

**EXECUTIVE PROGRAMME
(OLD SYLLABUS)**

**UPDATES FOR
CAPITAL MARKETS AND SECURITIES
LAWS**

(Relevant for students appearing in June, 2020 Examination)

MODULE 2- PAPER 6

Disclaimer-

This document has been prepared purely for academic purposes only and it does not necessarily reflect the views of ICSI. Any person wishing to act on the basis of this document should do so only after cross checking with the original source.

Students appearing in June 2020 Examination shall note the following:

Students are also required to update themselves on all the relevant Notifications, Circulars, Clarifications, etc. issued by the SEBI, RBI & Central Government on or before six months prior to the date of the examination.

These updates are to facilitate the students to acquaint themselves with the amendments in Securities Laws up to December, 2019 applicable for June, 2020 Examination. The students are advised to read the updated Study Material (October 2017 Edition) along with these updates. The study material October 2017 (edition) is available on ICSI website at the link <https://www.icsi.edu/media/webmodules/publications/CapitalMarketandSecuritiesLaw.pdf>

As per recent amendments, students are advised to refer following amended Regulations in the entire study as under:

- *SEBI (Foreign Portfolio Investors), Regulations, 2019 to be referred in place of SEBI (Foreign Portfolio Investors), Regulations, 2014*
- *SEBI (Stock Brokers) Regulations 1992 to be referred in place of SEBI (Stock Brokers and Sub-Brokers) Regulations 1992*
- *SEBI (ICDR), Regulations, 2018 to be referred in place of SEBI (ICDR), Regulations, 2009*

In case of any clarifications, students may write to the Institute at academics@icsi.edu

LESSON 2 CAPITAL MARKET INSTRUMENTS

Page No 21

Shares with Differential Voting Rights

- Point (c) replace with the following:

(c) the voting power in respect of shares with differential rights of the company shall not exceed seventy four per cent. of total voting power including voting power in respect of equity shares with differential rights issued at any point of time

- The following clause (d) shall be deleted, namely –

(d) the company having consistent track record of distributable profits for the last three years

Page No 28

Sweat Equity Shares

- The following clause (c) shall be deleted, namely –

(c) Not less than one year has elapsed at the date of the issue, since the date on which the company was entitled to commence business.

LESSON 3
CREDIT RATING & IPO GRADING

Page No 53

Promoter of Credit Rating Agency

Point (iv) replace with the following:

(iv) a foreign credit rating agency incorporated in a Financial Action Task Force (FATF) member jurisdiction and recognised under their law, having a minimum of five years' experience in rating securities.

Eligibility Criteria

Clause (c) replace with the following:

(c) the applicant has a minimum net worth of rupees twenty five crores;

After clause (k), the following clause shall be inserted, namely –

(l) the promoter of the credit rating agency, has a minimum shareholding of 26% in the credit rating agency.

Page No. 54

Conditions of Certificate

After the ending of the para, the following shall be inserted:

The credit rating agency shall at all times maintain a minimum net worth of rupees twenty five crore.

However, a credit rating agency already registered with SEBI, having a net worth less than rupees twenty five crores, shall, increase its net worth to the specified amount within a period of three years from the date of notification of the Securities and Exchange Board of India (Credit Rating Agencies) (Amendment) Regulations, 2018.

The promoter of the credit rating agency, shall maintain a minimum shareholding of 26% in the credit rating agency for a minimum period of three years from the date of grant of registration by SEBI. However, this clause shall not be applicable to a credit rating agency already registered with SEBI, at the commencement of Securities and Exchange Board of India (Credit Rating Agencies)(Amendment) Regulations, 2018.

A credit rating agency shall not carry out any activity other than the rating of securities offered by way of public or rights issue.

However, nothing contained in these regulations shall preclude a credit rating agency from rating of financial instruments under the respective guidelines of a financial sector regulator or any authority as may be specified by the SEBI.

Page No. 57

Monitoring of rating

Para 1 Line 1 replace with following:

Every credit rating agency shall, during the lifetime of securities rated by it continuously monitor

the rating of such securities, unless the rating is withdrawn, subject to the provisions of regulation 16(3).

Procedure for Review of Rating

The para shall be replaced with the following:

- Every credit rating agency shall carry out periodic reviews of all published ratings during the lifetime of the securities, unless the rating is withdrawn, subject to the provisions of regulation 16(3).
- If the client does not co-operate with the credit rating agency so as to enable the credit rating agency to comply with its obligations under these regulations, the credit rating agency shall carry out the review on the basis of the best available information or in the manner as specified by SEBI from time to time.
However, if owing to such lack of co-operation, a rating has been based on the best available information, the credit rating agency shall disclose to the investors the fact that the rating is so based.
- A credit rating agency shall not withdraw a rating so long as the obligations under the security rated by it are outstanding, except where the company whose security is rated is wound up or merged or amalgamated with another company, or as may be specified by SEBI from time to time.

Page No. 60

Insertion of the following:

Shareholding in a credit rating agency

- A credit rating agency shall not:
 - (a) directly or indirectly, hold 10 per cent or more shareholding and/ or voting rights in any other credit rating agency, or
 - (b) have representation on the Board of any other credit rating agency.

However, a credit rating agency may, with the prior approval of SEBI, acquire shares and/ or voting rights exceeding 10 per cent in any other credit rating agency only if such acquisition results in change in control in the credit rating agency whose shares are being acquired.

On the basis of the prior approval sought by the acquirer, SEBI may approve the acquisition in the interest of investors, market integrity and stability.

- A shareholder holding 10 per cent or more shares and/ or voting rights in a credit rating agency shall not hold 10 per cent or more shares and/ or voting rights, directly or indirectly, in any other credit rating agency.

However, the said restriction shall not apply to holdings by Pension Funds, Insurance Schemes and Mutual Fund Schemes.

LESSON 4

MARKET INFRASTRUCTURE INSTITUTIONS – STOCK EXCHANGE TRADING MECHANISM

Page No. 78

Approved Intermediaries (AIs) can introduce contracts of different tenures ranging from 1 day to 12 months based on the need of the market participants. (2017 circular)

Page No. 78/79 (addition of the para 2017 circular)

Details of treatment of corporate actions during the contract tenure are specified below:

- i. Dividend: The dividend amount would be worked out and recovered from the borrower on the book closure/ record date and passed on to the lender.
- ii. Stock split: The positions of the borrower would be proportionately adjusted so that the lender receives the revised quantity of shares.
- iii. Other corporate actions such as bonus/ merger/ amalgamation / open offer, etc: The contracts would be foreclosed on the Ex-date. The lending fee would be recovered on a pro-rata basis from the lender and returned to the borrower.
- iv. AGM/EGM: In the event of the corporate actions which is in nature of AGM/EGM, presently the AIs are mandatorily foreclosing the contracts. It has been represented by market participants that mandatory foreclosure during the life of the contract may not be necessary as, all lenders may not be interested
- v. in taking part in the AGM/EGM. It has therefore been decided that the AIs shall provide the following facilities to the market participants: a. Contracts which shall continue to be mandatorily foreclosed in the event of AGM/EGM. b. Contracts which shall not be foreclosed in the event of AGM/EGM

Time window of SLB (add as per 2008 circular)

The time for SLB session may be extended from the present one hour (10 am to 11 am) to the normal trade timings of 9:55 am to 3:30 pm.

Risk Management (add as per 2008 circular)

With regard to risk management in SLB, it is advised that common risk management practices shall be followed by stock exchanges for SLB. It is reiterated that the exchanges should ensure that the risk management framework strikes a balance between ensuring commercial viability of SLB transactions and ensuring adequate and proper risk management. Exchanges should satisfy themselves regarding the adequacy of the risk management system.

b. Margins in SLB may be taken in the form of cash and cash equivalents as prescribed in the circular MRD/DoP/Cir-07/2005 dated February 23, 2005.

Page No. 79

Broad Framework for Securities Lending and Borrowing

Changes at Page No. 79-81 to be referred from the respective heads of amended framework for Securities Lending and Borrowing at the link.

https://www.sebi.gov.in/legal/circulars/nov-2017/circular-on-review-of-securities-lending-and-borrowing-mechanism_36609.html

LESSON 5

DEBT MARKET

Page No. 114

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

(Replace Definition of debt securities in Paragraph No. 2)

“**Debt securities**” means non-convertible debt securities which create or acknowledge indebtedness and includes debentures, bonds and such other securities of a body corporate or a Trust registered with SEBI as a Real Estate Investment Trust or an Infrastructure Investment Trust, 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.

Page No. 117

Trust Deed

After point (1), the following point shall be inserted, namely –

(1A) Where an issuer fails to execute the trust deed within the period specified in the point (1) above, without prejudice to any liability arising on account of violation of the provisions of the Act and these Regulations, the issuer shall also pay interest of at least two percent per annum to the debenture holder, over and above the agreed coupon rate, till the execution of the trust deed.

(1B) A clause stipulating the requirement under point (1A) above shall form part of the Trust Deed and also be disclosed in the Offer Document.

Page No. 124

Replace with the following:

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:

- (a) Electronic issuances and
- (b) 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.

Definitions

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

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

“Eligible participant” means following:

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

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

“EBP Platform” or “Electronic Platform” means the platform provided by an EBP for private placement of securities.

“Estimated cut off yield” means yield so estimated by the issuer, prior to opening of issue.

Eligible Issuer

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

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

Electronic Book Provider and its Obligations

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

3. EBP, shall make information related to the issue available on its website.

Obligations and duties

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

Bidding Process

Bidding timings & period

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

Bidding Announcement

- Issuer shall make the bidding announcement on EBP at least one working day before initiating the bidding process.
- Bidding announcement shall be accompanied with details of bid opening and closing time, and any other details as required by EBP from time to time.
- Any change in bidding time and/ or date by the Issuer shall be intimated to EBP, ensuring that such announcement is made within the operating hours of the EBP, atleast a day before the bidding date.

Provided that such changes in bidding date or time shall be allowed for maximum of two times.

Bidding & Allotment process

- Bidding process on EBP platform shall be on an anonymous order driven system.
- Bid shall be made by way of entering bid amount in Rupees (INR) and coupon/ yield in

basis points (bps) i.e. up to four decimal places.

- Modification or cancellation of the bids shall be allowed i.e. bidder can cancel or modify the bids made in an issue, subject to following:
 - a) such cancellation/modification in the bids can be made only during the bidding period;
 - b) no cancellation of bids shall be permitted in the last 10 minutes of the bidding period;
 - c) in the last 10 minutes of the bidding period, only revision allowed would for improvement of coupon/yield and upward revision in terms of the bid size.
- Investors are now permitted to place multiple bids in an issue.
- The bid placed in the system shall have an audit trail which includes bidder's identification details, time stamp and unique order number.
- Further against such bids, EBP shall provide an acknowledgement number.
- All the bids made on a particular issue, should be disclosed on the EBP platform on a real time basis.
- Allotment to the bidders shall be done on yield priority basis in the following manner:-
 - a) All the bids shall be arranged in the ascending order of the yields, and a cut-off yield shall be determined.
 - b) All the bids below the cut-off yield shall be accepted and full allotment should be made to such bidders.
 - c) For all the bids received at cut-off yield, allotment shall be made on pro-rata basis.

STREAMLINING THE PROCESS OF PUBLIC ISSUE UNDER THE SEBI (ISSUE AND LISTING OF DEBT SECURITIES) REGULATIONS, 2008 ('SEBI ILDS')

In order to make the existing process of issuance of debt securities, easier, simpler and cost effective for both issuers and investors under the SEBI (ILDS) Regulations respectively, SEBI has reduced the time taken for listing after the closure of the issue to 6 working days as against the present requirement of 12 working days.

Submission of application form:

All the investors applying in a public issue shall use only Application Supported by Blocked Amount (ASBA) facility for making payment i.e. writing their bank account numbers and authorising the banks to make payment in case of allotment by signing the application forms.

An investor, intending to subscribe to a public issue, shall submit a completed bid-cum application form to Self-Certified Syndicate Banks (SCSBs), with whom the bank account to be blocked is maintained or any of the following intermediaries:

- a) A syndicate member (or sub-syndicate member)
- b) A stock broker registered with a recognised stock exchange
- c) A depository participant ('DP')
- d) A registrar to an issue and share transfer agent ('RTA').

Fund raising by issuance of Debt Securities by Large Entities

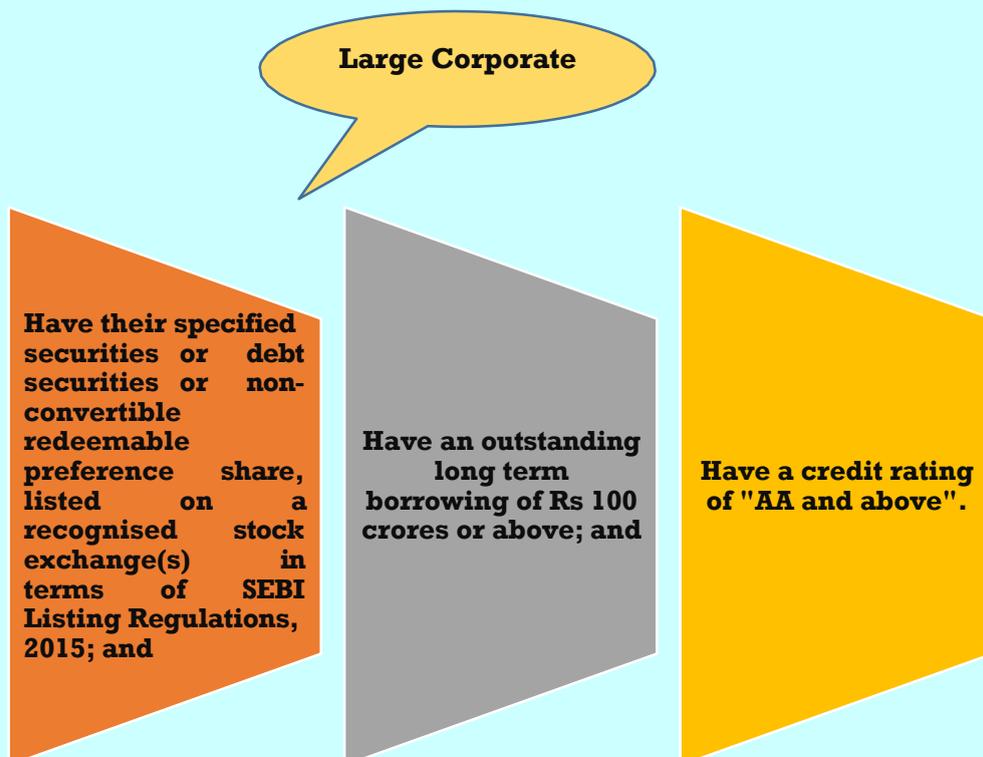
SEBI has been working on operationalizing the 2018-19 Budget announcement which mandates large corporates to raise 25% of their financing needs from the corporate bond market. Naturally, given the nascent stage of development of corporate bond market, such framework has to be relatively soft touch.

SEBI came out with a discussion paper on July 20, 2018. Based on feedback received on the discussion paper and wider consultation with market participants including entities, the detailed guidelines for operationalising the above budget announcement are given below:

Applicability of Framework

- For the entities following April-March as their financial year, the framework shall come into effect from April 01, 2019 and for the entities which follow calendar year as their financial year, the framework shall become applicable from January 01, 2020.
- The framework shall be applicable for all listed entities (except for Scheduled Commercial Banks) which are Large Corporate.

Large Corporate (LC)



Outstanding long-term borrowings shall mean any outstanding borrowing with original maturity of more than 1 year and shall exclude external commercial borrowings and inter-corporate borrowings between a parent and subsidiary (ies).

Framework

A LC shall raise not less than 25% of its incremental borrowings, during the financial year subsequent to the financial year in which it is identified as a LC, by way of issuance of debt securities, as defined under SEBI ILDS Regulations.

Here "incremental borrowings" shall mean any borrowing done during a particular financial year, of original maturity of more than 1 year, irrespective of whether such borrowing is for refinancing/repayment of existing debt or otherwise and shall exclude external commercial borrowings and inter-corporate borrowings between a parent and subsidiary(ies).

For an entity identified as a LC, the following shall be applicable:

- i. For FY 2020 and 2021, the requirement of meeting the incremental borrowing norms shall be applicable on an annual basis. Accordingly, a listed entity identified as a LC on last day of FY 2019 and FY 2020, shall comply with the requirement as laid down under para 3.1, by last day of FY 2020 and FY 2021, respectively.

However, in case where a LC is unable to comply with the above requirement, it shall provide an explanation for such shortfall to the Stock Exchanges.

- ii. From FY 2022, the requirement of mandatory incremental borrowing by a LC in a FY will need to be met over a contiguous block of two years.

Accordingly, a listed entity identified as a LC, as on last day of FY "T-1", shall have to fulfil the requirement of incremental borrowing for FY "T", over FY "T" and "T+1".

However, if at the end of two years i.e. last day of FY "T+1", there is a shortfall in the requisite borrowing (i.e. the actual borrowing through debt securities is less than 25% of the incremental borrowings for FY "T"), a monetary penalty/fine of 0.2% of the shortfall in the borrowed amount shall be levied and the same shall be paid to the Stock Exchange(s).

Disclosure requirements for large entities

A listed entity, identified as a LC under the instant framework, shall make the following disclosures to the stock exchanges, where its security (ies) are listed:

- i. Within 30 days from the beginning of the FY, disclose the fact that they are identified as a LC.
- ii. Within 45 days of the end of the FY, the details of the incremental borrowings done during the FY.

The disclosures made shall be certified both by the Company Secretary and the Chief Financial Officer, of the LC.

Page No. 128

The title “SEBI (Public Offer and Listing of Securitised Debt Instruments) Regulations, 2008”, and Line 1 under this title shall be substituted with the following title, namely:

“SEBI (Issue and Listing of Securitised Debt Instruments and Security Receipts) Regulations, 2008.”

Page No. 133

Insertion of the following before the title Municipal Bond

SEBI (Issue and Listing of Debt Securities by Municipalities) Regulations, 2015 to be read as SEBI (Issue and Listing of Municipal Debt Securities) Regulations, 2015.

Changes at Page No. 133-137 to be referred from the respective heads of amended regulations at the link <https://tinyurl.com/rhlbqjl>.

Issuance and Listing of Security Receipts

Eligibility

An issuer proposing to issue and list security receipts or only list its already issued security receipts shall comply with the provisions of chapter VIIA of these regulations.

Security receipts proposed to be listed in terms of this chapter shall;

- i. be issued in compliance with the applicable rules and guidelines, as framed by the Reserve Bank of India, from time to time;
- ii. be issued on a private placement basis;
- iii. comply with the provisions pertaining to issue of security receipts.

Sale of security receipts by the existing holders

Any existing holder of security receipts, who proposes to sell, whole or part of, its holding of security receipts to the qualified buyers on private placement basis, where such security receipts are proposed to be listed, may do so, in accordance with the provisions of this Chapter.

However, such sale by any holder of security receipts shall be permitted only if the holding is not less than fifty percent of the outstanding security receipts.

A sale of security receipts by any existing holder of such security receipts under these regulations, shall be subject to the issuer compulsorily listing the security receipts before complying with the provisions of this chapter.

Conditions for Listing of Security Receipts

An issuer may list its security receipts on a recognized stock exchange subject to the following conditions:

- (a) the security receipts have been issued on a private placement basis;
- (b) the issuer has issued such security receipts in compliance with the applicable laws;

- (c) the offer or invitation to subscribe to security receipts shall be made to such number of persons not exceeding two hundred or such other number, in a financial year, as may be prescribed from time to time;
- (d) the security receipts proposed to be listed are in dematerialized form;
- (e) the disclosures as provided have been made in the offer document;
- (f) the minimum allotment made to the qualified buyers is Rs. 10 lakhs;
- (g) such security receipts have been valued prior to listing. However, such valuation shall not be more than three months old from the date of listing and shall be done by an independent valuer;
- (h) the security receipts have been rated by a credit rating agency registered with SEBI. However, such rating shall not be more than three months old from the date of listing.

The issuer shall comply with the conditions of listing of such security receipts as specified in the SEBI Listing Regulations, 2015.

Offer Document

- An issuer seeking listing of security receipts on a recognized stock exchange shall make such disclosures in the offer document as specified by the Reserve Bank of India from time to time, and as specified in Schedule VA of these regulations.

However, the offer document shall not contain any false or misleading statement and shall disclose all material facts.

- The offer document shall be made available for download on the web sites of stock exchanges where such securities are listed.
- In exercise of the powers conferred by sub-rule (7) of rule 19 of the Securities Contracts (Regulation) Rules, 1957, SEBI shall waive the strict enforcement of sub-rules (1) to (3) of the said rule in relation to listing of security receipts issued in terms of these regulations, subject to compliance with these regulations

Trading of security receipts

- The security receipts issued on a private placement basis, which are listed on recognised stock exchanges, shall be traded and such trades shall be cleared and settled in recognised stock exchanges subject to conditions specified by SEBI.
- The trading lot of the security receipts shall not be less than Rs 10 lakh.
- The trades of security receipts which have been made over the counter, shall be reported on a recognized stock exchange having a nation-wide trading terminal or such other platform as may be specified by SEBI.
- SEBI may specify conditions for reporting of trades on the recognized stock exchange or other platform.

Page No. 139

Regulation 52 Financial Results

Insertion of the following after first paragraph

However in case of entities which have listed their equity shares and debt securities, a copy of the

financial results submitted to stock exchanges shall be provided to Debenture Trustees on the same day the information is submitted to stock exchanges.

Page No. 141

First Paragraph replace with the following

The listed entity shall, within seven working days from the date of submission of the information required above, submit to stock exchange(s), a certificate signed by debenture trustee that it has taken note of the contents.

LESSON 7 MUTUAL FUNDS

Page No. 179

Calculation of Net Asset Value (NAV) - Line no 7

Substitute the following in Line No.7:

After the word ‘and’ and before the symbol ‘.’ the words ‘public the same at least in two daily newspapers at intervals not exceeding one week’ shall be substituted with the words ‘disclosed in the manner specified by SEBI’.

Page No. 181

Mutual Fund Definition

Insertion of the following after Second paragraph

However mutual fund schemes investing in exchange traded commodity derivatives may hold the underlying goods in case of physical settlement of such contracts.

Page No. 182

Eligibility Criteria

Replace the point (g) with the following point

(g) appointment of custodian in order to keep custody of the securities 21[or goods] or gold and gold related instrument or other assets of the mutual fund held in terms of these regulations, and provide such other custodial services as may be authorised by the trustees.

Page No. 182

Insertion of the following after the point (g)

Norms for Shareholding and Governance in Mutual Funds

Regulation 7B provides that no sponsor of a mutual fund, its associate or group company including the asset management company of the fund, through the schemes of the mutual fund or otherwise, individually or collectively, directly or indirectly, have -

- (a) 10% or more of the share-holding or voting rights in the asset management company or the trustee company of any other mutual fund; or
 - (b) representation on the board of the asset management company or the trustee company of any other mutual fund.
- Any shareholder holding 10% or more of the share-holding or voting rights in the asset management company or the trustee company of a mutual fund, shall not have, directly or indirectly, -
 - (a) 10% or more of the share-holding or voting rights in the asset management company

or the trustee company of any other mutual fund; or

(b) representation on the board of the asset management company or the trustee company of any other mutual fund.

Page No. 194

Investment Valuation Norms

Para 2, Line 3

After the word ‘and’ and before the symbol ‘.’ the words ‘public the same at least in two daily newspapers at intervals not exceeding one week’ shall be substituted with the words ‘disclosed in the manner specified by SEBI’.

Para 3, Line 3

The words “in the manner specified by SEBI” shall be inserted after the word “investors” and before the symbol “.”.

The words ‘In the case of open ended scheme, the mutual fund shall at least once in a week publish in a daily newspaper of all India circulation, the sale and repurchase price of the units.’ Shall be substituted with the words ‘The mutual fund shall provide the methodology of calculating the sale and repurchase price of units in the manner specified by SEBI.’

Page No. 195

General Obligations of the Mutual Funds

Para 2 replace with the following:

Regulation 56 requires that the scheme wise Annual Report of a mutual fund or an abridged summary thereof shall be provided to all unit holders as soon as may be but not later than four months from the date of closure of the relevant accounts year in the manner specified by the SEBI. The Annual Report and abridged summary thereof shall contain details as specified in the Eleventh Schedule and such other details as are necessary for the purpose of providing a true and fair view of the operations of the mutual fund. However abridged scheme wise Annual Report provided to the unit holders is in the format prescribed by the SEBI in this regard.

Notwithstanding anything contained above, the mutual fund shall provide physical copy of the abridged summary of the Annual Report without any cost, if a request through any mode is received from a unit holder.

The report provided in abridged summary form as above shall carry a note that for unit holders of a scheme full Annual Report shall be available for inspection at the Head Office of the mutual fund and a copy thereof shall be made available to unit holder on payment of such nominal fees as may be specified by the mutual fund. The asset management company shall display the link of the full scheme wise annual reports prominently on their website

Page No. 196

Para one “Note” replace with the following

A mutual fund shall before the expiry of ten days from the close of each halfyear (i.e., 31st March and 30th September), send to all unitholders a complete statement of its scheme portfolio, in the manner specified by the Board.

LESSON 8

ALTERNATIVE INVESTMENT FUND

Page No. 210

Investment in Angel Funds (Replace with the following)

- Angel funds shall only raise funds by way of issue of units to angel investors. An angel fund shall have a corpus of at least five crore rupees.
- Angel funds shall accept, up to a maximum period of five years, an investment of not less than twenty five lakh rupees from an angel investor.
- Angel fund shall raise funds through private placement by issue of information memorandum or placement memorandum, by whatever name called.

However, the provisions of the Companies Act, 2013 shall apply to the Angel Fund, if it is formed as a company.

Page No. 214

General Obligations

After the ending of point (2), the following shall be inserted:

However the custodian appointed by Category III Alternative Investment Fund shall keep custody of securities and goods received in delivery against physical settlement of commodity derivatives.

Page No. 216

Overseas investment by Alternative Investment Funds

Para 3, first bullet point

Substitute the word '**USD 500 million**' with '**USD 750 million**'.

LESSON 10

RESOURCE MOBILISATION IN INTERNATIONAL CAPITAL MARKET

Page No. 259-266

EXTERNAL COMMERCIAL BORROWINGS

Changes at Page No. 259-266 to be referred at the link https://m.rbi.org.in/Scripts/BS_ViewMasDirections.aspx?id=11510#41

LESSON 12

FOREIGN PORTFOLIO INVESTORS

SEBI (Foreign Portfolio Investors) Regulations, 2014 to be replaced with SEBI (Foreign Portfolio Investors) Regulations, 2019 .

Changes at Page No. 289 – 304 to be referred from the respective heads of amended regulations at the link <https://www.sebi.gov.in/legal/regulations/dec-2019/securities-and-exchange-board-of-india-foreign-portfolio-investors-regulations-2019-last-amended-on-december-19-2019-44436.html>

LESSON 13

NON- CONVERTIBLE REDEEMABLE PREFERENCE SHARES

Page No. 312

Security Deposit

This paragraph shall be deleted.

Page No. 314

Insert the following before Lesson Round Up

STREAMLINING THE PROCESS OF PUBLIC ISSUE UNDER THE SEBI (ISSUE AND LISTING OF NON-CONVERTIBLE REDEEMABLE PREFERENCE SHARES) REGULATIONS, 2013 ('SEBI NCRPS')

In order to make the existing process of issuance of debt securities, easier, simpler and cost effective for both issuers and investors under the SEBI (NCRPs) Regulations respectively, SEBI has reduced the time taken for listing after the closure of the issue to 6 working days as against the present requirement of 12 working days.

