

## **PREFACE**

The Malegam Committee on Disclosure Requirements in Offer Document, under the chairmanship of Shri Y.H. Malegam, has submitted a report to SEBI. This report has been prepared based on the deliberations of the Committee, which took place over 25 meetings. The report contains various recommendations pertaining to extant disclosure requirements in Offer Document. The recommendations have been made on various areas of disclosures including standardization of disclosure requirements in offer document, format of abridged prospectus, format of issue advertisements etc.

The Report of the Committee is placed below for public comments.

Comments on the same may be sent to the Corporation Finance Department, Division of Issues & Listing, SEBI, or emailed to Ms. Neelam Bhardwaj, DGM at [neelamb@sebi.gov.in](mailto:neelamb@sebi.gov.in) or to Mr. M.K. Srikanth at [srikanth@sebi.gov.in](mailto:srikanth@sebi.gov.in) or fax to 91-22-22045633 or by post to the Deputy General Manager, Corporation Finance Department, Division of Issues and Listing, Securities and Exchange Board of India, Mittal Court, 'A' Wing, Ground Floor, 224 Nariman Point, Mumbai 400 021 on or before **August 06, 2004**.

---

**REPORT OF THE MALEGAM COMMITTEE**

**ON**

**DISCLOSURE REQUIREMENTS IN OFFER DOCUMENTS**

---

---

**TABLE OF CONTENTS**

---

<b>Chapters</b>	<b>Page No.</b>
1. Introduction.....	4
2. Approach.....	5
3. Recommendations which have been implemented .....	9
4. Recommendations other than recommendations which have been implemented	18
5 Order of items in chapter vi and form of offer document .....	70
6. Confirmations by the issuers/lead merchant bankers.....	73
7. Abridged prospectus .....	74
8. Other issues.....	77
9. Rights issues and issues of Debt Instruments .....	82
10. Guidelines as recommended .....	82
11. Acknowledgements .....	82

<b>Annexures</b>	<b>Page No.</b>
A-I. Standard Observations .....	84
A-II. Observations which cover matters that should be incorporated in the SEBI (DIP) Guidelines, 2000 .....	118
A-III. List of confirmations required from the Lead Manager.....	134
A-IV. Standard Observations - Portions to be Deleted .....	137
A-V. Chart of Disclosure items in offer documents .....	149
A-VI. Reworked Offer Document .....	160
A-VII. Confirmations/undertakings/documents to be submitted to SEBI .....	268
A-VIII. Recommendations regarding disclosures in Abridged Prospectus .....	306
A-IX. Advertisements Format .....	306

---

## **1. INTRODUCTION**

---

1.1 On July 21, 1995 a Committee was set up by SEBI under the Chairmanship of Shri Y. H. Malegam to review the extant disclosure requirements in Offer Documents for public/rights issues (the Original Committee). The Committee submitted its report on June 29, 1995. Based on the Committee's recommendations, guidelines were issued by SEBI. These guidelines were revised from time to time and the guidelines presently in force are the "Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 (the Guidelines).

1.2 As it was felt that there was a need to review the Guidelines in the light of the experience gained, a fresh Committee was appointed on September 8, 1999 under the Chairmanship of Shri Y. H. Malegam with representation of the major stakeholders, namely, industry, investors, merchant bankers, analysts, stock exchanges and the regulator.

1.3 The Committee presently has the following members:

- Shri Y. H. Malegam (Chairman Emeritus, S.B.Billimoria & Co.),  
Chairman
- Shri Prithvi Haldea (Managing Director, PRIME Database)
- Shri Chinubhai R. Shah (President, Gujarat Investors' and Shareholders' Association)
- Shri T. R. Ramaswami (CEO, Association of Merchant Bankers of India)
- Sushri Dipti Neelakantan (Chief Operating Officer, JM Morgan Stanley Pvt.Ltd.) - nominee of Association of Merchant Bankers of India
- Shri S. R. Mehta (Chartered Accountant, S.R. Mehta & Co.) - nominee of FICCI

- Nominee of ASSOCHAM (not presently appointed).
- Nominee of CII (not presently appointed)
- Nominee of Department of Company Affairs (DCA), Government of India (not presently appointed)
- Sushri T. S. Jagadharini (Asst. Vice President, National Stock Exchange of India Ltd.) - nominee of NSE
- Shri P. S. Reddy (Chief General Manager, The Stock Exchange, Mumbai) - nominee of BSE
- Shri S.C. Das (Executive Director, Corporation Finance Department and Investment Management Department, SEBI)

1.4 The Committee held in all 25 meetings. While the nominees of ASSOCHAM, CII and DCA attended a few of the initial meetings, they have not been able to attend bulk of the meetings where substantial discussions took place on the matters contained in this report. Consequently, they are not a party to this report. They have therefore not been requested to sign this report.

---

## **2. APPROACH**

---

2.1 The Original Committee's approach was based on the conviction that investor protection is fundamental to a healthy growth of the capital market. Investor protection demands that the potential investor is provided with all the information which is necessary for him to take a decision after proper assessment of the risks and benefits of the proposed investment. Adequacy of disclosure is therefore the cornerstone of a healthy capital market. Such disclosure must be accurate, complete, timely and not misleading.

2.2 In its approach to its review of the level of disclosure to be made in an Offer Document and the manner in which such disclosure shall be made, the Committee has been guided by the following general considerations :

- (a) There has to be a balance between the benefits which disclosure provides and the cost to be incurred in providing that disclosure.
- (b) Excessive disclosure can be counter-productive as too much information may make the document unreadable and in fact relevant information may get submerged in a mass of relatively unimportant information.
- (c) The concept of materiality must pervade throughout the disclosure provisions.
- (d) The manner in which disclosure is made is as relevant as the contents of the disclosure. Therefore, there is a need for the disclosure to be made in a logical sequence, and in a readable format.
- (e) Finally, the Guidelines themselves must be clear and unambiguous and the requirements of the Guidelines must be presented in a logical manner.

2.3 The Committee has noted that apart from the Guidelines, SEBI has in response to the draft Offer Documents filed with it, issued “Standard Observations” which list out certain requirements which are common across all issues. These are in addition to issue-specific observations made by SEBI. These “Current Standard Observations” (listed in Annexure I) which presently number as many as 302 requirements (including sub-requirements) have over a period of time virtually become a part of the Guidelines.

2.4 The Committee believes that the practice of issuing “Standard Observations” without observing the discipline to be followed when issuing guidelines or making amendments thereto needs to be discontinued and if any amendments or additions to the Guidelines are considered necessary they should be made as amendments to the Guidelines themselves.

2.5 The Committee has therefore reviewed these Standard Observations and has classified them into three broad groups namely :

- (a) Observations which cover matters that should be incorporated in the Guidelines;(Annexure II)
- (b) Observations which prescribe confirmations that Issuers/lead merchant bankers should submit to SEBI and which should not be part of the disclosure requirements but should constitute a separate part of the Guidelines in Chapter V (Annexure III) and
- (c) Observations that are considered redundant for the purpose of disclosures(Annexure IV)

2.6 Accordingly, in making its recommendations, the Committee has made recommendations for incorporation in the Guidelines of the observations contained in 2.5(a) above. While at first sight appear it may appear that the scope of Guidelines is being expanded, in effect, with elimination of the observations contained in 2.5(b) and 2.5(c) above, the total disclosure requirements in the Guidelines has been rationalized and thereby substantially reduced.

2.7 The Guidelines presently consist of seventeen chapters as under:

<b>Chapter</b>	<b>Title</b>
I	Preliminary
II	Eligibility Norms for Companies Issuing Securities
III	Pricing by Companies Issuing Securities
IV	Promoters Contribution and Lock-in Requirements
V	Pre-Issue Obligations
VI	Contents of Offer Document
VII	Post-Issue Obligations
VIII	Other Issue Requirements
VIII-A	Green Shoe Option
IX	Guidelines on Advertisement
X	Guidelines for Issue of Debt Instruments

XI	Book Building
XI-A	Guidelines on Initial Public Offer through the Stock Exchange on-line System (e-IPO)
XII	Guidelines for Issue of Capital by Designated Financial Institutions
XII-A	Shelf Prospectus
XIII	Guidelines for Preferential Issues
XIV	Guidelines for OTCEI Issues
XV	Guidelines for Bonus Issues
XVI	Operational Guidelines
XVII	Miscellaneous

- 2.8 The Committee has generally confined its deliberations to the matters contained in Chapter VI “Contents of Offer Documents” and the “Standard Observations” and offers its recommendations in respect of these matters. However, it has also discussed certain specific matters, not confined to this Chapter which were specifically referred to the Committee or where greater clarity was necessary or better compliance could be achieved. Its recommendations therefore cover these matters also.
- 2.9 In the course of its review, the Committee came across a few requirements, which appeared to be misplaced, or where the language of the requirement needed some amendment in the interest of clarity. The Committee’s recommendations cover these aspects also.
- 2.10 Some of the recommendations of the Committee have already been approved by the Board and since implemented. Several other recommendations, as presented here, need to be submitted to the Board for their approval.



---

### **3. RECOMMENDATIONS WHICH HAVE BEEN IMPLEMENTED**

---

#### **3.1. Materiality of Risk Factors**

The Committee observed that often many minor risk factors get included in an Offer Document resulting in a long list of risk factors thereby resulting in loss of focus on the important ones. The Committee felt that the concept of “materiality” is desirable for determining the risk factors.

The Committee accordingly recommended the following:

- a) Risk factors should be determined on the basis of their materiality. Materiality should be decided by taking the following aspects into account:
  - Some events may not be material individually but may be material collectively.
  - Some events may have material impact qualitatively instead of quantitatively.
  - Some events may not be material at present but may have a material impact in future.
  
- b) Risk factors should appear in the Offer Document in the following manner:
  - Risks envisaged by the Management
  - How these risks are proposed to be addressed

This recommendation of the Committee was accepted by the Board and accordingly the Guidelines were amended vide CFD/DIL/DIP/Circular No. 11 dated August 14, 2003.

### **3.2. Undertaking by the Directors in the Draft Offer Document**

Section 56 of the Companies Act, 1956 read with Clause No. 6.3.4 and Clause No. 6.53 of the Guidelines places responsibility on the directors of a company for the statements/disclosures made in the final Offer Document signed by them.

The Committee felt that a draft Offer Document, once filed with the Board, is also a public document. As such, the Committee was of the view that the directors should also be made accountable for the disclosures made in the draft Offer Document. In view of this, the Committee recommended that the draft Offer Document submitted to the Board should be approved and signed by the Board of Directors of the company.

This recommendation of the Committee was accepted by the Board and accordingly the Guidelines were amended vide RMB (Compendium) series 2003-04 circular no. May 2, 2003.

### **3.3. Means of Finance**

As per the Guidelines, the 'Means of Finance' of the project for which the issue is made are required to be disclosed in the Offer Document.

The Committee was of the view that a company should tie up all external sources of funds prior to raising money from the public because achieving a financial closure makes a project implementation more certain, and is, therefore, in the interest of the investors.

The Committee therefore recommended the following:

- A company shall not be allowed to come out with a public/rights issue unless at least 75% of the stated means of finance, excluding the amount to

be raised through proposed public/rights issue, have been tied up. A disclosure shall be made in the Offer Document in this regard.

- The non-tied up portion, if any, of the means of finance shall be disclosed as such.

This recommendation of the Committee was accepted by the Board and accordingly the Guidelines were amended vide CFD/DIL/DIP/Circular No. 11 dated August 14, 2003 by inserting a new Clause 2.8.

#### **3.4. Capital Expenditure and Working Capital Requirement**

The Committee felt that there was a need to differentiate between funds raised for capital expenditure and for working capital to ensure better disclosures and bring about greater clarity on the proposed deployment of funds. In specific, the requirement of funds for capital expenditure should be stated very specifically.

This recommendation of the Committee was accepted by the Board and accordingly the Guidelines were amended vide CFD/DIL/DIP/Circular No. 11 dated August 14, 2003.

#### **3.5. Provisions relating to Qualified Institutional Buyers (QIBs) in Book-Building Issues**

Qualified Institutional Buyers (QIBs) play a major role in discovering price in the book-building issues (Clause 11.3.5 read with Clause 2.2.2 and Clause 2.3.2 of the Guidelines). However, the Guidelines do not prescribe any financial commitment from the QIBs participating in book-building issues.

In order to facilitate a genuine price discovery, the Committee recommended the following:

- There should be a provision for some minimum financial commitment from the QIBs.
- Withdrawal of bids made by the QIBs should not be allowed after the closure of issue.

Only the second suggestion of the Committee i.e., suggestion on disallowing withdrawals of bids by QIBs after the closure of the issue was accepted by the Board, and accordingly the Guidelines were amended vide CFD/DIL/DIP/Circular No. 11 dated August 14, 2003.

### **3.6. Reference Date for Reckoning 'Net Worth'**

As per Clause 2.2.2 and 2.3.2 of the extant Guidelines, a company was required to make an issue through book building route if the issue size of the company shall be more than five times the pre issue net worth or if the company did not have a track record of distributable profits and net worth of Rs. 1 crore for at least three out of the immediately preceding five years.

The Committee felt that the aforesaid requirement could be circumvented by an Issuer by issuing equity in two stages. As an example, if a company having a net worth of Rs. 1 crore at the beginning of the year, plans to raise Rs 6 crore through a public issue within the same financial year and if it raises the entire amount in one go, it shall have to follow the book building route as the proposed issue size shall be more than five times the pre-issue net worth. Instead of raising Rs 6 crore in one go, the company may circumvent this provision by raising the money in two tranches of say Rs. 2 crore and Rs. 4 crore. It would thereby avoid the book building route, as at the time of the first tranche, the issue size of Rs.2 crore will be not more than five times the pre-issue net worth of Rs. 1 crore and at the time of the second tranche, the issue size of Rs. 4 crore will be not more than five times the pre-issue net worth of Rs. 3 crore (Rs. 1 crore at the beginning of the year plus Rs. 2 crore raised through the earlier tranche.)

The Committee therefore made the following recommendations to address this issue:

1. The definition of "net worth" as provided in Clause No. 1.2.1(xix)(a) of the Guidelines may be modified to reckon net worth as at the end of the previous financial year.
2. Aggregate of the issued amount raised in a financial year shall be used as a reference for calculating the post issue net worth.

These recommendations of the Committee were accepted by the Board and accordingly the Guidelines were amended vide CFD/DIL/DIP/Circular No. 11 dated August 14, 2003.

### **3.7. Transfer of Locked-in Shares**

Clauses 4.11 & 4.12 of the extant Guidelines covered lock-in of shares, which included pre-IPO shares.

As per clause 4.16 of the Guidelines, interse transfer of locked-in shares among promoters was permissible, subject to the continuity of the lock-in in the hands of transferee. This clause was applicable only in the case of public issues. Further, as per Clause 13.3 of the Guidelines, shares issued to promoters through a preferential allotment were subject to a lock-in for a period of three years. However, the Guidelines were silent about transferability of these shares and the pre-IPO shares allotted to shareholders other than the promoters.

In this regard, the Committee recommended that all pre-IPO shares in the hands of persons other than promoters, which are subject to lock-in of one year, should be allowed to be transferred to other holders of pre-IPO locked-in shares subject to continuation of the lock-in.

The Committee further recommended that the locked-in shares issued under a preferential allotment should also be allowed to be transferred among promoters subject to the continuation of lock-in.

The Committee was also of the view that the locked-in shares (irrespective of the mode of issue i.e. whether public issue or preferential allotment) should be permitted to be transferred either among promoters or to such outsiders, who become the new promoters or persons in control of the company subject to their complying with the provisions of SEBI( Substantial Acquisition of Shares and Takeovers) Regulations, 1997 and with the requirement of continuation of the lock-in for the remaining period.

Accordingly, the Committee made the following recommendations:

- a) Any locked-in pre-IPO shares held by persons other than the promoters can be transferred to any other holder of pre-IPO locked-in shares subject to the continuation of lock-in.
- b) Any locked-in shares held by the promoters can be transferred to co-promoters or any new promoters/persons in control of the company subject to
  - Continuation of lock-in in the hands of transferees for the remaining period
  - Due compliance with the provisions of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997.

These recommendations of the Committee were accepted by the Board and accordingly the Guidelines were amended vide RMB (Compendium) series 2003-2004 circular no 9 dated May 2, 2003.

### **3.8. Units of Financial Values used in the Offer Document**

It was noted by the Committee that many companies resort to using different financial values within the same Offer Document, leading to confusion and even misguiding the investors. The Committee felt that a standard unit of financial values is essential to bring consistency in the financial statements that are disclosed.

Accordingly, the Committee recommended that only one standard financial unit should be used in the Offer Document.

This recommendation of the Committee was accepted by the Board and accordingly the Guidelines were amended vide CFD/DOIL/DIP/Circular No. 11 dated August 14, 2003.

### **3.9. Disclosure of Financial Statements based on Different Accounting Standards**

It was brought to the notice of the Committee that some issuers, to cater to a cross section of investors, disclose in their Offer Document financial statements based on more than one accounting standard e.g. Accounting Standards specified by ICAI and US GAAP.

After examining this issue, the Committee recommended the following:

- The Issuer, if it so desires can include in the Offer Document the financial statements prepared on the basis of more than one accounting standard, subject to disclosing the material differences arising because of differences in the accounting policies of the different accounting standards.
- However, the 'Management Discussion and Analysis (MDA) Statement' and the statement of 'Accounting and other Ratios' required to be computed

under the Guidelines shall be based on the financial statements prepared as per Indian Accounting Standards. The Issuer may, however, present as additional information MDA Statement and statement of “Accounting and other ratios” prepared in accordance with other accounting standards.

This recommendation of the Committee was accepted by the Board and accordingly the Guidelines were amended vide CFD/DIL/DIP/Circular No. 11 dated August 14, 2003.

### **3.10. Due Diligence by Merchant Bankers**

As per the earlier clause 5.4.1.1 of the Guidelines, any merchant banker associated with an Issuer as a promoter or as a director was prohibited from lead managing such an issue. This was to ensure an arm's length relationship between the Issuer and the merchant banker. The Committee was asked to recommend a definition of the term “associate”.

Accordingly, the Committee recommended that:

A body corporate or a merchant banker shall be deemed to be an associate of the other where:

- Either of them controls directly or indirectly, through itself, its subsidiary or holding company, not less than 15 percent of the voting power of the other; or
- There is a common director, excluding nominee director, among the body corporate/ its subsidiary or holding company and the merchant banker.

The Committee also recommended that if more than one merchant banker is associated with the issue, the responsibility of each merchant banker should be



clearly demarcated in the inter-se allocation of responsibility that is submitted to the Board and is disclosed in the Offer Document. The lead merchant bankers who are responsible for conducting the due diligence with respect to the Offer Document, as per inter-se allocation of responsibilities, should sign the due diligence certificate.

This recommendation of the Committee was accepted by the Board and accordingly Clause 5.4.1.1 of the Guidelines was amended vide CFD/DIL/DIP/Circular No. 11 dated August 14, 2003. (See, however, paragraph 4 of part II of Recommendations in this report)

### **3.11. Branding of Securities**

SEBI came across several public issues where debt instruments were being branded and advertised by the issuers such as 'safety bonds'. The Committee was of the view that this might misguide the investors about the quality of the instruments. Accordingly, the Committee recommended that an issue may be branded only if such branding describes the nature of the instrument and that it should not connote the quality of the instrument.

This recommendation of the Committee was accepted by the Board and accordingly the Guidelines were amended vide CFD/DIL/DIP/Circular No. 11 dated August 14, 2003.

### **3.12. Validity Period of SEBI's 'Observation Letter'**

Earlier, the 'Observation Letter' issued by SEBI in response to the draft Offer Document filed with it had a validity of one year from the date of its issue. In this regard, the Committee recommended that, considering the fast changing business scenario and other implications of disclosures, the validity of SEBI's 'Observation Letter' should be reduced to 3 months.

This recommendation of the Committee was accepted by the Board and accordingly the Guidelines were amended vide CFD/DIL/DIP/Circular No. 11 dated August 14, 2003.

**3.13. Additional Disclosure Requirement in case of Dot Com Companies**

The report of Accounting Standard Sub-Committee on 'Additional Disclosures in respect of Dot-Com/Biotech Companies' was placed before the Committee for discussion. The Committee accepted this report and recommended the same to the Board.

This recommendation of the Committee has been accepted by the Board. However, the Guidelines are yet to be amended in this regard.

**3.14. Definition of Profit in Eligibility Criteria**

As per the extant Guidelines, an unlisted company could come out with a fixed price issue only if it had a track record of profits in three of the immediately preceding five years. To make this criterion more effective, the Committee recommended that all extraordinary items should be excluded when calculating the profits for the said purpose.

This recommendation of the Committee was accepted by the Board and accordingly the Guidelines were amended vide CFD/DIL/DIP/Circular No. 11 dated August 14, 2003.

---

**4. RECOMMENDATIONS OTHER THAN RECOMMENDATIONS WHICH HAVE BEEN IMPLEMENTED**

---

**4.1 Clause 1.2 – Definitions**

- 4.1.1 Sub-clause (xv) defines an ‘Infrastructure Company’ as :  
“Infrastructure Company” means a company wholly engaged in the business of developing, maintaining and operating infrastructure facility.
- 4.1.2 An “Infrastructure Company” is also defined in section 80IA of the Income Tax Act 1961.
- 4.1.3 In the opinion of the Committee it would be appropriate if a common definition is used.
- 4.1.4 Accordingly, the Committee recommends that sub-clause (xv) be reworded as under :  
“Infrastructure Company” means any enterprise wholly engaged in the business of (i) developing or (ii) operating and maintaining or (iii) developing, operating and maintaining any infrastructure facility”.
- 4.1.5 Sub-clause (xix)(a) defines “net worth” as “net worth” means aggregate value of the paid up equity capital and free reserves (excluding reserves created out of revaluation) reduced by the aggregate value of accumulated losses and deferred expenditure not written off (including miscellaneous expenses not written off).
- 4.1.6 In the opinion of the Committee this definition needs revision.
- 4.1.7 The Committee accordingly recommends that the sub-clause (xix)(a) be reworded as under :  
“net worth” means the aggregate of the paid up share capital, share premium account, and reserves and surplus (excluding revaluation reserve) as reduced by the aggregate of Miscellaneous Expenditure (to the extent not adjusted or written off) and the debit balance of the Profit and Loss Account.”

4.1.8 Presently the Explanations in Clause 6.4.2 define a ‘Promoter’ and a ‘Promoter Group’. Since these definitions have been applied to all the clauses of the Guidelines by practice, it is appropriate that these definitions be included in Clause 1.2.

4.1.9 The Committee accordingly recommends that new clauses “xxii a” and “xxii b” be introduced in Clause 1.2 as under:

xxii a) “Promoter” shall include:-

- a) the person or persons who are in over-all control of the company.
- b) the person or persons who are instrumental in the formulation of a plan or programme pursuant to which the securities are offered to the public;
- c) the persons or persons named in the prospectus as promoters(s):  
Provided that a director / officer of the issuer company or person, if they are acting as such merely in their professional capacity shall not be included in the explanation.

xxii b) “Promoter Group” shall include

- a) the promoter,
- b) an immediate relative of the promoter (i.e. any spouse of that person, or any parent, brother, sister or child of the person or of the spouse); and
- c) in case promoter is a company-
  - (i) a subsidiary or holding company of that company;
  - (ii) any company in which the promoter holds 10% or more of the equity capital or which holds 10% or more of the equity capital of the Promoter;
  - (iii) any company in which a group of individuals or companies or combinations thereof who holds 20% or more of the equity capital in that company also holds 20% or more of the equity capital of the issuer company; and
- d) in case the promoter is an individual,-
  - (i) any company in which 10% or more of the share capital is held by the promoter or an immediate relative of the promoter' or a firm or HUF in which the 'Promoter' or any one or more of his immediate relative is a member;

- (ii) any company in which a company specified in (i) above, holds 10% or more, of the share capital;
  - (iii) any HUF or firm in which the aggregate share of the promoter and his immediate relatives is equal to or more than 10% of the total, and
- e) all persons whose shareholding is aggregated for the purpose of disclosing in the prospectus "shareholding of the promoter group".

Explanation:- For the purposes of sub clauses (xxiia) and (xxiib) above, the Financial Institution, Scheduled Banks, Foreign Institutional Investors (FIIs) and Mutual Funds shall not be deemed to be a promoter or promoter group merely by virtue of the fact that 10% or more of the equity of the issuer company is held by such institution.

Provided that the Financial Institutions, Scheduled banks, Foreign Institutional Investors, shall be treated as promoters or promoter group for the subsidiaries or companies promoted by them or for the mutual fund sponsored by them

#### **4.2 Clause 2.1.3 – “Companies barred not to issue securities” (to be retitled as “Companies Barred from Issuing Securities”)**

4.2.1 The existing clause provides that no company shall make an issue of securities if the company has been prohibited from accessing the capital market under any order or direction passed by the Board.

4.2.2 “Standard Observations” (item 19, Annexure II) extends this restriction also to persons who are connected with the issue whether as promoters, directors or persons acting in control.

4.2.3 In the opinion of the Committee, this observation should be incorporated in the guidelines.

4.2.4 Accordingly the Committee recommends that this clause be reworded as under :

“No Company shall make an issue if –

- a) the company has been debarred from accessing the capital market under any order or direction made by the Board; or
- b) any of its promoter(s), director(s) or persons in control has been debarred from accessing the capital market under any order or directions made by the Board; or
- c) any of its promoter(s), director(s) or person(s) in control was a promoter(s), director(s) or person(s) in control of any other company when such other company was debarred from accessing the capital market under any order or directions made by the Board.

**4.3 Clause 2.1.5.1 – Issue of Securities in Dematerialized Form**

4.3.1 The explanation to this clause defines a depository.

4.3.2 Clause 1.2.1(xii) already defines a “Depository”

4.3.3 The Committee accordingly recommends that this explanation be deleted.

**4.4 Clause 2.2 “Public Issue by Unlisted Companies**

4.4.1 Sub Clause v of Clause 2.2.2B defines “Qualified Institutional Buyer”

4.4.2 The Committee recommends that this definition be deleted from this clause and included in Clause 1.2.1.

**4.5 Clause 3.6 – Payments of Discounts/Commissions etc.**

4.5.1 This clause which prohibits the payment of discounts, commission etc. appears to be misplaced as this Chapter III is titled “Pricing by Companies Issuing Securities”.

4.5.2 The Committee recommends that this clause be deleted and the requirement contained in this clause be introduced in Chapter VIII under Clause 8.14 “Incentives to Prospective Shareholders”

**4.6 Clause 4.6 – Securities Ineligible for Computation of Promoters’ Contribution**

4.6.1 This clause provides inter alia that where the promoters of any company have acquired equity during the period of three years preceding the filing of the draft Offer Document with the Board, such equity shall not be considered for computation of promoters contribution if :

- (i) it is acquired for consideration other than cash and revaluation of assets or capitalization of intangible assets is involved in such transaction or
- (ii) it results from a bonus issue by capitalisation of revaluation reserves or reserves without accrual of cash resources.

4.6.2 SEBI has received representations that in some cases where shares are allotted to promoters and/or related parties for consideration other than cash, particularly in respect of preferential issues, the valuation of the assets acquired in consideration whereof the shares are issued does not appear to be fair. The Committee was asked to consider this matter and make its recommendations.

4.6.3 In the opinion of the Committee, the Guidelines already provide that for the purposes of computation of promoters’ contribution, shares issued for consideration other than cash should be excluded. Moreover, the question of issue

of shares to promoters and related parties generally for consideration other than cash is not strictly a matter related to the Guidelines.

4.6.4 However, the Committee recommends that the guidelines for issue of shares on a preferential basis should be amended to provide that :

- (a) When shares are issued on a preferential basis to promoters, their relatives, associates and related entities for consideration other than cash, the valuation of the assets in consideration for which the shares are issued shall be done by an independent qualified valuer.
- (b) in case a stock exchange, where the shares are listed, has any concerns about the appropriateness of the valuation, it may get a valuation done by any other valuer and for this purpose it can obtain the necessary information from the Company by using its powers under the general clause in the listing agreement.

4.6.5 The Committee also reviewed the sub-clause relating to bonus shares issued out of revaluation reserves or reserves without accrual of cash resources.

4.6.6 In the opinion of the Committee, there should be no restrictions on bonus shares issued in accordance with the provisions of law. In its opinion, issue of bonus shares out of revaluation reserves or out of unrealized profits would be contrary to law. However, as a measure of abundant caution it may be provided that bonus shares issued in that manner shall not be considered for calculation of promoters' contribution.

4.6.7 The Committee therefore recommends that sub-clause (ii) of clause 4.6.1 may be reworded as under

“resulting from a bonus issue by utilization of revaluation reserves or unrealized profits of the Company”.



4.6.8 Clause 4.6.4 provides that the restrictions imposed by clauses 4.6.1, 4.6.2 and 4.6.3 will not apply when such ineligible shares are acquired in pursuance of a scheme of merger or amalgamation approved by a High Court.

4.6.9 In the opinion of the Committee there is a risk that the concession given by clause 4.6.4 may be misused by a contrived merger or amalgamation merely to circumvent the restrictions imposed in clauses 4.6.1, 4.6.2 and 4.6.3.

4.6.10 The Committee therefore recommends that clause 4.6.4 may be reworded as under :

“In respect of Clauses 4.6.1, 4.6.2 and 4.6.3, such ineligible shares acquired pursuant to a scheme of merger or amalgamation approved by a High Court shall be eligible for computation of promoters’ contribution provided the scheme of merger or amalgamation has been approved by the High Court at least one year prior to the date of filing of the draft Offer Document”.

#### **4.7 Clause 4.15 – Pledge of Securities Forming Part of Promoters’ Contribution**

4.7.1 Clause 4.15.1 provides that “Locked in Securities held by promoters may be pledged only with banks or financial institutions as collateral security for loans granted by such banks or financial institutions, provided the pledge of shares is one of the terms of sanction of loan”.

4.7.2 The Committee is unable to appreciate the need for this requirement. In the opinion of the Committee:

- a) a pledge of shares will always be pursuant to a term of the sanction of the loan and therefore the provision may not be necessary.

- b) it is not clear why a distinction is made between a loan given by banks and financial institutions and loans given by other parties.
- c) even when shares are pledged the lock-in will continue as the pledgee cannot get a better title than the borrower.

4.7.3 The Committee therefore recommends that this clause be deleted.

#### **4.8 Other Requirements in Respect of Lock-in**

4.8.1 Standard Observations (item 1, Annexure II) provide that “if locked-in shares are partly paid up shares, the lock-in shall start from the date of allotment in the proposed Public Issue and the last date of lock-in shall be reckoned as three years from the date on which shares are made fully paid-up”.

4.8.2 This ‘observation’ is intended to cover a situation where the shares subject to “lock-in” have an amount called up on the shares which is lower than the amount called up on the shares issued to the public.

4.8.3 In the opinion of the Committee this is a situation which would arise in very rare circumstances since the Guidelines provide (in Clause 2.7.1) that before a public issue is made, the partly-paid shares shall be made fully paid up.

4.8.4 However, to provide for these rare situations, the Committee recommends that a new clause 4.18 be added which shall read as under :

##### **Reckoning of the period for Lock-in**

“Where in respect of shares which are subject to lock-in, the shares are partly paid and the amount called up on the shares is less than the amount called up on the shares issued to the public, the “lock-in” shall end only on the expiry of three years after the shares have become pari-passu with the shares issued to the public”.

**4.9 Clause 5.4.1 – Appointment of Merchant Bankers**

4.9.1 Clause 5.4.1.1 was incorporated in the Guidelines based on the Committee’s recommendations (see paragraph 3.10 above) to define an ‘associate’ of a merchant banker.

4.9.2 On reconsideration, the Committee recommends that this clause be reworded to read

“A merchant banker shall be deemed to be an associate of the Issuer if:

- (a) Either party controls directly or indirectly, through its subsidiary or holding company, 15 percent or more of the voting power in the other or
- (b) There is a common director (excluding nominee directors of financial institutions) on the board of directors of the Issuer and the merchant banker or on the boards of directors of the subsidiary company or holding company of such Issuer and/or the merchant banker.

**4.10 Clause 5.4.3 – Appointment of other Intermediaries**

4.10.1 “Standard Observations” (item 23, Annexure II) provide that “if the Registrar to the issue appointed for the issue, does not have direct connectivity with both the depositories, then, the concerned intermediary cannot act as registrar to the issue”.

4.10.2 In the opinion of the Committee this is a necessary safeguard to be ensured by the lead merchant banker.

4.10.3 The Committee accordingly recommends that in clause 5.4.3.4 which deals with matters the lead merchant banker shall ensure about, a sub-clause (c) shall be added which shall read as under :

“The Registrar to the Issue, appointed for the issue has direct connectivity with all the Depositories”

#### **4.11 Chapter VI – Section I – Contents of the Prospectus**

4.11.1 Clause 6.1.1 states that the Offer Document shall also contain the information and statements specified in Chapter VI.

4.11.2 The Committee believes that ‘Standard Observations’ (items 7, 12, 13 and 14, Annexure II) are relevant for this purpose.

4.11.3 The Committee therefore recommends that the following sub-clauses may be inserted in clause 6.1.1.

“Only relevant and updated information and statistics shall be disclosed in the Offer Document. Further the source and basis of all statements/claims made shall be disclosed. All blank spaces in the draft Offer Document shall be filled up with appropriate data before filing the Offer Document with the Registrar of Companies/stock exchanges.

Simple English for easy understanding of the contents of the Offer Document shall be used. Terms like “market leader” “leading player” etc. shall not be used unless they can be substantiated by proper sources of information which are disclosed.

Wherever it is mentioned in the Offer Document that details are given elsewhere in the document, the same shall be adequately cross-referenced by indication of page and paragraph numbers.”

#### **4.12 Clause 6.2.1 – Outer Front Cover Page**

4.12.1 “Standard Observations” (Items 20 and 56, Annexure II) require that date and place of original incorporation of the company and any changes thereafter in the name and registered office and contact details of Issuer, Lead Manager and Registrar to the issue shall appear on the cover page.

4.12.2 In the opinion of the Committee this is relevant information which is useful to the potential investor to identify the company.

4.12.3 The Committee therefore recommends that sub-clause (ii) of clause 6.2.1.2 be redrafted to read as under :

“The name of the Issuer and address of the registered office of the Issuer along with telephone numbers, fax numbers, e-mail address and website address ,and where there has been a change in the address of the registered office or name of the Issuer, details thereof”.

4.12.4 In the opinion of the Committee, the names of promoters of the Issuer is relevant information for the potential investors.

4.12.5 The Committee accordingly recommends that a new sub-clause (iii)(b) be inserted under clause 6.2.1.2 as under:

“names of promoters”.

#### **4.13 Clause 6.2.4 Back Cover Page**

4.13.1 Clause 6.2.4.2 states “any ‘notes’ required to be given prominence shall appear immediately after the Risk Factors wherever they appear”.

4.13.2 If the Committee's recommendations regarding the "Order of Items in Chapter VI and Form of Offer Document (contained in paragraph 5 later) are accepted, these notes will form part of the "Summary" proposed and therefore this clause needs to be deleted.

4.13.3 The Committee therefore recommends that this clause be deleted.

**4.14 Clause 6.3.14 – Compliance Officer**

4.14.1 Sub-clause (a) requires disclosure of "The name, address telephone number, fax and E-mail number and address of Compliance Officer."

4.14.2 The Committee recommends that this sub-clause be reworded as under

"The name, address, telephone number, fax number and E-mail address of the Compliance Officer".

**4.15 Clause 6.4 Capital Structure of the Company**

4.15.1 The clause begins with the words "The lead manager shall present the capital structure in the following manner".

4.15.2 These words are inappropriate since the lead manager does not present the Offer Document.

4.15.3 The Committee therefore recommends that the sentence be reworded as under :

"The capital structure shall be presented in the following manner".

4.15.4 Sub-clause (a) requires disclosure of details of share capital.

4.15.5 Since the Companies Act, 1956 allows companies to issue shares of a class with differential rights, in the opinion of the Committee, this sub-clause needs to be reworded.

4.15.6 The Committee therefore recommends that this sub-clause be reworded as under :

“Authorised, issued, subscribed and paid-up capital (number, description, face value of each share and aggregate nominal value) and distinguishing between shares of a class having differential rights”.

#### **4.16 Clause 6.4.2 – Notes to Capital Structure**

4.16.1 “Standard Observations” (items 25, 26(a), 26(b) and 49, Annexure II) are relevant in the context of the Capital Structure of the Issuer.

4.16.2 The Committee therefore recommends that the opening paragraph of this clause and sub-clause (a) be redrafted as under :

“The existing share capital of the company shall be detailed in a tabular form indicating with regard to each allotment, date of allotment, number of shares allotted, face value of the shares allotted and form of consideration. In case the shares have been issued for consideration other than cash or have been issued by way of capitalization of reserves, the fact shall be distinctly stated including in respect of all allotments made on that basis during the one year immediately preceding the date of filing of the draft Offer Document. Where shares are allotted in terms of a scheme of merger, amalgamation or reconstruction, details of such allotment shall be given.

The following notes shall be incorporated as a part of the Capital Structure:-

- a) Note relating to promoters’ contribution and lock-in period, stating date of allotment, date when shares became fully paid up, nature of allotment

(rights, bonus, preferential etc.), number of securities, face value of securities, issue price of securities, percentage of promoters' contribution to total issued capital and the date upto which the securities are subject to lock-in. The promoters' holding shall be indicated in a tabular form clearly stating the above details separately in respect of each promoter. In the case of an Initial Public Offering, details regarding individual allotments shall be given from the inception of the company. In other cases, it is sufficient if the details are given for five years immediately preceding the date of filing the draft Offer Document.

Shares acquired by promoters through primary issues shall be shown separately from shares acquired in the secondary market. The aggregate cost of shares acquired in the secondary market shall be disclosed, if available”.

The proposal, intention, negotiations, consideration of the company to alter the capital structure by way of split /consolidation of the denomination of the shares, or issue of shares on a preferential basis or issue of bonus or rights or further public issue of shares or any other securities, within a period of 6 months from the date of opening the present issue ."

4.16.3 Sub-Clause (e) requires disclosures of details of all ‘buy back’ and ‘standby’ and similar arrangements for purchase of securities by promoters, directors and lead merchant bankers.

4.16.4 ‘Standard Observations’ (item 24, Annexure II) require the company/directors/lead merchant bankers to “give an undertaking that they have not entered into any buy-back and/or standby arrangements for purchase of Equity Shares of the Company with any person. The same shall be disclosed in the offer document”.



4.16.5 There is clearly a conflict between the provisions of sub-clause (e) and item 35 of the Standard Observations. In the opinion of the Committee, whereas buy-back arrangements should not be permitted, there should not be any objection to ‘stand-by’ arrangements which are akin to underwriting to ensure that subscription atleast equal to the minimum subscription is obtained.

4.16.6 The Committee therefore recommends that sub-clause (e) be revised to read as under :

“A statement that the company/directors/lead merchant bankers have not entered into any buy back arrangements for purchase of the Company’s shares and details of all “standby” and similar arrangements for purchase of unsubscribed securities by promoters, directors and lead merchant bankers shall be disclosed.

4.16.7 Sub-clause (k) (ii) requires disclosure of the aggregate number of securities purchased or sold by the Promoter Group and the directors of the promoter companies during a period of six months preceding the date on which the draft prospectus is filed with the Board and to be updated by incorporating the information in this regard till the time of filing the prospectus with the Registrar of Companies.

4.16.8 "Standard Observations" (item 26(c) and 42(b), Annexure II) require disclosure as to “whether, the promoters, relatives and directors have directly or indirectly undertaken transactions in the securities of the company during the last six months from date of filing of Offer Document with ROC/stock exchange.” It also requires disclosure as to “whether promoters/directors, their relations and their associates have not either directly or indirectly financed any transaction in the securities of the company during the six months including details of all such transactions”. This information is required to be disclosed with relevant details by way of a note after risk factors.

4.16.9 The Committee appreciates that disclosure of transactions in the securities of the company, by promoters and directors and their relatives, whether directly or indirectly through financing of such transactions is relevant disclosure.

4.16.10 The Committee therefore recommends that sub-clause k(ii) may be reworded as under :

“Aggregate number of securities purchased or sold by the Promoter Group and/or by the directors of the promoter company and/or by the directors of the Issuer and their immediate relatives (as defined in item (b) of Explanation (II)) within the six months immediately preceding the date of filing of the draft Offer Document and details of all financing arrangements whereby the Promoter Group, the directors of the promoter company, the directors of the Issuer and their relatives have financed the purchase by any other person of securities of the company other than in the normal course of business of the financing entity during the period of six months immediately preceding the date of filing of the draft Offer Document”.

4.16.11 The Committee is of the opinion that in addition to disclosure of the shareholdings of promoters and directors in the issuing company, it is also necessary for similar disclosure to be made of the shareholding of lead merchant bankers and their associates.

4.16.12 The Committee therefore recommends the insertion of a new sub-clause (m) reading as under :

“Details of shareholdings of the lead merchant bankers and their associates”.

4.16.13 Sub-clause (l) provides that in the event of it not being possible to obtain information regarding sales and purchases of securities by any relative of the promoters, a statement to the effect shall be made in the prospectus on the basis of

transfers recorded in the books of the company. Considering that shares may also be held in demat form, the sub-clause needs suitable amendment.

4.16.14 The Committee therefore recommends that the sub-clause shall read as under:

“In the event of it not being possible to obtain information regarding sales and purchases of securities by any relative of the promoters, the information shall be disclosed on the basis of the transfers as recorded in the books of the company and/or the depository as applicable, and a statement to that effect shall be made in the Offer Document.”

**4.17 Clause 6.5.4 – How to Apply – Availability of Forms, Prospectus and Mode of Payment**

4.17.1 ‘Standard Observations’ (items 2, 16, 50, 53, 54 and 55, Annexure II) deal with issues which are relevant to the manner in which application shall be made and in the opinion of the Committee should form part of the Guidelines.

4.17.2 The Committee therefore recommends that the following be included under this clause :

“The Offer Document/Application Form shall contain the following:

- a) The correct procedure for applications by Hindu Undivided Families and the fact that applications by Hindu Undivided Families would be treated as on par with applications by individuals.
- b) Provision of bank account details in the space provided in the application form is mandatory and applications that do not contain such details are liable to be rejected.
- c) Provision for signature in all languages prescribed in the 8<sup>th</sup> Schedule of the Constitution of India

- d) In respect of applications for an aggregate value of Rs.50000 or more, the applicant or in the case of applications in joint names, each of the applicant shall mention his/her permanent account number allotted under the Income Tax Act, 1961 or where such number has not been allotted, the GIR number and the Income Tax Circle/Ward/District where the applicant is assessed. In cases where neither the permanent account number nor the GIR number has been allotted to the applicant, the fact of non-availability of such numbers or the fact that the applicant is not required to file an income tax return shall be mentioned in the application form. Application forms which do not give the above information will be considered incomplete and are liable to be rejected.
- e) The Offer Document and the “General Instructions” in Form 2A shall specify the instances when an application would be rejected on technical grounds (e.g. absence of signature, age etc.)
- f) The “General Instructions” in Form 2A shall state that “applicants are advised to read the Offer Document and the general instructions contained in this Abridged Prospectus carefully and to satisfy themselves of the disclosures before making an application for subscription. For a copy of the Offer Document, the applicant may request the Issuer and/or lead managers/brokers to the issue. Further, investors are advised to retain the copy of the Offer Document/Form 2A (Abridged Prospectus) for their future reference”.

#### **4.18 Clause 6.5.4.3 – Disclosure about Stock Invests**

4.18.1 The Committee noted that the Stock Invest Scheme has been withdrawn by the Reserve Bank of India.

4.18.2 The Committee therefore recommends that this clause and other clauses in relation to Stock Invests be deleted.

**4.19 Clause 6.5.5 – Dispatch of Refund Orders**

4.19.1 “Standard Observations” (item 18, Annexure II) provide that dispatch of refund orders of value over Rs.1,500/- and of share/debenture certificates shall be made by Registered Post only.

4.19.2 The Committee is of the opinion that this observation is too restrictive and any other means of dispatch which ensures the availability of an acknowledgement should be permitted.

4.19.3 The Committee therefore recommends that this clause be reworded as under :

“The Offer Document shall include the following:

The dispatch of refund orders of a value exceeding Rs.1500 shall be made by Registered Post or in any other manner determined by the Issuer which shall ensure the availability of an acknowledgement by the recipient to the Issuer. The company will provide adequate funds to the registrars for the purposes of refunds and for dispatch of refund orders.”

**4.20 Clause 6.5.7 Utilization of Issue Proceeds**

4.20.1 Clauses 6.5.7.1 and 6.5.7.2 require Board of Directors of Issuer to make a statement in the Offer Document and in the subsequent balance sheets of the company regarding utilization of issue proceeds. These clauses read as follows:

6.5.7.1 A statement by the Board of Directors of Issuer to the effect that–

- a. all monies received out of issue of shares or debentures to public shall be transferred to separate bank account other than the bank account referred to in sub-section (3) of section 73;
- b. details of all monies utilised out of the issue referred to in sub-item(i) shall be disclosed under an appropriate separate head in the balance-sheet of the

company indicating the purpose for which such monies had been utilised;  
and

- c. details of all unutilised monies out of the issue of shares or debentures, if any, referred to in sub-item(i) shall be disclosed under an appropriate separate head in the balance-sheet of the company indicating the form in which such unutilised monies have been invested.

6.5.7.2 The Offer Document shall contain a statement of the Board of Directors of the Issuer to the effect that –

- i. the utilisation of monies received under promoters' contribution and from firm allotments and reservations shall be disclosed under an appropriate head in the balance sheet of the company indicating the purpose for which such monies have been utilised.
- ii. the details of all unutilised monies out of the funds received under promoters' contribution and from firm allotments and reservations shall be disclosed under a separate head in the balance sheet of the company indicating the form in which such unutilised monies have been invested

4.20.2 The Committee was of the view that such statement by Board of Directors in the balance sheet should be required to be made only till such time that any part of the issue proceeds remains unutilized.

4.20.3 The Committee therefore recommends that Clauses 6.5.7.1(b) and 6.5.7.2(i) should be modified as follows:

6.5.7.1 A statement by the Board of Directors of the Issuer to the effect that–

- b. details of all monies utilised out of the issue referred to in sub-item(i) shall be disclosed and continue to be disclosed till the time any part of the issue proceeds remains unutilised under an appropriate separate head in the balance-sheet of the company indicating the purpose for which such monies had been utilised; and

6.5.7.2 - The Offer Document shall contain a statement of the Board of Directors of the Issuer to the effect that –

- i. the utilisation of monies received under promoters’ contribution and from firm allotments and reservations shall be disclosed and continue to be disclosed till the time any part of the issue proceeds remains unutilised under an appropriate head in the balance sheet of the company indicating the purpose for which such monies have been utilised.

4.20.4 Clause 6.11.1 related to disclosure of promises versus performance requires disclosure about whether all the objects mentioned in the past Offer Document(s) and any projections made therein were met.

4.20.5 The Committee is of the view that such disclosure should be made in respect of only the Offer Document(s) issued in a period of ten years immediately preceding the date of filing the draft Offer Document.

4.20.6 The Committee therefore recommends that Clause 6.11.1(a) be modified as follows:

“A separate para entitled “Promise Vs Performance – Last three issues” shall be given indicating whether all the objects mentioned in the respective Offer Document(s) issued by the company during the period of ten years immediately preceding the date of filing of draft Offer Document, were met and whether all projections made in the said Offer Document(s) were achieved.

#### **4.21 New clause after clause 6.5.8**

4.21.1 ‘Standard Observations’ (items 29, 51 and 52, Annexure II) require that certain details shall be disclosed in the Offer Document under the title “Terms of the

Present Issue”. Standard Observations (item 31, Annexure II) also require disclosure regarding Safety Net Arrangements.

4.21.2 In the opinion of the Committee these disclosure should be made under a new clause.

4.21.3 The Committee therefore recommends that a new clause 6.5.9 may be inserted in the Guidelines which shall read as under :

“Specific disclosure shall be made in the Offer Document and where applicable in the Application Form of the following:

- a) Reservation for Retail Individual Investors in accordance with the provisions of clause 7.6.1.2 of the Guidelines (which provisions shall be reproduced).
- b) Firm Allotments and Reservations in accordance with the provisions of clause 8.5 of the Guidelines (which provisions shall be reproduced).
- c) Provisions of clause 8.6 of the Guidelines regarding minimum number of shares for which application can be made and calls to be made on the shares (which provisions shall be reproduced).
- d) Provision for nomination facility to the investor in terms of Section 109A of the Companies Act, 1956(which provisions shall be reproduced).
- e) Details of the Safety Net Arrangement as per provisions of clause 8.18 of the Guidelines (which provisions shall be reproduced).”
- f) Procedure for Book building

#### **4.22 New Clause after new clause 6.5.9 (as recommended)**

4.22.1 “Standard Observations” (items 27 and 28, Annexure II) require disclosure of certain particulars regarding the promoters’ participation in the proposed issue.



4.22.2 In the opinion of the Committee these observations need to be incorporated in the Guidelines.

4.22.3 The Committee therefore recommends that after new clause 6.5.9 (as recommended) a new clause 6.5.10 shall be inserted which shall read as under:

“Disclosure shall be made:

- a) in the case of Right Issues, whether the promoters intend to participate in the proposed issue and the extent of their proposed participation and also whether in the event of any shortfall in subscription, the promoters intend to subscribe for shares in excess of their rights entitlement and the extent of such proposed additional subscription.
- b) in case any shares forming part of the promoters’ contribution are pledged, the names of the pledgees, the terms and conditions of the pledge and the facilities availed of against the pledge.”

#### **4.23 Clause 6.6.1 – Objects**

4.23.1 “Standard Observations” (items 32 and 33, Annexure II) require certain disclosures in the event one of the objects of the issue is investment in joint venture or in a subsidiary or acquisition or grant of loans to entities.

4.23.2 In the opinion of the Committee, these observations should be incorporated in clause 6.6.1 of the Guidelines.

4.23.3 The Committee therefore recommends that clause 6.6.1 of the Guidelines may be reworded as under :

“The objects of the issue shall be disclosed. If one of the objects is investment in a joint venture or in an acquisition or in a subsidiary, the following additional disclosure shall be made:

- a) The form of investment i.e. equity, debt or any other instrument (giving details).
- b) If the form of investment has not been decided, a statement to that effect.
- c) If the investment is in debt instruments, complete details regarding rate of interest, nature of security, terms of repayment, subordination etc.
- d) If the investment is in equity, it must be specified whether any dividends are assured.
- e) The nature of benefit expected to accrue to the Issuer as a result of the investment.
- f) If one of the objects of the issue is the grant of a loan to any entity disclosure shall be made of the rate of interest, nature of security, terms of repayment, subordination etc. and the nature of benefit expected to accrue to the Issuer as a result of the investment.

#### **4.24 Clause 6.6.2 – Project Cost**

4.24.1 “Standard Observations” (item 34, Annexure II) require disclosure of all affiliate and related party transactions in respect of utilization of the issue proceeds.

4.24.2 “Standard Observations” (item 41, Annexure II) require disclosures in relation to transactions with promoters, directors, group concerns in relation to the project cost

4.24.3 In the opinion of the Committee this observation should be incorporated in the Guidelines.

4.24.4 The Committee therefore recommends that a sub-clause (d) be introduced to read as under :

“Details of all material existing or anticipated transactions in relation to project cost with promoters, directors, key management personnel, associates and group

companies. Relevant documents shall be available for inspection as ‘Material Documents.’”

**4.25 Clause 6.6.5 – Deployment of Funds in the Project**

4.25.1 “Standard Observations” (item 6, Annexure II) require disclosure of the fact that a certificate has been obtained from a Chartered Accountant certifying the source of funds and deployment of the same as of a current date.

4.25.2 In the opinion of the Committee, this observation should be incorporated in the Guidelines.

4.25.3 The Committee therefore recommends that a new sub-clause (e) be inserted to read as follows :

“The fact that a certificate has been obtained from a Chartered Accountant certifying as at a specified current date the sources of funds obtained by the Company and their deployment and giving details of such sources and deployment.”

**4.26 Clause 6.7.1 – History and Main Objects and Present Business of the Company**

4.26.1 “Standard Observations” (item 35, Annexure II) have specified details of items which must be disclosed under this clause.

4.26.2 In the opinion of the Committee, some of these details should be included in the Guidelines.

4.26.3 The Committee therefore recommends that this clause be reworded as under :

“History and main objects and present business of the company including a brief discussion of

- a) Profile of the Company including its history, description of its activities, services, products, market share in each segment, the growth of the company, standing of the company and/or its products, its management, its major suppliers and customers and environmental issues;
- b) Technology and capacity build-up;
- c) Performance of the company during the period of five accounting years immediately preceding the date of filing of the draft Offer Document, identifying non-recurring items of income and expenditure and details of restructuring, if any, and revaluation of assets, if any;
- d) Acquisitions, mergers or amalgamations, if any, during the period of five years immediately preceding the date of filing of the draft Offer Document.

