

SEBI/CFD/DIL/DIP/38/2009/08/20
August 20, 2009

To all registered Merchant Bankers
To all registered Bankers to an Issue
To all registered Registrars to issues

Dear Sir/Madam,

Sub.: Amendment to SEBI (DIP) Guidelines, 2000 – Rights Issue Process/ Procedure.

1. In exercise of the powers conferred under Section 11 read with Section 11A of the Securities and Exchange Board of India Act, 1992, in order to simplify the rights issue process as well as to make it more efficient and effective, it has been decided to amend the SEBI (Disclosure and Investor Protection) Guidelines, 2000 (hereinafter referred to as “the SEBI (DIP) Guidelines”).

2. The full text of amendments is given in Annexure I and the brief of amendments are as under:

2.1 Rationalisation of rights issue disclosure requirements:

2.1.1 Rights issues are further issuances of capital made by listed entities to existing shareholders. These shareholders are generally in possession of basic information about the issuer company and are generally updated on major developments in the company on a continuous basis.

2.1.2 In order to encourage listed companies to look at rights issues as a viable form of capital raising by reducing the overall cost of such issuances and also to make the process of such issues faster, it has been decided to rationalise the disclosure requirements for rights issues.

2.2 Applications Supported by Blocked Amount (ASBA) in rights issues:

2.2.1 SEBI, vide circular dated September 25, 2008, had enabled the facility of applying in rights issue through ASBA on a pilot basis.

2.2.2 It has now been decided to make ASBA applicable to all rights issues. ASBA will co-exist with the current process, wherein cheque/demand draft is used as a mode of payment. Since the web enabled interface of stock exchanges is now operational for the purpose of acceptance of the rights issue applications, self certified syndicate banks shall upload the application data in to the aforesaid interface of stock exchanges.

- 2.2.3 All applicants who desire to apply through ASBA should hold shares of the issuer company in a depository account.
- 2.2.4 The applicants shall indicate either in (i) in Part A of the composite application form of rights issue or (ii) in the plain paper application, as to whether they desire to avail of the ASBA option.
- 2.2.5 The ASBA process, from the time of submission of application by the applicants till transfer of shares in the depository account of the investors, as specified for book built public issues, shall be followed in the case of rights issues also. The role and responsibilities of self certified syndicate banks, stock exchanges, registrars and merchant bankers, as enumerated in the ASBA process for book built public issues, shall be applicable mutatis mutandis.
- 2.3 Utilisation of issue proceeds after finalization of the basis of allotment in the issue:**
- 2.3.1 Clause 8.19 of the SEBI (DIP) Guidelines provides that in a rights issue, the issuer may utilise the issue proceeds collected after satisfying the designated stock exchange that minimum 90% subscription is received. In a public issue, in terms of section 73 of the Companies Act, 1956, the issuer company can access the issue proceeds only after allotment and listing is completed.
- 2.3.2 SEBI has reduced the time period taken for finalization of basis of allotment in the rights issues to 15 days from the earlier period of 42 days from the date of closure of the issue. In view of this, it has been decided to amend clause 8.19 of the SEBI (DIP) Guidelines to provide that the issuer company can utilize the issue proceeds only after the basis of allotment is finalized.
- 2.4 Applicability:**
- 2.4.1 This circular shall be applicable as follows:
- a. Amendments in Annexure-1 pertaining to rationalised disclosures for Rights Issues shall be applicable for all rights issues where draft letters of offer are filed with SEBI on or after the date of this circular;
 - b. All other amendments in Annexure-1 shall be applicable to:
 - i. all rights issues where draft letters of offer are filed with SEBI on or after the date of this circular;
 - ii. all rights issues where draft letters of offer have been filed with SEBI but no observations has been issued on them by SEBI; and
 - iii. all rights issues where SEBI has issued observations but where the letter of offer is yet to be filed with the designated stock exchanges.
3. All registered merchant bankers are advised to ensure compliance with this circular including the amendments contained in Annexure I of this circular.

4. This circular and the entire text of the SEBI (DIP) Guidelines, including the amendments contained in Annexure I of this circular, are available on SEBI website at www.sebi.gov.in under the categories “Legal Framework” and “Issues and Listing”.

Yours faithfully,

Parag Basu

Amendments to SEBI (DIP) Guidelines, 2000

CHAPTER I

PRELIMINARY

1. For clause 1.2.1 (iii-b), the following clause shall be substituted, namely:-
“(iii-b) “ASBA Investor” means an investor who intends to apply through ASBA process and
 - (A) in case of public issue:
 - (a) is a “Resident Retail Individual Investor”;
 - (b) is bidding at cut-off, with single option as to the number of shares bid for;
 - (c) is applying through blocking of funds in a bank account with the SCSB;
 - (d) has agreed not to revise his/her bid;
 - (e) is not bidding under any of the reserved categories.
 - (B) in case of rights issue , an applicant, who;
 - (a) holds the shares of the issuer in dematerialized form as on record date and has applied for entitlements and /or additional shares in dematerialized form;
 - (b) has not renounced his/ her entitlements in full or in part;
 - (c) is not a renouncee;
 - (d) is applying through a bank account maintained with SCSBs.”