Submission of application form:

All the investors applying in a public issue shall use only Application Supported by Blocked Amount (ASBA) facility for making payment i.e. writing their bank account numbers and authorising the banks to make payment in case of allotment by signing the application forms.

An investor, intending to subscribe to a public issue, shall submit a completed bid-cum application form to Self-Certified Syndicate Banks (SCSBs), with whom the bank account to be blocked is maintained or any of the following intermediaries:

- a) A syndicate member (or sub-syndicate member)
- b) A stock broker registered with a recognised stock exchange
- c) A depository participant ('DP')
- d) A registrar to an issue and share transfer agent ('RTA').

LESSON 14

REAL ESTATE INVESTMENT TRUSTS

Page No. 319

Definitions (Replace with the following)

“Real estate assets” means properties held by REIT, on a freehold or leasehold basis, whether directly or through a holdco and/or a special purpose vehicle.

“REIT assets” means real estate assets and any other assets held by the REIT, on a freehold or leasehold basis, whether directly or through a holdco and/or a special purpose vehicle.

“Related Party” shall be defined under the Companies Act, 2013 or under the applicable accounting standards and shall also include:

- (i) parties to the REIT;
- (ii) promoters, directors and partners of the persons in clause (i).

Page No. 320

Definitions (Replace with the following)

“Valuer” means any person who is a “registered valuer” under section 247 of the Companies Act, 2013 or as specified by SEBI from time to time.

Registration of Real Estate Investment Trusts

Para 2 Line 2

The word “applicant” shall be substituted with the word “trust”.

Page No. 321

Eligibility Criteria (Replace with the following)

Line 1

The word “applicant” shall be substituted with the word “REIT”.

In Point (b), insertion of the following:

However, of the entities categorized as sponsor group, only the following entities may be considered:

- (a) a person or entity who is directly or indirectly holding an interest or shareholding in any of the assets or SPVs or holdcos proposed to be transferred to the REIT.
- (b) a person or entity who is directly or indirectly holding units of the REIT on post-issue basis.
- (c) a person or entity whose experience is being utilized by the sponsor for meeting with the eligibility conditions required under these regulations.

The sponsor(s), on a collective basis, have a net worth of not less than one hundred crore rupees. However, each sponsor has a net worth of not less than twenty crore rupees; and

The sponsor or its associate(s) has not less than five years experience in development of real estate or fund management in the real estate industry. However, where the sponsor is a

developer, at least two projects of the sponsor have been completed.

Replace point (g), (h) & (i) with the following:

- (g) The applicant and parties to the REIT shall be fit and proper persons.
- (h) Whether any previous application for grant of certificate by the **REIT or the parties to the REIT or their directors/members of governing board** has been rejected by SEBI.
- (i) Whether any disciplinary action has been taken by SEBI or any other regulatory authority against the **REIT or the parties to the REIT or their directors/members of governing board** under any Act or regulations or circulars etc.

Page No. 321

Procedure for Grant of Certificate

Line 1

The word “applicant” shall be substituted with the word “trust”.

Page No. 322

Procedure where Registration is refused

Line 2

After the words ‘granted to the’ the word “applicant” shall be substituted with the word “trust”.

Issue and Allotment of Units

Point No. 2, Diagram Line 2 (Replace with following)

The value of the REIT assets all the assets owned by REIT is not less than five hundred crore rupees.

Issue and Allotment of Units point no. 14 (Replace with the following)

The minimum subscription from any investor in initial and/or public offer shall be rupees fifty thousand.]

Issue and Allotment of Units point no. 23 (Replace with the following)

23. Units may be offered for sale to public:-

- a) If such units have been held by the existing unitholders for a period of at least one year prior to the filing of draft offer document with SEBI.

However, the holding period for the equity shares, **compulsorily convertible securities (from the date such securities are fully paid-up)** or partnership interest in the holdco and/or SPV against which such units have been received shall be considered for the purpose of calculation of one year period.

Further the compulsorily convertible securities, whose holding period has been included for the purpose of calculation for offer for sale, shall be converted to equity shares of the holdco or SPV, prior to filing of offer document.

- b) Subject to other circulars or guidelines as may be specified by SEBI in this regard.

Page No. 327

Listing and Trading of Units

In point no. 5. the words “be one lakh rupees” the words “consist of 100 units” shall be substituted.

Page No. 328

Investment Conditions and Distribution Policy

Bullet point 3 sub-point (a) & (b) (Replace with the following)

(a) no other shareholder or partner of the SPV shall exercise any rights that prevents the REIT from complying with the provisions of these regulations and an agreement has been entered into with such shareholders or partners to that effect prior to investment in the SPV.

However, the shareholders’ agreement or partnership agreement shall provide for an appropriate mechanism for resolution of disputes between the REIT and the other shareholders or partners in the SPV. Further, the provisions of these regulations shall prevail in case of inconsistencies between such agreement(s) and the obligations cast upon a REIT under these regulations.

(b) the manager, in consultation with the trustee, shall appoint atleast such number of nominees on the board of directors or the governing board of such SPVs, as applicable, which are in proportion to the shareholding or holding interest of the REIT in the SPV.

Bullet point 4

After the word “subject”, the word “to” shall be inserted.

Bullet point 4 sub-point (b) &(c) (Replace with the following)

(b) no other shareholder or partner of the holdco or the SPV(s) shall exercise any rights that prevent the REIT, the holdco or the SPV(s) from complying with the provisions of these regulations and an agreement has been entered into with such shareholders or partners to that effect prior to investment in the holdco and/or SPVs.

However, the shareholders’ agreement or partnership agreement shall provide for an appropriate mechanism for resolution of disputes between the REIT and the other shareholders or partners in the holdco and/or SPV.

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

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

Last Bullet point of the page (Replace with the following)

- Not less than eighty per cent. of value of the REIT assets shall be invested in completed and **rent and/or income** generating properties subject to the following,-
 - (a) If the investment has been made through a holdco and/or SPV, whether by way of equity or debtor equity linked instruments or partnership interest, only the portion of direct investments in properties by such holdco and/or SPVs shall be considered under this sub-regulation.
 - (b) If any project is implemented in stages, the part of the project which is completed and rent and/or income generating shall be considered under this sub-regulation and the remaining portion including any contiguous land.

Page No. 329

Bullet Point 6, Diagram –point (a)

After the word “properties,” the words “whether directly or through a company or LLP,” shall be inserted.

Bullet Point 6, Diagram –point (d) and insertion of new point (da)

(d) The words “which are” shall be inserted after the word “companies”.

(da) Unlisted equity shares of companies which derive not less than seventy five per cent. of their operating income from real estate activity as per the audited accounts of the previous financial year.

However, the investments, made through unlisted equity shares of a company, in under construction properties and/or completed and not rent generating properties, shall be in compliance with point (a) as mentioned above.

Page No 330

Bullet Point No. 2

After the words “51 % of the” and before the words “revenues of the REIT”, the word “consolidated” shall be inserted

Bullet Point No. 3 & 4 (Omitted)

- Not less than 75% of value of the REIT assets proportionately on a consolidated basis shall be rent generating.
- A REIT shall hold at least two projects, directly or through holdco and/or SPV, with not more than 60% of the value of the assets, proportionately on a consolidated basis, in one project.

Bullet Point No. 10 (Replace with the following)

- A REIT shall not undertake lending to any **person other than the holding company/special purpose vehicle(s) in which the REIT has invested in, subject to disclosures specified in Schedule IV.**

However, investment in debt securities shall not be considered as lending.

Page No. 331

Borrowings and Deferred Payments (New Bullet point added in addition to the existing bullet points)

- A REIT, whose units are listed on a recognized stock exchange, may issue debt securities in the manner specified by SEBI. However, such debt securities shall be listed on recognized stock exchange(s).

Valuation of Assets – Bullet Point No. 10 (Omitted)

- Any valuation undertaken by any valuer shall abide by international valuation standards and valuation standards as may be specified by Institute of Chartered Accountants of India (ICAI) for valuation of real estate assets. In case of any conflict, standards specified by ICAI shall prevail.

LESSON 15 INFRASTRUCTURE INVESTMENT TRUSTS

Page No. 341

Definitions

Insertion of the following definition before the word 'PPP Project'

“Institutional investor” means -

- (i) a qualified institutional buyer; or
- (ii) family trust or systematically important NBFCs registered with Reserve Bank of India or intermediaries registered with SEBI, all with net-worth of more than five hundred crore rupees, as per the last audited financial statements.

Insertion

In the definition 'Project Implementation Agreement' the word 'and/or management' shall be inserted after the words 'project' and before the symbol '.'.

(Replace with the following)

'Strategic Investor' means,—

- (a) An infrastructure finance company registered with RBI as a NBFC;
- (b) A Scheduled Commercial Bank;
- (c) A multilateral and/or bilateral development financial institution;
- (d) A systemically important NBFCs registered with RBI; and
- (e) A foreign portfolio investors.

who invest, either jointly or severally, not less than 5% the total offer size of the InvIT or such amount as may be specified by SEBI from time to time subject to the compliance with the applicable provisions, if any, of the Foreign Exchange Management Act, 1999 and the rules or regulations or guidelines made thereunder.

Page No. 342

Deletion and Replace

The definition 'Value of the InvIT' shall be deleted.

The definition 'Value of InvIT Assets' shall be replaced with following:

'Value of the InvIT assets means value of the assets of the InvIT as assessed by the valuer based on value of the infrastructure and other assets owned by the InvIT, whether directly or through holdco and/or SPV.

Registration of Infrastructure Investment Trusts

Para 2 Line 2

The word 'trust' shall be substituted with the word 'applicant'.

Eligibility Criteria

Para 1 Line1

The word ‘trust’ shall be substituted with the word ‘applicant’.

Point (c) sub-point 6

In line 1 after the words ‘governing board’ the words ‘of an Investment Manager’ shall be inserted.

Point (d) Line 2

After the words ‘sponsor’ and before the words ‘manager’ the word ‘investment’ shall be inserted.

[Replace point (i) and (j) with the following]

- i) Whether any previous application for grant of certificate made by the **InvIT or the parties to the InvIT or their directors/members of governing board** has been rejected by the SEBI;
- j) Whether any disciplinary action has been taken by the SEBI or any other regulatory authority against the **InvIT or the parties to the InvIT or their directors/members of governing board** under any Act or the regulations or circulars or guidelines made thereunder.

Procedure for Grant of Certificate

Para 1 & 2

The words ‘applicant’ or ‘applicants’ appearing therein shall be substituted with the word ‘trust’.

Procedure where registration is refused

The word ‘applicant’ appearing for the first time shall be substituted with the word ‘trust’.

Issue of units and allotment (Replace with the following)

Point 1 sub-point 2

the value of InvIT assets is not less than rupees five hundred crore;

Point 3 sub-point b

For the words ‘qualified institutional buyers’ shall be substituted with the words ‘institutional investors’.

Point 3 sub point c

c. with minimum investment from any investor of rupees one crore;

Apart the above, if such an privately placed InvIT invests or proposes to invest not less than eighty per cent of the value of the InvIT assets, **in completed and revenue generating assets**, the minimum investment from an investor shall be rupees twenty five crore;

Point 3, new sub point f inserted

- f. it shall file the final placement memorandum with SEBI within a period of ten working days from the date of listing of the units issued therein.

Page No. 346

Issue of units and allotment – First line of the page (Replace with the following line)

- If the InvIT raises funds by public issue –
- Sub-point 3 the word “ten” substitute with the word “one”.

Replace sub -point 5 with the following:

- the draft offer document filed with SEBI shall be made public, for comments, if any, by hosting it on the websites of the Board, designated stock exchanges, InvIT and merchant bankers associated with the issue, for a period of not less than twenty one days;

Replace sub-point 9 with the following:

- the draft offer document] and offer document shall be accompanied by a due diligence certificate signed by the lead merchant banker;

Page No. 346

Issue of units and allotment – (Replace with the following)

- units may be offered for sale to public,–
 - (i) if such units have been held by the sellers for a period of at least one year prior to the filing of draft offer document with SEBI.

However, the holding period for the equity shares, **compulsorily convertible securities (from the date such securities are fully paid-up)** or partnership interest in the holdco or SPV against which such units have been received shall be considered for the purpose of calculation of one year period;

Further the compulsorily convertible securities, whose holding period has been included for the purpose of calculation for offer for sale, shall be converted to equity shares of the holdco or SPV, prior to filing of offer document.

- (ii) subject to other guidelines as may be specified by SEBI in this regard;

Page No. 350

Listing and Trading of Units

Point No. 2 (Replace with the following)

- With respect to listing of privately placed units,–
 - its units shall be mandatorily listed on the designated stock exchange(s) within twelve working days from the date of allotment.

However, this sub-regulation shall not apply if the initial offer does not satisfy the minimum subscription amount or the minimum number of subscribers as prescribed in these regulations.

- trading lot for the purpose of trading of units on the designated stock exchange shall be five lakh rupees.

Apart the above, if an InvIT invests not less than eighty per cent of the value of the InvIT assets, **in completed and revenue generating assets**, the trading lot for the purpose of trading of units on the designated stock exchange of such InvIT shall be rupees two crore.

Point No. 3

Sub-point 2 the word “be five lakh rupees” substitute with the word “consist of 100 units”.

Page No. 351

Delisting of Units and Winding up of the INVIT

Point (e) replace with the following:

(e) the trustee and investment manager requests such delisting and such request has been approved by unit holders.

(ea) the trustee and the Investment Manager of a privately placed and listed InvIT chooses to convert InvIT to a privately placed unlisted InvIT and such request has been approved by unit holders.

However exit shall be provided to dissenting unitholders.

After Bullet point 5 following shall be inserted:

- Notwithstanding the above, in case the delisting is done in terms of clause (ea) of sub-regulation (1), the InvIT may retain its certificate of registration and continue to undertake the activity of a privately placed and unlisted InvIT as specified in Regulations.

Page No. 352

Investment Conditions and Dividend Policy

Bullet point 3 sub-point (a) (Replace with the following)

a. no other shareholder or partner of the SPV shall exercise any rights that prevents the InvIT from complying with the provisions of these regulations and an agreement has been entered into with such shareholders or partners to that effect prior to investment in the SPV.

However, the shareholders’ agreement or partnership agreement shall provide for an appropriate mechanism for resolution of disputes between the InvIT and the other shareholders or partners in the holdco and/or the SPV.

Further, the provisions of these regulations shall prevail in case of inconsistencies between such agreement(s) and the obligations cast upon an InvIT under these regulations.

Bullet point 4 sub-point (b) (Replace with the following)

b. other shareholder or partner of the holdco or the SPV(s) shall exercise any rights that prevent the InvIT, the HoldCo or the SPV(s) from complying with the provisions of these regulations and an agreement has been entered into with such shareholders or partners to that effect prior to investment in the holdco/SPV:

However, the shareholders' agreement or partnership agreement shall provide for an appropriate mechanism for resolution of disputes between the InvIT and the other shareholders or partners in the holdco and/or the SPV.

Further, the provisions of these regulations shall prevail in case of inconsistencies between such agreement(s) and the obligations cast upon an InvIT under these regulations.

Page No. 354

Borrowings and Deferred Payments is replaced with the following

- An InvIT, whose units are listed on a recognized stock exchange, may issue debt securities in the manner specified by the SEBI. However such debt securities shall be listed on recognized stock exchange(s).
- The aggregate consolidated borrowings and deferred payments of the InvIT, holdco and the SPV(s), net of cash and cash equivalents shall not exceed seventy per cent. of the value of the InvIT assets.
- If the aggregate consolidated borrowings and deferred payments of the InvIT, holdco and the SPV(s), net of cash and cash equivalents exceed twenty five per cent. of the value of the InvIT assets, for any further borrowing,–
 - a) upto forty nine percent, an InvIT shall –
 - (i) obtain credit rating from a credit rating agency registered with the SEBI; and
 - (ii) seek approval of unitholders in the manner as specified in Regulations.
 - b) above forty nine percent, an InvIT shall –
 - (i) obtain a credit rating of “AAA” or equivalent for its consolidated borrowing and the proposed borrowing, from a credit rating agency registered with the SEBI;
 - (ii) utilize the funds only for acquisition or development of infrastructure projects;
 - (iii) have a track record of atleast six distributions on a continuous basis, post listing, in the years preceding the financial year in which the enhanced borrowings are proposed to be made;
 - (iv) obtain the approval of unitholders in the manner specified in regulations.
- If the conditions specified above are breached on account of market movements of the price of the underlying assets or securities, the investment manager shall inform the same to the trustee and ensure that the conditions are satisfied within six months of such breach.

Valuation of Assets-

- **After Bullet Point No. 5 following inserted**
- However in case the consolidated borrowings and deferred payments of an InvIT, in terms of Regulation 20, is above forty nine per cent, the valuation of the assets of such InvIT shall be conducted by the valuer for quarter ending June, September and December, for incorporating any key changes in the previous quarter and such quarterly report shall be prepared within one month from the date of the end of such quarter.

Bullet Point No. 10 (Omitted)

- Any valuation undertaken by any valuer shall be in compliance with by international valuation standards and valuation standards as may be specified by Institute of Chartered Accountants of India for valuation of infrastructure assets or such other valuation standards as may be specified by SEBI. However, in case of any conflict, standards specified by Institute of Chartered Accountants of India shall prevail.

Page No. 356

Rights and Meetings of Unit Holder

In point 4. Bullet point 3 is replaced with the following

- any borrowing in terms of the limit specified under clause (a) of sub-regulation (3) of regulation 20

Page No. 357

Rights and Meetings of Unit Holder

In point 5. Bullet point 3 is replaced with the following

- the trustee and investment manager proposing to seek delisting of units of the InvIT under clause (e) of sub-regulation (1) of regulation 17

Page No. 358

Rights and Meetings of Unit Holder

Before point 6 the following be inserted

(5A) In case of any borrowing by an InvIT in terms of the limit specified in clause (b) of sub-regulation 3 of regulation 20, the approval from seventy five percent. of the unit holders by value shall be obtained.

(5B) For delisting of units of InvIT in terms of clause (ea) of sub-regulation (1) of regulation 17, approval from not less than ninety per cent. of the unit holders by value shall be required and exit shall be provided to dissenting unitholders.

Page No. 358

Disclosures

- Bullet point 4 is replaced with the following

The investment manager of shall submit a half-yearly report to the designated stock exchange within forty five days from the end of half year ending September 30th.

However for any InvIT, whose units are listed and whose consolidated borrowings and deferred payments, in terms of regulation 20, is above forty nine per cent., such InvIT shall also submit a quarterly report to the designated stock exchange within thirty days from the end of every quarter ending June and December.

- Bullet point 5 is replaced with the following

Annual/ half yearly /quarterly reports shall contain disclosures as specified under Part-A, Part-B and Part-C, respectively, of Schedule IV.

LESSON 16

REGULATORY FRAMEWORK GOVERNING STOCK EXCHANGES

Page No. 377

Power to Issue Directions

In paragraph 2 after explanation insert the following

Without prejudice to the provisions of sub-section (1) and section 23-I, the Securities and Exchange Board of India may, by an order, for reasons to be recorded in writing, levy penalty under sections 23A, 23B, 23C, 23D, 23E, 23F, 23G, 23GA and 23H after holding an inquiry in the prescribed manner.

Page No. 381

Penalties and Procedures

The paragraph after point (i) is replace by the following

shall, without prejudice to any award of penalty by the Adjudicating Officer or the Securities and Exchange Board of India under this Act, on conviction, be punishable with imprisonment for a term which may extend to ten years or with fine, which may extend to twenty-five crore rupees, or with both.

Page No. 382

Penalty for failure to furnish information, return etc. – Paragraph is replace with following

Any person, who is required under this Act or any rules made thereunder, fails to furnish any information, document, books, returns or report to a recognised stock exchange or to SEBI, fails to furnish the same within the time specified thereof in the listing agreement or conditions or bye-laws of the recognized stock exchange or the Act or rules made thereunder or who furnishes false, incorrect or incomplete information, document, books, return or report, shall be liable to a penalty which shall not be less than 1 lakh rupees and which may extend to one crore rupees for each day during which such failure continues.

Page No. 382

Penalty for failure to comply with provision of listing conditions or delisting conditions or grounds

In first line after the word mutual fund following line is inserted

- or real estate investment trust or infrastructure investment trust or alternative investment fund

Page No. 382

Penalty for failure to furnish periodical returns, etc.

In first line after the word returns following line is inserted

- or furnishes false, incorrect or incomplete periodical returns.

Page No. 383

Power to adjudicate

- In second paragraph after the word SEBI “shall” is replaced with the word “may”.

Page No. 383

Factors to be taken into account by the adjudging officer

- The heading “Factors to be taken into account by the adjudging officer” is replace with the new heading “Factors to be taken into account while adjudging quantum of penalty”.
- In the second line after the word “adjudicating officer” the word “or SEBI” is inserted.

Page No. 383

Settlement of administrative and civil proceedings

The following paragraph inserted at the end:

- All settlement amounts, excluding the disgorgement amount and legal costs, realised under this Act shall be credited to the Consolidated Fund of India.

Page No. 383

Recovery of Amounts

- In the first line the words “by the adjudicating officer” is replace with the words “under this Act”.

Page No. 385

Offences

In first paragraph and in the first line after the word “adjudicating officer” the words “or the SEBI” inserted.

In Second paragraph and in the first line after the word “adjudicating officer” the words “or the SEBI” inserted.

In Second paragraph and in the first line the words “any of his directions or orders” the words “the direction or order” is replaced.

Page No. 385

Offences by Companies - -paragraph is replaced with the following

Contravention by companies

(1) Where a contravention of any of the provisions of this Act or any rule, regulation, direction or order made thereunder has been committed by a company, every person who, at the time when the contravention was committed, was in charge of, and was responsible to, the company for the conduct of the business of the company, as well as the company, shall be deemed to be guilty of the contravention, and shall be liable to be proceeded against and punished accordingly:

However nothing contained in this sub-section shall render any such person liable to any punishment provided in this Act, if he proves that the contravention was committed without his knowledge or that he exercised all due diligence to prevent the commission of such contravention.

(2) Where a contravention of any of the provisions of this Act or any rule, regulation, direction or order made thereunder has been committed by a company and it is proved that the contravention has been committed with the consent or connivance of, or is attributable to any gross negligence on the part of any director, manager, secretary or other officer of the company, such director, manager, secretary or other officer of the company, shall also be deemed to be guilty of that contravention and shall be liable to be proceeded against and punished accordingly.

(3) The provisions of this section shall be in addition to, and not in derogation of, the provisions of section 22A.

Page No. 390

Definitions

The definition of Commodity Derivatives Exchange is omitted.

Page No. 390 -395

Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012

Replace the above from page no 390-395 with the following up to the heading Securities Contracts (Regulation) Rules, 1957:

Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2018

The SEBI, on October 3, 2018, has issued the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2018 ('New SECC Regulations'), effectively replacing the erstwhile Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 and the circulars issued thereunder, to regulate the recognition, ownership and governance in stock exchanges and clearing corporations.

The Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2018, have been divided into the following Chapters, they are:

- Chapter I specifies short title and commencement and Definitions.
- Chapter II specifies the procedure to be followed by the applicant for seeking recognition as a stock exchange and clearing corporations.
- Chapter III specifies the requirements for net worth of stock exchange and clearing corporations.
- Chapter IV specifies the general conditions and eligibility criteria for obtaining ownership of stock exchange and clearing corporations.
- Chapter V specifies the terms and conditions of governance of Depository i.e. Composition, Appointment, Code of conduct, Compensation and tenure, Segregation of regulatory

departments, constitution of statutory committee and Disclosure and corporate governance norms.

- Chapter VI specifies the general obligations to be followed by the Stock exchange and Clearing Corporations as specified by the SEBI.
- Chapter VII specifies the conditions to be adhere by recognized stock exchange for listing of Securities on any recognized stock exchange, other than itself.
- Chapter VIII specifies the power of the SEBI related to the Regulations under the head 'Inspection, Enquiries and Enforcement'.
- Chapter IX specifies the power of SEBI to remove difficulties in the interpretation and application of the provisions of the regulations, power to specify procedure and issue clarifications and to repeal and savings.

LESSON 17

SECURITIES EXCHANGE BOARD OF INDIA

Page No. 414

Powers and functions of SEBI

Last point (e) is replaced with the following:

(e) attach, for a period not exceeding ninety days, bank accounts or other property of any intermediary or any person associated with the securities market in any manner involved in violation of any of the provisions of this Act, or the rules or the regulations made thereunder.

However the Board shall, within ninety days of the said attachment, obtain confirmation of the said attachment from the Special Court, established under section 26A, having jurisdiction and on such confirmation, such attachment shall continue during the pendency of the aforesaid proceedings and on conclusion of the said proceedings, the provisions of section 28A shall apply.

However only property, bank account or accounts or any transaction entered therein, so far as it relates to the proceeds actually involved in violation of any of the provisions of this Act, or the rules or the regulations made thereunder shall be allowed to be attached.

Page No. 415

Powers and functions of SEBI

After second paragraph insert the following paragraph:

As per Section (4A) without prejudice to the provisions contained in sub-sections (1), (2), (2A), (3) and (4), section 11B and section 15-I, the SEBI may, by an order, for reasons to be recorded in writing, levy penalty under sections 15A, 15B, 15C, 15D, 15E, 15EA, 15EB, 15F, 15G, 15H, 15HA and 15HB after holding an inquiry in the prescribed manner.

In third paragraph third line after the word 1996 insert the following:

- or under a settlement made under section 15JB or section 23JA of the Securities Contracts (Regulation) Act, 1956 or section 19-IA of the Depositories Act, 1996,

Page No. 415

Power to Issue Directions - paragraph is replaced with the following:

POWER TO ISSUE DIRECTIONS AND LEVY PENALTY

(1) Save as otherwise provided in section 11, if after making or causing to be made an enquiry, the SEBI is satisfied that it is necessary,—

(i) in the interest of investors, or orderly development of securities market; or

(ii) to prevent the affairs of any intermediary or other persons referred to in section 12 being conducted in a manner detrimental to the interest of investors or securities market; or

(iii) to secure the proper management of any such intermediary or person,

it may issue such directions,—

(a) to any person or class of persons referred to in section 12, or associated with the securities market; or

(b) to any company in respect of matters specified in section 11A, as may be appropriate in the interests of investors in securities and the securities market.

Explanation.—For the removal of doubts, it is hereby declared that the power to issue directions under this section shall include and always be deemed to have been included the power to direct any person, who made profit or averted loss by indulging in any transaction or activity in contravention of the provisions of this Act or regulations made thereunder, to disgorge an amount equivalent to the wrongful gain made or loss averted by such contravention.

(2) Without prejudice to the provisions contained in sub-section (1), sub-section (4A) of section 11 and section 15-I, the Board may, by an order, for reasons to be recorded in writing, levy penalty under sections 15A, 15B, 15C, 15D, 15E, 15EA, 15EB, 15F, 15G, 15H, 15HA and 15HB after holding an inquiry in the prescribed manner.

Page No. 419

Penalty for failure to furnish information, return, etc.

In point (a) after the word “same” the following is inserted:

- or who furnishes or files false, incorrect or incomplete information, return, report, books or other documents.

In point (b) after the word “regulations” the following is inserted:

- or who furnishes or files false, incorrect or incomplete information, return, report, books or other documents.

Page No. 420

Penalty for failure to redress investors’ grievances.

In second line after the word “ writing” insert the following line:

- including by any means of electronic communication.

