

SEBI/CFD/DIL/ DIP/ Circular No 11

August 14, 2003

To All Registered Merchant Bankers

Dear Sirs,

**Sub: Amendments to the SEBI (Disclosure and Investor Protection){ DIP} Guidelines,2000**

SEBI, in its constant endeavor to enhance the level of investors' protection, to increase the transparency and efficiency of the primary market, to strengthen the disclosure and eligibility norms for issuer companies and to rationalize and simplify various operational procedures in the primary market so as to facilitate raising of resources by the issuer companies, has taken several initiatives, in this regard, based on the recommendations of the committees set up by SEBI. The recommendations of these committees were also made available at SEBI Website for soliciting public comments.

The SEBI Board, after considering the recommendations of the Committees and public comments thereon, has approved certain modifications to be incorporated in the captioned Guidelines.

Accordingly, SEBI, under the provision of Section 11(1) of SEBI Act, is hereby issuing the amendments to SEBI (DIP) Guidelines, 2000; incorporating the modifications approved by the SEBI Board, as stated above. The amendments are detailed in the Annexure and are categorized under various sections as specified below:

## **Section A**

### **Review of Eligibility Norms**

The existing eligibility norms of the issuers have been reviewed inter alia with an objective to strengthen the existing norms, to facilitate entry of mid-cap, small-cap new entrepreneurs to the primary market without exposing the public to undue risk, to maintain quality of issuer companies and also to keep fly by night issuers at bay. Accordingly amendments to SEBI(DIP) guidelines have been carried out. The amendments inter-alia include introduction of Net Tangible Assets and minimum number of allottees as additional criterion, appraisal route as an alternative to the mandatory book building route etc. Details of the amendments are given under this section in the Annexure.

## **Section B**

### **Review of Book Building guidelines**

Book building is a facility given to issuer companies and merchant bankers to ascertain the demand and indicative price before the actual opening of the issue. SEBI has been reviewing the existing book building guideline on an ongoing basis, to make price discovery process more realistic, immune from artificial demand and more responsive to the market demand. The companies have now been given a flexibility of indicating a movable price band or a fixed floor price in Red Herring prospectus, definition of QIBs has been enlarged to include Insurance companies, Provident and Pension funds with minimum corpus of Rs. 25 crores. Further operational guidelines are amended thus shortening the interregnum between the closure of issue and listing/ trading of securities to T+6 ( T stands for date of closure of issue)

Details of the amendments carried out at relevant places in SEBI (DIP) Guidelines, 2000, are given under this section in the Annexure.

## **Section C**

### **Introduction of Green Shoe Option**

Green Shoe option means an option of allocating shares in excess of the shares included in the public issue. It is extensively used in international IPOs as stabilization tool for post listing price of the newly issued shares. It is being introduced in the Indian Capital Market in the initial public offerings using book building method. It is expected to boost investors' confidence by arresting the speculative forces which work immediately after the listing and thus results in short-term volatility in post listing price. The amendments carried out in SEBI (DIP) guidelines in this regard, have been detailed under this section in the Annexure.

## **Section D**

### **Review of disclosure requirements in the offer documents**

The existing disclosure requirements in the offer documents are reviewed on an ongoing basis by SEBI and based on the review, the amendments are carried out in SEBI (DIP) guidelines. The amendments under this section inter alia include full disclosure about the promoters including their photograph, PAN number etc, classification of risk factors, use of standard financial units etc. Details of the amendments are given under this section in the Annexure.

## **Section E**

### **Review of requirements pertaining to issue of Debt Instruments**

SEBI has reviewed the role of debenture trustees and also the provisions pertaining to issue of debt instruments in SEBI (DIP) guidelines 2000. The amendments under this section inter-alia include prohibition on a willful defaulter to make a debt issue, requirement of investment grade credit rating for making a debt issue, relaxation in the existing provisions of promoters contribution in IPO of debt issue etc. The amendments have been carried out at relevant places in SEBI (DIP) Guidelines, 2000, details of which are given under this section in the Annexure.

## **Section F**

### **Modifications pursuant to amendments carried out on 30/06/2003, in SEBI (Employee Stock Option and Employee Stock Purchase Scheme) Guidelines, 1999**

Amendments carried out in SEBI (Employee Stock Option Scheme & Employee Stock Purchase Scheme) Guidelines, 1999 on June 30, 2003 have necessitated certain amendments in SEBI (DIP) Guidelines, 2000. The amendments are mainly about relaxation in the provisions of lock-in for the pre-IPO shares held by employees, which were issued under employee stock Option or employee stock purchase scheme of the issuer company before the IPO, inclusion of provision of existing clauses of SEBI (ESOP & ESPS) guidelines in SEBI (DIP) guidelines 2000. Details of these amendments are given under this section in the Annexure.

## **Section G**

### **Amendments pursuant to withdrawal of the concept of Regional Stock Exchange by Ministry of Finance (MOF), Govt. of India, vide its circular dated 23/4/2003.**

On April 23, 2003, Ministry of Finance (MOF) issued a circular thereby withdrawing the concept of regional stock exchange. Pursuant to the aforesaid circular, amendments have been carried out in SEBI (DIP) guidelines 2000 at the relevant places. Details of the amendments are given under this section in the Annexure. The companies have been given flexibility to choose a Stock Exchange (defined as a Designated Stock Exchange in the guidelines) for a particular issue made under these guidelines. It is hereby clarified that for subsequent issues, the company has a freedom to choose some other stock Exchange as a Designated Stock Exchange.

## **Section H**

### **Review of Operational/Procedural Requirements**

SEBI has reviewed the operational/procedural requirements specified in SEBI (DIP) 2000, Guidelines with an objective to streamline the same further. The amendments under this section inter-alia include reducing the validity period of SEBI's observation letter to 6 months from 365 days, demarking the responsibilities of lead managers, defining associate etc. Details of the amendments are given under this section in the Annexure.

## **Section I**

### **Miscellaneous Amendments**

This section contains amendments to various other provisions of SEBI (DIP) Guidelines, 2000. Details of the amendments are given under this section in the Annexure.

These amendments of the Guidelines shall come into force with immediate effect and shall be applicable to all Public Issue/Rights Issue/Offer for Sale for which observations have not been issued by SEBI till date.

You are directed to ensure compliance with the provisions of SEBI (DIP) guidelines 2000. This circular alongwith the annexure is available in SEBI website at [www.sebi.gov.in](http://www.sebi.gov.in). Full text of SEBI (DIP) guidelines 2000 including the amendments issued vide this circular is also available in SEBI's web site under Primary Market Section.

Yours sincerely,

**Neelam Bhardwaj**  
**(Deputy General Manager)**

**Section A –Review of Eligibility Norms**

1 The existing Clause 2.0 shall be substituted by the following:

**“2.0 Conditions for issue of securities**

The companies issuing securities offered through an offer document, shall, satisfy the following at the time of filing draft offer document with SEBI and also at the time of filing the final offer document with the Registrar of Companies./ Designated Stock Exchange ”.

2 The existing Clause 2.2 shall be substituted by the following:

**“2.2 Initial Public Offerings by unlisted companies”**

3 The existing Clause 2.2.1 shall be substituted by the following, namely:

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

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

Provided that if more than 50% of the net tangible assets are held in monetary assets, the company has made firm commitments to deploy such excess monetary assets in its business/project;

(b)The company has a track record of distributable profits in terms of section 205 of the Companies Act, 1956, for at least three (3) out of immediately preceding five (5) years;

Provided further that extra ordinary items shall not be considered for calculating distributable profits in terms of Section 205 of Companies Act, 1956.”

(c)The company has a net worth of at least Rs. 1 crore in each of the preceding 3 full years (of 12 months each);

(d)In case the company has changed its name within the last one year, atleast 50% of the revenue for the preceding 1 full year is earned by the company from the activity suggested by the new name; and

(e)The aggregate of the proposed issue and all previous issues made in the same financial year in terms of size (i.e. offer through offer document + firm allotment + promoters' contribution through the offer document), does not exceed five (5) times its pre-issue networth as per the audited balance sheet of the last financial year.”

4 The existing Clause 2.2.2 shall be substituted by the following:

“2.2.2 An unlisted company not complying with any of the conditions specified in Clause 2.2.1: may make an initial public offering (IPO) of equity shares or any other security which may be converted into or exchanged with equity shares at a later date, only if it meets both the conditions (a) and (b) given below:

(a)(i)The issue is made through the book-building process, with at least 50% of the issue size being allotted to the Qualified Institutional Buyers (QIBs), failing which the full subscription monies shall be refunded.

OR

(a)(ii)The “project” has at least 15% participation by Financial Institutions/ Scheduled Commercial Banks, of which at least 10% comes from the appraiser(s). In addition to this, at least 10% of the issue size shall be allotted to QIBs, failing which the full subscription monies shall be refunded

AND

(b)(i) The minimum post-issue face value capital of the company shall be Rs. 10 crore

OR

(b)(ii) There shall be a compulsory market-making for at least 2 years from the date of listing of the shares subject to the followings.

Market makers undertake to offer buy and sell quotes for a minimum depth of 300 shares;

Market makers undertake to ensure that the bid-ask spread (difference between quotations for sale and purchase) for their quotes shall not at any time exceed 10%:

The inventory of the market makers on each of such stock exchanges, as on the date of allotment of securities, shall be at least 5% of the proposed issue of the company

5 After clause 2.2.2, the following clauses 2.2.2A and 2.2.2B shall be inserted:

“2.2.2A An unlisted public company shall not make an allotment pursuant to a public issue or offer for

sale of equity shares or any security convertible into equity shares unless in addition to satisfying the conditions mentioned in Clause 2.2.1 or 2.2.2 as the case may be, the prospective allottees are not less than one thousand (1000) in number.”