CHAPTER V

PRE-ISSUE OBLIGATIONS

3. In clause 5.2.1, after the words “in all book built public issues” and before the words “provided in all” the words “and rights issues, whichever is applicable,” shall be inserted.
4. Clause 5.3.3.2 (ia) shall be substituted as:-
“Where the second proviso to clause 6.3, or clause 6.39 are applicable, certify that the issuer company is complying with conditions (a) and (b) laid down in 2nd proviso to clause 6.3 or with conditions (a), (b) and (c) laid down in clause 6.39, as the case may be;”
5. In clause 5.7.2, after the words “abridged letter of offer” and before the words “are dispatched”, the words “along with composite application form” shall be inserted;

6. For clause 5.11.4, the following clause shall be substituted, namely:-
“5.11.4 The advertisement shall also contain a format to enable the shareholders to make the application on a plain paper containing necessary particulars like name, address, ratio of right issue, issue price, number of shares held, ledger folio numbers, Depository Participant ID, Client ID number of shares entitled and applied for, additional shares if any, amount to be paid along with application, particulars of cheque, etc. to be drawn in favour of the company Account - Rights issues.”
7. for clause 5.11.6, the following clause shall be substituted, namely:-
“5.11.6 The advertisement may also invite attention of the shareholders to the fact that the shareholders making the applications otherwise than on the composite application form shall not be entitled to renounce their rights and shall not utilise the composite application form for any purpose including renunciation even if it is received subsequently.”
8. for clause 5.11.7, the following clause shall be substituted, namely:-
“5.11.7 If the shareholder makes an application in more than one mode i.e. both in the Composite Application Form and on plain paper, he may face the risk of rejection of both the applications.”

CHAPTER VI

CONTENTS OF OFFER DOCUMENT

9. Section III of Chapter VI of the Guidelines shall be substituted as under:-

“SECTION III – CONTENTS OF THE LETTER OF OFFER

- 6.39 A listed issuer company making a rights issue shall make disclosures, as specified in clause 6.42, in the letter of offer, if it satisfies the following conditions:
- (a) the issuer company has been filing periodic reports, statements and information in compliance with the listing agreement for the last three years immediately preceding the date of filing of the letter of offer with the designated stock exchange, in case of a fast track issue and in any other case, the date of filing of the draft letter of offer with the Board;
 - (b) the reports, statements and information referred to in sub-clause (a) above are available on the website of any recognised stock exchange with nationwide trading terminals or on a common e-filing platform specified by the Board;

- (c) the issuer company has investor grievance-handling mechanism which includes meeting of the Shareholders' or Investors' Grievance Committee at frequent intervals, appropriate delegation of power by the board of directors of the issuer company as regards share transfer and clearly laid down systems and procedures for timely and satisfactory redressal of investor grievances.

6.40 If the listed issuer company does not satisfy the conditions specified in clause 6.39, it shall make disclosures in the letter of offer as specified in Section I and as specified in sub-clauses (d), (e) and (f) of clause 6.42.16.2 of this Section.

6.41 Irrespective of whether the conditions specified in clause 6.39 are satisfied or not, the following listed issuer companies shall make disclosures, as specified in Section I, in the letter of offer:

(a) A listed issuer company whose management has undergone change pursuant to acquisition of control in accordance with the provisions of Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997;

(b) An issuer company whose securities have been listed consequent to relaxation granted by the Board under sub-rule (7) of rule 19 of the Securities Contracts (Regulation) Rules, 1957 for listing of its securities pursuant to a scheme sanctioned by a High Court under sections 391 to 394 of the Companies Act, 1956.

6.42 A listed issuer company referred to in clause 6.39 shall make the following disclosures in the letter of offer, as far as possible, in the order in which the disclosures are specified in this clause.

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| 6.42.1 | Cover Pages |
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| 6.42.1.1 | The cover page paper shall be of adequate thickness (preferably minimum hundred gcm. quality). |
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| 6.42.1.2 | Front Cover Pages |
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| (a) | The front outside and inside cover pages of the letter of offer shall be white and no patterns or pictures shall be printed on these pages. |
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| (b) | The front outside cover page of the letter of offer shall contain only the following details: |
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| a. | The words "Letter of Offer". |
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| b. | The name of the issuer company, its logo, address of its registered office, its telephone number, fax number, contact person, website address and e-mail address. |
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| c. | The nature, number, price and amount of the instruments offered and issue size, as may be applicable. |
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| d. | The following clause on general risk : |
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"Investment in equity and equity related securities involve a degree of risk and investors should not invest any funds in this offer unless they can afford to take the risk of losing their investment. Investors are advised to read the risk factors carefully before taking an investment decision in this offering. For taking an investment decision, investors must rely on their own examination of the issuer company and the offer including the risks involved. The securities being offered in the issue have not been recommended or approved by Securities and Exchange Board of India (SEBI) nor does SEBI guarantee the accuracy or adequacy of this document."

Specific attention of investors shall be invited to the statement of "Risk factors" given on page number(s) under the section "General Risks".

- e. The following clause on 'Issuer's Absolute Responsibility' shall be incorporated in a box format:

"The issuer company, having made all reasonable inquiries, accepts responsibility for and confirms that this letter of offer contains all information with regard to the issuer company and the issue, which is material in the context of the issue, that the information contained in the letter of offer is true and correct in all material aspects and is not misleading in any material respect, that the opinions and intentions expressed herein are honestly held and that there are no other facts, the omission of which make this document as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect."
- f. The names, logos and addresses of all the lead merchant bankers with their titles who have signed the due diligence certificate and filed the letter of offer with the Board, along with their telephone numbers, fax numbers, website addresses and e-mail addresses.
- g. The name, logo and address of the registrar to the issue, along with its telephone number, fax number, website address and e-mail address.
- h. Issue schedule:
 - a. Date of opening of the issue.
 - b. Date of closing of the issue.
 - c. Last date for request for split.
- i. The names of the recognised stock exchanges where the securities of the issuer company are listed and the details of in-principle approval for listing of the securities proposed to be offered in the rights issue.

6.42.1.3 **Back Cover Pages**

(c) The back inside cover page and back outside cover page shall be in white.