Page No. 421

Penalties for default in case of stock brokers

Point (a) is replaced with the following point:

- fails to issue contract notes in the form and manner specified by the stock exchange of which such broker is a member, he shall be liable to a penalty which shall not be less than one lakh rupees but which may extend to one crore rupees for which the contract note was required to be issued by that broker.

Page No. 422

Settlement of administrative and civil procedure

At the end insert the following:

- All settlement amounts, excluding the disgorgement amount and legal costs, realised under this Act shall be credited to the Consolidated Fund of India.

Page No. 427

Offences and Punishments

- In point (1) after the word “Adjudicating officer” the word “or the SEBI” inserted.
- In point (2) after the word “Adjudicating officer” the word “or the SEBI” inserted.
- In point (2) first line the words “of his” is omitted.

Page No. 428

Offences by Companies – is replaced with the following

CONTRAVENTION BY COMPANIES.

(1) Where a contravention of any of the provisions of this Act or any rule, regulation, direction or order made thereunder has been committed by a company, every person who at the time the contravention was committed was in charge of, and was responsible to, the company for the conduct of the business of the company, as well as the company, shall be deemed to be guilty of the contravention and shall be liable to be proceeded against and punished accordingly.

However nothing contained in this sub-section shall render any such person liable to any punishment provided in this Act, if he proves that the contravention was committed without his knowledge or that he had exercised all due diligence to prevent the commission of such contravention.

(2) Notwithstanding anything contained above, where an contravention under this Act has been committed by a company and it is proved that the contravention has been committed with the consent or connivance of, or is attributable to any neglect on the part of, any director, manager, secretary or other officer of the company, such director, manager, secretary or other officer shall also be deemed to be guilty of the contravention and shall be liable to be proceeded against and punished accordingly.

Page No. 428

Recovery of amounts

In the first line the words "by the adjudicating officer" is replaced with the words “under this act”.

LESSON 18

DEPOSITORIES

Page No.449

FACTORS TO BE TAKEN INTO ACCOUNT BY ADJUDICATING OFFICER

- The heading “Factors to be taken into account by adjudicating officer” to be read as “Factors to be taken into account while adjudging quantum of penalty”
- In line one after word “section 19H” insert “or Section 19”.
- In line one after word “adjudicating officer” insert “or SEBI”.

Page No.449

Settlement of Administrative Civil Proceedings

After last paragraph inset the following:

All settlement amounts, excluding the disgorgement amount and legal costs, realised under this Act shall be credited to the Consolidated Fund of India.

Page No.450

Recovery of amounts.

Second paragraph line one the words “by the adjudicating officer” replaced with the words “under this Act”

Page No.451

OFFENCES BY COMPANIES

The whole paragraph “offences by the companies” to be replace with the following:

Where a contravention of any of the provisions of this Act or any rule, regulation, direction or order made thereunder has been committed by a company, every person who at the time the contravention was committed was in charge of, and was responsible to, the company for the conduct of the business of the company, as well as the company, shall be deemed to be guilty of the contravention and shall be liable to be proceeded against and punished accordingly.

However nothing contained in this sub-section shall render any such person liable to any punishment provided in this Act, if he proves that the contravention was committed without his knowledge or that he had exercised all due diligence to prevent the commission of such contravention.

Notwithstanding anything contained above, where a contravention of any of the provisions of this Act or any rule, regulation, direction or order made thereunder has been committed by a company and it is proved that the contravention has been committed with the consent or connivance of, or is attributable to any neglect on the part of, any director, manager, secretary or other officer of the company, such director, manager, secretary or other officer shall also be deemed to be guilty of the contravention and shall be liable to be proceeded against and punished accordingly.

SEBI (Depositories and Participants) Regulations, 2018

Substitute with the following till Internal Audit portion

SEBI (Depositories and Participants) Regulations, 2018

The Depositories Act requires that the registration of the depository, depository participant and the custodian, is mandatory with the SEBI. These market intermediaries can function or commence business only after registration from SEBI has been obtained and requisite fee paid to the SEBI. The requirement of registration is a continuing one and the moment of registration is cancelled or revoked or surrendered, the person shall cease to act as such.

The SEBI, on October 3, 2018, issued the SEBI (Depositories and Participants) Regulations, 2018 ('New DP Regulations'), replacing the SEBI (Depositories and Participants) Regulations, 1996 ('Old DP Regulations') introducing amendments largely related to structuring, shareholding and governance of depositories.

These regulations also contain provisions for operations and functioning of depositories, form for application and certificates used and schedule of fees for participants, etc. It also contains provisions for registration of depository and depository participants, rights and obligations of various users and constituents, inspection and procedure for action in case of default.

- (i) **Structuring:** Under the New DP Regulations, a SEBI registered depository has been permitted to carry on any other activity (whether involving the deployment of funds or otherwise), after obtaining prior SEBI approval, as against the Old DP Regulations as per which depositories were only permitted to undertake other activity which were incidental to the activity of the depository. Moreover, the New DP Regulations now expressly provide that the prior approval of SEBI shall not be required in case of treasury investments, if such investments are as per the investment policy approved by the governing board of the depository. Similar to the position under the Old DP Regulations, the New DP Regulations permit the depository to carry out an activity not incidental to its activities as a depository through the establishment of strategic business unit(s) specific to each activity as may be assigned to the depository by the Central Government or by a regulator in the financial sector (through deployment of funds or otherwise).

- (ii) **Shareholding:** Under the New DP Regulations, the maximum prescribed shareholding in a depository, directly or indirectly, either individually or together with persons acting in concert has been retained at 5% of its paid-up equity share capital with the newly introduced exception of both Indian and foreign stock exchanges, Indian and foreign depositories, Indian and foreign banking companies, Indian and foreign insurance companies, public financial institutions, a foreign commodity derivatives exchange and a bilateral/multilateral financial institution approved by the Central Government, which may acquire or hold up to 15% of the paid-up equity share capital of such depository. An 'applicant' who proposes to establish a depository under the New DP Regulations is now locked in for a period of five years from the date of registration and can only hold up to 15% of the share capital of the depository, whereas under the Old DP Regulations, the sponsor was required to hold at least 51% of the equity share capital.

Governance of Depository

Under the New DP Regulations, the number of public interest directors cannot be less than the number of shareholder directors on the governing board of a depository. The requirement under the Old DP Regulations for at least one public interest director to be present in the meetings of the governing board to constitute the quorum, has been replaced with the requirement of the public interest directors not being less than the number of shareholder directors to constitute the quorum. The New DP Regulations has now specifically included the managing director in the category of shareholder directors and provide for voting on a resolution of the governing board to be valid only when the number of public interest directors that have cast their vote on such resolution is equal to or more than the number of shareholder directors who have cast their vote on such resolution, with a casting vote in favour of the chairperson of the governing board. Subject to prior approval of SEBI, the chairperson will be elected by the governing board from amongst the public interest directors. Lastly, no foreign portfolio investor ('FPI') will have any representation on the governing board.

Investor Protection Fund

Every depository shall establish and maintain an Investor Protection Fund for the protection of interest of beneficial owners. However, this Fund shall not be used by the depository for the purpose of indemnifying the beneficial owner under section 16 of the Depositories Act, 1996.

Every depository shall credit five percent or such percentage as may be specified by the SEBI, of its profits from depository operations every year to the Investor Protection Fund. The contribution to and utilization of the Investor Protection Fund shall be in accordance with the norms specified by the SEBI.

Audit under the SEBI (Depositories and Participants) Regulations, 2018

Regulation 76 of the SEBI (Depositories and Participants) Regulations, 2018 provides that every issuer shall submit audit report on a quarterly basis to the concerned stock exchanges audited by a practicing Company Secretary or a qualified Chartered Accountant, for the purposes of reconciliation of the total issued capital, listed capital and capital held by depositories in dematerialized form, the details of changes in share capital during the quarter and the in-principle approval obtained by the issuer from all the stock exchanges where it is listed in respect of such further issued capital.

The audit report is required to give the updated status of the register of members of the issuer and confirm that securities have been dematerialized as per requests within 21 days from the date of receipt of requests by the issuer and where the dematerialization has not been effected within the said stipulated period, the report would disclose the reasons for such delay.

The issuer is under an obligation to immediately bring to the notice of the depositories and the stock exchanges, any difference observed in its issued, listed, and the capital held by depositories in dematerialized form.

LESSON 19 LISTING AND DELISTING OF SECURITIES

Page No 470

Appliability

After point (d) insert following point:

(da) security receipts;

Page No 481

Regulation 31 - Holding of specified securities and shareholding pattern

After last paragraph insert the following:

All entities falling under promoter and promoter group shall be disclosed separately in the shareholding pattern appearing on the website of all stock exchanges having nationwide trading terminals where the specified securities of the entity are listed, in accordance with the formats specified by the SEBI.

Page No 481

Regulation 31A - Disclosure of Class of shareholders and Conditions for Reclassification

The Subject “Disclosure of Class of shareholders and Conditions for Reclassification” to be read as “Conditions for re-classification of any person as promoter / public”

The particulars of Regulation 31A replace as follow:

Re-classification of the status of any person as a promoter or public shall be permitted by the stock exchanges only upon receipt of an application from the listed entity along with all relevant documents subject to compliance with conditions specified in these regulations.

However in case of entities listed on more than one stock exchange, the concerned stock exchanges shall jointly decide on the application.

Page No 483

Regulation 33 - Financial Results

After first paragraph insert the following:

The listed entity shall also submit as part of its standalone and consolidated financial results for the half year, by way of a note, statement of cash flows for the half-year.

Page No 483

Regulation 34 – Annual Report

- The first paragraph to be replaced with the following:

The listed entity shall submit to the stock exchange and publish on its website-

(a) a copy of the annual report sent to the shareholders along with the notice of the annual general meeting not later than the day of commencement of dispatch to its shareholders.

in the event of any changes to the annual report, the revised copy along with the details of and explanation for the changes shall be sent not later than 48 hours after the annual general meeting. The annual report shall contain the following.

- Point (f) the words “top five hundred” are replaced with the words “one thousand”.

Page No 486

Regulation 41 – Other provisions relating to Securities

In the particulars the second bullet point replace as following:

The listed entity shall not issue shares in any manner that may confer on any person; superior or inferior rights as to dividend vis-à-vis the rights on equity shares that are already listed or inferior voting rights vis-à-vis the rights on equity shares that are already listed.

However, a listed entity having SR equity shares issued to its promoters/ founders, may issue SR equity shares to its SR shareholders only through a bonus, split or rights issue in accordance with the provisions of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 and the Companies Act, 2013.

Page No 486

After Regulation 41 insert following:

Regulations 41A - Other provisions relating to outstanding SR equity shares.

(1) The SR equity shares shall be treated at par with the ordinary equity shares in every respect, including dividends, except in the case of voting on resolutions.

(2) The total voting rights of SR shareholders (including ordinary shares) in the issuer upon listing, pursuant to an initial public offer, shall not at any point of time exceed seventy four per cent.

(3) The SR equity shares shall be treated as ordinary equity shares in terms of voting rights (i.e. one SR share shall only have one vote) in the following circumstances –

i. appointment or removal of independent directors and/or auditor;

ii. where a promoter is willingly transferring control to another entity;

iii. related party transactions in terms of these regulations involving an SR shareholder;

iv. voluntary winding up of the listed entity;

iv. changes to the Articles of Association or Memorandum of Association of the listed entity, except any change affecting the SR equity share;

v. initiation of a voluntary resolution process under the Insolvency Code;

- vi. utilization of funds for purposes other than business;
- vii. substantial value transaction based on materiality threshold as specified under these regulations;
- ix. passing of special resolution in respect of delisting or buy-back of shares; and
- x. other circumstances or subject matter as may be specified by the Board, from time to time.

(4) The SR equity shares shall be converted into equity shares having voting rights same as that of ordinary shares on the fifth anniversary of listing of ordinary shares of the listed entity. However the SR equity shares may be valid for upto an additional five years, after a resolution to that effect has been passed, where the SR shareholders have not been permitted to vote. However the SR shareholders may convert their SR equity shares into ordinary equity shares at any time prior to the period as specified in this sub-regulation.

(5) The SR equity shares shall be compulsorily converted into equity shares having voting rights same as that of ordinary shares on the occurrence of any of the following events –

- i. demise of the promoter(s) or founder holding such shares;
- ii. an SR shareholder resigns from the executive position in the listed entity;
- iii. merger or acquisition of the listed entity having SR shareholder/s, where the control would no longer remain with the SR shareholder/s;
- iv. the SR equity shares are sold by an SR shareholder who continues to hold such shares after the lock-in period but prior to the lapse of validity of such SR equity shares.

Page No 486

Regulation 42 - Record Date or Date of closure of transfer books

In particulars after point (D) insert the following:

However in the case of rights issues, the listed entity shall give notice in advance of atleast three working days (excluding the date of intimation and the record date).

Page No 488

Regulation 44 - Voting by Shareholders

The Subject heading “Voting by shareholders” to be read a “Meetings of shareholders and voting”.

Page No 488

Regulation 46 – Website

In particulars second bullet point the words “on its website” replace with the words “under a separate section on its website”

Page No 491

Annual Compliances - Regulation 34(1)

Due dates the following is replaced:
not later than the day of commencement of dispatch to its shareholders.

Page No 495

CORPORATE GOVERNANCE UNDER SEBI (LODR) REGULATIONS 2015

Changes at Page No. **495- 513** to be referred from the respective heads of amended SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 at the link.

https://www.sebi.gov.in/legal/regulations/jan-2020/securities-and-exchange-board-of-india-listing-obligations-and-disclosure-requirements-regulations-2015-last-amended-on-january-10-2020-_37269.html

Page No 514

SEBI (Delisting of Equity Shares) Regulations, 2009

Changes at Page No. **514- 525** to be referred from the respective heads of amended SEBI (Delisting of Equity Shares) Regulations, 2009 at the link.

https://www.sebi.gov.in/legal/regulations/jun-2009/sebi-delisting-of-equity-shares-regulations-2009-last-amended-on-july-29-2019-_34625.html

LESSON 20

ISSUE OF SECURITIES

Replace the chapter with the following:

Introduction

Management of a public issue involves coordination of activities and cooperation of a number of agencies such as managers to the issue, underwriters, brokers, registrar to the issue; solicitors/legal advisors, printers, publicity and advertising agents, financial institutions, auditors and other Government/Statutory agencies such as Registrar of Companies, Reserve Bank of India, SEBI etc. The whole process of issue of shares can be divided into two parts (i) pre-issue activities and (ii) post issue activities. All activities beginning with the planning of capital issue till the opening of the subscription list are pre-issue activities while all activities subsequent to the opening of the subscription list may be called post issue activities. Since only the demat shares are being admitted for dealings on the stock exchanges, hence the securities can be issued only with the purpose of allotting the shares in Dematerialised Form.

Background

With the repeal of Capital Issues (Control) Act, 1947 all the guidelines, notifications, circulars etc. issued by the office of the Controller of Capital Issues became defunct. SEBI was given the mandate to regulate issuance of securities, which was earlier done by vide its order dated 11.6.1992 called the Guidelines for Disclosure and Investor Protection, 1992. Later, SEBI issued a compendium containing consolidated Guidelines, circulars, instructions relating to issue of capital effective from January 27, 2000. The compendium titled SEBI (Disclosure and Investor Protection) Guidelines, 2000 replaced the original Guidelines issued in June 1992 and clarifications thereof. On August 26, 2009 SEBI rescinded the SEBI (DIP) Guidelines, 2000 and notified SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009.

SEBI in order to align its provisions under ICDR Regulations with Companies Act, 2013 and allied regulations, had come with its consultation paper on May 04, 2018 detailing the suggestive changes under various fund raising options by listed issuers.

Between 2009-till date, numerous amendments have been made to the ICDR Regulations. Different types of offerings to raise funds in the primary market have been introduced. Further, there have been changes in market practices and regulatory environment over a period of time. A need was thus felt to review and realign the ICDR Regulations with these developments and to ensure that they reflect the best practices adopted globally. In view of the same, SEBI constituted the Issue of Capital & Disclosure Requirements Committee (“ICDR Committee”) under the Chairmanship of Shri Prithvi Haldea in June, 2017, to review the ICDR Regulations with the following objectives:

- a) To simplify the language and complexities in the regulations;
- b) To incorporate changes/ new requirements which have occurred due to change in market practices and regulatory environment;
- c) To make the regulations more readable and easier to understand.

The ICDR Committee suggested certain policy changes. These suggestions were also taken to the Primary Market Advisory Committee (PMAC) of SEBI which comprises of eminent representatives from the Ministry of Finance, Industry, Market Participants, academicians, the Institute of Chartered Accountants of India and the Institute of Company Secretaries of India. The recommendations of the PMAC were incorporated in the draft of the proposed ICDR Regulations. In addition to the public consultation, the draft regulations along with the key policy changes were also forwarded to the Ministry of Finance (MoF), Ministry of Corporate Affairs (MCA) and the Reserve Bank of India (RBI) for their comments. The provisions of Companies Act, 1956 (wherever applicable), Companies Act, 2013, SEBI (Substantial Acquisition & Substantial Takeover) Regulations, 2011, SEBI (Share Based Employee Benefits) Regulations, 2014 have been suitably incorporated.

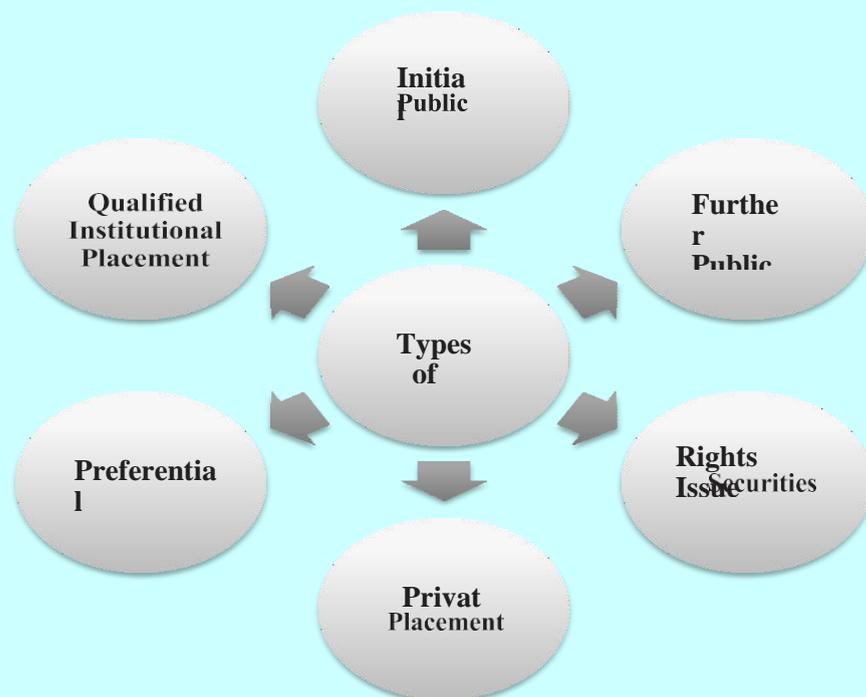
SEBI in its Board Meeting held on June 21, 2018 approved the proposal for replacing SEBI (Issue of Capital & Disclosure Requirements) Regulations, 2009 with new SEBI (Issue of Capital & Disclosure Requirements) Regulations, 2018.

In continuation to the same, SEBI vide its notification dated 11th September, 2018 issued SEBI (ICDR) Regulations, 2018 ('ICDR, 2018') which is effective from 60th day of its publication in Official Gazette.

| Chapter No. under ICDR, 2018 | Particulars |
|-------------------------------------|---|
| I. | Preliminary |
| II. | Initial Public Offer (IPO) on Main Board |
| III. | Right Issue |
| IV. | Further Public Offer |
| V. | Preferential Issue |
| VI. | Qualified Institutional Placement |
| VII. | IPO of Indian Depository Receipts |
| VIII. | Rights Issue of IDR |
| IX. | IPO by Small and Medium Enterprises (SME) |
| X. | Institutional Trading Platform |
| XI. | Bonus Issue |
| XII. | Miscellaneous |

TYPES OF ISSUES

Primary Market deals with those securities which are issued to the public for the first time. Primary Market provides an opportunity to issuers of securities, Government as well as corporates, to raise financial resources to meet their requirements of investment and/or discharge their obligations.



Initial public offer means an offer of specified securities by an unlisted issuer to the public for subscription and includes an offer for sale of specified securities to the public by any existing holder of such securities in an unlisted issuer. In order to qualify as an *Initial public offer*, the offer of securities must be by an unlisted issuer company and such an issue shall be made to the public and not to the existing shareholders of the unlisted issuer company.

Further public offer means an offer of specified securities by a listed issuer company to the public for subscription. In other words, another issue to the public other than its existing shareholders or to a select group of persons by the listed persons is referred to as a *Further Public offer*.

Rights Issue of Securities is an issue of specified securities by a company to its existing shareholders as on a record date in a predetermined ratio.

Private placement refers to an issue where an issuer makes an issue of securities to a select group of persons not exceeding 200, and which is neither a rights issue nor a public issue.

Preferential allotment refers to an issue, where a listed issuer issues shares or convertible securities, to a select group of persons in terms of provisions of Chapter V of SEBI (ICDR) Regulations, 2018 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.

Qualified Institutional Placement refers to an issue by a listed entity to only qualified institutional buyers in accordance of Chapter VI of SEBI (ICDR) Regulations, 2018.

INITIAL PUBLIC OFFERING / FURTHER PUBLIC OFFERING

A public issue of specified securities by an issuer can be either an Initial Public Offering (IPO) or a Further Public Offering (FPO). An IPO is done by an unlisted issuer while a FPO is done by a listed issuer. As per the ICDR Regulations, the issuer shall comply with the following conditions before making an IPO of specified securities. The conditions need to be satisfied both at the time

of filing the draft offer document (commonly referred to as the Draft Red Herring Prospectus) and the time of registering or filing the final offer document (commonly referred to as the Prospectus) with the Registrar of Companies.

ELIGIBILITY REQUIREMENTS TO BE COMPLIED WITH FOR IPO

Entities not eligible to make an initial public offer [Regulation 5]

An issuer shall not be eligible to 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 of the issuer. An issuer shall not make an initial public offer:

- a. If the issuer, any of its promoters, promoter group, selling shareholders are debarred from accessing the capital market by SEBI.
- b. If any of the promoters or directors of the issuer is a promoter or a director of any other company which is debarred from accessing the capital market by SEBI.
- c. If the issuer or any of its promoters or directors is a willful defaulter.
- d. If any of the promoters or directors of the issuer is a fugitive offender.
- e. If there are any outstanding convertible securities or any other right which would entitle any person with any option to receive equity shares of the issuer except outstanding options granted to the employees under an employee stock option scheme and fully paid-up outstanding convertible securities which are required to be converted on or before the date of filing of the Red Herring Prospectus or the Prospectus.

Note : The restrictions under (a) and (b) above shall not apply to the persons or entities mentioned therein, who were debarred in the past by SEBI and the period of debarment is already over as on the date of filing of the draft offer document with SEBI.

An issuer shall not be eligible to make an IPO, if there are any outstanding convertible securities or any other right which would entitle any person with any option to receive equity shares of the issuer.

Non- applicability

Outstanding options granted to employees, whether currently an employee or not, pursuant to an employee stock option scheme in compliance with the Companies Act, 2013, the relevant Guidance Note or accounting standards, if any, issued by the Institute of Chartered Accountants of India or pursuant to the Companies Act, 2013, in this regard.

Fully paid-up outstanding convertible securities which are required to be converted on or before the date of filing of the red herring prospectus (in case of book-built issues) or the prospectus (in case of fixed price issues), as the case may be.

Eligibility requirements for an initial public offer [Regulation 6]

An issuer shall be eligible to make an IPO only if:

- a. the issuer has net tangible assets of atleast Rs. 3 crores on a restated and consolidated basis, in each of the preceding three 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 utilized or made firm commitments to utilize such excess monetary assets in its business or project. This limit of 50% shall not apply in case of IPO is made entirely through an offer for sale.

- b. the issuer has an average operating profit of at least Rs.15 crores, calculated on a restated and consolidated basis, during the three preceding years with operating profit in each of the three preceding years;
- c. the issuer has a networth of atleast Rs.1 crore in each of the preceding three full years, calculated on a restated and consolidated basis.
- d. in case the issuer has changed its name within the last one year, atleast 50% of the revenue calculated on a restated and consolidated basis, for the preceding one full year has been earned by it from the activity indicated by the new name.

The above eligibility conditions are explained by the

following example: Eligibility Condition No: 1

In case the issuer is proposing to file its draft offer document with SEBI in August 2018, then the net tangible assets for the last 3 full years of 12 months each shall be atleast Rs.3 crores and not more than 50% of the same shall be held in monetary assets. In the following table, it is seen that the net tangible assets is more than Rs. 3 crores in the year ended March 31, 2014, March 31, 2015 and March 31, 2016. Further monetary assets constitute less than 50% of the net tangible assets in each of the three previous financial years:

(Rs. in lacs)

| Year Ended March 31 | 2014 | 2015 | 2016 | 2017 | 2018 |
|--|---------|---------|---------|---------|---------|
| Net Tangible Assets | 1448.56 | 2275.53 | 2532.60 | 3510.33 | 4657.50 |
| Monetary Assets | 292.76 | 61.97 | 108.25 | 302.33 | 288.17 |
| Monetary Assets as a percentage of Net Tangible Assets | 20.21 | 2.72 | 4.27 | 8.61 | 6.19 |

“*Net Tangible Assets*” mean the sum of all net assets of the issuer, excluding intangible assets as defined in Accounting Standard 26 (AS 26) or or Indian Accounting Standard (Ind AS) 38, as applicable, issued by the Institute of Chartered Accountants of India.

“Project” means the object for which monies are proposed to be raised to cover the objects of the issue. Eligibility Condition No: 2

In case the issuer proposes to file its draft offer document with SEBI in August 2018, then the average operating profit for three preceding years shall be atleast Rs 15 crores. Further, the company shall have operating profit in each of the three years. The average of the profits for the 3 preceding years is Rs.15.75 crores which is more than the prescribed average of Rs.15 crores.

(Rs. in lacs)

| Year Ended March 31 | 2016 | 2017 | 2018 |
|---------------------|---------|---------|---------|
| Operating Profit | 1630.31 | 1232.65 | 1864.63 |

GENERAL CONDITIONS

- An issuer making an initial public offer shall ensure that:
 - a) it has made an application to one or more stock exchanges to seek an in-principle approval for listing of its specified securities on such stock exchanges and has chosen one of them as the designated stock exchange;
 - b) it has entered into an agreement with a depository for dematerialisation of the specified securities already issued and proposed to be issued;
 - c) all its specified securities held by the promoters are in dematerialised form prior to filing of the offer document;
 - d) all its existing partly paid-up equity shares have either been fully paid-up or have been forfeited;
 - e) it has made firm arrangements of finance through verifiable means towards seventy five per cent. of the stated means of finance for a specific project proposed to be funded from the issue proceeds, excluding the amount to be raised through the proposed public issue or through existing identifiable internal accruals.
- The amount for general corporate purposes, as mentioned in objects of the issue in the draft offer document and the offer document shall not exceed 25% of the amount being raised by the issuer.

Additional conditions for an offer for sale

Applicability

Shares must be fully paid-up.

Shall be held by the sellers for a period of at least one year prior to the filing of the draft offer document.

The holding period of such convertible securities, including depository receipts, as well as that of resultant equity shares together shall be considered for the purpose of calculation of one year period.

In case the equity shares received on conversion or exchange of fully paid-up compulsorily convertible securities including depository receipts are being offered for sale:

Further, such holding period of one year shall be required to be complied with at the time of filing of the draft offer document.