“2.2.2B For the purposes of clauses 2.2.1 and 2.2.2 above:

- (i) ‘Net tangible assets’ shall mean the sum of all net assets of the company, excluding ‘intangible assets’, as defined in Accounting Standard 26 (AS 26) issued by the Institute of Chartered Accountants of India.
- (ii) “Project” means the object for which the monies proposed to be raised to cover the objects of the issue.
- (iii) In case of partnership firms which have since been converted into companies, the track record of distributable profits of the firm shall be considered only if the financial statements of the partnership business for the said years conform to and are revised in the format prescribed for companies under the Companies Act, 1956 and also comply with the following:
  - a. adequate disclosures are made in the financial statements as required to be made by the companies as per Schedule VI of the Companies Act, 1956;
  - b. the financial statements shall be duly certified by a Chartered Accountant stating that:
    - I. the accounts as revised or otherwise and the disclosures made are in accordance with the provisions of Schedule VI of the Companies Act, 1956; and
    - II. the accounting standards of the Institute of Chartered Accountants of India (ICAI) have been followed and that the financial statements present a true and fair picture of the firm’s accounts.
- (iv) In case of an unlisted company 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 specified for partnership firms in sub-clause (iv) above are complied with.
- (v) ‘Qualified Institutional Buyer’ shall mean:
  - a. public financial institution as defined in section 4A of the Companies Act, 1956;
  - b. scheduled commercial banks;
  - c. mutual funds;
  - d. foreign institutional investor registered with SEBI;
  - e. multilateral and bilateral development financial institutions;
  - f. venture capital funds registered with SEBI.
  - g. foreign Venture capital investors registered with SEBI.
  - h. state Industrial Development Corporations.
  - i. insurance Companies registered with the Insurance Regulatory and Development Authority (IRDA).
  - j. provident Funds with minimum corpus of Rs. 25 crores
  - k. pension Funds with minimum corpus of Rs. 25 crores

6. Clause 2.2.3.1 shall be substituted by the following:

“2.2.3.1 An offer for sale shall not be made of equity shares of a company or any other security which may be converted into or exchanged with equity shares of the company at a later date, unless the conditions laid down in clause 2.2.1 or 2.2.2, as the case may be and in clause 2.2.2A, are satisfied.”

7. Clause 2.3.1 shall be substituted by the following:

“2.3.1 A listed company shall be eligible to make a public issue of equity shares or any other security which may be converted into or exchanged with equity shares at a later date.

Provided that the aggregate of the proposed issue and all previous issues made in the same financial year in terms of size (i.e. offer through offer document + firm allotment + promoters’ contribution through the offer document), issue size does not exceed 5 times its pre-issue networth as per the audited balance sheet of the last financial year.

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

8 The existing Clause 2.3.2 shall be substituted by the following:

“2.3.2 A listed company which does not fulfill the conditions given in the provisos to Clause 2.3.1 above, shall be eligible to make a public issue subject to complying with the conditions specified in Clause 2.2.2”

9 The existing Clauses 2.3.3 shall be deleted

10 In existing clause 2.4.1, in sub-clause (iii), sub-clause (a) shall be substituted by the following:

“(a) whose project has been appraised by a Public Financial Institution (PFI) or Infrastructure Development Finance Corporation (IDFC) or Infrastructure Leasing and Financing Services Ltd. (IL&FS) or a bank which was earlier a PFI; and,”

11 The existing Clause 2.5.1 shall be substituted by the following:

“2.5.1 A No issuer company shall make a public issue or rights issue of debt instruments (whether convertible or not), unless the following conditions are also satisfied, as on date of filing of draft offer document with SEBI and also on the date of filing a final offer document with ROC/ Designated Stock Exchange:

(i) credit rating of not less than investment grade is obtained from not less than two credit rating agencies registered with SEBI and disclosed in the offer document.

(ii) The company is not in the list of willful defaulters of RBI

(iii) The company is not in default of payment of interest or repayment of principal in respect of debentures issued to the public, if any, for a period of more than 6 months.

2.5.1B An issuer company shall not make an allotment of non-convertible debt instrument pursuant to a public issue if the proposed allottees are less than fifty (50) in number. In such a case the company shall forthwith refund the entire subscription amount received. If there is a delay beyond 8 days after the company becomes liable to pay the amount, the company shall pay interest @15% p.a to the investors"

12 The existing Clause 2.5.2 shall be substituted by the following:

"2.5.2 Where credit ratings are obtained from more than two credit rating agencies, all the credit rating/s, including the unaccepted credit ratings, shall be disclosed"

13 The existing Clause 2.5.3 shall be deleted

14 After Clause 2.7, a new Clause 2.8 shall be added as following:

**"2.8 Means of Finance –**

No company shall make a public or rights issue of securities unless firm arrangements of finance through verifiable means towards 75% of the stated means of finance, excluding the amount to be raised through proposed Public/Rights issue, have been made."

## Section B – Review of Book Building guidelines

1. In clause 11.3.1, new sub-clauses (iv)(a) &(iv)(b) shall be inserted after the existing sub-clause (iv) as follows:

“(iv)(a) The issuer company shall enter into an agreement with one or more of the Stock Exchange(s) which have the requisite system of on-line offer of securities. The agreement shall specify inter-alia, the rights, duties, responsibilities and obligations of the company and stock exchange (s) inter se. The agreement may also provide for a dispute resolution mechanism between the company and the stock exchange.

(iv)(b) The company may apply for listing of its securities on an exchange other than the exchange through which it offers its securities to public through the on-line system”

2. In clause 11.3.1, new sub-clause (vii)(a), (vii)(b), vii(c) & vii(d) shall be inserted after existing sub-clause (vii) as follows:

“(vii)(a)The Book Runner(s)/syndicate members shall appoint brokers of the exchange, who are registered with SEBI, for the purpose of accepting bids, applications and placing orders with the company and ensure that the brokers so appointed are financially capable of honouring their commitments arising out of defaults of their clients/investors, if any.

(vii)(b)For the purposes of this Chapter, the brokers, so appointed accepting applications and application monies, shall be considered as ‘bidding/collection centres’.

(vii)(c)The broker/s so appointed, shall collect the money from his/their client for every order placed by him/them and in case the client/investors fails to pay for shares allocated as per the Guidelines, the broker shall pay such amount.

(vii)(d) The company shall pay to the broker/s a commission/fee for the services rendered by him/them. The exchange shall ensure that the broker does not levy a service fee on his clients/investors in lieu of his services.”

3. In clause 11.3.1, the existing sub-clause (viii)(a) shall be substituted by the following:

“(viii-a) The red herring prospectus shall disclose, either the floor price of the securities offered through it or a price band along with the range within which the price can move, if any”.

4. In clause 11.3.1, after sub-clause (viii)(a), a new sub-clause (viii)(b) shall be inserted as follows:

“(viii-b) In case the red herring prospectus discloses the price band, the lead book runner shall ensure compliance with the following conditions:

- (a) The cap of the price band should not be more than 20% of the floor of the band; i.e cap of the price band shall be less than or equal to 120% of the floor of the price band
- (b) The price band can be revised during the bidding period in which case the maximum revision on either side shall not exceed 20% i.e floor of price band can move up or down to the extent of 20% of floor of the price band disclosed in the red herring prospectus and the cap of the revised price band will be fixed in accordance with Clause (a) above;
- (c) Any revision in the price band shall be widely disseminated by informing the stock exchanges, by issuing press release and also indicating the change on the relevant website and the terminals of the syndicate members.
- (d) In case the price band is revised, the bidding period shall be extended for a further period of three days, subject to the total bidding period not exceeding thirteen days.
- (e) The manner in which the shortfall, if any, in the project financing, arising on account of lowering of price band to the extent of 20% will be met shall be disclosed in the red herring prospectus. It shall also be disclosed that the allotment shall not be made unless the financing is tied up.”

5. In clause 11.3.1, the existing sub-clause (xi)(a) shall be substituted by the following:

“(xi)(a)The issuer company shall after receiving the final observations, if any, on the offer document from the Board, make an advertisement in an English National daily with wide circulation, one Hindi National newspaper and a Regional language newspaper with wide circulation at the place where the registered office of the Issuer company is situated, containing the salient features of the final offer document as specified in Form 2A of the Companies Act circulated along with the application form. The advertisement in addition to other required information, shall also contain the following:

- i. the date of opening and closing of the issue
- ii. the method and process of application and allotment
- iii. the names, addresses and the telephone numbers of the stock brokers and centres for bidding.”

6. In clause 11.3.1, the existing sub-clause (xi)(a) shall be substituted by the following:

“(xi)(b)The issuer company shall circulate the application forms to the Brokers”

7. In clause 11.3.1, the existing sub-clause (xvii)(a) & (xvii)(b) shall be substituted by the following:

“(xvii)(a) The broker may collect an amount to the extent of 100% of the application money as margin money from the clients/investors before he places an order on their behalf. The margin collected from categories other than Qualified Institutional Buyers shall be uniform across the book runner

(s)/syndicate members, for each such category

(xvii)(b) Bids for securities beyond the investment limit prescribed under relevant laws shall not be accepted by the syndicate members/brokers from any category of clients/investors”

8. In clause 11.3.2, the existing sub-clause (i) shall be substituted by the following:

“(i)The particulars of syndicate members, brokers, registrars, bankers to the issue, etc.”

9 In clause 11.3.2, the existing sub-clause (iii) shall be substituted by the following:

“(iii)The following accounting ratios shall be given under the basis for issue price for each of the accounting periods for which the financial information is given:

1. EPS, pre-issue, for the last three years (as adjusted for changes in capital).
2. P/E pre-issue
3. Average return on net-worth in the last three years.
4. Net-Asset value per share based on last balance sheet.
5. Comparison of all the accounting ratios of the issuer company as mentioned above with the industry average and with the accounting ratios of the peer group ( i.e companies of comparable size in the same industry.( Indicate the source from which industry average and accounting ratios of the peer group has been taken)
6. The accounting ratios disclosed in the offer document shall be calculated after giving effect to the consequent increase of capital on account of compulsory conversions outstanding, as well as on the assumption that the options outstanding, if any, to subscribe for additional capital shall be exercised.”

10 The existing proviso to sub-clause (i) of Clause 11.3.3 shall be substituted by the following:

“**Provided that** nothing contained in sub-clause (i) shall apply to 50% of the net offer to the public, mandatorily to be allotted to the Qualified Institutional Buyers under proviso to clause 2.2.2 or clause 2.3.2 of these guidelines, in case the company is making an issue of securities under clause 2.2.2 or clause 2.3.2, as the case may be ”

11 In Clause 11.3.4.1,

(i)The existing sub-clause (i) shall be substituted by the following:

“(i) Bid shall be open for atleast 5 days and not more than 10 days, which may be extended to a maximum of 13 days in case the price band is revised in accordance with clause 11.3.1.”