#### **4.27 Clause 6.7.2 – Subsidiary(ies) of the Company**

4.27.1 This clause requires disclosures regarding the subsidiary (ies) of the Issuer.

4.27.2 In the opinion of the Committee it is necessary to specify the details which need to be disclosed.

4.27.3 The Committee therefore recommends that this clause be reworded as under :

“Details regarding subsidiary (ies) of the company including:

- a) name
- b) nature of business
- c) capital structure
- d) shareholding of the issuer company amount of accumulated profits or losses of the subsidiary(ies) not accounted for by the Issuer

- e) amount of accumulated profits or losses of the subsidiary(ies) not accounted for by the Issuer

#### **4.28 Clause 6.7.3 – Promoters and their Background**

4.28.1 “Standard Observations” (items 36, 37 and 39, Annexure II) contain various additional disclosure requirements regarding the promoters.

4.28.2 In the opinion of the Committee, some of these observations need to be incorporated in the Guidelines.

4.28.3 The Committee therefore recommends that the following sub-clauses be inserted in clause 6.7.3.

- (d) In case the present promoters are not the original promoters and control of the company was acquired within five years immediately preceding the date of filing of the draft Offer Document, disclosure shall be made of the details regarding the acquisition of control, date of acquisition, terms of acquisition and consideration paid for acquisition.
- (e) If there is no identifiable promoter, that fact shall be disclosed. In that event, disclosure shall be made of the shareholders who control individually or as a group, 10% or more of the voting rights and of persons, if any, who have the right to appoint director(s) on the Board of Directors of the Issuer.
- (f) If the promoters do not have experience in the proposed line of business, that fact shall be disclosed.
- (g) If the promoters have any interest in the company, other than as promoters, brief details of the interest shall be given with cross-reference to more detailed disclosure as required elsewhere in the Offer Document.
- (h) Disclosure shall be made in a tabular form of the following entities in which the promoters have an interest:

- (i) sole proprietorships
- (ii) partnerships
- (iii) private limited companies in which the promoter is interested as a shareholder or director
- (iv) public limited companies in which the promoter is interested as a director or as a shareholder holding shares carrying more than 2% of the voting rights

The following information shall be given in respect of the entities listed above:

- i. name and type of the organization
- ii. brief description of business of the concerned entity
- iii. nature and extent of interest of the promoters

4.28.4 “Standard Observations” (items 9, 11, 38, 44 and 45, Annexure II) requires :

- a) All litigations /defaults /suits etc. pertaining to issuer company, promoters, promoters formerly associated during the last 5 years are brought out under the heading 'Outstanding Litigations or Defaults'
- b) Disclosure about the adverse findings, if any, in respect of the persons / entities connected with issuer / promoter as regards compliance with the securities laws.
- c) Disclosure of “all the pending litigations/disputes (in which the promoters are involved) overdues/defaults to the financial institutions/banks and instances of non-payment of statutory dues by the promoters and the companies/firms promoted by the promoters”. These matters are required to be listed out in the Offer Document together with the amounts involved and the present status. The disclosure has to be made irrespective of the fact as to whether these disputes and litigations have a bearing on the financial performance of the Issuer or not. However, the likely adverse effect of these disputes and litigations on the financial performance of the Issuer has to be mentioned, where applicable.

- d) Disclosure in the cases of pending litigations, disputes, defaults etc. in respect of companies in which promoters were associated in the past but are no longer associated, in the event of their name being continued to be associated with the particular litigations.
- e) Disclosure of all litigations against the promoter or directors involving violation of statutory regulations or a criminal offence.
- f) Disclosure of economic offences against the directors, promoters, companies and firms promoted by the promoters separately, indicating the status.
- g) Disclosure of details of past cases initiated for economic offences against the directors, the promoters, companies and firms promoted by the promoters where penalties were imposed by the prescribed authorities.
- h) Disclosure regarding pending litigation, disputes, defaults, non payment of statutory dues, proceedings initiated for offences (including the past offences and irrespective of whether "specified in paragraph (i) of part 1 of Schedule XIII of the Act") etc. against the promoters and their other business ventures
- i) If any of the Directors have any litigation towards tax liabilities or any criminal/civil prosecution against them for any offences irrespective of whether "specified in paragraph (i) of part 1 of Schedule XIII of the Act") etc. the same shall also be disclosed.

4.28.5 Members of the Committee were unable to agree as to the manner in which this observation should be incorporated in the Guidelines.

4.28.6.1 Some members of the Committee (the Chairman, Shri Chinubhai R Shah, Sushri T. S. Jagadharini, Shri T. R. Ramaswami, Sushri Dipti Neelakantan and Shri. S. R. Mehta) were of the view that disclosure should be confined to

- a) pending matters which, if they result in an adverse outcome, would materially and adversely affect the operations or the financial position of the Issuer
- b) matters which are pending or which have arisen in the immediately preceding ten years involving:
  - i issues of moral turpitude or criminal culpability on the part of promoters and/or directors and/or companies or firms promoted by them and/or other persons connected with the issue.
  - ii material violations of statutory regulations by any of those persons.
  - iii economic offences where proceedings have been initiated against such persons and the proceedings are pending or penalties have been imposed.

4.28.6.2 In holding that view, the members were guided by the following considerations

- (a) the objective of the disclosure should be to determine whether
  - (i) the promoters and directors were “fit and proper” persons.
  - (ii) there would be adverse financial implications on the Issuer in the event of an adverse outcome of the dispute.
- (b) where there was litigation which was not relevant to the above objective, disclosure of such information would not be of any assistance to the potential investor while creating avoidable hardship to the Issuer and to the associated concerns of the promoters. It may also involve an invasion of privacy.

4.28.7.1 Two members of the Committee (Shri Prithvi Haldea and Shri P.S.Reddy) were however, of a different opinion. They held that the disclosures about ‘negative information’ should not be limited only to material cases.

4.28.7.2 In support of this, these Members expressed concern that this would bring about a huge subjectivity and discretion in deciding what is material. Moreover, since there is almost no way to later unearth information on any of such defaults,



there may be a tendency to hide more than disclose a lot of such information in the garb of immateriality. Even if some of the negative information not disclosed was subsequently unearthed, the issuer/ lead manager could defend his case by stating that in his judgement, it was not material. This would also leave a lot of scope of interpretation at the hands of the regulator. These Members also observed that the regulator could not be expected to be proactive in unearthing negative information post-issue.

4.28.7.3 Moreover, these Members highlighted that there are only a handful of merchant bankers who would be more diligent in applying the materiality criteria, and the scores of others would take undue advantage of this liberty. Moreover, there exists a limited deterrent for many merchant bankers to become more 'honest' and diligent in disclosing material negative information.

4.28.7.4 While on this subject, these Members also expressed that there is a need to clearly list out the litigations/ defaults about which disclosures should be made, the entities to whom these disclosures should apply, the items of disclosures that should be made and the period for which such cases be disclosed.

4.28.7.5 In terms of the type of litigations/defaults that should be disclosed, these Members suggested that the following should be included, and that these should cover not only defaults/litigations etc in India but also outside India (foreign courts/regulators/stock exchanges etc.):

- a) litigations/disputes
- b) non-payment of statutory dues, overdues to banks/ financial institutions/ lenders, defaults against banks/ financial institutions/ lenders, defaults in dues payable to holders of debentures/ bonds/ fixed deposits/ preference shares(including willful default)
- c) defaults in compliance with statutory regulations
- d) non-payment of statutory dues

- e) economic offences
- f) cases of suspension/delisting or other disciplinary action taken by stock exchanges
- g) cases of actions by SEBI , DCA and other capital market bodies
- h) cases of actions taken by other government organisations/bodies like RBI
- i) cases relating to income tax and indirect taxes
- j) other civil prosecutions (e.g. by suppliers, customers, employees etc)
- k) issues of moral turpitude or criminal culpability
- l) winding up/ under liquidation/ sick company/ names strike off from ROC
- m) cases of investor grievances
- n) other cases where penalties were imposed

4.28.7.6 Regarding the period of coverage, these Members felt that if the objective of disclosure of negative information is kept clearly in mind, it would emerge that the intent is not only to allow the investors to assess the likely impact of the litigations/defaults but also to apprise and alert them of the past track record/mindset of the promoters in terms of various compliances/diligence. If that is true, then it is difficult to support that only the presently pending cases should be disclosed. In view of the above, these Members were of the view that the disclosure should cover the following:

- a) all such cases of the past where conviction has taken place/adverse order has been issued
- b) all cases which are presently outstanding

4.28.7.7 With regard to the entities for which these disclosures should be made, these Members suggested the following:

- a) issuer company
- b) directors
- c) promoters
- d) persons acting in concert
- e) companies and firms promoted by the promoters

- f) companies in which promoters were associated in the past as a promoter but are no longer associated
- g) subsidiaries and associates of the issuer company
- h) any other entity where outcome of a case could have a materially adverse effect on the issuer company
- i) key managerial personnel of the issuer company

4.28.7.8 In support of the above, the Members felt that in the case of companies coming out with their very first offers, not only very little information about such companies is in the public domain, but almost negligible information is available in the case of their associated entities. There could be several/severe negative information relating to the associated entities which may not only provide important clues to the investors about the mindset/practices of the promoters but also may have a material bearing on the issuer company. As such, disclosure of negative information should be extended to the issuer, the promoters and directors and all associated entities and not be confined to only the issuer company or to some selected associated entities.

4.28.7.9 These Members were also of the view that the continuing disclosure requirements do not mandate in the filings made by the companies to the stock exchanges the disclosures of or the impact of any outstanding litigations. As such, there is no way that the investing public shall ever come to know of any of such litigations / defaults. Thus, even for a listed company coming out with another public offer, very little negative information is in the public domain about the issuer company and almost nothing about its associated entities, and hence complete disclosures about the issuer company and its associated entities are considered essential.

4.28.7.10 With regard to the items of disclosure, these Members suggested that the disclosure, wherever applicable, should cover:

- a) brief description of the case

- b) amounts involved
- c) present status
- d) likely adverse effect on the issuer company

4.28.7.11 In holding the view expressed in paras 4.28.7.2 to 4.28.7.10, the Members highlighted that

- a) An Offer Document is the only disclosure available to the investors.
- b) Significantly, an Offer Document is essentially a ‘Sellers’ Document’; almost all the disclosures are positive in nature. The negative information is critical for the investors to assess the compliance track record of the promoters as well as risks associated with the cases of default/ litigations.
- c) In order to ascertain materiality, an exhaustive list of all cases in any case shall need be compiled by the issuer company/ lead managers. As such, no extra effort would be required to compile this information. Having done this major job, the disclosure would, therefore, be the easier part.
- d) The argument that detailed disclosures of negative information will occupy a lot of space in the Offer Document is invalid as in proportion to the total information, negative information would occupy but a very few pages, and moreover every company/promoter is not involved in a large number of litigations/defaults.

4.28.7.12 However, for brevity purposes, the Members suggested that grouping may be done for some types of negative information, which are large by number but small by amount, even in the aggregate (like litigations by employees).

4.28.7.13 These Members also suggested a new disclosure with regard to status of income tax of the issuer company, its promoters and directors. Income Tax status of up to preceding five years (and of such past years where assessment has not been completed) should be required to be disclosed. The format could be as follows:

Assessment Year	Income Tax Amount	Status of Assessment

4.28.8 In view of the different views held by the members of the Committee, the Committee is unable to make any recommendation in regard to this observation.

**4.29 Clause 6.7.3 Promoters and their Background – Other Information**

Sub-clause (a) as amended by SEBI circular CFD/DIL/DIP No11 dated August 14, 2003 requires disclosure of “a complete profile of the promoters including their age, educational qualifications, experience in the business or employment and in the line of business proposed in the Offer Document, their business and financial activities, photograph, Voter ID Number, Driving Licence Number”. It also requires disclosure “confirming that the Permanent Account Number, Bank Account Number and Passport Number of the promoters have been submitted to the stock exchanges on which securities are proposed to be listed, at the time of filing the draft Offer Document to them.”

- a. In the opinion of the Committee, while these provisions were perhaps introduced to enable SEBI and the stock exchanges to keep a track of the promoters and directors, this could result in unnecessary hardship to honest promoters. The Committee feels that it is sufficient if in addition to the disclosures originally prescribed in the Guidelines, the business addresses of the promoters and directors are disclosed in the Offer Document. Similarly the documents and information to be filed with the Board and the stock exchanges should be confined to their photographs, personal addresses and some means of identification such as Voter ID Number, Driving Licence Number and Passport Number etc.

- b. The Committee therefore recommends that sub-clause (a) should be reworded as follows :

“A complete profile of the promoters including their names, date of birth, nationality, educational qualifications, directorships held, experience in the business or employment and in the line of business proposed in the Offer Document, their business and financial activities and their business addresses shall be disclosed. This disclosure shall be in tabular form.”

- c. The Committee also recommends that a new clause 5.3.6.2 may be added in Chapter V which shall read as under :

“The Issuer shall file with the Board and with each of the stock exchanges where the securities are proposed to be listed, photographs of the promoters and directors, their personal addresses and certified copy of some document evidencing their identity e.g. Voter Identity Card, Permanent Account Number Card, Driving Licence or Passport.”

- d. Sub-clause (c) requires disclosure of “Details in change of management of the companies if any, including details of the persons who are holding the controlling interest together with the applicability and compliance of Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeover) Regulations 1997.

- e. In the opinion of the Committee this disclosure cannot be for an unlimited period of time.

- f. The Committee therefore recommends that this sub-clause be reworded as under :

“Details of change in control/management of the promoter companies, if any, including details of the persons who held the controlling interest in the three years immediately preceding the filing of the draft Offer Document”.

**4.30 Clause 6.7.4 – Key Managerial Personnel**

4.30.1 This clause requires disclosures regarding both key managerial personnel and also the directors.

4.30.2 The Committee recommends that this clause should be titled “Board of Directors and Key Managerial Personnel”.

4.30.3 “Standard Observations” (item 40, Annexure II) require disclosure of details regarding directors.

4.30.4 In the opinion of the Committee, some of these observations should be incorporated in the Guidelines.

4.30.5 The Committee therefore recommends that a sub-clause (d) should be introduced in this clause, reading as under :

“With regard to the directors and key managerial personnel, the following shall be disclosed:

- (i) details of changes in the last three years.
- (ii) the nature of any family relationship between the persons constituting the board of directors and/or key managerial personnel.
- (iii) any arrangement or understanding among major shareholders, customers, suppliers or other entities, pursuant to which any person has been selected as a member of the board of directors and/or the key management

personnel team or pursuant to which such parties have a right to appoint a director and/or a member of the key management personnel team.

- (iv) the individual shareholding of each member of the board of directors or the key management personnel team.
- (v) composition of the company's audit and remuneration committees and a summary of the terms of reference of these committees.
- (vi) term of office with date of expiration of term and details of service contracts including termination/retirement benefits, if any, of directors and key managerial personnel.”

4.30.6 The Committee also recommends that in clause 1.2.1 a new sub-clause containing the following definition of “key management personnel” be inserted:

“key management personnel” means any person who is an executive director of the company or an employee of the company of a level immediately below the Board of Directors of the company”.

#### **4.31 Clause 6.7.10 – Progress of Implementation of Project**

4.31.1 Clause 6.7.10 requires disclosure of the progress of implementation of the project.

4.31.2 “Standard Observations” (item 5, Annexure II) require disclosure in case of delay in project implementation.

4.31.3 In the opinion of the Committee, where implementation of the project is delayed, it is necessary to disclose the reasons for the delay.

4.31.4 The Committee therefore recommends that clause 6.7.10 may be reworded as under :



“Schedule of implementation of the project and progress made, giving details of land acquisition, civil works, installation of plant and machinery, trial production, date of commercial production and reasons for delay, if any.”

**4.32 Clause 6.7.13 Stock Market Data**

4.32.1 Clause 6.7.13.1 requires disclosure of high and low market prices of listed shares.

4.32.2 In the opinion of the Committee, to make this disclosure meaningful, it is necessary to disclose the number of days the shares were traded and the average volume.

4.32.3 “Standard Observations” (items 8 and 42(a), Annexure II) require disclosure of the volume of trading and the fact where shares are not actively traded.

4.32.4 In the opinion of the Committee, this observation needs to be incorporated in the Guidelines.

4.32.5 The Committee therefore recommends that sub-clause (c) of this clause 6.7.13.1 be reworded as under:

“number of shares traded on the days when high and low prices were recorded in the relevant stock exchange during the said period of (a) and (b) above and indicating the total number of days of trading during the six months preceding the date of filing the draft Offer document and the average volume of shares traded during that period. If the shares were not actively traded, that fact shall be disclosed.”

4.32.6 Sub-clause (g) of this clause 6.7.13.1 requires disclosure of “the volume of business transacted” in each month during the six months preceding the filing of the draft Offer Document.

4.32.7 In the opinion of the Committee, the disclosure should relate to the number of shares traded and not to the business transacted.

4.32.8 The Committee accordingly recommends that in sub-clause (g) the words “business transacted” be replaced by the words “shares traded”.

**4.33 Clause 6.9 – “Financial of Group Companies” (recommended to be reworded as “Financial Information relating to Group Companies”)**

4.33.1 “Standard Observations” (item 43, Annexure II) require disclosure regarding defunct group companies.

4.33.2 In the opinion of the Committee, this observation needs to be incorporated in the Guidelines.

4.33.3 The Committee accordingly recommends that a new sub-clause (c) be inserted in clause 6.9.2 reading as under :

“Disclosure shall be made about group companies which had remained defunct and for which application was made to the Registrar of Companies for striking off the name of the company, during the five years preceding the date of filing of the draft Offer Document. The disclosure shall include reasons for the company having become defunct as also all pending litigations, if any, in respect of such companies”.

4.33.4 Clause 6.9.1 requires in sub-clauses (e) (f) (g) (k) (ii) disclosure in respect of group companies of sales, profit after tax, earnings per share and loss (if any).

4.33.5 In respect of private limited companies, the profit and loss account filed with the Registrar of Companies is not available for public inspection. Therefore, except for private limited companies which are subsidiaries of public limited companies, this information is not in the public domain and, in the opinion of the Committee, such companies should not be asked to disclose this information.

4.33.6 The Committee therefore recommends that in Clause 6.9.1 a note may be added reading as under:

“Note: The information under items (e) (f) (g) and (k)(ii) need not be given in respect of company which is a private limited company not being a subsidiary of a public limited company.”

4.33.7 Item (k) in Clause 6.9.1 requires disclosures of adverse factors related to the group companies.

4.33.8 The Committee recommends that the term “adverse factors” in this item be replaced by the term “significant adverse factors”.

4.33.9 Sub-Clause (a) of Clause 6.9.2 specifies that the financial information regarding group companies may “be restricted to five largest listed companies to be determined on the basis of market capitalization one month before the date of filing draft prospectus with the Board”.

4.33.10 There may be cases where the issuer group has less than five listed companies but has a number of unlisted companies.

4.33.11 The Committee therefore recommends that this sub-clause be reworded as under:

“(a) (i) In case the Issuer has more than five listed companies, the financial information may be restricted to the five largest listed companies to be determined on the basis of the market capitalization one month before the date of filing the draft Offer Document.

(ii) In case the Issuer has less than five listed companies, the financial information shall be given for all the listed companies and in addition for the largest unlisted companies (based on turnover) so that the total number of listed and unlisted companies for which the information is required to be given does not exceed five).

4.33.12 Item (g) of Clause 6.4.2 reads as under:

“A disclosure to the effect that the securities offered through this public/rights issue shall be made fully paid-up or may be forfeited within 12 months from the date of allotment of securities in the manner specified in Clause 8.6.2”.

4.33.13 The Committee is of the opinion that this item needs to be reworded for greater clarity.

4.33.14 The Committee therefore recommends that this item be reworded as under:

“A disclosure to the effect that all securities offered through the issue shall be made fully paid-up or may be forfeited for non-payment of calls within 12 months from the date of allotment of securities in the manner specified in clause 8.6.2”.

#### **4.34 Clause 6.13 Basis for Issue Price**

4.34.1 The first proviso to Clause 6.13.1 states that the projected earnings shall not be used as a justification for the issue price in the Offer Document

4.34.2 The Committee recommends deletion of this proviso as companies are now allowed to freely price their issues without the need of any justification.

4.34.3 The second proviso to Clause 6.13.1 states inter alia that the accounting ratios disclosed in the Offer Document “in support of the basis of the issue price” shall be calculated after consideration of possible future conversions or exercise of options on shares.

4.34.4 In the opinion of the Committee since there is no obligation to use accounting ratios to support an issue price, this proviso should be deleted and item (a) in this clause should be expanded to include disclosure of “diluted” earnings per share.

4.34.5 The Committee therefore recommends that the second proviso in this clause be deleted and the words “Earnings per share” in item (a) be replaced by the words “Earnings and Diluted Earnings per Share”.

#### **4.35 Clause 6.14 – Outstanding Litigation or Defaults**

4.35.1 This clause requires that :

- (a) “All pending litigations in which the promoters are involved, defaults to the financial institutions/banks, non-payment of statutory dues and dues towards instrument holders like debenture holders, fixed deposits and arrears on cumulative preference shares by the promoters and the companies/firms promoted by the promoters, shall be listed in the prospectus together with the amounts involved and the present status of these litigations/defaults. The likely adverse effect of these litigations/defaults etc. on the financial performance of the company shall also be mentioned :

- (b) Further the cases of pending litigations, defaults etc. in respect of companies/firms/ventures with which the promoters are associated in the past but are no longer associated shall also be disclosed in case their name(s) continues to be associated with particulars litigation(s).
- (c) (i) The above information is required to be furnished in addition to the litigations against the company or against any other company whose outcome could have a materially adverse effect on the position of the company.  
(ii) Further, all litigations against the promoters or directors involving violation of statutory regulations or criminal offence shall be furnished in the offer document.
- (d) (i) The pending proceedings initiated for economic offences against the directors, the promoters, companies and firms promoted by the promoters shall be disclosed separately indicating their present status.  
(ii) The details of the past cases in which penalties were imposed by the concerned authorities.
- (e) Outstanding litigations, defaults etc., pertaining to matters likely to affect operations and finances of the Company including disputed tax liabilities, prosecution under any enactment in respect of Schedule XIII to the Companies Act, 1956 (1 of 1956) shall be furnished in the prospectus in the prescribed format.
- (f) The lead merchant banker shall ensure to appropriately incorporate in the prospectus and as risk factor(s), information regarding pending litigations, defaults, non-payment of statutory dues, proceedings initiated for economic offences/civil offences (including the past cases, if found guilty) any disciplinary action taken by the Board/stock exchanges against the company/promoters and their other business ventures (irrespective of the fact whether they fall under the preview of Sec.370(1B) of the Company's Act, 1956)

- (g) The name(s) of small scale undertaking(s) or any other creditors to whom the company owes a sum of Rs.1 lakh which is outstanding for more than 30 days; and
- (h) (i) If any of the above mentioned litigations, etc. arise after the filing of the Offer Document, the facts shall be incorporated appropriately in the prospectus (and as risk factors).  
(ii) In case there are no such cases, a distinct negative statement is required to be made in this regard in the prospectus”.

4.35.2 In the opinion of the Committee :

- (a) The contents of this clause are in many respects similar to the provisions of item 38 of the Standard Observations which has been discussed in paragraph 4.28.4 above and in so far as this clause relates to promoters and related entity such details should be deleted.
- (b) Section 370 of the Companies Act, 1956 has been deleted and reference to that section in sub-clause (f) needs to be deleted.
- (c) It is impractical to give details of dues to small scale undertakings or any other creditors where dues in excess of Rs.1 lakh are outstanding for more than 30 days and no useful purpose is served by such disclosure.
- (d) In so far as disclosure of the items as “risk factors” is concerned, reference is invited to the discussion in paragraph 4.36.1 to 4.36.4 below.
- (e) As regards disclosure of outstanding litigations and defaults, the Committee is unable to reach agreement and the discussion in paragraphs 4.28.5 to 4.28.8 is equally applicable to this clause.

**4.36 Clause 6.15 Risk Factors and Management Perception of the same**

4.36.1 “Standard Observations” (items 21 and 22, Annexure II) give a long list of items which shall be disclosed under this head.

4.36.2 The Committee's recommendation that only 'material' risk factors should be disclosed and the manner in which they should be disclosed has already been accepted by SEBI. (See paragraph 3.1 above).

4.36.3 In the opinion of the Committee, some of these items need to be incorporated in the Guidelines.

4.36.4 The Committee therefore recommends that this clause may be reworded as under :

“6.15 Risk Factors

6.15.1 Risk factors shall be disclosed in the Offer Document under the following heads :

- (a) Risks envisaged by the Management.
- (b) Manner in which the risks are proposed to be addressed.

6.15.2 Only risk factors which are material shall be disclosed. In determining the materiality of risk factors, the following shall be considered :

- (a) some risks may not be material individually but may be material when considered collectively;
- (b) some risks may have an impact which is qualitative though not quantitative.
- (c) some risks may not be material at present but may have a material impact in the future.

6.15.3 Risk factors which need disclosure shall not be limited to but would include, wherever applicable, the following :

- (a) dependence of the Issuer or any of its business segments upon a single customer or a few customers, the loss of one or



more of whom would have a material adverse effect on the Issuer.

- (b) Potential conflicts of interest when the promoters/directors are involved with one or more ventures which are in the same line of business as the Issuer.
- (c) Trading of shares of the Issuer on the stock exchanges is limited or sporadic.
- (d) The fact that listing has been refused by any stock exchange in India or abroad for any security of the Issuer, or any of its subsidiaries or associates. In such cases, the reasons for refusal shall be disclosed.
- (e) Penalties imposed on the Issuer or any of its subsidiaries or associates by SEBI or any other regulatory authority during the period of ten years immediately preceding the filing of the draft Offer Document with the Board. The details of such penalties shall be disclosed.
- (f) Failure on the part of the Issuer, subsidiary or associate in complying with the listing requirements of any stock exchange in India or abroad, resulting in penalties imposed including suspension of trading. Details of such penalties shall be disclosed.
- (g) Default in complying with material covenants of outstanding debentures or bonds (whether issued through public issue or private placement) including defaults in payment of interest or repayment of principal on such debentures and bonds or fixed deposits accepted by the Issuer.
- (h) The fact that promoters do not have adequate background and experience in the activities for which the issue is being made.”

**4.37 Clause 6.16 Disclosure on Investor Grievances and Redressal System**

4.37.1 This clause requires disclosure of the arrangements and mechanism evolved by the Issuer for the redressal of investor grievances.

4.37.2 The clause requires disclosure of the time normally taken for the various types of investor grievances but does not indicate how this time is to be calculated and disclosed. It also requires separate disclosure for companies under the same management within the meaning of Section 370(1B) of the Companies Act, 1956 but this section has been deleted.

4.37.3 “Standard Observations” (items 15, 17 and 48, Annexure II) also require disclosures in this regard.

4.37.4 The Committee recommends inclusion of some of the requirements of the Standard Observations and this clause is as under:

“The Offer Document shall disclose the arrangements made or mechanism created by the Issuer for redressal of investor grievances and shall disclose:

- (a) the number of investor complaints received during the three years preceding the filing of the draft Offer Document and the number of complaints disposed off during that period.
- (b) the number of investor complaints pending on the date of filing of the draft Offer Document.
- (c) the number of investor complaints pending on the date of filing of the draft Offer Document in respect of the five largest (in terms of market capitalization) listed companies forming part of the Promoter Group.

#### **4.38 Clause 6.18 – Financial Information**

- 4.38.1 Clauses 6.18.1 to 6.18.6 reproduce the requirements of Part II of Schedule II of the Companies Act, 1956 in so far as that part is applicable to “Financial Information”.
- 4.38.2 Clause 6.18.7 prescribes “Other provisions relating to accounts of the Issuer Company.”
- 4.38.3 “Standard Observations” (items 10, 46 and 47, Annexure II) prescribe various items relating to financial performance. Some of these items are already required to be disclosed by virtue of the provisions of clauses 6.18.1 to 6.18.7.
- 4.38.4 The Committee has taken note of the fact that apart from the over-lap of items as stated above, there have in recent times been considerable developments in the formulation of accounting standards, which have become mandatory under sub-section 3A of Section 211 of the Companies Act, 1956 and disclosures in terms of clauses 41 and 49 of the listing agreements of the stock exchanges.
- 4.38.5 The Committee therefore recommends that in clause 6.18.7, the following sub-clauses may be redrafted as under:
- (a) Sub-clause (f)(ii):

“Return on net worth. This ratio shall be calculated after excluding revaluation reserves and after excluding extra-ordinary items”.
  - (b) Sub-clause h(i) and (ii):

“h(i) In respect of outstanding loans, loans received from promoters, group companies and associates shall be separately disclosed”.
  - (c) Sub-clause h(iii)

“h(ii) Loans borrowed and repayable on call shall be separately disclosed.”

(d) Sub-clause h(iv) to (viii)

“h(iii) In respect of provision for taxation, adjustment shall be made for deferred tax assets and deferred tax liabilities in accordance with the requirements of Accounting Standard (AS 22) “Accounting for Taxes on Income” issued by the Institute of Chartered Accountants of India and a reconciliation of taxable income and book profits shall be disclosed in accordance with the illustrative format given in Schedule XII.”

4.38.6 The Committee also recommends that the following additional sub-clauses be added in clause 6.18.7:

- (a) In respect of the periods, within the period of five years, when the relevant accounting standard was mandatory in respect of such issuers:
  - (i) When, in respect of listed issuers, the auditors report in accordance with clause 6.18.3 does not deal with the profits and losses and assets and liabilities of the Issuer and its subsidiaries as a whole, consolidated balance sheets and profit and loss accounts shall be presented in respect of the periods, within the period of five years, when preparation of such statements was mandatory in respect of such Issuers under the listing agreement with the stock exchanges.
  - (ii) In respect of business segments, disclosure shall be made of segment revenue, segment result and net capital employed and where the primary segment is a geographic segment, similar details by geographic segments shall be given.
  - (iii) Related party transactions shall be disclosed in accordance with the requirements of clauses 23 and 26 of Accounting Standard (AS 18) – Related Party Disclosures issued by the Institute of Chartered Accountants of India.
- (b) The latest statement of audited/unaudited quarterly financial results published by the Issuer in accordance with Clause 41 of the listing agreement with the stock exchanges shall be reproduced.”

**4.39 Clause 6.19 – Statutory and other information**

4.39.1 Sub-clause (b) of clause 6.19.15 requires disclosure of documents for which inspection is available.

4.39.2 “Standard Observations” (Item 57, Annexure II) requires specific mention under this sub-clause of “application to the stock exchanges”.

4.39.3 The Committee is in agreement with this requirement.

4.39.4 Accordingly, the Committee recommends that this sub-clause shall have a note reading as under :

“Note: documents will include copy of application for listing to the stock exchanges.”

**4.40 Clause 6.19.9 “Option to Subscribe”(to be retitled “Option to Receive Securities in Dematerialised or Physical Form)**

4.40.1 Clauses a) and b) refer to the same matter and need to be amalgamated.

4.40.2 “Standard Observations” (items 3 and 30, Annexure II) also require disclosures in this regard.

4.40.3 The Committee therefore recommends that clause (a) be reworded as under:

“Details of option, if any, to receive securities subscribed for, either in dematerialised or physical form and a statement that trading in securities on the stock exchanges in physical form will be available only subject to limits prescribed by the Board for time to time.”

4.40.4 Clause (b) should be deleted.

#### **4.41 Issuer**

4.41.1 The Guidelines use different expressions viz. “company” or “issuer company” or “issuer” or “body corporate” etc. when referring to the issuer.

4.41.2 The Guidelines apply not merely to companies but also to other entities which issue Offer Documents and whose securities will be listed on the stock exchanges.

4.41.3 The Committee therefore recommends that in the Guidelines, consistently only the expression “Issuer” shall be used and that the definitions of “Issuer Company” and Listed Company” in clause 1.2.1 be revised accordingly.

#### **4.42 Board**

4.42.1 The Guidelines use the terms “SEBI” and “Board” as interchangeable terms.

4.42.2 The Committee therefore recommends that in the Guidelines, consistently only the expression “Board” shall be used.

---

## **5 ORDER OF ITEMS IN CHAPTER VI AND FORM OF OFFER DOCUMENT**

---

5.1 The Committee reviewed the manner in which disclosures are made in Offer Documents and found that there is no uniform, or even in many cases, any logical order in which disclosures are made.

5.2 In the opinion of the Committee, having regard to the voluminous disclosures which are required to be made, there is a risk that unless the information is presented in a logical sequence, the reader may be discouraged from reading the

Offer Document or may fail to note the more relevant information which could get lost in the details.

- 5.3 The Committee therefore appointed a Sub-Committee to chart out all the disclosure items included in the present guidelines and “Standard Observations” and to rearrange them in a logical flow. The Sub-Committee also reviewed a representative sample of Offer Documents and identified some additional information provided by Issuers on a voluntary basis which in the opinion of the Sub-Committee adds value to the Offer Document.
- 5.4 The recommendations of the Sub-Committee as reviewed and revised by the Committee are given in Annexure V.
- 5.5 For a better understanding of their proposals, the Sub-Committee redrafted an actual Offer Document (viz. the offering by Union Bank of India on August 20, 2002). This redrafted Offer Document is given in Annexure VI. It needs to be clarified that this redrafted document does not incorporate the Committee’s present recommendations regarding disclosures, except to the extent they are already covered by the Standard Observations and this document has to be viewed only as illustrating the manner and order of disclosure and not necessarily the contents of the disclosure.
- 5.6.1 The Committee believes that in order to encourage Issuers to make disclosures in Offer Documents on the lines suggested in Annexure V, it is necessary that the disclosure requirements as stated in the Guidelines be also relocated under the heads mentioned in Annexure V and in the order specified.
- 5.6.2 The Committee further recommends that after the requirements of Chapter VI have been re-arranged as recommended above, a further clause should be added reading as under:

“The order in which disclosures are made in the Offer Document shall as far as possible, follow the order in which the disclosure requirements are listed in this Chapter.”

5.7 The Committee also recommends that while the disclosures identified as “voluntary” need not be made a part of Guidelines, the Association of Merchant Bankers of India may issue guidelines to its members encouraging them to make these voluntary disclosures.

5.8 It will be noticed that Annexure V includes the following items of disclosure not included in the present Guidelines, Standard Observations or the recommendations made by the Committee in earlier paragraphs. The Committee recommends that these items be included in the Guidelines at the places indicated as under:

	Heading	Contents	Clause to be inserted
1.	Summary	(a) Summary of the Industry and Business of the Issuer Company.	6.3.1
		(b) Offering Details in Brief	6.3.2
		(c) Summary Consolidated Financial, Operating and Other Data	6.3.3
2.	Industry Overview		6.7.1(a)
3.	Industry-Regulation (if applicable)		6.7.1(b)
4,	Terms of the Issue	(a) Ranking of Equity	6.5.1(a).i



		Shares	
		(b) Mode of Payment of Dividend	6.5.1(a).ii
		(c) Face Value and Issue Price	6.5.1(a).iii
5.	Definitions and Abbreviations	(a) Convention/General Terms	6.2.A.i
		(b) Offering-related Terms	6.2.A.ii
		(c) Company/Industry-related Terms	6.2.A.iii
		(d) Abbreviations	6.2.A.iv

---

**6. CONFIRMATIONS BY THE ISSUERS/LEAD MERCHANT BANKERS**

---

- 6.1 There are a number of confirmations which the Issuer/lead merchant bankers are required to give to the Board. Some of these are included at various places in the Guidelines and some of these are included in the Standard Observations.
- 6.2 In the opinion of the Committee, these requirements can be better enforced if they are collected and stipulated in one place.
- 6.3 The Committee therefore recommends that there should be a separate chapter in the Guidelines titled “Confirmations to be provided by Issuer/lead merchant bankers” which shall contain all the requirements in this behalf.

- 6.4 Annexure VII includes details of the confirmations which the Issuer/lead merchant bankers should provide.

---

## **7. ABRIDGED PROSPECTUS**

---

- 7.1 Section II – of Chapter VI of the Guidelines prescribe the requirements of the contents of the Abridged Prospectus.

- 7.2 On a review of some of the Abridged Prospectuses issued, the Committee noticed that the type and format in which such prospectuses were issued made the document very difficult to read. Moreover as this was, in most cases, the only disclosure document which a prospective retail investor was likely to read, the Committee was of the view that such investor shall be encouraged to read the document by making it more readable and by restricting its contents to the more relevant pieces of information.

- 7.3 The Committee accordingly makes the following recommendations:

- 7.3.1 New clauses shall be added reading as under:

- (a) The Abridged Prospectus shall be printed in a font size which shall not be visually smaller than TIMES NEW ROMAN Size 10.
- (b) The order in which items appear in the Abridged Prospectus shall correspond, wherever applicable, to the order in which items appear in the Offer Document.
- (c) The application form shall be so positioned that on the tearing-off of the application form, no part of the information given in the Abridged Prospectus is mutilated.”

- 7.3.2 Clauses 6.20 and 6.21 of the Guidelines read as under:

“6.20 The abridged prospectus shall contain the disclosures as specified under Section I of Chapter VI.

6.20.1 The disclosure requirement as specified shall also be applicable in case of abridged prospectus.”

This would require that all the information required to be disclosed as per Section I of Chapter VI would need to be reproduced in the Abridged Prospectus. In the opinion of the Committee this defeats the very purpose for which an Abridged Prospectus is issued.

7.3.3 The Committee would invite attention in this connection to the report of the Original Committee and the recommendations contained therein. As that report had pointed out, Section 56(3) of the Companies Act, 1956 requires that “no one shall issue any form of application for shares or debentures of a company, unless the form is accompanied by a memorandum containing such salient features of a prospectus as may be prescribed which complies with the requirements of this section.”

7.3.4 The salient features to be contained in the prospectus are prescribed in Form 2A annexed to the Companies (Central Governments’) General Rules and Forms, 1956 (Form 2A).

7.3.5 The Committee therefore recommends that the contents of the Abridged Prospectus be confined to the requirements of Form 2A as supplemented by only such information as is considered most relevant to the prospective retail investor.

7.3.6 The Committee accordingly recommends that Clause 6.20 and 6.21 be replaced by an amended clause 6.20 reading as under:

“The information to be provided under each of the heads specified below shall be as per the requirements of Section I of Chapter VI except when specified otherwise”

- 7.3.7 The Committee also undertook an extensive review of the entire disclosure requirements for the abridged prospectus. This review covered mapping of DIP Guidelines with the requirements of the Companies Act, bringing clarity in the language, identifying disclosure items that are not relevant to the retail investor and identifying such disclosure items that are relevant to the retail investors but are presently missing in the Guidelines for abridged prospectus.
- 7.3.8 In Annexure VIII, column (2) lists out the extant guidelines. For reference purposes, column (3) lists out the requirements as per the Companies Act. Column 4 lists out the additional disclosure requirements being recommended by the Committee (with relevant clause of the DIP Guidelines for the main Offer Document given in the parenthesis). Column (5) sets out the proposed guidelines which incorporates changes proposed by the Committee in the existing guidelines (retention / deletion / additions of some clauses). Retention/ Deletion/ Additions of the clauses, have been proposed considering their relevance for the retail investors.
- 7.3.9 The Committee therefore recommends that the requirements of Section II: Contents of Abridged Prospectus may be replaced by the provisions as specified in Annexure VIII.
- 7.3.10 The Committee also suggests that all recommendations covered in this Report relating to the disclosure requirements in the main Offer Document should, after approval of the SEBI Board, also be appropriately incorporated in the Guideline for Abridged Prospectus.

---

## **8. OTHER ISSUES**

---

8.1 A number of other issues have been referred to the Committee for its consideration. These are discussed in the following paragraphs:

### **8.2 Tie-up of Means of Finance**

8.2.1 Reference is invited to paragraph 3.3.3 above regarding the amount of means of finance which must be tied-up before the proposed public/rights issue.

8.2.2 The question for consideration was how the 75% of the stated means of finance which must be tied up should be computed.

8.2.3 The Committee recommends that in calculating the 75%, the means of finance on which 75% test is applied, should be reduced by the amount proposed to be raised (a) through the proposed public/rights issue, and (b) through internal generation and the amount which shall be tied up shall be 75% of such reduced amount.

The Committee therefore recommends that clause 2.8 be reworded as under:

“No Issuer shall be allowed to make a public/rights issue unless 75% of the balance means of finance (i.e. the stated means of finance as reduced by the amount proposed to be raised through (a) the proposed public/rights issue, and (b) the estimated internal accruals) is tied up.”

### **8.3 Promoters etc. with Questionable and Dubious Track Record**

8.3.1 The Committee was asked to consider whether an issue should be permitted when the promoters or directors or other persons connected with the issue have a questionable or dubious track record.

- 8.3.2 One view of the matter is that the duty of the regulator (in this case, SEBI) should be confined to ensuring that adequate disclosure is made of the track record of the persons connected with the issue and not make value judgements, leaving it to the prospective investor to make his own decision. The argument in favour of this view is that if the regulator makes a value judgement and permits an issue it may be seen to be holding out that the promoters and other persons connected with the issue are ‘fit and proper persons’.
- 8.3.3 The other view of the matter is that the regulator has a responsibility to ensure that all intermediaries in the capital market fulfill the test of a “fit and proper person” and the regulator would be failing to discharge its responsibilities if it did not ensure that the persons connected with the issue were “fit and proper persons”. The Committee is inclined to accept this view.
- 8.3.4 The Committee, however, is also of the opinion that the process by which the regulator arrives at its decision should be fair and transparent.
- 8.3.5 The Committee therefore makes the following recommendations:
- (a) The Board shall, on the basis of the information available to it, make an internal decision whether the persons connected with the issue satisfy the test of “fit and proper” persons and whether the proposed issue should be permitted.
  - (b) If the Board comes to the conclusion that the issue should not be permitted, it shall refer the matter to an Independent Advisory Panel consisting of eminent persons from relevant fields.
  - (c) The Board may reconsider its decision after receiving the advice of the Independent Advisory Panel but it is not bound to follow such advice.

- (d) If the Board decides after considering the advice of the Independent Advisory Panel not to permit the issue, it shall so advise the Issuer, who shall have a right to appeal to an independent appellate authority constituted of eminent persons under the SEBI Act.
- (e) The decision of the independent appellate authority shall be binding on the Board.

#### **8.4 Material Changes in Draft Offer Document**

8.4.1 The Committee was asked to examine the Board's current practice whereby the Issuer is required to re-file a fresh draft Offer Document if any material change has taken place after the filing of the initial draft Offer Document but before the issue of the Observation Letter by the Board.

8.4.2 The Committee has examined the matter and recommends as under:

- (a) Where any material change has occurred prior to the issue of the Observation Letter by the Board, there should be no requirement to re-file a fresh draft Offer Document. It would be sufficient if the changes are intimated to the Board and the Board's instructions/observations in the matter are acted upon by the Issuer.
- (b) Where any material change has occurred after the issue of the Observation Letter by the Board, a revised draft Offer Document shall be submitted to the Board at least 21 days prior to the expiry of the validity period of the Observation Letter. If the revised draft Offer Document is submitted to the Board when less than 21 days are available before the expiry of the validity period of the Observation Letter, at least 21 days shall be available to the Board for consideration of the revisions.

## **8.5 Record Date for Bonus Issues**

8.5.1 The Committee was asked to consider the minimum period which should elapse between the date of approval by the Board of Directors of a bonus issue and the record date for such an issue.

8.5.2 The Committee after consideration makes the following recommendations:

- a) where the shares are under compulsory demat mode, the minimum period may be fixed at 7 working days; and
- b) where the shares are not under compulsory demat mode, the minimum period may be fixed as working 15 days.

## **8.6 Responsibility of Merchant Banker for Compliance**

8.6.1 The Committee was asked to consider whether the responsibility of the merchant bankers for compliance with all matters in the Guidelines should continue until full allotment money has been received by the Issuer.

8.6.2 In the Committees' opinion, the merchant bankers are not in a position to control the receipt of allotment money and it would, therefore, be unfair to extend their responsibility to requirements pertaining to matters beyond the listing stage.

8.6.3 The Committee therefore recommends that the merchant bankers' responsibility should be confined to all requirements of the Guidelines pertaining to matters upto the stage of the listing of the securities.

## **8.7 Issue Advertisements**

8.7.1 The Committee was asked to review the contents of the issue advertisements generally being issued by the Issuers.



8.7.2 The Committee noted that the disclosure requirements for advertisements are prescribed by the Department of Company Affairs as an annexure to its circular no. 5(13)CL VI/62 dated 21<sup>st</sup> May, 1962 and the initial question for consideration was whether the Board had the authority to stipulate disclosure requirements for issue advertisements. The matter was examined by the Legal Affairs Department of the Board who has advised that the Board has such powers.

8.7.3 In the opinion of the Committee, in stipulating the contents of issue advertisements, the following considerations have to be kept in mind:

- (a) it must provide basic information about the issue including the schedule and the names and addresses of contact persons;
- (b) it must contain an advice to the prospective bidders/investors to obtain a copy of the Offer Document before investing;
- (c) it must ensure that the investors do not assume that the advertisement is the only disclosure document;
- (d) it should not be so brief that it does not generate any interest nor so detailed that the prospective investor does not feel the necessity to refer to the Offer Document.

8.7.4 Having regard to the above considerations, the Committee has prepared a draft format of the advertisement which is enclosed in Annexure IX.

8.7.5 The Committee further recommends that billboard advertisements should not include any information, other than as presented in the format given in Annexure IX.

8.7.6 The Committee also recommends that the Offer Document should be available on the website of the stock exchange where the securities are proposed to be listed.

---

## **9. RIGHTS ISSUES AND ISSUES OF DEBT INSTRUMENTS**

---

- 9.1 Section III of Chapter VI of the Guidelines prescribes disclosure requirements regarding Letters of Offer in respect of Rights Issues, and Chapter X of the Guidelines deals with the issue of Debt Instruments.
- 9.2 The Committee proposes to review the above requirements and will be submitting a separate report in that connection.

---

## **10. GUIDELINES AS RECOMMENDED**

---

- 10.1 The Committee will be submitting separately a draft of the Guidelines after incorporating therein the Committee's recommendations.

---

## **11. ACKNOWLEDGEMENTS**

---

- 11.1 The Committee would like to place on record its deep appreciation of the significant contribution made to the work of the Committee by Shri Prithvi Haldea and Sushri Dipti Neelakantan and by Sushri Neelam Bhardwaj, Deputy General Manager and Shri Santanu Bhaumik, Former Manager, Corporation Finance Department, Division of Issues and Listing, SEBI.

Date:

Place:

Y. H. Malegam  
(Chairman)

S. C. Das

Prithvi Haldea

T.S. Jagadharini

S. R. Mehta

Dipti Neelakantan

T. R. Ramaswami

P. S. Reddy

Chinubhai R. Shah

## ANNEXURE – I

(Referred to in paragraph 2.3 of the Report)

---

### A-I. Standard Observations

---

**Note: Lead Manager shall submit an exception report, in addition to in-seriatim reply as a separate annexure wherein the points that are not in compliance with our observations, exemption sought and the reasons therefor shall be given. The Lead Manager may note that they shall not go ahead with the issue without prior written approval of SEBI in respect of the deviations/ exemptions. In the in-seriatim reply, the LM shall mention the page numbers of the document where amendments are carried out in compliance with the observations. The amendments shall also be highlighted in the offer document**

#### 2.0 OTHER OBSERVATIONS

##### 2.1 ELIGIBILITY OF THE COMPANY TO COME OUT WITH THE ISSUE

- 2.1.1 Confirm and disclose in the offer document specifically that the company, its directors, any of the company's associates of group companies, and companies with which the directors of issuer are associated as directors or promoters, has not been prohibited from accessing the capital market under any order or directions passed by SEBI. If the promoter is a body corporate, then confirm and disclose that none of the directors or the person(s) in control of the body corporate has been prohibited from accessing the capital market under any order or direction passed by SEBI.
- 2.1.2 Lead Manager shall verify, confirm and disclose in the offer document that the issuer is eligible to bring the issue. LM should specifically state the relevant clauses as per Chapter II of the Guidelines for Disclosure and Investor Protection - 2000 (hereinafter referred to as 'the Guidelines' or 'Guidelines 2000') and show the eligibility by citing the relevant workings and figures. In case the issuer is a listed company, lead manager shall certify, confirm and disclose the eligibility in terms of clauses 2.3 of the Guidelines 2000 showing the workings and figures.
- 2.1.3 If the issuer is exempt from eligibility norms, lead manager shall certify the exemption stating the relevant sub-clauses under clause 2.4 of the Guidelines.
- 2.1.4 In the case of an issuer, which was formerly a partnership firm or which was a division spun off of an existing company, the lead manager shall certify compliance with point (ii) to the Explanation-1 to clause 2.2.2 of Guidelines 2000.
- 2.1.5 The lead manager shall not proceed with the issue if the accounting ratios disclosed in the offer document do not justify the issue price.
- 2.1.6 LM shall disclose in the offer document the details of in-principle approval received from the stock exchanges where the shares are proposed to be listed. The in-principle approval shall be furnished to SEBI within 15 days of filing the document with SEBI.

**2.2 AUTHORITY FOR THE ISSUE**

Lead manager should ensure that the company has the proper authority to come out with the issue.

**2.3 COVER PAGE OF THE OFFER DOCUMENT**

2.3.1 Lead Manager shall ensure that the Cover Page of the offer document is strictly in conformity with Clause 6.2 of Guidelines 2000.

2.3.2 "General Disclaimer of Issuer" should not appear on the cover page.

2.3.3 Date and place of original incorporation of the company and any changes thereafter in the name and registered office shall appear on the cover page.

**2.4 RISK FACTORS AND MANAGEMENT PERCEPTION**

2.4.1 Criminal charges under IPC and violations of securities law shall be highlighted in bold as risk factor no. 1

2.4.2 Following shall be included as a risk factor -There are no standard valuation methodology or accounting practices in the emerging internet/ media and related industries. The financial of the issuer are not comparable with the players in the industry.

2.4.3 LM may note that the Risk Factor shall be disclosed in the descending order of materiality and implications on the financial of the issuer.

2.4.4 All statutory clearances and approval that are yet to be received by the issuer to be indicated by way of separate Risk Factors.

2.4.5 If the issuer company's business is seasonal, then same should be highlighted as a risk factor in the offer document.

2.4.6 If the promoters or any other person have been issued shares at a price lower than issue price within the last 12 months, the same should be disclosed as risk factor giving details. No management perceptions should be given for this risk factor.

2.4.7 If the issue is to part finance acquisitions but the targets have not been identified, the same should be disclosed as risk factor stating how the funds would be deployed until it is used for the purpose which it is raised and probable duration.

2.4.8 If the industry segment for which the issue is proposed by the issuer has contributed to less than 25% of the revenues of the issuer in the last three fiscal years, the same should be disclosed as risk factors.

2.4.9 The dependence of the issuer or any its business segment, upon a single customer or a few customers, the loss of any one or more of which would have a material adverse effect on the issuer.

2.4.10 If the listing of any securities of the issuer or any of its subsidiaries or associates has been refused at any time by any of the stock exchanges in India or abroad, the same shall be disclosed as Risk Factor with reasons for refusal

2.4.11 Penalties, if any imposed by SEBI or any other regulatory body in India or abroad shall be disclosed.

2.4.12 If the issuer or any of its subsidiary/group /associate has failed to meet the listing requirements of any stock exchanges in India or abroad, the details of the same and the details of penalty, if any including suspension of trading, imposed by the exchanges to be disclosed as Risk Factor.

2.4.13 In the case of a listed company, if the trading on stock exchanges is limited or sporadic the same is to be disclosed as risk factor. Where any of securities of the

- issuer is listed on stock exchanges/traded on OTC market abroad and the trading is limited or sporadic it should be disclosed as risk factor.
- 2.4.14 Where there are outstanding debenture/bonds (public or private placement), details of the default compliance with the material covenants such as in creation of full security as per terms of issue, the default in payment of interest, the default in redemption, non-creation of debenture redemption reserve, the default in payment of penal interest wherever applicable, non-availability/non-maintenance of asset cover, interest cover, debt-service cover, shall be disclosed as risk factors.
- 2.4.15 Default in repayment of deposits or any liability, default in interest, redemption on due dates to be given as risk factors. Even if any liability has been rolled over, the fact of roll over should be given as risk factor.
- 2.4.16 If the promoters/directors are involved with one or more ventures which are in the same line of activity as the issuer, potential conflict of interest to be disclosed as risk factor.
- 2.4.17 Shortfall in performance vis a vis promise made in the last three issues of the issuer or last one issue of the group/associate companies to be given as risk factor quantifying the shortfall /delays.
- 2.4.18 Risk factor that the valuations in the Software/IT /media/entertainment industry (as applicable) are presently high and may not be sustained in future and may also not be reflective of future valuations for the industry shall be disclosed.
- 2.4.19 If any part of the issue funds is to be paid as consideration to promoters, directors, key management personnel, associate or group companies, the same should be disclosed as risk factor stating the total project cost, issue size and the amount of consideration.
- 2.4.20 If the promoters do not have adequate background and experience in the activities for which the issue is proposed, incorporate a risk factor stating the same and also stating that the entire project has to depend on key management personnel and may suffer on account of lack of availability or turnover of key personnel
- 2.4.21 Loss making ventures of the promoters may be disclosed by way of a risk factor.
- 2.4.22 The lead manager may verify and confirm that each of the outstanding litigations, disputes, overdues to banks/financial institutions, defaults against banks/FIs, contingent liabilities not provided for, etc., pertaining to the company, the ventures/companies promoted by the promoters/wholetime directors of the company, and the promoters/ directors themselves along with the nature of the litigation, quantum of funds involved have been distinctly brought out as separate risk factors. In this connection, it may be noted that the proceedings initiated for economic offenses against promoter/promoter's companies/firms, etc., will have to be detailed under this paragraph, including the past cases where penalties have been awarded.
- 2.4.23 The lead manager may verify and confirm whether the company itself/ group company has performed as per the promises regarding Financials and/or commencement of commercial production made in the offer document pertaining to the issue made by the company/ group company during the last 3 years. If no, then the lead manager may ensure that each such deviation wherein the actual performance of the company/ group company with regard to financials or

commencement of commercial production has been significantly below the performance projected in the company's/ group company's offer document is indicated by way of a separate risk factor.