If the equity shares arising out of the conversion or exchange of the fully paid-up compulsorily convertible securities are being offered for sale, the conversion or exchange should be completed prior to filing of the offer document (i.e. red herring prospectus in the case of a book built issue and prospectus in the case of a fixed price issue), provided full disclosures of the terms of conversion or exchange are made in the draft offer document.

The requirement of holding equity shares for a period of one year shall not apply:

Non-Applicability

The offer for sale of a government company or statutory authority or corporation or any special purpose vehicle set up and controlled by any one or more of them, which is engaged in the infrastructure sector;

Equity shares offered for sale were acquired pursuant to any scheme approved by a High Court under the sections 391 to 394 of Companies Act, 1956, or approved by a tribunal or the Central Government under the sections 230 to 234 of Companies Act, 2013, as applicable, in lieu of business and invested capital which had been in existence for a period of more than one year prior to approval of such scheme;

if the equity shares offered for sale were issued under a bonus issue on securities held for a period of at least one year prior to the filing of the draft offer document with the Board and further subject to the following:

Such specified securities being issued out of free reserves and share premium existing in the books of account as at the end of the financial year preceding the financial year in which the draft offer document is filed with SEBI;

AND

Such equity shares not being issued by utilisation of revaluation reserves or unrealized profits of the issuer.

Explanation:

(i) Partnership Firms

In case of an issuer which had been a *partnership firm or a limited liability partnership*, the track record of distributable profits of the partnership firm or the LLP shall be considered only if the financial statements of the partnership business for the period during which the issuer was a partnership firm, conform to and are revised in the format prescribed for companies under the Companies Act, 2013 and also comply with the following:

- a) adequate disclosures are made in the financial statements as required to be made

in the format prescribed under the Companies Act, 2013;

- b) the financial statements are duly certified by a Chartered Accountant stating that:
- (i) the accounts and the disclosures made are in accordance with the provisions of Schedule III of the Companies Act, 2013
 - (i)) the accounting standards of the Institute of Chartered Accountants of India have been followed;
 - (ii)) the financial statements present a true and fair view of the firm's accounts;

(ii) Spinning off of a division

In case of an issuer formed out of a division of an existing company, the track record of distributable profits of the division spun-off shall be considered only if the requirements regarding financial statements as provided for partnership firms and LLPs are complied with.

Eligibility Condition No: 3

In case the issuer proposes to file its draft offer document with SEBI in August 2018 then the networth shall be atleast Rs. 1 crore in each of the last 3 financial years. In the following table, it is seen that the company has a networth of Rs. 1 crore in each of the last three financial years prior to the date of the filing of the draft offer document with SEBI.

(Rs. in lacs)

| Year Ending March 31 | 2014 | 2015 | 2016 | 2017 | 2018 |
|--------------------------------------|---------|---------|---------|---------|---------|
| Equity Share Capital | 1448.56 | 2000.00 | 2000.00 | 2000.00 | 2022.00 |
| Share Application Money | 0.00 | 0.00 | 0.00 | 0.00 | 165.00 |
| Reserves & Surplus | 0.00 | 304.52 | 590.02 | 1430.47 | 2742.71 |
| Total | 1448.56 | 2304.52 | 2590.02 | 3595.47 | 4764.71 |
| Less : Misc Expenses not written off | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Less: Deferred Tax Assets | 0.00 | 0.00 | 13.45 | 0.00 | 61.08 |
| Networth | 1448.56 | 2304.52 | 2576.57 | 3595.47 | 4703.63 |

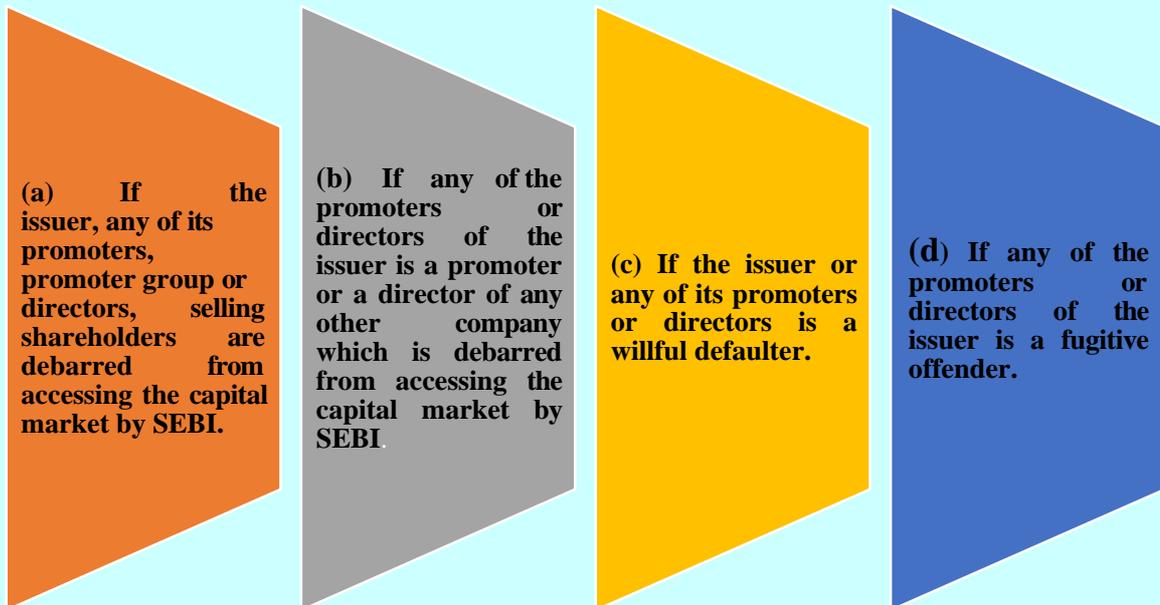
Since the all the above eligibility conditions are satisfied in the example and there is no change in the name of the company, this company is eligible to make an Initial Public Offering.

However, in case an issuer does not satisfy the eligibility conditions stipulated above, it may make an Initial Public Offer through the book building process and further undertake to allot atleast 75% of the net offer to the public to qualified institutional buyers and to refund full subscription money if it fails to do so. [Regulation 6(2)]

ELIGIBILITY CRITERIA FOR FURTHER PUBLIC OFFER (FPO)

Entities not eligible to make a FPO [Regulation 102]

An issuer shall not be eligible to make a FPO of specified securities:



Note : The restrictions under (a) and (b) above shall not apply to the persons or entities mentioned therein, who were debarred in the past by SEBI and the period of debarment is already over as on the date of filing of the draft offer document with SEBI.

Eligibility requirements for FPO [Regulation 103]

- An issuer may make a FPO if it has changed its name within the last one year and atleast 50% of the revenue in the preceding one full year has been earned from the activity suggested by the new name.
- If an issuer does not satisfy the above mentioned conditions, it may make a FPO only, if, the issue is made through the book-building process and the issuer undertakes to allot at least 75% of the net offer, to qualified institutional buyers and to refund full subscription money if it fails to make the said minimum allotment to qualified institutional buyers.

General Conditions for FPO [Regulation 104]

An issuer making an FPO shall ensure that :

- a. An application is made for listing of the specified securities to one or more of the recognized stock exchanges and choose one of the exchanges as the designated stock exchange.
- b. An agreement is entered into with a depository for dematerialization of specified

- securities already issued or proposed to be issued.
- c. All the specified securities held by the promoters are in dematerialized form prior to the filing of the offer document.
 - d. All its existing partly paid up equity shares have either been fully paid up or have been forfeited. *In other words, if a company has partly paid up equity shares, they shall not be permitted to make a public issue.*
 - e. The issuer should make firm arrangements of finance through verifiable means towards 75% of the stated means of finance excluding the amount to be raised through the proposed public issue or through existing identifiable internal accruals.
 - f. The amount for General Corporate Purposes as mentioned in objects of the issue in the draft offer document and the offer document shall not exceed twenty five per cent of the amount being raised by the issuer.

ISSUE OF WARRANTS [REGULATION 13]

An issuer shall be eligible to issue warrants in an initial public offer subject to the following:

- a) the tenure of such warrants shall not exceed eighteen months from the date of their allotment in the initial public offer;
- b) a specified security may have one or more warrants attached to it;
- c) the price or formula for determination of exercise price of the warrants shall be determined upfront and disclosed in the offer document and at least 25 per cent of the consideration amount based on the exercise price shall also be received upfront;

However, in case the exercise price of warrants is based on a formula, 25 per cent consideration amount based on the cap price of the price band determined for the linked equity shares or convertible securities shall 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 the warrant holder, within three months from the date of payment of consideration, such consideration made in respect of such warrants shall be forfeited by the issuer.

Appointment of Lead Managers, Other Intermediaries and Compliance Officer [Regulation 23 & 121]

- The issuer shall appoint one or more merchant bankers, which are registered with SEBI, as lead manager(s) to the issue.
- Where the issue is managed by more than one lead manager, the rights, obligations and responsibilities, relating *inter alia* to disclosures, allotment, refund and underwriting obligations, if any, of each lead manager shall be predetermined and be disclosed in the draft offer document and the offer document.

- At least one lead manager to the issue shall not be an associate as defined under the SEBI (Merchant Bankers) Regulations, 1992 of the issuer.
- If any of the lead manager is an associate of the issuer, it shall disclose itself as an associate of the issuer and its role shall be limited to marketing of the issue.
- The issuer shall, in consultation with the lead manager(s), appoint other intermediaries which are registered with SEBI after the lead manager(s) have independently assessed the capability of other intermediaries to carry out their obligations.
- The issuer shall enter into an agreement with the lead manager(s) and enter into agreements with other intermediaries as required under the respective regulations applicable to the intermediary concerned.
- Such agreements may include such other clauses as the issuer and the intermediaries may deem fit without diminishing or limiting in any way the liabilities and obligations of the lead manager(s), other intermediaries and the issuer under the Act, the Companies Act, 2013 or the Companies Act, 1956 (to the extent applicable), the Securities Contracts (Regulation) Act, 1956, the Depositories Act, 1996 and the rules and regulations made thereunder or any statutory modification or statutory enactment thereof.
- In case of ASBA process, the issuer shall take cognizance of the deemed agreement of the issuer with the self-certified syndicate banks.
- The issuer shall, in case of an issue made through the book building process, appoint syndicate member(s) and in the case of any other issue, appoint bankers to issue, at centres.
- The issuer shall appoint a registrar to the issue, registered with SEBI which has connectivity with all the depositories.
- If the issuer itself is a registrar, it shall not appoint itself as registrar to the issue.
- The lead manager shall not act as a registrar to the issue in which it is also handling the post-issue responsibilities.

Disclosures in and Filing of Offer Documents

- The issuer shall appoint a compliance officer who shall be responsible for monitoring the compliance of the securities laws and for redressal of investors' grievances.

Disclosures in and Filing of Offer Documents

Disclosures in the draft offer document and offer document [Regulation 24 & 122]

- The draft offer document and the offer document shall contain all material disclosures which are true and adequate to enable the applicants to take an informed investment decision.

- The red-herring prospectus, shelf prospectus and prospectus shall contain:
 - (i) disclosures specified in the Companies Act, 2013; and
 - (i) disclosures specified in Part A of Schedule VI of ICDR Regulations 2018. In case of FPO the disclosures are subject to the provisions of Parts C and D thereof.
- The lead manager(s) shall exercise due diligence and satisfy themselves about all aspects of the issue including the veracity and adequacy of disclosures made in the draft offer document and the offer document.
- The lead manager(s) shall call upon the issuer, its promoters and its directors or in case of an offer for sale, the selling shareholders, to fulfil their obligations as disclosed by them in the draft offer document and the offer document and as required in terms of ICDR Regulations 2018.
- The lead manager(s) shall ensure that the information contained in the offer document and the particulars as per audited financial statements in the offer document are not more than six months old from the issue opening date.

FILING OF OFFER DOCUMENT [REGULATIONS 25 & 123]

- The issuer shall also file the draft offer document with the stock exchange(s) where the specified securities are proposed to be listed, and submit to the stock exchange(s), the Permanent Account Number, bank account number and passport number of its promoters where they are individuals, and Permanent Account Number, bank account number, company registration number or equivalent and the address of the Registrar of Companies (ROC) with which the promoter is registered, where the ROC promoter is a body corporate.
- SEBI may specify changes or issue observations, on the draft offer document filed with it within a period of 30 days from the later of the following dates:
 - a) the date of receipt of the draft offer document filed with SEBI; or
 - b) the date of receipt of satisfactory reply from the lead merchant bankers, where SEBI has sought any clarification or additional information from them; or
 - c) the date of receipt of clarification or information from any regulator or agency, where SEBI has sought any clarification or information from such regulator or agency; or
 - d) the date of receipt of a copy of in-principle approval letter issued by the recognised stock exchanges.
- If SEBI specifies any changes or issues observations on the draft offer document filed with it, the issuer and the lead merchant banker shall carry out such changes and comply with the observations issued by SEBI before registering the prospectus, the

red-herring prospectus or the shelf prospectus as the case may be with the Registrar of Companies or an appropriate authority, as applicable.

- If there are any changes in the draft offer document in relation to the matters specified in these regulations, an updated offer document or a fresh draft offer document, as the case may be, shall be filed with SEBI.
- Copy of the offer documents shall also be filed with SEBI and the stock exchanges through the lead manager(s) promptly after registry the offer document with the Registrar of Companies.
- The draft offer document and the offer document shall also be furnish to SEBI in a soft copy.

Filing of Offer Document [Regulations 25 & 123]

Prior to making an IPO/FPO, the issuer shall file three copies of the draft offer document with the concerned regional office of SEBI under the jurisdiction of which the registered office of the issuer company is located, along with fees as specified, through the lead manager(s).

The lead manager(s) shall submit the following to SEBI along with the draft offer document:

- a) a certificate, confirming that an agreement has been entered into between the issuer and the lead manager(s);
- b) a due diligence certificate;
- c) in case of an issue of convertible debt instruments, a due diligence certificate from the debenture trustee.

Draft offer document and offer document to be available to the public [Regulations 26 & 124]

- The draft offer document filed with SEBI shall be made public for comments, if any, for a period of at least twenty one days from the date of filing, by hosting it on the websites of SEBI, stock exchanges where specified securities are proposed to be listed and lead manager(s) associated with the issue.
- The issuer shall, within two days of filing the draft offer document with SEBI, make a public announcement in one English national daily newspaper with wide circulation, one Hindi national daily newspaper with wide circulation and one regional language newspaper with wide circulation at the place where the registered office of the issuer is situated, disclosing the fact of filing of the draft offer document with SEBI and inviting the public to provide their comments to SEBI, the issuer or the lead manager(s) in respect of the disclosures made in the draft offer document.
- The lead manager(s) shall, after expiry of the period stipulated above, file with SEBI, details of the comments received by them or the issuer from the public, on the draft

offer document, during that period and the consequential changes, if any, that are required to be made in the draft offer document.

- The issuer and the lead manager(s) shall ensure that the offer documents are hosted on the websites as required under these regulations and its contents are the same as the versions as filed with the Registrar of Companies, SEBI and the stock exchanges, as applicable.
- The lead manager(s) and the stock exchanges shall provide copies of the offer document to the public as and when requested and may charge a reasonable sum for providing a copy of the same.

ASBA [Regulations 35 & 132]

The issuer shall accept bids using only the ASBA facility in the manner specified by SEBI.

Availability of issue material [Regulations 36 & 133]

The lead manager(s) shall ensure availability of the offer document and other issue material including application forms to stock exchanges, syndicate members, registrar to issue, registrar and share transfer agents, depository participants, stock brokers, underwriters, bankers to the issue, and self-certified syndicate banks before the opening of the issue.

Prohibition on payment of incentives [Regulations 37 & 134]

Any person connected with the issue shall not offer any incentive, whether direct or indirect, in any manner, whether in cash or kind or services or otherwise to any person for making an application in the initial public offer, except for fees or commission for services rendered in relation to the issue.

Security Deposit [Regulations 38 & 135]

The issuer shall, before the opening of the subscription list, deposit with the stock exchange or stock exchanges an amount calculated at the rate of 1% of the amount of the issue size available for subscription to the public in the manner as may be specified by SEBI and the amount so deposited shall be refundable or forfeitable in the manner specified by SEBI.

IPO Grading – Applicable to IPO only [Regulation 39]

The issuer may obtain grading for its initial public offer from one or more credit rating agencies registered with SEBI.

Opening of the Issue [Regulations 44 & 140]

A public issue (both IPO and FPO) may subject to compliance of Section 26(4) of the Companies Act, 2013 may be opened within 12 months from the date of issuance of the observations by SEBI.

In case of a fast track issue, the issue shall open within the period specifically stipulated under the Companies Act, 2013. In case the issuer has filed a shelf prospectus, the first

issue may be opened within 3 months of the issuance of observations by SEBI.

An IPO and an FPO shall be opened after at least 3 working days from the date of registering the red herring prospectus in case of a book built issue or the prospectus in case of a fixed price issue with the Registrar of Companies.

Underwriting [Regulations 40 & 136]

- If an issuer makes a IPO/FPO other than through the book building process, desires to have the issue underwritten, it shall appoint the underwriters in accordance with the SEBI (Underwriters) Regulations, 1993.
- If the issuer makes a public issue through a book building process,
 - a) the issue shall be underwritten by lead managers and syndicate members.
However, at least 75% of the net offer to the public is proposed to be compulsorily allotted to the QIBs, and such portion cannot be underwritten.
 - b) the issuer shall, prior to filing the prospectus, enter into an underwriting agreement with the lead manager(s) and syndicate member(s) which shall indicate the number of specified securities which they shall subscribe to at the predetermined price in the event of under-subscription in the issue.
 - c) if the syndicate member(s) fail to fulfill their underwriting obligations, the lead manager(s) shall fulfill the underwriting obligations.
 - d) the lead manager(s) and syndicate member(s) shall not subscribe to the issue in any manner except for fulfilling their underwriting obligations.
 - e) in case of every underwriting issue, the lead manager(s) shall undertake minimum underwriting obligation as specified in the SEBI (Merchant Bankers) Regulations, 1992.
 - f) where the issue is required to be underwritten, the underwriting obligations should at least to the extent if minimum subscription.

Minimum Subscription [Regulations 45 & 141]

The minimum subscription to be received in an issue shall be not less than 90% of the offer through offer document except in case of an offer for sale of specified securities.

In case of an IPO, the minimum subscription to be received shall be subject to allotment of minimum number of specified securities, as prescribed in sub-clause (b) of clause (2) of rule 19 of Securities Contracts (Regulation) Rules, 1957, which stipulates that at least twenty five per cent of each class or kind of equity shares or debentures convertible into equity shares issued by the company was offered and allotted to public in terms of an offer document. In other words, the issue is said have received minimum subscription in an IPO if it receives 90% of the offer through offer document and 25% of the post issue capital from the public.

In the event of non-receipt of minimum subscription, all application monies received shall be refunded to the applicants forthwith, but not later than fifteen days from the closure of the issue.

Period of Subscription [Regulations 46 & 142]

- An IPO/FPO shall be kept open for at least three working days and not more than ten working days.
- In case of a revision in the price band, the issuer shall extend the bidding (issue) period disclosed in the red herring prospectus, for a minimum period of three working days.
- In case of force majeure, banking strike or similar circumstances, the issuer may, for reasons to be recorded in writing, extend the bidding (issue) period disclosed in the red herring prospectus (in case of a book built issue) or the issue period disclosed in the prospectus (in case of a fixed price issue), for a minimum period of three working days.

Oversubscription [Proviso to Regulations 49(2) & 145(2)]

In case of oversubscription, an allotment of not more than one percent of the net offer to the public for the purpose of making allotment in minimum lots.

Monitoring Agency [Regulations 41 & 137]

If the issue size excluding the size of offer for sale by selling shareholders, exceeds Rs.100 crores, the issuer shall ensure that the use of the proceeds of the issue is monitored by a public financial institutions or by one of the scheduled commercial banks named in the offer document as a banker to the issuer.

In case the issuer is a bank or a public financial institution or an insurance company, this provision is not applicable.

The monitoring agency shall submit its report to the issuer in the format specified in the ICDR Regulations, 2016 on a quarterly basis, till at least ninety five per cent. of the proceeds of the issue excluding the proceeds raised for general corporate purposes, have been utilized.

The Board of directors and the management of the issuer shall provide their comments on the findings of the monitoring agency.

The issuer shall, within forty five days from the end of each quarter, publicly disseminate the report of the monitoring agency by uploading the same on its website as well as submitting the same to the stock exchange(s) on which its equity shares are listed.

Public Communications, Publicity Materials, Advertisements and Research Reports [Regulations 42 & 138]

All public communication, publicity materials, advertisements and research reports shall comply with the provisions of Schedule IX of SEBI ICDR Regulations, 2018.

Issue-related Advertisements [Regulations 43 & 139]

- Subject to the provisions of the Companies Act, 2013, 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 contain the disclosures specified in Part A of Schedule X of SEBI ICDR Regulations, 2018.

However, the disclosures in relation to price band or floor price and financial ratios contained therein shall only be applicable where the issuer opts to announce the price band or floor price along with the pre-issue advertisement, if the issuer opts not to make disclosures of price band in the RHP.

- The issuer may release advertisements for issue opening and issue closing, which shall be in the formats specified in Parts B and C of Schedule X of SEBI ICDR Regulations, 2018.
- During the period the issue is open for subscription, no advertisement shall be released giving an impression that the issue has been fully subscribed or oversubscribed or indicating investors' response to the issue.

Application and Minimum Application Value [Regulations 47 & 143]

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

However, the maximum application by non-institutional investors shall not exceed total number of specified securities offered in the issue less total number of specified securities offered in the issue to QIBs.

- The issuer shall stipulate in the offer document the minimum application size in terms of number of specified securities which shall fall within the range of minimum application value of ten thousand rupees to fifteen thousand rupees.
- The issuer shall invite applications in multiples of the minimum application value, as per Part B of Schedule XIV of SEBI ICDR Regulation 2018.
- The minimum sum payable on application per specified security shall be at least twenty five per cent. of the issue price:

However, in case of an offer for sale, the full issue price for each specified security shall be payable at the time of application.

“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.

Manner of Calls [Regulations 48 & 144]

If the issuer proposes to receive subscription monies in calls, it shall ensure that the outstanding subscription money is called within twelve months from the date of allotment in the issue and if any applicant fails to pay the call money within the said twelve months, the equity shares on which there are calls in arrear along with the subscription money already paid on such shares shall be forfeited. In case the issuer has appointed a monitoring agency, the issuer shall not be required to call the outstanding subscription money within twelve months.

Allotment Procedure and Basis of Allotment [Regulations 49 & 145]

- The issuer shall not make an allotment pursuant to a public issue if the number of prospective allottees is less than one thousand.
- The issuer shall not make any allotment in excess of the specified securities offered through the offer document except in case of oversubscription for the purpose of rounding off to make allotment, in consultation with the designated stock exchange.
- The allotment of specified securities to applicants other than to the retail individual investors and anchor investors shall be on a proportionate basis within the respective investor categories and the number of securities allotted shall be rounded off to the nearest integer, subject to minimum allotment being equal to the minimum application size as determined and disclosed in the offer document.

However, the value of specified securities allotted to any person, except in case of employees, in pursuance of reservation made under these regulations, shall not exceed two lakhs rupees for retail investors or up to five lakhs rupees for eligible employees.

- The allotment of specified securities to each retail individual investor shall not be less than the minimum bid lot, subject to the availability of shares in retail individual investor category, and the remaining available shares, if any, shall be allotted on a proportionate basis.
- The authorised employees of the designated stock exchange, along with the lead manager(s) and registrars to the issue, shall ensure that the basis of allotment is finalised in a fair and proper manner in accordance with the procedure as specified in Part A of Schedule XIV.

Illustration explaining the procedure of allotment

Example A

- (1) Total number of specified securities on offer @ Rs. 600 per share: 1 crore specified securities.
- (2) Specified securities on offer for retail individual investors' category: 35 lakh specified securities.

- (3) The issue is over-all subscribed by 2.5 times, whereas the retail individual investors' category is oversubscribed 4 times.
- (4) The issuer has fixed the minimum application/bid size as 20 specified securities (falling within the range of ten thousand to fifteen thousand rupees) and in multiples thereof.
- (5) A total of one lakh retail individual investors have applied in the issue, in varying number of bid lots i.e. between 1 – 16 bid lots, based on the maximum application size of up to two lakh rupees.
- (6) Out of the one lakh investors, there are five retail individual investors A, B, C, D and E who have applied as follows: A has applied for 320 specified securities. B has applied for 220 specified securities. C has applied for 120 specified securities. D has applied for 60 specified securities and E has applied for 20 specified securities.
- (7) As the allotment to a retail individual investor cannot be less than the minimum bid lot, subject to availability of shares, the remaining available shares, if any, shall be allotted on a proportionate basis.

The actual entitlement shall be as follows:

| Sl. No. | Name of Investor | Total Number of specified securities applied for | Total number of specified securities eligible to be allotted |
|---------|------------------|--|---|
| 1. | A | 320 | 20 specified securities (i.e. the minimum bid lot) + 38 specified securities $[\{35,00,000 - (1,00,000 * 20)\} / \{140,00,000 - (1,00,000 * 20)\}] * 300$ (i.e. 320-20) |
| 2. | B | 220 | 20 specified securities (i.e. the minimum bid lot) + 25 specified securities $[\{35,00,000 - (1,00,000 * 20) / \{140,00,000 - (1,00,000 * 20)\}] * 200$ (i.e. 220-20) |
| 3. | C | 120 | 20 specified securities (i.e. the minimum bid lot) + 13 specified securities $[\{35,00,000 - (1,00,000 * 20)\} / \{(140,00,000 - (1,00,000 * 20))\}] * 100$ (i.e. 120-20) |
| 4. | D | 60 | 20 specified securities (i.e. the minimum bid lot) + 5 specified securities $[\{(35,00,000 - 1,00,000 * 20)\} / \{(140,00,000 - (1,00,000 * 20))\}] * 40$ (i.e. 60-20) |

| | | | |
|----|---|----|--|
| 5. | E | 20 | 20 specified securities (i.e. the minimum bid lot) |
|----|---|----|--|

Example B

- (1) Total number of specified securities on offer @ Rs. 600 per share: 1 crore specified securities.
- (2) Specified securities on offer for retail individual investors' category: 35 lakh specified securities.
- (3) The issue is overall subscribed by 7 times, whereas the retail individual investors' category is over-subscribed 9.37 times.
- (4) The issuer has decided the minimum application/bid size as 20 specified securities (falling within the range of ten thousand to fifteen thousand rupees) and in multiples thereof.
- (5) A total of two lakh retail individual investors have applied in the issue, in varying number of bid lots i.e. between 1-16 bid lots, based on the maximum application size of up to two lakh rupees.
- (6) As per the allotment procedure, the allotment to retail individual investors shall not be less than the minimum bid lot, subject to availability of shares.
- (7) Since the total number of shares on offer to the retail individual investors is 35,00,000 and the minimum bid lot is 20 shares, the maximum number of investors who can be allotted this minimum bid lot should be 1,75,000. In other words, 1,75,000 retail applicants shall get the minimum bid lot and the remaining 25,000 retail applicants will not get any allotment.

