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CS EXECUTIVE

SECURITIES LAWS & CAPITAL MARKETS

AMENDMENTS

(new/old syllabus – June 19' attempt)

**CS VIKAS VOHRA
CORPORATE BABA**

DEPOSITORIES - CHAPTER 3 NEW / CHAPTER 17 OLD**SEBI (DEPOSITORIES AND PARTICIPANTS) REGULATIONS, 2018**

These regulations replace SEBI (Depositories & Participants) Regulations, 1996

APPLICATION FOR REGISTRATION AS A DEPOSITORY

- (1) No applicant shall act as a Depository unless he has obtained registration from SEBI in accordance with the Depositories Act, 1996 and these regulations.
- (2) An application for the grant of a certificate of registration as a depository shall be made to SEBI by an applicant, alongwith the fee.
- (3) The application shall be accompanied by draft bye-laws of the depository that is proposed to be set-up.

APPLICATION TO CONFORM TO THE REQUIREMENTS

- An application which is not complete in all respects and does not conform to the instructions specified shall be rejected.
- Before rejecting any such application, the applicant shall be given in writing an opportunity to remove, within thirty days of the date of communication, the objections indicated by the Board.
- The Board on being satisfied that it is necessary to extend the period specified, extend such period by such further time as it thinks necessary in order to enable the applicant to remove the objections indicated by the Board.

CONSIDERATION OF APPLICATION

- The Board shall not consider an application, unless the applicant belongs to the category of shareholders eligible to hold upto 15% share capital of the depository.
- The applicant is a fit and proper person.

GRANT OF CERTIFICATE OF REGISTRATION

After considering the application, if the Board is satisfied that the company established by the applicant is eligible to act as depository, it may grant a certificate of registration to the depository subject to the following:

- (a) the depository shall pay the registration fee within fifteen days of receipt of intimation from the Board;
- (b) the depository shall comply with the provisions of the Act, the Depositories Act, bye-laws, agreements and these regulations;
- (c) the depository shall not carry on any activity whether involving deployment of funds or otherwise without prior approval of the Board.
- (d) the shareholding of the applicant in the depository shall be locked-in for a period of five years from the date of grant of registration by the Board.
- (e) the depository complies with the shareholding and governance structure requirements specified in these regulations;
- (f) if any information previously submitted by the depository or the applicant to the Board is found to be false or misleading in any material particular, or if there is any change in such information, the depository shall forthwith inform the Board in writing;
- (g) the depository shall redress the grievances of the participants and the beneficial owners within thirty days of the date of receipt of any complaint from a participant or a beneficial owner and keep the Board informed about the number and the nature of redressals;
- (h) the depository shall make an application for commencement of business within one year from the date of grant of certificate of registration under this regulation;
- (i) the depository shall amend its bye-laws from time to time as may be directed by the Board;
- (j) any other condition as the Board may deem fit in the interest of securities market.

PROCEDURE WHERE CERTIFICATE OF REGISTRATION IS NOT GRANTED

- Where an application for the grant of certificate of registration does not satisfy the requirements, the Board shall reject the application after giving the applicant an opportunity of being heard.
- The decision of the Board to reject the application shall be communicated to the applicant in writing within thirty days of such decision, stating therein the grounds on which the application has been rejected.

ELIGIBILITY REQUIREMENTS

- (a) the depository has a net worth of not less than rupees **one hundred crores**;
- (b) the bye-laws of the depository have been approved by the Board;
- (c) the automatic data processing systems of the depository have been protected against unauthorised access, alteration, destruction, disclosure or dissemination of records and data;
- (d) the network through which continuous electronic means of communications are established between the depository, participants, issuers and issuers' agents is secure against unauthorised entry or access;
- (e) the depository has established standard transmission and encryption formats for electronic communications of data between the depository, participants, issuers and issuers' agents;
- (f) the physical or electronic access to the premises, facilities, automatic data processing systems, data storage sites and facilities including back up sites and facilities and to the electronic data communication network connecting the depository, participants, issuers and issuers agents is controlled, monitored and recorded;
- (g) the depository has a detailed operations manual explaining all aspects of its functioning, including the interface and method of transmission of information between the depository, issuers, issuers' agents, participants and beneficial owners;
- (h) the depository has established adequate procedures and facilities to ensure that its records are protected against loss or destruction and arrangements have been made for maintaining back up facilities at a location

different from that of the depository;

- (i) the depository has made adequate arrangements including insurance for indemnifying the beneficial owners for any loss that may be caused to such beneficial owners by the wrongful act, negligence or default of the depository or its participants or of any employee of the depository or participant; and
- (j) the grant of certificate of commencement of business is in the interest of investors in the securities market.

NETWORTH CERTIFICATE

- (1) Every depository shall maintain networth at all times and submit an audited networth certificate from the statutory auditor on a yearly basis, by the thirtieth day of September of every year for the preceding financial year.
- (2) Every depository shall within one month of the date of the holding of its annual general meeting, furnish to the Board a copy of its audited balance-sheet and profit and loss account for the preceding financial year.

SHAREHOLDING IN A DEPOSITORY

(1) No person **resident in India** shall at any time, directly or indirectly, either individually or together with persons acting in concert, acquire or hold more than five percent of the paid up equity share capital in a Depository:

Provided that—

- (i) a stock exchange;
- (ii) a depository;
- (iii) a banking company;
- (iv) an insurance company; and
- (v) a public financial institution,

may acquire or hold, either directly or indirectly, either individually or together with persons acting in concert, upto fifteen percent of the paid up equity share capital of a Depository.

(2) No person **resident outside India**, directly or indirectly, either individually or together with persons acting in concert, shall acquire or hold more than five percent of the paid up equity share capital in a Depository:

Provided further that-

- (i) a foreign stock exchange;
- (ii) a foreign depository;
- (iii) a foreign banking company;
- (iv) a foreign insurance company;
- (v) a foreign commodity derivatives exchange; and
- (vi) a bilateral or multilateral financial institution approved by the Central Government, may acquire or hold, either directly or indirectly, either individually or together with persons acting in concert, upto fifteen percent of the paid up equity share capital of a Depository.

(3) Subject to the limits as otherwise prescribed by the Central Government from time to time, the combined holding of all persons resident outside India in the paid up equity share capital of a depository shall not exceed, at any time, forty-nine percent of its total paid up equity share capital.

CODE OF CONDUCT FOR DEPOSITORIES

1. A depository shall always abide by the provisions of the Act, Depositories Act, 1996, Rules, Regulations, circulars, guidelines and any other directions issued by the Board.
2. A depository shall take appropriate measures towards investor protection and education of investors.
3. A depository shall treat all its applicants/participants in a fair and transparent manner.
4. A depository shall promptly inform the Board of violations of the provisions of the Act, Depositories Act, the rules, the regulations, circulars, guidelines or any other directions by any of its participants, issuer or issuer's agent.
5. A depository shall take a proactive and responsible attitude towards safeguarding the interests of investors, integrity of the depository system and the securities market.

6. A depository shall make endeavors for introduction of best business practices amongst itself and its participants.
7. A depository shall act in utmost good faith and shall avoid conflict of interest in the conduct of its functions.
8. A depository shall not indulge in unfair competition, which is likely to harm the interests of any other depository, participants or investors or is likely to place them in a disadvantageous position while competing for or executing any assignment.
9. A depository shall be responsible for the acts or omissions of its employees in respect of the conduct of its business.
10. A depository shall monitor the compliance of the rules and regulations by the participants and shall further ensure that their conduct is in a manner that will safeguard the interest of investors and the securities market.

MANNER OF CREATION OF PLEDGE OR HYPOTHECATION

- (1) If a beneficial owner intends to create a pledge on a security owned by him he shall make an application to the depository through the participant who has his account in respect of such securities.
- (2) The participant after satisfaction that the securities are available for pledge shall make a note in its records of the notice of pledge and forward the application to the depository.
- (3) Within fifteen days of receipt of the application, the depository shall after concurrence of the pledger through its participant, create and record the pledge and send an intimation of the same to the participants of the pledger and the pledgee.
- (4) On receipt of the intimation, the participants of both the pledger and the pledgee shall inform the pledger and the pledgee respectively of the entry of creation of the pledge.
- (5) If the depository does not create the pledge, it shall send along with the reasons and intimation to the participants of the pledger and the pledgee.
- (6) The entry of pledge made may be cancelled by the depository if pledger or the pledgee makes an application to the depository through its participant.
- (7) The depository on the cancellation of the entry of pledge shall inform the

participant of the pledger.

- (8) Subject to the provisions of the pledge document, the pledgee may invoke the pledge and on such invocation, the depository shall register the pledgee as beneficial owner of such securities and amend its records accordingly.
- (9) After amending its records, the depository shall immediately inform the participants of the pledger and pledgee of the change who in turn shall make the necessary changes in their records and inform the pledger and pledgee respectively.

BOARD'S RIGHT TO INSPECT

The Board may appoint one or more persons as inspecting officer to undertake inspection of the books of account, records, documents and infrastructure, systems and procedures, or to investigate the affairs of a depository, a participant, a beneficial owner an issuer or its agent for any of the following purposes, namely:—

- (a) to ensure that the books of account are being maintained by the depository, participant, issuer or its agent in the manner specified in these regulations;
- (b) to look into the complaints received from the depositories, participants, issuers, issuers' agents, beneficial owners or any other person;
- (c) to ascertain whether the provisions of the Act, the Depositories Act, the bye-laws, agreements and these regulations are being complied with by the depository, participant, beneficial owner, issuer or its agent;
- (d) to ascertain whether the systems, procedures and safeguards being followed by a depository, participant, beneficial owner, issuer or its agent are adequate;
- (e) to suo motu ensure that the affairs of a depository, participant, beneficial owner, issuer or its agent, are being conducted in a manner which are in the interest of the investors or the securities market.

