount, the issuer shall pay interest prescribed under section 73 of the Companies Act, 1956.”

(c) For Composite Issues:

- (i) The lead merchant banker shall ensure that the requirement of 'minimum subscription' is satisfied both jointly and severally, i.e., independently for both rights and public issues.
- (ii) If the issuer does not receive the minimum subscription in either of the issues the issuer shall refund the entire subscription received.

(10) Arrangements for Disposal of Odd Lots:

- (a) Any arrangements made by the issuer for providing liquidity for and consolidation of the shares held in odd lots, particularly when such odd lots arise on account of issues by way of rights, bonus, conversion of debentures or warrants, etc., shall be intimated to the shareholders or investors.
- (b) The issuer is free to make arrangements for providing liquidity in respect of odd lot shares through any investment or finance company, broking firms or through any other agency and the particulars of such arrangement, if any, may be disclosed in the offer document related to the concerned issue of capital.
- (c) The lead merchant banker shall ascertain whether the issuer coming for fresh issue of capital proposes to set up trusts in order to provide service to the investors in the matter of disposal of odd lot shares of the issuer held by them and if so, disclosures

relating to setting up and operation of the trust shall be contained in the offer document.

- (d) Whenever any issue results in issue of shares in odd lots, the issuer, shall as far as possible issue certificates in the denomination of 1-2-5-10-20-50 shares.
- (11) Restrictions, if any, on transfer and transmission of shares or debentures and on their consolidation or splitting.
- (12) New Financial Instruments:
 - (a) The lead merchant banker shall ensure that adequate disclosures in the offer document, more particularly relating to the terms and conditions, redemption, security, conversion and any other relevant features of any new financial instruments such as Deep Discount Bonds, Debentures with Warrants, Secured Premium Notes etc.
- (13) Option to Receive Securities in Dematerialised Form:
 - (a) A statement in the offer document and in the application form to the effect that the investors have an option to either receive securities in the form of physical certificates or hold them in a dematerialised form.

(B) Issue Procedure: The following disclosures shall be made:

- (1) Fixed price issue or book building procedure as may be applicable, including details regarding bid form / application form, who can bid/apply, maximum and minimum bid/application size, bidding process, bidding, bids at different price levels, etc.
- (2) Option to subscribe in the issue:
 - (a) The details of option, if any, to receive the specified securities subscribed for either in dematerialised form or physical form. If the issue size, in case of a public issue is equal to rupees ten crores or more, the specified securities issued in the public issue shall be only in dematerialized form in compliance with Section 68B of the Companies Act, 1956. It shall be

disclosed that furnishing details of depositories account is mandatory and applications without depositories account shall be treated as incomplete and rejected. Investors will not have the option of getting the allotment of specified securities in physical form. However, they may get the specified securities rematerialised subsequent to allotment.

- (b) It shall be specifically disclosed that the specified securities, on allotment, shall be traded on stock exchanges in demat segment only.
 - (c) Disclosure that single bid from any investor shall not exceed the investment limit/minimum number of specified securities that can be held by him/her/it under the relevant regulations/statutory guidelines.
- (3) The following details shall be disclosed in the offer document ²⁷²[***]:
- (a) the correct procedure for applications by Hindu Undivided Families and the fact that applications by Hindu Undivided Families would be treated as on par with applications by individuals;
 - (b) a statement that providing bank account details in the space provided in the application form is mandatory and applications that do not contain such details are liable to be rejected;
 - (c) the instances when an application would be rejected on technical grounds (e.g., absence of signature, age, etc.)
 - (d) Applications by mutual funds:
 - (i) The necessary disclosures under the heads “Procedure for applications by mutual funds” and “Multiple Applications” shall be incorporated to indicate that a separate application can be made in respect of each

272. The word “and application form” omitted by the SEBI (Issue of Capital and Disclosure Requirements) (Second Amendment) Regulations, 2011, w.e.f. 01.11.2011.

- scheme of an Indian mutual fund registered with the Board and that such applications shall not be treated as multiple applications.
- (ii) A disclosure that the applications made by asset management companies or custodians of a mutual fund shall clearly indicate the name of the concerned scheme for which application is being made.
- (e) Applications by non-resident Indians: The following disclosures shall be made:
- (i) the name and address of at least one place in India from where individual non-resident Indian applicants can obtain the application forms.
 - (ii) A statement that: “non-resident Indian applicants may please note that only such applications as are accompanied by payment in free foreign exchange shall be considered for allotment under the reserved category. The non-resident Indians who intend to make payment through Non-Resident Ordinary (NRO) accounts shall use the form meant for Resident Indians and shall not use the forms meant for reserved category.”
- (f) Application by ASBA investors:
- (i) Disclosures regarding details of Application Supported by Blocked Amount process including specific instructions for submitting Application Supported by Blocked Amount shall be made in the offer document.
 - (ii) Disclosure that the application form shall bear the stamp of the syndicate member / SCSBs ²⁷³[/ RTAs / DPs / stock brokers] and if not, the same shall be rejected.

