



Handbook on Listing in India

3rd Edition



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A. FOREWORD

Indian Capital Markets

Capital markets play a critical role in promoting and sustaining the growth of an economy. They are an important and efficient conduit to channel and mobilize funds to enterprises and provide an effective source of investment in the economy. The markets play a crucial role in mobilizing savings for investment in productive assets with a view to enhancing a country's long-term growth prospects. They, therefore, acts as a major catalyst in transforming the economy into a more efficient, innovative and competitive marketplace within the global arena.

The Indian economy has undergone significant changes in the last few decades. From the closed economy of the 1980s, the 1990s was a decade of liberalization of the economy and in the 2000s, the economy witnessed unprecedented growth. The growth in the economy was duly supplemented by a significant increase in the capital markets activity. Indian capital markets have also shown tremendous growth in the post-liberalization era. It is poised to be one of the primary destinations for domestic and global businesses for expansion and investment. Indian capital markets outperformed several major global markets, including the developed ones like the US and

the UK, as well as, developing economies such as China and Brazil, with double-digit returns in the Fiscal 2019 despite numerous global and domestic headwinds. The Indian market benchmark indices also improved on their own performance in the previous financial year.

The strengthening of the Indian capital markets can be attributed to several factors ranging from a stable central government and certainty in policy making, increased domestic savings, transparent and an increasingly efficient regulatory system, liberalisation of the investment guidelines in the banking, insurance, retail and other sectors, increase in investment choices for investors and growing domestic economy. Increasing foreign portfolio investor participation has added to the confidence of the general public in the Indian capital markets. Increased retail participation (including their indirect participation through the Indian mutual funds and life insurance companies) has been a major contributor to growth in the market. Large initial public offerings ("IPOs") being marketed domestically led to the deepening and strengthening of Indian capital markets.

Equity capital market transactions over the recent years

The capital raising in Fiscal 2019 was comparatively subdued which can be attributed to various reasons such as corrections in the stock markets, increase in volatility due to uncertainties around global growth compounded by the ongoing trade wars and a number of macro-economic factors such as liquidity crises among lenders triggered by defaults and currency volatilities. However, Fiscal 2019 witnessed listing of India's first real estate investment trust (also the largest in Asia in terms of office portfolio area), the first IPO by an asset management company and filing of offer documents for two of the largest rights issues and capital raising ever among others.

Fiscal 2018 was a fantastic year for the Indian

equity capital markets and saw the highest ever resource mobilization through IPOs and rights issues. Companies in the financial services industry were particularly active in capital raising which included the first issue by a reinsurance company and others by insurance companies (including the first by a general insurance company), asset management companies (for mutual funds), commercial banks and non-banking financial companies. In addition to traditional equity offerings, 2018 marked the listing of the first privately placed infrastructure investment trust. This followed the listing of two public infrastructure investment trusts, the Indian equivalent of a business trust, creating a new asset class with a focus on yield.

Securities and Exchange Board of India

A look at recent offer documents will indicate a much closer resemblance to international prospectuses and disclosure standards. Recently, the Indian securities market regulator, the Securities and Exchange Board of India ("SEBI") notified the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 (the "SEBI ICDR Regulations") effective from November 10, 2018, to replace the existing regulations issued in 2009, reflecting changes in market practices and regulatory environment in India and globally. In line with global best practices, SEBI has

rationalized disclosure requirements and has adopted a materiality-based approach for disclosure such as pending litigation and government approvals, for concise and meaningful disclosure for investors. The regulatory framework developed by SEBI has boosted investor confidence. SEBI has emphasized the need for transparency, both in the disclosures required to be made by the company and its promoters, and in the bidding process itself.

SEBI has also evolved and strengthened the corporate governance framework through a series of amendments to the existing



governance structure. SEBI had constituted a committee under the stewardship of Mr. Uday Kotak in June 2017. The Kotak Committee, after due deliberation and consultation with experts, submitted its report in October 2017. The report contained recommendations for revamping the extant corporate governance regime in

India with respect to listed companies. SEBI has started giving effect to some of these recommendations in a phased manner and these changes have already brought and are expected to bring more transparency, avoiding conflicts and concentration of power and enhanced disclosure regime.

Capital markets practice of Cyril Amarchand Mangaldas

The securities law and capital markets team of Cyril Amarchand Mangaldas is widely regarded as the best in India, and is known for its market-leading practice with an established reputation for handling both domestic and international transactions. We are and have consistently been, for over two decades, at the forefront of every capital market innovation in India. We have demonstrated our thought leadership time and again by advising a wide range of stakeholders on nearly all pioneering and significant transactions in India. Our association with India's first book built offer, the first GDR issue by an Indian issuer, the first sponsored ADR offering, the first simultaneous ADR and domestic issue, the first and only IDR offering, India's flagship sovereign equity – ETF, the first institutional placement programme, the first fast-track further public offer, the first IPO by a commodities exchange, the first OFS through stock exchange mechanism, the largest public offering by any Indian company, the first privately placed infrastructure investment trust, the first listed REIT and the largest rights offering has

created a legacy which is without equal for any equity capital market advisor in India.

We have been consistently ranked in the top-most 'Tier 1' band of capital markets practitioners in the country by global and domestic legal directories such as the IFLR1000 and the Legal 500. In the Bloomberg Global Legal Advisers – Legal League Tables, we have been ranked #1 amongst all Indian Equity IPO advisors to issuers based on deal value, for 2018, 2017 and 2016. We have been bestowed with several awards/recognitions over the last few years such as, 'India Firm of the Year – Capital Markets' at Asia Mena Counsel (2018), 'Capital Markets Firm Awards' at India Business Law Journal (2019, 2018, 2017, 2016, 2015), 'Securities Deal of the Year at Asia Legal Awards, 2017', 'Capital Market Deal of the Year' at Asian Lawyer Emerging Markets Awards, 2016 and 'Capital Markets Deal of the Year' at IFLR Asia Awards, 2015.

Due to the prominence of our capital markets practice, Cyril Amarchand Mangaldas has also been invited to various securities market

related committees constituted by SEBI including Committee for Reviewing Disclosures and Application Form in Public Issue, Committee for framing of public offer guidelines and listing agreement for the public issue of REITs and InvITs, SEBI REIT

and InvIT Advisory Committee and Expert Committee for listing of equity shares of companies incorporated in India on foreign stock exchanges and of companies incorporated outside India on Indian stock exchanges.

Handbook

We present this handbook to enable readers to comprehend the basics of the systems, procedures and rules that are essential for corporates seeking to access the Indian capital markets. This handbook has been updated until July 31, 2019. We hope you enjoy reading this handbook. We also hope to receive your feedback on this handbook.

July 31, 2019

NOTE: All information given in this handbook has been compiled from credible and reliable sources. Although reasonable care has been taken to ensure that the information in this handbook is true and accurate, such information is provided 'as is,' without any warranty, express or implied as to the accuracy or completeness of any such information. Cyril Amarchand Mangaldas shall not be liable for any losses incurred by any person from any use of this publication or its contents. This handbook does not constitute legal or any other form of advice from Cyril Amarchand Mangaldas. Readers should consult their legal, tax and other advisors before making any investment or other decision with regard to any business in India.

B. INITIAL PUBLIC OFFERINGS

I. WHO CAN LIST?



01 What is 'listing' and a 'listed company'?

'Listing' refers to admission of securities to dealings on a recognised stock exchange. A 'listed company' is a company, whose securities (including debt securities) are listed on a recognised stock exchange. An unlisted company can list its equity shares (or securities convertible into equity shares) only pursuant to a public issue; however, it may list

its debt securities whether they are issued pursuant to a public issue or by way of a private placement.

For the purpose of this primer, the focus is primarily on listing of equity shares and all references to 'listing' are to the listing of equity shares, unless otherwise specified.

02 What is a public issue of securities?

In accordance with the SEBI Regulations, a public issue of securities is an offer of equity shares or securities convertible into equity shares by way of an initial "public offer" by an unlisted company or by way of a further public offer by a listed company to the public. A public issue may also be made through an Offer For Sale of securities by existing holders

of such securities, subject to satisfaction of certain conditions. The determination of whether an offering is a "public" offering depends on the number of potential investors to whom shares are being offered and nature of offer document as prescribed under the Companies Act.

03 What kind of securities may be issued to the public?

A company can issue equity shares or debt instruments or preference shares or other instruments which are convertible into equity shares to the public. Non-convertible debt securities of an Indian company can also be issued to the public and be listed.



04 Are there any companies which are ineligible to undertake an IPO?

An unlisted issuer, which is covered by any of the categories set out below cannot undertake an IPO:

- (a) If the issuer, its directors, promoter(s), promoter group or selling shareholders of the issuer are debarred from accessing the capital markets by SEBI;
- (b) If the directors or any of the promoter(s) of the issuer, is a promoter or a director of any other company which is debarred from accessing the capital markets under any direction or order passed by SEBI;
- (c) If the issuer or any of its directors or promoter(s) is declared as a wilful defaulter by any bank or financial institution (as defined under the Companies Act) or a consortium thereof in accordance with the guidelines on wilful defaulters issued by the Reserve Bank of India (the “RBI”);
- (d) If any of the directors or promoter(s) of the issuer is declared as a Fugitive Economic Offender under the Fugitive Economic Offenders Act, 2018; and
- (e) If there are any outstanding convertible securities or any other right which would entitle any person to have an option to receive equity shares of the issuer. Outstanding options granted to employees (whether currently in employment or not) under a stock option scheme and fully paid-up convertible securities (to be converted before filing of Red Herring Prospectus, in case of book-built issues or prospectus, in case of fixed price issues) are exempted from such restriction.

05 What are the track record requirements for an unlisted issuer to undertake an IPO?

In accordance with the SEBI Regulations, an unlisted issuer can undertake an IPO, if:

- (a) it has net tangible assets of at least 30 million, calculated on a restated and consolidated basis, in each of the preceding three full years (of 12 months each) of which not more than 50% is held in monetary assets. If more than 50% of the net tangible assets are held in monetary assets, firm commitments to utilize the excess monetary assets in its business or project should have been made by the issuer.
- However, the limit of 50% on monetary assets shall not be applicable in case the IPO is made entirely through an Offer For Sale;
- (b) it has an average operating profit of 150 million, calculated on restated and



consolidated basis during preceding three years (of twelve months each), with operating profit in each those preceding years;

- (c) it has a net worth of 10 million in each of the three full years (of twelve months each), calculated on restated and consolidated basis; and
- (d) if the issuer has changed its name within the last one year, at least 50% of the revenue, calculated on a restated and consolidated basis for the preceding one full year, should have been earned by the issuer from the activity indicated by the new name.

06 Can an issuer which does not satisfy the above criteria under take an IPO?

ASBA is a mechanism prescribed by SEBI, which may be used in an Issue of Units by InvITs, wherein the application money can be blocked in the bank account, details of which are provided in the application form, until just prior to allotment of Units as opposed to the application money being submitted along with the application form.

07 Are the securities issued through a public issue required to be in dematerialised form?

Every issuer making a public offer is required to issue securities in dematerialised form

only. The depositories, namely, National Securities Depository Limited and the Central Depository Services (India) Limited, are engaged for Dematerialisation of securities.

08 What is a pre-IPO placement?

A pre-IPO placement refers to an issuance of equity shares, or securities convertible into equity shares, by an issuer after filing of the Draft Red Herring Prospectus with SEBI and prior to filing of the Red Herring Prospectus. The Draft Red Herring Prospectus is required to disclose the maximum number of equity shares that may be issued (including the number of equity shares to be issued upon conversion in case of convertible securities) or the maximum amount to be raised from such placement. Convertible securities issued by way of pre-IPO placement have to be converted into equity shares prior to filing of the Red Herring Prospectus.

09 What is the minimum dilution required in an IPO?

The minimum percentage of equity shares required to be offered to the public (through a fresh issue, an Offer For Sale or a combination of the two) in an IPO is as follows:

- (i) If the post-IPO equity share capital of an issuer (calculated at the IPO price) is less than or equal to 16,000 million, at least 25% of each class of the equity

shares shall be offered to the public;

- (ii) If the post-IPO equity share capital of an issuer (calculated at the IPO price) is more than 16,000 million but less than or equal to 40,000 million, then at least such percentage of the equity shares equivalent to 4,000 million shall be offered to the public; and
- (iii) If the post-IPO equity share capital of an issuer (calculated at the IPO price) is equal to or more than 40,000 million, at least 10% of each class of the equity shares shall be offered to the public.

In the event that the initial public shareholding is less than 25%, the issuer shall be required to increase its public shareholding to 25% within a period of three years from the date of listing of the equity shares in the manner specified by SEBI. For the above purpose, 'public' refers to persons or entities other than the promoters, promoter group, subsidiaries and associates of the issuer.

10 What are the corporate approvals required for an issue of equity shares in India?

An IPO of equity shares requires the authorisation of the board of directors of the issuer to undertake an issue of equity shares. Further, the issuer is required to obtain the approval of the shareholders of the issuer by way of a special resolution if the IPO involves fresh issue of equity shares by the issuer.

In case of an Offer For Sale, the approval of the board of directors of the issuer is required, in addition to any other approvals that the selling shareholders may require under applicable law.

11 What are various intermediaries and their roles in an IPO?

The following are intermediaries that are appointed by an issuer:

(a) Book Running Lead Managers ("BRLMs")

The issuer is required to appoint at least one or more Merchant Bankers, registered under the Securities and Exchange Board of India (Merchant Bankers) Regulations, 1992, as the BRLMs for the IPO and at least one of them shall be the lead merchant banker. An issuer can file a Draft Red Herring Prospectus with SEBI only through a BRLM. If the BRLM is an associate of the issuer, its role shall be limited to only marketing of the IPO. At least one BRLM shall not be an associate of the issuer.