ELIGIBILITY REQUIREMENT FOR REGISTRATION AS A DEPOSITORY PARTICIPANT

- (a) the applicant belongs to one of the following categories,—
- (i) a public financial institution;
 - (ii) a bank;
 - (iii) a foreign bank operating in India with the approval of the Reserve Bank of India;
 - (iv) a State Financial Corporation;
 - (v) an institution engaged in providing financial services, promoted by any of the institutions mentioned in sub-clauses (i), (ii), (iii) and (iv), jointly or severally;
 - (vi) a custodian of securities;
 - (vii) a clearing corporation or a clearing house of a stock exchange;
 - (viii) a stock broker provided that the stock broker shall have a minimum net worth of rupees fifty lakhs and the aggregate value of portfolio of securities of the beneficial owners held in dematerialised form in a depository through him, shall not exceed hundred times of the net worth of the stock broker. If the stock broker seeks to act as a participant in more than one depository, he shall comply with the criteria specified in the first proviso separately for each such depository. Where the stock broker has a minimum net worth of rupees ten crore, the limits on the aggregate value of the portfolio of securities of the beneficial owners held in dematerialized form in a depository through him shall not be applicable;
 - (ix) a non-banking finance company, having a net worth of not less than rupees fifty lakhs;
 - (x) a registrar to an issue or share transfer agent who has a minimum net worth of rupees ten crores;
- (b) the applicant is eligible to be admitted as a participant of the depository through which it has made the application to the Board;
- (c) the applicant has adequate infrastructure, systems, safeguards and trained staff to carry on activity as a participant;
- (d) the applicant is a fit and proper person; and
- (e) the grant of certificate of registration is in the interests of investors in the securities market.

ACTING AS PARTICIPANT IN MORE THAN ONE DEPOSITORY

- (1) A participant who has been granted a certificate of registration may act as a participant of another depository without obtaining separate certificate of registration subject to approval by such other depository.
- (2) Such a participant who desires to act as a participant of another depository shall apply to such other depository for approval in the manner as specified by the Board.
- (3) On receipt of an application, the depository shall, on being satisfied with the compliance of the provisions of these regulations and other relevant eligibility requirements specified by the Board, grant approval to act as its participant subject to payment of registration fees, by the participant within fifteen days of the receipt of intimation from the depository.
- (4) The depository shall inform the Board about the approval granted.
- (5) A participant who has been granted approval shall pay annual fees separately for each depository.
- (6) To keep the registration in force, a participant who has been granted approval shall pay registration fees for every five years from the sixth year of the date of grant of approval by the depository.

COMPOSITION OF GOVERNING BOARD

- (1) The governing board of every depository shall include:
 - (a) shareholder directors;
 - (b) public interest directors; and,
 - (c) managing director.
- (2) Subject to prior approval of the Board, the chairperson shall be elected by the governing board from amongst the public interest directors.
- (3) The number of public interest directors shall not be less than the number of shareholder directors on the governing board of a Depository.
- (4) The number of public interest directors shall not be less than the number of shareholder directors to constitute the quorum for the meeting of the governing board.

(5) The voting on a resolution in the meeting of the governing board shall be valid only when the number of public interest directors that have cast their vote on such resolution is equal to or more than the number of shareholder directors who have cast their vote on such resolution.

(6) The casting vote in the meetings of the governing board of the depository shall be with the chairperson of the governing board.

(7) The managing director shall be included in the category of shareholder directors.

(8) Any employee of a depository may be appointed on the governing board in addition to the managing director, and such director shall be deemed to be a shareholder director:

(9) No depository participant or their associates and agents, irrespective of the depository of which they are members, shall be on the governing board of a depository.

(10) A person who is a director in an entity, that itself is a depository participant or has associate(s) as depository participant, he/she will be deemed to be a depository participant.

(11) The appointment of director shall be subject to fulfillment of other requirements and satisfaction of the Board.

(12) Depository shall monitor and ensure the compliance of sub regulation 9 on continuous basis, to ensure that directors appointed, on their governing board, do not get associated with Depository Participant after approval and appointment.

(13) No foreign portfolio investor shall have any representation in the governing board of a depository.

CHAPTER 5 (NEW) / CHAPTER 16 (OLD)**REGULATION 31A OF SEBI (LODR) REGULATIONS, 2015 – RECLASSIFICATION OF PROMOTER & PROMOTER GROUP SHAREHOLDERS**

1. Promoter shall apply to Company for reclassification along with the supporting documents, if any.
2. Intimation to Exchange about receipt of such request from the promoter has to be made by the Company within 24 hours of receipt of such application.
3. The Board of Directors of the listed entity shall analyse the request and place the same before the shareholders in a general meeting for approval along with their views. There shall be a time gap of at least three months but not exceeding six months between the date of board meeting and the shareholders meeting considering the request for reclassification.
4. Outcome of board meeting shall be submitted to the Exchange within 24 hours of the conclusion of board meeting in which resolution regarding reclassification is approved.
5. The request of the promoter(s) seeking re-classification is required to be approved in the general meeting by an ordinary resolution in which the promoter(s) seeking reclassification and persons related to the promoter(s) seeking re-classification shall not vote to approve such re-classification request. The Outcome of the General Meeting shall be submitted to the Exchange as required under regulations applicable to the General Meetings.
6. After obtaining shareholders' approval in General Meeting, Company will submit the application for reclassification within 30 days from the date of approval by shareholders in the General Meeting, to the Stock Exchange.
7. Additionally, disclosure of the fact that such application has been filed with the Exchanges shall be submitted to the Exchange as intimation of material event within 24 hours of the filing of such application.
8. Exchange shall process the application subject to the application being complete in all respects and compliant with all applicable regulations.

9. In case of incomplete applications, company shall be provided opportunity to rectify the deficiencies. If the deficiencies are not rectified within 30 days of intimation of the same to the Company, the application shall be liable to be rejected and the processing fee paid by the company will be forfeited.
10. Letter of acceptance shall be issued to the company by the Exchange to effect the reclassification in the shareholding pattern subject to compliance with applicable SEBI regulations.
11. After Exchange approval / rejection of the reclassification application, same is also required to be disclosed as material event within 24 hours of communication of decision of the Exchange.

OBLIGATIONS OF LISTED ENTITY WHICH HAS LISTED ITS SECURITY RECEIPTS

CONCEPT

INTIMATIONS & DISCLOSURES OF EVENTS OR INFORMATION TO STOCK EXCHANGE

- (1) The listed entity shall first disclose to stock exchange(s) of all events or information, as soon as reasonably possible but not later than twenty four hours from occurrence of the event or information. In case the disclosure is made after twenty four hours of occurrence of the event or information, the listed entity shall, along with such disclosures provide explanation for the delay.

- (2) The listed entity with respect to disclosures referred to in this regulation, shall provide updates related to such disclosures on a regular basis, till such time the event is resolved/closed, with relevant explanations.
- (3) The listed entity shall provide specific and adequate reply to all queries raised by stock exchange(s) with respect to any events or information.
- (4) The listed entity, suo moto, may confirm or deny any reported event or information to stock exchange(s).
- (5) The listed entity shall disclose on its website or on the website of the sponsor all such events or information which has been disclosed to stock exchange(s) under this regulation, and such disclosures shall be hosted on the website of the listed entity for a minimum period of five years and thereafter as per the archival policy of the listed entity, as disclosed on its website.

DISCLOSURE OF EVENTS OR INFORMATION TO STOCK EXCHANGES

The following events/information shall be disclosed by the listed entity without any application of guidelines of materiality as soon as reasonably possible but not later than twenty four hours from occurrence of event or information:

- periodic Net Asset Value;
- periodic rating obtained from credit rating agency or any revision in the rating or any expected revision in rating;
- any proposal to change or change of credit rating agency or Valuer;
- any proposal for acquisition of assets including terms of acquisition;
- any proposal to change or any change in terms of security receipts including rights or privileges or nature or form etc.;
- any breach of covenant(s) under the terms of security receipts;
- any change in the general character or nature of business/activities, disruption of operation due to natural calamity etc. of the listed entity;
- any change in value of cash-flows as disclosed if any;
- any delay or expected delay in cash flows from the due date or pre-agreed date if any;
- any receipt of cash flow or expected cash flow along with quantum so received;

- any change in percentage holding of non-performing loans across other banks;

RATING, VALUATION & NAV DISCLOSURE

- (1) An issuer whose security receipts are listed on a stock exchange shall ensure that:
 - (i) the listed security receipts are valued at the end of each quarter i.e. as on March 31, June 30, September 30 and December 31 of every year;
 - (ii) valuation is conducted by an independent valuer; and
 - (iii) the net asset value is calculated on the basis of such independent valuation and the same is declared by the asset reconstruction company within fifteen days of the end of the quarter.
- (2) The issuer shall also comply with the extant Reserve Bank of India requirement of obtaining credit rating of security receipts at half yearly interval and declaration of the net asset value thereafter and/or any other requirement as prescribed by the Reserve Bank of India from time to time. In those two quarters in a year, where both external valuation and credit rating are required, issuer shall disclose lower of the two calculated Net Asset Value.

TERMS OF SECURITY RECEIPTS

- (1) Any security receipt issued would be transferable only in favour of qualified buyers in terms of Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002.
- (2) Unless the terms of issue provide otherwise, the listed entity shall not select any of its listed security receipts for payments otherwise than on pro rata basis or by lot and shall promptly submit to the stock exchange(s) the details thereof.

RECORD DATE

- (1) The listed entity shall fix a record date for payment to holders of security receipts or for such other purposes as specified by the stock exchange(s).
- (2) The listed entity shall give notice in advance of at least seven working days (excluding the date of intimation and the record date) to the stock

exchange(s) of the record date or of as many days as the stock exchange may agree to or require specifying the purpose of the record date;

SEBI (ICDR) REGULATIONS, 2009 - CHAPTER 4 (NEW) / CHAPTER 18 (OLD)

SEBI (ICDR) Regulations, 2018 replaces SEBI (ICDR) Regulations, 2009

METHODS TO RAISE FUNDS IN PRIMARY MARKET

PUBLIC ISSUE: When an offer is made to new investors (general public) for becoming shareholders of the issuer Company it is called a public issue.