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| 6.42.2 | Table of Contents |
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| 6.42.2.1 | The table of contents shall appear immediately after the front inside cover page. |
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| 6.42.3 | Definitions and Abbreviations |
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- 6.42.3.1 Conventional or general terms.
- 6.42.3.2 Issue related terms.
- 6.42.3.3 Issuer company and industry related terms.
- 6.42.3.4 Abbreviations.

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| 6.42.4 | Risk Factors |
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- 6.42.4.1 The risk factors shall be printed in clear readable font (preferably of minimum point ten size).
- 6.42.4.2 The risk factors shall be in relation to the following:
 - (a) The issue and objects of the issue.
 - (d) The issuer company and its ongoing business activities.
 - (e) The material litigations which impact the business of the issuer company.
- 6.42.4.3 The risk factors shall be determined on the basis of their materiality. In determining the materiality of risk factors, the following shall be considered:
 - (a) Some events may not be material individually but may be found material collectively.
 - (b) Some risks may have an impact which is qualitative though not quantitative.
 - (c) Some risks may not be material at the time of making the disclosures in the letter of offer but may have a material impact in the future.
- 6.42.4.4 The risk factors shall appear in the letter of offer in the following manner:
 - (a) The risks envisaged by the management.
 - (b) The proposals, if any, to address the risks and the manner in which the same are proposed to be addressed.
- 6.42.4.5 The proposals to address risks shall not contain any speculative statement on the positive outcome to any litigation, etc.
- 6.42.4.6 The proposals to address risks shall not be given for any matter that is sub-judice before any Court or Tribunal.
- 6.42.4.7 The risk factors shall be disclosed in the descending order of materiality. Wherever risks about material impact are stated, the financial and other implications of the same shall be disclosed. If it cannot be quantified, a distinct statement about the fact that the implications cannot be quantified shall be made.

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| 6.42.5 | Prominent notes |
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- 6.42.5.1 This section shall contain notes which are required to be given prominence and shall also include the following:
- (a) The net worth before the issue (as per latest audited financial statement disclosed in the letter of offer) and issue size.
 - (b) The details of transactions by the issuer company with group or subsidiary companies during the last one year immediately preceding the date of filing the letter of offer with the designated stock exchange, in case of a fast track issue and in any other case, the date of filing draft letter of offer with the Board, the nature of transactions and the cumulative value of transactions.
 - (c) The details of all financing arrangements whereby the promoter group, the directors of the company which is a promoter of the issuer, the directors of the issuer and their relatives have financed the purchase by any other person of securities of the issuer company other than in the normal course of the business of the financing entity during the period of six months immediately preceding the date of filing the letter of offer with the designated stock exchange, in case of a fast track issue and in any other case, the date of filing draft letter of offer with the Board.

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| 6.42.6 | Introduction |
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| 6.42.6.1 | Summary |
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- (a) Issue details in brief.
- (b) Summary consolidated financial, operating and other data.

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| 6.42.6.2 | General Information |
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- (a) The name and address of the registered office and the registration number of the issuer company, along with the address of the Registrar of Companies where the issuer company is registered.
- (b) The names, addresses, telephone numbers, fax numbers and e-mail addresses of the Company Secretary and compliance officer of the issuer company.
- (c) The names, addresses, telephone numbers, fax numbers, contact person, website addresses and e-mail addresses of the bankers to the issue, Self Certified Syndicate Bankers and legal advisors to the issue.
- (d) The statement of inter-se allocation of responsibilities among lead merchant bankers, where more than one merchant banker is associated with the issue.
- (e) The following details of credit rating, in case of a rights issue of convertible debt instruments:
 - (i) The details of all the credit ratings including unaccepted rating obtained for the issue of convertible debt instruments.

- (ii) All credit ratings obtained during the three previous years before filing the letter of offer for any of its listed convertible debt instruments at the time of accessing the market through a convertible debt instrument.
- (f) The names, addresses, telephone numbers, fax numbers, website addresses and e-mail addresses of the trustees under debenture trust deed, in case of a rights issue of convertible debt instruments.
- (g) The name of the monitoring agency, if applicable.
- (h) The name, address, telephone number and e-mail address of the appraising entity, in case the project has been appraised.
- (i) The details of underwriting, if any:
 - (i) The names, address, telephone numbers, fax numbers and e-mail address of the underwriters and the amount underwritten by them.
 - (ii) A declaration by the board of directors of the issuer company that the underwriters have sufficient resources to discharge their respective obligations.
 - (iii) In case of partial underwriting of the issue, the extent of underwriting.
 - (iv) The details of final underwriting arrangement, indicating actual number of securities underwritten, in the letter of offer before it is filed with the designated stock exchange.
- (j) The principal terms of loan and assets charged as security.

6.42.6.3 **Capital Structure**

- (a) The authorised, issued and subscribed capital after suitable incorporation of the outstanding convertible securities (number of securities, description and aggregate nominal value).
- (b) Paid-up capital.
- (c) The following details of outstanding instruments:
 - (i) Details of options, if any.
 - (ii) Details of convertible securities, if any.
- (d) The details of securities held by promoter and promoter group including the details of lock-in, pledge of and encumbrance on such securities.
- (e) The details of shares acquired by promoters and promoter group in the last one year immediately prior to the date of filing of the draft letter of offer with the Board.
- (f) The intention and extent of participation by promoters and promoter group in the issue with respect to:

- (i) their rights entitlement.
 - (ii) the unsubscribed portion over and above their rights entitlement.
- (g) The shareholding pattern as per the latest filing with the recognised stock exchange(s).
- (h) The details of the shareholders holding more than one per cent. of the share capital of the issuer company.

