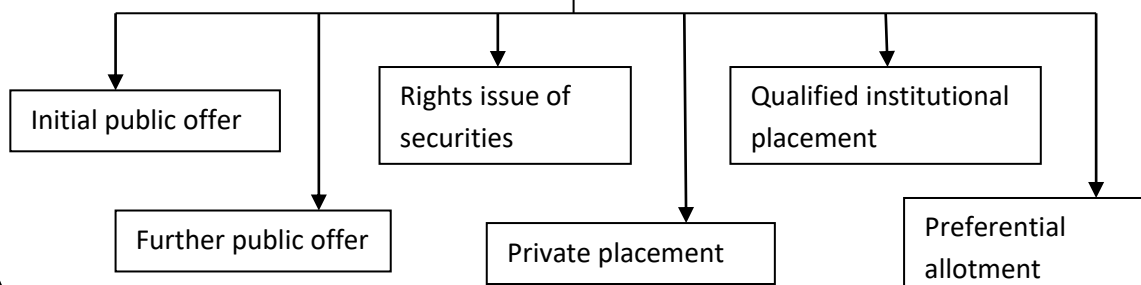


# CHAPTER 1- Indian Equity – Public Funding

Shubhnam Sukhlecha (CA, CS, LLM)

## TYPES OF ISSUES



## Additional Conditions for an Offer For Sale

APPLICABILITY	NON-APPLICABILITY
Shares must be <b>fully paid-up</b> . Shall be held by the sellers for a period of <b>at least 1 year</b> prior to the filing of the draft offer document.	The offer for sale of a government company or statutory authority or corporation or any special purpose vehicle set up and controlled by any <b>1 or more</b> of them, which is engaged in the infrastructure sector.
Such holding period of <b>1 year</b> shall be required to be complied with at the time of filing of the draft offer document.	Equity shares offered for sale were <b>acquired pursuant to any scheme approved by a High Court or approved by a tribunal or the Central Government</b> which had been in existence for a <b>period of more than 1 year</b> prior to approval of such scheme.
Conversion or exchange of equity shares arising out of the conversion or exchange of the fully paid-up compulsorily convertible securities must be completed before prior to filing of the offer document. Full disclosures of the terms of conversion or exchange are made in the draft offer document.	If the equity shares offered for sale were issued under a <b>bonus issue</b> on securities held for a period of at <b>least one year prior subject to – (i) securities being issued out of free reserves and share premium. (ii) Such equity shares not being issued by utilisation of revaluation reserves or unrealized profits of the issuer</b>

## Partnership Firms

In case of an issuer which had been a *partnership firm or a limited liability partnership* it has to conform to following-

1) Adequate disclosures are made in the financial statements as per Companies Act, 2013.

2) The financial statements are duly certified by a Chartered Accountant stating that:  
i) Accounts and the disclosures are as per Schedule III of the Companies Act, 2013.

a) The accounting standards of the Institute of Chartered Accountants of India have been followed.

## Spinning off of a division

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

b) The financial statements present a true and fair view of the firm's accounts



INITIAL PUBLIC OFFER/FURTHER PUBLIC OFFER

IPO-UNLISTED ISSUER FPO- LISTED ISSUER



COMPLIANCE WITH ICDR REGULATION

- Time of filing the draft offer document (Draft Red Herring Prospectus or DRHP)
- Time of registering or filing the final offer document with ROC. (Prospectus)

## GENERAL CONDITIONS

- Application to stock exchange for **in-principle approval for listing of its specified securities** on such stock exchanges and choosing one as **designated stock exchange**.
- Has an agreement with a depository for **dematerialization of securities**.
- Promoters hold securities in dematerialized form**.
- All existing partly paid-up equity shares have either been **fully paid-up or have been forfeited**.
- The issuer should make firm arrangements of finance through verifiable means towards **75%** of the stated means of finance excluding the amount to be raised through the proposed public issue or through existing identifiable internal accruals
- The amount for general corporate purposes, as mentioned in the draft offer document and the offer document **shall not exceed 25% of the amount** being raised by the issuer.

## ELIGIBILITY AND GENERAL CONDITIONS FOR FPO

- Application for listing to the recognized stock exchanges and choose one of the exchanges as the **Designated stock exchange**.
- Agreement is entered into with a **depository for dematerialization of specified securities**.
- Promoters hold securities in dematerialized form**.
- All existing partly paid up equity shares have either been **fully paid up or have been forfeited**.
- The issuer should make firm arrangements of finance through verifiable means towards **75%** of the stated means of finance excluding the amount to be raised through the proposed public issue or through existing identifiable internal accruals.
- The amount for general corporate purposes, as mentioned in the draft offer document and the offer document **shall not exceed 25% of the amount** being raised by the issuer.

## ELIGIBILITY CRITERIA UNDER ICDR REGULATION FOR IPO

Entities not eligible to make an initial public offer	Eligibility requirements for an initial public offer
<b>Issuer, any of its promoters, promoter group-</b> debarred from accessing capital market by SEBI.	Net tangible assets of atleast <b>Rs. 3 crores</b> in each of the preceding three full years. Not more than 50% are monetary assets.
<b>Promoters or directors</b> debarred from accessing capital markets by SEBI.	If there are more than <b>50% of the net tangible assets, then issues has made firm commitments as to their utilization. N.A. IPO made through OFS.</b>
Issuer or any of its promoters or directors is a <b>willful defaulter</b> .	average operating profit of at least <b>Rs.15 crores</b> , during the three preceding years
Any promoters or directors of the issuer are a <b>fugitive offender</b> .	A networth of atleast <b>Rs.1 crore</b> in each of the preceding 3 full years,
If there are <b>any outstanding convertible securities</b> or any other right which <b>give option to receive equity shares of the issuer. N.A. ESOS</b> and fully paid-up outstanding convertible securities required to be converted before filing prospectus/ DRHP.	If issuer has changed its name within the last one year, <b>at least 50% of the revenue</b> has been earned by it from the activity indicated by the new name.

## Entities Not Eligible To Make A FPO [Regulation 102]

- If the issuer, any of it's a promoter or directors, selling shareholders are debarred from accessing the capital market by SEBI.
- If the issuer or any of its promoters or directors is a willful defaulter
- If any of the promoters or directors of the issuer is a fugitive economic offender

## Eligibility Requirements For FPO [Regulation 103]

An issuer may make a FPO if it has changed its name within the **last 1 year and at least 50% of the revenue in the preceding 1 full year** has been earned from the activity suggested by the new name.

In case of non fulfillment of the above- the issue is made through the book-building process and the issuer undertakes to allot **at least 75% of the net offer**, to qualified institutional buyers and to refund full subscription money if it fails to make the said minimum allotment to qualified institutional buyers.

### Issue of Warrants [Regulation 13]

Eligibility to issue warrants in IPO-



. specified security may have **1 or more warrants** attached to it

Tenure warrants shall not **exceed 18 months** from allotment

If the warrant holder does not exercise his option within 3 months from date of payment of consideration, such consideration made in respect of such warrants shall be forfeited.

Price or formula for determination of exercise price of the warrants shall be determined upfront and disclosed in the offer document and **at least 25% of the consideration amount** based on the exercise price shall also be received upfront.

### FILING OF OFFER DOCUMENT [REGULATION 25 & 123]

- 1) The issuer shall 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 details of the promoters.
- 2) Prior to making an IPO/FPO, the issuer shall file three copies of the draft offer document with the concerned regional office of SEBI along with fees as specified, through the lead manager(s).
- 3) The lead manager(s) shall submit the following to SEBI along with the draft offer document:
  - i. a certificate of agreement between the issuer and the lead manager(s);
  - ii. a due diligence certificate;
  - iii. in case of an issue of convertible debt instruments, a due diligence certificate from the debenture trustee;
- 4) SEBI may specify changes or issue observations, on the draft offer document filed with it within a period of 30 days from the later of the following dates:
  - i. The date of receipt of the **draft offer document** filed with SEBI, a copy of **in-principle approval letter** issued by the recognised stock exchanges or
  - ii. The date of receipt of **satisfactory reply from the lead merchant bankers, from any regulator or agency**, where SEBI has sought any clarification or information.
- 5) If SEBI specifies any changes or issues observations on the draft offer document filed with it, the issuer and the lead merchant banker shall carry out such changes and comply with the observations issued by SEBI before registering the prospectus, the red-herring prospectus or the shelf prospectus as the case may be with the Registrar of Companies or an appropriate authority, as applicable.

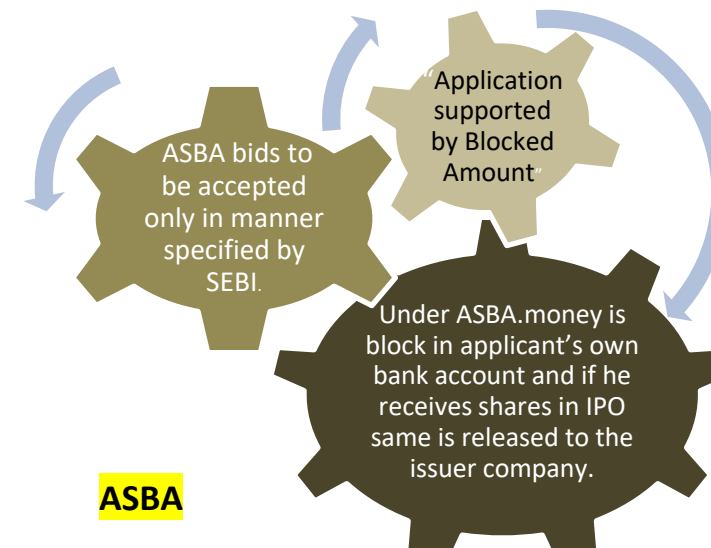
### Draft Offer Document and Offer Document To Be Available

The **draft offer document** filed with SEBI shall be made public for comments, if any, for a period of at least **21 days** from the date of filing.

The lead manager(s) shall, after expiry of the period stipulated above, **file with SEBI, details of the comments** received from the public during that period and the consequential changes, if any, that are required to be made.

In **2 days of filing the draft offer document** with SEBI, make a public announcement in one English national, one Hindi national and one regional language daily newspaper with wide circulation at the place where the registered office of the issuer is situated.

The offer documents are to be hosted on the **websites** and its contents are the same as filed with the Registrar of Companies, SEBI and the stock exchanges, as applicable.



### SECURITY DEPOSIT

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

### OPENING OF THE ISSUE

1) IPO/FPO- opened **within 12 months** from the date of issuance of the observations by SEBI.

2) Shall be opened after **at least 3 working days** from the date of registering the red herring prospectus- book built issue or the prospectus -fixed price issue with the Registrar of Companies.

3) **Fast track issue**- open within the period specifically stipulated under the Companies Act, 2013. For a shelf prospectus, the first issue may be opened **within 3 months** of the issuance of observations by SEBI.



underwriter

### UNDERWRITING

**Underwriters to be appointed as per SEBI (Underwriters) Regulations, 1993** if issue is through book building.

Underwriting by **lead managers and syndicate members**, they shall not subscribe to the issue in any manner **except for fulfilling their underwriting obligations**.

**At least 75% of the net offer** to be compulsorily allotted to the QIBs, and such portion cannot be underwritten.

**Lead manager(s) shall fulfill the underwriting obligations if syndicate member(s) fail.**

Lead manager(s) shall undertake minimum underwriting obligation as specified in the SEBI (Merchant Bankers) Regulations, 1992.

The underwriting obligations should at least to the extent of minimum subscription

Underwriting agreement shall indicate the number of specified securities which they shall subscribe to at the predetermined price.

### SUBSCRIPTION

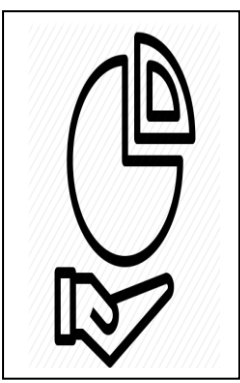
<b>Minimum Subscription</b>	<ol style="list-style-type: none"> <li>1. The minimum subscription to be received in an issue shall be not less than <b>90% of the offer</b> through offer document except in case of an offer for sale of specified securities.</li> <li>2. In case of an IPO, the minimum subscription to be received shall be subject to allotment of minimum number of specified securities, which stipulates that <b>atleast 25% of each class or kind of equity shares or debentures convertible into equity shares</b></li> </ol>
<b>Oversubscription</b>	In case of oversubscription, an allotment of not <b>more than 1%</b> of the net offer to the public for the purpose of making allotment in minimum lots.





Allotment Procedure and Basis of Allotment

- 1) **NO allotment** in a public issue if the number of prospective allottees is **less than one thousand**.
- 2) **NO excess allotment, EXCEPT- in oversubscription** for rounding off to make allotment, in consultation with the designated stock exchange.
- 3) The allotment, other than to the retail individual investors and anchor investors shall be on a proportionate basis, subject to minimum allotment being equal to the minimum application size.
- 4) Value of specified securities allotted, except in case of employees, in pursuance of any reservation **shall not exceed 2 lakhs rupees for retail investors or up to 5 lakhs rupees for eligible employees**.
- 5) Allotment of specified securities to each **retail individual investor shall not be less than the minimum bid lot**.
- 6) The authorised employees of the designated stock exchange, lead manager(s) and registrars to the issue to ensure that basis of allotment is finalised in a fair and proper manner.



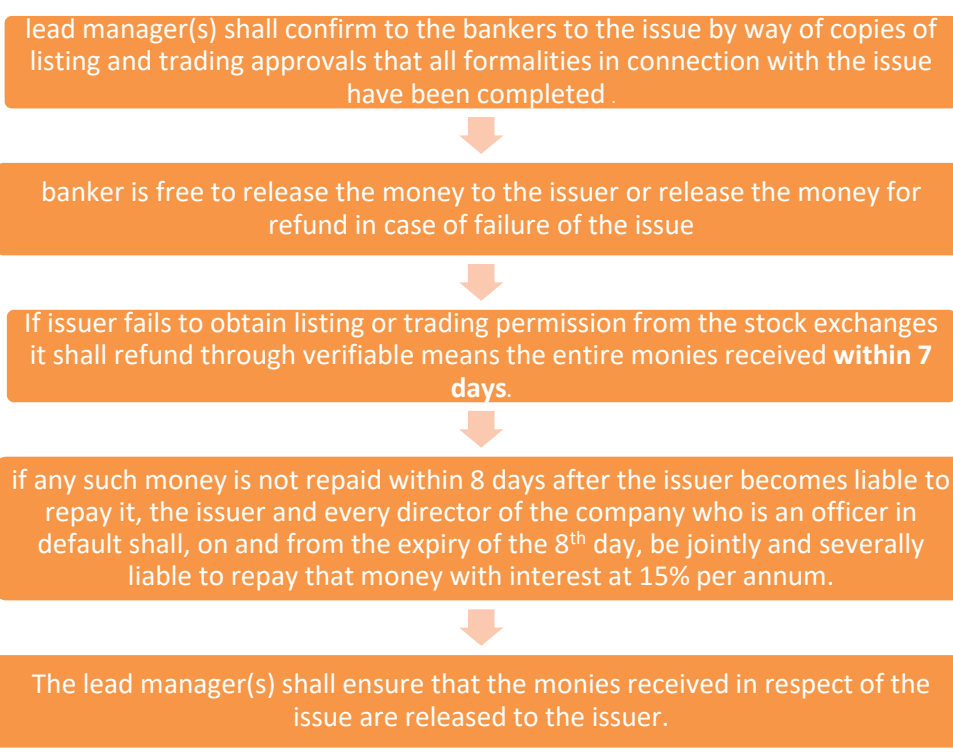
Allotment, Refund and Payment of Interest

• Issuer and lead manager(s)- shall ensure that specified securities are allotted and/or application monies are refunded or unblocked within time prescribed by SEB. In case of failure the issuer shall undertake to pay interest at the rate of **15% per annum**

• Lead manager(s) shall ensure that the allotment, credit of dematerialised securities, refunding or unblocking of application monies, as may be applicable, are done electronically.

• SEBI has made an endeavor to reduce listing time to **3 working days** from the date of closure of issue and accordingly mandated that the retail individual investors use the Unified Payments Interface (UPI). However, till SEBI notifies the same, securities are listed in **6 working days**.

Release of Subscription Money



PRICING AND DIFFERENTIAL PRICING AND PROCEDURE

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

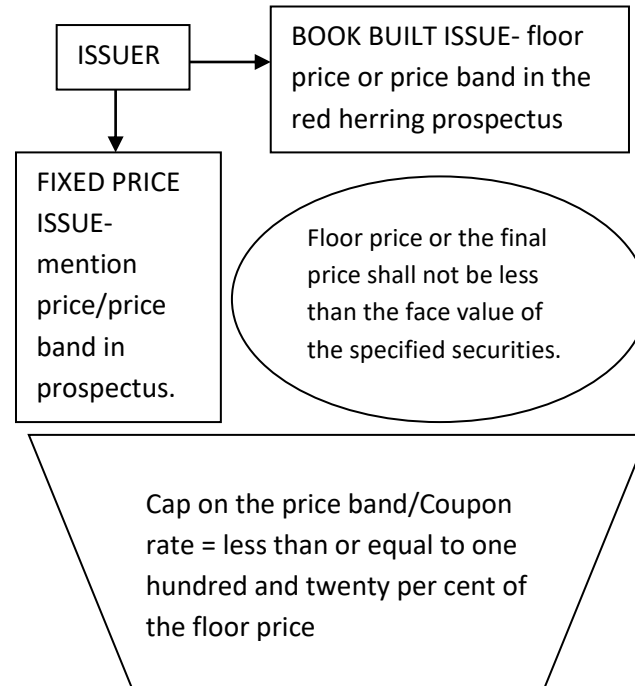
To whom	DIFFERENTIAL PRICING	Conditions
1) Retail individual investors or retail individual shareholders	not lower than by <b>more than 10% of the price at which net offer</b>	Other than anchor investors.
2) employees entitled for reservation made		
3) Anchor investor- in book built issue	<b>shall not be lower than the price offered to other applicants</b>	
4) Employees- alternate method of book building as specified under ICDR Regulations, 2018	<b>not lower by more than 10% of the floor price</b>	
5) FPO –COMPOSITE ISSUE	the price of the specified securities offered in the public issue may be different from the price offered in rights issue	Give justification and state discount in offer doc.

SECURITY DEPOSIT

WHO-issuer WHEN- before the opening of the subscription list WITH WHOM- deposit with the stock exchange or stock exchanges HOW MUCH - an amount calculated at the **rate of 1% of the amount of the issue size** available for subscription to the public.

MONITORING AGENCY

If the issue size **exceeds Rs.100 crores**, the issuer shall ensure that the use of the proceeds of the issue is monitored by public financial institutions or by one of the scheduled commercial banks  
The monitoring agency shall submit its report to the issuer on a **quarterly basis**, till at least **95% of the proceeds of the issue have been utilized**.



If issuer opts not to make disclosure of the floor price or price band in the red herring prospectus, the issuer shall be announce the floor price or price band at **least two working days before the opening of the bid (in case of an initial public offer) and at least one working day before the opening of the bid (in case of a further public offer)**, in all the newspapers in which the pre issue advertisement was released.

The announcement shall also contain all the  
1) Relevant financial ratios computed for both the upper and lower end of the price band and also a statement drawing attention of the investors to the section titled “basis of issue price” of the offer document.  
2) Relevant financial ratios shall be disclosed on the websites of stock exchanges where securities are proposed to be listed and shall also be pre-filled in the application forms available on the websites of the stock exchanges.

## Promoters contribution in IPO

IN CASE OF IPO	MINIMUM CONTRIBUTORS PROMOTION	INELIGIBLE SECURITIES	EXCEPTION
<ol style="list-style-type: none"> <li>The promoters of the issuer shall <b>hold at least 20% of the post-issue capital.</b></li> <li>However, in case the post-issue shareholding of the promoters is <b>less than 20%</b>, alternative investment funds foreign venture capital investors scheduled commercial banks public financial institutions insurance companies registered with IRDA may contribute to meet the shortfall in minimum contribution as specified for the promoters, subject to a <b>maximum of 10% of the post-issue capital</b> without being identified as promoter(s)</li> </ol>	<ol style="list-style-type: none"> <li>The promoters shall <b>contribute 20%</b>, as the case may be, either by way of equity shares or by way of subscription to convertible securities.</li> <li>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 <b>lower than the weighted average price of the equity share capital arising out of conversion of such securities.</b></li> </ol> <p>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 <b>at least 20% of the project cost</b> in the form of equity shares, subject to contributing <b>at least 20% of the issue size</b> from their own funds in the form of equity shares.</p>	<ol style="list-style-type: none"> <li>Specified securities acquired during the preceding 3 years, if these are:- <ul style="list-style-type: none"> <li>acquired for <b>consideration other than cash and revaluation of assets or capitalisation of intangible assets</b> is involved in such transaction; or</li> <li>resulting from a <b>bonus issue by utilisation of revaluation reserves /unrealised profits</b> of the issuer/from bonus issue against equity shares which are ineligible for minimum promoters' contribution.</li> </ul> </li> <li>Specified securities acquired by promoters and AIFs/ FVCIs / scheduled commercial banks/ PFIs/ insurance companies during the <b>preceding one year at a price lower than the price at which specified securities are being offered to public in the initial public offer.</b></li> <li><b>Specified securities</b> allotted to promoters and AIFs during the <b>preceding 1 year at a price less than the issue price</b>, against funds brought in by them during that period, in case of an issuer formed by conversion of 1 or more partnership firms/LLPs, where the partners of the erstwhile partnership firms/LLPs are the promoters of the issuer and there is no change in the management.</li> <li>Specified securities pledged with any creditor</li> </ol>	<p>However, Clause (b) shall not apply:</p> <ol style="list-style-type: none"> <li>if the promoters and AIFs, as applicable pay to the issuer, the difference between the price at which specified securities are offered in the initial public offer and the price at which the specified securities had been acquired;</li> <li>if such specified securities are acquired in terms of the scheme, as approved by a High Court or a tribunal or the Central Government, as applicable, by promoters in lieu of business and invested capital that had been in existence for a period of more than one year prior to such approval;</li> </ol> <p>to an initial public offer by a government company, statutory authority or corporation or any special purpose vehicle set up by any of them, which is engaged in infrastructure sector.</p>

## Promoters contribution in FPO

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

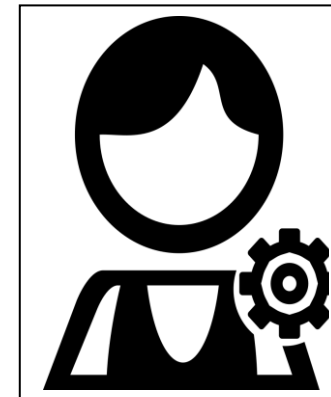
- An issuer which does not have any identifiable promoter
- In case of a further public offer, where the equity shares of the issuer are frequently traded on a recognised stock exchange for a period of at least three years and the issuer has a track record of dividend payment for at least 3 immediately preceding years.

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

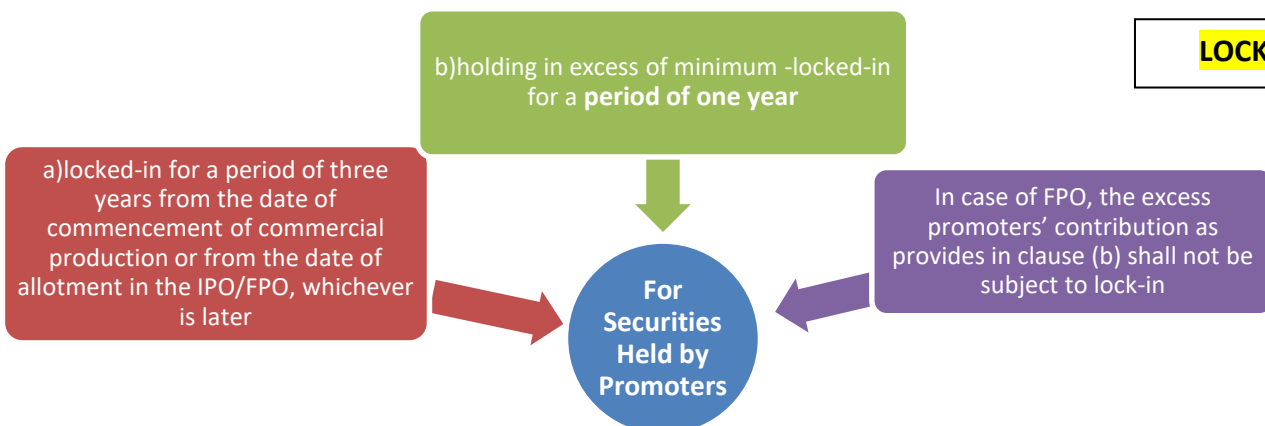
SR. NO.	SITUATION	CONTRIBUTION/PRICE
MINIMUM PROMOTERS CONTRIBUTION	PUBLIC ISSUE	Either to the extent of <b>20% of the proposed issue size or to the extent of 20% of the post-issue capital;</b>
1.	Composite issue	<b>extent of 20% of the proposed issue size or to the extent of 20% of the post-issue capital</b>
2.	public issue or composite issue of convertible securities	<b>20%</b> by way of equity shares or by way of subscription to the convertible securities
3.	Issue of convertible securities which are convertible or exchangeable on different dates and if the promoters' contribution is by way of equity shares	Not be a price lower than the weighted average price of the equity share capital arising out of conversion of such securities.
4.	Further public offer or composite issue where the promoters contribute more than the stipulated minimum promoters' contribution	Allotment at price determined in terms of the provisions relating to pricing of frequently trading shares or the issue price, whichever is higher

In case the promoters have to subscribe to **equity shares or convertible securities**

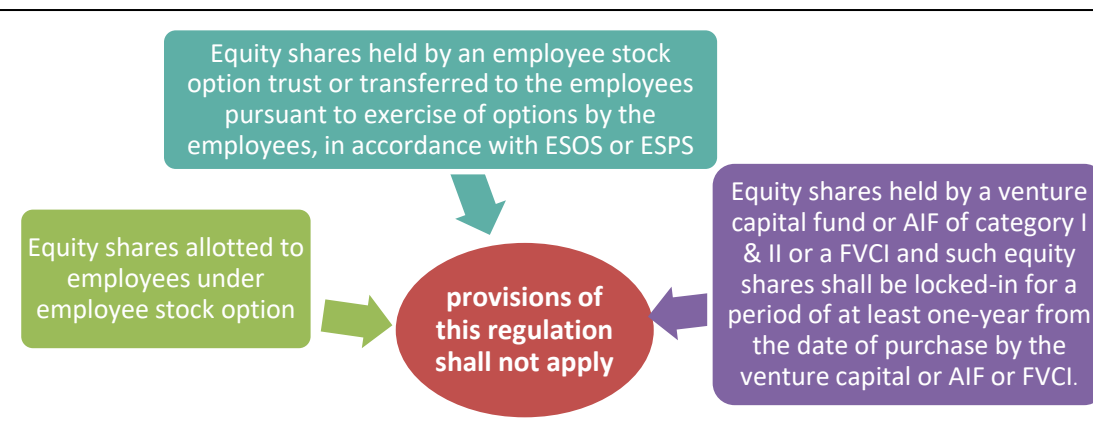
- Promoters **shall satisfy the requirements of at least 1 day prior to the date of opening of the issue**
- Amount of promoters' contribution shall be kept in an **escrow account** with a scheduled commercial bank
- Where the minimum **promoters' contribution is more than Rs 100 crore** and the further public offer is for partly paid shares, the promoters shall bring in **at least Rs 100 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



## LOCK IN REQUIREMENTS



The entire pre-issue share capital, held by **persons other than the promoters**, shall be **locked-in for a period of one year.**







Minimum offer to public and reservation

Security	Percentage	Post issue capital at offer price
Each class or kind of equity shares or debentures convertible into equity shares.	25%	Less than or equal to 1600 crore rupees
Each class or kind of equity shares or debentures convertible into equity shares	% = 400 crores	More than 1600 crore rupees but less than or equal to 4000 rupees.
each class or kind of equity shares or debentures convertible into equity shares	10%	above four thousand crore rupees

RESERVATION CAN BE MADE FOR

- 
- 1) Employees  
2) Shareholders of listed subsidiaries or listed promoter companies

RESERVATION CANNOT BE MADE FOR

- 
- 1) Lead manager(s)  
2) Registrar  
3) Syndicate member(s),  
4) Their promoters, directors  
5) Group or associate companies of the lead manager(s), registrar and syndicate member(s) and their promoters, directors and employees.

CONDITIONS FOR COMPETITIVE RESERVATION

CATEGORY	RESERVATION	MAX. AMOUNT
employees	5% of the post issue capital	2 lakhs
Under subscription-employees	-	2-5 lakhs
Shareholders	10% of issue size	-

- a) The unsubscribed portion, if any, after inter-se adjustments among the reserved categories shall be added to the net offer category.
- b) An applicant in any reserved category may make an application for any member of specified securities, but not exceeding the reserved portion for that category.

ALLOCATION IN NET OFFER

REGULATIONS/ INVESTORS	Regulations 32(1) & 129(1)	Regulations 32(2) & 129(2)	Regulations 32(4) & 129(4)
RII	35%	10%	MINIMUM 15%
NII	15%	15%	
QIB	50% (5% to MUTUAL FUNDS INCL.)	75% (5% TO MF)	

- a) Under regulation 32(4) & 129(4)- Remaining to portion shall be allotted to :

i. individual applicants other than RIIs; and

ii. other investors including corporate bodies or institutions, irrespective of the number of specified securities applied for

- b) Under regulation 32(3) & 129(3) - In an issue made through the book building process, the issuer may allocate up to 60% of the portion available for allocation to qualified institutional buyers to anchor investors.

Shubham Sukhija (CA, CS, LLM)

Exit Opportunity To Dissenting Shareholders



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

Conditions for Exit Offer



proposal for change or variation dissented by at least 10 per cent of the shareholders who voted in the general meeting



amount to be utilized for the objects is less than 75 % of the amount raised

EXIT OFFER PRICE

volume-weighted average price paid or payable

- by the promoters or shareholders
- during the 52 weeks immediately preceding the relevant date

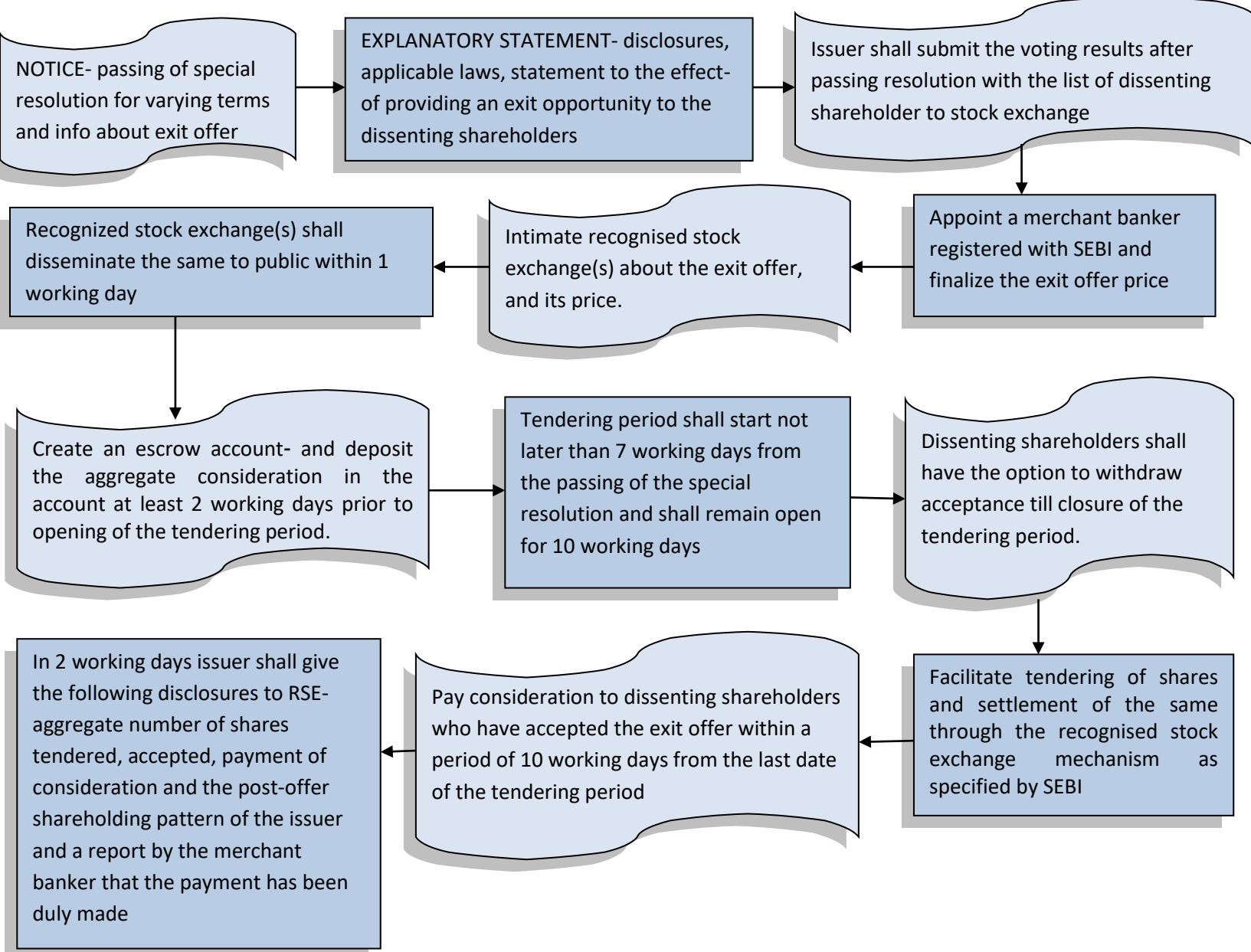
highest price paid or payable

- by the promoters or shareholders
- 26 weeks immediately preceding the relevant date

Frequently traded shares

- volume-weighted average market price
- period of 60 trading days immediately preceding the relevant date

Manner Of Providing Exit To Dissenting Shareholders



If the issuer, any of its promoters, promoter group or directors of the issuer are debarred from accessing the capital market by SEBI

If any of its promoters or directors is a fugitive economic offender.

If any of the promoters or directors of the issuer is a promoter or director of any other company which is debarred from accessing the capital market by SEBI;

**Eligibility conditions**

**Pricing**

Issue price- decided in consultation with lead manager and record date as per designated stock exchange

**FACE VALUE**

The issue price shall not be less than the face value of the specified securities.

The issue shall disclose the issue price in the letter of offer filed with SEBI and the stock exchanges

**ASBA**

ASBA facility shall be in the manner specified by SEBI where not more than one payment option is provided.

Payment for reserved portion outside the issue period can be through electronic banking modes.

Conditions for applicant to make payment through ASBA

- holding equity shares in dematerialised mode
- has not renounced entitlement in part or in full;
- is not a renouncee.

**Subscription period**- minimum -15 days and maximum - 30 days.

**Payment option to shareholders**

- part payment on application with balance money to be paid in call (part payment - not be less than 25% of the issue price) or
- full payment on application

**GENERAL CONDITIONS-** The issuer making a rights issue of specified securities shall ensure that:

- Sought **in-principle approval** from stock exchange
- all its **existing partly paid-up equity shares** have either **been fully paid-up or have been forfeited**
- It has made **firm arrangements** of finance through verifiable means towards **75% of the stated means of finance** for the specific project.
- The **amount for general corporate purposes shall not exceed 20%** of the amount raised by the issuer.

Where the issuer or any of its promoters or directors is a **willful defaulter**, the promoters or promoter group of the issuer **shall not renounce** their rights **except to the extent of renunciation within the promoter group**.

1. Check availability of authorized capital

2. Notify stock exchange 2 days prior to board meeting

3. Convene the Board meeting & notify the concerned Stock Exchanges immediately after.

4. Appoint a merchant banker and file a draft letter of Offer with SEBI. Incorporate changes in offer letter.

5. Issue shall be kept open for minimum 15 days and maximum 30 days.

Matters to be decide in board meeting

- Quantum of issue and the proportion of rights shares.
- Alteration of share capital, if necessary, and offering shares to persons other than existing holders of shares
- Fixation of record date.
- Appointment of merchant bankers and underwriters
- Approval of draft letter of offer or authorisation of managing director/ company secretary to finalise the letter of offer in consultation with the managers to the issue, the stock exchange and SEBI.

File a copy of the letter of offer with the stock exchange

Despatch letters of offer and the Composite Application Form to shareholders by registered post.

Advertisement -date of completion of despatch of letter of offer given in at least an English National Daily, one Hindi National Paper and a Regional Language Daily where registered office is situated.

Applications of shareholders who apply both on plain paper and also in a composite application form are liable to be rejected.

Make arrangement with bankers for acceptance of share application forms.

Finalise the allotment in consultation with Stock Exchange.

Convene Board Meeting and make allotment of shares.

Make an application to the Stock Exchange(s) where the company's shares are listed for permission of listing of new shares.

**Reservations**

The issuer shall make a rights issue of equity shares only if it has made reservation of equity shares of the same class in favour of the holders of outstanding compulsorily convertible debt instruments, if any, in proportion to the convertible part thereof

equity shares reserved for the holders of fully or partly compulsorily convertible debt instruments shall be issued to such holder at the time of conversion of such convertible debt instruments, on the same terms at which the equity shares offered in the rights issue were issued.

reservation for employees along with rights issue - value of allotment to any employee shall not exceed Rs 2 lakhs. undersubscription 2L-5L



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



### Conditions for preferential issue

all equity shares allotted by way of preferential issue shall be made fully paid up

special resolution has been passed by its shareholders;

all the equity shares, held by the proposed allottees in the issuer are in dematerialised form

issuer is in compliance with the conditions for continuous listing of equity shares as specified in the listing agreement as per SEBI listing Regulations, 2015

issuer has obtained the Permanent Account Number of the proposed allottees

### Relevant Date

• The date 30 days prior to the date on which the meeting of shareholders is held to consider the proposed preferential issue.

Preferential issue of equity shares



• Issue pursuant to any resolution of stressed assets under a framework specified by the RBI or a resolution plan approved by the NCLT, the date of approval of the corporate debt restructuring package or resolution plan shall be the relevant date.

Issue pursuant to resolution



• relevant date referred clause (a) or a date 30 days prior to the date on which the holders of the convertible securities become entitled to apply for the equity shares.



Preferential issue of convertible securities



### Frequently and infrequently traded shares

Frequently Traded Shares	Infrequently Traded Shares
1. Where shares of the issuer, in which the <b>traded turnover</b> on any recognised stock exchange during the <b>twelve calendar months</b> preceding the relevant date, is <b>at least ten per cent of the total number of shares</b> of such class of shares of the issuer. 2. However, where the share capital of a particular class of shares of the issuer is <b>not identical throughout</b> such period, the weighted <b>average number of total shares of such class of the issuer shall represent the total number of shares.</b>	1. Where the shares are not frequently traded, the price determined by the issuer shall take into account valuation parameters including <b>book value, comparable trading multiples, and such other parameters as are customary for valuation.</b> 2. Submit a compliance certificate, <b>obtained from an independent merchant banker or an independent valuer to the stock exchange</b> where the equity shares of the issuer are listed.

### PRICING

Particulars	Listed for more than 26 weeks	Listed for less than 26 weeks
<b>Price not less than higher of the following:</b> 	Average of the weekly high and low of the <b>volume weighted average price (VWAP)</b> of the related equity shares <b>quoted on the recognised stock exchange during the 26 weeks</b> preceding the relevant date <b>OR</b>	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, pursuant to which the equity shares of the issuer were listed <b>OR</b>
<b>Where the price of the equity shares is determined,</b> such price shall be recomputed by the issuer on completion of 26 weeks from the date of listing if such recomputed price is higher than the price paid on allotment, the difference shall be paid by the allottees to the issuer.	average of the weekly high and low of the <b>volume weighted average prices</b> of the related <b>equity shares quoted on a recognised stock exchange during the 2 weeks</b> preceding the relevant date	the average of the weekly high and low of the volume weighted average prices of the related equity shares quoted on a <b>recognised stock exchange during the 2 weeks preceding the relevant date</b> <b>OR</b>
<b>Preferential issue to QIBs, not exceeding 5 in number. 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 2 weeks preceding the relevant date</b>		average of the weekly high and low of the volume weighted average prices of the related equity shares <b>quoted on the recognised stock exchange during the period shares have been listed preceding the relevant date</b>

### Lock-In of Specified Securities

CONDITION	LOCK-IN
<b>Promoter or promoter group</b> and equity shares allotted pursuant to exercise of options attached to warrants issued on preferential basis to promoter or promoter group (upto 20%)	3 years from trading approval
Equity shares allotted in excess of the 20%	1 year from trading approval
Convertible securities or warrant which are not listed on stock exchanges,	1 year from allotment
Securities allotted on preferential basis to persons <b>other than promoter and promoter group</b> and the equity shares allotted pursuant to exercise of options attached to warrants	1 year from trading approval
<b>convertible securities or warrants which are not listed on stock exchanges</b>	1 year from allotment
equity shares issued on a preferential basis pursuant to any resolution of stressed assets under a framework specified by the RBI or a resolution plan approved by the NCLT under the IBC 2016,	1 year from trading approval

- 1) Lock-in of the equity shares allotted pursuant to conversion of convertible securities other than warrants, issued on preferential basis shall be reduced to the extent the convertible securities have already been locked-in.
- 2) If the amount payable by the allottee, in case of re-calculation of price is not paid till the expiry of lock-in period, the equity shares shall continue to be locked-in till such amount is paid by the allottee.
- 3) The entire **pre-preferential allotment shareholding** of the allottees, if any, shall be locked-in from the relevant date up to a **period of six months from the date of trading approval.**
- 4) However, in case of **convertible securities or warrants which are not listed** on stock exchanges, the **entire pre-preferential allotment shareholding** of the allottees, if any, shall be locked-in from the **relevant date up to a period of six months** from the date of allotment of such securities.

**QUALIFIED  
INSTITUTIONAL  
PLACEMENT**

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

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

CONDITIONS FOR QIP- RELEVANT DATE

In case of allotment of equity shares, the **date of the meeting in which the board of directors or the committee of directors** duly authorised **decides to open the proposed issue.**

In case of allotment of eligible convertible securities, either the **date of the board meeting or the committee of directors** decides to open the issue of such convertible securities or the date on which the holders of such convertible securities become **entitled to apply for the equity shares**

Conditions for offer for sale (OFS) by promoters- Securities Contracts (Regulation) Rules, 1957

Condition 1

- Promoters and members of the promoter group
- An OFS of fully paid up equity shares
- Through a QIP
- For achieving minimum public shareholding



Condition 2

1. Shall not make OFS if it has purchased or sold any equity shares of the issuer during twelve weeks period prior to the date of the opening of the issue; and
2. 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.



Condition 3

1. 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 SEBI; OR
2. Through an open market sale, in accordance with the conditions specified by SEBI from time to time, Subject to the condition that there shall be a gap of minimum two weeks between the two successive offer(s).

# Shubham Sukhla (CA, CS, LLM)

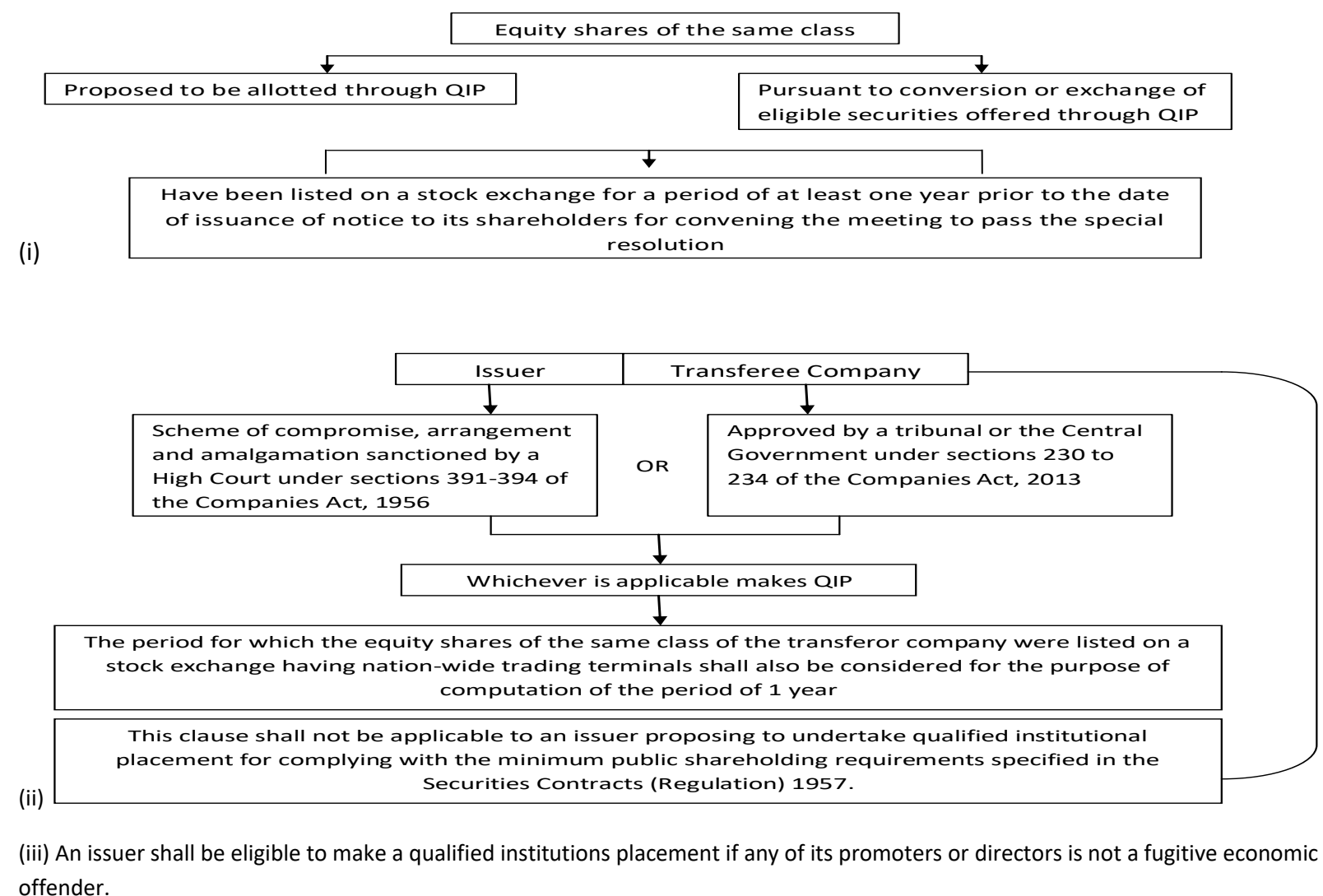
CONDITIONS FOR QIP

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

a) SPECIAL RESOLUTION

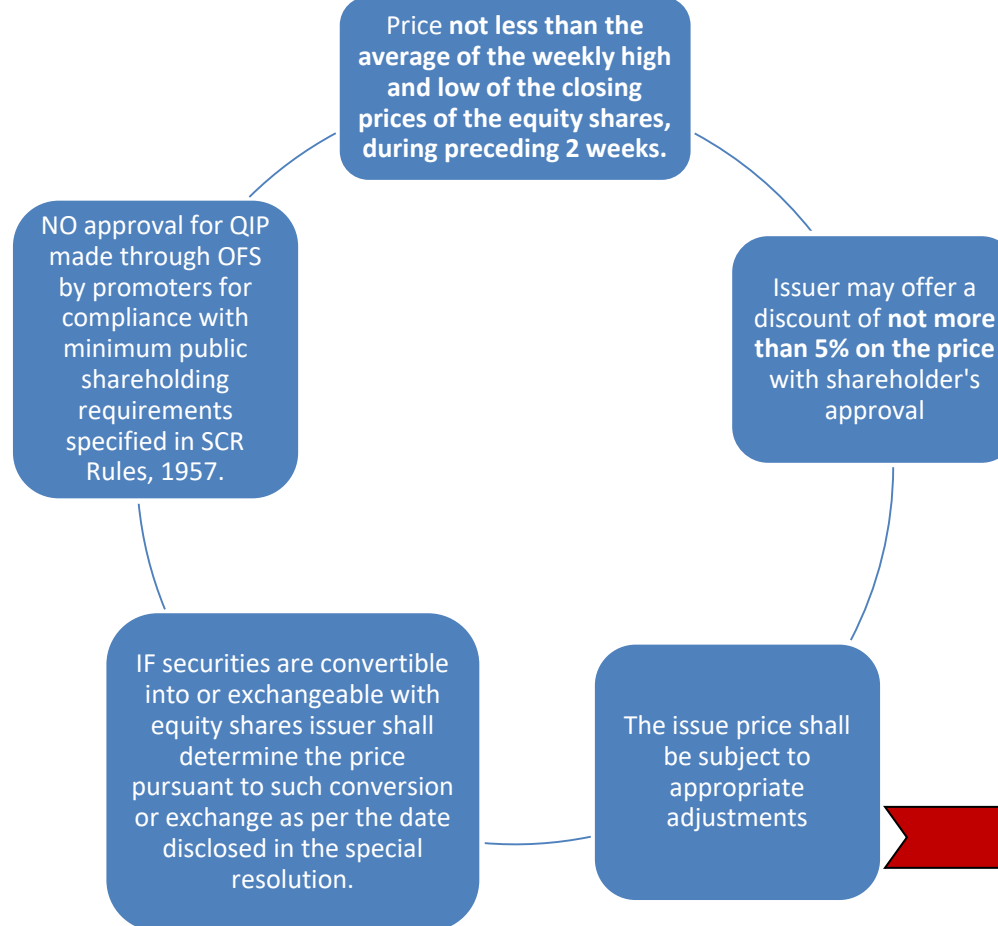
Approval	Completion	Non-applicability
A special resolution approving the QIP has been passed by its shareholders, and the special resolution shall, among other relevant matters, specify that the allotment is proposed to be made through qualified institutions placement and the relevant date.	Allotment pursuant to the special resolution shall be completed within a period of 365 days from the date of passing of the resolution.	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

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





## PRICING OF QIP



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

## Issue Of Specified Securities By Small And Medium Enterprises

## APPLICATION AND ALLOTMENT

2 ALLOTTEES- Issue size less than or equal to 250 cr

5 ALLOTTEES- Issue size greater than 250 cr

- No single allottee shall be allotted more than 50% of the issue size.
- Qualified institutional buyers belonging to the same group or who are under same control shall be deemed to be a single allottee

The applicants in QIP shall not withdraw or revise downwards their bids after the closure of the issue.

- Allotment subject to the following conditions:
- minimum of 10% of eligible securities shall be allotted to mutual funds.
- 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.

QIB who does not hold shares in the issuer and who has acquired the said rights in the capacity of a lender shall not be deemed to be a person related to the promoters

- A qualified institutional buyer who has any of the following rights shall be deemed to be a person related to the promoters of the issuer:-
- rights under a shareholders' agreement or voting agreement entered into with promoters or promoter group;
- veto rights; or
- right to appoint any nominee director on the board of the issuer.

## Listing Pursuant To An Initial Public Offer

Disclosures in draft offer document and offer document	<ol style="list-style-type: none"> <li>An issuer seeking to issue and list its specified securities shall file a draft offer document along with necessary documents with the Board in accordance with these regulations along with the fees as specified in Schedule III of these regulations.</li> <li>The draft offer document shall disclose the broad objects of the issue.</li> <li>The basis of issue price shall include disclosures, except projections, as deemed fit by the issuer in order to enable the investors to take informed decisions and the disclosures shall suitably contain the basis of valuation.</li> </ol>
Minimum public shareholding norms and minimum offer size	<ol style="list-style-type: none"> <li>The issuer shall be in compliance with minimum public shareholding requirements specified in the Securities Contracts (Regulation) Rules, 1957.</li> <li>The minimum offer size shall be Rs 10 crore</li> </ol>
Minimum application size	The minimum application size shall be 16 [two lakh rupees and in multiples thereof].
Allocation and allotment	<ol style="list-style-type: none"> <li>The number of allottees in the initial public offer shall at least be 17[fifty].</li> <li>The allotment to institutional investors as well as non-institutional investors shall be on a proportionate basis.</li> <li>Any under-subscription in the non-institutional investors shall be available for</li> </ol>

## FILING OF OFFER DOCUMENT

File a copy of offer document with SEBI through the lead manager after registration with ROC.

SEBI shall not issue any observation on the offer document.

lead manager(s) shall submit a **due-diligence certificate**

offer document -displayed from the date of filing on the websites of SEBI, the lead manager(s) and the SME exchange(s) for **at least 21 days**

draft offer document and offer documents to be given to SEBI in a soft copy



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

## ELIGIBILITY CRITERIA

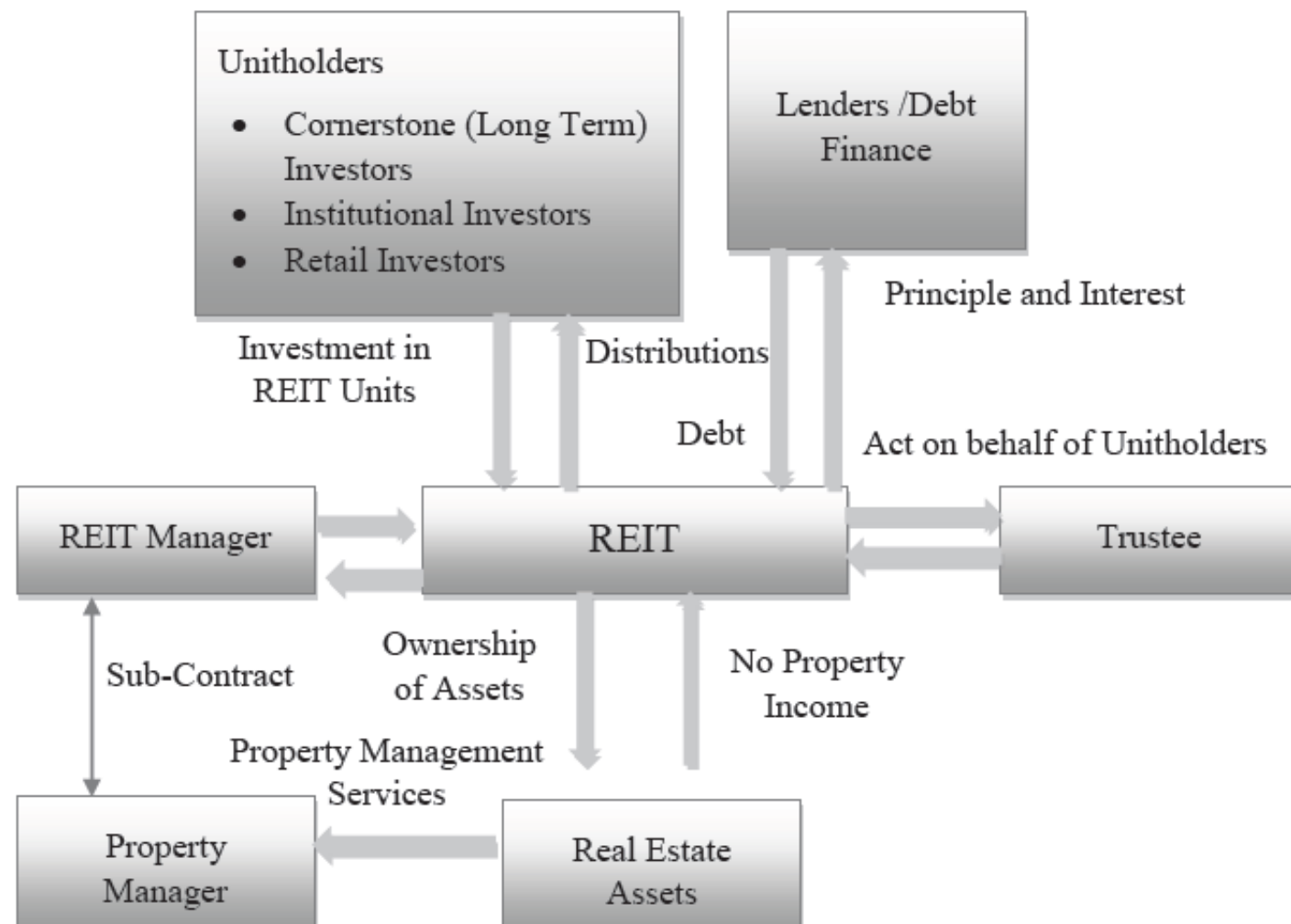
Capital	Amount	Listing
post-issue paid-up capital	Less than or equal to ten crore rupees.	list only on SME Platform of the Exchange
post issue face value capital	more than Rs 10 crore and upto Rs 25 crore	listing on the main board of the Exchange also

1. The minimum application size shall be Rs 1 lakh per application.

Here, 'minimum application value' shall be with reference to the issue price of the specified securities and not with reference to the amount payable on application.

2. The minimum sum payable on application per specified securities shall at least 25% of the issue price.

### SALIENT FEATURES



#### Governing Code and Legal Strucutre

- SEBI (Real Estate Investment Trusts) Regulations, 2014
- Trust set up under Indian Trusts Act, 1882

#### Parties and Trustees

- Sponsor Group, Re-designated Sponsor, Manager and Trustee
- Shall be registered as a Trustee under SEBI (Debenture Trustee) Regulations, 1993 and shall not be an associate of Sponsor/Manager/ principle valuer.

#### Listing and Investment Conditions

- Listing is mandatory for Units
- At least 80% of the value of the REIT assets needs to be in completed and revenue generating properties

#### Maximum number of sponsors that REITs can have & Unit holding obligation

- Each sponsor shall hold or propose to hold minimum 5% of units of REITs.
- Collectively to hold minimum of 25% of the units of the REIT for a period of not less than 3 years from the date of listing.
- Sponsor(s) and sponsor group(s)] together hold not less than fifteen per cent of the outstanding units of the listed REIT at all times.

#### Valuation of assets

- Full valuation on a yearly basis and updating the same on a half yearly basis and declare NAV within 15 days from the date of such valuation/update.

