

Neelam Bhardwaj

General Manager

Corporation Finance Department

Division of Issues and Listing

Phone: +91 22 26449350 (D), Email: neelamb@sebi.gov.in

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To All Registered Merchant Bankers / Stock Exchanges

Dear Sirs,

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 **Enhancing the validity period of observations.**
 - (a) The validity period of the observations issued by SEBI has been enhanced from the existing period of three months to twelve months. The benefit of extended validity period would be available in respect of all the observation letters whose validity period has not expired on December 4, 2008.

- (b) Before opening of the issue, every issuer shall be required to file an updated offer document with SEBI, highlighting all changes made in the document.
- (c) Where updation include significant changes in the offer document, such an updated Red herring prospectus/ prospectus or letter of offer shall be filed with SEBI at least one month before filing the same with Registrar of Companies or with Designated Stock Exchange as the case may be. The procedure for submitting such updated documents including what will constitute “significant changes”, “additional fees” etc will be specified by SEBI shortly.

2.2 **Reduction in timelines for completion of bonus issues.**

- (a) At present, in terms of the SEBI (DIP) Guidelines, a listed company is required to complete a bonus issue within a maximum period of six months from the date of approval of the issue by the board of directors of the company.
- (b) The DIP Guidelines have been amended to reduce the timeline for completion of bonus issues. Accordingly, where no shareholders’ approval is required as per the Articles of Association of the issuer, the bonus issue shall be completed within fifteen days from the date of the approval by the board of directors of the issuer in this regard. However, where shareholders’ approval is required for capitalisation of profits or reserves as per the Articles of Association of the issuer, the bonus issue shall be completed within sixty days from the date of the meeting of board of directors where-in bonus was announced subject to shareholders’ approval.

2.3 **Announcement of price band.**

- (a) At present, the floor price or price band in an initial public offer through the book building process is required to be disclosed in the

Red Herring Prospectus registered with the Registrar of Companies, before the issue opening date.

- (b) The amended DIP Guidelines permit the issuer making an initial public offer to announce the floor price or price band after the date of registration of the Red Herring Prospectus with the Registrar of Companies, atleast two working days before the issue opening date.
- (c) Further, where the floor price or price band is announced after the date of registration of the Red Herring Prospectus with the Registrar of Companies, every issuer making a public issue, whether initial public offer or further public offer, shall ensure wide dissemination of the floor price or price band through various means, including newspaper advertisement. While announcing the floor price or price band, the issuer shall also disclose details of the relevant financial ratios used for justification of the floor price or price band. In case of a price band, such financial ratios shall be calculated for both upper and lower end of the price band.

2.4 **Amendments in provisions pertaining to Preferential Allotment .**

2.4.1 **Preferential allotment of warrants.**

- (a) At present, the SEBI (DIP) Guidelines provide that warrants can be allotted on preferential basis, subject to the allottees paying upfront, an amount equivalent to at least 10% of the price fixed, at the time of allotment of warrants. It has now been decided to enhance the upfront amount payable from 10% to 25%.
- (b) Certain clarifications regarding lock-in requirements of instruments allotted on preferential basis have been made in clause 13.3.1(c) and (d) of the DIP Guidelines.

2.4.2 Non-applicability of certain provisions of Chapter XIII of the SEBI (DIP) Guidelines.

- (a) It has been decided that an issuer, which has been granted relaxation by the Board in terms of regulation 29A of the SEBI (Substantial Acquisitions of Shares and Takeovers) Regulations, 1997, shall be exempted from certain provisions of Chapter XIII of DIP Guidelines, subject to the condition that in the explanatory statement to the notice for the general meeting of the shareholders, the issuer gives adequate disclosures about the details of the plan including the process proposed to be followed by it for identification of the allottees in addition to the disclosures required in other applicable laws.

2.5 Policy on relaxation from strict enforcement of rule 19(2)(b) of the Securities Contracts (Regulation) Rules, 1957 (SCRR).