The BRLMs are expected to exercise due diligence and are required to file a due diligence certificate along with the Draft Red Herring Prospectus with SEBI and at subsequent stages. Further, the BRLMs also assist in structuring of the transaction and in drafting of the Draft Red Herring Prospectus, the Red Herring Prospectus and the Prospectus



and advise the issuer on the appointment of other intermediaries.

The BRLMs interact with SEBI and the stock exchanges throughout the IPO process, including receiving the SEBI observations and receiving in-principle and final listing approvals from the stock exchanges. The BRLMs also assist the issuer in coordinating road shows for marketing of the IPO.

The responsibility of BRLMs shall continue until completion of the IPO process and any IPO related matter thereafter such as redressal of investor grievances arising from any IPO related activities (including in relation to securities certificates, credit to demat account or refund of application monies, monitoring of the flow of applications from syndicate members or collecting bank branches and self-certified syndicate banks (“SCSBs”)).

(b) Registrar to the IPO

The Registrar to the IPO, an entity registered with SEBI, is required to process and reconcile application forms received from syndicate or SCSBs or other intermediaries and coordinate the process for allotment of equity shares and refund of subscription amounts where equity shares are not allotted to the applicant.

The Registrar is also required to accurately maintain physical and electronic Bid data for Bids received, including maintaining application forms received

(c) Escrow Collection Bank(s)

Escrow Collections Bank, a scheduled bank registered under the Securities and Exchange Board of India (Bankers to an Issue) Regulations, 1994, acts as the escrow agent in relation to the application money received as part of the IPO from Anchor Investors. The issuer opens the relevant Escrow Accounts with Escrow Collection Banks for collecting the application money received from Anchor Investors. An Escrow Collection Bank also handles refunds of excess amount received during the IPO. An Escrow Account is the account from which application money is either refunded to the applicants, or transferred to the Public Issue Account for the purposes of allotment in the IPO.

(d) Sponsor Bank(s)

Sponsor bank is a banker to the issue which is appointed by the issuer, primarily to act as a conduit between Stock Exchanges, the National Payments Corporation of India to push the mandate collect request and payment instructions using the UPI mechanism.

(e) Advertising Agency

An advertising agency provides services in relation to advertising and public relation activities related to the IPO and provide the information to the BRLMs to enable them to submit compliance certificate to SEBI in relation to certain news reports as

specified in Regulation 42 read with Schedule IX of the SEBI Regulations.

(f) Monitoring Agency

The SEBI Regulations require that if the size of the IPO (excluding Offer For Sale component) exceeds 1,000 million, the issuer shall be required to ensure that the proceeds of the IPO are monitored by a public financial institution or by one of the scheduled commercial banks named as the banker of the issuer in the Draft Red Herring Prospectus, the Red Herring Prospectus and the Prospectus. Such monitoring agency will be required to submit its report to the issuer in the format, and at such times, as specified in the SEBI Regulations.

(g) Syndicate Members

Syndicate members are entities registered with SEBI which are permitted to carry out activity as an

underwriter and collects application forms from the applicants (excluding Retail Individual Investors), during the IPO period.

The following are intermediaries that are not specifically appointed by the issuer:

(h) SCSBs, Registered Brokers, Collecting Depository Participants, Registrar and Share Transfer Agents

Syndicate Members or SCSBs, or Registered Brokers or Collecting Depository Participants (“CDPs”), or Registrar and Share Transfer Agents collect application forms from applicants during the IPO period, and enter details into the electronic bidding system on the stock exchanges and undertake preliminary verification. However, Retail Individual Investors can only submit their bid during the IPO period with the SCSBs.





12 What is the role of statutory auditors in an IPO??

The statutory auditors of the issuer audit, restate on the issuer's financial statements and deliver a report for inclusion in the Draft Red Herring Prospectus, the Red Herring Prospectus and the Prospectus. The report includes audited financial statements prepared in accordance with the Companies Act and applicable accounting standards and are restated in accordance with the requirements specified under the SEBI Regulations for inclusion in the offer document.

The statutory auditors also prepare a statement of special tax benefits, if any,

available to the issuer, its material subsidiaries and its shareholders.

Further, market practice also requires the auditor to deliver “comfort letters” to the BRLMs at various stages in the IPO process, which relates to “negative assurance” or changes in certain line items after the date of the last audit, and confirmations on the financial data, statements and other financial and operational data included in the Draft Red Herring Prospectus, the Red Herring Prospectus and the Prospectus. There is a requirement for the statutory auditors to be peer reviewed.

13 What is the ASBA mechanism?

ASBA is a mechanism prescribed by SEBI to apply in an IPO, wherein the application money can be blocked in the bank account or UPI ID provided in the application form until just prior to allotment of the securities as opposed to application amount being submitted along with the application form.

14 Is participation in an IPO through the ASBA process mandatory?

All investors other than Anchor Investors are required to participate in the IPO only through the ASBA process.



II. WHAT ARE THE VARIOUS TRANSACTION DOCUMENTS?

01 What is an Issue Agreement?

The Issue Agreement is entered into among the BRLMs, the issuer and the selling shareholders (if any), prior to filing of the Draft Red Herring Prospectus with SEBI. It sets out, amongst other things, the roles and responsibilities of the BRLMs, the conditions precedent to the BRLMs' obligations, representations and warranties from the issuer, the selling shareholders (if any) and the BRLMs, details of the indemnity provided by the issuer to the

BRLMs and provisions for termination of the BRLMs' engagement. The obligations of BRLMs are typically several and not joint. The fee arrangement is typically governed by a separate engagement letter entered into between the issuer, the selling shareholders (if any) and each BRLM. If the IPO has an Offer For Sale component, the selling shareholders are also a party to the issue agreement.

02 What is an Escrow Agreement?

The Escrow Agreements are of two types, cash escrow agreement and share escrow agreement (in case of Offer For Sale).

- (a) The cash escrow agreement sets out the arrangement for collection of application/Bid Amount from Anchor Investors. This agreement is entered into amongst the issuer, the selling shareholders (if any), the BRLMs, the Escrow Collection Banks and the Registrar (and the selling shareholders, in case of an Offer For Sale). This agreement also provides for the arrangement by which the funds in the Escrow Accounts are transferred to the refund account or the Public Issue Account or the account of the selling shareholders (in case of an Offer For Sale), as applicable.

- (b) In case of Offer For Sale, a separate share escrow agreement is executed between the issuer, selling shareholders and an escrow agent for deposit of shares offered in the Offer For Sale typically prior to filing of the Red Herring Prospectus.





03 What is a Syndicate Agreement?

The Syndicate Agreement sets out the obligations between the BRLMs and rest of the syndicate. As indicated earlier, syndicate members are appointed to collect bids from applicants (excluding Retail Individual Investors) in an IPO for deposit with SCSBs. This agreement lists out the role and obligation of each syndicate member. The issuer (and the selling shareholders, if any) are confirming parties to the syndicate agreement.

04 What is an Underwriting Agreement?

The Underwriting Agreement is entered into amongst the issuer, the selling shareholders (if any) and the underwriters after the determination of the IPO price, but prior to filing of the prospectus with the Registrar of Companies. Under the terms of the underwriting agreement, the underwriters agree to ensure payment or subscription with respect to the equity shares allocated to investors procured by them and, in the event of any default in payment, the respective underwriter is required to procure purchasers for, or purchase, the equity shares to the extent of the defaulted amount. It also includes among other things, conditions precedent to the underwriting obligations, representations and covenants by the issuer and the indemnity provisions.

05 What is a Registrar Agreement?

This agreement is entered into amongst the issuer, the selling shareholders (if any), and the registrar to the issue, whereby the issuer appoints the registrar for the IPO. This agreement sets forth the rights and obligations of the registrar in the IPO process such as issue of various IPO related procedural instructions, rejection of bids, assisting in finalising the Basis of Allotment and coordination on refunds.

06 What is a Service Provider or Advertising Agency Agreement?

This is an agreement entered into amongst the issuer, the selling shareholders (if any), the BRLMs and the service provider or advertising agency. It sets out the obligations of the advertising agency and the services provided by the advertising agency for advertising and media relations in respect of the IPO. This also includes provisions for providing certification to BRLMs to enable BRLMs to submit advertisement compliance certificate with SEBI.

07 What is a Monitoring Agency Agreement?

This is an agreement entered into amongst the issuer and the monitoring agency, setting out the obligations of the monitoring agency

in relation to monitoring the proceeds of the IPO. The SEBI Regulations require that if the size of the IPO (excluding Offer For Sale component) exceeds 1,000 million, the issuer shall be required to ensure that the proceeds of the IPO are monitored by a public financial institution or by one of the scheduled commercial banks named as the banker of the issuer in the Draft Red Herring Prospectus, the Red Herring Prospectus and the Prospectus.

08 Is the issuer required to enter into an agreement with the SCSBs, the Registrar and Share Transfer Agents, the CDPs and Registered Brokers?

No. However, the issuer is required to take cognizance of the deemed agreements with the SCSBs, the Registrar and Share Transfer Agents, the CDPs and Registered Brokers. This is typically recognized by way of relevant clauses in the issue agreement.

III. PROCESS FOR LISTING

01 What is the process for listing?

Below is a list of the general steps involved in an IPO process. The steps can be divided broadly into, five phases: (i) the period prior to filing of the Draft Red Herring Prospectus; (ii) the filing of the DRHP with SEBI; (iii) SEBI review and receipt of final observations from SEBI; (iv) Post final SEBI observations and filing and registration of the Red Herring Prospectus with the Registrar of Companies; and (v) the Issue Period which includes the post issue phase which occurs after the books have closed, Basis of Allotment has been prepared, prospectus has been registered with the Registrar of Companies, when the allocation/ allotment is made to the Bidders, and the listing formalities are completed. Set out below are the indicative steps and process for an IPO, which has been divided into six stages:

(a) Period prior to filing of the Draft Red Herring Prospectus

- Appointment of BRLMs and legal counsels;
- Organising a kick-off meeting where the senior management provides an overview of the issuer and its business to the BRLMs and the legal counsels and the IPO timelines are discussed;
- Commencement of the due diligence exercise, simultaneously with commencement of drafting of the Draft Red Herring Prospectus

(b) Filing of the Draft Red Herring Prospectus (not applicable in fast track issues)

- Execution of the issue agreement, registrar agreement and service provider agreement;
- Executed standard certificates are provided by the issuer, its directors, subsidiaries, promoters, promoter group, group companies, and selling shareholders, if any, for due diligence back-up of the underwriters, and executed comfort letter and certificates are provided by the auditors; discussed;
- Filing of the Draft Red Herring Prospectus with SEBI along with the due diligence certificate; and
- Filing of applications along with the Draft Red Herring Prospectus to the stock exchanges for the in-principle listing approval.

(c) SEBI review and receipt of final SEBI observation (not applicable in fast track issues)

- Replying to interim observations received from SEBI and updating the Draft Red Herring Prospectus; and
- Receipt of final observation from SEBI (valid for twelve months).

(d) Post final SEBI observation and filing of the Red Herring Prospectus

- Filing reply to final observations received from SEBI and updated Draft Red Herring Prospectus



(after incorporating SEBI's observations and other updates resulting from efflux of time);

- Receipt of noting of changes and updates made in the updated Draft Red Herring Prospectus from SEBI;
- Execution of cash escrow agreement (and share escrow agreement, if applicable) and syndicate agreement;
- Execution and delivery of updated standard certificates and comfort letter; and
- Filing and registration of the Red Herring Prospectus with Registrar of Companies and obtaining the Registrar of Companies' approval.

(e) Issue Period

- Issuer shall announce the Price Band at least two working days before opening of the bid period for an IPO;
- Opening of IPO for bidding by Anchor Investors only for one day;
- Opening of the bidding period for subscription by all investors except Anchor Investors (Anchor Investor process discussed separately) for at least three working days; and
- Bidding closes.

(f) Post Issue Period

- Registrar to obtain electronic bid details from stock exchange;
- Finalisation of the IPO price and execution of the underwriting agreement;
- Filing and registration of the Prospectus with the Registrar of Companies;
- Registrar to submit final Basis of Allotment to the designated stock exchange for their approval;
- Registrar and the BRLMs to issue funds transfer instructions to collecting banks and SCSBs for credit of funds into the Public Issue Account;
- Issuer to allot the equity shares and credit of equity shares to the demat account of successful Bidders commences;
- Issuer to make listing and trading application to stock exchanges. Stock exchanges to provide final listing and trading approval; and
- Commencement of trading.

02 Are the investors categorized? If yes, how is allotment made to different categories?

Yes. Investors are categorised into Qualified Institutional Buyers (“QIBs”), Non-Institutional Investors and Retail Individual Investors.

- (a) If an issuer meets eligibility requirements under A(5) and undertakes an IPO through the Book Building Process, it shall allocate not less than 35% of the IPO to Retail Individual Investors, not less than 15% of the IPO to Non-Institutional Investors and not more than 50% of the IPO to QIBs; and
- (b) In cases where the companies do not meet the eligibility conditions specified in A(5), they shall allocate not more than 10% to Retail Individual Investors, not more than 15% to Non-Institutional Investors and allot not less than 75% to QIBs.

Allotment to QIBs and Non-Institutional Investors is done on a proportionate basis. In case of Retail Individual Investors, allotment should be for minimum bid lot subject to availability and thereafter on proportionate basis. Further, allotment to QIBs is split as follows:

- (a) 5% is allocated to registered mutual funds; and
- (b) Balance of the QIB portion is allocated to QIBs, including mutual funds.