#### Distribution of Income

- Atleast 90% of the net distributable income after tax of the REIT/Holdcoshall be distributed as dividend to the unit holders atleast on half yearly basis and shall be made not later than fifteen days

#### Mode of Investment in properties

- Directly or through SPVs holding atleast 80% of their assets directly in such properties
- The REIT shall hold controlling interest and not less than 50% of the equity share capital of the Special Purpose Vehicle

#### Minimum Subscription and unit size

- Under both the initial offer and follow-on offer, rights issue, QIP, minimum subscription size for units of REIT shall be Rs.50,000.
- The units offered to the public in initial offer shall not be less than 25% of the number of units of the REIT on post-issue basis.
- Trading lot shall be 100Units

#### Borrowings and Deferred payments

- The aggregate consolidated borrowings and deferred payments of the REIT shall never exceed 49% of the value of the REIT assets
- If borrowings/deferred payments exceed 25%,approval from unit holders and credit rating shall be required

#### Other Permissible Investments

- 20% can be invested in
- Developmental properties, Listed or unlisted debt of companies/ body corporate in real estate sector; Mortgage backed securities, Equity which derive not less than 75% of their operating income from Real Estate activity; Government securities; Unutilized FSI of a project; TDR acquired for the purpose of Utilization , Money market instruments or Cash equivalents





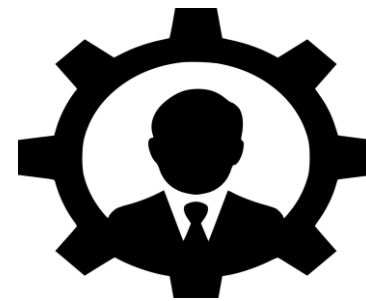
“Associate” of any person shall be as defined under the Companies Act, 2013 or under the applicable accounting standards and shall also include following:

- i. any person controlled, directly or indirectly, by the said person;
- ii. any person who controls, directly or indirectly, the said person;
- iii. where the said person is a company or a body corporate, any person(s) who is designated as promoter(s) of the company or body corporate and any other company or body corporate with the same promoter(s);
- iv. where the said person is an individual, any relative of the individual

“Body corporate” shall have the meaning assigned to it in or under sub-section (11) of section 2 of the Companies Act 2013

Bonus issue” means additional units allotted to the unit holders as on the record date fixed for the said purpose, without any cost to the unit holder.

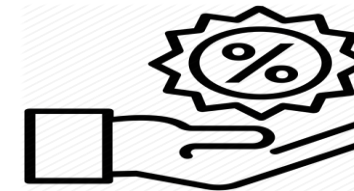
“Completed property” means property for which occupancy certificate has been received from the relevant authority.



“Change in control” means, –

- i. in case of a company or body corporate, change in control where ‘control’ shall have the meaning as provided in sub-section (27) of section 2 of the Companies Act, 2013;
- ii. in any other case, change in the controlling interest.

“Floor Space Index” or “FSI” shall mean the buildable area on a plot of land as specified by the competent authority.



“Follow-on Offer” means offer of units of a listed REIT to the public for subscription and includes an offer for sale of REIT units by an existing unit holder to the public.



“Holdco” or “holding company” shall mean a company or LLP., –

- i. in which REIT holds or proposes to hold not less than fifty per cent of the equity share capital or interest and which it in turn has made investments in other SPV(s), which ultimately hold the property(ies);
- ii. which is not engaged in any other activity other than holding of the underlying SPV(s), holding of real estate/properties and any other activities pertaining to and incidental to such holdings:

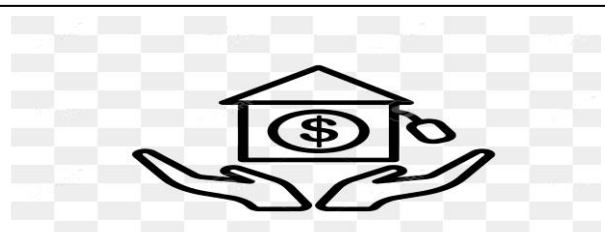
“Net asset value” or “NAV” means the value of the REIT assets reduced by the external debt divided by the number of outstanding units as on a particular date.

“Occupancy certificate” means a completion certificate, or such other certificate, as the case may be, issued by the competent authority permitting occupation of any property under any law for the time being in force.

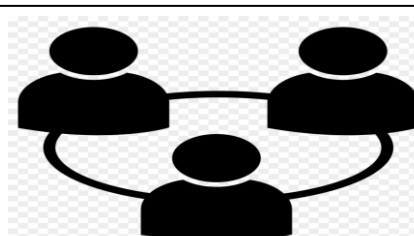
“REIT assets” means real estate assets and any other assets owned by the REIT on a freehold or leasehold basis, whether directly or through a holdco and /or special purpose vehicle



“Rent generating property” means property which has been leased or rented out in accordance with an agreement entered into for the purpose.



- “Real Estate” or “Property” means land and any permanently attached improvements to it
- whether leasehold or freehold and includes buildings, sheds, garages, fences, fittings, fixtures, warehouses, car parks, etc. and any other assets incidental to the ownership of real estate
- but does not include mortgage



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

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

“Special purpose vehicle” or “SPV” means any company or LLP :

- i. in which either the REIT or the holdco holds or proposes to hold not less than fifty per cent of the equity share capital or interest;
- ii. which holds not less than eighty per cent of its assets directly in properties and does not invest in other special purpose vehicles; and
- iii. which is not engaged in any activity other than holding and developing property and any other activity incidental to such holding or development

“Sponsor” means any person(s) who set(s) up the REIT and designated as such at the time of application made to SEBI.

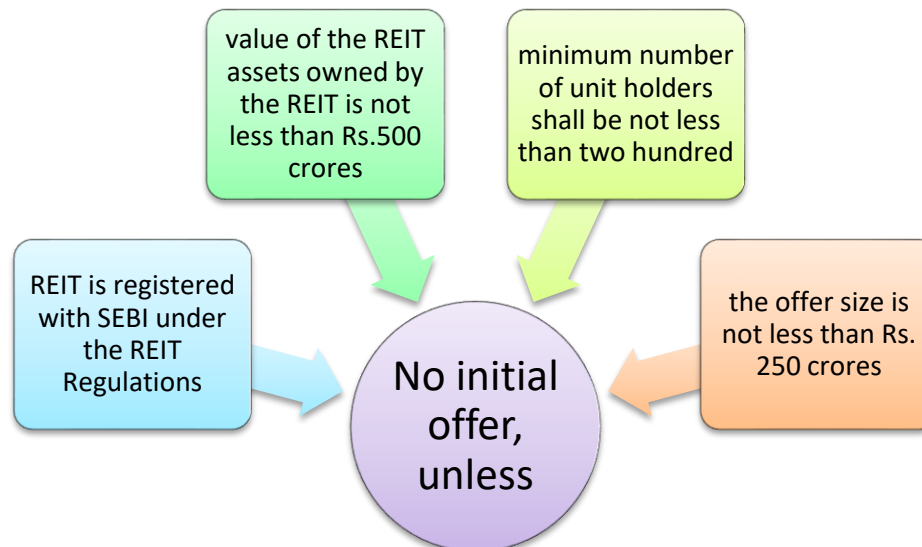
“Sponsor group” – includes:

- (i) the sponsor(s);
- (ii) in case the sponsor is a body corporate:
  - a. entities or person(s) which are controlled by such body corporate;
  - b. entities or person(s) who control such body corporate;
  - c. entities or person(s) which are controlled by person(s) as referred at clause b.
- (iii) in case sponsor is an individual:
  - a. an immediate relative of such individual (i.e., any spouse of that person, or any parent, brother, sister or child of the person or of the spouse); and
  - b. entities or person(s) which are controlled by such individual

# Shubhamm Sukhlecha (CA, CS, LLM)

## Issue And Allotment Of Units

A REIT shall make an initial offer of its units by way of public issue only.



Any subsequent issue of units by the REIT may be by way of follow-on offer, preferential allotment, qualified institutional placement, rights issue, bonus issue, offer for sale or any other mechanism and in the manner as may be specified by SEBI.

shall be not less than 25% of the total of the outstanding units of the REIT and the units being offered by way of the offer document, if the post issue capital of the REIT calculated at offer price is less than Rs. 1,600 crores

shall be of the value of at least Rs 400 crore, if the post issue capital of the REIT calculated at offer price is equal to or more than Rs. 1600 crore and less than Rs. 4000 crore

shall be not less than 10% of the total of the outstanding units of the REIT and the units being offered by way of the offer document, if the post issue capital of the REIT calculated at offer price is equal to or more than Rs. 4000 crore

any listed REIT which has public holding below 25%, such REIT shall increase its public holding to at least 25%, within a period of three years from the date of listing pursuant to initial offer



“Transferable development rights” or “TDR” shall mean development rights issued by the competent authority under relevant laws in lieu of the area relinquished or surrendered by the owner or developer or by way of declared incentives by the Government or authority.

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

REIT, through the merchant banker, shall file a draft offer document along with the prescribed fees with the designated stock exchange(s) and SEBI, not less than 30 working days before filing offer document with the designated stock exchange and SEBI

The draft offer document filed with SEBI shall be made public, for comments, by hosting it on the websites of SEBI, designated stock exchanges and merchant bankers associated with the issue for a period of not less than 21 days.

The draft offer document and/or final offer document shall be accompanied by a due diligence certificate signed by the lead merchant banker.

SEBI may communicate its comments to the lead merchant banker and, in the interest of investors, may require the lead merchant banker to carry out such modifications in the draft offer document as it deems fit.

The lead merchant banker shall ensure that all comments received from SEBI on the draft offer document are suitably taken into account prior to the filing of the offer document with the designated stock exchanges.

In case no observations are issued by SEBI on the draft offer document within 21 working days, then REIT may file the offer document or follow-on offer document with SEBI and the exchange(s).

The offer document shall be filed with the designated stock exchanges and SEBI not less than 5 working days before opening of the offer.



The initial offer or follow-on offer or right issue shall be made by the REIT within a period of not more than one year from the date of issuance of observations by SEBI. However, if the initial offer or follow-on offer or right issue is not made within the specified time period, a fresh draft offer document shall be filed.



The REIT may invite for subscriptions and allot units to any person, whether resident or foreign.

In case of foreign investors, such investment shall be subject to guidelines as may be specified by RBI and the government from time to time.

Under both the initial offer and follow-on public offer, the REIT shall not accept subscription of an amount less than Rs. 50,000 from an applicant.



# Shubhamm Sukhlecha (CA, CS, LLM)

The application for subscription shall be accompanied by a statement containing the abridged version of the offer document, detailing the risk factors and summary of the terms of issue.

Initial offer and follow-on offer shall not be open for subscription for a period of more than thirty days.

In case of over-subscriptions, the REIT shall allot units to the applicants on a proportionate basis rounded off to the nearest integer subject to minimum subscription amount per subscriber as specified above.

The REIT shall allot units or refund application money as the case may be, within 12 working days from the date of closing of the issue.

The REIT shall issue units only in dematerialized form to all the applicants.

The price of REIT units issued by way of public issue shall be determined through the book building process or any other process in accordance with the circulars or guidelines issued by SEBI and in the manner as may be specified by SEBI.

If the manager fails to

- allot, list, or refund the money within the specified time,
- then he shall pay interest to the unit holders at 15% per annum
- till such allotment/ listing / refund and such interest shall not be recovered in the form of fees or any other form payable to the manager by the REIT.

The REIT shall refund money, –

- (a) to all applicants in case it **fails to collect subscription amount of exceeding 90% of the fresh issue size** as specified in the offer document.
- (b) to applicants to the **extent of over subscription** in case the moneys received is in excess of the extent of over-subscription as specified in the offer document. The **right to retain such over subscription cannot exceed 25%** of the issue size
- (c) to all applicants in case the **number of subscribers** to the initial offer forming part of the public is **less than 200**.

The holding period for securities against which such units have been received shall be considered for the purpose of calculation of one year period.

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

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

Units may be offered for sale to public

10%



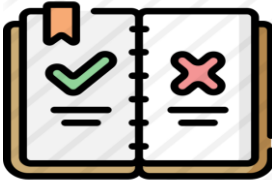

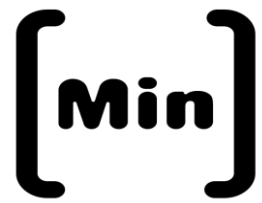


The **amount for general purposes**, as mentioned in objects of the issue in the draft document filed with SEBI, shall not exceed to 10 % of the amount raised by the REIT by issuance of units.



If the REIT fails to make its initial offer within three years from the date of registration with SEBI, it shall surrender its certificate of registration to SEBI and cease to operate as a REIT. SEBI if it deems fit, may extend the period by another one year. Further, the REIT may later re-apply for registration, if it so desires

SEBI may specify by issue of guidelines or circulars any other requirements, as it deems fit, pertaining to issue and allotment of units by a REIT.

## Listing And Trading Of Units

	After the initial offer it shall be mandatory for all units of REITs to be listed on a recognized stock exchange having nationwide trading terminals within of twelve working days from the date of closure of the offer. The listing of the units of the REIT shall be in accordance with the listing agreement .
	In case of non-receipt of listing permission from the stock exchange(s) or withdrawal of Observation Letter issued by SEBI the units shall not be eligible for listing and the REIT shall be liable to refund the subscription monies, if any, to the respective allottees immediately along with <b>interest at the rate of 15% per annum</b> from the date of allotment.
	The units of the REIT listed in recognized stock exchanges shall be traded, cleared and settled in accordance with the bye-laws of concerned stock exchanges and such conditions as may be specified by SEBI. The units of REIT shall remain listed on the designated stock exchange unless delisted under REIT Regulations.
	Trading lot for the purpose of trading of units of the REIT shall be 100 units. The REIT shall redeem units only by way of a buy-back or at the time of delisting of units.
	The minimum public holding for the units of the listed REIT shall as discussed under Issue and Allotment of Units of this lesson, failing which action may be taken as may be specified by SEBI and by the designated stock exchange including delisting of units under REIT Regulations.
	However, in case of breach of the conditions specified here, the trustee may provide a period of six months to the manager to rectify the same, failing which the manager shall apply for delisting of units.
	SEBI and the designated stock exchanges may specify any other requirements pertaining to listing and trading of units of the REIT by issuance of guidelines or circulars.

## Delisting Of Units

## CONDITIONS OF DELISTING

Public holding falls below the specified limit as prescribed under REIT Regulations.

- If there are no projects or assets remaining under the REIT for a period exceeding six months and REIT does not propose to invest in any project in future. The period may be extended by further six months, with the approval of unit holders in the manner as specified in REIT Regulations.

SEBI or the designated stock exchanges require such delisting for violation of the listing agreement or these regulations or the Act

- The sponsor(s) or trustee requests such delisting and such request has been approved by unit holders in accordance with the REIT Regulations.

The unit holders may also apply for such delisting in accordance with the provisions as prescribed for rights and meeting if unit holders.

SEBI or the designated stock exchanges require such delisting for violation of the listing agreement, these regulations or the Act or in the interest of the unit holders.

## APPLICATION

- SEBI and the designated stock exchanges may consider such application for approval or rejection as may be appropriate in the interest of the unit holders.

## EXTENSION OF TIME

- SEBI, instead of requiring delisting of units, if it deems fit, may provide additional time to the REIT or parties to the REIT to comply with REIT Regulations

## SEBI'S DISCRETION

- SEBI may reject the application for delisting and take any other action, as it deems fit under REIT Regulations or the Act for violation of the listing agreement or REIT Regulations or the Act.

## WINDING UP AND REDEMPTION

- SEBI may require the REIT to wind up and sell its assets in order to redeem units of the unit holders for the purpose of delisting of units and SEBI may through circulars or guidelines specify the manner of such winding up or sale.



## PROCEDURE AFTER DELISTING

### DELISTING PROCEDURE

- The procedure for delisting of units of REIT including provision of exit option to the unit holders shall be in accordance with the listing agreement and in accordance with procedure as may be specified by SEBI and by the designated stock exchanges from time to time.

### SURRENDER CERTIFICATE

- After delisting of its units, the REIT shall surrender its certificate of registration to SEBI and shall no longer undertake activity of a REIT.

### LIABILITY AFTER SURRENDER

- However, the REIT and parties to the REIT shall continue to be liable for all their acts of omissions and commissions with respect to activities of the REIT notwithstanding such surrender.

## Participation By Strategic Investor(S) In Reits

The circular dated 18/01/2018 seeks to give clarifications on the participation by the **‘strategic investors’** in the public issue of the REITs and the InvITs

### ‘Strategic investor’ means:

- an infrastructure finance company registered with RBI as a NBFC
- a Scheduled Commercial Bank;
- an international multilateral financial institution;
- a systemically important NBFC with RBI;
- a foreign portfolio investors

Who invest either jointly or severally not less than 5 % of the total offer size of the InvIT or such amount as may be specified by SEBI with applicable provisions of the FEMA Act, 1999 and the rules or regulations thereunder.

### Participation by the ‘strategic investors’ in the public issue of the REITs

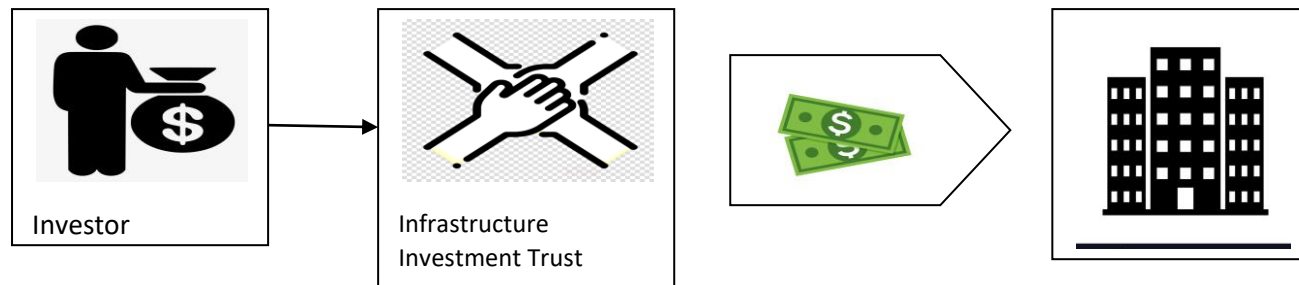
Holding requirements	Issue price of the units and utilisation of funds	Lock-in period
<ul style="list-style-type: none"> <li>Holding by strategic investors – Minimum 5%, maximum 25%.</li> <li>Holding by public, other than strategic investors and sponsors – Minimum 25%</li> <li>Holding by sponsor – Minimum 5%, maximum 70%</li> </ul>	<ul style="list-style-type: none"> <li>The price at which units are offered to the strategic investors must not be less than the price determined in the public issue.</li> <li>It must be ensured that the subscription amount is kept in the separate account until the public issue is opened.</li> </ul>	The units subscribed by strategic investors, pursuant to the unit subscription agreement, will be locked-in for a period of 180 days from the date of listing in the public issue.

## DISCLOSURES

1. DISCLOSURE AS PER SCHEDULE I	The manager shall ensure that the disclosures in the offer document are in accordance with Schedule II of the REIT Regulations and any circulars or guidelines issued by SEBI in this regard.
2. ANNUAL REPORT	The manager shall submit an annual report to all unit holders of the REIT with respect to activities of the REIT, within three months from the end of the financial year
3. HALF YEARLY REPORT	The manager shall submit a half-yearly report to all unit holders of the REIT with respect to activities of the REIT within forty five days from the end of the half year ending on September 30th.
4. DISCLOSURES IN REPORTS	Such annual and half yearly reports shall contain disclosures as specified under Schedule IV of the REIT Regulations.
5. INFORMATION TO BE DISCLOSED	<p>The manager shall disclose to the designated stock exchanges, any information having bearing on the operation or performance of the REIT as well as price sensitive information which includes but is not restricted to the following,-</p> <ul style="list-style-type: none"> <li>Acquisition or disposal of any properties, value of which exceeds 5% of value of the REIT assets;</li> <li>Additional borrowing, at level of holdco or SPV or the REIT, resulting in such borrowing exceeding 5% of the value of the REIT assets during the year;</li> <li>Additional issue of units by the REIT;</li> <li>Details of any credit rating obtained by the REIT and any change in such rating;</li> <li>Any issue which requires approval of the unit holders;</li> <li>Any legal proceedings which may have significant bearing on the functioning of the REIT;</li> <li>Notices and results of meetings of unit holders;</li> <li>Any instance of non-compliance with the REIT Regulations including any breach of limits specified under these regulations;</li> </ul> <p>The manager shall disclose to the designated stock exchanges, unit holders and SEBI such information and in the manner as may be specified by SEBI</p>
6. INFORMATION TO UNITHOLDERS	The manager shall submit such information to the designated stock exchanges and unit holders on a periodical basis as may be required under the listing agreement.

## CHAPTER 3- Infrastructure Investment Trusts

Shubham Sukhlecha (CA, CS, LLM)



- 1) An infrastructure investment trust is a trust formed under the Trusts Act and registered under the Registration Act
- 2) In the context of an InvIT, the trust is created by the Sponsor, the ownership of the property vests in the Trustee and the beneficiaries are the Unit holders of the InvIT.
- 3) Infrastructure Investment Trust is like a mutual fund, which enables direct investment of small amounts of money from possible individual/institutional investors in infrastructure to earn a small portion of the income as return.



### How does it benefit investors?

1. Sponsor has to hold a minimum 15 per cent of the InvIT units with a lock-in period of three years.
2. InvITs have to distribute 90 per cent of their net cash flows to investors.
3. The trust is required to invest a minimum of **80 per cent in revenue generating infra assets**.
4. Dividends from the trust will be distributed to the investor depending on its cash flow
5. There is no dividend distribution tax on InvIT units.

### “Infrastructure” includes-

- All infrastructure sub-sectors as defined **vide notification of the Ministry of Finance dated October 07, 2013**
- Includes any amendments or additions made thereof and “Infrastructure project” means any project in the infrastructure sector.



## DEFINITIONS

### Completed and revenue generating project

An infrastructure project, which prior to the date of its acquisition by, or transfer to, the InvIT, satisfies the following conditions:

1. The infrastructure project has **achieved the commercial operations** date as defined under the relevant project **agreement** including concession agreement, power purchase agreement or any other agreement of a similar nature entered into in relation to the operation of the project or in any agreement entered into with the lenders;
2. The infrastructure project has **received all the requisite approvals and certifications** for commencing operations; and
3. The infrastructure project has been generating **revenue from operations for a period of not less than one year**.

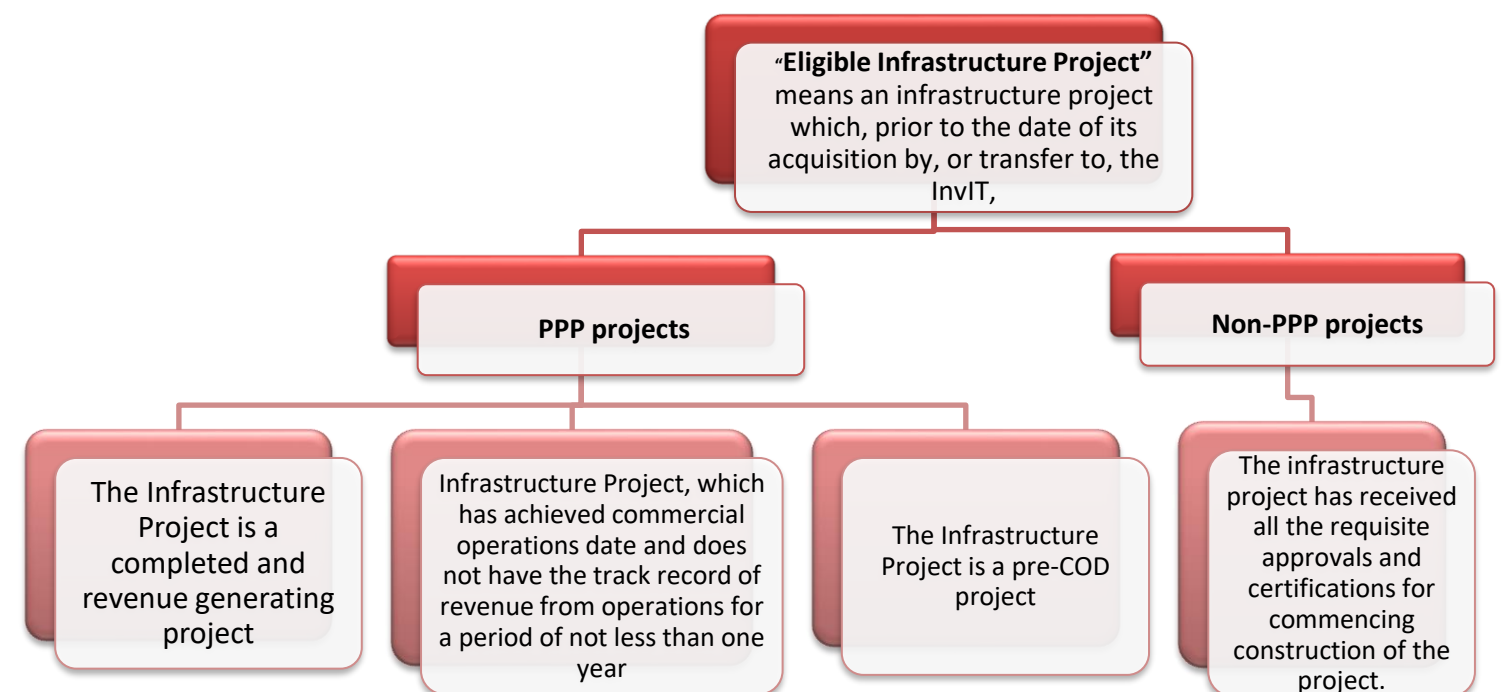
### Concession Agreement and Concessing Authority

“**Concession Agreement**” means an

- agreement entered into
- with a concessing authority for the
- implementation of the project as provided in the agreement.

**Concessing Authority**” means the

- public sector concessing authority in PPP projects.





**InvIT** shall mean a trust registered as such under the InvIT Regulations.

**"InvIT assets"** means assets owned by the InvIT, whether directly or through a holdco and/ or SPV, and includes all rights, interests and benefits arising from assets.

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

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

#### PPP Project means -

An infrastructure project undertaken on a Public-Private Partnership basis

- between a public concessioning authority and a private SPV concessionaire
- selected on the basis of open competitive bidding or on the basis of an MoU with the relevant authorities

#### Pre-COD project

Not achieved commercial operation date as defined under the relevant project agreements including

- the concession agreement;
- power purchase agreement; or
- any other agreement of a similar nature entered into in relation to the operation of a project

any agreement entered into with the lenders

Has

- achieved completion of at least fifty per cent of the construction of the infrastructure project as certified by an independent engineer of such project; or
- expended not less than 50% of the total capital cost set forth in the financial package of the relevant project agreement.

#### Institutional Investor

a) family trust or systematically important NBFCs registered with RBI or intermediaries registered with SEBI, all with net-worth of more than five hundred crore rupees, as per the last audited financial statements

b) a qualified institutional buyer

#### Related Parties

shall be defined under the Companies Act, 2013 or under the applicable accounting standards and shall also include

Promoters, directors and partners of the person mentioned in clause (i).

Parties to the InvIT

#### Under-Construction Project

Which has either not achieved commercial operation date as defined under the relevant project agreements including :

- the concession agreement,
- power purchase agreement or
- any other agreement of a similar nature
- any agreement with the lenders

Which has achieved commercial operation date and does not have the track record of revenue from operations for a period of not less than one year.

#### KEY STAKEHOLDERS



#### SPONSOR

- Setup InvIT and appoint the trustee
- Hold minimum required percentage of total units of InvIT



#### TRUSTEE

- Hold InvIT's assets in the name of InvIT for the benefit of unit holders
- Ensure investment manager makes timely payment of dividend to unit holders



#### PROJECT MANAGER

- Undertake operations and management of InvIT assets
- For under construction projects, ensure progress of developments, approval status and such other aspects



#### INVESTMENT MANAGER

- Make investment decisions in relation to underlying assets
- Ensure assets have proper legal title and contracts entered are legal, valid and binding

Offer Of Units And Listing Of Units

Shubham Sukhlecha (CA, CS, LLM)

No initial offer of units by an InvIT shall be made unless-

- 1. The InvIT is registered with **SEBI**;
- 2. The value of InvIT assets is **not less than rupees five hundred crore**.
- 3. The **offer size** is not less than rupees **two hundred fifty crore**.

	Offer price	Minimum offer and allotment to public
Post issue capital of the InvIT	Offer price is less than Rs 1600 crore	25% of the total outstanding units of the InvIT
Post issue capital of the InvIT	Offer price is equal to or more than Rs 1600 crore and less than rupees four thousand crore	Of the value of atleast Rs 400 crore
Post issue capital of the InvIT	Offer price is equal to or more than Rs 4000 crore.	10% of the total outstanding units of the InvIT

Through a placement memorandum

File the final placement memorandum with SEBI within ten working days from the date of listing .

From institutional investors and body corporate only, whether Indian or foreign

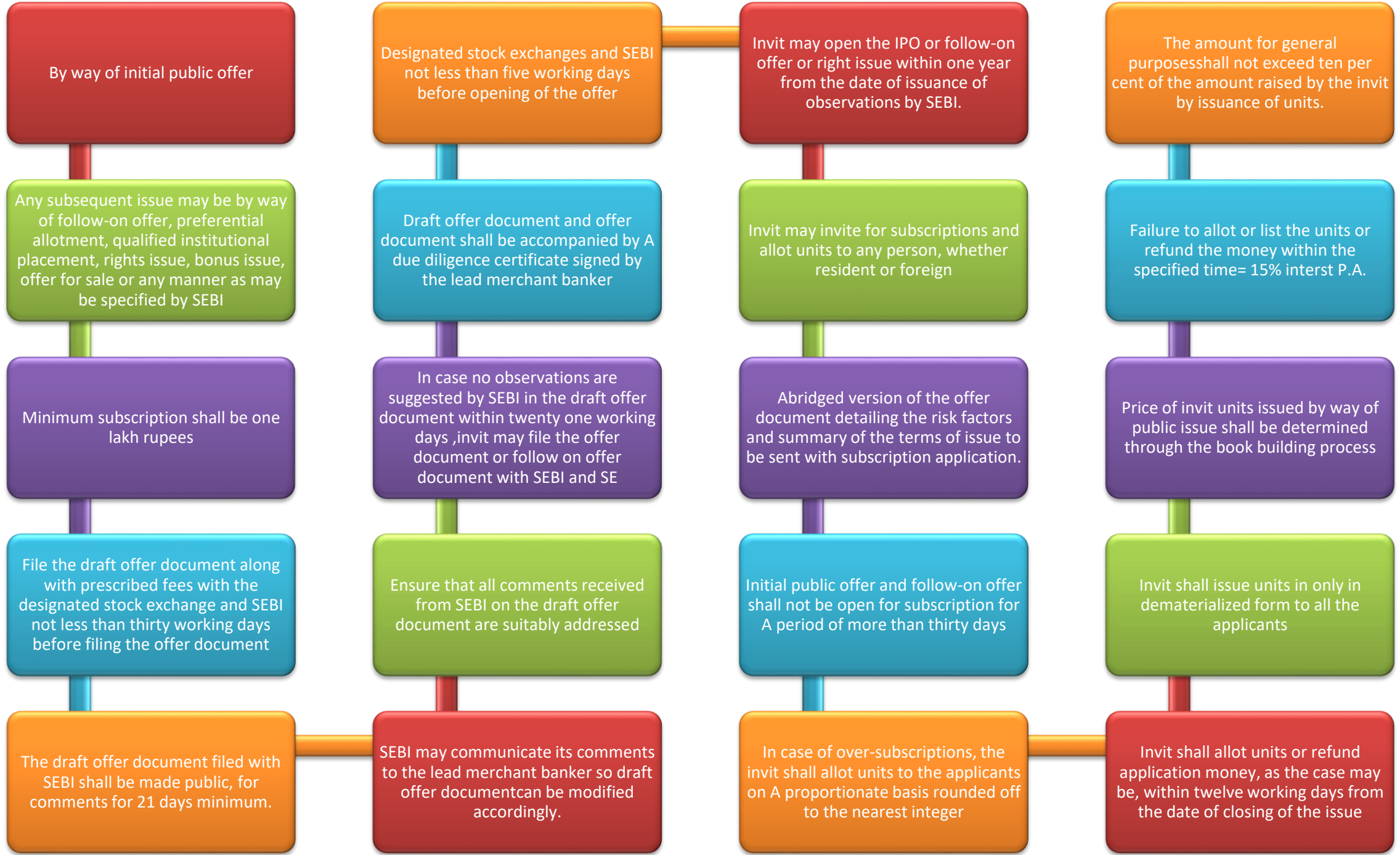
file a placement memorandum with SEBI with fee atleast 5 days prior to opening of the issue

minimum investment of rupees one crore

Min-5, Max- 1000 investors

PRIVATE PLACEMENT

IF THE INVIT RAISES FUNDS BY PUBLIC ISSUE INVITS





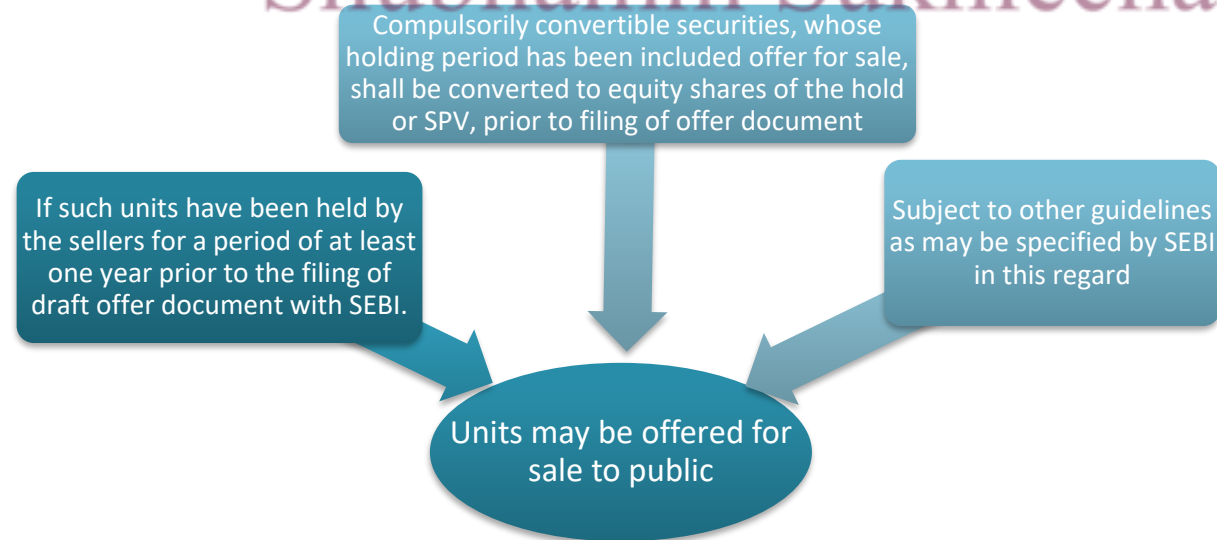
# Shubham Sukhlecha (CA, CS, LLM)

## FAILURE TO OFFER UNITS

InvIT fails to make any offer of its units, whether by way of public issue or private placement, **within three years** from the date of registration with SEBI, it shall **surrender its certificate of registration** to SEBI and cease to operate as an InvIT.

However, SEBI, if it deems fit, may extend the period by another one year.

Further that the InvIT may later re-apply for registration, if it so desires.



InvIT shall refund money

## Guidelines For Public Issue Of Units Of InvITs

### Filing of offer document

1. The **draft offer document** has to be filed with SEBI and the **designated stock exchanges (DSE)**.
2. The lead merchant bankers(LMB) have to **submit a certificate** confirming that the agreement is entered between the **investment manager** on behalf of the InvIT and LMB, and a **due diligence certificate** in the prescribed form has to be filed with the draft offer document.
3. The draft offer document shall be **hosted on the websites** of SEBI, DSEs, and merchant bankers, for public comment within ten days of filing.
4. **SEBI may specify changes or issue observations** within the prescribed time, pursuant to which the **draft offer document has to be suitably modified and filed with SEBI** as offer document.

After filing offer document with SEBI, LMB shall issue pre-issue advertisement on the websites of sponsor, investment manager. LMB may also issue such advertisement in newspapers.

### Allocation in public issue

1. Institutional investors -75% in a public offering of the InvIT units.
2. Other investors, including retail investors- 25% of the InvIT units.

1. A strategic investor may participate in an offer as an anchor investor.
2. The investment manager, on behalf of the InvIT, may allocate up to 60% of the portion available to institutional investors to anchor investors.
3. The anchor investors will have to make an application of a value of at least **INR 100 million** in the public issue.
4. Allocation to anchor investor - minimum of two investors for allocations of up to INR 2.5 billion and minimum five investors for allocations exceeding INR2.5 billion.
5. The bidding for anchor before the issue opening date and the allocation must be completed on the same day.
6. The number of units allocated and the allocation price must be disclosed on the websites of the stock exchange(s), sponsor(s), investment manager and merchant banker(s).
7. The anchor investor shall have to bring in the deficit between the cut-off price and the allocation price, if any.
8. The lock-in period shall be thirty days for anchor investors other than a strategic investor. However, lock-in should be one year for strategic investors investing as anchor investors.
9. Neither the merchant bankers nor any person related to the merchant bankers in the concerned public issue can apply under the anchor investor category, except mutual funds, insurance companies and pension funds.

### Security deposit

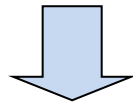
The investment manager

- will have to deposit before the opening of subscription, and keep deposited with the stock exchanges,
- an amount calculated at the rate of 0.5% of the amount of units offered for subscription to the public
- or INR 50 millions,
- **whichever is lower.**

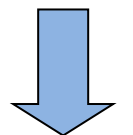
1. The **issue opening-** at least **five working days** from filing of **the final offer document** with SEBI.
2. The public issue shall atleast for **three working days**, but maximum **thirty working days**.
3. In case of a price band revision, the bidding period shall be **extended for at least one day**, provided that the **total bidding period does not exceed thirty days**.

**Price and price band**

1. **Announcement of price**- The floor price or the price band has to be announced at least five working days before the opening of the issue on the website of the sponsor, investment manager, stock exchanges, InvIT and in all newspapers in which the pre-issue advertisement was released.
2. **Price offering**- Differential pricing shall not be offered to any investor.
3. **Determination of final price**- The final price of the units ("cut-off price") may be determined in consultation with the LMB or through book building process.

**Bidding process**

1. **Electronic bidding**- Bidding through the electronically linked bidding facility of a stock exchange is mandatory. Payment through ASBA facility had been made optional.
2. **Rejection of bids**- Bids of institutional investors may be rejected by the lead merchant banker at the time of acceptance of bids after providing reason to the bidder and recording the same in writing.
3. **Prohibition**- Withdrawing or lowering the bid size has been prohibited.



1. **Issue Price**- The units shall be issued to all bidders at and above the cut-off price.
2. **Basis of Allotment**- Allotment of units other than anchor investors shall be on proportionate basis within the specified investment categories, subject to minimum allotment, as per regulations.
3. **Allotment in case of under-subscription**- In case of under-subscription in any investor category, the unsubscribed portion may be allotted to applicants in the other categories.

**Public communications, publicity, advertisements and research materials**

Public communication shall not contain any matter extraneous to the offer document, and shall be truthful and fair.

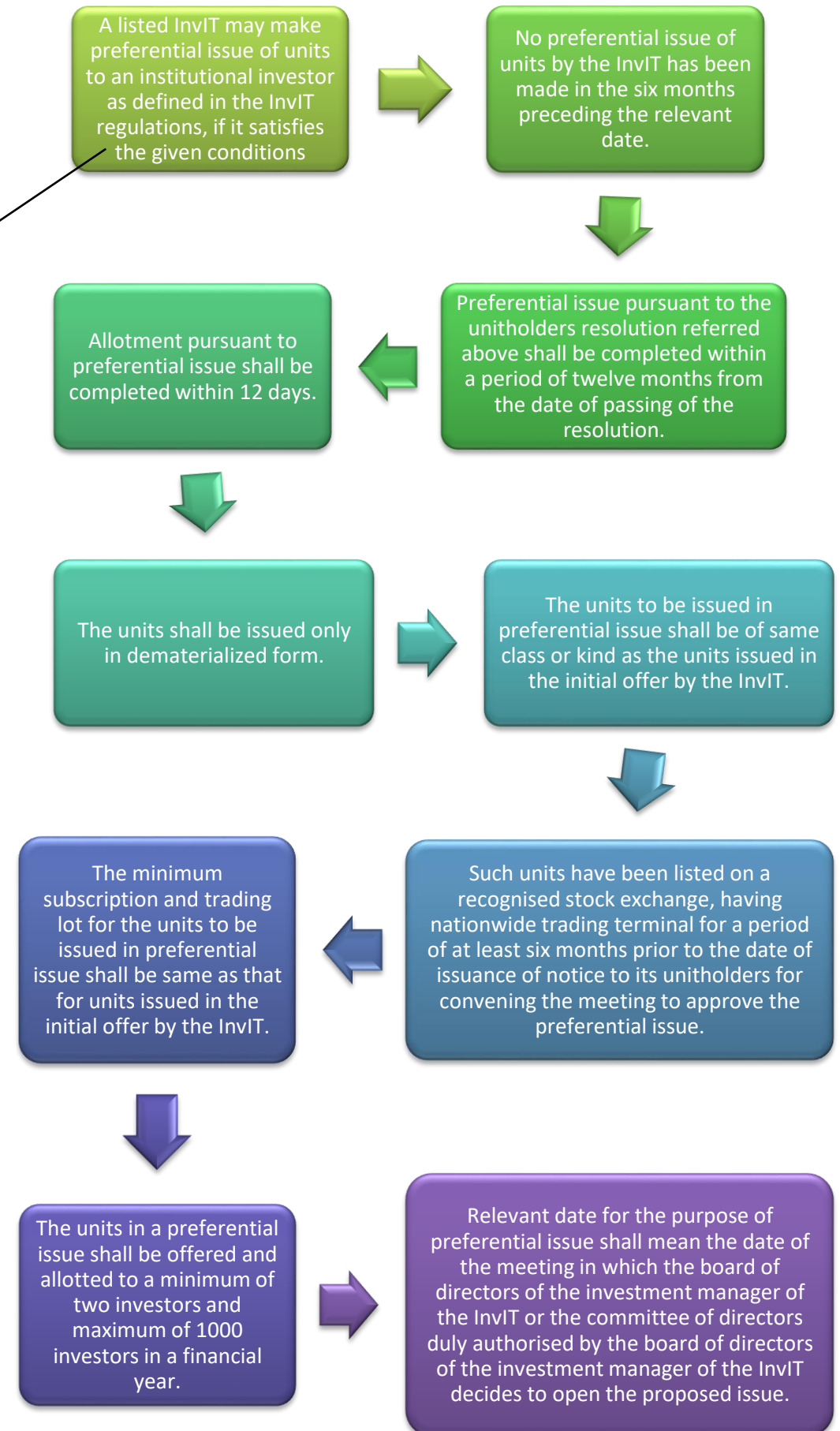
**Other conditions**

1. No InvIT can make a public issue of units if it or any of its sponsors, investment managers, or trustees is debarred from accessing the capital market by SEBI, or is on the list of wilful defaulters published by the Reserve Bank of India.
2. Investment managers have to appoint a compliance officer for monitoring compliance of securities laws, besides redressing investor grievances.

- i. A resolution of the unitholders of the InvIT approving the preferential issue has been passed.
- ii. The InvIT is in compliance with the conditions for continuous listing and disclosure obligations under these regulations and circulars issued thereunder
- iii. The InvIT is in compliance with the minimum public unitholding requirements as stipulated under the InvIT Regulations.

**Transferability of Units**

The units allotted under preferential issue shall not be sold by the allottee for a period of one year from the date of allotment, except on a recognised stock exchange.

**Guidelines For Preferential Issue Of Units By InvITs**



## Placement Document

### 1. **Appointment of Intermediaries-**

The InvIT may appoint one or more SEBI registered intermediaries to carry out the obligations relating to the issue.



### 2. **Placement Document-**

The preferential issue of units by an InvIT shall be done on the basis of a placement document, which shall contain disclosures as specified in the InvIT Regulations.

### 3. **Format of placement document-**

The placement document shall be serially numbered and copies shall be circulated only to select investors subject to compliance with above mentioned clause.

### 4. **Document for seeking in-principal approval-**

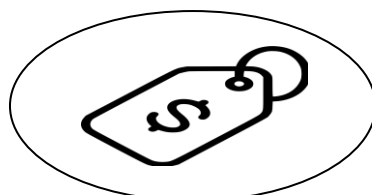
The InvIT shall, while seeking in-principle approval from the recognised stock exchange, furnish a copy of the placement document, a certificate issued by its merchant banker or statutory auditor confirming compliance with the provisions of these Guidelines along with any other documents required by the stock exchange.

### 5. **Placement Document to be placed on the website-**

The placement document shall also be placed on the website of the concerned stock exchange and the InvIT with a disclaimer to the effect that it is in connection with a preferential issue and that no offer is being made to the public or to any other investor.

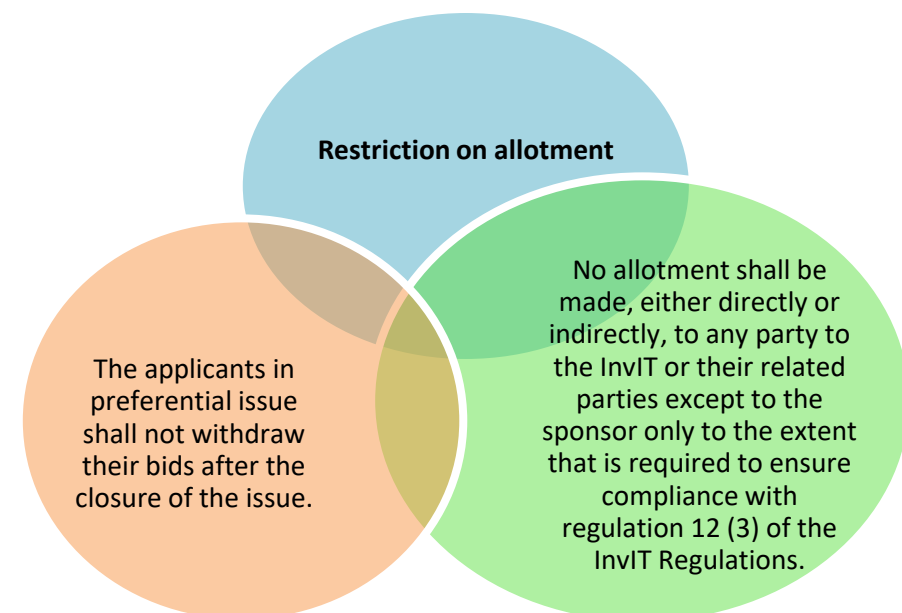
## Pricing

- The preferential issue shall be made at a **price not less than the average of the weekly high and low of the closing prices** of the units quoted on the stock exchange during the two weeks preceding the relevant date.
- The InvIT shall **not allot partly paid-up units**.
- The prices determined for preferential issue shall be subject to appropriate adjustments, if the InvIT:
  - makes a rights issue of units;
  - is involved in such other similar events or circumstances, which in the opinion of the concerned stock exchange, requires adjustments.



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## Restriction on allotment



## Listing And Trading Of Units

### MANDATORY LISTING

- It shall be mandatory for units of all InvITs to be listed on a recognized stock exchange having nationwide trading terminals.
- Not applicable if the initial offer does not satisfy the minimum subscription amount or the minimum number of subscribers as prescribed under the SEBI InvIT Regulations.

### LISTING PERMISSION

- The listing of the units shall be in accordance with the listing agreement entered into between the InvIT and the designated stock exchanges.
- In the event of non-receipt of listing permission from the stock exchange(s) or withdrawal of Observation Letter issued by SEBI the units shall not be eligible for listing and the InvIT shall be liable to refund the subscription monies, to the respective allottees immediately alongwith interest at the rate of fifteen per cent per annum

### TRADING

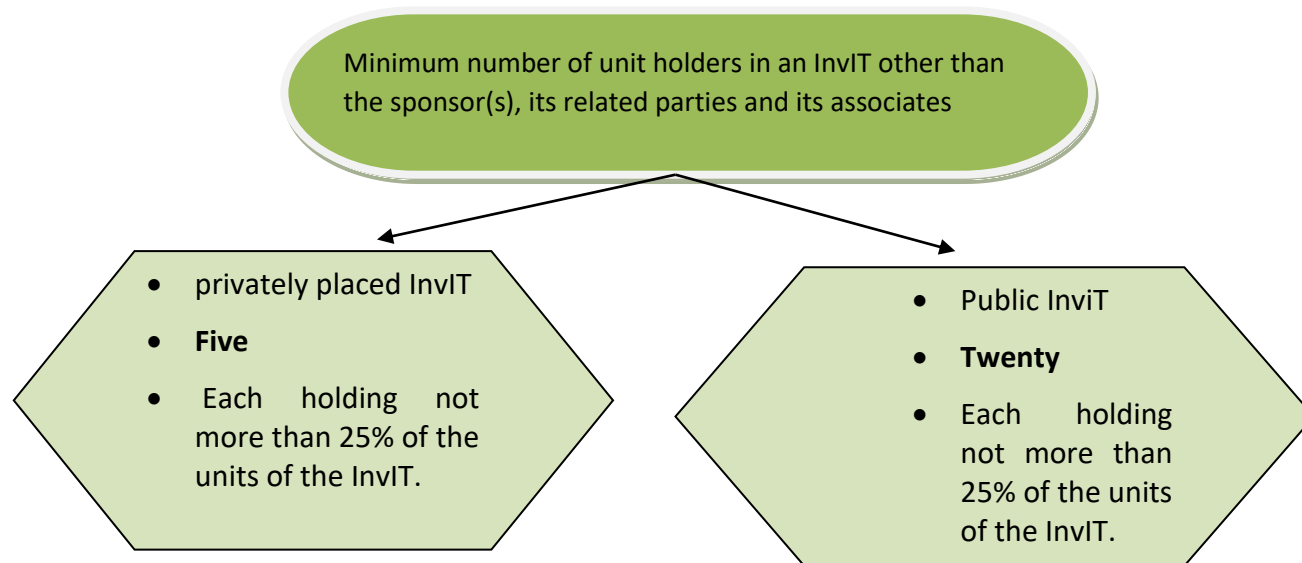
- The units of the InvIT listed in the designated stock exchanges shall be traded, cleared and settled in accordance with the bye-laws of designated stock exchanges and such conditions as may be specified by SEBI.
- The units shall remain listed on the designated Stock Exchanges unless delisted under the SEBI InvIT Regulations.

### HOLDING AND REDEMPTION

- Any person other than the sponsor(s) holding units of the InvIT prior to initial offer shall hold the units for a period of not less than one year from the date of listing of the units.
- The InvIT shall redeem units only by way of a buyback or at the time of delisting of units.

**MINIMUM HOLDING**

1. The minimum public holding for the units of the InvIT after listing shall be in accordance with the provisions of Issue and listing of units, failing which action may be taken as may be specified by SEBI and by the designated stock exchanges including delisting of units under these regulations.

**LISTING OF PRIVATELY PLACED UNITS**

- Mandatorily listed on the designated stock exchange(s) within thirty working days from the date of allotment

**Trading LOT**

- Trading lot for the purpose of trading of units on the designated stock exchange shall be rupees one crore.

An invit invests not less than eighty per cent of the value of the invit assets, in completed and revenue generating assets

- The trading lot for the purpose of trading of units on the designated stock exchange of such invit shall be rupees two crore

**LISTING OF PUBLICLY OFFERED UNITS**

- Its units shall be mandatorily listed on the designated stock exchange(s) within 12 working days from the date of closure of the initial public offer.

This shall not apply if the initial public offer does not satisfy the minimum subscription amount or the minimum number of subscribers as prescribed under the SEBI InvIT Regulations.

Trading lot for the purpose of trading of units on the designated stock exchange shall be 100 units.

**DELSITING OF UNITS**

The investment manager shall apply for delisting of units of the InvIT to SEBI and the designated stock exchanges if

Public holding falls below the specified limit

The number of unit holders of the InvIT falls below the prescribed limit

If there are no projects or assets remaining under the InvIT for a period exceeding six months and InvIT does not propose to invest in any project in future.

SEBI or the designated stock exchanges require such delisting for violation of the listing agreement or these regulations or the Act or in interest of unitholders

At the request of Unitholders OR sponsor(s) or trustee requests such delisting which is approved by unitholders in accordance with these regulations.

In case of PPP projects, such delisting shall be subject to relevant clauses in the concession agreement.

#### INTEREST OF THE UNIT HOLDERS

- SEBI and the designated stock Exchanges may consider such application for delisting for approval or rejection as may be appropriate in the interest of the unit holders

#### EXTENSION OF TIME

- SEBI may, instead of delisting of the units, if it deems fit, provide additional time to the InvIT or parties to the InvIT to comply with above mentioned conditions.

#### REJECTION OF APPLICATION

- SEBI may reject the application for delisting and take any other action, as it deems fit, under the SEBI InvIT Regulations or the Act for violation of the listing agreement or these regulations or the Act.

#### DELISTING PROCEDURE

- The procedure for delisting of units of InvIT including provision of exit option to the unit holders shall be in accordance with the listing agreement and in accordance with procedure as may be specified by SEBI and by the designated stock exchanges from time to time

#### SURRENDER CERTIFICATE

- After delisting of its units, the InvIT shall surrender its certificate of registration to SEBI and shall no longer undertake activity of an InvIT.

#### LIABILITY AFTER SURRENDER

- The InvIT and parties to the InvIT shall continue to be liable for all their acts of omissions and commissions with respect to activities of the InvIT notwithstanding surrender of registration to SEBI.



## ALTERNATIVE INVESTMENT FUND

Alternative Investment Fund means any fund established or incorporated in India in the form of a **trust or a company or a limited liability partnership or a body corporate** which,-



- is a **privately pooled investment vehicle** which collects **funds** from investors, whether Indian or foreign, for **investing** it in accordance with a defined **investment policy for the benefit of its investors**; and
- is **not** covered under the SEBI (Mutual Funds) Regulations, 1996, SEBI (Collective Investment Schemes) Regulations, 1999 or any other regulations of the SEBI to regulate fund management activities.

**Provided** that the following shall **not be considered as Alternative Investment Fund** for the purpose of these regulations

### CORPUS

Corpus means the total amount of funds committed by investors to the Alternative Investment Fund by way of a written contract or any such document as on a particular date.

family trusts set up for the benefit of 'relatives' as defined under Companies Act, 2013

ESOP Trusts set up under the SEBI (Share Based Employee Benefits) Regulations, 2014 or as permitted under Companies Act, 2013

employee welfare trusts or gratuity trusts set up for the benefit of employees

holding companies' as defined under sub-section 46 of section 2 of Companies Act, 2013

other special purpose vehicles not established by fund managers, including securitization trusts, regulated under a specific regulatory framework

funds managed by securitisation company or reconstruction company which is registered with the Reserve Bank of India under Section 3 of SARFAESI Act, 2002

any such pool of funds which is directly regulated by any other regulator in India.

Debt Fund	Hedge fund	Infrastructure fund
Invests primarily in debt or debt securities of listed or unlisted investee companies according to the stated objectives of the Fund.	Employs diverse or complex trading strategies and invests and trades in securities having diverse risks or complex products including listed and unlisted derivatives.	Invests primarily in unlisted securities or partnership interest or listed debt or securitized debt instruments of investee companies or special purpose vehicles engaged in or formed for the purpose of operating, developing or holding infrastructure projects.  <b>Infrastructure shall be as defined by the Government of India from time to time.</b>
Private Equity Fund	SME Fund	Social Venture Fund
Invests primarily in equity or equity linked instruments or partnership interests of investee companies according to the stated objective of the fund.	Invests primarily in unlisted securities of investee companies which are SMEs or securities of those SMEs which are listed or proposed to be listed on a SME exchange or SME segment of an exchange.	Invests primarily in securities or units of social ventures and which satisfies social performance norms laid down by the fund and whose investors may agree to receive restricted or muted returns.

**Venture Capital Fund** -invests primarily in unlisted securities of start-ups, emerging or early-stage venture capital undertakings mainly involved in new products, new services, technology or intellectual property right based activities or a new business model and shall include an angel fund as defined under Chapter III-A of the SEBI (AIF) Regulations,2012

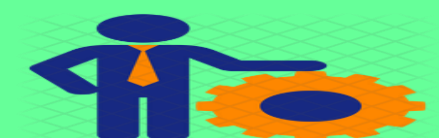
### Investee company- means

- any company,
- special purpose vehicle or
- limited liability partnership or
- body corporate or
- real estate investment trust or
- Infrastructure investment trust in which an Alternative Investment Fund makes an investment.



### Manager- means

Any person or entity who is appointed by the Alternative Investment Fund to **manage its investments** by whatever name called and may also be same as the sponsor of the Fund.



**Investible funds-**

Investible funds means corpus of the Alternative Investment Fund **net of estimated expenditure for administration and management** of the fund.

**Small and Medium Enterprise -**

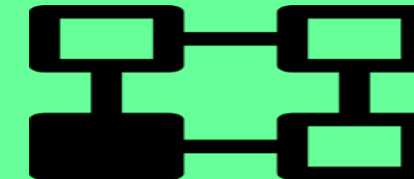
Small and Medium Enterprise (SME) and shall have the same meaning as assigned to it under the Micro, Small and Medium Enterprises Development Act, 2006 as amended from time to time.

**Sponsor-**

Sponsor means any person or persons who set up the Alternative Investment Fund and includes promoter in case of a company and designated partner in case of a limited liability partnership

**Unit-**

Unit means beneficial interest of the investors in the Alternative Investment Fund or a scheme of the Alternative Investment Fund and shall include shares or partnership interests.



societies registered for charitable purposes or for promotion of science, literature, or fine arts

company registered under Section 8 of the Companies Act, 2013

public charitable trusts registered with Charity Commissioner

Social Venture means a trust, society or company or venture capital undertaking or limited liability partnership formed with the purpose **of promoting social welfare or solving social problems or providing social benefits** and includes

micro finance institutions

**Venture Capital Undertaking** means a domestic company:

- which is not listed on a recognised stock exchange in India at the time of making investment; and
- which is engaged in the business for providing services, production or manufacture of article or things

**Does not include following activities or sectors:**

- non-banking financial companies;
- gold financing;
- activities not permitted under industrial policy of Government of India;

any other activity which may be specified by the Board in consultation with Government of India from time to time

**Categories of AIF****Category I Alternative Investment Fund**

Start-up or early stage ventures or social ventures or SMEs or infrastructure or other sectors or areas which the government or regulators consider as **socially or economically desirable** and shall include venture capital funds, SME Funds, social venture funds, infrastructure funds and such other Alternative Investment Funds as may be specified.