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| 6.42.7 | Particulars of the Issue |
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6.42.7.1 Objects of the Issue

- (a) The objects of the issue shall be disclosed.
- (b) If one of the objects is investment in a joint venture or subsidiary or an acquisition, the following additional disclosures shall be made:
- (i) The details of the form of investment, i.e., equity, debt or any other instrument.
 - (ii) If the form of investment has not been decided, a statement to that effect.
 - (iii) If the investment is in debt instruments, complete details regarding the rate of interest, nature of security, terms of repayment, subordination, etc.
 - (iv) If the investment is in equity, whether any dividends are assured.
 - (v) The nature of benefit expected to accrue to the issuer company as a result of the investment.
- (c) If one of the objects of the issue is the grant of a loan to any entity, details of the loan agreements including the rate of interest, whether secured or unsecured, duration, nature of security, terms of repayment, subordination, etc. and the nature of benefit expected to accrue to the issuer company as a result of the investment. If such loan is to be granted to a subsidiary, group or associate company, details of the same.
- (d) If one of the objects of the issue is utilisation of the issue proceeds for long term working capital, the following additional disclosures shall be made:
- (i) Basis of estimation of working capital requirement, along with relevant assumptions.
 - (ii) Reasons for raising additional working capital, substantiating the same with relevant facts and figures.
 - (iii) Details of the projected working capital requirement including detailed assessment of working capital after implementation of the project or achievement of objects of the issue, as the case may be, capacity utilisation assumptions, break-up of expected current assets into raw materials, finished goods, work in progress, sundry debtors etc., along

with the assumption about the holding norms for each type of current asset, total current liabilities, net current assets and envisaged sources of finance for net current assets, i.e., bank finance, institutional finance, own funds, etc.

- (iv) The total envisaged working capital requirement in a tabular form, the margin money thereof and the portion to be financed by any bank(s) or otherwise.
- (v) A complete perspective on the present working capital position vis-à-vis the projected working capital position based on which the money is proposed to be raised in the public issue.
- (vi) Details of the existing working capital available with the issuer company, along with a break-up of total current assets into raw materials, finished goods, work in progress, sundry debtors, etc., total current liabilities, net current assets and sources of finance for net current assets, i.e., bank finance, institutional finance, own funds, etc.
- (vii) If no working capital is shown as part of the project for which issue is being made, the reasons therefor.

6.42.7.2 **Requirement of Funds**

- (a) The requirement for funds proposed to be raised through the issue.
- (b) Where the issuer company proposes to undertake more than one activity or project, such as diversification, modernisation, expansion, etc., the total project cost shall be given activity-wise or project wise, as the case may be.
- (c) Where the issuer company is implementing the project in a phased manner, the cost of each phase including the phase, if any, which has already been implemented, shall be separately given.
- (d) The details of all material existing or anticipated transactions in relation to the utilisation of the issue proceeds or project cost with promoters, directors, key management personnel, associates and group companies. The relevant documents shall be included in the list of material documents for inspection.
- (e) If object of the issue is to fund a project, the following details shall be given:
 - (i) Location of the project.
 - (ii) Plant and machinery, technology, process, etc.
 - (iii) Collaboration, performance guarantee if any, or assistance in marketing by the collaborators.

- (iv) Infrastructure facilities for raw materials and utilities like water, electricity, etc.
- (f) If the proceeds, or any part of the proceeds, of the issue of the shares or debentures are, or is, to be applied directly or indirectly:
 - (i) in the purchase of any business; or
 - (ii) in the purchase of an interest in any business and by reason of that purchase, or anything to be done in consequence thereof, or in connection therewith; the issuer company will become entitled to an interest as respects either the capital or profits and losses or both, in such business exceeding fifty percent, thereof;

a report made by accountants (who shall be named in the letter of offer) upon:

 - a. the profits or losses of the business of each of the five financial years immediately preceding the issue of the letter of offer; and
 - b. the assets and liabilities of the business at the last date to which the accounts of the business were made up, being a date not more than six months before the date of the issue of the letter of offer.
- (g) If:
 - (i) the proceeds, or any part of the proceeds, of the issue of the shares or debentures are or is to be applied directly or indirectly in any manner resulting in the acquisition by the issuer company of shares in any other body corporate; and
 - (iii) by reason of that acquisition or anything to be done in consequence thereof or in connection therewith, that body corporate will become a subsidiary of the issuer company;

a report made by accountants (who shall be named in the letter of offer) upon:

 - a. the profits or losses of the other body corporate for each of the five financial years immediately preceding the issue of the Letter of Offer; and
 - b. the assets and liabilities of the other body corporate at the last date to which its accounts were made up.
- (h) Strategic partners, if applicable, to the project / objects of the issue.
- (i) Financial partners, if applicable to the project / objects of the issue.

6.42.7.3 **Funding Plan (Means of Finance)**

- (a) An undertaking shall be given in the letter of offer by the issuer company confirming that firm arrangements of finance through verifiable means towards seventy five per cent. of the stated means of finance, excluding

the amount to be raised through proposed issue and existing identifiable internal accruals, have been made.

- (b) The balance portion of the means of finance for which no firm arrangement has been made shall be mentioned without specification.
- (c) The details of funds tied up and the avenues for deployment of excess proceeds, if any.

6.42.7.4 **Appraisal**

- (a) The scope and purpose of the appraisal, if any, along with the date of appraisal.
- (b) The cost of the project and means of finance as per the appraisal report.
- (c) Explanation regarding revision, if any, in the project cost and the means of finance after the date of issue of the appraisal report.
- (d) The weaknesses and threats, if any, given in the appraisal report, by way of risk factors.