- **Initial Public Offer (IPO):** When an unlisted public company offers its securities for sale for the first time to the General public, it is known as an IPO.
- **Further Public Offer (FPO) or follow on offer:** When a listed company offers a fresh issue of securities to the general public for sale, it is known as a FPO.

RIGHTS ISSUE: When a listed company offers or issues securities to the existing shareholders on a particular date fixed by the issuer company (i. e. record date), it is called a rights issue. The rights issue is always issued at price not like bonus shares.

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

PRIVATE PLACEMENT: When an issuer makes an issue of securities to a select group of persons not exceeding 49%, and which is neither a rights issue nor a public issue, it is called a private placement.

Private placement of shares or convertible securities by listed issuer can be of two types:

- (i) **Preferential Allotment:** When a listed company issues shares or convertible securities, to a select group of persons in terms of SEBI (ICDR) Regulations, 2018, it is called a preferential allotment. The issuer is required to comply with various provisions which intern alia include pricing, disclosures in notice etc., in additional to requirements specified in Companies Act.
- (ii) **Qualified Institutions Placement (QIP):** When a listed Company issues equity shares or securities convertible into equity shares to QIBs only, it is called a QIP.
- (iii) **Institutional Placement Programme (IPP):** When a listed issuer makes a further public offer of equity shares, or offer for sale of shares by promoter/ promoter group of listed issuer in which, the offer allocation and allotment of such shares is made only to QIBs in terms of SEB (ICDR) Regulations, 2018 for the purpose of achieving minimum public shareholding it is called an IPP.

APPLICABILITY OF THESE REGULATIONS

These regulations shall apply to the following:

- (a) an initial public offer by an unlisted issuer;
- (b) a rights issue by a listed issuer; where the aggregate value of the issue is ten crore rupees or more;
- (c) a further public offer by a listed issuer;
- (d) a preferential issue by a listed issuer;
- (e) a qualified institutions placement by a listed issuer;
- (f) an initial public offer of Indian depository receipts;
- (g) a rights issue of Indian depository receipts;
- (h) an initial public offer by a small and medium enterprise;
- (i) a listing on the institutional trading platform through an issue or without an issue; and
- (j) a bonus issue by a listed issuer.

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

INITIAL PUBLIC OFFER**ELIGIBILITY NORMS FOR COMPANIES**

An Issuer can make an initial public offering (IPO) of equity shares, only if it fulfills the following conditions:-

- (i) Net tangible assets of at least Rs.3 crore in each of the preceding 3 full financial years (12 months each), of which not more than 50% is held in monetary assets.

However, if more than 50% of the net tangible assets are held in monetary assets, the issuer has made firm commitments to utilize such excess monetary assets in its business or project. Further, the limit of 50% on monetary assets shall not be applicable in case the public offer is made entirely

through offer for sale.

- (ii) The company has a minimum average pre-tax operating profit of Rs. 15 crores, calculated on a restated and consolidated basis, in each of these preceding three years;
- (iii) The Company has a Net worth of at least Rs.1 crore in each of the preceding 3 full years, calculated on a restated and consolidated basis;
- (iv) In case of change of name of the Company within the last one year, at least 50% of the revenue, calculated on restated & consolidated basis, for the preceding 1 full year is being earned by the company from the activity suggested by the new name.

ENTITIES NOT ELIGIBLE TO MAKE AN IPO

An issuer shall not be eligible to make an initial public offer -

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

(2) An issuer shall not be eligible to make an initial public offer if there are any outstanding convertible securities or any other right which would entitle any person with any option to receive equity shares of the issuer:

Provided that the provisions of this sub-regulation shall not apply to:

- a) outstanding options granted to employees, whether currently an employee or not;
- b) fully paid-up outstanding convertible securities which are required to be converted on or before the date of filing of the red herring prospectus (in case of book-built issues) or the prospectus (in case of fixed price issues).

GENERAL CONDITIONS

An issuer making an initial public offer shall ensure that:

- a) it has made an application to one or more stock exchanges to seek an in-principle approval for listing of its specified securities on such stock exchanges and has chosen one of them as the designated stock exchange;
- b) it has entered into an agreement with a depository for dematerialization of the specified securities already issued and proposed to be issued;
- c) all its specified securities held by the promoters are in dematerialized form prior to filing of the offer document;
- d) all its existing partly paid-up equity shares have either been fully paid-up or have been forfeited;
- e) it has made firm arrangements of finance through verifiable means towards seventy five per cent. of the stated means of finance for a specific project proposed to be funded from the issue proceeds, excluding the amount to be raised through the proposed public issue or through existing identifiable internal accruals.

PROMOTER'S CONTRIBUTION

- (1) The promoters of the issuer shall hold at least twenty per cent of the post-issue capital. In case the post-issue shareholding of the promoters is less than twenty percent, alternative investment funds or foreign venture capital investors or scheduled commercial banks or public financial institutions or insurance companies registered with Insurance Regulatory and Development Authority of India may contribute to meet the shortfall in minimum contribution as specified for the promoters, subject to a maximum of ten per cent of the post-issue capital without being identified as promoter(s). The requirement of minimum promoters contribution shall not apply in case an issuer does not have any identifiable promoter.

- (2) The minimum promoters contribution shall be as follows:
- a) the promoters shall contribute twenty percent, either by way of equity shares or by way of subscription to convertible securities. If the price of the equity shares allotted pursuant to conversion is not pre-determined and not disclosed in the offer document, the promoters shall contribute only by way of subscription to the convertible securities being issued in the public issue and shall undertake in writing to subscribe to the equity shares pursuant to conversion of such securities.
 - b) in case of any issue of convertible securities which are convertible or exchangeable on different dates and if the promoters' contribution is by way of equity shares (conversion price being pre-determined), such contribution shall not be at a price lower than the weighted average price of the equity share capital arising out of conversion of such securities.
 - c) subject to the provisions of clause (a) and (b) above, in case of an initial public offer of convertible debt instruments without a prior public issue of equity shares, the promoters shall bring in a contribution of at least twenty per cent of the project cost in the form of equity shares, subject to contributing at least twenty percent of the issue size from their own funds in the form of equity shares. If the project is to be implemented in stages, the promoters contribution shall be with respect to total equity participation till the respective stage vis-à-vis the debt raised or proposed to be raised through the public issue.
- (3) The promoters shall satisfy the requirements of this regulation at least one day prior to the date of opening of the issue.
- (4) In case the promoters have to subscribe to equity shares or convertible securities towards minimum promoters' contribution, the amount of promoters' contribution shall be kept in an escrow account with a scheduled commercial bank, which shall be released to the issuer along with the release of the issue proceeds. Where the promoters' contribution has already been brought in and utilised, the issuer shall give the cash flow statement disclosing the use of such funds in the offer document. Where the

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

For computation of weighted average price:

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

SECURITIES INELIGIBLE FOR MINIMUM PROMOTERS CONTRIBUTION

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

- (b) specified securities acquired by the promoters and alternative investment funds or foreign venture capital investors or scheduled commercial banks or public financial institutions or insurance companies registered with Insurance Regulatory and Development Authority of India, during the preceding one year at a price lower than the price at which specified securities are being offered to the public in the initial public offer:

Provided that nothing contained in this clause shall apply:

- (i) if the promoters and alternative investment funds, as applicable, pay to the issuer the difference between the price at which the specified securities are offered in the initial public offer and the price at which the specified securities had been acquired;
- (ii) if such specified securities are acquired in terms of the scheme under

sections 391 to 394 of the Companies Act, 1956 or sections 230 to 234 of the Companies Act, 2013, as approved by a High Court or a tribunal or the Central Government, as applicable, by the promoters in lieu of business and invested capital that had been in existence for a period of more than one year prior to such approval;

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

(c) specified securities allotted to the promoters and alternative investment funds during the preceding one year at a price less than the issue price, against funds brought in by them during that period, in case of an issuer formed by conversion of one or more partnership firms or limited liability partnerships, where the partners of the erstwhile partnership firms or limited liability partnerships are the promoters of the issuer and there is no change in the management. Provided that specified securities, allotted to the promoters against the capital existing in such firms for a period of more than one year on a continuous basis, shall be eligible;

(d) specified securities pledged with any creditor.

(2) Specified securities referred to in clauses (a) and (c) of sub-regulation (1) shall be eligible for the computation of promoters' contribution if such securities are acquired pursuant to a scheme which has been approved by a High Court under the sections 391 to 394 of the Companies Act, 1956 or approved by a tribunal or the Central Government under sections 230 to 234 of the Companies Act, 2013.

LOCK IN PERIOD UNDER VARIOUS CIRCUMSTANCES

The promoter's minimum contribution (20%) shall be locked - in for a period of:

- (i) 3 years from the date of commencement of commercial production; or
- (ii) The date of allotment in the public issue, whichever is later.

The excess promoters' contribution over the required minimum contribution shall be locked in for a period of:

- (i) 1 year from the date of commencement of commercial production; or
- (ii) The date of allotment in the public issue, whichever is later.

For the purposes of this clause, the expression "date of commencement of commercial production" means the last date of the month in which commercial production of the project in respect of which the funds raised are proposed to be utilised as stated in the offer document, is expected to commence.

LOCK IN OF SPECIFIED SECURITIES HELD BY PERSONS OTHER THAN PROMOTERS

The entire pre-issue capital held by persons other than the promoters shall be locked-in for a period of one year from the date of allotment in the initial public offer:

INSCRIPTION OR RECORDING OF NON-TRANSFERABILITY

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

TRANSFERABILITY OF LOCKED-IN SPECIFIED SECURITIES

Subject to the provisions of Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, the specified securities held by the promoters and locked-in as per regulation 16 (promoters locked in shares), may be transferred to another promoter or any person of the promoter group or a new promoter.

