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To All Registered Merchant Bankers / Stock Exchanges

Dear Sir/Madam,

Sub.: Amendments to SEBI (Disclosure and Investor Protection) Guidelines, 2000

1. In exercise of the powers conferred under sub-section (1) of Section 11 of the Securities and Exchange Board of India Act, 1992, SEBI has amended the SEBI (Disclosure and Investor Protection) Guidelines, 2000 (hereinafter referred to as “the SEBI (DIP) Guidelines”).The full text of amendments is given in **Annexure I.**
2. The salient features of the amendments are given in brief as under:
 - 2.1 **Compulsory listing of IPO on at least one stock exchange with nationwide trading terminals**
 - (a) At present, in terms of the Companies Act, 1956 and the SEBI (DIP) Guidelines, there is no regulatory stipulation on an unlisted company making an IPO to compulsorily list the securities being issued through the IPO on stock exchanges having nationwide trading terminals.

(b) Listing of securities on stock exchanges having nationwide trading terminals provides an active trading platform to investors, from all across the country, in securities of the company.

(c) In view of the above, it has been decided to amend clause 2.1.4 of the SEBI (DIP) Guidelines to provide that an unlisted company making an IPO shall list the securities being issued through the IPO on at least one stock exchange having nationwide trading terminals.

2.2 **Equity shares considered eligible for offer for sale**

(a) At present, in terms of the SEBI (DIP) Guidelines, a shareholder can make an offer for sale of the equity shares if such equity shares have been held for a period of at least one year as on the date of filing the draft offer document with SEBI.

(b) It has been decided to amend clause 4.14.2 of the SEBI (DIP) Guidelines to provide that in case equity shares which are received on conversion of fully paid compulsorily convertible securities, including depository receipts, are being offered for sale, the holding period of such convertible securities as well as that of resultant equity shares together shall be considered for the purpose of calculation of the eligibility period.

2.3 **Introduction of concept of Anchor Investor in public issues through book building route**

- (a) It has been decided to amend the SEBI (DIP) Guidelines to introduce a concept of Anchor Investor in public issues through book building. Details of this concept are in the amendments to the SEBI (DIP) Guidelines at Annexure I.
- (b) Allocation to Anchor Investor in the public issue shall be subject to the conditions as specified in clause 11.3.5 of the SEBI (DIP) Guidelines and mentioned in Annexure I to this circular.

3. **Applicability.**

- 3.1 The amendment made by this circular shall be applicable as under:
 - a. Amendments to clause 2.1.4 and 4.14.2 of the SEBI (DIP) Guidelines shall be applicable where draft offer documents for public issues are filed with SEBI on or after the date of this circular.
 - b. Amendment to clause 11.3.5 of the SEBI (DIP) Guidelines shall be applicable to:
 - (i) all cases where draft red herring prospectuses are filed with SEBI on or after the date of this circular;
 - (ii) all cases where draft red herring prospectuses have been filed with SEBI but SEBI has not yet issued its observations; and

- (iii) all cases where SEBI has issued observations but where the red herring prospectus is yet to be filed with the Registrar of Companies.
- 4. All registered merchant bankers are advised to ensure compliance with the amendments contained in Annexure I of this circular.
- 5. 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,

Sanjay Puro

Encl.: As above.

ANNEXURE I
AMENDMENTS TO SEBI (DIP) GUIDELINES, 2000
CHAPTER II
ELIGIBILITY NORMS FOR COMPANIES ISSUING SECURITIES

1. In clause 2.1.4, the following proviso shall be inserted :
- Provided that in case of an unlisted company making an Initial Public Offer, the company shall make an application for listing of those securities on at least one stock exchange having nationwide trading terminals.

CHAPTER IV
PROMOTERS' CONTRIBUTION AND LOCK-IN REQUIREMENTS

PART II - LOCK-IN REQUIREMENTS

2. In clause 4.14.2, in sub-clause (ii), after the second proviso, the following proviso shall be inserted:

Provided further that in case equity shares, received on conversion of fully paid compulsorily convertible securities, including depository receipts, are being offered for sale, the holding period of such convertible securities as well as that of resultant equity shares together shall be considered for the purpose of calculation of the eligibility period.

CHAPTER XI
GUIDELINES ON BOOK BUILDING

2. In clause 11.3.5 after sub-clause (iia), the following sub clause (iib) shall be inserted :-

(iib) Out of the portion available for allocation to Qualified Institutional Buyers under sub-clause (i) or (ii) or any proviso thereof, as the case may be, upto 30% may be allocated to Anchor Investors subject to the following:

- a) Anchor Investors shall necessarily be Qualified Institutional Buyers as defined in these guidelines.
- b) The minimum application size by an Anchor Investor shall be Rs.10 crores.
- c) One-third of the Anchor Investor portion shall be reserved for domestic mutual funds.
- d) The bidding for Anchor Investors shall open one day before the issue opens and shall be completed on the same day.
- e) Allocation to Anchor Investors shall be on a discretionary basis subject to minimum number of 2 investors for allocation of upto Rs.250 crores and 5 investors for allocation of more than Rs.250 crores.
- f) The number of shares allocated to Anchor Investors and the price at which the allocation is made, shall be made available in public domain by the merchant banker before opening of the issue.
- g) Anchor Investors shall pay a margin of at least 25% on application with the balance to be paid within two days of the date of closure of the issue.

- h) If the price fixed for the public issue through book building process is higher than the price at which the allocation is made to Anchor Investors, the additional amount shall be paid by the Anchor Investors. However, if the price fixed for public issue is lower than the price at which the allocation is made to Anchor Investors, difference shall not be payable to the Anchor Investors.
- i) There shall be a lock-in of 30 days on the shares allotted to the Anchor Investors from the date of allotment in the public issue.
- j) No person related to the book running lead managers/ promoters/promoter group in the concerned public issue or the book running lead managers to the concerned public issue can apply under Anchor Investor category.
- k) The parameters for selection of Anchor Investors shall be clearly identified by the merchant banker and shall be available as part of records of the merchant banker for inspection by SEBI.
- l) The applications made by Qualified Institutional Buyers under Anchor Investor category and under Non Anchor Investor category may not be considered as multiple applications.