- (a) At present the SEBI (DIP) Guidelines provides for the policy regarding considering the requests for relaxation of the strict enforcement of requirements of rule 19(2)(b) of the SCRR where an unlisted company intends to list its shares issued to the shareholders of a listed company pursuant to a scheme of arrangement approved by a High Court, without making an initial public offer.
- (b) The DIP Guidelines have now been amended to provide for the policy for considering relaxation from strict enforcement of requirements of rule 19(2)(b) of SCRR in case of proposal for listing of following securities by a listed issuer :-
- (i) Equity shares with differential rights as to dividend, voting or otherwise, offered through rights or bonus issue.
 - (ii) Warrants issued along with Non Convertible Debentures through Qualified Institutions Placement.

3. Applicability.

- 3.1 The amendment made vide this circular shall be applicable as under:
- a. Amendments to clause 15.1.7 shall be applicable to all those cases in which the resolution for approval of bonus issue is passed by the board of directors after date of the circular.
 - b. Amendments to clause 13.1.2.3 shall be applicable to all the cases where shareholders' approval is obtained after the date of this circular.
 - c. The other amendments made vide this circular shall come into force with immediate effect.
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,

Neelam Bhardwaj

Encl.: As above.

ANNEXURE I
AMENDMENTS TO SEBI (DIP) GUIDELINES, 2000

CHAPTER II
ELIGIBILITY NORMS FOR COMPANIES ISSUING SECURITIES

1. In clause 2.2.2B, in sub-clause (iv), for the words and figures “sub-clause (iv)”, the words and figures “*sub-clause (iii)*” shall be substituted.

CHAPTER IV
PROMOTERS’ CONTRIBUTION AND LOCK-IN REQUIREMENTS

2. In clause 4.6.5:-
 - (a) the figures and punctuation “4.1.2,” and mark and figure “& 4.5.1” shall be omitted;
 - (b) for the punctuation mark “,” appearing after the figure “4.3.1” and before the figure “4.4.1”, the word “*and*” shall be substituted.
3. in clause 4.7.1:-
 - (a) the figures and punctuation “4.1.2,” and mark and figure “& 4.5.1” shall be omitted;
 - (b) for the punctuation mark “,” appearing after the figure “4.3.1” and before the figure “4.4.1”, the word “*and*” shall be substituted.
4. In clause 4.11.1:-
 - (a) the mark and figure “& 4.5” shall be omitted;
 - (b) for the punctuation mark “,” appearing after the figure “4.3” and before the figure “4.4”, the word “*and*” shall be substituted.

CHAPTER V
PRE – ISSUE OBLIGATIONS

5. In clause 5.7.2, for the words “one week”, appearing after the words “shareholders at least” and before the words “before the date of opening”, the words “*three days*” shall be substituted.

CHAPTER VIII
OTHER ISSUE REQUIREMENTS

6. In clause 8.3.5, the words “*by an unlisted company*” appearing at the end shall be omitted.
7. After clause 8.3.5 and before the existing clause 8.3.5.1, the following clause shall be inserted, namely:-

“8.3.5.1 Application by an unlisted company for listing of equity shares pursuant to scheme sanctioned by a High Court”

8. The existing clause “8.3.5.1” shall be renumbered as clause “8.3.5.1.1”.
9. Clause “8.3.5.2” shall be omitted.
10. Clause “8.3.5.3” shall be renumbered as clause “8.3.5.1.2”.
11. Clause “8.3.5.4” shall be renumbered as clause “8.3.5.1.3”.
12. After the renumbered clause 8.3.5.1.3, the following clauses shall be inserted, namely:-

“8.3.5.2 Application by a listed company for listing of equity shares with differential rights as to dividend, voting or otherwise.