03 Who are Anchor Investors?

- (i) An issuer undertaking a public issue of securities has the option to allocate up to 60% of the portion of the IPO available for allocation to the QIBs, to “Anchor Investors”. Anchor Investors are QIBs making an application for a value of 100 million or more in a public issue. Bidding by Anchor Investors opens one day before the Issue Opening Date and allocation must also be completed on the same day;
- (ii) One-third of the Anchor Investor portion is required to be reserved for Indian mutual funds;
- (iii) Allocation to Anchor Investors is on a discretionary basis and subject to the following:
 - maximum of two Anchor Investors for allocation up to 100 million;
 - minimum of two and maximum of 15 Anchor Investors for all allocations between 100 million



and 2,500 million, subject to minimum allotment of 50 million per Anchor Investor; and

- in case of allocation above 2,500 million, minimum of five and maximum of 15 Anchor Investors for allocation up to 2,500 million, and additional 10 Anchor Investors for every allocation of 2,500 million or part thereof, subject to minimum allotment of 50 million per Anchor Investor.

- (iv) If the final IPO price is higher than the price at which allocation is made to Anchor Investors, the Anchor Investors are required to bring in the additional amount being the difference between allocation price and IPO price. However, if the final IPO price is lower than the price at which the allocation is made to Anchor Investors, the excess amount cannot be refunded to the Anchor Investor and the Anchor Investor shall receive allotment at their allocation price;
- (v) Neither the BRLMs or any associate of the BRLMs (other than mutual funds sponsored by associates of the BRLMs, insurance companies promoted by associates of BRLMs, AIFs and FPIs (other than category III FPIs), sponsored by entities which are associated with BRLMs) nor any person related to the promoter or promoter group of the issuer in the concerned public issue can apply under the Anchor Investor portion; and
- (vi) Equity shares allotted to Anchor

Investors are locked in for a period of 30 days from the date of allotment in the IPO

04 What is a 'confirmation of allocation note'?

Confirmation of allocation note or the CAN is the advice or intimation of (an Allotment advice is sent to other investors) securities of the issuer sent to the Anchor Investors who have been allocated shares upon finalisation of the basis of allocation at the end of Anchor Investor bidding period.

05 What are the methods of pricing under Indian law?

Under the SEBI Regulations, an issuer may determine the price (and, in the case of convertible debt instruments, the coupon rate and the conversion price) in consultation with the lead merchant banker (a fixed price issue) or through the Book Building Process (a book built issue).

06 What is the difference between a fixed price offering and a book built offering?

In a fixed price offering, the Issue Price is fixed prior to opening of the IPO and forms a part of the offer document. In a book built offering, the prospective investors have the option of investing at a price within a Price

Band or at or above Floor Price which may be mentioned in the Red Herring Prospectus and is advertised two working days prior to opening of the IPO. Additionally, a fixed price offering is a two-stage process, where the Draft Red Herring Prospectus is filed with SEBI for comments, and thereafter the Prospectus is filed with the Registrar of Companies. In a book built offering, on the

other hand, there is a three stage process, where the Draft Red Herring Prospectus is filed with SEBI for comments, the Draft Red Herring Prospectus updated in accordance with comments received from SEBI and the Red Herring Prospectus is filed with the Registrar of Companies, and thereafter, the Prospectus with the Issue Price is filed with the Registrar of Companies.

07 What is book building?

Book building is a process undertaken to determine the demand and to assess the price for determination of the quantum or value of securities proposed to be issued by the issuer in the IPO.





08 How are bids collected in book building?

During the specified IPO period, investors submit a Bid cum Application Form to the SCSBs, the BRLMs and the syndicate members, Registered Brokers, CDPs and Registrar and Share Transfer Agents indicating the number of securities and the price within the Price Band at which they wish to subscribe to the equity shares of the issuer. However, Retail Individual Investors can only submit their bid during the IPO period with the SCSBs. Effective from January 1, 2019, Retail Individual Investors are also allowed to bid and block amounts by usingUPIID.

Each Bid cum Application Form gives the Bidder the choice to bid for equity shares at three optional prices within the Price Band and specify the number of equity shares bid for against each such price.

Bid Amounts collected from Anchor Investors are deposited in the Escrow Account in terms of the Escrow Agreement or in case of ASBA bids, an amount equivalent to the Bid Amount will be blocked by the SCSBs and the Sponsor Bank, as applicable, in the bank account specified in the Bid cum Application Form.

The SCSBs, syndicate members, or Registered Brokers, CDPs and RTAs enter each bid option of each Bidder into the electronic bidding system as a separate Bid.

After determination of the IPO price, the maximum number of equity shares bid for by a Bidder at or above the IPO price is

considered for allotment and the rest of the Bid(s), irrespective of the bid price, are automatically rejected.

09 Who fixes the price of securities in an issue?

After the Issue Closing Date, the BRLMs, the issuer, and the selling shareholder, if any, analyse the demand generated at various price levels. Subsequently, the issuer in consultation with the selling shareholder, if any, and the BRLMs, finalise the Issue Price and the number of equity shares to be allotted to each category of investors.

10 When is the Allotment of securities completed?

Allotment of securities is required to be done within four working days of the Issue Closing Date. After the funds are transferred from the Escrow Account and ASBA accounts to the Public Issue Account on the Designated Date, the successful Bidders' depository accounts are credited within two working days of the date of Allotment.

11 What is promoters' contribution?

In terms of the SEBI Regulations, not less than 20% of the post-IPO equity share capital on a fully diluted basis should have been contributed by promoters in the IPO.

For the calculation of promoters' contribution, the following securities, amongst others, shall be ineligible for the computation of promoters' contribution:

- Equity shares acquired in the last three years for consideration other than cash and revaluation of assets or capitalisation of intangible assets;
- Equity shares acquired through a bonus issue of equity shares out of revaluation reserves or unrealised profits of the issuer or bonus issue of equity shares acquired on the basis of ineligible equity shares in the last three years;
- Equity shares acquired during the preceding one year and at a price lower than the price at which the equity shares are being offered to the public in the IPO, subject to certain other requirements and exceptions; and

Equity shares which are pledged with any creditor.

12 What are the lock-in requirements?

In terms of the SEBI Regulations, lock-in requirements are of two types: (i) that which applies to the promoters of the issuer in respect of the promoters' contribution; and (ii) that which applies to all holders of the pre-IPO equity share capital of the issuer (including, the promoters for their holding in excess of the promoters' contribution).

13 What are the lock-in requirements applicable to promoters?

In terms of the SEBI Regulations, promoters of the issuer are required to lock-in equity shares held by them representing 20% of the post-IPO equity share capital of the issuer on a fully diluted basis for a period of three years. This lock-in commences from the date of allotment in the IPO or the date of commencement of commercial production by the issuer, whichever is later, and remains applicable for a period of three years from the date of allotment in the IPO. The remaining shareholding of the promoters shall be locked-in for a period of one year from the date of the allotment in the public issue or date of commencement of commercial production, whichever is later. This restriction is, however, not applicable to companies which have no identifiable promoters.

14 What are the lock-in requirements applicable to the shareholders other than promoter shareholders?

The entire pre-IPO equity share capital held by persons other than promoters shall be locked-in for a period of one year.

However, this will not be applicable to (i) equity shares allotted to employees, whether currently in employment or not, under any



stock option scheme prior to the IPO in the event disclosures are made in the offer document in accordance with the SEBI Regulations; (ii) equity shares held by an employee stock option trust or transferred to the employees by an employee stock option trust pursuant to exercise of options by the employees, whether currently employees or not, in accordance with the ESOP or ESPS; and (iii) equity shares held by a VCF or Category I AIF or Category II AIF or an FVCI, provided that such equity shares shall be locked-in for a period of one year from the date of purchase by such VCF, AIF or FVCI.

15 What is a Green Shoe Option?

The Green Shoe Option under the SEBI Regulations is a mechanism to ensure price stability of the securities of an issuer, and to protect the issuer and the investors from price volatility, immediately after listing for a period of 30 days. While the decision to have While the decision to have such an option has to be taken at the time of filing the Draft Red Herring Prospectus, the actual decision to exercise the option has to be taken at the time of pricing of the IPO. Additional equity shares (up to 15% of the IPO size) can be borrowed from either a promoter or a pre-issue shareholder and allotted at the time of allotment to investors.

After listing of the securities, the stabilization agent (who has to be one of the BRLMs) may undertake price stabilization for 30 days by purchasing equity shares from the market if the price falls before the IPO price. Any such equity shares purchased are required to be returned to the lenders (being promoters and/ or pre-IPO shareholders) of these equity shares at the end of the stabilization period. Further, any shortfall in the securities lent by the promoter or pre-issue shareholder, is met through issuance of fresh equity shares by the issuer. The lender also receives consideration for lending its equity shares. The Green Shoe Option has been utilized in very few IPOs in India.

IV. PUBLICITY AND RESEARCH

Publicity

01 Are there any laws governing publicity in India?

Yes. Publicity in India is subject to restrictions under Schedule IX of the SEBI Regulations.

02 What are the publicity restrictions applicable in India?

Publicity during the Pre-Filing Period

The publicity restrictions applicable in India include the following:

- (a) The advertisements during the pre-filing Period should be consistent with past practices of the issuer and if such advertising material is not consistent with the past practices of the issuer, disclaimer to the effect that the issuer is proposing, subject to receipt of requisite approvals, market conditions and other considerations, a public issue of its equity shares in the near future and is in the process of filing a Draft Red Herring Prospectus with SEBI. The disclaimer should be displayed in a legible and prominent manner, such that the same is not disproportionate to the contents of the public communication.
- (b) The issuer should ensure that all advertisements to be released (including past advertisements which

are required to be circulated again) are pre-cleared by the BRLMs and the Legal Counsels.

- (c) The advertisements should not contain any reference to the IPO (other than the aforesaid disclaimer in relation to the IPO, if applicable), the valuation of the shares of the issuer or future projections of financial performance of the issuer or its group.

Publicity during Post-Filing Period

- (a) The issuer should not speak about the proposed IPO or the financial information of the issuer for future periods or share valuation opinions at any point of time;
- (b) All public communications should only contain such information which shall not be extraneous to the contents of the Draft Red Herring Prospectus, Red Herring Prospectus and Prospectus. Such information shall be truthful, fair and shall not be manipulative, deceptive or distorted or contain any statement, promise or forecast which is untrue or misleading;
- (c) The issuer should not schedule any interviews with representatives of the international or Indian press or hold investor meeting or participate in industry conferences without consulting its legal counsel. The issuer should not respond to any inquiries from the press without prior consultation with its legal counsel;



- (d) If the issuer has previously scheduled interviews with the press, such interviews may be permitted so long as no information regarding the IPO is discussed;
- (e) All advertisements, other than advertisements relating to products and services, issued by the issuer from the period of the filing of the Draft Red Herring Prospectus till the listing of the securities have to contain prescribed disclaimers informing the public about the proposed public offering. However, requirement of disclaimer is not applicable on advertisements of products and services of the issuer;
- (f) The issuer should not participate in the preparation and distribution of research reports or analysis;
- (g) The issuer should ensure that there is no mention of the IPO in any form including on its website;
- (h) All information on the website should be consistent with the disclosures in the Draft Red Herring Prospectus, Red Herring Prospectus and Prospectus; and
- (i) The website should not contain financial or operating forecasts or share valuation opinions.

03 What are the periods during which the publicity restrictions become applicable?

Publicity restrictions are applicable to public communications and publicity material, including corporate advertisements and advertisements of products or services of the issuer, from the date of the commencement of IPO process up to the date of allotment of securities being issued or offered in the IPO. Please note that in case of public offer involving offering in outside jurisdictions such as the United States, may have additional publicity restrictions including period of applicability.

04 What are the various advertisements that are required to be released in relation to the IPO?

- (a) The issuer shall, after registering the Red Herring Prospectus (in case of a book built issue) or a Prospectus (in case of a fixed price issue) with the Registrar of Companies, publish an advertisement in one English national daily newspaper with wide circulation, one Hindi national daily newspaper with wide circulation and one regional language newspaper with wide circulation at the place where the registered office of the issuer is situated (the “pre-issue advertisement”). Such pre-issue advertisement shall be in compliance with Section 30 of the Companies Act and Regulation 43 and Part A of Schedule X of the SEBI Regulations;

Act and Regulation 43 and Part A of Schedule X of the SEBI Regulations;

- (b) In accordance with Regulation 29(4), the issuer shall announce the Floor Price or Price Band in all newspapers in which the pre-issue advertisement was released. Such advertisement is required to be undertaken at least two working days prior to opening of the IPOs;
- (c) In accordance with Regulation 43(3) of the SEBI Regulations, the issuer may issue advertisements for issue opening and issue closing, which shall be in the formats prescribed under Parts B and C of Schedule X of the SEBI Regulations; and
- (d) In accordance with Regulation 51 of the SEBI Regulations, the BRLMs shall ensure that an advertisement giving details relating to subscription, Basis of Allotment, number, value and percentage of all applications including ASBA, number, value and percentage of successful allottees for all applications including ASBA, date of completion of dispatch of refund orders, as applicable, or instructions to SCSBs by the Registrar, date of credit of securities and date of filing of listing application, is released within 10 days of completion of various activities in the newspapers in which the pre-issue advertisement is released.

Research

01 Are there any laws applicable to research analysts?

Yes. Any research and related activities by any research analysts shall be in compliance with the SEBI Research Analysts Regulations that came into force from November 30, 2014. The SEBI Research Analysts Regulations, the SEBI Regulations and the Companies Act primarily govern the preparation and dissemination of research reports by the issuer.