6.42.7.5 **Schedule of Implementation**

- (a) The schedule of implementation of the project in a tabular form and the progress made so far, giving details of land acquisition, civil works, installation of plant and machinery, trial production, date of commercial production and reasons for delay, if any.

6.42.7.6 **Deployment of Funds**

- (a) The details of the sources of funds and the deployment of these funds on the project (where the issuer company is raising capital for a project), up to a date not earlier than two months from the date of filing the letter of offer with the designated stock exchange, as certified by a Chartered Accountant, along with the name of the chartered accountant and the date of the certificate.
- (b) Where share application money brought in advance by the promoters is deployed in the project and the same is being adjusted towards their rights entitlement in the rights issue, the extent of deployment and utilisation of the funds brought in by the promoters shall be disclosed.

6.42.7.7 **Sources of Financing of Funds Already Deployed**

- (a) Means and source of financing, including details of "bridge loan" or other financial arrangement, which may be repaid from the proceeds of the issue.

6.42.7.8 **Details of Balance Fund Deployment**

- (a) Year wise break up of the expenditure proposed to be incurred on the said project.

6.42.7.9 **Interim Use of Funds**

- (a) Investment avenues in which the management proposes to deploy issue proceeds, pending its utilisation in the proposed project.
- 6.42.7.10 Any special tax benefits for the issuer company and its shareholders.
- 6.42.7.11 Key Industry Regulations for the proposed objects of the issue (if different from existing business of the issuer company).
- 6.42.7.12 Interest of promoters and directors, as applicable to the project or objects of the issue.

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| 6.42.8 | History and Corporate Structure about the Issuer company |
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| 6.42.8.1 | In case the issuer company has not come out with any issue in the past ten years or more, a brief statement about the history and corporate structure of the issuer company, the main objects of the issuer company and major events in the past. |
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| 6.42.9 | Management (Board of Directors) |
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| 6.42.9.1 | Name, age, qualifications, Director Identification Number, experience, address, occupation and date of expiration of the current term of office of manager, managing director, and other directors (including nominee directors, whole-time directors), giving their directorships in other companies. |
| 6.42.9.2 | The nature of any family relationship between any of the directors. |
| 6.42.9.3 | Any arrangement or understanding with major shareholders, customers, suppliers or others, pursuant to which of the directors was selected as a director or member of senior management. |
| 6.42.9.4 | Details of service contracts entered into by the directors with the issuer company providing for benefits upon termination of employment and a distinct negative statement in the absence of any such contract. |

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| 6.42.10 | Financial Information of the Issuer company |
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| 6.42.10.1 | Stand-alone and consolidated financial statements of the issuer company: |
| (a) | A report by the auditors of the company with respect to profit or loss and assets and liabilities (indicating changes in accounting policies, if any) in respect of the last completed accounting year for which audit has been completed. |
| (b) | A report by the auditors of the company on a limited review of the profit or loss and assets and liabilities (indicating changes in accounting policies, if any), as at a date not earlier than six months prior to the date of the opening of the issue, where audited accounts as at such date are not available. |
| (c) | For the purpose of sub-clauses (a) and (b) above, it shall be sufficient if: |

- (i) In the statement of the assets and liabilities, the main heads of assets and liabilities as provided in Part I of Schedule VI of the Companies Act, 1956 have been provided. If an issuer company is governed by a statute other than the Companies Act, 1956, the main heads of assets and liabilities as specified in such statute shall be provided in the statement of assets and liabilities.
 - (ii) In the statement of profit or loss, the information required to be disclosed under the heads of income and expenditure as per clause 41 of the equity listing agreement in respect of quarterly financial information to be filed with the recognised stock exchanges, has been provided.
- 6.42.10.2 In addition, in accordance with Ministry of Finance Circular no.F.2/5/SE/76 dated February 05, 1977 and amended further on March 08, 1977, the following information for the period between the last date of the balance sheet and profit and loss account sent to the shareholders and up to the end of the last but one month preceding the date of the letter of offer shall be furnished.
- (a) Working results of the issuer company under following heads:
 - (i) a. Sales / turnover
 - b. Other income
 - (ii) Estimated gross profit / loss (excluding depreciation and taxes).
 - (iii) a. Provision for depreciation
 - b. Provision for taxes.
 - (iv) Estimated net profit / loss.
 - (b) Material changes and commitments, if any affecting financial position of the issuer company.
 - (c) Week-end prices for the last four weeks; current market price; and highest and lowest prices of equity shares during the period with the relative dates.
- 6.42.10.3 Stock market quotation of shares/ convertible instruments of the company (high/ low price in each of the last three years and monthly high/low price during the last six months).
- 6.42.10.4 **Accounting and other ratios:**
- (a) The following accounting ratios shall be given for each of the accounting periods for which financial information is given:
 - (i) Earnings per share: This ratio shall be calculated after excluding extra ordinary items.
 - (ii) Return on Networth: This ratio shall be calculated excluding revaluation reserves.

(iii) Net Asset Value per share: This ratio shall be calculated excluding revaluation reserves.

(b) Accounting and other ratios shall be based on the financial statements prepared on the basis of Indian Accounting Standards.

6.42.10.5 **Capitalisation Statement:**

(a) A Capitalisation Statement showing total debt, net worth, and the debt/equity ratios before and after the issue is made shall be incorporated.

(b) In case of any change in the share capital since the date as of which the financial information has been disclosed in the Letter of Offer, a note explaining the nature of the change shall be given.