273. Inserted by the SEBI (Issue of Capital and Disclosure Requirements) (Fifth Amendment) Regulations, 2015, w.e.f. 01.04.2016.

- (4) Escrow mechanism:
 - (a) Escrow account of the issuer.
 - (b) Escrow account of the syndicate member.
- (5) Terms of payment and payment into the escrow collection account.
- (6) Electronic registration of bids.
- (7) Build up of the book and revision of bids. In this regard, it may be specifically disclosed that qualified institutional buyers shall not be allowed to withdraw their bids after the closure of the issue
- (8) Price discovery and allocation.
- (9) Signing of underwriting agreement.
- (10) Filing of the offer document with the Registrar of Companies.
- (11) Announcement of pre-issue advertisement.
- (12) Issuance of Confirmation of Allocation Note (“CAN”) and allotment in the Issue.
- (13) Designated date.
- (14) General instructions:
 - (a) Do’s and don’ts.
 - (b) Instructions for completing the bid form.
 - (c) Bidders’ bank account details.
 - (d) Bids by non-resident Indians or ²⁷⁴[foreign portfolio investors] on repatriation basis
- (15) Payment instructions:
 - (a) Payment into escrow account of the issuer.
 - (b) Payment into escrow account of the syndicate member.

274. Substituted for “foreign institutino investors” by the SEBI (Foreign Portfolio Investors) Regulations, 2014, w.e.f. 1.01.2014.

- (c) Payment instructions for Application Supported by Blocked Amount.
- (16) Submission of bid form.
 - (17) Other instructions:
 - (a) Joint bids in the case of individuals.
 - (b) Multiple bids.
 - (c) Instruction to applicants to disclose Permanent Account Number in the application form, irrespective of the amount for which application or bid is made, along with the instruction that applications without Permanent Account Number would be rejected.
 - (d) Rejection of Bids.
 - (e) Equity shares in demat form with the depositories registered with the Board.
 - (f) The investor's attention shall also be invited to contact the compliance officer in case of any pre-issue or post-issue related problems such as non-receipt of letters of allotment or share certificates or refund orders, etc.
 - (18) The application form shall contain space for indicating number of specified securities subscribed for in demat and physical form.
 - (19) No separate applications for demat and physical is to be made. If such applications are made, the applications for physical shares shall be treated as multiple applications and rejected accordingly.
 - (20) In case of partial allotment, allotment shall be done in demat option for the specified securities sought in demat form and balance, if any, will be allotted in physical form.
 - (21) Disposal of application and application moneys.
 - (22) Provisions of sub-section (1) of section 68A of the Companies Act, 1956 relating to punishment for fictitious applications, shall be mentioned, including the disclosures that any person who:

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- (1) makes in a fictitious name an application to a company for acquiring, or subscribing for, any shares therein, or
 - (2) otherwise induces a company to allot, or register any transfer of, shares therein to him, or any other person in a fictitious name, shall be punishable with imprisonment for a term which may extend to five years.
- (23) Interest on refund of excess bid amount.
- (24) Basis of allotment or allocation: Disclose the names of entities responsible for finalising the basis of allotment in a fair and proper manner.
- (25) Procedure and time of schedule for allotment and issue of certificates.
- (26) Method of proportionate allotment.
- (27) Letters of Allotment or refund orders or instructions to Self Certified Syndicate Banks in Application Supported by Blocked Amount process. Ensure that "at par" facility is provided for encashment of refund orders for Applications other than Application Supported by Blocked Amount process.
- (28) Mode of making refunds:
- (a) The mode in which the issuer shall refund the application money to applicants in case of oversubscription shall be disclosed in the offer document.
 - (b) If the issuer proposes to use more than one mode of making refunds to applicants, the respective cases where each such mode will be adopted shall be disclosed. The permissible modes of making refunds are as follows:
 - (i) In case of applicants residing in any of the centres specified by the Board: by crediting of refunds to the bank accounts of applicants through electronic transfer of funds by using

ECS (Electronic Clearing Service), Direct Credit, RTGS (Real Time Gross Settlement) or NEFT (National Electronic Funds Transfer), as is for the time being permitted by the Reserve Bank of India;

²⁷⁵[(ii) In case of other applicants: by despatch of refund orders by registered post, (subject however to postal rules); and]

(iii) In case of any category of applicants specified by the Board: crediting of refunds to the applicants in any other electronic manner permissible under the banking laws for the time being in force which is permitted by the Board from time to time.

