

Recent Amendments to SEBI (Disclosure and Investor Protection) {DIP} Guidelines, 2000

Guidelines for “Qualified Institutions Placement”

In order to make Indian markets more competitive and efficient, it has been decided to introduce an additional mode for listed companies to raise funds from domestic market in the form of “Qualified Institutions Placement” (QIP). Key features of the same are as under:

Issuer: A company whose equity shares are listed on a stock exchange having nation wide trading terminals and which is complying with the prescribed requirements of minimum public shareholding of the listing agreement will be eligible to raise funds in domestic market by placing securities with Qualified Institutional Buyers (QIBs).

Securities: Securities which can be issued through QIP are equity shares or any securities other than warrants, which are convertible into or exchangeable with equity shares (hereinafter referred to as “specified securities”). A security which is convertible into or exchangeable with equity shares at a later date, may be converted or exchanged into equity shares at any time after allotment of security but not later than sixty months from the date of allotment. The specified securities shall be made fully paid up at the time of allotment.

Investors/Allottees: The specified securities can be issued only to Qualified Institutional Buyers (QIBs), as defined under sub-clause (v) of clause 2.2.2B of the SEBI (DIP) Guidelines. Such QIBs shall not be promoters or related to promoters of the issuer, either directly or indirectly. Each placement of the specified securities issued through QIP shall be on private placement basis, in compliance with the requirements of first proviso to clause (a) of sub-section (3) of Section 67 of the Companies Act, 1956. A minimum of 10% of the securities in each placement shall be allotted to Mutual

Funds. For each placement, there shall be at least two allottees for an issue of size up to Rs. 250 crores and at least five allottees for an issue size in excess of Rs. 250 crores. Further, no single allottee shall be allotted in excess of 50 per cent of the issue size. Investors shall not be allowed to withdraw their bids/applications after closure of the issue.

Issue Size: The aggregate funds that can be raised through QIPs in one financial year shall not exceed five times of the net worth of the issuer at the end of its previous financial year.

Placement Document: Issuer shall prepare a placement document containing all the relevant and material disclosures. There will be no pre-issue filing of the placement document with SEBI. The placement document will be placed on the websites of the Stock Exchanges and the issuer, with appropriate disclaimer to the effect that the placement is meant only for QIBs on private placement basis and is not an offer to the public.

Pricing: The floor price of the specified securities shall be determined on a basis similar to that for GDR/FCCB issues and shall be subject to adjustment in case of corporate actions such as stock splits, rights issue, bonus issue etc.

Other procedural requirements: The resolution approving QIP, passed under sub-section (1A) of Section 81 of the Companies Act, 1956 or any other applicable provision, will remain valid for a period of twelve months from the date of passing of the resolution. There shall be a gap of at least six months between each placement in case of multiple placements of specified securities pursuant to authority of the same shareholders’ resolution. Issuer and Merchant Banker shall submit documents/undertakings, if any, specified in this regard in the listing agreement, for the purpose of seeking in-principle approval and final permission from Stock Exchanges for listing of the specified securities.

Involvement of Merchant Banker: QIP shall be managed by a SEBI registered merchant banker who shall exercise due diligence and furnish a due diligence certificate to Stock Exchanges stating that the issue complies with all the relevant requirements. The merchant banker shall file a copy of the placement document and post issue details with SEBI within thirty days of the allotment, for record purpose.

SEBI/CFD/DIL/DIP/22/2006/8/5 dt. May 8, 2006

IPO Grading

An unlisted company making an IPO of equity shares or any other security which may be converted into or exchanged with equity shares at a later date may opt to obtain grading for such an IPO from one or more credit rating agencies. Where an issuer opts to obtain IPO grading, it shall disclose all grades so obtained by it, including unaccepted grades, in the prospectus and abridged prospectus.

(SEBI/CFD/DIL/DIP/21/2006/24/4 dt. April 24, 2006)

Introduction of new Chapter VIA in the SEBI (DIP) Guidelines, 2000 – Guidelines on Indian Depository Receipts (IDR's)

The Central Government, on February 23, 2004 issued the Companies (Issue of Indian Depository Receipts) Rules, 2004 (IDR Rules), under Section 605A of the Companies Act, 1956. Under Rule 4(d) of the IDR Rules, SEBI has the power to specify eligibility criteria for IDR issuers in addition to what is contained in the IDR Rules. Under Clause 9 to the Schedule to the IDR Rules, SEBI can specify any information to be included in the prospectus from time to time. Accordingly, for companies desirous of coming out with IDR issues, a new Chapter VI A has been added in the SEBI DIP Guidelines, 2000, containing the guidelines to be followed by an IDR issuer for coming out with such issue.

Full particulars of the above circulars are available at the SEBI website at www.sebi.gov.in □