The specified securities held by persons other than the promoters and locked-in as per regulation 17 (lock in of securities held by persons other than promoters), may be transferred to any other person holding the specified securities which are

locked-in along with the securities proposed to be transferred

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

FILING OF DRAFT OFFER DOCUMENT & OFFER DOCUMENT

- (1) Prior to making an initial public offer, the issuer shall file three copies of the draft offer document with the concerned regional office of the Board under the jurisdiction of which the registered office of the issuer company is located through the lead manager(s).
- (2) The lead manager(s) shall submit the following to the Board along with the draft offer document:
 - a) a certificate, confirming that an agreement has been entered into between the issuer and the lead manager(s);
 - b) a due diligence certificate as per Form A of Schedule V;
 - c) in case of an issue of convertible debt instruments, a due diligence certificate from the debenture trustee as per Form B of Schedule V;
- (3) The issuer shall also file the draft offer document with the stock exchange(s) where the specified securities are proposed to be listed, and submit to the stock exchange(s), the Permanent Account Number, bank account number and passport number of its promoters where they are individuals, and Permanent Account Number, bank account number, company registration number or equivalent and the address of the Registrar of Companies with which the promoter is registered, where the promoter is a body corporate.
- (4) The Board may specify changes or issue observations, if any, on the draft offer document within thirty days from the later of the following dates:
 - a) the date of receipt of the draft offer document under sub-regulation (1);
or
 - b) the date of receipt of satisfactory reply from the lead manager(s), where

- the Board has sought any clarification or additional information from them; or
- c) the date of receipt of clarification or information from any regulator or agency, where the Board has sought any clarification or information from such regulator or agency; or
 - d) the date of receipt of a copy of in-principle approval letter issued by the stock exchange(s).
- (5) If the Board specifies any changes or issues observations on the draft offer document, the issuer and lead manager(s) shall carry out such changes in the draft offer document and shall submit to the Board an updated draft offer document complying with the observations issued by the Board and highlighting all changes made in the draft offer document and before registering or filing the offer documents with the Registrar of Companies or an appropriate authority, as applicable.
- (6) If there are any changes in the draft offer document, an updated offer document or a fresh draft offer document, as the case may be, shall be filed with the Board along with fees.
- (7) Copy of the offer documents shall also be filed with the Board and the stock exchange(s) through the lead manager(s) promptly after registering the offer documents with Registrar of Companies.
- (8) The draft offer document and the offer document shall also be furnished to the Board in a soft copy.
- (9) The lead manager(s) shall submit the following documents to the Board after issuance of observations by the Board or after expiry of the period stipulated if the Board has not issued observations:
- a) a statement certifying that all changes, suggestions and observations made by the Board have been incorporated in the offer document;
 - b) a due diligence certificate;
 - c) a copy of the resolution passed by the board of directors of the issuer for allotting specified securities to promoter(s) towards amount received against promoters' contribution, before opening of the issue;
 - d) a certificate from a statutory auditor, before opening of the issue, certifying

that promoters' contribution has been received in accordance with these regulations, accompanying therewith the names and addresses of the promoters who have contributed to the promoters' contribution and the amount paid and credited to the issuer's bank account by each of them towards such contribution;

- e) a due diligence certificate as per Form D of Schedule V, in the event the issuer has made a disclosure of any material development by issuing a public notice.

DRAFT OFFER DOCUMENT & OFFER DOCUMENT TO BE AVAILABLE TO PUBLIC

- 1) The draft offer document filed with the Board shall be made public for comments, if any, for a period of at least twenty one days from the date of filing, by hosting it on the websites of the Board, stock exchanges where specified securities are proposed to be listed and lead manager(s) associated with the issue.
- 2) The issuer shall, within two days of filing the draft offer document with the Board, make a public announcement in one English national daily newspaper with wide circulation, one Hindi national daily newspaper with wide circulation and one regional language newspaper with wide circulation at the place where the registered office of the issuer is situated, disclosing the fact of filing of the draft offer document with the Board and inviting the public to provide their comments to the Board, the issuer or the lead manager(s) in respect of the disclosures made in the draft offer document.
- 3) The lead manager(s) shall, after expiry of the period stipulated above, file with the Board, details of the comments received by them or the issuer from the public, on the draft offer document, during that period and the consequential changes, if any, that are required to be made in the draft offer document.
- 4) The issuer and the lead manager(s) shall ensure that the offer documents are hosted on the websites as required under these regulations and its contents are the same as the versions as filed with the Registrar of Companies, Board and the stock exchanges, as applicable.

- 5) The lead manager(s) and the stock exchanges shall provide copies of the offer document to the public as and when requested and may charge a reasonable sum for providing a copy of the same.

FACE VALUE OF EQUITY SHARES

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

PRICE AND PRICE BAND

For Book Building Process:

The issuer company has to announce price band in place of fixed price for the issue of securities. The price band shall be included in the red herring prospectus of the Company.

For Other than Book Building Process:

The issuer company has to fix price of issue of securities before submitting prospectus with the Registrar of Companies.

- (1) The issuer company can mention a price in the draft prospectus (in case of a fixed price issue) and floor price or price bank in the red herring prospectus (in case of a fixed built issue) and determine the price at a later date before registering the prospectus with the Registrar of Companies. However, the final prospectus registered with the Registrar of Companies should contain only one price.
- (2) The cap on the price band shall be less than or equal to 120% of the floor price.
- (3) The floor price or the final price should not be less than the face value of the securities.
- (4) If the floor price or price band is not mentioned in the red herring prospectus, the issuer company should announce the floor price or price band in all the newspapers in which the pre - issue advertisement was released atleast 2 working days before the opening of the bid.

- (5) The announcement referred above shall contain relevant financial ratios computed for both upper and lower end of the price band and also a statement drawing attention of the investors to the section titled basis of issue price of the offer document.
- (6) The announcement and the relevant financial ratios shall be disclosed on the websites of the stock exchange(s) and shall also be pre-filled in the application forms to be made available on the websites of the stock exchange(s).

MINIMUM OFFER TO PUBLIC

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

Rule 19(2)(b):

At least 10 per cent of each class or kind of securities issued by a company was offered to the public for subscription through advertisement in newspapers for a period not less than two days and that applications received in pursuance of such offer were allotted subject to the following conditions:

- (a) minimum 20 lakh securities (excluding reservations, firm allotment and promoters' contribution) was offered to the public;
- (b) the size of the offer to the public, i.e., the offer price multiplied by the number of securities offered to the public was minimum Rs. 100 crores; and
- (c) the issue was made only through book building method with allocation of 60 percent of the issue size to the qualified institutional buyers as specified by SEBI;

AVAILABILITY OF ISSUE MATERIAL

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

PROHIBITION ON PAYMENT OF INCENTIVES

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

SECURITY DEPOSIT

- (1) The issuer shall, before the opening of the subscription list, deposit with the designated stock exchange, an amount calculated at the rate of one per cent. of the issue size available for subscription to the public in the manner specified by Board and/or stock exchange(s).
- (2) The amount specified shall be refundable or forfeitable in the manner specified by the Board.

IPO GRADING

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

ALLOTMENT PROCEDURE & BASIS OF ALLOTMENT

- (1) The issuer shall not make an allotment pursuant to a public issue if the number of prospective allottees is less than one thousand. So, there must be minimum 1000 Prospective Allottees.
- (2) The issuer shall not make any allotment in excess of the specified securities offered through the offer document except in case of oversubscription for the purpose of rounding off to make allotment, in consultation with the designated stock exchange.
- (3) The allotment of specified securities to applicants other than to the retail individual investors and anchor investors shall be on a proportionate basis within the respective investor categories and the number of securities allotted shall be rounded off to the nearest integer, subject to minimum

allotment being equal to the minimum application size as determined and disclosed in the offer document. Provided that the value of specified securities allotted to any person, except in case of employees shall not exceed two lakhs rupees for retail investors or up to five lakhs rupees for eligible employees.

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

ALLOTMENT, REFUND & PAYMENT OF INTEREST

- (1) The issuer and lead manager(s) shall ensure that the specified securities are allotted and/or application monies are refunded or unblocked within such period as may be specified by the Board.
- (2) The lead manager(s) shall ensure that the allotment, credit of dematerialised securities and refund or unblocking of application monies, as may be applicable, are done electronically.
- (3) Where the specified securities are not allotted and/or application monies are not refunded or unblocked within the period stipulated in sub-regulation (1) above, the issuer shall undertake to pay interest at the rate of fifteen per cent per annum to the investors and within such time as disclosed in the offer document and the lead manager(s) shall ensure the same.

FAST TRACK ISSUES

A Listed Company has to satisfy the following conditions for accessing primary market under Fast Track Issues scheme:-

- (a) The issuer company has been listed on any recognized stock exchange having nationwide terminals for a period of at least 3 years immediately preceding the reference date.