They are generally perceived to have a **positive spillover effect on the economy** and for which SEBI or Government of India or other regulators in India might consider providing incentives or concessions shall be included and such funds which are formed as trusts or companies shall be construed as Venture Capital Company or venture capital fund.

**Category II Alternative Investment Fund**

**Those which do not fall in Category I and III** and which does not undertake leverage or borrowing other than to meet day-to-day operational requirements and as permitted in the AIF Regulations.

Alternative Investment Funds such as **private equity funds or debt funds for which no specific incentives or concessions are given by the government** or any other Regulator shall be included under this category.

**Category III Alternative Investment Fund**

Employs **diverse or complex trading strategies** and may employ **leverage** including through investment in listed or unlisted derivatives.

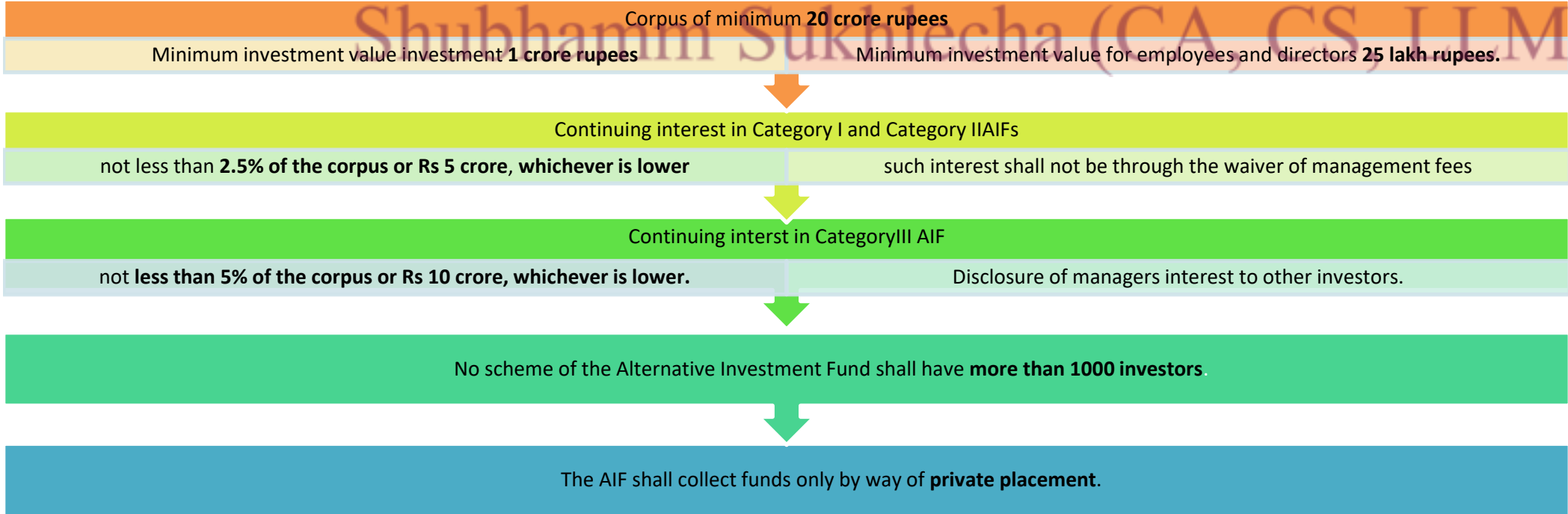
Alternative Investment Funds such as hedge funds or funds which trade with a **view to make short term returns** or such other funds which are **open ended** and for which **no specific incentives or concessions** are given by the government or any other Regulator shall be included in this category.

All AIFs must state its

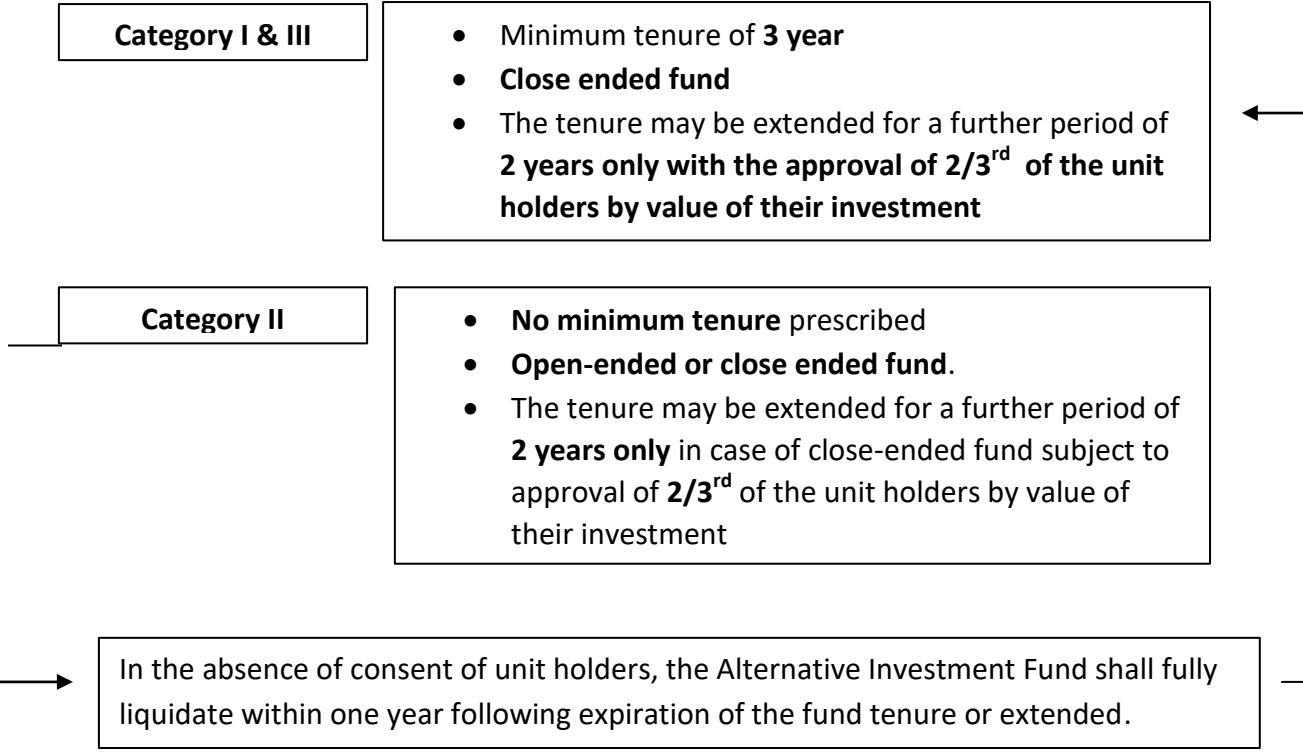
- ✓ investment strategy
  - ✓ investment purpose
  - ✓ investment methodology.
- Alteration in the fund strategy made only with the consent of **atleast 2/3<sup>rd</sup> of the unit holders** by value of their investment in the AIF.

SCHEMES

1. The AIF shall be file placement memorandum with SEBI **atleast 30 days prior to the launch of the scheme** along with the prescribed fees.
2. SEBI shall communicate its comments / observations on the document and the applicant shall incorporate the comments in placement memorandum prior to the launch of scheme.



TENURE



INVESTMENT CRITERIAS FOR VARIOUS FUNDS

Criteria	INFRASTRUCTURE FUNDS
75% funds to be invested in	<ul style="list-style-type: none"><li>• Unlisted securities or units or</li><li>• partnership interest of venture capital undertaking or</li><li>• investee companies or</li><li>• special purpose vehicles, which are engaged in or formed for the purpose of operating, developing or holding infrastructure projects</li></ul>
Other investment options	<ul style="list-style-type: none"><li>• securitized debt instruments or</li><li>• listed debt securities of investee companies</li></ul>

Criteria	VENTURE CAPITAL FUNDS
2/3 <sup>rd</sup> Investible funds	shall be invested in unlisted equity shares or equity linked instruments of a venture capital undertaking or in companies listed or proposed to be listed on a SME exchange or SME segment of an exchange.
1/3 <sup>rd</sup> Investible funds	<ul style="list-style-type: none"><li>• subscription to initial public offer of a venture capital undertaking</li><li>• debt or debt instrument in which the fund has already made an investment by way of equity or contribution towards partnership interest;</li><li>• preferential allotment, including QIP, of equity shares or equity linked instruments of a listed company ,lock in period of one year</li><li>• the equity shares or equity linked instruments of a financially weak company or a sick industrial company whose shares are listed</li><li>• special purpose vehicles which are created by the fund for the purpose of facilitating or promoting investment</li></ul>
Subscription agreement	Such funds may enter into an agreement with merchant banker- <ul style="list-style-type: none"><li>• to subscribe to the unsubscribed portion of the issue or</li><li>• to receive or deliver securities in the process of market making of the AIF or</li><li>• sale of securities pursuant to such subscription or market making.</li></ul>
Exemption	Such funds shall be exempt from <b>regulation 3 and 3A of SEBI (Prohibition of Insider Trading) Regulations, 1992</b> in respect of investment in companies listed on SME Exchange or SME segment of an exchange pursuant to due diligence of such companies <b>subject to the following conditions:</b> <ul style="list-style-type: none"><li>• the fund shall <b>disclose due-diligence</b> relating to any acquisition or dealing, within <b>2 working days</b>, to the stock exchanges where the investee company is listed;</li><li>• such investment shall be <b>locked in for a period of one year.</b></li></ul>



Criteria	SME FUND
75% funds to be invested in	<ul style="list-style-type: none"> <li>Unlisted securities or</li> <li>partnership interest of venture capital undertakings or investee companies which are SMEs or in companies listed or proposed to be listed on SME exchange or SME segment of an exchange</li> </ul>
Subscription agreement	<p>such funds may enter into an agreement with merchant banker to subscribe to the unsubscribed portion of the issue</p> <p>or to receive or deliver securities in the process of market making under SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018</p>
Exemption	<p>Such funds shall be exempt from regulation 3 and 3A of SEBI (Prohibition of Insider Trading) Regulations, 1992 in respect of investment in companies listed on SME Exchange or SME segment of an exchange pursuant to due diligence of such companies subject to the following conditions:</p> <ul style="list-style-type: none"> <li>the fund shall <b>disclose due-diligence</b> relating to any acquisition or dealing, within <b>2 working days</b>, to the stock exchanges where the investee company is listed;</li> <li>such investment shall be <b>locked in for a period of one year</b>.</li> </ul>

Criteria	SOCIAL VENTURE FUNDS
75% investible funds	Unlisted securities or partnership interest of social ventures.
Utilization of grants accepted	<p>Such funds may accept grants, provided that such utilization of such grants shall be restricted to investing in unlisted securities or partnership interest of social ventures.</p> <p>Minimum amount of grant from any person shall not be less than Rs 25 lakh.</p> <p>Further, no profits or gains shall accrue to the provider of such grants.</p>
Social venture	Such funds may give grants to social ventures pursuant to appropriate disclosure in the placement memorandum.
Acceptance of returns	Such funds may accept muted returns for their investors i.e. they may accept returns on their investments which may be lower than prevailing returns for similar investments.

### CONDITIONS FOR CATEGORY I AIF

Investment in investee companies or venture capital undertaking or in special purpose vehicles or in limited liability partnerships or in units of other Alternative Investment Funds as specified in the AIF Regulations

Fund of Category I Alternative Investment Funds may invest in units of Category I Alternative Investment Funds of same sub-category.

However, they shall only invest in such units and shall not invest in units of other Fund of Funds

Category I AIF shall not borrow funds directly or indirectly or engage in any leverage except for meeting temporary funding requirements for not more than 30 days, on not more than four occasions in a year and not more than 10% of the investable funds.

### CONDITIONS FOR CATEGORY II AIF

Category II Alternative Investment Funds shall invest primarily in unlisted investee companies or in units of other Alternative Investment Funds as may be specified in the placement memorandum

Fund of Category II Alternative Investment Funds may invest in units of Category I or Category II Alternative Investment Funds

Category II Alternative Investment Funds may not borrow funds directly or indirectly and shall not engage in leverage except for meeting temporary funding requirements for not more than 30 days, not more than 4 occasions in a year and not more than 10% of the investable funds.

Category II Alternative Investment Fund may engage in hedging, subject to guidelines as specified by SEBI from time to time

Category II Alternative Investment Funds may enter into an agreement with merchant banker to subscribe to the unsubscribed portion of the issue or to receive or deliver securities in the process of market making under SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018

EXEMPTION- regulation 3 and 3A of SEBI (Prohibition of Insider Trading) Regulations, 1992 in respect of investment in companies listed on SME Exchange pursuant to due diligence of such companies .

Fund shall **disclose due-diligence** relating to any acquisition or dealing, within **2 working days**

such investment shall be locked in for a period of one year from the date of investment.

### CONDITIONS FOR CATEGORY III AIF

Category III Alternative Investment Funds may invest in securities of listed or unlisted investee companies or derivatives or complex or structured products;

Fund of Category III Alternative Investment Funds may invest in units of Category I or Category II Alternative Investment Funds. However, they invest solely in such units and shall not invest in units of other Fund of Funds.

Category III Alternative Investment Funds may engage in leverage or borrow, subject to consent from the investors in the fund and subject to a maximum limit, as may be specified by SEBI.

However, such funds shall disclose information regarding the overall information of leverage.

Regulation- through issuance of directions regarding areas such as operational standards, conduct of business rules, prudential requirements, restrictions on redemption and conflict of interest as may be specified by SEBI.

## ANGEL INVESTOR

Individual investor -net tangible assets of at least Rs 2 crore excluding value of his principal residence

- has early stage investment experience,
- has experience as a serial entrepreneur
- is a senior management professional with at least 10 years of experience

### NETWORTH

- a body corporate
- net worth of at least Rs 10 crore rupees

### FUND

- Alternative Investment Fund registered under SEBI AIF Regulations
- Venture Capital Fund registered under the SEBI (Venture Capital Funds) Regulations, 1996.

### Company with Family Connection

If an angel investor is

1. any company which is promoted by such an individual or his relative; or
2. ii. any company where the individual or his relative is a director; or
3. iii. any company where the person or his relative has control, or shares or voting rights which entitle them to 15% or more of the shares or voting rights in the company.

- i. any company which is a subsidiary or a holding company of the investor; or
- ii. any company which is part of the same group or under the same management of the investor; or
- iii. any company where the body corporate or its directors/partners have control, or shares or voting rights which entitle them to 15% or more of the shares or voting rights in the company



# Shubhamm Sukhlecha (CA, CS, LLM)

## Investment by Angel Funds

Specification		Investment conditions
1) Investments in Venture Capitals	Compliance with age criteria	Compliance with the criteria regarding the age of the venture capital undertaking/startup issued by the Department of Industrial Policy and Promotion under the Ministry of Commerce and Industry & Government of India.
	Turnover	Have a <b>turnover of less than Rs 25 crore</b>
	Industrial turnover	Are not promoted or sponsored by or related to an industrial group whose group turnover exceeds Rs 300 crore.
	Family connection	Are <b>not companies with family connection</b> with any of the angel investors who are investing in the company.
2) Limit on investment		Investment shall <b>not be less than Rs 25 lakh and shall not exceed Rs 10 crores</b> .
3) Lock-in		Investment shall be <b>locked-in for a period of 1 year</b>
4) Other		a) Angel Funds shall <b>not invest in associates</b> . b) Angel funds shall <b>not invest more than 25% of the total investments</b> under all its schemes in one venture capital undertaking. c) An angel fund may also invest in the securities of companies incorporated <b>outside India</b> <b>subject to such conditions or guidelines</b> issued by the Reserve Bank of India and SEBI.

## SEED FUNDING



"seed" is the capital needed to start / expand your business. It often comes from the company founders' personal assets, from friends and family or other investors. The amount of money is usually relatively small because the business is still in the idea or conceptual stage



This type of funding is often obtained **in exchange for an equity stake in the enterprise**, although with less formal contractual overhead than standard equity financing.



Lenders often view seed capital as a risky investment by the promoters of a new venture, which represents a meaningful and tangible commitment on their part to making the business a success.



This would be a type of Venture Capital Funding and hence covered under the provisions of Angel Funding in the AIF Regulations.

## PRIVATE EQUITY

### TRADING

- That type of equity (finance) and one of the asset classes that are not publicly traded on a stock exchange.
- Private equity funds usually invest in more illiquid assets, i.e. companies. This leads to very high returns on investments.

### DEBT FEATURE

- Private equity transactions have extensive use of debt in the form of high-yield bonds.
- By using debt to finance acquisitions, private equity firms can substantially increase their financial returns

### CAPITAL AND INVESTORS

- Capital is raised from retail and institutional investors, and can be used to fund new technologies, expand working capital within an owned company, make acquisitions, or to strengthen a balance sheet
- The major of private equity consists of institutional investors and accredited investors who can commit large sums of money for long periods of time.

### HOLDING PERIOD

- Private equity investments often demand long holding periods to allow for a turnaround of a distressed company or a liquidity event such as IPO or sale to a public company.

## VENTURE CAPITAL

### FEATURES

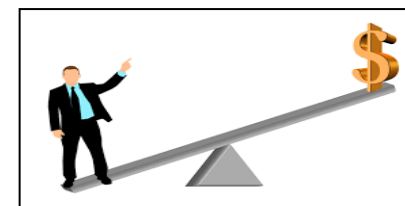
- 1) It is an exchange between a level of ownership and control of business and capital for a limited period, say, 3-5 years.
- 2) An early stage equity investment in privately held companies, having potential to provide a high rate of return.
- 3) A venture capital company is a group of investors who pool investments focused within certain parameters.
- 4) Venture firms seek returns in form of capital appreciation. Generally Venture Capital firms look for a return of five to ten times the original investment.

Pension funds, insurance companies, foundations, corporations or individuals

# Shubhamm Sukhlecha (CA, CS, LLM)

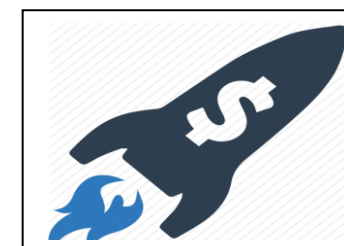
## Leveraged Buyout (LBO)

This refers to a strategy of making **equity investments** as part of a transaction in which **a company, business unit or business assets is acquired** from the current shareholders **typically with the use of financial leverage**.  
The companies involved in these type of transactions that are **typically more mature** and generate operating cash flows.



## Venture Capital

It is a broad sub-category of private equity that refers to equity investments made, typically in less mature companies, for the launch, early development, or expansion of a business



## Growth Capital

This refers to equity investments, mostly minority investments, in the companies that are looking for capital to expand or restructure operations, enter new markets or finance a major acquisition without a change of control of the business.



## FOREIGN VENTURE CAPITAL INVESTORS

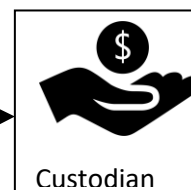
An investor incorporated and established outside India, which proposes to make investment in India registered with SEBI (Foreign Venture Capital Investors) Regulations 2000.

### Investment Conditions

1. It should **disclose to SEBI its investment strategy**.
2. It can invest its **total funds committed in one venture capital fund or alternative investment fund**.
3. it shall make investments as enumerated below:
  - i) Atleast 66.67% -**invested in unlisted equity shares or equity linked instruments** of venture capital undertaking or Investee Company.
  - ii) **Not more than 33.33%** of the investible funds may be invested by way of:
    - a. subscription to initial public offer of a venture capital;
    - b. debt or debt instrument of company in which investment by way of equity already exists.;
    - c. preferential allotment of equity shares of a listed company subject to lock in period of one year;
    - d. It shall disclose the duration of life cycle of the fund;
    - e. Special Purpose Vehicles which are created for the purpose of facilitating or promoting investment in accordance with the FVCI Regulations.



AGREEMENT



Custodian

Foreign Venture Capital Investor should ensure that domestic custodian takes steps for:

- **monitoring of investment** of Foreign Venture Capital Investors in India;
- **furnishing of periodic reports** to SEBI; and
- furnishing **such information as** may be called for by SEBI.



FVCI has to appoint a branch of a bank approved by Reserve Bank of India as designated bank for opening of foreign currency denominated accounts or special non-resident rupee account.



### BONUS ISSUE

- 1) If Authorized by Articles of Association the company may **capitalize its profits by issuing fully-paid bonus shares**
- 2) They are given free and rights vest in the holder when the shares are actually allotted.
- 3) Issue of bonus shares bridges the gap between capital and fixed assets. Such an issue would not place any fresh funds in the hands of the company.
- 4) Shareholders get increased return on investment and increased number of shares in their hands.

#### CONDITIONS FOR ISSUE-

Unless authorised by its articles no company shall **capitalize its profits by issuing fully-paid bonus shares**

It has been **authorized by the shareholders** in a general meeting of the company, on the **recommendation of the Board of Directors**

**NO default** in the **payment of interest or principal** in respect of fixed deposits or debt securities

**NO default** in respect of the payment of **statutory dues of the employees**

The **partly paid up shares**, if any outstanding on the date of allotment **have been made fully paid up**.

#### No Bonus shares in lieu of dividend

1. The bonus shares shall not be issued in lieu of dividend.
2. According to Rule 14 of Companies (Share Capital and Debentures) Rules, 2014 states that the company which has once announced the decision of its Board recommending a bonus issue, shall not subsequently withdraw the same.

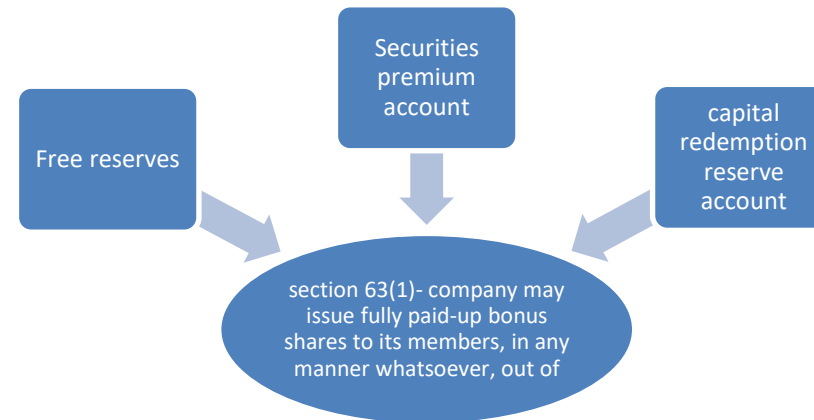
#### SEBI Listing Regulations 2015

As per Regulation 29 of the SEBI Listing Regulations, 2015, the listed entity shall give prior intimation to stock exchange about the meeting of the board of directors where decision to issue bonus shares was taken.

Intimation is required to be **given at least 2 working days in advance**, excluding the date of the intimation and date of the meeting.

The listed entity shall intimate the record date to all the stock exchange(s) where it is listed for the following purposes  
a) Issue of right or bonus shares  
b) Declare all dividend and/or cash bonuses at least five working days before the record date fixed for the purpose. **Disclose to the Exchange(s), within 30 minutes** of the closure of the meeting.

**PROVISIONS OF COMPANIES ACT, 2013- No issue of bonus shares shall be made by capitalising reserves created by the revaluation of assets.**



#### ADVANTAGES OF ISSUE OF BONUS SHARES

Market value of the Company's shares comes down to their nominal value by issue of bonus shares

Fund flow is not affected adversely.

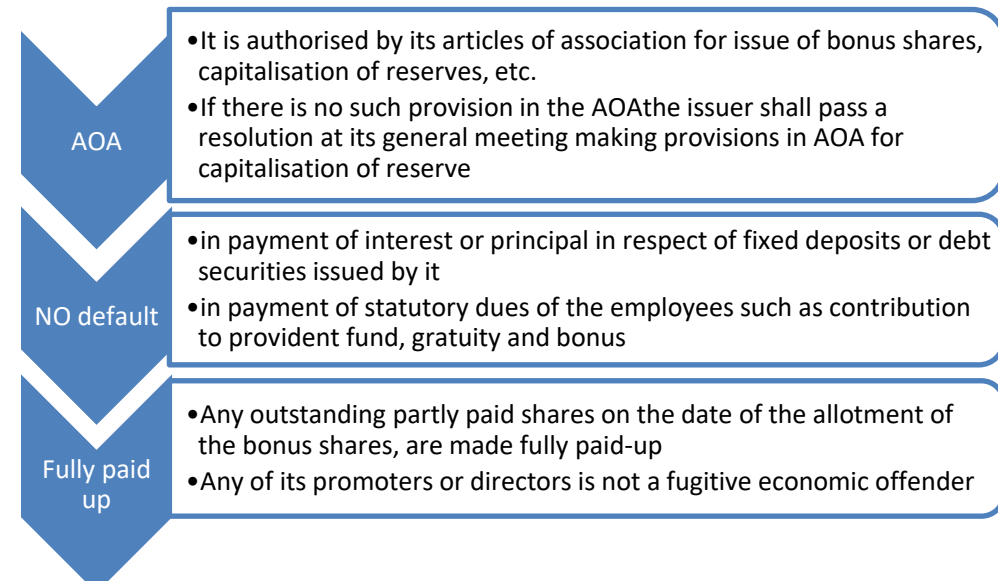
Market value of the Company's shares comes down to their nominal value by issue of bonus shares.

Bonus shares are not an income. Hence it is not a taxable income

Paid-up share capital increases with the issue of bonus shares.

#### SEBI (ICDR) REGULATIONS, 2018

##### Eligibility



##### Rights of PCD/FCD holders

##### Rights of PCD/FCD holders

An issuer shall make a bonus issue of equity shares only if it has made reservation of equity shares of the same class in favour of the holders of outstanding compulsorily convertible debt instruments if any, in proportion to the convertible part thereof i.e. the proposed bonus issue should not dilute the value or rights of the fully or partly convertible debentures.

The equity shares so reserved for the holders of fully or partly compulsorily convertible debt instruments, shall be issued to the holder of such convertible debt instruments or warrants at the time of conversion of such convertible debt instruments, optionally convertible instruments, warrants, as the case may be, on the same terms or same proportion at which the bonus shares were issued.

##### Implementation of Proposal

**Shareholders' approval** for capitalisation of profits or reserves for making the bonus issue

Required

**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.

Not required

Bonus issue shall be implemented **within 15 days** from the date of approval of the issue by its board of directors.

##### Source of bonus issue

Bonus issue shall be made only out of free reserves, securities premium account or capital redemption reserve account and built out of the genuine profits or securities premium collected in cash and reserves created by revaluation of fixed assets shall not be capitalised for this purpose.

The bonus share shall not be issued in lieu of dividend.

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



2) The company can issue shares

- at discount or for consideration other than cash
- to selected employees and directors of company
- As per norms decided by the BOD.
- For the value addition given in form of intellectual property or know how.



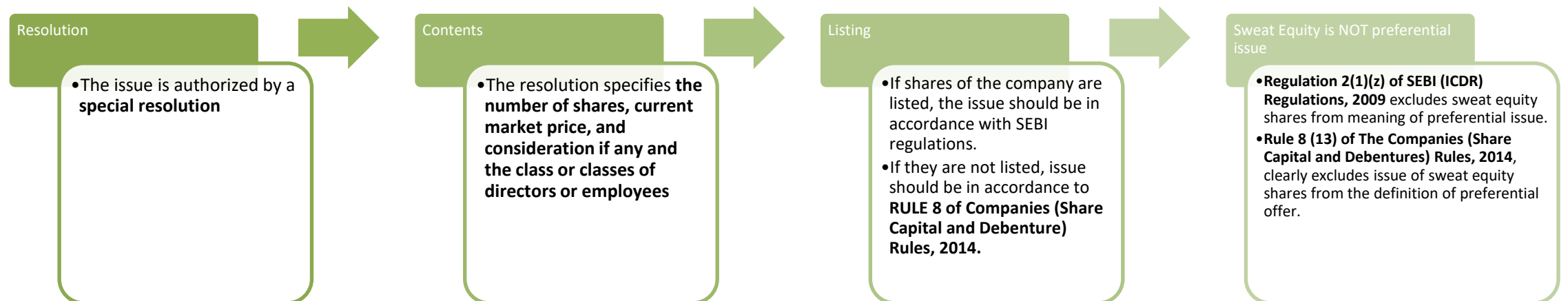
#### Placing of Auditor's Certificate before Annual General Meeting

- By the BOD
- Before the shareholders
- That the issue of sweat equity shares is in accordance with the Regulations and resolution passed by the company authorizing the issue of such Sweat Equity Shares.

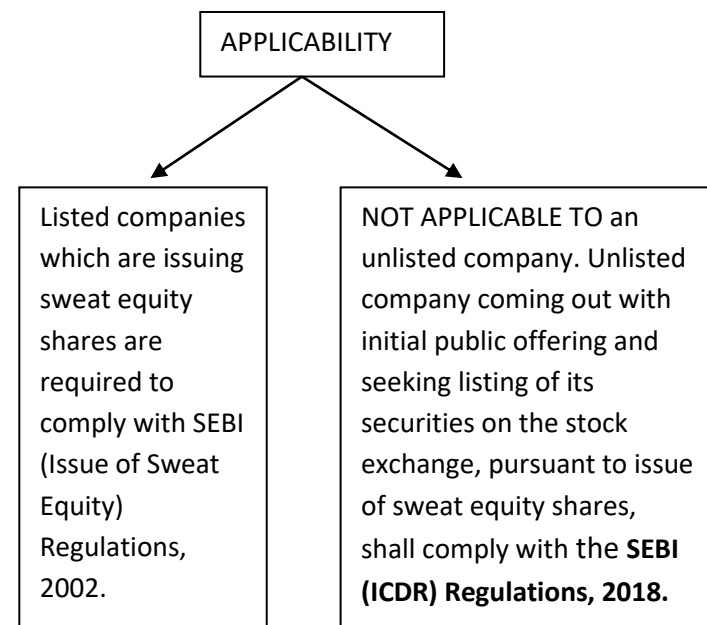


The Sweat Equity shares shall be **locked in for a period of three years** from the date of allotment.

#### PROVISION OF COMPANIES ACT, 2013- Conditions for issue of sweat equity shares under section 54



#### SEBI (ISSUE OF SWEAT EQUITY SHARES) REGULATIONS, 2002



#### PRICING OF SWEAT EQUITY SHARES

The price of sweat equity shares shall **not be less than the higher** of the following:

1. The **average of the weekly high and low** of the closing prices of the related equity shares
  - during **last 6 months** preceding the relevant date; or
  - shares **during the 2 weeks** preceding the relevant date.
2. If the shares are **listed on more than one stock exchange**, but price is Quoted-
  - **only on one** stock exchange on given date, then the **price on the stock exchange** shall be considered.
  - **on more than one stock exchange**, then the stock exchange where there is highest trading volume during that date shall be considered.
3. If the shares are **not quoted** on the given date, then the share price on the **next trading day** shall be considered

#### ACCOUNTING TREATMENT

Shares are issued for non cash consideration

1) Where the non-cash consideration

**Depreciable or amortizable asset**

It shall be carried to the **balance sheet of the company** in accordance with the relevant accounting standards

2) Where the above clause is **not applicable**, it shall be **expensed** as per the relevant accounting standards



#### Ceiling on Managerial Remuneration

The amount of Sweat Equity shares issued shall be treated as part of managerial remuneration for the purpose of sections 197 if-

They are issued for non-cash consideration, which does not take the form of an asset which can be carried to the balance sheet of the company

Sweat Equity shares are issued to any director or manager



It should be noted that the company cannot issue sweat equity shares for more than

- 15% of the existing paid up share capital in a year **or**
- shares of the issue value of Rs 5 crores,

**Whichever is higher**

**Provided that the issuance of sweat equity shares in the Company shall not exceed 25% of the paid up equity capital of the Company at any time.**

However if the company is a startup Company, it may issue sweat equity shares **not exceeding fifty percent of its paid up capital up to five years from the date of its incorporation or registration.**

As per Section 62(1) (b) of Companies Act, 2013, the Company can offer shares through employee stock option to their employees.

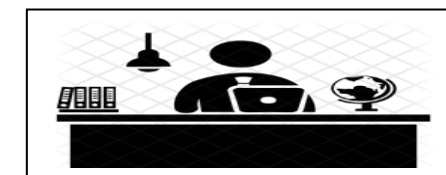
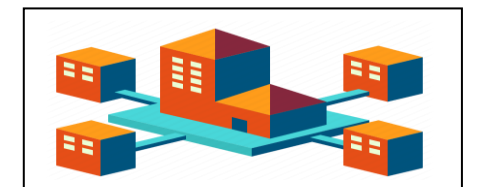
- 1) Pass special resolution
- 2) Should be in accordance to the conditions specified under Rule 12 of Companies (Share Capital and Debentures) Rules 2014.

### EMPLOYEE MEANS-

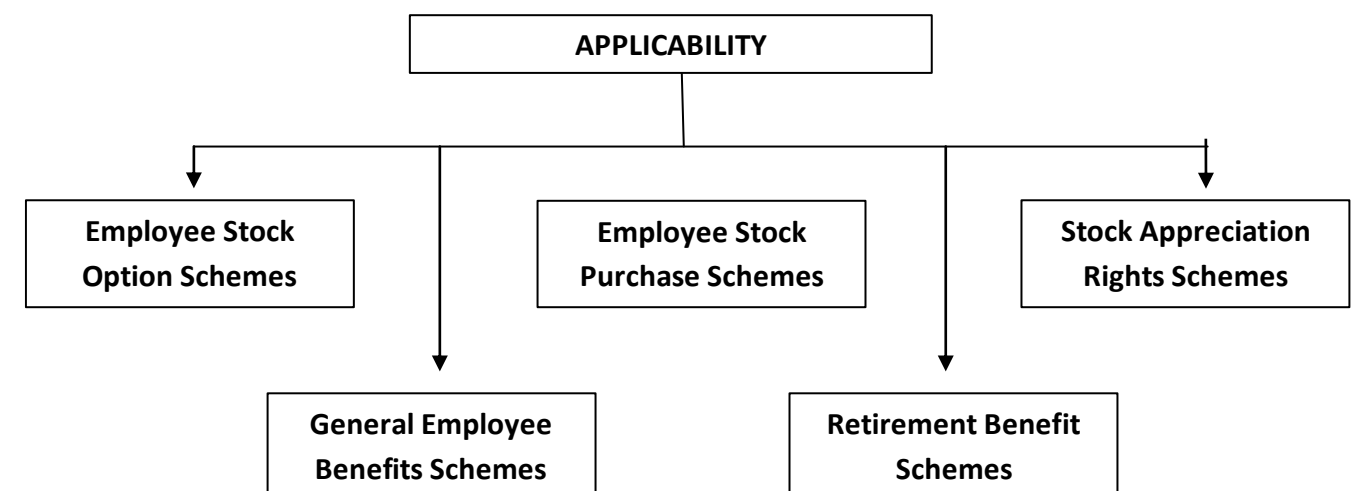
- (a) Permanent employee (India or outside India)
- (b) Director whether WTD or not (Excluding independent director)
- (c) An employee as defined in clauses (a) or (b) of a subsidiary, in India or Outside India or of a holding company

### BUT DOES NOT INCLUDE-

- (i) An employee who is a promoter or a person belonging to the promoter group; or
- (ii) A director who either himself or through his relative or through anybody corporate, directly or indirectly, holds more than ten percent of the outstanding equity shares of the company.



## SEBI (Share Based Employee Benefits) Regulations, 2014





**IMPORTANT DEFINITIONS UNDER**

SEBI (Share Based Employee Benefits) Regulations, 2014

**1) APPRECIATION**

“Appreciation” means the **difference between the market price** of the share of a company on the **date of exercise** of stock appreciation right (SAR) **or vesting of SAR**, as the case may be, and the SAR price.

**2) RELEVANT DATE-**

“**Relevant Date**” means,-

(i) In the case of grant, the date of the **meeting of the compensation committee** on which the **grant is made**; or

(ii) In the case of **exercise**, the date on which the **notice of exercise is given** to the company or to the trust by the employee.

**3) STOCK APPRECIATION RIGHT**

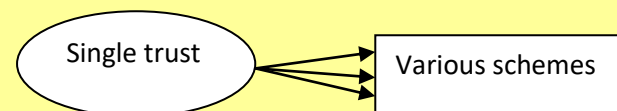
**Stock Appreciation Right** means a right given to a SAR grantee entitling him to receive appreciation for a specified number of shares of the company where the settlement of such appreciation may be made by way of cash payment or shares of the company.

**Implementation of the Scheme through a Trust**

1) A company may implement schemes either directly or by setting up an irrevocable trust(s).

- Take approval of the shareholders for setting up the schemes.
- If the scheme involves secondary acquisition or gift or both, then it is mandatory for the company to implement such scheme(s) through a trust(s).

2) A company may implement several schemes as permitted under these regulations through a single trust.



Trust shall keep and maintain **proper books of accounts, records and documents** for each such scheme so as to **explain its transactions** and to disclose the financial position of each scheme and in particular **give a true and fair view of the state of affairs of each scheme**.

**3) TRUST DEED-**

- Contain minimum provisions as specified by SEBI.
- Trust deed and any modifications thereto shall be mandatorily filed with the stock exchange where the shares of the company are listed.

**4) TRUSTEE CANNOT BE-**

- director, key managerial personnel or promoter of the company or its holding, subsidiary or associate company or any relative of such director, key managerial personnel or promoter; or
- beneficially holds ten percent or more of the paid-up share capital of the company

**5) FUNCTIONS OF TRUSTEE-**

- Shall not vote in respect of the shares held by such trust, so as to avoid any misuse arising out of exercising such voting rights.
- Ensure that appropriate approval from the shareholders has been obtained by the company in order to enable the trust to implement the scheme(s) and undertake secondary acquisition for the purposes of the scheme(s).

**6) WORKING OF TRUST-**

a) The trust shall not deal in derivatives, and shall undertake only delivery based transactions for the purposes of secondary acquisition as permitted by these regulations.

b) The trust shall not deal in derivatives, and shall undertake only delivery based transactions for the purposes of secondary acquisition as permitted by these regulations.

c) For the purposes of disclosures to the stock exchange, the shareholding of the trust shall be shown as ‘non-promoter and non-public’ shareholding.

d) The trust shall be permitted to undertake off-market transfer of shares only under the following circumstances:

- ✓ Transfer to the employees pursuant to scheme(s);
- ✓ When participating in open offer under SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, or when participating in buy-back, delisting or any other exit offered by the company generally to its shareholders.

e) The trust shall not become a mechanism for trading in shares and hence shall not sell the shares in secondary market except under the following circumstances:

- cashless exercise of options under the scheme as prescribed in these regulations;
- on vesting or exercise, as the case may be, of SAR under the scheme as prescribed in these regulations;
- in case of emergency for implementing the schemes covered under Part D and Part E of Chapter III of SEBI (SBEB) Regulations, and for this purpose -
- the trustee shall record the reasons for such sale; and
- money so realised on sale of shares shall be utilised within a definite time period as stipulated under the scheme or trust deed.
- participation in buy-back or open offers or delisting offers or any other exit offered by the company generally to its shareholders, if required;
- for repaying the loan, if the un-appropriated inventory of shares held by the trust is not appropriated within the timeline as provided above.
- winding up of the scheme(s); and
- based on approval granted by SEBI to an applicant, for the reasons recorded in writing in respect of the schemes covered in these regulations, upon payment of a non-refundable fee of rupees one lakh along with the application by way of direct credit in the bank account through NEFT/RTGS/ IMPS or any other mode allowed by RBI or by way of a banker’s cheque or demand draft payable at Mumbai in favour of SEBI.

f) The trust shall be required to make disclosures and comply with the other requirements applicable to insiders or promoters under the SEBI (Prohibition of Insider Trading) Regulations, 2015.

**SECONDARY ACQUISITION**

1. The company may **lend monies** to the trust on appropriate terms and conditions to acquire the **shares either through new issue or secondary acquisition**, for the purposes of implementation of the scheme(s).
2. **Secondary acquisition** in a financial year by the trust **shall not exceed 2%** of the paid up equity capital as at the end of the previous financial year.
3. The total number of shares under secondary acquisition held by the trust **shall at no time exceed** the limits prescribed in the **Regulations, as a percentage of the paid up equity capital** as at the end of the financial year immediately prior to the year in which the shareholder approval is obtained for such secondary acquisition.
4. The **trust** shall be required to hold the **shares acquired through secondary acquisition** for a **minimum period of 6 months** except where they are required to be transferred in the circumstances enumerated in this regulation, whether off market or on the platform of stock exchange.

## Non Transferability of Options Granted

Option, SAR or any other benefit granted to an employee under the regulations shall not be transferable to any person.



The option, SAR, or any other benefit granted to the employee shall not be pledged, hypothecated, mortgaged or otherwise alienated in any other manner.



In the event of death of the employee while in employment, all benefits granted to him under a scheme till such date shall vest in the legal heirs or nominees of the deceased employee.



If employee suffers a permanent incapacity while in employment, all the options, SAR or any other benefit granted to him under a scheme as on the date of permanent incapacitation, shall vest in him on that day.



In the event of resignation or termination of the employee, all the options, SAR, or any other benefit which are granted and yet not vested as on that day shall expire.



If the employee is transferred or deputed to an associate company prior to vesting or exercise, the vesting and exercise as per the terms of grant shall continue in case of such transferred or deputed employee even after the transfer or deputation.

## LISTING

In case new issue of shares is made under any scheme, shares so issued shall be listed immediately in any recognised stock exchange.

In case of the existing shares are listed, subject to the following conditions	Scheme complies with these regulations
	A <b>statement</b> specified by SEBI in this regard, <b>is filed</b> and the <b>company has obtained an in-principle approval</b> from the stock exchanges
	As and when an exercise is made, the <b>company notifies the concerned stock exchange</b> as per the statement as specified by SEBI in this regard.

## Schemes Implemented by Unlisted Companies

The shares arising after the initial public offering ("IPO") of an unlisted company, out of options or SAR granted under any scheme prior to its IPO to the employees shall be listed immediately upon exercise in all the recognised stock exchanges where the shares of the company are listed subject to compliance with SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009.

However, the ratification under clause (ii) may be done any time prior to grant of new options or shares or SAR under such pre-IPO scheme.

The company shall not make any fresh grant which involves allotment or transfer of shares to its employees under any schemes formulated prior to its IPO and prior to the listing of its equity shares ('pre-IPO scheme') unless : -	No change shall be made in the terms of options or shares or SAR issued under such pre- IPO schemes, whether by repricing, change in vesting period or maturity or otherwise unless prior approval of the shareholders is taken for such a change, except for any adjustments for corporate actions made in accordance with these regulations.	For listing of shares issued pursuant to ESOS, ESPS or SAR, the company shall obtain the in-principle approval of the stock exchanges where it proposes to list the said shares.
<ul style="list-style-type: none"> <li>Such pre-IPO scheme is in conformity with these regulations; and</li> <li>Such pre-IPO scheme is ratified by its shareholders subsequent to the IPO.</li> </ul>		

## Administration and Implementation of Specific Schemes

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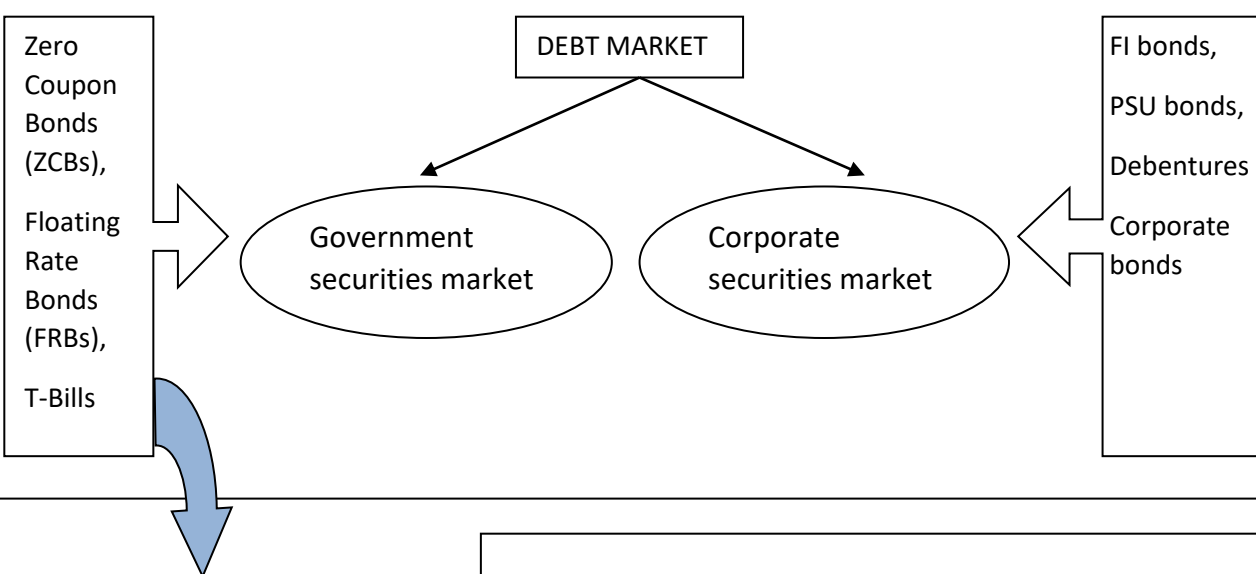
1	<b>Employee Stock Option Schemes-</b> means a scheme under which a company grants employee stock option directly or through a trust	Pricing	The company will have the <b>freedom to determine the exercise price subject</b> to conforming to the accounting policies as specified in these regulation.
		Vesting Period	There shall be a <b>minimum vesting period of one year</b> in case of ESOS. However, in case where options are granted by a company under an ESOS in lieu of options held by a person under an ESOS in another company which has merged or amalgamated with that company, the period during which the options granted by the transfer or company were held by him shall be adjusted against the minimum vesting period required under this sub-regulation.  The company may <b>specify the lock-in period</b> for the shares issued pursuant to exercise of option.
		Rights of the option holder	The employee shall <b>not have right to receive any dividend or to vote or in any manner enjoy the benefits of a shareholder</b> till the shares are issued on exercise of option.
		Consequence of failure to exercise option	The amount payable by the employee, if any, at the time of grant of option, -  i. May be <b>forfeited</b> by the company if the <b>option is not exercised</b> by the employee <b>within the exercise period</b> ; or ii. May be <b>refunded</b> to the employee if the options <b>are not vested due to non-fulfilment of conditions</b> relating to vesting of option as per the ESOS.
2	<b>Employee Stock Purchase Scheme-</b> means a scheme under which a company offers shares to employees, as part of public issue or otherwise, or through a trust where the trust may undertake secondary acquisition for the purposes of the scheme.	Pricing and Lock-In	i. The company may <b>determine the price of shares</b> to be issued under an ESPS, provided they <b>conform to the provisions of accounting policies</b> under these regulation. Shares issued under an ESPS shall be <b>locked-in for a minimum period of 1 year</b> from the date of allotment.  ii. However, in case where shares are allotted by a company under an ESPS in lieu of shares acquired by the same person under an ESPS in another company which has merged or amalgamated with the first mentioned company, the lock-in period already undergone in respect of shares of the transferor company shall be adjusted against the lock-in period required under this sub-regulation.  iii. If ESPS is part of a <b>public issue</b> and <b>the shares are issued to employees at the same price</b> as in the public issue, the <b>shares issued</b> to employees pursuant to ESPS shall <b>not be subject to lock-in</b> .
3	<b>Stock Appreciation Rights-</b> means a scheme under which a company grants SAR to employees.	Implementation	The <b>SAR scheme</b> shall contain the <b>details of the manner</b> in which the scheme will be <b>implemented and operated</b> . The company shall have the freedom to implement cash settled or equity settled SAR scheme. However, in case of equity settled SAR scheme, if the settlement results in fractional shares, then the <b>consideration for fractional shares should be settled in cash</b> .
		Vesting	There shall be a <b>minimum vesting period of 1 year</b> in case of SAR scheme. However, in a case where SAR is granted by a company under a SAR scheme in lieu of SAR held by the same person under a SAR scheme in another company which has merged or amalgamated with the first mentioned company, the period during which the SAR granted by the transferor company were held by the employee shall be adjusted against the minimum vesting period required under this sub-regulation
		Rights of the SAR Holder	The employee shall <b>not have right to receive dividend or to vote</b> or in any manner enjoy the benefits of a shareholder in respect of SAR granted to him.
4	<b>General Employee Benefit Schemes-</b> means any scheme of a company framed in accordance with these regulations, dealing in shares of the company or the shares of its listed holding company, for the purpose of employee welfare including healthcare benefits, hospital care or benefits, or benefits in the event of sickness, accident, disability, death or scholarship funds, or such other benefit as specified by such company.	Implementation	General Employee Benefit Schemes (GEBS) contain the details of the scheme and the manner in which the scheme shall be implemented and operated. <b>At no point in time, the shares of the company or shares of its listed holding company shall exceed 10% of the book value or market value or fair value of the total assets of the scheme, whichever is lower</b> , as appearing in its latest balance sheet for the purposes of GEBS.
5	<b>Retirement Benefit Scheme-</b> a scheme dealing in shares of the company or the shares of its listed holding company, for providing retirement benefits to the employees subject to compliance with existing rules and regulations as applicable under laws relevant to retirement benefits in India.	Implementation	Retirement Benefit Scheme (RBS) may be implemented by a company provided it is in compliance with these regulations, and provisions of any other law in force in relation to retirement benefits. The retirement benefit scheme shall contain the details of the benefits under the scheme and the manner in which the scheme shall be implemented and operated. At no point in time, the shares of the company or shares of its listed holding company shall exceed ten per cent of the book value or market value or fair value of the total assets of the scheme, whichever is lower, as appearing in its latest balance sheet for the purposes of RBS.



## Chapter 6- DEBT FUNDING – INDIAN FUNDS BASED (CORPORATE DEBTS)

Shubham Sukhicha (CA, CS, LLM)

Debt markets are markets for the issuance, trading and settlement of various types and features of fixed income securities



### DEBENTURES

- 1) Debenture is a written instrument acknowledging a debt to the Company.
- 2) It contains – (i) a contract for repayment of principal (ii) after a specified period or at intervals or at the option of the company (iii) payment of interest at a fixed rate.
- 3) Section 2(30) of the Companies Act, 2013 defines a debenture which includes debenture stock, bonds or any other instrument of a company evidencing a debt, whether constituting a charge on the assets of the company or not.

Govt. securities- traded through- **negotiated dealing system(NDS)**, using BSE/NSE.

Maintenance of records in dematerialized form- by NSDL/CDSL.

Record holding for banks/primary dealers/financial institutions- by RBI

#### Who can Issue Debt Securities

Private Company

Public Company

Banks

The companies Act, 2013 & the Companies (Share capital and debentures) Rule, 2014

Governing framework for debt securities

SEBI(Issue of capital and disclosure Requirements) Regulations, 2018

RBI Guidelines

SEBI(Listing Obligations and Disclosure requirements) Regulations, 2015

SEBI(Issue and listing of Debt Securities) Regulations, 2018

### TYPES OF DEBENTURES

#### Security

**Secured debentures-** A charge is created on the assets of the company for the purpose of payment in case of default. Holders remain convinced about the payment of interest and principal in the event of redemption.

**Unsecured/Naked debentures-** not secured by way of charge on the company's assets. Interest rate is higher as compared to secured debentures.

#### Tenure

**Redeemable Debentures-** Redeemable debentures are those which are payable on the expiry of the specific period (Maximum period 10 years from the date of issue) either in lump sum or in Installments during the life time of the company. Debentures can be redeemed either at par or at premium.

**Irredeemable/perpetual debentures-** These debentures are repayable on the winding-up of a company or on the expiry of a long period. Debentures may be for fixed terms or payable on demand. Debentures may be for fixed term of years or repayable on notice. They can legally be framed as payable to bearer.

#### Mode of redemption

**Convertible debentures-** These debentures are converted into equity shares of the company on the expiry of a specified period.

**Non convertible debentures-** Non-convertible debentures do not have any option to convert the same into equity shares and are redeemed at the expiry of specified period(s).

**Partly Convertible Debenture -**The convertible portion is converted into equity shares of the company at the expiry of specified period. The non-convertible portion is redeemed at the expiry of the specified period in terms of the issue.

#### Basis of Negotiability

**Bearer/ unregistered debentures-** Payable to bearer of the debentures and transferable by mere delivery.

**Registered debentures-** Non negotiable instruments. They are not transferable by mere delivery and shall be transferred by executing transfer deeds and the transfer registered by the company. Principal and interest amount, when due in respect of these debentures are payable to the registered holders.

### SEBI (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2018

- 1) According to SEBI (ICDR) Regulations, 2018, convertible debt instruments means an instrument which creates or acknowledges indebtedness or is convertible into equity shares of the issuer at a later date at or without the option of the holder of the instrument, whether constituting a charge on the assets of the issuer or not.
- 2) Issue of debt securities that are convertible, either partially or fully or optionally into listed or unlisted equity shall be governed by the disclosure requirements applicable to equity or other instruments offered on conversion in terms of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018.

### ELIGIBILITY

An issuer shall be eligible to make an IPO of convertible debt instruments without a prior public issue of its equity shares and listing thereof.

It should not be in default of payment of interest or repayment of principal amount of debt instruments issued to the public, if any, for a period of more than 6 months.

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obtain credit rating from at least one credit rating agency

appoint at least one debenture trustee in accordance with the provisions of the Companies Act, 2013 and SEBI (Debenture Trustees) Regulations, 1993

### Additional requirements for issue of convertible debt instruments

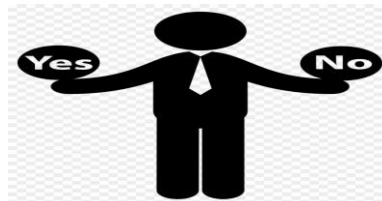
create a debenture redemption reserve in accordance with the provisions of the Companies Act, 2013 and rules made thereunder

If the issuer proposes to create a charge or security on its assets in respect of secured convertible debt instruments, it shall ensure: 1) sufficiency of assets to discharge principal amount 2) assets free from encumbrances 3) If there is a charge already existing, the consent of lender for a second/paripassu charge has to be obtained and submitted to debenture trustee. 4) in case of second charge the asset cover shall be arrived at after reduction of liabilities having first charge.

### Conversion of optionally convertible debt instruments into equity shares



The issuer shall not convert its optionally convertible debt instruments into equity shares unless **the holders of such convertible debt instruments have sent their positive consent to the issuer** and non-receipt of reply to any notice sent by the issuer for this purpose shall not be construed as consent for conversion of any convertible debt instruments



Where the value of the convertible **portion of any listed convertible debt instruments issued by an issuer exceeds ten crore rupees** and the issuer has not determined the conversion price of such convertible debt instruments at the time of making the issue, the holders of such convertible debt instruments shall be **given the option of not converting the convertible portion into equity shares.**

However, where the upper limit on the price of such convertible debt instruments and justification thereon is determined and disclosed to the investors at the time of making the issue, it shall not be necessary to give such option to the holders of the convertible debt instruments for converting the convertible portion into equity share capital within the said upper limit.

This provision shall **not apply** if such redemption is as per the **disclosures made in the offer document**

Where an option is to be given to the holders of the convertible debt instruments in terms of and if one or more of such holders do not exercise the option to convert the instruments into equity share capital at a price determined in the general meeting of the shareholders, the issuer shall redeem that part of the instruments within one month from the last date by which option is to be exercised, at a price which shall not be less than its face value.



### SEBI (ISSUE AND LISTING OF DEBT SECURITIES) REGULATIONS, 2008

#### APPLICABILITY

Listing of debt securities issued through public issue or on private placement basis on a recognized stock exchange.

Public Issue of debt securities.

#### Appointment of intermediaries

The issuer is required to appoint a depository, one or more merchant bankers registered with SEBI, at least one of whom shall be a lead merchant banker and a Debenture trustee duly registered with SEBI.

#### Eligibility of Issuer

- The issuer or the person in control of the issuer or its promoter or its director- is restrained or prohibited or debarred by SEBI from accessing the securities market or dealing in securities; or is a wilful defaulter or it is in default of payment of interest or repayment of principal amount in respect of debt securities issued to the public, for a period of more than 6 months.

#### recognised stock exchange

- Applied to one or more recognized stock exchanges for listing securities. If the application is made to more than one recognized stock exchanges, the issuer must choose one of them which has nationwide trading terminals as the designated stock exchange.

#### In- principle approval

- It has obtained in-principle approval for listing of its debt securities.

#### Credit Rating

- Credit rating including the unaccepted ratings obtained from more than one credit rating agencies, registered with SEBI shall be disclosed in the offer document.

#### reason for issue

- The issuer cannot issue debt securities for providing loan to or acquisition of shares of any person who is part of the same group or who is under the same management.

### Minimum subscription

The amount of minimum subscription which the issuer seeks to raise and underwriting arrangements shall be disclosed in the offer document but there is no compulsion to mention the same.

### Filing

The issuer shall file a draft offer document with the designated stock exchange through the lead merchant banker and also forward a copy of the draft & final offer document to SEBI.



Public financial institutions and scheduled banks.



Issuers authorized by the notification of Central Board of Direct Taxes to make public issue of tax free secured bonds, with respect to such tax free bond issuances.



Infrastructure Debt Funds – Non-Banking Financial Companies regulated by Reserve Bank of India

**Filing of Shelf Prospectus** - The following companies or entities may file shelf for public issuance of their debt securities



**Non-Banking Financial Companies** registered with Reserve Bank of India and **Housing Finance Companies** registered with National Housing Bank complying with the following criteria:

- having a **net worth of at-least Rs.500 crore**, as per the audited balance sheet of the preceding financial year;
- having consistent track record of distributable **profit for the last three years**;
- **securities** issued under the shelf prospectus have been assigned a **rating of not less than "AA-"** category or equivalent by a credit rating agency registered with SEBI;
- **no regulatory action is pending** against the company or its promoters or directors before the Board, Reserve Bank of India or National Housing Bank;
- the issuer has **not defaulted in the repayment of deposits or interest payable** thereon, **redemption of debentures or preference shares or payment of dividend** to any shareholder, or repayment of any term loan or interest payable thereon to any public financial institution or banking company, in the last three financial years.