(ii) The existing sub-clause (vi) shall be substituted by the following:

“(vi) Individual as well as qualified institutional buyers shall place their bids only through the ‘brokers’ who shall have the right to vet the bids. The applicant shall enclose the proof of DP ID and Client ID along with the application, while making bid”

(iii) New sub-clauses (vi)(a), (vi)(b), (vi)(c)\_& (vi)(d) shall be inserted after the existing sub-clause (vi) as follows:

“(vi)(a)During the period the issue is open to the public for bidding, the applicants may approach the brokers of the stock exchange/s through which the securities are offered under on-line system, to place an order for bidding to the securities. Every broker shall accept orders from all clients/investors who place orders through him

(vi)(b)The broker shall collect the client registration form duly filled up and signed from the applicants before placing the order in the system as per "Know your client rule" as specified by SEBI and as may be modified from time to time.

(vi)(c)The broker shall, thereafter, enter the buy order in the system, on behalf of the clients and enter important details including the name, address, telephone number, and category of the applicant, the number of shares applied for, amount paid, beneficiary ID, DP code and Bid-cum Application Form number, Bid price, etc., and give an order number/order confirmation slip to the investor.

(vi)(d)The broker shall open a separate bank account [Escrow Account] with the clearing house bank for primary market issues and the amount collected by the broker from his clients/investors as margin money shall be deposited in this account”

(iv) The existing sub-clause(vii) shall be substituted by the following:

“(vii) The investors shall have the right to revise their bids provided that Qualified Institutional Buyers shall not be allowed to withdraw their bids after the closure of the bidding”.

(v)after sub-clause (ix),a new sub-clauses (x) & (xi) shall be inserted as following

“(x) The identities of the Qualified Institutional Buyers making the bidding, shall not be made public

(xi) The Stock exchange shall, by the end of each day while the issue is open for subscription, send the order data to the Registrar to the Issue and Lead Managers / Book Runners. This data shall consist of only valid orders (excluding those that are cancelled). On the date of closure of the issue, the

final status of orders received shall be sent to the Registrar to the issue and Lead Managers / Book Runners”  
”.

12 In clause 11.3.5 the existing sub-clause (i) shall be substituted by the following:

- “(i) In case an issuer company makes an issue of 100% of the net offer to public through 100% book building process -
- a) not less than 25% of the net offer to the public shall be available for allocation to retail individual investors ;
  - b) not less than 25% of the net offer to the public shall be available for allocation to non institutional investors i.e. investors other than retail individual investors and Qualified Institutional Buyers;
  - c) not more than 50% of the net offer to the public shall be available for allocation to Qualified Institutional Buyers.

**Provided that**, 50% of the issue size shall be mandatorily allotted to the Qualified Institutional Buyers, in case the issuer company is making a public issue under Clause 2.2.2 and 2.3.2of these guidelines”

13 In clause 11.3.5 the existing sub-clause (ii) shall be substituted by the following:

- “(ii)In case an issuer company makes an issue of 75% of the net offer to public through book building process and 25% at the price determined through book building -
- a. in the book built portion, not less than 25% of the net offer to the public, shall be available for allocation to non Qualified Institutional Buyers and not more than 50% of the net offer to the public shall be available for allocation to Qualified Institutional Buyers.
  - b. the balance 25% of the net offer to the public, offered at a price determined through book building, shall be available only to retail individual investors who have either not participated or have not received any allocation, in the book built portion.”

**Provided that**, 50% of the issue size shall be mandatorily allotted to the Qualified Institutional Buyers, in case the issuer company is making a public issue under Clause 2.2.2 and 2.3.2of these guidelines”

14 In clause 11.3.5, the existing sub-clause (vi) shall be substituted by the following:

- “(vi) After finalisation of basis of allocation, the Registrar to the Issue/company shall send the computer file containing the allocation details i.e. the allocation numbers, allocated quantity of successful applicants, etc. along with broker-wise funds pay-in obligation, to the Broker to the Issue and the stock exchange (s).”

15 In clause 11.3.5, the existing sub-clause (vii) shall be substituted by the following:

- ”(vii)The Company, Lead Manager / Book Runner shall announce the pay-in day and intimate the same to Brokers and stock exchange. It shall be responsibility of the broker to deposit the amount in the Escrow Account to the extent of allocation to his clients on the pay-in date”.

16 In clause 11.3.5, the existing sub-clause (viii) shall be substituted by the following:

- “(viii) On receipt of the basis of allocation data, the brokers shall immediately intimate the fact of allocation to their client /applicant. The broker shall ensure that each successful client/applicant pays submits the duly filled-in and signed application form to him along with the amount payable towards the application money by the pay-in date. Amount already paid by the applicant as margin money shall be adjusted towards the total allocation money payable. The broker shall, thereafter, hand over the application forms of the successful applicants who have paid the application money, to the exchange, which shall submit the same to the Registrar to Issue/company for their records.”

17 In clause 11.3.5, the existing sub-clause (ix) shall be substituted by the following

- “(ix) The broker shall refund the margin money collected earlier, within 3 days of receipt of basis of allocation, to the applicants who did not receive allocation. “

16 In clause 11.3.5, after the existing sub-clause (ix), new sub-clauses(x) – (xxiii) shall be inserted as follows:

- “(x) The brokers shall give details of the amount received from each client/investors and the names of clients/investors who have not paid the application money to Registrar / Book Runner the exchange. The brokers shall also give soft copy of this data to the exchange.

- (xi) In the event of the successful applicants failing to pay the application money, the broker through whom such client placed orders, shall bring in the funds to the extent of the client’s default. If the broker does not bring in the funds, he shall be declared as a defaulter by the stock exchange and action as prescribed under the Bye-Laws of the stock exchange shall be initiated against him. In such an event, the Book Runners in case of issues through book building process, who have underwritten the issue, shall bring-in the shortfall.

- (xii) On pay-in date, the clearing house shall, without any instruction from the broker, debit the escrow account of each broker to the extent of allocation made to his clients/investors and credit the amount so collected from each broker to the ‘Issue Account’.”

- (xiii) The concerned Exchange shall not use the Settlement/Trade Guarantee Fund of the Exchange



for honoring brokers commitments in case of failure of broker to bring in the funds.

(xiv) The broker shall open an 'Escrow Securities Account' with any depository for the purpose of receiving credit of securities on behalf of the clients.

(xv) On payment and receipt of the sum payable on application for the amount towards minimum subscription, the company shall allot the shares to the applicants as per these Guidelines.

(xvi) After the allotment, the Registrar to the issue shall post the share certificates to the investors or, instruct the depository to credit the Escrow Securities Account of each Broker, as the case may be.

(xvii) On receipt of the credit of securities to the Escrow Securities Account, the Broker shall transfer the shares to the clients'/applicants' depository account, after receipt of confirmation of full payment from the clients/applicants. For this purpose broker shall be considered as Agent of the client/applicant. Broker shall confirm to the Book-runner/Registrar to the issue that shares have been credited to the account of clients /applicants not later than the day of commencement of trading, in case full payment had been received.

(xviii) Any cases of dispute, amongst the broker and the clients, would be referred to arbitration as per the by-laws / regulations of the stock exchange

(xix) The Allotment details shall be put on the website (if available) of the Registrar to the issue and the issuer. Further, online messaging facility of NSDL/CDSL or of stock exchanges may be used to communicate the Allotment details to Brokers, as an alternative of physical Confirmation of Allocation Note"

"(xx) Trading shall commence within 6 days from the closure of the issue failing which interest at the rate of 15% p.a. shall be paid to the investors.

(xxi) **Schedule XX** may be referred to for Clarificatory Examples for issue size and allocation has been specified in **Schedule XX**.

(xxii) Model Time Frame for Book Building is specified in **Schedule XXI**.

(xxiii) In case the issuer company has made an issue of 75% of the net offer to public through book building process and 25% at the price determined through book building -

- the offer of 25% of the net offer to the public, made at a price determined through book building, shall open within 15 days from the date of closure of bidding ;
- the offer for subscription to the public, shall remain open for a period of atleast 3 working days after completing all the requirements of advertisement and despatch of issue material to all the stock exchanges ;
- during the time when the offer is open, the investors who have received an intimation of entitlement of securities under sub clause (xviii) of clause 11.3.1, shall submit the application forms along with the application moneys ;
- the other retail individual investors who had not participated in the bidding process or have not received intimation of entitlement of securities under sub clause (xviii) of clause 11.3.1 may also make an application."

17 The existing Schedule XXI shall be substituted by the following:

## SCHEDULE XXI

### BOOK BUILDING – MODEL TIME FRAME

T	T+1	T+2	T+3	T+4	T+5	T+6
Book Closed	Price Determination  Determination of offer size	Registrar draws the allocation list  All entered bids assumed as valid	Stock Exchanges approve the basis of allocation  Final prospectus printed and dispatched CANs sent to QIBs Allocation details electronically communicated by Registrar/Company to brokers	Pay –in (Only high-value) Bankers to confirm clearance of fund Board Meeting Stock Exchanges to issue the listing and trading permission Company to instruct NSDL/CDSL to credit shares to the demat account of brokers	Brokers account to be credited with shares  Broker to credit shares to the demat account of investors	Trading commence

## Section C - Introduction of Green Shoe Option

1. In clause 1.2.1, after sub-clause (xiii) a new sub-clause (xiii-a) shall be added as following;

**“(xiii-a) “Green Shoe option”** means an option of allocating shares in excess of the shares included in the public issue and operating a post-listing price stabilizing mechanism in accordance with the provisions of Chapter VIII-A of these Guidelines, which is granted to a company to be exercised through a Stabilising Agent.”

2. The existing Clause 4.14.1 shall be substituted by the following:

“4.14.1 The entire pre-issue share capital, other than that locked-in as promoters’ contribution, shall be locked-in for a period of one year from the date of commencement of commercial production or the date of allotment in the public issue, whichever is later.

Provided that where shares held by promoter(s) are lent to the SA under clause 8A.7, they shall be exempted from the lock in requirements specified above, for the period starting from the date of such lending to the date when they are returned to the same promoter(s) under clause 8A.13 or under clause 8A.15, as the case may be.”

3. A new chapter VIIIA on ‘Green Shoe Option’ shall be inserted as following:

### **“CHAPTER VIII-A - GREEN SHOE OPTION**

8A.1 (a) In case an issuer company is making an initial public offer of equity shares through the book building mechanism, the company can avail of the Green Shoe option (GSO) for stabilizing the post listing price of its shares, subject to the provisions of this Chapter.

(b) A company desirous of availing the option granted by this Chapter, shall in the resolution of the general meeting authorizing the public issue, seek authorization also for the possibility of allotment of further shares to the ‘stabilizing agent’ (SA) at the end of the stabilization period in terms of clause 8A.15.