- 2.4.24 The lead manager may verify and confirm that interests of promoters/ directors other than reimbursement of expenses incurred or normal remuneration or benefits have been distinctly brought out as separate risk factors.
- 2.4.25 The lead manager may verify and confirm that all the contingent liabilities not provided for have been disclosed by way of a risk factor.
- 2.4.26 Management Perception to risk factor should not contain any speculative statement on the positive outcome to any litigation etc.
- 2.4.27 Management Perception should not contain any adjectives and should be substantiated with the source of data. Details elsewhere in the document should be referred by giving page numbers.
- 2.4.28 Management perception should not be given for any matter that is sub-judice before a competent Court.
- 2.4.29 **NOTES TO APPEAR IMMEDIATELY AFTER THE RISK FACTORS**
- ❖ Networth before issue (as per latest audited statement contained in the offer document) and issue size.
  - ❖ Cost per share to the promoters and book value per share.
  - ❖ Distinct disclosure on interests of promoters/ directors/key management personnel other than reimbursement of expenses incurred or normal remuneration or benefits.
  - ❖ If any of the other ventures of promoters have business interests/other interests in the issuer company then the same should also be indicated.
  - ❖ **If the issuer company has transacted with group/subsidiary companies during the last year, the nature of transactions and the cumulative value of transactions involved should be indicated.**
  - ❖ Lead manager should ensure to disclose all loans and advances made to any person(s)/ companies in which directors are interested.

## **2.5 DISCLOSURE WITH REGARD TO CHANGE OF NAME**

Disclose as a Note under the risk factors, if there is a change in the name of the company at any time during the last 3 years, stating the reasons for the change and whether and when the Objects clause of Memorandum of Association was amended to carry on activities as reflected by the new name.

## **2.6 GOVERNMENT APPROVALS**

- 2.6.1 Specify separately the government approval applied for but not yet received and the government approval not yet applied. Highlight each of them as a risk factor.
- 2.6.2 Incorporate an affirmative statement in the offer document stating that the company can undertake the activities proposed by it in view of the present approvals and no further approvals from any Government Authorities /RBI are required by the company to undertake the proposed activities. If such approvals are required state details and give as note wherever they are yet to be obtained.

## **2.7 LISTING**

- 2.7.1 If the offer is by an unlisted company (with a commercial operation of less than 2 years) with post issue capital of Rs. 3 crores and not exceeding Rs. 5 crores, ensure compliance and disclosure as per clause 8.1.1 of the Guidelines regarding listing on stock exchange where trading of securities is screen based and also of clause 8.1.2 and 8.1.3 regarding appointment of market maker.
- 2.7.2 If the offer is by an unlisted company whose capital after the proposed issue is less than Rs. 3 crores, the securities shall be eligible to be listed only on the OTCEI.
- 2.7.3 As regards listing of pure debt/convertible instruments issued by unlisted infrastructure companies and Municipal corporations, lead manager shall note, ensure compliance and disclosure as per clause 8.2 of the Guidelines 2000.
- 2.7.4 Lead Manager shall ensure that if the permissions to deal in and for an official quotation of the Equity Shares are not granted by any of the Stock Exchanges mentioned in the Offer Document, the Company shall forthwith repay, without interest, all moneys received from the applicants. In case of delay interest shall be paid in accordance with the provisions of Section 73 of the Companies Act, 1956. Disclosure to this effect shall be made in the offer document.
- 2.7.5 Ensure to include the application made for listing at stock exchanges as a material document.
- 2.7.6 In principle approval of Stock Exchanges to be disclosed on Cover Page under the heading 'Listing'.

## **2.8 MINIMUM SUBSCRIPTION**

Lead Manager shall ensure that the following disclosure is made for all public issues:

**Underwritten Issues:** If the company does not receive the minimum subscription of 90% of the net offer to public including devolvement of underwriters within 60 days from the date of closure of the issue, the company shall forthwith refund the entire subscription amount received. If there is delay beyond 8 days after the company becomes liable to pay the amount, the company shall pay interest as per Section 73 of the Companies Act, 1956."

**Non-underwritten Issues:** If the company does not receive the minimum subscription of 90% of the issued amount on the date of closure of the issue, or if the subscription level falls below 90% after the closure of issue on account of cheques having been returned unpaid or withdrawal of applications, the company shall forthwith refund the entire subscription amount received. If there is delay beyond 8 days after the company becomes liable to pay the amount, the company shall pay interest as per Section 73 of the Companies Act, 1956."

### **For composite issues:**

The lead manager shall ensure that the requirement of 'Minimum subscription' is satisfied both jointly and severally i.e. independently for both rights and public



issues. If the company does not receive the minimum subscription in either of the issues, the company shall refund the entire subscription received.

The requirement of minimum subscription shall not be applicable to **offer for sale**. Hence appropriate disclosure shall be made under this head.

In the case of public issues by an **Infrastructure company** state whether the minimum subscription would be complied with or provide disclosures regarding the alternate source of funding.

In the case of **Rights issue**, the Minimum Subscription shall be disclosed as follows:

**Underwritten Issues:** If the company does not receive the minimum subscription of 90% of the net offer to public including devolvement of underwriters, the entire subscription shall be refunded to the applicants within forty two days from the date of closure of the issue.

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

**Non-underwritten Issues:** If the company does not receive the minimum subscription of 90% of the issue the entire subscription shall be refunded to the applicants within forty two days from the date of closure of the issue. If there is a delay in the refund of subscription by more than 8 days after the company becomes liable to repay the subscription amount,(i.e. forty two days after closure of the issue), the company will pay interest for the delayed period, at prescribed rates in sub-sections (2) and (2A) of Section 73 of the Companies Act, 1956.

The issue will become undersubscribed after considering the number of shares applied as per entitlement plus additional shares. The undersubscribed portion can be applied for only after the close of the issue. The promoters or any other person can subscribe to such undersubscribed portion as per the relevant provisions of the law. If any person presently in control of the company desires to subscribe to such undersubscribed portion and if disclosure is made pursuant to SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1997, such allotment of the undersubscribed portion will be governed by the provisions of the SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1997"

You are also advised to ensure that allotment to promoters of any unsubscribed portion, over and above their entitlement is to be done in compliance with Clause 40A of the Listing Agreement. There should be a specific disclosure in this regard under the heading 'Basis of Allotment'."

## **2.9 UNDERWRITING AGREEMENT / STANDBY ARRANGEMENT BY THE ISSUER**

- 2.9.1 Full terms of the underwriting/ standby arrangement, if any, in the issue should be disclosed in the offer document. If the same is not applicable, a negative statement to this effect should be made under this head in the offer document.
- 2.9.2 Ensure compliance and disclosure as per clause 5.5 and 6.3.13 of the Guidelines.
- 2.9.3 In case of partial underwriting of the issues, Lead Manager shall ensure to disclose the extent of issue being underwritten.
- 2.9.4 Ensure that the underwriters associated with the issue have obtained the Certificate of Registration from SEBI under the SEBI (Stock Brokers and Sub Broker) Regulations, 1992; or the SEBI (Underwriters) Regulations, 1993;
- 2.9.5 Further, specifically ensure that the underwriters associated with the issue comply with the guidelines / instructions contained in SEBI Circular RUW Circular No.1(93-94) dated November 19, 1993 especially those pertaining to execution of the underwriting agreement and total underwriting obligations.

## **2.10 CREDIT RATING FOR DEBT INSTRUMENTS**

Ensure compliance with clause 2.5 and 6.3.12 of the Guidelines 2000.

## **2.11 ISSUE MANAGEMENT TEAM**

- 2.11.1 Lead Manager shall certify and confirm that he and other lead managers are not associated with the issuer by virtue of shareholding, common directorship/promoter and that the provisions of Regulation 20(2) of the SEBI (Merchant Bankers) Regulations, 1992 is not attracted.
- 2.11.2 Lead manager is required to ensure and confirm that all intermediaries associated with the issue are registered with SEBI as on the issue opening date and have complied with the requirements of SEBI regulations and are eligible to be associated with the issue.
- 2.11.3 Lead Manager shall ensure that a merchant banker who is associated with the issuer company as a promoter or a director shall not lead manage the issue except as provided in clause 5.4.1 of the Guidelines 2000.
- 2.11.4 Lead manager shall not act as Registrar to the issue if he is also handling post issue responsibilities.
- 2.11.5 Lead manager shall ensure and confirm that the number of co-managers to an issue does not exceed the number of lead managers and that there is only one advisor to the issue.
- 2.11.6 Lead manager shall ensure and confirm that the Registrar to the issue appointed for the issue has direct connectivity with both the depositories. If not, the concerned intermediary cannot act as registrar to the issue.
- 2.11.7 Lead manager shall ensure and confirm that the registrar to an issue which is associated with the issuer as a promoter or director shall not act as registrar to the issue.
- 2.11.8 Lead manager shall ensure and confirm the appointment of bankers to issue in all the mandatory collection centres.

## **2.12 BANKERS TO THE ISSUE**

Ensure that the Bankers to the Issue and correspondent banks hold valid Certificate of Registration from SEBI under the SEBI (Bankers to an Issue) Rules and Regulations, 1994.

### **2.13 PAID UP CAPITAL**

Lead manager shall certify that the paid up capital as on date of filing of offer document with SEBI was fully paid up.

### **2.14 OUTSTANDING WARRANTS ETC.**

In case the issuer is an unlisted company, the Lead manager shall confirm that on the date of filing the draft offer document with SEBI, there were no outstanding financial instruments or any other right which would entitle the existing promoters or shareholders or any other person any option to receive equity shares after the IPO.

### **2.15 CAPITAL STRUCTURE**

- 2.15.1 Ensure the capital structure is presented as per Clause 6.4. of Guidelines – 2000. In this regard lead manager may be guided by the provisions of clause 8.4 of the Guidelines also.
- 2.15.2 Disclose Notes to capital structure as per clause 6.4.2 of the Guidelines 2000.
- 2.15.3 Disclose the details of the major shareholders as per Clause 6.4.2(j) of Guidelines 2000.
- 2.15.4 Disclose the aggregate shareholding of the promoter group as per Clause 6.4.2(k) of Guidelines 2000.
- 2.15.5 Disclose the names of the core promoters their pre and post issue holdings, contribution towards promoters contribution and details of lock in of their shares.
- 2.15.6 The persons who constitute the ‘Promoters group and their individual shareholdings shall be tabulated and disclosed under the Capital structure. Details shall include date of allotment/date of making fully paid, date of acquisition, price/consideration, nature of issue (bonus, consideration other than cash) and percentage to pre and post issue capital.
- 2.15.7 Names of the natural persons who are in control (holding 10% or more voting rights) or who are on the Board of the Board of directors of any body corporate forming part of promoters group shall be specifically disclosed.
- 2.15.8 If the public issue is by an unlisted company, ensure that the net offer to public shall be at least 10% or 25%, whatever is applicable, of the post-issue capital.
- 2.15.9 If the public issue is by a listed company ensure that the net offer to public is at least 10% or 25%, whatever is applicable, of the issue size.
- 2.15.10 If the issuer is exempt from the above provisions, state so specifically, citing the relevant provisions.
- 2.15.11 If any reservations/firm allotments are being made, the same shall strictly confirm to the provisions of clause 8.3.45 of the Guidelines. Reservation/firm allotment shall not be made to any other category of persons other than those stated in the said clause.

- 2.15.12 If the lead manager is taking firm allotment subject to ceiling of 5% of the proposed issue of securities, the same shall be distinctly disclosed in the offer document.
- 2.15.13 Ensure that the aggregate of reservations and firm allotments for employees in the issue does not exceed 10% of the total proposed issue amount.
- 2.15.14 Where the issue comprises reservations/firm allotments, ensure compliance and disclosure point-wise as per the provisions of clause 8.5 of the Guidelines.
- 2.15.15 Lead manager shall ensure that where the issuer is a listed company and the promoters already hold the minimum contribution, participation in the proposed public issue shall attract the pricing provisions of guidelines on preferential allotment if the issue price is lower than the preferential issue price. Where the issuer being a listed company is exempt from the requirement to offer promoters contribution under the guidelines, any contribution by promoters in the proposed issue shall attract the pricing provisions of preferential allotment guidelines if the issue price is lower than such price. Firm allotment to any person in the proposed issue of listed company shall attract the pricing provisions of preferential allotment guidelines if the issue price is lower than such preferential issue price.
- 2.15.16 Lead Manager shall certify to SEBI as also make a disclosure in the offer document that no payment, direct or indirect in the nature of discount, commission allowance or otherwise shall be made either by the issuer company or the promoters in any public issue to the persons who receive firm allotment in such public issue.
- 2.15.17 Ensure compliance and disclosure that the retention of over subscription shall not exceed 10% of the net offer to public for the purpose of rounding off to nearer multiple of market lot.
- 2.15.18 If the issuer is a listed company and has earlier made (after being a listed company) any allotment of shares on a preferential basis to any person, confirm and disclose that the Guidelines regarding preferential allotment including certification by a chartered accountant as per Chapter XIII have been complied with. The lead manager may ensure that the contents of such certificate are disclosed by way of a note under capital structure. Similarly, in the case of Bonus issues, ensure that Guidelines for Bonus issues as per Chapter XV of the Guidelines have been complied with.
- 2.15.19 Lead Manager shall ensure that the shares offered/included under minimum promoter's contribution (20%) for lock-in should be on the LIFO basis i.e. the shares allotted recently should be given priority over the shares allotted earlier while offering under promoter's contribution for lock-in. This would not be applicable if the entire shareholding of the promoters is in Demat.
- 2.15.20 The lead manager may note that the RBI approval for allotment of shares to NRIs/OCBs/FIIs with repatriation basis should be obtained before opening of the bidding in the case of book built issues and in other cases before filing with ROC/Stock exchanges.
- 2.15.21 The Company/Directors/ Lead Managers shall give an undertaking that they have not entered into any buy-back and/or standby arrangements for purchase of Equity Shares of the Company with any person. The same shall also be disclosed in the offer document.

2.15.22 Disclose whether the Company has raised any Bridge Loan against the proceeds of this Issue.

2.15.23 If the issuer has made any issue of shares at a price lower than issue price during the preceding one year, specific disclosure of the names of the persons, whether they are part of promoters group, reasons for such issue and issue price shall be made.

2.15.24 If shares have been issued for consideration other than cash or out of revaluation reserves at any point of time, the details shall be furnished in a separate table, stating the date of issue, persons to whom issued, price, reasons for the issue and whether any benefits have accrued to the company out of the issue. If the above is not applicable, then a specific negative statement should be made.

#### 2.15.25 **ALLOTMENT TO EMPLOYEES**

**Ensure that the reservation and firm allotments for employees in the issue does not exceed 10% of the total proposed issue amount.** Ensure that the allotment under employees quota is made only to regular / permanent employees of the company / promoter company (as applicable). The list of permanent employees of the company / promoter company eligible to subscribe under the reserved category should be certified by the Company Secretary before submitting to the Registrars to the Issue. Lead manager should also test check the allotment made to ensure that no allotment is made to persons other than the permanent employees of the company / promoter company.

2.15.26 The Lead manager is also advised to note and disclose the following with respect to 'Capital Structure':

- a. The capital structure should be presented strictly in accordance with the prescribed form indicating authorized capital, issue subscribed and paid up capital and the present issue of capital. Out of the present issue, the instruments reserved for allotment to the promoters, their friends, relatives and associates etc. should be shown separately. Similarly out of the remaining part the reservations made on competitive basis/firm allotment basis to various categories to be indicated separately. The net offer to the Indian public should be shown separately. The post issue paid up capital should be indicated. The share premium account wherever applicable should be given indicating the amount before issue and after issue. In case the issue is at premium it could also be necessary to give the nominal value and the aggregate value under various columns.
- b. The various notes below the capital structure should indicate the following details:
  - i. The existing share capital of the company should be detailed in a tabular form indicating the date of allotment, number of shares, face value, issue price and form of consideration. In case the shares have been issued for consideration other than cash or have been issued by capitalising the reserves, the facts should be distinctly stated. In case of bonus shares made out of revaluation reserves, a separate mention is required to be made indicating the date of issue and the date of revaluation of assets. The fact of shares being allotted on account of any amalgamation/ merger scheme is also

required to be mentioned distinctly. Details of amalgamation/merger/share swap/revaluation shall be given elsewhere in the offer document

- ii. The promoters total share holding should be indicated in a tabular form clearly stating the name of the promoter date of allotment, number of shares, face value, issue price, percentage to the total post issue capital and the lock in period. The lead manager should ensure that the promoters minimum contribution norms have been complied with and the shares locked in are eligible to be considered as promoters contribution.
  - iii. All other notes regarding the promoter's total post issue holding, the promoters contribution being brought in before the issue, promoters undertaking regarding taking up the shares in the event of withdrawal of firm allottees, legally enforceable agreement in respect of firm allottees, RBI approval for reservation to NRIs/OCBs/ collaborators, company's intention of retaining additional 10% in the event of oversubscription, cap on the maximum number of shares to be applied under public category [if applicable], reference to proportionate basis of allotment etc. should form part of the capital structure.
- c. The information regarding securities transactions during the past six months undertaken/ financed directly or indirectly by the promoters, their relatives and associates and the directors of the company should also be incorporated under this paragraph. The period of six months should be reckoned with reference to the date on which the offer document is filed with SEBI and this should be updated at the time of filing the prospectus with the ROC/ Stock Exchange/bid opening.

2.15.27 Disclose the number of members of the company as in the date of filing of offer document with the ROC/SE.

## **2.16 PROMOTERS CONTRIBUTION**

- 2.16.1 Ensure that the promoters contribution is accordance with the provisions of Chapter IV of the Guidelines 2000.
- 2.16.2 Lead manager to specifically certify, ensure compliance with clauses 4.6 of the Guidelines. Appropriate disclosure as to compliance of each of these clauses shall be made in the offer document.
- 2.16.3 Tabulate and disclose the names of the core promoters and each of their total holdings and contribution towards promoters' contribution.
- 2.16.4 Ensure compliance with clause 4.9.1, 4.9.2 4.9.3 and 4.9.4 of the Guidelines 2000. Lead Manager should verify, certify and disclose that the promoters contribution is kept in an escrow account with a Scheduled Commercial Bank and shall be released to the company along with the public issue.
- 2.16.5 Give the cash flow statement in the offer document of the funds deployed, which has been brought in as a promoter' contribution prior to the public issue and has already been deployed.
- 2.16.6 Where the promoters contribution exceeds Rs.100 crores, the excess of Rs.100 crores may be brought in by the promoters in advance on pro rata basis before the calls are made on public and specific disclosure and undertaking in this regard shall be contained in the offer document.

- 2.16.7 If the issuer is exempt from the requirement of promoters' contribution, LM should certify the same citing the relevant provisions and ensure appropriate disclosure in the offer document.
- 2.16.8 In the case of Rights issue, disclose the extent to which the promoters shall participate in the proposed issue. Also disclose if in case of any shortfall in subscription in the rights issue, whether the promoters intend to subscribe in excess of their rights entitlement.
- 2.16.9 If any shares forming part of promoters contribution is pledged as stated in clause 4.15.1 of the Guidelines, specific disclosure shall be made stating the name of pledgee, facilities availed, terms and conditions of the pledge.

## **2.17 LOCK IN OF FIRM ALLOTMENT AND PROMOTERS PARTICIPATION IN EXCESS OF MINIMUM CONTRIBUTION**

Where the issuer is an unlisted company, the lead manager may note that Firm allotment to any person and Participation in the present issue by promoters, friends, relatives, associates etc. in the public issue shall be locked in for a period of 1 years from the date of allotment in the present issue or the date of commencement of commercial production, whichever is later.

## **2.18 LOCK IN PROVISIONS**

- 2.18.1 Ensure and confirm that the minimum promoters contribution where required to be offered, is locked in for a period of 3 years as given under clauses 4.11.1 and 4.11.2 of Guidelines 2000.
- 2.18.2 Ensure and confirm that excess promoters' contribution is locked in as per clause 4.12.1 or 4.12.2 of the Guidelines as applicable.
- 2.18.3 Ensure and confirm compliance with clause 4.12.3 if applicable.
- 2.18.4 Ensure and confirm that securities issued last is locked – in first as provided in clause 4.13 in respect to mandatory promoters contribution.
- 2.18.5 Ensure and confirm lock-in in accordance with Clause 4.14 of the guidelines.
- 2.18.6 Lead Manager shall also note that the date from which shares are made fully paid-up shall be the date for reckoning the lock-in provisions.
- 2.18.7 Where issuer is a listed company having converted /merged into company /business in software/IT sector, shares acquired by the promoters within the 12 months preceding the issue shall be locked in for a period of 1 year from the date of allotment in the issue.
- 2.18.8 Lead manager shall undertake to ensure before listing that the share certificates in respect of locked in shares are inscribed with the 'non-transferability' stamp stating details of duration. In case the relevant shares are in demat form, lead manager shall inform the non-transferability details to both the depositories. Details of lock in shall be provided to all the stock exchanges where the securities are to be listed, before the listing of the securities.

## **2.19 DENOMINATION OF SHARES**

- 2.19.1 In case of change in standard denomination of shares, ensure compliance and disclosure as per clause 8.2.2 of the Guidelines 2000 with regard to financial data, comparison of financial ratios, stock market data and capital structure.
- 2.19.2 Ensure a disclosure and undertaking that at any given time there shall be only one denomination for the shares of the company and that the issuer shall comply with such disclosure and accounting norms specified by SEBI from time to time.

## **2.20 PRICE BAND**

- 2.20.1 Ensure that the actual price is determined and disclosed along with relevant financials before filing the offer document with ROC/Stock exchange.
- 2.20.2 Lead Manager should certify to SEBI that the price has been determined by a Resolution passed by the Board of Directors of the issuer.
- 2.20.3 Where the issuer is a listed company, lead manager shall ensure and certify to SEBI that notice prior to 48 hours of the meeting of Board of directors convened for passing resolution for determining price is given to the regional stock exchange.

## **2.21 TERMS OF THE PRESENT ISSUE**

- 2.21.1 **Reservation for small individual applicants** - Disclose the complete provisions of clause 7.6.12 of the Guidelines.
- 2.21.2 State what is the market lot for categorisation of applications for allotment purposes.
- 2.21.3 The caption 'Interest in case of Delay in Despatch of allotment letters/refund orders in case of public issues' shall appear and shall contain the disclosure as per clause 6.5.1.1. of the Guidelines 2000.
- 2.21.4 Ensure disclosure as per clause 6.5.4.2 of the Guidelines as regards Applications by NRIs.
- 2.21.5 Ensure disclosure about stock invests as per clause 6.5.4.3 of the Guidelines.
- 2.21.6 Ensure disclosure regarding Despatch of Refund orders as per clause 6.5.5 of the Guidelines.
- 2.21.7 Ensure disclosure of Undertaking by the Issuer Company as per clause 6.5.6 of the Guidelines.
- 2.21.8 Ensure disclosure regarding Utilisation of Issue proceeds as per Clause 6.5.7 of the Guidelines.
- 2.21.9 Ensure disclosure of the provisions of clauses 8.5 (a), (b), (c) and (d).
- 2.21.10 Disclose the minimum of number of shares to be applied, application money etc. as per clause 8.6 of the Guidelines. Ensure that there is no discrepancy between the offer document and the application cum abridged prospectus (Form 2A).
- 2.21.11 Ensure that the minimum application money to be paid by an applicant along with the application shall not be less than 25% of the issue price. In the case of an offer for sale, the entire amount payable on each instrument shall be brought in at the time of application. The minimum number of instruments for which an application may be made shall not be less than a market lot.
- 2.21.12 Disclose that the shares issued in the issue (whether public or rights) shall be pari-passu with the existing shares in all respects including dividends. In the case of offer for sale, the dividend for the entire year shall be payable to the transferees.



In the case of offer for sale, also disclose as to who would bear the cost of transfer.

- 2.21.13 Ensure that if the subscription money is proposed to be received in calls, the calls shall be made to make the shares fully paid up within 12 months from the date of allotment and if the monies are not paid within the said 12 months shares may be forfeited. Appropriate disclosure shall be made in this regard in the document. This condition would not be applicable for issue size above Rs. 500 crores and subject to monitoring requirements.
- 2.21.14 Provision for nomination facility to the investors in terms of Sec. 109A of the Companies Act, 1956 to be incorporated in the offer document and the application form.
- 2.21.15 Make provision for signature in application form in all languages prescribed in the 8<sup>th</sup> Schedule of the Constitution of India.

## **2.22 TRADING IN DEMAT SEGMENT AND DEPOSITORY OPTION TO THE INVESTORS**

- 2.22.1** If the issue size, in case of an initial public issue (IPO), is equal to rupees ten crores or more, LM shall ensure that the securities issued in IPO shall only in dematerialized form in compliance with Section 68B of the Companies Act, 1956. This may be brought out distinctly in the offer document and application form. It should be stated in bold on the application form that details of Depositories account is mandatory and applications without Depositories account would be treated as incomplete and rejected. Investors will not have the option of getting the allotment of physical shares. However, they may get the shares rematerialised subsequent to allotment. The relevant portion of the application giving option to investors to apply in physical shares to be deleted.
- 2.22.2** It shall be specifically disclosed that the securities, on allotment shall be traded on stock exchanges in demat segment only for all investors. (In case of IPOs and rights/public issues by companies whose shares are in compulsory demat on the date of opening of the issue.)
- 2.22.3** **Lead Manager shall ensure that agreement is entered into with both the depositories for dematerialisation of the issuer's securities It shall be disclosed that the investors shall be given an option to get the shares in demat or physical mode.**
- 2.22.4** **The following observations are to be included in the offer document and Form 2A :**
- a. The application form shall contain space for indicating number of shares subscribed for in demat and physical shares or both.**
  - b. No separate applications for demat and physical is to be made. If such applications are made, the applications for physical shares will be treated as multiple applications and rejected accordingly.**
  - c. In case of partial allotment, allotment will be done in demat option for the shares sought in demat and balance, if any, will be allotted in physical shares.**

## **2.23 PERIOD OF SUBSCRIPTION :**

Ensure compliance and disclosure of the period of subscription as per clause 8.8 of the Guidelines.

#### **2.24 AUTHORISED COLLECTION CENTRES**

Lead manager shall ensure compliance and disclosure in terms of clause 5.10 of the Guidelines 2000.

#### **2.25 APPROVAL OF BASIS OF ALLOTMENT**

2.25.1 Ensure to incorporate the disclosures as per RMB (Compendium) Circular dated February 16, 2000 for all public issues.

2.25.2 In the case of rights issues, state the allotment procedure in detail and the requirement of approval of the basis by the regional stock exchange as provided in the aforesaid circular.

#### **2.26 SAFETY NET ARRANGEMENTS**

2.26.1 Ensure compliance and disclosure as per clause 8.18 of the Guidelines.

2.26.2 In case any 'safety net' is provided in the issue, the lead manager shall certify that he or the person offering the safety net has the ability to honour the commitments and disclose the same in the offer document. Further, complete details of 'safety-net' arrangements like number of securities covered, duration, price as also complete terms of guarantee if any given by any person including conditions subject to which the guarantee may be invoked, shall be disclosed in the offer document and in all issue advertisements and in Abridged prospectus.

#### **2.27 OBJECTS CLAUSE OF THE COMPANY**

The lead manager should confirm by way of an affirmative statement in the offer document that the Main Object Clause of the Memorandum of Association of the company enables the company to undertake the activities for which the funds are being raised in the present issue. Furthermore, the Lead Manager should confirm that the activities the company has been carrying out until now is in accordance with the object of Memorandum of Association of the company. Lead Manager should ensure that main objects of the company adequately cover its existing and proposed activities.

#### **2.28 PARTICULARS OF THE ISSUE**

2.28.1 Ensure detailed disclosure as per clause 6.6 of the Guidelines and confirm compliance in-seriatim.

2.28.2 Give details of Project and means of financing as per clause 6.6.2 and 6.6.3 of the Guidelines.

2.28.3 Where the project is appraised, the details shall be disclosed giving cost of project and means of financing as per the appraisal report and also the weakness and threats if any given as given in the appraisal report. Reference number and date of the final term loan sanction letter shall be stated and also made available for inspection as material document.

2.28.4 Details of deployments of funds in the project as per clause 6.6.5 of the Guidelines to be disclosed. Ensure to give actual expenditure incurred on the

- project upto a date not earlier than 2 months from the date of filing the offer document with the registrar of companies/stock exchanges.
- 2.28.5 Disclose the year wise break up of the expenditure proposed to be incurred on the project.
- 2.28.6 Disclose the investment avenues in which the issue proceeds may be deployed pending utilisation in the proposed project.
- 2.28.7 Give the name of the monitoring agency if applicable.
- 2.28.8 Disclose the source of funds to meet the project expenses in case of shortfall in issue proceeds and avenues of deployment of excess funds. The lead manager should ensure that the means of finance (other than issue proceeds) is tied up for not less than 75% of the project cost before filing of the offer document with ROC/stock exchange.
- 2.28.9 In case one of the objects of the issue is investment in JV/ acquisition/ investment in subsidiary, then disclose the following.
- The form of investment i.e. equity, debt or any other instrument
  - If the form of investment is not yet decided, the same should be specifically disclosed.
  - If the investment is proposed to be in form of debt, complete details including security, repayment etc .should be disclosed. If the debt is unsecured or carries interest lower than the market rate the same should be disclosed as a risk factor.
  - If the investment is proposed to be in form of equity, it must be specified whether any dividends to the issuer are assured.
- 2.28.10 The precise benefit accruing to the issuer company from the investment should be brought out.
- 2.28.11 No financial estimates or projections should be given in any form in the offer document
- 2.28.12 If one the objects of the issue is to deploy funds as loan, complete details of the loan agreements shall be disclosed citing the rate of interest, secured or unsecured, duration , collateral security, sub-ordination clauses. If such loan is to be granted to a subsidiary, group or associate company, details the same shall be stated specifically.
- 2.28.13 Disclose the following with respect to working capital including where the funds are raised for long term working capital purposes.
- i. Basis of estimation of working capital requirement along with the relevant assumptions.
  - ii. **Reasons for Raising Additional Working Capital:** The lead manager should disclose the exact reasons for raising additional working capital and substantiate the same with relevant facts and figures.
  - iii. **Projected Working Capital Requirement:** Assessment for working capital figures after implementation of the project or achievement of objects of the issue as the case may be should be given in detail. The details should include the capacity utilisation assumptions, expected current assets figures (broken up into each component raw materials, finished goods, work in progress, sundry debtors etc.) with holding norms assumptions, total current liabilities,

net current assets and envisaged sources of finance for net current assets (bank/institutional finance, own funds etc.).

- iv. The lead manager should verify and incorporate in tabular form the total envisaged working capital requirement, the margin money thereof and portion to be financed by banks or otherwise.
- v. Lead manager to ensure tie up of borrowings/bank finance/institutional finance in respect of working capital requirements. Otherwise the same be shown as an internal risk factor.
- vi. The lead manager should ensure that the investors are given a complete perspective on the present working capital position vis-à-vis the projected one based on which the money is proposed to be raised.
- vii. **Existing Working Capital Facilities:** The lead manager should ensure the disclosure of the existing working capital available to the company. Audited figures should be given as of a latest date for total current assets (broken up into each applicable component- raw materials, finished goods, work in progress, sundry debtors etc.), total current liabilities, net current assets and sources of finance for net current assets (bank/institutional finance, own funds etc.).

2.28.14 If no working capital is shown a part of project state reasons and explain the business as to how there is no need for working capital.

2.28.15 Disclose details of all affiliate and related party transactions in respect of utilisation of the issue proceeds. State clearly whether any part of the issue proceeds is to be paid as consideration to promoter, directors, key management personnel, associate or group companies, if so complete details should be furnished and the relevant agreements etc. should be incorporated as material document.

## **2.29 COMPANY, MANAGEMENT AND PROJECT**

2.29.1 Lead Manager shall confirm point wise compliance of Chapter VI of the Guidelines 2000.

2.29.2 In the case of a rights issue, ensure that the contents of letter of offer comply with the provisions contained in Section III of Chapter VI of the Guidelines 2000.

### **2.29.3 History of the Company:**

2.29.3.1 Under History of the issuer disclose the date of incorporation, date of commencement of business, date of conversion of partnership into limited company/ private limited company to public limited company, as applicable, dates on which names have been changed, if applicable, reasons for change of name, changes in registered offices of the company and reasons therefor; dates on which the Memorandum of Association of the company have been amended citing the details of amendment.

**2.29.3.2 Trace the major events in the history of the company which should include the details of:**

- **Capacity/ facility creation, location of plant, products, marketing, competition etc.**

- **Raising of capital in form of equity or debt,**
- **Time/ cost overrun in setting up projects including the proposed project,**
- **Defaults / reschedulement with financial institutions/ banks, conversion of loans into equity along with reasons thereof, lock out, strikes and reasons for the same etc.**

Ensure to incorporate relevant risk factors about negative features like time / cost overrun, defaults and lock out / strikes etc.

- Revaluation of assets, issue of shares to promoters and others for consideration other than cash.
- 2.29.3.3 Disclose the changes in the activities of the issuer which may have had a material effect on the profits/loss during the last 5 years. Disclosure should include discontinuance of lines of business, loss of agencies or markets and similar factors.
- 2.29.3.4 Disclose complete details of the subsidiaries and holding company, if applicable.
- 2.29.3.5 Lead Manager is also advised to note and disclose the following in respect of HISTORY,PRESENT BUSINESS AND MAIN OBJECTS OF THE COMPANY :
- a. The paragraph should contain corporate profile of the company regarding its history and same should be disclosed in the offer document. The description of the activities, services, products, market of each segment should be briefly stated. The growth of the company should also be discussed. The standing of the company and/or its products, its management may also be discussed along with the major suppliers and customers of the company. The environmental issues if any should be highlighted. Exports and profits due to foreign operations may also find a place under this paragraph together with the country wise analysis. The company's performance, standing may also be elaborated with reference to the prominent competitors with reference to segment [geographical, type of customers, etc.]
  - b. If the company is operating under any injunction or restraining order the same should be distinctly stated with possible implications. The technology, market, managerial competence and capacity built-up would continue to form a part of this paragraph.
  - c. The past five years performance of the company should also be stated under this para. Non-recurring items of income should be distinctly brought out. The significant accounting policies and qualifications from the auditors report should also be reproduced. The notes to the account in respect of the last audited financial statement may also be incorporated. The additions in the installed capacity should also be detailed. Similarly, if restructuring has taken place the same should be spelt out.
  - d. The main objects of the company as set out in the Memorandum of Association of the company should be reproduced. It should be ensured that the proposed activities for which the issue of capital is being made is covered under the object clause of the Memorandum of Association.

- e. If there has been any acquisition of business/undertakings, mergers, amalgamation, revaluation of assets etc. complete details should be disclosed.

#### **2.29.4 Promoters**

- 2.29.4.1 Disclose promoters and their background as per clause 6.7.3 of the Guidelines. In case the present promoters have acquired the controlling interest, state details such as date of acquisition, terms of acquisition, consideration and compliance with the provisions of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 as applicable.
- 2.29.4.2 Career graph of the promoter i.e. names, ages, personal addresses, qualifications, experience in the industry, positions/posts held in the past, Directorship held, other ventures of each promoter, special achievements etc. be incorporated under this head. This information shall be given in tabular form.
- 2.29.4.3 If there is no identifiable promoter, state so specifically giving reasons. In such cases, give details of shareholders who control 10% or more voting rights of the issuer, or those persons who have right to appoint directors on the Board of Directors of the issuer.
- 2.29.4.4 If the promoters are bodies corporate, history of such bodies corporate and the promoters of the bodies corporate shall be disclosed.
- 2.29.4.5 If the promoters do not have experience in the proposed line of business, specify the same and explain as how the proposed activities would be carried out/managed.
- 2.29.4.6 If the Promoters/Directors have any other interest in the Issuer Company, the same should be brought out briefly under this head also in addition to details appearing elsewhere in the prospectus.
- 2.29.4.7 Lead manager should verify and ensure that the list of ALL VENTURES OF THE PROMOTERS (sole proprietorship, Firm, private company, limited company, listed company) are incorporated in a tabular form giving activities undertaken, in brief. If any of these entities had faced/is facing any litigations/ defaults/ Overdues OR labour problems/ closure etc., these may be mentioned under this para.
- 2.29.4.8 The above list should include all private/listed companies of the issuer irrespective of whether they are under the same management as per Section 370(1B) of the Companies Act.
- 2.29.4.9 Lead manager shall ensure that past 3 years key audited financial highlights of all major ventures are incorporated along with important/significant notes of auditor.
- 2.29.4.10 If any of the other ventures have business interests in the company then quantify the amount of commercial business that the said company has/proposes to have with the company. If no business is being done/will be done through these companies, a distinct negative statement may be incorporated to this effect. In this regard Clause 6.9.5 of the SEBI (DIP) guidelines may be referred.
- 2.29.4.11 Lead manager shall also note to disclose the following regarding Promoters and group companies;
  - a. A complete profile of the promoters, their business and financial activities is required to be furnished under this paragraph. Accordingly, the complete

details of the promoters including their age, educational qualifications, their total experience in the business and in the proposed line of business should be furnished. In case, the promoters are body corporate, complete details of the history of the body corporate as also the promoters of the body corporate should be detailed. If the original promoters were different from the existing management who is holding the controlling interest the fact of change of management should be mentioned together with the applicability and compliance of Clause 40A/40B of the listing agreement/SEBI Take over code.

- b. All the pending litigations/disputes (in which the promoters are involved) overdues/defaults to the financial institutions/banks and instances of non-payment of statutory dues by the promoters and the companies/ firms promoted by the promoters should be listed out in the offer document together with the amounts involved and the present status. It should be noted that such listing is necessary irrespective of the fact whether these disputes, litigations have a bearing on the financial performance of the issuer company or not. However, the likely adverse effect of these disputes and litigations on the financial performance of the company should be mentioned wherever applicable.

In this context it may be noted that the cases of pending litigations, disputes, defaults, etc. in respect of companies to which the promoters were associated in the past but are no longer associated should also be disclosed in the event of their name being continued to be associated with the particular litigations. The above information is required to be furnished in addition to the litigations against the company or against any other company whose outcome could have a materially adverse effect of the position of the company. Further all the litigations against the promoter or directors involving violation of statutory regulations or a criminal offence shall be continue to be furnished in the offer document.

The pending proceedings initiated for economic offences against the directors, the promoters, companies and firms promoted by the promoters should be disclosed separately indicating the status. The lead manager should note to furnish the details of the past cases in this regard in which the penalties were imposed by the prescribed authorities.

The outstanding litigations, disputes pertaining to matters likely to effect operations and finances of the company including disputed tax liabilities, prosecution under any enactment in respect of Schedule XIII of the Companies Act, 1956 would also continue to be furnished in the offer document in the prescribed format.

#### **2.29.5 INTEREST OF PROMOTERS/ DIRECTORS**

The lead manager may confirm that the interest of promoters and payment or benefit to promoters or officers of the company as well as the directors in the company has been disclosed under this section along with the relevant details.

#### **2.29.6 Board of Directors and Key Management Personnel**

- 2.29.6.1 Ensure disclosures as per clause 6.7.4 of the Guidelines.
- 2.29.6.2 Details of the Board of Directors of the company, age, qualifications, experience, other directorships, nominee capacity of each of the directors shall be given. Changes in the Board of directors during the last three years before filing of offer document with ROC/stock exchange shall be disclosed with reasons for changes.
- 2.29.6.3 Lead Manager should essentially verify and ensure that the persons whose name appears as key management personnel are in the rolls of the company as a permanent employee. Lead Manager should incorporate the above in form of an affirmative statement in the offer document.
- 2.29.6.4 Disclose the qualifications, aggregate number of years of experience of each key managerial personnel in the company and also in the industry the company is operating in.
- 2.29.6.5 Lead Manager should ensure that the employees of the Group Company/ Subsidiary/ Holding Company should not be included in key managerial personnel.
- 2.29.6.6 Changes in the key management personnel during the last 3 years should be given. If the employee turnover is high compared to the industry, reasons should be discussed.
- 2.29.6.7 The following information shall be disclosed with respect to the company's directors and key managerial personnel:
  - i) Name, business experience, functions and areas of experience in the company.
  - ii) The nature of any family relationship between any of the persons named under this head.
  - iii) Any arrangement or understanding with major shareholders, customers, suppliers or others, pursuant to which any person referred to in this head, was selected as a director or member of senior management.
  - iv) During the last FY, the amount of compensation paid, and benefits in kind granted, to persons mentioned under this head, by the company for services in all capacities to the company. Disclosure of compensation should be given on an individual basis. The disclosure should also covers contingent or deferred compensation accrued for the year, even if the compensation is payable at a later date.
  - v) If any portion of the compensation was paid pursuant to a bonus or profit-sharing plan, provide a brief description of the plan and the basis upon which such persons participate in the plan.
  - vi) With respect to the persons listed under this head, disclose as to their share ownership in the company
  - vii) The following information shall be disclosed with respect to, the company's directors.
    - Date of expiration of the current term of office.
    - Details of directors' service contracts with the company providing for benefits upon termination of employment, or an appropriate negative statement.



- viii) Details relating to the company's audit committee and remuneration committee, including the names of committee members and a summary of the terms of reference under which the committee operates.

### **2.29.7 Project**

- 2.29.7.1 Give complete details of location of the project, Plant, machinery, technology, process, infrastructure facilities, Schedule of implementation of the project and progress made so far citing each activity as per clauses 6.7.7, 6.7.9 and 6.7.10 of the Guidelines.
- 2.29.7.2 Promoters/ Directors/ group concerns interest in any transaction in acquisition of land, construction of building and supply of machinery should be indicated specifically with full details of the transaction and the amount involved.
- 2.29.7.3 The lead manager may confirm whether any architect / contractor is assigned for the expansion of Offshore Development Centre, the details of the fees payable to the architect / contractor shall be disclosed.
- 2.29.7.4 The lead manager may explicitly indicate whether the company has applied / received all the Government Approvals pertaining to the construction. If no such approvals are required to be taken over by the company, this fact may be indicated by way of an affirmative statement in the offer document and if the company is yet to receive any of the necessary approvals, this fact shall be highlighted as a risk factor.

### **2.29.8 LAND**

- 2.29.8.1 The lead manager may confirm that the names of the entities from whom the land referred to under this head has been acquired/ proposed to be acquired along with the cost of acquisition have been disclosed under this section. Further the lead manager may confirm that the entities from whom the company has acquired the land/ proposes to acquire the land are not related to any of the promoters/ directors of the company. If the entities are related then the lead manager may confirm that this fact along with the relevant details has been indicated by way of a risk factor also.
- 2.29.8.2 The lead manager may confirm by way of an affirmative statement in the offer document that the land acquired by the company is free from all encumbrances and has a clear title.
- 2.29.8.3 The lead manager may confirm whether the land referred to under this head is registered in the name of the company. If no, then the lead manager may confirm that this fact has been indicated by way of a risk factor also.
- 2.29.8.4 The lead manager may explicitly indicate under this head as to whether the company has applied/ received all the Government Approvals pertaining to land. If no such approvals are required to be taken by the company, then this fact may be indicated by way of an affirmative statement in the offer document.
- 2.29.8.5 The lead manager may confirm that the figures appearing under this section are consistent with the figures appearing under the section "Cost of the Project".

### **2.29.9 MANPOWER**

The steps taken by the company towards the recruitment of personnel may be specifically disclosed in the offer document.

#### **2.29.10 SCHEDULE OF IMPLEMENTATION**

2.29.10.1 The lead manager may confirm whether the schedule of project implementation has progressed as indicated under this head. If no, then the table may be modified as per the actual progress and the fact that there has **already been a delay** in the **schedule of the implementation** of the project that the company proposes to undertake may be indicated by way of a risk factor.

2.29.10.2 Further, a certificate from a Chartered Accountant indicating the funds deployed and their respective sources as of a current date may be submitted to SEBI, the contents of which may also be incorporated in the offer document. Detailed cash flow statement of the fund deployed and the sources of funds as of the current date shall be disclosed in the offer document.

#### **2.29.11 MARKETING STRATEGY**

The lead manager may confirm that the company has entered into a legally enforceable agreement to use the brand name before the offer document is filed with the ROC/stock exchange. In case the brand name is not registered in the name of the company, the name in which it is registered should be disclosed. In case the brand name is registered in the name of firm/company in which the promoters are interested the same shall be disclosed together with the salient features of the agreement entered into for the use of brand by the company. If the issuer is entitled to certain trade marks, IPRs, brand names etc. state whether the same are legally held by the company and whether all formalities in this regard have been complied with.

#### **2.29.12 MARKET**

The lead manager may confirm that only relevant and updated information/statistics have been disclosed under this head. Further, the lead manager may confirm that the basis of all the statements/claims made under this head has been indicated in the offer document. The lead manager may also confirm that the source of information/statistics disclosed under this head has been explicitly indicated.

#### **2.29.13 Collaboration etc.**

2.29.13.1 Disclose details of collaboration, performance guarantee or assistance in marketing by collaborators. Give complete details regarding persons/entities with whom technical and financial agreements have been entered into as per clause 6.7.8.1 of the guidelines.

2.29.13.2 Ensure disclosure regarding capacity, products, marketing, competition etc. as per clauses 6.7.12.1 and 6.7.11 of the Guidelines.

#### **2.30 STOCK MARKET DATA (if applicable)**

2.30.1 The lead manager may note to incorporate the stock market data of the company in the format prescribed by clause 6.7.13 of SEBI (DIP) guidelines, 2000 along with a statement indicating as to whether the shares of the company are actively traded on

the stock exchanges where the same are listed. If the shares are not actively traded, then the lead manager may confirm that this fact has also been indicated by way of a suitable risk factor.

- 2.30.2 The lead manager may confirm that the para on Stock market data for last 3 years and last 6 months has been incorporated along with the data on TOTAL VOLUME TRADED on the days on which high and low prices were recorded during the last 6 months.
- 2.30.3 The lead manager may confirm that in case, the promoters, relatives and directors have directly or indirectly undertaken transactions in the securities of the company during the last 6 months, from date of filing of offer document with ROC/stock exchange then such details have been incorporated under this head. These should also appear as a note under risk factor. If no, then the lead manager may confirm that a distinct negative statement to that effect has been incorporated. Further, the lead manager is advised to submit a certificate (before **the offer document is filed with the ROC/ stock exchange**) to the effect that the promoters/directors, their relations and their associates have not either directly or indirectly financed any transaction in the securities of the company during the preceding six months. If however, they have done so, the lead manager may confirm that the details of all such transactions have been fully disclosed in the offer document and the same along with the relevant details has also been disclosed by way of a note after risk factor.

### **2.31 Management Discussion on Financials**

Ensure disclosure as per clause 6.8 of the Guidelines and confirm compliance in-seriatim.

### **2.32 Financial of Group Companies**

Ensure disclosure of financials for all the companies, firms, ventures etc. promoted by the promoters of the issuer irrespective of whether these are covered under Sec. 370(1)(B) of the Companies Act, 1956, for the last 3 years based on the audited statements, as per clause 6.9 of the Guidelines.

### **2.33 PARTICULARS PERTAINING TO THE ISSUE OF CAPITAL BY THE COMPANY AND OTHER LISTED COMPANIES WITHIN THE MEANING OF SECTION 370 (1B) WHICH MADE ANY CAPITAL ISSUES IN THE LAST 3 YEARS ( if applicable )**

The lead manager may confirm that all the relevant details as prescribed by extant SEBI guidelines have been disclosed under this section.

- 2.34 **GROUP COMPANIES** – For which application to ROC have been made for striking off their names, specific reasons for their being remaining defunct be incorporated. Also, all pending litigation, defaults, etc in respect of these companies be clearly incorporated and in case of nil status a negative statement in this regard be given under this head.

### **2.35 PROMISE VS PERFORMANCE**

2.35.1 Ensure to disclose in details as per clauses 6.11.1 and 6.11.2 of the Guidelines.

**2.35.2 Listed Ventures of Promoters**

- A separate para on issues of group/associate companies entitled "Promise Vs Performance - ALL earlier Issues of group/associate companies" may be given. Disclose Cost and progress of implementation in comparison to what was stated in the respective prospectus. Indicate whether all the objects mentioned in the respective offer Documents were met and whether all projections made in the offer documents were achieved.
- If not, non-achievement of objects/ projections shall be brought out distinctly (shortfall/delay to be quantified). Details of investor complaints received, resolved and pending as on date may be incorporated in respect of the above capital issues. **Any shortfall should be brought out as 'Risk Factors'.**

**2.36 Particulars of issue of capital:**

Disclose details as required under clause 6.10 of the guidelines regarding issue of capital during the last three years by the issuer of companies under the same management.

**2.37 Basis for Issue price**

2.37.1 Ensure that basis for the price at which the securities are offered, is disclosed in the offer document as provided in clause 6.13 of the Guidelines.

2.37.2 Lead Manager shall not proceed with the issue in case the accounting ratios do not justify the issue price.

2.37.3 Ensure that the observations given elsewhere herein regarding risk factors/highlights are incorporated in the relevant portions while discussing qualitative factors for issue price

**2.38 OUTSTANDING LITIGATION'S OR DEFAULTS**

2.38.1 Defaults of all litigation should include amount, date instituted, principal parties, charges/ allegations, courts before which the Litigation are pending, present status, implications on the issuer, provisions made in the financial statements shall be disclosed.

2.38.2 Lead Manager to classify the litigation in various heads in the following order

1. Criminal
2. Securities
3. Statutory
4. Civil
5. Others (please specify)

2.38.3 Ensure point wise disclosure of clause 6.14 of the Guidelines and confirm compliance.

2.38.4 The para on litigation should be **updated** and unconditional so as to include matters which are not likely to affect the operations and finances of the company.

2.38.5 Ensure to incorporate under this para, the information regarding pending litigation, disputes, defaults, non payment of statutory dues, proceedings initiated for offences (including the past cases and **irrespective of whether "specified in**

- paragraph (i) of part 1 of Schedule XIII of the Act")** against the promoters and their other business ventures. **In case there are no such cases a distinct negative statement is required to be made in this regard under this head.**
- 2.38.6 If any of the Directors have any litigation towards tax liabilities, or any criminal/civil prosecution against them for any offences (**irrespective of whether "specified in paragraph (i) of part 1 of Schedule XIII of the Act")** etc., the same should also be mentioned under this head separately. **In case there are no such cases a distinct negative statement is required to be made to this effect covering all Directors.**
- 2.38.7 LEAD MANAGER SHOULD ENSURE THAT ALL LITIGATIONS / DEFAULTS / SUITS ETC. PERTAINING TO ISSUER COMPANY, PROMOTERS, DIRECTORS, ALL OTHER VENTURES OF PROMOTERS including ventures with which the promoters formerly associated during the last 5 years ARE BROUGHT OUT UNDER THIS PARA.
- 2.38.8 **All outstanding litigation should be reflected by way of separate risk factors.**
- 2.38.9 Ensure to incorporate appropriately in the offer document (and as risk factors) information regarding pending litigations, disputes, defaults, non payment of statutory dues, proceedings initiated for economic offences/Civil offences (including the past cases) against the Company/Promoters and their other business ventures (irrespective of the fact whether they fall under the purview of Sec 370 (1B) of the Company's Act, 1956) / Directors. **If any of the above mentioned litigations etc. arise after the issue of SEBI's observation letter; the facts shall be incorporated appropriately in the offer document (and as risk factors).** IN CASE THERE ARE NO SUCH CASES A DISTINCT NEGATIVE STATEMENT IS REQUIRED TO BE MADE IN THIS REGARD IN THE OFFER DOCUMENT APPROPRIATELY.

### **2.39 Investor Grievance Redressal System**

Ensure disclosure as per clause 6.16 of the Guidelines.

### **2.40 PART II of offer document applicable for public issues including IPOs**

Ensure disclosure as per clauses 6.17, 6.18 and 6.19 of the Guidelines.