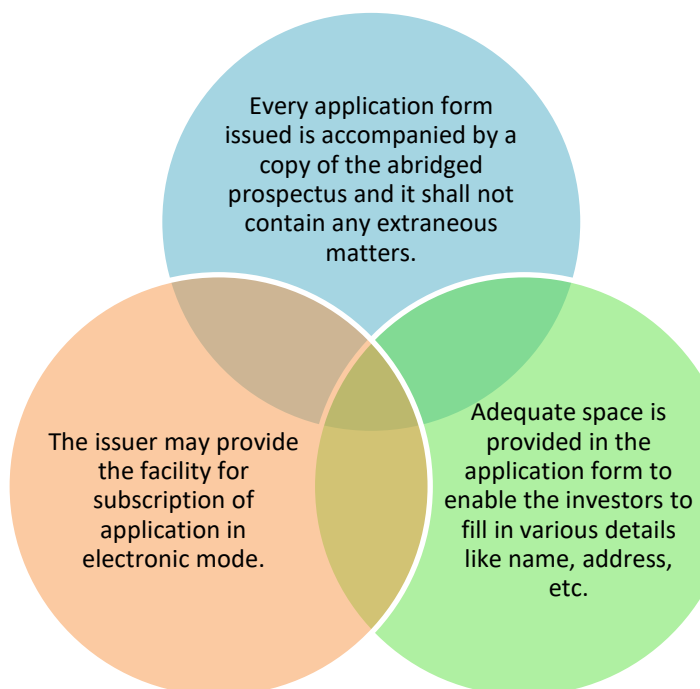
Or Listed entities complying with the following criteria :

- whose **public issued equity shares or debt securities are listed on recognized stock exchange for a period of at least 3 years immediately preceding the issue and have been complying with the listing agreement** entered into between the issuer and the recognized stock exchanges where the said securities of the issuer are listed;
- having a net worth of at-least Rs.500 crore, as per the audited balance sheet of the preceding financial year;
- having consistent track record of distributable profit for the last 3 years;
- securities issued under the shelf prospectus have been assigned a rating of not less than "AA-" category or equivalent by a credit rating agency registered with SEBI;
- no regulatory action is pending against the company or its promoters or directors before the Board, Reserve Bank of India or National Housing Bank;

The issuer has not defaulted in the repayment of deposits or interest payable thereon, redemption of debentures or preference shares or payment of dividend to any shareholder, or repayment of any term loan or interest payable thereon to any public financial institution or banking company, in the last three financial years.

### Abridged Prospectus and Application Forms

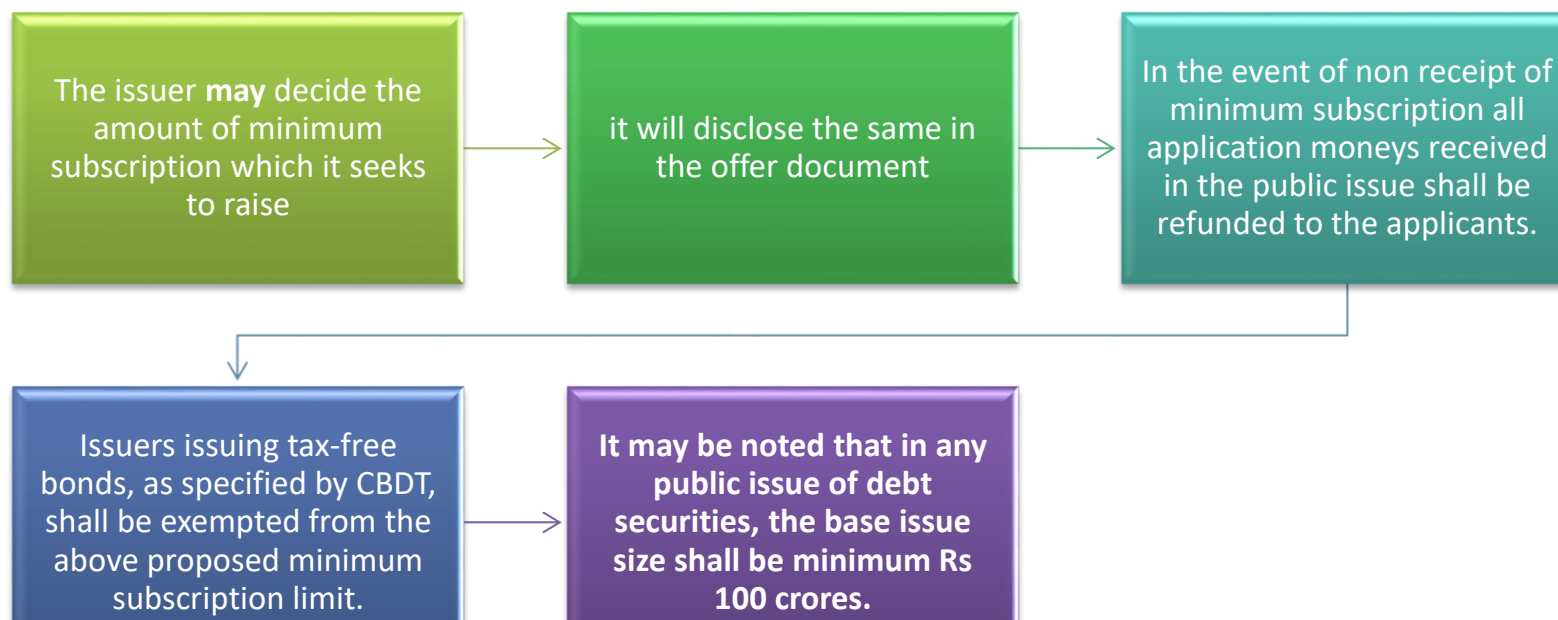
The issuer and lead merchant banker shall ensure that:



### Issue Price

A Company may determine the price of debt securities  
1) **consultation with the lead merchant banker** and the issue may be at fixed price 2) the price may be determined through **book building** process in accordance with the procedure as may be specified by SEBI



### Minimum Subscription







### Prohibition of Mis-statements in the Offer Document-

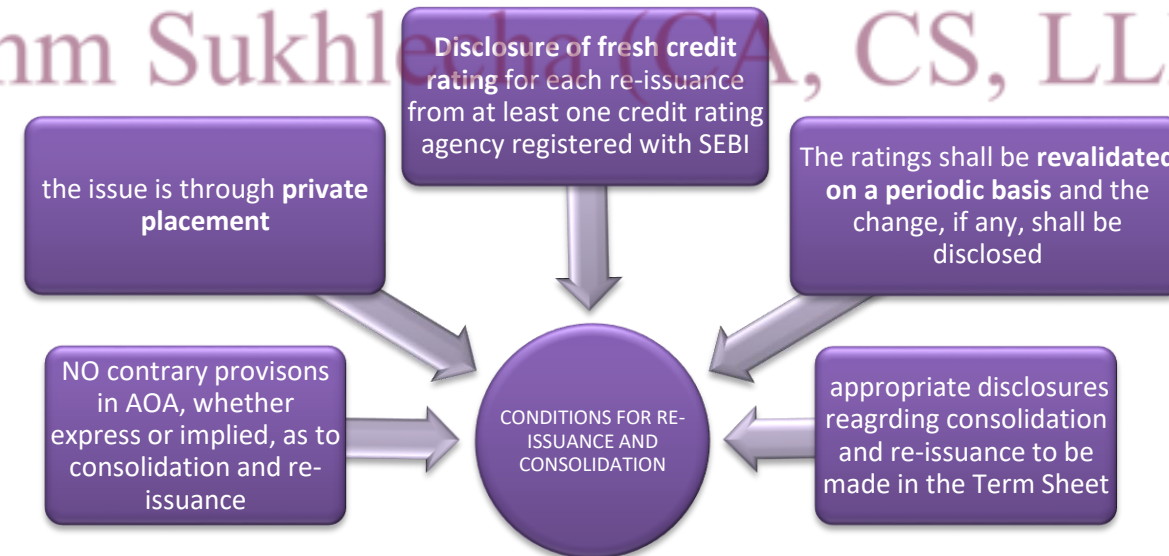
-  The offer document shall not omit disclosure of any material fact which may make the statements made therein, in light of the circumstances under which they are made, misleading.
-  The offer document or abridged prospectus or any advertisement issued by an issuer in connection with a public issue of debt securities shall not contain any false or misleading statement.



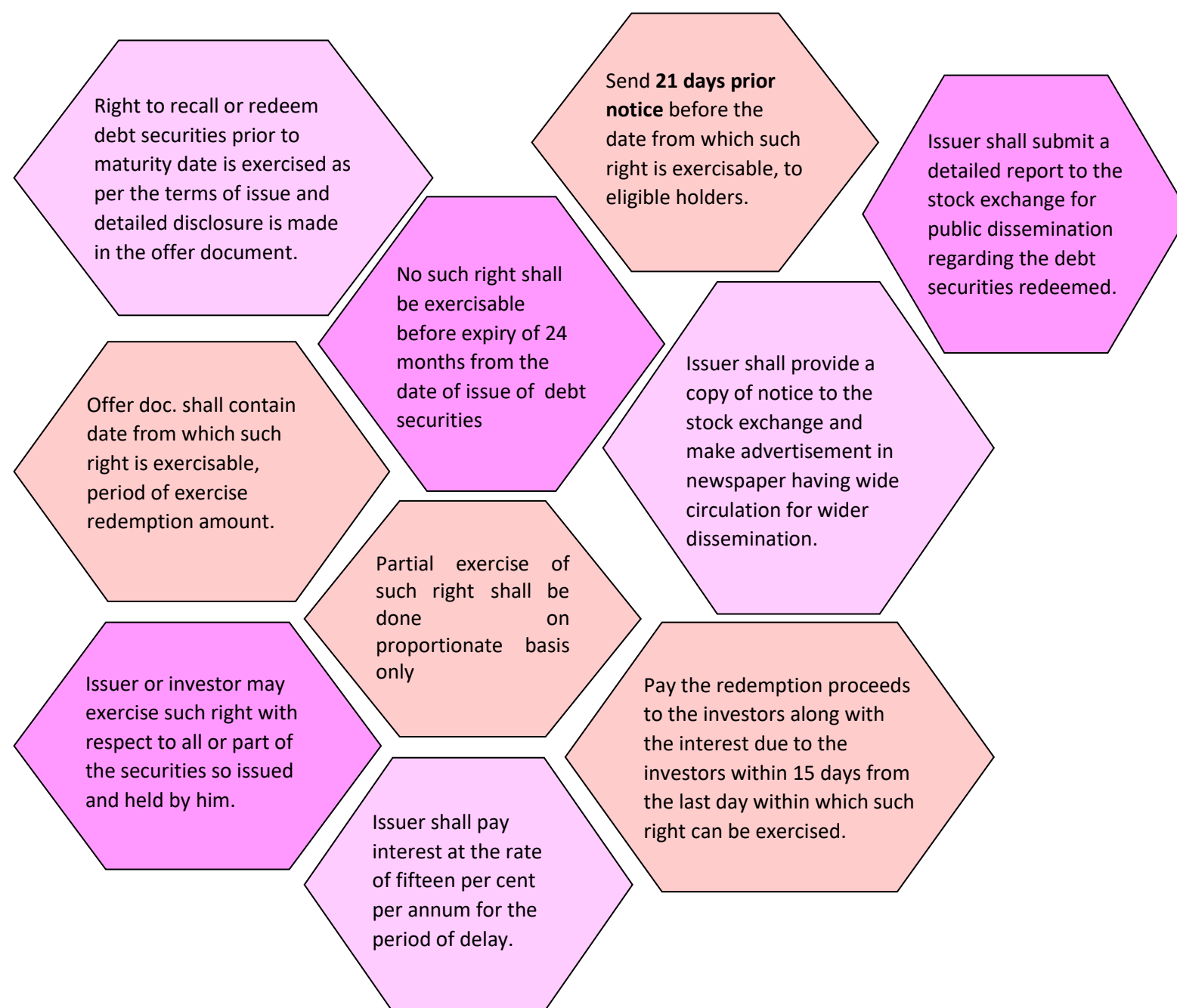
### Debenture Redemption Reserve

- 1) Debenture redemption reserve created as per the **Companies Act, 2013** and **circulars issued by Central Government**.
- 2) In case of **default in payment of interest** on debt securities **or redemption** thereof or in **creation of security**, any **distribution of dividend** shall require **approval of the debenture trustees**

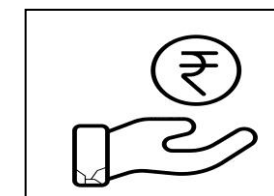
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### Right to recall or redeem prior to maturity



### Obligations of Debenture Trustee



Private placement” means an offer or invitation to subscribe to the debt securities. SEBI has allowed issue of debt securities through private placement under the provisions of SEBI (Issue and Listing of Debt Securities) Regulations, 2008.

## Private Placement

Conditions for listing of debt securities issued on private placement basis:

Issue is in compliance with the provisions of Companies Act, 2013, rules prescribed thereunder and other applicable laws;

credit rating has been obtained from at least one credit rating agency registered with SEBI

debt securities proposed to be listed are in dematerialized form

disclosures as provided in regulation 21 have been made

where the application is made to more than one recognized stock exchange, the issuer shall choose one of them as the designated stock exchange

1) The issuer shall comply with conditions of listing of such debt securities as specified in the Listing Agreement with the stock exchange where such debt securities are sought to be listed.

2) The designated stock exchange shall collect a regulatory fee from the issuer at the time of listing of debt securities issued on private placement basis.

## Electronic Book Mechanism For Issuance Of Securities On Private Placement Basis

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

In order to streamline procedures for issuance of debt securities on private placement basis and enhance transparency to discover prices, SEBI has laid down a framework for issuance of debt securities on private placement basis through an electronic book mechanism

"In particular, and without prejudice to the generality of the foregoing power and provisions of these regulations, such orders or circulars may provide for all or any of the following matters, namely:

- Electronic issuances and
- Other issue procedures including the procedure for price discovery.

### Eligible issuer

A single issue, inclusive of green shoe option, if any, of Rs 200 crore or more

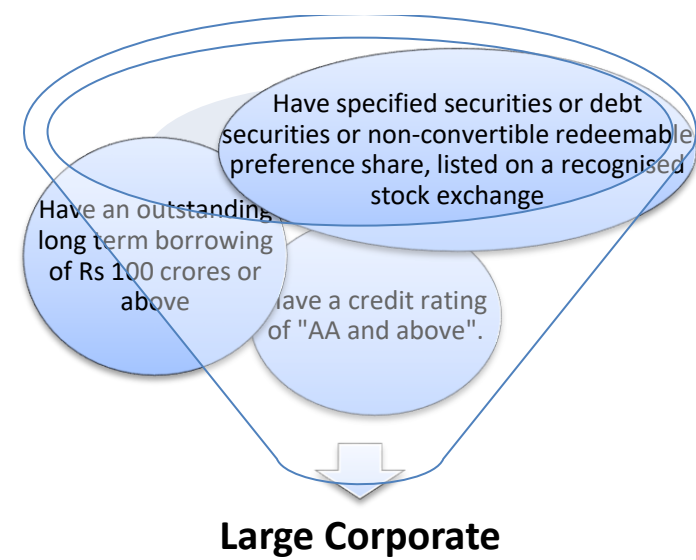
A shelf issue, consisting of multiple tranches, which cumulatively amounts to Rs 200 crore or more, in a financial year

Subsequent issue, where aggregate of all previous issues by an issuer in a financial year equals or exceeds Rs 200 crore

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25%

SEBI has been working on operationalizing the 2018-19 Budget announcement which mandates large corporates to raise 25% of their financing needs from the corporate bond market.



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

"incremental borrowings" means any borrowing done during a particular financial year, of original maturity of more than 1 year, irrespective of whether such borrowing is for refinancing/repayment of existing debt or otherwise .

## Framework

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

- For FY 2020 and 2021, the requirement of meeting the incremental borrowing norms shall be applicable on an annual basis. However, in case where a LC is unable to comply with the above requirement, it shall provide an explanation for such shortfall to the Stock Exchanges.
- From FY 2022, the requirement of mandatory incremental borrowing by a LC in a FY will need to be met over a contiguous block of two years.

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

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

## DISCLOSURE REQUIREMENTS FOR LARGE ENTITIES

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

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

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

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## BIDDING TIMINGS AND PERIOD

1) For **operational uniformity**- bidding on the EBP platform shall take place **between 9 a.m. to 5 p.m.** only, on the working days of the recognized Stock Exchanges.

2) The bidding window shall be open for the period as specified by the issuer in the bidding announcement, however the same shall be open for atleast 1 hour.

## BIDDING ANNOUNCEMENT

1) Issuer shall make the bidding announcement on EBP at least one working day before initiating the bidding process.

2) Bidding announcement shall be accompanied with details of bid opening and closing time, and any other details as required by EBP from time to time.

3) Any change in bidding time and/ or date by the Issuer shall be intimated to EBP, within the operating hours of the EBP, atleast a day before the bidding date.

Changes in bidding date or time- allowed for maximum of two times.

## BIDDING AND ALLOTMENT PROCESS

1) Bidding process on EBP platform shall be on an anonymous order driven system.

2) Bid shall be made by way of entering bid amount in Rupees (INR) and coupon/ yield in basis points (bps) i.e. up to four decimal places.

3) Modification or cancellation of the bids shall be allowed i.e. bidder can **cancel or modify the bids** made in an issue.

4) Investors are now permitted to place multiple bids in an issue.

5) The bid placed in the system shall have an audit trail which includes bidder's identification details, time stamp and unique order number.

6) Further against such bids, EBP shall provide an acknowledgement number.

7) All the bids made on a particular issue, should be disclosed on the EBP platform on a real time basis.

8) Allotment to the bidders shall be done on **yield priority basis**.

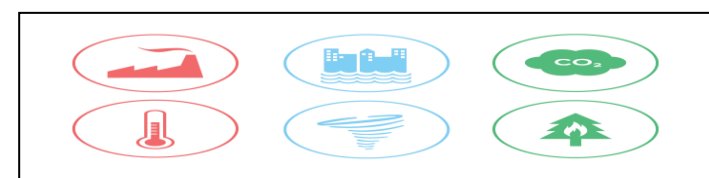
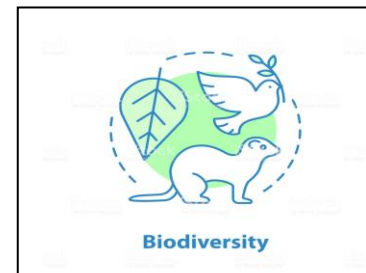
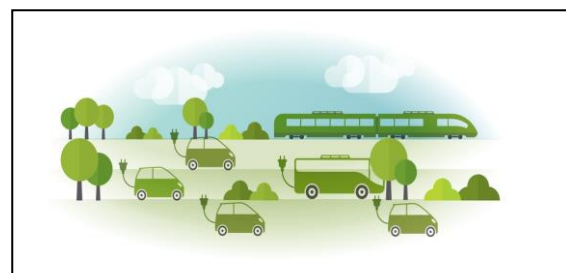
- a) such cancellation/modification in the bids can be made only during the bidding period;
- b) no cancellation of bids shall be permitted in the last 10 minutes of the bidding period;
- c) in the last 10 minutes of the bidding period, only revision allowed would for improvement of coupon/yield and upward revision in terms of the bid size.

- a) All the bids shall be arranged in the ascending order of the yields, and a cut-off yield shall be determined.
- b) All the bids below the cut-off yield shall be accepted and full allotment should be made to such bidders.
- c) For all the bids received at cut-off yield, allotment shall be made on pro-rata basis

## GREEN DEBT SECURITIES

A Debt Security shall be considered as **"Green or Green Debt Securities"**, if the funds raised through issuance of the debt securities are to be utilised for project(s) and/or asset(s) falling under any of the following broad categories:

- a) **Renewable and sustainable energy** including wind, solar, bioenergy, other sources of energy which use clean technology etc.;
- b) **Clean transportation** including mass/public transportation etc.;
- c) **Sustainable water management** including clean and/or drinking water, water recycling etc.;
- d) **Climate change** adaptation;
- e) **Energy efficiency** including efficient and green buildings etc.;
- f) **Sustainable waste management** including recycling, waste to energy, efficient disposal of wastage etc.;
- g) **Sustainable land use** including sustainable forestry and agriculture, afforestation etc.;
- h) **Biodiversity conservation**;
- i) Any other category as may be specified by SEBI, from time to time.



## Obligations of the issuer

Maintain a decision-making process which it uses to determine the continuing eligibility .

make a statement on the environmental objectives of the Green Debt Securities and a process to determine whether the project(s) meet the eligibility requirements

Ensure that all project(s) meet the documented objectives of Green Debt Securities

Utilize the proceeds only for the stated purpose, as disclosed in the offer document.

follow any globally accepted standard(s) for the issuance of Green Debt Securities



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## INDICATIVE TIMELINE SCHEDULE FOR VARIOUS ACTIVITIES

Sr. No.	Details of Activities	Due Date (working day*)
1	Issue Closes	T (Issue closing date)
2	a) Stock exchanger(s) shall allow modification of selected fields (till 01:00 PM) in the bid details already uploaded. b) Registrar to get the electronic bid details from the stock exchanges by end of the day. c) SCSBs to continue / begin blocking of funds. d) Designated branches of SCSBs may not accept schedule and applications after T+1 day. e) Registrar to give bid file received from stock exchanges containing the application number and amount to all the SCSBs who may use this file for validation/ reconciliation at their end..	T+1
3	a) Issuer, merchant banker and registrar to submit relevant documents to the stock exchange(s) except listing application, allotment details and demat credit and refund details for the purpose of listing permission. b) SCSBs to send confirmation of funds blocked (Final Certificate) to the registrar by end of the day. c) Registrar shall reconcile the compiled data received from the stock exchange(s) and all SCSBs (hereinafter referred to as the "reconciled data"). d) Registrar to undertake "Technical Rejection" test based on electronic bid details and prepare list of technical rejection cases	T+2
4	a) Finalization of technical rejection and minutes of the meeting between issuer, lead manager, registrar. b) Registrar shall finalise the basis of allotment and submit it to the designated stock exchange for approval. c) Designated Stock Exchange to approve the basis of allotment. d) Registrar to prepare funds transfer schedule based on approved basis of allotment. e) Registrar and merchant banker to issue funds transfer instructions to SCSBs.	T+3
5	a) SCSBs to credit the hinds in public issue account of the issuer and confirm the same. b) Issuer shall make the allotment, c) Registrar/Issuer to initiate corporate action for credit of debt securities, NCRPS, SDI to successful allottees. d) Issuer and registrar to file allotment details with designated stock exchange(s) and confirm all formalities are complete except demat credit. e) Registrar to send bank-wise data of allottees, amount due 011 debt securities, NCRPS, SDI allotted, if any, and balance amount to be unblocked to SCSBs.	T+4

6.	a) Registrar to receive confirmation of demat credit from depositories, b) Issuer and registrar to file confirmation of demat credit and issuance of instructions to unblock ASBA hinds, as applicable, with stock exchange (s). c) The lead manager(s) shall ensure that the allotment, credit of dematerialised debt securities, NCRPS, SDI and refund or unblocking of application monies, as may be applicable, are done electronically. d) Issuer to make a listing application to stock exchange(s) and stock exchange (s) to give listing and trading permission. Stock exchangers) to issue commencement of trading notice.	T+5
7.	Trading commences	T+6
	<b><u>Working days shall be all trading days of stock exchanges excluding Sundays and bank holidays in Mumbai.</u></b>	

## CHAPTER 7- Debt Funding – Indian Fund Based (Government Debt & Banking Finance)



- Bonds are debt security having fixed face value
- Have a specific rate of interest to be paid at specific time, also called “coupon payment”.
- Principal amount is to be repaid later.
- Bond holders are like creditors
- Duration- generally 5-10 years
- Irrespective of the issuer, bonds have specific maturity period- generally 20-30 years.
- Bonds are termed as bills or short- term bonds and long-term bonds depending on maturity period.

<b>Government Bonds</b>	<ul style="list-style-type: none"> <li>• Issued by Government of India or by Public Sector Units (PSU's) in India.</li> <li>• Secured bonds- as they are backed up with security from Government.</li> <li>• Low rate of interest compared to other types of bonds.</li> </ul>
<b>Corporate Bonds</b>	<ul style="list-style-type: none"> <li>• Issued by the private corporate companies.</li> <li>• Secured or non secured bonds.</li> </ul>
<b>Banks and other financial institutions bonds</b>	<ul style="list-style-type: none"> <li>• Issued by banks or any financial institution. The financial market is well regulated and the majority of the bond markets are from this segment.</li> <li>• These bonds are credit rated by credit rating agencies. In case of poor credit rating, better to stay away from such bonds</li> </ul>
<b>Tax saving bonds</b>	<ul style="list-style-type: none"> <li>• Issued by the Government of India for providing benefit to investors in the form of tax savings.</li> <li>• bond holder gets normal interest + tax benefit</li> </ul>

### MASALA BONDS

<b>Meaning</b>	Rupee denominated borrowings by Indian companies in the overseas markets. Other overseas borrowings are in Euro, Yen, etc
<b>Advantage</b>	No worries regarding depreciation in Rupee.
<b>Issues</b>	Many public and private companies are in the fray to issue masala bonds as the companies can have access to more funds at a marginally higher cost of financing
<b>Maturity period</b>	Minimum original maturity period as per amount raised- (i)USD 50 million equivalent in INR per financial year- 3 years (ii)above USD 50 million equivalent in INR per financial year- 5 years
<b>All-in-cost ceiling</b>	300 basis points over the prevailing yield of the Government of India securities of corresponding maturity.
<b>Recognised investors</b>	Entities permitted as investors under the provisions of paragraph 3.3.3 of the Master Direction No.5 dated January 1, 2016 but should not be related party within the meaning as given in Ind-AS 24.

### Banking Regulation Act 1949- classification of bank finance

#### SECURED LOANS

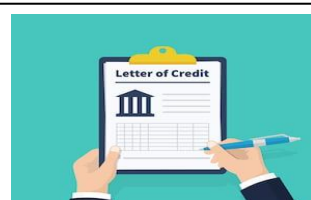
Secured loan means loans granted on the backing of some tangible security.

#### UNSECURED LOANS

Unsecured loan is one for which the banker has to rely upon the personal security of the borrower.



OVERDRAFT LOAN



### Fund Based Facilities

Over Draft      Cash Credit      Bills Finance      Hire Purchase Finance

### Non Fund Based Facilities

Letter of Credit      Stand By Letter of Credit      Bank Guarantee

### FUND BASED FACILITIES

#### OVERDRAFT

<b>Meaning</b>	Overdraft means allowing the customer to draw cheques over and above credit balance in his account.
<b>Available for</b>	Overdraft is normally allowed to Current Account Customers and in exceptional cases Savings bank account holders are also allowed to overdraw their account
<b>Interest</b>	High rate of interest is charged on daily debit balance of overdraft account as these are clean advances .i.e. banks do not have any securities to fall back if these facilities are not repaid.
<b>Types</b>	There are two types of overdraft accounts are prevalent in Banks i.e. i. Temporary overdraft or clean overdraft ii. Secured overdraft.

### CASH CREDIT ACCOUNT (CC A/C)

<b>Meaning</b>	A cash credit facility is a short-term finance to a borrower company, having a tenure of up to one year which can be renewed for further period by the bank on the basis of projected sales and satisfactory operation in the account during the period of finance.
<b>Types</b>	Cash credit facility is extended in two forms viz. Open Cash Credit and Key Cash Credit
<b>Offer</b>	Cash credit facility is offered normally against pledge (Key Cash Credit) or hypothecation of raw materials, semi finished goods, finished goods and book debts.
<b>Requirement</b>	1) Manufacturing unit- to purchase raw material, processing and converting them into finished goods. 2) Traders- the limit is allowed for purchase of goods which they deal in.



### BILLS FINANCE

<b>Meaning</b>	Bills finance is short term and self liquidating finance in nature. The advantage of bills finance is that the seller of goods (borrower) gets immediate money from the bank for the goods sold by him irrespective of whether it is a purchase, discount or negotiation by the bank.
<b>Available for</b>	The credits available to the seller against the bills drawn under Letter of Credit either on sight draft or usance draft are called bills negotiated by the banks.
<b>Types</b>	The bills can be classified as <b>Demand Bills</b> and <b>Usance Bills</b> . Demand Bill is purchased and Usance bill is discounted by the banks.
<b>Types of Demand Bills</b>	The 'Demand Bills' can be documentary or clean. Usually banks accept only <b>documentary bills</b> for purchase. However, clean bills from good parties also purchased by the banks.
<b>Types of Documentary Bills</b>	The 'Documentary Bills' may be drawn by a Seller of Goods ('Drawer') on <b>D/P (Delivery against payment)</b> - the documents of title to goods are delivered to the buyer of the goods (drawee) against payment of bill amount. <b>OR D/A (Delivery against Acceptance)</b> - the documents to the title of goods are to be delivered to the drawee (Buyer) against acceptance of bills. These types of bills are called " <b>Usance Bills</b> " which means bills are maturing on a future date and payment will be made on due date. In case of 'Usance Bills' bills become clean after it is delivered to drawee on acceptance.

### LEASING FINANCE

<b>Meaning</b>	A lease is a contract between the owner (lessor) and the user (lessee).
<b>Working</b>	In terms of lease agreement the lessor pays money to the supplier who in turn delivers the article to the lessee. The lessee (hirer of the article) makes periodical payment to the lessor. At the end of lease period the asset is restored to the lessor.
<b>Financed by and against</b>	Commercial banks in India have been financing the activities of leasing companies, by providing overdraft/Cash credit account/Demand loan against fully paid new machinery or equipment by hypothecation of security.
<b>Repayment</b>	The repayment should be from rentals of machinery/ equipment leased out. The maximum period of repayment is five years or the economic life of the equipment whichever is lower. The bank is allowed to periodical inspection of the asset.

### HIRE-PURCHASE

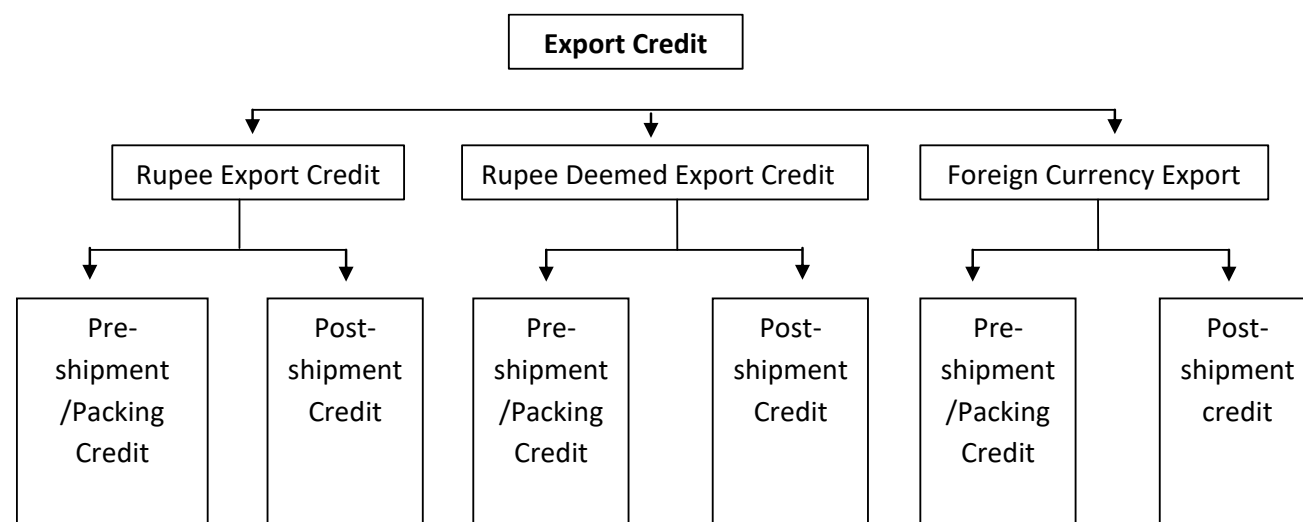
Hire-Purchase transactions are very similar to leasing transactions.

In the Hire-purchase finance takes place predominantly in **automobile sector**. Like Leasing Finance, the ownership of the vehicle continues to remain with the Leasing Company till the agreement period ends. However, at the end of the stipulated period, the hirer (lessee) has options either to return the asset to leasing company while terminating the agreement or purchase the asset upon terms set out in the hire-purchase agreement.

### Credit Facilities (Fund Based) Granted To The Exporters By Banks

In order to encourage exports and to help exporters financially, **RBI introduced Export Credit scheme in the year 1967**. As on date, Exporters can avail credit for their export activities either in Rupees or in Foreign Currency as per their choice and subject to RBI directions in this regard.

#### Financing schemes available for exporters



#### **Rupee Export Credit**-Pre-shipment/Packing and Post-shipment Credit

	Pre-shipment credit	Post- Shipment Credit
<b>Meaning</b>	A short term advance/loan given to an exporter for procuring, processing, manufacturing/packing goods prior to shipping such goods.	Short term advance/loan given to an exporter after shipment of goods to the date of realization of proceeds of exported goods.
<b>Tenor</b>	Banks are at liberty to decide the tenor of such loans (which are usually up to 3/6 months or in exceptional cases nine months) depending upon individual cases.	The period of such advance/loan will be as specified by Foreign Exchange Dealers Association of India (FEDAI).
<b>Interest</b>	These loans are given at concessional interest rates. If these loans are not adjusted by submission of export documents within 360 days, banks will charge normal rate of interest on such loans/advances instead of concessional rates	
<b>Repayment</b>	Pre-shipment advances are to be repaid out of finance made available at Post-shipment stage or from eligible resources of the exporting customer as per RBI directions	Such credit facility granted to an exporter has to be repaid out of the proceeds of goods exported or from eligible resources of the exporter as permitted by RBI directions.



### Rupee Deemed Export Credit



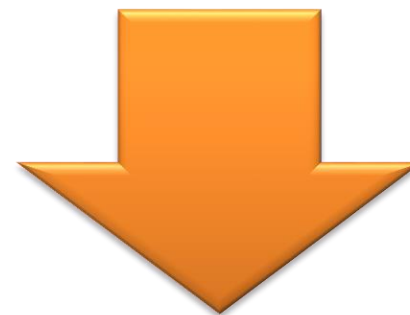
1. A deemed export transaction is one in which goods are supplied to a project in India itself which are funded by International/ Multilateral agencies or where goods are supplied to units in SEZs or foreign shipping companies calling on Indian ports, Supply of goods to foreign tourists etc., such that the proceeds of such goods supplied will be paid in foreign currencies.
2. Such transactions are treated as prima facie Export transactions and enjoy incentives and other concessions given to normal export transactions.
3. Pre-shipment and Post-shipment credit facilities granted to Rupee Deemed Export Credit transactions are similar to finance/credit extended under Rupee Export credit - Pre-shipment as well as Post-shipment as described herein. However in Deemed Export transactions the date of supply to the projects/SEZ units/ foreign tourists is taken as date of export.

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### IMPORT FINANCE



**BUYER'S CREDIT** -Buyers' credit refers to loans for payment of imports into India arranged by the importer from overseas bank or financial institution. Imports should be as permissible under the extant Foreign Trade Policy of the Director General of Foreign Trade (DGFT). For the overseas exporter the transaction becomes a cash sale.



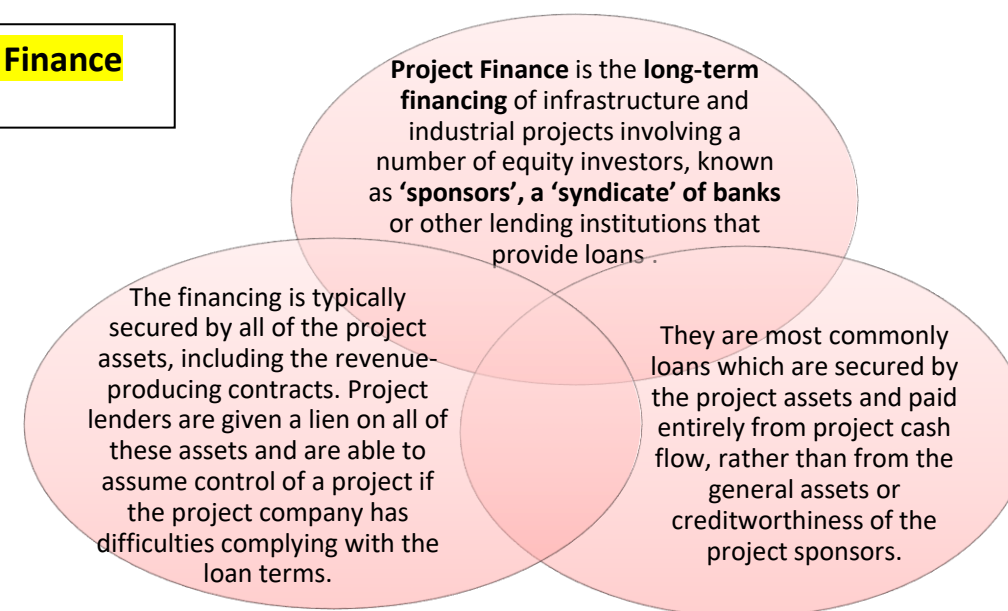
**SUPPLIER'S CREDIT**- Suppliers' credit relates to the credit for imports into India extended by the overseas supplier.

Imports should be as permissible under the extant **Foreign Trade Policy of the DGFT**. Usually this type of facility is availed for import of **Capital goods**. The importer pays an agreed amount of down payment and the balance amounts are paid in instalments over a deferred period. Interest rates for the transactions are decided at the initial contracting stage and are included in the instalments payable by the importer.

### Foreign Currency Export Credit

	Pre-shipment credit in Foreign Currency (PCFC)	Post-shipment Credit in Foreign Currency (PSCFC)
Objective	The objective of PCFC facility is to provide an additional source of finance at internationally competitive rates to Indian exporters. Normally this facility is applicable to <b>Cash Exports</b> . Cash exports are those where "payment for goods is received prior to the export".	
Availment	An exporter can avail PCFC in any one of the following ways: a) Avail pre-shipment credit in Rupees and convert the same in Foreign currency at the discretion of financing bank. b) Avail pre-shipment credit in Foreign currency and discount/rediscout export bills in Foreign currency under Export Bill Rediscounting Scheme (EBR). c) Avail Pre-shipment credit in Rupees and post-shipment credit either in Rupees or in foreign currency by discounting/re-discounting export bills under EBR.	Banks are permitted to extend PSCFC facility to their export customers,(by utilizing their foreign exchange resources held by them or availed by them from foreign banks by way of line of credit in foreign currency etc.) through discounting the usance export bills received from their customers who have availed PCFC or otherwise by rediscounting these bills with foreign banks.
Tenor and repayment	PCFC is normally available for a maximum period of 360 days. Further extension is subject to the financing bank's terms and conditions. PCFC is liquidated by discounting or re-discounting of Export bills under EBR scheme at the post-shipment stage. PCFC is also allowed for Deemed Exports subject to a maximum period of 30 days or up to the date of payment by project authorities whichever is earlier	Normally the PSCFC scheme covers export bills of usance period up to 180 days from the date of shipping. If a customer is eligible to draw bills beyond a usance period of 180 days, PSCFC facility is allowed to be provided beyond the period of 180 days too.  Banks can rediscount the export bills abroad and square up the PSCFC.

### Project Finance



### WAYS TO FINANCE PROJECTS

**CORPORATE FINANCING**- In order to guarantee the additional credit provided by the lenders, the promoters / sponsors use all the assets and cash flows from the existing firm. So if the project fails these assets and cash flows are used to repay the debt of the creditors

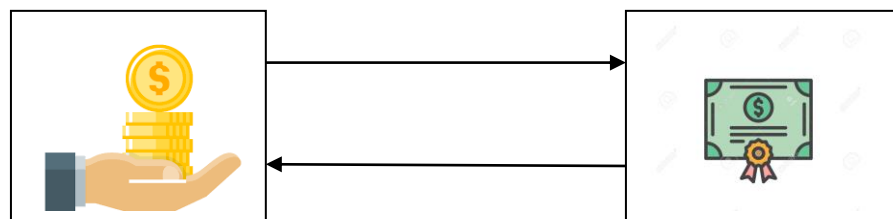
**PROJECT FINANCING**- the new project and the existing firm live separate lives so even if the new project fails the creditors cannot claim their debt repayment from the asset and cash flow available in the existing firm. This deal is costlier than corporate financing.

### The features of project finance transactions

Capital Intensive	They tend to be large scale projects requiring debt and equity in a large amount
Highly leveraged	These transactions have high debt proportion as compared to equity
Long Term	The tenor for project financings can easily reach 15 to 20 years
Independent Entity With A Finite Life	They form a new legal entity with the sole purpose of executing the project
Non-Recourse Or Limited Recourse Financing	It means a the creditor has no or limited claims on the loan in case of default
Many Participants	There are many national and international participants involved in a project laying different risk
Allocated Risk	There are many risk involved in a project for example Environmental, Country risk, market risk, project risk, Product risk, Supply risk, Funding risk, Currency risk, Interest risk
Costly	Raising capital through project finance is generally more costly than through typical corporate finance avenues.

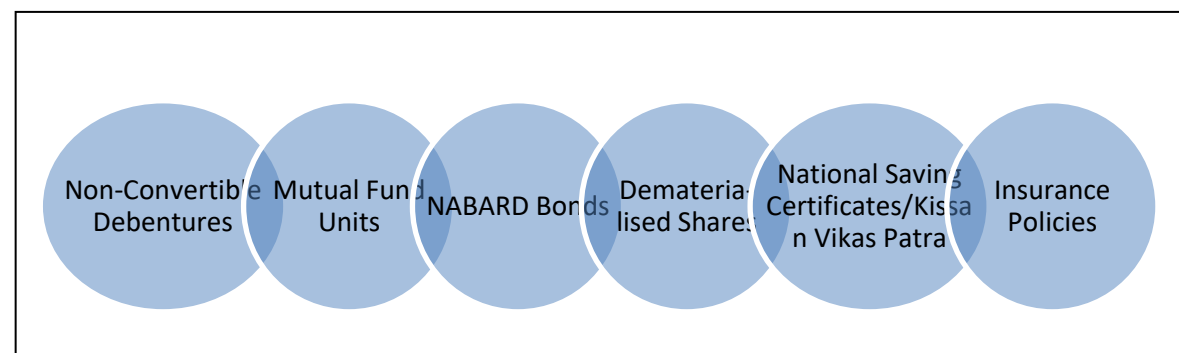
**Risk identification and allocation** is a key component of project finance. A project may be subject to a number of risks, particularly in developing countries and emerging markets. Financial institutions and project sponsors may conclude that the risks inherent in project development and operation are unacceptable (unfinanceable). The patterns of implementation are sometimes referred to as **“project delivery methods.”**

### LOAN AGAINST SECURITIES



Under “Loan against Securities”, loan is advanced to a customer against pledge of securities or simply put loan against insurance policy, mutual funds, NSC and other securities.

List of approved securities for LAS



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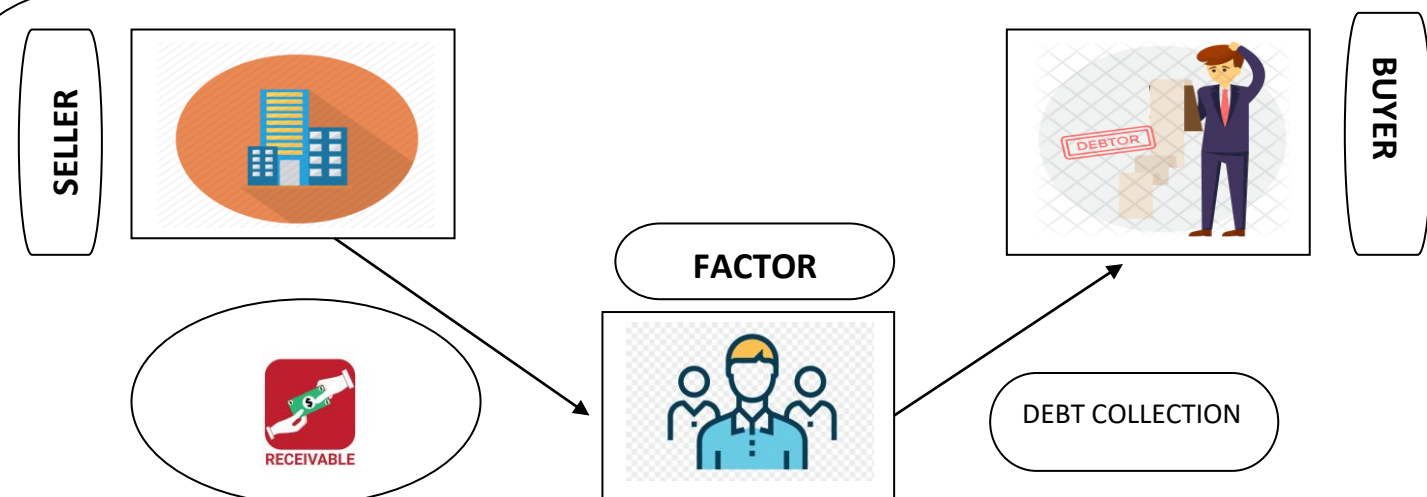
### Features of LAS

<b>Secured Loan</b>	Loan against securities is a secured loan as the bonds, shares, debentures or mutual funds owned by the borrower are kept as collateral security when this loan is advanced.
<b>Tenure</b>	The tenure of loan against securities is generally one year
<b>Rate of Interest</b>	Generally interest rates at which loan against securities is advanced varies from 12% - 15% p.a.
<b>Processing Fees</b>	Banks and financial institutions usually charge approximately 2 % as processing fees.
<b>Loan Amount</b>	The loan amount for which the borrower may be eligible depends upon the type of security that is being offered. For example, in case equity shares are offered then the amount that is eligible would be 50% of the value of such shares.
<b>Prepayment Charges</b>	There are generally no prepayment charges.

### ADVANTAGES

- ✓ By pledging the securities held by the borrower, a loan against Securities is provided by a bank or a financial institution as an overdraft facility.
- ✓ The rate of interest is calculated only on the amount withdrawn and only for the period of utilization.
- ✓ The borrower is able to get steady cash easily at the time of need and secondly the borrower need not be devoid of the benefits as a shareholder.
- ✓ Borrower enjoys the rights of receiving dividends and bonuses along with gaining from the price movements in the shares. This facility is ideal to meet short-term financial needs and the interest rates are lesser than that in a personal loan.

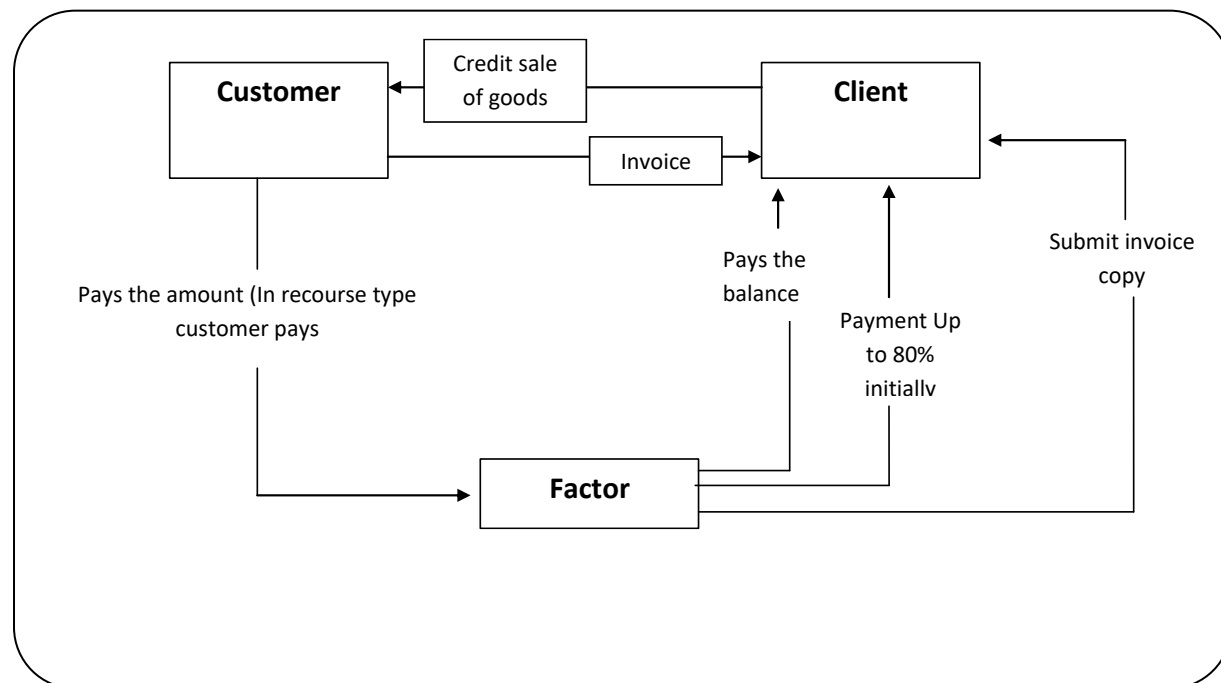
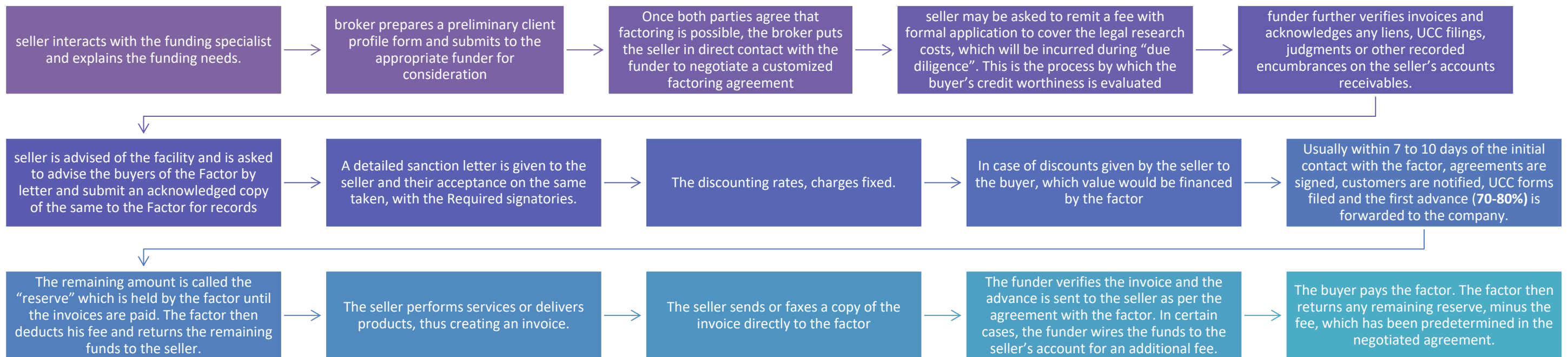
### FACTORING



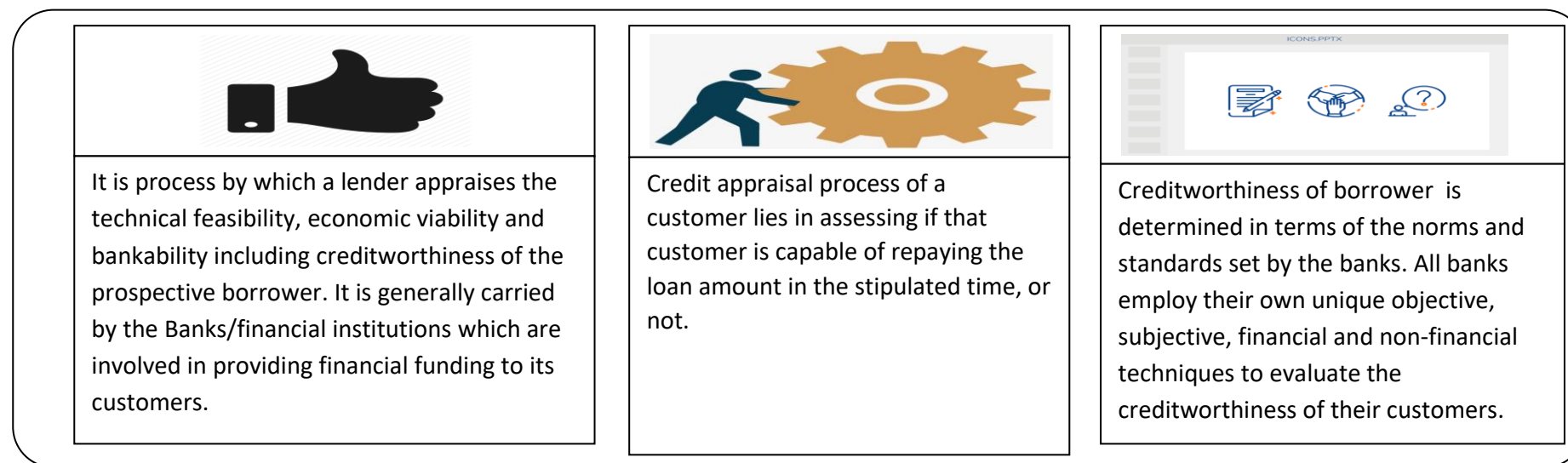
Factoring is a financial transaction where an entity sells its receivables to a third party called a ‘factor’, at discounted prices. Factoring is a financial option for the management of receivables. In simple definition it is the conversion of credit sales into cash. In factoring, a financial institution (factor) buys the accounts receivable of a company (Client) and pays up to 80% (rarely up to 90%) of the amount immediately on formation of agreement.

Factoring company pays the remaining amount (Balance 20%-finance cost-operating cost) to the client when the customer pays the debt. Collection of debt from the customer is done either by the factor or the client depending upon the type of factoring. The account receivable in factoring can either be for a product or service.

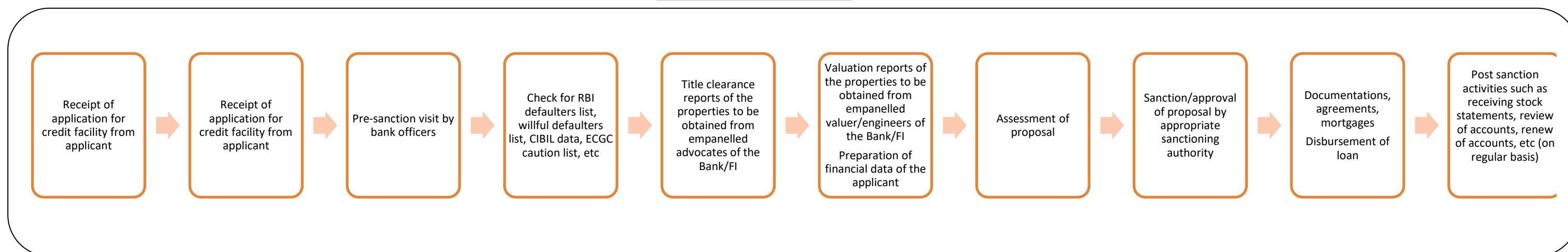
## FACTORING PROCESS



## Appraisal Methodology For Different Type Of Loans And Credit



## PROCESS

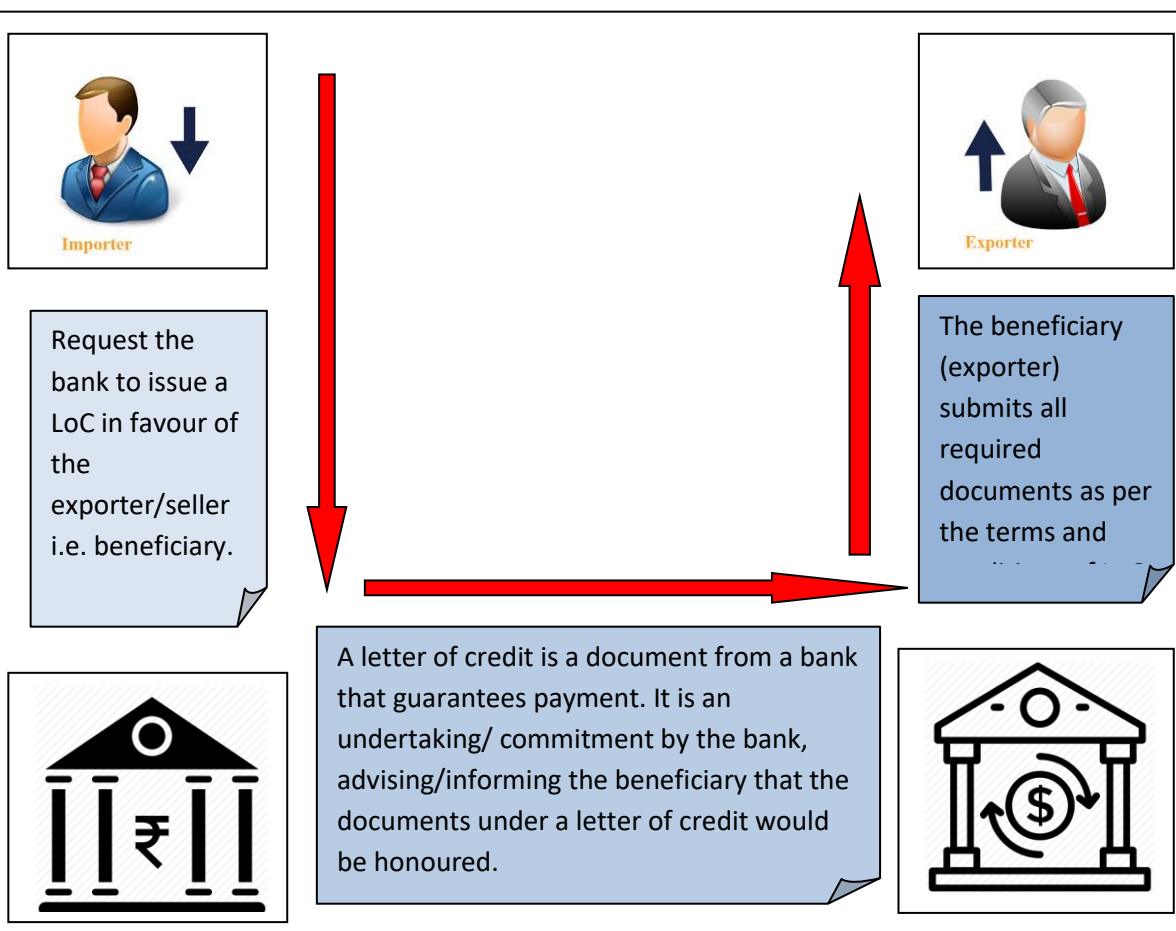




## Credit Facilities Provided by the Banks

	Fund Based Facilities	Non Fund Based Facilities
<b>Examples</b>	The examples of funded facility are Term Loan, Cash Credit and Bill Purchased or bill discounting.	The examples of non-fund based facility are Bank Guarantees (BGs) including deferred payment guarantees and Letter of Credit (LCs).
<b>Cash Outflow</b>	In Funded (Fund based) facility, there is <b>cash outflow right from the initial stage</b> .	In Non-funded (Non-fund based) facility, <b>there is no initial cash outflow, later on there may or may not be cash outflow</b> .
<b>Cash Credit</b>	When a term loan is disbursed, cash <b>credit facility is sanctioned</b> or a <b>bill is purchased or discounted</b> cash flow takes place.	When bills negotiated under LC are due for payment the <b>bank may have to honour</b> the same at times by <b>creating forced loan</b> in the account of the buyer on whose <b>behalf Letter of Credit is issued</b> .
<b>Income Earned</b>	The income earned by the banks is accounted under <b>income head interest</b> -term loans and <b>cash credits</b> and <b>discount</b> -in case of bill discounting facility.	The income earned by banks while issuing bank guarantees or LCs is accounted under the income head <b>"commission"</b> .