8A.2 The company shall appoint one of the Lead book runners, amongst the issue management team, as the “stabilizing agent” (SA), who will be responsible for the price stabilization process, if required. The SA shall enter into an agreement with the issuer company, prior to filing of offer document with SEBI, clearly stating all the terms and conditions relating to this option including fees charged / expenses to be incurred by SA for this purpose.

8A.3 The SA shall also enter into an agreement with the promoter(s) who will lend their shares for the purpose of clause 8A.5, specifying the maximum number of shares that may be borrowed from the promoters, which shall not be in excess of 15% of the total issue size.

8A.4 The details of the agreements mentioned in clause 8A.2 and 8A.3 shall be disclosed in the draft Red Herring prospectus, Red Herring prospectus and the final prospectus. The agreements shall also be included as material documents for public inspection in terms of clause 6.19.15.

8A.5 The Lead Book Runner, in consultation with the SA, shall determine the amount of shares to be over-allotted with the public issue, subject to the maximum number specified in clause 8A.3..

8A.6 The draft Red Herring prospectus, the Red Herring prospectus and the final prospectus shall contain the following additional disclosures:

- a. Name of the SA
- b. The maximum number of shares (as also the percentage vis a vis the proposed issue size) proposed to be over-allotted by the company
- c. The period, for which the company proposes to avail of the stabilization mechanism,
- d. The maximum increase in the capital of the company and the shareholding pattern post issue, in case the company is required to allot further shares to the extent of over-allotment in the issue.
- e. The maximum amount of funds to be received by the company in case of further allotment and the use of these additional funds, in final document to be filed with RoC
- f. Details of the agreement/ arrangement entered in to by SA with the promoters to borrow shares from the latter which inter-alia shall include name of the promoters, their existing shareholding, number & percentage of shares to be lent by them and other important terms and conditions including the rights and obligations of each party.
- g. The final prospectus shall additionally disclose the exact number of shares to be allotted pursuant to the public issue, stating separately therein the number of shares to be borrowed from the promoters and over-allotted by the SA, and the percentage of such shares in relation to the total issue size.

8A.7 The SA shall borrow shares from the promoters of the company to the extent of the proposed over-allotment. These shares shall be in dematerialized form only. For the purposes of this clause, promoter means a promoter as defined in Explanation I to clause 6.4.2.1.

8A.8 The allocation of these shares shall be pro-rata to all the applicants.

8A.9 The stabilization mechanism shall be available for the period disclosed by the company in the prospectus, which shall not exceed 30 days from the date when trading permission was given by the exchange(s).

8A.10 The SA shall open a special account with a bank to be called the “Special Account for GSO proceeds of \_\_\_\_\_ company” (hereinafter referred to as the GSO Bank account) and a special account for securities with a depository participant to be called the “Special Account for GSO shares of \_\_\_\_\_ company” (hereinafter referred to as the GSO Demat Account).

8A.11 The money received from the applicants against the overallotment in the green shoe option shall be kept in the GSO Bank Account, distinct from the issue account and shall be used for the purpose of buying shares from the market, during the stabilization period.

8A.12 The shares bought from the market by the SA, if any during the stabilization period, shall be credited to the GSO Demat Account.

8A.13 The shares bought from the market and lying in the GSO Demat Account shall be returned to the promoters immediately, in any case not later than 2 working days after the close of the stabilization period.

8A.14 The prime responsibility of the SA shall be to stabilize post listing price of the shares. To this end, the SA shall determine the timing of buying the shares, the quantity to be bought, the price at which the shares are to be bought etc.

8A.15 On expiry of the stabilization period, in case the SA does not buy shares to the extent of shares over-allotted by the company from the market, the issuer company shall allot shares to the extent of the shortfall in dematerialized form to the GSO Demat Account, within five days of the closure of the stabilization period. These shares shall be returned to the promoters by the SA in lieu of the shares borrowed from them and the GSO Demat Account shall be closed thereafter. The company shall make a final listing application in respect of these shares to all the Exchanges where the shares allotted in the public issue are listed. The provisions of Chapter XIII shall not be applicable to such allotment.

8A.16 The shares returned to the promoters under clause 8A.13 or 8A.15, as the case may be, shall be subject to the remaining lock in period as provided in the proviso to the clause 4.14.1.

8A.17 The SA shall remit an amount equal to (further shares allotted by the issuer company to the GSO Demat Account) \* (issue price) to the issuer company from the GSO Bank Account. The amount left in this account, if any, after this remittance and deduction of expenses incurred by the SA for the stabilization mechanism, shall be transferred to the investor protection fund(s) of the stock exchange (s) where the shares of issuer company are listed, in equal parts if the shares are listed in more than one exchanges. The GSO Bank Account shall be closed soon thereafter.

8A.18 The SA shall submit a report to the stock exchange(s) on a daily basis during the stabilization period. The SA shall also submit a final report to SEBI in the format specified in Schedule XXIX. (Flag B) This report shall be signed by the SA and the company. This report shall be accompanied with a depository statement for the “**GSO Demat Account**” for the stabilization period, indicating the flow of the shares into and from the account. The report shall also be accompanied by an undertaking given by the SA and countersigned by the depository(ies) regarding confirmation of lock-in on the shares returned to the promoters in lieu of the shares borrowed from them for the purpose of the stabilization, as per the requirement specified in 8A.16.

8A.19 The SA shall maintain a register in respect of each issue having the green shoe option in which he acts as a SA. The register shall contain the following details of:

- in respect of each transaction effected in the course of the stabilizing action, the price, date and time
- the details of the promoters from whom the shares are borrowed and the number of shares borrowed from each; and,
- details of allotments made under clause 8A.15.

8A.20 The register must be retained for a period of at least three years from the date of the end of the stabilizing period.”

8A.21 For the purpose of the Chapter VIII-A, Over allotment shall be defined as an allocation of shares in excess of the size of a public issue, made by the SA out of shares borrowed from the promoters, in pursuance of a green shoe option exercised by the company in accordance with the provisions of the said Chapter”

4 A new Schedule XXIX shall be inserted as following:

**“SCHEDULE XXIX  
[Clause 8A]**

**Final report for Green Shoe Option**

- a. Name of the company
- b. Name of the SA ( Registration No)
- c. Issue size ( No of shares )
- d. Issue opened on
- e. Issue closed on
- f. Over-allotment in issue (%)
- g. Date of commencement of trading
- h. Amount in the GSO Bank Account ( Rs..)
- i. Details of promoter(s) from whom shares borrowed (Name & Number of shares borrowed.)

- j. Date on which the stabilisation period ended
- k. Number of shares bought during the stabilization period
- l. Date on which company allotted further shares to the extent of shortfall
- m. Date when the shares in the GSO Demat Account were returned to the promoter(s)
- n. Date when the money in the GSO Bank Account was remitted to the company
- o. Details of the Depository account (Special account for GSO securities) where shares purchased from the market were kept inter-alia the following:.
- p. Depository Participant
- q. Account No.
- r. Number of shares purchased, date wise.
- s. Number of shares taken out, date wise.

## Section D - Review of disclosure requirements in the offer documents

1. In clause 6.2.1.2, in sub-clause vii), after para b), the following para shall be inserted, namely –

“c) If more than one merchant banker are associated with the issue, the inter-se allocation of responsibility of each Merchant Banker as demarcated and submitted to the Board in terms of clause 5.3.2, shall be disclosed in the offer document.”

2. In Clause 6.2.3, the existing clause 6.2.3.2 shall be substituted by the following:

### **“6.2.3.2**

- i. The Risk factors shall be classified as those which are specific to the project and internal to the issuer company and those which are external and beyond the control of the issuer company.
- ii. The Risk factor shall be determined on the basis of their materiality.
- iii. Materiality shall be decided taking the following factors into account
  - a. Some events may not be material individually but may be found material collectively.
  - b. Some events may have material impact qualitatively instead of quantitatively.
  - c. Some events may not be material at present but may be having material impacts in future.
- iv. The Risk factors shall appear in the Offer Document in the following manner:
  - a. Risks envisaged by Management
  - b. Proposals, if any, to address the risks.

3. The existing Clause 6.6.1, shall be substituted as following :

### **6.6.1.1 Objects**

6.6.1.2 Whether the company proposes to raise funds for a purpose like fixed asset creation and/or for rotation such as working capital etc shall be disclosed clearly in the offer document

6.6.1.3. Where the company proposes to raise funds for a purpose like fixed asset creation, the requirement of funds shall also be disclosed clearly.

4. The existing Clause 6.6.3 shall be substituted by the following:

### **“6.6.3 Means of Financing**

a. An undertaking shall be given in the offer document by the issuer company confirming firm arrangements of finance through verifiable means towards 75% of the stated means of finance , excluding the amount to be raised through proposed Public/Rights issue, have been made.”

b.. The balance portion of the ‘Means of Finance’ for which no firm arrangement has been made shall be mentioned without specification”

5. In Clause 6.7.3, sub-clause a) shall be substituted by the following:

“a) (i) A complete profile of the promoters including their age, educational qualifications, experience in the business or employment and in the line of business proposed in the offer document , their business and financial activities, photograph, Voter ID Number, Driving License Number shall be disclosed.

(ii) A disclosure, confirming that the Permanent Account Number, Bank Account Number and Passport Number of the promoters have been submitted to the Stock Exchanges on which securities are proposed to be listed, at the time of filing the draft offer document to them.”

6. After Clause 6.8.3, a new Clause 6.8.4 shall be added as following :

“6.8.4 One standard financial unit shall be used in the offer document.”

7. After clause 6.18.7, the following clause shall be inserted, namely -

### **“ 6.18.8**

- a. The Issuer Company, if it so desires , may include in the offer document, the financial statements prepared on the basis of more than one accounting standards subject to disclosure of the material differences arising because of differences in the accounting policies of two different accounting standards.
- b. ‘Management Discussion and Analysis (MDA)’ and ‘Accounting and other Ratios’ computed as per Clause No. 6.8 and 6.13 of the Guidelines shall be based on the Financial Statements prepared on the basis of Indian Accounting Standards. In addition, the issuer company may present MDA based on other Accounting Standards.”