The details of the allotment shall be as follows:

| No. of lots | No. of shares at each lot | No. of retail investors applying at each lot | Total no. of shares applied for at each lot | No. of investors who shall receive minimum bid-lot (to be selected by a lottery) |
|-------------|---------------------------|--|---|--|
| A | B | C | D= (B*C) | E |
| 1. | 20 | 10,000 | 2,00,000 | $8,750=(1,75,000/2,00,000)*10,000$ |
| 2. | 40 | 10,000 | 4,00,000 | 8,750 |
| 3. | 60 | 10,000 | 6,00,000 | 8,750 |
| 4. | 80 | 10,000 | 8,00,000 | 8,750 |
| 5. | 100 | 20,000 | 20,00,000 | 17,500 |
| 6. | 120 | 20,000 | 24,00,000 | 17,500 |
| 7. | 140 | 15,000 | 21,00,000 | 13,125 |
| 8. | 160 | 20,000 | 32,00,000 | 17,500 |

| | | | | |
|-------|-----|----------|------------|----------|
| 9. | 180 | 10,000 | 18,00,000 | 8,750 |
| 10. | 200 | 15,000 | 30,00,000 | 13,125 |
| 11. | 220 | 10,000 | 22,00,000 | 8,750 |
| 12. | 240 | 10,000 | 24,00,000 | 8,750 |
| 13. | 260 | 10,000 | 26,00,000 | 8,750 |
| 14. | 280 | 5,000 | 14,00,000 | 4,375 |
| 15. | 300 | 15,000 | 45,00,000 | 13,125 |
| 16. | 320 | 10,000 | 32,00,000 | 8,750 |
| Total | | 2,00,000 | 328,00,000 | 1,75,000 |

Allotment, Refund and Payment of Interest [Regulations 50 & 146]

- The issuer and lead manager(s) shall ensure that specified securities are allotted and/or application monies are refunded or unblocked within such period as may be specified by SEBI.
- The lead manager(s) shall ensure that the allotment, credit of dematerialised securities, refunding or unblocking of application monies, as may be applicable, are done electronically.
- Where specified securities are not allotted and/or application monies are not refunded or unblocked within the period stipulated above, the issuer shall undertake to pay interest at the rate of fifteen per cent per annum to the investors and within such time as disclosed in the offer document and the lead manager(s) shall ensure the same.
- SEBI vide Circular dated November 01, 2018 has made an endeavor to reduce listing time to 3 working days from the date of closure of issue and accordingly mandated that the retail individual investors use the Unified Payments Interface (UPI).

Post-issue Advertisements [Regulations 51 & 147]

- The lead manager(s) shall ensure that an advertisement giving details relating to:
 - subscription,
 - basis of allotment,
 - number, value and percentage of all applications including ASBA,
 - number, value and percentage of successful allottees for all applications including ASBA,
 - date of completion of despatch of refund orders, as applicable, or
 - instructions to self-certified syndicate banks by the registrar,
 - date of credit of specified securities and date of filing of listing application, etc.
- is released within ten days from the date of completion of the various activities in at least one English national daily newspaper with wide circulation, one Hindi national daily

newspaper with wide circulation and one regional language daily newspaper with wide circulation at the place where registered office of the issuer is situated.

- The above mentioned details shall also be placed on the websites of the stock exchange(s).

Post-issue responsibilities of the lead manager(s) [Regulations 52 & 148]

- The responsibility of the lead manager(s) shall continue until completion of the issue process and for any issue related matter thereafter.
- The lead manager(s) shall regularly monitor redressal of investor grievances arising from any issue related activities.
- The lead manager(s) shall continue to be responsible for post-issue activities till the applicants have received the securities certificates, credit to their demat account or refund of application monies and the listing agreement is entered into by the issuer with the stock exchange and listing or trading permission is obtained.
- The lead manager(s) shall be responsible for and co-ordinate with the registrars to the issue and with various intermediaries at regular intervals after the closure of the issue to monitor the flow of applications from syndicate member(s) or collecting bank branches and/ or self-certified syndicate banks, processing of the applications including application form for ASBA and other matters till the basis of allotment is finalised, credit of the specified securities to the demat accounts of the allottees and unblocking of ASBA accounts/ despatch of refund orders are completed and securities are listed, as applicable.
- Any act of omission or commission on the part of any of the intermediaries noticed by the lead manager(s) shall be duly reported by them to SEBI.
- In case there is a devolvement on the underwriters, the lead manager(s) shall ensure that the notice for devolvement containing the obligation of the underwriters is issued within ten days from the date of closure of the issue.
- In the case of undersubscribed issues that are underwritten, the lead manager(s) shall furnish information in respect of underwriters who have failed to meet their underwriting devolvement to SEBI.

Release of subscription money [Regulations 53 & 149]

- The lead manager(s) shall confirm to the bankers to the issue by way of copies of listing and trading approvals that all formalities in connection with the issue have been completed and that the banker is free to release the money to the issuer or release the money for refund in case of failure of the issue.
- In case the issuer fails to obtain listing or trading permission from the stock exchanges where the specified securities were to be listed, it shall refund through verifiable means the entire monies received within seven days of receipt of intimation

from stock exchanges rejecting the application for listing of specified securities, and if any such money is not repaid within eight days after the issuer becomes liable to repay it, the issuer and every director of the company who is an officer in default shall, on and from the expiry of the eighth day, be jointly and severally liable to repay that money with interest at the rate of fifteen per cent. per annum.

- The lead manager(s) shall ensure that the monies received in respect of the issue are released to the issuer in compliance with the provisions of Section 40 (3) of the Companies Act, 2013, as applicable.

Reporting of transactions of the promoters and promoter group [Regulations 54 & 150]

The issuer shall ensure that all transactions in securities by the promoter and promoter group between the date of filing of the draft offer document or offer document, as the case may be, and the date of closure of the issue shall be reported to the stock exchange(s), within twenty four hours of such transactions.

Post-issue reports [Regulations 55 & 151]

The lead manager(s) shall submit a final post-issue report, along with a due diligence certificate as, within seven days of the date of finalization of basis of allotment or within seven days of refund of money in case of failure of issue.

Restriction on Further Capital Issues [Regulations 56 & 152]

The issuer shall not make any further issue of specified securities in any manner whether by way of a public issue, rights issue, bonus issue, preferential issue, qualified institutions placement or otherwise except pursuant to an employee stock option scheme:

- In case of a fast track issue, during the period between the date of registering the offer document (in case of a book built issue) or prospectus (in case of a fixed price issue) with the Registrar of Companies and the listing of the specified securities offered through the offer document or refund of application monies; or
- in case of other issues, during the period between the date of filing the draft offer document and the listing of the specified securities offered through the offer document or refund of application monies;

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

Face Value of Equity Shares [Regulations 27 & 125]

The disclosure about the face value of equity shares shall be made in the draft offer document, offer document, offer document, advertisements and application forms, along with price band or the issue price in identical font size.

PRICING

An issuer in an IPO and FPO may determine the price of specified securities in consultation with the lead merchant banker or through the book building process.

Differential Pricing [Regulations 30 & 128]

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

- (a) retail individual investors or retail individual shareholders or employees entitled for reservation made under regulation 33 & 130 of the ICDR Regulations, may be offered specified securities at a price not lower than by more than ten per cent of the price at which net offer is made to other categories of applicants, other than anchor investors;

In other words, if the issue price to the other categories of applicants is Rs.100 the price at which the securities can be offered to the reserved categories shall not be less than Rs.90.

- (b) in case of a book built issue, the price of the specified securities offered to an anchor investor shall not be lower than the price offered to other applicants;
- (c) In case the issuer opts for the alternate method of book building as specified under ICDR Regulations, 2018, the issuer may offer specified securities to its employees at a price not lower by more than 10% of the floor price.

In case of FPO, an additional condition is that in case of a composite issue, the price of the specified securities offered in the public issue may be different from the price offered in rights issue and justification for such price difference shall be given in the offer document; and discount, if any shall be expressed in rupee terms in the offer document.

Price and Price Band [Regulations 29 & 127]

- The issuer may mention a price or price band in the draft prospectus (in case of a fixed price issue) and floor price or price band in the red herring prospectus (in 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 RoC shall contain only one price or the coupon rate, as the case may be.
- The cap on the price band, and the coupon rate in case of convertible debt instruments, shall be less than or equal to one hundred and twenty per cent. of the floor price.
- The floor price or the final price shall not be less than the face value of the specified securities.
- Where the issuer opt not to make disclosure of the floor price or price band in the red herring prospectus, the issuer shall be announce the floor price or price band at **least**

two working days before the opening of the bid (in case of an initial public offer) and at least one working day before the opening of the bid (in case of a further public offer), in all the newspapers in which the pre issue advertisement was released.

- The announcement referred above shall also contain all the relevant financial ratios computed for both the upper and lower end of the price band and also a statement drawing attention of the investors to the section titled “basis of issue price” of the offer document.
- 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.

PROMOTERS’ CONTRIBUTION

In Case of IPO

The promoters of the issuer shall hold at least twenty per cent. of the post-issue capital.

However, in case the post-issue shareholding of the promoters is less than twenty per cent., alternative investment funds or foreign venture capital investors or scheduled commercial banks or public financial institutions or insurance companies registered with IRDA may contribute to meet the shortfall in minimum contribution as specified for the promoters, subject to a maximum of ten per cent. of the post-issue capital without being identified as promoter(s).

Non applicability

Provided further that the requirement of minimum promoters’ contribution shall not apply in case an issuer does not have any identifiable promoter.

Minimum Promoters’ Contribution

The minimum promoters’ contribution shall be as follows:

- a) the promoters shall contribute twenty per cent., as the case may be, either by way of equity shares or by way of subscription to convertible securities.

However, if the price of the equity shares allotted pursuant to conversion is not pre-determined and not disclosed in the offer document, the promoters shall contribute only by way of subscription to the convertible securities being issued in the public issue and shall undertake in writing to subscribe to the equity shares pursuant to conversion of such securities.

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

conversion of such securities.

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

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

Promoters' Contribution to be brought in before Public Issue Opens [Regulation 14(4)]

The promoters shall bring full amount of the promoters' contribution including premium at least one day prior to the date of opening of the issue. In case the promoters have to subscribe to equity shares or convertible securities towards minimum promoters' contribution, the amount of promoters' shall be kept in an escrow account with a scheduled commercial bank, which shall be released to the issuer along with the release of the issue proceeds.

However, where the promoters' contribution has already been brought in and utilised, the issuer shall give the cash flow statement disclosing the use of such funds in the offer document;

Further, where the minimum promoters' contribution is more than one hundred crore rupees and the initial public offer is for partly paid shares, the promoters shall bring in at least one hundred crore rupees before the date of opening of the issue and the remaining amount may be brought on a pro-rata basis before the calls are made to the public.

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

- (a) assuming full proposed conversion of convertible securities into equity shares;
- (b) assuming exercise of all vested options, where any employee stock options are outstanding at the time of initial public offer.

Securities Ineligible for Minimum Promoters' Contribution [Regulation 15]

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

(a) Specified securities acquired during the preceding three years, if these are:-

- 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 /unrealised profits of the issuer/from bonus issue against equity shares which are ineligible for minimum promoters' contribution.

(b) specified securities acquired by promoters and AIFs/ FVCIs / scheduled commercial banks/ PFIs/ insurance companies 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.

(c) specified securities allotted to promoters and AIFs 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/LLPs, where the partners of the erstwhile partnership firms/LLPs are the promoters of the issuer and there is no change in the management. *

(d) specified securities pledged with any creditor.

** In clause (c), 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.*

However, Clause (b) shall not apply:

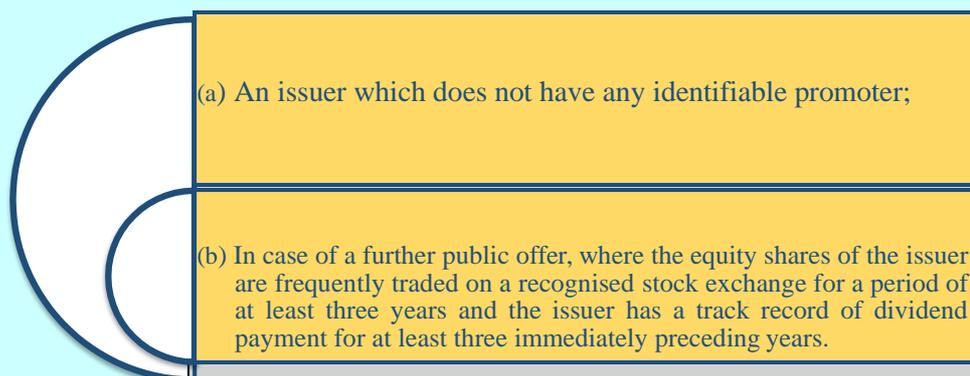
- o if the promoters and AIFs, as applicable pay to the issuer, the difference between the price at which specified securities are offered in the initial public offer and the price at which the specified securities had been acquired;
- o if such specified securities are acquired in terms of the scheme under section 391 to 394 of the Companies Act, 1956 or sections 230-240 of the Companies Act, 2013, as approved by a High Court or a tribunal or the Central Government, as applicable, 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;
- o 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;

Specified securities referred above shall be eligible for the computation of promoters' contribution, if such securities are acquired pursuant to a scheme which has been approved by a High Court under sections 391- 394 of the Companies Act, 1956 or approved by Tribunal or the Central Government under sections 230-240 of the Companies Act, 2013.

IN CASE OF FPO

Exemption from Requirement of Promoters' Contribution [Regulation 112]

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

- 
- (a) An issuer which does not have any identifiable promoter;
 - (b) In case of a further public offer, where the equity shares of the issuer are frequently traded on a recognised stock exchange for a period of at least three years and the issuer has a track record of dividend payment for at least three immediately preceding years.

However, where the promoters propose to subscribe to the specified securities offered to the extent greater than higher of the two options available in clause (a), the subscription in excess of such percentage shall be made at a price determined in terms of the provisions of Pricing of frequently traded shares or the issue price, whichever is higher.

Reference date for the purpose of computing the annualised trading turnover referred to in the said Explanation shall be the date of filing the draft offer document with the Board and in case of a fast track issue, the date of filing the offer document with the Registrar of Companies, and before opening of the issue.

Minimum Promoters' Contribution [Regulation 113]

- The promoters shall contribute in the public issue as follows:
 - a) either to the extent of twenty per cent. of the proposed issue size or to the extent of twenty per cent. of the post-issue capital;
 - b) in case of a composite issue (i.e. further public offer cum rights issue), either to the extent of twenty per cent. of the proposed issue size or to the extent of twenty per cent. of the post-issue capital excluding the rights issue component.
- In case of a public issue or composite issue of convertible securities, the minimum promoters' contribution shall be as follows:
 - a) the promoters shall contribute twenty per cent., as the case may be, 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 pre-determined and not disclosed in the offer document, the promoters shall contribute only by way of subscription to the convertible securities being issued in the public issue and shall undertake in writing to subscribe to the equity shares pursuant to conversion of such securities.

- b) in case of any issue of convertible securities which are convertible or exchangeable on different dates and if the promoters' contribution is by way of equity shares (conversion price being pre-determined), such contribution shall not be at a price lower than the weighted average price of the equity share capital arising out of conversion of such securities.
- In case of a further public offer or composite issue where the promoters contribute more than the stipulated minimum promoters' contribution, the allotment with respect to excess contribution shall be made at a price determined in terms of the provisions relating to pricing of frequently trading shares or the issue price, whichever is higher.
- In case the promoters have to subscribe to equity shares or convertible securities towards promoters' contribution, the promoters shall satisfy the requirements of at least one day prior to the date of opening of the issue and the amount of promoters' contribution shall be kept in an escrow account with a scheduled commercial bank and shall be released to the issuer along with the release of the issue proceeds:

Further, where the minimum promoters' contribution is more than one hundred crore

rupees and the further public offer is for partly paid shares, the promoters shall bring in at least one hundred crore rupees before the date of opening of the issue and the remaining amount may be brought on a pro-rata basis before the calls are made to the public.

“Weighted average price”:

- (a) “weight” means the number of equity shares arising out of conversion of such specified securities into equity shares at various stages;
- (b) “price” means the price of equity shares on conversion arrived at after taking into account predetermined conversion price at various stages.

Securities ineligible for minimum promoters’ contribution [Regulation 114]

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

- (a) specified securities acquired during the preceding three years, if these are:
 - i) acquired for consideration other than cash and revaluation of assets or capitalisation of intangible assets is involved in such transaction; or
 - i) resulting from a bonus issue by utilisation of revaluation reserves or unrealised profits of the issuer or from bonus issue against equity shares which are ineligible for minimum promoters’ contribution;
- (b) specified securities pledged with any creditor other than those for borrowings by the issuer or its subsidiaries.

Specified securities referred shall be eligible for the computation of promoters’ contribution, if such securities are acquired pursuant to a scheme which has been approved by the High Court under section 391 to 394 of the Companies Act, 1956 or approved by a tribunal or the Central Government under section 230 to 234 of the Companies Act, 2013.

LOCK IN REQUIREMENTS

For Securities Held by Promoters [Regulations 16 & 115]

In a public issue, the specified securities held by promoters shall be locked-in for the period stipulated hereunder:

- (a) The promoters contribution including contribution made by AIFs or FVCIs or scheduled commercial banks or PFIs or insurance companies registered with IRDA, shall be locked-in for a period of three years from the date of commencement of commercial production or from the date of allotment in the IPO/FPO, whichever is later;
- (b) promoters’ holding in excess of minimum promoters’ contribution shall be locked-in for a period of one year from the date of allotment in the initial public offer.

In case of FPO, the excess promoters’ contribution as provides in clause (b) shall not be

subject to lock-in.

Securities Held by Persons other than Promoters [Regulation 17]

- The entire pre-issue share capital, held by persons other than the promoters, shall be locked-in for a period of one year from the date of allotment in the initial public offer.
- The provisions of this regulation shall not apply, in case of:
 - (i) Equity shares allotted to employees under employee stock option prior to initial public offer, if the issuer has made full disclosures with respect to such option and
 - (ii) Equity shares held by an employee stock option trust or transferred to the employees by an employee stock option trust pursuant to exercise of options by the employees, in accordance with the employee stock option plan or employee stock purchase scheme.

“Date of commencement of commercial production” means the last date of the month in which commercial production of the project in respect of which the funds raised are proposed to be utilized as stated in the offer document is expected to commence.

- (iii) Equity shares held by a venture capital fund or AIF of category I & II or a FVCI and such equity shares shall be locked-in for a period of at least one-year from the date of purchase by the venture capital or AIF or FVCI.

For Point No. (iii), in case such equity shares have resulted pursuant to conversion of fully paid-up compulsorily convertible securities, the holding period of such convertible securities as well as that of resultant equity shares together shall be considered for the purpose of calculation of one year period and convertible securities shall be deemed to be fully paid-up, if the entire consideration payable thereon has been paid and no further consideration is payable at the time of their conversion.

- **There is no such requirements as mentioned above in case of a FPO.**

Securities Lent to Stabilising Agent under Green Shoe Option [Regulations 18 & 116]

If the shares held by promoter(s) are lent to the Stabilizing Agent (SA) as prescribed, they should be exempted from the lock-in requirements specified above, for the period starting from the date of such lending and ending on the date on which they are returned to the same lender(s). However, the securities should be locked-in for the remaining period from the date on which they are returned to the lender.

Lock-in of party-paid securities [Regulations 19 & 117]

If the specified securities which are subject to lock-in are partly paid-up and the amount called-up on such specified securities is less than the amount called-up on the specified securities issued to the public, the lock-in shall end only on the expiry of three years after such specified securities have become pari passu with the specified securities issued

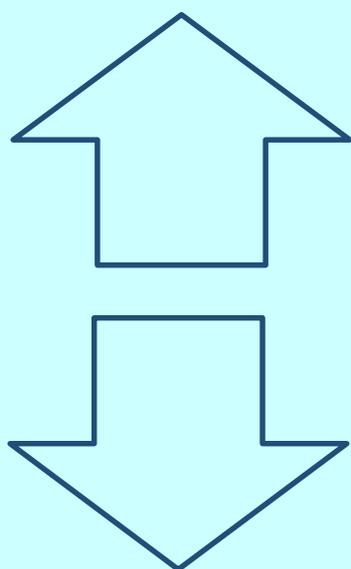
to the public.

Inscription or recording of non-transferability [Regulations 20 & 118]

The certificates of specified securities which are subject to lock-in shall contain the inscription “non-transferable” and specify the lock-in period and in case such specified securities are dematerialised, the issuer shall ensure that the lock-in is recorded by the depository.

Pledge of Locked In Shares [Regulations 21 & 119]

Specified securities held by the promoters and locked in may be pledged as collateral security for a loan granted by a scheduled commercial bank or a public financial institution or a systemically important non-banking finance company or a housing finance company, subject to the following:



- a) if the specified securities are locked-in in terms of *clause (a) of Lock-in of specified securities held by the promoters*, the loan has been granted to the issuer company or its subsidiary/subsidiaries 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 Lock-in of specified securities held by the promoters* and the pledge of specified securities is one of the terms of sanction of the loan.

However, in case of an IPO the provision as mentioned in point (ii) regarding lock-in, such lock-in shall continue pursuant to the invocation of the pledge and such transferee shall not be eligible to transfer the specified securities till the lock-in period stipulated in these regulations, has expired.

Transferability of locked-in specified securities [Regulations 22 & 120]

Subject to the provisions of SEBI (Substantial Acquisition of shares and Takeovers) Regulations, 2011, the specified securities held by the promoters and locked-in as per regulation 115 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:

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 AND RESERVATIONS

Minimum Offer to Public [Regulation 31]

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

Reservation on Competitive Basis [Regulations 33 & 130]

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, 2018, there are certain persons eligible for reservation on competitive basis.

- (1) The issuer may make reservation on a competitive basis out of the issue size excluding promoters' contribution and net offer to public in favour of the following categories of persons:
 - Employees;
 - shareholders (other than promoters and promoter group) of listed subsidiaries or listed promoter companies.

However, the issuer shall not make any reservation for the lead manager(s), registrar, syndicate member(s), their promoters, directors and employees and for the group or associate companies (as defined under the Companies Act, 2013) of the lead manager(s), registrar and syndicate member(s) and their promoters, directors and employees.

- (2) In case of an FPO, other than in a composite issue, the issuer may make a reservation on a competitive basis out of the issue size excluding promoters' contribution to the existing retail individual shareholders of the issuer.
- (3) The reservation on competitive basis shall be subject to following conditions:
 - the aggregate of reservations for employees shall not exceed five per cent of the post issue capital of the issuer and the value of allotment to any employee shall not exceed two lakhs rupees;

However, in the event of under-subscription in the employee reservation portion, the unsubscribed portion may be allotted a proportionate basis, for a value in excess of two lakh rupees, subject to the total allotment to an employee not exceeding five lakh rupees.

- reservation for shareholders shall not exceed ten per cent of the issue size;
- no further application for subscription in the net offer can be made by persons (except an employee and retail individual shareholder of the listed issuer and retail individual shareholders of listed subsidiaries of listed promoter companies) in favour of whom reservation on a competitive basis is made;
- 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

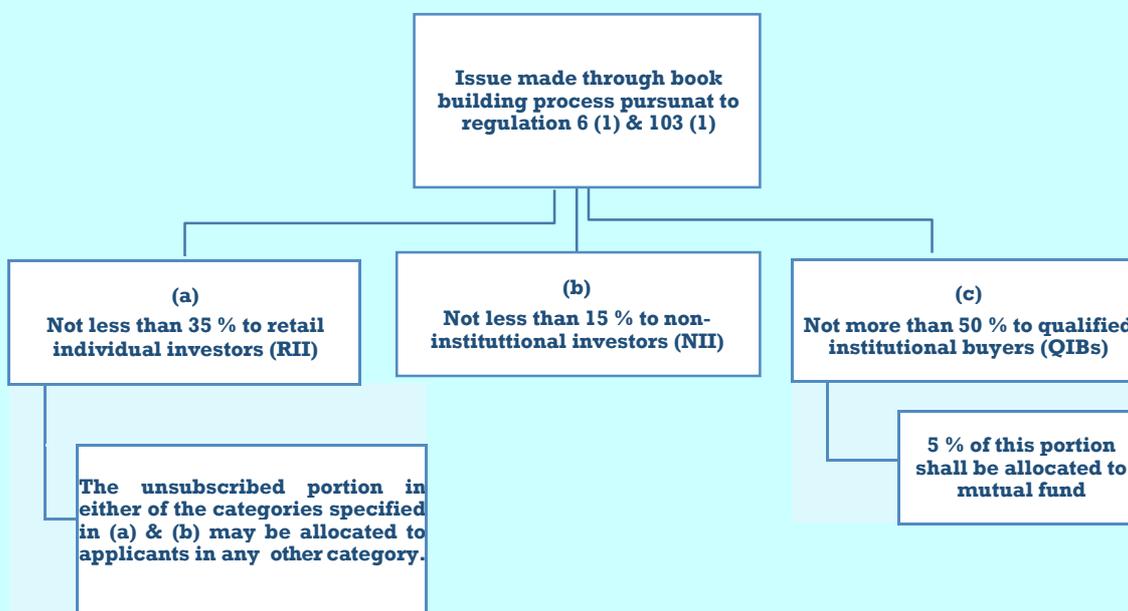
adjustments among the reserved categories shall be added to the net offer category;

- in case of under-subscription in the net offer category, spill-over to the extent of under-subscription shall be permitted from the reserved category to the net public offer category;
- (4) An applicant in any reserved category may make an application for any member of specified securities, but not exceeding the reserved portion for that category.

Allocation in Net Offer

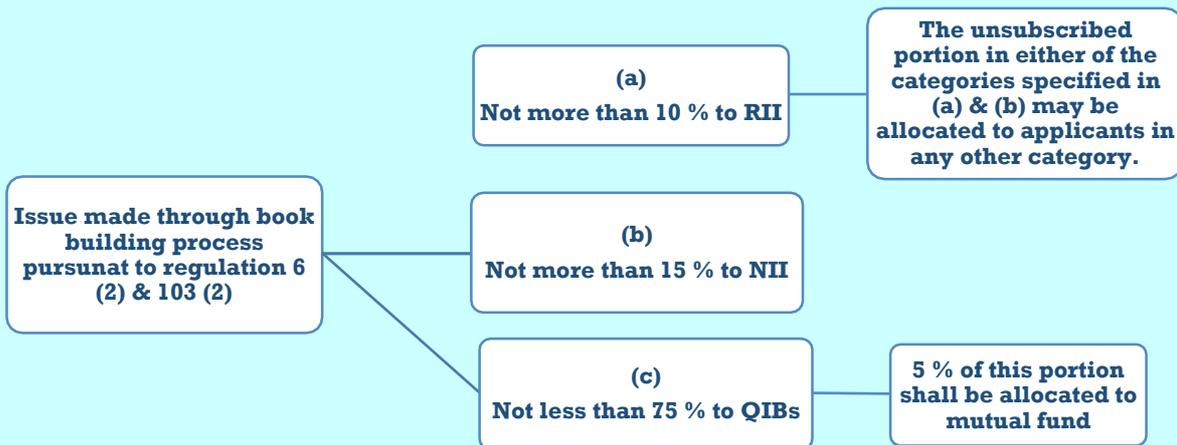
(1) Regulations 32(1) & 129(1)

In an issue made through the book building process pursuant to regulation 6 (1) & 103(1) the allocation in the net offer category shall be as follows:



(2) Regulations 32(2) & 129(2)

In an issue made through the book building process pursuant to regulation 6 (2) & 103(2) the allocation in the net offer category shall be as follows:



(3) Regulations 32(3) & 129(3)

In an issue made through the book building process, the issuer may allocate up to sixty per cent. of the portion available for allocation to qualified institutional buyers to anchor investors in accordance with the conditions specified in this regard in Schedule XIII of SEBI ICDR Regulations 2018.