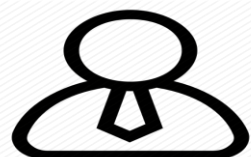
## LETTER OF CREDIT



## TYPES OF LETTER OF CREDIT

<b>Sight Credit</b>	Under this letter of credit, documents are <b>payable at sight/ upon presentation</b>
<b>Acceptance Credit/ Time Credit</b>	<ul style="list-style-type: none"> <li>The Bills of Exchange which are drawn, <b>payable after a period, are called usance bills</b>. Under acceptance credit usance bills are accepted upon presentation and eventually honoured on due dates.</li> <li>The documents of title to goods ( R/R, L/R, MTR, Bill of Lading etc.) are delivered to the applicant (importer / buyer ) on acceptance of Bill of exchange drawn under LC by the Seller / exporter.</li> <li>To that extent these LCs are unsecured.</li> </ul>
<b>Revocable and Irrevocable Credit</b>	<ul style="list-style-type: none"> <li>A revocable letter of credit- the <b>terms and conditions</b> of the credit can be <b>amended/cancelled by the Issuing bank</b>, any time and <b>without prior notice</b> to the beneficiaries. In such cases, it is obligatory for issuing bank to make payment to reimburse the negotiating bank.</li> <li>An irrevocable letter of credit is a credit, the <b>terms and conditions of which can neither be amended nor cancelled without the consent</b> of the beneficiary. Hence, the opening bank is bound by the commitments given in the letter of credit. <b>If nothing is stated, the LC is treated as irrevocable</b>.</li> </ul>
<b>Confirmed Credit</b>	<ul style="list-style-type: none"> <li><b>Only Irrevocable letter of credit can be confirmed</b>.</li> <li>A banker other than the Issuing bank, adds its own confirmation to the credit. Beneficiary's bank would forward the LC to the confirming banker with a request to add their confirmation.</li> <li><b>The liability of the confirming bank is same as the issuing bank</b>.</li> </ul>
<b>Back-to-Back credit</b>	<ul style="list-style-type: none"> <li>In a back to back credit, the <b>exporter (the beneficiary)</b> requests his banker to issue a letter of credit <b>in favour of his supplier</b> to procure raw materials, goods <b>on the basis of the export letter of credit</b> received by him.</li> <li>Here the <b>second beneficiary is the local supplier</b> of the first beneficiary.</li> <li>The terms of such LC are identical except that the price may be lower and validity is earlier.</li> </ul>
<b>Transferable Credit</b>	<p>Bills of Exchange drawn under a LoC are negotiable instruments.</p> <ul style="list-style-type: none"> <li>A Transferable letter of credit is one in which a beneficiary can transfer his rights to third party / parties in whole or in part.</li> <li>Such letter of credit should <b>clearly indicate that it is a 'Transferable'</b> letter of credit. Transferable Letter of Credit is <b>transferrable only once</b>.</li> </ul>
<b>"Red Clause" (packing or anticipatory) Credit &amp; "Green Clause" Credit (extension of red clause LC)</b>	<ul style="list-style-type: none"> <li><b>'Red Clause'</b> allows availment of a <b>pre-shipment advance</b> (a type of export finance granted to an exporter, prior to the export of goods).</li> <li>This special clause used to be printed (highlighted in red colour, hence it is called "Red Clause" Credit).</li> <li>In case of a <b>'Green clause'</b> credit, the exporter gets an <b>advance for storage (warehouse) facilities and the pre-shipment credit</b>. The advance would be granted only when the goods to be shipped have been warehoused.</li> <li>The exporter gives an undertaking that the transportation documents would be delivered by an agreement date.</li> </ul>
<b>Standby letter of credit</b>	<ul style="list-style-type: none"> <li>Used as substitute LoC in countries where there are restrictions to issue guarantees.</li> <li>In case the guaranteed service is not provided, the beneficiary can claim under the terms of the standby credit.</li> <li>Documents required are proof of non-performance or a simple claim form.</li> </ul>
<b>Revolving Credit</b>	Here the <b>amount of drawings</b> made would be reinstated and <b>made available to the beneficiary again and again</b> for further drawings during the currency of credit provided. At times an <b>overall turnover cap is also stipulated</b>

### Parties Involved In Letter Of Credit Finance



**APPLICANT**-The buyer /importer of goods: This person has to make payment of letter of credit to the issuing bank if the documents are in accordance with the terms and conditions of LC.



**ISSUING BANK**- Importer's or buyer's bank who lends its name or credit. It is liable for payment of LC in case the documents are received by it from the nominated or negotiating bank and the documents are in terms of letter of credit. This bank gets 5 days to check the documents.



**ADVISING BANK**-Branch in exporter country to whom the letter of credit is sent for onward transmission to the seller or beneficiary, after authentication of genuineness of the credit, it can seek instructions from the opening bank or can advise the LC to the beneficiary, without any liability on its part.



**BENEFICIARY**-The party to whom the credit is addressed i.e. seller or the exporter or the supplier of the goods. It gets payment against documents as per LC from the nominated bank within validity period of negotiation maximum 21 days from date of shipment.



**NEGOTIATING BANK**- It negotiates documents when submitted by the exporter or alternatively the bank to which the beneficiary presents the documents for negotiation. It claims payment from the reimbursing bank or opening bank and gets 5 banking days to check the documents.



**REIMBURSEMENT BANK** -Third bank which repays, settle or funds the negotiating bank at the request of its principal, the issuing bank.



**CONFIRMING BANK**- It adds confirmation to the credit, which undertakes the responsibility of payment by the issuing bank and on his failure, to pay. Done on request of the opening bank.

### Uniform Customs and Practice for Documentary Credit (UCPDC 600), PAYMENT PROCESS

1. International Chamber of Commerce (ICC), arranges to issue uniform guidelines to handle documents under Letters of Credit.
2. **USERS**- These guidelines are used by various parties involved in letters of credit transactions like, exporters, importers, their bankers, shipping and insurance companies.
3. **PURPOSE**- These guidelines give clarity for the persons to draw and handle various documents.
4. *The latest guidelines is called as **UCPDC 600** and it came into effect in July 2007. Banks, which are involved in LC transactions need to be familiar with UCPDC 600.*
5. **OBJECTIVE**- The overall objective of UCPDC document is to reduce confusions in understanding terminologies involved in international trade and reduce disputes among various parties involved in the transaction.

A beneficiary only gets paid after performing specific actions and meeting the requirements spelled out in a letter of credit.

For international trade, the seller may have to deliver merchandise to a shipyard to satisfy the requirements of the letter of credit.

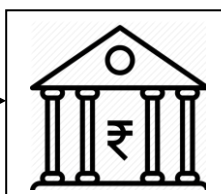
Once the merchandise is delivered, the seller receives documentation proving that he made delivery, and the documents are forwarded to the bank.

In many cases, the letter of credit now must be paid—even if something happens to the shipment. If a crane falls on the merchandise or the ship sinks, it's not necessarily the seller's problem

The bank is not concerned with the quality of goods or other items that may be important to the buyer and seller. That doesn't necessarily mean that sellers can send a shipment of junk:

Buyers can insist on an inspection certificate as part of the deal, which allows somebody to review the shipment and ensure that everything is acceptable.

### BANK GUARANTEE



Bank guarantees are part of non-fund based credit facilities provided by the bank to the customers.

Bank issue bank guarantee on behalf of his client as a commitment to third party assuring her/ him to honour the claim against the guarantee in the event of the non- performance by the bank's customer. A Bank Guarantee is a legal contract which can be imposed by law.

#### Financial Guarantee

1. At the request of his customer, the banker issues guarantee in **favour of a government department against caution deposit or earnest money** to be deposited by bank's client. This is an example of a Financial Guarantee.
2. This type of guarantee helps the bank's customer to bid for the contract without depositing actual money. In case, the contractor does not take up the awarded contract, then the government department would invoke the guarantee and claim the money from the bank.



GOVERNMENT



### Deferred Payment Guarantee (DPG)

#### Performance Guarantees

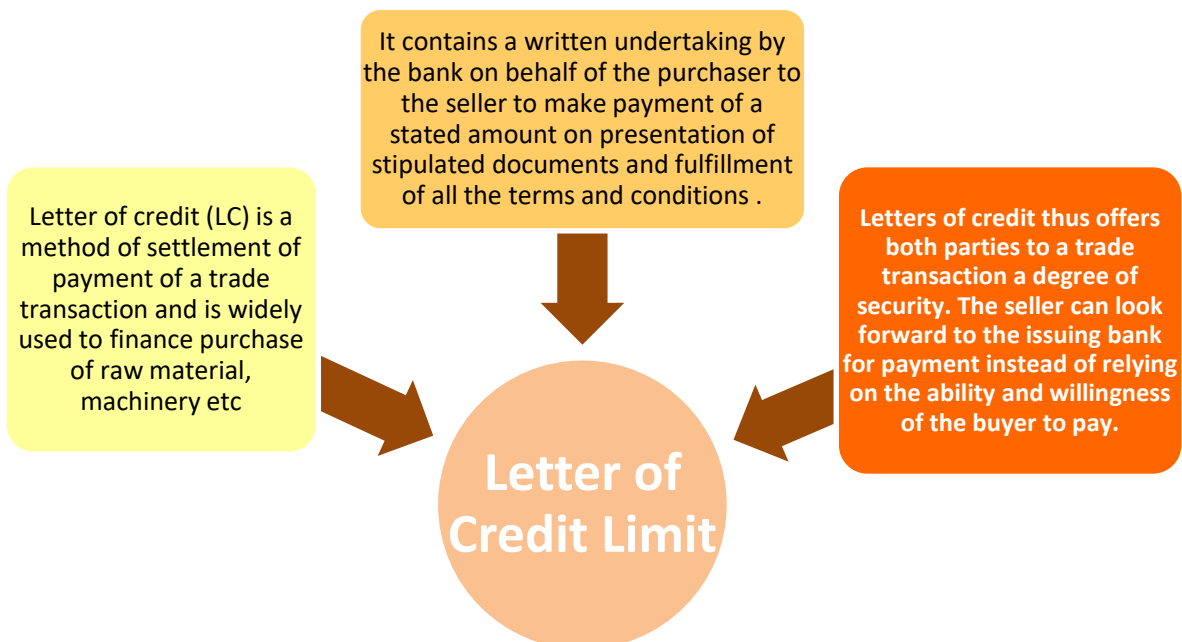
In performance guarantee bank issue on behalf of his client **to assure the third party to complete some work on time or as per the terms of contact** between the parties.

If the **work is not completed** as per the term of contract then the **third party can request the bank to invoke the bank guarantee and make payment** for default.

- Bank guarantee that under this guarantee, the banker guarantees payments of installments spread over a period of time.
- Here the banks undertake to make payment of instalments payable by the buyer of capital goods such as machinery, on long term credit given by the supplier
- advance payment of 10 to 15% of the price of the capital goods is made by the borrower (margin).
- The balance amount with interest is payable in installments spread over may be 1 to 5 years.
- The supplier accordingly draws bills due on different dates which are accepted by the borrower and further co-accepted by the banker or bank issues DPG.
- On every due date the buyer's bank makes payment of the bill to the supplier irrespective of there being balance in the buyer's (borrower's) account or not.
- On expiry of the validity period of the guarantee, a registered acknowledgement due notice is to be sent to the beneficiary indicating that the liability of the bank under said guarantee stands discharged. If no reply is received from the beneficiary in reasonable time the entry is reversed in books of account.
- If beneficiary invokes the guarantee, the amount claimed needs to be paid immediately without any delay for whatsoever the reason.
- The extent of monetary liability and the validity period should be specific. The limitation clause is inserted for this purpose. As such even when the period of liability is specified in the guarantee, the beneficiary can claim till the limitation period is alive.
- No bank guarantee should normally have a maturity period of more than 10 years. The bank should have a policy approved by the Board in case guarantee for more than 10 years is to be issued.

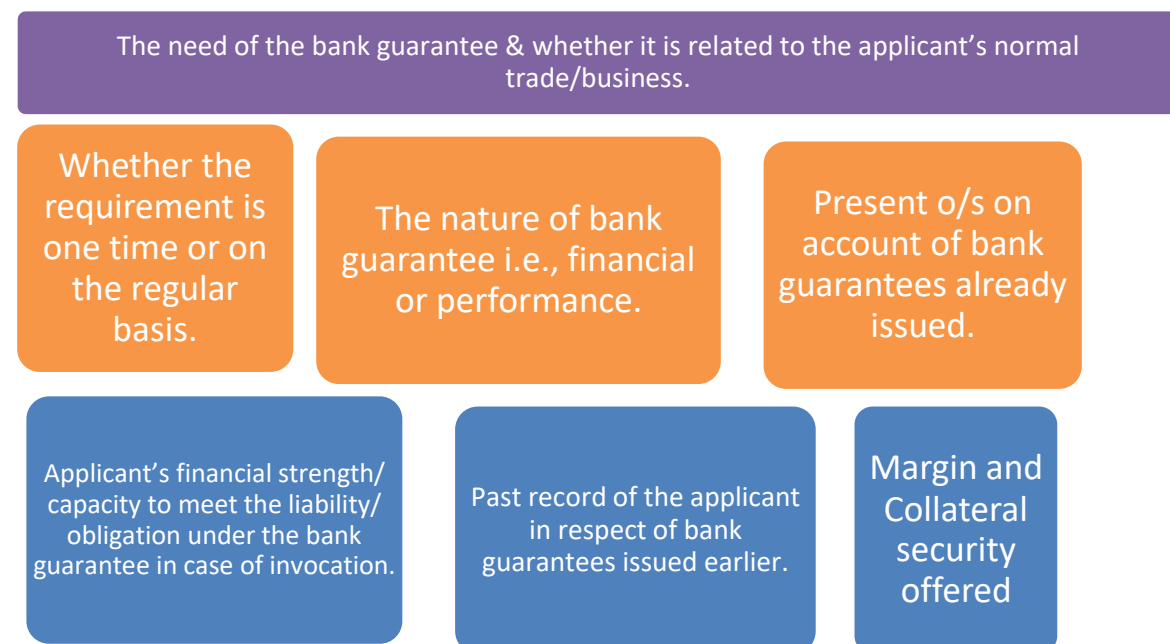
### Appraisal Methodology For Different Type Of Non Fund Based Credit Products

- Credit Appraisal is a **process to ascertain the risks associated** with credit facility.
- Appraisal of credit is **generally carried by the Banks/financial institutions**
- **Credit worthiness of a borrower** can be assessed by proper credit appraisal.



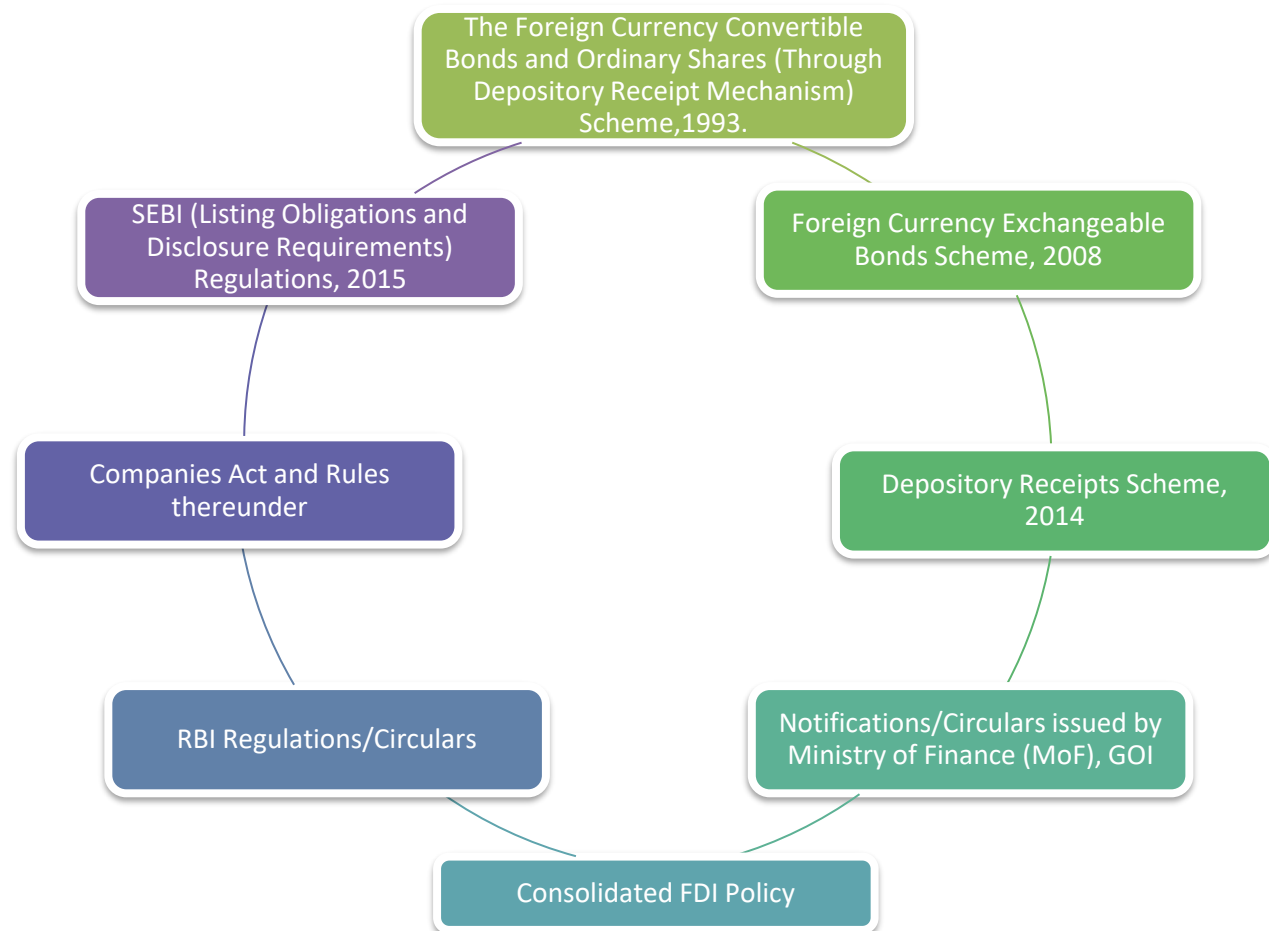
#### BANK GUARANTEE LIMIT

Appraisal of proposals for Bank guarantees is done with same diligence as in the case of fund-base limits. Whenever an application for the issue of bank guarantee is received, Bank examine & satisfy about the following aspects:

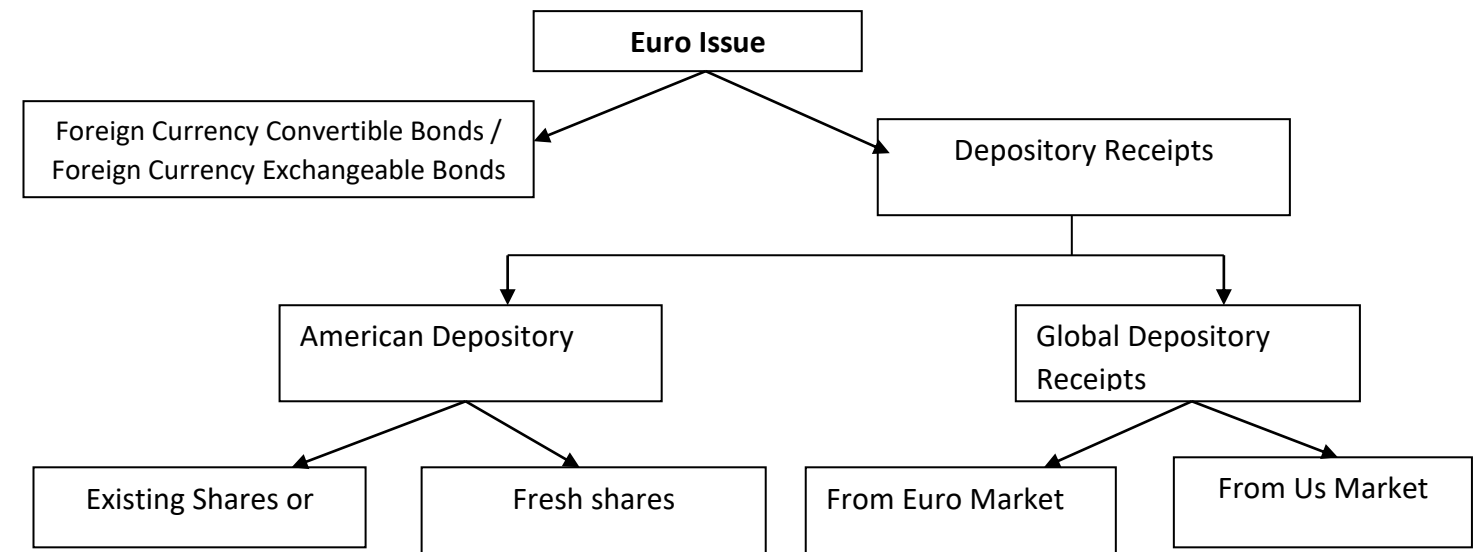




## Regulatory Framework for Issue of ADR/GDR/FCCBs/FCEBs in India



Euro issue means modes of raising funds by an Indian company outside India in foreign currency. The above are the modes of raising funds.



International macroeconomics deals with finance on global level.

It helps organizations engage in cross border transactions with foreign business partners, such as customers, investors, suppliers and lenders.

With economies and operations of business organizations going global, Indian companies have an access to funds in global capital market.

## External Commercial Borrowings (ECBs)

ECBs are commercial loans raised by eligible resident entities from recognised non-resident entities.

Parameters-

- minimum maturity,
- permitted and non-permitted end-uses,
- maximum all-in-cost ceiling, etc.

The parameters **apply in totality and not on a standalone basis.**

The framework for raising loans through ECB comprises the following three tracks-

**Track I:** Medium term foreign currency denominated ECB with minimum average maturity of 3/5 years,

**Track II:** Long term foreign currency denominated ECB with minimum average maturity of 10 years and

**Track III:** Indian Rupee (INR) denominated ECB with minimum average maturity of 3/5 years.

## LIMITS

The individual limits of ECB which can be raised in a financial year under the automatic route by eligible entities for all the three tracks are set-out as under:

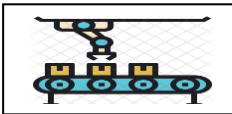


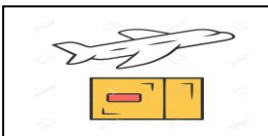


Sr.no.	Sector/Entity	Limit
1.	Infrastructure and manufacturing sectors, Non-Banking Financial Companies -Infrastructure Finance Companies (NBFC-IFCs), NBFCs-Asset Finance Companies (NBFC-AFCs), Holding Companies and Core Investment Companies	Up to USD 750 million
2.	Companies in software development sector	Up to USD 200 million
3.	Engaged in micro finance activities	Up to USD 100 million
4.	Remaining entities	Up to USD 500 million

ECB proposal beyond the aforesaid limit **will come under the approval route.** For computation of individual limits under Track III, **exchange rate prevailing on the date of agreement** should be taken into account.

In case the ECB is raised from direct equity holder aforesaid individual ECB Limits will also subject to ECB Liability equity: ratio requirement.

The ECB Liability of the borrower (including all outstanding ECBs and the proposed one) towards the foreign equity holder should not be more than seven times of the equity contributed by the latter. This ratio will not be applicable if total of all ECBs raised by an entity is upto USD 5 million or equivalent.



	TRACK 1	TRACK 2	TRACK 3
	ECB in Foreign Currency over 3/5 average maturity	ECB in Foreign Currency over 10 years average maturity	ECB in Indian Rupee
MINIMUM AVERAGE MATURITY	<ul style="list-style-type: none"> <li>Upto <b>USD 50 million</b> or its equivalent for <b>companies in manufacturing sector only: 1 year</b></li> <li>Up to <b>USD 50 million</b> or equivalent : <b>3 years.</b></li> <li>Beyond <b>USD 50 million</b> or its equivalent: <b>5 years.</b></li> <li><b>3 years</b> for eligible borrowers, <b>irrespective of the amount of borrowing.</b></li> </ul> <p>5 years for FCCB/FCEBs irrespective of the amount of borrowing. The call and put option, if any, for FCCBs shall not be exercisable prior to 5 years.</p>	<b>10 years</b> , irrespective of the amount.	Same as Track I.
ELIGIBLE BORROWERS	<ol style="list-style-type: none"> <li>Companies in Manufacturing and software development sectors.</li> <li>Shipping and airlines companies.</li> <li>Small Industries Development Bank of India (SIDBI).</li> <li>Units in Special Economic Zones (SEZs)</li> <li>Export import Bank of India (EXIM Bank) (approval Route)</li> <li>Companies in infrastructure sector, NBFC-IFCs, NBFCs-AFCs, Holding companies and Core Investment Companies (CICs). Also, Housing Finance Companies regulated by the National Housing Bank, Port Trusts constituted under the Major Port Trusts Act, 1963 or Indian Ports Act, 1908.</li> </ol> <div style="display: flex; justify-content: space-around; align-items: center;">    </div> <div style="display: flex; justify-content: space-around; align-items: center;">    </div>	<ol style="list-style-type: none"> <li>All entities listed under Track I.</li> <li>REITs and INVITs coming under the regulatory framework of the SEBI</li> </ol>	<ol style="list-style-type: none"> <li>All entities listed under Track II.</li> <li>All NBFCs coming under the regulatory purview of the Reserve Bank.</li> <li>NBFCs – MFIs, Not for Profit companies registered under the Companies Act, 1956 / 2013, Societies, Trusts and cooperatives (registered under the Societies Registration Act, 1860, Indian Trust Act, 1882 and State Level Co-operative Acts/Multi Level Cooperative Act / State Level Mutually aided co-operative Act respectively), NGOs) which are engaged in micro finance activities</li> <li>Companies engaged in Miscellaneous Services, viz. <ul style="list-style-type: none"> <li>R&amp;D;</li> <li>Training (excluding educational institutes);</li> <li>Companies supporting infrastructure;</li> <li>Companies providing Logistic services;</li> <li>Companies engaged in maintenance, repair and overhaul and freight forwarding.</li> </ul> </li> </ol> <p>Developers of Special Economic Zones (SEZs)/ National Manufacturing and Investment Zones (NMZs).</p>
RECOGNISED LENDERS/INVESTORS	<ol style="list-style-type: none"> <li>International Banks.</li> <li>International capital markets.</li> <li>Multilateral financial institutions (such as, IFC, ADB, etc.) / regional financial institutions and Government owned (either wholly or partially) financial institutions.</li> <li>Export credit agencies.</li> <li>Suppliers of equipment.</li> <li>Foreign equity holders.</li> <li>Overseas long term investors such as: <ul style="list-style-type: none"> <li>Prudentially regulated financial entities;</li> <li>Pension funds;</li> <li>Insurance companies;</li> <li>Sovereign Wealth Funds;</li> <li>Financial institutions located in International Financial Services Centres in India.</li> </ul> </li> <li>Overseas branches /subsidiaries of Indian banks.</li> </ol>	All entities listed under Track I but for overseas branches / subsidiaries of Indian banks.	<p>All entities listed under Track I but for overseas branches / subsidiaries of Indian banks.</p> <p>In case of NBFCs-MFIs, other eligible MFIs, not for profit companies and NGOs, ECB can also be availed from overseas organisations and individuals.</p>
ALL –IN COST CEILING	<ol style="list-style-type: none"> <li>The all-in cost ceiling is prescribed through a spread over the benchmark, i.e., 450 basis points per annum over 6 months LIBOR or applicable benchmark for the respective currency.</li> <li>Penal interest, if any, for default or breach of covenants should not be more than 2 percent over and above the contracted rate of interest.</li> </ol>	<ol style="list-style-type: none"> <li>The maximum spread over the benchmark of 6 month LIBOR or applicable benchmark for the respective currency will be 450 basis point per annum.</li> <li>Remaining conditions will be as given under Track I.</li> </ol>	<ol style="list-style-type: none"> <li>The maximum spread will be 450 basis point per annum over the prevailing yield of the Government of India securities of corresponding maturity</li> <li>Same as Track I.</li> </ol>

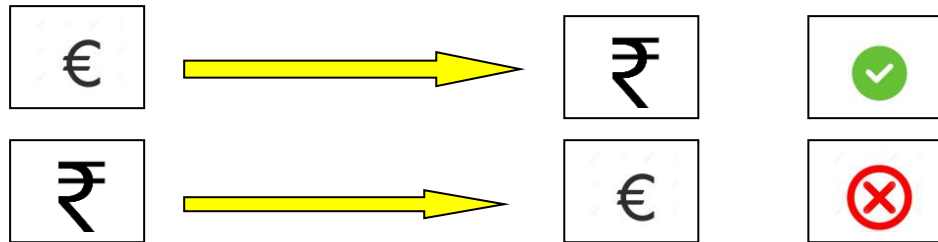
**Notes:**

1. Entities engaged in micro-finance activities to be eligible to raise ECB: (i) should have a satisfactory borrowing relationship for atleast three years with an AD Category-I Bank in India, and (ii) should have a certificate of due diligence in 'fit and proper' status from the AD Category-I Bank.

### Currency of Borrowing

1. ECB can be raised in any freely convertible currency as well as in INR.
2. Non-resident lenders (other than foreign equity holders) are required to **mobilise INR through swaps/outright sale undertaken through an AD Category I bank** in India.

3. Change of currency



4. **Rate for conversion into INR:** The rate prevailing on the **date of agreement** for such change or Any exchange **rate lower than the rate prevailing** on the date of agreement if consented to by the ECB lender.

### Conversion of ECBs into Equity- Conversion of ECBs into equity is permitted) subject to the following conditions

The activity of the borrowing company is covered under the automatic route for FDI or approval route from the Foreign Investment Promotion Board (FIPB),

The conversion, which should be with the lender's consent and without any additional cost, will not result in breach of applicable sector cap on the foreign equity holding

Applicable pricing guidelines for shares are complied with

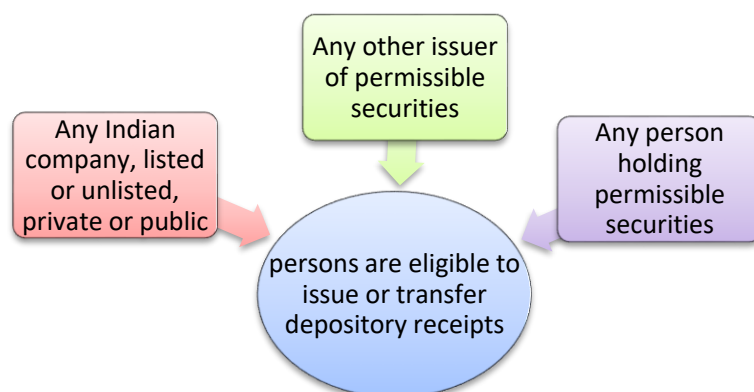
Reporting requirements should be fulfilled

If the borrower concerned has availed of other credit facilities from the Indian banking system, including overseas branches/subsidiaries, the applicable prudential guidelines issued by the Department of Banking Regulation of RBI, including guidelines on restructuring are complied with.

### Depository Receipts

- 1) A **negotiable financial instrument** issued by a company in a foreign jurisdiction.
- 2) DR is an important mechanism for **raising funds by tapping foreign investors** who otherwise may not be able to participate in the domestic market.
- 3) The issue of DRs is regulated by **Ministry of Finance and by the Depository Receipts Scheme, 2014.**
- 4) In India, any company, whether **listed or unlisted** are capable of issuing DRs.
- 5) Depending upon the **location** in which DRs are issued, they are called as **American Depository Receipt ("ADR")** or in general as **Global Depository Receipts (GDRs).**

**Eligibility For Issue Of Depository Receipts-** Unless specifically prohibited following-



#### DEPOSITORY RECEIPTS

**Sponsored-** It is based on a stock agreement, between the foreign depository and the issuer of securities for the creation of the depository receipts.

##### Capital Rising

- 1) Deposit of freshly issued securities with the domestic custodian.
- 2) Foreign depository then creates/issues depository receipts abroad for sale to global investors.
- 3) The proceeds of the sale of depository receipts eventually go to the Indian issuer.

##### Non-Capital Rising

- 1) No fresh underlying securities are issued.
- 2) The issuer gets holders of its existing securities to deposit these securities with a domestic custodian, so that depository receipts can be issued abroad by the foreign depository.
- 3) The proceeds from the sale of the depository receipts go to the holders of underlying securities.

**Unsponsored-** No stock agreement between the foreign depository and the Indian issuer.

Any person, without any involvement of the issuer, may deposit the securities with a domestic custodian in India. A foreign depository then issues depository receipts abroad on the back of such deposited underlying securities. The proceeds from the sale of such depository receipts go to the holders of the underlying securities.

Based on whether a depository receipt is traded in an organised market or in the Over the Counter ("OTC") market, the depository receipts can be classified as listed or unlisted.

##### Listed

Listed depository receipts are traded on stock exchanges.

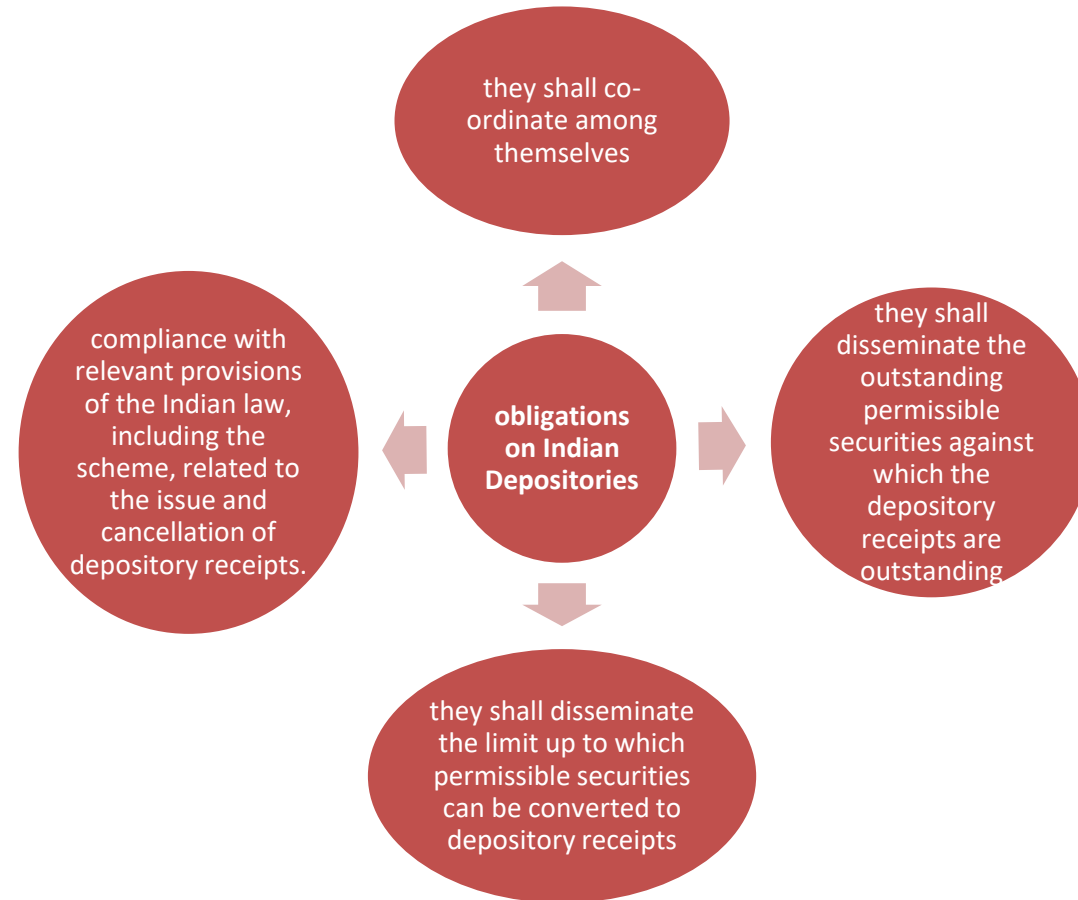
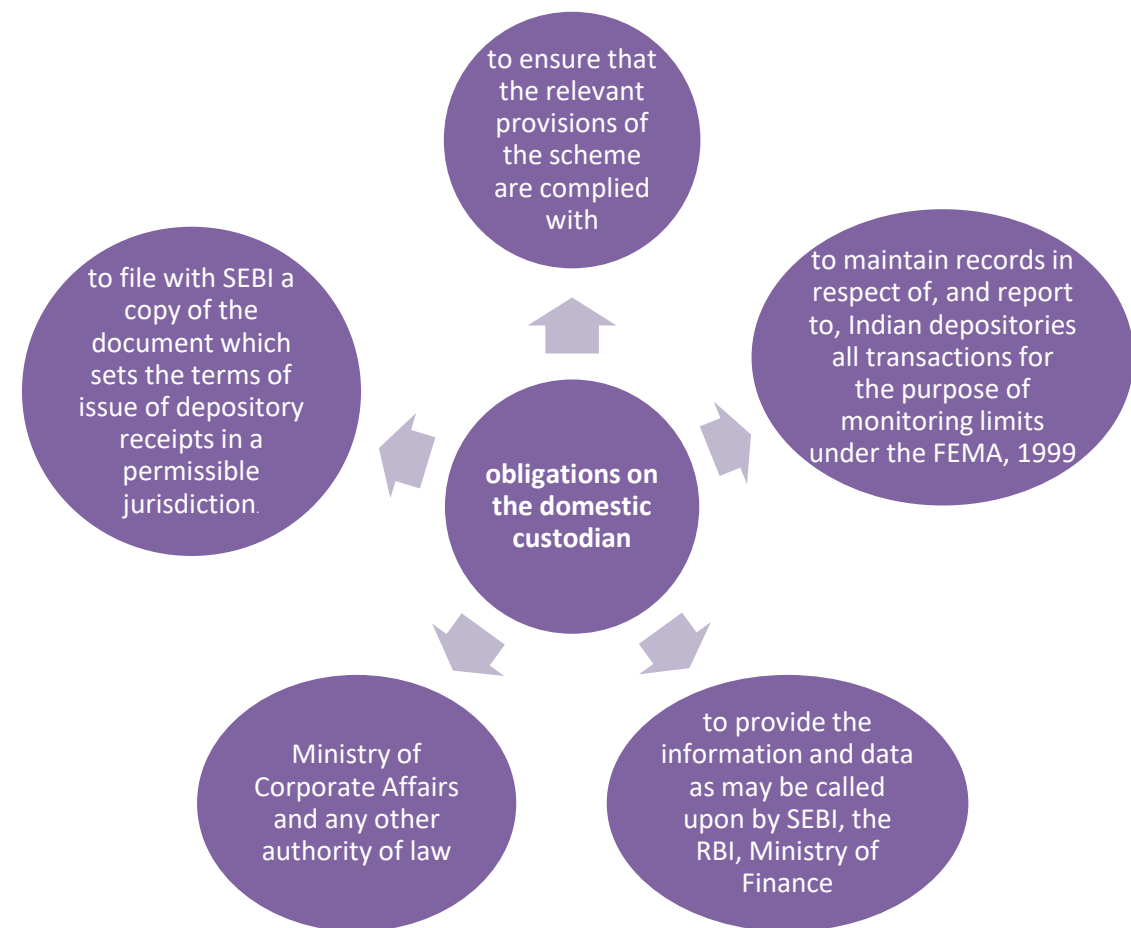
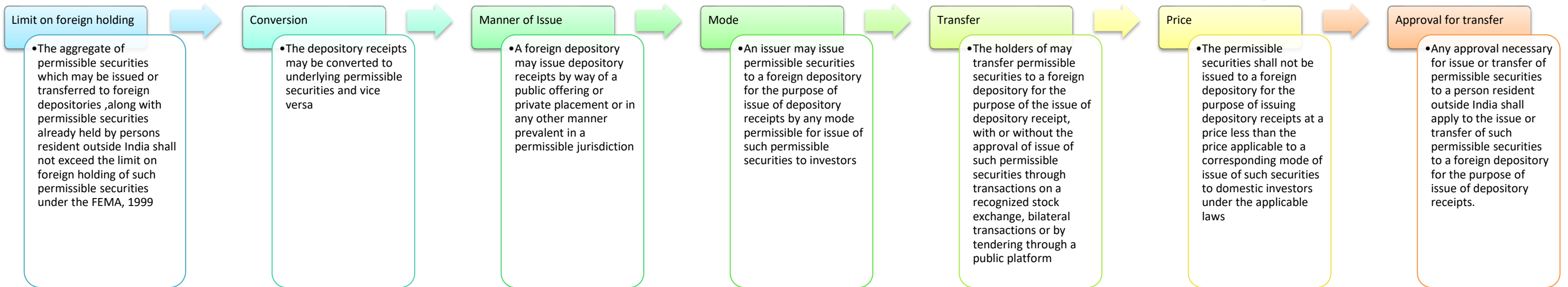
##### Unlisted

The unlisted depository receipts are those which are inter-traded between parties and where such depository receipts are not listed on any stock exchanges.



## Issue of Depository Receipts

# Shubham Sukhlecha (CA, CS, LLM)



### APPROVAL

Approval shall be required for **issue or transfer of permissible securities**

- To a person **resident outside India** and
- To a **foreign depository** for the purpose of issue of depository receipts.

**No approval** is required if the **issue of depository receipt is in accordance with the scheme.**

### PRICING-

Price of permissible securities issued to foreign depository for the purpose of issuing depository receipts shall **not be less than price if such security issued to domestic investors.**



### Explanation I:

No preferential allotment of equity shares to a foreign depository for the purpose of issue of depository receipts **at a price less than the price applicable to preferential allotment of equity shares of the same class to investors under ICDR.**

### Explanation II:

In case of qualified institutional placement of permissible securities to a foreign depository for the purpose of issue of depository receipts, **the minimum pricing norms of such placement is applicable under the SEBI (ICDR) Regulations, 2009 shall be complied with.**

ADR/GDR

# Shubham Sukhlecha (CA, CS, LLM)

Foreign Exchange Management (Transfer or Issue of Any Foreign Security) Regulations, 2004

Regulation 2(c) - **“American Depository Receipt (ADR)” means a security issued by a bank or a depository in United States of America (USA) against underlying rupee shares of a company incorporated in India.”**

ADR are US \$ denominated and traded only in US.

Regulation 2(i) - **“Global Depository Receipt (GDR)” means a security issued by a bank or a depository outside India against underlying rupee shares of a company incorporated in India.”**

GDRs are traded in various places such as New York Stock Exchange, London Stock Exchange, etc.

**Manner and form of depository receipts-** Rule 5 deals with the **manner and form of issue of depository receipts**

Issue by way of public offering or private placement or in any other manner prevalent abroad and may be listed or traded in an overseas listing or trading platform.

Issue against issue of new shares or may be sponsored against shares held by shareholders of the company in accordance with such conditions as the Central Government or Reserve Bank of India may prescribe or specify from time to time.

The underlying shares shall be allotted in the name of the overseas depository bank and against such shares, the depository receipts shall be issued by the overseas depository bank abroad.

**Voting rights** -Rule 6 provides the provisions for voting rights of depository receipts holder.

**Status-** A holder of depository receipts may become a member of the company and shall be entitled to vote.

**Matters-** on conversion of the depository receipts into underlying shares after following the procedure provided in the Scheme and the provisions of this Act.

**Status until conversion-** The overseas depository shall be entitled to vote on behalf of the holders of depository receipts as per agreement between (i) the depository, (ii) holders of depository receipts and (iii) the company in this regard.

## Sponsored ADR/GDR issue



On the basis of such shares, issue ADRs / GDRs can be issued abroad



Submit shares back to company



Distributed among the resident investors. These proceeds can be kept in **Resident Foreign Currency (Domestic) accounts** in India by the resident shareholders.



PROCEEDS

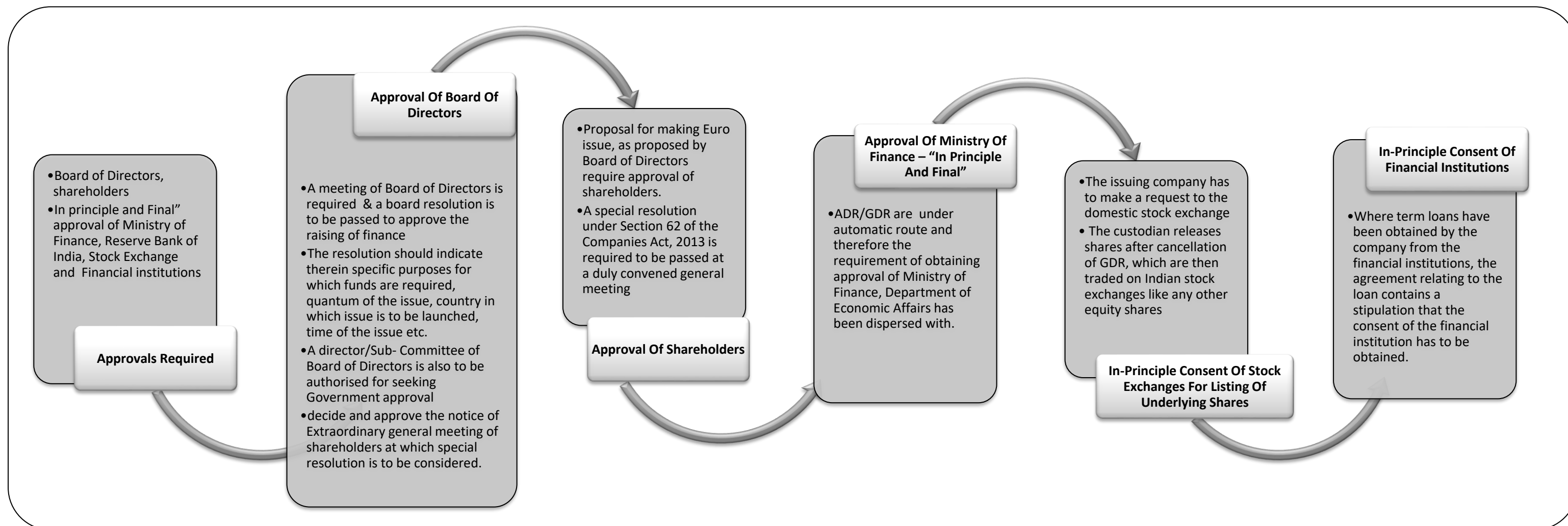
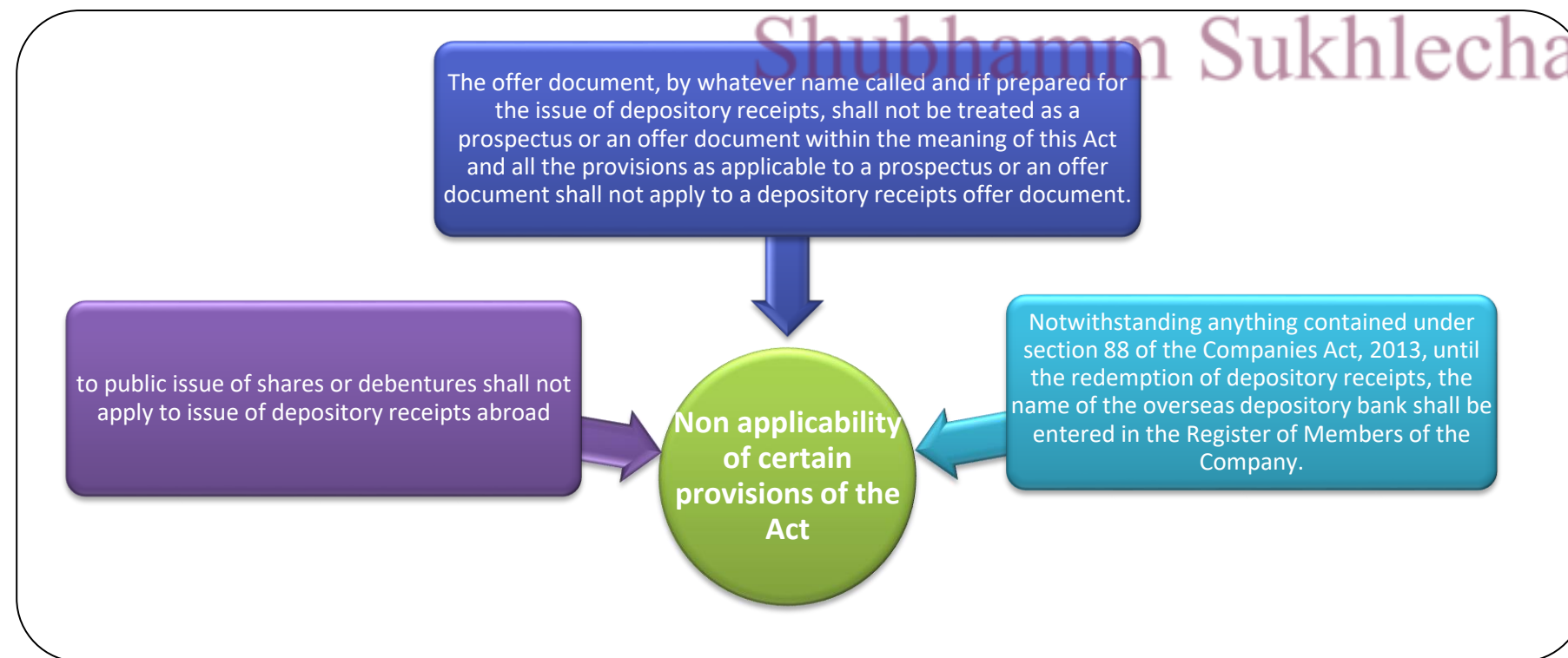
**Proceeds of Issue-**  
Rule 7 provides that the proceeds of issues of depository receipts shall either be

## Two-Way Fungibility Scheme

Under this Scheme, a stock broker in India, registered with SEBI, **can purchase shares of an Indian company** from the market for conversion into ADRs/GDRs based on instructions received from overseas investors.

**Re-issuance** of ADRs / GDRs would be **permitted to the extent** of ADRs / GDRs which have been **redeemed into underlying shares** and sold in the Indian market.





### PRINCIPAL DOCUMENTATION

#### TRUST DEED

In respect of FCCBs the company enters into a Covenant (known as Trust Deed) with the Trustee for the holders of FCCBs, guaranteeing payment of principal and interest amount on such FCCBs and to comply with the obligations in respect of such FCCBs.

#### AGENCY AGREEMENT

In case of FCCBs, the company has to enter into an agency agreement with certain persons known as conversion agents. In terms of this agreement, these agents are required to make the principal and interest payments to the holders of FCCBs from the funds provided by the company. They will also liaise with the company at the time of conversion/redemption option to be exercised by the investor at maturity.



## SUBSCRIPTION AGREEMENT

- Subscription Agreement provides that Lead Managers and other managers agree, severally and not jointly, to subscribe for GDRs at the offering price set forth.
- Subscription agreement may also provide that for certain period from the date of the issuance of GDR the issuing company will not
  - authorise the issuance of, or otherwise issue or publicly announce any intention to issue;
  - issue offer, accept subscription for, sell, contract to sell or otherwise dispose off, whether within or outside India; or
  - deposit into any depository receipt facility, any securities of the company of the same class as the GDRs or the shares or any securities in the company convertible or exchangeable for securities in the company of the same class as the GDRs or the shares or other instruments representing interests in securities in the company of the same class as the GDRs or the shares.
- Subscription agreement also provides, an option to be exercisable within certain period after the date of offer circular, to the lead manager and other managers to purchase upto a certain prescribed number of additional GDRs solely to cover over-allotments, if any.

## DEPOSITORY AGREEMENT

- Depository Agreement lays down the detailed arrangements entered into by the company with the Depository, the rights and duties of the depository in respect of the deposited shares and all other securities, cash and other property received subsequently in respect of such deposited shares.
- The depository is under no duty to enforce any of the provisions of the deposit agreement on behalf of any holder or any other person.
- They are deemed to have notice of, be bound by and hold their rights subject to all of the provisions of the deposit agreement applicable to them. They may be required to file from time to time with depository or its nominee proof of citizenship, residence, exchange control approval, payment of all taxes or charges, compliance with applicable laws and regulations and such other information as the depository may deem necessary or proper to enable it to perform its obligations under Deposit Agreement.

The company may agree in the deposit agreement to indemnify the depository, the custodian and certain of their respective affiliates against any loss, liability, tax or expense of any kind which may arise out of or in connection with any offer, issuance, sale, resale, transfer, deposit or withdrawal of GDRs, or any offering document.

Copies of deposit agreement are to be kept at the principal office of Depository and the Depository is required to make available for inspection during its normal business hours.

- Custodian works in **co-ordination with the depository** and has to observe all obligations imposed on it including those mentioned in the depository agreement.
- The custodian is responsible solely to the depository
- Whenever the depository in its discretion determines that it is in the best interests of the holders to do so, it may, after prior consultation with the company terminate, the appointment of the custodian and in such an event the depository shall promptly appoint a successor custodian. The depository shall notify holders of such change promptly. Any successor custodian so appointed shall agree to observe all the obligations imposed on him.

Offering Circular is a mirror through which the prospective investors can access vital information regarding the company in order to form their investment strategies.

It is to be prepared very carefully giving true and complete information regarding the financial strength of the company, its past performance, past and envisaged research and business promotion activities, track record of promoters and the company, ability to trade the securities on Euro capital market. The Offering Circular should be very comprehensive to take care of overall interests of the prospective investor.



**Research Papers-** prepared by Research analysts for international investors as a marketing tool

**Pre-marketing-** It is a tool through which the syndicate members evaluate the prospects of the issue, helps in assessing the depth of investors' interest in the proposed issue and response received during pre-marketing provides vital information for taking important decisions .

**Timing, pricing and size of the Issue-** Proper time of launching the issue is when the fundamentals of the company and the industry are strong and the market price of the shares are performing well. The decision regarding the size of issue is inversely linked with the pricing

**Pricing-** Price is a very critical element . The market price abroad has a strong correlation to the near future earnings potential, fundamentals of industry and the economic state of the country. Other factors like prevalent practices, investor sentiment, credit rating, interest rate and the availability of an exit route are important.etc., are also considered in determination of issue price.

**Book building** -During road shows, the investors give indication of their willingness to buy a particular quantity at particular terms. Their willingness is booked as orders by the marketing force of lead manager and co-lead manger. This process is known as book building.

**Roadshow-** Roadshows represent meetings of issuers, analysts and potential investors.

**Closing of the Issue** -Closing is confirming completion of all legal documentation and formalities so the company issues the share certificate to the depository and deposits the same with the domestic custodian. Once the issue is closed and all legal formalities are over, the allotment is finalised.

**Allotment-** Company issues shares in favour of the Overseas Depository Bank and deposits the same with the domestic custodian for custody. The particulars of the Overseas Depository Bank are required to be entered into the Register of Members of the company.