## Section E - Review of requirements pertaining to issue of Debt Instruments

- 1 A new clause 5.3.3.1A shall be inserted after the existing clause 5.3.3.1 as follows:
- “5.3.3.1A In case of a debenture issue, the lead merchant banker shall also furnish to the Board a due diligence certificate given by the debenture trustee in the format specified in Schedule IIIA along with the draft offer document.”
- 2 A new clause 6.5.6.2 shall be inserted after the existing clause 6.5.6.1, as follows:
- “6.5.6.2 In case of a debenture issue, the company shall also give undertakings to the following effect in the offer document:
- i. That the company shall forward the details of utilization of the funds raised through the debentures duly certified by the statutory auditors of the company, to the debenture trustees at the end of each half-year.
  - ii. That the company shall disclose the complete name and address of the debenture trustee in the annual report.
  - iii. That the company shall provide a compliance certificate to the debenture holders (on yearly basis) in respect of compliance with the terms and conditions of issue of debentures as contained in the offer document, duly certified by the debenture trustee.
  - iv. That the company shall furnish a confirmation certificate that the security created by the company in favour of the debenture holders is properly maintained and is adequate enough to meet the payment obligations towards the debenture holders in the event of default.”
3. In clause 8.2.1, the existing sub-clause (b) shall be substituted by the following:
- “(b) a contribution of atleast 20% of the project cost i.e., objects proposed to be inter alia, financed through the issue, shall be brought in the form of equity. Such equity participation may be brought by the promoter from his own funds or from other sources, subject to the condition that at least 20% of the issue size is brought by way of equity by the promoter from his own funds. In case, the project is to be implemented in stages, the promoters contribution as per these requirements shall be with respect to total equity participation till the respective stage vis a vis the debt raised or proposed to be raised through the issue.”
- 4 The existing Clause 10.1.1 shall be substituted by the following:
- “10.1.1 No company shall make a public issue or rights issue of debt instruments (whether convertible or not), unless credit rating of not less than investment grade is obtained from not less than two registered credit rating agencies and disclosed in the offer document.”
- 5 The existing Clause 10.1.2 shall be deleted
- 6 The existing Clause 10.1.3 shall be substituted by the following:
- “10.1.3Where credit ratings are obtained from more than two credit rating agencies, all the credit rating/s, including the unaccepted credit ratings, shall be disclosed”
- 7 In clause 10.2,
- (i) The existing sub-clause 10.2.1 shall be substituted by the following:
- “10.2.1 No company shall issue a prospectus or a letter of offer to the public for subscription of its debentures, unless the company has appointed one or more debenture trustees for such debentures in accordance with the provisions of the Companies Act, 1956.”
- (ii) The existing sub-clause 10.2.2 shall be substituted by the following:
- “10.2.2 The names of the debenture trustees shall be stated in the Offer Documents and also in all the subsequent periodical communications sent to the debenture holders”
- (iii) The existing sub-clause 10.2.3 shall be substituted by the following:
- “10.2.3 A trust deed shall be executed by the issuer company in favour of the debenture trustees within three months of the closure of the issue.”
- 8 The existing clause 10.2.5 shall be substituted by the following:
- “10.2.5 The merchant banker shall, along with the draft offer document, file with the Board certificates from the bankers of the Company that the assets on which the security is to be created are free from any encumbrances and the necessary permissions to mortgage the assets have been obtained or No -objection Certificate from the Financial Institutions or Banks for a second or pari passu charged in cases where assets are encumbered.
- The merchant banker shall also ensure that the security created is adequate to ensure 100% asset cover for the debentures.”
- 9 In clause 10.2.6, the existing clauses (a) and (b) shall be substituted by the following:
- “(a) It shall obtain reports from the lead bank, regarding monitoring progress of the project.

(b) It shall monitor utilization of funds raised in the debenture issue.”

The existing clause 10.3 shall be substituted by the following:

**“10.3 Creation of Debenture Redemption Reserve (DRR)**

10.3.1 For the redemption of the debentures issued, the company shall create debenture redemption reserve in accordance with the provisions of the Companies Act, 1956.”

In clause 10.4, the existing sub-clause (a) shall be substituted by the following:

“(a) in case of the companies which have defaulted in payment of interest on debentures or redemption of debentures or in creation of security as per the terms of issue of the debentures, any distribution of dividend shall require approval of the Debenture Trustees and the Lead Institution, if any.”

The existing clause 10.6.3 shall be deleted.

The existing clause 10.7.1 shall be substituted by the following:

“10.7.1 Where the company desires to rollover the debentures issued by it, it shall file with SEBI a copy of the notice of the resolution to be sent to the debenture-holders for the purpose, through a merchant banker prior to dispatching the same to the debenture-holders. The notice shall contain disclosures with regard to credit rating, necessity for debenture-holders resolution and such other terms which SEBI may specify. Where the company desires to convert the debentures into equity shares in accordance with clause 10.7.2, it shall file with SEBI a copy of the letter of option to be sent to debenture-holders with the Board, through a merchant banker, prior to dispatching the same to the debenture-holders. The letter of option shall contain disclosures with regard to option for conversion, justification for conversion price and such other terms which SEBI may specify.”

The existing clause 10.7.1.1 shall be substituted by the following:

**“10.7.1.1 Roll over of Non Convertible Portions of Partly Convertible Debentures(PCDs)/ Non Convertible Debentures (NCDs), by company not being in default.**

The non-convertible portions of PCDs or the NCDs issued by a listed company, the value of which exceeds Rs.50 lacs, can be rolled over without change in the interest rate subject to section 121 of the Companies Act, 1956 and subject to the following conditions, if the company is not in default:

- (a) A resolution to this effect is passed by postal ballot, having the assent from not less than 75% of the debenture-holders.
- (b) The company shall redeem the debentures of all the dissenting debenture holders, who have not assented to the resolution.
- (c) Before roll over of any NCDs or non-convertible portion of the PCDs, at least two credit ratings of not less than investment grade, shall be obtained within a period of six months prior to the due date of redemption and communicated to debenture holders before roll over.
- (d) Fresh trust deed shall be executed at the time of such roll over.
- (e) Fresh security shall be created in respect of such debentures to be rolled over.

**Provided** that if the existing trust deed or the security documents provide for continuance of the security till redemption of debentures, fresh trust deed or fresh security need not be created.”

A new Clause 10.7.1.1A shall be inserted after the existing Clause 10.7.1.1 as follows:

**“10.7.1.1A Roll over of Non Convertible portions of Partly Convertible Debentures (PCDs)/ Non Convertible Debentures (NCDs), by the company being in default.**

The non-convertible portions of PCDs and the NCDs issued by a listed company, the value of which exceeds Rs.50 lacs, can be rolled over without change in the interest rate subject to section 121 of the Companies Act, 1956 and subject to the following conditions, where the company is in default:

- (a) A resolution to this effect is passed by postal ballot, having the assent from not less than 75% of the debenture-holders.
- (b) The company shall send an Auditors’ certificate on the cash flow of the company with comments on the liquidity position of the company to all debenture holders, along with the notice for passing the said resolution.
- (c) The company shall redeem the debentures of all the dissenting debenture holders, who have not assented to the resolution.
- (d) The debenture trustee shall decide on whether the company is required to create fresh security and execute fresh trust deed in respect of such debentures to be rolled over

**Provided** that if the existing trust deed or the security documents provide for continuance of the security till redemption of debentures, fresh security and fresh trust deed need not be created.”

The existing clause 10.7.1.3 shall be substituted by the following:

“10.7.1.3 The debenture trustee shall submit a certificate of compliance with clauses 10.7.1.1, 10.7.1.1A or 10.7.1.2, as the case may be, to the merchant banker which shall be filed with the Board

within 15 days of the closure of the rollover or conversion.”

17 A new Schedule III-A shall be inserted after the existing Schedule III, as follows:

**“SCHEDULE III-A**

(See clause 5.3.3.1A)

**FORMAT OF DUE DILIGENCE CERTIFICATE TO BE GIVEN BY THE DEBENTURE TRUSTEE  
BEFORE OPENING OF THE ISSUE**

To,

SECURITIES AND EXCHANGE BOARD OF INDIA

Dear Sirs,

SUB.: **ISSUE OF** \_\_\_\_\_ **BY** \_\_\_\_\_ **LTD.**

We, the under noted Debenture Trustee (s) to the above mentioned forthcoming issue state as follows :

- (1) We have examined various documents pertaining to the security to be created for the said issue and other such relevant documents.
- (1) On the basis of such examination and of the discussions with the company, its directors and other officers, other agencies and of independent verification of the various relevant documents, WE CONFIRM that :
  - (a) The company has made adequate provisions for and/or has taken steps to provide for adequate security for the debentures to be issued.
  - (b) The company has obtained all the permissions necessary for creating security on the said property (ies).
  - (c) The company has made all the relevant disclosures about the security and also its continued obligations towards the debenture holders.
  - (d) All disclosures made in the draft prospectus / letter of offer with respect to the security are true, fair and adequate to enable the investors to make a well informed decision as to the investment in the proposed issue.
- (3) We have satisfied ourselves about the ability of the company to service the debentures.

PLACE

DEBENTURE TRUSTEE TO THE  
ISSUE WITH HIS SEAL

DATE:”

**Section F**

**Modifications pursuant to amendments carried out on 30/06/2003, in SEBI (Employee Stock Option and Employee Stock Purchase Scheme) Guidelines, 1999**

1. The existing Clause 4.14.2 shall be substituted by the following,-

“4.14.2.Clause 4.14.1 shall not be applicable to

- i. pre-issue share capital held by Venture Capital Funds and Foreign Venture Capital Investors registered with the Board. However, the same shall be locked-in as per the provisions of the SEBI (Venture Capital Funds) Regulations, 1996 and SEBI (Foreign Venture Capital Investors) Regulations, 2000 and any amendments thereto
- ii. pre-issue share capital held for a period of at least one year at the time of filing draft offer document with the Board and being offered to the public through offer for sale.
- iii. pre-IPO shares held by employees other than promoters, which were issued under employee stock Option or employee stock purchase scheme of the issuer company before the IPO. However the same is subject to the issuer company complying with the requirements laid down in Clause 22.4 of SEBI(Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999”

**Section G**

**Amendments pursuant to withdrawal of the concept of Regional Stock Exchange by MOF vide circular dated 23/4/2003.**

1. In clause 1.2.1, after sub-clause (xvii) a new sub-clause (xvii-a) shall be added as following;



**“(xvii-a) “Designated stock exchange”** means a stock exchange in which securities of the company are listed or proposed to be listed and which is chosen by the company for purposes of a particular issue under these guidelines.

Provided that where any of such stock exchanges have nationwide trading terminals, the company shall choose one of them as the designated stock exchange.