(4) Regulations 32(4) & 129(4)

In an issue made other than through the book building process, the allocation in the net offer

category shall be made as follows:

Issue made through other than book building process

- (a) Minimum 15 % to RIIs; and
- (b) Remaining to :
 - (i) individual applicants other than RIIs; and
 - (ii) other investors including corporate bodies or institutions, irrespective of the number of specified securities applied for;
- However, the unsubscribed portion in either of the categories specified in clauses (a) or (b) may be allocated to applicants in the other category.

It may be noted that, if the retail individual investor category is entitled to more than fifty per cent. of the issue size on a proportionate basis, the retail individual investors shall be allocated that higher percentage.

FAST TRACK FPO

Eligibility

An Issuer Company need not file the draft offer document with SEBI and obtain observations from SEBI, or make a security Deposit with the Stock Exchanges if it satisfies the following conditions:

- (a) the equity shares of the issuer have been listed on any stock exchange for a period of at least three years immediately preceding the reference date;
- (b) entire shareholding of the promoter group of the issuer is held in dematerialised form on the reference date;
- (c) the average market capitalisation of public shareholding of the issuer is at least one thousand crore rupees in case of public issue and two hundred and fifty crore rupees in case of rights issue;
- (d) the annualised trading turnover of the equity shares of the issuer during six calendar months immediately preceding the month of the reference date has been at least 2% of the weighted average number of equity shares listed during such six months' period. However if the public shareholding is less than fifteen per cent of its issued equity capital, the annualised trading turnover of its equity shares has been at least two per cent of the weighted average number of equity shares available as free float during such six months' period;
- (e) 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 per cent of the annualised trading turnover of the equity shares during such six months' period;
- (f) The issuer has been in compliance with the equity listing agreement or SEBI Listing Regulations, 2015, as applicable, for a period of at least three years immediately preceding the reference date.

However, if the issuer has not complied with the provisions of the listing agreement or SEBI Listing Regulations, 2015, as applicable, 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 letter of offer, and adequate disclosures are made in the letter of offer 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 monetary fines by stock exchange on the issuer shall not be a ground for ineligibility for undertaking issuances under these regulations.

- (g) the issuer has redressed at least ninety five per cent of the complaints received from the investors till the end of the quarter immediately preceding the month of the reference date;
- (h) no show-cause notices have been issued or prosecution proceedings have been initiated by the SEBI and pending against the issuer or its promoters or whole-time directors as on the reference date;
- (i) 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 the SEBI during three years immediately preceding the reference date;
- (j) equity shares of the issuer have not been suspended from trading as a disciplinary measure

during last three years immediately preceding the reference date;

- (k) 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.
- (l) impact of audit qualifications, if any and where quantifiable, on the audited accounts of the issuer in respect of those financial years for which such accounts are disclosed in the letter of offer does not exceed five per cent of the net profit or loss after tax of the issuer for the respective years.

“*Average Market Capitalisation of Public Shareholding*” means the sum of daily market capitalisation of public shareholding for a period of one year up to the end of the quarter preceding the month in which the proposed issue was approved by the shareholders or the board of the issuer, as the case may be, divided by the number of trading days.

Post-listing exit opportunity for dissenting shareholders

- In case of further public offers, including under the fast track route, the promoters or shareholders in control of an issuer shall provide an exit offer to dissenting shareholders as provided for in the Companies Act, 2013, in case of change in objects or variation in the terms of contract related to objects referred to in the offer document as per conditions and manner is provided in Schedule XX of SEBI ICDR Regulations, 2018;
- The exit offer shall not apply where there are neither identifiable promoters nor shareholders in control of the listed issuer.

EXIT OPPORTUNITY TO DISSENTING SHAREHOLDERS [SCHEDULED XX

The provisions of this Chapter shall apply to an exit offer made by the promoters or shareholders in control of an issuer to the dissenting shareholders in terms of section 13(8) and section 27(2) of the Companies Act, 2013, in case of change in objects or variation in the terms of contract referred to in the offer document.

However, the provisions of this Chapter shall not apply where there are neither identifiable promoters nor shareholders in control of the listed issuer.

What is Dissenting Shareholders?

“Dissenting Shareholders” mean those shareholders who have voted against the resolution for change in Objects or variation in terms of a contract, referred to in the offer document of the issuer;

CONDITIONS FOR EXIT OFFER

The promoters or shareholders in control shall make the exit offer in accordance with the provisions of this Chapter, to the dissenting shareholders, in cases only if a public issue has opened after April 1, 2014; if :

- the proposal for change in objects or variation in terms of a contract, referred to in the offer document is dissented by at least 10 per cent of the shareholders who voted in the general meeting; and
- the amount to be utilized for the objects for which the offer document was issued

is less than 75 % of the amount raised (including the amount earmarked for general corporate purposes as disclosed in the offer document).

ELIGIBILITY OF SHAREHOLDERS FOR AVAILING THE EXIT OFFER

Only those dissenting shareholders of the issuer who are holding shares as on the relevant date shall be eligible to avail the exit offer.

EXIT OFFER PRICE

The 'exit price' payable to the dissenting shareholders shall be the highest of the following:

- a) the volume-weighted average price paid or payable for acquisitions, whether by the promoters or shareholders having control or by any person acting in concert with them, during the fifty-two weeks immediately preceding the relevant date;
- b) the highest price paid or payable for any acquisition, whether by the promoters or shareholders having control or by any person acting in concert with them, during the twenty-six weeks immediately preceding the relevant date;
- c) the volume-weighted average market price of such shares for a period of sixty trading days immediately preceding the relevant date as traded on the recognised stock exchange where the maximum volume of trading in the shares of the issuer are recorded during such period, provided such shares are frequently traded;
- d) where the shares are not frequently traded, the price determined by the promoters or shareholders having control and the merchant banker taking into account valuation parameters including book value, comparable trading multiples, and such other parameters as are customary for valuation of shares of such issuers.

MANNER OF PROVIDING EXIT TO DISSENTING SHAREHOLDERS

- The notice proposing the passing of special resolution for changing the objects of the issue and varying the terms of contract, referred to in the prospectus shall also contain information about the exit offer to the dissenting shareholders.
- In addition to the disclosures required under the provisions of section 102 of the Companies Act, 2013 read with rule 32 of the Companies (Incorporation) Rules, 2014 and rule 7 of the Companies (Prospectus and Allotment of Securities) Rules, 2014 and any other applicable law, a statement to the effect that the promoters or the shareholders having control shall provide an exit opportunity to the dissenting shareholders shall also be included in the explanatory statement to the notice for passing special resolution.
- After passing of the special resolution, the issuer shall submit the voting results to the recognised stock exchange(s), in terms of the provisions of regulation 44(3) of SEBI (LODR) Regulations, 2015.
- The issuer shall also submit the list of dissenting shareholders, as certified by its compliance officer, to the recognised stock exchange(s).

- The promoters or shareholders in control, shall appoint a merchant banker registered with SEBI and finalize the exit offer price in accordance with these regulations.
- The issuer shall intimate the recognised stock exchange(s) about the exit offer to dissenting shareholders and the price at which such offer is being given.
- The recognised stock exchange(s) shall immediately on receipt of such intimation disseminate the same to public within one working day.
- To ensure security for performance of their obligations, the promoters or shareholders having control, as applicable, shall create an escrow account which may be interest bearing and deposit the aggregate consideration in the account at least two working days prior to opening of the tendering period.
- The tendering period shall start not later than seven working days from the passing of the special resolution and shall remain open for ten working days.
- The dissenting shareholders who have tendered their shares in acceptance of the exit offer shall have the option to withdraw such acceptance till the date of closure of the tendering period.
- The promoters or shareholders having control shall facilitate tendering of shares by

the shareholders and settlement of the same through the recognised stock exchange mechanism as specified by SEBI for the purpose of takeover, buy-back and delisting.

- The promoters or shareholders having control shall, within a period of ten working days from the last date of the tendering period, make payment of consideration to the dissenting shareholders who have accepted the exit offer.
- Within a period of two working days from the payment of consideration, the issuer shall furnish to the recognised stock exchange(s), disclosures giving details of aggregate number of shares tendered, accepted, payment of consideration and the post-offer shareholding pattern of the issuer and a report by the merchant banker that the payment has been duly made to all the dissenting shareholders whose shares have been accepted in the exit offer.

MAXIMUM PERMISSIBLE NON-PUBLIC SHAREHOLDING

In the event, the shares accepted in the exit offer were such that the shareholding of the promoters or shareholders in control, taken together with persons acting in concert with them pursuant to completion of the exit offer results in their shareholding exceeding the maximum permissible non-public shareholding, the promoters or shareholders in control, as applicable, shall be required to bring down the non-public shareholding to the level specified and within the time permitted under Securities Contract (Regulation) Rules, 1957.

Rights Issue

Unless otherwise provided, SEBI (ICDR) Regulations, 2018 shall apply to a rights issue by a listed issuer, where the aggregate value of the issue is ten crore rupees or more.

However, in case of rights issue of size less than ten crore rupees, the issuer shall prepare the letter of offer in accordance with requirements as specified in SEBI (ICDR) Regulations, 2018 and file the same with SEBI information and dissemination on SEBI's website.

Eligibility Conditions

An issuer shall not be eligible to make a rights issue of specified securities:

- (a) if the issuer, any of its promoters, promoter group or directors of the issuer are debarred from accessing the capital market by SEBI;
- (b) if any of the promoters or directors of the issuer is a promoter or director of any other company which is debarred from accessing the capital market by SEBI;
- (c) if any of its promoters or directors is a fugitive economic offender.

It may be noted that the restrictions imposed under (a) & (b) will not apply to the promoters or director of the issuer who were debarred in the past by SEBI and the period of debarment is already over as on the date of filing of the draft letter of offer with SEBI.

General Conditions

- The issuer making a rights issue of specified securities shall ensure that:
 - (a) it has made an application to one or more stock exchanges to seek an in-principle approval for listing of its specified securities on such stock exchanges and has chosen one of them as the designated stock exchange,
 - (b) all its existing partly paid-up equity shares have either been fully paid-up or have been forfeited and
 - (c) it has made firm arrangements of finance through verifiable means towards seventy five per cent of the stated means of finance for the specific project proposed to be funded from issue proceeds, excluding the amount to be raised through the proposed rights issue or through existing identifiable internal accruals.
- The amount for general corporate purposes, as mentioned in the object of the issue in the draft letter of offer and the letter of offer, shall not exceed twenty per cent of the amount raised by the issuer.
- Where the issuer or any of its promoters or directors is a wilful defaulter, the promoters or promoter group of the issuer shall not renounce their rights except to the extent of renunciation within the promoter group.

Record Date

- A listed issuer making a rights issue shall announce a record date for the purpose of determining the shareholders eligible to apply for specified securities in the proposed rights issue for such period as may be specified in SEBI Listing Regulations, 2015
- The issuer shall not withdraw rights issue after announcement of the record date. If the issuer withdraws the rights issue after announcing the record date, it shall not make an application for listing of any of its specified securities on any recognised stock exchange for a period of twelve months from the record date already announced.
- The issuer may seek listing of its equity shares allotted pursuant to conversion or exchange of convertible securities, ESOPs or exercise of warrants issued prior to the announcement of the record date, on the stock exchange where its securities are listed.

Pricing

- The issuer shall decide the issue price, in consultation with the lead manager(s), before determining the record date, which shall be determined in accordance with the designated stock exchange.
- The issue price shall not be less than the face value of the specified securities.
- The issuer shall disclose the issue price in the letter of offer filed with SEBI and the stock exchanges.

Abridged letter of offer

- The abridged letter of offer shall contain the disclosures as specified by SEBI and shall not contain any matter extraneous to the contents of the letter of offer.
- Every application form distributed by the issuer or any other person in relation to the issue shall be accompanied by a copy of the abridged letter of offer.

ASBA

- The issuer shall provide the ASBA facility in the manner specified by SEBI where not more than one payment option is provided.
However, the applicants in a rights issue shall be eligible to make applications through ASBA facility only if such applicant:
 - (i) is holding equity shares in dematerialised mode;
 - (i) has not renounced entitlement in part or in full; and
 - (i i) is not a renouncee.
- Further, the payment made for application for any reserved portion outside the issue period can be through electronic banking modes.

Availability of letter of offer and other issue materials

- The lead manager(s) shall ensure availability of the letter of offer and other issue material including application forms with stock exchanges, registrar to issue, registrar and share transfer agents, depository participants, stock brokers, and underwriters, bankers to the issue, investors' associations and self-certified syndicate banks before the opening of the issue.
- The abridged letter of offer, along with application form, shall be dispatched through registered post or speed post or by courier service or by electronic transmission to all the existing shareholders at least three days before the date of opening of the issue.
- The letter of offer shall also be provided by the issuer or lead manager(s) to any existing shareholder who makes a request in this regard.

Conditions for making applications on plain paper

- Shareholders who have not received the application form may make an application in writing on a plain paper, along with the requisite application money.
- Shareholders making an application on plain paper shall not be entitled to renounce their rights and shall not utilize the application form for any purpose including renunciation even if it is received subsequently.
- If a shareholder makes an application both in an application form as well as on a plain paper, both applications are liable to be rejected.

Subscription Period

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

Payment Option

The issuer shall give one of the following payment options to all the shareholders for each type of instrument:

- part payment on application with balance money to be paid in calls; or
- full payment on application,

However, where the issuer has given the part payment option to investors, the part payment on application shall not be less than 25% of the issue price and such issuer shall obtain the necessary regulatory approvals to facilitate the same.

Pre-Issue Advertisement for Rights Issue

- The issuer shall issue an advertisement in at least one English national daily newspaper with wide circulation, one Hindi national daily newspaper with wide circulation and one regional language daily newspaper with wide circulation, at the place where

registered office of the issuer is situated, at least three days before the date of opening of the issue, disclosing the following:

- the date of completion of dispatch of abridged letter of offer and the application form;
 - the centres other than registered office of the issuer where the shareholders or the persons entitled to receive the rights entitlements may obtain duplicate copies of the application forms in case they do not receive the application form within a reasonable time after opening of the rights issue;
 - a statement that if the shareholders entitled to receive the rights entitlements have neither received the original application forms nor they are in a position to obtain the duplicate forms, they may make application in writing on a plain paper to subscribe to the rights issue;
 - a format to enable the shareholders entitled to apply against their rights entitlements, to make the application on a plain paper specifying therein necessary particulars such as name, address, ratio of rights issue, issue price, number of equity shares held, ledger folio numbers, depository participant ID, client ID, number of equity shares entitled and applied for, additional shares if any, amount to be paid along with application, and particulars of cheque, etc. to be drawn in favour of the issuer's account;
 - a statement that the applications can be directly sent by the shareholders entitled to apply against rights entitlements through registered post together with the application moneys to the issuer's designated official at the address given in the advertisement;
 - a statement to the effect that if the shareholder makes an application on plain paper and also on application form both his applications shall be liable to be rejected at the option of the issuer.
- During the period the issue is open for subscription, no advertisement shall be released giving an impression that the issue has been fully subscribed or oversubscribed, or indicating investors' response to the issue.
 - An announcement regarding closure of issue shall be made only after the lead manager(s) is satisfied that at least ninety per cent. of the offer through letter of offer has been subscribed and a certificate has been obtained to that effect from the registrar to the issue.

However, such an announcement shall not be made before the date on which the issue is to be closed except for issue closing advertisement made in the format prescribed in these regulations.

Reservations

- The issuer shall make a rights issue of equity shares only if it has made reservation of equity shares of the same class in favour of the holders of outstanding compulsorily convertible debt instruments, if any, in proportion to the convertible part thereof.
- The equity shares so reserved for the holders of fully or partly compulsorily convertible debt instruments shall be issued to the holder of such convertible debt instruments or warrants at the time of conversion of such convertible debt instruments, on the same terms at which the equity shares offered in the rights issue were issued.
- Subject to other applicable provision of these regulations, the issuer may make reservation for its employees along with rights issue subject to the condition that the value of allotment to any employee shall not exceed two lakhs 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.

Procedure for making a Rights Issue

The various steps involved for issue of rights share are enumerated below:

- Check whether the rights issue is within the authorised share capital of the company. If not, steps should be taken to increase the authorised share capital.
- Notify the stock exchange concerned the date of Board Meeting at which the rights issue is proposed to be considered at least 2 days in advance of the meeting.
- Convene the Board meeting and place before it the proposal for rights issue
- Immediately after the Board Meeting notify the concerned Stock Exchanges about particulars of Board of Directors decision.
- Appoint a merchant banker and file a draft letter of Offer with SEBI.
- Obtain Observations and incorporate the same in the Letter offer.
- Convene another Board Meeting which shall decide on the following matters:
 - Quantum of issue and the proportion of rights shares.
 - Alteration of share capital, if necessary, and Fixation of record date.
 - Offering shares to persons other than existing holders of, shares in terms of Section 62 of the Companies Act 2013.
 - Appointment of merchant bankers and underwriters (if necessary).
 - Approval of draft letter of offer or authorisation of managing director/ company secretary to finalise the letter of offer in consultation with the managers to the issue, the stock exchange and SEBI.

- Rights issue shall be kept open for at least 15 days and not more than 30 days.
- File a copy of the letter of offer with the stock exchange where the shares of the company are listed.
- Dispatch letters of offer and the Composite Application Form to shareholders by registered post.
- Check that an advertisement giving date of completion of dispatch of letter of offer has been released in at least an English National Daily, one Hindi National Paper and a Regional Language Daily where registered office of the issuer company is situated and that the shareholder can apply on plain paper if he does not receive the application form.
- The advertisement should state that applications of shareholders who apply both on plain paper and also in a composite application form are liable to be rejected.
- Make arrangement with bankers for acceptance of share application forms.
- Finalise the allotment in consultation with Stock Exchange.
- Convene Board Meeting and make allotment of shares.
- Make an application to the Stock Exchange(s) where the company's shares are listed for permission of listing of new shares.

PREFERENTIAL ISSUE

“Preferential issue” means an issue of specified securities by a listed issuer to any select person or group of persons on a private placement basis in accordance with Chapter V of SEBI ICDR Regulations, 2018 and does not include an offer of specified securities made through employee stock option scheme, employee stock purchase scheme or an issue of sweat equity shares or depository receipts issued in a country outside India or foreign securities.

Non- applicability

- The provisions of Chapter V shall not apply where the preferential issue of equity shares is made pursuant to:
 - a) conversion of a loan or an option attached to convertible debt instruments in terms of sections 81 (3 & (4) of the Companies Act, 1956 or section 62 (3) & (4) of the Companies Act, 2013, whichever is applicable;
 - b) a scheme approved by a High Court under section 391 to 394 of the Companies Act, 1956 or approved by a tribunal or the Central Government under sections 230 to 234 of the Companies Act, 2013, as applicable;

However, the pricing provisions of preferential issue shall apply to the issuance of shares under schemes mentioned in clause (b) in case of allotment of shares only to a select group of shareholders or shareholders of unlisted companies pursuant to such schemes;

 - c) a qualified institutions placement in accordance with Chapter VI of these regulations.
- The provisions of this Chapter, except the lock-in provisions, shall not apply where the

preferential issue of specified securities is made in terms of the rehabilitation scheme approved by the BIFR under the SICA, 1985 or the resolution plan approved under Section 31 of the IBC, 2016, whichever is applicable.

- The provisions of this Chapter relating to pricing and lock-in shall not apply to equity shares allotted to any financial institution within the meaning of sub-clauses (ia) and (ii) of clause (h) of section 2 of the Recovery of Debts due to Banks and Financial Institutions Act, 1993.
- The provisions relating to disclosure to shareholders and pricing shall not apply 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 11 of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 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 the shareholders.
- The provisions relating to issuers ineligible to make a preferential issue and lock-in of pre-preferential allotment holding, shall not apply to a preferential issue of specified securities where the proposed allottee is a mutual fund registered with SEBI or insurance company registered with IRDA or a scheduled commercial bank or a public financial institution.
- The provisions of this Chapter shall not apply where the preferential issue of specified securities is made to the lenders pursuant to conversion of their debt, as part of a debt restructuring scheme implemented in accordance with the guidelines specified by the Reserve Bank of India, subject to the following conditions:
 - (a) guidelines for determining the conversion price have been specified by the Reserve Bank of India in accordance with which the conversion price shall be determined and which shall be in compliance with the applicable provisions of the Companies Act, 2013;
 - (b) conversion price shall be certified by two independent valuers;
 - (c) specified securities so allotted shall be locked-in for a period of one year from the date of their allotment
 - However, for the purpose of transferring the control, the lenders may transfer the specified securities allotted to them before completion of the lock-in period subject to continuation of the lock-in on such securities for the remaining period, with the transferee;
 - (d) the lock-in of equity shares allotted pursuant to conversion of convertible securities issued on preferential basis shall be reduced to the extent the convertible securities have already been locked-in;
 - (e) the applicable provisions of the Companies Act, 2013 are complied with, including the requirement of a special resolution.
- The provisions of this Chapter shall not apply where the preferential issue of specified securities is made to person(s) at the time of lenders selling their holding of specified securities or enforcing change in ownership in favour of such person(s) pursuant to a debt

restructuring scheme implemented in accordance with the guidelines specified by the Reserve Bank of India, subject to the following conditions:

- a. guidelines for determining the issue price have been specified by the Reserve Bank of India in accordance with which the issue price shall be determined and which shall be in compliance with the applicable provisions of the Companies Act, 2013;
- b. issue price shall be certified by two independent valuers;
- c. specified securities so allotted shall be locked-in for a period of at least three years from the date of their allotment;
- d. lock-in of equity shares allotted pursuant to conversion of convertible securities issued on preferential basis shall be reduced to the extent the convertible securities have already been locked-in;
- e. special resolution has been passed by shareholders of the issuer before the preferential issue;
- f. issuer shall, in addition to the disclosures required under the Companies Act, 2013 or any other applicable law, disclose the following information pertaining to the proposed allottee(s) in the explanatory statement to the notice for the general meeting proposed for passing the special resolution as stipulated above-:
 - (a) identity, including that of the natural persons, who are the ultimate beneficial owners of the shares proposed to be allotted and/ or who ultimately control the proposed allottee(s);
 - (b) business model;
 - (c) statement on growth of business over a period of time;
 - (d) summary of audited financial statements of previous three financial years;
 - (e) track record, if any, in turning around companies;
 - (f) proposed roadmap for effecting turnaround of the issuer.
 - (g) applicable provisions of the Companies Act, 2013 are complied with. **Conditions**

for Preferential Issue

A listed issuer may make a preferential issue of specified securities, if:

- all equity shares allotted by way of preferential issue shall be made fully paid up at the time of the allotment;
- a special resolution has been passed by its shareholders;
- all the equity shares, if any, held by the proposed allottees in the issuer are in dematerialised form;
- the issuer is in compliance with the conditions for continuous listing of equity shares as specified in the listing agreement with the recognised stock exchange where the equity shares of the issuer are listed, SEBI Listing Regulations, 2015 as amended, and any circular or notifications issued by SEBI thereunder;
- the issuer has obtained the Permanent Account Number of the proposed allottees.

SEBI Listing Regulations, 2015, as amended, and any circular or notification issued by SEBI

thereunder.

Issuers Ineligible to make a Preferential Issue

Preferential issue of specified securities shall not be made to any person who has sold or transferred any equity shares of the issuer during the six months preceding the relevant date.

Further the in respect of the preferential issue of equity shares and compulsorily convertible debt instruments, SEBI may grant relaxation from the requirements of this sub-regulation in terms of sub-regulation (2) of regulation 11 of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 to such a preferential allotment.

It may be noted that where any person belonging to promoter(s) or the promoter group has sold/transferred their equity shares in the issuer during the six month preceding the relevant date, the promoter(s) and promoter group should be ineligible for allotment of specified securities on preferential basis.

The, above restriction shall not apply to any sale of equity shares by any person belonging to promoter(s) of the promoter group which qualifies for inter-se transfer amongst qualifying persons under clause (a) of sub-regulation (1) of regulation 10 of the SEBI (Substantial Acquisition of Shares and Takeover Regulations), 2011 or in case of transfer of shares held by the promoters or promoter group on account of invocation of pledge by a scheduled commercial bank or public financial institution or a systemically important non- banking finance company or mutual fund or insurance company registered with the IRDA.

- Where any person belonging to promoter(s) or the promoter group has previously subscribed to warrants of an issuer but failed to exercise the warrants, the promoter(s) and promoter group shall be ineligible for issue of specified securities of such issuer on preferential basis for a period of one year from:
 - (a) the date of expiry of the tenure of the warrants due to non-exercise of the option to convert; or
 - (b) the date of cancellation of the warrants, as the case may be.
- An issuer shall not be eligible to make a preferential issue if any of its promoters or directors is a fugitive economic offender.

Tenure of convertible securities

The tenure of the convertible securities of the issuer shall not exceed eighteen months from the date of their allotment.

Disclosures to Shareholders

- (1) The issuer shall, in addition to the disclosures required under the Companies Act, 2013 or any other applicable law, disclose the following in the explanatory statement to the notice for the general meeting proposed for passing special resolution:
 - (j) the objects of the preferential issue;
 - (k) Maximum number of specified securities to be issued;
 - (l) intent of the promoters, directors or key managerial personnel of the issuer to subscribe to the offer;

- (m) the shareholding pattern of the issuer before and after the preferential issue;
- (n) the time within which the preferential issue shall be completed;
- (o) 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 percentage of post preferential issue capital that may be held by them and change in control, if any, in the issuer consequent to the preferential issue;

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.

It may be noted that, for the purpose of identification of the ultimate beneficial owners of the allottees, where the allottees are institution/entities, the identification of such ultimate beneficial owners, shall be in accordance with the guidelines prescribed by SEBI, if any.

- (p) 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;
 - (q) 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;
 - (r) disclosures, similar to disclosures specified in Schedule VI of the ICDR Regulations, 2018 if the issuer or any of its promoters or directors is a wilful defaulter;
- (2) The issuer shall place a copy of the certificate of its statutory 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.
 - (3) Where specified securities are issued on a preferential basis for consideration other than cash, the valuation of the assets in consideration for which the equity shares are issued shall be done by an independent valuer, which shall be submitted to the stock exchanges where the equity shares of the issuer are listed.
 - (4) The special resolution shall specify the relevant date on the basis of which price of the equity shares to be allotted on conversion or exchange of convertible securities shall be calculated.

Relevant Date

‘Relevant date’ means:

- (a) in case of preferential issue of equity shares, the date thirty days prior to the date on which the meeting of shareholders is held to consider the proposed preferential issue.
However, in case of a preferential issue of specified securities pursuant to any resolution of stressed assets under a framework specified by the RBI or a resolution plan approved by the NCLT under the IBC, 2016, the date of approval of the corporate debt restructuring package or resolution plan shall be the relevant date.
- (b) in case of preferential issue of convertible securities, either the relevant date referred clause (a) or a date thirty days prior to the date on which the holders of the convertible securities become entitled to apply for the equity shares.

Explanation: Where the relevant date falls on a Weekend/Holiday, the day preceding the Weekend/Holiday will be reckoned to be the relevant date.

For example if the meeting of the shareholders is on November 13, 2018, the relevant date shall be October 13, 2018. However since October 13, 2018 is a Saturday, the relevant date shall be Friday October 12, 2018.