## **2.41 FINANCIAL PERFORMANCE**

- 2.41.1 Brief terms and conditions of the term loans including re-schedulement, prepayment, penalty, default, etc. be incorporated along with suitable risk factor(s) for the negative developments.
- 2.41.2 All the notes to the accounts, significant accounting policies as well as the auditors' qualifications to be incorporated. An affirmative statement certifying such incorporation to be given by the lead manager in the offer document.
- 2.41.3 Break-up of total outstanding unsecured loans taken by the company should be given in the offer document into the amount borrowed from promoters/group companies/associate companies and amount borrowed from others. Further, in respect of each such loan of the former category, terms and conditions should be

- disclosed including the interest rates and repayment schedule. If the loans can be recalled by the lenders at any time, the fact to be stated.
- 2.41.4 Age-wise analysis of sundry debtors to be given. It is to be disclosed in the Offer Document whether any of the Sundry Debtors is related to the directors or promoters or the issuer company in any way. Similar disclosures to be made in case of loans and advances.
- 2.41.5 **The Lead Manager should ensure that the Audited accounts contained in the Offer Document is updated so as to ensure that the Audited statements appearing ARE NOT MORE THAN 6 MONTHS OLD with reference to the date of opening of the issue/ bidding. In case the issuer is a govt. company the auditors report shall not be more than 6 months old as on the date of filing the offer document with the ROC/stock exchange. Audited accounts of the issuer company and its subsidiaries prepared as per AS-21 issued by ICAI have to be given both on consolidated basis and stand-alone basis.**
- 2.41.6 Aggregate book value of quoted investments as well as aggregate market value of quoted investments to be disclosed. The non provision for decline in the value of such investments, if any, should be disclosed as a risk factor.
- 2.41.7 Regarding non-adjustments brought out by the auditors, necessary adjustments to be made. However, if the impact of non-provisions is not considered ascertainable, then the auditors should state so and the statement to this effect should appear in the offer document.
- 2.41.8 Confirm that there are no other material notes to the auditors report which has bearing on the financial status of the company. If the financial information, wherever required to be certified/verified by chartered accountant, is not done by the statutory auditor of the issuer company, the same shall be disclosed giving reasons.
- 2.41.9 The Lead Manager should incorporate, where applicable, last audited accounts and working results in terms of MOF, GOI Circular No. F2/SE/76 dated February 5, 1977 as amended vide the circular of even no. dated March 8, 1977. It may be noted that the management discussion should cover post -audit period also.
- 2.41.10 The details regarding the beneficiaries of the loans and advances and sundry debtors of the company may be disclosed in the offer document. Further, the lead manager may confirm by way of an affirmative statement in the offer document that the said beneficiaries are not in anyway related to the promoters/directors of the company. If yes, this fact may be disclosed by way of a risk factor also.
- 2.41.11 The lead manger may confirm that the relevant details of all the contingent liabilities have been disclosed by way of a note under this section.
- 2.41.12 The document should contain past financial performance in the prescribed format [sales and other income, PBIDT, depreciation, interest, PBT, tax, PAT, share capital, reserves and surplus, cash EPS, EPS, dividend, book value and the capacity utilisation]. The significant accounting policies and the qualifications from the auditors report should also be disclosed. In case other income constitutes more than 10% of the total income, the break up of the same along with the nature of the income i.e. recurring or non-recurring should be stated. In addition to the above compilation of the financial information, a summary of earnings for the last five years and for the most current accounting period should be prepared and any negative or flat trends should be investigated. A similar

analysis should be attempted in respect of sales also. While analysing the earnings and sales, the income and sales on account of major product/ main activities and the unusual activities should be examined separately and the trends be brought out distinctly.

- 2.41.13 If a material part of the income is dependant upon a single customer or a few major customers the fact should be brought out in the offer document. Similarly if any foreign customer constitutes a significant portion of the company's business the same should be disclosed together with its impact on the business on account of exchange rate fluctuations. In case the company has followed any unorthodox procedure for recording sales and revenues the same should be analysed in the offer document. The nature of miscellaneous income and miscellaneous expenditure for the interim period and the preceding years should also be investigated. In brief a summary of major items of income and expenditure for the last three years and most recent entering period should be prepared and discussed in the offer document. The unusual trends may also be discussed. The unusual trends on account of business activity, unusual items of income, change of accounting policies and discretionary reduction of expenses should be highlighted for the benefit of investors.
- 2.41.14 In the event of capital structure undergoing a change on account of capitalisation of reserves, its impact on the key financial ratios should be distinctly brought out in the offer document. Similarly while discussing the key financial ratios, the fact of outstanding instruments which may affect the financial ratios adequately should also be informed. Further, the paragraph on justification of premium should also bring out the fact of dilution of financial ratios consequent upon issue of bonus shares and the premium should be justified after taking into account the discounted ratios with reference to expanded capital.
- 2.41.15 Ensure disclosure of statutory and other information as per clause 6.18 and 6.19 of the Guidelines.
- 2.41.16 Ensure that the accounting ratios are given as per clause 6.18.7 (f) for each of the accounting periods for which financial information is given.
- 2.41.17 Capitalisation statement as required under clause 6.18.7 (g) shall be disclosed.
- 2.41.18 Ensure that all the financial and other information required in terms of clause 6.18 of the Guidelines is duly covered by the auditors report.
- 2.41.19 **Related Party Transactions.**
- i) For the period since last 3 FY disclose the information with respect to transactions or loans between the company and
    - (a) enterprises that directly or indirectly through one or more intermediaries, control or are controlled by, or are under common control with, the company;
    - (b) associates;
    - (c) individuals owning, directly or indirectly, an interest in the voting power of the company that gives them significant influence over the company, and close members of any such individual's family;
    - (d) key management personnel, that is, those persons having authority and responsibility for planning, directing and controlling the activities of the company, including directors and senior management of companies and close members of such individuals' families;

- (e) enterprises in which a substantial interest in the voting power is owned, directly or indirectly, by any person described in (c) or (d) or over which such a person is able to exercise significant influence. This includes enterprises owned by directors or major shareholders of the company.
- ii) The nature and extent of any transactions or presently proposed transactions which are material to the company or the related party, or any transactions that are unusual in their nature or conditions, involving goods, services, or tangible or intangible assets, to which the company or any of its parent was a party shall be disclosed.
- iii) The amount of outstanding loans (including guarantees of any kind) made by the company or any of its parents to or for the benefit of any of the persons listed as directors or key managerial personnel shall be disclosed. The information given should include the amount outstanding as of the latest date, the nature of the loan and the transaction in which it was incurred, and the interest rate on the loan.

## **2.42 INVESTOR GRIEVANCES**

- 2.42.1 The lead manager may verify and confirm that all the complaints received subsequent to making document public have been dealt with suitably. If no complaint has been received, a distinct undertaking to the effect should be submitted confirming that no amendment to the draft letter of offer is proposed.
- 2.42.2 If there are pending Investor Grievances then the lead manager may ensure to make adequate disclosures in this regard in the offer document before filing the letter of offer with the stock exchange. In case the percentage of such pending Investor Grievances shall be indicated by way of a risk factor.

## **2.43 ADVERTISEMENT FOR RIGHTS ISSUE**

Ensure compliance of clause 5.11 of the Guidelines 2000.

## **2.44 ISSUE ADVERTISEMENTS**

- 2.44.1 As regards issue advertisements, as lead manager, you shall take an undertaking from the issuer company that no publicity material or advertisement will be released without the consent of the lead manager and you shall ensure that the advertisement does not violate extant guidelines on the subject, particularly chapter IX of SEBI (DIP) guidelines, 2000. Further, no slogans or catchword shall be used if the same was not part of the document vetted by SEBI.
- 2.44.2 In this connection, care should be taken to ensure that RISK FACTORS appear in all places along with the HIGHLIGHTS. Further all Issue advertisements will mention risk factors invariably even when the HIGHLIGHTS are not mentioned.

## **2.45 RELEASE OF ISSUE FUNDS**

- 2.44.3 Lead Manager shall ensure that the issue proceeds is kept in a separate bank account with the bankers to the issue and the issuer company shall have access to the funds only after the dealing approval is received from all the Stock Exchanges mentioned in the offer document. Undertaking and disclosure to this effect shall be made in the offer document.



**2.46 RESTRICTION ON FURTHER CAPITAL ISSUES**

- 2.46.1 Lead manager shall ensure that the issuer shall not make any further issue of capital whether by way of issue of bonus shares, preferential allotment, rights issue or public issue or in any other manner, during the period commencing from the submission of offer document to SEBI for public or rights issue till the securities referred in the offer document have been listed or application moneys refunded on account of failure of issue. The same shall be disclosed by way of an undertaking by the issuer in the offer document as a note to Capital Structure.
- 2.46.2 Additionally, the offer document shall contain a specific disclosure, as a note to capital structure, as to the proposal, intention, negotiations, consideration of the company to alter the capital structure by way of split /consolidation of the denomination of the shares, or issue of shares on a preferential basis or issue of bonus or rights or further public issue of shares or any other securities, within a period of 6 months from the date of opening the present issue.

**2.47 Memorandum in Form 2A (Abridged Prospectus) and Application**

- 2.47.1 Ensure that the abridged prospectus contains the disclosures as per Section II of Chapter 6 of the Guidelines 2000.
- 2.47.2 Each application shall be accompanied by an abridged prospectus.
- 2.47.3 2.47.3Memorandum 2A shall be printed AT LEAST in point 7 size with proper spacing. You shall ensure that the application form contains sufficient space for writing the name and address of the applicant as also other important details such as the name of the Bank branch, specimen signature etc.,. The para on Risk Factors should appear verbatim, as a box item, in Form 2A.
- 2.47.4 Ensure that ALL MATERIAL DISCLOSURES made in FORM 2A, particularly THOSE DETAILS ARISING OUT OF THE OBSERVATIONS MADE BY US ON THE DRAFT OFFER DOCUMENT.
- 2.47.5 The Notes to risk factors shall also be contained in the abridged prospectus after the risk factors.
- 2.47.6 The General Instructions shall also state that ‘applicants are advised to read the Prospectus and the general instructions contained this Memorandum carefully and to satisfy themselves of the disclosures before making an application for subscription. For a copy of the prospectus the applicant may request the issuer company and/or lead manager/brokers to the issue. Further, investors are advised to retain the copy of the prospectus/Form 2A (abridged prospectus) for their future reference’.
- 2.47.7 The General instructions shall also specifically state that a ceiling of Rs. 50000 per individual per stock invest has been imposed by banks and that the ceiling is not applicable to mutual funds.
- 2.47.8 Ensure disclosure of provisions of clause 7.6.12 of the Guidelines regarding reservation for small individual applicants in the case of public issues (other than book built issues).
- 2.47.9 Ensure disclosure of the provisions of clause 8.5 of the Guidelines where the issue comprises any reservations/firm allotments.

2.47.10 Ensure disclosure of Safety net arrangements as per clause 8.18 of the Guidelines and as per observations given herein.

2.47.11 State the correct procedure for application by HUF and clarify HUF applications would be treated as applications by individuals.

#### **2.48 BANK ACCOUNT DETAILS IN APPLICATION FORM**

Please note that provision of Bank account details in the space provided for in the application form has now been made mandatory and applications not containing such details are liable to be rejected. Suitable instruction in the offer document/application form bringing out this clearly should be incorporated.

#### **2.49 QUOTING OF PAN/GIR NO. IN THE APPLICATION FORMS**

2.49.1 Where an application is for allotment of securities, in response to (i) a public issue through a prospectus or an offer for sale or (ii) a rights issue, for a total value of Rs. 50,000/- or more, i.e. the total number of securities applied for multiplied by the issue price, is Rs.50,000/- or more the applicant or in the case of applications in joint names, each of the applicants, should mention his/her permanent account number allotted under the Income-Tax Act, 1961 or where the same has not been allotted, the GIR number and the Income-Tax Circle/Ward/District. In case where neither the permanent account number nor the GIR number has been allotted, the fact of non-allotment should be mentioned in the application forms. Application forms without this information will be considered incomplete and will be liable to be rejected.

2.49.2 Similar disclosures should also be incorporated in the prospectus under the column "Procedure for Application".

#### **2.50 DISCLAIMER CLAUSE**

Disclaimer clause as given at item 3 of this letter should appear in the Offer Document and the Memorandum in Form 2A.

#### **2.51 STOCKINVEST SCHEME**

The modified features of the scheme as per RBI Circular dated 2/9/94 should be incorporated in all relevant places in the Offer Document and Memorandum 2A (abridged prospectus). Particularly the fact that only individual investors and mutual funds can apply through stockinvest shall be distinctly indicated.

Further, the fact that the stockinvest should be used within 10 days from the date of issue should also be mentioned. The applicant should also be reminded to indicate the application number on the reverse of the instrument through which the payment is made. The stockinvest is to be made payable in favour of the issuer company and not the bank.

#### **2.52 TELEGRAPHIC OFFICE ADDRESS**

Ensure that the offer document and Form 2A and issue advertisements contain telephone, fax, telegraphic address of the issuer company, lead managers, syndicate members and registrar to the issue after their names.

### **2.53 Material-documents**

Applications made to stock exchanges for listing shall be available as material document.

### **2.54 OTHER CONDITIONS**

- 2.54.1 In fulfillment of the obligations to ensure true and adequate disclosures in the offer document, the LM shall ensure that all material matters, informed or reports circulated etc. prior to the issue or thereafter, by the issuer or any person on his behalf or attributed or attributable to the issuer having a material bearing in taking an informed decision shall also be adequately covered in the offer document except to the extent specifically disallowed under the guidelines.
- 2.54.2 In the clause relating to 'jurisdiction' state that the draft offer document has been filed with SEBI for its observations and SEBI has given its observations and that the final offer document has been filed with the ROC as per the provisions of the companies Act/ (filed with Stock exchanges, in the case of rights issues). It should not be stated that the document has been submitted to SEBI for approval.
- 2.54.3 Lead manager should confirm that there are no adverse findings in respect of the persons/entities connected with the issuer/promoter as regards compliance with the securities laws.
- 2.54.4 Ensure that all blank spaces are filled with appropriate data before filing of the offer document with the ROC/stock exchange /bid opening.
- 2.54.5 Highlight the changes in the draft offer document. Enclose an UNDERTAKING that besides highlighted changes no other changes have been made in the prospectus.
- 2.54.6 Lead Manager shall submit an exception report beside in-seriatim reply as a separate annexure wherein the points that are not in compliance with our observations, exemption sought and the reasons therefor shall be given. The Lead Manager may note that they shall not go ahead with the issue without prior written approval of SEBI in respect of the deviations/ exemptions.
- 2.54.7 The Lead Manager is required to ensure that all undertakings as per the extant guidelines are submitted to SEBI in original on company's letterhead before filing the offer document with the stock exchange/ROC. If there are any deviations from the observations, the lead manager shall obtain prior written approval of SEBI before finalising and proceeding to file the offer document with the ROC/stock exchanges.
- 2.54.8 Lead Manager is advised to use simple English for easy understanding of the contents of the offer document. Lead manager to ensure that Adjectives like market leader, leading player etc. should not be used in the offer document until substantiated by the proper source of information. All the relevant data given in the Offer Document shall be duly supported by indicating the source.
- 2.54.9 Wherever it is mentioned that the details are given elsewhere in the offer document, Lead manager is advised to mention the relevant page numbers and the paragraphs.
- 2.54.10 Status report of investor complaints received and pending for redressal over more than one month, in respect of all listed companies be incorporated.

- 2.54.11 All data with regard to shareholdings be updated and any changes in this regard be clearly incorporated in the offer document.
- 2.54.12 Lead manager shall intimate SEBI as to how the process of due diligence has been exercised by him in view of the nature of current business background or the company, state at which the proposed business stands, the risk factors, promoters experience etc. before filing the document with ROC/stock exchanges.
- 2.54.13 The offer document and the General Instructions in Form 2A should specify the instances when an application would be rejected on technical grounds (for. E.g. absence of signature, age etc.) Also specify in the offer document and in General Instructions in Form 2A, the manner in which applications by HUF should be made.
- 2.54.13.1 A specific disclosure shall be made stating that all information shall be made available by the lead managers and the issuer to the public and investors at large and no selective or additional information would be available for a section of the investors in any manner whatsoever including at road shows, presentations, in research or sales reports, at bidding centres etc.
- 2.54.14 Lead manager to submit certificate within two weeks from the date of allotment, certificate to SEBI certifying that the stock invests on the basis of which allotment was finalised have been realised to the credit of the issue account with the banker to the issue. The lead manager shall, along with the certificate, furnish the name of the refund banker, if any, and the details of the refund account.
- 2.54.15 Lead manager shall ensure that the moneys received pursuant to the issue (including stock invest realisations) and kept in a separate bank (i.e. bankers to an issue) as per the provisions of Sec. 73(3) of the Companies Act, 1956 is released by the said bank only after the trading permission has been obtained from all the stock exchanges as mentioned in the offer document. The lead manager to the issue shall ensure that the bankers to the issue are informed of this condition in advance and the agreement between the bankers to the issue and the issuer company specifically contains this condition.
- 2.54.16 Lead manager or the issuer or any other person marketing the issue shall not offer any incentives to the prospective investors by way of commission, insurance schemes, banking/Depository facilities, credit card facilities, lucky draw, and prizes or in any other manner whereby consideration or inducement in cash or kind is made.
- 2.54.17 Lead manager may ensure that the term loan requirements of the company are firmly tied up before the prospectus is filed with ROC/ stock exchange.
- 2.54.18 The lead manager may note to submit a certificate from a Chartered Accountant indicating the funds deployed and their respective sources as of a current date, the contents of which may also be incorporated in the offer document.
- 2.54.19 The lead manager may note to ensure that the due diligence certificate is strictly in conformity with extant SEBI Guidelines. Further, the lead manager may ensure that the Annexure to the due diligence certificate is complete as per the provisions of extant SEBI Guidelines.
- 2.54.20 The lead manager may ensure to make adequate disclosures regarding pending Investor Grievances in the offer document before the prospectus is filed with the Stock Exchange.
- 2.54.21 LM shall ensure to comply with clause 6.5.7 of the Guidelines.

**2.55 CLAIMS MADE IN THE OFFER DOCUMENT**

- 2.55.1 We refer to various claims being made in the offer document. We presume that as lead manager you have taken necessary care to ensure that claims are factual. In the event of any claim being disputed at a later date, as Lead Managers, you would be entirely responsible for the same.
- 2.55.2 Ensure that consents are obtained from all Collaborators/ Bankers/ Experts/Financiers/Marketing agents etc., (as applicable), who are associated with this project/Issue for mentioning their association with this project as indicated in the Document/highlight and shall also verify all related Documents.
- 2.55.3 Ensure strict compliance of provisions of SEBI (DIP) guidelines, 2000 and various clarifications /Circulars issued from time to time.
- 2.55.4 You shall be responsible for ensuring despatch of refund orders of value over Rs.1500/- and share/debenture certificates by Registered Post only. Adequate funds for the purpose will be made available to the Registrars.
- 2.55.5 The fact that an applicant in the public/reserved category can make an application only for that number of securities only which is offered to the public/under reservations, should be brought out distinctly in the document.
- 2.55.6 As regards applications in case of reservations to NRI's/OCB's, lead manager should ensure to incorporate the fact that payment for such allotments shall come through external source only and that the payments through NR(O) a/c will not be permitted.
- 2.55.7 Lead Manager to note that in case of oversubscription of the issue, provisions of Chapter 7 will be applicable, as amended vide RMB (Compendium) Series Circular No. 2 (1999-2000).
- 2.55.8 The promoters contribution and subscriptions from all firm allottees should be received one day before the opening of the issue. Auditors certificate to this effect should be duly submitted to SEBI.
- 2.55.9 The Lead Manager should ensure to indicate in the offer document and in General Instructions in Form 2A that the persons (excepting shareholders and employees of the companies) to whom firm allotments have been made in the present issue should not make applications in the public offer category.
- 2.55.10 The lead manager should ensure that the issue in respect of reserved categories such as NRIs etc. should be closed on the same date as to the Indian public.
- 2.55.11 Attention of lead manager is hereby drawn to particular instructions regarding terms of applications by Mutual Funds, format of Application Form, Underwriting arrangements, Number of Co-managers/Advisers permitted and Disclaimer clause which are covered under SEBI (DIP) guidelines, 2000.
- 2.56 **Corporate Governance** – A separate paragraph shall be added in the Offer Document stating the following. "The company has complied with SEBI guidelines in respect of Corporate Governance specially with respect to broad basing of Board, Constituting the Committees such as shareholding/ investor Grievance Committee, etc." The details of these committees shall be disclosing under the head "Management". If the committees are not constituted for any legal reason before listing, the stock exchanges may require that the application monies be kept in escrow account till compliance.

## **ANNEXURE II**

*(Referred to in paragraph 2.5 (a) of the Report)*

---

### **A-II. Observations which cover matters that should be incorporated in the SEBI (DIP) Guidelines, 2000**

---

1. If locked-in shares are partly paid up shares, the lock-in shall start from the date of allotment in the proposed Public Issue and the last date of lock-in shall be reckoned as three years from the date on which shares are made fully paid-up.
2. Provision is to be made for signature in application form in all languages prescribed in the 8<sup>th</sup> Schedule of the Constitution of India.
3. Offer document and Form A should contain the following disclosures:
  - d. The application form shall contain space for indicating number of shares subscribed for in demat and physical shares or both.
  - e. No separate applications for demat and physical is to be made. If such applications are made, the applications for physical shares will be treated as multiple applications and rejected accordingly.
  - f. In case of partial allotment, allotment will be done in demat option for the shares sought in demat and balance, if any, will be allotted in physical shares
4. Lead manager should verify and ensure that the list of all ventures of the promoters (sole proprietorship, Firm, private company, limited company, listed company) are incorporated in a tabular form giving activities undertaken, in brief. If any of these entities had faced/is facing any litigations/defaults/overdues or labour problems/closure etc., the same is to be disclosed also.
5. The lead manager is required to confirm whether the schedule of project implementation has progressed as indicated under this head. If no, then the table may be modified as per the actual progress and the fact that there has already been a delay in the schedule of the implementation of the project that the company proposes to undertake may be indicated by way of a risk factor.
6. The lead manager is required to submit a certificate from a Chartered Accountant indicating the funds deployed and their respective sources as of a current date and the contents of which the same are required to be incorporated in the offer document. Detailed cash flow statement of the fund deployed and the sources of funds as of the current date shall be disclosed in the offer document.

7. The lead manager should ensure that only relevant and updated information/statistics have been disclosed in the offer document. Further, the basis and source of all the statements/claims made in the offer document are to be disclosed in the offer document.
8. Information about total volume traded on the days on which high and low prices were recorded during the last 6 months are to be included in the offer document.
9. All litigations/defaults/suits etc. Pertaining to issuer company, promoters, directors, all other ventures of promoters including ventures with which the promoters formerly associated during the last 5 years are brought out under the heading 'Outstanding Litigation's or Defaults'.
10. Relevant details of all the contingent liabilities are required to be disclosed by way of a note under the heading 'Financial Performance'.
11. Disclosure is to be made in the offer document about the adverse findings, if any, in respect of the persons/entities connected with the issuer/promoter as regards compliance with the securities laws.
12. All blank spaces in the draft offer document are to be filled up with appropriate data before filing of the offer document with the ROC/SE.
13. Lead Manager is advised to use simple English for easy understanding of the contents of the offer document. Lead manager to ensure that Adjectives like market leader, leading player etc. should not be used in the offer document until substantiated by the proper source of information. All the relevant data given in the Offer Document shall be duly supported by indicating the source
14. Wherever it is mentioned that the details are given elsewhere in the offer document, Lead manager is advised to mention the relevant page numbers and the paragraphs.
15. The lead manager may ensure to make adequate disclosures regarding pending Investor Grievances in the offer document before the prospectus is filed with the Stock Exchange. In addition to that Status report of investor complaints received and pending for redressal over more than one month, in respect of all listed companies by the promoter group are to be incorporated in the offer document
16. The offer document and the General Instructions in Form 2A should specify the instances when an application would be rejected on technical grounds (e.g. absence of signature, age etc.) Also in the offer document and in General

Instructions in Form 2A, the manner in which applications by HUF should be made, are to be specified.

17. The lead manager may ensure to make adequate disclosure regarding pending Investor Grievances in the offer document before the prospectus is filed with the Stock Exchange.
18. The lead manager is to ensure despatch of refund orders of value over Rs.1500/- and share/debenture certificates by Registered Post only. Adequate funds for the purpose will be made available to the Registrars
19. If the company, person(s) in control of the company, its directors, any of the company's associates of group companies, and companies with which the directors of the company are associated as directors or promoters, are prohibited from accessing the capital market under any order or directions passed by SEBI, then the company is not eligible to make any Public/Rights Issue or Offer for Sale.
20. Date and place of original incorporation of the company and any changes thereafter in the name and registered office shall appear on the cover page.
21. Risk Factors and Management Perception
  - a. Criminal charges under IPC and violations of securities law shall be highlighted in bold as risk factor no. 1
  - b. Risk Factor shall be disclosed in the descending order of materiality and implications on the financial of the issuer.
  - c. All statutory clearances and approval that are yet to be received by the issuer to be indicated by way of separate Risk Factors.
  - d. If the issuer company's business is seasonal, then same should be highlighted as a risk factor in the offer document.
  - e. If the promoters or any other person have been issued shares at a price lower than issue price within the last 12 months, the same should be disclosed as risk factor giving details. No management perceptions should be given for this risk factor.
  - f. If the issue is to part finance acquisitions but the targets have not been identified, the same should be disclosed as risk factor stating how the funds would be deployed until it is used for the purpose which it is raised and probable duration.
  - g. If the industry segment for which the issue is proposed by the issuer has contributed to less than 25% of the revenues of the issuer in the last three fiscal years, the same should be disclosed as risk factors.
  - h. The dependence of the issuer or any its business segment, upon a single customer or a few customers, the loss of any one or more of which would have a material adverse effect on the issuer shall be disclosed as a risk factor.



- i. If the listing of any securities of the issuer or any of its subsidiaries or associates has been refused at any time by any of the stock exchanges in India or abroad, the same shall be disclosed as Risk Factor with reasons for refusal
- j. Penalties, if any imposed by SEBI or any other regulatory body in India or abroad shall be disclosed as a Risk Factor.
- k. If the issuer or any of its subsidiary/group /associate has failed to meet the listing requirements of any stock exchanges in India or abroad, the details of the same and the details of penalty, if any including suspension of trading, imposed by the exchanges shall be disclosed as Risk Factor.
- l. In the case of a listed company, if the trading on stock exchanges is limited or sporadic the same shall be disclosed as risk factor. if any of securities of the issuer is listed on stock exchanges/traded on OTC market abroad and the trading is limited or sporadic, the same shall be disclosed as a risk factor.
- m. In case of outstanding debenture/bonds (public or private placement) by the issuer company, details of the default compliance with the material covenants such as in creation of full security as per terms of issue, the default in payment of interest, the default in redemption, non-creation of debenture redemption reserve, the default in payment of penal interest wherever applicable, non-availability/non-maintenance of asset cover, interest cover, debt-service cover, shall be disclosed as risk factors.
- n. Default in repayment of deposits or any liability, default in interest, redemption on due dates shall be given as risk factors. Even if any liability has been rolled over, the fact of roll over shall be given as risk factor.
- o. If the promoters/directors are involved with one or more ventures which are in the same line of activity as the issuer, potential conflict of interest shall be disclosed as risk factor.
- p. Shortfall in performance vis a vis promise made in the last three issues of the issuer or last one issue of the group/associate companies shall be given as risk factor quantifying the shortfall /delays.
- q. If any part of the issue funds is to be paid as consideration to promoters, directors, key management personnel, associate or group companies, the same shall be disclosed as risk factor stating the total project cost, issue size and the amount of consideration.
- r. If the promoters do not have adequate background and experience in the activities for which the issue is proposed, a risk factor shall be incorporated stating the same and also stating that the entire project has to depend on key management personnel and may suffer on account of lack of availability or turnover of key personnel
- s. Loss making ventures of the promoters shall be disclosed by way of a risk factor.
- t. Each of the outstanding litigations, disputes, overdues to banks/financial institutions, defaults against banks/FIs, contingent liabilities not provided for, etc., pertaining to the company, the ventures/companies promoted by the

promoters/wholetime directors of the company, and the promoters/ directors themselves along with the nature of the litigation, quantum of funds involved shall be distinctly brought out as separate risk factors. In this connection, it may be noted that the proceedings initiated for economic offenses against promoter/promoter's companies/firms, etc., will have to be detailed, including the past cases where penalties have been awarded.

- u. Disclosure is to be made whether the company itself/ group company has performed as per the promises regarding Financials and/or commencement of commercial production made in the offer document pertaining to the issue made by the company/ group company during the last 3 years. If no, then each such deviation wherein the actual performance of the company/ group company with regard to financials or commencement of commercial production has been significantly below the performance projected in the company's/ group company's offer document shall be indicated by way of a separate risk factor.
- v. Interests of promoters/directors/key management personnel other than reimbursement of expenses incurred or normal remuneration or benefits shall be distinctly brought out as separate risk factors.
- w. All the contingent liabilities not provided for, shall be disclosed by way of a risk factor.
- x. Management Perception to risk factor shall not contain any speculative statement on the positive outcome to any litigation etc.
- y. Management Perception shall not contain any adjectives and should be substantiated with the source of data. Details given elsewhere in the document shall be referred by giving page numbers.
- z. Management perception shall not be given for any matter that is sub-judice before a competent Court.

22. Following notes shall appear immediately after The Risk Factors in the offer document

- ❖ Networth before issue (as per latest audited statement contained in the offer document) and issue size.
- ❖ Cost per share to the promoters and book value per share.
- ❖ Details of the other ventures of same promoters having business interests/other interests in the issuer company.
- ❖ Details of transaction by the issuer company with group/subsidiary companies during the last year, the nature of transactions and the cumulative value of transactions.
- ❖ All loans and advances made to any person(s)/ companies in which directors are interested.

23. If the Registrar to the issue appointed for the issue, does not have direct connectivity with both the depositories, then, the concerned intermediary cannot act as registrar to the issue

24. The Company/Directors/ Lead Managers shall give an undertaking that they have not entered into any buy-back and/or standby arrangements for purchase of Equity Shares of the Company with any person. The same shall also be disclosed in the offer document.
25. If shares have been issued for consideration other than cash or out of revaluation reserves at any point of time, the details shall be furnished in a separate table, stating the date of issue, persons to whom issued, price, reasons for the issue and whether any benefits have accrued to the company out of the issue
26. Notes to capital structure
  - a. The existing share capital of the company shall be detailed in a tabular form indicating the date of allotment, number of shares, face value, issue price and form of consideration. In case the shares have been issued for consideration other than cash or have been issued by capitalising the reserves, the facts should be distinctly stated. In case of bonus shares made out of revaluation reserves, a separate mention is required to be made indicating the date of issue and the date of revaluation of assets. The fact of shares being allotted on account of any amalgamation/ merger scheme is also required to be mentioned distinctly. Details of amalgamation/merger/share swap/revaluation shall be given elsewhere in the offer document
  - b. The promoters total share holding shall be indicated in a tabular form clearly stating the name of the promoter date of allotment, number of shares, face value, issue price, percentage to the total post issue capital and the lock in period.
  - c. The information regarding securities transactions during the past six months undertaken/ financed directly or indirectly by the promoters, their relatives and associates and the directors of the company should also be incorporated under this paragraph. The period of six months should be reckoned with reference to the date on which the offer document is filed with SEBI and this should be updated at the time of filing the prospectus with the ROC/ Stock Exchange/bid opening.
27. In the case of Rights issue, the extent to which the promoters shall participate in the proposed issue shall be disclosed. In case of any shortfall in subscription in the rights issue, whether the promoters intend to subscribe in excess of their rights entitlement, shall be disclosed.
28. If any shares forming part of promoters contribution is pledged, specific disclosure shall be made stating the name of pledgee, facilities availed, terms and conditions of the pledge.

29. Terms of the Present Issue

- (a) The complete provisions of clause 7.6.12 of the Guidelines regarding reservation for small individual applicants shall be disclosed.
- (b) Provisions of clauses 8.5 shall be disclosed
- (c) Provisions of 8.6 of the Guidelines shall be disclosed. There should not be any discrepancy between the offer document and the application cum abridged prospectus (Form 2A).
- (d) Provision for nomination facility to the investors in terms of Sec. 109A of the Companies Act, 1956 to be incorporated in the offer document and the application form.

30. Trading in Demat Segment and Depository Option to The Investors

- a. If the issue size, in case of an initial public issue (IPO), is equal to rupees ten crores or more, the securities issued in IPO shall be only in dematerialized form in compliance with Section 68B of the Companies Act, 1956. This shall be brought out distinctly in the offer document and application form. It shall be stated in bold on the application form that details of Depositories account is mandatory and applications without Depositories account would be treated as incomplete and rejected. Investors will not have the option of getting the allotment of physical shares. However, they may get the shares rematerialised subsequent to allotment.
- b. It shall be specifically disclosed that the securities, on allotment shall be traded on stock exchanges in demat segment only for all investors. (In case of IPOs and rights/public issues by companies whose shares are in compulsory demat on the date of opening of the issue.)
- c. In the case of rights issues, the allotment procedure is to be stated in detail and the requirement of approval of the basis by the regional stock exchange as provided in the RMB (Compendium) Circular dated February 16, 2000.

31. Disclosure is to be done regarding Safety Net Arrangement as per Clause 8.18 of the Guidelines.

32. In case one of the objects of the issue is investment in JV/ acquisition/ investment in subsidiary, then followings are to be disclosed.

- The form of investment i.e. equity, debt or any other instrument
- If the form of investment is not yet decided, the same shall be specifically disclosed.
- If the investment is proposed to be in form of debt, complete details including security, repayment etc .shall be disclosed. If the debt is unsecured or carries interest lower than the market rate the same shall be disclosed as a risk factor.
- If the investment is proposed to be in form of equity, it must be specified whether any dividends to the issuer are assured.
- The precise benefit accruing to the issuer company from the investment

33. If one of the objects of the issue is to deploy funds as loan, complete details of the loan agreements shall be disclosed citing the rate of interest, secured or unsecured, duration, collateral security, sub-ordination clauses. If such loan is to be granted to a subsidiary, group or associate company, details of the same shall be stated specifically.
34. Details of all affiliate and related party transactions in respect of utilisation of the issue proceeds shall be disclosed. It is to be stated clearly whether any part of the issue proceeds is to be paid as consideration to promoter, directors, key management personnel, associate or group companies, if so, complete details shall be disclosed in the offer document and the relevant agreements etc. should be incorporated as material document.
- 35 History of the Company:
- a. Details of the issuer company regarding the date of incorporation, date of commencement of business, date of conversion of partnership into limited company/private limited company to public limited company, as applicable, dates on which names have been changed, if applicable, reasons for change of name, changes in registered offices of the company and reasons therefore; dates on which the Memorandum of Association of the company have been amended citing the details of amendment.
  - b. Disclosure about the major events in the history of the company including the details of:
    - Capacity/facility creation, location of plant, products, marketing, competition etc.
    - Raising of capital in form of equity or debt,
    - Time/cost overrun in setting up projects including the proposed project,
    - Defaults/reschedulement with financial institutions/ banks, conversion of loans into equity along with reasons thereof, lock out, strikes and reasons for the same etc.
    - Negative features like time / cost overrun, defaults and lock out / strikes etc should be incorporated as risk factors.
  - c. Details regarding the changes in the activities of the issuer during the last 5 years which may have had a material effect on the profits/loss, including discontinuance of lines of business, loss of agencies or markets and similar factors.
  - d. Complete details of the subsidiaries and holding company, if applicable, is to be disclosed
  - e. Following details in respect of History, Present Business And Main Objects Of The Company :
    - Corporate profile of the company regarding its history, the description of the activities, services, products, market of each segment, the growth of the company, the standing of the company and/or its products, its

management, the major suppliers and customers of the company, the environmental issues, Exports and profits due to foreign operations together with the country wise analysis, the company's performance, standing with reference to the prominent competitors with reference to segment [geographical, type of customers, etc.]

- Injunction or restraining order, if any with, with possible implications.
- The technology, market, managerial competence and capacity built-up are to be disclosed
- The past five years performance of the company, non-recurring items of income the significant accounting policies and qualifications from the auditors report ,The notes to the account in respect of the last audited financial statement, the additions in the installed capacity, details of restructuring if any.
- The main objects of the company as set out in the Memorandum of Association of the company
- Details regarding acquisition of business/undertakings, mergers, amalgamation, revaluation of assets etc, if any.

### 36 Promoters

- a) In case the present promoters have acquired the controlling interest, disclosure shall be made about date of acquisition, terms of acquisition, consideration and compliance with the provisions of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 and Listing Agreement as applicable.
- b) Career graph of the promoter i.e. names, ages, personal addresses, qualifications, experience in the industry, positions/posts held in the past, Directorship held, other ventures of each promoter, special achievements etc. shall be disclosed in tabular form in tabular form.
- c) If there is no identifiable promoter, the same shall be disclosed giving reasons. In such cases, details of shareholders who control 10% or more voting rights of the issuer, or those persons who have right to appoint directors on the Board of Directors of the issuer, shall be disclosed
- d) If the promoters are bodies corporate, history of such bodies corporate and the promoters of the bodies corporate shall be disclosed.
- e) If the promoters do not have experience in the proposed line of business, the same shall be disclosed explaining as how the proposed activities would be carried out/managed.
- f) If the Promoters/Directors have any other interest in the Issuer Company, the same shall be disclosed briefly in addition to details appearing elsewhere in the prospectus.

- 37 List of all ventures of the promoters (sole proprietorship, Firm, private company, limited company, listed company) irrespective of whether they are under the same management as per Section 370(1B) of the Companies Act, shall be disclosed in a tabular form giving activities undertaken, in brief. If

any of these entities had faced/is facing any litigations/ defaults/ Overdues OR labour problems/ closure etc., the same shall be disclosed.

- 38 All the pending litigations/disputes (in which the promoters are involved) overdues/defaults to the financial institutions/banks and instances of non-payment of statutory dues by the promoters and the companies/ firms promoted by the promoters shall be listed out in the offer document together with the amounts involved and the present status. It shall be noted that such listing is necessary irrespective of the fact whether these disputes, litigations have a bearing on the financial performance of the issuer company or not. However, the likely adverse effect of these disputes and litigations on the financial performance of the company shall be mentioned wherever applicable.

In this context it may be noted that the cases of pending litigations, disputes, defaults, etc. in respect of companies to which the promoters were associated in the past but are no longer associated shall also be disclosed in the event of their name being continued to be associated with the particular litigations.

The above information shall be disclosed in addition to the litigations against the company or against any other company whose outcome could have a materially adverse effect of the position of the company. Further all the litigations against the promoter or directors involving violation of statutory regulations or a criminal offence shall be disclosed in the offer document.

The pending proceedings initiated for economic offences against the directors, the promoters, companies and firms promoted by the promoters shall be disclosed separately indicating the status. The details of the past cases in this regard in which the penalties were imposed by the prescribed authorities shall be disclosed in the offer document.

The outstanding litigations , disputes pertaining to matters likely to effect operations and finances of the company including disputed tax liabilities, prosecution under any enactment in respect of Schedule XIII of the Companies Act, 1956 shall be disclosed in the offer document.

- 39 Interest of promoters and payment or benefit to promoters or officers of the company as well as the directors in the company shall be disclosed under the heading "Promoters".
- 40 Following details shall be made about the Board of Directors
- Details of the Board of Directors of the company, age, qualifications, experience, other directorships, nominee capacity of each of the directors.

- Changes in the Board of directors during the last three years before filing of offer document with ROC/stock exchange with reasons for changes.
- Employees of the Group Company/ Subsidiary/ Holding Company shall not be included in key managerial personnel.
- Changes in the key management personnel during the last 3 years shall be given. If the employee turnover is high compared to the industry, reasons shall be discussed.

The following information shall be disclosed with respect to the company's directors and key managerial personnel:

- ix) Name, business experience, functions and areas of experience in the company.
  - x) The nature of any family relationship between any of the persons named under this head.
  - xi) Any arrangement or understanding with major shareholders, customers, suppliers or others, pursuant to which any person referred to in this head, was selected as a director or member of senior management.
  - xii) During the last Financial Year, the amount of compensation paid, and benefits in kind granted, to persons mentioned under this head, by the company for services in all capacities to the company. Disclosure of compensation should be given on an individual basis. The disclosure should also covers contingent or deferred compensation accrued for the year, even if the compensation is payable at a later date.
  - xiii) If any portion of the compensation was paid pursuant to a bonus or profit-sharing plan, provide a brief description of the plan and the basis upon which such persons participate in the plan.
  - xiv) With respect to the persons listed under this head, disclose as to their share ownership in the company
  - xv) The following information shall be disclosed with respect to, the company's directors.
    - Date of expiration of the current term of office.
    - Details of directors' service contracts with the company providing for benefits upon termination of employment, or an appropriate negative statement.
  - xvi) Details relating to the company's audit committee and remuneration committee, including the names of committee members and a summary of the terms of reference under which the committee operates.
- 41 Promoters/ Directors/ group concerns interest in any transaction in acquisition of land, construction of building and supply of machinery shall be indicated specifically with full details of the transaction and the amount involved.



#### 42 Stock Market Data

- a. If the shares are not actively traded, the fact shall be indicated by way of a suitable risk factor.
- b. It shall be disclosed whether, the promoters, relatives and directors have directly or indirectly undertaken transactions in the securities of the company during the last 6 months, from date of filing of offer document with ROC/stock exchange. It shall be disclosed whether promoters/directors, their relations and their associates have not either directly or indirectly financed any transaction in the securities of the company during the preceding six months including details of all such transactions. The same along with the relevant details shall also be disclosed by way of a note after risk factor.

43 Disclosure shall be done about the Group Companies for which application to ROC have been made for striking off their names, specific reasons for their being remaining defunct be incorporated. Also, all pending litigation, defaults, etc in respect of these companies shall be clearly incorporated in the offer document.

44. Disclosure shall be made regarding pending litigation, disputes, defaults, non payment of statutory dues, proceedings initiated for offences (including the past cases and irrespective of whether "specified in paragraph (i) of part 1 of Schedule XIII of the Act") against the promoters and their other business ventures

45 If any of the Directors have any litigation towards tax liabilities, or any criminal/ civil prosecution against them for any offences (irrespective of whether "specified in paragraph (i) of part 1 of Schedule XIII of the Act") etc., the same shall also be disclosed.

#### 46 Financial Performance

- a. Brief terms and conditions of the term loans including re-schedulement, prepayment, penalty, default, etc. be incorporated along with suitable risk factor(s) for the negative developments shall be disclosed.
- b. All the notes to the accounts, significant accounting policies as well as the auditors' qualifications shall be incorporated.
- c. Break-up of total outstanding unsecured loans taken by the company shall be given in the offer document into the amount borrowed from promoters/group companies/associate companies and amount borrowed from others. Further, in respect of each such loan of the former category, terms and conditions shall be disclosed including the interest rates and

- repayment schedule. If the loans can be recalled by the lenders at any time, the same shall be disclosed.
- d. Age-wise analysis of sundry debtors shall be given. It shall be disclosed in the Offer Document whether any of the Sundry Debtors is related to the directors or promoters or the issuer company in any way. Similar disclosures shall be made in case of loans and advances.
  - e. Aggregate book value of quoted investments as well as aggregate market value of quoted investments shall be disclosed. The non provision for decline in the value of such investments, if any, shall be disclosed as a risk factor.
  - f. Regarding non-adjustments brought out by the auditors, necessary adjustments shall be made. However, if the impact of non-provisions is not considered ascertainable, then the auditors should state so and the statement to this effect shall appear in the offer document.
  - g. If the financial information, wherever required to be certified/verified by chartered accountant, is not done by the statutory auditor of the issuer company, the same shall be disclosed giving reasons.
  - h. Last audited accounts and working results in terms of MOF, GOI Circular No. F2/SE/76 dated February 5, 1977 as amended vide the circular of even no. dated March 8, 1977, shall be incorporated, wherever applicable. It may be noted that the management discussion should cover post -audit period also.
  - i. The details regarding the beneficiaries of the loans and advances and sundry debtors of the company shall be disclosed in the offer document. It shall also be disclosed in the offer document whether the said beneficiaries are in anyway related to the promoters/directors of the company. If yes, this fact shall be disclosed by way of a risk factor also.
  - j. The document shall contain past financial performance in the prescribed format [sales and other income, PBIDT, depreciation, interest, PBT, tax, PAT, share capital, reserves and surplus, cash EPS, EPS, dividend, book value and the capacity utilisation]. The significant accounting policies and the qualifications from the auditors report shall also be disclosed. In case other income constitutes more than 10% of the total income, the break up of the same along with the nature of the income i.e. recurring or non-recurring shall be stated. In addition to the above compilation of the financial information, a summary of earnings for the last five years and for the most current accounting period shall be prepared. A similar analysis shall be attempted in respect of sales also. While analysing the earnings and sales, the income and sales on account of major product/ main activities and the unusual activities shall be examined separately and the trends be brought out distinctly.
  - k. If a material part of the income is dependant upon a single customer or a few major customers the fact shall be brought out in the offer document. Similarly if any foreign customer constitutes a significant portion of the company's business the same shall be disclosed together with its impact

on the business on account of exchange rate fluctuations. In case the company has followed any unorthodox procedure for recording sales and revenues the same shall be analysed in the offer document. The nature of miscellaneous income and miscellaneous expenditure for the interim period and the preceding years shall also be investigated. In brief a summary of major items of income and expenditure for the last three years and most recent entering period shall be prepared and discussed in the offer document. The unusual trends may also be discussed. The unusual trends on account of business activity, unusual items of income, change of accounting policies and discretionary reduction of expenses shall be highlighted for the benefit of investors.

- l. In the event of capital structure undergoing a change on account of capitalisation of reserves, its impact on the key financial ratios should be distinctly brought out in the offer document. Similarly while discussing the key financial ratios, the fact of outstanding instruments which may affect the financial ratios adequately should also be informed. Further, the paragraph on justification of premium should also bring out the fact of dilution of financial ratios consequent upon issue of bonus shares and the premium should be justified after taking into account the discounted ratios with reference to expanded capital.
- m. From the financial year 2001-2002 onwards consolidated financial statement prepared on the basis of Accounting Standard 21 shall be incorporated in the offer document.

47. Following disclosures shall be made about Related Party Transactions.

- iv) For the period since last 3 Financial Years disclose the information with respect to transactions or loans between the company and
  - (f) enterprises that directly or indirectly through one or more intermediaries, control or are controlled by, or are under common control with, the company;
  - (g) associates;
  - (h) individuals owning, directly or indirectly, an interest in the voting power of the company that gives them significant influence over the company, and close members of any such individual's family;
  - (i) key management personnel, that is, those persons having authority and responsibility for planning, directing and controlling the activities of the company, including directors and senior management of companies and close members of such individuals' families;
  - (j) enterprises in which a substantial interest in the voting power is owned, directly or indirectly, by any person described in (c) or (d) or over which such a person is able to exercise significant influence. This includes enterprises owned by directors or major shareholders of the company.

- v) The nature and extent of any transactions or presently proposed transactions which are material to the company or the related party, or any transactions that are unusual in their nature or conditions, involving goods, services, or tangible or intangible assets, to which the company or any of its parent was a party shall be disclosed.
  - vi) The amount of outstanding loans (including guarantees of any kind) made by the company or any of its parents to or for the benefit of any of the persons listed as directors or key managerial personnel shall be disclosed. The information given should include the amount outstanding as of the latest date, the nature of the loan and the transaction in which it was incurred, and the interest rate on the loan.
48. If there are pending Investor Grievances then make adequate disclosures in this regard in the offer document before filing the letter of offer with the stock exchange. In case the percentage of such pending Investor Grievances shall be indicated by way of a risk factor.
49. The offer document shall contain a specific disclosure, as a note to capital structure, as to the proposal, intention, negotiations, consideration of the company to alter the capital structure by way of split /consolidation of the denomination of the shares, or issue of shares on a preferential basis or issue of bonus or rights or further public issue of shares or any other securities, within a period of 6 months from the date of opening the present issue.
50. The General Instructions shall also state that ‘applicants are advised to read the Prospectus and the general instructions contained this Memorandum carefully and to satisfy themselves of the disclosures before making an application for subscription. For a copy of the prospectus the applicant may request the issuer company and/or lead manager/brokers to the issue. Further, investors are advised to retain the copy of the prospectus/Form 2A (abridged prospectus) for their future reference’.
51. Disclosure shall be made about provisions of clause 7.6.12 of the Guidelines regarding reservation for small individual applicants in the case of public issues (other than book built issues).
52. Disclosure shall be made about provisions of clause 8.5 of the Guidelines where the issue comprises any reservations/firm allotments.
53. The correct procedure for application by Hindu Undivided Family and also the fact that Hindu Undivided Family applications would be treated as applications by individuals shall be disclosed in the offer document.

54. Suitable instruction shall be incorporated in the offer document/ application about the fact that provision of Bank account details in the space provided for in the application form has now been made mandatory and applications not containing such details are liable to be rejected.
55. Where an application is for allotment of securities, in response to (i) a public issue through a prospectus or an offer for sale or (ii) a rights issue, for a total value of Rs.50,000/- or more, i.e. the total number of securities applied for multiplied by the issue price, is Rs.50,000/- or more the applicant or in the case of applications in joint names, each of the applicants, should mention his/her permanent account number allotted under the Income-Tax Act, 1961 or where the same has not been allotted, the GIR number and the Income-Tax Circle/Ward/District. In case where neither the permanent account number nor the GIR number has been allotted, the fact of non-allotment should be mentioned in the application forms. Application forms without this information will be considered incomplete and will be liable to be rejected. This shall be disclosed in the prospectus under the column "Procedure for Application".
56. The offer document and Form 2A and issue advertisements shall contain telephone, fax telegraphic address of the issuer company, lead managers, syndicate members and registrar to the issue after their names.
57. Applications made to stock exchanges for listing shall be available as material document.

### **ANNEXURE III**

(Referred to in Paragraph 2.5(b) of the Report)

---

#### **A-III. LIST OF CONFIRMATIONS REQUIRED FROM THE LEAD MANAGER**

---

**(a) The Lead Manager shall provide the following confirmations/information in writing to SEBI at the time of filing of the draft Offer Document:**

1. Compliance with Clause 4.6 of SEBI(DIP) Guidelines, 2000 (Guidelines) and appropriate disclosure in this regard in the draft Offer Document
2. Compliance with clause 4.9.1, 4.9.2, 4.9.3 and 4.9.4 of the Guidelines.
3. Where the issuer company is exempted from the requirement of promoters' contribution appropriate disclosures have been made in the draft Offer Document citing the relevant provisions of the Guidelines.
4. Figures appearing under the section "Land" are consistent with the figures appearing under the section "Cost of the Project".
5. The schedule of project implementation as indicated under the head "Schedule of Implementation" has been updated with the status as at the time of filing of the draft Offer Document.
6. A certificate from a Chartered Accountant including a detailed cash flow statement of the funds deployed and the sources of funds as of a current date has been submitted to SEBI, and that such a statement has also been incorporated in the draft Offer Document.
7. Due diligence has been exercised with respect to disclosures on the nature of the current business, background of the company, state at which the proposed business stands, risk factors, promoters' experience etc.
8. The issuer company, its promoters and directors and the lead managers have not entered into any buyback and/or standby agreements with any person for purchase of equity shares of the issuer company.
9. At any given time, there shall be only one denomination for the shares of the company.
10. The issuer shall comply with such disclosures and accounting norms as are specified by SEBI.
11. No amendment to the draft Offer Document is required as there are no investor grievances.
12. Monies collected through the issue shall be kept in a separate bank (bankers to the issue) as per the provisions of Section 73(3) of the Companies Act, 1956 and such monies shall be released by the said bank only after receipt of the trading permission from all the stock exchanges where the issuer company is proposing to list its securities and that the above provision has been communicated to the bankers to the issue well in advance and that the agreement between the bankers to the issue and the issuer company specifically contains this condition.

13. Main Object Clause of the Memorandum of Association of the issuer company enables the company to undertake the activities for which the issue funds are being raised.

**(b) The Lead Manager shall provide the following confirmations as a part of the Due Diligence Certificate to be submitted one day prior to the opening of the Issue (Schedule V):**

1. Agreements have been entered into by the issuer company with all the depositories for dematerialization of the issuer's securities.
2. Promoters' contribution and subscriptions from all firm allottees have been received at least one day prior to the opening of the issue and that an auditors certificate to this effect has been duly submitted to SEBI.
3. All public comments as well as SEBI's observations subsequent to making the draft Offer Document public have been dealt with by the issuer company suitably in the final Offer Document and in case no public comments/ observations have been received, a distinct confirmation to that effect.

c) The Lead Manager shall provide the following confirmations as a part of the Post-Issue Monitoring Report to be submitted within \_\_\_\_ days after the closure of the issue and before listing of the securities:

1. In case the share certificates are being issued in physical form, all locked-in securities have been inscribed with the 'non-transferability' stamp with details of the duration of the lock-in and in case the securities are being issued in demat form, the non-transferability details have been informed to all the depositories and confirmations received to this effect from all of them and that the details of all lock-ins have also been intimated to all the stock exchanges where the securities are being listed.
2. Minimum promoters' contribution, wherever required, has been locked in for a period of 3 years as per Clauses 4.11.1 and 4.11.2 of the Guidelines.
3. Lock-in of shares, whenever applicable, has been done in accordance with Clauses 4.11.1, 4.11.2 and 4.14 of the Guidelines

SEBI shall include the following points in its Observation Letter:

1. The Lead Manager shall ensure all material disclosures have been made in Form 2A, particularly those arising out of the observations made by SEBI on the draft Offer Document.
2. In the in-seriatim reply to this SEBI's Observation Letter, the Lead Manager should mention the page number/s of the draft Offer Document where the amendments have been carried out, highlight such amendments in the draft Offer Document and provide an undertaking to SEBI that besides such changes, no other change had been made in the draft Offer Document.