Provided further that the company may choose a different exchange as a designated stock exchange for any subsequent issue, subject to the above clause”

2. The existing Clause 2.1.2 shall be substituted by the following:

“2.1.2 No listed company shall make any issue of security through a rights issue where the aggregate value of securities, including premium, if any, exceeds Rs.50 lacs, unless the letter of offer is filed with the Board, through an eligible Merchant Banker, at least 21 days prior to the filing of the Letter of Offer with Designated Stock Exchange.

**Provided that** if, within 21 days from the date of filing of draft letter of offer, the Board specifies changes, if any, in the draft letter of offer, (without being under any obligation to do so), the issuer or the Lead Merchant banker shall carry out such changes before filing the draft letter of offer with Designated Stock Exchange.”

3. The existing Clause 3.5.3 shall be substituted by the following

“3.5.3 The Lead Merchant Bankers shall ensure that in case of the listed companies, a 48 hours notice of the meeting of the Board of Directors for passing resolution for determination of price is given to the Designated Stock Exchange.”

4. The existing Clause 6.3.6 shall be substituted by the following:

“6.3.6 Names of the Designated stock exchange and other exchanges where application has been made for listing of the present issue shall be mentioned”

5. The existing Clause 6.39 shall be substituted by the following:

“6.39 The letter of offer shall fulfill the requirements and shall contain disclosures as specified under Section I of this Chapter for the prospectus under the following heads:

**Explanation:**

For the purpose of rights issue, wherever the word 'RoC' appears, the same shall be deemed to refer Designated Stock Exchange.”

6. The existing Clause 7.6.1 shall be substituted by the following:

“7.6.1 In a public issue of securities, the Executive Director/Managing Director of the Designated Stock Exchange along with the post issue Lead Merchant Banker and the Registrars to the Issue shall be responsible to ensure that the basis of allotment is finalised in a fair and proper manner in accordance with the following guidelines:

**Provided**, in the book building portion of a book built public issue notwithstanding the above clause, Clause 11.3.5 of Chapter XI of these Guidelines shall be applicable”

8. The existing Clause 7.6.2 shall be substituted by the following:

“7.6.2 The drawl of lots (where required) to finalise the basis of allotment, shall be done in the presence of a public representative on the Governing Board of the Designated Stock Exchange”.

9. The existing Clause 7.6.3 shall be substituted by the following

“7.6.3 The basis of allotment shall be signed as correct by the Executive Director/Managing Director of the designated stock exchange and the public representative (where applicable) in addition to the lead merchant banker responsible for post issue activities and the Registrar to the Issue. The designated stock exchange shall invite the public representative on a rotation basis from out of the various public representatives on its governing board”

10. The existing clause 8.3.5.2 shall be substituted by the following:

“8.3.5.2 An application to the Board under Clause 8.3.5.1 shall be made through the designated stock exchange of the listed company and the designated stock exchange may recommend the application giving the reason therefore.”

11. The existing clause 8.19.1 shall be substituted by the following:

“8.19.1 The issuer company may utilise funds collected against rights issues after satisfying designated stock exchange that minimum 90% subscription has been received.”

12. The proviso to clause 11A.2.1 shall be deleted.

13. The existing Clause 11A.5.1 shall be substituted by the following

“11A.5.1 The company may apply for listing of its securities on an exchange other than the exchange through which it offers its securities to public through the on-line system.”

14. The existing Clause 11A.7.11 shall be substituted by the following
- “11A.7.11 On the closure of the issue, the Designated Stock Exchange, alongwith the Lead merchant banker and Registrars to the Issue shall ensure that the basis of allocation is finalised in fair and proper manner on the lines of the norms with respect to basis of allotment as specified in Chapter VII of the Guidelines, as may be modified from time to time.”
- 15 The existing Clause 16.2.4 shall be substituted by the following:
- “16.2.4. Issue of No objection certificate(NOC)**
- 16.2.4.1
- (a) As per the Listing Agreement of the Stock Exchanges, the issuer companies shall deposit 1% of the amount of securities offered to the public and/or to the holders of the existing securities of the company, as the case may be, with the designated Stock Exchange, which can be released by the concerned stock exchange only after obtaining an NOC from the Board.
- (b) An application for NOC shall be submitted by issuer company to the Board in the format specified in **Schedule XXIV**.
- 16.2.4.2 The following conditions shall be complied before submitting the application for issue of NOC:
- a) Completion of 4 months from the date of obtaining the listing permission from the concerned Designated Stock Exchange or the last date when the listing permission was obtained from any of the other stock exchanges, where the securities are proposed to be listed, whichever is later.
- b) Satisfactory redressal of all complaints received at the Board against the Company.
- c) Certificate from the Designated Stock Exchange to the issuer company to the effect that underwriting/brokerage commission as well as Registrars/Lead merchant bankers fees have been duly paid by the company.
- 16.2.4.3. Applications for issue of NOC shall be filed by merchant bankers with the concerned designated office of Board under the jurisdiction to which the registered office of the issuer company falls, as specified in **Schedule XXII**.
- 16.2.4.4. In cases where issues (i.e. public/rights/offer of sale or any other) fail and the investors monies are fully refunded, an NOC from the Board may not be required and the concerned designated Stock Exchange can refund the 1% security deposit after duly verifying that the refund orders have actually been despatched.
- 16.2.4.5
- (a) The complaints with respect to non-receipt of underwriting /brokerage commission and non-receipt of Registrars/Lead merchant bankers fees may be filed with the concerned Designated Stock Exchanges.
- (b) Responses against complaints forwarded by the Board to the concerned companies shall be submitted to the Board as per the proforma specified in **Schedule XXV** for updation of records.”
16. The existing Schedule III shall be substituted by the following:

### **SCHEDULE III**

(Clause 5.3.3.1)

#### **FORMAT OF DUE DILIGENCE CERTIFICATE TO BE GIVEN BY LEAD MERCHANT BANKER(S) ALONGWITH DRAFT OFFER DOCUMENT**

To,

SECURITIES AND EXCHANGE BOARD OF INDIA

Dear Sirs,

SUB.: **ISSUE OF \_\_\_\_\_ BY \_\_\_\_\_ LTD.**

We, the under noted Lead Merchant Banker (s) to the above mentioned forthcoming issue state as follows :

- (2) We have examined various documents including those relating to litigation like commercial disputes, patent disputes, disputes with collaborators etc. and other materials more particularly referred to in the Annexure hereto in connection with the finalisation of the draft prospectus/letter of offer pertaining to the said issue;
- (2) On the basis of such examination and the discussions with the company, its directors and other officers, other agencies, independent verification of the statements concerning the objects of the

issue, projected profitability, price justification and the contents of the documents mentioned in the Annexure and other papers furnished by the company, WE CONFIRM that:

- (a) the draft prospectus/letter of offer forwarded to the Board is in conformity with the documents, materials and papers relevant to the issue;
- (b) all the legal requirements connected with the said issue as also the guidelines, instructions, etc. issued by the Board, the Government and any other competent authority in this behalf have been duly complied with; and
- (c) the disclosures made in the draft prospectus / letter of offer are true, fair and adequate to enable the investors to make a well informed decision as to the investment in the proposed issue.
- (3) We confirm that besides ourselves, all the intermediaries named in the prospectus/letter of offer are registered with the Board and that till date such registration is valid.
- (4) We have satisfied ourselves about the worth of the underwriters to fulfil their underwriting commitments.
- (5) We certify that written consent from shareholders has been obtained for inclusion of their securities as part of promoters' contribution subject to lock-in and the securities proposed to form part of promoters' contribution subject to lock-in, will not be disposed / sold / transferred by the promoters during the period starting from the date of filing the draft prospectus with the Board till the date of commencement of lock-in period as stated in the draft prospectus.

PLACE: LEAD MERCHANT BANKER(S) TO THE ISSUE  
DATE: WITH HIS/ THEIR SEAL (S)

**ANNEXURE TO THE DUE DILIGENCE CERTIFICATE FOR THE ISSUE OF**  
**\_\_\_\_\_ BY \_\_\_\_\_ LIMITED**

- 1. Memorandum and Articles of Association of the Company.
- 2. Letter of Intent/SIA Registration/Foreign Collaboration Approval/Approval for import of plant and machinery, if applicable.
- 3. Necessary clearance from governmental, statutory, municipal authorities etc. for implementation of the project, wherever applicable.
- 4. Documents in support of the track record and experience of the promoters and their professional competence.
- 5. Listing agreement of the Company for existing securities on the Stock Exchanges.
- 6. Consent letters from Company's auditors, Bankers to issue, Bankers to the Company, Lead Merchant Bankers, Brokers and where applicable, Proposed Trustees.
- 7. Applications made by the company to the financial institutions/banks for financial assistance as per object of the Issue and copies of relative sanction letters.
- 8. Underwriting letters from the proposed underwriters to the issue.
- 9. Audited Balance Sheets of the Company/Promoter companies for relevant periods.
- 10. Auditors certificate regarding tax-benefits available to the Company, Shareholders and Debenture holders.
- 11. Certificate from Architects or any other competent authority on project implementation schedule furnished by the company, if applicable.
- 12. Reports from Government agencies / expert agencies / consultants / company regarding market demand and supply for the product, industry scenario, standing of the foreign collaborators, etc.
- 13. Documents in support of the infrastructural facilities, raw material availability, etc.
- 14. Auditors' Report indicating summary of audited accounts for the period including that of subsidiaries of the company.
- 15. Stock Exchange quotations of the last 3 years duly certified by designated stock exchange in case of an existing company.
- 16. Applications to RBI and approval thereof for allotment of shares to non-residents, if any, as also for collaboration terms and conditions.

17. Minutes of Board and General Body meetings of the company for matters which are in the prospectus.
18. Declaration in Form 32 from Directors (for particulars of Directorship) or the Company Secretary's certificate in this regard.
19. Revaluation certificate of company's assets given by Government Valuer or any other approved Valuer.
20. Environmental clearance as given by Pollution Control Board of the State Government or the Central Government as applicable.
21. Certificate from company's solicitors in regard to compliance of legal provisions of the Prospectus as also applicability of FERA/MRTP provisions to the company.
22. Other documents, reports etc. as are relevant / necessary for true, fair and adequate disclosures in the draft prospectus / letter of offer (to give details).
23. True copy of the Board resolution passed by the issuer authorising a representative of the Registrar to act on its behalf in relation to handling of stockinvests.