02 To whom are the SEBI Research Analysts Regulations applicable?

The restrictions under the SEBI Research Analysts Regulations are applicable to:

- (a) the issuer;
- (b) the issuer's associate companies (as defined under the Companies Act), promoters, directors, officers, and affiliates, and each of their respective affiliates;



- (c) all persons acting on behalf of the issuer (including any public relations firm); and
- (d) the BRLMs, connected analysts, the Syndicate Members and their respective affiliates and associates.

03 What is the period of black-out?

The blackout period for distribution of Research Reports typically commences at 12.00 a.m. (Indian Standard Time) on the date one day prior to the filing of the Draft Red Herring Prospectus with SEBI. It needs to be examined whether the issue agreement includes a provision that restricts or prohibits the sale of securities of the issuer after completion of the IPO (“**Lock-up Arrangement**”). This stipulation refers to any Lock-up Arrangement or similar agreement entered into by a research analyst or research entity with the issuer, and not with the promoters, principal shareholders or selling shareholders of such issuer. Under the SEBI Research Analysts Regulations, research reports cannot be distributed during the following periods:

- (a) a period of 40 days immediately following the day on which the securities are priced in the IPO;
- b) in the event that the BRLMs have agreed to participate as an underwriter for the offering, a period of 25 days commencing from the Issue Opening Date; and

- (c) for a period of 15 days prior to, and 15 days after, the expiration of entering into or after the expiry, termination or waiver of the Lock-up Arrangement.

04 What are the restrictions applicable on research reports?

Certain guidelines and procedures in relation to preparation and distributions of research reports are set forth below:

- (a) The BRLMs or their affiliates should not distribute a research report anywhere in the world if anyone responsible for the preparation of such research report has had access to, or is in possession of, material information (whether or not reflected in the research report) that is not known to the public and will not be included in the Draft Red Herring Prospectus, the Red Herring Prospectus and the Prospectus;
- (b) The research report should be, and present itself as, an outsider's view of the issuer and should be independently produced;
- (c) The source of the information shall be clearly acknowledged;
- (d) The research reports should not contain projections, expectations and forecasts. The research reports should also not contain any valuations or recommendations in relation to the securities of the companies;

- (e) The research reports shall be reviewed by the counsels to the BRLMs prior to their publications; and
- (f) The research report should highlight any conflict or potential conflict due to relationship between research entity and the issuer.

05 What are the restrictions on dealing with securities?

The restrictions on dealing with securities include:

- (a) The individuals employed by the BRLMs as research analysts or their respective associates should not deal or trade in the securities of the issuer within 30 days before and five days after the date of the research report;
- (b) The individuals employed by the BRLMs as research analysts or their respective associates should not deal or trade, directly or indirectly, in the securities of the issuer in a manner contrary to their respective recommendations;
- (c) The individuals employed by the BRLMs as research analysts or their respective associates should not purchase or receive securities of the issuer prior to the IPO of the issuer, if it undertakes research on, or follows, companies that are principally engaged in same types of business as the issuer; all applications including ASBA, date of completion of dispatch of refund orders, as applicable, or instructions to SCSBs by the Registrar, date of credit of securities and date of filing of listing application, is released within 10 days of completion of various activities in the newspapers in which the pre-issue advertisement is released



06 Are there similar laws applicable in other jurisdictions?

Yes. Some laws of other jurisdictions are applicable to research analysts and are extra-territorial in their application.

V. DISCLOSURES IN THE OFFER DOCUMENT

01 What are the disclosure standards applicable in India?

Disclosure standards in India for the Draft Red Herring Prospectus, the Red Herring Prospectus and the Prospectus are substantially at par with other securities markets in the world, with certain additional requirements.

All the disclosures made in the Draft Red Herring Prospectus, the Red Herring Prospectus and the Prospectus must be true and adequate to enable the investors to make a well informed decision as to the investment in the proposed IPO.

02 What are the key areas of disclosures in the Draft Red Herring Prospectus, the Red Herring Prospectus and the Prospectus?

In addition to the customary key areas such as the business and industry of the issuer, risk factors (internal and external to the issuer), financial statements, management's discussion and analysis of financial condition and results of operation, management, there are certain other requirements under the SEBI Regulations, including:

- (i) details pertaining to promoters, members or entities forming a part of the promoter group and group companies;
- (ii) comprehensive details pertaining to the use of proceeds from the issue and manner in which such amount has been ascertained;
- (iii) details of build-up of capital structure of the issuer along with shareholding pattern and details of shareholders arrangements;
- (iv) pending litigation details relating to the issuer, its subsidiaries, promoters, directors and group companies; and
- (v) details relating to government approvals relevant for the business of the issuer and its material subsidiaries.

03 How do you identify promoters, members or entities forming a part of the promoter group and group companies?

Promoters:

Promoters have been defined in a subjective

manner in the SEBI Regulations and the Companies Act as a person, (a) who is identified as a “promoter” in the offer



document and has been named as such by the issuer in the annual return; (b) who has control over the affairs of the issuer, directly or indirectly; or (c) in accordance with whose advice, directions or instructions the board of directors of the issuer is accustomed to act.

However, there are certain exceptions for directors or officers of the issuer, acting in their professional capacity, and for financial institutions, scheduled commercial banks, FPIs (not Category III FPIs), mutual funds, VCFs, AIFs, FVCIs and insurance companies.

Promoter Group

The SEBI Regulations defines the “promoter group” as:

- (i) In the event the promoter is a body corporate, then the promoter group includes (i) its subsidiary or holding company; (ii) a company in which it holds 20% or more of the equity share capital; (iii) a company which holds 20% or more of its equity share capital; and (iv) any body corporate in which a group of individuals or companies or a combination of both, acting in concert, hold 20% or more of equity share capital of such body corporate and such group of individuals or companies or a combination thereof, acting in concert, also hold 20% or more of the equity share capital of the issuer; and
- (ii) If the promoter is an individual then,

- (i) immediate relatives of the promoter, being any spouse of that person, any parent, brother, sister, child of the person or of the spouse; (ii) any body corporate in which 20% or more of the equity share capital is held by the promoter or his immediate relative or a firm or Hindu undivided family in which the promoter is a member or one or more immediate relative of the promoter is a member; (iii) any body corporate in which a body corporate as described in (ii) above holds 20% or more of the equity share capital; (iv) any firm or Hindu undivided family, in which the aggregate shareholding of the promoter and immediate relatives of the promoter is 20% or more of the total capital; and (v) all persons whose shareholding is aggregated under “shareholding of the promoter group”.

Group Companies:

The SEBI Regulations define 'group companies' to include:

- (i) the companies (other than promoters and subsidiaries) with which there were related party transactions as covered under the applicable accounting standards, during the period for which financial information is disclosed in the offer document; and
- (ii) other companies considered material by the board of directors of the issuer.

04 What promoter related disclosures are required to be made in Draft Red Herring Prospectus, the Red Herring Prospectus and the Prospectus?

The SEBI Regulations and the Companies Act and the rules made thereunder, require various disclosures in relation to the promoters. These include:

- (i) details of the securities held by them in the issuer; and
- (ii) litigation involving promoters.

Where the promoter is an individual:

A complete profile of the promoters including details of their age, date of birth, educational qualifications, experience, past positions held, other directorships, special achievements, financial activities, permanent account number, Aadhaar card number and driving license number.

Where the promoter is a company:

- (i) a brief history such as date of incorporation, change in activities and present activities;
- (ii) a brief history of the company and the promoters of the company;
- (iii) names of natural persons in control (i.e. holding 15% or more voting rights) or who are on the board of directors of such bodies corporate; and
- (iv) details of change of control of the company, including details of persons

who held the controlling interest in the preceding three years and compliance with the SEBI Takeover Regulations.

05 What are the restrictions applicable on research reports?

Once named as a promoter of the issuer in an offer document, such entity (unless depromoterised later) will be considered as a promoter of the issuer for the purposes of the SEBI Takeover Regulations, the SEBI Insider Trading Regulations and other applicable regulations, future disclosures in the annual reports and regulatory filings, and also for further offerings of securities by the issuer.

Under the SEBI Takeover Regulations and the SEBI Insider Trading Regulations, promoters are required to make regular disclosures and quarterly filings of their shareholding in the issuer, to the issuer. Such entities may also avail the exemption for transfer of equity shares inter-se between promoters on the satisfaction of certain conditions.

Furthermore, as per the provisions of Companies Act and the SEBI Regulations, an exit offer is required to be made by the promoters or shareholders in control of an issuer to the dissenting shareholders, in case of change in objects or variation in the terms of contract referred to in the offer documents.

The SEBI Regulations prescribe a lock-in period for the securities held by the promoter (see C12 and C13). However, inter-se



promoter transfers and transfers from promoters or promoter group to persons acquiring control of the issuer in accordance with the SEBI Takeover Regulations are permitted. The lock-in of three years for minimum promoter contribution and one year for the remaining shareholding will, however, continue in the hands of the new promoters or promoter group.

Promoters may also be held liable for misstatements in the Red Herring Prospectus and the Prospectus and may have certain other obligation under the Companies Act.

06 Can a Company undertake an IPO without a promoter?

One of the key parameters to identify the promoter(s) of a company is having 'control', of the issuer in terms of the SEBI ICDR Regulations, the Companies Act and the SEBI Takeover Regulations. 'Control' includes the right to appoint majority of directors of a company or to control the management and policy decisions of a company. Therefore, a person or persons who have a right to appoint majority of directors of the company or who control the management and policy decisions of the company will be categorised as promoter(s) of the company. The issuer may also voluntarily decide to name certain other persons as the "promoter" though that person may not have control of the issuer.

In situations wherein the shareholding in a company is highly dispersed and no shareholder has controlling rights then such

company may not have an identifiable promoter and such company would be considered as a 'professionally managed company'.

Whilst there have been certain recent precedents where companies with no identifiable promoters have undertaken IPO especially in regulated sectors, however, determination of "no identifiable promoter" is a factual test and is determined on a case to case basis.

07 What are the group company related disclosures that are required to be made in Draft Red Herring Prospectus, the Red Herring Prospectus and the Prospectus?

The following disclosures in relation to all group companies are to be included in the Draft Red Herring Prospectus, the Red Herring Prospectus and the Prospectus:

- (i) date of incorporation; and
- (ii) nature of activities.

Additionally, certain selected financial line items are to be disclosed for the last three years for listed group companies, including, (i) equity capital; (ii) reserves (excluding revaluation reserve); (iii) sales; (iv) profit after tax; (v) earnings per share and diluted earnings per share; and (vi) net asset value (the "Selected Financials").

In case there are more than five listed group companies, the Selected Financials may be

restricted to the five largest listed group companies (based on market capitalization). In case there are less than five listed group companies, the Selected Financials shall be given for all listed group companies and in addition, for the largest unlisted group companies (based on turnover), so that the total number of listed and unlisted group companies for which the Selected Financials are disclosed does not exceed five.

08 What are the disclosure requirements for the objects for which the IPO is proposed?

The SEBI Regulations require comprehensive details of the utilisation of the funds proposed to be raised from the IPO and the basis on which such amount has been determined (including third party reports in certain cases). For instance:

- (i) In the event the objects include repayment of loan, details including (a) the details of loan proposed to be repaid such as name of lender, brief terms and conditions and amount outstanding, (b) certificate from statutory auditor certifying the utilization of loan for the purpose it was availed;
- (ii) In the event the objects include funding working capital, detailed assessment of historical and projected working capital utilization and requirements; and

- (iii) If the proceeds are intended to be used for the acquisition of, or further downstream investment in a subsidiary, disclosures in respect of such subsidiary or target company and the manner in which such funds will be infused in the subsidiary or target company.

09 What are the disclosure requirements for directors and key management personnel of the issuer?

In relation to the directors and key management personnel of the issuer, the disclosure requirements include:

- (i) the age, address, occupation, qualification, nature of directorship or position held in case of a key management person, term of directorship or date of appointment for key management person, role of key management person in the issuer, director identification number and other directorships for directors, past experience and remuneration for the last Fiscal;
- (ii) number of securities held by the directors in the issuer;
- (iii) changes in directors of the issuer in the last three years along with reasons; and
- (iv) interests of the directors in the issuer, including any agreements entered into by the issuer with its directors.



10 What are the litigation related disclosures required to be included in Draft Red Herring Prospectus, the Red Herring Prospectus and the Prospectus?

Litigation related disclosure requirements extend to the issuer, its subsidiaries, its promoters and its directors and includes all pending (a) criminal proceedings; (b) actions taken by statutory and regulatory authorities; (c) claims related to direct and indirect taxes (in a consolidated manner); and (d) such other litigation that may be considered material in accordance with the materiality policy of the board of directors of the issue. Further, any pending litigation involving group companies which may have a material impact on the issuer is also required to be disclosed in the offer document. Additionally, any disciplinary action including penalty imposed by SEBI or stock exchanges against the promoters in the last five Fiscals including outstanding action is required to be disclosed in the offer document.

11 What are the consequences for misstatements and omissions in the Draft Red Herring Prospectus, the Red Herring Prospectus and the Prospectus?

An issuer is required to include audited and consolidated (if relevant) financial statements for each of the three Fiscals preceding the IPO and the last stub period, if required, such that the financial statements are not more than six months old from the date of the offer document and the Issue Opening Date. Under the SEBI Regulations, historical audited accounts are required to be restated to ensure consistency of presentation, disclosure and the accounting policies for all the financial statements presented in the offer document.

In addition to the above, the issuer is also required to include proforma financial statements in the offer document in case of any material acquisition or divestment, including acquisition or divestment of any

business of the issuer or its subsidiaries and any deemed disposal, after the latest period for which financial information is disclosed in the offer document. Materiality is determined on the basis of certain net worth, revenue and profit linked threshold (20% or more of the turnover, net worth or profit before tax in the latest consolidated financial statements of the issuer).