3. Submit an the exception report for exemptions/deviations, if any, sought and the reasons thereof for such matters that are not in compliance with SEBI's observations. (The Lead Manager shall not go ahead with the floatation of the issue without a prior written approval from SEBI for such exemptions/deviations.)



## **ANNEXURE IV**

(Referred to in Paragraph 2.5(c) of the Report)

---

### **A-IV. STANDARD OBSERVATIONS - PORTIONS TO BE DELETED**

---

#### **2.1 ELIGIBILITY OF THE COMPANY TO COME OUT WITH THE ISSUE**

2.1.2 Lead Manager shall verify, confirm and disclose in the offer document that the issuer is eligible to bring the issue. LM should specifically state the relevant clauses as per Chapter II of the Guidelines for Disclosure and Investor Protection - 2000 (hereinafter referred to as 'the Guidelines' or 'Guidelines 2000') and show the eligibility by citing the relevant workings and figures. In case the issuer is a listed company, lead manager shall certify, confirm and disclose the eligibility in terms of clauses 2.3 of the Guidelines 2000 showing the workings and figures

#### **2.2 AUTHORITY FOR THE ISSUE**

Lead manager should ensure that the company has the proper authority to come out with the issue.

2.3.1 Lead Manager shall ensure that the Cover Page of the offer document is strictly in conformity with Clause 6.2 of Guidelines 2000.

#### **2.5 DISCLOSURE WITH REGARD TO CHANGE OF NAME**

Disclose as a Note under the risk factors, if there is a change in the name of the company at any time during the last 3 years, stating the reasons for the change and whether and when the Objects clause of Memorandum of Association was amended to carry on activities as reflected by the new name.

#### **2.6 GOVERNMENT APPROVALS**

2.6.1 Specify separately the government approval applied for but not yet received and the government approval not yet applied. Highlight each of them as a risk factor.

2.6.2 Incorporate an affirmative statement in the offer document stating that the company can undertake the activities proposed by it in view of the present approvals and no further approvals from any Government Authorities/RBI are required by the company to undertake the proposed activities. If such approvals are required state details and give as note wherever they are yet to be obtained.

#### **2.7 LISTING**

2.7.1 If the offer is by an unlisted company (with a commercial operation of less than 2 years) with post issue capital of Rs.3 crores and not exceeding Rs.5 crores, ensure compliance and disclosure as per clause 8.1.1 of the Guidelines regarding listing

- on stock exchange where trading of securities is screen based and also of clause 8.1.2 and 8.1.3 regarding appointment of market maker.
- 2.7.2 If the offer is by an unlisted company whose capital after the proposed issue is less than Rs.3 crores, the securities shall be eligible to be listed only on the OTCEI.
- 2.7.3 As regards listing of pure debt/convertible instruments issued by unlisted infrastructure companies and Municipal corporations, lead manager shall note, ensure compliance and disclosure as per clause 8.2 of the Guidelines 2000.
- 2.7.4 Lead Manager shall ensure that if the permissions to deal in and for an official quotation of the Equity Shares are not granted by any of the Stock Exchanges mentioned in the Offer Document, the Company shall forthwith repay, without interest, all moneys received from the applicants. In case of delay interest shall be paid in accordance with the provisions of Section 73 of the Companies Act, 1956. Disclosure to this effect shall be made in the offer document.
- 2.7.5 Ensure to include the application made for listing at stock exchanges as a material document.
- 2.7.6 In principle approval of Stock Exchanges to be disclosed on Cover Page under the heading 'Listing'.

## **2.8 MINIMUM SUBSCRIPTION**

**Lead Manager shall ensure that the following disclosure is made for all public issues:**

**Underwritten Issues:** If the company does not receive the minimum subscription of 90% of the net offer to public including devolvement of underwriters within 60 days from the date of closure of the issue, the company shall forthwith refund the entire subscription amount received. If there is delay beyond 8 days after the company becomes liable to pay the amount, the company shall pay interest as per Section 73 of the Companies Act, 1956."

**Non-underwritten Issues:** If the company does not receive the minimum subscription of 90% of the issued amount on the date of closure of the issue, or if the subscription level falls below 90% after the closure of issue on account of cheques having been returned unpaid or withdrawal of applications, the company shall forthwith refund the entire subscription amount received. If there is delay beyond 8 days after the company becomes liable to pay the amount, the company shall pay interest as per Section 73 of the Companies Act, 1956."

### **For composite issues:**

The lead manager shall ensure that the requirement of 'Minimum subscription' is satisfied both jointly and severally i.e. independently for both rights and public issues. If the company does not receive the minimum subscription in either of the issues, the company shall refund the entire subscription received.

The requirement of minimum subscription shall not be applicable to **offer for sale**. Hence appropriate disclosure shall be made under this head.

In the case of public issues by an **Infrastructure company** state whether the minimum subscription would be complied with or provide disclosures regarding the alternate source of funding.

In the case of **Rights issue**, the Minimum Subscription shall be disclosed as follows:

**Underwritten Issues:** If the company does not receive the minimum subscription of 90% of the net offer to public including devolvement of underwriters, the entire subscription shall be refunded to the applicants within forty two days from the date of closure of the issue.

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

**Non-underwritten Issues:** If the company does not receive the minimum subscription of 90% of the issue the entire subscription shall be refunded to the applicants within forty two days from the date of closure of the issue. If there is a delay in the refund of subscription by more than 8 days after the company becomes liable to repay the subscription amount,(i.e. forty two days after closure of the issue), the company will pay interest for the delayed period, at prescribed rates in sub-sections (2) and (2A) of Section 73 of the Companies Act, 1956.

## **2.9 UNDERWRITING AGREEMENT / STANDBY ARRANGEMENT BY THE ISSUER**

- 2.9.1 Full terms of the underwriting/ standby arrangement, if any, in the issue should be disclosed in the offer document. If the same is not applicable, a negative statement to this effect should be made under this head in the offer document.
- 2.9.2 Ensure compliance and disclosure as per clause 5.5 and 6.3.13 of the Guidelines.
- 2.9.3 In case of partial underwriting of the issues, Lead Manager shall ensure to disclose the extent of issue being underwritten.
- 2.9.4 Ensure that the underwriters associated with the issue have obtained the Certificate of Registration from SEBI under the SEBI (Stock Brokers and Sub Broker) Regulations, 1992; or the SEBI (Underwriters) Regulations, 1993;
- 2.9.5 Further, specifically ensure that the underwriters associated with the issue comply with the guidelines / instructions contained in SEBI Circular RUW Circular No.1 (93-94) dated November 19, 1993 especially those pertaining to execution of the underwriting agreement and total underwriting obligations.

## **2.10 CREDIT RATING FOR DEBT INSTRUMENTS**

Ensure compliance with clause 2.5 and 6.3.12 of the Guidelines 2000.

## **2.11 ISSUE MANAGEMENT TEAM**

- 2.11.1 Lead Manager shall certify and confirm that he and other lead managers are not associated with the issuer by virtue of shareholding, common directorship/promoter and that the provisions of Regulation 20(2) of the SEBI (Merchant Bankers) Regulations, 1992 is not attracted.

- 2.11.2 Lead manger is required to ensure and confirm that all intermediaries associated with the issue are registered with SEBI as on the issue opening date and have complied with the requirements of SEBI regulations and are eligible to be associated with the issue.
- 2.11.3 Lead Manager shall ensure that a merchant banker who is associated with the issuer company as a promoter or a director shall not lead manage the issue except as provided in clause 5.4.1 of the Guidelines 2000.
- 2.11.4 Lead manager shall not act as Registrar to the issue if he is also handling post issue responsibilities.
- 2.11.5 Lead manager shall ensure and confirm that the number of co-managers to an issue does not exceed the number of lead managers and that there is only one advisor to the issue.
- 2.11.8 Lead manager shall ensure and confirm the appointment of bankers to issue in all the mandatory collection centres.

## **2.12 BANKERS TO THE ISSUE**

Ensure that the Bankers to the Issue and correspondent banks hold valid Certificate of Registration from SEBI under the SEBI (Bankers to an Issue) Rules and Regulations, 1994.

## **2.15 CAPITAL STRUCTURE**

- 2.15.1 Ensure the capital structure is presented as per Clause 6.4. of Guidelines – 2000. In this regard lead manager may be guided by the provisions of clause 8.4 of the Guidelines also.
- 2.15.2 Disclose Notes to capital structure as per clause 6.4.2 of the Guidelines 2000.
- 2.15.3 Disclose the details of the major shareholders as per Clause 6.4.2(j) of Guidelines 2000.
- 2.15.4 Disclose the aggregate shareholding of the promoter group as per Clause 6.4.2(k) of Guidelines 2000.
- 2.15.5 Disclose the names of the core promoters their pre and post issue holdings, contribution towards promoters contribution and details of lock in of their shares.
- 2.15.8 If the public issue is by an unlisted company, ensure that the net offer to public shall be at least 10% or 25%, whatever is applicable, of the post-issue capital.
- 2.15.9 If the public issue is by a listed company ensure that the net offer to public is at least 10% or 25%, whatever is applicable, of the issue size.
- 2.15.10 If the issuer is exempt from the above provisions, state so specifically, citing the relevant provisions.
- 2.15.11 If any reservations/firm allotments are being made, the same shall strictly confirm to the provisions of clause 8.3.45 of the Guidelines. Reservation/firm allotment shall not be made to any other category of persons other than those stated in the said clause.
- 2.15.12 If the lead manager is taking firm allotment subject to ceiling of 5% of the proposed issue of securities, the same shall be distinctly disclosed in the offer document.

- 2.15.13 Ensure that the aggregate of reservations and firm allotments for employees in the issue does not exceed 10% of the total proposed issue amount.
- 2.15.14 Where the issue comprises reservations/firm allotments, ensure compliance and disclosure point-wise as per the provisions of clause 8.5 of the Guidelines.
- 2.15.15 Lead manager shall ensure that where the issuer is a listed company and the promoters already hold the minimum contribution, participation in the proposed public issue shall attract the pricing provisions of guidelines on preferential allotment if the issue price is lower than the preferential issue price. Where the issuer being a listed company is exempt from the requirement to offer promoters contribution under the guidelines, any contribution by promoters in the proposed issue shall attract the pricing provisions of preferential allotment guidelines if the issue price is lower than such price. Firm allotment to any person in the proposed issue of listed company shall attract the pricing provisions of preferential allotment guidelines if the issue price is lower than such preferential issue price.
- 2.15.16 Lead Manager shall certify to SEBI as also make a disclosure in the offer document that no payment, direct or indirect in the nature of discount, commission allowance or otherwise shall be made either by the issuer company or the promoters in any public issue to the persons who receive firm allotment in such public issue.
- 2.15.19 Lead Manager shall ensure that the shares offered/included under minimum promoter's contribution (20%) for lock-in should be on the LIFO basis i.e. the shares allotted recently should be given priority over the shares allotted earlier while offering under promoter's contribution for lock-in. This would not be applicable if the entire shareholding of the promoters is in Demat.
- 2.15.20 The lead manager may note that the RBI approval for allotment of shares to NRIs/OCBs/FIIs with repatriation basis should be obtained before opening of the bidding in the case of book built issues and in other cases before filing with ROC/Stock exchanges.
- 2.15.26.b.iii All other notes regarding the promoter's total post issue holding, the promoters contribution being brought in before the issue, promoters undertaking regarding taking up the shares in the event of withdrawal of firm allottees, legally enforceable agreement in respect of firm allottees, RBI approval for reservation to NRIs/OCBs/collaborators, company's intention of retaining additional 10% in the event of oversubscription, cap on the maximum number of shares to be applied under public category [if applicable], reference to proportionate basis of allotment etc. should form part of the capital structure.
- 2.15.27 Disclose the number of members of the company as in the date of filing of offer document with the ROC/SE.

## **2.16 PROMOTERS CONTRIBUTION**

- 2.16.3 Tabulate and disclose the names of the core promoters and each of their total holdings and contribution towards promoters' contribution.

## **2.17 LOCK IN OF FIRM ALLOTMENT AND PROMOTERS PARTICIPATION IN EXCESS OF MINIMUM CONTRIBUTION**

Where the issuer is an unlisted company, the lead manager may note that Firm allotment to any person and Participation in the present issue by promoters, friends, relatives, associates etc. in the public issue shall be locked in for a period of 1 years from the date of allotment in the present issue or the date of commencement of commercial production, whichever is later.

## **2.21 TERMS OF THE PRESENT ISSUE**

- 2.21.3 The caption 'Interest in case of Delay in Despatch of allotment letters/refund orders in case of public issues' shall appear and shall contain the disclosure as per clause 6.5.1.1. of the Guidelines 2000.
- 2.21.4 Ensure disclosure as per clause 6.5.4.2 of the Guidelines as regards Applications by NRIs.
- 2.21.5 Ensure disclosure about stock invests as per clause 6.5.4.3 of the Guidelines.
- 2.21.6 Ensure disclosure regarding Despatch of Refund orders as per clause 6.5.5 of the Guidelines.
- 2.21.7 Ensure disclosure of Undertaking by the Issuer company as per clause 6.5.6 of the Guidelines.
- 2.21.8 Ensure disclosure regarding Utilisation of Issue proceeds as per Clause 6.5.7 of the Guidelines.

## **2.28 PARTICULARS OF THE ISSUE**

- 2.28.1 Ensure detailed disclosure as per clause 6.6 of the Guidelines and confirm compliance in-seriatim.
- 2.28.2 Give details of Project and means of financing as per clause 6.6.2 and 6.6.3 of the Guidelines.
- 2.28.3 Where the project is appraised, the details shall be disclosed giving cost of project and means of financing as per the appraisal report and also the weakness and threats if any given as given in the appraisal report. Reference number and date of the final term loan sanction letter shall be stated and also made available for inspection as material document.
- 2.28.4 Details of deployments of funds in the project as per clause 6.6.5 of the Guidelines to be disclosed. Ensure to give actual expenditure incurred on the project upto a date not earlier than 2 months from the date of filing the offer document with the registrar of companies/stock exchanges.
- 2.28.5 Disclose the year wise break up of the expenditure proposed to be incurred on the project.
- 2.28.6 Disclose the investment avenues in which the issue proceeds may be deployed pending utilisation in the proposed project.
- 2.28.7 Give the name of the monitoring agency if applicable.
- 2.28.8 Disclose the source of funds to meet the project expenses in case of shortfall in issue proceeds and avenues of deployment of excess funds. The lead manager should ensure that the means of finance (other than issue proceeds) is tied up for not less than 75% of the project cost before filing of the offer document with ROC/stock exchange.

- 2.28.11 No financial estimates or projections should be given in any form in the offer document
- 2.28.13 Disclose the following with respect to working capital including where the funds are raised for long term working capital purposes.
- i. Basis of estimation of working capital requirement along with the relevant assumptions.
  - ii. **Reasons for Raising Additional Working Capital:** The lead manager should disclose the exact reasons for raising additional working capital and substantiate the same with relevant facts and figures.
  - iii. **Projected Working Capital Requirement:** Assessment for working capital figures after implementation of the project or achievement of objects of the issue as the case may be should be given in detail. The details should include the capacity utilisation assumptions, expected current assets figures (broken up into each component raw materials, finished goods, work in progress, sundry debtors etc.) with holding norms assumptions, total current liabilities, net current assets and envisaged sources of finance for net current assets (bank/institutional finance, own funds etc.).
  - iv. The lead manager should verify and incorporate in tabular form the total envisaged working capital requirement, the margin money thereof and portion to be financed by banks or otherwise.
  - v. Lead manager to ensure tie up of borrowings/bank finance/institutional finance in respect of working capital requirements. Otherwise the same be shown as an internal risk factor.
  - vi. The lead manager should ensure that the investors are given a complete perspective on the present working capital position vis-à-vis the projected one based on which the money is proposed to be raised.
  - vii. **Existing Working Capital Facilities:** The lead manager should ensure the disclosure of the existing working capital available to the company. Audited figures should be given as of a latest date for total current assets (broken up into each applicable component- raw materials, finished goods, work in progress, sundry debtors etc.), total current liabilities, net current assets and sources of finance for net current assets (bank/institutional finance, own funds etc.).
- 2.28.14 If no working capital is shown a part of project state reasons and explain the business as to how there is no need for working capital.

## **2.29.6 Board of Directors and Key Management Personnel**

2.29.6.1 Ensure disclosures as per clause 6.7.4 of the Guidelines.

## **2.29.7 Project**

2.29.7.1 Give complete details of location of the project, Plant, machinery, technology, process, infrastructure facilities, Schedule of implementation of the project and progress made so far citing each activity as per clauses 6.7.7, 6.7.9 and 6.7.10 of the Guidelines.

2.29.7.4 The lead manager may explicitly indicate whether the company has applied / received all the Government Approvals pertaining to the construction. If no such approvals are required to be taken over by the company, this fact may be indicated by way of an affirmative statement in the offer document and if the company is yet to receive any of the necessary approvals, this fact shall be highlighted as a risk factor.

#### **2.29.8 LAND**

2.29.8.1 The lead manager may confirm that the names of the entities from whom the land referred to under this head has been acquired/ proposed to be acquired alongwith the cost of acquisition have been disclosed under this section. Further the lead manager may confirm that the entities from whom the company has acquired the land/ proposes to acquire the land are not related to any of the promoters/ directors of the company. If the entities are related then the lead manager may confirm that this fact alongwith the relevant details has been indicated by way of a risk factor also.

2.29.8.2 The lead manager may confirm by way of an affirmative statement in the offer document that the land acquired by the company is free from all encumbrances and has a clear title.

2.29.8.3 The lead manager may confirm whether the land referred to under this head is registered in the name of the company. If no, then the lead manager may confirm that this fact has been indicated by way of a risk factor also.

2.29.8.4 The lead manager may explicitly indicate under this head as to whether the company has applied/ received all the Government Approvals pertaining to land. If no such approvals are required to be taken by the company, then this fact may be indicated by way of an affirmative statement in the offer document.

#### **2.29.9 MANPOWER**

The steps taken by the company towards the recruitment of personnel may be specifically disclosed in the offer document.

#### **2.29.11 MARKETING STRATEGY**

The lead manager may confirm that the company has entered into a legally enforceable agreement to use the brand name before the offer document is filed with the ROC/stock exchange. In case the brand name is not registered in the name of the company, the name in which it is registered should be disclosed. In case the brand name is registered in the name of firm/company in which the promoters are interested the same shall be disclosed together with the salient features of the agreement entered into for the use of brand by the company. If the issuer is entitled to certain trade marks, IPRs, brand names etc. state whether the same are legally held by the company and whether all formalities in this regard have been complied with.

#### **2.29.13 Collaboration etc.**

2.29.13.1 Disclose details of collaboration, performance guarantee or assistance in marketing by collaborators. Give complete details regarding persons/entities with



who technical and financial agreements have been entered into as per clause 6.7.8.1 of the guidelines.

2.29.13.2 Ensure disclosure regarding capacity, products, marketing, competition etc. as per clauses 6.7.12.1 and 6.7.11 of the Guidelines.

### **2.31 Management Discussion on Financials**

Ensure disclosure as per clause 6.8 of the Guidelines and confirm compliance in-seriatim.

### **2.32 Financial of Group Companies**

Ensure disclosure of financials for all the companies, firms, ventures etc. promoted by the promoters of the issuer irrespective of whether these are covered under Sec. 370(1)(B) of the Companies Act, 1956, for the last 3 years based on the audited statements, as per clause 6.9 of the Guidelines.

### **2.35 PROMISE VS PERFORMANCE**

2.35.1 Ensure to disclose in details as per clauses 6.11.1 and 6.11.2 of the Guidelines.

#### **2.35.2 Listed Ventures of Promoters**

- A separate para on issues of group/associate companies entitled "Promise Vs Performance - ALL earlier Issues of group/associate companies" may be given. Disclose Cost and progress of implementation in comparison to what was stated in the respective prospectus. Indicate whether all the objects mentioned in the respective offer Documents were met and whether all projections made in the offer documents were achieved.
- If not, non-achievement of objects/ projections shall be brought out distinctly (shortfall/delay to be quantified). Details of investor complaints received, resolved and pending as on date may be incorporated in respect of the above capital issues. **Any shortfall should be brought out as 'Risk Factors'.**

### **2.36 Particulars of issue of capital:**

Disclose details as required under clause 6.10 of the guidelines regarding issue of capital during the last three years by the issuer of companies under the same management.

### **2.37 Basis for Issue price**

2.37.1 Ensure that basis for the price at which the securities are offered, is disclosed in the offer document as provided in clause 6.13 of the Guidelines.

2.37.2 Lead Manager shall not proceed with the issue in case the accounting ratios do not justify the issue price.

### **2.38 OUTSTANDING LITIGATION'S OR DEFAULTS**

- 2.38.1 Defaults of all litigation should include amount, date instituted, principal parties, charges/ allegations, courts before which the Litigation are pending, present status, implications on the issuer, provisions made in the financial statements shall be disclosed.
- 2.38.2 Lead Manager to classify the litigation in various heads in the following order
6. Criminal
  7. Securities
  8. Statutory
  9. Civil
  10. Others (please specify)
- 2.38.3 Ensure pointwise disclosure of clause 6.14 of the Guidelines and confirm compliance.
- 2.38.8 All outstanding litigation should be reflected by way of separate risk factors.**

**2.39 Investor Grievance Redressal System**

Ensure disclosure as per clause 6.16 of the Guidelines.

**2.40 PART II of offer document applicable for public issues including IPOs**

Ensure disclosure as per clauses 6.17, 6.18 and 6.19 of the Guidelines.

**2.41 FINANCIAL PERFORMANCE**

- 2.41.15 Ensure disclosure of statutory and other information as per clause 6.18 and 6.19 of the Guidelines.
- 2.41.16 Ensure that the accounting ratios are given as per clause 6.18.7 (f) for each of the accounting periods for which financial information is given.
- 2.41.17 Capitalisation statement as required under clause 6.18.7 (g) shall be disclosed.
- 2.41.18 Ensure that all the financial and other information required in terms of clause 6.18 of the Guidelines is duly covered by the auditors report.

**2.43 ADVERTISEMENT FOR RIGHTS ISSUE**

Ensure compliance of clause 5.11 of the Guidelines 2000.

**2.44 ISSUE ADVERTISEMENTS**

- 2.44.1 As regards issue advertisements, as lead manager, you shall take an undertaking from the issuer company that no publicity material or advertisement will be released without the consent of the lead manager and you shall ensure that the advertisement does not violate extant guidelines on the subject, particularly chapter IX of SEBI (DIP) guidelines, 2000. Further, no slogans or catchword shall be used if the same was not part of the document vetted by SEBI.
- 2.44.2 In this connection, care should be taken to ensure that RISK FACTORS appear in all places along with the HIGHLIGHTS. Further all Issue advertisements will mention risk factors invariably even when the HIGHLIGHTS are not mentioned.

**2.47 Memorandum in Form 2A (Abridged Prospectus) and Application**

- 2.47.1 Ensure that the abridged prospectus contains the disclosures as per Section II of Chapter 6 of the Guidelines 2000.

- 2.47.2 Each application shall be accompanied by an abridged prospectus.
- 2.47.5 The Notes to risk factors shall also be contained in the abridged prospectus after the risk factors.
- 2.47.7 The General instructions shall also specifically state that a ceiling of Rs.50000 per individual per stock invest has been imposed by banks and that the ceiling is not applicable to mutual funds.

## **2.51 STOCKINVEST SCHEME**

The modified features of the scheme as per RBI Circular dated 2/9/94 should be incorporated in all relevant places in the Offer Document and Memorandum 2A (abridged prospectus). Particularly the fact that only individual investors and mutual funds can apply through stock invest shall be distinctly indicated.

Further, the fact that the stockinvest should be used within 10 days from the date of issue should also be mentioned. The applicant should also be reminded to indicate the application number on the reverse of the instrument through which the payment is made. The stockinvest is to be made payable in favour of the issuer company and not the bank.

## **2.54 OTHER CONDITIONS**

- 2.54.11 All data with regard to shareholdings be updated and any changes in this regard be clearly incorporated in the offer document.
- 2.54.13.1A specific disclosure shall be made stating that all information shall be made available by the lead managers and the issuer to the public and investors at large and no selective or additional information would be available for a section of the investors in any manner whatsoever including at road shows, presentations, in research or sales reports, at bidding centres etc.
- 2.54.16 Lead manager or the issuer or any other person marketing the issue shall not offer any incentives to the prospective investors by way of commission, insurance schemes, banking/Depository facilities, credit card facilities, lucky draw, prizes or in any other manner whereby consideration or inducement in cash or kind is made.

## **2.55 CLAIMS MADE IN THE OFFER DOCUMENT**

- 2.55.5 The fact that an applicant in the public/reserved category can make an application only for that number of securities only which is offered to the public/under reservations, should be brought out distinctly in the document.
- 2.55.6 As regards applications in case of reservations to NRI's/OCB's, lead manager should ensure to incorporate the fact that payment for such allotments shall come through external source only and that the payments through NR(O) a/c will not be permitted.
- 2.55.9 The Lead Manager should ensure to indicate in the offer document and in General Instructions in Form 2A that the persons (excepting shareholders and employees of the companies) to whom firm allotments have been made in the present issue should not make applications in the public offer category.
- 2.55.10 The lead manager should ensure that the issue in respect of reserved categories such as NRIs etc. should be closed on the same date as to the Indian public.

**2.56 Corporate Governance**

A separate paragraph shall be added in the Offer Document stating the following. "The company has complied with SEBI guidelines in respect of Corporate Governance specially with respect to broad basing of Board, Constituting the Committees such as shareholding/ investor Grievance Committee, etc." The details of these committees shall be disclosing under the head "Management". If the committees are not constituted for any legal reason before listing, the stock exchanges may require that the application monies be kept in escrow account till compliance.

**ANNEXURE -V**

(Referred to at paragraph 5.4 of the Report)

**A-V. Chart of disclosure items in offer documents**

CONTENTS	COMPANIES ACT PROVISIONS	SEBI DIP GUIDELINES	SEBI OBSERVATIONS	VOLUNTARY
<b>Cover Page</b>		<b>6.2</b>	<b>2.3</b>	
<b>* Issue Details</b>				
<b>-Logo Name, Previous Name, Address, Tel. no, Fax No. Contact Person and e-mail Address of the Issuer Company</b>	<b>Part I - I(a)</b>	<b>6.2.1.2 (ii)</b>		
<b>-Nature, No., Price and Amount of Instruments offered and issue Size</b>		<b>6.2.1.2(i) &amp; (iii)</b>		
<b>-Risk in relation to First Issue</b>		<b>6.2.1.2(iv) a</b>		
<b>-General Risk regarding Investments in Equity</b>		<b>6.2.1.2(v)</b>		
<b>-issuer's Absolute Responsibility clause</b>		<b>6.2.1.2(vi)</b>		
<b>-Logo and Names, of the Lead Managers with their titles, and Logo and Names of the Registrars</b>		<b>6.2.1.2(vii) &amp; (viii)</b>		
<b>-Issue Schedule</b>	<b>Part I - I(g)</b>	<b>6.3.10</b>		

-Credit Rating, if applicable	Part I - I(j)	6.2.1.2(x)		
-Names of the Stock Exchanges where Listing is proposed along with details of in-principle approval		6.2.1.2(xi) & (xii)		
Table of Contents		6.2.2.1		
* To include all the main heads				
<b>SECTION I – RISK FACTORS</b>				
Forward - looking Statements and Market Data				<b>Voluntary</b>
Risk Factors	Part I - VIII			
* Management Perception of Internal Risks - Risks relating to the Company		6.2.3.2		
* Management Perception of External Risks - Risks relating to the Industry		6.2.3.2		
* Investors Please Note:		6.2.4.2		
<b>SECTION II – INTRODUCTION</b>				
Summary				<b>Mandatory</b>
* Summary of the Industry and Business of the Issuer Company				
* Offering Details in Brief				
* Summary Consolidated Financial, Operating and Other Data				
General Information				

* <b>Board of Directors of the Company</b>				
* <b>Brief details of the Chairman/MD etc.</b>				
* <b>Names, Address, Tel No., Fax No, Contact Person and email Address of Merchant Bankers and the Issue Management Team</b>	<b>Part I - I(h) / Part II - A.6</b>	<b>6.3.11</b>		
* <b>Statement of Interse Allocation of Responsibilities among Lead Managers</b>		<b>11.3.1(v)(b)1</b>		
* <b>Brokers/ Syndicate Members to the Issue</b>	<b>Part II - A.6</b>	<b>6.3.11</b>		
* <b>Credit Rating (in case of debt issue)</b>	<b>Part I - I(j)</b>	<b>6.3.12</b>		
* <b>Debenture Trustees (in case of debt issue)</b>	<b>Part I - I(i)</b>	<b>6.3.11</b>		
* <b>Monitoring Agency</b>		<b>6.6.6</b>		
* <b>Book Building Process in brief</b>			<b>SEBI Comments (read with 6.5)</b>	
* <b>Underwriting Agreements</b>	<b>Part I - I(k)</b>		<b>2.9.1</b>	
<b>Capital Structure</b>	<b>Part I - II</b>	<b>6.4</b>	<b>2.15</b>	
<b>Objects of the Offering</b>	<b>Part I - IV(a)</b>	<b>6.6.1</b>	<b>2.28</b>	
* <b>Funds Requirement</b>	<b>Part I - IV(b)</b>	<b>6.6.2</b>		
* <b>Funding Plan</b>	<b>Part I - IV(c)</b>	<b>6.6.3</b>		
* <b>Schedule of Implementation</b>	<b>Part I - V(i)</b>	<b>6.7.10</b>		
* <b>Funds Deployed</b>		<b>6.6.5</b>		
* <b>Sources of Financing of Funds already Deployed</b>		<b>6.6.5</b>		
* <b>Sources of Financing for the Balance Fund Requirement</b>		<b>6.6.5</b>		
* <b>Interim Use of Funds</b>		<b>6.6.5</b>		
* <b>Basic Terms of Issue</b>				
* <b>Basis for issue price</b>		<b>6.13</b>		
* <b>Tax Benefits</b>	<b>Part I – III (d)</b>	<b>6.5.8</b>		

<b>SECTION III - ABOUT US</b>				
<b>Industry Overview</b>				
<b>Business</b>				
* Overview			6.7.1	Voluntary
Details of the Business of the Company	Part I - V(a)		6.7.1	
-Location of the Project			6.7.6	
-Plant, Machinery, Technology, Process etc	Part I - V(f)		6.7.7	
-Collaborations, any Performance Guarantee or Assistance in Marketing by the Collaborators	Part I - V(g)		6.7.8	
-Infrastructure Facilities for Raw Materials and Utilities like Water, Electricity etc.	Part I - V(h)		6.7.8.9	
- Products / Services of the Company	Part I - V(j)		6.7.11	
* Business Strategy				Voluntary
-Future Prospects	Part I - V(k)		6.7.12	
* Competitive Strengths				Voluntary
* Insurance				Voluntary
* Property	Part I - V(e)			
<b>Industry-Regulation (if applicable)</b>				
<b>Our History and Corporate Structure</b>				
* History and Major Events	Part I - V(a)		6.7.1	
* Corporate Structure				Voluntary
* Main Objects	Part I - V(a)		6.7.1	
* Subsidiaries and their Businesses	Part I - V(b)		6.7.2	
* Shareholders Agreements			6.7.8.1	
* Strategic Partners			6.7.8.1	
* Financial Partners			6.7.8.1	
<b>Management</b>				



* Board of Directors	Part II - 6.C.11(i)			
* Compensation of Managing Directors/ Wholetime Directors	Part II - 6.C.11(ii)			
* Corporate Governance			2.57	
* Shareholding of Directors			2.29.6.7	
* Interest of the Directors	Part II - 6.C.11(i)	6.19.11	2.29.5	
* Change in the Board of Directors in last three years	Part II - A.3	6.17.3		
* Management Organisation Structure				Voluntary
* Key Management Personnel		6.7.4		
* Employees Stock Option Plan			2.29.6.7(v)	
* Shareholding of the Key Managerial Personnel			2.29.6.7(vi)	
* Bonus or Profit Sharing Plan for the Key Managerial Personnel			2.29.6.7(v)	
* Changes in the Key Managerial Personnel in the last three years		6.7.4 (c) (one year)	2.29.6.6	
* Employees			2.15.27	
* Payment or Benefit to Officers of the Company (non-salary related)	Part II - 6.C.11.(i)	6.19.11	2.29.5	
Promoters/Principal Shareholders				
* Details about the Promoter	Part I - V(c)	6.7.3		
* Other Details of the Promoters, as required by SEBI Guidelines		6.7.3		
* Details of Companies Promoted by the Promoters, as required by SEBI Guidelines		6.9/6.11.2 / 6.14		
* Common Pursuits		6.9.4(a)		
* Interest of Promoters in the Company	Part II - 6.C.11(iii)	6.19.11	2.29.5	
* Payment or Benefit to Promoters of the Company	Part II - 6.C.11(ii)	6.19.11	2.29.5	
* Related Party Transactions as per the Financial Statements		6.9.4		
Exchange Rates				Voluntary
Currency of Presentation				Voluntary

<b>Selected Consolidated Financial and Operating Data</b>	<b>Part II - B</b>	<b>6.18</b>		
<b>Management's Discussion and Analysis of Financial Condition and Results of Operations</b>		<b>6.8</b>		
* <b>Overview of the Business</b>				<b>Mandatory</b>
* <b>Significant Developments subsequent to the last Financial Year</b>		<b>6.8.3</b>		
* <b>Factors that may affect Results of the Operations</b>		<b>6.8.3</b>		
* <b>Other Points as required by SEBI Guidelines</b>		<b>6.8.2</b>		
* <b>Discussion on Results of Operations</b>			<b>Already Mandatory</b>	
* <b>Comparison of recent Financial Year with the Previous Financial Years (last three years) on the major heads Of the P&amp;L statement</b>		<b>6.8.1</b>		
* <b>Liquidity and Capital Resources</b>				<b>Voluntary</b>
* <b>Capital Expenditure</b>				<b>Voluntary</b>
* <b>Foreign Exchange Risk</b>				<b>Voluntary</b>
* <b>Interest Rate Risk</b>				<b>Voluntary</b>
* <b>Recent Accounting Pronouncements</b>				<b>Voluntary</b>
<b>Capitalisation</b>		<b>6.18.7(g)(i)</b>	<b>2.41.17</b>	
<b>Dividend Policy</b>		<b>6.18.b</b>	<b>2.21.12</b>	
<b>SECTION IV – FINANCIAL STATEMENTS</b>				
* <b>Financial Statements</b>	<b>Part II - B</b>	<b>6.18</b>		
* <b>Changes in Accounting Policies in the last three years</b>		<b>6.36</b>		
* <b>Any Differences between the Accounting Policies and the Indian Accounting Policies (if the Company has presented its Financial Statements also as per Either US GAAP/IAS</b>				<b>Voluntary (Mandatory if additional set of a/cs. Used)</b>

<b>SECTION V – LEGAL AND OTHER INFORMATION</b>				
<b>Outstanding Litigations and Material Developments</b>		<b>6.14</b>	<b>2.38</b>	
* <b>Outstanding Litigations involving the Company</b>	<b>Part I - VII (a)</b>			
* <b>Outstanding Litigations against the Company's Subsidiaries (if applicable)</b>				
* <b>Outstanding Litigation involving the Promoter and Group Companies</b>				
* <b>Material Developments since the last Balance Sheet Date</b>	<b>Part I - VII (c)</b>	<b>6.30</b>		
<b>Government Approvals/ Licensing Arrangements</b>				
* <b>Investment Approvals (FIPB/RBI etc.)</b>		<b>6.3.2</b>		
* <b>All Government and other Approvals</b>	<b>Part I - I(b)(i)</b>	<b>6.3.2</b>	<b>2.6</b>	
* <b>Technical Approvals</b>	<b>Part I - I(b)(ii)</b>	<b>6.3.2</b>		
<b>Indebtness</b>	<b>Part II - 6</b>	<b>6.18.6</b>		
<b>SECTION VI – OTHER</b>				
<b>REGULATORY AND STATUTORY DISCLOSURES</b>				
* <b>Authority for the Issue</b>	<b>Part II - A.4</b>	<b>6.17.4</b>	<b>2.2</b>	
* <b>Prohibition by SEBI</b>		<b>2.1.3</b>	<b>2.1.1</b>	
* <b>Eligibility of the Company to enter the Capital Market</b>		<b>Chapter II</b>	<b>2.1.2</b>	
* <b>Disclaimer Clause</b>		<b>6.3.3</b>		
* <b>Caution</b>		<b>6.3.4.1</b>		
* <b>Disclaimer in respect of Jurisdiction</b>		<b>2.55.2</b>		
* <b>Distribution of Information to Investors</b>			<b>2.45.2</b>	
* <b>Disclaimer Clause of the Stock Exchanges</b>				<b>Stock Exch. Req</b>

* <b>Filing</b>		<b>6.3.5</b>		
* <b>Listing</b>	<b>Part I - I(c)</b>	<b>6.3.6</b>	<b>2.1.6</b>	
* <b>Impersonation</b>	<b>Part I - I(d)</b>	<b>6.3.7</b>		
* <b>Minimum Subscription</b>	<b>Part I - I(e)</b>	<b>6.3.8</b>	<b>2.8</b>	
* <b>Letters of Allotment or Refund Orders</b>	<b>Part I - I(f)</b>	<b>6.17.4</b>		
* <b>Consents</b>	<b>Part II - A.1</b>	<b>6.17.1</b>		
* <b>Expert Opinion</b>	<b>Part II - A.2</b>	<b>6.17.2</b>		
* <b>Changes in the Auditors in the last 3 Years</b>	<b>Part II - A.3</b>	<b>6.17.3</b>		
* <b>Expenses of the Issue</b>	<b>Part II - 6.C.2</b>	<b>6.19.2</b>		
* <b>Fees Payable to the BRLM/ Lead Managers</b>	<b>Part II - 6.C.2(c)</b>	<b>6.19.2</b>		
* <b>Fees Payable to the Issue Management Team</b>	<b>Part II - 6.C.2</b>	<b>6.19.2</b>		
* <b>Fees Payable to the Registrars</b>	<b>Part II - 6.C.2.(b)</b>	<b>6.19.2</b>		
* <b>Underwriting Commission, Brokerage and Selling Commission</b>	<b>Part II - 6.C.3</b>	<b>6.19.2</b>		
* <b>Previous Rights and Public Issues</b>	<b>Part II - 6.C.5</b>	<b>6.19.5</b>		
* <b>Previous Issues for Cash</b>	<b>Part III - 6.C.4</b>			
* <b>Issues otherwise than for Cash</b>	<b>Part II - 6.C.7</b>	<b>6.19.7</b>		
* <b>Outstanding Debentures or Bonds</b>	<b>Part II - 6.C.8</b>	<b>6.19.8</b>		
* <b>Outstanding Preference Shares</b>	<b>Part II - 6.C.8</b>	<b>6.19.8</b>		
* <b>Commission and Brokerage on Previous Issues</b>	<b>Part II - 6.C.6</b>	<b>6.19.6</b>		
* <b>Capitalisation of Reserves or Profits</b>			<b>2.15.24</b>	
* <b>Option to Subscribe in the Issue</b>	<b>Part II - 6.C.9</b>	<b>6.19.9</b>		
* <b>Purchase of Property</b>	<b>Part II - 6.C.10</b>	<b>6.19.10</b>		
* <b>Revaluation of Assets</b>	<b>Part II - 6.C.14</b>	<b>6.19.14</b>		
* <b>Classes of Shares, if applicable</b>				<b>Mandatory</b>

* <b>Stock Market Data for Equity Shares of the Company</b>	<b>Part I - V</b>	<b>6.7.13</b>	<b>2.30</b>	
* Particulars regarding previous Public Issues during the last 5 years by Issuer Company and 3 (?)issues by other Listed Companies under the same management	Part I - VI	6.10		
* Promise vis-à-vis Performance		6.11		
* Mechanism evolved for Redressal of Investor Grievances		6.16	2.42	
* Redressal of Investor Grievances		6.16	2.42	
<b>SECTION VII - OFFERING INFORMATION</b>				
<b>Terms of the Issue</b>		6.5		
* Ranking of Equity Shares				
* Mode of Payment of Dividend				
* Face value and Issue Price				
* Rights of the Equity Shareholder	Part I - III(b)	6.5.3		
* Market Lot				
* Nomination Facility to Investor				
<b>Issue Procedure</b>	Part I - III(a)&(c )	6.5		
* Book Building Procedure				
* Bid Form				
* Who can Bid				
* Maximum and Minimum Bid Size				
* Bidding Process				
* Bidding				
* Bids at Different Price Levels				
* Escrow Mechanism				
- Escrow A/c. of the Company				
- Escrow A/c. of the Syndicate				
* Terms of Payment and Payment into the Escrow Collection Account				
* Electronic Registration of Bids				
* Build Up of the Book and Revision of Bids				
* Price Discovery and Allocation				

* Signing of Underwriting Agreement and Filing of Prospectus with RoC				
* Announcement of Statutory Advertisement				
* Issuance of Confirmation of Allocation Note("CAN") and Allotment in the Issue				
* Designated Date				
* General Instructions				
-Do's				
-Don'ts				
- Instructions for Completing the Bid Form				
- Bidders Bank Details				
- Bids by NRIS, OCBs or FIIs on a repatriation basis				
* Payment Instructions				
-Payment into Escrow Account of the Company				
-Payment into Escrow Account of the Syndicate Member				
-Payment by Stockinvest				
* Submission of Bid Form				
* Other Instructions				
-Joint Bids in the case of Individuals				
-Multiple Bids				
-PAN or GIR number			6.23.2.1.(d)(iii)	
-Company's Right to Reject Bids				
-Equity Shares in Demat Form with NSDL or CDSL				
* Disposal of Application and Application Moneys				
* Disposal of Applications made by Stockinvest		6.5.4.3		
* Interest on Refund of Excess Bid Amount				
* Basis of Allotment or Allocation	Part II - A.5	6.17.4		
* Method of Proportionate Allotment	Part II - A.5	6.17.4		
* Despatch of Refund Orders		6.5.5		
* Communications				Voluntary
* Undertaking by the Company		6.5.6		
* Utilisation of Issue Proceeds	Part I - I(l)	6.5.7		

* Restrictions on Foreign Ownership of Indian Securities				Voluntary
-Investment by Non-resident Indians and Overseas Corporate Bodies				
-Investment by Foreign Institutional Investors				
-Ownership restrictions of FIIs				
<b>SECTION VIII - DESCRIPTION OF EQUITY SHARES AND TERMS OF THE ARTICLES OF ASSOCIATION</b>				
Main Provisions of the Articles of Association	Part II - 6.C.12	6.19.1 2		
<b>SECTION IX - OTHER INFORMATION</b>				
<b>Material Contracts and Documents for Inspection</b>	Part II - 6.C.15	6.19.1 5		
<b>Declaration</b>	Part III - 22			
<b>DEFINITIONS AND ABBREVIATIONS</b>				Mandatory
* Conventional/General Terms				
* Offering - related Terms				
* Company/Industry Related Terms				

## ANNEXURE VI

(Referred to in Paragraph 5.5 of the Report)

---

### A-VI. REWORKED OFFER DOCUMENT

---



(Wholly owned by Government of India)  
Constituted under the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970  
Head Office: 239, Vidhan Bhavan Marg, Nariman Point, Mumbai 400 021  
Telephone: (022) 202 4647 / 202 6049; Fax: (022) 288 1979  
Email: union-ipo@unionbankofindia.com; Website: [www.unionbankofindia.com](http://www.unionbankofindia.com)

**Public Issue of 18,00,00,000 equity shares of Rs10 each for cash at a premium of Rs.6 per share (at an issue price of Rs16 per share) aggregating Rs 288 crore**

#### RISKS IN RELATION TO FIRST ISSUE

This being the first issue of equity shares of Union Bank of India, there has been no formal market for the equity shares of the Bank. The Issue Price (as has been determined and justified by the Lead Managers and the Issuer as stated under "Basis of Issue Price" paragraph on page 45) should not be taken to be indicative of the market price of the equity shares after the equity shares are listed. No assurance can be given regarding an active or sustained trading in the equity shares of the Bank or regarding the price at which the equity shares will be traded after listing.

#### GENERAL RISKS

Investments in equity and equity related securities involve a degree of risk and investors should not invest any funds in this Issue unless they can afford to take the risk of losing their investment. Investors are advised to read the risk factors carefully before taking an investment decision in this Issue. For taking an investment decision, investors must rely on their own examination of the Issuer and the Issue including the risks involved. The securities have not been recommended or approved by Securities and Exchange Board of India (SEBI) nor does SEBI guarantee the accuracy or adequacy of this Document.

The attention of investors is drawn to the statement of Risk Factors appearing on page i of the Offer Document.

#### PROMOTERS

**Not Available**

#### ISSUER'S ABSOLUTE RESPONSIBILITY



The Issuer, having made all reasonable inquiries, accepts responsibility for, and confirms that this Offer Document contains all information with regard to the Issuer and the Issue, which is material in the context of the Issue, that the information contained in this Offer Document is true and correct in all material aspects and is not misleading in any material respect, that the opinions and intentions expressed herein are honestly held and that there are no other facts, the omission of which makes this Document as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect.

#### LISTING

The equity shares are proposed to be listed on the Stock Exchange, Mumbai ("BSE" or the "Regional Stock Exchange") and the National Stock Exchange of India Ltd. ("NSE"). The "in-principle" approvals for listing from the BSE and NSE have been received on July 10, 2002 and July 12, 2002 respectively.

<b>LEAD MANAGER TO THE ISSUE</b>	<b>REGISTRAR TO THE ISSUE</b>
----------------------------------	-------------------------------



 <p><b>ICICI Securities and Finance Company Limited</b>          41/44, Minoo Desai Marg          Colaba, Mumbai 400 005          Tel: 022 – 288 2460          Fax: 022 – 283 7045          E-mail: <a href="mailto:unionbankipo@isecltd.com">unionbankipo@isecltd.com</a></p>	 <p><b>MCS Limited</b>          Sri Padmavati Bhavan, Plot No. 93          Road No. 16, MIDC, Andheri (East)          Mumbai 400 093          Tel: 022 – 820 5741          Fax: 022 – 820 1783          E-mail: <a href="mailto:mcsmmum@vsnl.com">mcsmmum@vsnl.com</a></p>
---	--

ISSUE OPENS ON : August 20, 2002	ISSUE CLOSSES ON : August 28, 2002
----------------------------------	------------------------------------

TABLE OF CONTENTS

**Risk Factors and Management Perception Thereof  
Highlights**

<b>Part I</b>		
I.	General Information	1
I.	Capital Structure of the Bank	7
III.	Terms of the Present Issue	10
IV.	Particulars of the Issue	17
V.	Bank and Management	18
VI.	Management Discussion and Analysis of Financial Performance	43
VII.	Previous Issue of the Bank During the Last Three Years	45
VIII.	Basis of Issue Price	45
IX.	Outstanding Litigation, Defaults and Material Developments	46
X.	Risk Factors and Management Perception Thereof	51
XI.	Investor Grievances and Redressal System	55
<b>Part II</b>		
A.	General Information	56
B.	Financial Information	60
C.	Statutory and Other Information	75
D.	Main Provisions of the Bank Nationalisation Act	76
E.	Material Contracts and Documents for Inspection	80
<b>Part III</b>		
	Declaration	81

## **SECTION I**

### **RISK FACTORS AND MANAGEMENT PERCEPTION THEREOF**

The investors should carefully consider the following risk factors as well as the other details and information contained in this Offer Document in evaluating the Bank and its business before investing in the shares offered by this Offer Document.

#### **Internal to the Bank**

1. Moody's Investor Services has assigned a Ba3 long-term foreign currency deposit rating to the Bank due to a high likelihood of Government support in the event of a crisis. The rating agency has commented that on an unsupported stand-alone basis, the Bank's inherent financial position would have warranted a foreign deposit rating of B1, one notch lower than the current rating. The rating as given by the rating agency is subject to review and change. According to Moody's Investor Services Banks rated Ba for deposits offer questionable credit quality. Often the ability of these banks to meet punctually deposit obligations may be uncertain and therefore not well safeguarded in the future. Banks rated B for deposits offer generally poor credit quality. Assurance of punctual payment of deposit obligations over any long period of time is small. Further the modifier 1 indicates that the bank is in the higher end of its letter-rating category and the modifier 3 indicates that the bank is in the lower end of its letter-rating category.

#### **Management Perception**

The Bank has been assigned rating equal to the sovereign rating owing to its ownership. Moody's Investor Services has mentioned that the Bank's large branch network with good geographical spread, provides the Bank with a measure of franchise protection. The rating as given by the rating agency is subject to review and change.

2. The net profit for the year ended March 31, 2002 has grown by approximately 67% mainly due to growth in treasury profits, which may not be sustainable in the future years. Further the Bank faces pressure on income earned as the annual growth in interest income is 7.57% in FY 2002 as compared to the annual increase in interest income of 12.6% in FY 2001.

#### **Management Perception**

The Bank has in addition to sustaining the normal growth in advances embarked on a strategy to diversify its income streams through a number of new products and services to maintain growth. Retail banking is an area, which has been given added thrust with the introduction of new schemes. Additionally, the Bank is expanding its service range by offering cash management services, credit card, insurance distribution (when permitted under the applicable laws), gold trading, demat services, etc. The activities mentioned do not significantly contribute to the current profit of the Bank and many of them are proposed to be launched.

3. There are 520 cases of civil suits, criminal cases, cases in the consumer courts, complaints to the Banking Ombudsman outstanding against the Bank with total amounts aggregating to Rs597.04 crore. For more details, please refer to the para on Outstanding litigation, default and material developments on page 46.

**Management Perception**

The Bank is contesting the above-mentioned claims.

4. The Securities and Exchange Board of India (SEBI) has taken action against the Bank in two cases for lapses while acting as Bankers to public issues. In first case, SEBI has prohibited four branches of the Bank from acting as Bankers to the Issue. In the second case, SEBI has asked the Bank to refund application money aggregating to Rs3.53 crore with interest @ 15% with effect from April 1996 to applicants in a public issue for violating Section 73 of the Companies Act. For more details, please refer to the para on Outstanding litigation, default and material developments on page 46.

**Management Perception**

In the first case, the prohibition from acting as Bankers to public issues for four branches has expired. In the second case, the Bank has filed an appeal to the High Court against the order of SEBI. The Bank has however, made provisions of Rs6.08 crore which is inclusive of interest @ 15% for the period from April 1996 and up to March 2002, but net of funds available with the Bank as part of public issue proceeds.

5. As on March 31, 2002, the contingent liabilities of the Bank aggregated to Rs8,471.03 crore. Of this, Rs150.31 crore related to claims against the Bank not acknowledged as debt, Rs4,894.75 crore related to outstanding forward exchange contracts and Rs1,570.92 crore related to guarantees given by the Bank on behalf of its constituents.

**Management Perception**

The contingent liabilities are in ordinary course of business of the Bank.

6. The contingent liabilities include disputed income tax and interest tax demands against the Bank under appeals, references, etc. amounting to Rs426.94 crore, which have not been provided for. For more details, please refer to the para on Outstanding litigation, default and material developments on page 46.

**Management Perception**

The Bank has contested the above-mentioned claims though the amount demanded has been paid to the Income Tax department.

7. As on March 31, 2002, there were 482 cases involving litigation filed by employees/ ex-employees before various courts/tribunals/authorities. The Bank has not made any provisions in this regard. For more details, please refer to the para on Outstanding litigation, default and material developments on page 46.

**Management Perception**

The Bank has contested the above-mentioned litigations.

8. As on March 31, 2002, the net NPAs of the Bank stood at 6.26% of its net advances. The absolute amount of the net NPAs as on March 31, 2002 stood at Rs1,338.36 crore. For more details, please refer to para on Recovery Management on page 28.

**Management Perception**

The Bank is taking various steps to control the level of NPAs and ensure recovery of the existing bad loans. The Bank has a recovery policy containing mechanism of settling NPAs by compromise. The Bank has set-up a Credit Monitoring and Recovery Department at each of the Field General Manager's Offices, Zonal Offices and Regional Offices through which follow-up for recoveries is maintained. The Bank has put in place procedures for credit risk management to minimise the occurrence of fresh NPAs. The ratio of net NPAs to net advances has continued to reduce from 7.97% on March 31, 2000 to 6.87% as on March 31, 2001 and to 6.26% as on March 31, 2002.

9. The utilisation of funds proposed to be raised through the Public Issue has not been independently appraised or assessed and hence is at the discretion of the Bank.

**Management Perception**

The Bank is governed by the Bank Nationalisation Act and follows prudential guidelines and norms issued by Reserve Bank of India for its activities. The funds will be deployed in the regular business activities of the Bank.

10. The Annual Financial Inspection (AFI) Report of RBI on the position of the Bank as on March 31, 2001 has pointed out divergence in income recognition, asset classification and provisioning as well as certain deficiencies in systems and other operational matters.

**Management Perception**

The Bank has advised the RBI of the remedial measures already taken and those under implementation.

11. One of the Regional Rural Banks (RRB), Kashi Gramin Bank (KGB), Varanasi has accumulated losses aggregating Rs13.13 crore as on March 31, 2002.

**Management Perception**

Union Bank of India has sponsored the RRBs in association with the Central Government and the respective State Governments. The Central Government, the State Government and Union Bank of India have contributed 50%, 15% and 35% of the equity capital of the RRBs respectively. Moreover, KGB has been reducing the accumulated losses through the profits earned during the last few years.