8.3.5.2.1 A listed company may make an application to the Board for relaxation from applicability of clause (b) to sub-rule (2) of Rule 19 of the Securities Contracts (Regulation) Rules, 1957 for listing of its equity shares with differential rights as to dividend, voting or otherwise, without making an initial public offer of such equity shares, if it satisfies the following conditions:

- i. issue of such equity shares are made to all the existing shareholders as on record date by way of rights or bonus;
- ii. the issuer is in compliance with the conditions of minimum public shareholding requirement with reference to the equity shares already listed and the equity shares with differential rights proposed to be listed;
- iii. the issuer undertakes to disclose the shareholding pattern of the equity shares with differential rights separately under clause 35 of the Equity Listing Agreement.

8.3.5.3 Application by a listed company for listing of warrants offered along with Non Convertible Debentures (NCDs) under Chapter XIII A.

8.3.5.3.1 A listed company may make an application to the Board for relaxation from applicability of clause (b) to sub-rule (2) of Rule 19 of the Securities Contracts (Regulation) Rules, 1957 for listing of its warrants, if it satisfies the following conditions:

- i. warrants are issued as combined offering of NCDs and warrants under Chapter XIII A of the SEBI (DIP) Guidelines,2000;

- ii. *the issuer is in compliance with all the provisions of Chapter XIII A, including eligibility of the issuer company, pricing guidelines, etc.;*
- iii. *NCDs and warrants shall be traded in the minimum trade lot of Rs. 1 lakh.*

8.3.5.4 *An application to the Board under clauses 8.3.5.1, 8.3.5.2 and 8.3.5.3 shall be made through the designated stock exchange of the listed company and the designated stock exchange may forward the application along with its recommendations, giving reasons in writing to the Board.*

8.3.5.5 *The Board may, while granting relaxation under clauses 8.3.5.1, 8.3.5.2 and 8.3.5.3, stipulate any other conditions as may be deemed necessary in the interest of investors and securities market under the facts and circumstances of the specific case.”*

13. In clause 8.21.1:-

- (a) for the words “3 months”, appearing after the words “shall open within” and before the words “from the date of issuance of the observation letter” the words “12 months” shall be substituted;
- (b) in proviso the word “or fast track issue” appearing at the end, shall be omitted.

14. After clause 8.21.1, the following shall be inserted:-

“8.21.2 *The issuer shall, before filing a red herring prospectus (in case of a book built issue) or prospectus (in case of a fixed price issue) with ROC or letter of offer with Designated Stock Exchange, as the case may be, file with the Board through the lead merchant banker an*

updated offer document highlighting all changes made in the document.

8.21.3 *Where there are significant changes in the offer document, the updated offer document shall be filed with the Board, atleast one month before the date of filing of the red herring prospectus (in case of a book built issue) or prospectus (in case of a fixed price issue) with ROC or letter of offer with Designated Stock Exchange, as the case may be, as per the procedure specified by the Board in this regard.”*

15. Clause 8.21.2 shall be renumbered as clause “8.22”.

CHAPTER X

GUIDELINES FOR ISSUE OF CONVERTIBLE DEBT INSTRUMENTS

16. In clause 10.7.1.1:-

- (a) in the opening para of the body, the words “*or the NCDs*”, appearing after the words “portions of PCDs” and before the words “issued by a listed company” shall be omitted;
- (b) in sub-clause (c), the words “*NCDs or*”, appearing after the words “Before roll over of any” and before the words “non-convertible portion” shall be omitted.

17. In sub-clause (b) of clause 10.9:-

- (a) for the word and comma “NCDs,” occurring after the words “In case of”, and before the words “redemption amount” the word “PCDs” shall be substituted;
- (b) for the mark and word “/ NCDs” appearing at the end of the sub-clause, the word “PCDs” shall be substituted.