The separate audited financial statements for past three full Fiscals immediately preceding the date of filing of the offer document of the issuer and all its material subsidiaries (if a subsidiary contributes 10% or more to the turnover or net-worth or profits before tax in the annual consolidated financial statements of the issuer of the respective year) is required to be made available on issuer's website.

12 Whether an offer document can be rejected by SEBI on the grounds of inadequate disclosure?

SEBI may reject an offer document where it has reasonable grounds to believe that the adequacy and quality of disclosures are not satisfactory or where an investor may not be able to assess the risks associated with the issue. Such grounds include vague objects, complex business model, unidentified promoters, etc. Companies whose draft offer documents are rejected are not allowed to access capital markets for at least one year.

13 What are the consequences for misstatements and omissions in the Draft Red Herring Prospectus, the Red Herring Prospectus and the Prospectus?

The Companies Act provides for civil and criminal liability for misstatements in an offer document.

- (i) Civil liability for (a) the issuer; (b) its directors; (c) its promoters; (d) every person who has authorised issue of the Prospectus; and (e) experts for any inclusion or omission in a Prospectus which misleads an investor and causes damages; and
- (ii) Criminal liability (imprisonment and/or fine) for any misstatement

made with an intention to defraud, for every person who authorises the issue of the Prospectus.

14 What action can SEBI take if there are any misstatements or omissions?

In accordance with Section 24 of the Companies Act, SEBI has the power to take any enforcement action against the issuer undertaking an IPO and all other relevant persons, for violations of the Companies Act including breach under Sections 34 and 35 of the Companies Act.

15 What is the liability of intermediaries associated with an IPO for misstatements and omissions in an offer document?

Under the SEBI Regulations, the BRLMs are required to provide a due diligence certificate to SEBI with respect to the contents of the offer document and could therefore be held liable by SEBI. The SEBI Regulations specify that their liability shall continue even after the IPO process is complete for matters relating to the IPO. Separately, all intermediaries can be held liable under the applicable SEBI regulations under which they are registered with SEBI.



16 Can private action be initiated for misstatements?

Yes. Any person or group of persons which have sustained any loss or damage due to misstatements in a prospectus or fraudulent conduct may approach any court with appropriate jurisdiction in order to claim compensation for such loss or damage.

17 Are there any past instances of any action taken by the regulator for misstatements or omissions?

Yes. There have been multiple past instances of action taken by the regulator for misstatements and omissions in the Draft Red Herring Prospectus, the Red Herring Prospectus and the Prospectus. For example, a company, which is one of the leading players in its industry and some of its directors were restrained by SEBI from accessing the securities market and prohibited them from dealing in securities for the period of three years on the ground of active and deliberate suppression of material information in its Red Herring Prospectus and Prospectus so as to mislead and defraud the investors.

VI. CORPORATE ACTIONS

01 What are the corporate and third party approvals required for an IPO?

Please see A(10) for the corporate approvals required for an IPO.

In certain cases, approvals from RBI and relevant industry ministries/departments for a particular industry may be required for issue of equity shares to non-residents. Further, approval of the sector regulator may also be required such as approval of the Insurance Regulatory and Development Authority of India for undertaking an IPO in case of an insurance company.

The Draft Red Herring Prospectus of the issuer is required to be filed with SEBI for its observations and approval of the Stock Exchanges, in two stages - in principle and final, is required for the listing of the equity shares.

Additionally, the issuer may be required to obtain approvals from third parties, if any, under its contractual arrangements such as financing documents and shareholder and joint venture agreements.

02 Does an issuer need to comply with the Corporate Governance requirements applicable to a listed company?

Yes, the issuer should be in compliance with the Corporate Governance requirements contained in the SEBI Listing Regulations at the time of filing of the Draft Red Herring

Prospectus with SEBI and the stock exchanges.

Accordingly, an issuer shall be required to:

- (i) appoint independent directors;
- (ii) constitute various committees including the audit committee, the risk management committee (if applicable) and the corporate social responsibility committee;
- (iii) appoint one woman director;
- (iv) appoint at least one independent director who is on the board of the issuer on the board of directors of its 'material subsidiaries'; and
- (v) formulate relevant policies as prescribed under the SEBI Listing Regulations.

03 What should be the composition of the board of directors of an issuer?

The board of directors should have a combination of executive and non-executive directors with not less than 50% of the board of directors comprising non-executive directors.

- (i) If the chairman of the board is a non-executive director, at least one third of the board is required to be independent; and
- (ii) If the chairman is an executive director, at least half the board should comprise of independent directors.



However, where a non-executive chairman is a promoter of the issuer or is related to any promoter or person occupying management position on the board of directors or at a level below the board, at least one half of the board of directors of the issuer should be independent.

04 What are the constitution requirements for the committees of the board?

The constitution requirement for each of the committees of the board is set out below:

- (i) ***The Audit Committee:*** The Audit Committee shall have a minimum of three directors of whom two-thirds are required to be independent directors. The chairman of the Audit Committee is required to be an independent director;
- (ii) ***The Nomination and Remuneration Committee:*** The Nomination and Remuneration Committee shall comprise at least three directors, all of whom shall be non-executive directors and at least half of whom shall be independent. The chairman of the Nomination and Remuneration Committee shall be an independent director;
- (iii) ***The Stakeholders' Relationship Committee:*** The Stakeholders' Relationship Committee shall have at least three directors, with at least one being an independent director. The chairman of the Stakeholders'

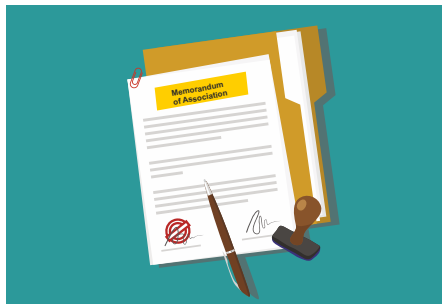
Relationship Committee shall be a non-executive director; and

- (iv) ***The Risk Management Committee (if applicable):*** The majority of members of the Risk Management Committee shall consist of members of the board of directors and the chairperson shall be a member of the board.

05 Is the issuer required to amend its Memorandum and Articles of Association?

The issuer may be required to amend its memorandum of association for suitable changes to its capital clause. It may also need to amend its memorandum and articles of association in accordance with the Companies Act and the rules made thereunder, if not already amended. The articles are also required to conform to the articles mandated by the stock exchanges.

The issuer may also be required to amend or delete special, management or ownership rights available to select shareholders such as information rights or veto rights under the provisions of the articles of association prior to listing.



06 Is an issuer permitted to have outstanding convertible securities prior to filing of the Red Herring Prospectus?

An issuer cannot undertake an IPO if there are any outstanding convertible securities or any other rights which would entitle a person with any option to receive equity shares of the issuer, except for (i) outstanding options granted to employees, whether currently in employment or not, under an employee stock option scheme; or (ii) fully paid-up outstanding convertible securities if they are required to be converted on or before the date of filing of the Red Herring Prospectus.

VII. CERTAIN POST-LISTING CONSIDERATIONS

01 What are the reporting requirements under the SEBI Listing Regulations?

A listed company is required to report its quarterly shareholding pattern and quarterly and annual financial statements to the stock exchanges.

Under Regulation 33 of the SEBI Listing Regulations:

- (I) A listed entity is required to submit quarterly and year- to-date standalone financial results to the stock exchanges within 45 days of the end of each quarter, except the last quarter, which can be submitted within 60 days from the end of the quarter.

In case the listed entity has subsidiaries, the entity shall also submit quarterly or year-to-date consolidated financial results; and

- (ii) A listed entity is also required to disclose its annual audited standalone and consolidated financial statement within sixty days of the end of the Fiscal.

Additionally, the SEBI Listing Regulations require listed companies to disclose: (i) 'deemed material' events; (ii) mandatory disclosures; and (iii) other disclosures considered material by the board of directors in accordance with a materiality policy.

02 What are the regulations governing insider trading?

All listed and to be listed companies are required to comply with the SEBI Insider Trading Regulations with respect to treatment of price sensitive information. Accordingly, each listed company is also required to formulate the following:

- (i) Code of Conduct for Regulating, Monitoring and Reporting of Trading by Insiders; and
- (ii) Code of Practices and Procedures for Fair Disclosure of Unpublished Price Sensitive Information.

03 What are the provisions applicable for variation of the objects of the IPO?

If an issuer intends to change the objects of the IPO (see E7) from what was disclosed in the Prospectus:

- (i) It will need to obtain an approval of the shareholders by way of a special resolution through a postal ballot, for such change; and
- (ii) The promoters or controlling shareholders of the issuer will be required to provide an exit opportunity to the dissenting shareholders in accordance with Schedule XX of the SEBI Regulations.

C. OFFER FOR SALE BY EXISTING SHAREHOLDERS IN AN IPO

01 Can the existing shareholders of an issuer sell their equity shares through an IPO?

Yes, the existing shareholders can offer their shares in the IPO through an Offer For Sale to the public for subscription through an offer document in the IPO. An Offer For Sale can also be undertaken in combination with fresh issue of equity shares by the issuer in the IPO.

02 What are the eligibility criteria for a selling shareholder to participate in an Offer For Sale?

In order to be eligible to participate in an Offer For Sale, selling shareholders should have held the securities of the issuer which are offered for sale for at least one year prior to filing of the Draft Red Herring Prospectus with SEBI (in case of equity shares offered pursuant to conversion of or exchange of convertible instruments, the holding period of convertible instruments will also be considered). This requirement of holding securities for a minimum period of one year does not apply in the following cases:

- (a) in case of an Offer For Sale of securities of a government company or statutory authority or corporation or any special purpose vehicle set up and controlled by one or more of such entities engaged in the infrastructure sector;
- (b) if the securities offered for sale were acquired pursuant to any scheme

approved by a high court or a tribunal under the Companies Act, in lieu of business and invested capital which had been in existence for a period of more than one year prior to such approval; and

- (c) if the securities offered for sale were issued under a bonus issue on securities held for a period of at least one year prior to the filing of the Draft Red Herring Prospectus, subject to certain conditions.



03 Who bears the expenses of the Offer For Sale?

Section 28 of the Companies Act requires that all expenses in relation to the Offer For Sale are to be borne by the selling shareholders. The selling shareholders are required to collectively authorise the issuer to take all actions in respect for Offer For Sale and also reimburse all expenses incurred by the issuer in relation to the Offer For Sale. In the event that an IPO is a combination of fresh issue and an offer of sale of equity



shares, the expenses shall have to be shared between the issuer and the selling shareholder in the proportion of the equity shares being offered by the respective parties.

04 What are various transaction documents that are required to be executed by a selling shareholder in relation to the Offer For Sale?

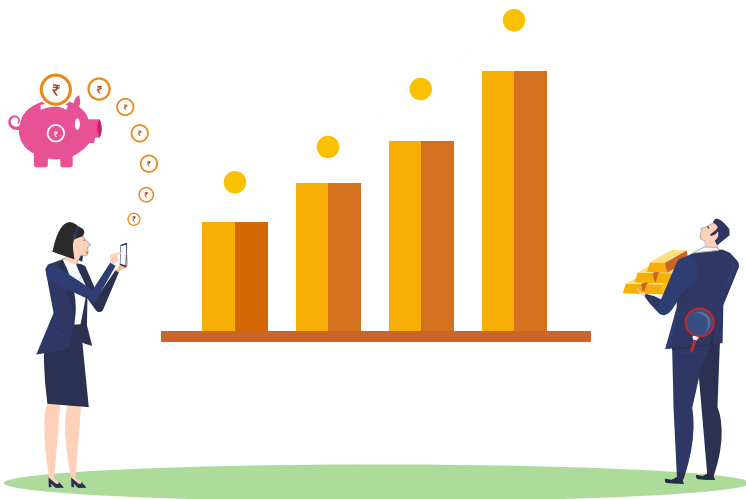
The selling shareholder is required to sign and confirm the disclosure made in the Draft Red Herring Prospectus, the Red Herring Prospectus and the Prospectus. The selling shareholder is also required to sign, other related transaction documents including: (i) corporate authorizations for the Offer For

Sale; (ii) various transaction agreements such as offer agreement, registrar agreement, cash escrow agreement, syndicate agreement, share escrow agreement and underwriting agreement; and (iii) additional due diligence certificates and documents required by the regulatory authorities or the BRLMs.

05 What is the extent of liability of the selling shareholders?

Selling shareholders may be held liable for misstatements and omissions in the Prospectus to the extent of the disclosure made in relation to themselves or equity

shares offered by them in the IPO and such other liabilities as they assume to the other intermediaries in the transaction documents.



D. OTHER OFFERINGS

I. QUALIFIED INSTITUTIONS PLACEMENT

01 What is a qualified institutions placement?

A qualified institutions placement (“QIP”) is the issue of eligible securities by a listed issuer to QIBs only on a private placement basis and includes an Offer For Sale of specified

securities by the promoters or promoter group, or both, on a private placement basis, in accordance with the SEBI Regulations.

02 What are the eligibility conditions to undertake a QIP?

The eligibility conditions for undertaking a QIP include:

- (a) The QIP should be approved by the shareholders of the issuer through a special resolution, which shall specify that allotment is proposed to be made through QIP along with relevant date for pricing. However, the approval from shareholders is not required if QIP is through an Offer For Sale by promoters or promoter group to meet minimum public shareholding requirements;
- (b) Subject to certain exceptions such as a QIP for meeting minimum public shareholding requirements, the equity shares of the issuer of the same class, which are being offered through the QIP should have been listed on a recognised stock exchange for a period of at least one year preceding the date of issuance of notice to shareholders for a special resolution authorising the QIP;
- (c) The promoters and directors of the issuer shall not be a Fugitive Economic Offender; and
- (d) Subsequent QIP cannot be undertaken until expiry of six months from the date of prior QIP made pursuant to one or more special resolutions.