- (b) The issuer company has the average market capitalization of public shareholding at least Rs. 250 crores. *Average market capitalisation of public shareholding means the sum of daily market capitalisation of public shareholding for a period of one year up to the end of the quarter preceding the month in which the proposed issue was approved by the shareholders or the board of the issuer, as the case may be, divided by the number of trading days.*
- (c) The annualized trading turnover of the shares of the company during six calendar months immediately preceding the month of the reference date has been at least 2% of the weighted average number of the shares listed during the said six months period. For issuers, whose public shareholding is less than fifteen percent of its issued equity capital, the annualised trading turnover of its equity shares has been at least two percent of the weighted average number of equity shares available as free float during such six months period. *The annualized delivery-based trading turnover of the equity shares during six calendar months immediately preceding the month of the reference date has been at least ten percent of the annualized trading turnover of equity shares during such six months period;*
- (d) The issuer company has redressed at least 95% of total shareholder grievances complaints received till the end of the quarter immediately preceding the month of the reference date.
- (e) The issuer company has complied with the listing agreement for a period of at least 3 years immediately preceding the reference date.
- (f) If there are any adverse remarks made by auditors in respect of audited financials for which such accounts are disclosed in offer documents does not exceed 5% of net profit/loss after tax.
- (g) No prosecution proceedings or show cause notices issued by the SEBI are pending against the company or its promoters or whole time directors as on the reference date.
- (h) The entire shareholding of the promoter group is held in dematerialized form.
- (i) There shall be no conflict of interest between the lead manager(s) and the issuer or its group companies in accordance with the applicable regulations.
- (j) The issuer or promoter or promoter group or director of the issuer has not settled any alleged violation of securities laws through the consent or

settlement mechanism with the Board during three years immediately preceding the reference date;

- (k) The equity shares of the issuer have not been suspended from trading as a disciplinary measure during last three years immediately preceding the reference date;
- (l) The promoters and promoter group shall mandatorily subscribe to their rights entitlement and shall not renounce their rights, except to the extent of renunciation within the promoter group or for the purpose of complying with minimum public shareholding norms prescribed under the Securities Contracts (Regulation) Rules, 1957;

CONDITIONS FOR PREFERENTIAL ISSUE

A listed issuer making a preferential issue of specified securities shall ensure that:

- a) all equity shares allotted by way of preferential issue shall be made fully paid up at the time of the allotment;
- b) a special resolution has been passed by its shareholders;
- c) all equity shares held by the proposed allottees in the issuer are in demat form;
- d) the issuer is in compliance with the conditions for continuous listing of equity shares;
- e) the issuer has obtained the PAN of the proposed allottees, except those allottees which may be exempt from specifying their Permanent Account Number for transacting in the securities market by the Board.

TENURE OF CONVERTIBLE SECURITIES

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

The issuer shall place a copy of the certificate of its statutory auditors before the general meeting of the shareholders considering the proposed preferential issue, certifying that the issue is being made in accordance with the requirements of these regulations.

Where the specified securities are issued on a preferential basis for consideration other than cash, the valuation of the assets in consideration for which the equity shares are issued shall be done by an independent valuer, which shall be submitted to the stock exchanges where the equity shares of the issuer are listed. If the stock exchange(s) is not satisfied with the appropriateness of the valuation, it may get the valuation done by any other valuer and for this purpose it may seek any information, as deemed necessary, from the issuer.

The special resolution shall specify the relevant date on the basis of which price of the equity shares to be allotted on conversion or exchange of convertible securities shall be calculated.

PRICING OF FREQUENTLY TRADED SHARES

- (1) If the equity shares of the issuer have been listed on a recognised stock exchange for a period of twenty six weeks or more as on the relevant date, the price of the equity shares to be allotted pursuant to the preferential issue shall be not less than higher of the following:
 - a. the average of the weekly high and low of the volume weighted average price of the related equity shares quoted on the recognised stock exchange during the twenty six weeks preceding the relevant date; or
 - b. the average of the weekly high and low of the volume weighted average prices of the related equity shares quoted on a recognised stock exchange during the two weeks preceding the relevant date.

- (2) If the equity shares of the issuer have been listed on a recognised stock exchange for a period of less than twenty six weeks as on the relevant date, the price of the equity shares to be allotted pursuant to the preferential issue shall be not less than the higher of the following:
 - a) the price at which equity shares were issued by the issuer in its initial public offer or the value per share arrived at in a scheme of compromise, arrangement and amalgamation under sections 230 to 234 the Companies Act, 2013, as applicable, pursuant to which the equity shares of the issuer were listed, as the case may be; or

- b) the average of the weekly high and low of the volume weighted average prices of the related equity shares quoted on the recognised stock exchange during the period the equity shares have been listed preceding the relevant date; or
- c) the average of the weekly high and low of the volume weighted average prices of the related equity shares quoted on a recognised stock exchange during the two weeks preceding the relevant date.
- (3) Where the price of the equity shares is determined in terms of sub-regulation (2), such price shall be recomputed by the issuer on completion of twenty six weeks from the date of listing on a recognized stock exchange with reference to the average of the weekly high and low of the volume weighted average prices of the related equity shares quoted on the recognised stock exchange during these twenty six weeks and if such recomputed price is higher than the price paid on allotment, the difference shall be paid by the allottees to the issuer.
- (4) A preferential issue of specified securities to qualified institutional buyers, not exceeding five in number, shall be made at a price not less than the average of the weekly high and low of the volume weighted average prices of the related equity shares quoted on a recognised stock exchange during the two weeks preceding the relevant date.
- (5) Frequently traded shares means the shares of the issuer, in which the traded turnover on any recognized stock exchange during the twelve calendar months preceding the relevant date, is at least ten per cent of the total number of shares of such class of shares of the issuer:

PRICING OF INFREQUENTLY TRADED SHARES

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

Provided that the issuer shall submit a certificate stating that the issuer is in compliance of this regulation, obtained from an independent valuer to the stock exchange where the equity shares of the issuer are listed.

LOCK IN

Equity Shares allotted under this chapter shall be locked in for a period of 3 years from the date of trading approval granted for the specified securities. Lock in of 3 years shall be applicable to not more than 20% of the total capital of Issuer and any excess of 20% of total capital shall be subject to lock in of 1 year from the date of trading approval granted for the specified securities.

Specified securities allotted to persons other than Promoters & Promoter Group or equity shares allotted pursuant to exercise of option attached to Warrants shall be locked in for a period of 1 year.

Equity shares issued pursuant to any resolution of Stressed Assets under a framework specified by RBI or a resolution plan approved by NCLT under IBC 2016 shall be locked in for a period of 1 year.

Subject to SEBI (SAST) Regulations, 2011 specified securities held by promoters and locked in in terms of Regulation 167 above, may be transferred among the promoters group or to a new promoter or persons in control of issuer and the lock in shall continue for the remaining period with the transferee;

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

QUALIFIED INSTITUTIONAL PLACEMENT (QIP)

(1) A listed issuer may make a QIP of eligible securities if it satisfies the following conditions:

- a) a special resolution approving the QIP has been passed by its shareholders. No shareholders' resolution will be required in case the QIP is

through an offer for sale by promoters or promoter group for compliance with minimum public shareholding requirements specified in the Securities Contracts (Regulation) Rules, 1957. Allotment shall be completed within a period of 365 days from the date of passing of the resolution.

- b) the equity shares, which are proposed to be allotted through QIP or pursuant to conversion or exchange of eligible securities offered through QIP, have been listed on a stock exchange for a period of at least one year prior to the date of issuance of notice to its shareholders for convening the meeting to pass the special resolution.
 - c) An issuer shall be eligible to make a QIP if any of its promoters or directors is not a fugitive economic offender.
- (2) All eligible securities issued through a QIP shall be listed on the recognised stock exchange where the equity shares of the issuer are listed.
- (3) The issuer shall not make any subsequent QIP until the expiry of six months from the date of the prior qualified institutions placement made pursuant to one or more special resolutions.

CONDITIONS FOR OFFER FOR SALE

The promoters and members of the promoter group may make an offer for sale of fully paid up equity shares, through a QIP, for the purpose of achieving minimum public shareholding in terms of the Securities Contracts (Regulation) Rules, 1957.

Provided that the promoters or members of the promoter group shall not make such offer for sale if the promoter or member of the promoter group has purchased or sold any equity shares of the issuer during twelve weeks period prior to the date of the opening of the issue and they shall not purchase or sell any equity shares of the issuer during the twelve weeks period after the date of closure of the issue:

Provided further that such promoters or members of the promoter group may, within the twelve week periods provided above, sell equity shares of the issuer held by them through offer for sale through stock exchange mechanism specified by the

Board or through an open market sale, in accordance with the conditions specified by the Board from time to time, subject to the condition that there shall be a gap of minimum two weeks between the two successive offer(s).

APPOINTMENT OF LEAD MANAGER

Issuer shall appoint one or more SEBI Registered Merchant banker as Lead Manager;

PLACEMENT DOCUMENT

- (1) The lead manager(s) shall exercise due diligence and shall satisfy themselves with all aspects of the Issue including the veracity and adequacy of disclosures in the offer document.
- (2) The QIP shall be made on the basis of a placement document which shall contain all material information, including those specified in the Companies Act, 2013.
- (3) The preliminary placement document and the placement document shall be serially numbered and copies the same shall be circulated only to select investors.
- (4) The preliminary placement document and the placement document shall be placed on the websites of the relevant stock exchange(s) and of the issuer with a disclaimer to the effect that it is in connection with a qualified institutions placement and that no offer is being made to the public or to any other category of investors.

PRICING

- (1) The qualified institutions placement shall be made at a price not less than the average of the weekly high and low of the closing prices of the equity shares of the same class quoted on the stock exchange during the two weeks preceding the relevant date. Provided that the issuer may offer a discount of not more than five per cent. on the price so calculated, subject to approval of shareholders, except that no shareholders' approval will be required in case of a qualified institutions placement made through an offer for sale by promoters for compliance with minimum public shareholding requirements specified in the Securities Contracts (Regulation) Rules, 1957.

(2) The issuer shall not issue or allot partly paid-up eligible securities.

TENURE OF CONVERTIBLE SECURITIES

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

TRANSFERABILITY

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

MINIMUM NUMBER OF ALLOTTEES

(1) The minimum number of allottees for each placement of eligible securities made under this Chapter shall at least be:

- a) two, where the issue size is less than or equal to two hundred and fifty crore rupees;
- b) five, where the issue size is greater than two hundred and fifty crore rupees:

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

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

APPLICATION & ALLOTMENT

(1) The applicants in qualified institutions placement shall not withdraw or revise downwards their bids after the closure of the issue.