(c) An illustrative format of the Capitalisation Statement is specified hereunder:

| Particulars | | Pre-issue as at 30-6-2009 | As Adjusted for issue |
|---|------|------------------------------|--------------------------|
| (Rupees in lakhs) | | | |
| Short-Term | Debt | 1870 | 1870 |
| Long Term Debt | | 4370 | 4370 |
| Shareholders Funds | | | |
| Share Capital | | 4000 | 4450 |
| Reserves | | 14570 | 37520 |
| Total Shareholders Funds | | 18570 | 41940 |
| Long Term Debt/Equity | | 0.24:1 | 0.10:1 |
| Note: Since 31-3-2009 (which is the last date as of which financial information has been given in para ... of this document), share capital was increased from Rs.3000 lacs to Rs.4000 lacs by the issue of bonus shares in the ratio of 1 share for every 3 shares. | | | |

6.42.10.6 One standard financial unit shall be used in the Letter of Offer

6.42.11 A statement to the effect that the price has been arrived at in consultation between the issuer company and the Merchant banker.

6.42.12 **Outstanding Litigations and Defaults**

6.42.12.1 The following details shall be disclosed by the issuer company:

(a) Pending matters which, if they result in an adverse outcome, would materially and adversely affect the operations or the financial position of the issuer company.

(b) Matters which are pending or which have arisen in the immediately preceding ten years involving:

(i) Issues of moral turpitude or criminal liability on the part of the issuer company

- (ii) Material violations of statutory regulations by the issuer company
 - (iii) Economic offences where proceedings have been initiated against the issuer company.
- (c) For the purpose of determining materiality, the following tests or parameters shall be applied:
- (i) For the outstanding litigations which may not have any impact on the future revenues, the disclosure is required:
 - a. Where the aggregate amount involved in such individual litigation exceeds one per cent. of the net worth of the issuer company as per last completed financial year; or
 - b. Where the decision in one case is likely to affect the decision in similar cases, even though the amount involved in single case individually may not exceed one per cent. of the net worth of the issuer company as per the last completed financial year.
 - (ii) For the outstanding litigations which may have any impact on the future revenues, the disclosure is required:
 - a. Where the aggregate amount involved in such individual litigation is likely to exceed one per cent. of the total revenue of the issuer company as per last completed financial year; or
 - b. Where the decision in one case is likely to affect the decision in similar cases, even though the amount involved in single case individually may not exceed one per cent of the total revenue of the issuer company, if similar cases put together collectively exceed one per cent. of total revenue of the issuer company as per last completed financial year.
- (d) These disclosures shall be made in respect of the issuer company and the subsidiary companies of the issuer company whose financial statements are included in the offer document, either separately or in consolidated form.

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| 6.42.13 | Government Approvals or Licensing Arrangements |
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| 6.42.13.1 | In case of a new line of activity/project, all pending government and regulatory approvals; In case of an existing line of activity/project, all pending regulatory and government approvals and pending renewals of licences. |
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| 6.42.14 | Material Development |
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| 6.42.14.1 | Any material development after the date of the latest balance sheet and its impact on performance and prospects of the issuer company. |
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| 6.42.15 | Other Regulatory and Statutory Disclosures |
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| 6.42.15.1 | Authority for the issue and details of resolution passed for the issue. |
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- 6.42.15.2 A statement by the issuer company that the issuer company, promoters, promoter group, directors or person(s) in control of the promoter have not been prohibited from accessing or operating in the capital markets or restrained from buying, selling or dealing in securities under any order or direction passed by the Board.
- 6.42.15.3 A confirmation whether any of the directors of the issuer company are associated with the securities market in any manner, if yes, whether the Board has initiated any action against the said entities and the related details.
- 6.42.15.4 It may be disclosed whether the issuer company, promoters, group companies, the relatives (as per Companies Act,1956) of promoters, group companies are identified as wilful defaulters by Reserve Bank of India or other authorities.
- 6.42.15.5 A statement to the effect that the issuer company is in compliance with provisions specified in clause 6.42.
- 6.42.15.6 Details of compliance with eligibility requirements to make a fast track issue, if applicable.
- 6.42.15.7 Disclaimer clauses:
(a) The letter of offer shall contain the following disclaimer clause in bold capital letters:

"It is to be distinctly understood that submission of Letter of Offer to SEBI should not in any way be deemed or construed that the same has been cleared or approved by SEBI. SEBI does not take any responsibility either for the financial soundness of any scheme or the project for which the issue is proposed to be made or for the correctness of the statements made or opinions expressed in the Letter of Offer. Lead Merchant Banker, _____ has certified that the disclosures made in the Letter of Offer are generally adequate and are in conformity with SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 in force for the time being. This requirement is to facilitate investors to take an informed decision for making investment in the proposed issue.

It should also be clearly understood that while the issuer company is primarily responsible for the correctness, adequacy and disclosure of all relevant information in the letter of offer, the lead merchant banker is expected to exercise due diligence to ensure that the issuer company discharges its responsibility adequately in this behalf and towards this purpose, the lead merchant banker _____ has furnished to the Securities and Exchange Board of India (SEBI) a due diligence certificate dated _____ (which reads as follows:

(due diligence certificate submitted to the Board to be reproduced here)

The filing of the letter of offer does not, however, absolve the issuer company from any liabilities under section 63 or section 68 of the Companies Act, 1956 or from the requirement of obtaining such statutory or other clearances as may be required for the purpose of the proposed issue. SEBI further reserves the right to take up, at any point of time, with the lead merchant banker any irregularities or lapses in letter of offer."

- (b) Disclaimer Statement from the issuer company and lead merchant banker: A statement to the effect that the issuer company and the lead merchant banker accept no responsibility for statements made otherwise than in the Letter of Offer or in the advertisement or any other material issued by or at the instance of the issuer company and that anyone placing reliance on any other source of information would be doing so at his own risk.