03 How many investors can participate in a QIP?

While the Companies Act stipulates that not more than 200 persons, in aggregate, can participate in a private placement (including through a QIP) taken together with other

private placements in the same Fiscal, this limit, however, excludes QIBs and therefore, there is no limit on the number of QIBs that can participate in a QIP.



04 Are there any restrictions on allotment of securities offered in a QIP?

Only QIBs as defined under the SEBI Regulations are eligible to participate in a QIP. Participation by QIBs is subject to the following conditions:

- (a) At least 10% of the securities offered in the QIP are required to be allotted to mutual funds. However, if any part of this remains unsubscribed, it can be allotted to other QIBs;
- (b) No allotment is permitted, either directly or indirectly, to promoters or persons related to promoters of the issuer (which includes any QIB which has rights under shareholders' or voting agreement with promoter or promoter group or has veto rights or has a right to appoint a nominee on the board of directors of the issuer); and
- (c) The minimum number of allottees for each placement of the securities offered under a QIP shall not be less than (i) two, where the QIP size is less than or equal to 2,500 million; or (ii) five, where the QIP size is greater than 2,500 million. However, no single QIB can be allotted more than 50% of a QIP and QIBs belonging to the same group (as defined in SEBI Regulations) or who are under the same control shall be deemed to be a single allottee.

05 Are there any restrictions on allotment of securities offered in a QIP?

QIPs are required to be made at a price not less than the average of the weekly high and low of the closing prices of the related equity shares quoted on the stock exchange on which the issuer's equity shares are traded during the two weeks preceding the date on which the board of directors of the issuer decides to open the proposed QIP.

The issuer is also allowed to offer a discount of 5% on the price so calculated as per the aforesaid method subject to a prior approval from shareholders.

In the case of issue of convertible instruments, the issuer has the option of fixing the relevant date as the date of the meeting of the board of directors which approves opening of the QIP or the date on which the holder of the securities which are convertible into equity shares, becomes entitled to apply for the equity shares. The price for convertible instruments may be adjusted in respect of certain specified corporate events, including, bonus or Rights Issues, consolidation or splitting of existing shares and reclassification of the equity share capital.

06 What are the disclosure requirements for QIPs?

Unlike an IPO, the SEBI Regulations prescribe only indicative disclosure requirements for QIPs and placement documents drafted are typically prepared in accordance with customary market standards and Section 42 of the Companies Act read with PAS Rules which prescribe

certain additional disclosure requirements. Further, pursuant to the Companies (Amendment) Act, 2017, subscribers to private placement are now required to submit the subscription money along with the application, in the prescribed form.

07 When is an issuer required to notify the stock exchanges about a decision to proceed with QIP?

The SEBI Listing Regulations require prior intimation to be given by the issuer to the stock exchanges about the meeting of its

board of directors for considering the QIP and for determination of the Issue Price.



II. RIGHTS ISSUES

01 What is a Rights Issue?

A Rights Issue is an offer of equity shares or other securities by a company to its shareholders as on a specified date, i.e. the record date fixed for this purpose. Rights

Issue is a method by which an issuer raises capital by offering its equity shares or other securities to its existing eligible shareholders as on the record date.

02 What is a fast track issue and who can undertake a fast track rights issue?

An issuer which complies with the criteria stipulated under the SEBI Regulations can undertake an issue under the fast track mode. In fast track issues, the Draft Letter of Offer is not required to be filed with SEBI and an issuer can directly file the Letter of Offer with the stock exchanges. A Rights Issue of securities on a fast track basis can be undertaken if the following conditions are satisfied:

- (a) the equity shares of the issuer have been listed on any stock exchange for at least three years immediately preceding the date of filing of the Letter of Offer with the designated stock exchange (the “Reference Date”);
- (b) the entire shareholding of the promoter group of the issuer is held in Dematerialised form as on the Reference Date;
- (c) the average market capitalisation of public shareholding of the issuer is at least 2,500 million;
- (d) the annualized trading turnover of the

equity shares of the issuer during six calendar months immediately preceding the month of the Reference Date has been at least two percent of the weighted average number of equity shares listed during the said six months' period;

- (e) the annualized delivery-based trading turnover of the equity shares during six calendar months immediately preceding the month of the Reference Date has been at least 10% of the annualized trading turnover of the equity shares during such six months' period;
- (f) the issuer has complied with the listing agreement or with the SEBI Listing Regulations, as applicable, for a period of at least three years immediately preceding the Reference Date. However, this condition is deemed to be complied if adequate disclosures about any non-compliance relating to composition of board of directors in any quarter in such three years is



- made in the Letter of Offer and the issuer is compliant at the time of filing of the Letter of Offer. The imposition of only monetary fine by stock exchanges is not a ground for ineligibility for fast track issuance;
- (g) the issuer has redressed at least 95% of the total investor grievances or complaints received until the end of the quarter immediately preceding the month of the Reference Date;
 - (h) no prosecution proceedings have been initiated or show cause notices have been issued by SEBI and pending against the issuer or its promoters or whole time directors as on the Reference Date;
 - (i) the issuer, its promoters, its promoter group or its directors have not settled any alleged violation of securities law through the consent or settlement mechanism with SEBI during the three years immediately preceding the Reference Date;
 - (j) no suspension from trading of equity shares in last three years preceding the Reference Date as a disciplinary measure;
 - (k) no conflict of interest between the BRLMs and the issuer or its group companies in accordance with the applicable regulations; promoter and promoter group shall mandatory subscribe to their portion except for renunciation within the promoter group or for meeting minimum public shareholding requirements as prescribed under SCRR; and
 - (l) there are no auditors' qualifications on the audited accounts of the issuer in respect of the Fiscals for which such accounts are disclosed in the Letter of Offer.
 - (m) there are no auditors' qualifications on the audited accounts of the issuer in respect of the Fiscals for which such accounts are disclosed in the Letter of Offer.

03 In what cases is an issuer eligible to make limited disclosures in the offer document?

If the issuer satisfies the following conditions specified in the SEBI Regulations, it is eligible to provide limited disclosures in its Draft Letter of Offer and Letter of Offer:

- (i) the issuer has been filing periodic reports, statements and information in compliance with the listing agreement or with the SEBI Listing Regulations, as applicable, for the three years immediately preceding the date of filing of the Draft Letter of Offer with SEBI or the Letter of Offer with the designated stock exchange, as the case may be;

- (ii) the reports, statements and information referred to in sub-clause (i) above are available on the website of any stock exchange;
- (iii) the issuer has an investor grievance-handling mechanism including meeting of stakeholders' relationship committee at frequent intervals, appropriate delegation of power by the board of directors of the issuer as regards share transfer and clearly laid down systems and procedures for timely and satisfactory redressal of investor grievances;
- (iv) the issuer's management has not undergone any change pursuant to acquisition of control in accordance with the provisions of the SEBI Takeover Regulations and is not undertaking a Rights Issue for the first time after such change; and
- (v) the equity shares of the company have not been listed consequent to relaxation granted by SEBI under the SCRR for listing of its equity shares pursuant to a scheme sanctioned by a high court under the Companies Act and is not undertaking a Rights Issue for the first time after such listing.

04 What are the requirements for pricing of equity shares offered through a Rights Issue?

There are no specific pricing requirements for pricing of equity shares offered through a Rights Issue and the board of directors of the issuer can decide, in consultation with the BRLMs, the price of the equity shares offered through a Rights Issue.



III. PREFERENTIAL ISSUES

01 What is preferential issue of securities?

A preferential issue of securities is the issue of specified securities by a listed issuer on a preferential basis in accordance with the Companies Act and the SEBI Regulations.

02 What are the eligibility conditions to undertake a preferential issue?

Some of the eligibility conditions to undertake a preferential issue are as follows –

- a) Special resolution by the shareholders' inter alia, specifying the class of persons to whom the allotment is proposed to be made;
- b) Compliance with conditions for continuous listing under SEBI Listing Regulations;
- c) All equity shares held by the proposed allottees in the issuer are in Dematerialised form;
- d) All equity shares allotted by way of preferential issue shall be made fully paid up at the time of the allotment;
- e) Subject to certain exceptions, preferential issue shall not be made to any person who has sold or transferred any equity shares of the issuer during the six months preceding the relevant date.

03 What are the restrictions on completion of allotment of securities?

The allotment of securities pursuant to the special resolution passed by the shareholders is required to be completed within a period of 15 days from the date of passing of the resolution. In the event such allotment is not completed in the given time frame, a fresh special resolution is required to be passed.





04 What are the pricing requirements for undertaking a preferential issue?

If the equity shares of the issuer have been listed on a recognised stock exchange for a period of 26 weeks or more as on the relevant date (30 days prior to shareholders' resolution approving preferential issue), the price of the equity shares to be allotted pursuant to the preferential issue shall be not less than higher of the following:

- a) the average of the weekly high and low of the volume weighted average price of the related equity shares quoted on the recognised stock exchange during the 26 weeks preceding the relevant date; or
- b) 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.

However, if the equity shares of the issuer have been listed on a recognised stock exchange for less than a period of 26 weeks as on the relevant date, then the price at which equity shares were issued by the issuer in its IPO or the value per share arrived at in a scheme of compromise, arrangement and amalgamation under the Companies Act, pursuant to which the equity shares of the issuer were listed, as the case may be, will also need to be considered.

05 What are the lock-in requirements applicable for a preferential issue?

The securities allotted on a preferential basis to the promoters or promoter group and the equity shares allotted are required to be locked-in for a period of 3 years from the date of trading approval granted for the specified securities. However, not more than 20% of the total capital of the issuer shall be locked-in for 3 years from the date of trading approval and equity shares allotted in excess

of the 20% shall be locked-in for a period of 1 year from the date of trading approval.

In case of convertible securities or warrants issued pursuant to the preferential issue which are not listed on stock exchanges shall be locked in for a period of one year from the date of allotment of such instrument.

E. LISTING OF NCDs IN INDIA

01 What are the different routes available for listing of non-convertible debentures (“NCDs”) and what are the applicable laws and regulations?

The listing of NCDs is governed by the SEBI Debt Regulations. The SEBI Debt Regulations apply to public issues of NCDs and private placement of NCDs which are sought to be listed on recognised stock

exchanges in India. Issuance of NCDs is also governed by the Companies Act and the rules thereunder, and certain requirements prescribed by the stock exchanges where the NCDs are proposed to be listed.

02 What are the corporate approvals required for an issue of listed NCDs in India?

Private Placement

Private placement of NCDs requires authorisation of the board of directors of the company to undertake the issuance. The company will also need to ensure that they have approval of the shareholders for borrowing limits under Section 180(1)(c) of the Companies Act. In the event issuance of

NCDs are secured, the issuer will need to ensure that it has approval of the shareholders under Section 180(1)(a) of the Companies Act.

Public Issue

The corporate approvals required for public issue of NCDs are similar to the requirements for private placement.

03 What are the disclosure requirements for the offer document?

Private Placement

For a private placement of NCDs, the offer document is required to contain disclosures specified in Schedule I of the SEBI Debt Regulations, together with the latest annual report, and the form of private placement offer cum application letter prescribed in the PAS Rules.

Public Issue

For public issue of NCDs, the offer document is also required to contain

disclosures specified in Schedule I of the SEBI Debt Regulations along with those specified under Chapter III of the Companies Act. Pursuant to the Companies (Amendment) Act, 2017, the disclosure requirements for a prospectus under Section 26 of the Companies Act have been removed, and pursuant to the Companies (Prospectus and Allotment of Securities) Second Amendment Rules, 2018, certain disclosure requirements prescribed under the PAS Rules have been removed. However, BSE and NSE, through circulars issued in June 2018



have prescribed that as the revised guidelines in relation to the disclosure requirements for a prospectus under the Companies Act have not yet come into effect, until such revised guidelines are notified, issuers are required to

comply with the disclosure requirements as provided under the Companies Act, without taking into consideration the amendments to Section 26 of the Companies Act and the PAS Rules.

04 What are the various intermediaries and their roles in such issuance?

Private Placement

(a) Debenture Trustee

The SEBI Debt Regulations and the Companies Act mandate the issuer to appoint a debenture trustee for the issue. The debenture trustee is the entity that acts on behalf of and for the benefit of the NCD holders. Only entities that are eligible under the SEBI Debenture Trustees Regulations and registered with SEBI are permitted to be appointed for the purposes of a listed issuance.

(b) Registrar and Transfer Agent

The role of a registrar and transfer agent involves processing the investment and transfer of NCDs, receiving interest and principal payments, maintaining a record of the transactions and coordinating between the depositories, regulators, stock exchanges, the issuer, NCD holders and the lead merchant bankers to complete a transaction.

(c) Arranger

An Arranger is the SEBI registered Merchant Banker, broker or RBI

registered primary dealer that facilitates and leads a group of investors in a private placement of NCDs.

(d) Depository

Depositories are entities that facilitate Dematerialisation of securities and are accountable for the safe-keeping of the NCDs. The issuer is mandatorily required to open a demat account with both the depositories (i.e. NSDL and CDSL) to enable investors to invest in the NCDs.

(e) Credit Rating Agency

These are agencies that assign credit ratings to a company, which is a mandatory requirement for an issue of listed NCDs. The credit rating agencies rate a company's ability to pay back the debt owed pursuant to the issuance of NCDs and takes into account the probability of a default scenario arising based on the business profile of the company.