12. The Bank could not achieve the stipulation of the export target of 12% of net bank credit as per RBI directives for the years 1999-00, 2000-01 and 2001-02. RBI has not taken any action, levied any penalty or given any adverse remark against the Bank for non-achievement of the targets

**Management Perception**

The non-achievement of the target has no negative impact on the working results of the Bank.

13. The funding of the Bank is primarily short-term and medium term in the form of term deposits and if depositors do not roll over deposited funds upon maturity the business of the Bank could be affected. For more details, kindly refer to the para on Asset-Liability Management on page 31

**Management Perception**

As on March 31, 2002, 66% of the Bank's deposit liabilities consisted of term deposits. The maturity of 56% of these term deposits was for a period exceeding one year but up to three years and 13% of the term deposits were for period exceeding 6 months but up to one year. Moreover, the Bank has implemented an Asset-Liability Management (ALM) System. The Bank also has an Asset-Liability Management Committee (ALCO) to regularly review any mismatch and takes appropriate steps to reduce the same.

14. The Bank faces credit risk which involves inability or unwillingness of a customer or counterparty to meet the commitments in relation to lending, trading, hedging, settlement and other financial transactions.

**Management Perception**

The Bank has constituted a high level Credit Policy Committee and Credit Risk Management Department to deal with issues relating to Credit Policy and procedures to analyse, manage and control credit risk on a bank wide basis. For details, please refer to para on Loan Policy and Lending Activities on page 24.

15. The Verma Committee, which carried out a study of the banking sector in 1998 and 1999, had suggested seven parameters for assessing a bank's strength/weakness covering three major areas namely solvency, earning capacity and profitability. Based on the above, the Bank was classified in the third category of banks, which complied with the Capital Adequacy requirement but did not comply one or two of the remaining parameters for the years 1998 and 1999. The two parameters on which the Bank didn't comply were Net Interest Margin and Ratio of Operating Profit to Average Working Funds. The Bank has complied with the parameters in the subsequent years. For more details, please refer to para on Verma Committee recommendations page 42.

**Management Perception**

The report pertained to the years 1998 and 1999. The Verma Committee has actually commented that the banks classified in the category under which the Bank falls are fairly well placed to tackle the visible pointers to weaknesses through internal strategies. The Bank has complied with all the parameters in the subsequent years.

**External to the Bank**

The present Issue of equity shares carries the following normal business risks associated with the activities of public sector commercial banks.

1. There are a number of restrictions as per the Bank Nationalisation Act and Banking Regulations Act, which impede the flexibility of the Bank's operations and affect/restrict investor's right. They are as follows:

- i. The Banks can carry on business / activities as specified in the Act. There is no flexibility to pursue profitable avenues if they arise, in contrast with companies under the Companies Act, where shareholders can amend the Object Clause by a Special Resolution.
  - ii. There are restrictions in the Banking Regulation Act regarding
    - a) Setting up of subsidiaries by a bank
    - b) Management of the bank including appointment of directors
    - c) Borrowings and creation of floating charge thereby hampering leverage. Banks may have to resort to unsecured debt instruments for borrowings
    - d) Expansion of business as branches need to be licensed
    - e) Disclosures in the Profit & Loss account and Balance Sheet
    - f) Production of documents and availability of records for inspection by shareholders
    - g) Reconstruction of banks through amalgamation etc.
    - h) Further issues of capital including issue of bonus shares/ rights share for which prior MoF approval is needed
  - iii. The financial disclosures in the Offer Document may not be available to investors after listing, on a continuous basis.
  - iv. Various rights/powers of shareholders available under the Companies Act in this behalf are not available to the shareholders of Banks as the provisions of the Companies Act are not applicable to the Banks. These rights include rights like calling for general meetings, inspection of minutes and other material records, application by members for investigation of affairs of a company, application for relief in cases of oppression and mismanagement, voluntary winding up, are not available to shareholders of the Bank.
  - v. No person holding shares in the Bank in respect of any shares held by him, can exercise voting rights on poll in excess of 1% of the total voting rights of all the shareholders of the Bank.
  - vi. No banking company shall pay dividend on its shares until all its capitalised expenses (including preliminary, organisational expenses, share selling commission, brokerage, amounts of losses incurred and any other item of expenditure not represented by tangible assets) have been completely written off. The Bank has received an exemption from GoI, vide letter ref. F.No.11/1/2002-BOA dated June 7, 2002 from this provision relating to the payment of dividend, for a period of 5 years.
2. Increase in regional hostilities, terrorist attacks and other acts of violence and war could adversely affect the country's economic growth and development and thereby the financial markets including the Bank's business and its future financial performance.

3. The performance and quality and growth of the assets of the Bank are dependent on the health of the overall Indian economy. Slowdown in economic growth in India could affect the business of the Bank.

**Management Perception**

The Bank is expanding its product and service offerings to diversify its income stream. The Bank has put in place risk management systems and is also monitoring sector wise exposure. Even during the global downturn and slowdown in the Indian economy the Bank has continued to make profits.

4. Major changes in Government/RBI policies relating to the Banking Sector may have an impact on the operations of the Bank.

**Management Perception**

The changes occurring in the policy environment as a result of various reform measures have brought in various opportunities for growth as well as challenges. The Bank is backed by about 83 years of operations and a professional management team.

5. Competition in the financial sector – The Bank faces strong competition in all areas of its business from other larger banks, regional, old and new private sector banks and foreign banks. Also mutual funds, with various innovative product offerings are depriving banks of low cost deposits.

**Management Perception**

The Bank is backed by about 83 years of banking experience.

6. Interest rate risks- Banking operations are greatly dependent upon its net interest income, which is the difference between interest income from interest-earning assets and interest expense on interest-bearing liabilities.

**Management Perception**

These risks are inherent in the banking business. The interest rates are sensitive to many factors beyond the Bank's control including the deregulation of the financial sector in India, the RBI's monetary policy, international and domestic economic and political conditions and other factors. The Bank has put in place risk control measures to manage interest rate risks.

7. Exchange Rate fluctuations may have an impact on the Bank's financial performance.

**Management Perception**

As per RBI guidelines, banks are not allowed to keep open position on their foreign exchange transactions beyond prescribed limits on a daily basis. Foreign exchange transactions beyond such limits, if any, must be squared off at the end of each day. Hence, the risk from exchange rate fluctuations is minimised.

8. Disintermediation risk - With the increasing trend towards disintermediation in the financial markets, many companies may access the markets directly, thereby reducing their dependence on the Banking system.

**Management Perception**

With gradual integration of the various segments of the financial markets and financial innovations, disintermediation is bound to increase. The Bank recognises this aspect and is focussing on retail banking products and also increasing non-fund based business and income therefrom.

9. The Bank is in the process of adapting itself to the rapid technological changes but computer-break-ins and power disruptions as well as fraud and systems failure could affect the Bank's functioning and its performance.

#### **Management Perception**

The Bank has appointed reputed consultants to take care of effective and uninterrupted functioning in case of unexpected contingencies.

#### **NOTE**

1. Networth (excluding revaluation reserves) of the Bank as on March 31, 2002 is Rs1,588.74 crore.
2. The Issue size is Rs288 crore.
3. The Net Asset Value of the Bank as on March 31, 2002 is Rs47 per share.
4. The cost of shares to Government of India is Rs10 per share.
5. Union Bank would like to clarify that inspection by RBI is a regular exercise and is carried out periodically by RBI for all banks and financial institutions. The reports of RBI are strictly confidential. The Bank has informed the RBI the actions already taken and measures that are under implementation in respect of observations made by RBI.
6. Section 3 (2E) of the Bank Nationalisation Act provides that no shareholder other than Central Government shall be entitled to exercise voting rights in respect of any equity shares held by him/her in excess of one per cent of the total voting rights of all the shareholders of the Bank.
7. Section 3(2B)(c) of the Bank Nationalisation Act provides that the paid-up capital may, from time to time, be increased by such amounts as the Board of Directors of the Bank may, after consultation with the RBI and with the previous sanction of the Central Government, raise by Public Issue of equity shares as may be prescribed, so however, that the Central Government, at all times, hold not less than fifty-one per cent of the paid-up capital of each of the Corresponding New Bank. The Banking Companies (Acquisition and Transfer of Undertakings) and Financial Institutions Laws (Amendment (Bill)), 2000 proposes to reduce the minimum stake of the Government from 51% to 33%.
8. The shareholders of the Bank do not have a right to receive dividend within 42 days as is available to companies under the Companies Act.
9. Section 15(1) of the Banking Regulation Act provides that no banking company shall pay dividend on its shares until all its capitalised expenses (including preliminary, organisational expenses, share selling commission, brokerage, amounts of losses incurred and any other item of expenditure not represented by tangible assets) have been completely written off. The Bank has received an exemption from GoI, Ministry of Finance, Department of Economic Affairs (Banking Division) vide letter ref. F.No.11/1/2002-BOA dated June 7, 2002



from the provisions of the said Section 15(1) relating to the payment of dividend, for a period of 5 years.

10. No person holding shares in the Bank in respect of any shares held by him, can exercise voting rights on poll in excess of 1% of the total voting rights of all the shareholders of the Bank.

## **HIGHLIGHTS**

1. The Bank has a continuous track record of profitability since inception.
2. The Bank is a professionally managed organisation with a well-established track record.
3. The Bank has a large network of branches spread throughout the country enabling it to raise cheaper funds. The domestic network of the Bank stood at 2,023 branches as on March 31, 2002. The Bank has also opened specialised branches to cater to the needs of Industries, Overseas Business, Non Resident Indians, Trading and Small-Scale Industries.
4. The Bank is among the largest banks in India with total business (advances plus deposits) exceeding Rs61,000 crore.
5. The Bank has installed its own Wide Area Network (WAN) linking select branches and controlling offices.
6. The Bank has commenced the process of networking 500 branches by engaging leading consultants for implementing a centralised core banking solution.
7. The Bank has established a state-of-the-art integrated treasury capable of handling all transactions in forex, debt and money markets.
8. The Bank has its own full-fledged training college at Bangalore which has received an ISO 9001 certification in addition to seven other training centres across the country.
9. Capital adequacy ratio is 11.07% as on March 31, 2002 against the RBI prescribed minimum of 9%.
10. The net asset value of the Bank as on March 31, 2002 is Rs47 per share.

**SECTION II**

**SUMMARY**

Not Available

## GENERAL INFORMATION

Union Bank of India (hereinafter referred to as "Union Bank" or "the Bank") has been constituted as a Corresponding New Bank in relation to the then Union Bank of India Ltd. under the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 (hereinafter referred to as the Bank Nationalisation Act). The Bank is offering to the Public for subscription equity shares for cash as under:

18,00,00,000 equity shares of Rs10 each for cash at a premium of Rs6 per share aggregating Rs288 crore (including reservation for the working directors and employees of 1,80,00,000 equity shares of Rs10 each for cash at a premium of Rs6 per share aggregating Rs28.8 crore).

### Oversubscription

In the event of the present Issue of equity shares being oversubscribed, the allotment will be on a proportionate basis and the basis of allotment will be finalised in consultation with the BSE (Regional Stock Exchange) in accordance with the SEBI Guidelines.

### Issue Programme

THE SUBSCRIPTION LIST FOR THE ISSUE WILL OPEN AT THE COMMENCEMENT OF BANKING HOURS ON AND WILL CLOSE AT THE CLOSE OF BANKING HOURS ON THE DATES MENTIONED BELOW:

**ISSUE OPENS ON : AUGUST 20, 2002**

**ISSUE CLOSSES ON : AUGUST 28, 2002**

## LEAD MANAGERS TO THE ISSUE

### ICICI Securities and Finance Company Limited

41/ 44, Minoo Desai Marg  
Colaba, Mumbai – 400 005  
Tel.: 022 – 288 2460  
Fax: 022 – 283 7045  
Email: [unionbankipo@isecltd.com](mailto:unionbankipo@isecltd.com)

### DSP Merrill Lynch Limited

Mafatlal Centre, 10<sup>th</sup> floor  
Nariman Point, Mumbai – 400 021  
Tel: 022 – 232 8000  
Fax: 022 – 204 8518  
Email: [unionbankipo@in.ml.com](mailto:unionbankipo@in.ml.com)

### Enam Financial Consultants Private Limited

801/ 802, Dalamal Towers  
Nariman Point, Mumbai – 400 021  
Tel: 022 – 238 1800  
Fax: 022 – 284 6824  
Email: [unionbankipo@enam.com](mailto:unionbankipo@enam.com)

### JM Morgan Stanley Private Limited

141, Maker Chambers III  
Nariman Point, Mumbai – 400 021  
Tel: 022 – 230 3030  
Fax: 022 – 202 8224  
Email: [unionbankipo@jmmorganstanley.com](mailto:unionbankipo@jmmorganstanley.com)

### Kotak Mahindra Capital Company Limited

Bakhtawar, 1st Floor  
229, Nariman Point  
Mumbai – 400 021  
Tel: 022 – 234 1100  
Fax: 022 – 282 6632  
Email: [unionbank.ipo@kotak.com](mailto:unionbank.ipo@kotak.com)

### SBI Capital Markets Limited

202, Maker Tower 'E'  
Cuffe Parade, Mumbai – 400 005  
Tel: 022 – 218 9166  
Fax: 022 – 218 8332  
Email: [cmg@sbicaps.com](mailto:cmg@sbicaps.com)

**CO-MANAGERS TO THE ISSUE**

**UTI Securities Exchange Limited**

4<sup>th</sup> Floor, Merchant Chamber  
41, Sir Vithaldas Thackersay Marg  
New Marine Lines, Mumbai – 400 020  
Tel. : 022 – 203 0124  
Fax : 022 – 203 0125

**AK Capital Services Limited**

403 Tulsiani Chambers, East Wing,  
4<sup>th</sup> Floor, 212, Nariman Point  
Mumbai – 400 021  
Tel: 022 – 234 9300  
Fax: 022 – 236 0978

**Centrum Finance Limited**

Eucharistic Congress Building III  
10<sup>th</sup> Floor, Convent Street  
Colaba, Mumbai – 400 039  
Tel: 022 – 202 3838  
Fax: 022 – 204 6096

**REGISTRAR TO THE ISSUE**

**MCS Limited**

Sri Padmavati Bhavan, Plot No. 93  
Road No. 16, MIDC, Andheri (East)  
Mumbai – 400 093  
Tel: 022 – 820 5741  
Fax: 022 – 820 1783  
E-mail: [mcsmum@vsnl.com](mailto:mcsmum@vsnl.com)

**LEGAL ADVISOR TO THE ISSUE**

**Little & Company**

Central Bank Building  
Mahatma Gandhi Road, Mumbai – 400 023  
Tel: 022 – 265 2739  
Fax: 022 – 265 9918

**BANKER TO THE ISSUE**

**Union Bank of India**

66/80, Mumbai Samachar Marg  
Fort, Mumbai – 400 001  
Tel: 022 – 267 4938  
Fax: 022 – 267 4135

**AUDITORS TO THE ISSUE**

**B. Gupta & Co.**

Chartered Accountants  
Jamal Road, Patna

Tel: 0612 – 220 423  
Fax: 0612 – 222 395

**D. P. Sen & Co.**

Chartered Accountants  
22, Ashutosh Chowdhury Avenue  
2<sup>nd</sup> Floor, Flat No. 22, Kolkata – 700 019  
Tel: 033 – 474 8853  
Fax: 033 – 248 7785

**Gala & Gala**

Chartered Accountants  
409-412, Navaratan, 4<sup>th</sup> Floor  
120-122 P. D'Mello Road, Mumbai – 400 009  
Tel: 022 – 342 6511  
Fax: 022 – 344 9086

**S. N. Dhawan & Co.**

Chartered Accountants  
C-37, Connaught Place  
New Delhi – 110 001  
Tel: 011 – 332 9564  
Fax: 011 – 332 5001

**Sundaram & Srinivasan**

Chartered Accountants  
23, C.P. Ramaswamy Road  
Alwarpet, Chennai – 600 018  
Tel: 044 – 497 0762  
Fax: 044 – 497 0763

**V. K. Verma & Co.**

Chartered Accountants  
C-37, Connaught Place  
Atma Ram House  
New Delhi – 110 001  
Tel: 011 – 332 5811  
Fax: 011 – 332 0925

**HEAD OFFICE**

239, Vidhan Bhavan Marg, Nariman Point,  
Mumbai 400 021  
Telephone: (022) 202 4647 / 202 6049  
Fax: (022) 288 1979  
Email: union-ipo@unionbankofindia.com  
Website: www.unionbankofindia.com

**FIELD GENERAL MANAGERS' OFFICES**

**MUMBAI**

Union Bank Building  
66/80, Mumbai Samachar Marg  
Fort, Mumbai – 400 001  
Tel: 022 – 263 2825  
Fax: 022 – 263 2824

**NEW DELHI**

3<sup>rd</sup> Floor, Saheed Bhagat Singh Place  
Bangla Sahib Marg  
Gole Market, New Delhi – 110 001  
Tel: 011 – 334 7998  
Fax: 011 – 334 7795

**KOLKATA**

Aelpe Court, 1<sup>st</sup> Floor  
225-C, Acharya J.C. Bose Road  
Kolkata – 700 020  
Tel: 033 – 247 6587  
Fax: 033 – 240 8518

**CHENNAI**

Riaz Garden  
12/13, Kodambakkam High Road  
Nungambakkam, Chennai – 600 034  
Tel: 044 – 820 2621  
Fax: 044 – 820 2628

**LUCKNOW**

Sharda Tower  
Aliganj, Kapurthala Complex  
Lucknow – 226 020  
Tel: 0522 – 33 5153  
Fax: 0522 – 33 5152

**ZONAL OFFICES**

**AHMEDABAD**

172/1, Premchand House  
Old High Court Way, Ashram Rd  
Ahmedabad – 380 009  
Tel: 079 – 658 9041  
Fax: 079 – 658 1049

**BHOPAL**

1<sup>st</sup> Flr., Gangotri Complex  
Bhadbadha Road, T.T.Nagar  
Bhopal – 462 003  
Tel: 0755 – 77 4280  
Fax: 0755 – 77 4284

**PUNE**

Jeevan Prakash  
6/7 LIC Bldg., University Rd  
Shivaji Nagar, Pune – 411 005  
Tel: 020 – 553 6259  
Fax: 020 – 553 6842

**COMPLIANCE OFFICER**

Shri R.B. Menon, Assistant General Manager, Union Bank of India, has been designated by the Bank as the Compliance Officer for the Issue. In case of any pre-issue/post-issue related problems such as non-receipt of letters of allotment/share certificates/refund orders/cancelled stockinvests, etc. the investors are requested to contact the Compliance Officer at:

Shri R.B. Menon  
Assistant General Manager  
Union Bank of India  
239, Vidhan Bhavan Marg  
Nariman Point, Mumbai – 400 021  
Tel: 022 – 202 4647  
Fax: 022 – 288 1979  
E-mail: [union-ipo@unionbankofindia.com](mailto:union-ipo@unionbankofindia.com)

**Credit Rating / Debenture Trustees**

Since the present issue is of equity shares, no credit rating or appointment of trustees is required.

**Underwriting**

The present Issue of equity shares is not underwritten.

**CAPITAL STRUCTURE OF THE BANK (AS ON JUNE 24, 2002)**

No. of Shares		Face Value (Rs)	Issue Value(Rs)
<b>(A) Authorised Capital</b>			
150,00,00,000	Equity shares of Rs10 each	1500,00,00,000	
<b>(B) Issued, Subscribed and Paid-Up Capital</b>			
33,80,00,000*	Equity shares of Rs10 each	338,00,00,000*	
<b>(C) Present Issue through this Offer Document</b>			
18,00,00,000	Equity shares of Rs10 each for cash at a premium of Rs6 per share	180,00,00,000	288,00,00,000
<b>Out of which</b>			
1,80,00,000	Equity shares of Rs10 each for cash at a premium of Rs6 per share are reserved for allotment to the permanent/confirmed employees (including Wholetime Directors) on a proportionate basis	18,00,00,000	28,80,00,000
<b>(D) Net Offer to Indian Public</b>			
16,20,00,000	Equity shares of Rs10 each for cash at a premium of Rs6 per equity share	162,00,00,000	259,20,00,000
<b>(E) Paid Up Capital After the Issue</b>			
46,00,00,000*	Equity shares of Rs10 each	460,00,00,000*	
<b>(F) Share Premium Account</b>			
	Before the Offer		400,000
	After the Offer		108,04,00,000

\*The Bank has received an "in-principle" approval for return of capital amounting to Rs58 crore from the Government of India, Ministry of Finance, Department of Economic Affairs (Banking Division) by their letter no. F.No.11/1/2002-BOA dated May 3, 2002. The post-issue paid-up capital has been calculated after giving effect to the proposed return of equity capital to the Government of India. The Bank will complete the formalities related to the return of capital before the Opening of the Issue. The pre-issue capital after completing the return of capital but before Opening of the Issue is Rs 280 crore.

The entire equity capital of the Bank is presently held by the Government of India (Gol). The Gol, Ministry of Finance, Department of Economic Affairs (Banking Division) by its letter dated April 8, 2002 have given its approval for the present Issue. After the Issue, the shareholding of the Gol will be 60.8%.

The Gol, Ministry of Finance, Department of Economic Affairs (Banking Division) has by its letter dated May 16, 2002 given its approval for lock-in of 20% of the post-issue capital for a period of three years from the date of allotment in the Issue and the remaining capital held by it for a period of one year from the date of allotment in this Issue.

**NOTES**

- Share Capital history (since nationalisation on July 19,1969) is given below-

Period ended	Increase/(Decrease) in Capital (Rs. crore)	Mode	Paid Up capital (Rs crore)
Paid up capital at the time of Nationalisation			1.25
31.12.1982	2.75	From Reserves	4.00
31.12.1983	2.00	From Reserves	6.00
9.12.1985	9.00	Gol	15.00
30.12.1985	15.00	Gol	30.00
30.12.1986	14.00	Gol	44.00



30.3.1988	11.00	Gol	— do —	55.00
31.3.1989	3.00	Gol	— do —	58.00
31.3.1992	50.00	Gol	— do —	108.00
31.3.1993	30.00	Gol	— do —	138.00
01.01.1994	200.00	Gol	— do —	338.00
Before the Opening of the Issue	(58.00)	Return of capital to Gol	Simultaneous redemption of equal amount of Recapita- lisation Bonds	280.00

2. The authorised share capital of the Bank is Rs1,500 crore as per sub-section 2A of section 3 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970, as amended from time to time.
3. Under Section 3A of the Bank Nationalisation Act, no notice of any trust, express, implied or constructive, shall be entered on the register or be receivable by the Bank. In terms of this Section, while trusts could make investments in equity shares of the Bank, this could be only in the name of the trustees and no details of the trust would be taken cognisance of by the Bank on its Register of Shareholders.
4.
  - i) Section 3(2E) of the Bank Nationalisation Act provides that no shareholder other than Central Government shall be entitled to exercise voting rights in respect of any equity shares held by him in excess of one percent of the total voting rights of all the shareholders of the Bank.
  - ii) Section 3(2B)(b) of Bank Nationalisation Act provides that the paid up capital of every corresponding new bank from time to time be increased by such amounts as the Central Government may, after consultation with the Reserve Bank of India, contribute to such paid-up capital.
  - iii) Section 3(2B)(c) of Bank Nationalisation Act provides that the paid up capital of every Corresponding New Bank may from time to time be increased by such amounts as the Board of Directors of the Bank may, after consultation with the Reserve Bank of India and with the previous sanction of the Central Government, raise by Public Issue of shares as may be prescribed, so however, that the Central Government shall at all times hold not less than fifty-one percent of the paid-up capital of each corresponding new bank. The Banking Companies (Acquisition and Transfer of Undertakings) and Financial Institutions Laws (Amendment) Bill, 2000 proposes to reduce the minimum stake of the Government from 51% to 33%.
5. In the event of over subscription, in the process of rounding off to ensure allotment in marketable lots, the Bank may make such adjustments in the basis of allotment, as may be necessary, in consultation with SEBI/BSE, so that the Issue does not exceed 110% of 18,00,00,000 equity shares.
6. In the event of oversubscription, the allotment shall be made on a proportionate basis as is outlined elsewhere in this Offer Document. For more details, please refer to the para on Basis of Allotment on page 57.
7. Only permanent/ regular employees including Wholetime Directors of the Bank as on the cut-off date i.e. March 31, 2002 would be eligible to apply in this Issue under reservation for employees on competitive basis. The number of employees as on March 31, 2002 was 27,307. The maximum number of shares that a single applicant in the category reserved for employees can apply for is 5,000 shares.
8. The unsubscribed portion, if any, out of the equity shares reserved for the employees of the Bank as above, will be added back to the Net Offer to the Public under above.
9. In case of under-subscription in the Net Offer to the Public portion, the excess subscription, if any, in the reserved category would spill over to the public portion.
10. No single applicant in the Net Offer to the Public category can make an application for a number of equity shares, which exceeds the net offer to the public.
11. A minimum 50% of the Net Offer to the Public will be made available for allotment in favour of those individual applicants who have applied for 1000 equity shares or less. This percentage may be increased in consultation with the BSE depending on the extent of the response to the Issue from investors in this category. The balance of the Net Offer to the Public shall be made available for the allotment to the investors, including Corporate Bodies, Institutions and individual applicants who apply for more than 1000 shares. The unsubscribed portion of the net Issue to any one of the above two categories shall be made available to the applicants in the other category, if so required and allotment made on a proportionate basis as per the relevant SEBI guidelines.
12. The Gol/Directors/Lead Managers have not entered into any buy-back and/or standby arrangements for the purchase of the equity shares of the Bank with any person.
13. The Bank has not availed of and shall not avail of any Bridge Loan against the proceeds of this Issue.
14. The Bank undertakes that it shall not make any further issue of capital whether by way of issue of bonus shares, preferential allotment, rights issue or public issue or in any other manner, during the period

commencing from the submission of Offer Document to SEBI for the public issue till the securities referred to in the Offer Document have been listed or application monies refunded on account of failure of the Issue. As of date, the Bank does not propose to alter the capital structure by way of split/consolidation of the denomination of shares or issue of shares on preferential basis, or issue of bonus or rights or further public issue of shares or any other securities within a period of six months from the date of the opening of the present Issue.

1. Gol has not undertaken any transaction in the equity shares of the Bank in the last six months.

## PARTICULARS OF THE ISSUE

### Objects of the Offer

The present Issue of equity shares is being made to -

- Augment the long-term resources of the Bank
- To meet its future capital adequacy requirements
- List the shares of the Bank on Stock Exchanges
- Meet the expenses of the Issue

### Capital adequacy position of the Bank

The Capital Adequacy Ratio ("CAR") of the Bank as on March 31, 2002 was 11.07%, as against the RBI stipulation of 9.00%. Details of capital vis-à-vis risk weighted assets are as under-

	(Rs crore)				
For the year ended March 31,	1998	1999	2000	2001	2002
Eligible Tier I Capital	935	1,047	1,109	1,222	1,452
Eligible Tier II Capital	326	295	791	923	1,155
Total Capital	1,261	1,342	1,900	2,145	2,607
Total Risk-Adjusted Assets	11,617	13,307	16,642	19,753	23,539
Capital Adequacy Ratio (%)	10.86%	10.09%	11.42%	10.86%	11.07%

The CAR after excluding extraordinary profits is 11.02%. The CAR is above the stipulated level even after considering the Other Income.

### Requirement of capital enhancement

In the years to come, the Bank expects growth in its business activities and operations. Accordingly, risk weighted assets of the Bank are also expected to increase over the years. The key areas of focus for the Bank in this regard are retail advances, housing loans, loans to professionals, agricultural advances and retail trades. Increase in Tier I capital through retained earnings alone may not be enough to enable the Bank to maintain sufficient capital adequacy ratio. In view of the likely expansion of risk weighted assets, the Bank proposes to augment its net worth in order to sustain a healthy CAR.

### Use of Issue Proceeds

To meet the above-stated Objects of the Issue, the total fund requirement as estimated by the Bank is Rs288 crore. The entire fund requirement will be met by the proposed public issue. The proceeds of this Issue will be utilised for its regular business activities, after meeting all expenses of the Issue.

Moreover, listing will provide the Bank an opportunity to establish its presence in the capital market and an opportunity to raise funds in the future subject to fulfilling the statutory requirements.

The Bank has not made any Issue of Equity Shares / Debentures / Preference shares by way of Public / Rights Issue through an Offer Document. However, the Bank has after obtaining the requisite GoI approval raised Tier II Capital by way of Private Placement of unsecured, redeemable bonds in the nature of Promissory Notes to meet its capital adequacy requirements as under:

Issue	Year of Placement	Size (Rs crore)	Tenor (months)	Credit Rating	Coupon (%)	Redemption date
1	1999	500	84	—	12.50	10.09.2006
2	2001	100	63	—	11.25	08.05.2006
3	2001	100	69	LAA + by ICRA	9.80	01.06.2007
4	2002	170	65	AA+ by CRISIL	9.30	05.07.2007
<b>Total</b>		<b>870</b>				

## TERMS OF THE PRESENT ISSUE

The Bank is offering for public subscription through this Offer Document 18,00,00,000 equity shares of Rs10 each at a premium of Rs6 per share aggregating Rs288 crore. The equity shares are being offered subject, inter alia, to the terms of this Offer Document, the Application Forms, the provisions for listing as specified in the guidelines issued by the BSE and NSE and the Gol from time to time, the terms and conditions stated in the allotment letters/ share certificates to be issued, the provisions of the Bank Nationalisation Act, the Banking Regulation Act, 1949, to the extent applicable, the provisions of the Companies Act, 1956 to the extent applicable, the letter dated April 8, 2002 of Gol, Ministry of Finance, Department of Economic Affairs (Banking Division) approving the Issue, the guidelines for Disclosure and Investor Protection issued by SEBI and the provisions of the Depository Act, 1996 to the extent applicable.

### Rights of the Equity Shareholders

- (a) Right to receive dividend, if declared.
- (b) Right to attend general meetings and exercise voting powers, subject to the provisions of the law.
- (c) Right to vote either personally or by proxy, subject to Section 3 (2E) of the Bank Nationalisation Act.

### Face Value of equity shares

Each equity share being offered will have a face value of Rs10.

### Share Premium

Each equity share is being offered at a premium of Rs6 per share.

### Ranking of equity shares

The equity shares, now being offered shall rank *pari passu* with the existing equity shares of the Bank in all respects save and except the following:

- as provided in Section 3(2E) of the Bank Nationalisation Act, "no shareholder other than Central Government shall be entitled to exercise voting rights in respect of any equity shares held by him in excess of one percent of the total voting rights of all the shareholders of the Bank."

The equity shares to be issued shall rank *pari passu* with the existing equity shares of the Bank including dividend.

The investors are requested to refer to Section 15(1) of the Banking Regulation Act, 1949. As per the above Section, "No Banking company shall pay any dividend on its shares until all its capitalised expenses (including preliminary expenses, organisational expenses, share selling commission, brokerage, amounts of losses incurred and any other item of expenditure not represented by tangible assets) have been completely written off."

The Bank has got an exemption vide letter ref. F. No. 11/1/2002-BOA dated June 7, 2002 from Gol, Ministry of Finance, Department of Economic Affairs (Banking Division) from the provisions of the said Section 15(1) relating to the payment of dividend, for a period of 5 years.

### Terms of Payment

Applications should be for a minimum of 200 equity shares and in multiples of 100 equity shares thereafter. The full Issue price of Rs16 per share is payable on application.

### Allotment/refunds

- (a) As far as possible, the allotment of the equity shares offered to the public shall be made within 30 days of closure of the public Issue.
- (b) The Bank shall pay interest @15% per annum on the entire amount if the allotment letters/refund orders have not been dispatched to the applicants within 30 days from the date of the closure of the Issue for the delayed period beyond 30 days. However no interest will be paid to those applying through Stockinvests for the delay in the dispatch of refund orders.

The Bank will provide adequate funds to the Registrar to the Issue, for the purpose of despatch of Share Certificates/cancelled stockinvests/Refund Orders. Despatch of share certificates/refund orders/cancelled stockinvests and demat credit would be completed and the allotment and listing documents would be submitted to the stock exchanges within two days of finalisation of the basis of allotment. All steps for completion of the necessary formalities for listing and commencement of trading at all stock exchanges where the securities are proposed to be listed shall be taken within seven working days of the date of finalisation of the basis of allotment.

### Transfer of shares

As per Section 3(2D) of the Bank Nationalisation Act, the shares of every corresponding new Bank not held by the Central Government shall be freely transferable.

## **PROCEDURE FOR APPLICATION AND MODE OF PAYMENT**

### **Availability of Offer Document and Application Form**

The Memorandum Form 2A containing the salient features of the Offer Document together with application forms and copies of this Offer Document may be obtained from the Lead Managers to the Issue, Brokers, Banker to the Issue named herein, the collection centres of the Banker to the Issue mentioned in the Application Form, the Head Office, Zonal Offices, Regional Offices and all designated branches of the Bank. The investors are advised to retain the copy of the Offer Document/Memorandum in Form 2A (abridged prospectus) for their future reference.

### **Application may be made by:**

- (a) Indian Nationals resident of India who are Adult Individuals in single name or joint names (not more than three)
- (b) Hindu Undivided Families through the Karta of the Hindu Undivided Family
- (c) Companies, Bodies Corporate and Societies registered under the applicable laws in India and authorised to invest in shares
- (d) Scientific and/or Industrial Research Organisations, which are authorised to invest in shares
- (e) Indian Mutual Funds registered with SEBI
- (f) Indian Financial Institutions and Banks
- (g) Trusts who are registered under the Societies Registration Act, 1860 or any other applicable trust law and are authorised under their constitution to hold and invest in shares subject to the provisions of Section 3A of the Bank Nationalisation Act
- (h) Commercial Banks and Regional Rural Banks. Co-operative Banks may also apply subject to the permission from the Reserve Bank of India
- (i) Permanent and Regular employees of the Bank
- (j) Non - Resident Indians (NRIs), Overseas Corporate Bodies (OCBs) on a non-repatriation basis (in the public portion)

### **Applications not to be made by:**

1. Minors
2. Foreign Nationals
3. Partnership firms or their nominees
4. Trusts (except as stated above)
5. HUFs (except as stated above)
6. NRIs and OCBs (except as stated above)
7. Foreign Institutional Investors (FIIs)

A single application can be made only for the number of equity shares that are being offered to each respective category.

### **Joint Applications in case of Individuals**

Applications may be made in single or joint names (not more than three). In case of Joint Applications, refund, pay orders, dividend warrants etc. if any, will be drawn in favour of the first applicant and all communications will be addressed to the first applicant at his address as stated in the application form.

### **Multiple Applications**

The application form shall contain space for indicating number of shares subscribed for in the demat and physical shares or both. No separate applications for demat and physical can be made. If such an application is made, the application for physical shares will be treated as multiple applications and rejected accordingly. An applicant should submit only one application form (and not more than one) for the total number of equity shares applied for. Two or more applications in single or joint names will be deemed to be multiple applications if the sole and/ or the first applicant is one and the same.

In case of applications by Mutual Funds, a separate application must be made in respect of each scheme of an Indian Mutual Fund registered with SEBI and such applications will not be treated as multiple applications, provided that the application made by Asset Management Companies/ Trustees/ Custodian clearly indicate their intention as to the scheme for which the related application has been made.

The Bank reserves the right to accept or reject, in its absolute discretion, any or all multiple applications.

Applications made by permanent/ regular employees of the Bank both under the reserved category for employees as well as in the net public offer shall not be treated as multiple applications. A separate single cheque/ draft/ stockinvest must accompany each application form.

#### **Applications under Power of Attorney or by Limited Companies**

In case of applications under Powers of Attorney, or by Companies, Bodies Corporate, Societies registered under the applicable laws, trustees of trusts, Provident Funds, Superannuation Funds, Gratuity Funds and Scientific and/ or Industrial Research Organisations, a certified copy of the Power of Attorney or the relevant authority, as the case may be, must be lodged separately at the office of the Registrar to the Issue simultaneously with the submission of the application form, indicating the serial number of the application form and the name of the Bank and the branch office where the application is submitted.

#### **PAN/GIR Number**

Where an application is for a total value of Rs50,000 or more, i.e., 3,200 shares or more, the applicant, or, in case of applications in joint names, each of the applicants should mention his/ her/ their Permanent Account number (PAN) allotted under Income Tax Act, 1961 or where the same has not been allotted, the GIR Number and the IT Circle/ Ward/ District. In case where neither the PAN nor the GIR Number has been allotted, or the applicant is not assessed to Income Tax, the appropriate box provided for the purpose in the application form must be ticked. Applications without this requirement will be considered incomplete and are liable to be rejected.

#### **Signatures**

Thumb impressions and signatures other than in English/Hindi or any other language specified in the Schedule VIII to the Constitution of India, must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under his/ her official seal.

#### **Other Application Details**

1. Applications must be made only on the prescribed Application Form and should be completed in BLOCK LETTERS in ENGLISH in accordance with the instructions contained herein and in the application form, and are liable to be rejected if not so made. The prescribed application forms will have the following colours -

<b>Category</b>	<b>Colour of form</b>
Indian Public	White
Employees	Pink

2. Payments should be made by cash, stockinvest, cheque, or demand draft drawn on any bank (including a co-operative bank) which is situated at and is a member of or sub-member of the bankers' clearing house located at the centre where the Application Form is submitted. **Outstation cheques/bank drafts will not be accepted and applications accompanied by such cheques or bank drafts are liable to be rejected. Money orders/Postal orders will not be accepted.**
3. All application forms duly completed together with cash/cheque/demand draft/stockinvest for the application money payable must be delivered before the close of the Subscription List to the Banker to the Issue named herein or to any of the branches mentioned in the Application Form and not to the Lead Managers or the Registrar to the Issue (except in the circumstances described in clause 6 herein below).
4. A separate cheque/bank draft/stockinvest must accompany each Application Form. No receipt will be issued for the application money. However, the Bankers to the Issue will issue an acknowledgement by stamping and returning to the applicant the acknowledgement slip attached to the application form. The acknowledgement slip given by the Bankers shall be valid and binding on the Bank and others connected with the Issue.
5. All cheques/bank drafts accompanying the application should be crossed '**A/c Payee Only**' and made payable to the Bankers to the Issue and marked:

<b>Category of Application</b>	<b>Cheques/Bank drafts favouring</b>
Resident Indian Public/ NRI without repatriation	"Union Bank of India - A/c Union Bank - Public Issue"
Employees	"Union Bank of India - A/c Union Bank - Employees"

6. Applicants residing at places where no collection centres have been opened may submit/mail their applications at their sole risk along with the application money due thereunto by Demand Draft to the Registrar to the Issue at their Mumbai address, superscribing the envelope "Union Bank - Public Issue", so as to reach the Registrar to the Issue on or before the closure of the Subscription List. Such demand drafts

should be payable at Mumbai only. The charges, if any, for purchase of demand drafts will have to be borne by the applicant.

7. Section 269SS of the Income Tax Act, 1961

Having regard to the provisions of Section 269SS of the Income Tax Act, 1961, the payment against an application should not be effected in cash if the amount payable together with any earlier outstanding loan or deposit placed with Union Bank of India by the applicant is Rs20,000 or more. In case payment is effected in contravention of this, the applications are liable to be rejected without interest.

8. In case of partial allotment, allotment will be done in demat option for the shares sought in demat and balance, if any, will be allotted in physical shares.

**Payment by Stockinvest**

Applicants, being Individuals and Mutual Funds only, have the option of using the "Stockinvest" instrument for payment of application money in lieu of cash/cheque/demand draft. Applicants using Stockinvests should submit them along with the application form to any of the collecting centres/ Banker to the Issue mentioned in the application form. Stockinvests should be payable at par at all the branches of the issuing bank and as such outstation Stockinvests can be attached to the application forms. Applicants can approach the banks concerned for obtaining Stockinvest and detailed instructions for the same.

The applicant has to fill in the following particulars:

1. Title of the Account as mentioned in the Application Form.
2. Number of equity shares applied for.
3. The amount paid on the equity shares applied for.

The applicant should thereafter sign the instrument. It should also bear the stamp of the bank issuing the instrument and should be crossed "**A/C Payee Only**" and made payable only to "**Union Bank of India**". Service charges, if any, for issuing the Stockinvest must be borne by the applicant. The applicant should not fill in the portion to be filled up by the Registrar to the Issue (right-hand portion of the instrument). The Registrar to the Issue will fill up the right-hand side of the Stockinvest indicating the equity shares allotted to the applicants, calculated as follows:

- i. In case of full allotment, the number of equity shares on the right-hand side will be the same as that on the left-hand side of the instrument;
- ii. In case of partial allotment, the number filled up by the Registrar to the Issue on the right-hand side of the instrument will be less than the number filled up by the applicant on the left-hand side;
- iii. In case the allotment is nil, the number filled up by the Registrar to the Issue on the right-hand side of the instrument will be nil.

The Stockinvest should be used by the Purchaser and the name of the Purchaser/one of the Purchasers should be indicated as the first applicant in the Application Form. Thus, if the signature of the Purchaser/one of the Purchasers on the Stockinvest and the signature of the first applicant in the application form do not tally, the application and the Stockinvest is liable to be rejected.

The Stockinvest instrument should be used by the Purchaser within 10 days from the date of the issue of the instrument, failing which such applications are liable to be rejected. For the purpose of calculating the 10 days, the last date for use of the Stockinvest for submitting the Application Form to the Bank is indicated on the face of the Stockinvest with a notation "to be used before \_\_\_\_\_".

No refund order will be issued to the applicants using Stockinvest for payment of application money. In case of non-allotment of equity shares, the cancelled Stockinvest instruments will be returned to the applicant, within 10 weeks of closure of subscription list by Registered Post/Speed Post. The applicant will have to approach the issuing bank branch for lifting the lien. The Registrar to the Issue have been authorised by the Bank (through Resolution of the Board of Directors dated July 11, 2002) to sign the Stockinvests on behalf of the Bank, to realise the proceeds of the Stockinvest from the issuing bank, or to affix non-allotment advice on the instrument, or to cancel the Stockinvest(s) of the non-allottee. Such cancelled Stockinvest(s) shall be sent back by the Registrar directly to the investors. The currency of the Stockinvest is four months.

Reserve Bank of India, by its circular DBOD No. FSC.BC.100/ 24.47.001/94 dated September 2, 1994, has restricted the use of Stockinvest(s) to individual investors and Mutual Funds only. Brokers, Corporate Bodies, Banks and Financial Institutions are not allowed to invest through Stockinvest(s). A ceiling of Rs50,000/- per individual per Stockinvest by banks has been imposed. The above ceiling is not applicable to Mutual Funds.

In the interest of the investors, to avoid rejection of applications on technical grounds, it is suggested that the applicant should ensure that

- The date of issue of the Stockinvest by the issuing bank is clearly mentioned on the instrument
- The instrument is duly signed by the authorised officer of the bank giving his code number
- The instrument bears the code number and the address of the issuing bank branch
- Any correction/ alteration in the date of issue, amount, the name of the issuer, etc. should be attested by an authorised officer of the issuing bank
- The applicant has clearly written the name of the issuer, the amount and signed the instrument
- Amount written in the application form to be deposited and the amount of the instrument accompanying the application form should be the same

Note : The above information is given for the benefit of investors and the Bank is not liable for any modification in the terms of the Stockinvest or procedure thereof by the issuing bank.

#### **Particulars of Bank Account**

All the applicants, including applicants with Stockinvest, should mention particulars relating to Savings Bank/Current Account number and the name of the bank and branch with whom such account is held in the appropriate place in the application form to enable Registrar to print the said details in the refund orders after the name of the payee. **Please note that it is mandatory to provide the aforementioned details. Applications without these details would be treated as incomplete and applications are liable to be rejected.**

#### **Note**

Applicants are requested to write their names and application serial number on the reverse of the instruments by which the payments are being made to avoid misuse of instruments submitted along with the applications for equity shares.

Applications by NRIs/OCBs on non-repatriation basis can be made using the Form meant for the public out of the funds held in Non Resident (Ordinary) Account (NRO). The relevant bank certificate must accompany such forms. Such applications will be treated at par with the applications made by the public. For further instructions, please read the Application Form carefully.

#### **Procedure and Time Schedule for Allotment/Refund**

In the event of the present Issue of equity shares being over-subscribed, the basis of allotment will be finalised in consultation with the BSE.

The Bank shall as far as possible complete allotment of shares offered to the public within 30 days of the closure of the Issue. If the allotment has not been made within 30 days, the Bank shall pay interest @15% per annum on the entire amount for any delay beyond 30 days till the date of allotment. In case of any delay in the dispatch of refund orders beyond 30 days from the closure of the Issue, interest @15% per annum, except to applicants applying through Stockinvests, will be paid on the refund amount from the 31st day from the closure of the Issue until the date of dispatch of the refund orders.

#### **Disposal of Applications and Application Money**

The Bank reserves, in its own, absolute and uncontrolled discretion and without assigning any reason, the right to accept in whole or in part or reject any application. If an application is rejected in full, the entire application money received will be refunded to the applicant. If the application is rejected in part, excess of the application money received will be refunded to the applicant as far as possible within 30 (thirty) days from the date of closure of the Issue. Any delay beyond 30 days shall entail payment of interest at 15% per annum. Refund will be made by cheques or demand drafts drawn in favour of the sole / first applicant (including the details of his savings/ current account number and the name of the bank with whom the account is held) on the refund banker to the Issue and will be dispatched by Registered Post for amounts above Rs.1,500 and by Certificate of Posting otherwise. Such Cheques or Demand Drafts will be payable at par at specified centres where the applications have been received.

The Bank has undertaken to make adequate funds available to the Registrar to the Issue for complying with the requirements of dispatch of Allotment Letters/ Share Certificates/ Refund Orders by Registered Post.

The subscription received in respect of Public Issue will be kept in a separate bank account and the Bank shall not have access to such funds unless approvals from all the Stock Exchanges, where listing has been proposed and approval of the BSE for allotment has been obtained.

No separate receipt will be issued for the application money. However, the nominated branches of the Bankers to the Issue or the collection centres receiving the application form will acknowledge receipt of application by stamping and returning the acknowledgement slip given at the foot of each application form.

#### **Basis of Allotment**



In the event of the public Issue being oversubscribed, the allotment will be on a proportionate basis and the basis of allotment will be finalised in consultation with the BSE (Regional Stock Exchange). The drawal of lots to finalise the basis of allotment shall be done in the presence of a Public Representative on the governing board of the Regional Stock Exchange. The Executive Director/Managing Director of the Regional Stock Exchange along with the post issue Lead Managers and the Registrar to the Issue shall be responsible to ensure that the basis of allotment is finalised in a fair and proper manner in accordance with the SEBI guidelines:

- (a) A minimum 50% of the net Issue to the Indian public will be made available for allotment in favour of those individual applicants who have applied for 1000 equity shares or less. This percentage may be increased in consultation with the BSE depending on the extent of response to the Issue from investors in this category. In case allotments are made to a lesser extent than 50% because of lower subscription in the above category, the balance equity shares would be added to the higher category and allotment made on a proportionate basis as per relevant SEBI Guidelines.
- (b) The balance of Net Issue to Indian Public shall be made available to investors including corporate bodies/institutions and individual applicants who have applied for allotment of more than 1000 equity shares.
- (c) The unsubscribed portion of the net Issue to any of the categories specified in (a) or (b) shall be made available for allotment to applicants in the other category, if so required.
- (d) The allotment shall be on a proportionate basis under the reservation for employees category as well as under the net offer to the public category.
- (e) Applicants will be categorised according to the number of equity shares applied for.
- (f) The total number of equity shares to be allotted to each category as a whole shall be arrived at on a proportionate basis i.e. the total number of shares applied for in that category (number of applications in the category multiplied by the number of equity shares applied for) multiplied by the inverse of the oversubscription ratio.
- (g) Number of equity shares to be allotted to the successful allottees will be arrived on a proportionate basis i.e. total number of equity shares applied for by each applicant in that category multiplied by the inverse of the oversubscription ratio.
- (h) In all the applications where the proportionate allotment works out to less than 100 equity shares per applicant, the allotment shall be made as follows:
  - Each successful applicant shall be allotted a minimum of 100 equity shares, and
  - The successful applicants out of the total applicants of that category shall be determined by drawal of lots in such a manner that the total number of equity shares allotted in that category is equal to the number of equity shares worked out as per (f) above.
  - If the proportionate allotment to an applicant works out to a number that is more than 100 but is not a multiple of 100 (which is the marketable lot) the number in excess of the multiple of 100 would be rounded off to the higher multiple of 100 if that number is 50 or higher. If that number is lower than 50, it would be rounded off to the lower multiple of 100. All applicants in such categories would be allotted equity shares arrived at after such rounding off.
  - If the equity shares allocated on a proportionate basis to any category is more than the equity shares allotted to the applicants in that category, the balance available equity shares for allotment shall be first adjusted against any other category where the allotted equity shares are not sufficient for proportionate allotment to the successful applicants in that category. The balance equity shares if any, remaining after such adjustment will be added to the category comprising of applicant applying for minimum number of equity shares.
- (i) The unsubscribed portion, if any, out of the equity shares reserved for Employees will be added back to the Net Issue to Indian Public and vice-versa. The oversubscription under reserved categories for Employees will be added to Net Issue to Indian public, if Net Issue to Indian Public is undersubscribed and to the extent of such undersubscription and vice-versa.
- (j) In the event of oversubscription, in the process of rounding off to ensure allotment in marketable lots, the Bank may make such adjustments in the basis of allotment, as may be necessary, in consultation with SEBI/BSE, so that the Issue does not exceed 110% of 18,00,00,000 equity shares.

The drawal of lots (where required) to finalise the basis of allotment, shall be done in the presence of a public representative on the Governing Board of the Regional Stock Exchange.

**THE BASIS OF ALLOTMENT SHALL BE SIGNED AS CORRECT BY THE EXECUTIVE DIRECTOR/MANAGING DIRECTOR OF THE STOCK EXCHANGE AND THE PUBLIC REPRESENTATIVE (WHERE APPLICABLE) IN ADDITION TO THE LEAD MERCHANT BANKER**

**RESPONSIBLE FOR POST ISSUE ACTIVITIES AND THE REGISTRAR TO THE ISSUE. THE STOCK EXCHANGE SHALL INVITE THE PUBLIC REPRESENTATIVE ON A ROTATION BASIS FROM OUT OF THE VARIOUS PUBLIC REPRESENTATIVES ON ITS GOVERNING BOARD.**

**INTEREST ON EXCESS APPLICATION MONEY**

Payment of interest at the rate of 15% per annum on excess application money will be made to the applicants for the delayed period, if any, where allotment of equity shares and issuance of Refund Orders take place beyond 30 days from the date of closure of the Issue.

**DISPUTES**

Any disputes arising out of this Issue will be subject to the jurisdiction of appropriate court(s).

**DEMATERIALISATION**

The equity shares of the Bank have been admitted for dematerialisation by National Securities Depository Limited (NSDL), under a tripartite agreement dated July 27, 2002 signed between the Bank, NSDL and MCS Limited, the Registrar to the Issue, to enable all shareholders of the Bank to have their shareholding in electronic form. The Bank has also entered into a tripartite agreement with Central Depository Services (India) Ltd. (CDSL) and MCS Limited for dematerialisation of its shares vide a tripartite agreement dated July 27, 2002.

- An applicant has the option of seeking allotment of Equity Shares in electronic or in physical mode.
- Separate applications for electronic and physical shares by the same applicant shall be considered as multiple applications.
- The applicant seeking allotment of shares in the electronic form must necessarily fill in the details (including the beneficiary account no. and Depository Participant's ID no.) appearing under the heading 'request for shares in electronic form'.
- An applicant who wishes to apply for shares in the electronic form must have at least one beneficiary account with any of the Depository Participants (DPs) i.e. of NSDL or of CDSL, registered with SEBI, prior to making the application.
- Shares allotted to an applicant in the electronic account will be credited directly to the respective beneficiary accounts (with the DP).
- For subscription in electronic form, names in the share application form should be identical to those appearing in the account details in the depository. In case of joint holders, the names should necessarily be in the same sequence as they appear in the account details in the depository.
- Non-transferable allotment letters/ refund orders will be directly sent to the applicant by the Registrar to this Issue.
- Incomplete/ incorrect details given under the heading 'Request for shares in electronic form' in the application form will be assumed as an application for shareholding in physical form.
- The applicant is responsible for the correctness of the applicant's demographic details given in the application form vis-à-vis those with his/ her DP.
- It may be noted that the electronic shares can be traded only on the Stock Exchanges having electronic connectivity with NSDL and CDSL.
- One time cost of dematerialisation of shares shall be borne by the Bank. The one time cost refers to the demat charges for the shares opted for in this Issue by an investor in electronic form. Subsequent charges for dematerialisation of physical shares held by the investors shall be borne by the investor.
- In case of partial allotment, allotment will be done in demat option for the shares sought in demat form and balance, if any, will be allotted in physical form.