CHAPTER XI
GUIDELINES ON BOOK BUILDING

18. In clause 11.3.1, in sub clause (viii)(a) :-

(a) for the first proviso, the following provisos shall be substituted, namely:-

“Provided that the issuer may not disclose the floor price or price band in the red herring prospectus if the same is disclosed in case of an initial public offer, at least two working days before the opening of the bid and in case of a further public offer, at least one working day before the opening of the bid, by way of an announcement in all the newspapers in which the pre-issue advertisement was released by the issuer or the merchant banker;

Provided further that the announcement shall contain the relevant financial ratios, computed for both upper and lower end of the price band and also a statement drawing attention of the investors to the section titled “basis of issue price” in the offer document.”

(b) in the second proviso:-

(i) for item (a), the following shall be substituted, namely:-

“a statement that the floor price or price band, as the case may be, shall be disclosed at least two working days (in case of an initial public offer) and at least one working day (in case of a further public offer) before the opening of the bid;”

(ii) in item (b), the words “in case of a further public offer” shall be added at the end.

19. In sub-clause (viii)(b) of clause 11.3.1, for the opening statement, the following shall be substituted, namely:-

“Where the issuer decides to opt for price band instead of floor price, the lead book runner shall ensure compliance with the following conditions:”

CHAPTER XIII GUIDELINES ON PREFERENTIAL ISSUES

20. In clause 13.1.2.3, for the words “ten percent”, appearing after the words “to atleast” and before the words “of the price”, the words “twenty five percent” shall be substituted.

21. In clause 13.3.1,

- (i) for sub-clause (c), the following clauses shall be substituted, namely:-

“(c) The instruments allotted on preferential basis and the shares allotted pursuant to exercise of options attached to warrants issued on preferential basis to the promoter / promoter group of the issuer, in addition to the instruments or shares specified in sub-clauses (a) and (b) of clause 13.3.1, shall be locked-in for a period of one year from the date of their allotment.

(c-a) The instruments allotted on preferential basis and the shares allotted pursuant to exercise of options attached to warrants issued on preferential basis to any person other than the promoter / promoter group of the issuer shall be locked-in for a period of one year from the date of their allotment.”

- (ii) in sub-clause (d), after the words “convertible instrument” wherever they appear, the words “other than warrants” shall be inserted.

- (iii) in sub clause (h), before the explanation, the following proviso shall be inserted, namely:-

“Provided that the Board may, on an application made by the issuer in respect of the preferential allotment of shares fully convertible debentures and partly convertible debentures, grant relaxation from the requirements of this sub-clause if the Board has granted relaxation to the company in terms of Regulation 29A of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997.”

22. In clause 13.4.1, after the existing proviso the following proviso shall be inserted, namely:-

“Provided that where the Board has granted relaxation to the issuer in terms of regulation 29A of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, the preferential allotment of shares, fully convertible debentures and partly convertible debentures, shall be made by it within such time as may be specified by the Board in its order granting relaxation.”

23. After clause 13.7.2, the following clause shall be inserted, namely:-

“13.7.3 Clause 13.1.1, 13.1.2, 13.1.3, 13.1A, and 13.5.1 shall not be applicable to a preferential allotment of equity shares, fully convertible debenture and partly convertible debentures, where the Board has granted relaxation to the company in terms of Regulation 29A of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997;

Provided that adequate disclosures about the plan including the process proposed to be followed for identifying the allottees, are given in the explanatory statement to notice for the general meeting of shareholders, in addition to disclosures required in terms of any other law.”

CHAPTER XV
GUIDELINES FOR BONUS ISSUES

24. For clause 15.1.7 the following shall be substituted namely:-

“A company which announces bonus issue after the approval of board of directors and does not require shareholders’ approval for capitalisation of profits or reserves for making bonus issue as per the Articles of Association, shall implement bonus issue within fifteen days from the date of approval of the issue by the board of directors of the company and shall not have the option of changing the decision.

Provided where the company is required to seek shareholders’ approval for capitalisation of profits or reserves for making bonus issue as per the Articles of Association, the bonus issue shall be implemented within two months from the date of the meeting of the board of directors wherein the decision to announce bonus was taken subject to shareholders’ approval.”