(f) Electronic Book Provider

For issuance of NCDs with an issue size of 2,000 million or more (inclusive

of Green Shoe Option, if any), the bids have to be entered using the electronic book mechanism process. However, the platform can be used for issues less than 2,000 million as well. BSE and NSE have been recognized as Electronic Book Providers. The Electronic Book Providers are required to provide an electronic secured bidding platform to all eligible participants for entering their bids.

Public Issue

Other than the Electronic Book Provider and arranger, in addition to the above intermediaries, the following persons are also involved in a public issue:

(g) **Lead Merchant Banker**

The issuer is required to appoint one or more Merchant Bankers, registered under the SEBI Merchant Banker Regulations, and at least one of them shall be the lead merchant banker. A company can only undertake a public issue if the draft prospectus is filed with the designated stock exchange through the lead merchant banker, and is also required to be displayed on the website of the designated stock exchange. The lead merchant banker must also ensure that all public comments received on the draft prospectus are addressed. The lead merchant bankers are expected to exercise due diligence and are required to file a due diligence certificate prior to the filing of the prospectus with the Registrar of Companies.

(h) **Syndicate members / Brokers / other Designated Intermediaries**

Syndicate members, brokers or certain other prescribed classes of designated intermediaries may collect application forms from applicants during the Issue Period.

(i) **Public Issue Account Bank / Refund Bank**

The public issue account bank or the refund bank act as the escrow and refund banks in relation to the application money received from, or excess amounts to be refunded to, investors in the public issue. Net issue proceeds are transferred from the Public Issue Account and deposited in the issuer's account after completion of certain requirements prescribed under applicable law and the issue-related agreements.





05 What is the role of statutory auditors in an issue of listed NCDs?

The statutory auditors deliver a report on the issuer's audited financial statements, which are reformatted to represent the last five years together, in a columnar manner, for inclusion in the draft prospectus and the prospectus. The financial statements are required to be prepared in accordance with the Companies Act and applicable accounting standards. The auditor is also required to prepare a

statement of tax benefits applicable to the holders of NCDs. Further, market practice also requires the auditor to deliver "comfort letters" along with other customary certificates to the lead merchant bankers at various stages in the issue process, which relate to certain confirmations on the financial data included in the draft prospectus and the prospectus.

06 What are the various transaction documents?

Private Placement

(a) Disclosure Document

As stated above, the disclosure document issued by the issuer is required to contain disclosures specified in Schedule I of the SEBI Debt Regulations and the form of private placement offer cum application letter prescribed in the PAS Rules, which inter alia includes material information regarding the issuer including its capital structure, incorporation details, business overview and history, financial information, terms of the NCDs, risk factors, use of proceeds, details of the guarantor (if any), credit ratings, debenture trustee appointment, terms and conditions of the NCDs, security package, details of the existing borrowings and litigation.

(b) Debenture Trustee Agreement

The issuer appoints the debenture

trustee for the benefit of the NCD holders pursuant to a debenture trustee agreement. This agreement needs to be executed prior to the closure of the offer. It also accords for consent of the debenture trustee to act as the trustee for the benefit of the holders of NCDs for the purposes of the issue.

(c) Debenture Trust Deed

The debenture trust deed needs to be executed within sixty days from allotment in the issue and needs to be as near as possible to the format set out in the Debenture Rules. The debenture trust deed is the document that creates the trust and sets out certain terms and conditions, including those in relation to the mechanism for managing, collecting and distributing the trust property inter se the NCD holders as well as the conditions with respect to safeguarding their interests. The parties to this agreement are the debenture trustee and the issuer.

(d) Debt Listing Agreement

The issuer is required to execute a debt listing agreement with the stock exchange where the NCDs are proposed to be listed. The format of the debt listing agreement is prescribed by SEBI and inter alia sets out the requirement of on-going disclosures by the company for continuous listing of debt securities and other investor protection related disclosures.

(e) Credit Rating Letter

The issuer is also required to obtain a credit rating from at least one SEBI registered credit rating agency. The requirement extends to not only obtaining credit rating but also disclosing the same, along with the rationale for the credit rating in the offer documents for the benefit of the NCD holders.

(f) Depository Agreement

A tripartite depository agreement is required to be executed with each of the SEBI registered depositories (i.e. NSDL and CDSL) for Dematerialisation of the NCDs.

(g) Registrar Agreement / letter of appointment

The issuer is required to appoint a registrar to the issue for, inter alia, monitoring and collecting amounts for the issuance and allotting of the NCDs.

(h) Security Documents

Depending on the security package,

these will inter alia include the deed of hypothecation, share pledge agreement and mortgage documents.

Public Issue

In addition to the documents set out above, to the extent applicable, the following documents are required for a public issue:

(i) Prospectus

As stated above, the prospectus issued by the issuer is required to contain disclosures specified in Schedule 1 of the SEBI Debt Regulations and the Companies Act, which inter alia includes disclosures on financial information, risk factors, statement of tax benefits, industry overview, business and history of the company, details of the existing borrowings and litigations, terms and conditions of the NCDs, use of proceeds and security package. It may be a standalone prospectus or may be in the form of a shelf prospectus along with a tranche prospectus.

(j) Public Issue Account Agreement

The public issue account agreement sets out the arrangement for collection of application amount from allottees. This agreement is entered into between the issuer, the Merchant Bankers, the syndicate members, the public issue account bank and the registrar. This agreement also provides for the arrangement by which the funds in the Public Issue Account are transferred to the refund account or the issuer's account.



(k) Issue Agreement

The issue agreement is executed among the Merchant Bankers and the issuer prior to the filing of the draft prospectus with the designated stock exchange. It sets out, amongst other things, the roles and responsibilities of the Merchant Bankers, representations and warranties from the issuer, details of the indemnity provided by the issuer to the Merchant Bankers and provisions for termination of the Merchant Bankers' engagement.

(l) Consortium agreement / Lead Broker agreement

The syndicate agreement or the consortium agreement sets out the role and obligations between the Merchant Bankers and the consortium members / lead brokers.

- Finalisation of the disclosure document prepared according to the SEBI Debt Regulations and the PAS Rules;
- Obtaining the in-principle approval from the stock exchange on which the NCDs are proposed to be listed;
- Signing of the tripartite agreements with the depositories and obtaining of the ISINs (i.e. opening of the demat accounts);
- Signing of the debt listing agreement with the stock exchange on which the NCDs are proposed to be listed;
- The disclosure document and the application form serially numbered to be addressed to the persons to whom the NCDs are proposed to be offered;
- Receipt of the application forms from the proposed investors, along with the subscription money through banking channels;
- Credit of the NCDs into the demat accounts of the investors;
- Obtaining the final listing approval from the stock exchange
- Maintenance of complete record of private placement offer in form PAS 5; and
- Filing of the return of allotment within fifteen days of allotment. Please note that the Company is permitted to access net issue proceeds only after filing of the return of allotment.

07 What is the process for listing?

Private Placement

- Obtaining the corporate approvals for issuance of NCDs, borrowing limits, etc.;
- Appointment of the intermediaries and finalisation of term sheets;
- Commencement of any due diligence exercise and obtaining relevant consents from the existing lenders, regulators, statutory authorities and any other third parties, as may be required in relation to the issuance of NCDs;

Public Issue

- Obtaining the corporate approvals for issuance of NCDs, borrowing limits, etc.;
- Appointment of the intermediaries;
- Commencement of the due diligence exercise, simultaneously with commencement of drafting of the draft prospectus;
- Obtaining relevant consents from the existing lenders, regulators, statutory authorities and any other third parties, as may be required in relation to the issuance and NCDs;
- Obtaining certificates and consents from the issuer, its directors, key managerial personnel and relevant third parties providing their consent to disclose their details in the draft prospectus and providing other factual confirmations in relation to the draft prospectus;
- Execution of the issue agreement, registrar agreement, debenture trustee agreement;
- Execution of the issue agreement, registrar agreement, debenture trustee agreement;
- Obtaining the comfort letter and other certificates from current statutory auditor and previous statutory auditor (if any) of the issuer and the independent chartered accountant;
- Finalization and filing of the draft prospectus with the designated stock exchange through the lead merchant banker and simultaneously forwarded to SEBI;
- The draft prospectus is posted on the website of the designated stock exchange for seeking public comments for a period of seven working days. The draft prospectus may also be displayed on the website of the company and Merchant Bankers;
- The lead merchant banker shall ensure all comments received on the draft prospectus are suitably addressed;
- Filing of applications to the stock exchange(s) for the in-principle listing approval(s) followed by receipt of the in-principle approval(s);
- Signing of the debt listing agreement with the stock exchange on which the NCDs are proposed to be listed;
- Execution of public issue account agreement and consortium agreement/lead broker agreement;
- Filing of the prospectus with SEBI for its records along with the due diligence certificate from lead merchant bankers;
- Filing of the prospectus with Registrar of Companies and obtaining the Registrar of Companies' approval;



- Filing of the due diligence certificate by debenture trustee prior to the opening of the public issue;
- Issue advertisement in a national daily newspaper with wide circulation;
- Issue opens and closes during which, applications forms are received from investors;
- The issuer allots the NCDs in consultation with the designated stock exchange;
- Filing of final listing application to stock exchanges;
- Stock exchanges provide final listing and trading approval; and
- Execution of debenture trust deed within the applicable timelines.

F. Real Estate Investment Trusts

01 What are REITs and what are the laws applicable to REITs?

REITs are trusts set-up under the Indian Trusts Act, 1882 and registered under the Registration Act, 1908 which invest in real estate properties in accordance with the provisions of the REIT Regulations. A REIT is required to be registered with SEBI. Certain other laws which are applicable to

REITs include the Indian Trusts Act, 1882, the Registration Act, 1908, the FEMA, and the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2017 and the Income-Tax Act, 1961.

02 Who are the fundamental parties required for the establishment and operation of a REIT?

Sponsor group(s), managers and trustees are parties that are fundamentally essential for establishing and operating a REIT. A sponsor is any person who sets up the REIT and is designated as such at the time of application made to the SEBI and appoints a trustee for REIT. A manager may be a company or an LLP or a body corporate incorporated in India which manages the assets and

investments of the REIT and undertakes operational activities of the REIT. A trustee is a SEBI registered entity who holds the REITs assets in trust for the benefit of the unit holders. Additionally, the REIT would have to engage various professional advisors to ensure compliance with REIT Regulations, such as auditors, valuers and merchant banks.

03 What are the eligibility criteria for a sponsor, manager and trustee?

The REIT Regulations prescribe certain eligibility criteria for sponsor, manager and trustee. Sponsors are required to have a minimum individual net worth of 200 million and a collective net-worth of 1,000 million. Sponsors are also required to have a minimum of five years' experience in development of real estate or fund management in the real estate industry. Provided that where the sponsor is a developer, at least two projects of the sponsor should be completed.

A manager should have a minimum individual net worth of 100 million, if the manager is a body corporate, or a company or net tangible assets of at least 100 million, in case the manager is an LLP. Further, a manager or its associate should have at least five years' experience in fund management or advisory services or property management in the real estate industry or in development of real estate. The manager should have at least two employees who each have at least five years' experience in fund management or



advisory services or property management in the real estate industry or development of real estate. In addition to the above, a minimum of 50% of the directors (for companies) or members of the governing

board (for LLPs) of the manager should be independent. A trustee should be registered as a debenture trustee under the SEBI Debenture Trustee Regulations and should not be an associate of a sponsor or a manager.

04 What are the requirements relating to offer and listing of units in REITs?

REITs are allowed to make initial offer of units only by way of a public issue. Some of the conditions prescribed for REITs for the purposes of undertaking an IPO include having owned assets worth 5,000 million, and minimum offer size of 2,500 million.

Any subsequent issue of units by REITs 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.

05 What are the disclosure requirements applicable to IPOs of REITs?

Similar to the disclosure requirements for an IPO of equity shares by a company, the REIT Regulations provide for detailed disclosure requirements in the offer documents. However, unlike the IPO regime for companies, the REIT Regulations require offer documents to include forward looking disclosures such as properties intended to be

acquired by the REIT, estimated monthly market rental, expected completion of under-construction projects and projections of cash flows and income over next three years. The process of filing offer documents and undertaking an IPO of REITs is similar to an IPO of equity shares.

06 What are the investment restrictions applicable to REITs?

The REIT Regulations prescribe certain investment restrictions applicable on REITs (through holdcos or special purpose vehicles or both) such as: (i) a minimum 80% of value of the REIT assets should be invested in completed and rent and/or income generating properties, subject to certain

conditions; (ii) not more than 20% of value of the REIT assets should be invested in avenues in REIT assets including investments in (a) under-construction projects, and (b) completed and not rent generating properties, in accordance with REIT Regulations.

G. Infrastructure Investment Trusts

01 What are InvITs and what are the laws applicable to InvITs?

Similar to REITs, InvITs are trusts set-up under the Indian Trusts Act, 1882 and registered under the Registration Act, 1908 for investing in infrastructure projects in accordance with the provisions of the InvIT Regulations. An InvIT is required to be registered with SEBI.

Certain other laws applicable to InvITs include Indian Trusts Act, 1882, Registration Act, 1908, the FEMA, the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India), Regulations, 2017 and the Income-Tax Act, 1961.

02 Who are the fundamental parties required for the establishment and operation of an InvIT?

The Sponsor, investment manager, project manager and trustee are the parties fundamentally essential for establishing and operating an InvIT, each with its distinct roles and responsibilities. A sponsor is any company or LLP or body corporate which sets up the InvIT and is designated as such at the time of making the application. An investment manager is a company or an LLP or a body corporate which manages assets and investments of the InvIT and undertakes activities of the InvIT. A trustee is a person who holds InvIT assets in trust for the benefit of the unitholders. A project manager is a company or an LLP or a body corporate

responsible for achieving execution of a project and in case of PPP projects, a project manager can be an entity responsible for execution or management projects in accordance with the concession agreement. Additionally, an InvIT would have to engage various professional advisors to ensure compliance with InvIT Regulations, such as auditors, valuers and Merchant Bankers.