Allotment pursuant to special resolution

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

- In case of exemption from the applicability of the SEBI SAST Regulations, 2011 or any approval or permission by any regulatory authority or the Central Government for allotment is pending, the period of fifteen days shall be counted from the date of the order on such application or the date of approval or permission, as the case may be.
- In case of relaxation granted by SEBI in terms of the SEBI SAST Regulations, 2011, the preferential issue of equity shares and compulsorily convertible debt instruments, whether fully or partly, shall be made by it within such time as may be specified by the SEBI in its order granting the relaxation.
- Where a preferential allotment is made that attracts an obligation to make an open offer for shares of the issuer under the SEBI SAST Regulations, 2011, and there is no offer made under regulation 20 (1) of the SEBI SAST Regulation, 2011, the period of fifteen days shall be considered from the expiry of the period specified regulation 20 (1) or date of receipt of all statutory approvals required for the completion of an open offer under the SEBI SAST Regulation, 2011.

In this case, the period of fifteen days shall be counted from the expiry of the offer period as defined in the SEBI SAST Regulations, 2011.

However, this above mentioned provision shall not apply to an offer made under regulation 20 (1) of the SEBI SAST Regulation, 2011, pursuant to a preferential allotment.

- The requirement of allotment within fifteen days shall not apply to allotment of specified securities on preferential basis pursuant to any resolution of stressed assets under a framework specified by the RBI or a resolution plan approved by the NCLT under the IBC 2016.
- If the allotment of the specified securities is not completed within fifteen 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 shall be taken with reference to the date of the latter special resolution.

- **Allotment of the specified securities shall be made only 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.**

PRICING

Pricing of equity shares - Frequently traded shares

1. Listed for more than 26 weeks

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

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

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

Example: A Ltd., is listed on both the BSE and NSE. The volume of shares traded is highest on the BSE and the relevant date is March 22, 2018. The Volume Weighted the shares of a company are taken for the 26 weeks prior to the relevant date. The average of the maximum and the minimum VWAP is taken for each of the 26 weeks and the average of the same is again obtained. The 26 week average VWAP is as under:

| DATE | VWAP | Max | Min | Average |
|-----------|--------|--------|--------|---------|
| | | | | |
| 21-Sep-17 | 414.28 | | | |
| | | | | |
| 22-Sep-17 | 411.1 | | | |
| | | | | |
| 25-Sep-17 | 388.45 | | | |
| | | | | |
| 26-Sep-17 | 389.84 | 414.28 | 387.91 | 401.095 |
| | | | | |
| 27-Sep-17 | 387.91 | | | |
| | | | | |
| | | | | |
| 28-Sep-17 | 384.13 | | | |
| | | | | |
| 29-Sep-17 | 395.14 | | | |
| | | | | |

| | | | | |
|----------|--------|--------|--------|---------|
| 3-Oct-17 | 394.89 | | | |
| | | | | |
| 4-Oct-17 | 396.88 | 396.88 | 384.13 | 390.505 |
| | | | | |
| | | | | |
| 5-Oct-17 | 392.18 | | | |
| | | | | |
| 6-Oct-17 | 393.79 | | | |
| | | | | |
| 9-Oct-17 | 400.66 | | | |
| | | | | |

| | | | | |
|-----------|--------|--------|--------|---------|
| 10-Oct-17 | 400.87 | | | |
| | | | | |
| 11-Oct-17 | 415.63 | 415.63 | 393.79 | 404.71 |
| | | | | |
| | | | | |
| 12-Oct-17 | 409.96 | | | |
| | | | | |
| 13-Oct-17 | 408.38 | | | |
| | | | | |
| 16-Oct-17 | 404.98 | | | |
| | | | | |
| 17-Oct-17 | 399.31 | | | |
| | | | | |
| 18-Oct-17 | 399.73 | 408.38 | 399.31 | 403.845 |
| | | | | |
| | | | | |
| 19-Oct-17 | 409.26 | | | |
| | | | | |
| | | | | |
| 23-Oct-17 | 398.49 | | | |
| | | | | |
| 24-Oct-17 | 396.57 | | | |
| | | | | |
| 25-Oct-17 | 388.15 | 409.26 | 388.15 | 398.705 |

| | | | | |
|-----------|--------|--------|--------|--------|
| | | | | |
| | | | | |
| 26-Oct-17 | 388.59 | | | |
| | | | | |
| 27-Oct-17 | 397.92 | | | |
| | | | | |
| 30-Oct-17 | 393.3 | | | |
| | | | | |
| 31-Oct-17 | 398.56 | | | |
| | | | | |
| 1-Nov-17 | 393.78 | 398.56 | 393.3 | 395.93 |
| | | | | |
| | | | | |
| 2-Nov-17 | 388.31 | | | |
| | | | | |
| 3-Nov-17 | 394.42 | | | |
| | | | | |
| 6-Nov-17 | 404.6 | | | |
| | | | | |
| 7-Nov-17 | 396.26 | | | |
| | | | | |
| 8-Nov-17 | 393.4 | 404.6 | 393.4 | 399 |
| | | | | |
| | | | | |
| 9-Nov-17 | 385.2 | | | |
| | | | | |
| 10-Nov-17 | 383.46 | | | |
| | | | | |
| 13-Nov-17 | 381.75 | | | |
| | | | | |
| 14-Nov-17 | 384.33 | | | |
| 15-Nov-17 | 373.31 | 384.33 | 373.31 | 378.82 |
| | | | | |
| | | | | |
| 17-Nov-17 | 379.18 | | | |

| | | | | |
|-----------|--------|--------|--------|---------|
| | | | | |
| 20-Nov-17 | 380.09 | | | |
| | | | | |
| 21-Nov-17 | 375.58 | | | |
| | | | | |
| 22-Nov-17 | 372.16 | 380.09 | 372.16 | 376.125 |
| | | | | |
| | | | | |
| 23-Nov-17 | 382.83 | | | |
| | | | | |

| | | | | |
|-----------|--------|--------|--------|---------|
| 24-Nov-17 | 380.49 | | | |
| | | | | |
| 27-Nov-17 | 390.6 | | | |
| | | | | |
| 28-Nov-17 | 392.92 | | | |
| | | | | |
| 29-Nov-17 | 394.42 | 394.42 | 380.49 | 387.455 |
| | | | | |
| | | | | |
| 30-Nov-17 | 389.35 | | | |
| | | | | |
| 1-Dec-17 | 392.69 | | | |
| | | | | |
| 4-Dec-17 | 385.57 | | | |
| | | | | |
| 5-Dec-17 | 383.7 | | | |
| | | | | |
| 6-Dec-17 | 384.48 | 392.69 | 383.7 | 388.195 |
| | | | | |
| | | | | |
| 7-Dec-17 | 377.07 | | | |
| | | | | |
| 8-Dec-17 | 393.35 | | | |
| | | | | |

| | | | | |
|-----------|--------|-------|--------|---------|
| 11-Dec-17 | 397.65 | | | |
| | | | | |
| 12-Dec-17 | 399.2 | | | |
| | | | | |
| 13-Dec-17 | 395.75 | 399.2 | 377.07 | 388.135 |
| | | | | |
| | | | | |
| 14-Dec-17 | 391.22 | | | |
| | | | | |
| 15-Dec-17 | 389.33 | | | |

| | | | | |
|-----------|--------|--------|--------|---------|
| | | | | |
| 18-Dec-17 | 389.71 | | | |
| | | | | |
| 19-Dec-17 | 396.32 | | | |
| | | | | |
| 20-Dec-17 | 394.94 | 396.32 | 389.33 | 392.825 |
| | | | | |
| | | | | |
| 21-Dec-17 | 398.6 | | | |
| | | | | |
| 22-Dec-17 | 396.05 | | | |
| | | | | |
| 26-Dec-17 | 397.55 | | | |
| | | | | |
| 27-Dec-17 | 408.97 | 408.97 | 396.05 | 402.51 |
| | | | | |
| | | | | |
| 28-Dec-17 | 424.53 | | | |
| | | | | |
| 29-Dec-17 | 421.03 | | | |
| | | | | |
| 1-Jan-18 | 421.21 | | | |
| | | | | |
| 2-Jan-18 | 410.21 | | | |

| | | | | |
|----------|--------|--------|--------|---------|
| | | | | |
| 3-Jan-18 | 402.54 | 421.21 | 402.54 | 411.875 |
| | | | | |
| | | | | |
| 4-Jan-18 | 402.18 | | | |
| | | | | |
| 5-Jan-18 | 400.14 | | | |
| | | | | |
| 8-Jan-18 | 405.08 | | | |
| | | | | |

| | | | | |
|-----------|--------|--------|--------|---------|
| 9-Jan-18 | 418.23 | | | |
| | | | | |
| 10-Jan-18 | 412.53 | 418.23 | 400.14 | 409.185 |
| | | | | |
| | | | | |
| 11-Jan-18 | 407.12 | | | |
| | | | | |
| 12-Jan-18 | 408.24 | | | |
| | | | | |
| 15-Jan-18 | 412.44 | | | |
| | | | | |
| 16-Jan-18 | 407.87 | | | |
| | | | | |
| 17-Jan-18 | 399.95 | 412.44 | 399.95 | 406.195 |
| | | | | |
| | | | | |
| 18-Jan-18 | 400.58 | | | |
| | | | | |
| 19-Jan-18 | 401.49 | | | |
| | | | | |
| 22-Jan-18 | 398.11 | | | |
| | | | | |
| 23-Jan-18 | 393.03 | | | |
| | | | | |

| | | | | |
|-----------|--------|--------|--------|---------|
| 24-Jan-18 | 380.61 | 401.49 | 380.61 | 391.05 |
| | | | | |
| | | | | |
| 25-Jan-18 | 379.22 | | | |
| | | | | |
| 29-Jan-18 | 376.84 | | | |
| | | | | |
| 30-Jan-18 | 372.08 | | | |
| | | | | |
| 31-Jan-18 | 371.27 | 379.22 | 371.27 | 375.245 |

| | | | | |
|-----------|--------|--------|--------|---------|
| | | | | |
| | | | | |
| 1-Feb-18 | 380.99 | | | |
| | | | | |
| 2-Feb-18 | 344.34 | | | |
| | | | | |
| 5-Feb-18 | 353.07 | | | |
| 6-Feb-18 | 337.47 | | | |
| | | | | |
| 7-Feb-18 | 348.42 | 353.07 | 337.47 | 345.27 |
| | | | | |
| | | | | |
| 8-Feb-18 | 350.69 | | | |
| | | | | |
| 9-Feb-18 | 354.18 | | | |
| | | | | |
| 12-Feb-18 | 350.85 | | | |
| | | | | |
| 14-Feb-18 | 351.6 | 354.18 | 350.69 | 352.435 |
| | | | | |
| | | | | |
| 15-Feb-18 | 351.96 | | | |
| | | | | |
| 16-Feb-18 | 348.58 | | | |

| | | | | |
|-----------|--------|--------|--------|--------|
| | | | | |
| 19-Feb-18 | 346.71 | | | |
| | | | | |
| 20-Feb-18 | 341.93 | | | |
| | | | | |
| 21-Feb-18 | 339.64 | 348.58 | 339.64 | 344.11 |
| | | | | |
| | | | | |
| 22-Feb-18 | 335.64 | | | |
| | | | | |

| | | | | |
|-----------|--------|--------|--------|--------|
| 23-Feb-18 | 335.74 | | | |
| | | | | |
| 26-Feb-18 | 336.92 | | | |
| | | | | |
| 27-Feb-18 | 335.66 | | | |
| | | | | |
| 28-Feb-18 | 335.91 | 336.92 | 335.64 | 336.28 |
| | | | | |
| | | | | |
| 1-Mar-18 | 339.2 | | | |
| | | | | |
| 5-Mar-18 | 338.44 | | | |
| | | | | |
| 6-Mar-18 | 348.32 | | | |
| | | | | |
| 7-Mar-18 | 347.28 | 348.32 | 338.44 | 343.38 |
| | | | | |
| | | | | |
| 8-Mar-18 | 340.38 | | | |
| | | | | |
| 9-Mar-18 | 364.04 | | | |
| | | | | |
| 12-Mar-18 | 370.15 | | | |
| | | | | |

| | | | | |
|-----------|--------|--------|--------|---------|
| 13-Mar-18 | 360.73 | | | |
| | | | | |
| 14-Mar-18 | 350.84 | 370.15 | 340.38 | 355.265 |
| | | | | |
| | | | | |
| 15-Mar-18 | 350.7 | | | |
| | | | | |
| 16-Mar-18 | 342.57 | | | |
| | | | | |
| 19-Mar-18 | 337.21 | | | |

| | | | | |
|-----------|--------|-------|--------|---------|
| 20-Mar-18 | 345.57 | 350.7 | 337.21 | 343.955 |
| 21-Mar-18 | 342.04 | | | |

The average of the two weeks prior to the Relevant Date is then taken which is as under:

| | | | | |
|-----------------|--------|--------|--------|---------|
| 2 Weeks average | | | | |
| 8-Mar-18 | 340.38 | | | |
| 9-Mar-18 | 364.04 | | | |
| 12-Mar-18 | 370.15 | | | |
| 13-Mar-18 | 360.73 | | | |
| 14-Mar-18 | 350.84 | 370.15 | 340.38 | 355.265 |
| 15-Mar-18 | 350.7 | | | |
| 16-Mar-18 | 342.57 | | | |
| 19-Mar-18 | 337.21 | | | |
| 20-Mar-18 | 345.57 | 350.7 | 337.21 | 343.955 |
| | | | | |
| | | | | 349.610 |

Since the higher of the two is Rs.381.6192 that would be the price at which the preferential issue will be made.

2. Listed for less than 26 weeks

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

(a) the price at which equity shares were issued by the issuer in its initial public offer or the

value per share arrived at in a scheme of compromise, arrangement and amalgamation under sections 391 to 394 of the Companies Act, 1956 or sections 230 to 234 the Companies Act, 2013, as applicable, pursuant to which the equity shares of the issuer were listed, as the case may be; or

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

Where the price of the equity shares is determined in terms of point no. 2, such price shall be recomputed by the issuer on completion of twenty six weeks from the date of listing on a recognised stock exchange with reference to the average of the weekly high and low of the volume weighted average prices of the related equity shares quoted on the recognised 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.

A preferential issue of specified securities to QIBs, not exceeding five in number, shall be made at a price not less than the average of the weekly high and low of the volume weighted average prices of the related equity shares quoted on a recognised stock exchange during the two weeks preceding the relevant date.

“Frequently traded shares” means the shares of the issuer, in which the traded turnover on any recognised stock exchange during the twelve calendar months preceding the relevant date, is at least ten per cent of the total number of shares of such class of shares of the issuer:

However, where the share capital of a particular class of shares of the issuer is not identical throughout such period, the weighted average number of total shares of such class of the issuer shall represent the total number of shares.

Pricing of equity shares – Infrequently traded shares

Where the shares are not frequently traded, the price determined by the issuer 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 issuer shall submit a certificate stating that the issuer is in compliance of this regulation, obtained from an independent merchant banker or an independent valuer to the stock exchange where the equity shares of the issuer are listed.

Adjustments in pricing - Frequently or infrequently traded shares

The price determined for preferential issue shall be subject to appropriate adjustments, if the issuer:

- (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 an issue of equity shares after completion of a demerger wherein the securities of the resultant demerged entity are listed on a stock exchange;
- (c) makes a rights issue of equity shares;
- (d) consolidates its outstanding equity shares into a smaller number of shares;
- (e) divides its outstanding equity shares including by way of stock split;
- (f) re-classifies any of its equity shares into other securities of the issuer;
- (g) is involved in such other similar events or circumstances, which in the opinion of the concerned stock exchange, requires adjustments.

Payment of consideration

Full consideration of specified securities other than warrants shall be paid by the allottees at the time of allotment of such specified securities.

However, in case of preferential issue of specified securities pursuant to any resolution of stressed assets under a framework specified by RBI or a resolution plan approved by NCLT under the IBC, 2016, the consideration may be in terms of such scheme.

In the case of warrants, an amount equivalent to at least twenty five per cent of the consideration determined in terms of the ICDR Regulations, 2018 shall be paid against each warrant on the date of allotment of warrants.

The balance seventy five per cent. 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. However, in case the exercise price of the warrants is based on the formula, at least twenty five per cent of the consideration amount calculated as per the formula with conversion date being the relevant dates shall be paid against each warrant on the date of allotment of warrants and the balance consideration shall be paid at the time of allotment of the equity shares pursuant to exercise of options 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 (i.e. the 25% paid at the time of the issuance of the warrants) shall be forfeited by the issuer.

However, in case the exercise price of the warrants is based on the formula, at least twenty five per cent of the consideration amount calculated as per the formula with conversion date

being the relevant date shall be paid against each warrant on the date of allotment of warrants and the balance consideration shall be paid at time of allotment of the equity shares pursuant to exercise of options against each such warrant by the warrant holder.

The issuer shall ensure that the consideration of specified securities, if paid in cash, shall be received from respective allottee's bank account and in the case of joint holders, shall be received from the bank account of the person whose name appears first in the application.

The issuer shall submit a certificate of the statutory auditor to the stock exchange where the equity shares of the issuer are listed stating that the issuer is in compliance of the SEBI (ICDR)

Regulations, 2018 and the relevant documents thereof are maintained by the issuer as on the date of certification.

Lock-in of specified securities

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

However, not more than twenty per cent of the total capital of the issuer shall be locked-in for three years from the date of trading approval. Further, Equity shares allotted in excess of the twenty per cent shall be locked-in for one year from the date of trading approval pursuant to exercise of options or otherwise, as the case may be.

In case of convertible securities or warrant which are not listed on stock exchanges, such securities shall be locked in for a period of one year from the date of allotment.

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

However, in case of convertible securities or warrants which are not listed on stock exchanges, such securities shall be locked in for a period of one year from the date of allotment.

- Lock-in of the equity shares allotted pursuant to conversion of convertible securities other than warrants, issued on preferential basis shall be reduced to the extent the convertible securities have already been locked-in.
- The equity shares issued on a preferential basis pursuant to any resolution of stressed assets under a framework specified by the RBI or a resolution plan approved by the NCLT under

the IBC 2016, shall be locked-in for a period of one year from the trading approval.

- If the amount payable by the allottee, in case of re-calculation of price is not paid till the expiry of lock-in period, the equity shares shall continue to be locked-in till such amount is paid by the allottee.
- The entire pre-preferential allotment shareholding of the allottees, if any, shall be locked-in from the relevant date up to a period of six months from the date of trading approval.
- However, in case of convertible securities or warrants which are not listed on stock exchanges, the entire pre-preferential allotment shareholding of the allottees, if any, shall be locked-in from the relevant date up to a period of six months from the date of allotment of such securities.

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

Transferability

- Subject to the provisions of SEBI SAST Regulations, 2011, specified securities held by promoters and locked-in in, may be transferred among the promoters or the promoter group or to a new promoter or persons in control of the issuer.

However, the lock-in on such specified securities shall continue for the remaining period with the transferee.

- The specified securities allotted on a preferential basis shall not be transferable by the allottees till the trading approval is granted for such securities by all the recognised stock exchanges where the equity shares of the issuer are listed.

Qualified Institutions Placement

‘Qualified Institutions Placement’ means allotment of eligible securities by a listed issuer to qualified institutional buyers on private placement basis and includes an offer for sale of specified securities by the promoters and/or promoters group on a private placement basis in terms of SEBI (ICDR) Regulations, 2018.

Qualified Institutional Buyer (QIB)

“Qualified Institutional Buyer” 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 the SEBI;
- a public financial institution;
- 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 of India;
- 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 resolution no. F. No. 2/3/2005-DDII dated November 23, 2005 of 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; and;
- insurance funds set up and managed by the Department of Posts, India; and
- systemically important non-banking financial companies.

Eligible securities for the purpose of QIP

Eligible Securities include equity shares, non-convertible debt instruments along with warrants and convertible securities other than warrants.

Conditions for QIP

Relevant Date

In case of allotment of equity shares, the date of the meeting in which the board of directors of the issuer 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 of the meeting in which the board of directors of the issuer or the committee of directors duly authorised by the board of directors of the issuer 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.

➤ A listed issuer may make a qualified institutions placement of eligible securities if it satisfies the following conditions:

(i) Special Resolution

Approval

A special resolution approving the QIP has been passed by its shareholders, and the special resolution shall, among other relevant matters, specify that the allotment is proposed to be made through qualified institutions placement and the relevant date.

Completion

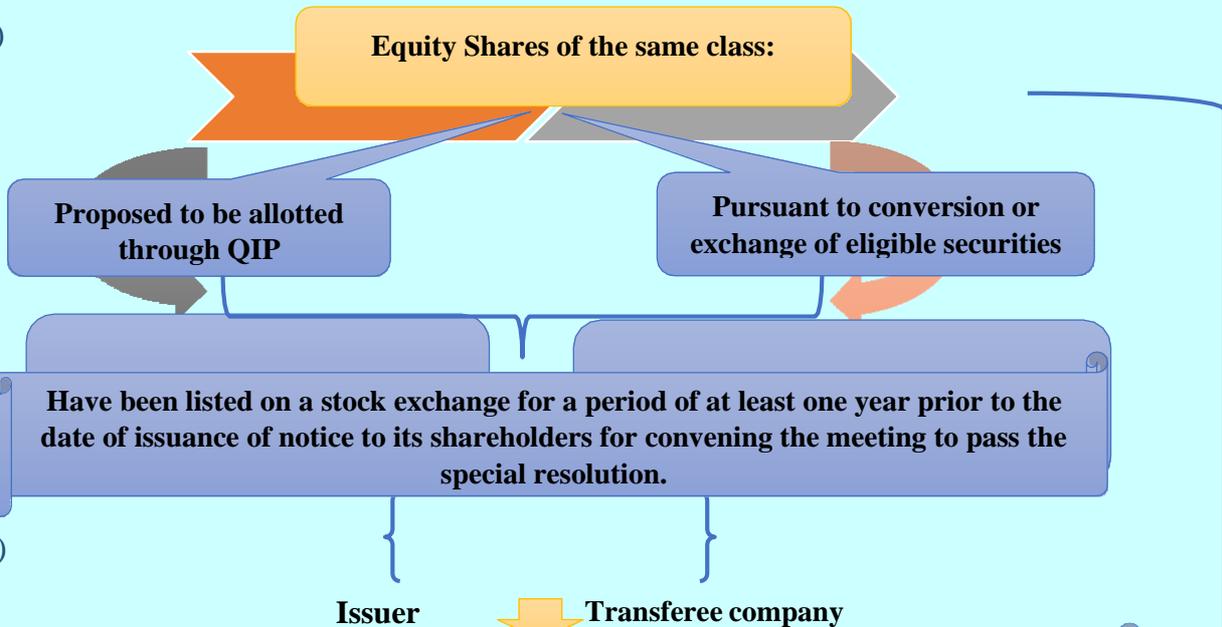
Allotment pursuant to the special resolution shall be completed within a period of 365 days from the date of passing of the resolution.

Non-applicability

No shareholders' resolution will be required in case the QIP is through an offer for sale by promoters or promoter group for compliance with minimum public shareholding requirements specified in the Securities Contracts (Regulation) Rules, 1957.

(ii) Equity shares of the same class- It shall mean equity shares which rank *pari-passu* in relation to rights as to dividend, voting or otherwise.

(a)



(b)

Scheme of compromise, arrangement and amalgamation sanctioned by a High Court under sections 391-394 of the Companies Act, 1956;

OR Approved by a tribunal or the Central Government under sections 230 to 234 of the Companies Act, 2013;

Whichever is applicable makes QIP

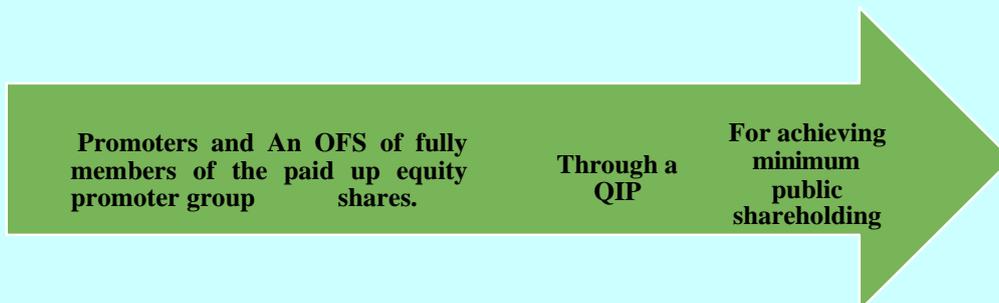
The period for which the equity shares of the same class of the transferor company were listed on a stock exchange having nation-wide trading terminals shall also be considered for the purpose of computation of the period of one year.

This clause shall not be applicable to an issuer proposing to undertake qualified institutional placement for complying with the minimum public shareholding requirements specified in the Securities Contracts (Regulation) 1957.

- (c) An issuer shall be eligible to make a qualified institutions placement if any of its promoters or directors is not a fugitive economic offender.
- All eligible securities issued through a qualified institutions placement shall be listed on the recognised stock exchange where the equity shares of the issuer are listed. However, the issuer shall seek approval under rule 19(7) of the Securities Contracts (Regulation) Rules, 1957, if applicable.
 - The issuer shall not make any subsequent qualified institutions placement until the expiry of six months from the date of the prior qualified institutions placement made pursuant to one or more special resolutions.

Conditions for offer for sale (OFS) by promoters for compliance with minimum public shareholding requirements specified in the Securities Contracts (Regulation) Rules, 1957

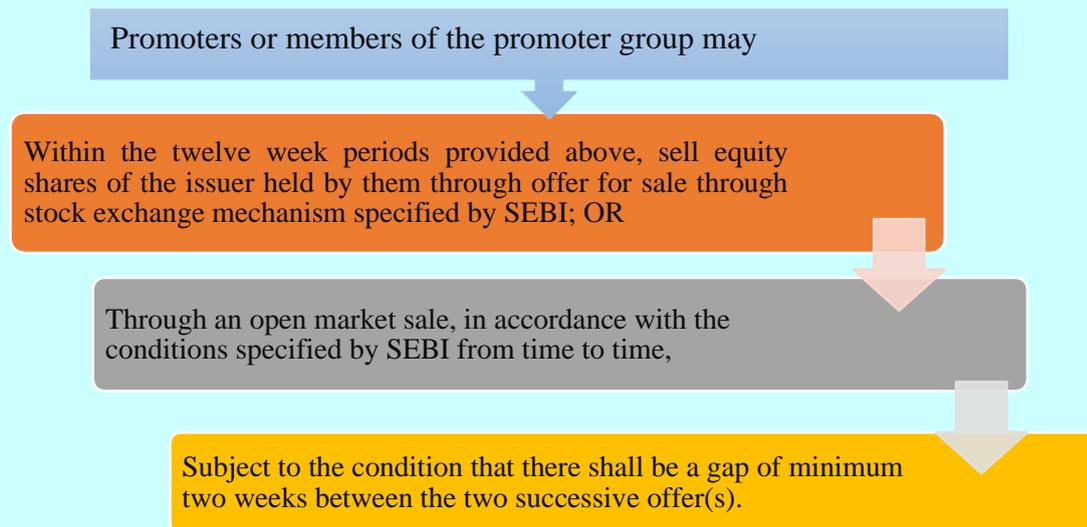
1ST Condition



2ND Condition

| Promoters or members of the promoter group | | |
|--|------------|--|
| Shall not make OFS if it has purchased or sold any equity shares of the issuer during twelve weeks period prior to the date of the opening of the issue; | AND | They shall not purchase or sell any equity shares of the issuer during the twelve weeks period after the date of closure of the issue. |

3RD Condition



APPOINTMENT OF LEAD MANAGERS

An issuer shall appoint one or more merchant bankers, which are registered with SEBI, as lead manager(s) to the issue.

At least one lead manager to the issue shall not be an associate, as defined under SEBI (Merchant Bankers) Regulations, 1992) of the issuer and if any of the lead manager is an associate of the issuer, it shall disclose itself as an associate of the issuer and its role shall be limited to marketing of the issue.