(29) Interest in Case of Delay in Despatch of Allotment Letters or Refund Orders/instruction to Self Certified Syndicate Banks by the Registrar in Case of Public Issues: The caption “Interest in Case of Delay in Despatch of Allotment Letters/ Refund Orders in Case of Public Issues” shall appear and shall contain the following statement:

(a) Where it is a fixed price issue: “The issuer agrees that as far as possible allotment of securities offered to the public shall be made within fifteen days of the closure of public issue. The issuer further agrees that it shall pay interest at the rate of fifteen per cent. per annum if the allotment letters or refund orders have not been despatched to the applicants or if, in a case where the refund or portion thereof is made in electronic manner, the refund instructions have not been given to the clearing system in the disclosed manner within ²⁷⁶[fifteen days] from the date of the

²⁷⁵ Substituted by SEBI (Issue of Capital and Disclosure Requirements) (Second Amendment) Regulations, 2011, w.e.f. 23.09.2011. Prior to its substitution, section (ii) read as under :

“(ii) In case of other applicants: by despatch of refund orders by registered post, where the value is Rs 1500/- or more, or under certificate of posting in other cases, (subject however to postal rules); and”

²⁷⁶. Substituted for “thirty days” by SEBI (Issue of Capital and Disclosure Requirements) (Third Amendment) Regulations, 2010, w.e.f. 13.04.2010.

closure of the issue. However applications received after the closure of issue in fulfilment of underwriting obligations to meet the minimum subscription requirement, shall not be entitled for the said interest.”

- (b) Where it is a book-built issues: “The issuer agrees that allotment of securities offered to the public shall be made not later than fifteen days of the closure of public issue. The issuer further agrees that it shall pay interest at the rate of fifteen per cent. per annum if the allotment letters or refund orders have not been despatched to the applicants or if, in a case where the refund or portion thereof is made in electronic manner, the refund instructions have not been given to the clearing system in the disclosed manner within fifteen days from the date of the closure of the issue.”

(30) Undertaking by the issuer:

- (a) The following undertaking by the issuer shall be incorporated in the offer document:
- (i) that the complaints received in respect of the issue shall be attended to by the issuer expeditiously and satisfactorily;
 - (ii) that all steps for completion of the necessary formalities for listing and commencement of trading at all stock exchanges where the securities are to be listed are taken within seven working days of finalisation of basis of allotment;
 - (iii) that the issuer shall apply in advance for the listing of equities on the conversion of debentures/ bonds;
 - (iv) that funds required for making refunds to unsuccessful applicants as per the mode(s) disclosed shall be made available to the registrar to the issue by the issuer;
 - (v) that where refunds are made through electronic

transfer of funds, a suitable communication shall be sent to the applicant within fifteen days of closure of the issue giving details of the bank where refunds shall be credited along with amount and expected date of electronic credit of refund;

- (vi) that the promoters' contribution in full, wherever required, shall be brought in advance before the Issue opens for public subscription and the balance, if any, shall be brought in pro rata basis before the calls are made on public;
 - (vii) that the certificates of the securities or refund orders to the non-resident Indians shall be despatched within specified time;
 - (viii) that no further issue of securities shall be made till the securities offered through this offer document are listed or till the application moneys are refunded on account of non-listing, under subscription, etc.;
 - (ix) that adequate arrangements shall be made to collect all Applications Supported by Blocked Amount and to consider them similar to non-ASBA applications while finalizing the basis of allotment;
- (b) In case of an issue of convertible debt instruments, the issuer shall also give undertakings to the following effect in the offer document:
- (i) that the issuer shall forward the details of utilisation of the funds raised through the convertible debt instruments duly certified by the statutory auditors of the issuer, to the debenture trustees at the end of each half-year.
 - (ii) that the issuer shall disclose the complete name and address of the debenture trustee in the annual report.
 - (iii) that the issuer shall provide a compliance

certificate to the convertible debt instrument holders (on yearly basis) in respect of compliance with the terms and conditions of issue of convertible debt instruments as contained in the offer document, duly certified by the debenture trustee.