**INVESTORS MAY NOTE THAT, AS PER EXISTANT SEBI GUIDELINES, TRADING IN THE SECURITIES SHALL BE IN DEMATERIALIZED FORM ONLY.**

**UNDERTAKING BY THE BANK**

The Bank undertakes

- a) to attend to the complaints received in respect of the Issue expeditiously and satisfactorily;
- b) to take all steps for completion of necessary formalities for listing and commencement of trading at all stock exchanges where the securities are to be listed within 7 working days of finalisation of basis of allotment;

- c) to apply in advance for the listing of equities;
- d) that the funds required for despatch of refund orders/ allotment letters/ certificates by registered post shall be made available to the Registrar to the Issue by the Bank;
- e) that the certificates of the securities/refund orders to the applicants shall be despatched within specified time;
- f) that no further issue of securities shall be made till the securities offered through this Offer Document are listed or till the application monies are refunded on account of non-listing, undersubscription, etc.

**UTILISATION OF ISSUE PROCEEDS**

The Board of Directors undertakes that

- a) all monies received out of Issue of shares to public shall be transferred to separate bank accounts other than the bank account referred to in sub-section (3) of section 73 of the Companies Act, 1956;
- b) details of all monies utilised out of the Issue referred to in sub-item (a) shall be disclosed under an appropriate separate head in the Balance Sheet of the Bank indicating the purpose for which such monies had been utilised;
- c) details of all unutilised monies out of the Issue of shares, if any, referred to in sub-item (a) shall be disclosed under an appropriate separate head in the Balance Sheet of the Bank indicating the form in which such unutilised monies have been invested;
- d) the utilisation of monies received under reservations shall be disclosed under an appropriate head in the Balance Sheet of the Bank indicating the purpose for which such monies have been utilised;
- e) details of all unutilised monies out of funds received under reservations shall be disclosed under an appropriate separate head in the Balance Sheet of the Bank indicating the form in which such unutilised monies have been invested.

## BASIS OF ISSUE PRICE

### Justification of Premium

The following factors have been considered while arriving at the Issue Price of Rs16 (share premium of Rs6 per share) per equity share.

### Quantitative Factors

- 1) Year-end earnings per share (EPS)

Year	EPS	Weights Used
1999-2000	3.76	1
2000-2001	5.33	2
2001-2002	8.92	3

Weighted average EPS for the last three years is Rs6.86

- 2) Price Earning (P/E) Ratio (in relation to Issue price of Rs16 per share): 2.33

The P/E ratio based on FY2002 earnings per share is 1.79

- 3) Industry P/E(Banks – Public Sector)

Highest	5.4
Lowest	1.4
Average	3.6

(Source: Capital Market Vol. XVII/10 dated August 4, 2002)

- 4) Return on Average Net Worth (RONW)

Year	RONW (%)	Weights Used
1999-2000	10.20%	1
2000-2001	13.28%	2
2001-2002	18.97%	3

Weighted average RONW for the last three years is 15.61%

- 5) The minimum return on increased post offer networth required to maintain pre-offer EPS of Rs8.92 is (on the basis of an Issue price of Rs16 per share): 22.56%

- 6) Net Asset Value as on

March 31, 2002	Rs47
Net Asset Value after public offer (on the basis of an Issue price of Rs16 share)	Rs39.54
Public Issue price per share	Rs16

- 7) Industry Price/Book Value (Banks - Public Sector)

Highest	0.81
Lowest	0.30
Average	0.56

(Information from Capital Market Vol. XVII/10 dated August 4, 2002)

Price/Book Value (based on BV as on March 31, 2002)	0.34
Price/Book Value (after return of capital and Public Offer)	0.40

### Qualitative factors

- The Bank has a continuous track record of profitability since inception.
- The Bank is a professionally managed organisation with a well-established track record.
- The Bank has a large network of branches spread throughout the country enabling it to raise cheaper funds. The domestic network of the Bank stood at 2,023 branches as on March 31, 2002. The Bank has also opened specialised branches to cater to the needs of Industries, Overseas Business, Non Resident Indians, Trading and Small-Scale Industries.
- The Bank is among the largest banks in India with total business (advances plus deposits) exceeding Rs61,000 crore.

5. The Bank has installed its own Wide Area Network (WAN) linking select branches and controlling offices.
6. The Bank has commenced the process of networking 500 branches by engaging leading consultants for implementing a centralised core banking solution.
7. The Bank has established a state-of-the-art integrated treasury capable of handling all transactions in forex, debt and money markets.
8. The Bank has its own full-fledged training college at Bangalore which has received an ISO 9001 certification in addition to seven other training centres across the country.
9. Capital adequacy ratio is 11.07% as on March 31, 2002 against the RBI prescribed minimum of 9%.
10. The net asset value of the Bank as on March 31, 2002 is Rs47 per share.

The weighted average RONW for the last three years is 15.61%. The minimum return on increased post-offer net worth required to maintain pre-offer EPS is 22.56%. Further, profits from investment/treasury profits have contributed significantly to the profit for 2001-02. However, the discount to book-value, the lower than average industry P/E and the qualitative factors mentioned above justify a premium of Rs6.

**The Bank and all the Lead Managers to the Issue, in consultation with whom the premium has been decided, are of the opinion that the premium is reasonable and justified.**

## **TAX BENEFITS**

M/s. B. Gupta & Co., M/s. D. P. Sen & Co., M/s. Gala & Gala, M/s. S. N. Dhawan & Co., M/s. Sundaram & Srinivasan and M/s. V. K. Verma & Co. have advised vide their letter dated June 4, 2002 that under the current tax laws, the following tax benefits will be available to the Bank and prospective shareholders under direct tax laws.

### **Statement of Tax Benefits Available Under The Current Tax Laws**

#### **I. TO THE BANK**

1. Under Section 80M of the Income Tax Act where the gross total income of the Bank in any previous year includes any income by way of dividends from a domestic company, there shall be allowed, in computing the total income of the Bank, a deduction of an amount equal to so much of the amount of income by way of dividends from another domestic company as does not exceed the amount of dividend distributed by the Bank on or before the due date of furnishing the return of income.
2. Under Section 36(1) (vii a) of the Income Tax Act, in respect of any provision for bad and doubtful debts made, the Bank is entitled to a deduction of:
  - i) an amount not exceeding seven and half percent of the total income computed before making any deduction under this clause and chapter VI A; and
  - ii) an amount not exceeding ten per cent of the aggregate average advances made by the rural branches of the Bank computed in the prescribed manner:

However, the Bank at its option instead of deductions referred to in para 2(i) and 2(ii) can claim in any of the relevant assessment years, deduction in respect of any provision made by it for any assets classified by the Reserve Bank of India as doubtful assets or loss assets in accordance with the guidelines issued by it in this behalf, of an amount not exceeding ten per cent of the amount of such assets shown in the books of account of the Bank on the last day of the previous year. This option is available upto the year ending 31/3/2005 relevant to the assessment year 2005-2006.

3. Under Section 36(1)(vii) of Income Tax Act, any bad debt or part thereof of the Bank which is written off as irrecoverable in the accounts of the Bank is allowable as deduction subject to the condition, when the Bank claims deduction under Clause (vii)(a) of Section 36(1), the amount of the deduction relating to any such bad debt or part thereof shall be limited to the amount by which such debt or part thereof exceeds the credit balance in the provision for bad and doubtful debts account under this Clause. The Bank also has to comply with the provisions contained in Section 36(2)(v) in order to get the above deduction.
4. Under Section 43D of the Income Tax Act, the income of the Bank by way of interest in relation to such categories of bad or doubtful debts as prescribed in Rule 6EA of the Income Tax Rules shall be chargeable to tax in the previous year in which it is credited by the Bank to its Profit & Loss account for that year or as the case may be in which it is actually received by the Bank whichever is earlier.
5. Under second proviso to Section 48 of the Income Tax Act, the long term capital gains of the Bank arising on transfer of capital asset other than bonds and debentures (not being capital indexed bonds) will be computed after indexing the cost of acquisition, improvement and would be charged to at a concessional rate of 20% plus applicable surcharge as per Section 112 of the Income Tax Act. In respect of long term capital gains arising from the transfer of listed securities or unit, tax shall be chargeable at 10% of the amount of capital gains plus applicable surcharge before giving effect to the provisions of second proviso to Section 48 i.e. without indexing the cost of acquisition, if the Bank, opts for.
6. As per Section 54EC of Income Tax Act and subject to conditions specified therein, the Bank is eligible to claim exemption from the tax arising on long term capital gains, on investment of capital gains in certain notified bonds, within six months from the date of transfer of capital asset. If only a portion of the capital gains is invested, then the exemption is proportionately available.
7. Under Section 54ED of Income Tax Act, capital gain arising from the transfer of investments held as long term capital asset, being listed securities or unit is exempt from tax if the Bank invests within a period of six months after the date of such transfer, the whole of the capital gain in acquiring equity shares forming part of an eligible issue of capital-as defined in clause (i) to explanation in the above Section, the whole of the capital gain. Where only a part of the capital gains is so invested then the exemption is proportionately available. The exemption is available subject to other conditions specified in that Section.
8. Under Section 10(23G) of Income Tax Act, any income by way of dividends, interest on long term capital gains of the Bank arising from investment made on or after the 1<sup>st</sup> day of June, 1998 by way of shares on Long Term Finance in any enterprise or fund or a co-operative Bank wholly engaged in business of (i) developing or (ii) operating and maintaining or (iii) developing, operating and maintaining any infrastructure

facility and which has been approved by the Central Government and which satisfies the prescribed conditions as per Rule 2E of the Income Tax Rules, 1962, is exempt from tax.

## **II. BENEFITS AVAILABLE TO THE RESIDENT SHAREHOLDERS OF THE BANK**

1. Under Section 80L of the Income Tax Act where the gross total income of an individual or Hindu Undivided Family includes income by way of dividends paid by the Bank, a deduction:
  - a) in a case where the amount of such income does not exceed in the aggregate nine thousand rupees, the whole of such amount;
  - b) in any other case, nine thousand rupees would be allowed in computing the Total Income.
2. Under Section 54EC of the Income Tax Act and subject to the conditions specified therein any long-term capital gains arising from the transfer of shares of the Bank is exempt from Tax if the assessee has invested at any time within a period of six months from the date of such transfer, the whole of capital gains in notified bonds. If only a portion of the capital gains is invested, then the exemption is proportionately available.
3. Under Section 54F of the Income Tax Act, long term capital gains arising on transfer of shares of the Bank in the case of individuals or Hindu Undivided Family will be exempt (full or proportionate) if the net consideration (i.e. full value of consideration received or accrued as a result of the transfer of the capital asset as reduced by an expenditure wholly and exclusively in connection with such transfer) is invested in purchase of residential house within a period of one year before or two years after the date of transfer or the net consideration is invested in the construction of a residential house within a period of three years from the date of transfer. The exemption is available proportionately if only a portion of the net consideration is invested as above. The exemption is subject to other conditions specified in that Section.
4. As per Section 54ED of Income Tax Act, long term capital gains arising from transfer of shares of the Bank on its shares being listed, is exempt from tax if the assessee invests within a period of six months after the date of transfer, the whole of the capital gains in acquiring equity shares forming part of an eligible issue of capital as defined in clause (i) to explanation in the above Section, the whole of the capital gains. Where only a part of the capital gains is so invested, then the exemption is proportionately available. The exemption is available subject to conditions specified in that Section.
5. Under Section 112 of Income Tax Act where the Total Income of any assessee includes any long term capital gains on transfer of shares of the Bank, same is subject to concessional rate of tax at 20% plus applicable surcharge after indexing the cost as per the second proviso to Section 48 of the Income Tax Act. Alternatively, at the option of the assessee, where the tax payable in respect of any such long term capital gains exceeds 10% of the amount of capital gains arrived at without indexing the cost, the capital gains is charged at 10% only plus applicable surcharge.
6. No Wealth Tax is payable in respect of investment in shares of the Bank.

## **III. BENEFITS AVAILABLE TO NON-RESIDENT INDIAN SHAREHOLDERS OF THE BANK**

1. Under Section 48 of the Income Tax Act capital gains arising on transfer of shares of the Bank is computed by converting the Cost of Acquisition etc. and the full value of the consideration of the transfer to share into the same foreign currency as was initially utilised in the purchase of the shares and the capital gains so computed in such foreign currency shall be reconverted into Indian currency. Further, the aforesaid manner of computation of Capital Gains shall be applicable in respect of Capital Gains accruing or arising from every reinvestment thereafter in and sale of, shares in, or debentures of, an Indian Company.
2. As per the provisions of Section 115-I of the Income Tax Act, non-resident Indians have an option to be governed by the Chapter XII-A of the Income Tax Act, 1961, according to which :-
  - a) Under Section 115E of the Income Tax Act, the long term capital gain on transfer of shares of the Bank acquired by him out of convertible foreign exchange (without aggregating any other income carried in India which will be taxed separately) shall be taxed @ 10% plus applicable surcharge.
  - b) Under Section 115F of the Income Tax Act, the long term capital gain on sale of shares acquired by the non-resident out of the convertible foreign exchange shall be exempt from income-tax entirely / proportionately, if the entire or part of the net consideration is invested for a period of three years in any savings certificates specified under Section 10 (4B) or specified assets as defined in Section 115C within 6 months from the date of transfer.
  - c) Under Section 115G of the Income Tax Act, a non-resident Indian is not required to file a return of income under Section 139(1) of the Act if his total income consisted only of investment income and/or long term capital gains and tax deductible at source has been deducted therefrom.
  - d) Under Section 115H of the Income Tax Act, where the non-resident Indian becomes assessable as a resident in India, along with his return of income for that year, he may furnish a declaration in writing to the Assessing Officer under Section 139 of the Income Tax Act to the effect that the provisions of the

Chapter XII-A shall continue to apply to him in relation to income derived from shares of the Bank for that year and subsequent years until such assets are converted into money.

- e) As per the provision of Section 115I of Income Tax Act, a non-resident Indian may elect not to be governed by the provisions of Chapter XII A for any assessment year by furnishing his return of income for that assessment year under Section 139 of the Act, declaring therein that the provisions of Chapter XII-A shall not apply to him for that assessment year and accordingly his total income for that assessment year will be computed in accordance with the provisions of the Act.

**IV. BENEFITS AVAILABLE TO FOREIGN COMPANIES AND INSTITUTIONAL INVESTORS (FII)**

1. Under Section 115A of the Income Tax Act, where the total income of a Foreign Company includes dividend from the Bank, the rate of Income Tax shall be chargeable at 20% plus applicable surcharge.
2. Under Section 115AD of the Income Tax Act, where the total income of Foreign Institutional Investors include income by way of dividend from the Bank or income by way of short term or long term capital gains arising from transfer of such shares, the Income-Tax will be payable at 20% on dividend income, 30% on short term gains and 10% on long term capital gains referred above plus applicable surcharge.
3. Under Section 54EC of the Income Tax Act, only long term capital gains arising from transfer of shares of the Bank is exempt as set out in para 2 of Part II of Statement of Tax benefits subject to the extent and conditions mentioned therein.
4. Under Section 48 of the Income Tax Act, capital gains arising on transfer of shares of the Bank will be exempt in such a manner as set out in para 1 of Part III of Statement of Tax Benefits above.

**V. BENEFITS AVAILABLE TO MUTUAL FUNDS**

As per the provisions of Section 10(23D) of the Act, any income of Mutual Funds registered under the Securities and Exchange Board of India Act, 1992 or Regulations made thereunder, mutual funds set up by the public sector banks or public financial institutions and Mutual Funds authorised by the Reserve Bank of India would be exempt from income tax subject to the conditions as the Central Government may by notification in the Official Gazette specify in this behalf.



## **SECTION III**

### **BANK AND MANAGEMENT**

#### **History and Development**

Union Bank of India was founded and registered on November 11, 1919 as a limited company with its registered office at 7, Marzban Road, Fort, Mumbai. Union Bank shifted its registered office in 1921 to its own premises at Mumbai Samachar Marg, Fort, Mumbai. The inauguration of the new premises at the hands of Mahatma Gandhi (the father of the nation) is a memorable moment in the history of the Bank, inspiring and guiding the institution and its people to uphold the values of good banking and customer care.

At the time of independence in 1947, the Bank had only 4 branches; 3 in Mumbai and 1 in Saurashtra, all concentrated in key trade centres because the then Board of the Bank was closely associated with trade and commerce.

It was only from 1960 onwards that the Bank's growth phase began and the Bank aligned its activities in line with the national priorities. In the context of foreign exchange crisis faced by the country in the late 50s and early 60s, the Bank geared itself to assist the export sector and push its foreign exchange business with an added emphasis. By 1965, its advances to foreign trade was about 25% of its total advances. The Bank has no foreign branches.

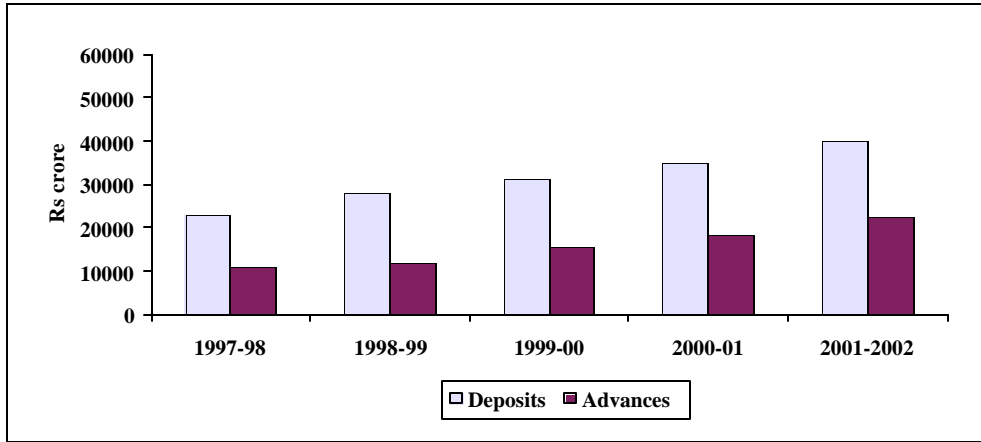
Similarly, realising the need for qualitative change in banking coverage, it was one of the early banks to open branches in the rural areas and in 1965, it had 16 branches in rural pockets with a population of less than 10,000.

The Bank has since come a long way crossing the Rs10,000 crore business mark in 1991 and Rs 50,000 crore mark by 2000. After nationalisation in 1975, Belgaum Bank Ltd., a private sector bank was merged with the Bank. In 1985, Miraj State Bank Ltd., a private sector bank was merged with the Bank and in 1999, Sikkim Bank Ltd. was merged with the Bank. The merger was effected through merger schemes framed by the Government of India. Now, the Bank has crossed another milestone, having garnered a business mix of Rs 60,000 crore as evidenced by the table below:

<b>Year</b>	<b>Deposits (Rs crore)</b>	<b>Advances (Rs crore)</b>	<b>No. of Branches (Excl. Extension counters)</b>
1920	0.53	0.73	1
1930	0.27	0.46	1
1940	1.97	0.67	4
1950	5.36	1.71	7
1960	28.50	17.32	53
1969	133.10	86.50	273
1979	1,208.32	713.80	1,117
1989	5,143.60	2,492.18	1,740
1995-1996	17,891.73	8,681.08	2,004
1996-1997	20,004.99	9,168.36	2,030
1997-1998	23,055.63	10,276.19	2,087
1998-1999	28,135.65	11,308.77	2,119
1999-2000	31,105.36	14,613.62	2,136
2000-2001	34,888.06	17,505.35	2,053
2001-2002	39,793.86	21,383.31	2,023

The Bank has reduced the number of branches as part of a branch rationalisation process. The Bank has been actively studying branch profitability and customer convenience at the branches over a period of time. As a result, it was seen that reduction in certain branches would result in complete and better service to the customer. Moreover certain branches acting as Specialised Savings Branches (created by carving out savings department of branches) did not achieve the purpose of mobilising low cost deposit and hence were merged with their original branches.

The chart below explains the growth in resource mobilisation and advances in the last five years:



The Bank has thus seen a steady and consistent growth in both its deposits and advances. In the last five years, the deposits and advances of the Bank have grown at a compounded annual growth rate of 14.53% per annum and 17.34% per annum respectively.

As against the total deposits figure of Rs23,056 crore as on March 31, 1998, the Bank's deposits stood at Rs39,794 crore as on March 31, 2002 showing an annual increase of more than 11.5% over the last five years.

#### OVERVIEW OF THE BANKING ENVIRONMENT

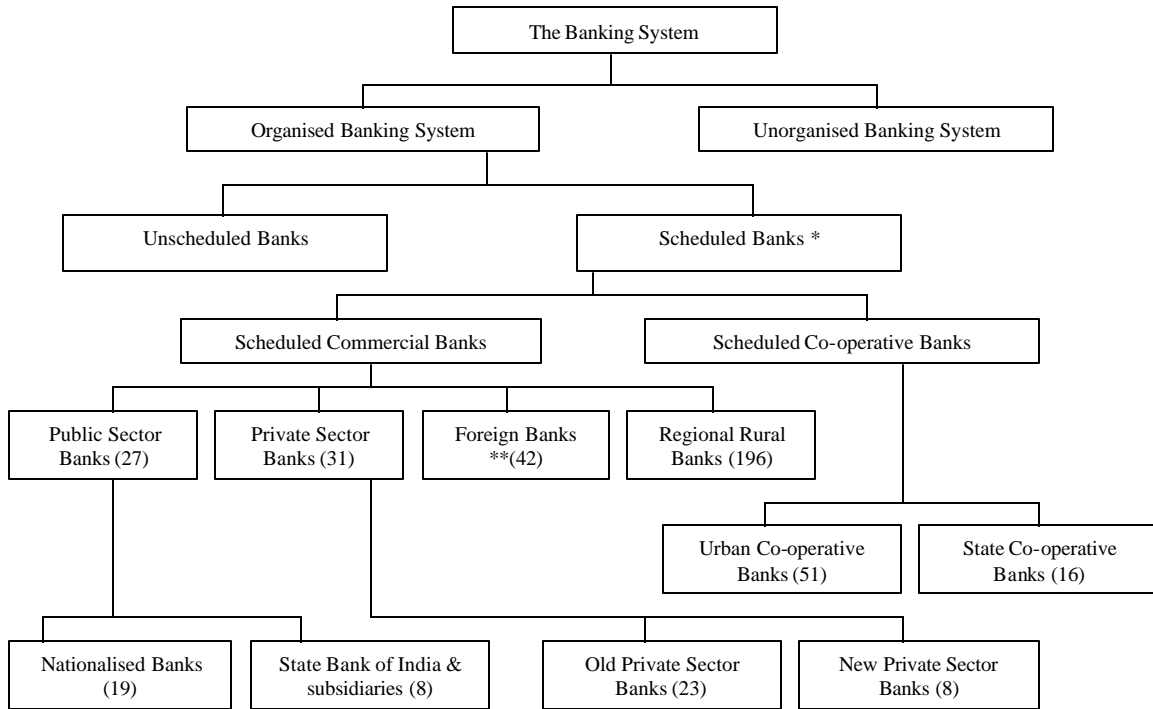
*(The information presented in this section has been extracted from publicly available documents, which have not been prepared or independently verified by the Bank, the Lead Managers or any other respective affiliates or advisors)*

##### Indian Banking Industry

Banking in India has an early origin where the indigenous bankers played a very important role in lending money and financing foreign trade and commerce. During the days of the East India Company, it was the turn of the agency houses to carry on the banking business. The General Bank of India was the first Joint Stock Bank to be established in the year 1786. The others, which followed, were the Bank of Hindustan and the Bengal Bank. In the first half of the 19<sup>th</sup> century, the East India Company established three banks; the Bank of Bengal in 1809, the Bank of Bombay in 1840 and the Bank of Madras in 1843. These three banks were also known as Presidency Banks. These three banks were amalgamated in 1920 and a new bank, the Imperial Bank of India was established in 1921. With the passing of the State Bank of India Act in 1955, the undertaking of the Imperial Bank of India was taken over by the newly constituted State Bank of India. The Reserve Bank of India which is the Central Bank was created in 1935 by passing of Reserve Bank of India Act, 1934.

##### Industry Structure

The following chart briefly explains the banking system as it is functioning today in India:



\* As included in the Second Schedule to the Reserve Bank of India Act, 1934 (As on March 31, 2001)

\*\* Sakura Bank Limited merged with Sumitomo Bank Limited in April 2001

Note: Figures in brackets indicate number of banks in each group

(Source: Report on Trend and Progress of Banking in India, 2000-2001, RBI)

### Unorganised Banking System

The Unorganised Banking System comprises of moneylenders, indigenous bankers, lending pawnbrokers, landlords, traders, etc. There are also a host of financial companies, investment companies, chit funds, etc.

### Organised Banking System

The Organised Banking System comprises of Scheduled Banks and Non-scheduled Banks that are permitted by RBI to undertake banking business.

### Scheduled Banks

Scheduled Banks are those banks which are included in the Second Schedule of the Reserve Bank Act, 1934. In terms of Section 42(6)(a) of the Reserve Bank of India Act, a bank should fulfil the following conditions before it is granted a scheduled bank status:

- a) It must have a specified paid-up capital and reserves;
- b) It must satisfy RBI that its affairs are not conducted in a manner detrimental to the depositors;
- c) It must be a state co-operative bank or a company under Companies Act, 1956 or an institution notified by the Central Government in this behalf or a corporation or a company incorporated by or under any law in force in any place outside India.

The Scheduled Banks comprising of Scheduled Commercial Banks and Scheduled Co-operative Banks enjoy certain privileges like approaching the RBI for financial assistance, refinance etc. and correspondingly, they have certain obligations like maintaining certain cash reserves, submission of returns as prescribed by the RBI, etc.

### Unscheduled Banks

Unscheduled Banks are those joint stock banks which are not included in the Second Schedule of the RBI Act on account of the failure to comply with the minimum requirements for being scheduled.

### Scheduled Commercial Banks

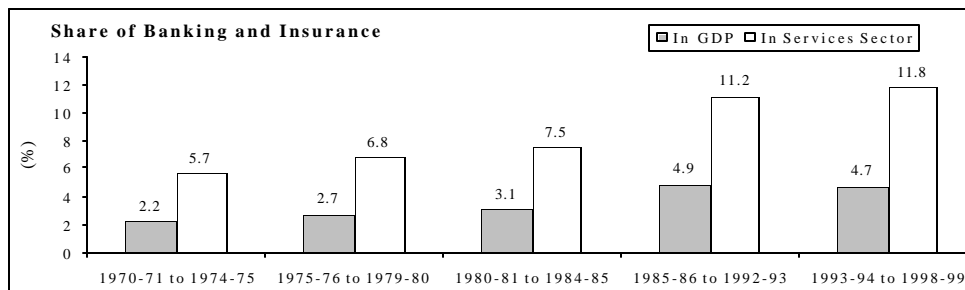
Scheduled Commercial Banks comprises Public Sector Banks, Private Sector Banks, Foreign Banks and Regional Rural Banks. Public Sector Banks are sub-classified into the State Bank of India (erstwhile Imperial Bank of India nationalised by central enactment in 1955) and its 7 associates nationalised in 1959 and other Nationalised Banks which were nationalised in two phases; 14 banks were nationalised on July 19, 1969 and 6 others on April 15, 1980.

### Evolution of the Industry

The Indian Banking System has over the years evolved to become a more market oriented one. The various five-year plans provided the impetus towards financial development, commercial banking and industrialisation in India. Banking was a critical source of funding in all the emerging trade and industrial activities during the early part of the post-independence era.

### Importance of the Sector

One of the basic indicators of financial development of an economy is the contribution of finance-related activities in real GDP, *i.e.*, the contribution of banking and insurance in GDP. The share of real GDP originating from finance related activities experienced a steady increase from 2.2 percent during the first half of the seventies to 4.7 percent in the period 1993-99. Within the services sector, the share of banking and insurance sector worked out to around 12.0 percent during the nineties.



(Source : National Accounts Statistics, Central Statistics Organisation, [www.rbi.org.net.in](http://www.rbi.org.net.in))

The increasing role played by the banking sector in the economy can be gauged by the steady increase in the ratio of monetary indicators like aggregate deposits, M3, bank credit to the Government and bank credit to the commercial sector to the GDP over the last two decades. These ratios, which were as low as 16.4 percent, 25.9 percent, 13.3 percent and 15.6 percent respectively during the period 1970-75, increased to 43.8 percent, 53.8 percent, 21.9 percent and 28.6 percent respectively during the period 1995-00. However, the ratio of credit to the commercial sector to GDP, which touched in the late eighties to 30.3 percent, has since witnessed a decline to 28.6 percent during 1995-00. This is perhaps an indication of the increased move of the banks to invest more in Statutory Liquidity Ratio (SLR) investments (Government securities) during the late nineties in a falling interest rate scenario and an economic slowdown leading to rising NPAs.

## PERFORMANCE OF THE BANKING SYSTEM

### Increased Competition

The advent of liberalisation and the resulting financial sector reforms in the early 90s resulted in the Public Sector Banks witnessing new threats in the form of new private sector players and globally available financial products. Also, in accordance with India's WTO agreement in the financial services sector, foreign banks were permitted to increase their number of branches from the earlier level of 8 branches to 12 branches effective from the year 1998-1999. Subsequent to the guidelines issued in the year 1993, the industry witnessed the advent of private sector banks. Currently, around 8 new private sector banks are in operation.

The Public Sector Banks that are the dominant force in the Indian banking scenario (over 78.0 percent of total banking assets) are faced with issues relating to non-performing assets levels, falling revenues from traditional sources, upgradation to modern technology and large workforce. Accordingly, many Public Sector Banks are facing the challenges by implementing Voluntary Retirement Schemes (VRS) to reduce workforce and becoming tech savvy. While competition between the various banking entities in the industry has increased, competition amongst the various public sector banks has also increased. This is because of the relaxation of many guidelines, allowing for portfolio shifts. With the amendment to the Banking Companies Acts 1970/1980, public sector banks are now allowed to access the capital market to raise funds. This has diluted the shareholding of the Government, although it continues to be the major shareholder.

### Public Sector Banks – Still the Mainstay

Despite increasing competition, public sector banks continue to dominate. This category currently accounts for more than 81 percent of all deposits and over 79 percent of all advances in the domestic banking industry. This scale of operations bestows upon them a higher bargaining power enabling them to play a dominant role in the liquidity and interest rate levels in the system. However, the scenario in the future may undergo a change with the growth of the new private sector banks. These banks are in a more advantageous position because of their superior technology-based operations, lower manpower and a lower non-performing assets (NPA) level.

The table below gives the category-wise break-up of important banking sector indicators as on March 31, 2001:

Category (no. of Banks)	Deposits	Advances	Total Assets	Total Income	Net Profit
Public Sector Banks (27)	81%	79%	80%	78%	67%
Old Private Sector Banks (23)	7%	7%	7%	7%	8%
New Private Sector Banks (8)	6%	6%	6%	6%	10%
Foreign Banks (42)	6%	8%	8%	9%	15%
<b>Total</b>	<b>100%<sup>s</sup></b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

(Source : Report on Trend and Progress of Banking in India, 2000-2001, RBI)

### RECENT TRENDS

The banking sector is being subjected to constant change with far reaching consequences. Increasing customer focus, branding and technology focus are some of the broad changes that are occurring. Some of the other major trends include:

#### Universal Banking

In order to enhance the scale of operations in the financial intermediary industry, the banks were permitted to foray into the term lending market. Similarly, Financial Institutions (FIs) were given the go ahead to provide loans for working capital requirements. On account of this move, banks are likely to become targets for take-over by FIs, who are anxious to increase their market share in the short-term deposit and working capital business. By incorporating universal banking and also simultaneously implementing best risk management practices, banks and FIs can still increase their scope of operations and growth in profits.

#### Increased Technological Advancements

Technology savvy banks are tapping multiple channels to cut costs and improve customer satisfaction. The trend of adopting new technology has caught on the attention of a number of banks, including public sector banks. The major forces driving change in the financial services industry are new delivery systems such as direct sales, PC home banking, private banking, telephone and franchise.

#### Mergers and Acquisitions

The domestic banking sector has started witnessing mergers and acquisitions (M&A) activities. While private players have access to the latest technology, they lack the reach and low cost funds of public sector banks. M&A thus offer these banks an effective route to face competition and increase their reach and presence.

#### Bancassurance

Banks with their wide reach and a regular interface with the retail investor are the best placed to enter into the insurance sector. The IRDA has so far received quite a few applications in both the life and non-life sectors put together. The nature of applicants indicates that there is a strong synergy between other institutions in the financial sector and insurance. The inherent brand equity is the biggest advantage of banks.

#### Potential in Retail Assets

The retail asset market has been growing at a healthy pace over the past few years. A growing population of bankable households, very low penetration and the increased propensity of the urban populace to take credit are likely to propel growth in this area.

### MAIN OBJECT AND BUSINESS OF THE BANK

#### Main object

The main object of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 under which the Bank was constituted by the Central Government as a Corresponding New Bank is as under:

“An act to provide for the acquisition and transfer of the undertakings of certain banking companies, having regard to their size, resources, coverage and organisation, in order further to control the heights of the economy, to meet progressively, and serve better, the needs of the development of the economy and to promote the welfare of the

people, in conformity with the policy of the State towards securing the principles laid down in clause (b) and (c) of Article 39 of the Constitution of India and for matters connected therewith or incidental therein.”

### **Business of the Bank**

The Banking Regulation Act, 1949 which is the governing act for the Bank enables the Bank to carry on and transact the business of banking as defined in clause (b) of section 5 of the Banking Regulation Act, 1949(10 of 1949), and also engage in one or more of the other forms of business specified in sub-section (1) of section 6 of that Act.

According to clause (b) of Section 5 of the Banking Regulation Act, 1949, “Banking means the accepting for the purpose of lending or investment, of deposits of money from the public, repayable on demand or otherwise, and withdrawal by cheque, draft, order or otherwise.”

The Other Business that the Bank can undertake:

Section 3 (7) permits the Bank to act as an agent of Reserve Bank. It states as under -

- “(i) The bank shall, if so required by the Reserve Bank, act as agent of the Reserve Bank at all places in India where it has a branch for: -
- (a) paying, receiving, collecting and remitting money, bullion and securities on behalf of Government of India; and
  - (b) undertaking and transacting any other business which the Reserve Bank may from time to time entrust to it.
- (ii) The terms and conditions on which any such agency business shall be carried on by the corresponding new bank on behalf of the Reserve Bank shall be such as may be agreed upon.
- (iii) If no agreement can be reached on any matter referred to in clause (ii), or if a dispute arises between the corresponding new bank and the Reserve Bank as to the interpretation of any agreement between them, the matter shall be referred to the Central Government and the decisions of the Central Government thereon shall be final.
- (iv) The corresponding new bank may transact any business or perform any functions entrusted to it under Clause (i) by itself or through any agent approved by the Reserve Bank.”

## **OVERVIEW OF THE BANK’S BUSINESSES AND ACTIVITIES**

### **Corporate Vision**

“To become the Bank of first choice in our chosen areas by building beneficial and lasting relationships with customers through a process of continuous improvement.”

### **Corporate Mission**

- To gain market recognition and to be a market mover in its chosen areas
- To maintain its identity as a leading innovative commercial bank alive to the changing needs of the society
- To consolidate its role function as a commercial bank by upgrading its operation efficiencies and productivity through technology and new delivery channels, by rationalising and restructuring its all India branch network in furthering the socio-economic objectives of the Government of India
- To enhance its reputation as a ‘Good People to Bank With’ being pro-active to customer’s needs, expectations and the challenges at the industry level.
- To promote confidence and commitment amongst its officials and executives to quickly and efficiently address the expectation of the customers and handle technology banking with ease.

### **Corporate Strategy**

The Bank’s business strategy revolves around its endeavour to not only consolidate its existing position in its current business but to pro-actively grow in its chosen areas and become a market leader through a process of realigning its strengths and focusing on the growth objectives in these areas.

### **Competitive Strengths**

- Professionally managed organisation with a committed workforce
- Vast domestic branch network spread throughout the country
- Total business (advances plus deposits) exceeding Rs61,000 crore

- Technologically savvy with networking plans and high computerisation
- State-of-the-art integrated treasury
- Full-fledged training college with an ISO 9001 certification

**Quality Upgradation**

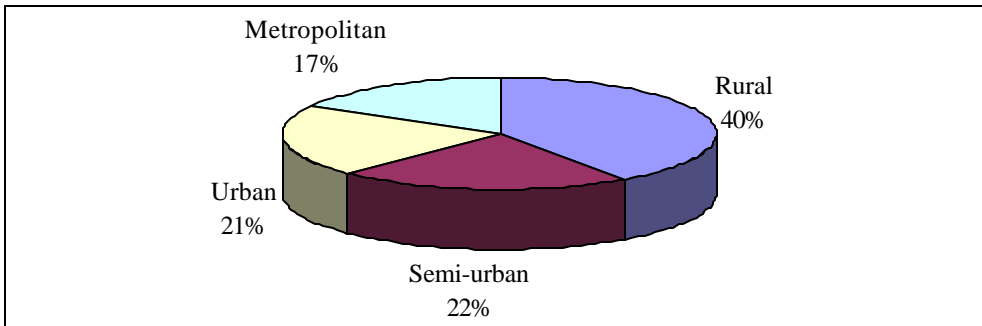
At present, the Bank's Staff Training College at Bangalore and SSI branch at Guindy are the two centres under ISO certification. The Bank expects to have at least 100 branches certified under ISO 9001 by end of March 2003.

**PRESENT BANKING ACTIVITIES**

**Branch and Office Network**

The Bank has 5 Field General Managers' Offices, 3 Zonal Offices, and 40 Regional Offices. The branch network consists of 2,023 domestic branches and 146 extension counters as on March 31, 2002. The break up is as follows:

<b>Domestic Branches</b>	<b>No.</b>	
Rural branches	814	
Semi-urban branches	450	
Urban branches	420	
Metropolitan branches	339	
<b>Total</b>		<b>2,023</b>



**Geographical status (statewise distribution) of branches**

The table below shows the top 14 states covering 90% of the branch network of the Bank:

<b>States</b>	<b>No.</b>
Uttar Pradesh	412
Maharashtra	296
Gujarat	163
Madhya Pradesh	145
Andhra Pradesh	125
Tamil Nadu	124
Kerala	121
Karnataka	86
West Bengal	80
Punjab	66
Delhi	52
Rajasthan	50

Bihar	46
Orissa	46

### Specialised Branches

In order to cater to various niche markets in domestic business and in order to impart required focus to the specialised activities of the Bank, a thrust has been given to open specialised branches. The Bank has 61 specialised branches as on March 31, 2002 that are engaged in financing large and medium scale industry, small-scale industry, specialised trading, etc. The break up of the specialised branches as on March 31, 2002 are given below -

Specialised Branches	No.
Small Scale Industries	26
Non-Resident Indian	04
Industrial Finance	08
Overseas	08
Personal Banking Service	09
Specialised Trading	06
<b>Total</b>	<b>61</b>

### Rural and Semi-Urban Branches

The major markets both for deposits and lending operations are shifting to rural and semi-urban centres, which are emerging as new growth centres. The urban centres are witnessing cut-throat competition due to competition from private sector and foreign banks. The Bank shall be focusing on rural and semi-urban centres where it can target mid-size and small entrepreneurs and the household sector for retail finance. As a part of its goal, the Bank has set growth targets in each of the areas of deposits and credit in rural/ semi-urban areas.

### Deposits

The Bank achieved its highest growth in absolute terms by adding about Rs 5,000 crore in FY2002 to take the deposit figure close to Rs 40,000 crore at the end of March 2002.

The Bank's business strategy to maximise its deposits is as follows:

- To focus on low-cost current and saving bank deposits
- To review and rationalise the Bank's deposit schemes so as to make it more customer friendly
- To expand / open new delivery channels and services in the following areas
  - ATM
  - Demat services
  - Utility payments
  - Distribution of mutual funds and insurance products
  - NRI deposits through additional tie-ups with exchange houses
  - Marketing of Government Securities
  - Cash Management Services
  - Electronic Funds Transfer
  - Anywhere/Anytime Banking
  - Flexible Deposits – mix of savings and term deposits
  - Floating Rate Deposit

As on March 31, 2002, the total deposits of the Bank touched a level of Rs 39,793.86 crore. The same was Rs 34,888.06 crore on March 31, 2001, representing a growth of 14%. The Bank had a base of around 1.32 crore depositors as on March 31, 2002 resulting in an average deposit size of Rs 30,164 per depositor. The deposits per branch as on March 31, 2002 stood at Rs 19.67 crore. The region-wise (as per RBI's region wise classification) distribution of deposits as a percentage to aggregate deposits of the Bank is given below:

As on March 31,	1998	1999	2000	2001	2002
					(in %)



Northern region	20.32	20.82	18.52	17.33	17.50
North east region	1.07	0.93	1.08	1.16	1.24
Eastern region	7.86	7.95	8.58	8.51	8.68
Central region	23.79	24.73	25.14	25.79	25.73
Western region	33.08	31.54	31.46	31.32	30.62
Southern region	13.86	14.03	15.21	15.88	16.23
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

The population-wise break-up of the deposits during the last 5 years is as follows:

					(in %)
<b>As on March 31,</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>
Rural	15.57	15.05	15.75	16.37	16.86
Semi urban	15.22	15.40	15.95	16.56	16.45
Urban	24.66	24.81	24.81	25.39	28.22
Metro	44.56	44.74	43.48	41.68	38.47
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

The category-wise break-up of total deposits during the last 5 years is as follows:

					(Rs crore)
<b>As on March 31,</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>
Demand Deposits	3,258	3,463	4,829	6,066	6,655
Savings Deposits	5,467	6,312	7,430	8,424	9,701
Term Deposits	14,331	18,361	18,846	20,398	23,438
<b>Total Deposits</b>	<b>23,056</b>	<b>28,136</b>	<b>31,105</b>	<b>34,888</b>	<b>39,794</b>

#### Non-Resident Deposits

The total NRI deposits of the Bank as of March 31, 2002 were Rs3,640 crore. This represents about 9.30% of the Bank's aggregate deposits. Details of NRI deposits during the last 3 years are as under:

			(Rs crore)
<b>As on March 31,</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>
NRE	715.63	795.99	989.48
FCNR(B)	1,233.59	1,466.59	1,581.86
NRNR	876.93	1,009.91	1,068.36
<b>Total</b>	<b>2,826.15</b>	<b>3,272.49</b>	<b>3,639.70</b>

#### Maturity Profile of deposits as on March 31, 2002

	(Rs crore)
<b>Residual Maturity</b>	<b>Amount</b>
1 to 14 Days	2,851.74
15 to 28 Days	985.10
29 Days and upto 3 months	2,570.40
Over 3 Months and upto 6 months	3,088.74
Over 6 months and upto 12 months	5,036.70
Over 1 year and upto 3 years	22,354.24
Over 3 years and upto 5 years	1,928.42
Over 5 years	978.52
<b>Total</b>	<b>39,793.86</b>

#### Floating Rate Liabilities

There were no floating rate liabilities for the Bank as on March 31, 2002.

#### Borrowings

Details of all unsecured borrowings outstanding as on March 31, 2002

<b>Borrowings</b>	<b>Outstanding Balance (Rs. crore)</b>	<b>Affiliate/ Associate</b>	<b>Date of borrowing</b>	<b>Due Date</b>	<b>Int.Rate (%)</b>	<b>Repayment terms</b>
SIDBI – Refinance	3.77	No	Ongoing	Ongoing	9-17	To be repaid over a period of five years
NABARD – Refinance	10.75	No	Ongoing	Ongoing	7-10.5	To be repaid over the period ending Jan 31, 2013
National Housing Bank – NHB	35.10	No	05.01.2001	01.01.2006	7-9	20 Fixed Quarterly Instalments
Various Banks	3.69	No	Ongoing	Ongoing	NA	Ongoing
<b>Total</b>	<b>53.31</b>					

#### **Important covenants relating to the above-mentioned borrowings**

SIDBI – Small Industries Development Bank of India (SIDBI) provides refinance to Banks against the Term Lending to agriculture, etc. Eligibility for claiming refinance at different rates and repayment schedule is prescribed by SIDBI. No security is to be provided to SIDBI.

NABARD – National Bank for Agriculture and Rural Development (NABARD) extends the refinance for financing agro-based units in rural areas on projects basis. Eligibility for claiming refinance at different rates is prescribed by NABARD. No security is given.

NHB - National Housing Bank (NHB) provides refinance in respect of housing loans. Eligibility for claiming refinance at different rates is prescribed by NHB. No security is given.

With the call money rates being less than the refinance rates and refinance on the export credit from RBI, the Bank has discontinued availing of the refinance facilities from the above mentioned agencies.

#### **Servicing Behaviour**

The Bank has been servicing all its principal and interest liabilities on time and there have been no defaults at any time.

#### **Loan Policy and Lending Activities**

The Bank has set in place a well-documented Loan Policy framework within the broad parameters fixed by Reserve Bank of India designed with a focus on sustained growth and optimum usage of resources without compromising on asset quality. The loan policy exhaustively covers strategies for deployment of credit and system of assessment, financial parameters, pricing, prudential norms and risk management.

The Loan Policy Document is reviewed every year in line with the economic scenario and requirements of the marketplace, RBI instructions or observations during its Annual Financial Inspection and also to avoid any adverse effects and implications in the future. The Loan Policy Document for the year 2002-03 has been duly approved by the Board of Directors.

The main objectives of the Loan Policy are:

- Ensuring the loan assets remain safe and secure
- Ensuring the loan assets remain performing
- Ensuring profitable deployment of resources along with asset liability matching and recycling of funds
- Ensuring due compliance of various regulatory norms, particularly, CRAR, Income Recognition, Asset Classification, etc.
- Ensuring balanced deployment of credit to various sectors and geographical regions and
- Introduction and implementation of Risk Management Concept for credit portfolio

The Loan Policy has clearly spelt out the methods of assessment in respect of individuals, corporates, specialised categories like sugar mills, NBFCS, software development, etc.

To meet the challenges posed by increased market volatility particularly in the globalisation of Indian economy, the Bank has put in place a comprehensive and effective Credit Risk Management System covering various aspects, viz., Delegation of Lending Powers, Prudential Limits and Norms, Risk Rating System, Risk Pricing, Portfolio Management, Review Mechanism, Documentation and Legal Compliance as per the RBI guidelines based on Basel Committee consultative documents.

### **Credit Approval Authority - Lending Powers**

Within the limits permissible by RBI and in line with the Loan Policy framework, the Bank has set in place a well-defined Scheme of Delegation of Lending Powers duly approved by the Board of Directors. The credit approval authority rests with different levels of Officers depending on the quantum of credit. The lending powers are fixed to allow adequate freedom to the field staff considering the current competitive industry conditions. At the same time, care is taken that there is no compromise on borrowers standard and financial discipline so that only quality assets are added to the Bank's portfolio. The Management Committee of Directors has the highest power for approving credit proposals. The said committee currently comprises of:

1. Mr. V. Leeladhar, Chairman and Managing Director
2. Mr. M. Venugopalan, Executive Director
3. Dr. K. B. L. Mathur, Government of India nominee
4. Mr. A. V. Sardesai, Reserve Bank of India nominee
5. Mr. Anish Kumar
6. Smt. Chalasani Vijaya Lakshmi
7. Mr. Ashutosh Tandon

The Bank has laid down detailed procedure for sanction of various types of credit facilities including non-fund based facilities. The proposals for project finance from prospective as well as existing clients are subjected to technical feasibility and economic viability studies, which also include sensitivity analysis.

In order to streamline the credit delivery system, the Bank has set up Specialised Branches like Industrial Finance Branch, Overseas Branch, SSI Branch, etc., which are manned by trained personnel.

### **Key Areas**

The Bank has identified certain key areas for focus given below and has developed focussed strategy for these areas:

1. Housing
2. Professionals
3. Retail Traders
4. Agriculture

### **Retail Lending**

In Retail Finance, the Bank has introduced innovative schemes under the Union Brand umbrella:

- |    |                 |  |
|----|-----------------|--|
| 1  | Union Home      | For purchase / construction of flat / house, repairs / extension to existing house, repayment of loans from other agency/bank/NBFC availed of at higher rate by individuals                                |
| 2  | Union Miles     | For purchase of 2/4 Wheelers for personal / professional use by individuals  |
| 3  | Union Comfort   | To meet personal expenses and/or purchase of consumer durables   |
| 4  | Union Rent      | Property owners/ Premises can avail the loan facility against future rent receivables for any productive purpose or to meet contingencies  |
| 5  | Union Health    | To provide financial assistance to medical professionals for purchase/ construction/acquisition/setting up of land/plot/building/flats/hospitals/ clinics and purchase of equipments and other accessories |
| 6  | Union Education | To provide financial assistance for pursuing higher/professional studies in India and abroad   |
| 7  | Union Smile     | To finance pensioners/salary class through overdraft to meet unforeseen expenses   |
| 8  | Union Trade     | To provide financial assistance to traders for their trading activities  |
| 9  | Union Cash      | To provide loans to pensioners/salaried persons  |
| 10 | Union Gold      | To provide loans against gold ornaments upto Rs5 lac   |
| 11 | Union Share     | Advance against approved securities  |

The Bank has fixed eligibility criteria, maximum amount loans, margin, repayment schedule, need and nature of security, documentation, guarantors and service charges for the retail lending products. The retail lending procedures involve assessing the loan application based on the eligibility criteria, sanctioning and disbursing the

quantum of funds net of margin money held, collecting service charges if applicable, executing guarantees, obtaining security and carrying out the requisite documentation.

### Credit Portfolio

Summary of the Advances for the last 5 years are as follows:

Year ended March 31,	Total Advances	(Rs crore)
		Annual Increase %
1998	10,276.19	12%
1999	11,308.77	10%
2000	14,613.22	29%
2001	17,505.35	20%
2002	21,383.31	22%

The following table provides a summary of the total sanctions and disbursements for the last five years

As on March 31,	(Rs crore)				
	1998	1999	2000	2001	2002
Sanctions	1,502.56	1,380.08	4,652.40	2,855.70	4,804.19
Disbursements	1,437.32	1,247.62	4,551.30	2,626.58	4,786.32

### Credit Exposures

The Bank has wide network of branches in the western region which has resulted in the largest proportion of its advances being in the western zone (42%) followed by the southern region (24%) and the northern region (22%).

Region-wise credit exposure as on March 31, 2002

Region	Amount	(Rs crore)
		% of Gross Advances
West	9,421.87	42
South	5,361.23	24
North	4,997.34	22
East	1,977.89	9
Central	707.67	3
<b>Gross Advances</b>	<b>22,466.00</b>	<b>100</b>

The sector wise credit portfolio of the Bank as on last reporting Friday, March 2002 is given below:

Item	Amount	(Rs crore)
		% of total
Gross Advances	22,857	100.00
Food Credit	2,253	9.86
Non Food Credit of which	20,604	90.14
Priority Sector	8,649	37.84
(of which: SSI)	2,495	10.92
Industry (Large & Medium)	6,550	28.66
Whole sale Trade	1,974	8.63
Other Sectors	3,431	15.01

The Bank has a well-diversified industry-wise credit portfolio since exposure limits are kept in view while providing advances to the various industries. This is illustrated below as at the last reporting Friday of March 2002:

Industry	As % of the total Industrial Advances
Chemicals, dyes, paints, drugs	13.31
Iron & steel	11.03
Other textiles	10.14

All engineering	9.08
Petroleum	5.57
Other metals & metals products	4.83
Electricity (gen. & trans.)	4.59
Cotton textiles	4.56
Food processing	3.89
Sugar	2.62
Gems & jewellery	2.50
Paper & paper products	2.34
Construction	1.99
Vegetable oils (including vanaspati)	1.68
Computer software	1.39
Rubber & rubber products	1.38
Automobiles including trucks	1.37
Leather & leather products	1.24
Tobacco & tobacco products	1.12
Cement	1.01
Mining	0.92
Tea	0.77
Jute textiles	0.34
Infrastructure	0.28
Coal	0.17
Other industries	11.88
<b>Total</b>	<b>100.00</b>

**Industry-wise Credit Exposure to Top 10 Industries by the Bank as on March 31, 2002**

<b>Industry</b>	<b>Exposure (Rs. crore)</b>	<b>% of Exposure to Total Advances</b>	<b>Outstanding to the top 10 borrowers in the industry as a % of the total outstanding to the industry</b>
Chemicals, dyes, paints, drugs	1,204	5.36	31.38
Iron & steel	998	4.44	36.17
Other textiles	917	4.08	12.23
All engineering	821	3.65	44.74
Petroleum	504	2.24	78.34
Other metals & metals products	437	1.95	6.36
Electricity (generation & transmission)	415	1.85	96.14
Cotton textiles	412	1.83	23.49
Food processing	352	1.57	14.87
Sugar	237	1.05	64.27

**Credit Exposure of Top 10 Companies by the Bank as On March 31, 2002**

<b>Name of the Borrower</b>	<b>Industry</b>	<b>Outstanding (Rs. crore)</b>	<b>Average rate of interest</b>	<b>% to Total Advances</b>	<b>Asset Quality</b>
Borrower A	Financial Institution	326.67	9.51	1.45	Standard
Borrower B	Investment/ Financial Corporation	253.79	10.00	1.13	Standard
Borrower C	Housing Intermediary	246.07	10.25	1.10	Standard
Borrower D	Generation of Electricity	214.20	12.00	0.95	Standard
Borrower E	Financial Institution	209.84	LIBOR+ 100 bps	0.93	Standard
Borrower F	Mfg. of Iron & Steel	188.53	11.75	0.84	Standard
Borrower G	Mfg. of Petroleum products	168.61	13.20	0.75	Standard
Borrower H	Mfg. of Petroleum products	156.42	8.83	0.70	Standard
Borrower I	Housing Intermediary	125.06	12.00	0.56	Standard
Borrower J	Mfg. of Petroleum products	116.99	11.50	0.52	Standard
<b>Total</b>		<b>2,006.18</b>		<b>8.93</b>	

Exposure to the top 25 operative borrowers constitute only 15% of total advances as on March 31, 2002, indicating the Bank's cautious approach and risk avoidance by concentration on certain few borrowers. Moreover, none of the borrowers are, in any way, related to the promoters/directors of the Bank.