The lead manager(s) shall, while seeking in-principle listing approval for the eligible securities, furnish to each stock exchange on which the same class of equity shares of the issuer are listed, a due diligence certificate stating that the eligible securities are being issued under QIP and that the issuer complies with requirements of Chapter VI of SEBI (ICDR) Regulations, 2018, and also furnish a copy of the preliminary placement document along with any other document required by the stock exchange.

Placement Document

- The lead manager(s) shall exercise due diligence and shall satisfy themselves with all aspects of the Issue including the veracity and adequacy of disclosures in the offer document.
- The QIP shall be made on the basis of a placement document which shall contain all material information, including those specified in the Companies Act, 2013, if any, and disclosures as specified in SEBI (ICDR) Regulations, 2018, shall be made, including as specified therein if the issuer or any of its promoters or directors is a wilful defaulter.
- The preliminary placement document and the placement document shall be serially numbered and copies the same shall be circulated only to select investors.
- The preliminary placement document and the placement document shall be placed on the websites of the relevant stock exchange(s) and of the

issuer with a disclaimer to the effect that it is in connection with a QIP and that no offer is being made to the public or to any other category of investors.

PRICING

Pricing of QIP

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

Issuer may offer a discount of not more than five per cent. on the price so calculated, subject to approval of shareholders.

Except that no shareholders' approval will be required in case of a qualified institutions placement made through an offer for sale by promoters for compliance with minimum public shareholding requirements specified in SCR Rules, 1957

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 disclosed in the special resolution.

The issue price shall be subject to appropriate adjustments, if the issuer:

- 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.

Partly paid-up eligible securities

- The issuer shall not issue or allot partly paid-up eligible securities.
 - 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.
 - However, on allotment of equity shares on exercise of options attached to warrants, such equity shares shall be fully paid-up.

“Stock exchange” means any of the recognised stock exchanges in which the equity shares of the same class of the issuer are listed and in which the highest trading volume in such equity shares has been recorded during the two weeks immediately preceding the relevant date.

Tenure of Convertible Securities

The tenure of the convertible or exchangeable eligible securities issued through qualified institutions placement shall not exceed sixty months from the date of allotment.

Transferability

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

Minimum number of allottees

- The minimum number of allottees for each placement of eligible securities shall at least be:
 - a) two, where the issue size is less than or equal to two hundred and fifty crore rupees;
 - b) five, where the issue size is greater than two hundred and fifty crore rupees:
- No single allottee shall be allotted more than fifty per cent. of the issue size.
- Qualified institutional buyers belonging to the same group or who are under same control shall be deemed to be a single allottee.

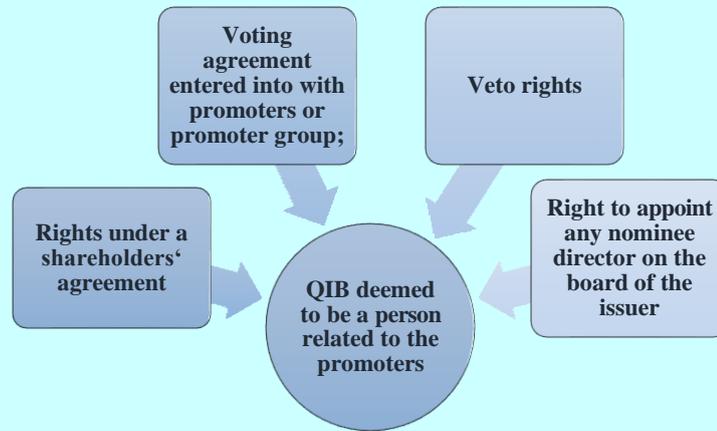
Qualified institutional buyers belonging to the same group” shall mean entities where, - (i) any of them controls directly or indirectly, through its subsidiary or holding company, not less than fifteen per cent. of the voting rights in the other; or (ii) any of them directly or indirectly, by itself, or in combination with other persons exercise control over the others; or (iii) there is a common director, excluding nominee and independent directors amongst the investor, its subsidiary or holding company and any other investor.

Application and Allotment

- The applicants in QIP shall not withdraw or revise downwards their bids after the closure of the issue.
- Allotment of specified securities shall be made subject to the following conditions:
 - a) minimum of ten per cent. of eligible securities shall be allotted to mutual funds. However, any unsubscribed portion of the said minimum percentage or any part thereof may be allotted to other qualified institutional buyers;
 - b) no allotment shall be made, either directly or indirectly, to any qualified institutional buyer who is a promoter or any person related to the promoters of the issuer.

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

A qualified institutional buyer who has any of the following rights shall be deemed to be a person related to the promoters of the issuer:-



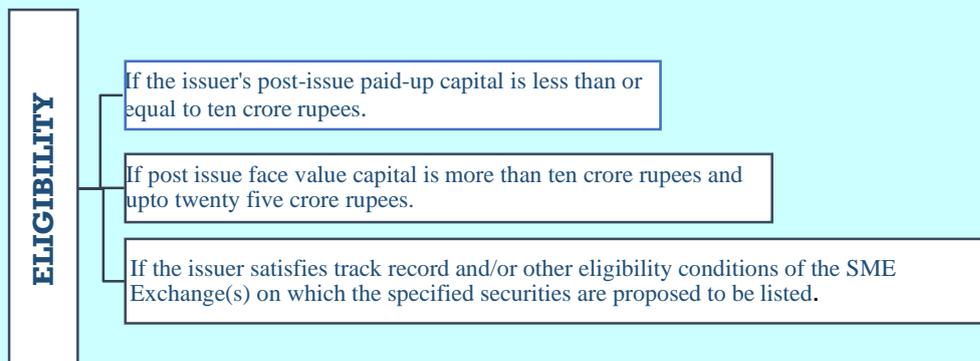
- (a) rights under a shareholders' agreement or voting agreement entered into with promoters or promoter group;
- (b) veto rights; or
- (c) right to appoint any nominee director on the board of the issuer.

Issue of Specified Securities by Small and Medium Enterprises

An issuer making an initial public offer of specified securities shall satisfy the conditions of Chapter IX of SEBI (ICDR) Regulations, 2018 as on the date of filing of the draft offer document with the SME Exchange and also as on the date of registering the offer document with the ROC.

“SME exchange” means a trading platform of a recognised stock exchange having nationwide trading terminals permitted by SEBI to list the specified securities issued in accordance with Chapter IX and includes a stock exchange granted recognition for this purpose but does not include the Main Board.

Eligibility requirements for an initial public offer



In case of an issuer which had been a partnership firm or a limited liability partnership, the track record of operating profit of the partnership firm or the limited liability partnership shall be considered only if the financial statements of the partnership business for the period during which the issuer was a partnership firm or a limited liability partnership, conform to and are revised in the format prescribed for companies under the Companies Act, 2013 and also comply with the following:

- (a) adequate disclosures are made in the financial statements as required to be made by the issuer as per Schedule III of the Companies Act, 2013;
- (b) the financial statements are duly certified by auditors, who have subjected themselves to the peer review process of the Institute of Chartered Accountants of India (ICAI) and hold a valid certificate issued by the Peer Review Board' of the ICAI, stating that:
 - i. the accounts and the disclosures made are in accordance with the provisions of Schedule III of the Companies Act, 2013;
 - ii. the accounting standards prescribed under the Companies Act, 2013 have been followed;
 - iii. the financial statements present a true and fair view of the firm's accounts;

However, in case of an issuer formed out of merger or a division of an existing company, the track record of the resulting issuer shall be considered only if the requirements regarding financial statements as specified above in the first proviso are complied with.

Filing of the offer document

- The issuer shall file a copy of the offer document with SEBI through the lead manager(s), immediately upon registration of the offer document with the Registrar of Companies.
- SEBI shall not issue any observation on the offer document.
- The lead manager(s) shall submit a due-diligence certificate including additional confirmations as provided in **Form G of Schedule V of SEBI ICDR Regulations 2018** along with the offer document to SEBI.
- The offer document shall be displayed from the date of filing on the websites of SEBI, the lead manager(s) and the SME exchange(s).
- The draft offer document and the offer documents shall also be furnished to SEBI in a soft copy.

Offer document to be made available to public

- The issuer and the lead manager(s) shall ensure that the offer documents are hosted on the websites as required under these regulations and its contents are the same as the versions as filed with the Registrar of Companies, SEBI and the SME exchange(s).
- The lead manager(s) and the SME exchange(s) shall provide copies of the offer document to the public as and when requested and may charge a

reasonable sum for providing a copy of the same.

Filing of the offer document

- The issuer shall file a copy of the offer document with SEBI through the lead manager(s), immediately upon registration of the offer document with the Registrar of Companies.
- SEBI shall not issue any observation on the offer document.
- The lead manager(s) shall submit a due-diligence certificate including additional confirmations as provided in Form G of Schedule V of SEBI ICDR Regulations, 2018 along with the offer document to SEBI.
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Offer document to be made available to public

- The issuer and the lead manager(s) shall ensure that the offer documents are hosted on the websites as required under these regulations and its contents are the same as the versions as filed with the Registrar of Companies, SEBI and the SME exchange(s).
- The lead manager(s) and the SME exchange(s) shall provide copies of the offer document to the public as and when requested and may charge a reasonable sum for providing a copy of the same.

Minimum Application Value and Number of Allottees

- The minimum application size shall be one lakh rupee per application.
Here, '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.
- The minimum sum payable on application per specified securities shall be at least twenty five per cent of the issue price. In case of offer for sale, the full issue price for each specified security shall be payable on application.

Migration to SME Exchange

A listed issuer whose post-issue face value capital is less than twenty five crore rupees may migrate its specified securities to SME Exchange:

- if its shareholders approve such migration by passing a special

resolution through postal ballot to this effect; and

- if such issuer fulfils the eligibility criteria for listing laid down by the SME exchange.

However, the special resolution shall be acted upon if and only if the votes cast by shareholders other than promoters in favour of the proposal amount to at least two times the number of votes cast by shareholders other than promoter shareholders against the proposal.

Migration to Main Board

An issuer, whose specified securities are listed on a SME Exchange and whose post issue face value capital is more than ten crore rupees and upto twenty five crore rupees, may migrate:

- its specified securities to Main Board if its shareholders approve such migration by passing a special resolution through postal ballot to this effect; and
- if such issuer fulfils the eligibility criteria for listing laid down by the Main Board.

However, the special resolution shall be acted upon if and only if the votes cast by shareholders other than promoters in favour of the proposal amount to at least two times the number of votes cast by shareholders other than promoter shareholders against the proposal.

Where the post issue face value capital of an issuer listed on SME exchange is likely to increase beyond twenty five crore rupees by virtue of any further issue of capital by the issuer by way of rights issue, preferential issue, bonus issue, etc. the issuer shall migrate its specified securities listed on SME exchange to Main Board and seek listing of specified securities proposed to be issued on the Main Board subject to the fulfilment of the eligibility criteria for listing of specified securities laid down by the Main Board.

However, no further issue of capital by the issuer shall be made unless:

- the shareholders of the issuer have approved the migration by passing a special resolution through postal ballot wherein the votes cast by shareholders other than promoters in favour of the proposal amount to at least two times the number of votes cast by shareholders other than promoter shareholders against the proposal;
- the issuer has obtained in- principle approval from the Main Board for listing of its entire specified securities on it.

Market Making

- The lead manager shall ensure compulsory market making through the stock brokers of SME exchange appointed by the issuer, for a minimum period of three years from the date of listing of specified securities or from the date of migration from the Main Board.
- The market maker or issuer, in consultation with the lead manager may enter into agreement with nominated investors for receiving or delivering the specified securities in the market making subject to the prior approval by the SME exchange.
- The issuer shall disclose the details of arrangement of market making in the offer document.
- The specified securities being bought or sold in the process of market making may be transferred to or from the nominated investor with whom the merchant banker has entered into an agreement for the market making.

However, the inventory of the market maker, as on the date of allotment of the specified securities, shall be at least 5 % of the specified securities proposed to be listed on SME exchange.

- The market maker shall buy the entire shareholding of a shareholder of the issuer in one lot, where value of such shareholding is less than the minimum contract size allowed for trading on the SME exchange.

However, the market maker shall not sell in lots less than the minimum contract size allowed for trading on the SME exchange.

- Market maker shall not buy the shares from the promoters or persons belonging to promoter group of the issuer or any person who has acquired shares from such promoter or person belonging to promoter group, during the compulsory market making period.
 - The promoters' holding shall not be eligible for offering to the market maker during the compulsory market making period. However, the promoters' holding which is not locked-in as per these regulations can be traded with prior permission of the SME exchange.
 - The lead manager(s) may be represented on the Board of Directors of the issuer subject to the agreement between the issuer and the lead manager(s) who have the responsibility of market making.

LISTING ON THE INSTITUTIONAL TRADING PLATFORM

Applicability

- To issuers seeking listing of their specified securities pursuant to an initial public offer or for only trading on a stock exchange of their specified securities without making a public offer.
- The provisions of these regulations, in respect of the matters not specifically dealt or excluded under this Chapter, shall apply mutatis mutandis to any listing or trading of specified securities under this Chapter.

Non- applicability

- Sub-regulation (2) of regulation 7 on restrictions on the amount of general corporate purposes; and
- Sub-regulation (1) and (2) of regulation 6 on eligibility requirements.

Important

The institutional trading platform shall be accessible only to institutional investors and non- institutional investors and not to retail individual investors.

Eligibility for Listing

- The following issuers are eligible for listing on the Institutional Trading Platform (ITP):-
 - (i) an issuer which is intensive in the use of technology, information technology, intellectual property, data analytics, bio technology or nano technology to provide products, services or business platforms with substantial value addition, and in which at least 25% of the share capital is being held by QIBs as on the date of filing of draft information document or draft offer document with SEBI, as the case may be; or
 - (ii) any other issuer in which at least 50% of the share capital is being held by QIBs.
- A person, individually or collectively with persons acting in concert, shall not hold 25% or more of the post-issue share capital in an entity.
- An issuer shall be eligible for listing on the ITP, if none of the promoters or directors of the issuer company is a fugitive economic offender.

Listing without Public Issue

An entity pursuing listing of its specified securities without making a public issue shall file a draft information document along with necessary documents with the SEBI along with prescribed fees.

The draft information document shall contain disclosures as specified for the

draft offer documents in these regulations.

Procedure of listing without public issue

1. The issuer shall obtain in-principle approval from the recognised stock exchanges on which it proposes to get its specified securities listed.
2. The provisions relating to minimum public shareholding shall not apply to entities listed on institutional trading platform without making a public issue.
3. The entity shall list its securities within 30 days from the date of issuance of observations by SEBI; or from the expiry of the period stipulated in sub-regulation (4) of regulation 25, if SEBI has not issued any such observations.
4. The issuer which has received in-principle approval discussed above, shall be deemed to have been waived by SEBI under sub-rule (7) of rule 19 from the requirement of clause (b) of sub-rule (2) of rule 19 of Securities Contracts (Regulation) Rules, 1957 for the limited purpose of listing on the institutional trading platform.
5. The draft and final information document shall be approved by the Board Of Directors of the issuer and shall be signed by all directors, the Chief Executive Officer i.e. the Managing Director or Manager as per Companies Act, 2013 and the Chief Financial Officer i.e. the Whole-Time Finance Director or any other person heading the finance function and discharging that function.
6. The signatories shall also certify that all disclosures made in the information document are true and correct.
7. In case of mis-statement in the information document or any omission therein, any person who has authorized the issue of information document shall be liable in accordance with the provisions of the SEBI Act, 1992 and regulations made thereunder.

Exemptions for an entity listing without a Public Issue

The provisions relating to the following shall not be applicable in case of listing without public issue:

- i. Allotment;
- ii. Issue opening/closing;
- iii. Advertisement;
- iv. Underwriting;
- v. Sub-regulation (2) of regulation 5 of the SEBI (ICDR) Regulations, 2018;
- vi. Pricing;
- vii. Dispatch of issue material; and

viii. Other such provisions related to offer of specified securities to public.

Regulations 5(2)

An issuer shall not be eligible to make an IPO if there are any outstanding convertible securities or any other right which would entitle any person with any option to receive share of the issuer.

Listing pursuant to initial public issue

An entity seeking issue and listing of its specified securities shall file a draft offer document along with necessary documents with SEBI along with prescribed fees.

The offer document shall disclose the broad objects of the issue.

The basis of issue price may include disclosures, except projections, as deemed fit by the issuers in order to enable investors to take informed decisions and the disclosures shall suitably caution the investors about basis of valuation.

Procedure of listing pursuant to public issue

1. The minimum application size shall be 10 lakh rupees.
2. The number of allottees shall be atleast 200.
3. The allocation in the net offer to public category shall be as follows:
 - 75% to institutional investors; However, there shall be no separate allocation for Anchor Investors;
 - 25% to non-institutional investors;
4. Any under-subscription in the non-institutional investor category shall be available for subscription under the institutional investors' category.
5. The allotment to institutional investors may be on a discretionary basis whereas the allotment to non-institutional investors shall be on a proportionate basis.
6. The mode of allotment to institutional investors, i.e., whether discretionary or proportionate, shall be disclosed prior to or at the time of filing of the Red Herring Prospectus.
7. In case of discretionary allotment to institutional investors, no institutional investor shall be allotted more than 10% of the issue size.

Lock-in

The entire pre-issue capital of the shareholders shall be locked-in for a period of six months from the date of allotment in case of listing pursuant to public issue or date of listing in case of listing without public issue.

Exemption from lock-in

- (i) Equity shares allotted to employees of the issuer 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 schemes in accordance with Part A of Schedule VI of the SEBI ICDR Regulations, 2018.
- (ii) Equity shares held by an employee stock option trust or transferred to the employees by an employee stock option trust pursuant to exercise of options by the employees, whether currently employees or not, in accordance with the employee stock option plan or employee stock purchase scheme.
- However, the equity shares allotted to the employees shall be subject to the provisions of lock-in as specified under the SEBI (SBEB) Regulations, 2014.
- (iii) Equity shares held by a venture capital fund or alternative investment fund of Category I or a foreign venture capital investor. However, such shares will be locked in for a period of at least one year from the date of purchase by such investor.
- (iv) Equity shares held by persons other than promoters, which have been held for a continuous period of at least one year prior to the date of listing in case of listing without a public issue.

For the purpose of point no. (iii) & (iv), in case such equity shares have resulted pursuant to conversion of fully paid-up compulsorily convertible securities, the holding period of such convertible securities as well as that of resultant equity shares together shall be considered for the purpose of calculation of one year period and the convertible securities shall be deemed to be fully paid-up, if the entire consideration payable thereon has been paid at the time of their conversion.

- The specified securities held by the promoters and locked-in may be pledged with any scheduled commercial bank or public financial institution or systemically important non-banking finance company as a collateral security for a loan granted by such bank or institution or systemically important non-banking finance company if the pledge of specified securities is one of the terms of sanction of the loan.
- The specified securities that are locked-in may be transferable.
- All specified securities allotted on a discretionary basis shall be locked-in in accordance with the requirements for lock-in for the anchor investors on the main board of the stock exchange.

Trading lot

The minimum trading lot on the stock exchange shall be ten lakh rupees.

Exit of issuer whose securities are trading without making a public offer

An entity which has list its specified securities on the institutional trading platform without making a public issue may exit from that platform, if-

- Its shareholders approve such exit by passing a special resolution

through postal ballot where ninety per cent of the total votes and the majority of non-promoter votes have been cast in favor of such proposal; and

- The recognised stock exchange where its shares are listed approve of such an exit.

Withdrawal of approval by the stock exchange

The recognised stock exchange may delist the specified securities of an entity listed without making a public issue upon non-compliance of the conditions of listing and in the manner as specified by the stock exchange.

The issuer promoted by promoters and directors of an entity delisted, shall not be permitted to list on institutional trading platform for a period of 5 years from the date of such delisting. However, the provisions of this regulation shall not apply to another entity promoted by the independent directors of such a delisted issuer.

Migration to the Main Board

An issuer that has listed its specified securities on a recognised stock exchange may at its option migrate to the main board of that recognised stock exchange after expiry of three years from the date of listing subject to compliance with the eligibility requirements of the stock exchange.

LESSON 20
ISSUE OF SECURITIES

Changes at Page No. 529-608 to be referred from the respective heads of amended SEBI Issue of Capital and disclosure Requirements Regulations, 2018 at the link:

<https://www.sebi.gov.in/legal/regulations/jan-2020/securities-and-exchange-board-of-india-issue-of-capital-and-disclosure-requirements-regulations-2018-last-amended-on-january-01-2020-41542.html>

LESSON 21
REGULATORY FRAMEWORK RELATING TO SECURITIES MARKET
INTERMEDIARIES

Page No. 621

General Obligations and Responsibilities

Para 3, Line No. 1 (Replace with the following)

The RTA has to maintain proper books and records as prescribed in Regulation 14 and preserve the account books and other records for a minimum period of 8 years.

Internal Audit of Registrar and Share Transfer Agents (RTAs)

SEBI has mandated that RTA has to undergo for compulsory internal audit for which a PCS is authorised by SEBI to carry out the internal audit at par with other professionals.

Page No. 625

General Obligations and Responsibilities

Para 2 (Replace with the following)

The Banker to an issue shall intimate to SEBI about the place where these documents are kept and shall preserve them for a minimum period of 8 years.

Page No. 628

SEBI (Debenture Trustees) Regulations, 1993

Para 2 (Replace with the following)

Regulation 7A of the Regulations provide that the capital adequacy requirement of debenture trustee shall not be less than the net worth of ₹10 crore. However a debenture trustee holding certificate of registration as on the date of commencement of the Securities and Exchange Board of India (Debenture Trustees) (Amendment) Regulations, 2019 shall fulfil the net worth requirements within three years from the date of such commencement.

Page No. 629

DUTIES OF DEBENTURE TRUSTEES

After point (22) insert the following:

However a debenture trustee may seek the consent of debenture holders through e-voting, wherever applicable. However the requirement to convene a meeting of all debenture holders in case of a default in payment obligation by the issuer, shall not be applicable in case of debentures issued by way of public issue.

Page No. 632

Stock broker & Sub-broker

- In the heading “**Stock broker & Sub-broker**” delete the word “& Sub – broker”.
- Delete the word sub broker wherever it appears in the study material.

- Delete Para No. 2

Page No. 635 - 639

Following heads have been omitted:

REGISTRATION OF SUB-BROKERS

REGISTRATION OF TRADING AND CLEARING MEMBERS

REGISTRATION PROCEDURE FOR TRADING AND CLEARING MEMBER

**REGISTRATION OF TRADING AND CLEARING MEMBERS OF
CURRENCY DERIVATIVES SEGMENT**

REGISTRATION PROCEDURE

CODE OF CONDUCT

Page No. 639

General Obligations and Responsibilities

Paragraph one Following words are omitted:

“registers of accounts of sub-brokers; an agreement with sub-broker specifying scope of authority, and responsibilities of the stock brokers as well as sub-brokers”

Page No. 639

General Obligations and Responsibilities

Paragraph one Following words are omitted:

Insert the following in page No. 635

Registration of Clearing Member

A person shall not act as a clearing member, unless he obtains a certificate of registration from the SEBI. However, no separate registration shall be required for a stock broker registered with the SEBI to act as a clearing member in a clearing corporation of which he is admitted as a member, subject to grant of approval by the concerned clearing corporation.

Explanation - It is clarified that no separate registration shall be required for a clearing member registered with the SEBI to operate in more than one clearing corporation, of which he is admitted as a member, subject to grant of approval by the concerned clearing corporation.

An application for grant of a certificate of registration as clearing member shall be submitted to the SEBI in Form AD of Schedule I through the clearing corporation of which, he is admitted as a member.

The Clearing Corporation shall forward the application form to the SEBI as early as possible, but not later than thirty days from the date of its receipt.

Page No. 639

General Obligations and Responsibilities

Delete the following lines from Para 1

Registers of accounts of sub-brokers; an agreement with sub-broker specifying scope of authority.

Delete the following last para under this heading

The stock broker shall not deal with any person as sub-broker unless such person has been granted certificate of registration by SEBI.

Page No. 639

Compliance Officer

Delete the following:

Regulation 18B provides that the stock broker shall not deal with any person as a sub-broker unless such person has been granted certificate of registration by SEBI.

Page No.640-641

Liability for monetary penalty

- Delete the word sub-broker.
- Delete point no. (xiv).

Liability for action under the enquiry proceeding

Line 1 & 2

Delete the word sub- broker and the word “as the case may be”

Page No. 653

SEBI (CUSTODIAN OF SECURITIES) REGULATIONS, 1996

- In the heading “SEBI (Custodian of Securities) Regulations, 1996” to be read as Securities and Exchange Board of India (Custodian) Regulations, 1996.
- Substitute “SEBI (Custodian of Securities) Regulations, 1996” as “Securities and Exchange Board of India (Custodian) Regulations, 1996” wherever it appears in the study material.

Page No. 654

PROCEDURE AND GRANT OF CERTIFICATE

Paragraph 2 is replace as following:

However the SEBI may restrict the certificate of registration to providing custodial services either in respect of securities or goods of a client or in respect of gold or gold related instruments of a [mutual fund or title deeds of real estate assets held by a real estate mutual funds scheme.

Page No. 655

PERIOD OF VALIDITY

Regulation 9A is replace as following:

Every certificate granted under sub-regulation (3) of regulation 8, shall be valid unless it is suspended or cancelled by the Board.

Page No. 655

RENEWAL OF CERTIFICATE

The whole paragraph of Renewal of Certificate is omitted.

Page No. 656

PROHIBITION OF ASSIGNMENT

Paragraph 2 after the words “safekeeping of” insert the words “goods or”.

Point (a) after the words “safekeeping of the” insert the words “goods or”.

Point (b) after the words “relating to” insert the words “goods or”.

Point (c) after the words “relating to” insert the words “goods or”.

AGREEMENT WITH THE CLIENT

Point (c) after the words “securities” insert the words “or goods”.

INTERNAL CONTROLS

Second line after every word “securities” insert words “and goods”

Page No. 671

Appointment of Designated Authority

Replace Regulation 24 with the following:

Where it appears to the designated member, that any person who has been granted a certificate of registration under the Act and regulations made thereunder has committed any default of the nature specified in regulation 23, the designated member may approve the initiation of proceedings under this Chapter against such person.

The Executive Director shall thereafter appoint an officer not below the rank of a Division Chief, as a designated authority.

However, the executive director may, at his discretion, appoint a bench of three officers, each of whom shall not be below the rank of a Division Chief: Provided further that such bench shall be presided by the senior most amongst them and all the decisions or recommendations of such bench shall be by way of majority.

No officer who has conducted investigation or inspection in respect of the alleged violation shall be appointed as a designated authority.

LESSON 22
INSIDER TRADING

Changes at Page No. 699-714 to be referred from the respective heads of amended SEBI Prohibition of Insider Trading Regulations, 2015 at the link:

<https://www.sebi.gov.in/legal/regulations/sep-2019/securities-and-exchange-board-of-india-prohibition-of-insider-trading-regulations-2015-last-amended-on-september-17-2019-41717.html>

LESSON 23
TAKEOVER CODE – AN OVERVIEW

Changes at Page No. 715-742 to be referred from the respective heads of amended SEBI Substantial Acquisition of Shares and Takeover Regulations, 2011 at the link:

<https://www.sebi.gov.in/legal/regulations/apr-2019/securities-and-exchange-board-of-india-substantial-acquisition-of-shares-and-takeovers-regulations-2011-last-amended-on-july-29-2019-40714.html>