(2) Allotment of specified securities shall be made subject to the following conditions:

- a) minimum of ten per cent. of eligible securities shall be allotted to mutual funds. Provided that any unsubscribed portion of the said minimum percentage

or any part thereof may be allotted to other qualified institutional buyers;

- b) no allotment shall be made, either directly or indirectly, to any qualified institutional buyer who is a promoter or any person related to the promoters of the issuer. Provided that a qualified institutional buyer who does not hold any shares in the issuer and who has acquired the said rights in the capacity of a lender shall not be deemed to be a person related to the promoters.

(3) In a QIP of non-convertible debt instrument along with warrants, an investor can subscribe to the combined offering of non-convertible debt instruments with warrants or to the individual securities, that is, either non-convertible debt instruments or warrants.

PUBLIC ISSUE OF INDIAN DEPOSITORY RECEIPTS

ELIGIBILITY CONDITIONS

(1) An issuer shall be eligible to make an issue of IDRs only if:

- a) the issuing company is listed in its home country for at least three immediately preceding years;
- b) the issuer is not prohibited to issue securities by any regulatory body;
- c) the issuer has a track record of compliance with the securities market regulations in its home country;
- d) any of its promoters or directors is not a fugitive economic offender.

(2) The issue shall be subject to the following conditions:

- a) issue size shall not be less than fifty crore rupees;
- b) at any given time, there shall be only one denomination of IDRs of the issuer.
- c) issuer shall ensure that the underlying equity shares against which IDRs are issued have been or will be listed in its home country before listing of IDRs in stock exchange(s).
- d) issuer shall ensure that the underlying shares of IDRs shall rank pari passu with the existing shares of the same class.

(3) The issuer shall ensure that:

- a) it has made an application to one or more stock exchanges to seek an in-principle approval for listing of the IDRs on such stock exchanges and has chosen one of them as the designated stock exchange, in terms of Schedule XIX;
- b) it has entered into an agreement with a depository for dematerialisation of the IDRs proposed to be issued;
- c) it has made firm arrangements of finance through verifiable means towards seventy five per cent. of the stated means of finance for the project proposed to be funded from issue proceeds, excluding the amount to be raised through the proposed issue of IDRs or through existing identifiable internal accruals, have been made.

(4) The amount for general corporate purposes, as mentioned in objects of the issue in the draft offer document and the offer document, shall not exceed twenty five percent of the amount being raised by the issuer.

ISSUANCE CONDITIONS

- (1) The procedure to be followed by each class of applicant shall be mentioned in the offer document.
- (2) The minimum application amount shall be twenty thousand rupees.

ALLOCATION IN THE ISSUE

- (a) at least fifty percent of the issue shall be allotted to qualified institutional buyers on proportionate basis;
- (b) the remaining portion of the issue may be allocated among the categories of non-institutional investors and retail individual investors including employees, at the discretion of the issuer and the manner of allocation shall be disclosed in the offer document. Allotment to investors within a category shall be on proportionate basis. Provided that at least thirty per cent. of the IDRs being offered in the public issue shall be available for allocation to retail individual investors and in case of under-subscription in retail individual investor category, spill over to other categories to the extent of under

subscription may be permitted.

FUNGIBILITY

The IDRs shall be fungible into the underlying equity shares of the issuer in the manner specified by the Board and Reserve Bank of India, from time to time.

RIGHT ISSUE OF IDR

ENTITIES NOT ELIGIBLE TO MAKE RIGHT ISSUE

An issuer shall not be eligible to make a rights issue of IDRs if -

- (a) at the time of undertaking the rights issue, the issuer is in breach of ongoing material obligations under the listing agreement and the Securities and SEBI LODR Regulations, 2015 as may be applicable to such issuer or material obligations under the deposit agreement entered into between the domestic depository and the issuer at the time of initial offering of IDRs;
- (b) any of its promoters or directors is a fugitive economic offender.

RENUNCIATION BY AN IDR HOLDER

Unless the laws of the home jurisdiction of the issuer otherwise provide, the rights issue shall be deemed to include a right exercisable by the person concerned to renounce the IDRs offered to the IDR holder in favour of any other person subject to applicable laws and the same shall be disclosed in the offer document.

DEPOSITORY

The domestic depository shall, in accordance with the depository agreement executed with the issuer at the time of initial offering of IDR, take such steps as are necessary to enable the IDR holders to have entitlements under the rights offering and issue additional IDRs to such IDR holders, distribute the rights to the IDR holders or renounees or arrange for the IDR holders or renounees to subscribe for any additional rights which are available due to lack of take-up by other holders of underlying shares.

RECORD DATE FOR DETERMINING ELIGIBILITY

(1) An issuer making a rights issue of IDRs shall, in accordance with the provisions of the SEBI LODR Regulations, 2015, the issuer shall announce a record date for the purpose of determining the shareholders eligible to apply for IDRs in the proposed rights issue.

(2) If the issuer withdraws the rights issue after announcing the record date, it shall notify the Board about the same and shall notify the same in one English national daily newspaper with wide circulation, one Hindi national daily newspaper with wide circulation and one regional language daily newspaper with wide circulation at the place where principal office of the issuer is situated in India.

If the issuer withdraws the rights issue after announcing the record date, it shall not make an application for offering of IDRs on a rights basis for a period of twelve months from the said record date.

PERIOD OF SUBSCRIPTION & ISSUE OF ALLOTMENT LETTERS

(1) A rights issue shall be open for subscription in India for a period as applicable under the laws of its home country but in no case less than ten days.

(2) The issuing company shall ensure that it sends the allotment letter of rights to IDR holders at the time these are sent to shareholders of the issuing company as per the requirement of its home country or other jurisdictions where its securities are listed.

PUBLIC ISSUE BY SMALL & MEDIUM ENTERPRISES**ENTITIES NOT ELIGIBLE TO MAKE IPO**

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

(a) if the issuer, any of its promoters, promoter group or directors or selling shareholders are debarred from accessing the capital market by the Board;

(b) if any of the promoters or directors of the issuer is a promoter or director of any other company which is debarred from accessing the capital market by the Board;

(c) if the issuer or any of its promoters or directors is a wilful defaulter.

(d) if any of its promoters or directors is a fugitive economic offender.

ELIGIBILITY REQUIREMENTS

(1) An issuer shall be eligible to make an initial public offer only if its post-issue paid-up capital is less than or equal to ten crore rupees.

(2) An issuer, whose post issue face value capital is more than ten crore rupees and upto twenty five crore rupees, may also issue specified securities in accordance with provisions of this Chapter.

(3) An issuer may make an initial public offer, if it satisfies track record and/or other eligibility conditions of the SME Exchange(s) on which the specified securities are proposed to be listed.

MARKET MAKING

(1) The lead manager(s) shall ensure compulsory market making through the stock brokers of the SME exchange(s) appointed by the issuer, in the manner specified by the Board for a minimum period of three years from the date of listing of the specified securities or from the date of migration from the Main Board.

(2) The market maker or issuer, in consultation with the lead manager(s) may enter into agreements with the nominated investors for receiving or delivering the specified securities in market making, subject to the prior approval of the SME exchange.

(3) The issuer shall disclose the details of the market making arrangement in the offer document.

- (4) The specified securities being bought or sold in the process of market making may be transferred to or from the nominated investors with whom the lead manager(s) and the issuer have entered into an agreement for market making. The inventory of the market maker, as on the date of allotment of the specified securities, shall be at least five percent of the specified securities proposed to be listed on SME exchange.
- (5) The market maker shall buy the entire shareholding of a shareholder of the issuer in one lot, where the value of such shareholding is less than the minimum contract size allowed for trading on the SME exchange.
- (6) The market maker shall not buy the shares from the promoters or persons belonging to the promoter group of the issuer or any person who has acquired shares from such promoter or person belonging to the promoter group during the compulsory market making period.
- (7) The promoters' holding shall not be eligible for offering to the market maker during the compulsory market making period:
- (8) The lead manager(s) may be represented on the board of directors of the issuer subject to the agreement between the issuer and the lead manager(s) who have the responsibility of market making.

APPLICATION & MINIMUM APPLICATION VALUE

The minimum application size shall be one lakh rupees per application & in multiples thereof;

ALLOTMENT PROCEDURE & BASIS OF ALLOTMENT

- (1) The issuer shall not make an allotment pursuant to a public issue if the number of allottees in an initial public offer is less than fifty.
- (2) The issuer shall not make any allotment in excess of the specified securities offered through the offer document except in case of oversubscription for the purpose of rounding off to make allotment, in consultation with the designated stock exchange. Provided that in case of oversubscription, an allotment of not more than ten percent of the net offer to public may be made for the purpose of making allotment in minimum lots.
- (3) The allotment of specified securities to applicants other than retail individual

investors and anchor investors shall be on proportionate basis within the specified investor categories and the number of securities allotted shall be rounded off to the nearest integer, subject to minimum allotment being equal to the minimum application size as determined and disclosed in the offer document. Provided that the value of specified securities allotted to any person, except in case of employees, in pursuance of reservation made shall not exceed two lakhs rupees.

MIGRATION OF SME EXCHANGE

A listed issuer whose post-issue face value capital is less than twenty five crore rupees may migrate its specified securities to SME exchange if its shareholders approve such migration by passing a special resolution through postal ballot to this effect and if such issuer fulfils the eligibility criteria for listing laid down by the SME exchange:

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

MIGRATION TO MAIN BOARD

An issuer, whose specified securities are listed on a SME Exchange and whose post-issue face value capital is more than ten crore rupees and up to twenty five crore rupees, may migrate its specified securities to the main board of the stock exchanges if its shareholders approve such a migration by passing a special resolution through postal ballot to this effect and if such issuer fulfils the eligibility criteria for listing laid down by the Main Board.

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

INSTITUTIONAL TRADING PLATFORM**APPLICABILITY**

- The provisions of this Chapter shall apply to issuers seeking listing of their specified securities pursuant to an initial public offer or for only trading on a stock exchange of their specified securities without making a public offer.
- The institutional trading platform shall be accessible only to institutional investors and non-institutional investors and not to retail individual investors.