**Investor Relation Programme-** to maintain contact with investors who like to be informed by the company about the latest developments, the performance of the company, the factors affecting performance and the company's plans. It ensures goodwill and helps in future fund raising efforts

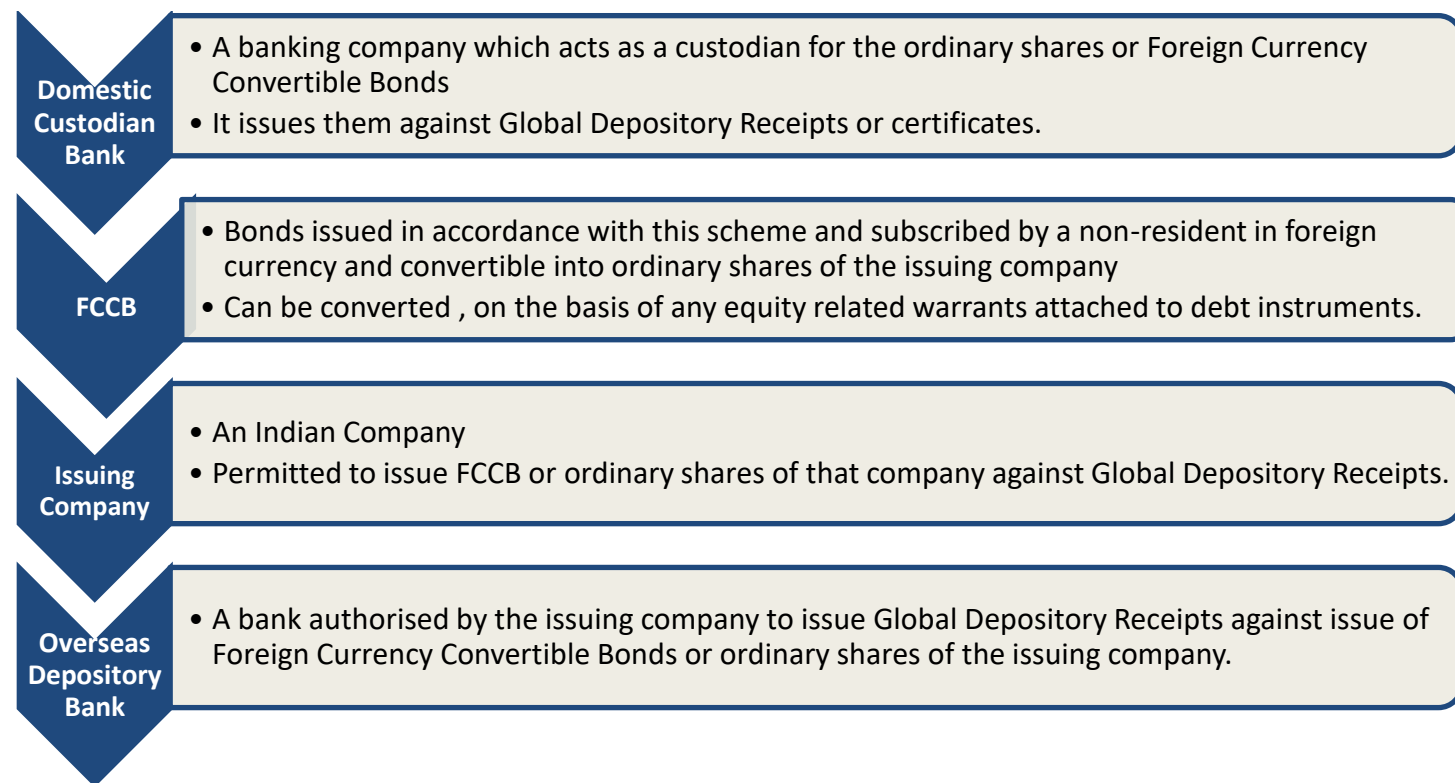
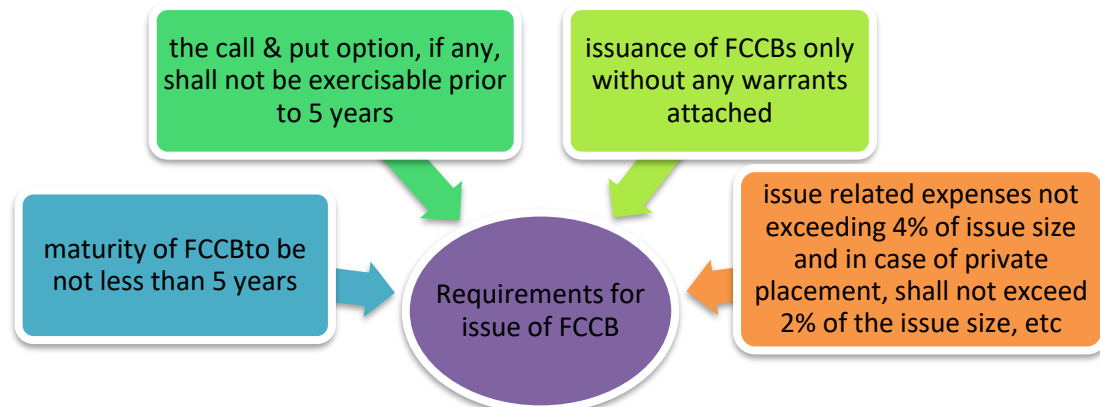
## Foreign Currency Convertible Bonds

# Shubham Sukhlecha (CA, CS, LLM)

### Foreign Currency Convertible Bonds (FCCBs)

- 1) Is a mix between a debt and equity instruments.
- 2) It acts like a bond by making regular coupon and principal payments, but with option to convert the bond into shares at the expiry the term of the Bond.
- 3) The FCCBs are unsecured; carry a fixed rate of interest.
- 4) Interest and redemption price is payable in dollars.
- 5) FCCB issue proceeds need to conform to ECB end use requirements.
- 6) Benefits-
  - Dollar denominated servicing
  - Conversion option
  - Arbitrage opportunities presented by conversion of the FCCBs into equity at a discount on prevailing Indian market price
  - 25% of the FCCB proceeds can be used for general corporate restructuring.
- 7) Drawbacks-
  - The issuing company cannot plan its capital structure as it is not assured of conversion of FCCBs.
  - Projections for cash outflow at the time of maturity cannot be made

<b>Benefits to the Issuer Company</b>	<ul style="list-style-type: none"> <li>Being Hybrid instrument, the coupon rate on FCCB is particularly lower than pure debt instrument there by reducing the debt financing cost.</li> <li>FCCBs are book value accretive on conversion. It saves risks of immediate equity dilution as in the case of public shares. Unlike debt, FCCB does not require any rating nor any covenant like securities, cover etc.</li> <li>It can be raised within a month while pure debt takes a longer period to raise. Because the coupon is low and usually payable at the time of redeeming the instrument, the cost of withholding tax is also lower for FCCBs compared with other ECB instruments.</li> </ul>
<b>Benefits to the Investor</b>	<ul style="list-style-type: none"> <li>It has advantage of both equity and debt.</li> <li>It gives the investor much of the upside of investment in equity, and the debt portion protects the downside.</li> <li>Assured return on bond in the form of fixed coupon rate payments.</li> <li>Ability to take advantage of price appreciation in the stock by means of warrants attached to the bonds, which are activated when price of a stock reaches a certain point.</li> <li>Significant Yield to maturity (YTM) is guaranteed at maturity.</li> <li>Lower tax liability as compared to pure debt instruments due to lower coupon rate.</li> </ul>



Issuer Company	Offered Company
The Issuing Company shall be part of the promoter group of the Offered Company	The Offered Company shall be a listed company
It shall hold the equity share/s being offered at the time of issuance of FCEB.	Eligible to avail <ul style="list-style-type: none"> <li>Foreign Direct Investment (FDI)</li> <li>Foreign Currency Convertible Bond (FCCB)</li> <li>External Commercial Borrowings (ECB).</li> </ul>

Eligible subscribe	Entities not eligible to subscribe to FCEB
Entities complying with the FDI policy and adhering to the sectoral caps at the time of issue of FCEB can subscribe to FCEB.  Prior approval of the Foreign Investment Promotion Board (FIPB), wherever required under the FDI policy, should be obtained.	Entities prohibited to buy, sell or deal in securities by the SEBI will not be eligible to subscribe to FCEB.

#### Entities not eligible to issue FCEB

An Indian company, which is not eligible to raise funds from the Indian securities market, including a company which has been restrained from accessing the securities market by the SEBI shall not be eligible to issue FCEB.

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## End use of FCEB Proceeds

Can be be invested in promoter group companies

can be invested overseas by way of direct investment including in Joint Ventures or Wholly Owned Subsidiaries

## Operational procedure

Prior approval of the RBI shall be required for issuance of FCEB.

The FCEB may be denominated in any freely convertible foreign currency.

## All-in-cost

The rate of interest payable on FCEB and the issue expenses incurred in foreign currency shall be within the all-in-cost ceiling as specified by Reserve Bank under the ECB policy.

## Maturity

Minimum maturity of FCEB shall be five years.

The exchange option can be exercised at any time before redemption.

While exercising the exchange option, the holder of the FCEB shall take delivery of the offered shares. Cash (Net) settlement of FCEB shall not be permissible.

## Parking of FCEB proceeds abroad

The proceeds of FCEB shall be retained and/or deployed overseas by the issuing/promoter group companies in accordance with the policy for the ECB  
issuing company will ensure proceeds of FCEB are used by the promoter group company only for the permitted end-uses prescribed under the ECB policy.

## Pricing of FCEB

At the time of issuance of FCEB the exchange price of the offered listed equity shares shall not be less than the higher of the following two:

The average of the weekly high and low of the closing prices of the shares of the offered company quoted on the stock exchange during the six months preceding the relevant date

The average of the weekly high and low of the closing prices of the shares of the offered company quoted on a stock exchange during the two week preceding the relevant date



CHAPTER 10- Other Borrowings Tools

INTER-CORPORATE LOANS

Change in the concept of ‘Loan and Investment by Company -

- 1) New Act provides that inter-corporate investments not to be made through more than two layers of investment companies.
- 2) The 2013 Act states that companies can make investments only through two layers of investment companies subject to exceptions which includes company incorporated outside India.
- 3) ‘Layer’ according to explanation (d) of Section 2(87) of the Act in relation to a holding Company means its subsidiary or subsidiaries.
- 4) The provisions of Section 186 (1) shall not have effect in the following cases:
  - If a company acquires any **company which is incorporated outside India** and such **company has investment subsidiaries beyond two layers** as per the laws of such country.
  - A subsidiary company from having any investment subsidiary for the purposes of meeting the requirement under any law/ rule/ regulation framed under any law for the time being in force.Section 186(1) shall not apply on a Specified IFSC public and private company.

**Limits for Loans /Guarantee/Security/ Investment-** In pursuant to provisions of Section 186(2) of the Act, no company shall directly or indirectly

- give any **loan to any person or other body corporate,**
- give any guarantee or provide security in connection with a loan to any other body corporate or person and acquire by way of subscription, purchase or otherwise, the securities of any other **body corporate exceeding 60% of its paid-up share capital plus free reserves plus securities premium account or 100% of its free reserves plus securities premium account, whichever is more.**



Section 186(3), empowers a Company to give loan, guarantee or provide any security or acquisition **beyond the limit** but subject to **prior approval of members by a special resolution** passed at a general meeting.

Section 186(3) shall not apply on Specified IFSC public and private company if a company passes a resolution either at a meeting of the Board of Directors or by circulation.



**Companies Registered Under Securities Exchange Board of India- No company**

- 1) Registered under **section 12** of the Securities and Exchange Board of India Act, 1992
- 2) Covered under such **class or classes** of companies which may be **notified by the Central Government** in consultation with the Securities and Exchange Board.

Shall take any intercorporate loan or deposits, in excess of the limits specified under the regulations applicable to such company, pursuant to which it has **obtained certificate of registration from the Securities and Exchange Board of India.**



**Rate of Interest on Loan-**

No loan shall be given under this section at a rate of interest lower than the prevailing yield of one year, three year, five year or ten year Government Security closest to the tenor of the loan.

**No Loan by Defaulter Company-**

**No company** which is in **default in the repayment of any deposits** accepted before or after the commencement of this Act or **in payment of interest thereon**, shall give any loan or give any guarantee or provide any security or make an acquisition till such default is subsisting.

**Register of Loan**

REGISTER'S PARTICULARS

- Every company giving loan or giving guarantee or providing security or making an acquisition of securities shall, from the date of its incorporation, maintain a register in Form MBP 2 and enter the particulars of loan and guarantee given, securities provided and acquisitions made.

PLACE OF REGISTER

- This register shall be kept at registered office of the company and the register shall be preserved permanently and shall be kept in the custody of company secretary of the company or any person authorized by the Board for the purpose.

AUTHENTICATION

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

INSPECTION

- The extracts of the register may be opened for inspection and copies may be furnished to members who demands for the same on payment of prescribed fee as mentioned in the Articles which shall not exceed ten rupees for each page

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The Section 186 (except Sub-Section 1) of the Companies Act, 2013 does not apply to the following

To any acquisition –

To a loan made, guarantee given or security provided by a banking company or an insurance company or a housing finance company;

Made by a non-banking financial company registered under Chapter IIIB of the Reserve Bank of India Act, 1934 and whose principal business is acquisition of securities;

Made by a company whose principal business is the acquisition of securities;

Of shares allotted in pursuance of clause (a) of sub-section (1) of section 62.

Made by a banking company or an insurance company or a housing finance company, making acquisition of securities in the ordinary course of its business

In the ordinary course of its business or a company engaged in the business of financing of companies or of providing infrastructural facilities

## SECTION 186 IS NOT APPLICABLE TO

Government company, other than a listed company, in case such company obtains approval of the Ministry or Department of the Central Government which is administratively in charge of the company, or, as the case may be, the state Government before making any loan or giving any guarantee or providing any security or making any investment under the section

Government company engaged in defence production

## Penalty for contravention

### For Company:

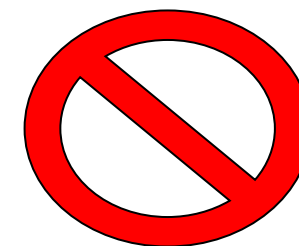
Every Company which contravenes the provisions of this Section shall be liable to a penalty which shall not be less than Rs 25,000 but which may extend to Rs 5 lakhs.

### For Officers:

Every officer of the Company who is default shall be punishable with imprisonment for a term which may extend to 2 years and fine which shall not be less than Rs 25,000 but which may extend to Rs 1 lakh.



**Meaning of the term investment** - Section 186(2)(c) of the Act, 2013. Thus the following will be counted as “investments”:



The following will not be counted as investments:

Making of loans or advances

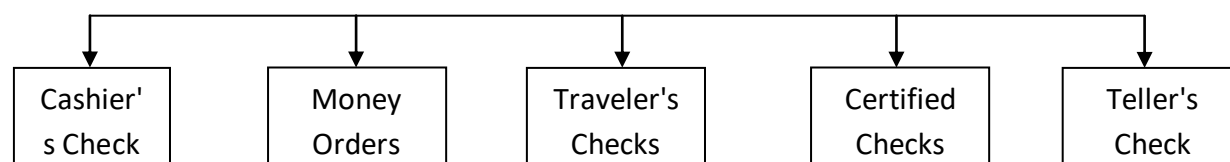
Any other financial transactions such as leases, purchase of receivables, or other credit facilities

## COMMERCIAL PAPER (CP)

Commercial Paper (CP) is

- (i) An unsecured money market instrument
- (ii) In the form of a promissory note.
- (iii) The Guidelines for issue of CP are presently issued by the Reserve Bank of India.

### 5 Key Specialised Forms of Commercial Papers



commercial paper

The tangible net worth of the company, as per the latest audited balance sheet, is not less than Rs. 4 crores;

The company has been sanctioned working capital limit by bank/s or fis

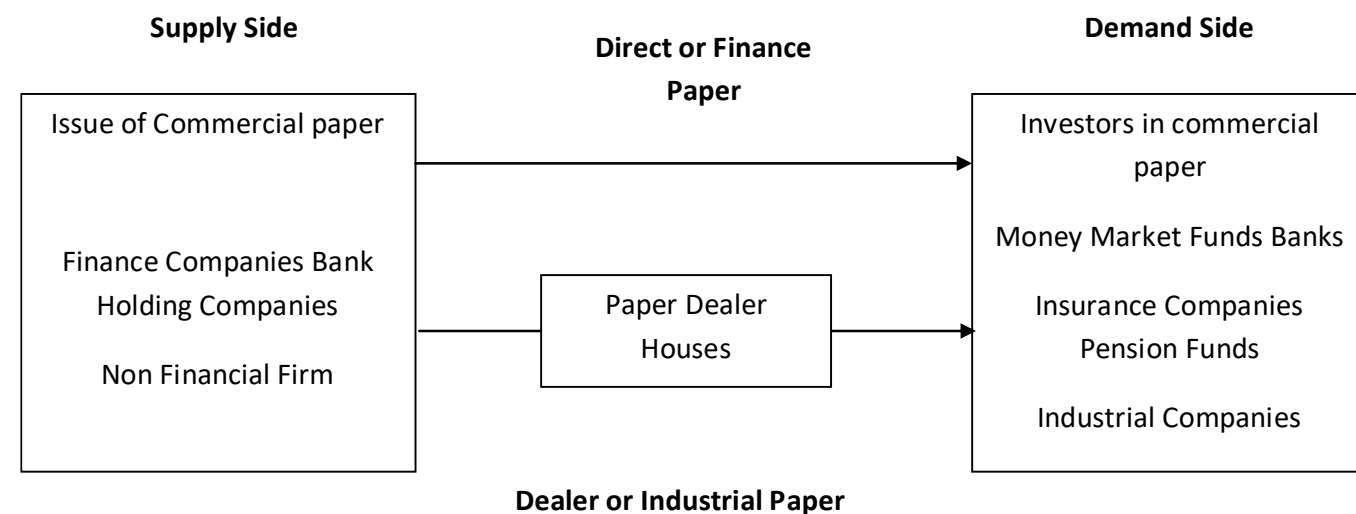
The borrowal account of the company is classified as a Standard Asset by the financing bank/ institution.

Companies, PDs and financial institutions (FIs) eligible to issue CP.

Merits of Commercial Paper	Demerits of commercial Paper
<ol style="list-style-type: none"> <li>1. It <b>provides more funds</b>. The cost to the issuing firm is lower than the cost of commercial bank loans.</li> <li>2. It is <b>freely transferable</b> thus has high liquidity also.</li> <li>3. It produces a <b>continuing source of funds</b> because their maturity can be tailored to suit the needs of issuing firm.</li> <li>4. It is <b>highly secure</b> and does <b>not contain any restrictive condition</b>.</li> </ol>	<ol style="list-style-type: none"> <li>1. Only for financially secure and highly rated organizations. Not suitable for New and moderately rated organizations.</li> <li>2. The amount of <b>money that can be raised is limited to the deductible liquidity</b> available with the suppliers of funds at a particular point.</li> <li>3. The duration <b>cannot be extended</b>.</li> </ol>

### Procedure for Issuance

#### Structure of Commercial Paper Market



<b>Credit Rating</b>	Obtain credit rating for issuance of CP from any one of the SEBI registered Credit Rating Agencies. The minimum credit rating shall be 'A2'
<b>Maturity</b>	Minimum- 7 days Maximum- 1 year from the date of issue.
<b>Denomination</b>	Rs. 5 lakh and multiples thereof. The amount invested by a single investor should not be less than Rs. 5 lakh (face value).
<b>Amount</b>	The aggregate amount of CP from an issuer shall be within the limit as approved by its Board of Directors or  The quantum indicated by the CRA for the specified rating, whichever is lower.  Banks and FIs will, however, have the flexibility to fix working capital limits, duly taking into account the resource pattern of company's financing, including CPs.  An FI can issue CP shall be within the overall umbrella limit prescribed in the Master Circular on Resource Raising Norms for FIs, issued by Reserve Bank of India, Department of Banking Regulation as prescribed and updated from time-to-time.  The total amount of CP proposed to be issued should be raised within a period of two weeks from the date on which the issuer opens the issue for subscription.
<b>Issue and Paying Agent</b>	Only a scheduled bank can act as an IPA for issuance of CP.
<b>Trading</b>	All OTC trades in CP shall be <b>reported within 15 minutes</b> of the trade. Reporting platform - <b>Clearcorp Dealing Systems (India) Ltd.</b>
<b>Mode of Issuance</b>	CP can be issued either in the form of a <b>promissory note</b> and held in physical form or in a <b>dematerialised form</b> through any of the depositories approved by and registered with SEBI. Provided all RBI regulated entities can deal in and hold CP only in dematerialised form through such depositories.  CP will be issued at a discount to face value as may be determined by the issuer. No issuer shall have the issue of CP underwritten or co- accepted.
<b>Dematerialisation</b>	Issuers and subscribers are encouraged to opt for dematerialised form of issue/holding. Banks, FIs and PDs are required to make fresh investments and hold CP only in dematerialised form.
<b>Payment</b>	The initial investor in CP shall pay the discounted value of the CP by means of a crossed account payee cheque to the account of the issuer through IPA. On maturity of CP, when CP is held in physical form, the holder of CP shall present the instrument for payment to the issuer through the IPA. However, when CP is held in demat form, the holder of CP will have to get it redeemed through the depository and receive payment from the IPA.
<b>Procedure</b>	Every issuer must appoint an IPA for issuance of CP. The issuer should disclose to the potential investors, its financial position as per the standard market practice. After the exchange of deal confirmation between the investor and the issuer, issuing company shall issue physical certificates to the investor or arrange for crediting the CP to the investor's account with a depository. Investors shall be given a copy of IPA certificate to the effect that the issuer has a valid agreement with the IPA and documents are in order.

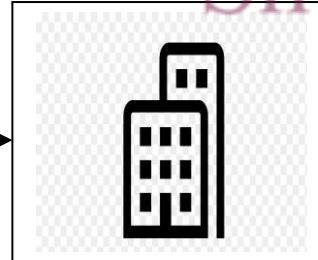


### INTER CORPORATE DEPOSITS (ICD)



Corporate with surplus funds lend to other corporate facing shortage of funds.

ICDs are unsecured, and hence the cost & risk inherent is high. The ICD market is an unorganized market with very less information available publicly about transaction details.



Better- Rated Corporates

Low- Rated Corporates

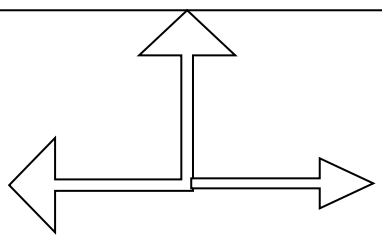
#### Company eligible for this purpose-

- 1) Public company
- 2) A net worth of not less than Rs 100 crore OR
- 3) Turnover of not less than Rs 500 crore AND
- 4) Obtained the prior consent of the company in general meeting by means of a **special resolution** and also filed the said resolution with the Registrar of Companies before

An eligible company may accept deposits, within specified limits by means of an ordinary resolution.

#### DEPOSITOR- Rule 2(1) (d) of Companies (Acceptance of Deposits) Rules, 2014,

Any member of the company who has made a deposit with the company in accordance with the provisions of Section 73(2) of the Act



Any person who has made a deposit with a public company in accordance with the provisions of Section 76 of the act.

No company shall invite, accept or renew deposits from the public except in a manner provided in this act and rules.



Enter into a **contract for providing deposit insurance** at least 30 days before

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The deposit insurance contract shall specifically provide that the depositor shall be entitled to the repayment of principal amount of deposits and the interest thereon by the insurer up to the aggregate monetary ceiling as specified in the contract, in case of default by the company.

**Provided** that in the case deposit and interest -  
(i) do not exceed Rs 25000 the deposit insurance contract shall provide for payment of the **full amount of the deposit and interest**  
(i) and if it is in excess of Rs 25000 contract shall provide for payment of an amount **not less than Rs 25000 for each depositor.**

The amount of insurance premium paid on the insurance of such deposits shall be borne by the company itself and shall not be recovered from the depositors by deducting the same from the principal amount or interest payable thereon.

#### IN CASE OF DEFAULT of terms and conditions of insurance contract-

- a) Company shall either rectify the default immediately or enter into a fresh contract within 30 days.
- b) In case of non-compliance, the amount of deposits and interest payable thereon shall be repaid within the next fifteen days
- c) If company does not repay the amount of deposits within said fifteen days it shall pay 15% interest per annum for the period of delay and shall be treated as having defaulted and shall be liable to be punished in accordance with the provisions of the Act

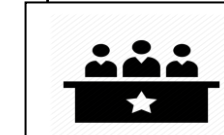
No company referred to in section 73 (2) or any eligible company shall invite secured deposits **unless the company has appointed one or more trustees** for depositors for creating security for the deposits



Execute a **deposit trust deed** in Form DPT-2 at least seven days before

ADVERTISEMENT/ CIRCULAR

Written consent



TRUSTEES

No trustee for depositors shall be removed from office **after the issue of circular or advertisement and before the expiry of his term** except with the consent of all the directors present at a meeting of the board.

**Provided** that in case the company is required to have independent directors, at least one independent director shall be present in such meeting of the Board.

No person including a company that is in the business of providing trusteeship services shall be appointed as a trustee for the depositors, if the proposed trustee

1) Is a director, key managerial personnel or any other officer or an employee of the company or of its holding, subsidiary or associate company or a depositor in the company;

• 2) Is indebted to the company, or its subsidiary or its holding or associate company or a subsidiary of such holding company;

3) Has any material pecuniary relationship with the company

• 4) Has entered into any guarantee arrangement in respect of principal debts secured by the deposits or interest thereon

5) Is related to any person specified in clause (a) above.

## Customer Advance/Deposits

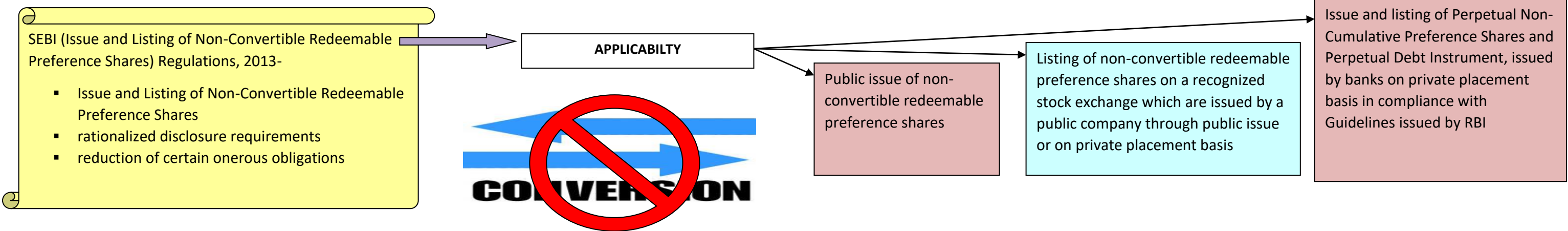


<b>Trader's reason for taking advance</b>	Value of order is quite large or Things ordered are very costly
<b>Transactional value</b>	The advance paid represents a part of the payment towards price on the product (s) which will be delivered at a later date.
<b>Customer's reason for giving advance</b>	Customers generally agree to make advances when such goods are not easily available in the market or there is an urgent need of goods.
<b>Benefit</b>	A firm can meet its short-term requirements with the help of customers' advances.

Merits	Demerits
<p>a. <b>Interest free:</b> Amount offered as advance is interest free. Hence funds are available without involving financial burden.</p> <p>b. <b>No tangible security:</b> There is no need to deposit any tangible security while seeking advance from the customer. Thus assets remain free of charge.</p> <p>c. <b>No repayment obligation:</b> Money received as advance is not to be refunded. Hence there are no repayment obligations.</p>	<p>a. <b>Limited amount:</b> The amount advanced by the customer is subject to the value of the order. Borrowers' need may be more than the amount of advance.</p> <p>b. <b>Limited period:</b> The period of customers' advance is only upto the delivery goods. It cannot be reviewed or renewed.</p> <p>c. <b>Penalty in case of non-delivery of goods :</b> Generally advances are subject to the condition that in case goods are not delivered on time, the order would be cancelled and the advance would have to be refunded along with interest</p>

# Chapter 11- Non-Convertible Redeemable Preference Shares

Shubham Sukhetcha (CA, CS, LLM)



**BOOK BUILDING-** “Book building” means a process undertaken prior to filing of prospectus with the Registrar of Companies, by which- **demand, price and quantity** of non-convertible redeemable preference shares proposed to be issued is assessed.

**Innovative perpetual debt instrument-** An innovative perpetual debt instrument issued by a bank in accordance with the guidelines framed by the Reserve Bank of India.

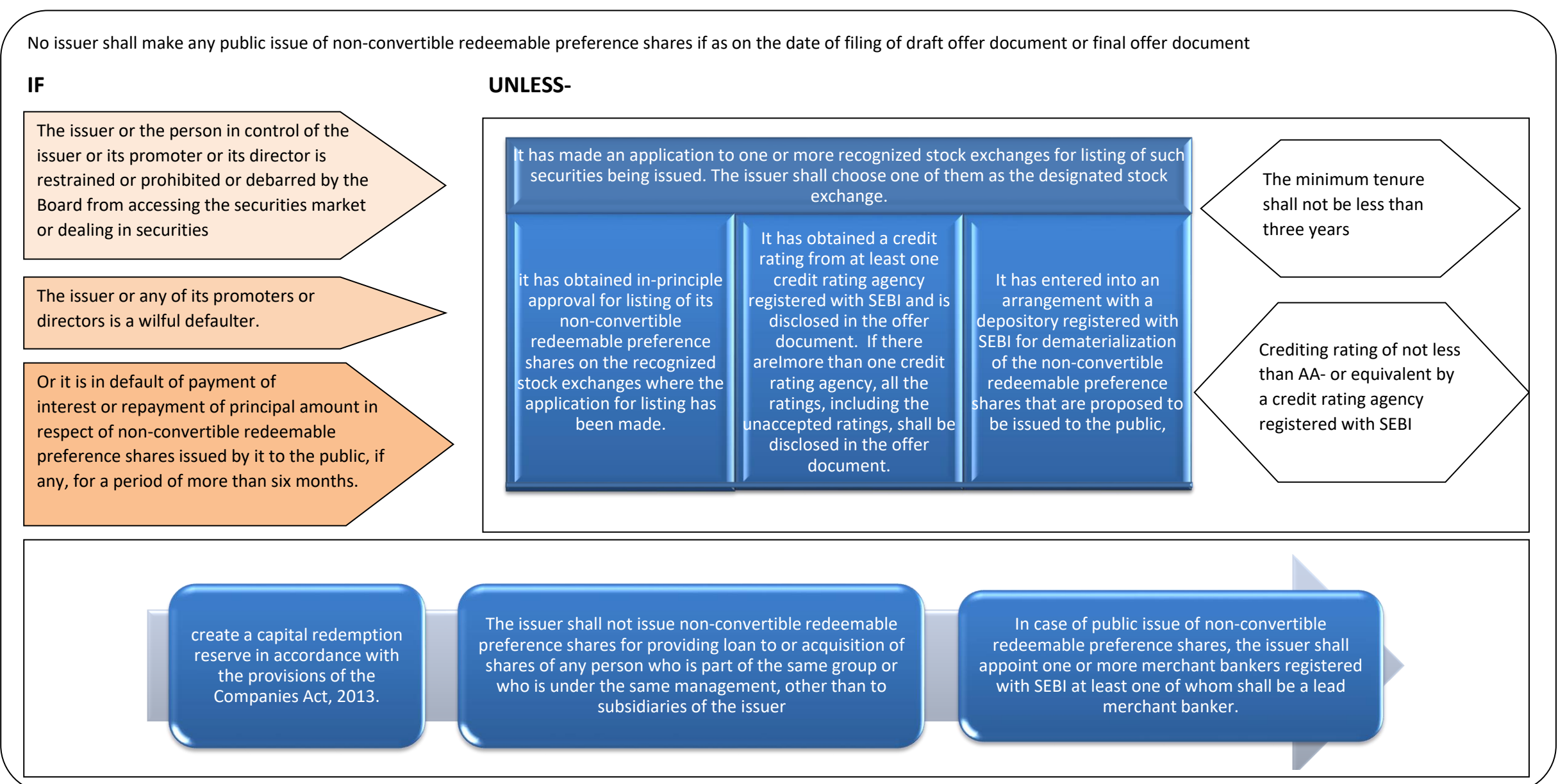
**Non-convertible redeemable preference share-**  
Means a preference share which is -

- **redeemable in accordance with the provisions of the Companies Act, 2013** and
- **does not include** a preference share **which is convertible into or exchangeable with equity shares** of the issuer at a later date, with or without the option of the holder.

**Perpetual non-cumulative preference share-** Perpetual noncumulative preference share **issued by a bank in accordance with the guidelines framed by the Reserve Bank of India.**

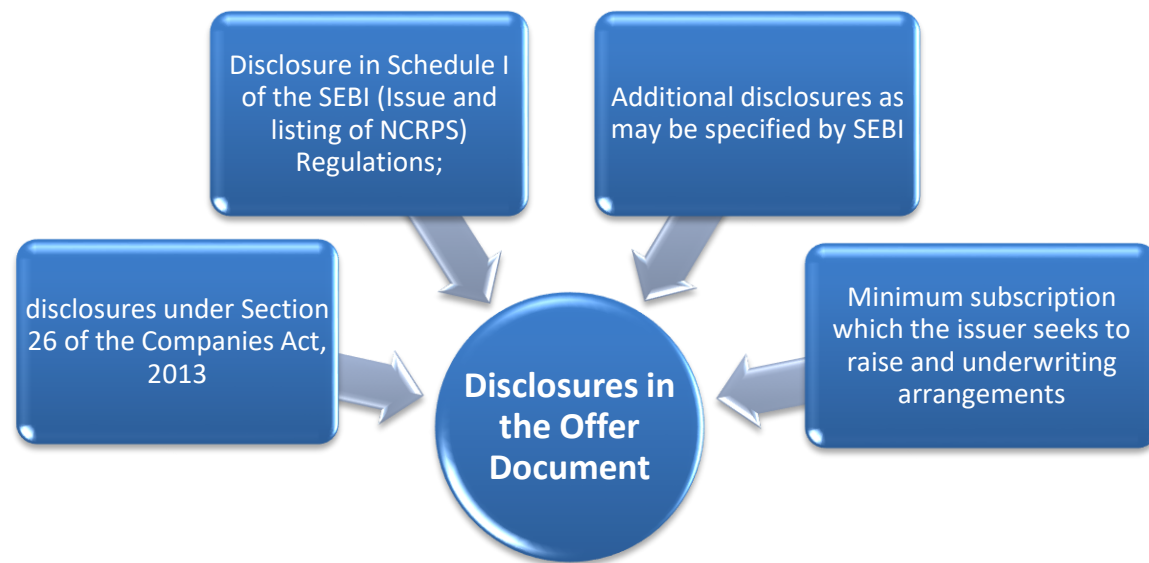
**Wilful Defaulter-**  
An issuer who is categorized as a

- **wilful defaulter by any bank or financial institution or consortium** thereof,
- In accordance with the guidelines on wilful defaulters issued by the **Reserve Bank of India** and
- Includes an issuer whose **director or promoter is categorized** as such.





## DISCLOSURES

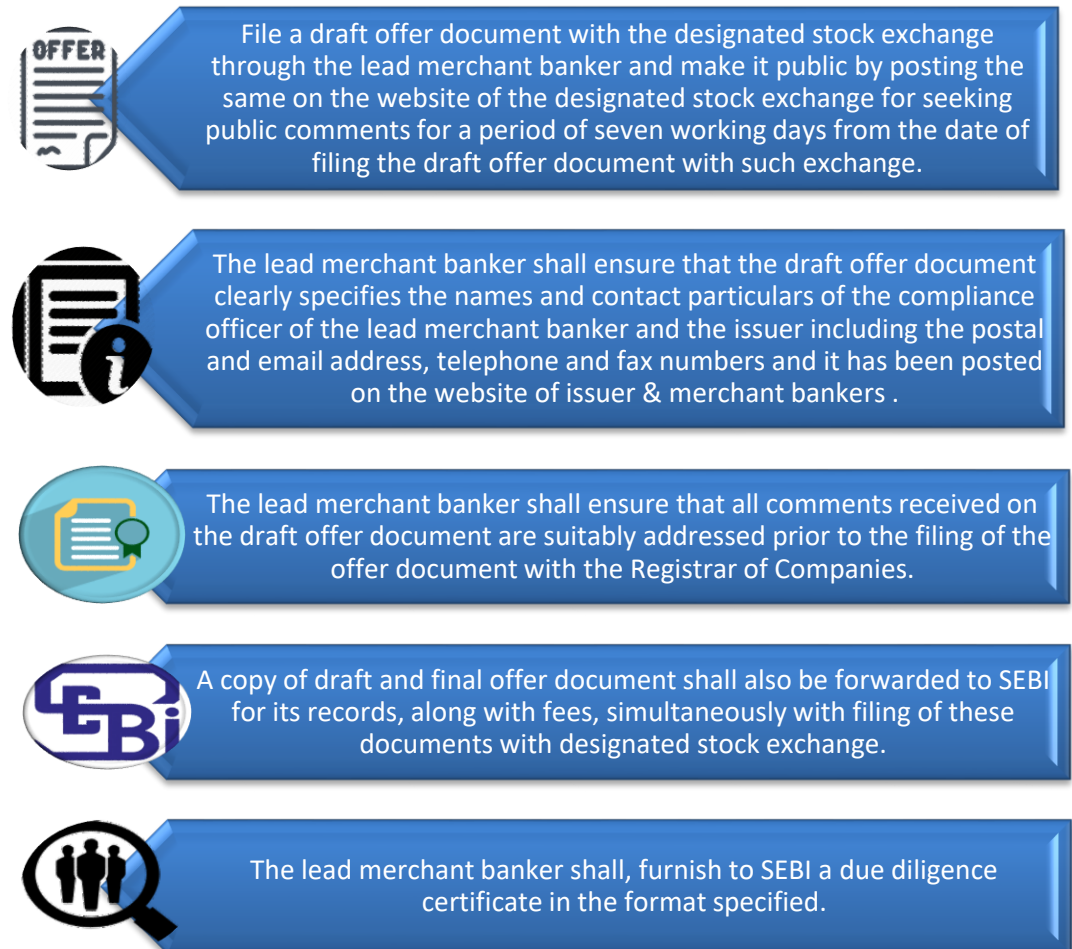


# Shubhamm Sukhlecha (CA, CS, LLM)

## Advertisements for Public issues

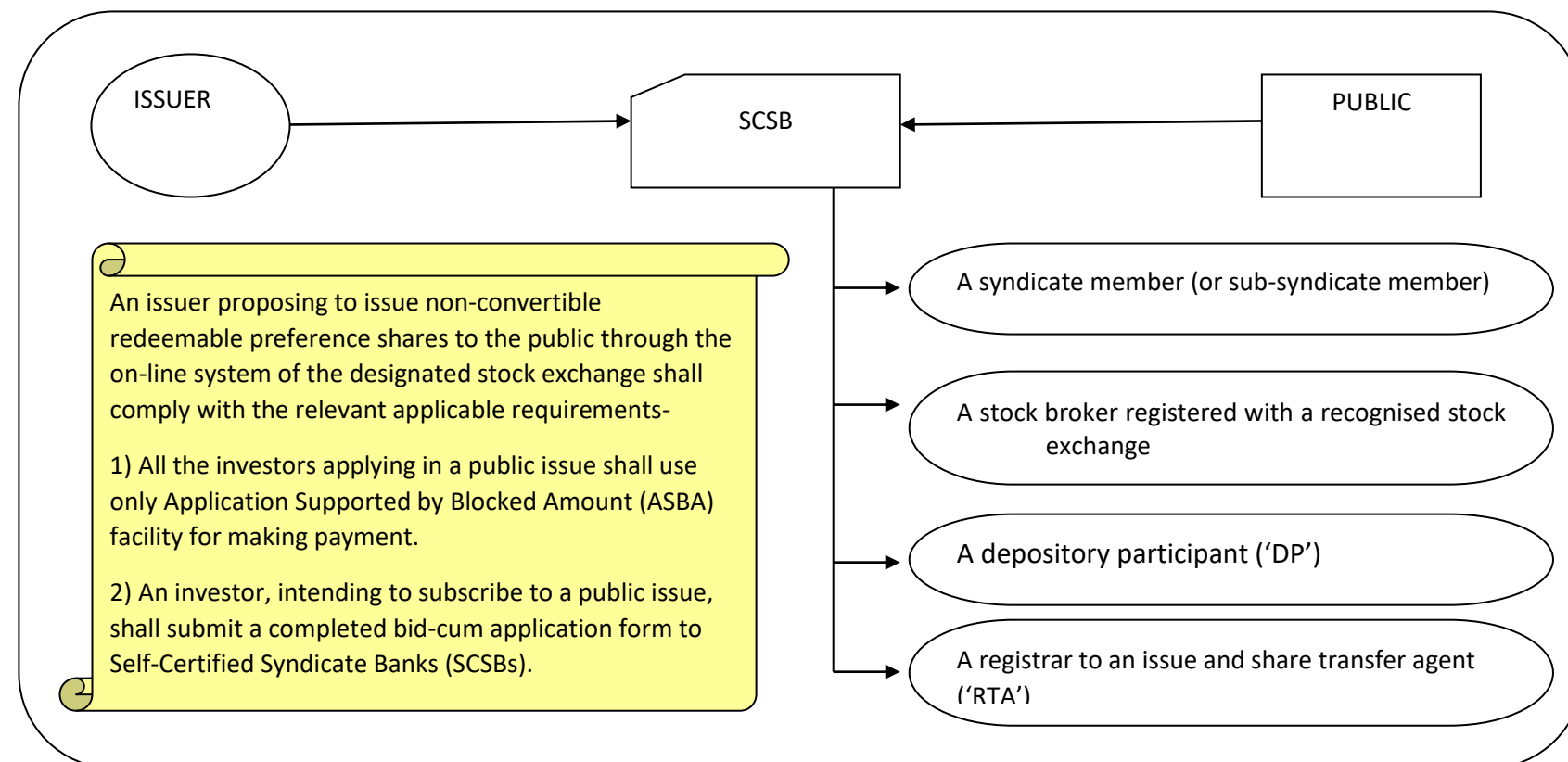
Advertisement	Contents	Credibility
<ul style="list-style-type: none"> <li>• In one English national daily newspaper and one Hindi national daily newspaper with wide circulation at the place where the registered office of the issuer is situated</li> <li>• On or before the issue opening date and such advertisement shall, amongst other things, contain the disclosures as specified in Schedule I</li> </ul>	<ul style="list-style-type: none"> <li>• No issuer shall issue an advertisement which is misleading in material particulars or which contains any information in a distorted manner or which is manipulative or deceptive.</li> <li>• No issuer shall issue an advertisement which is misleading in material particulars or which contains any information in a distorted manner or which is manipulative or deceptive.</li> </ul>	<ul style="list-style-type: none"> <li>• The credit rating shall be prominently displayed in the advertisement</li> <li>• The advertisement shall urge the investors to invest only on the basis of information contained in the offer document. Any advertisement issued by the issuer during the subscription period shall not make any reference to the issue or be used for solicitation of non-convertible redeemable preference shares</li> </ul>

## Filing of the Offer Document



## Abridged Prospectus and application forms

- Every **application form** issued by the issuer is accompanied by a copy of the abridged prospectus.
- The abridged prospectus shall **not contain matters which are extraneous to the contents** of the prospectus
- **Adequate space** shall be provided in the application form to enable the investors to fill in various details.



## Mode of Disclosure of Offer Document-

The draft and final offer document shall be displayed on the websites of stock exchanges and shall be available for download in PDF /HTML formats. Where any person makes a request for a physical copy of the offer document, the same shall be provided to him by the issuer or lead merchant banker.

## Price Discovery through Book Building-

The issuer may determine the price of non-convertible redeemable preference shares in **consultation with the lead merchant bankers** and the issue may be at a **fixed price** or the price may be determined through book building process.

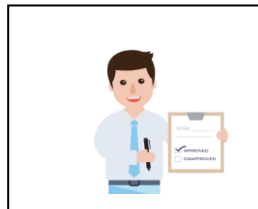
The issuer shall redeem the non-convertible redeemable preference shares in terms of the offer document.

### Minimum subscription

- 1) Decide the amount of minimum subscription to be raised and disclose the same in the offer document.
- 2) In the event of non-receipt of minimum subscription, all application monies received shall be refunded to the applicants
- 3) In case the refund is beyond 8 days from the last day of the offer, then such amount shall be refunded along with interest at such rate which shall not be less than fifteen per cent per annum.

### Underwriting

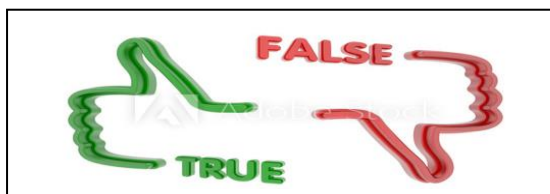
- 1) Underwriter registered with SEBI.
- 2) Adequate disclosure regarding underwriting arrangements in the offer document.



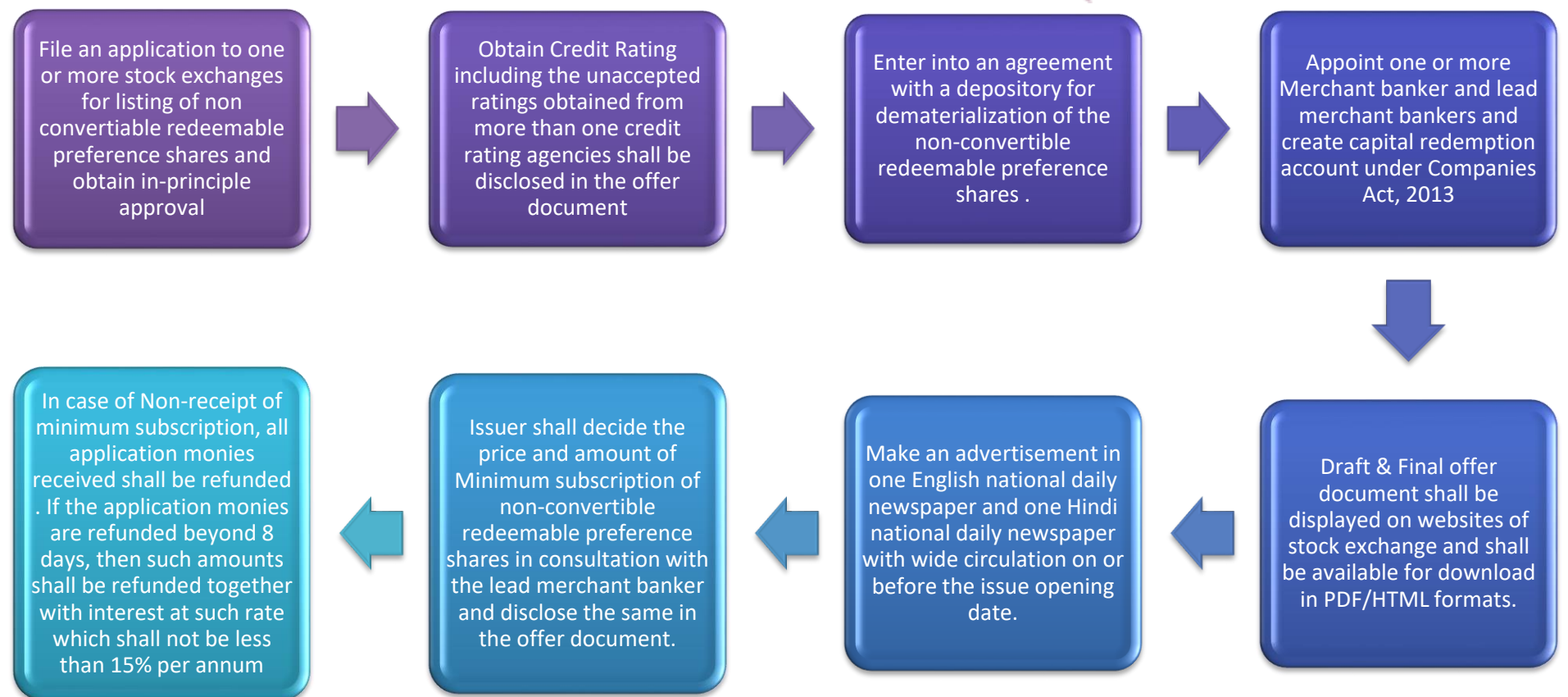
### Prohibitions of mis-statements in the offer document

The offer document, abridged prospectus or any advertisement-

- 1) Not omit disclosure of any material fact.
- 2) Shall not contain any false or misleading statement.



## Issuance of Non-Convertible Redeemable Preference Shares under SEBI (Non-Convertible Redeemable Preference Shares) Regulations, 2013



### Mandatory Listing

- 1) An issuer desirous of making an offer to the public shall make an application for listing to one or more recognized stock.
- 2) The issuer shall comply with conditions of listing of such non-convertible redeemable preference shares as specified in the Listing Agreement with the stock exchange where such non-convertible redeemable preference shares are sought to be listed.
- 3) Listing shall be completed within a period of 6 working days from the date of closing of the Issue.



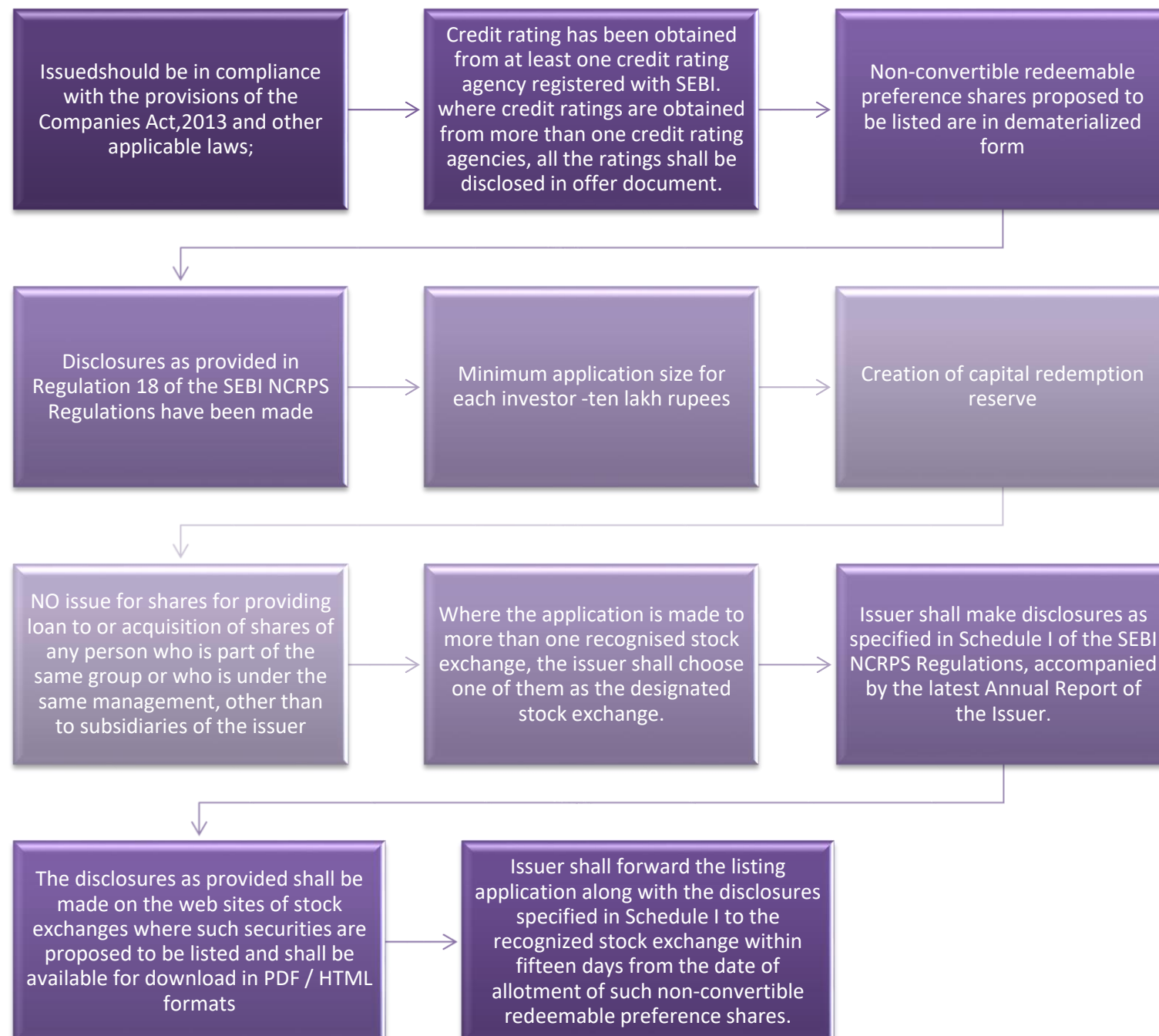
### Listing Agreement

Every issuer which has previously entered into agreements with a recognized stock exchange to list

- non-convertible redeemable preference shares
- perpetual non-cumulative preference shares
- innovative perpetual debt instruments

shall execute a **fresh listing agreement** with such stock exchange **within six months** of the date of notification of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

## ISSUE OF NCRPS ON A PRIVATE PLACEMENT BASIS



### Streamlining The Process Of Public Issue Under The Sebi (Issue And Listing Of Non-Convertible Redeemable Preference Shares) Regulations, 2013

- 1) To make the process of issuance of debt securities, NCRPS and SDI -easier, simpler and cost effective for both issuers and investors.
- 2) Reduction of the time taken for listing after the closure of the issue to **6 working days** as against the present requirement of 12 working days.

## Continuous Listing Conditions

- 1) Compliance with the conditions of listing specified in the respective listing agreement for non-convertible redeemable preference shares.
- 2) Dissemination all information and reports on non-convertible redeemable preference shares.
- 3) Dissemination of compliance reports filed by the issuers to the investors and the general public by placing them on their websites.

## Trading of non-convertible redeemable preference shares

The non-convertible redeemable preference shares

- 1) Issued on public or private basis
- 2) Listed on recognized stock exchange
- 3) Shall be traded and such trades shall be cleared and settled in recognized stock exchanges subject to conditions specified by SEBI.
- 4) **For over the counter trades-** such trades shall be reported on a recognized stock exchange having a nation-wide trading terminal or such other platform as may be specified by SEBI.

## Issuance and Listing Of Non Equity Regulatory Capital Instruments By Banks

- 1) Regulation applicable- Chapter VI of SEBI NCRPS Regulations for issuance and listing of Perpetual Non-Cumulative Preference Shares and Innovative Perpetual Debt Instruments.

2)

### Compliance with RBI guidelines with prior approval

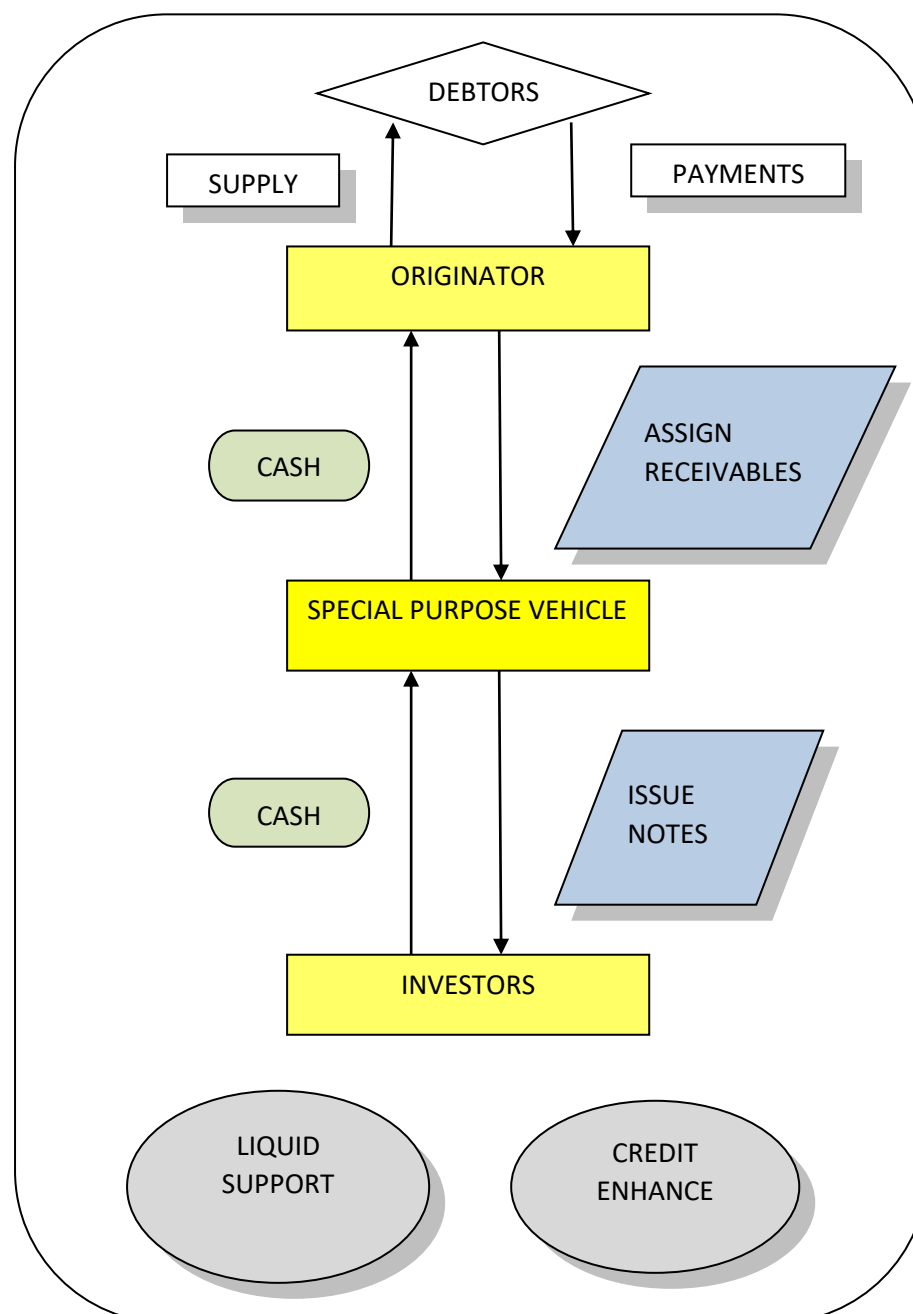
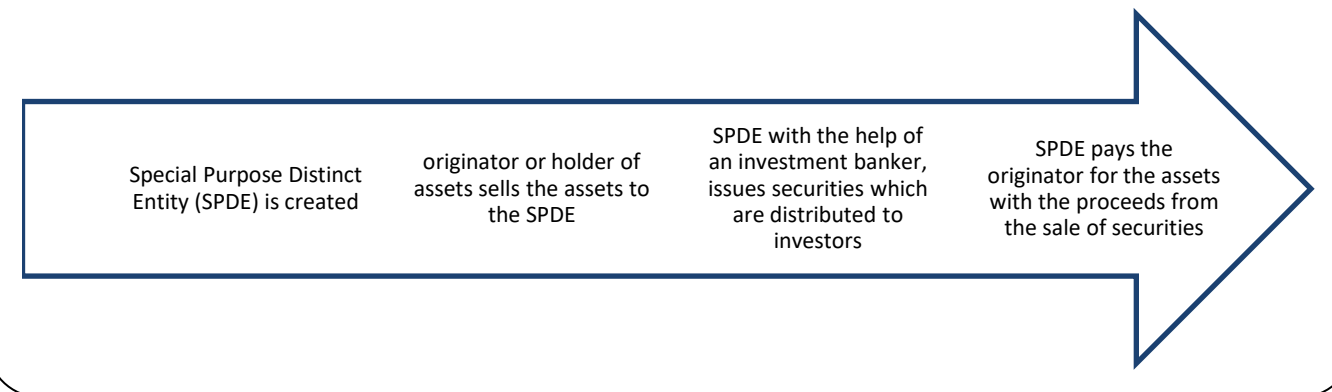
If a bank is incorporated as a company under Companies Act, 1956 / 2013 , it shall, in addition, comply with the provisions of Companies Act, 1956 and/or other applicable statutes.

The bank shall comply with the terms and conditions as may be specified by the Board from time to time and shall make adequate disclosures in the offer document regarding the features of these instruments and relevant risk factors and if such instruments are listed, shall comply with the listing requirements.



**Securitization** is the process of **pooling and repackaging of homogenous illiquid financial assets into marketable securities** that can be sold to investors.

There are four steps in a securitization:

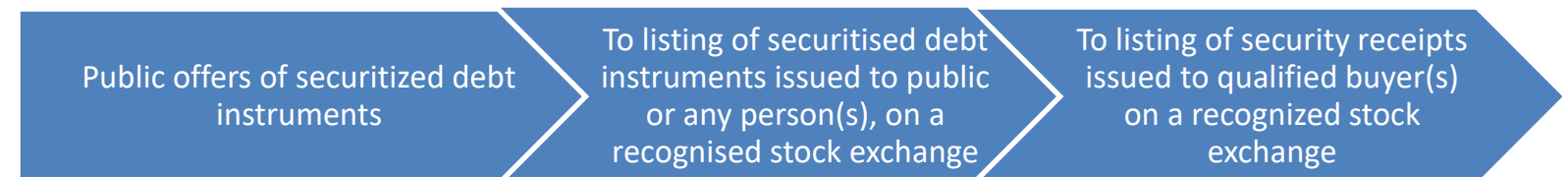


Trustee shall

- Have a **networth** of not less than **two crore rupees**.
- Have in its employment, a minimum of **two persons** (i) having at least **five years experience** in activities related to securitization and at least (ii) One among them shall have a professional **qualification in law** from any university or institution recognised by the Government or a foreign university.