PLACE: LEAD MERCHANT BANKER (S) TO THE ISSUE WITH HIS / THEIR SEAL  
(S)

DATE:

17 The existing Schedule XVI shall be substituted by the following:

### **“SCHEDULE XVI**

**(Clause 7.2.1)**

#### **POST ISSUE MONITORING REPORTS**

#### **PUBLIC ISSUE**

#### **SUBSCRIPTION STATUS : (SUBSCRIBED / UNDERSUBSCRIBED)**

#### **3-DAY MONITORING REPORT**

#### **(RESPONSIBILITY: POST ISSUE LEAD MERCHANT BANKER)**

1. Name of the Issuer Company :
2. Issue opening date :
3. Earliest closing date :
4. Actual closing date :
5. Date of filing prospectus with RoC :
6. **Issue Details (as per the prospectus)**
- 6.1 Nature of instrument : (Equity/FCD/PCD/NCD/Others, Etc.)
- 6.2 Offer price per instrument  
for different categories :
- 6.3 Amt. per instrument on application  
for different categories :
- 6.4 Issue Size : (Rs lakhs)
- (a) Promoters' contribution :
- (a)(i) Date of submission of auditors' certificate to SEBI for receipt of promoters' contribution :
- (b) Amount through offer document :  
(including reserved categories and net public offer)

(b) (i) Reserved Category	Amount reserved (Rs lakhs)	
	Firm basis	Competitive basis

-----  
 Mutual funds  
 FIS / Banks  
 FIIs  
 NRIs / OCBs  
 Employees  
 Others (Please specify)  
 -----

(b)(ii) Net public offer :

7(a). Provisional Subscription Details of Net Public offer (including unsubscribed portion of reserved categories)

i) Total amount to be collected on application : Rs lakhs  
ii) Amount collected on application : Rs lakhs  
iii) % subscribed i.e. % of (ii) to (i) : (%)

7(b). Amount subscribed by the reserved categories on competitive basis : Rs. lakhs

8) Please tick mark whether 90% minimum subscription of the amount through offer document is collected.

(i) YES

(ii) NO

Signed by ...  
Registrars to the Issue

Signed by .....  
Company

Signed by.....  
Lead Merchant Banker(s)

Place:

Date :

Note: This is the responsibility of Lead Merchant banker(s) to give correct information after verifying it from the company and the Registrar to the issue.

## PUBLIC ISSUE

### SUBSCRIPTION STATUS : (SUBSCRIBED / UNDERSUBSCRIBED)

#### FINAL POST ISSUE MONITORING REPORT

#### (RESPONSIBILITY: POST ISSUE LEAD MERCHANT BANKER)

1. Name of the Company :
2. Issue opening date :
3. Actual closing date :
4. 3-Day Report  
Due on :  
Submitted on :
5. No. of Collecting Banks :  
(Also specify no. of Bank Branches)
6. Bank-wise names of branches which did not submit final consolidated certificates within 21 days from closure of issue and mention the dates when they actually submitted :
7. Subscription Details
  - a) Public Offer (Net) (Including unsubscribed portion of reserved category added back to net public offer)
    - 1) No. of applications recd. :
    - 2) No. of instruments applied for :
    - 3) Amount of subscription received : Rs.
    - 4) No. of times issue subscribed :
    - 5) No. of applications accompanied by stock invests :
    - 6) No. of instruments applied through stock invest :
    - 7) Amount of subscription received through stock invest : Rs.
    - 8) Percentage of subscription through stock invest in total subscription :

#### (b) Information relating to reserved categories

Reservations	No. of applications	No. of instruments applied for	Amount subscribed
--------------	---------------------	--------------------------------	-------------------

-----  
NRIs  
FIs  
FIIIs  
MFs  
Employees  
Others  
(Specify)  
-----

The firm allottees who did not meet their commitments though mentioned in the prospectus (Please give their names and amount and whether the promoters have subscribed to that amount before opening of the issue).

#### 9. Actual Date of finalisation of Basis of Allotment (enclose copy) :

#### 10. Allotment Details

##### 10.1 No. of successful allottees per 1 lac shares :

##### 10.2 No. of successful allottees from stock-invest applicants :

##### 10.3 No. of instruments allotted to stockinvest applicants :

##### 10.4 Percentage of stockinvest allottees in total allottees :

##### 10.5 No. of unsuccessful allottees :

#### 11. Actual Date(s) of completion of despatch of -

- (a) Refund Orders :
- (b) Cancelled stock invests :
- (c) Certificates/Allotment Letters :

- (d) Certificate/allotment letter against application by stock Invest :  
 (e) Reasons for delay in despatch, if any :  
 (f) Whether interest paid for delayed period, if so, for which period :

12. If there is a reservation for NRIs, date(s) of completion of despatch of -

- (a) Refund Orders :  
 (b) Cancelled Stockinvests :  
 (c) Certificate/Allotment Letters :  
 (d) Reasons for delay in despatch, if any :  
 (e) Whether interest paid for delayed period :  
 (f) Date of submission of application to the RBI for approval for despatch of share certificates :  
 (g) Date of approval received from RBI :  
 13. Amount of refund due : Rs.  
 14. Refund Banker(s) (Name and Address):  
 15. Date of transfer of refund amount to Refund Banker, if any :  
 16. Date of completion of despatch of refund orders/ cancelled stock invests :  
 17. Name of Designated Stock Exchange :  
 18. Names of other stock exchanges where listing is sought :  
 19. Date on which application was filed with each stock exchange for listing of instruments :  
 20. Date when listing and trading permission given by each stock exchange (Enclose copies of permission letters of stock exchanges) :  
 21. Reasons for delay in listing for trading, if any :

**TO BE FILLED UP IN CASE OF UNDERSUBSCRIBED ISSUES ONLY:**

1. If the issue underwritten, mention the amount of issue underwritten :  
 2. Extent of under subscription on the date of closure of the issue  
 a) Percentage :  
 b) Amount :  
 3. Total no. of Underwriters :  
 4. If devolvement notices had not been issued, mention how the shortfall was met :  
 5. No. of Underwriters to whom devolvement notices had been issued :  
 6. Date of Issue of devolvement notices :  
 7. No. of Underwriters who did not pay devolvement (Please give names, amount underwritten and reasons for not paying) :  
 8. In case of default from underwriters, mention how the shortfall was met :  
 9. In case where FIs/MFs had subscribed to make up shortfall not as underwriter :  
 a) Name of FI/MF :  
 b) No. of Instruments applied for :  
 c) Amount Received :

CERTIFIED that the information given above and also in the enclosures are true to the best of our knowledge and no refund orders / allotment letters / certificates are pending for despatch in respect of the issue.

CERTIFIED that shares to be locked in are duly inscribed with the words "Share cannot be hypothecated / transferred / sold till .....)

Signed by ...  
 Registrars to the Issue

Signed by .....  
 Company

Signed by.....  
 Lead Merchant Banker(s)

Place:

Date :

Note:

(i) It is the responsibility of Lead Merchant banker(s) to give correct information after verifying the facts from the company and the Registrar to the issue.

(ii) The lead merchant banker shall enclose a certificate from the refund banker that the amount of refund due from the company to investors is deposited in a separate account giving details of the total amount deposited in the account and date of deposit.

## RIGHTS ISSUE

### SUBSCRIPTION STATUS : (SUBSCRIBED / UNDERSUBSCRIBED)

#### 3-DAY MONITORING REPORT (RESPONSIBILITY: POST ISSUE LEAD MERCHANT BANKER)

1. Name of the Company :
2. Issue Opening date :
3. Actual closing date :
4. Date of filing letter of offer with the stock Exchange :
5. Issue Details (as per the letter of offer) :
- 5.1 Basis of offer (Ratio) :
- 5.2 Nature of instrument : (Equity/FCD/PCD/NCD/Others, etc)
- 5.3 Offer price per instrument :
- 5.4 Amt. per instrument on application :
- 5.5 Issue Size : Amt in Rs lakhs
6. Record date :
7. Provisional Subscription Details of the issue:
  - i) Total Amount to be collected on application : Rs lakhs
  - ii) Amount collected on application : Rs lakhs
  - iii) % subscribed i.e. % of (ii) to (i) : (%)
  - iv) Please tick mark whether 90% minimum subscription collected :  

(i) YES	(ii) NO
---------	---------

Signed by ...  
Registrars to the Issue

Signed by .....  
Company

Signed by.....  
Lead Merchant Banker(s)  
Place:  
Note:

Date :

It is the responsibility of Lead Merchant banker(s) to give correct information after verifying it from the company and the Registrar to the issue.

## RIGHTS ISSUE

### SUBSCRIPTION STATUS : (SUBSCRIBED / UNDERSUBSCRIBED)

#### 50-DAY MONITORING REPORT (RESPONSIBILITY: POST ISSUE LEAD MERCHANT BANKER)

1. Name of the Company :
2. Issue Opening date :
3. Actual closing date :
4. Issue Details ( as per the letter of offer)
  - 4.1 Basis of offer :
  - 4.2 Nature of instrument : (Equity/FCD/PCD/NCD, etc.)
  - 4.3 Offer price per instrument :
  - 4.4 Amt. per instrument on application :
  - 4.5 Issue Size : Rs in lakhs
5. 3 Day Report Due on :  
Submitted on 6. No. of Collecting Banks :  
(Also specify No. of Bank Branches)
7. Bank-wise names of branches which did not submit final consolidated certificate within 21 days from closure of issue and mention the dates when they actually submitted :
8. Details of Subscription
  - (i) percentage of rights taken up by-
    - a) Promoters :
    - b) Other Shareholders :



- (ii) percentage of rights renounced by -  
a) Promoters :  
b) Others :  
(iii) percentage of rights taken by  
shareholders/ renounces :  
(iv) percentage at the disposal of the  
Board :

(v) Out of the unsubscribed portion as in

(vi) above, taken by:

- (a) Promoters :  
(b) Others :

9. Promoters shareholdings : No .of Shares Percentage  
(a) Prior to the Issue :  
(b) On Expanded Capital after the rights issue:

10. Date of finalisation of allotment (enclose  
copy of the basis of allotment) :

11. (a) Name and Address of  
Refund Banker :

(b) Amount of refund due :

(c) Date of transfer of refund amount  
to Refund Banker, if any :

12. Actual Date(s) of completion of  
despatch of -  
(a) Refund Orders :  
(b) Certificate/Allotment Letters :  
(c) Reasons for delay in despatch, if any :  
(d) Whether interest paid for delayed  
period, if so, for which period :

13. Name of Designated Stock Exchange :

14. Names of other stock exchanges  
where listing is sought :

15. 42nd day from the date of closure  
of the issue :

16. Date on which application was filed with each  
stock exchange for listing of instruments :

17. Date when listing and trading permission given  
by each stock exchange (Enclose copies of  
permission letters of stock exchanges) :

18. Reason for delay in listing for trading, if any:

#### TO BE FILLED UP IN CASE OF UNDERSUBSCRIBED ISSUES ONLY:

1. Extent of under subscription on the date of  
closure of the issue  
a) Percentage :  
b) Amount :  
2. Details of Standby assistance, if any  
a. No. of Underwriters :  
b. No. of Underwriters who did not pay  
devolvement (Please give names, amount  
underwritten and reasons for not paying) :  
3. In case where FIs/MFs had subscribed to make  
up shortfall not as underwriter  
a) Name of FI/MF :  
b) No. of Instruments applied for :  
c) Amount Received :

CERTIFIED that the information given above and also in the enclosures are true to the best of our  
knowledge and no refund orders / allotment letters / certificates are pending for despatch in respect of

the issue.