ELIGIBILITY

(1) The following issuers shall be eligible for listing on the institutional trading platform:

- a) an issuer which is intensive in the use of technology, information technology, intellectual property, data analytics, bio-technology or nano-technology to provide products, services or business platforms with substantial value addition and at least twenty five per cent of its pre-issue capital is held by qualified institutional buyer(s) as on the date of filing of draft information document or draft offer document with the Board, as the case may be; or
- b) any other issuer in which at least fifty per cent of the pre-issue capital is held by qualified institutional buyers as on the date of filing of draft information document or draft offer document with the Board, as the case may be.

(2) No person, individually or collectively with persons acting in concert, shall hold twenty five per cent or more of the post-issue share capital in an entity.

(3) An issuer shall be eligible for listing on the institutional trading platform if none of the promoters or directors of the issuer company is a fugitive economic offender.

LISTING WITHOUT A PUBLIC ISSUE

(1) An issuer seeking listing of its specified securities without making a public offer, shall file a draft information document along with the necessary with the Board in accordance with these regulations along with the fee as specified.

MINIMUM APPLICATION VALUE

The minimum application size shall be ten lakh rupees.

ALLOTMENT & ALLOCATION IN CASE OF IPO

- (1) The number of allottees in the initial public offer shall at least be two hundred.
- (2) The allocation in the net offer to public category shall be as follows:
 - (a) seventy-five per cent to institutional investors:
 - (b) twenty-five per cent to non-institutional investors
- (3) The allotment to institutional investors may be on a discretionary or a proportionate basis whereas the allotment to non-institutional investors shall be on a proportionate basis.
- (4) The mode of allotment to institutional investors, i.e., whether discretionary or proportionate, shall be disclosed prior to or at the time of filing of the offer document.
- (5) In case of discretionary allotment to institutional investors, no institutional investor shall be allotted more than ten percent of the issue size.
- (6) Any under-subscription in the non-institutional investor category shall be available for subscription under the institutional investors 'category.

LOCK IN

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

EXCEPTIONS:

- equity shares allotted to employees, whether currently an employee or not, under an employee stock option or employee stock purchase scheme;
- equity shares held by an employee stock option trust or transferred to the employees by an employee stock option trust;
- equity shares held by a venture capital fund or alternative investment fund of Category I or a foreign venture capital investor;
- equity shares held by persons other than the promoters, continuously for a period of at least one year prior to the date of listing in case of listing without a public issue;

EXIT OF ISSUERS WHOSE SECURITIES ARE TRADING WITHOUT MAKING A PUBLIC OFFER

An issuer whose specified securities are traded on the institutional trading platform without making a public issue may exit from that platform, if

- a) its shareholders approve such an exit by passing a special resolution through postal ballot where ninety per cent of the total votes and the majority of non-promoter votes have been cast in favor of such proposal; and
- b) the recognised stock exchange where its shares are listed approves of such an exit.

WITHDRAWAL OF APPROVAL BY STOCK EXCHANGE

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

(2) No issuer promoted by the promoters and directors of an entity delisted under sub-regulation (1), shall be permitted to list on the institutional trading platform for a period of five years from the date of such delisting:

MIGRATION TO MAIN BOARD

An issuer that has listed its specified securities on a recognised stock exchange may at its option migrate to the main board of that recognized stock exchange after

expiry of three years from the date of listing subject to compliance with the eligibility requirements of the stock exchange.

BONUS SHARES

Bonus shares mean shares issued by the company to its existing shareholders at free of cost. A Company may capitalize its profits by issuing fully - paid bonus shares provided the company has provisions in this regard.

When a company is prospectus and accumulates large distributable profits, it converts these accumulated profits into capital and divides the capital among the existing members in proportion to their entitlements.

Advantages

- (a) Fund flow is not affected adversely.
- (b) Market value of the Company's shares comes down to their nominal value by issue of bonus shares.
- (c) Market value of the members' shareholdings increases with the increase in number of shares in the company.
- (d) Bonus shares are not an income. Hence it is not a taxable income.
- (e) Paid - up share capital increases with the issue of bonus shares.

Sources

A company may issue fully paid up bonus shares to its members by utilizing the following sources:-

- (a) Free reserves;
- (b) The securities premium account; or
- (c) The capital redemption reserve account.

Conditions

- It is authorized by its articles;
- It has, on the recommendation of the Board, been authorised in the general meeting of the company;
- It has not defaulted in payment of interest or principal in respect of fixed deposits or debt securities issued by it;
- It has not defaulted in respect of the payment of statutory dues of the employees, such as, contribution to provident fund, gratuity and bonus;
- The partly paid - up shares, if any outstanding on the date of allotment, are made fully paid - up.
- _any of its promoters or directors is not a Fugitive Economic Offender.

Completion of a Bonus Issue

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

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

(2) A bonus issue, once announced, shall not be withdrawn.

RIGHTS ISSUE OF SHARES

Earlier, the provisions of rights issue were applicable to those cases, where the issue size was more than 50 lakhs. Now as per SEBI (ICDR) Regulations, 2018, the said limits have been revised to Rs 10 crores.

SEBI (DELISTING OF EQUITY SHARES) REGULATIONS, 2009

Delisting of securities means permanent removal of securities of a listed company from a stock exchange. As a consequence of delisting, the securities of delisted company would no longer be traded at stock exchanges.

TYPES OF DELISTING**VOLUNTARY DELISTING**

Voluntary delisting means stoppage in trading in the shares of the company at the stock exchange based upon an application by the company. We can further divide voluntary delisting into three parts:

- (i) Delisting from all stock exchanges
- (ii) Delisting from few stock exchanges

DELISTING FROM ALL STOCK EXCHANGES

If a company wishes to delist its shares from all the Stock Exchanges in India, such company is supposed to comply with SEBI (Delisting of Equity Shares) Regulations, 2009. The promoters of such company shall acquire at least 90% of total issued share capital or 50% of the offer size, whichever is higher.

Exit opportunity is required to be given by the company in case if it proposes to delist its shares from all the stock exchanges.

PROCEDURE FOR DELISTING IN CASE OF EXIT OPPORTUNITY

- (i) The Company shall obtain approval from the Board of Directors with regard to delisting of equity shares.
- (ii) Afterwards, the company shall obtain approval from the shareholders in the form of special resolution passed only through postal ballot.
- (iii) Subsequently the company shall make an application to the concerned recognized stock exchange for in-principle approval of the proposed delisting

along with by an audit report covering a period of six months prior to the date of the application.

- (iv) The concerned stock exchange shall dispose the application within 5 working days from the date of receipt of complete application.
- (v) Within 1 year of passing the special resolution, the company shall make the final application to the concerned recognized stock exchange along with the proof of having given the exit opportunity to the existing shareholders.

PUBLIC ANNOUNCEMENT

Within one working day from the date of receipt of in-principle approval from stock exchanges, the acquirer or promoters shall make a public announcement in at least one English national daily with wide circulation, one Hindi national daily with wide circulation and one regional language newspaper of the region where the concerned recognized stock exchange is located.

The public announcement contains all material information including and shall not contain any false or misleading statement. Before making the public announcement, the promoter shall appoint a merchant banker and such other intermediaries to ensure compliance with SEBI Regulations.

The public announcement shall also specify a date, being a day not later than one working day from the date of the public announcement, which shall be the specified date for determining the names of shareholders to whom the letter of offer shall be sent.

Before making the public announcement, the acquirer or promoter shall appoint a merchant banker registered with the Board and such other intermediaries as are considered necessary.

ESCROW ACCOUNT

The Acquirer or promoter shall open an escrow account with a scheduled bank and deposit therein the total estimated amount of consideration to be paid to the equity shareholders. The escrow account shall consist of either:

- Cash deposited with a scheduled commercial bank, or
- a bank guarantee in favor of the merchant banker, or
- a combination of both.

On determination of final price and making of public announcement accepting the final price, the acquirer or promoter shall forthwith deposit in the escrow account such additional sum as may be sufficient to make up the entire sum due and payable as consideration in respect of equity shares outstanding with public shareholders.

LETTER OF OFFER

The Acquirer or promoter shall dispatch the letter of offer to the equity shareholders, not later than 2 working days from the date of the public announcement, so as to reach them at least five working days before the opening of the bidding period.

The letter of offer shall be sent to all public shareholders whose names appear on the register of the company or depository as on the date specified in the public announcement.

The letter of offer shall contain all the disclosures made in the public announcement and such other disclosures as may be necessary for the shareholders to take an informed decision.

The letter of offer shall be accompanied with a bidding form for use of public shareholders and a form to be used by them for tendering shares.

BIDDING PERIOD

The date of opening of the offer shall not be later than 7 working days from the date of the public announcement. The offer shall remain open for a period of 5 working days.

OFFER PRICE

The offer price shall be determined through book building process after fixation of floor price and disclosure of the same in the public announcement and the letter of offer.

The floor price shall be determined in terms of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.

The reference date for computing the floor price would be the date on which the recognized stock exchange/s were required to be notified of the board meeting in which the delisting proposal would be considered;

MINIMUM NUMBER OF EQUITY SHARES TO BE ACQUIRED

If a counter offer has not been made by the acquirer or promoter, an offer made shall be deemed to be successful only if,-

(a) the post offer promoter shareholding (along with the persons acting in concert with the promoter) taken together with the shares accepted through eligible bids at the final price determined, reaches ninety percent of the total issued.

PROCEDURE AFTER CLOSURE OF OFFER

Within five working days of the closure of the offer, the promoter/acquirer and the merchant banker shall make a public announcement in the same newspapers in which the public announcement was made regarding:-

- (i) the success of the offer in terms of regulation 17 Along with the final price accepted by the acquirer; or
- (ii) the failure of the offer in terms of regulation 19; or

FAILURE OF OFFER

- (1) Where the offer is rejected or is not successful , the offer shall be deemed to have failed and no equity shares shall be acquired pursuant to such offer.
- (2) Where the offer fails -
 - (a) the equity shares deposited or pledged by a shareholder shall be returned or released to him within ten working days from the end of the bidding period;
 - (b) no final application shall be made to the exchange for delisting of the equity shares; and
 - (c) the escrow account opened shall be closed.