**Sebi (Issue And Listing Of Securitized Debt Instruments And Security Receipts) Regulations, 2008**

### APPLICABILITY

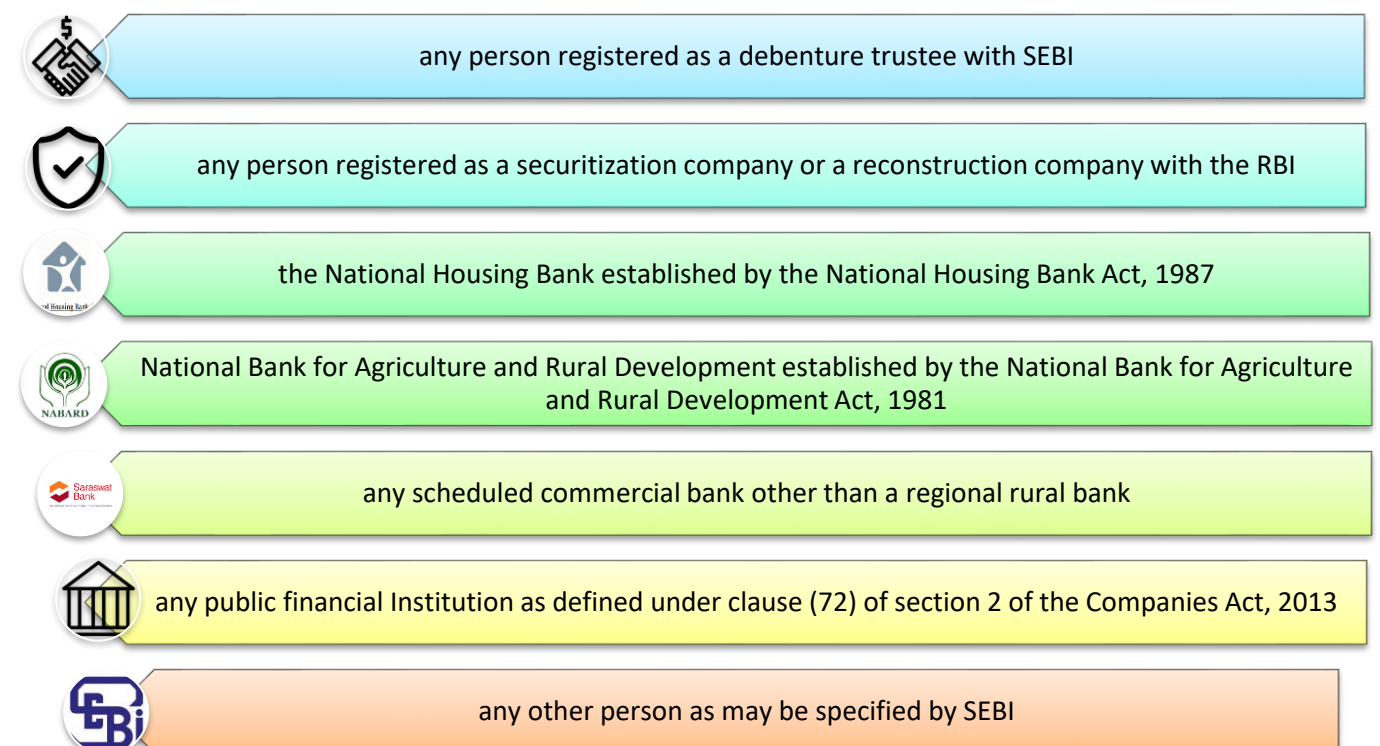


### ELIGIBILITY

A person cannot make a public offer of securitized debt instruments or seek listing for such securitized debt instruments unless –



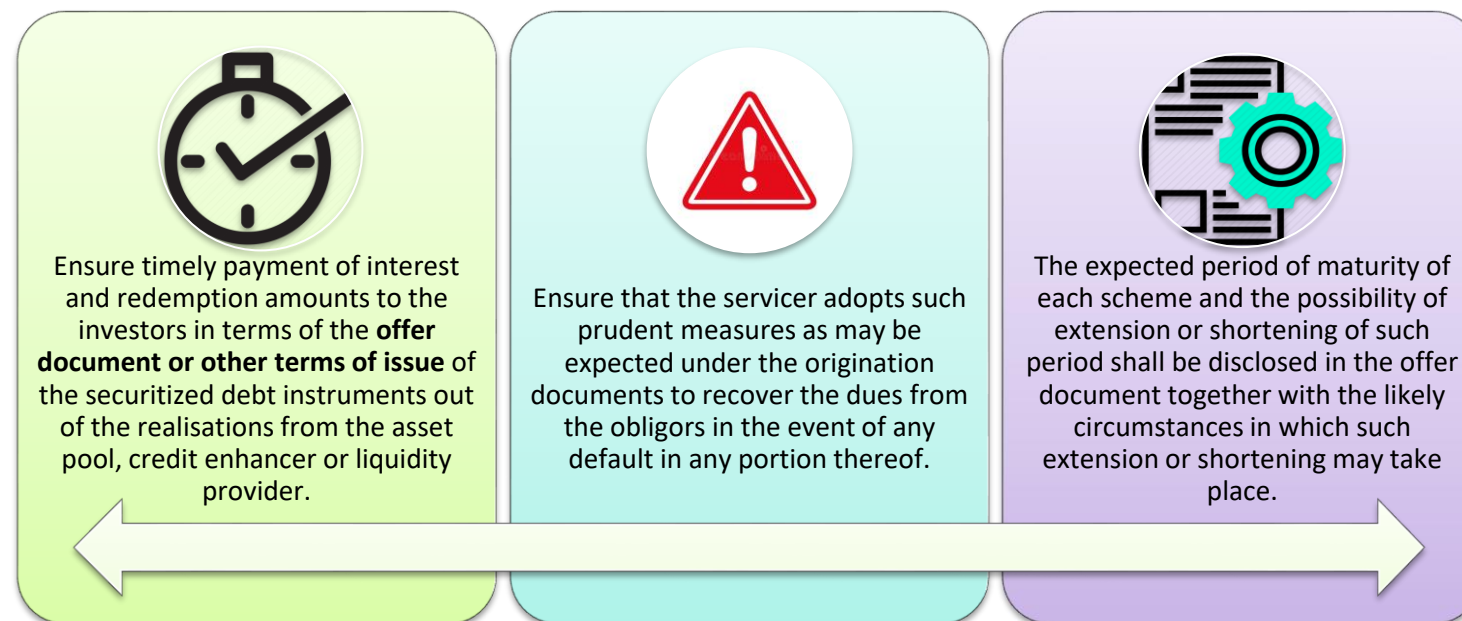
The requirement of obtaining registration is not applicable for the following persons, who may act as trustees of special purpose distinct entities



## Launching of Schemes



## Obligation to redeem securitized debt instruments



## WINDING UP

A scheme may be wound up in the event of the following

When the securitized debt instruments have been fully redeemed as per the scheme

**Upon legal maturity** as stated in the terms of issue of the securitized debt instrument. However, if any debt or receivable is outstanding on legal maturity, the trustees shall dispose off the same in accordance with the scheme and distribute the proceeds.

## SERVICES

A SPDE may appoint either the originator or any other person as servicer in respect of any of its schemes

ensure that the servicer keeps proper accounts in respect of the activities delegated to him

Ensure that the servicer has adequate operational systems and resources to administer the asset pool in relation to a securitization transaction

Where a special purpose distinct entity appoints the originator as servicer, it shall adopt internal procedures designed to avoid conflict of interest.

Servicer may be appointed by the special purpose distinct entity to

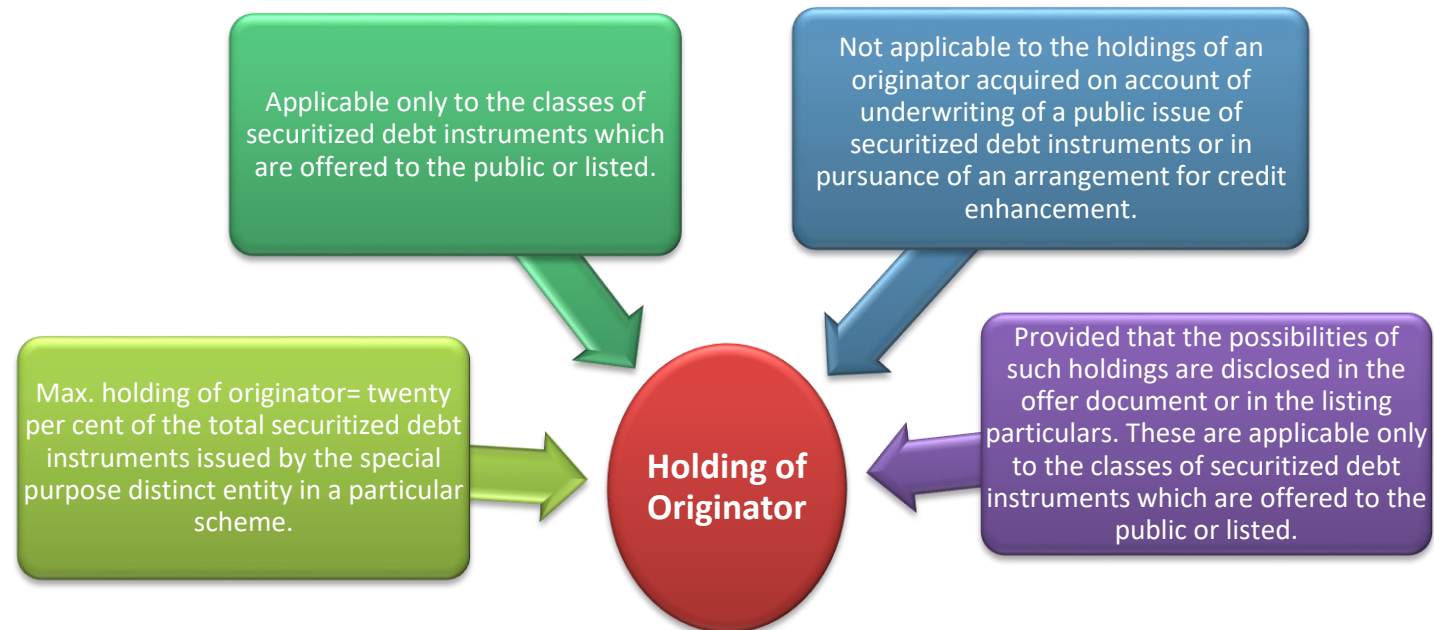
to coordinate with the obligors, manage the asset pool and collections

administer the cash flows of such asset pool, distributions to investors

Reinvestment, if any, in accordance with the scheme

manage incidental matters

## Holding of Originator



## Maintenance of records

- A SPDE shall maintain records and documents, including a register of holders of securitized debt instruments, for each scheme to explain its transactions and its accounts.  
**Register and Records**
- To be maintained by a depository in respect of Securitized debt instruments held in dematerialized form with it shall be deemed to be a register of holders of securitised debt instruments for the purposes of these regulations.  
**Register of beneficial owners**
- A SPDE shall intimate to SEBI the places where the records and documents maintained and the accounts maintained are kept.  
**Place of Records**
- maintain books of account, records and other documents in respect of its schemes for a minimum period of eight years from the redemption of all instruments issued under the scheme  
**Minimum Period**

## Public Offer Of Securitized Debt Instruments

## Offer to the Public

An offer is a public offer only if it is

The domestic concern of the persons making and receiving the offer.

Not likely to result, directly or indirectly, in the securitised debt instruments becoming available for subscription or purchase by persons other than those receiving the offer

However, above mentioned conditions apply only in respect of securitized debt instruments which belong to the same tranche and which are pari passu in all respects.

Any offer of securitized debt instruments made to fifty or more persons in a financial year shall always be deemed to have been made to the public.

## Submission and filing of final offer document

A SPDE or trustee shall file a draft offer document with SEBI atleast 15 days before the proposed opening of the issue.

Such offer document shall be filed along with the minimum filing fee as mentioned in Schedule II of SEBI (Issue and Listing of Securitized Debt Instruments and Security Receipts) Regulations, 2008. The balance filing fee provided in Schedule II of the Regulations shall be paid to SEBI **within seven days of closure of the public offer.**

SPDE and trustee shall carry out changes specified by SEBI within 15 working days in the draft offer document prior to filing it with the designated stock exchange or issuing it.

The final offer document shall be filed with SEBI and with every recognised stock exchange to which an application for listing of the securitized debt instruments is proposed to be made prior to its issuance to public

## Arrangements for dematerialisation

1) SPDE shall enter into an arrangement with a registered depository for dematerialization of the securitized debt instruments that are proposed to be issued to the public.

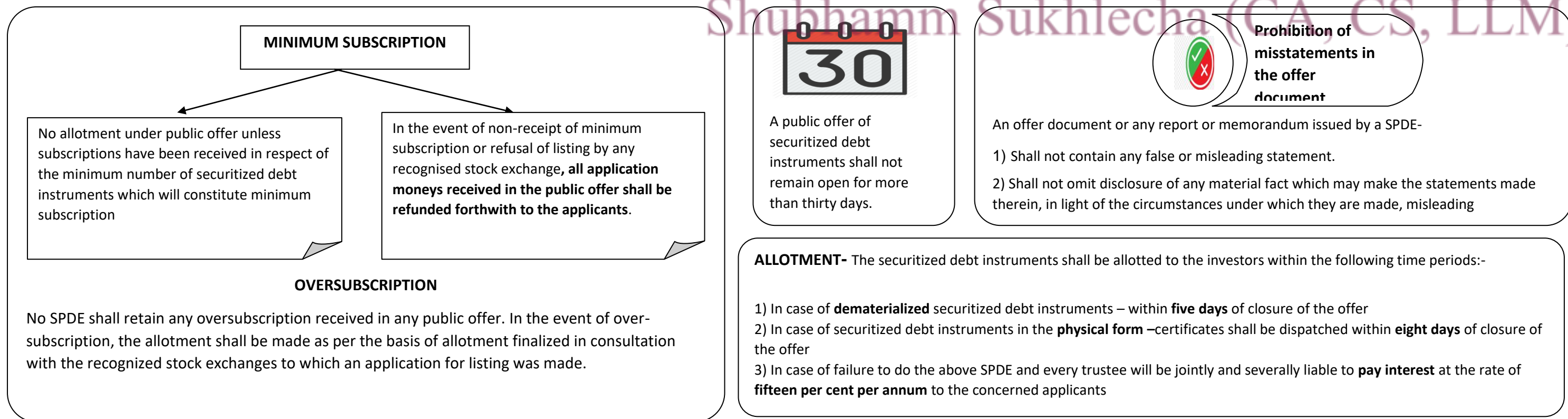
2) The SPDE shall give an option to the investors to receive the securitised debt instruments either in the physical form or in dematerialized form.

3) The holders of dematerialized instruments shall have the same rights and liabilities as holders of physical instruments.

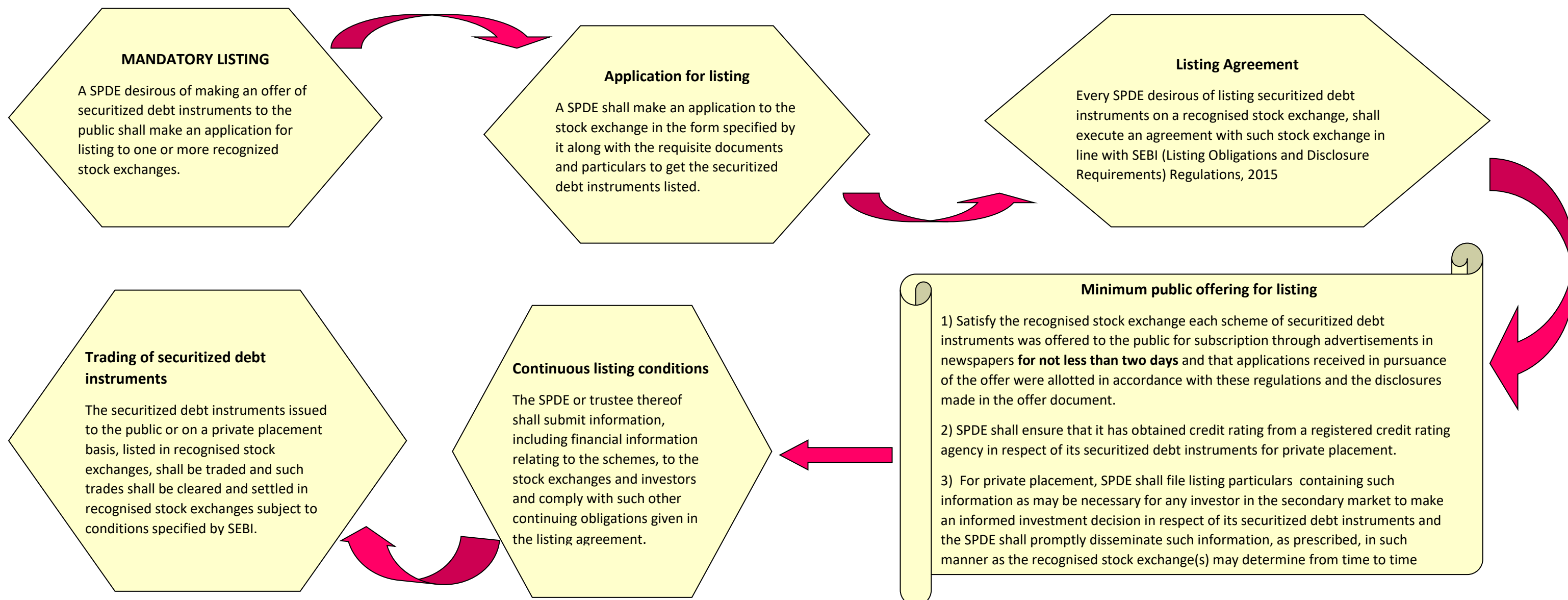
## Credit rating

A SPDE shall obtain credit rating from not less than two registered credit rating agencies. All credit ratings obtained by a SPDE on the securitized debt instruments shall be disclosed in the offer document, including unaccepted credit ratings.





### Listing Of Securitized Debt Instruments



# LISTING-INDIAN STOCK EXCHANGES

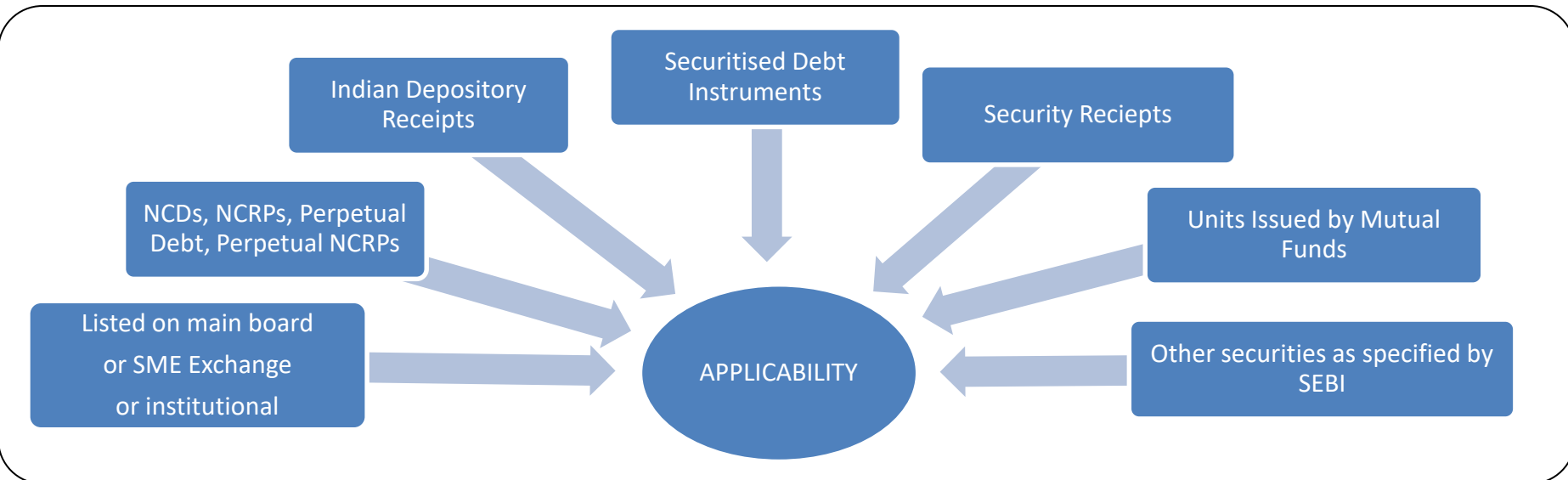
Shubham Sukhlecha (CA, CS, LLM)

SEBI vide its Notification dated September 02, 2015 has notified the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations) and these regulations became effective from December 01, 2015. SEBI has notified the simplified listing agreement to be executed by companies proposing to list securities. SEBI Listing Regulations is good mix of principle and rule based regulations.

The Listing Regulations was therefore notified with the twin objectives of:

- having a single listing agreement; and
- ensure greater regulatory enforceability.

The Regulations are consisting of XII chapters and X schedules.



Section 2 (52) of the Companies Act, 2013, listed company means a company which has any of its securities listed on any recognised stock exchange.

According to SEBI Listing Regulations, 2015, “listed entity” means an entity which has listed, on a recognized stock exchange(s), the designated securities issued by it or designated securities issued under schemes managed by it, in accordance with the listing agreement entered into between the entity and the recognised stock exchange(s).

Specified Securities: Specified securities means ‘equity shares’ and ‘convertible securities’ as defined under clause (zj) of sub-regulation (1) of regulation 2 of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009.

Non-Convertible Debt Securities: ‘Non-convertible debt securities’ which is ‘debt securities’ as defined under regulation 2(1)(e) of the Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008.

Non-Convertible Redeemable Preference Shares: ‘Non-convertible redeemable preference shares’ shall have the same meaning as assigned to them in the SEBI (Issue and Listing of Non-Convertible Redeemable Preference Shares) Regulations, 2013.

Perpetual Debt Instrument: ‘Perpetual debt instrument’ or ‘innovative perpetual debt instrument’ shall have the same meaning as assigned to them in the SEBI (Issue and Listing of Non-Convertible Redeemable Preference Shares) Regulations, 2013.

Perpetual Debt Instrument: ‘Perpetual debt instrument’ or ‘innovative perpetual debt instrument’ shall have the same meaning as assigned to them in the SEBI (Issue and Listing of Non-Convertible Redeemable Preference Shares) Regulations, 2013.

Indian Depository Receipts: ‘Indian depository receipts’ means Indian depository receipts as defined in sub-section (48) of section 2 of the Companies Act, 2013.

Securitized Debt Instruments: ‘Securitized debt instruments’ as defined in the SEBI (Public Offer and Listing of Securitized Debt Instruments) Regulations, 2008.

Units issued by mutual funds

Any other securities as may be specified by SEBI.

## PRINCIPLES UNDER THE (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015

The principles have been divided into three groups as under:

- On Disclosure and transparency
- On Corporate Governance and protection of the minority shareholders
- On responsibilities of the Board of Directors

### Principles Governing Disclosures [Regulation 4 (1)]

The listed entity shall abide by the following principles, while making disclosures to the stock exchanges or its website or through any other medium:

- Information shall be prepared and disclosed in accordance with applicable standards of accounting and financial disclosure
- Prescribed accounting standards shall be implemented in letter and spirit

- Refrain from providing misrepresentation and misleading information
- Provide adequate and timely information

- Ensure that disseminations made under provisions of these regulations and circulars made thereunder, are adequate, accurate, explicit, timely and presented in a simple language.
- Channels for disseminating information shall provide for equal, timely and cost efficient access to relevant information.

- The listed entity shall abide by all the provisions of the applicable laws.
- Information provided shall enable investors to track the performance of a listed entity over regular intervals of time and shall be sufficient to enable investors to assess the current status of a listed entity.

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

**Disclosure and transparency:** The listed entity shall ensure timely and accurate disclosure on all material matters including the financial situation, performance, ownership, and governance of the listed entity, in the following manner:

- Information shall be prepared and disclosed in accordance with the prescribed standards of accounting, financial and non-financial disclosure.
- Channels for disseminating information shall provide for equal, timely and cost efficient access to relevant information by users.
- Minutes of the meeting shall be maintained explicitly recording dissenting opinions, if any.

### Principles governing Corporate Governance and protection of Minority Shareholders [Regulation 4 (2)]

#### The rights of shareholders

- Right to participate in, and to be sufficiently informed.
- Opportunity to participate and vote in meetings.
- Being informed of the rules, voting procedures that govern general shareholder meetings.
- Opportunity to ask questions, to place items on the agenda of general meetings, and to propose resolutions, subject to reasonable limitations.
- Effective participation in key corporate governance decisions
- Exercise of ownership rights by all shareholders, including institutional investors.
- Mechanism for grievance redressal.
- Protection of minority shareholders.

#### Timely information:

- Sufficient and timely information of general meetings
- Capital structures and arrangements that enable certain shareholders to obtain a degree of control disproportionate to their equity ownership.
- Rights attached to all series and classes of shares, which shall be disclosed to investors before they acquire shares

#### Equitable treatment

- All shareholders of the same series of a class shall be treated equally.
- Effective shareholder participation in key corporate governance decisions.
- Exercise of voting rights by foreign shareholders shall be facilitated.
- The listed entity shall devise a framework to avoid insider trading and abusive self-dealing.
- Processes and procedures for general shareholder meetings shall allow for equitable treatment of all shareholders.
- Procedures of listed entity shall not make it unduly difficult or expensive to cast votes.

#### Role of stakeholders in corporate governance:

- The listed entity shall respect the rights of stakeholders that are established by law or through mutual agreements.
- Stakeholders shall have the opportunity to obtain effective redress for violation of their rights.
- (Stakeholders shall have access to relevant, sufficient and reliable information on a timely and regular basis to enable them to participate in corporate governance process.
- The listed entity shall devise an effective whistle blower mechanism enabling stakeholders, including individual employees and their representative bodies, to freely communicate their concerns about illegal or unethical practices.



RESPONSIBILITIES OF THE BOARD OF DIRECTORS

Shubhamm Sukhlecha (CA, CS, LLM)

Disclosure of information

Members of board of directors and key managerial personnel shall disclose to the board of directors whether they, directly, indirectly, or on behalf of third parties, have a **material interest in any transaction or matter directly affecting the listed entity.**

- The board of directors and senior management shall conduct themselves
- To meet the expectations of operational transparency to stakeholders
  - Maintaining confidentiality of information in order to foster a culture of good decision-making.

- Reviewing and guiding**
  - Corporate strategy, major plans of action, risk policy, annual budgets and business plans
  - Monitoring implementation and corporate performance, and overseeing major capital expenditures, acquisitions and divestments
- Monitoring**
  - Effectiveness of the listed entity’s governance practices and making changes as needed.
  - Selecting, compensating, replacing key managerial personnel and overseeing succession planning
- Efficient functioning of board**
  - Aligning key managerial personnel and remuneration of board of directors with the long term interests.
  - Transparent nomination process to the board of directors with the diversity of thought, knowledge, perspective and gender in the board of directors.
- Balancing conflict of interests**
  - Monitoring and managing potential conflicts of interest of management, members of the board of directors and shareholders, including misuse of corporate assets and abuse in related party transactions.
- Ensure integrity**
  - Of the listed entity’s accounting and financial reporting systems, including the independent audit, and compliance with the law and relevant standards.
- Overseeing and reviewing**
  - Overseeing the process of disclosure and communications.
  - Monitoring and reviewing board of director’s evaluation framework.

- Strategic Guidance**
  - to the listed entity, ensure effective monitoring of the management with accountability to shareholders
  - encourage continuing directors training to ensure that the members of board of directors are kept up to date.
- Culture and standards**
  - set a corporate culture and the values by which executives throughout a group shall behave.
  - maintain high ethical standards and shall take into account the interests of stakeholders.
- Diligent Treatment**
  - Members of the board of directors shall act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the listed entity and the shareholders.
  - Where decisions of the board of directors may affect different shareholder groups differently, the board of directors shall treat all shareholders fairly.
- Independent Judgement**
  - The board of directors shall exercise objective independent judgement on corporate affairs.
  - The board of directors shall consider assigning a sufficient number of non-executive member of the board of directors capable of exercising independent judgement to tasks where there is a potential for conflict of interest.
- Encourage and assist**
  - ensure that, while rightly encouraging positive thinking, these do not result in over-optimism that either leads to significant risks not being recognised or exposes the listed entity to excessive risk.
  - shall have ability to ‘step back’ to assist executive management by challenging the assumptions underlying: strategy, strategic initiatives (such as acquisitions), risk appetite, exposures and the key areas of the listed entity’s focus.
- Procedures and mandates**
  - When committees of the board of directors are established, their mandate, composition and working procedures shall be well defined and disclosed by the board of directors.
  - The board of directors and senior management shall facilitate the independent directors to perform their role effectively as a member of the board of directors and also a member of a committee of board of directors.
- Commitment to responsibilities**
  - Members of the board of directors shall be able to commit themselves effectively to their responsibilities.
  - In order to fulfil their responsibilities, members of the board of directors shall have access to accurate, relevant and timely information.

## COMMON OBLIGATIONS FOR A LISTED ENTITY

### Regulation 5: General obligation of compliance

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

### Regulation 6: Compliance Officer and his Obligations

Shall appoint a qualified **Company Secretary** as the **Compliance Officer**, who is responsible for:

- conformity with the regulatory provisions in letter and spirit.
- Co-ordination with and reporting to SEBI, recognized stock exchange(s) and depositories
- Monitoring email address of grievance redressal
- Ensuring correctness, authenticity and comprehensiveness of the information, statements and reports

### Regulation 7: Share Transfer Agent

- Shall appoint a Share Transfer Agent (“STA”)
- Manage share transfer facility in-house–only if Security holders < **1,00,000**
- Shareholder in in-house registry increase beyond 1 lac then the company can apply for category II STA with SEBI or appoint a STA registered with SEBI.
- Submit compliance certificate regarding on half yearly basis within 1 month of end of each half year duly signed by compliance officer and authorised representative of STA.
- Any changes or appoint of new STA listed entity shall intimate to stock Exchange within 7 days of entering into agreement.

### Regulation 8: Co-operation with intermediaries registered with SEBI

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

### Regulation 9: Preservation of documents

- Shall have a Policy.
- Approved by its Board of Directors.
- May keep documents in electronic mode.
- Preservation : at least **2 categories of documents** as follows:
  - Documents **permanent** in nature
  - Documents with preservation > **8 years after completion of transaction.**

### Regulation 10: Filing of information

- To file all reports, statements, documents and other information with the recognized stock exchange(s) on the electronic platform as specified by SEBI or the recognized stock exchange(s).
- To put necessary infrastructure in place to comply with this requirement.

### Regulation 11: Scheme of Arrangement

- To ensure that any scheme of arrangement/ amalgamation/merger /reconstruction /reduction of capital etc. to be presented to any Court or Tribunal
- Does not in any way violate, override or limit the provisions of securities laws or requirements of the stock exchange(s).

### Regulation 12: Payment of dividend or interest or redemption or repayment

- Use Payment facility in electronic mode for payment of dividend, interest, redemption or repayment of amounts.
- Approved by the Reserve Bank of India.
- If electronic mode is not possible to be used.
- Issue “Payable at Par” warrants or cheques.
- Speed post to be used for of “Payable at Par” cheques > Rs.1,500/-.

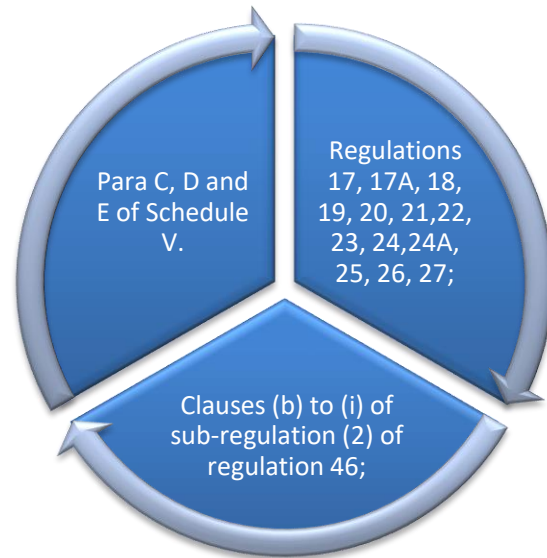
### Regulation 13: Grievance Redressal Mechanism

- Adequate steps are taken for expeditious redressal of investors complaints.
- Ensure that it is registered with SCORES platform or any other platform of SEBI for handing investors complaints electronically as specified by SEBI.
- Statement on Investor complaints to be submitted stock Exchange within **21 days** from the end of quarter.
- To be placed before the Board of Directors on quarterly basis.

### Regulation 14: Fees and other charges

- ✓ Payment of all such fees or charges, as applicable including Listing Fee.

NON-APPLICABILITY



For Listed Entities:

1. Paid-up Equity Share Capital < Rs.10 crores, and 2. Net Worth < Rs.25 crores

- The listed entity which has listed its specified securities on the SME Exchange.
- Listed entities which are body corporate or are subject to regulations under other statutes.
- Regulation 17 shall not be applicable during the insolvency resolution process period in respect of a listed entity which is undergoing corporate insolvency resolution process under the Insolvency Code.
- Regulations 18, 19, 20 and 21 shall not be applicable during the insolvency resolution process period in respect of a listed entity which is undergoing corporate insolvency resolution process under the Insolvency Code.

Shubham Sukhcheha (CA, CS, LLM) EQUITY (MAIN BOARD)

Regulation 28: In-Principle approval of the Recognized Stock Exchange(s)

- Listed-recognized stock exchange-have national wide terminals-from all stock exchanges.
- Not listed on any recognised stock exchange -having nation wide terminals--from all the stock exchange where securities are proposed to be listed
- Listed-rse- having national wide terminals and not have nation wide terminals-from all recognised stock exchange(s) having nationwide trading terminals.
- N.A. Securities issued pursuant to the scheme of arrangement where NOC has been obtained.

Regulation 29: Prior intimation of Board Meeting to stock exchange

- At least 5 clear Days- financial results
- At least 2 clear Working Days-buyback,voluntary delisting,fund raising and shareholder approval for further fund raising,declaration/recommendation of dividend/interest, declaration of bonus securities
- At least 11 Working Days before- alteration of any of its securities/rights/privileges

Regulation 30: Disclosure of Events or Information

- Disclosures of any material events or information
- schedule III Part A are -material and Part B where materiality can be applied.
- events are to be disclosed promptly,not later than 24 hours,disclosed within 30 minutes.

Regulation 30 (4) Criteria for determination of materiality of events/ information:

- omission-result in discontinuity or alteration ofevent or information already available publicly, significant market reaction
- if in the opinion of the Board of Directors the event / information is considered material

Regulation 30 (5): Authorization by Board of Directors

- to one or more Key Managerial Personnel (KMP) for the purpose of determining materiality
- for making disclosures
- contact details shall be disclosed to the stock exchange and website
- The listed entity shall disclose on its website all such events or information which has been disclosed for a minimum period of five years
- provide specific and adequate reply queries raised by stock exchange(s)

Regulation31 : Holding of specified securities and Shareholding Pattern

- Submit to SEBI statement showing holding of securities and shareholding pattern separately for each class of securities
- shareholding of promoter(s) and promoter group is in dematerialized form continuously.
- compliance with circulars or directions issued by SEBI
- Separate disclosure of Aal entities falling under promoter and promoter group



### Regulation 31A: Conditions for re-classification of any person as promoter / public

- Re-classification of the status of any person shall be permitted by the stock exchanges only on receipt of an application.
- In case of entities listed on more than one stock exchange, the concerned stock exchanges shall jointly decide on the application.

### Regulation 31A (3)

- Conditions for reclassification- Make application to stock exchanges in 30 days of shareholder's approval
- Application for re-classification to the stock exchanges-
- The promoter(s) seeking re-classification and persons related to the promoter(s) seeking reclassification shall not: hold more than 10% of the total voting rights, control affairs of the listed entity, have any special rights, etc
- The listed entity shall be compliant, not trade suspended shares, not have any outstanding dues.

### Regulation 31A (4)

- Re-classification conditions for promoters- he shall continue to comply with conditions prescribed
- For a period of not less than three years from the date of such re-classification failing which, he shall automatically be reclassified as promoter/ persons belonging to promoter group, as applicable.

### Regulation 31A (5)

- Re-classification shall be required to make an open offer in accordance with the provisions of SEBI (substantial acquisition of shares takeovers) regulations, 2011.

### Regulation 31A (6)

- In case of transmission, succession, inheritance and gift of shares shall be classified as a promoter-
- Immediately on such event
- In case of re-classification it may do so subject to compliance with conditions.
- In case of death of a promoter/person, such person shall automatically cease to be included as a promoter/person.

### Regulation 31A (7)

- A listed entity shall be considered as 'listed entity with no promoters'
- Due to re-classification or otherwise, the entity does not have any promoter.

### Regulation 31A (8)-material events to be disclosed in 24 hrs

- Receipt of request for re-classification
- Minutes of the board meeting
- Submission of application to stock exchange
- Decision of the stock exchanges

### Re-classification under insolvency code

- The provisions of sub-regulation 3, 4 and clauses (a) and (b) of sub-regulation 8-NOT APPLICABLE- if resolution plan is approved under section 31 of the insolvency code

### Regulation 32: statement of deviation(s) or variation(s):

- Quarterly statement(s) of public issue, rights issue, preferential issue etc indicating deviations & variations in
- Use of proceeds from the objects stated
- Projected utilisation of funds and the actual utilisation of funds
- Funds raised through preferential allotment or qualified institutions placement,
- Disclose utilization of such funds during that year in its annual report till complete utilisation.

### Regulation 33: financial results

- Prepared on accrual accounting policy with uniform accounting practices
- Quarterly and year to date results shall be as per AS 25/ ind AS 34 – interim financial reporting.
- Standalone and consolidated financial results shall be as per generally accepted accounting principles in India
- Ensure that auditor has undergone peer review process of institute of chartered accountants of India and holds a valid certificate.
- Disclosure as specified in part A of schedule IV.

### Regulation 33: Financial Results (contd.)

- Approval and authentication-by the board of directors, submitted to the stock exchange
- submit quarterly and year-to-date standalone financial results- IN forty-five of each quarter
- Audit- unaudited financial results- have limited review by the statutory auditors, PSU- limited review by practicing CA
- audited financial results- accompanied by the audit report.
- submission of annual audited standalone financial results in sixty days from the end of the financial year
- Submit statement of assets and liabilities, cash flows as at the end of the half-year
- ensure that-at least eighty percent of quarterly consolidated financial results
- The formats applicable to the financial results and Statement on Impact of Audit Qualifications shall be as specified by SEBI.

### Regulation 34: Annual Report

- Submit to stock exchange & publish on website-Annual Report, revised copy of annual report (if any)
- Annual Report shall contain: audited financial statements, incl consolidated FS, cash flow statement, directors report, management discussion and analysis report, Any other disclosures specified in Companies Act, 2013

### Regulation 35: Annual Information Memorandum

- to be submitted to Stock Exchanges in the manner specified by
- the SEBI

### Regulation 36: Documents and information to Holders

- Soft copies of full annual reports
- Hard copy of statement containing the salient features, copies of full annual reports
- Annual report to be sent to shareholders Not less than 21 days before the AGM
- Provide adequate information for appointment of a new director or re-appointment of a director
- disclosure made by the listed companies shall be in XBRL format, enable user to find relevant information easily through a searching tool

### Regulation 37: Draft Scheme of Arrangement & Scheme of Arrangement

- To file the draft scheme of arrangement: Proposed by an authority, under applicable sections, with the stock exchange(s) for NOC
- Not to file any scheme of arrangement unless it has obtained observation letter or No-objection letter from the stock exchange(s) and the place it before the authority.
- validity of the letter- 6 months.
- Comply with requirement specified by SEBI.
- Not applicable to Insolvency plan u/s. 31 of IBC

### Regulation 38: Minimum Public Shareholding

- Comply with minimum public shareholding requirements. – Specified in Rule 19(2) and Rule 19A of the Securities Contracts (Regulation) Rules, 1957.

### Regulation 39: Issuance of Certificates or Receipts/Letters/Advice s for securities and dealing with unclaimed securities

- In respect of Letter/Advices of Allotment, Acceptance or Rights, transfers, renewal, any other purpose
- To issue certificates or receipts or advices, as applicable within a period of thirty days from the date of lodgment of requirement.
- Inform loss of share certificates and issue of the duplicate certificates, to the stock exchange within two days of its getting information.
- Comply with procedural requirements specified in Schedule VI of the Listing Regulations pertaining to issue of securities by itself or delegate it to a share transfer agent.

### Regulation 40 : Transfer or transmission or transposition of securities

- Comply with provisions of securities laws, Companies Act, 2013, this regulation for effecting transfer of securities
- Request for transferring processed only if securities are in Demat form. exception- transmission and transposition.
- Delegation of power by board to committee or to compliance officer or to the registrar to an issue and/or share transfer agent(s)
- Attend to such formalities fortnightly & shall report on transfer of securities to the board of directors in each meeting.
- Certificate of transfer/Objection/intimation given after proper documentation within 15 days of request.
- Transmission requests processing- securities held in dematerialized mode and physical mode within seven days and twenty one days respectively
- Maintain proper records of- correspondence with investor, prohibitory orders
- No transfer in case of objection from parties or order of any authority.
- comply with all procedural requirements as specified in Schedule VII
- In case of any claim, difference or dispute- referred to and decided by arbitration as provided in the bye-laws and/or regulations of the stock exchange(s).
- share transfer agent and/or the in-house share transfer facility to produce a certificate from a practicing CS that certificates have been issued in 30 days from lodgment & filed with SE
- Also applicable to deletion of name, transmission of securities, transposition of securities

### Regulation 41: Other provisions relating to securities

- Not to exercise a lien on its fully paid shares & for partly paid shares not to exercise any lien except in respect of moneys called or payable at a fixed time
- any amount to be paid in advance of calls shall not in respect thereof confer a right to dividend or to participate in profits.
- No issue shall confer on any person, superior rights as to voting or dividend.
- Not to select any of its listed securities for redemption otherwise than on pro-rata basis or by lot.



#### Regulation 42: Record Date or Date of closure of transfer books

- Atleast 7 working days' notice for record date or date of closure of transfer books for declaration of dividend, issue of right or bonus shares, such other purposes
- Before five working days Recommend or declare all dividend and/or cash bonuses
- Ensure the time gap of at least 30 days between two record dates/book closures.
- For securities held in physical form, may, announce dates of closure of its transfer books in place of record date.

#### Regulation 43: Dividends

- For securities held in physical form, may, announce dates of closure of its transfer books in place of record date.
- Not forfeit unclaimed dividends
- on per share basis

#### Regulation 43A: Dividend Distribution Policy

- For top 500 Listed entities
- disclosed in annual reports and on websites.
- The entity shall declare dividend on the basis of set parameters, in case of addition to these parameters it shall state the rationale for the same.

#### Regulation 44: Meetings of shareholders and voting

- Shall provide the facility of remote e-voting facility to shareholders
- Compliance with Companies (Management and Administration) Rule 2014.
- Submit to the stock exchange within 48 hours details regarding the voting results
- Send proxy forms
- The top 100 listed entities by market capitalization to hold their annual general meetings within a period of five months from the date of closing of the financial year & provide one-way live webcast of the same.

#### Regulation 45: Change in Name of the Listed Entity

- Listed Entity is allowed to change its Name when 01 year has elapsed from the last Name change, 50% of the Total Revenue in the preceding 01 year is from the new name, amount invested in the new activity/project is at least 50% of the Assets
- If any listed entity has changed its activities which are not reflected in its name, it shall change its name in compliance w/Companies Act, 2013
- Check availability before filing w/ROC
- Seek approval from Stock Exchange (SE).
- Chartered Accountant (CA) will certify compliance with conditions

#### Regulation 46: Website

- Maintain a functional website containing the basic information
- Disseminate the following information
- details of its business, appointment of independent directors, composition of committees, code of conduct, establishment of vigil mechanism/ Whistle Blower policy, policy on dealing with related party transactions & determining 'material' subsidiaries.
- details of familiarization programmes imparted to independent directors
- email address for grievance redressal with contact information of the designated officials
- financial information
- shareholding pattern
- details of agreements entered into
- Details of analyst or institutional investor meet and presentations
- new name and the old name of the listed entity
- all credit ratings
- notice of meeting of the board of directors, financial results, statements of deviation(s) or variation(s) on quarterly basis, after review by audit committee, notices given to shareholders
- separate audited financial statements of each subsidiary uploaded at least 21 days prior to the date of the annual general meeting
- Ensure the contents of the website are correct
- Update changes in 2 days

#### Regulation 47: Advertisements in Newspapers

Publish the following information

- notice of meeting of the board of directors where results shall be discussed
- financial results
- submit both standalone and consolidated financial results
- statements of deviation(s) or variation(s) on quarterly basis, after review by audit committee
- notices given to shareholders by advertisement
- Reference to link of the website of listed entity and stock exchange(s).
- Publish the information in the newspaper simultaneously
- Financial results shall be published **within 48 hours of conclusion** of the meeting of board
- The information shall be published in
  - at least one English language national daily newspaper circulating in the whole or substantially the whole of India and
  - in one daily newspaper published in the language of the region, where the registered office of the listed entity is situated.

#### Regulation 48: Accounting Standards

Comply with all the applicable and notified Accounting Standards from time to time.



"Small and medium enterprises" or "SME" shall mean an entity which has issued specified securities in accordance with the provisions of Chapter IX of the SEBI(ICDR) Regulations, 2018.



"SME exchange" means a trading platform of a recognised stock exchange having nationwide trading terminals permitted by SEBI to list the specified securities issued in accordance with Chapter IX of SEBI (ICDR) Regulations, 2018 and includes a stock exchange granted recognition for this purpose but does not include the Main Board.

- Regulation 31: Statement of holding of securities and shareholding pattern**
- Submit to the stock exchange(s) a statement showing holding of securities and shareholding pattern
  - On a half yearly basis within twenty one days from the end of each half year.

### Regulation 32: statement of deviation(s) or variation(s)

- Submit the statement of deviation and variations as prescribed under this regulation on a half yearly basis

- Regulation 33: Financial results**
- Submit financial results to the stock exchange within forty-five days of end of each half year.
  - The requirement of submitting 'year-to-date' financial results shall not be applicable

- Regulation 34: Business Responsibility Report**
- All the provisions applicable to an entity listed on main board will be applicable
  - EXCEPT- inclusion of the business responsibility reports on a voluntary basis in the format as specified by SEBI.

### NON-CONVERTIBLE DEBT SECURITIES OR NON-CONVERTIBLE REDEEMABLE PREFERENCE SHARES

The following provisions of SEBI Listing Regulations, 2015 shall apply only to

- ✚ a listed entity which has listed its 'Non-Convertible Debt Securities' ('NCDs') or 'Non-Convertible Redeemable Preference Shares' ('NCRPs') on a recognised stock exchange
- ✚ to "perpetual debt instrument" and "perpetual non-cumulative preference share" listed by banks

### Regulation 50: Intimation to stock exchange(s)

- **Prior intimation**
  - ❓ At least 7 working days before the date on and from which interest and/or redemption amount shall be payable
- **Intimation-** to the stock exchange(s), of its intention to raise funds; prior to the meeting of board of directors wherein the proposal to raise funds through new NCDs or NCRPs shall be considered
- Intimation to be given **at least 2 working days in advance**,

### Regulation 51: Disclosure of information

- ❖ To promptly inform the stock exchange(s) of all information having bearing on
  - performance/operation of the listed entity
  - price sensitive information
  - action affecting payment of interest or dividend of non-convertible preference shares
  - redemption
- ❖ The listed entity who has issued or is issuing NCDs and/or NCRPs shall make disclosures as specified in these regulations.

**Regulation 52: Financial Results**

- ❖ To prepare and submit un-audited or audited financial results on a half yearly basis within forty five days from the end of the half year
- ❖ Un-audited financial results shall be accompanied by limited review report prepared by the statutory auditors of the listed entity or in case of public sector undertakings, by any practising Chartered Accountant
- ❖ No need of un-audited financial results, if listed entity intimates in advance to the stock exchange(s) that it shall submit annual audited results within sixty days from the end of the financial year
- ❖ Half-yearly results shall be taken on record by the board of directors and signed by the managing director / executive director.
- ❖ Modified opinion(s) in audit reports that have a bearing on the interest payment/ dividend shall be appropriately and adequately addressed by the board of directors while publishing the accounts for the said period.
- ❖ The annual audited financial results shall be submitted along with the annual audit report and Statement on Impact of Audit Qualifications.
- ❖ Half yearly / annual financial results, shall disclose- credit rating, asset cover available, debt-equity ratio, Previous and next due date of payment of interest/ dividend/principal, earnings per share, net profit after tax, net worth,etc
- ❖ This regulation shall not be applicable in case of unsecured debt instruments issued by regulated financial sector entities
- ❖ Listed entity shall submit to stock exchange(s), a certificate signed by debenture trustee verifying the contents
- ❖ Additional disclosures as notes to financials
  - Profit for the half year and cumulative profit for the year
  - Free reserve as on the end of half year
  - Securities premium account balance
  - Track record of dividend payment on NCRPS
  - Breach of any covenants
- ❖ Disclose any fresh issuance of shares whose end use is servicing of the NCRPS
- ❖ Submit to the stock exchange a statement indicating material deviations, if any, in the use of proceeds of issue
- ❖ Publish the financial results and statement in at least one English national daily newspaper circulating in the whole or substantially the whole of India in 2 calendar days.

**Regulation 53: Annual Report**

- ❖ disclosures as specified in Companies Act, 2013 along with the following
  - Audited Financial Statements
  - Cash Flow statement presented
  - Auditors and Directors Report
  - The name of the debenture trustees
  - Related Party Disclosures

**Regulation 54: Asset Cover****For NCDs**

- ❖ Maintain hundred 100% asset cover sufficient to discharge the principal
- ❖ To disclose to the stock exchange in quarterly, half-yearly, year-to-date and annual financial statements

**Non-applicability**

- ❖ To unsecured debt securities issued by regulated financial sector entities

**Regulation 58: Documents and information to holders of non - convertible debt securities and non-convertible preference shares**

- ❖ Soft copies of full annual reports to all the holders of NCRPS
- ❖ Hard copy of statement containing the salient features of all the documents, as specified in Section 136 of Companies Act, 2013
- ❖ Hard copies of full annual reports to those holders of NCDs and NCRPS
- ❖ Half yearly communication, to holders of NCDs and NCRPS
- ❖ To send the notice of all meetings of holders of NCDS and NCRPs specifically stating that the provisions for appointment of proxy as mentioned in Section 105 of the Companies Act, 2013
- ❖ To send proxy forms to holders of NCDs and NCRPs

### Regulation 55: Credit Rating

Each rating obtained by the listed entity with respect to NCDs shall be reviewed at least once a year by a credit rating agency registered by SEBI.

### Regulation 56: Documents and Intimation to Debenture Trustees

- ❖ A copy of the annual report with a copy of certificate from the listed entity's auditors in respect of utilisation of funds
- ❖ A copy of all notices, resolutions and circulars.
- ❖ Intimations regarding revision in the rating, default in timely payment of interest or redemption, failure to create charge on the assets
- ❖ A half-yearly certificate regarding maintenance of 100% asset cover in respect of listed ncDs, by either a **practicing company secretary** or a practicing chartered accountant, along with the half yearly financial results
- ❖ N.A.to listed entity is a bank or non-banking financial companies registered with Reserve Bank of India or where bonds are secured by a Government guarantee.
- ❖ Any such information sought and provide access to relevant books of accounts as required by the debenture trustee

### Regulation 57 :Other Submissions to stock exchange

- ❖ Submit a certificate within two days of the interest or principal or both becoming due.
- ❖ Undertaking on annual basis stating that all documents and intimations required to be submitted to Debenture Trustees in terms of Trust Deed and SEBI (Issue and Listing of Debt Securities) Regulations, 2008 have been complied with.
- ❖ Any other information in the manner and format as specified by SEBI from time to time

### Regulation 59: Structure of NCDs and NCRPs

- ❖ No material modification without prior approval of the stock exchange(s) relating to
  - Structure of the debenture
  - Structure of the non-convertible redeemable preference shares
- ❖ The approval of the stock exchange shall be made only after
  - Approval of the board of directors and the debenture trustee
  - After complying with the provisions of Companies Act, 2013
  - Consent of requisite majority of holders of that class of securities.

### Regulation 60: Record Date

- ❖ For purposes of payment of interest, dividend and payment of redemption or repayment
- ❖ Give advance notice of at least seven working days to the recognised stock exchange

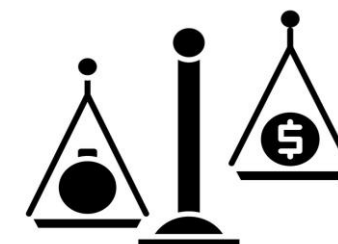
### Regulation 61: Terms of NCDs and NCRPs

- ❖ To ensure timely payment of interest or dividend
- ❖ Not to declare or distribute any dividend wherein it has defaulted in payment of interest on debt securities or redemption thereof or in creation of security as per the terms of the issue of debt securities.
- ❖ N.A. to unsecured debt securities issued by regulated financial sector
- ❖ unclaimed interest/dividend shall be transferred to the 'Investor Education and Protection Fund'
- ❖ listed entity shall not select any of its listed securities for redemption otherwise than pro rata basis or by lot
- ❖ Comply with regulation 40 & Schedule VII.

### Regulation 62: Website

Maintain a functional website containing

- Details of its business
- Financial information
- Contact information of the designated officials of the listed entity who are responsible for assisting and handling investor grievances
- Name of the debenture trustees
- The information, report, notices, call letters, circulars, proceedings, etc concerning ncrops or ncDs;
- Default by issuer to pay interest on or redemption amount, failure to create a charge on the assets, revision of rating assigned to the ncDs
- To issue a press release
- To ensure that the contents of the website are correct and updated at any given point of time





## RECOGNITION TO COMPANY SECRETARY UNDER THE SEBI LISTING REGULATIONS 2015

Shubham Sukhlecha (CA, CS, LLM)

### Regulation 6

- appointment of a qualified company secretary as the compliance officer.

### Regulation 7 (3)

- submit a compliance certificate to the exchange
- signed by both the compliance officer and the authorised representative of the share transfer agent
- that all activities in relation to both physical and electronic share transfer facility are maintained either in house or by Registrar to an issue and share transfer agent registered with SEBI

### Regulation 16 (1) (d)

- “Senior Management” shall comprise all members of management one level below Chief Executive Officer/ Managing Director/
- It shall specifically include Company Secretary and Chief Financial Officer.

### Regulation 24A

- every listed entity and its material unlisted subsidiaries incorporated in India shall undertake Secretarial Audit
- a Secretarial Audit Report, given by a Company Secretary in Practice, shall be annexed to annual report

### Regulation 40 (9)

- share transfer agent and/ or the in-house share transfer facility,,produces a certificate from a practising CS within one month of end of each half of the financial year.
- certifying that all certificates have been issued within thirty days of the date of lodgement of request.

### Regulation 56 (1) (d)

- half-yearly certificate
- maintenance of hundred percent asset cover in respect of listed non-convertible debt securities issued by a PCS

### Schedule V, Clause E

- compliance certificate from either the auditors or practising Company Secretaries
- compliance of conditions of corporate governance to be annexed with the directors’ report.

### As per Schedule V, Part C, Clause 10 (i)

- certificate from a Company Secretary in practice
- none of the directors on the board of the company have been debarred or disqualified from being appointed or continuing as Directors by any authorities.





A company may choose to list its shares in a stock exchange of a country other than that in which the company is based.

Because of the benefits of being cross-border listed, more and more companies are getting themselves listed on stock exchange markets based outside of their home countries.

## BENEFITS



**Increased Market Liquidity-** Trading in numerous zones and multiple currencies increases the issuing company's liquidity and gives it more ability to raise capital.



**Market Segmentation-** It is the practice of dividing a large market into clear segments with similar needs for easy access.



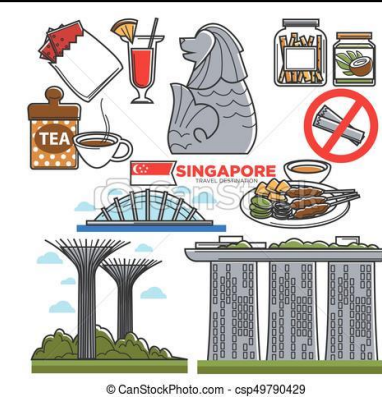
**Capital needs and growth opportunities-** Companies in emerging markets need to use international listing to raise capital to continue to grow beyond their home market.



**Wider shareholder base-** International listing provides access to a larger pool of potential investors which are less risky.



**Other Benefits-** Higher visibility/brand awareness, increased opportunities for mergers and acquisitions, entering markets with better investment protection reduces costs and creates bonding



## SINGAPORE EXCHANGE LIMITED (SGX)

### Asia's key risk management centre

Singapore is one of the few Asian countries with an "AAA" rating.

### LISTING PROCESS

**Mainboard Listing Process:** caters to the needs of established enterprises.

Mainboard-listed companies

- Enjoy the prestige of an established market place and
- Access to the widest range of institutional and retail investors.

**Catalist Listing Process:** caters to the needs of fast-growing enterprises.

Companies seeking a primary listing on the Catalist must be brought to list by authorised Sponsors via an initial public offering (IPO) and reverse take-over.

### ABOUT MAINBOARD

1. Singapore operates a predominantly disclosure-based regime for capital markets.
2. A cornerstone of the regime is to require listed issuers to make timely disclosure of all material information to the marketplace.
3. SGX's regulatory team reviews listing applications to ensure that issuers meet the minimum requirements prescribed.
4. SGX's regulatory team relies on due diligence carried out by issue managers and their representations to determine the applicants' suitability to list.