- (iv) that the issuer shall furnish a confirmation certificate that the security created by the issuer in favour of the convertible debt instrument holders is properly maintained and is adequate to meet the payment obligations towards the convertible debt instrument holders in the event of default.
 - (v) that necessary cooperation with the credit rating agency(ies) shall be extended in providing true and adequate information till the debt obligations in respect of the instrument are outstanding.
- (c) Disclosure that the issuer reserves the right not to proceed with the issue after the bidding and if so, the reason thereof shall be given as a public notice within two days of the closure of the issue. The public notice shall be issued in the same newspapers where the pre-issue advertisement had appeared. The stock exchanges where the specified securities were proposed to be listed shall also be informed promptly.
- (d) Disclosure that if the issuer withdraws the issue after closure of bidding, the issuer shall be required to file a fresh draft offer document with the Board.
- (31) Utilisation of Issue Proceeds:
- (a) A statement by the board of directors of the issuer to the effect that:
 - (i) all monies received out of issue of specified securities to public shall be transferred to separate bank account other than the bank account referred to in sub-section (3) of section 73 of the Companies Act, 1956;

- (ii) details of all monies utilised out of the issue referred to in sub- item(i) shall be disclosed and continue to be disclosed till the time any part of the issue proceeds remains unutilised under an appropriate separate head in the balance-sheet of the issuer indicating the purpose for which such monies had been utilised; and
 - (iii) details of all unutilised monies out of the issue of specified securities referred to in sub-item (i) shall be disclosed under an appropriate separate head in the balance sheet of the issuer indicating the form in which such unutilised monies have been invested.
- (b) The prospectus for an issue other than an offer for sale or a public issue made by any bank or public financial institution shall contain a statement of the board of directors of the issuer to the effect that:
- (i) the utilisation of monies received under promoters' contribution and from reservations shall be disclosed and continue to be disclosed under an appropriate head in the balance sheet of the issuer, till the time any part of the issue proceeds remains unutilised, indicating the purpose for which such monies have been utilised;
 - (ii) the details of all unutilised monies out of the funds received under promoters' contribution and from reservations shall be disclosed under a separate head in the balance sheet of the issuer, indicating the form in which such unutilised monies have been invested
- (32) Restrictions on foreign ownership of Indian securities, if any:
- (a) Investment by non-resident Indians.
 - (b) Invest ent by ²⁷⁷[foreign portfolio investors].

(XIII) Description of Equity Shares and Terms of the Articles of Association:

(A) Rights of members regarding voting, dividend, lien on shares and the process for modification of such rights and forfeiture of shares.

(B) Main provisions of the Articles of Association.

(XIV) Any other material disclosures, as deemed necessary.

(XV) In case of a fast track issue, the disclosures specified in this Part, which have been indicated in Part B, need not be made.

(XVI) Other Information:

(A) List of material contracts and inspection of documents for inspection:

(1) Material contracts.

(2) Documents:

(3) Time and place at which the contracts, together with documents, will be available for inspection from the date of offer document until the date of closing of the subscription list.

(4) IPO grading reports for each of the grades obtained by the unlisted issuer ²⁷⁸[, if applicable]

(B) Declaration:

(1) The draft offer document (in case of issues other than fast track issues) and offer 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, 1956 and the Chief Financial Officer, i.e., the whole-time finance director or any other person heading the finance function and discharging that function.

(2) The signatories shall further certify that all disclosures made in the offer document are true and correct.

277. Substituted for "foreign institutino investors" by the SEBI (Foreign Portfolio Investors) Regulations, 2014, w.e.f. 7.01.2014.

278. Inserted by the SEBI (Issue of Capital and Disclosure Requirements) (Amendment) Regulations, 2014, w.e.f. 4.2.2014.

SCHEDULE VIII OF SEBI (ICDR), 2009**PART G****DISCLOSURES PERTAINING TO WILLFUL DEFAULTERS**

- (1) If the issuer or any of its promoters or directors is a wilful defaulter, it shall make the following disclosures:
 - (a) Name of the bank declaring the entity as a wilful defaulter;
 - (b) The year in which the entity is declared as a wilful defaulter;
 - (c) Outstanding amount when the entity is declared as a wilful defaulter;
 - (d) Name of the party declared as a wilful defaulter;
 - (e) Steps taken, if any, for the removal from the list of wilful defaulters;
 - (f) Other disclosures, as deemed fit by the issuer in order to enable investors to take informed decisions;
 - (g) Any other disclosure as specified by the Board.
- (2) The fact that the issuer or any of its promoters or directors is a wilful defaulter shall be disclosed prominently on the cover page with suitable cross-referencing to the pages.
- (3) Disclosures specified herein shall be made in a separate chapter or section distinctly identifiable in the Index / Table of Contents.²