PAYMENT OF CONSIDERATION

Upon the success of the offer, the promoter shall immediately transfer the entire amount due and payable as consideration towards the equity shares tendered in the offer within 10 working days from the closure of the offer.

RIGHT OF REMAINING SHAREHOLDERS TO TENDER SHARES

- (1) Where, pursuant to acceptance of equity shares tendered in terms of these regulations, the equity shares are delisted, any remaining public shareholder holding such equity shares may tender his shares to the promoter upto a period of minimum one year from the date of delisting and, in such a case, the promoter shall accept the shares tendered at the same final price at which the earlier acceptance of shares was made.
- (2) The payment of consideration for shares accepted shall be made out of the balance amount lying in the escrow account.

(3) The amount in the escrow account or the bank guarantee shall not be released to the promoter unless all payments are made in respect of shares tendered.

DELISTING FROM ALL THE STOCK EXCHANGES EXCEPT ONE

A company may delist its equity shares from one or more stock exchanges where they are listed and continue their listing on other stock exchanges, if after the proposed delisting the equity shares would:

- (i) Remain listed on any recognized stock exchange which has nationwide trading terminals, no exit opportunity needs to be given to the public shareholders; and
- (ii) Not remain listed on any recognized stock exchange having nationwide trading terminals, exit opportunity shall be given to all the public shareholders holding the equity shares sought to be delisted.

PROCEDURE FOR DELISTING FROM ALL THE STOCK EXCHANGES EXCEPT 1

- (i) The Company shall obtain approval from the Board of Directors with regard to delisting of equity shares from one or more stock exchanges.
- (ii) Thereafter, the company shall give a public notice of the proposed delisting in at least one English national daily with wide circulation, one Hindi national daily with wide circulation and one regional language newspaper of the region where the concerned stock exchanges are located.
- (iii) The Company shall make an application to the stock exchange for delisting of shares.
- (iv) Concerned Stock Exchange shall dispose the application within 30 working days from the date of receipt of complete application.

DELISTING OF SMALL COMPANIES

Equity shares of a company may be delisted from all the recognised stock exchanges where they are listed, if:

- (i) If a company has paid - up capital not exceeding Rs.10 crores and Net Worth not exceeding 25 Crores as on the last date of preceding year and
- (ii) the number of equity shares of the company traded on each such recognised stock exchange during the twelve calendar months immediately preceding the date of board meeting is less than ten per cent of the total number of shares of such company.
- (iii) at least ninety per cent. of such public shareholders give their positive consent in writing to the proposal for delisting, and have consented either to sell their equity shares at the price offered by the promoter or to remain holders of the equity shares even if they are delisted.
- (iv) the promoter writes individually to all public shareholders in the company informing them of his intention to get the equity shares delisted, indicating the exit price together with then justification therefore and seeking their consent for the proposal for delisting.
- (v) the promoter completes the process of inviting the positive consent and finalization of the proposal for delisting of equity shares within seventy five working days of the first communication.
- (vi) the promoter makes payment of consideration in cash within fifteen working days from the date of expiry of seventy five working days.

COMPULSORY DELISTING

Compulsory delisting refers to permanent removal of securities of a listed company from a stock exchange as a penalizing measure by the stock exchange for not making submissions/comply with various requirements in the Listing agreement within the time frames prescribed.

CONSTITUTION OF A PANEL

The decision regarding compulsory delisting shall be taken by a panel to be constituted by the recognized stock exchange consisting of -

- a. Two directors of the recognized stock exchange (one of whom shall be a public representative);
- b. One representative of the investors;
- c. One representative of the Ministry of Corporate Affairs or Registrar of Companies;
- d. The Executive Director or Secretary of the recognized stock exchange.

PROCEDURE FOR COMPULSORY DELISTING

- Constitution of Panel by Recognised stock exchange to take decision regarding the compulsory delisting by the exchange.
- Public notice of compulsory delisting by recognized stock exchange in one English and one regional language newspaper of the region where the concerned recognized stock exchange is located.
- Within 15 days, representation by the any person who may be aggrieved by the proposed delisting.
- Delisting order by the recognized stock exchange.
- Public notice after delisting order by recognized stock exchange in one English and regional language newspaper of the region where the concerned recognized stock exchanges is located and information to all the stock exchanges where the shares of the company listed and also on its trading systems and website.
- Appointment of independent Valuer

- Determination of the fair value of shares by the independent valuers appointed by the recognized stock exchange.
- Acquisition of shares by the promoters at determined fair value.
- Company Promoters/PAC/ Directors can neither access securities market nor seek listing for a period of 10 years.

SEBI (SUBSTANTIAL ACQUISITION OF SHARES AND TAKEOVERS) REGULATIONS, 2011**DELISTING OFFER**

- (1) Notwithstanding anything contained in these regulations, in the event the acquirer makes a public announcement of an open offer for acquiring shares of a target company in terms of regulations 3, 4 or 5, he may delist the company in accordance with provisions of the Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009. Provided that the acquirer shall have declared upfront his intention to so delist at the time of making the detailed public statement and a subsequent declaration of delisting for the purpose of the offer proposed to be made under sub regulation (1) will not suffice.
- (2) Where an offer made under sub-regulation (1) is not successful,-
- (i) on account of non-receipt of prior approval of shareholders in terms of clause (b) of sub-regulation (1) of regulation 8 of Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; or
 - (ii) in terms of regulation 17 of Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; or
 - (iii) on account of the acquirer rejecting the discovered price determined by the book building process in terms of sub-regulation (1) of regulation 16 of Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009, the acquirer shall make an announcement within two working days in respect of such failure in all the newspapers in which the detailed public statement was made and shall comply with all applicable provisions of these regulations.
- (3) In the event of failure of the delisting offer made under sub-regulation (1), the open offer obligations shall be fulfilled by the acquirer in the following manner:

- (i) the acquirer, through the manager to the open offer, shall within five working days from the date of the announcement under sub-regulation (2), file with the Board, a draft of the letter of offer as specified in sub-regulation (1) of regulation 16; and
 - (ii) shall comply with all other applicable provisions of these regulations. Provided that the offer price shall stand enhanced by an amount equal to a sum determined at the rate of ten per cent per annum for the period between the scheduled date of payment of consideration to the shareholders and the actual date of payment of consideration to the shareholders.
- (4) Where a competing offer is made in terms of sub-regulation (1) of regulation 20,-
- (a) the acquirer shall not be entitled to delist the company;
 - (b) the acquirer shall not be liable to pay interest to the shareholders on account of delay due to competing offer;
 - (c) the acquirer shall comply with all the applicable provisions of these regulations and make an announcement in this regard, within two working days from the date of public announcement made in terms of sub-regulation (1) of regulation 20, in all the newspapers in which the detailed public statement was made.
- (5) Shareholders who have tendered shares in acceptance of the offer made under sub-regulation (1), shall be entitled to withdraw such shares tendered, within 10 working days from the date of the announcement under sub-regulation(2)
- (6) Shareholders who have not tendered their shares in acceptance of the offer made under sub-regulation (1) shall be entitled to tender their shares in acceptance of the offer made under these regulations.

FUGITIVE ECONOMIC OFFENDER

Notwithstanding anything contained in these regulations, no person who is a fugitive economic offender shall make a public announcement of an open offer or make a competing offer for acquiring shares or enter into any transaction, either directly or indirectly, for acquiring any shares or voting rights or control of a target company.

DISPATCH OF LETTER OF OFFER

The Acquirer shall ensure that the letter of offer is dispatched to the shareholders whose names appear on the register of members of the Target Company as of the identified date, and to the custodian of shares underlying depository receipts, if any, of the Company, within maximum 7 working days from the date of receipt of communication of comments from SEBI or where no comments are offered by SEBI, within 7 working days from the expiry of 15 working days from the date of receipt of draft letter of offer by SEBI.

However, it is provided that where a shareholder holding less than 5% of the voting rights of the Target Company is resident outside India and local laws or regulations of such jurisdiction may expose the acquirer or the target company to material risk of civil, regulatory or criminal liabilities in the event the letter of offer in its final form were to be sent without material amendments or modifications into such jurisdiction, then the acquirer may refrain from dispatch of the letter of offer into such jurisdiction.

Explanation:

(i) Letter of offer may also be dispatched through electronic mode in accordance with the provisions of Companies Act, 2013.

(ii) On receipt of a request from any shareholder to receive a copy of the letter of offer in physical format, the same shall be provided.

(iii) The aforesaid shall be disclosed in the letter of offer;

SEBI (BUY BACK OF SECURITIES) REGULATIONS, 1998***Buy back through Stock Exchange***

- The special resolution/ board resolution, should specify the maximum price at which the buy-back will be made;
- The buy-back of securities should not be from the promoters or persons in control of the company;
- The company should appoint a merchant banker and make a public announcement within seven days from the date of passing the resolution;
- The public announcement shall be made within ~~7~~ **2** working days from the date of passing special resolution;
- Simultaneously with the issue of such public announcement, the company shall file a copy of the public announcement with SEBI.
- The company shall submit the information regarding the shares bought back, to the stock exchange on a daily basis and the stock exchange shall upload the same on its official website immediately;
- The company shall upload the information regarding the shares or other specified securities bought back on its website on a daily basis;
- The buy-back offer shall open not later than seven working days from the date of public announcement and shall close within six months from the date of opening of the offer;
- The buy-back should be made only on stock exchanges having Nationwide Trading Terminal facility and only through the order matching mechanism except 'all or none' order matching system.
- The identity of the company as a purchaser would appear on the electronic screen when the order is placed.