### ABOUT CATALIST

1. Catalist companies are directly supervised by their sponsors. Sponsors are qualified professional companies experienced in corporate finance and compliance advisory work.
2. SGX continues to regulate issuers through its rules for admission and continuing obligation. It also retains the power to discipline them when there is a rule breach.

		How to get listed on SGX mainboard
1	Meet With Accredited Issue Managers	<ul style="list-style-type: none"> <li>To share the company's plans and learn how to get listed.</li> <li>Only an accredited Issue Manager can make submissions for Mainboard listings</li> </ul>
2	Appoint An Accredited Issue Manager	The Issue Manager will manage the listing application for the company, And also recommend appointment of other professionals required.
3	Assessment Period	To decide on a suitable structure and method of offering of the company's securities.
4	Stage 1: Submission Of Section (A) Of The Listing Admissions Pack	<p>The Issue Manager will proceed to submit Section (A) of the Listing Admissions Pack, which includes information of company and sets out the key issues for SGX's assessment on whether these issues have been adequately resolved.</p> <p>applications may be referred to the Listings Advisory Committee (LAC) if SGX is of the view that there are issues which meet the LAC referral criteria</p> <p>Upon completion of SGX's review of the matters in Section (A)</p> <p>SGX will inform the Issue Manager whether it can proceed to Stage 2 of the application</p>
5	Stage 2: Submission of Section (B) Of The Listing Admissions Pack	<p>Issue Manager can submit Section (B) of the Listing Admissions Pack, together with the full listing application. SGX will respond within 4 weeks.</p> <p>the four-week timeline may not apply if there are new key issues identified which (i) have not been adequately resolved or (ii) adequately resolved but meet the LAC referral criteria.</p>
6	Approval	Once the submission is approved, SGX will issue an ETL letter, which is valid for three months.
7	Lodgement Of Documents & Public Exposure	<p>Lodge the preliminary prospectus on MAS' website, the Offers and Prospectuses Electronic Repository and Access (OPERA), for public feedback for at least a week.</p> <p>Work with a public relations agency to prepare the investor relations campaign.</p> <p>discuss with Issue Manager on a suitable underwriting agreement</p> <p>Find other suitable institutional investors.</p>
8	Registration Of Documents & Launch Of Offer (IPO)	<p>Register the final prospectus on OPERA, pending public feedback or changes and approval from MAS.</p> <p>The offer period commences thereafter and applications to subscribe for the company's securities starts.</p>
9	Confirmation of Allotment & Trading Commences	Once the offer period closes, allocation of the subscriptions will commence and the company's securities will be allotted and credited to successful investors.

1	Meet with Authorised Full Sponsors	To share the company's plans and learn how to get listed. Only an authorised Full Sponsor can make notifications for Catalist listings
2	Appoint an Authorised Full Sponsor	manage the listing application for the company, including appointment of other professionals required.
3	Assessment period	The Full Sponsor will guide in preparing the listing application for the company.
4	Pre-Clearance Consultation	<p>Companies and Full Sponsors use of pre-clearance consultation for guidance on the listing process, regulatory framework and corporate governance best practices.</p> <p>During the pre-clearance consultation, the Full Sponsor can present major issues and possible solutions to SGX.</p>
5	Submission of the pre-admission notification	Once received clearance from SGX for the pre-clearance consultation, an issuer can submit the preadmission notification to apply for a listing.
6	Lodgement of documents & public exposure	A company can lodge the preliminary offer document on, Catalodge, for public exposure for at least 14 days.
7	Registration of documents & launch of offer (IPO)	<p>The company can register the final offer document on Catalodge, after receiving public feedback and SGX will issue a registration notice.</p> <p>The offer period commences thereafter and applications to subscribe for the company's securities starts.</p>
8	Confirmation of allotment & trading commences	<p>Once the offer period closes, allocation of the subscriptions will commence and the company's securities will be allotted and credited to successful investors.</p> <p>Welcome Ceremony is held.</p>





## NASDAQ

NASDAQ began primarily as a U.S.-based equities exchange.

There are three distinct markets within NASDAQ: the NASDAQ Global Market (NGM), the newly created NASDAQ Global Select Market (NGSM) and the NASDAQ Capital Market (NCM).

The **NGSM** mandates the highest initial listing requirements of any market in the world, while its maintenance requirements are identical to those of the NGM.

The NASDAQ Global Select Market has the highest initial listing standards of any exchange in the world. It is a mark of achievement and stature for qualified companies.

The **NGM**, in turn, has more stringent quantitative listing and maintenance requirements than does the NCM.

The NASDAQ Global Market lists companies with an overall global leadership and international reach with their products or services.

### CAPITAL MARKET (NCM)

NASDAQ Capital Markets are focused on its core purpose for those companies listed -- capital raising.

DRs are typically held in US dollars and issued by a depository bank.

Several forms of DRs can be listed and traded in London, including Global Depositary Receipts (GDRs) and American Depositary Receipts (ADRs).

Admitting DRs to the PSM involves a **two-step, simultaneous process**.

- 1) A company submits its 'Listing Particulars' to the UKLA,
- 2) Also applies to the Exchange for admission of its DRs to trading on the PSM.

**Trading platform:** All DRs admitted to the PSM are traded on the International Order Book (IOB), the world's leading electronic order book for DRs.



# Shubham Sukhlecha (CA, CS, LLM)

## London Stock Exchange

The London Stock Exchange is one of the world's most international capital markets, home to approximately 2,200 companies from more than 70 countries around the world.

London has become synonymous with 'intelligent regulation' and is recognised globally for its flexible, principles-based approach to regulating its capital markets.

LSE is divided is – Main market, PSM, AIM

**MAIN MARKET-** Main Market represents a badge of quality for every company admitted and traded on it and an aspiration for many companies worldwide. It is an EU Regulated Market.

**Premium:** Part of the FCA's Official List, this segment is home to some of the world's largest corporations that are subject to the highest standards of regulation and governance.

- **Standard:** Subject to EU minimum standards and part of the Official List, open to shares and debt securities.

**Specialist Fund Segment:** Designed for highly specialised investment entities that wish to target institutional, highly knowledgeable investors or professionally advised investors only.

- **High Growth Segment:** Specifically designed for equity securities of high growth, revenue generating businesses that are over time seeking to become Premium listed companies.

**AIM-** AIM is the London Stock Exchange's international market for smaller growing companies. A wide range of businesses including early stage, venture capital backed as well as more established companies join AIM seeking access to growth capital.

The Nominated Adviser (Nomad), broker and other advisers play a central role in a company's admission to AIM.

In choosing its advisers, a company will want to ensure that they:

- understand its business
- have appropriate experience in the sector
- share the company's vision for the future.

Role of NOMAD

- undertake extensive due diligence to ensure a company is suitable for AIM
- provide guidance throughout the flotation process
- prepare the company for being on a public market
- help prepare the AIM admission document
- confirm appropriateness of the company to the Exchange
- act as the primary regulator throughout a company's time on AIM.'

**PSM-1)** The Professional Securities Market is an innovative, specialised market designed to suit the specific needs of issuers. 2) It facilitates the raising of capital through the issue of specialist debt securities or depositary receipts (DRs) to professional investors.

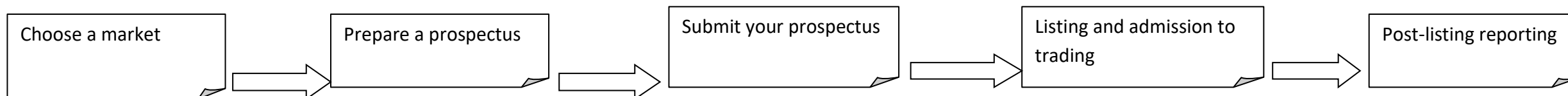
3) Professional Securities Market enables issuers to enjoy the benefits of a flexible and pragmatic approach to regulatory requirements.

4) Issuers of debt or DRs are not required to report historical financial information to IFRS or an equivalent standard, either in listing documents or as a continuing obligation. Instead, issuers can use their domestic accounting standards.

The Luxembourg Stock Exchange is well known for its independent and international listing expertise. Listing in Luxembourg is both relatively straightforward and flexible. There are three main phases in the process:

- The pre-application and file submission phase.
- The application phase.
- The approval phase.

Listing with the Luxembourg Stock Exchange is a 5-step process:



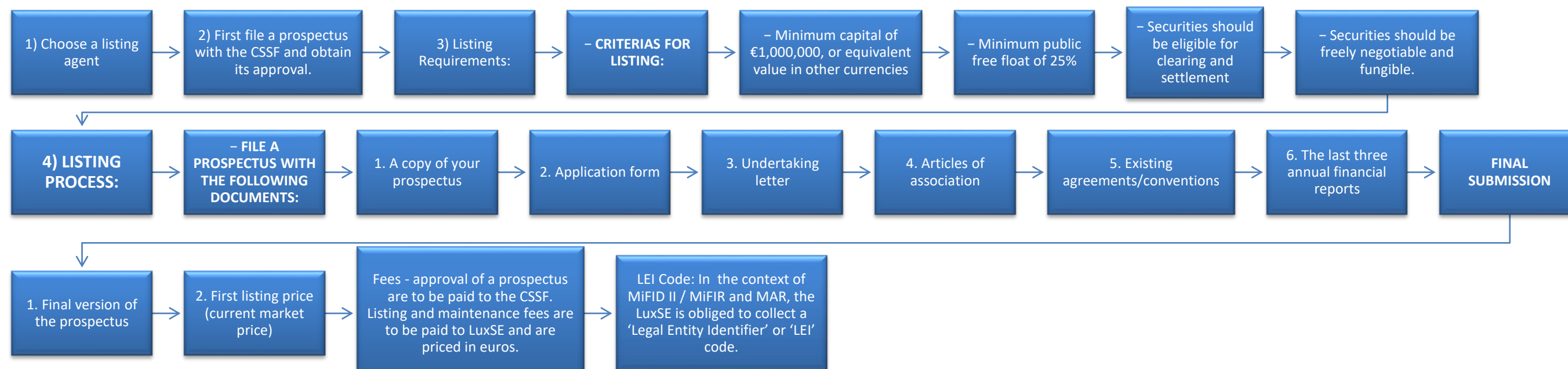
BdL EU regulated Market	Euro MTF market Exchange Regulated Market
CSSF, Luxembourg's supervisory authority, is in charge of prospectus approval.	Luxembourg Stock Exchange is in charge of prospectus approval.
Entry for issuers is subject to the Prospectus and Transparency Obligation Directives.	Outside the scope of the Prospectus and Transparency Obligation Directives .
Issuers subject to International Financial Reporting Standards (IFRS), or an equivalent, for non-EU issuers.	Other accounting standards, such as Generally Accepted Accounting Principles (GAAP), are accepted.  Financial reporting is in line with IFRS.
Eligible for a European passport.	No European passport provided.

SAME AS BdL EU regulated market, except

1) Prospectus review: A first set of comments on a complete draft prospectus will be sent to you within a maximum period of three business days from the date of receipt of the filed application.

Additional comments following submission of an updated draft prospectus will be provided within a maximum of two business days after submission.

Fees: All fees are to be paid to LuxSE and are priced in euros. The fee structure will vary depending on whether or not you are a "recently established company", i.e. a company that has not published or registered annual accounts for the three previous financial years.



## US SECURITIES AND EXCHANGE COMMISSION

AS the primary overseer and regulator of the U.S. securities markets, the mission of the U.S. Securities and Exchange Commission is to protect investors, maintain fair, orderly, and efficient markets, and facilitate capital formation.

Basic Concept of SEC- all investors, whether large institutions or private individuals, should have access to certain basic facts about an investment prior to buying it, and so long as they hold it.

### ROLE-

- SEC requires public companies to disclose meaningful financial and other information to the public.
- The SEC oversees the key participants in the securities world, including securities exchanges, securities brokers and dealers, investment advisors, and mutual funds.

The laws that govern the Securities Industry in US:

- Securities Act of 1933
- Securities Exchange Act of 1934
- Trust Indenture Act of 1939
- Investment Company Act of 1940
- Investment Advisers Act of 1940
- Sarbanes-Oxley Act of 2002
- Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010
- Jumpstart Our Business Startups Act of 2012
- Rules and Regulations

### Securities Exchange Act of 1934

1. The Act empowers the SEC with broad authority over all aspects of the securities industry.
2. This includes the power to register, regulate, and oversee brokerage firms, transfer agents, and clearing agencies as well as the nation's securities self-regulatory organizations (SROs).
3. The Act also identifies and prohibits certain types of conduct in the markets and provides the Commission with disciplinary powers over regulated entities and persons associated with them.
4. The Act also empowers the SEC to require periodic reporting of information by companies with publicly traded securities.







PREPARING A COMPANY FOR IPO

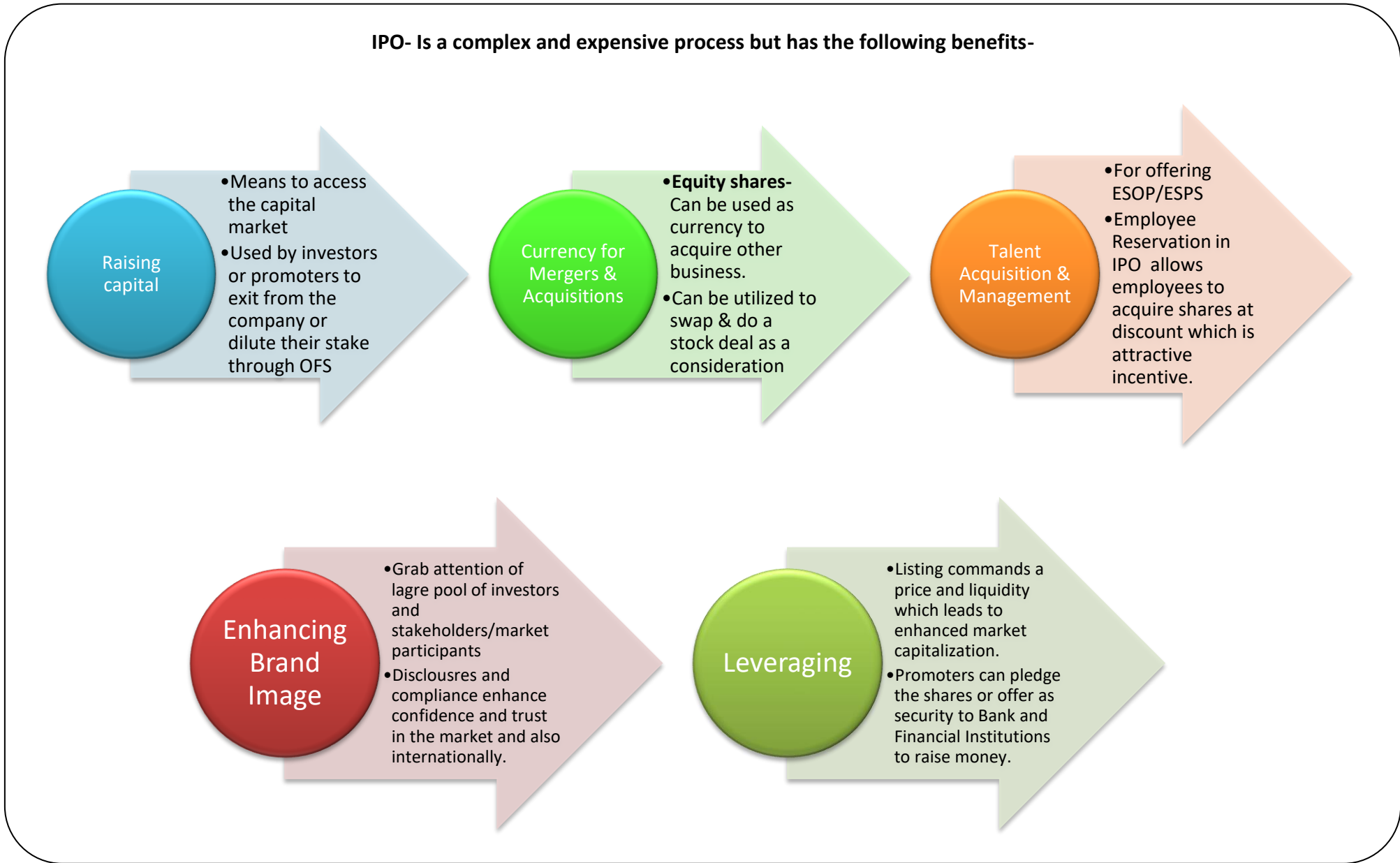
IPO is a complex process and every company must be aware of the regulatory requirements to avoid hurdles during the process of IPO.

**REGULATORY ASPECTS INCLUDE -**

- Eligibility of SEBI and Stock Exchanges i.e. BSE and NSE
- Requirements under the Companies Act
- Due Diligence requirements
- Securities Contract Regulations Act (SCRA)
- Securities Contract Regulation Rules (SCRR)
- SEBI (ICDR) Regulations 2018
- SEBI (Listing Obligations & Disclosure Requirements) Regulations 2015
- SEBI (Prohibition of Insider Trading) Regulations, 2015.

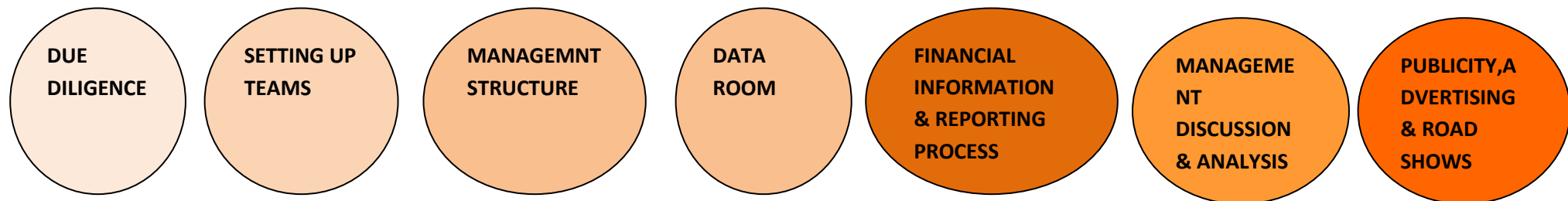
**COMPLIANCE ASPECTS-**

- Litigations, disputes, show cause notices etc. of whatsoever nature.
- Filing of various form/returns with Registrar of Companies (ROC), Ministry of Corporate Affairs (MCA) in the past
- Compliance with requirements of factory license & other approvals
- Compliance with requirements of Provident Fund rules
- Gratuity rules & other Labour laws
- Filing of Tax Returns and its up-to-date status



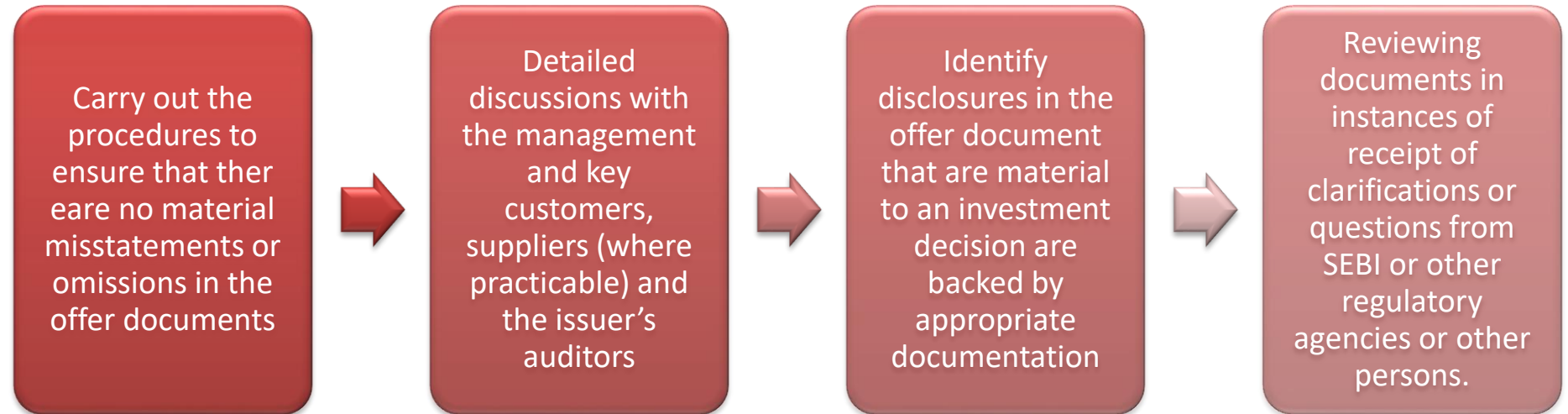
**ADVISORY AND LEGAL ASPECTS-**

- While preparing an offer document, due diligence is required to be conducted by the Merchant Bankers who are assisted by Legal Advisors.
- Legal advisors conduct independent search & review from their resources and also from their access to the database of various legal authorities such as Civil Courts, High Courts etc. and also important websites such as 'Watch out investors', 'CIBIL' etc.
- Detailed information of all the aspects shall be made available to the Merchant Bankers and Legal Advisors.



**ROLE OF MERCHANT BANKERS-**

- To exercise due diligence, ensure proper care and exercise independent professional judgment.
- Ensure that adequate disclosures in a timely manner
- To maintain records and documents pertaining to due diligence exercised in pre-issue and post-issue matters.
- SEBI ICDR regulations, 2018 require due diligence certificate to be issued by the merchant banker.
- The objective of due diligence is to collect information about the issuer company that helps the merchant banker draft as well as assess disclosures that are made in the offer document.
- The risk in failure in conducting due diligence is -regulatory action and reputational risk with the investors & Issuers.

**Due Diligence by Merchant Banker - Procedure****SETTING UP OF RELEVANT TEAMS**

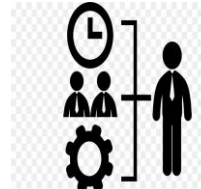
IPO is a complex process and requires input from various functionaries within the Company.

These include- Finance & Account, Secretarial Department, Marketing set up, Production & Manufacturing set up and the Administrative set up.

There is a practice of setting up of transaction team from the end of Issuer Company, Merchant Banker and Legal Advisors which comprises of **two layers generally**.

- ❖ One team to address routine queries regarding documents/compliances
- ❖ Other at policy and decision making level where all the important decisions are to be taken based on the critical inputs from the senior teams

The other teams work on assembling the same and putting it in a required manner in the offer document.

**MANAGEMENT STRUCTURE**

- 1) Companies need to have a proper Board structure comprising of optimum mix of non-executive and executive Directors as well as independent & non independent Directors
- 2) If required invite outside professionals on the Board to follow the required Regulations
- 3) Seek professionals from Banking & Finance, Legal Profession, Accounts & Taxation background & lastly persons with relevant industry experience.
- 4) Regulatory committees such as Audit Committee etc also need a composition of people from experience in relevant areas.
- 5) Better managed Companies command better valuation in the listed space.

**FINANCIAL INFORMATION & REPORTING PROCESS**

- 1) Incorporate 3 years historical financial information in the offer document.
- 2) Companies shall also prepare for segment reporting and identify disclosure requirements with applicable accounting standards Indian Gaap/Ind AS.
- 3) In case the IPO is required to be marketed in overseas-
  - Present financials in “Pro forma Financial Information” format and
  - Obtain ‘Legal Wrap’ from the overseas auditors and certifications from overseas Legal Advisors.
- 4) Management will have to also assess existing IT systems, financial reporting system & management information system in advance to
  - identify weaknesses in the reporting systems
  - manage the improvement in the same ahead of the IPO.



## INDUSTRY DATA

- 1) The offer document comprises of an important Chapter on 'Industry Information' to enable the Regulators and investors to get a fair idea about the segment.
- 2) It is observed that reproducing information from publicly available websites, reports etc. also sometimes need permissions from appropriate entities.
- 3) Industry data to be included in the offer document can also be obtained tailor-made from Rating/Research Agencies such as CARE, CRISIL, ICRA, A C Nielsen etc.



## MANAGEMENT DISCUSSION & ANALYSIS

- 1) A listed company has to include the important information about the Company's business, its progress and future opportunities it may have.
- 2) Companies should consciously prepare Annual Report & Balance sheets to include the relevant information for the benefits of investors and also to make it neat and attractive.
- 3) Include comparative analysis of key financial information of the Company for past 3 years.
- 4) In the offer document management can include and discuss about existing business as well as prospective business.



## PUBLICITY & ADVERTISING

- 1) Obtain consent of large list of clients, vendors, suppliers & other stakeholders etc to include their names in the offer document.
- 2) After filing adhere to the code of advertisement & publicity .
- 3) No public information with respect to IPO shall contain any offer of incentives to the investors directly or indirectly.
- 4) No Advertisement shall have any reference to the performance of Issuer during the period from Board Resolution approving IPO till allotment in the IPO.



## ROAD SHOWS

- 1) Management needs to prepare for proposed Road shows and Investor Meets in advance.
- 2) They undergo training for the representatives of the Company about their conduct & behavior during these road shows.
- 3) Prepare 'Corporate Film' which includes brief about the Company
- 4) Prepare short and concise 'Press Note' about the Company and its IPO is required to be released for publications.
- 5) A 'Press Conference' to give information to the press for publication in their papers/newspapers for dissemination of information to the investors.
- 6) 'Brokers, Investors/Analysts Meet' aims at giving detailed information to the market participants about the Company
- 7) Organize 'site/plant visit' for the market participants enabling them to take a view of manufacturing facilities and other administrative set up of the Company.



## MATERIAL CONTRACTS & DOCUMENTS

- 1) Compliance with SEBI rules and regulations and Company Law provision.
- 2) The offer document to disclose contracts which are or may be deemed material & are not in its ordinary course of business.
- 3) The copies of material contracts and documents for inspection are required to be delivered to ROC
- 4) They are required to be made available for inspection at registered office of the Company from draft offer document stage till the closure of the IPO.
- 5) MATERIAL CONTRACTS TO ISSUE  
AGREEMENT OF THE COMPANY WITH
  - ✓ Merchant Banker and Selling Shareholders
  - ✓ Registrar to the Issue
  - ✓ Merchant Banker & other Underwriters (if any).
  - ✓ For Market Making-Lead Managers and the Market Maker to the Issue
  - ✓ Merchant Banker & Syndicate Members.
  - ✓ CDSL and the Registrar to the Issue
  - ✓ NSDL and the Registrar to the Issue.

### 1) CERTIFICATES

- ✓ Certificate of Incorporation
- ✓ Certified copies of the updated Memorandum of Association and Articles of Association
- ✓ Certificate of commencement of business.
- ✓ Due Diligence certificate to SEBI from the Merchant Banker.

### 2) COPIES

- ✓ Copies of the Board and shareholders resolutions authorizing the Issue.
- ✓ Copies of annual reports of Company for the past three (3) Financial Years.

### 3) REPORTS

- ✓ Report of the Statutory Auditors/Peer Review Auditor on Company's Restated Financial Statements and
- ✓ Report of the Peer Review Auditor on Company's Restated Financial Statements (Consolidated) for past 3 financial years and stub period not older than 6 months from the date of filing & opening of IPO.

### 4) OTHERS

- ✓ Statement of Tax Benefits from Chartered Accountants.
- ✓ Consents of Statutory authorities
- ✓ In-principle approval from the Stock Exchanges for listing of the securities.
- ✓ Observation Letter issued by the SE BI



## APPRAISING THE BOARD AND OTHER FUNCTIONS IN THE ORGANISATION REGARDING THE POST IPO/LISTING GOVERNANCE CHANGES

### Board Procedure After Listing

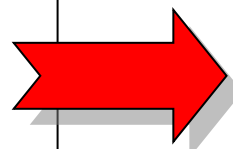
- 1) Notice of every proposed Board meeting which is likely to consider any decision which is considered as “price sensitive”, must be given in advance.
- 2) Intimate the outcome to stock exchanges within 30 minutes of conclusion of the Board Meeting.
- 3) Every listed Company must have a qualified Company Secretary holding a certificate from ICSI who besides being Key Managerial Personnel is also a designated ‘Compliance Officer’.

### Compliance Requirements

- SEBI (Listing Obligation & Disclosure Requirements) Regulations 2015 (Listing Regulations)
- SEBI (SAST) Regulations 2011 (Takeover Regulations)
- SEBI (Prohibition of Insider Trading) Regulations 2015 (Insider Trading Regulations)

## DISCLOSURE REGARDING USAGE OF FUNDS RAISED IN IPO

- 1) The information related to the utilization of the IPO proceeds must be included in the Quarterly Limited Review Statement.
- 2) In case Companies wish to utilize the funds for other objects not mentioned in the offer document, this can only be done by
  - obtaining assent of the shareholders
  - special resolution through postal ballot
  - in accordance with Section 13(8) and section 27 of the Companies Act 2013 & applicable rules.
- 3) The promoters shall provide an exit opportunity to the shareholders in such manner as prescribed by SEBI.



# Shubham Sukhicha (CA, CS, LLM)

## OTHER COMPLIANCES

### Board Composition

- Board structure should be in compliance with corporate governance
- Any appointment & resignation of Board of Directors shall be promptly informed.

### Independent Directors

- Satisfy the ‘condition of independence’ as mentioned in SEBI (LODR) Regulations while appointment.
- All the ID shall be given the appointment letter and same shall be made publicly available.

### Code of Conduct

- BOD need to follow set code of conduct along with SEBI (Prohibition of Insider Trading), Regulations
- Streamline internal procedures to ensure compliance.

### Board Appointed Committees

- Company shall form statutorily required committees in terms of the SEBI Listing Regulation.
- These are Audit Committee, Nomination & Remuneration Committee and Stakeholders Relationship Committee.

### Auditors

- Statutory auditors of the listed Companies must be ‘Peer reviewed’.

### Corporate Social Responsibility (CSR)

- All the listed Companies which fall under the requirements prescribed for CSR applicability shall comply with CSR requirements.
- Form a CSR committee

### Company Website

Every website of a listed Company must contain statutory disclosures in terms of listing regulations which are enumerated as follows

#### Financial Information

- unaudited financial results for each quarter
- audited financial results for the financial year for past 3 years.
- Annual reports of the Company for past 3 financial years.

**Policies-** Listed Companies shall disclose certain management policies on the website

EG.

- Code of conduct for Board of Directors & Senior Management, in terms of Insider Trading Regulations
- Whistle Blower Policy
- Appointment letters to Independent Directors
- Risk Management Policy, Etc

### OTHER DISCLOSURES

- Unclaimed dividend Scrutinizers Report
- Compulsory transfer of shares to IEPF Suspense Account Board Committees Board Meeting notice

### INVESTOR GRIEVANCE REDRESSAL MECHANISM

- Constitute Shareholders Relationship Committee to look after grievances of any nature.
- Compulsorily register on SEBI Complaints Redressal System (SCORES) platform.



## CHAPTER 16 - DOCUMENTATION

Shubham Sukhlecha (CA, CS, LLM)

Documentation is an inevitable part of a business.

- From the perspective of businesses, every business needs a set of governing legal documents.
- From the perspective of a corporation, a certificate of incorporation, bylaws and often a shareholders' agreement.
- From the perspective of limited partnership or limited liability company, a formation certificate and either a partnership agreement or operating agreement.
- From the perspective of investors, they require various intimations and various disclosures from time to time about the company where they have invested.



<b>IPO/FPO Draft Prospectus/RHP clearance</b>	<b>Basis of Allotment</b>	<b>Checklist for listing of IPO</b>	
10 copies of the draft offer document.	Copy of Prospectus filed with the ROC, in track changes mode.	<b><i>Documents to be submitted on T+2 days</i></b>	Certification of Compliance with Regulation 17-27 of the SEBI (LODR), Regulations, 2015 relating to Corporate Governance.
Copy of board and shareholders resolution for issuing securities to public	Proceeding details / minutes of basis of allotment, verified and signed	All due diligence certificates	Copies of all statutory advertisements published till date
Copy of the letter vide which the draft Offer Document was filed with SEBI.	List of "technical rejection" cases	Observation Letter issued by SEBI	Initial Listing Fees, Annual Listing Fees
Latest date/period up to which the information has been incorporated in the draft offer document	Confirmation of withdrawal of applications received and considered in the basis.	List of authorized signatories along with their specimen signatures.	Certified true copy of the additional material contracts and documents which have not been submitted earlier with the Exchange including SEBI observation letter.
Company's relevant statement of bank accounts including promoter's contribution.	Statements giving details of the total collections with a breakup of ASBA fund received at the various participating bank branches.	Confirmation from Lead Managers that devolvement notices have been sent to underwriters	Confirmation from the Lead Manager and Issuer that the issue is in compliance with all requirements of Companies Act, 2013, SEBI (ICDR) Regulations 2018 and any other applicable law(s) without restraint from any regulatory authorities.
PAN,TAN, Bank Account Number, Passport Number of the Promoters.	Details of allotment to Qualified Institutional Buyers, Non-Institutional Bidders and Retail Bidders, Reserved category etc. duly signed by RTA, BRLM & Issuer.	Certificate from the BRLM(s) that the issue has received minimum subscription.	Soft copy of total securities issued by the Issuer along with list of allottees and their details.
Printed Balance Sheets, Profit & Loss Accounts and Cash Flow Statements for the preceding 5 years.	Final certificate of collection received, issued by the controlling branch of ASBA bankers.	Confirmation from the company regarding the email ID for Investor Grievances	Confirmation of authentication for SCORES from SEBI
A statement containing particulars of the dates of all the material contracts and agreements.	Undertakings from the company, lead managers and the registrars & transfer agents in respect of the basis of allotment.	Copies of all advertisements published upto T+1 stage.	Confirmation from RTA on the total quantum of non-syndicate member(NSM) commission payable.  Confirmation from the issuer on the transfer of the NSM commission amount to the Bank Account of the Exchange.
Name of the exchange which is proposed to be designated by the Company as the lead exchange.	Copy of the statutory advertisement	Confirmation of authentication for SCORES from SEBI	Undertaking from MD/ CS/ Compliance Officer of the company stating:  a) "We hereby confirm that the company or its promoters or whole time directors are not in violation of the provisions of Regulation 24 of the SEBI Delisting Regulations, 2009."  b) "We hereby confirm that the company, its promoters, its directors are not in violation of the restrictions imposed by SEBI"
Copy of Form 32/DIR 12 filed with the ROC for appointment of directors and company secretary.	Auditors certificate with regard to the promoters contribution.	<b><i>Documents to be submitted before T+3 days</i></b>	CIN,PAN,TAN & GSTIN of the Company And DIN & PAN of Promoters and Directors

# Shubhamm Sukhlecha (CA, CS, LLM)

Memorandum & Articles of Association of the Company.	Declaration that that there is no injunction / prohibition order	One Copy of final prospectus filed with ROC alongwith ROC filing acknowledgement copy.	<b>Documents to be submitted before T+5 days</b>
Confirmation from the Issuer Company	Confirmation that: – Only QIBs as mentioned under the definition in Regulation 2 (zd) of SEBI ICDR, regulation 2009 are proposed to be allotted equity shares under QIB category.  – No QIB has Bid and proposed to be allotted equity shares under non-QIB or retail category.	Certified true copy of the basis of allotment approved by the Designated Stock Exchange. Copy of Internal Minutes executed in between Lead Manager, Issuer and Registrar.	a) Certified true copy of the letter from Registrars and lead manager regarding allotment and submission and documents.
Corporate Governance compliance certificate from the statutory auditor/practicing chartered accountant	List of all prospective allottees.	<b>Documents to be submitted on T+4 days</b>	Confirmation from the depositories regarding the credit of beneficiary accounts of the security holders.
Complete details of any outstanding employee benefit schemes	If Approval from SEBI is sought for relaxation in PAN mismatch applications, then copy of SEBI approval letter as well as the true copy of request letter to SEBI, should be submitted.	Letter of listing application. • Listing Agreement as per SEBI (LODR), Regulations, 2015 duly executed on non-judicial stamp paper	Certificate from the Registrar reconciling the total securities allotted with the total securities credited, and securities that have failed to be credited.
Processing Fees		Certified true copy of the resolution passed by the Board of Directors for allotment of securities.	Basis of allotment advertisement.
Confirmation from BRLM(s) / Lead Manager(s) for compliance with Regulation 4(2) of SEBI(ICDR) Regulations, 2009		Certificate from statutory auditors/practicing chartered accountant/ practicing company secretary stating that:  a) Allotment is as per the basis of allotment approved by the Designated Stock Exchange.  b) The share certificates been enfaced with non-transferability condition, as per given format.  c) Allotment of shares to employees.	No Objection Certificate for release of 1% of issue amount
Confirmation from BRLM(s)/ Lead Manager(s) stating <b>“Neither the Issuer nor any of its Promoters/ Directors are appearing under the list of willful defaulter as defined under SEBI (ICDR) Regulations 2018”</b> .		If Pre-IPO shares are held in physical form/Dematerialized form, then <b>confirmation from RTA</b> to the issue that the Pre-IPO shares held in physical form/Demat are locked-in in their system.	
Undertaking from MD/ CS/ Compliance Officer of the company stating:  • <b>“We hereby confirm that the company or its promoters or whole time directors are not in violation of the provisions of Regulation 24 of the SEBI Delisting Regulations, 2009.”</b>  • <b>“We hereby confirm that the company, its promoters, its directors are not in violation of the restrictions imposed by SEBI under the relevant SEBI circular.</b>		Lock-in confirmation from depositories for pre-IPO equity shares held in dematerialized form with a certificate stating that the Securities are under lock-in confirming the date upto which they are under lock-in.	
		Shareholding pattern of company (pre issue, issue and post issue)  Details of Current Issue in the format showing category-wise Gross, Valid & Allotted applications & equity shares	



# Shubhamm Sukhlecha (CA, CS, LLM)

<b>RIGHTS ISSUE</b>				
<b>Pre Issue Formalities</b>	<b>Formalities before Issue Opening- Rights Issue</b>	<b>Post Issue Formalities-Submit in 10 days of closure.</b>	<b>Checklist of documents for listing of securities issued pursuant to the Rights issue</b>	<b>Formalities for obtaining Trading approval</b>
Certified true copy of the board resolution for issue of securities.	10 Copies of Final Letter of Offer along with Composite Application Form ("CAF").	Bid data of Exchanges other than the designated stock exchange.	Listing Application for all types of securities issued.	A certified true copy of the Certificate/Letter from Registrars to Issue confirming the date of completion of posting of Refund Orders and Share certificate/Debenture Certificates in Physical form
Certified true copy of the resolution passed by the Shareholders.	ASBA Fees	All rejections application along with Summary statement	Certified copy of board resolution for allotment of securities on Right Basis.	Confirmation from the depositories for crediting of securities to the beneficiary owner's account
Undertaking that entire issued capital of the Company is listed with the Stock Exchange and are fully paid up.	1% Security Deposit.	Certified copies of all Bank final certificates	A certified copy of Basis of Allotment as approved by Designated Stock Exchange should be filed.	Copies of Newspaper advertisement of Basis of Allotment.
Undertaking from the Compliance Officer of the issuer as per the prescribed format.	A request letter from Company/LM for activation of Right Renunciation Facility on the Stock Exchange	Minutes of Basis of allotment duly signed by all the Lead Manager, Registrar with allotment sheet for each category.	Auditors/Practicing CA/CS certificate that allotment has been done as per basis of allotment approved by the designated stock exchange.	
Certificate from all Lead Manager/Merchant Banker and Company w.r.t compliance with of SEBI (ICDR) Regulation, 2018		Round summary in case of over subscription, in hard as well as soft format.	The total number of securities allotted in the physical category and in Demat should be filed.	
10 Copies of Draft Letter of Offer along with a soft copy on CD.		Copy of post issue initial monitoring report filed with SEBI	An undertaking from the Managing Director/Compliance Officer certifying that all the documents filed by the Company with the exchange/SEBI/RBI/FIPB/registrar are identical.	
Processing fees.		Pre Allotment shareholding and Post proposed Allotment Shareholding pattern as per Regulation 31 of the SEBI	Undertaking from the Compliance Officer- <ul style="list-style-type: none"> <li>• "The company or its promoters or whole time directors are not in violation of the provisions of Regulation 24 of the SEBI Delisting Regulations, 2009".</li> <li>• "We hereby confirm that the company, its promoters, its directors are not in violation of the restrictions imposed by SEBI</li> </ul>	
		The calculation of ex right price by the Statutory Auditor/ Practicing company secretary/ Practicing Chartered Accountant, if not available in the offer document.	Annual Listing fees	

**BONUS ISSUE****PREFERENTIAL ISSUE****QUALIFIED INSTITUTIONAL PLACEMENT****DOCUMENTS REQUIRED**

Certified copy of board resolution approving the bonus issue.
Certified copy of the notice sent to the shareholders
Certified copy of the resolution passed by the shareholders
Articles of Association should grant powers to the Board of Directors to capitalize the profits.
Copy of the shareholders resolution for increase in authorized capital (if required)
Confirmation by the Managing Director/ Company Secretary.
Statement of total bonus entitlement as per the existing capital, bonus shares to be allotted and shares kept in abeyance, if any.
Processing fee.
Copy of the latest audited annual report.
Certified true copy of the amended copy of the Memorandum and Articles of Association of the Company/confirmation (in case there's no change)
Name & Designation of the Contact Person of the Company.
<b>Documents required for listing approval for Bonus equity shares issued by the Companies</b>
Letter of Application
Certified true copy of the Board resolution in which the equity shares were allotted.
Brief particular of the new securities issued.
Shareholding Pattern as per the format prescribed under Regulation 31
Certificate from Statutory Auditors / Practicing Chartered Accountant / Practicing Company Secretary to the effect that the SEBI (ICDR) Regulations, 2018 for bonus issue has been complied with.
Confirmation by the Managing Director/ Company Secretary.
Details of further listing /processing fee remitted

Pre-Issue Formalities	Post Issue Formalities
Certified copy of the board resolution for preferential issue.	Letter of Application duly completed
Printed copy of notice of AGM/EGM	Brief particular of the new securities issued .
Where allotment is-	Certified copy of the board resolution for allotment of equity shares along with depository confirmation
1) for consideration other than cash: a) Certified copy of valuation report shareholders agreement, approval letters from FIPB and RBI if applicable.	Certified copy of the board resolution for allotment of convertible instrument, applicable only where the allotment of equity shares is pursuant to conversion of convertible instrument
2) pursuant to CDR Scheme/ Order of High Court/ BIFR: a) Certified copy of relevant scheme/ order	Certified copy of shareholder's resolution <ul style="list-style-type: none"> <li>• approving the allotment on preferential basis</li> <li>• increasing the authorized capital wherever applicable.</li> </ul>
3) pursuant to conversion of loan of financial institutions: a) Certified copy of the Loan Agreement executed by the company.	Shareholding Pattern as per the format prescribed under Regulation 31 of the SEBI (LODR), Regulations, 2015
Brief particulars of the proposed preferential issue.	Certified copy of the compliance certificate and certificate for receipt of funds from the Statutory Auditor/PCA/PCS
In case the undertakings are already pledged undertaking/ confirmation from the banks/ financial institutions, company and allottee(s).	Certificate from the Managing Director/Company Secretary of the company.
Confirmation by the Managing Director/ Company Secretary.	Confirmation for authentication on SEBI for SCORES.
Certificate from Statutory Auditors/PCA/PCS.	Certified copy of the order passed by Hon'ble High Court/ BIFR/ Scheme approved by CDR
Non-refundable processing fees.	Details of Processing fee/ Additional listing fee, if applicable, to be paid on the enhanced capital.

Pre- Issue	Post- Issue
Covering letter should mention whether Company intends to give discount to the investors.	Letter of Application along with Distribution Schedule pre and post allotment.
Copy of intimation given to the Exchange about meeting of the Board of Directors in which fund raising by way of QIP issue is specifically mentioned.	Certified true copy of the Board resolution in which the securities were allotted.
Certified true copy of the board resolution approving the placement of securities with Qualified Institutional Buyers (QIBs)	List of allottees and the number of equity shares allotted- File with stock exchange
Copy of the notice sent to the shareholders of the company.	Detailed list of allottees who have been allotted more than 5% of the securities offered
Certified true copy of the shareholder's resolution.	Shareholding Pattern Form duly completed with relevant enclosures giving details <b>before</b> and <b>after</b> the issue.
Draft placement document containing <b>"the placement is meant only for QIBs on a private placement basis and is not an offer to the public or to any other class of investors."</b>	Additional listing fee, if applicable, to be paid on the enhanced capital.
Abridged shareholding pattern of the Company at the time of application for in-principle approval.	Confirmation by the Managing Director/ Company Secretary.
Net worth certificate from PCA/PCS based on the audited balance sheet of the previous financial year.	PCA/PCS Certificate confirming the floor price and receipt of funds against the placement if securities with QIBs.
Confirmation from the Merchant Banker that the proposed issue is being made in compliance with SEBI(ICDR) Regulations, 2018	Due diligence certificate from the Merchant Bankers and also Confirmation summary of bids received and details of allocations made to QIBs.
Confirmation by the Managing Director/ Company Secretary.	Certified true copy of the final Placement Document along with soft copy in pdf format.
Processing fee.	Detail terms and conditions of the NCDs/ securities which are convertible into or exchangeable with equity shares.
Undertaking from MD/ CS/ Compliance Officer of the company stating:  a) "We hereby confirm that the company or its promoters or whole time directors are not in violation of the provisions of Regulation 24 of the SEBI Delisting Regulations, 2009."  b) "We hereby confirm that the company, its promoters, its directors are not in violation of the restrictions imposed by SEBI"	Undertaking from MD/ CS/ Compliance Officer of the company stating:  a) "We hereby confirm that the company or its promoters or whole time directors are not in violation of the provisions of Regulation 24 of the SEBI Delisting Regulations, 2009."  b) "We hereby confirm that the company, its promoters, its directors are not in violation of the restrictions imposed by SEBI"

ESPS/ESOS/SARS/GEBS/RBS

Pre Issue Formalities	Post Issue Formalities
Certified copy of Stock Option/Stock Purchase Scheme/ Stock Appreciation Rights Scheme/ General Employee Benefits Scheme/ Retirement Benefit Schemes, certified by the Company Secretary.	Letter of application and listing application.
Certified copy of statement to be filed with the Stock Exchange.	Certified true copy of Notification for issue of shares as per the prescribed format.
Certified true copy of the notice of AGM/EGM for approving the Scheme/for amending the Scheme/for approving grants under SEBI regulation.	Applicable Additional Listing Fees.
Certified true copy of resolution passed by the shareholders of the Company approving/ amending the Scheme.	A certified copy of the board resolution in which the company has allotted these shares.
Certificate of Auditors/ Merchant Banker on compliance with SEBI Regulations, 2014.	Certificate from Company Secretary for receipt of money.
List of Promoters	
Details of employee (wherever applicable) a) Who have been granted options/issued shares in excess of <ul style="list-style-type: none"><li>5% of option/Shares issued in one year.</li><li>exceeding 1% of issued capital during any one year.</li></ul>	Certificate for receipt of money from the Statutory Auditors/Practicing Company Secretary/ Practicing Chartered Accountant specifically certifying that the company has received the application/allotment monies from the applicants of these shares.
Copy of latest Annual Report & Specimen copy of Share certificate	List of allottees & number of shares allotted.
Confirmation from the Company.	NSDL/CDSL credit and/or dispatch of physical certificate confirmation by the R & T agent.
Undertakings as required by, SEBI ESOS/ESPS Regulations.	Statement of the Compliance Officer/Company Secretary/ Authorised signatory showing details of allotment.
Reconciliation statement.	Undertaking from the Compliance Officer/ Managing Director/ Company Secretary.
Confirmation whether options lapsed / forfeited will re-issued or not.	
Certified true copy- <ul style="list-style-type: none"><li>irrevocable trust deed.</li><li>Disclosure document (applicable only for ESOS and SARS).</li></ul>	
Processing fees.	

GDRS/ADRS/FCCBS

Pre issue- Formalities	Listing approval for equity shares underlying GDRs/ ADRs/ or equity shares allotted upon conversion of FCCBs
Certified true copy of the board resolution approving the issue of the GDRs/ADRs/FCCBs.	Duly completed letter of Application
Copy of the notice sent to the shareholders of the company.	Brief particular of the new securities issued.
Certified true copy of shareholders resolution approving the issue of the GDRs/ADRs/FCCBs.	Certified true copy of the Board resolution in which the equity shares were allotted.
Draft offering circular for issue of the GDRs/ADRs/FCCBs.	List of allottees and the number of equity shares allotted.
Confirmation by the Managing Director and/or Company Secretary.	Details of GDRs/ADRs allotment & holders.
Processing fee.	Shareholding Pattern as per the prescribed format.
	Processing Fee & Additional Annual Listing Fee
	Confirmation by the Managing Director/ Company Secretary
	Certified true copy of letter issued by the overseas Stock Exchange granting listing/ trading permission.
	Auditor's Certificate confirming the floor price and receipt of funds against the said issue.
	A copy of the final offering circular.
	Detailed valuation report with related workings/calculations on the basis of which company proposes to acquire the foreign company.



LISTING ON SME PLATFORM

	SME IPO Checklist – In Principle Approval:
One Copy of final prospectus and acknowledgement copy filed with ROC .	10 copies of the draft offer document.
Authenticated proceeding details / minutes of basis of allotment, verified and signed by R & T Agent, BRLM and the Issuer	Undertaking from BRLM(s) / Lead Manager(s)- 1) all material disclosures which are true and adequate 2) Disclosures specified in the Companies Act 2013, Part A of Schedule VI of SEBI (ICDR) Regulations 2018.
Undertakings from the company, lead managers and the registrars & transfer agents in respect of the basis of allotment.	Copy of resolution 1) by the Board of Directors for issue of securities 2) shareholders resolution under 62(1)(c)
Category wise, summary of list of “technical rejection” cases.  Four copies of Calculation sheet of proposed basis of allotment of equity shares  Declaration that there is no injunction / prohibition order of a competent court of law on the issue or on a part of any particular category of the issue.	Confirmation from the Issuer <b>Company and BRLM (s)/ Lead Manager(s) regarding eligibility-</b> <b>1) Eligible issuer</b> under SEBI (ICDR) Regulations, 2018 <b>2) Compliance with regulations 228,229,230.</b> 3) compliance for listing on BSE SME Platform. 4) no restrictive clauses in the Articles of Association 5) provisions of the Memorandum and Articles of Association are not inconsistent with Listing agreement or any other applicable law
Statement of multiple application and status of its acceptance	all show cause notice(s)/order(s) issued by any regulatory authority
Statements giving details of the total collections with a breakup of ASBA fund received at the various participating bank branches	Details of Company Directors including their PAN number. & PAN and TAN number of Company.
Copy of the statutory advertisement released in respect of the public issue / offer for sale, opening and closing of the issue, price revision, if any etc. upto the stage of basis of allotment	Promoters- Individual- PAN , Bank Account Number Body Corporate- PAN , Bank Account Number ,Permanent Account Number, Company Registration Number or equivalent and the address of the ROC with which the promoter is registered.
Auditors certificate for Receipt of the minimum promoter's contribution and bifurcation of sources of promoter's contribution.	Balance Sheets, Profit & Loss Accounts and Cash Flow Statements for the preceding 5 years
Detailed List of all prospective allottees.	Copies of major orders/contracts/ received/ executed/ in-hand ready for inspection



## TRADING AND LISTING OF SME-IPO

### Documents to be submitted on T+2 days (i.e. within 2 working days from the closure of the issue)

1. All due diligence certificates.
2. List of authorized signatories along with their specimen signatures.
3. Confirmation of devolvement notices to underwriters.
4. The dividend entitlement for the current year for all the existing shares.
5. Confirmation from the company regarding the email ID for Investor Grievances
6. Copies of all advertisements published in connection with the issue upto T+2 stage.
7. Confirmation of authentication for SCORES from SEBI.

### Documents to be submitted on or before T+4 days

1. Clauses relating to Articles of Association.
  2. Letter of application
  3. Listing Agreement as per SEBI (LODR), Regulations, 2015 duly executed on non judicial stamp paper of Rs. 100/-
  4. Certified true copy of the board resolution for allotment of securities.
  5. Certificate from statutory auditors/practicing chartered accountant/ practicing company secretary stating that:
    - a) Allotment has been approved by Designated Stock Exchange.
    - b) The share certificates corresponding to equity Securities under lock in have been enfacd with non-transferability condition.
    - c) Allotment of shares from the employees' quota has been made to permanent/regular employees of the company and of the promoter companies.
- Confirmation from RTA that Pre-IPO shares held in physical form are locked-in in their system. Further, the RTA should confirm that as and when the physical certificates, if received for dematerialization will be locked in
7. Lock-in confirmation from depositories for pre-IPO equity shares.
  8. Certificate in case Securities issued in dematerialized form are under lock in.
  9. Shareholding pattern of company (pre issue, issue and post issue) in format with PAN. **Also provide post issue shareholding pattern without PAN details)**
  10. Copies of all advertisements published after till date
  11. Specimens of the allotment advice (CAN) marked cancelled
  12. Specimens of the allotment advice sent to Qualified Institutional Buyers (QIB)
  13. Details regarding compliance with the conditions of Corporate Governance as stipulated in Companies Act, 2013 and Regulation 17 to 27 of the SEBI (LODR) Regulations and Circulars issued by SEBI thereunder. ( IF APPLICABLE)
  14. Annual Fees.

### Documents to be submitted before T+3 days

1. Copy of Prospectus
2. Copy of the RoC filing acknowledgement of Prospectus.
3. Certified true copy of the additional material contracts and documents not submitted earlier with the Exchange.
4. Copy of Table showing region- wise collection of application money.
5. Certificate from the bankers to the issue regarding the collection of application money.
6. Copy of the basis of allotment..
7. Copy of the letter from Registrar addressed to Merchant bankers regarding the details they have verified with the depositories (NSDL/ CDSL).

### Documents to be submitted before T+5 days (i.e. within 5 working days from the closure of the issue)

1. Certified true copy of the letter from Registrars and lead manager regarding proper allotment.
2. Confirmation from the depositories regarding the credit of beneficiary accounts of the security holders.
3. Certificate from the Registrar reconciling the total securities allotted with the total securities credited, and securities that have failed to be credited.
4. Basis of allotment advertisement.



Confirmation from RTA and Merchant Bankers that:	Submit the following details of its listed group companies:
1) allotment of equity shares under QIB category as per SEBI ICDR, regulation 2018	a) Name of the Company:
2) No allotment under non-QIB or retail category. category	b) ISIN Number:
3) Allotment has been prepared in compliance with SEBI (ICDR) Regulations 2018	c) Name of the Exchange, where it is listed
	d) Scrip Code/Scrip Symbol
	e) If under suspension Reason for suspension.
	Earlier rejections by SEBI with reasons.
	One Time Listing Processing Fees.
	Due Diligence Certificate submitted to Stock Exchange.
	Copies of agreements and memoranda of understanding between the Company and its promoters/ directors.
	Copy of SEBI certificate for Merchant Banking Registration and SEBI scores registration.
	Confirmation to be submitted by the Statutory Auditors, Managing Director/Company Secretary on their letterhead for Compliance with Sec 42(6) of the Companies Act 2013
	Company's undertaking to inform the Exchange forthwith of any material development during the issue.
	Undertaking from MD/ CS/ Compliance Officer- <ol style="list-style-type: none"> <li>a) "We hereby confirm that the company or its promoters or whole time directors are not in violation of the provisions of Regulation 24 of the SEBI Delisting Regulations, 2009."</li> <li>b) "We hereby confirm that the company, its promoters, its directors are not in violation of the restrictions imposed by SEBI"</li> </ol>
	Contact Details: <ol style="list-style-type: none"> <li>a. From Company.</li> <li>b. From BRLMs.</li> </ol>

- Confirmation from the issuer for the following:
- Advertisements published have been submitted to the Exchange.
  - Compliance of common agency as specified by SEBI.
  - That all securities required to be under lock-in are subjected to lock-in, as mentioned in Offer Document for the issue.
17. Confirmation that the issue in compliance with all requirements of Companies Act, 2013, SEBI (ICDR) Regulations 2018 and any other applicable law(s), Rules and Regulations
- And no statutory authority has restrained the Company from issuing and listing of shares pursuant to present issue.
18. Soft copy of total securities issued by the Issuer.
19. Detailed List of all allottees.
20. Letter from all the merchant bankers involved in the issue specifying the following:
- i. Details of amendments/ changes made in DRHP (which were subsequently incorporated in RHP) and details of amendments/ changes made in RHP (which were subsequently incorporated in Prospectus).
  - ii. Kindly submit the same in track changes mode also.
21. Confirmation from the company stating that they have obtained authentication for SCORES from SEBI, not given at the time of T+2 .
22. Confirmation from RTA on the total quantum of NSM commission payable. The calculation format for determining the quantum of commission should be as per the aforesaid SEBI circular.
23. Confirmation from the issuer on the transfer of the NSM commission amount to the Bank Account of the Exchange.
24. Confirmation of effective date of listing and Symbol to be used for Scrip ID and BOLT.
25. Undertaking from MD/ CS/ Compliance Officer of the company stating:
- i. “We hereby confirm that the company or its promoters or whole time directors are not in violation of the provisions of Regulation 24 of the SEBI Delisting Regulations, 2009.”
  - ii. “We hereby confirm that the company, its promoters, its directors are not in violation of the restrictions imposed by SEBI.”
26. CIN,PAN,TAN & GSTIN of the Company and DIN & PAN of Promoters and Directors

# Shubham Sukhlecha (CA, CS, LLM)

Some Common documents checklist:

DOCUMENT	EVENT
Copy of board and shareholders resolution	IPO/FPO, Rights issue, Bonus issue, Preferential issue, QIP, ESPS/ESOP, SME- IPO
Details of promoters	IPO/FPO, IPO-SME
MOA & AOA	IPO/FPO, Bonus issue, SME-IPO
Certificate from auditor/CA/CS regarding compliance	IPO/FPO, Preferential issue, QIP, ESPS/ESOP
Undertaking by MD/CS/Compliance officer under relevant SEBI regulations	IPO/FPO, Rights Issue, QIP, ESOP/ESPS, SME-IPO
Processing fees	IPO/FPO, Rights issue, Bonus issue, Preferential Issue, QIP, ESOP/ESPS, SME-IPO
Details of allottees	IPO/FPO, QIP, ESOP/ESPS, SME-IPO
Due diligence certificate	IPO/FPO,QIP, SME-IPO
Share holding pattern	IPO/FPO, Rights issue, Bonus issue, Preferential Issue
Listing/Annual fees	IPO/FPO, ESOP/ESPS, SME-IPO
Confirmation by MD/CS	Bonus issue, Preferential issue, QIP, ESOP/ESPS, SME-IPO