03 What are the requirements of offer and listing of units in InvITs?

InvITs are eligible to make an offer and list their units in the event the asset size is at least 5,000 million and the offer size is at least 2,500 million. Such an offering can be made either through a private placement or a public offer.

04 What are the investment restrictions applicable to InvITs?

The InvITs Regulations prescribes certain investment restrictions applicable on InvITs which propose to list through a public offer:

- (a) Minimum 80% of value of the InvITs' assets shall be invested in completed and revenue generating properties; and
- (b) Maximum 20% of value of the InvITs' assets shall be invested in other eligible investments including investment in under-construction projects which shall not exceed 10% of the value of the assets of the InvITs.



In respect of a privately placed InvIT, minimum 80% of the value of the InvIT assets shall be invested in eligible infrastructure projects, either directly or through holdco(s) or through SPVs. Further,

if a privately placed InvIT invests or proposes to invest not less than 80% of the value of the InvIT assets, the minimum investment from an investor shall be 250 million.

05 What are the requirements of public issue and private placement in InvITs?

- (a) *Public issue:* For undertaking public issues, InvITs shall comply with the investment restrictions stipulated above. Further, units proposed to be offered to the public shall not be less than 25% of the total of the outstanding units of the InvIT. The minimum subscription shall be 75% of the issue size and there shall be at least 20 subscribers.
- (b) *Private placement:* In case investment by InvITs in under-construction

projects exceeds 10% of the value of the InvITs assets, such issues shall be required to be undertaken only by way of private placement. A private placement can be made only to Institutional Investors and body corporates, both Indian and foreign. For a private placement of units, the minimum investment from an investor shall be 10 million and there should be a minimum of five investors and not more than 1,000 investors.

06 What are the disclosure requirements applicable to IPO of InvITs?

The InvIT Regulations prescribe limited disclosures in relation to an IPO of InvITs as compared to the disclosure requirements prescribed under the SEBI Regulations for IPO of equity shares by a company. Such limited disclosures include disclosures of material litigations and regulatory actions, disclosure of summary financial statements and projections for three years.

However, unlike the IPO regime for companies, the InvIT Regulations require offer documents to include forward looking disclosures such as projections of revenue

and operating cash flows by the InvIT over the next three years, details of the holdcos or the project SPV(s) through which the projects are held or proposed to be held and expected completion of the under-construction projects. The process of filing of offer documents and undertaking an IPO by an InvIT in case of a publicly offered InvIT is similar to an IPO of equity shares. The process of filing offer documents and undertaking an IPO by an InvIT in case of a privately placed InvIT is similar to a QIP process.

H. Glossary

Term	Meaning
AIF	Alternative Investment Fund as defined in and registered with SEBI under the SEBI AIF Regulations
Allotment	Issue or transfer, as the context requires, of equity shares pursuant to the Issue to the successful Bidders as the context requires
Anchor Investor	An anchor investor is a QIB who makes an application for a value of at least 100 million in a book built IPO
Application Supported by Blocked Amount/ASBA	An application for subscribing to an issue containing an authorisation to block the application money in a bank account
ASBA Bidder/Investor	An investor who intends to apply through the ASBA process
Banker to an Issue	An investor who intends to apply through the ASBA process
Basis of Allotment	An allotment pattern of an issue among different categories of applicant
Bid	An indication to make an offer made during the Issue Period by a prospective investor to subscribe to equity shares at a price within the Price Band, including all revisions and modifications thereto
Bid Amount	the highest value of the optional Bids indicated in the Bid cum Application Form and payable by the Bidder on submission of the Bid
Bid cum Application Form	The form in terms of which the Bidder shall make an offer to subscribe to equity shares and which shall be considered as the application for allotment/transfer of the equity shares in terms of the Red Herring Prospectus
Bidder	Any prospective investor who makes a Bid pursuant to the terms of the Red Herring Prospectus
Book Building Process	A process undertaken by which a demand for the securities proposed to be issued by a corporate body is elicited and built up and the price for such securities is assessed for the determination of the quantum of such securities to be issued by means of a notice, circular, advertisement, document or information memoranda or offer document



Term	Meaning
BRLMs	Book running lead managers, associated with the IPO and responsible for due diligence and other IPO related activities
BSE	BSE Limited
Confirmation of Allotment Note/CAN	The note or advice or intimation of allotment of equity shares sent to the Bidders who have been allocated equity shares in the Book Building Process
Cap Price	The high end of the Price Band, above which the Issue Price shall not be finalised and above which no Bids shall be accepted
CDP	A collecting depository participant as defined under the Depositories Act, registered with SEBI and who is eligible to procure Bids at the Designated CDP Locations in terms of circular no. CIR/CFD/POLICYCELL/11/2015 dated November 10, 2015 issued by SEBI
Companies Act	Companies Act, 2013, to the extent in force pursuant to the notification of sections of the Companies Act, 2013, along with the relevant rules made thereunder
Corporate Governance	The way in which companies run themselves, in particular the way in which they are accountable to those who have a vested interest in their performance, especially their shareholders
Debenture Rules	Companies (Share Capital and Debenture) Rules, 2014
Dematerialisation	The process of transforming securities holdings in physical form to those in electronic form through a Depository Participant
Depositories Act	Depositories Act, 1996
Depository	A system of organisation, which keeps records (physical or electronic) of securities, deposited by its depositors, registered with SEBI under the Securities and Exchange Board of India (Depositories and Participants) Regulations, 1996
Depository Participant	An agent of the depository through which it interfaces with the investor. A Depository Participant can offer depository services only after it gets proper registration from SEBI

Term	Meaning
Designated Date	The date on which funds are transferred from the Escrow Account to the Public Issue Account after the Prospectus is filed with the Registrar of Companies, following which the Board of Directors shall allot and/or transfer equity shares to successful Bidders
Draft Red Herring Prospectus	A draft offer document issued in accordance with Section 32 of the Companies Act and the SEBI Regulations, filed with SEBI which does not contain complete particulars of the Issue Price
Electronic Book Provider	A secured electronic bidding platform provided by the stock-exchanges
Equity Shares	Equity shares of the issuer
Escrow Account	Account opened with an Escrow Collection Bank and in whose favour the Bidder shall issue cheques or drafts in respect of the Bid Amount when submitting a Bid
Escrow Agreement	Agreement entered into by the issuer, Registrar, BRLMs and the Escrow Collection Bank for collection of the Bid Amount and when applicable, refund of the amounts collected from the Bidders (excluding the Bidders applying through ASBA) on the terms and conditions thereof
Escrow Collection Bank(s)	The banks at which the Escrow Account shall be opened stock-exchanges
FEMA	Foreign Exchange Management Act, 1999
Fiscal	Twelve months ending March 31 of a particular year
Floor Price	The lower end of the Price Band below which the Issue Price shall not be finalised and below which no Bids shall be accepted
FPI	Foreign Portfolio Investor registered under the SEBI FPI Regulations
Fugitive Economic Offender	An individual who is declared a fugitive economic offender under Section 12 of the Fugitive Economic Offenders Act, 2018



Term	Meaning
FVCI	Foreign Venture Capital Investors as defined and registered with SEBI under the SEBI FVCI Regulations
Green Shoe Option	An option to the BRLMs and the issuer, in consultation with the Stabilising Agent, to allocate equity shares in excess of the equity shares included in the Issue and operate a post-listing price stabilisation mechanism in accordance with the SEBI Regulations, which is to be exercised through the Stabilising Agent
Green Shoe Option Portion	The portion of the Issue being up to 15% of the Issue Size. Which can be borrowed from either a promoter or a large shareholder and allotted at the time of allotment to investors, and which is required to be returned to the green shoe lenders at the end of the price stabilisation period
Indian GAAP	Generally accepted accounting principles in India
Ind-AS	Indian Accounting Standards
Insider trading	Practice of corporate agents buying or selling their corporation's securities without disclosing to the public significant information which is known to them but which has not yet affected the price
Institutional Investors	Organizations those invest, including insurance companies, depository institutions, pension funds, investment companies, and endowment funds
InvIT	An infrastructure investment trust
InvIT Regulations	Securities and Exchange Board of India (Infrastructure Investment Trusts) Regulations, 2014
IPO	Initial public offering
Issue Closing Date	The date after which the Members of the Syndicate shall not accept any Bids for the Issue
Issue Opening Date	The date on which the Members of the Syndicate shall start accepting Bids for the Issue
Issue Period	The period between the Issue Opening Date and the Issue Closing Date inclusive of both days and during which prospective Bidders can submit their Bids

Term	Meaning
Issue Price	The price at which Allotment of equity shares shall be made as determined by the Issuer, in consultation with the BRLMs, on the Pricing Date
LLP	Limited Liability Partnership
Members of the Syndicate	The BRLMs and the Syndicate Members
Merchant Banker	Any person who is engaged in the business of issue management either by making arrangement regarding selling, buying or subscribing to securities or acting as manager, consultant, adviser or rendering corporate advisory service in relation to such issue management
NCDs	Non-convertible debentures
NSE	National Stock Exchange of India Limited
Non-Institutional Investors	All Bidders that are not Qualified Institutional Buyers or Retail Individual Investors
Offer For Sale	An offer of securities by existing shareholder(s) of an issuer to the public for subscription, through an offer document
PAS Rules	Companies (Prospectus and Allotment of Securities) Rules, 2014
Preferential allotment	Further issue of equity shares / securities convertible into equity shares at a later date, to a select group of persons in preference to all the existing shareholders of the issuer
Price Band	Price Band Being the price band of the Floor Price and the Cap Price (both inclusive), including revisions thereof
Pricing Date	The date on which the issuer, in consultation with the BRLMs, finalise the Issue Price
Prospectus	The prospectus to be filed with the Registrar of Companies containing, inter alia, the Issue Price that is determined at the end of the Book Building Process, the size of the Issue and certain other information



Term	Meaning
Public Issue Account	Account opened with the Bankers to the Issue to receive monies from the Escrow Account of the issuer on the Designated Date
QIB Portion	The portion of the Issue available for allocation to QIBs
QIP	Qualified Institutions Placement
Qualified Institutional Buyers or QIBs	Public financial institutions as defined in Section 4A of the Companies Act, FPI scheduled commercial banks, mutual funds registered with SEBI, VCFs registered with SEBI, AIFs registered with SEBI, FVCIs registered with SEBI, state industrial development corporations, insurance companies registered with the Insurance Regulatory and Development Authority, provident funds with minimum corpus of 250 million, pension funds with minimum corpus of 250 million, multilateral and bilateral development financial institutions, the National Investment Fund set up by the Government of India, insurance funds set up and managed by army, navy or air force of the Union of India, and insurance funds set up and managed by the Department of Posts, India
Red Herring Prospectus	Red Herring Prospectus issued in accordance with Section 32 of the Companies Act which does not have complete particulars on the price at which the equity shares are offered and size of the Issue. The Red Herring Prospectus shall be filed with the Registrar of Companies at least three days before the opening of the Issue and shall become a Prospectus after filing with the Registrar of Companies after the pricing and allocation
Registered Brokers	Stock brokers registered with the stock exchanges having nationwide terminals, other than the Members of the Syndicate
Registrar and Share Transfer Agents/RTAs	Registrar and share transfer agents registered with SEBI and eligible to procure Bids at the Designated RTA Locations in terms of circular no. CIR/CFD/POLICYCELL/11/2015 dated November 10, 2015 issued by SEBI
Registrar of Companies	The registrar of companies with which an issuer is registered

Term	Meaning
REIT	A Real Estate Investment Trust
REIT Regulations	Securities and Exchange Board of India (Real Estate Investment Trusts) Regulations, 2014
Retail Individual Investors	Individual Bidders (including Hindu undivided families and non-resident Indians) who apply or bid for securities of or for a value of not more than 0.2 million in any of the bidding options in the Issue
Rights Issue	The issue of new securities to existing shareholders in a fixed ratio to those already holding securities
SCRA	Securities Contracts (Regulation) Act, 1956
SCRR	Securities Contracts (Regulation) Rules, 1957
SEBI	Securities and Exchange Board of India
SEBI AIF Regulations	Securities and Exchange Board of India (Alternative Investments Funds) Regulations, 2012
SEBI Debenture Trustee Regulations	Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008
SEBI Debt Regulations	Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008
SEBI FPI Regulations	Securities and Exchange Board of India (Foreign Portfolio Investor) Regulations, 2014
SEBI FVCI Regulations	Securities and Exchange Board of India (Foreign Venture Capital Investor) Regulations, 2000
SEBI Insider Trading Regulations	Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015
SEBI Listing Regulations	Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015



Term	Meaning
SEBI Merchant Banker Regulations	Securities and Exchange Board of India (Merchant Banker) Regulations, 1992
SEBI Regulations	Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018
SEBI Research Analysts Regulations	Securities and Exchange Board of India (Research Analysts) Regulations, 2014
SEBI Takeover Regulations	Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011
SEBI VCF Regulations	Securities and Exchange Board of India (Venture Capital Funds) Regulations, 1996 as repealed pursuant to the SEBI AIF Regulations
Self Certified Syndicate Bank/ SCSB	SCSB is a Banker to an Issue registered under Securities and Exchange Board of India (Bankers to an Issue) Regulations, 1994 which offers the service of making an ASBA
SPV(s)	Special purpose vehicles
U.S. GAAP	Generally accepted accounting principles of the United States
VCF	Venture Capital Funds as defined in and registered with SEBI under the SEBI VCF Regulations or the SEBI AIF Regulations as the case may be



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