Investors who invest in the issue will be deemed to have been represented by the issuer company and lead manager and their respective directors, officers, agents, affiliates and representatives that they are eligible under all applicable laws, rules, regulations, guidelines and approvals to acquire equity shares of our company, and are relying on independent advice / evaluation as to their ability and quantum of investment in this issue.

- (c) Disclaimer in respect of jurisdiction: A brief paragraph mentioning the jurisdiction under which provisions of law and the rules and regulations are applicable to the letter of offer.
- (d) Disclaimer clause of the stock exchanges, if any.
- (e) Disclaimer clause of the Reserve Bank of India (if applicable).

6.42.15.8 The fact of filing the letter of offer with the Board and the stock exchange(s) and the office of the Board where the letter of offer has been filed.

6.42.15.9 Details of fees payable to (in terms of amount, as a percentage of total issue expenses and as a percentage of total issue size):

- (a) Lead merchant bankers.
- (b) Co-lead merchant bankers, if any
- (c) Co-managers, if any
- (d) Other merchant bankers
- (e) Registrars to the issue
- (f) Advisors
- (g) Bankers to the issue
- (h) Trustees for the debt instrument holders.
- (i) Others
- (j) Underwriting commission, brokerage and selling commission.

6.42.15.10 Arrangements or any mechanism evolved by the issuer company for redressal of investor grievances and the time normally taken by it for disposal of various types of investor grievances.

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| 6.42.16 | Offering Information |
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6.42.16.1 Terms of payments and procedure and time schedule for allotment and issue of certificates, credit of securities to the investors' demat account.

6.42.16.2 How to apply, availability of application forms and letter of offer and mode of payment, including the following:

- (a) Applications by mutual funds:
 - (i) The necessary disclosures under the heads "Procedure for applications by mutual funds" and "Multiple Applications" shall be incorporated to indicate that a separate application can be made in respect of each scheme of an Indian mutual fund registered with the Board and that such applications shall not be treated as multiple applications.
 - (ii) A disclosure that the applications made by asset management companies or custodians of a mutual fund shall clearly indicate the name of the concerned scheme for which application is being made.
- (b) Applications by non-resident Indians: The following disclosures shall be made:
 - (i) The name and address of at least one place in India from where individual non-resident Indian applicants can obtain the application forms.
 - (ii) A statement that: "non-resident Indian applicants may please note that only such applications as are accompanied by payment in free foreign exchange shall be considered for allotment under the reserved category. The non-resident Indians who intend to make payment through Non-Resident Ordinary (NRO) accounts shall use the form meant for Resident Indians and shall not use the forms meant for reserved category."
- (c) Application by ASBA investors: Disclosures regarding details of Application Supported by Blocked Amount process including specific instructions for submitting Application Supported by Blocked Amount.
- (d) A statement that the shareholders who have not received the application form may, along with the requisite application money, apply in writing on a plain paper.
- (e) The format to enable the shareholders to make the application on plain paper specifying therein necessary particulars such as name, address, ratio of rights issue, issue price, number of equity shares held, ledger folio numbers, depository participant ID, client ID, number of equity shares entitled and applied for, additional shares if any, amount to be paid along with application, and particulars of cheque, etc. to be drawn in favour of the issuer company's account;
- (f) A statement that the shareholders making the application otherwise than on the application form shall not renounce their rights and shall not utilise

the application form for any purpose including renunciation even if it is received subsequently.

- (g) Provisions of sub-section (1) of section 68A of the Companies Act, 1956 relating to punishment for fictitious applications, including the disclosures that any person who:
- (i) makes in a fictitious name an application to a company for acquiring, or subscribing for, any shares therein, or
 - (ii) otherwise induces a company to allot, or register any transfer of, shares therein to him, or any other person in a fictitious name, shall be punishable with imprisonment for a term which may extend to five years.
- (h) Declaration about the credit of securities to the demat account / refunds within a period of fifteen days and interest in case of delay in refund at the prescribed rate.
- (i) Mode of making refunds:
- (i) The mode in which the issuer company shall make refunds to applicants in case of oversubscription.
 - (ii) If the issuer company proposes to use more than one mode of making refunds to applicants, the respective cases where each such mode will be adopted shall be disclosed.
 - (iii) The permissible modes of making refunds are as follows:
 - (a) In case of applicants residing in any of the centres specified by the Board: by crediting of refunds to the bank accounts of applicants through electronic transfer of funds by using ECS (Electronic Clearing Service), Direct Credit, RTGS (Real Time Gross Settlement) or NEFT (National Electronic Funds Transfer), as is for the time being permitted by the Reserve Bank of India;
 - (b) In case of other applicants: by despatch of refund orders by registered post, where the value is Rs 1500/- or more, or under certificate of posting in other cases, (subject however to postal rules); and
 - (c) In case of any category of applicants specified by the Board: crediting of refunds to the applicants in any other electronic manner permissible under the banking laws for the time being in force which is permitted by the Board from time to time.

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| 6.42.17 | Undertakings by the issuer company in connection with the issue |
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6.42.17.1 The issuer company shall undertake that:

- (a) the complaints received in respect of the Issue shall be attended to by the issuer company expeditiously and satisfactorily.
- (b) that steps for completion of the necessary formalities for listing and commencement of trading at all stock exchanges where the securities are

to be listed are taken within seven working days of finalisation of basis of allotment.