CERTIFIED that shares to be locked in are duly inscribed with the words "Share can not be hypothecated / transferred / sold till .....)

Signed by ...  
Registrars to the Issue

Signed by .....  
Company

Signed by.....  
Lead Merchant Banker(s)

Place:

Date :

Note:

(i) It is the responsibility of Lead Merchant banker(s) to give correct information after verifying it from the company and the Registrar to the issue.

(ii) The lead Merchant Banker shall enclose a certificate from the refund banker that the amount of refund due from the company to investors is deposited in a separate account giving details of the total amount deposited in the account and date of deposit."

18. The existing Schedule XXIV shall be substituted by the following:

**"SCHEDULE XXIV**

**[clause 16.2.4.1 (b)]**

**APPLICATION FORM FOR ISSUE OF NO OBJECTION CERTIFICATE FOR RELEASE OF 1% DEPOSIT PLACED WITH THE DESIGNATED STOCK EXCHANGE (to be submitted to the Board on Issuer Company's Letter Head)**

1. Issue details indicating :

- a) Name of the Company
- b) Details of Registrars
- c) Nature and size
- d) Date of closure
- e) No. of applications received and amount subscribed
- f) No. of times the issue was subscribed

g) First and last date of despatch of original refund orders/cancelled stock-invests

h) First and last date of despatch of allotment letters/certificate

i) First and last date of sending security certificates to NRIs (Enclose RBI acknowledgement letter. If acknowledgement is not received, date of filing the documents with RBI along with a copy of a letter forwarded to RBI

j) Mode of despatch of Refund orders/Allotment letters/ Certificates.

k) Total amount transferred to the Refund Account and balance outstanding as of latest date (Enclosed bank certificate)

l) Name of the Designated Stock Exchange and the amount deposited as 1% deposit.

2. A note on the existing complaint redressal system followed by the Company/Registrar to the Issue highlighting

- a) Name & address of Compliance officer;
- b) infrastructure
- c) manpower
- d) computer back-up
- e) level of attention and
- f) average time taken in solving the complaints

3. Performance in redressal of investor complaints

a) Status of investor complaints as on a recent date against the company in the following format :

Sr. No.	Source	No. of Complaints		
		Received	Resolved	Pending
(i)	Directly			
(ii)	SEBI			
(iii)	Stock Exchange			
(iv)	Investor Associations			

b) State briefly the nature of complaints indicating the approximate percentage break-up of various types

c) Give reasons for pendency of complaints

4. A copy of the letter from the concerned Designated stock exchange directing the company to obtain NOC from the Board.

5. A copy of the letter from the respective stock exchanges giving permission for trading in the shares of the issue for which NOC is sought (Give reasons for delay, if any, in listing of securities)

6. A Certificate from the concerned Designated stock exchange to the effect that underwriting/brokerage commission as well as Registrars/Lead Managers fees have been duly paid by the company.

7. Certificate from the Registrars countersigned by the post issue lead manager that the certificates to the NRIs have been dispatched  
8. Any other information.

CERTIFIED that the information given above and also in the enclosures are true to the best of our knowledge and no refund orders/allotment letters/certificates are pending for despatch in respect of the issue.

FOR COMPANY  
(Name & Signature of  
Authorised Signatory)"

Place :  
Date :

## Section H

### Review of Operational/Procedural Requirements

1. After clause 5.3.3.2, the following clause shall be inserted, namely -  
"5.3.3.3 The lead managers who are responsible for conducting due diligence exercise with respect to contents of the offer document, as per inter-se allocation of responsibilities shall sign due diligence certificate."

2. The existing Clause 5.3.6 shall be substituted by the following,-

#### **"5.3.6 List of Promoters' Group and other Details**

5.3.6.1 The issuer company shall submit to the Board the list of the persons who constitute the Promoters' Group and their individual shareholding.

5.3.6.2 The issuer company shall submit to the Stock Exchanges on which securities are proposed to be listed, the Permanent Account Number, Bank Account Number and Passport Number of the promoters at the time of filing the draft offer document to them."

3. The existing clause 5.4.1 shall be substituted by the following -

#### **"5.4.1 Appointment of Merchant Bankers**

5.4.1.1 A Merchant Banker shall not lead manage the issue if he is a promoter or a director or associate of the issuer company.

Provided that a merchant banker holding the securities of the issuer company may lead manage the issue if;

- a. the securities of the issuer company are listed or proposed to be listed on the Over the Counter Exchange of India (OTCEI) and;
- b. the Market Makers have either been appointed or are proposed to be appointed as per the offer document.

"Explanation : For the purposes of this clause, a merchant banker shall be deemed to be an associate of the issuer if:

- (i) either of them controls directly or indirectly, through itself, its subsidiary or holding company, not less than 15 percent of the voting power of the other; or
- (ii) either of them, directly or indirectly, by itself or in combination with other persons, exercises control over the other; or
- (iii) There is a common director, excluding nominee director, amongst the body corporate/ its subsidiary or holding company and the Merchant Banker.

Provided that the expression 'control' shall have the same meaning as defined under clause (c) of Regulation 2 of SEBI (Substantial Acquisitions of Shares and Takeovers) Regulations, 1997."

4 In clause 5.6.2, the sub-clause (ii) shall be substituted by the following:

"(ii) make copies of the draft offer document available to the public, host the draft and final offer documents on the websites of the all the lead managers / syndicate members associated with the issue and also ensure that the contents of documents hosted on the websites are the same as that of their printed versions."

5. After clause 5.14, the following clause shall be inserted, namely -

#### **"5.15 Branding of securities**

5.15.1- securities may be branded describing their nature but not the quality".

6 The existing Clause 7.6.1.2.1 shall be substituted by the following:

"7.6.1.2.1 The above proportionate allotments of securities in an issue that is oversubscribed shall be subject to the reservation for small individual applicants as described below:

- a) A minimum 50% of the net offer of securities to the public shall initially be made available for allotment to retail individual investors, as the case may be.
- b) The balance net offer of securities to the public shall be made available for allotment to:
  - i) individual applicants other than retail individual investors, and;

- ii) other investors including Corporate bodies/ institutions irrespective of the number of shares, debentures, etc. applied for.
- c) The unsubscribed portion of the net offer to any one of the categories specified in (a) or (b) shall / may be made available for allotment to applicants in the other category, if so required.

#### Explanation

It is clarified that the words "a minimum of 50% of the public offer" used in sub-clause (a) above means that if the category of retail individual investors was to be entitled to get 70% of the public offer in accordance with proportionate formula, the category should get 70%. If the category is entitled to get only 30% of the public offer in accordance with the proportionate allotment formula, there should be a reservation of a minimum of 50% of the net public offer."

7 The existing clause 8.21.1 shall be substituted by the following:

"8.21.1 An issue shall open within 3 months from the date of issuance of the observation letter by the Board, if any or within 3 months from the 22<sup>nd</sup> day from the date of filing of the draft offer document with the Board, if no observation letter is issued".

#### Section I – Miscellaneous Amendments

1 In clause 1.2.1, the existing sub-clause (xix) shall be substituted by the following:

"(xix) "networth" means aggregate of value of the paid up equity capital and free reserves (excluding reserves created out of revaluation) reduced by the aggregate value of accumulated losses and deferred expenditure not written off (including miscellaneous expenses not written off) as per the audited balance sheet."

2. In clause 1.2.1, the following clause (xxiv-a) shall be inserted after the existing clause (xxiv):

"(xxiv-a) 'Retail individual investor' means an investor who applies or bids for securities of or for a value of not more than Rs.50,000/-."

3. In clause 1.4(i), the following proviso shall be inserted, namely –

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

4 The existing Clause 8.1 shall be deleted

5 In clause 9.3.1:

a) The existing sub-clause (ii) shall be substituted by the following:

"(ii) no selective or additional information or information extraneous to the offer document shall be made available by the issuer or any member of the issue management team/ syndicate to any particular section of the investors or to any research analyst in any manner whatsoever including at road shows, presentations, in research or sales reports or at bidding centres etc."

b) The existing sub-clause (iii) shall be substituted by the following:

"(iii) no research report shall be circulated by the issuer or any member of the issue management team/ syndicate or their associates, commencing from a date 45 days immediately preceding the filing of draft offer document with SEBI and till 45 days after commencement of trading in the relevant securities."

6. After Clause 13.1, a new clause 13.1A shall be inserted as following –

" 13.1A A listed company shall not make any preferential issue of equity shares, Fully Convertible Debentures, Partly Convertible Debentures or any other instrument which may be converted into or exchanged with equity shares at a latter date if the same is not in compliance with the conditions for continuous listing.

7. In Clause 13.5 ,

(i) the heading shall be substituted by 'Other requirements'.

(ii) After sub-clause (b), a new sub-clause ( c) shall be inserted as following:

"(c) In case of preferential allotment of shares to promoters, their relatives, associates and related entities, for consideration other than cash, valuation of the assets in consideration for which the shares are proposed to be issued shall be done by an independent qualified valuer and the valuation report shall be submitted to the exchanges on which shares of the issuer company are listed.

Explanation – For the purpose of this clause the word valuer shall have the same meaning as assigned to the term under clause (r) of sub-regulation (1) of Regulation 2 of the SEBI (Issue of Sweat Equity) Regulations, 2002."