- (c) funds required for making refunds to unsuccessful applicants as per the mode(s) disclosed shall be made available to the Registrar to the issue by the issuer company.
- (d) that where refunds are made through electronic transfer of funds, a suitable communication shall be sent to the applicant within 15 days of closure of the issue giving details of the bank where refunds shall be credited along with amount and expected date of electronic credit of refund.
- (e) that adequate arrangements shall be made to collect all ASBA applications and to consider them similar to non-ASBA applications while finalizing the basis of allotment.
- (f) In case of convertible debt instruments, the issuer company shall additionally undertake that:
 - (i) the issuer company shall forward the details of utilisation of the funds raised through the convertible debt instruments duly certified by the statutory auditors of the issuer company, to the debenture trustees at the end of each half-year.
 - (ii) the issuer company shall disclose the complete name and address of the debenture trustee in the annual report.
 - (iii) the issuer company shall provide a compliance certificate to the convertible debt instrument holders (on yearly basis) in respect of compliance with the terms and conditions of issue of debentures as contained in the Letter of Offer, duly certified by the debenture trustee.
 - (iv) the issuer company shall furnish a confirmation certificate that the security created by the company in favour of the convertible debt instrument holders is properly maintained and is adequate to meet the payment obligations towards the convertible debt instrument holders in the event of default.
 - (v) necessary cooperation with the credit rating agency (ies) shall be extended in providing true and adequate information till the debt obligations in respect of the instrument are outstanding.

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| 6.42.18 | Utilisation of Issue Proceeds |
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| 6.42.18.1 | The letter of offer for an issue other than a rights issue made by any bank or public financial institution shall contain a statement of the board of directors of the issuer company to the effect that: <ul style="list-style-type: none">(a) all monies received out of issue of shares to public shall be transferred to separate bank account. |
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- (b) details of all monies utilised out of the issue referred to in sub-clause (a) shall be disclosed under an appropriate separate head in the balance sheet of the issuer company indicating the purpose for which such monies had been utilised; and
- (c) details of all unutilised monies out of the issue of shares referred to in sub-clause (a) shall be disclosed under an appropriate separate head in the balance sheet of the issuer company indicating the form in which such unutilised monies have been invested.

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| 6.42.19 | Restrictions on foreign ownership of Indian securities, if any |
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6.42.19.1 Investment by NRIs.

6.42.19.2 Investment by FIIs.

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| 6.42.20 | Statement regarding minimum subscription clause |
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6.42.20.1 The following statements shall appear in the letter of offer:

(a) "If the issuer company does not receive the minimum subscription of ninety per cent. of the issue (including devolvement of underwriters where applicable), the entire subscription shall be refunded to the applicants within fifteen days from the date of closure of the issue."

(b) "If there is delay in the refund of subscription by more than 8 days after the company becomes liable to pay the subscription amount (i.e. fifteen days after closure of the issue), the issuer company will pay interest for the delayed period, at rates prescribed under sub-sections (2) and (2A) of Section 73 of the Companies Act, 1956."

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| 6.42.21 | Statutory and other information |
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6.42.21.1 Option to subscribe in the issue:

(a) The details of option, if any, to receive the securities subscribed for either in dematerialised form or physical form.

(b) The lead merchant banker shall incorporate a statement in the offer document and in the application form to the effect that the investor shall have an option either to receive the security certificates or to hold the securities in dematerialised form with a depository.

6.42.21.2 Material contracts and time and place of inspection which shall include copies of the Annual Reports of the issuer company for the last five years.

6.42.21.3 Any other material disclosures, as deemed necessary.

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| 6.42.22 | Declaration |
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6.42.22.1 The draft letter of offer (in case of issues other than fast track issues) and letter of offer shall be approved by the Board of Directors of the issuer company and shall be signed by all directors, the Chief Executive Officer, i.e., the Managing Director or Manager within the meaning of the Companies Act, 1956 and the Chief Financial Officer, i.e., the whole-time

finance director or any other person heading the finance function and discharging that function.

- 6.42.22.2 The following statement shall be disclosed:
“No statement made in this letter of offer contravenes any of the provisions of the Companies Act, 1956 and the rules made thereunder. All the legal requirements connected with the issue as also the guidelines, instructions, etc., issued by SEBI, Government and any other competent authority in this behalf, have been duly complied with.”
- 6.42.22.3 The signatories shall further certify that all disclosures made in the letter of offer are true and correct.
- 6.43 A listed issuer company making disclosures in the letter of offer as per this Part shall make a copy of the offer document of the immediately preceding public issue or rights issue available to the public in the manner specified in sub-clause (ii) of clause 5.6.2 and shall also make such document available as a material document for inspection.”

10. In chapter VI, Section IV shall be substituted with the following section as under:-

“SECTION IV - CONTENTS OF THE ABRIDGED LETTER OF OFFER

- 6.44 The abridged letter of offer shall contain disclosures as specified in Section II of this Chapter.
Provided that where the conditions laid down in clauses 6.39 (a) and 6.39 (b) are satisfied, clauses 6.18.2, 6.19.3, 6.21, 6.22, 6.23, 6.26, 6.27, 6.30, 6.31 and 6.32, specified under Section II of this Chapter shall not apply to the abridged letter of offer.
- 6.45 The order in which items shall appear in the abridged letter of offer shall correspond, wherever applicable, to the order in which items appear in the letter of offer.
- 6.46 The abridged letter of offer shall also include the following disclosures:
(a) Provisions pertaining to applications referred to in clause 5.11;
(b) Rights entitlement ratio;
(c) Fractional entitlements;
(d) Renunciation;
(e) Application for Additional equity shares;
(f) Intention of promoters to subscribe to their rights entitlement;
(g) Statement that a copy of the offer document of the immediately preceding public or rights issue is made available to the public as specified under clause 5.6.2(ii) and also as a document for public inspection.”

Chapter VIII

OTHER ISSUE REQUIREMENTS

11. for clause 8.19.1, the following clause shall be substituted, namely:-
“The issuer company may utilise the funds collected in the rights issue only after the basis of allotment is finalized.”