There has been no defaults/ compromise write off in any of the above top 10 borrowers in the Year 2001-02.

**Credit Exposure to Top five business groups as on March 31, 2002**

<b>Name of the Borrower</b>	<b>Outstanding Amount (Rs crore)</b>	<b>% of Total Advances</b>
Group A	335.00	1.49
Group B	276.00	1.23
Group C	228.18	1.02
Group D	136.62	0.64
Group E	78.07	0.35
<b>Total</b>	<b>1,053.87</b>	<b>4.73</b>

**Corporate and Project Finance Procedure**

The Bank has established procedures for sanctioning term loans and working capital to corporates and for financing projects. The procedure involves appraising the corporate/project based on a pre-designed application form along with the following documents:

1. Audited financial statements for the last three years
2. Project report, if any
3. Copy of licence/permissions/approvals taken for the operations
4. Memorandum and Articles of Association, certificate of registration and certificate of commencement
5. Nature and value of security to be provided
6. Credit information on borrowers/directors/partners/proprietors/gurantors

The application is submitted at the branch level and is scrutinised and processed as per the rules of the Bank.

In case the loan is requested under a consortium arrangement with other Banks/FIs the view of the concerned Banks/FIs on the proposal and copy of the assessment notes are obtained and taken into consideration.

In considering a project finance proposal:

- 1) It is ensured that the project falls within the overall credit policy of the Bank.
- 2) It conforms to the Govt. policies/guidelines and RBI guidelines issued from time to time.
- 3) The project report shows separately the break-up of financing proceeds and sources of finance.
- 4) Adequacy of margin.
- 5) Viability of the project.

In case of corporate finance, the following are also taken into consideration before a credit limit is sanctioned in favour of corporate borrowers:-

- 1) The study of Corporate Group to which it belongs and the position of the other companies in the Group. For this purpose, the Bank has subscribed to ICRA-Moody package comprising of database on more than 5000 companies.
- 2) Overall exposure of the Bank in the type of industry.
- 3) Past experience of the Bank with the Group.
- 4) Other banks dealings with the Group.

**Priority Sector and Lead Bank Division**

Government of India/Reserve Bank of India has prescribed benchmark i.e. minimum lending of 40% of net bank credit to the priority sector by the public sector banks and the Bank has achieved the same. The share of priority sector in net bank credit and distribution sub-sector wise for 5 years (as on last reporting Friday of the respective years) are given as under -

(Rs crore)

Year ended March 31,	1998	1999	2000	2001	2002
Agriculture	1,415	1,570	1,698	2,051	2,887
Small Scale Industries	1,963	2,073	2,214	2,343	2,440
Other Priority Sectors	854	1,041	1,498	2,365	3,048
Total Priority Sector	4,232	4,684	5,410	6,759	8,375
Net Bank Credit (NBC)	9,182	9,940	13,396	14,951	18,979
<b>Priority Sector as % to NBC</b>	<b>46.08</b>	<b>47.13</b>	<b>40.39</b>	<b>45.21</b>	<b>44.13</b>

During the year ending March 2002, credit to the priority sector lending has increased by Rs 1,615 crore representing a growth of 24% over the previous year.

Major initiatives taken by the Bank in the agriculture sector have resulted in a growth in lending from Rs 2,051 crore in 2000-01 to Rs 2,887 crore in 2001-02.

The Bank has also been implementing poverty alleviation and employment generation schemes both of Central and State Governments for economic empowerment of socially disadvantaged people in the society. Similar to Union Green Card in the field of agriculture to farmers, the Bank has started issuing Union Laghu Udhya Credit Cards in the field of small trade and small business to 1,129 borrowers with outstanding limit of Rs 14.80 crore.

#### Specialised SSI Branches

The Bank has continued to meet requirements of SSI Sector in accordance with the Nayak Committee norms and Kapur Committee's recommendations. The Bank has 26 Specialised SSI Branches catering exclusively to SSIs and special cells in 4 branches dealing with SSIs spread across different states in India which together have an outstanding credit of Rs436.05 crore which is 17.87% of the Bank's total credit to SSI Sector.

#### Lead Districts

As required by Government of India/RBI, the Bank has been assigned the role of the Lead Bank in 11 districts in 3 States i.e. U.P., M.P. and Kerala to undertake and supervise inter-institutional co-ordination, preparation and implementation of annual action plan, branch expansion, resource mobilisation and development of area and implementation of development programmes involving all other banks in the Lead Districts. The details are as under:

State	No. of Districts	No. of Branches	(Rs crore)	
			Total Deposits	Total Advances
U.P.	7	249	4,262	781
M.P.	2	38	454	124
Kerala	2	70	822	548
<b>Total</b>	<b>11</b>	<b>357</b>	<b>5,538</b>	<b>1,453</b>

#### Export Credit

In tune with national priorities of boosting Indian exports, the Bank has played a significant role in extending export credit both in rupee terms as well as in foreign currency. The Bank's outstanding export credit as on March 31, 2002 stands at Rs2,049 crore, which was 8.97% of net bank credit. The Bank is making efforts to increase the advances to this sector by providing various fund based and non-fund based facilities to exporters.

#### Foreign Currency Loans

Details of the Foreign Currency Loans portfolio for the last five years out of forex resources is as under:

As on March 31,	1998	1999	2000	2001	(USD mn) 2002
Foreign Currency Loans	5.86	4.33	60.90	181.83	198.59
As on March 31,	1998	1999	2000	2001	(Rs crore) 2002
Foreign Currency Loans	28.66	21.18	297.83	889.24	971.20

Based on the exchange rate as on Friday, June 21, 2002 (Source: The Economic Times dated June 22, 2002)

#### Recovery Management

##### Asset Classification

From the financial year 1992-93, the RBI has introduced prudential norms for income recognition, asset classification and provisioning. Under the prudential norms, loan assets are broadly classified into two categories

viz. "performing" and "non-performing". A loan asset is treated as a non-performing asset when it ceases to generate income for the Bank in the normal course. A borrowal account is classified as a non-performing asset (NPA) when the interest and /or principal dues remain overdue or out of order for a period of more than 180 days.

NPAs are further categorised into three groups i.e. Substandard, Doubtful and Loss depending upon the period of delinquency and availability of tangible security. The table below gives the criteria for asset classification viz. standard, sub-standard, doubtful and loss asset -

Category	Classification
<b>1. Performing</b>	
Standard assets	An asset which does not disclose any problem and which does not carry more than the normal business risks
<b>2. Non-Performing</b>	
a) Sub-standard assets	An asset which has been non-performing for a period less than or equal to eighteen months
b) Doubtful assets	An asset which has been non-performing for a period exceeding eighteen months
c) Loss assets	Assets where loss has been identified by the Bank or auditors/RBI but the amount has not been written off completely

Once an account is classified as an NPA, interest already debited to the account is derecognised and further interest is recognised on cash basis and not on accrual basis.

The classification of the Bank's advances into various categories is as under -

As on March 31,	1998	1999	2000	2001	2002
	(Rs crore)				
Gross NPAs	1,195	1,534	1,881	2,056	2,420
Sub-Standard	547	789	879	589	784
Doubtful	561	657	869	1,320	1,403
Loss	87	88	133	147	233
Standard	9,489	10,253	13,499	16,304	20,046
<b>Gross Advances</b>	<b>10,684</b>	<b>11,787</b>	<b>15,330</b>	<b>18,360</b>	<b>22,466</b>
Gross NPAs / Gross Advances	11.18%	13.01%	12.27%	11.19%	10.77%

#### Provisioning

Banks are required to make provisions in respect of NPAs as per RBI Guidelines depending upon their classification which are indicated as under:

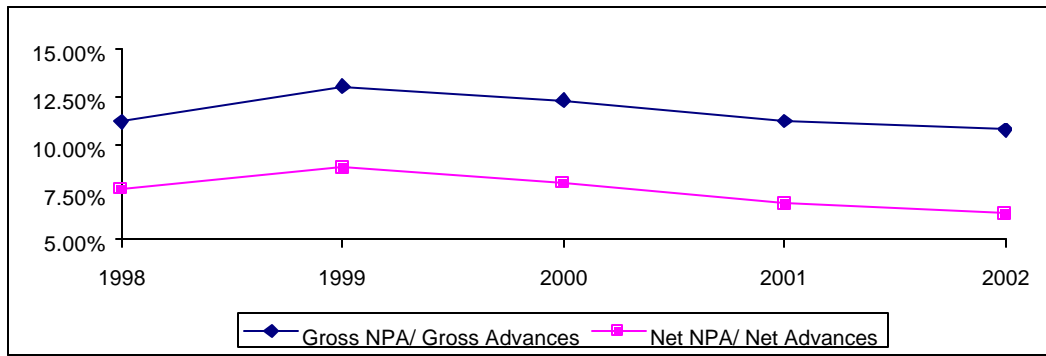
Standard	- 0.25% on the aggregate outstanding amount
Sub-standard	- 10% of the outstanding amount
Doubtful	- a) 100% of the unsecured portion of advances which are not covered by realisable value of Security; and b) 20%/ 30%/ 50% of the secured portion of the debt taking into consideration the number of years for which the account has been classified as doubtful upto one, one to three or more than three years respectively
Loss	- 100% of the loan outstanding

Reduction in the level of Non Performing Assets (NPAs) has been one of the major thrust areas of the Bank. This is evident from the fact that gross and net NPAs in terms of percentage to advances are showing a declining trend with the Net NPAs as on March 31, 2002 at 6.26%.

The table gives below the percentage of gross and net NPAs to gross and net advances for the last five years.

As on March 31,	1998	1999	2000	2001	2002
	(Rs crore)				
Gross NPAs	1,195	1,534	1,881	2,056	2,420
Gross Advances	10,684	11,787	15,330	18,360	22,466
Gross NPAs / Gross Advances	11.18%	13.01%	12.27%	11.19%	10.77%
Net NPAs	787	984	1,164	1,201	1,338
Net Advances	10,276	10,918	15,007	17,505	21,383
Net NPAs / Net Advances	7.66%	9.01%	7.76%	6.86%	6.26%





**Sector Wise NPAs during the Last Three Years**

(Rs crore)

	1999-2000			2000-2001			2001-2002		
	Gross Advances	Gross NPAs	NPAs as % to gross advances to the Sector	Gross Advances	Gross NPAs	NPAs as % to gross advances to the Sector	Gross Advances	Gross NPAs	NPAs as % to gross advances to the Sector
A Agriculture 1,698	285	17%	2,051	281	14%	2,254	306	14%	
B SSI	2,214	466	21%	2,343	514	22%	2,542	555	22%
C Other Priority Sector	1,498	266	18%	2,366	293	12%	2,766	335	12%
I Total Priority Sector	5,410	1,017	19%	6,760	1,088	16%	7,562	1,196	16%
II Non-Priority Sector	9,920	864	9%	11,600	968	8%	14,904	1,224	8%
III Total (I+II)	15,330	1,881	12.27%	18,360	2,056	11.20%	22,466	2,420	10.77%

**Top 10 NPA accounts as on March 31, 2002**

Name of Borrower	Industry	Outstanding as on March 31, 2002 (Rs crore)	Asset Quality as on March 31, 2002
Borrower A	Textile	41.67	Sub Standard
Borrower B	Chemicals	36.46	Doubtful
Borrower C	Textile	26.32	Sub Standard
Borrower D	Readymade garments	23.14	Doubtful
Borrower E	Readymade garments	22.39	Sub Standard
Borrower F	Steel	19.09	Doubtful
Borrower G	Steel	17.51	Loss
Borrower H	Plastics	17.48	Doubtful
Borrower I	Finance	17.34	Doubtful
Borrower J	Coal	15.92	Sub Standard
<b>Total</b>		<b>237.32</b>	

**Industry wise top 10 NPAs on March 31, 2002**

Industry	NPA Amount (Rs crore)	% to advances given to the industry
Iron & Steel	47.83	5%
Vegetable Oil	8.71	7%
Chemicals, Dye, etc.	30.57	20%
Paper & Rubber	20.24	20%
All Engineering	35.70	12%
Cotton Textiles	103.00	20%
Other Textile including Jute Textiles	78.24	40%

Food Processing	7.85	14%
Metal	66.00	26%
Sugar	7.32	3%
<b>Total</b>	<b>357.63</b>	

Position regarding the number and details of the NPA accounts as on March 31, 2002 is indicated below:

<b>Particulars</b>	<b>No. of accounts</b>	<b>NPA amount (Rs crore)</b>	<b>Interest de-recognised (Rs crore)</b>
Below Rs 25,000	2,91,392	227	
Above Rs 25,000	61,541	2,193	20.43
<b>Total</b>	<b>3,52,933</b>	<b>2,420</b>	<b>20.43</b>

The classification of the above NPA position is categorised as under -

	(Rs crore)
Substandard	784
Doubtful	1,403
Loss	233
<b>Total</b>	<b>2,420</b>

The coverage of NPAs through provisions has been stepped up from 41% to 44%. The Bank has been making provisions on the NPAs as per the RBI requirements.

#### **NPA Management Strategy**

The Bank has a well codified Recovery Policy containing a transparent mechanism of settling NPAs by compromise. Emphasis is laid on settling NPAs by compromise in accordance with the specified guidelines rather than facing uncertainty by long drawn and expensive legal proceedings to conclude. In the case of non-co-operative borrowers, stringent action is initiated including filing of criminal cases where warranted. The Bank has an exclusive Credit Monitoring & Recovery Department at each of the 40 Regional Office and 8 Zonal Offices/Field General Managers Offices through which effective follow-up for recoveries are maintained.

The Bank has recognised that the issue of NPAs can be adequately addressed only by employing the twin approach of an effective monitoring mechanism and persuasive recovery methods. The Bank has in place a detailed Credit Monitoring Policy for effective monitoring of loan assets and arresting slippages. Accounts with exposure of Rs5.00 crore and above are monitored on monthly basis. Early warning signals are picked up for remedial action in discussion with borrowers. The Credit Monitoring System has demarcated monitoring functions at different controlling offices to avoid duplication of functions and ensure a focused approach in controlling slippage.

The Bank has taken the following steps to minimise the occurrence of fresh NPAs:

- Setting up of an Internal Loan Review Department (ILR), which functions independent of the credit/advances department to bring about a qualitative improvement in credit administration. The responsibilities of ILR include evaluating the effectiveness of loan administration and assessing portfolio quality
- Maintenance of a diverse portfolio in credit without major concentration in any one industry
- Controlling exposure to sensitive sectors
- The Bank is using a model developed by ICRA-Moody's for tracing individual credit default risk and information products like CRISINFAC industry information system and Capital 200 information Database for credit appraisal

#### **Investments**

The investment portfolio of the Bank is monitored keeping in view the following objectives:

- Effective management of funds to ensure adequate liquidity at all times and at the same time maximising returns on the surplus funds deployed
- Maintaining the portfolio yield at a high level and to minimise interest rate risk
- Increase in profits on short-term yield differential by stepping up the turnover in trading operations in securities
- Improve yields by taking advantage of arbitrage opportunities existing in different markets
- Accessing the derivatives market for hedging the interest rate risk on various items of assets and liabilities in the balance sheet

- Making derivative products available to the Bank's customers as per their specific needs
- Endeavour to adjust the investment portfolio to the maturity pattern of deposits and other liabilities
- Compliance with the regulatory requirements of CRR and SLR

**Details of Investments as on March 31, 2002**

	(Rs crore)
Government Securities	10,736.47
Other approved securities	849.52
Shares	143.31
Debentures and Bonds	3,277.11
Subsidiaries & joint ventures	19.16
Others	
- Initial Capital/units of UTI	188.52
- Commercial Paper	146.89
- Certificates of Deposits	46.03
- Mutual Funds	2.58
	384.02
<b>Total</b>	<b>15,409.58</b>

The Investments shown above are net of provisions of Rs8.14 crore for non-performing investments relating to investments in debentures and preference shares. The non-performing investments are identified as per RBI Guidelines and the entire sum outstanding is provided for.

The break-up of the Bank's investments as per RBI prescribed format is given below. Investments were earlier classified as Permanent and Current Investments. September 20, 2000 onwards in terms of RBI guidelines, Investments are now classified into 3 categories viz. Held Till Maturity, Available For Sale & Held For Trading. As per RBI guidelines, recapitalisation bonds issued by the Govt amounting to Rs200 crore are not considered for arriving at the effective percentage of Held Till Maturity Securities to Total Investments:

	(Rs crore)				
<b>As on March 31,</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>
Gross Investments	9,223	12,171	11,502	13,712	15,454
SLR investments	6,905	9,229	8,793	9,789	11,273
Held Till Maturity	-	-	-	3,326	2,524
Available For Sale	-	-	-	9,990	12,631
Held For Trading	-	-	-	396	299
% of Held Till Maturity to Entire Portfolio	-	-	-	22.80%	15.02%

The Bank is active in trading in Investments and takes advantage of market conditions. The Bank made net profits of Rs38.70 crore and Rs159.83 crore in trading activity in securities during the years ended March 31, 2001 and March 31, 2002 respectively.

The yield on investments (%) for the last five years is given below:

<b>As on March 31,</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>
Yield on Investments (%)	11.56	11.81	11.82	11.75	10.95

**Floating Rate Assets**

The Bank does not have any floating rate assets outstanding as on March 31, 2002, except for the working capital loans which are normally based on the PLR.

**Asset – Liability Management**

With liberalisation in Indian financial markets over the last few years, growing integration of domestic markets with external markets and the pressure on margins on account of competition among banks, the risks associated with the banking operations have become large and complex requiring strategic and proactive management. The Bank has put in place an exhaustive and structured Asset Liability Management (ALM) Policy. The data coverage is 100% and ALM reports are prepared on monthly basis and reviewed by Asset Liability Committee (ALCO).

PricewaterhouseCoopers Pvt. Ltd. were appointed as consultants for ALM and Market Risk Management. The Consultants completed their assignment in June 2001 and the Bank has revised the ALM Policy in February 2002 based on the Consultants' report and it is now in the process of implementing its revised ALM Policy. The Bank is also in the process of implementing a software system for ALM, which will enable advance ALM analysis like duration, value at risk, simulation, etc.

The ALM strategy is as follows:

1. On deposit front, the Bank focuses on growth of core deposits especially retail deposits consisting of savings bank and current deposit to reduce cost of deposit.
2. The Bank strives to achieve a healthy Net Interest Margin (NIM) by minimising the cost of deposits and optimising on Advances/Investments. The pricing strategy of the Bank emanates from impact analysis on its NIM.
3. In order to reduce interest rate risk in its banking book, the Bank increases its lending under retail portfolio.
4. The Bank maintains optimum liquidity level. The day to day liquidity is monitored by Investment Committee of the Bank under overall Liquidity Management Strategy of ALCO. Scenario analysis and contingency liquidity plan is kept in place to meet liquidity exigencies under market specific and Bank specific crisis.
5. The Bank monitors its liquidity and interest rate sensitivity gaps on an ongoing basis and hedging opportunities are explored wherever necessary.
6. The Bank as a continuous process identifies its risks portfolio exposures and adopts appropriate methodology in light of the revised policy.
7. The ALM desk is trained at periodical intervals to keep them abreast of the latest tools and techniques in the Asset-Liability Management and Risk Management areas.

Maturity Profile of the Assets and Liabilities as on the last Friday of March 2000

	1-14 days	15-28 days	29 days to 3 mths	>3 to 6 mths	>6 to 12 mths	>1 to 3 years	>3 to 5 years	Over 5 years	Total
	(Rs crore)								
<b>Outflows</b>									
Capital								338	338
Reserves & Surplus								1,345	1,345
Deposits	1,595	659	1,621	2,928	3,243	17,841	1,422	621	29,929
Borrowings	72	16	63	103	9	35	18	500	814
Other Liabilities & Provisions	664	66	400	438	172	388			2,129
A: Total Outflows	2,331	741	2,084	3,468	3,424	18,265	1,440	2,803	34,555
B: Cumulative Outflows	2,331	3,071	5,155	8,623	12,047	30,313	31,752	34,555	
<b>Inflows</b>									
Cash	191								191
Balances with RBI	547	72	178	322	357	985	156	68	2,686
Balances with other Banks	862	90	502	403	482	45	8		2,392
Investments	73	25	129	593	506	2,130	2,291	5,908	11,656
Advances performing	842	622	1,182	1,660	2,677	6,661	5	0	13,650
NPAs							1,238		1,238
Fixed Assets								730	730
Other Assets	451	77	185	106	27	10	385		1,241
<b>C: Total Inflows</b>	2,966	886	2,176	3,085	4,049	9,831	4,085	6,707	33,785
D: Mismatch (C-A)	635	146	93	-384	625	-8,435	2,645	3,904	-771
E: % Mismatch (D as a % of A)	27.26%	19.65%	4.46%	-11.06%	18.25%	-46.18%	183.72%	139.27%	-2.23%
F: Cum. Mismatch	635	781	874	490	1,115	-7,320	-4,675	-771	
G: % Cum. Mismatch (F as % of B)	27.26%	25.42%	16.95%	5.68%	9.25%	-24.15%	-14.72%	-2.23%	

Maturity Profile of the Assets and Liabilities as on as on the last Friday of March 2001

	1-14 days	15-28 days	29 days to 3 mths	>3 to 6 mths	>6 to 12 mths	>1 to 3 years	>3 to 5 years	Over 5 years	Total
	(Rs crore)								
<b>Outflows</b>									

*Report of the Malegam Committee on Disclosure Requirements in Offer Documents*

Capital								338	338
Reserves & Surplus								1,506	1,506
Deposits	2,247	617	2,448	2,826	4,761	17,583	1,667	731	32,878
Borrowings	293	0	0	5	7	27	23	601	956
Other Liabilities & Provisions	786	208	666	317	489	454	0	302	3,223
A: Total Outflows	3,326	825	3,115	3,147	5,257	18,064	1,690	3,478	38,901
B: Cumulative Outflows	3,326	4,150	7,265	10,412	15,669	33,733	35,423	38,901	
<b>Inflows</b>									
Cash	166								166
Balances with RBI	386	56	222	256	431	702	151	66	2,269
Balances with other Banks	940	16	179	206	189	199	0	132	1,862
Investments	233	375	1,029	633	457	2,694	2,202	6,439	14,063
Advances performing	1,229	273	886	857	3,373	7,088	1,083	693	15,482
NPAs								529	674
Fixed Assets								733	733
Other Assets	82	99	81	113	581	196	761	154	2,068
<b>C: Total Inflows</b>	3,035	819	2,397	2,066	5,032	10,879	4,727	8,892	37,846
D: Mismatch (C-A)	-290	-6	-717	-1,081	-225	-7,185	3,037	5,413	-1,055
E: % Mismatch (D as a % of A)	-8.73%	-0.71%	-23.03%	-34.36%	-4.29%	-39.78%	179.71%	155.64%	-2.71%
F: Cum. Mismatch	-290	-296	-1,014	-2,095	-2,320	-9,506	-6,469	-1,055	
G: % Cum. Mismatch (F as % of B)	-8.73%	-7.14%	-13.95%	-20.12%	-14.81%	-28.18%	-18.26%	-2.71%	

Maturity Profile of the Assets and Liabilities as on the last Friday of March, 2002

	1-14 days	15-28 days	29 days to 3 mths	>3 to 6 mths	>6 to 12 mths	>1 to 3 years	>3 to 5 years	Over 5 years	Total
									(Rs crore)
<b>Outflows</b>									
Capital								338	338
Reserves & Surplus								1,511	1,511
Deposits	2,469	994	2,472	3,063	5,078	21,708	1,832	931	38,546
Borrowings	31	0	3	5	8	75	8	0	130
Other Liabilities & Provisions	955	178	481	369	376	441	500	1,077	4,378
A: Total Outflows	3,454	1,172	2,956	3,436	5,462	22,224	2,340	3,857	44,902
B: Cumulative Outflows	3,454	4,626	7,582	11,019	16,481	38,706	41,046	44,902	
<b>Inflows</b>									
Cash	135								135
Balances with RBI	0	0	120	166	276	1,180	100	51	1,893
Balances with other Banks	775	21	380	179	139	167	0	0	1,660
Investments	431	538	246	981	544	2,669	2,423	8,297	16,130
Advances performing	1,314	316	1,671	1,139	4,128	8,002	2,158	2,071	20,798
NPAs								681	679
Fixed Assets								729	729
Other Assets	724	144	213	122	27	2	538	527	2,295
<b>C: Total Inflows</b>	3,378	1,019	2,630	2,587	5,114	12,020	5,899	12,352	44,999
D: Mismatch (C-A)	-76	-153	-326	-849	-348	-10,205	3,559	8,496	97
E: % Mismatch (D as a % of A)	-2.19%	-13.08%	-11.04%	-24.71%	-6.37%	-45.92%	152.08%	220.29%	0.22%
F: Cum. Mismatch	-76	-229	-556	-1,405	-1,753	-11,958	-8,399	97	
G: % Cum. Mismatch (F as % of B)	-2.20%	-4.96%	-7.33%	-12.75%	-10.64%	-30.89%	-20.46%	0.22%	

**Foreign Exchange and NRI Business**

Authorised Dealer (A.D.) Branch Network:

The Bank through network of branches which includes 2 "A" category position maintaining branches, 50 "B" category branches, 1 Vostro Branch and 4 NRI branches is well positioned to handle foreign exchange. The "A" and "B" category branches all over the country offer a wide spectrum of services. The said branches take care of all the requirements of international trade of customers of the Bank.

Integrated Treasury:

The Bank has a state-of-art integrated Treasury at Mumbai which carries out forex/money/securities transactions under one roof. Treasury also offers a wide range of derivative products to hedge the various risks involved in domestic and international trade. Interest Rate Swaps (IRS), Currency Swaps and Forward Rate Agreements (FRAs) are among the new generation hedging tools made available to the constituents.

The total non-interest income earned out of the forex operations (representing fees, commissions, etc.) is:

	(Rs crore)				
<b>As on March 31,</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>
Non-interest Forex Income	23.95	28.29	31.38	35.06	38.76

In addition the trading income earned out of the forex operations over the last five years is as under:

	(Rs crore)				
<b>As on March 31,</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>
Exchange Income	43.81	40.60	46.95	52.24	79.81

The total turnover in the various forex operations for the last five years is as under:

	(Rs crore)				
<b>As on March 31,</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>
Exports	6,280	6,858	7,734	8,357	9,639
Imports	2,780	2,956	3,519	3,822	4,205
Remittance	1,423	2,030	2,546	2,934	3,600

#### **NRI Services**

The bank has 4 specialised NRI Branches in Mumbai, Ernakulam, Pallakad and Thiruvanthapuram catering exclusively to NRI customers and 10 NRI cells attached to certain strategic branches having NRI business.

- Apart from offering attractive deposit schemes, Bank's NRI Branch at Mumbai provides portfolio investment scheme to NRIs.
- International Exchange Vostro Branch handles Rupee Drawing Arrangements entered into with 9 Exchange Houses to channelise home remittances of NRIs.
- Bank has recently launched Union Express Remittance Scheme to facilitate speedy remittances from the Middle East.

#### **Correspondent Relations**

The Bank has 380 correspondent relationships in 86 countries facilitating a wide range of transactions related to international business. The Bank handles all types of foreign exchange transactions relating to international trade worldwide. The correspondent banks are selected to ensure that the Bank's customers get reliable service at competitive rates. The Bank maintains 35 Nostro accounts in 15 major currencies.

#### **Merchant Banking**

The Bank is registered with Securities and Exchange Board of India for acting as Merchant Banker, Underwriter, Bankers to Issue and Debentures Trustee.

During the financial year ended March 31, 2002, the Bank has acted as Co-arranger for the term loan facility of Rs400 crore with a green shoe option of Rs400 crore, for Indian Oil Corporation Limited (IOC). The Bank has also accepted sub-underwriting commitment for the IOC's above term loan syndication to the extent of Rs50 crore. The Bank has also acted as Bankers to the Issue for 4 assignments and mobilised subscription of Rs77.08 crore. The Bank has acted as Payment Banker in 41 assignments involving payment of dividend and interest warrants aggregating to Rs220.97 crore.

The Bank has put in place systems to ensure that SEBI Guidelines are strictly adhered to while undertaking merchant banking related activities and there are no lapses. The systems include issuance of instructions to all the branches for following SEBI Guidelines and instructions. In addition, any branches where lapses are found are barred from any merchant banking activities.

### Credit Cards

The Bank launched the credit card business under the brand "India Card" on August 1, 1997 under a tie-up with Bank of India. Total card base as on March 31, 2002 stood at 18,699.

### NEW BUSINESS INITIATIVES

#### Cash Management Services

The Bank has launched Cash Management Services (CMS) to optimise liquidity of the corporates through an improved flow of funds. The service will cover 35 centres spread across major cities of the country. CMS has both collection and payment products.

#### Depository Services

The Bank launched Depository Services in Mumbai under a tie up arrangement with Central Depository Services (India) Ltd. (CDSL). The Bank plans to extend the Depository Services to all major cities in the near future by utilising the Bank's existing Wide Area Network (WAN) facility which interconnects 54 centres all over the country.

#### Insurance Product Distribution

The Bank has plans to take up Corporate Agency for Distribution of Insurance Policies as and when suitable amendments are effected to the IRDA guidelines. In this direction, the Bank has already signed an MOU with HDFC Standard Life Insurance Company Ltd. for selling their life policies. The Bank has also signed an MOU with New India Assurance for distribution of non-life products when allowed by law.

#### Gold Import

The Bank plans to enter into the business of importing and selling gold in the Indian market. Initially, there will be only one outlet at Zaveri Bazar, Mumbai. This will enable Bank's customers to directly source gold from the Bank itself.

### OTHER INCOME AND FINANCIAL RATIOS

#### Other Income

Other Income of the Bank exceeds 10% of the total income. The other income is recurring in nature subject to the variations in the amount of income. The details of the other income are given in Part II of the Offer Document as part of the audited profit and loss statement. The Bank plans to increase non-interest income through the adoption of the following strategies:

- The treasury-trading portfolio is being utilised for gains in trading profits
- The forex-trading portfolio is being strengthened
- Focus on retailing in Government Securities
- Issuance of letters of guarantee and letters of credit is being emphasised as part of the non-fund based business activity
- Launch of Cash Management Services
- Expansion of Demat Services to all branches in the metros to be followed by branches in the state capitals
- Distribution of insurance products, when allowed by the relevant laws

#### Financial Ratios and Other Financial Information of the Bank for last 5 years

	(Rs crore)				
As on March 31,	1998	1999	2000	2001	2002
Average balances of interest earning assets	18,236.26	20,662.07	24,408.09	27,506.20	32,723.57
Average interest rate (%)	13.73	13.89	13.58	13.57	12.27
Interest income	2,504.03	2,869.04	3,315.11	3,732.95	4,015.68
Avg. balances of interest bearing liabilities	18,524.89	21,896.47	25,622.28	28,734.61	32,971.83
Interest rate for the above (%) / Average cost of funds	9.11	9.31	9.20	8.75	8.13
Interest expenses	1,687.49	2,037.50	2,358.03	2,513.95	2,679.04
Average balance of interest bearing rupee liability of Bank	17,864.00	21,060.96	24,506.19	27,280.08	31,306.71
Interest expense apportioned to interest earning assets (%)	9.25	9.86	9.66	9.14	8.19

Ratio of average earning assets to average interest bearing liabilities	0.98	0.94	0.95	0.96	0.99
Net Interest Income	816.53	831.54	957.08	1,219.00	1,336.64
Net Interest Margin (%)	4.05	3.39	3.42	3.78	3.51
Gross Yield (%) (Gross Income/AWF)	11.33	11.47	11.41	11.39	11.17
Yield Spread (%) (Spread/AWF)	3.41	3.04	3.02	3.43	3.32
Return on average assets (%)	0.95	0.53	0.39	0.49	0.73
Average share capital & reserves To average total asset (%)	3.84	3.81	3.64	3.57	3.58
Cash EPS (Rs per share)	11.10	10.01	13.54	16.67	26.64

All the financial ratios/capital adequacy ratios as specified in the Offer Document and the disclosures regarding NPA's confirm to the norms as specified by RBI.

## RISK MANAGEMENT

Banks in the process of financial intermediation are confronted with various kinds of financial and non-financial risks. The Bank recognises that management of risk is fundamental to the business of banking. The Bank's approach to risk management is proactive and the basic objective is to strike balance between risk and rewards.

The Risk Management guidelines of RBI, inter-alia, covers the following:

- Credit Risk
- Market Risk
- Operational Risk

### Credit Risk

Credit Risk involves inability or unwillingness of a customer or counter party to meet its obligations in accordance with the agreed terms. The management of credit risk receives continuous attention of the top Management and the entire process is clearly articulated in the Bank's Loan Policy and Credit Risk Management Policy duly approved by the Board. The Bank has also constituted a high level Credit Policy Committee and Credit Risk Management Department to deal with issues relating to loan policy and procedures to analyse, manage and control credit risk.

Credit appraisal skills at various levels are constantly upgraded, through specialised training programmes. The primary goal is to maximise bank's risk adjusted rate of returns, while maintaining the credit risk within acceptable parameters.

Credit risk is assessed based on the policy and rating assigned to the borrower. Moreover, the Bank has in place software to track large borrowal accounts to continuously manage credit risk.

### Market Risk

With progressive de-regulation, market risk arising due to adverse changes in market variables such as interest rate, foreign exchange rate, equity price and commodity price has become relatively more important. Management of market risk is the major concern for the Bank. The Bank has already formulated and implemented in place an Asset Liability Management (ALM) System to address the market risk. An Asset Liability Management Committee (ALCO) functions as the principal operational unit for managing the balance sheet in consultation with the treasury department and within the risk parameters laid down by the Board. ALCO also formulates pricing of products - both assets & liabilities and determines and advises appropriate hedging instruments to the Treasury department.

The Bank has put in place procedure for management of market risk. This involves calculation of risk assessment measures such as duration and convexity. The trading book of the Bank is marked to market on a weekly basis whereas the entire investment portfolio is marked to market on a quarterly basis. Market risk on forex positions and AFS securities is regularly tracked. Scenario analysis and stress testing is conducted on a regular basis to analyse the impact of interest rate movement on valuation of investment portfolio of the Bank.

### Operational Risk

Operational Risk is a potential risk of financial loss arising through error, fraud or failure to perform in a timely manner. The Bank manages operational risk through its overall established internal audit and internal control system, which includes separation of duties, clear management reporting lines and adequate operating procedures. In addition, risk education and training of staff at all levels and concurrent audit of critical branches are undertaken on an ongoing basis.

The Bank endeavours for detection of operational problem spots rather than their being pointed out by supervisors/internal/external auditors.



The Bank has recently set a road map for moving towards an Integrated Risk Management System in line with the fast changing environment.

**REGULATORY SUPERVISION BY RBI**

The Reserve Bank of India is the regulatory body for the Bank and the Bank strictly follows the norms laid down, guidelines and instructions issued by the Reserve Bank of India.

RBI conducts an annual inspection of the Bank based on the audited accounts. Simultaneously, RBI carries out branch inspection on a selective basis. RBI also conducts offsite and periodic onsite surveillance of the branches of the Bank. Discussions with the management and the replies given by the Bank to the issues raised by RBI also form a part of the inspection and surveillance process.

The last inspection of the Bank under Section 35 of the Banking Regulation Act, 1949 was conducted by Reserve Bank of India with reference to its position as on March 31, 2001. The Annual Financial Inspection (AFI) Report of the RBI for the position of the Bank as on March 31, 2001 pointed deficiencies in certain areas such as incorrect classification and provisioning as well as certain deficiencies in systems and other operational matters. The Bank has appropriately replied to RBI and is attending to the deficiencies, etc. pointed out by RBI.

The inspection by RBI is a regular exercise and is carried out periodically by RBI for all banks and financial institutions. The reports of RBI are strictly confidential.

## OVERVIEW OF ORGANISATION STRUCTURE AND SUPPORT FUNCTIONS

### Hierarchy and Responsibilities

The Bank functions under the supervision of the Board of Directors consisting of the Chairman and Managing Director, the Executive Director and other Directors as nominated by the Government of India. The Bank has a management structure comprising Central Office, the Regional Office and the branches, covering major geographical areas. Within the structure, there are also Field General Managers at Mumbai, Delhi, Kolkata, Chennai and Lucknow supporting Regional Offices in development and delegation and functioning as an extension of Central Office. In three centres viz., Ahmedabad, Pune and Bhopal, the Bank has Zonal Office in addition to Regional Office covering the branch / business in the states of Gujarat, Maharashtra and Madhya Pradesh respectively.

The Bank has taken initiatives in furthering corporate governance practices leading to greater transparency and better co-ordination between the Board and Management and the members of the organisation. The Bank has constituted various Committees of the Directors in keeping with the existing guidelines of the RBI, notably the following:

#### Management Committee of Directors

The Committee exercises delegated authority for sanction of credit proposals, loan compromise / write-off proposals, major capital and revenue expenses and reviews exercise of delegated authority by the CMD and the Executive Director. The Committee also reviews the performance of key areas like investments portfolio, non-performing assets and other important management decisions referred to the Committee by the Board.

#### ALM Committee of Directors

The Committee examines the assets and liability composition, maturity mismatches across time buckets vis-à-vis the prudential limits set by the Regulators for the industry and those of the Bank, interest rate sensitivity of assets and liabilities and its impact on the Net Interest Margin. The Committee also takes an overview of the ALCO functioning of the Bank in terms of pricing, product structuring, monitoring of Earnings at Risk (EaR), etc.

#### Audit Committee of Directors

The Audit Committee comprises of 5 members:

- a) Shri M. Venugopalan, Executive Director of the Bank
- b) Dr. K.B.L. Mathur, Director, Government Nominee
- c) Shri A. V. Sardesai, Director, RBI Nominee
- d) Shri Arjun Singh, Director
- e) Shri Ujjwal Nikam, Director

Meetings of the Audit Committee is chaired by any one of the non-executive directors. The Audit Committee provides directions and also oversees the operations of total audit function of the Bank. This covers organisation, operation and quality control of internal audit and inspection within the Bank and follow-up on statutory and external audit of the Bank and inspection of RBI. The Committee reviews inspection reports of extra large branches, specialised branches and branches rated unsatisfactory in the rating system of the Bank. On Housekeeping, the Committee reviews the position and steps taken on inter-branch adjustments, major outstanding entries in impersonal accounts and control on frauds.

#### Management of the Bank

The overall supervision and control of the Bank's functions rests with the Board of Directors which consists of the Chairman and Managing Director and Executive Director, both appointed by the GoI, other directors representing the Government, Reserve Bank of India, Employees and Officers of the Bank. The day-to-day affairs of the Bank are managed by the Chairman and Managing Director, the Executive Director, the Bank's General Managers, Deputy General Managers who are assisted by a team of competent professionals.

#### Key Managerial Personnel

Name and Qualification	Date of Joining the Bank	Experience in the industry	Designation	Functional Responsibility
Shri V. Leeladhar B.Sc (Engg.)	24.04.2000	33 years	Chairman and Managing Director	Chairman and Managing Director
Shri M. Venugopalan B. Com, CAIIB - I	25.09.2000	35 years	Executive Director	Executive Director
Shri S. P. Roy M. Com., LLB	25.04.1969	33 years	General Manager	Social Banking
Shri K. V. S. Shyam Sunder B. Com., ACA	04.06.1975	27 years	General Manager	Central Accounts

*Report of the Malegam Committee on Disclosure Requirements in Offer Documents*

Shri S. P. S. Walia Inter Arts	26.08.1963	39 years	General Manager	Field General Manager Mumbai, Metropolitan Zone
Kum. H. A. Daruwalla B. Com., ACA, CAIIB,	13.06.1975	27 years	General Manager	Planning and Development
Shri K. L. Gopalakrishna B. Com., LLB, CAIIB	29.12.1971	30 years	General Manager	Personnel
Shri R. Venakataramani B. Com., ACA, CAIIB - I	03.03.1975	27 years	General Manager	Credit Monitoring and Recovery
Shri A. A. Taj B. Com., ACA, ACS (Int.)	20.06.1977	25 years	General Manager	Field General Manager, Central Zone
Shri M. Ganoorkar M. Com.	12.08.1967	34 years	General Manager	Field General Manager, South Zone
Shri R. Vishwanathan BA, LLB	11.05.1966	36 years	General Manager	Field General Manager, North Zone
Shri V. K. Khanna B.Sc, ACA, CAIIB – I	07.02.1976	26 years	General Manager	Information Technology
Shri K. S. M. Rao B.Com., LLB, CAIIB, CAIB (Lon)	22.11.1972	29 years	General Manager	Central Audit and Inspection
Shri P. L. Gairola MA (Eco.), CAIIB	29.12.1972	29 years	General Manager	Field General Manager, East Zone
Shri A. V. Kohli B.E., CAIIB, DIF	11.7.2002	26 years	General Manager	Chief Vigilance Officer

Note: Except for Shri V. Leeladhar, Chairman and Managing Director, Shri M. Venugopalan, Executive Director, and Shri A. V. Kohli, General Manager all key managerial personnel are working in the Bank since start of their career and hence Experience in the Bank is equivalent to the Experience in the industry. Shri V. Leeladhar and Shri M. Venugopalan have been in the Bank for approximately two years whereas Shri A. V. Kohli has recently joined the Bank.

The key managerial personnel are in the rolls of the Bank as permanent employees. The area of experience for the key managerial personnel is banking.

**Changes in key managerial personnel from the level of General Manager and above during the last three years (from April 1, 1999) are as under -**

<b>Name</b>	<b>Position held</b>	<b>Reason for Change</b>
Shri V. Leeladhar	Chairman & Managing Director	Appointed by the Govt. of India w.e.f. 24.04.2000
Shri M. Venugopalan	Executive Director	Appointed by the Govt. of India w.e.f. 25.09.2000
Shri A. T. Pannir Selvam	Chairman & Managing Director	Completed tenure on 31.03.2000
Shri D. T. Pai	Executive Director	Elevated to the post of CMD of Syndicate Bank w.e.f. 25.05.2000
Shri K. L. Gopalakrishna	General Manager	Promoted w.e.f. 30.12.1999
Shri R. Venkataramani	General Manager	Promoted w.e.f. 01.05.2000
Shri A. A. Taj	General Manager	Promoted w.e.f. 30.12.2000
Shri M. Ganoorkar	General Manager	Promoted w.e.f. 30.12.2000
Shri R. Vishwanathan	General Manager	Promoted w.e.f. 30.12.2000
Shri V. K. Khanna	General Manager	Promoted w.e.f. 21.07.2001
Shri K. S. M. Rao	General Manager	Promoted w.e.f. 21.07.2001
Shri P. L. Gairola	General Manager	Promoted w.e.f. 21.07.2001
Shri A. V. Kohli	General Manager	On deputation from Punjab & Sind Bank w.e.f. 11.7.2002
Shri Michael Bastian	General Manager	Elevated as ED of Vijaya Bank w.e.f 31.03.2000
Shri M. S. Mohan	General Manager	Retired w.e.f. 30.04.2000
Shri V. Sridar	General Manager	Elevated as ED of Uco Bank w.e.f. 15.12.2000
Shri T. S. Narayanasami	General Manager	Elevated as ED of Punjab National Bank w.e.f. 15.12.2000

Shri K. Suresh Rao	General Manager	Retired w.e.f. 31.01.2001
Shri S. N. Iyer	General Manager	Voluntarily Retired w.e.f. 31.01.2001
Shri K. M. S. Babugupta	General Manager	Voluntarily Retired w.e.f. 31.03.2001
Shri S.H.H. Zaidi	General Manager	Retired w.e.f. 30.06.2001
Shri K. P. Lazar	General Manager	Retired w.e.f. 30.04.2002
Shri G R Anand	General Manager	Retired w.e.f. 31.05.2002
Shri P. C. Shrivastava	General Manager (CVO)	Opted for repatriation to parent bank w.e.f. 10.07.2002

#### Transaction between the Bank and Key Managerial Personnel

The key managerial personnel of the Bank are the employees of the Bank. The transactions of Union Bank of India with the key managerial personnel pertains to the compensation and benefits as applicable to all the permanent employees of the Bank. All the key managerial personnel are of the General Manager grade and hence their compensation falls in the scale of Rs19,340 – Rs21,300 p.m. The other benefits include the festival loans, housing loans, reimbursement of certain expenses, etc. as per employees' service rules.

The compensation of the CMD and the ED are provided under the para "Terms of appointment of Chairman and Managing Director" and "Terms of Appointment of Executive Director" on page 76.

#### Board of Directors

No.	Name, Age and Experience	Date of Appointment and Expiry of current term	Residential address	Other Directorships
1.	Shri V. Leeladhar, CMD Age : 55 years Experience : 32 years in banking	Appointment: 24.4.2000 Expiry: 24.04.2005	A-32, Meherina Apartments, Block A, 3 <sup>rd</sup> Floor, Behind Hyderabad Estate, Napeansea Road, Mumbai –36	Agricultural Finance Corpn. Ltd. Discount & Finance House of India Ltd. New India Assurance Co. Ltd.
2.	Shri M.Venugopalan, ED Age : 56 years Experience : 36 years in banking	Appointment: 05.09.2000 Expiry: 30.4.2005	154/A, Sealord Apts., 117 Cuffe Parade, Colaba, Mumbai-400 005	NIL
3.	Dr.K.B.L. Mathur, Director representing Gol Age : 55 years Experience : 31 years in the field of economics	Appointment: 21.03.2001 Expiry: until further orders	1220/Sector 12. R.K. Puram, New Delhi –110 001	Tourism Finance Corporation of India
4.	Shri A.V. Sardesai, Director representing RBI Age : 56 years Experience : 33 years in banking	Appointment: 01.06.2001 Expiry: until further orders	A/21,"Jalada", RBI Officers Quarters, Prabhadevi, Mumbai-400 025	NIL
5.	Shri P.K. Sarkar Age : 48 years Experience: 23 years in banking	Appointment: 10.11.1998 Expiry: 09.11.2001. Period extended till his successor has been nominated	52/46, SBD, Neogi Garden Lane, P.O. Bara Nagar, Kolkata-700 036	NIL
6.	Shri Ashutosh Tandon Age : 41 years Experience: 18 years in business	Appointment: 28.08.2001 Expiry: 27.08.2004	64, Sondhi Tola Chowk, Lucknow –226 003	NIL
7.	Shri Arun Singh Age : 36 years Experience : 13 years as Chartered Accountant	Appointment 12.09.2001 Expiry: 11.09.2004	F-7, Lajpat Nagar III, New Delhi –110 024.	NIL
8.	Shri Ujjwal Nikam Age : 49 years Experience : 20 years as Advocate	Appointment: 12.09.2001 Expiry: 11.09.2004	48, Barister Nikam Chowk, Zilla Peth, Jalgaon, Dist. Jalgaon, Maharashtra – 425 001	NIL
9.	Smt. Chalasani Vijaya Lakshmi Age : 44 years Experience : 20 years as a social worker	Appointment 12.11.2001 Expiry: 11.11.2004	Flat No.202, Khatriya Towers, Nallakunta, Hyderabad-500 044	NIL
10	Shri Matta Pasupathi Age : 47 years Experience : 21 years in business	Appointment: 12.12.2001 Expiry: 11.12.2004	8/77, Ramesh Nagar, New Delhi –110 096	NIL
11	Shri Madan Lal Sabharwal Age : 64 years Experience : 30 years as a banker,	Appointment: 12.6.2002 Expiry:	42-B, Vandananagar (NX), Indore	NIL

	presently a pensioner	11.6.2005	
12	Shri Anish Kumar Sharma Age : 53 years Experience : 20 years as Chartered Accountant	Appointment: 12.6.2002 Expiry: 11.6.2005	R-756, New Rajinder Nagar, NIL New Delhi - 110 060

**Changes in the Directors in the last three years (from April 1, 1999) and reasons thereof**

Name	Position held	Reasons
Shri A.T. Pannir Selvam	CMD	Retired w.e.f. 31.3.2000
Shri D. T. Pai	ED	Appointed as CMD at Syndicate Bank w.e.f. 25.5.2000
Dr. K.B.L Mathur	Govt. Nominee Director	Appointed by Gol w.e.f. 21.03.2001
Shri A.V. Sardesai	RBI Nominee Director	Appointed by Gol w.e.f. 01.06.2001
Shri Alok Kumar	Govt. Nominee Director	Retired w.e.f. 20.03.2001
Shrimathi Shyamala Gopinath	RBI Nominee Director	Retired with effect from 31.05.2001

The cumulative expenditure on Travelling Allowance (T.A.), Hotel/Halting Expenses (H.A.) and fees for directors in the last one year is as follows

Year ended March 31, 2002	(Rs lac) Amount
T.A.	7.967
H.A.	5.594
Fees	0.515

Except to the benefits as provided under the relevant rules framed by the Government of India from time to time, the directors of the Bank are not eligible to any additional benefits upon termination of employment.

**Corporate Governance**

The SEBI guidelines in respect of corporate governance, to the extent permissible within the regulatory framework, shall be applicable to the Bank immediately on the listing of the shares on the aforesaid stock exchanges. The Bank undertakes that it shall take necessary steps to comply with all the requirements of the guidelines on corporate governance as would be applicable to it upon the listing of its shares as well as any requirements of the stock exchanges concerned with regard to corporate governance before the grant of the listing permission by the stock exchanges.

**Terms of Appointment of Chairman and Managing Director**

In exercise of the powers conferred by clause (a) of sub-section (3) of section 9 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970, read with sub-clause (1) of clause 3, clause 5, clause 6, clause 7 and sub-clause (1) of clause 8 of the Nationalised Banks (Management and Miscellaneous Provisions) Scheme, 1970, the Central Government after consultation with the Reserve Bank of India appointed Shri V. Leeladhar, Chairman and Managing Director, Vijaya Bank as Chairman and Managing Director, Union Bank of India vide letter F. No. 9/10/2000-B.O.I. dated 19<sup>th</sup> April, 2000 from date of his taking charge i.e. 24<sup>th</sup> April, 2000.

The compensation details are as follows:

Salary	Rs26,000 per month in the scale of pay of Rs24,050-650-26,000
Other benefits	Perquisites as per Government of India guidelines such as housing, Leave Travel Allowance, Contribution to Provident Fund, Gratuity, Superannuation, Reimbursement of medical expenses, entertainment expenses.

**Terms of Appointment of Executive Director**

In exercise of the powers conferred by clause (a) of sub-section (3) of section 9 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970, read with sub-clause (1) of clause 3, clause 5, clause 6, clause 7 and sub-clause (1) of clause 8 of the Nationalised Banks (Management and Miscellaneous Provisions) Scheme, 1970, the Central Government after consultation with the Reserve Bank of India appointed Shri M. Venugopalan, as Executive Director, Union Bank of India from September 25, 2000 upto April 30, 2005. vide letter no.F.No.9/31/2000-B.O.I dated 25<sup>th</sup> September 2000.

The compensation details are as follows:

Salary	Rs22,050 per month in the scale of Rs22,050-500-24,050
Other benefits	Perquisites as per Government of India guidelines such as housing, Leave Travel Allowance, Contribution to Provident Fund, Gratuity, Superannuation, Reimbursement of medical expenses, entertainment expenses.

#### **Payment or Benefit to the Directors and Officers of the Bank**

No amount or benefit has been paid or given or is intended to be paid or given to any Director or Officer of the Bank except their normal remuneration and/or reimbursement for the services rendered to the Bank to which they are entitled to or may become entitled to under the provisions of the Bank Nationalisation Act or otherwise in accordance with the Law

#### **Nature and Interest of Directors**

**NO DIRECTOR OF THE BANK IS INTERESTED IN THE APPOINTMENT OF ANY OF THE MANAGERS, REGISTRAR AND BANKER TO THE ISSUE. NO DIRECTOR OF THE BANK IS INTERESTED IN ANY PROPERTY ACQUIRED BY THE BANK WITHIN TWO YEARS OF THE DATE OF THE OFFER DOCUMENT OR PROPOSED TO BE ACQUIRED BY IT. THE BANK HAS NOT PURCHASED ANY PROPERTY IN WHICH ANY OF ITS DIRECTORS HAD OR HAVE ANY DIRECT OR INDIRECT INTEREST OR IN RESPECT OF ANY PAYMENT THEREOF. THE BANK HAS NO PLANS, AT PRESENT, TO ACQUIRE ANY RUNNING BUSINESS OUT OF THE PROCEEDS OF THE ISSUE. THE DIRECTORS HAVE NO INTEREST IN ANY LOAN OR ADVANCE GIVEN BY THE BANK TO ANY PERSON(S)/ COMPANY (IES) NOR IS ANY BENEFICIARY OF SUCH LOAN OR ADVANCE RELATED TO ANY OF THE DIRECTORS.**

#### **HUMAN RESOURCES DEVELOPMENT**

The Bank is constantly upgrading its employees' skills by deputing them to attend various programmes at the Bank's training college at Bangalore and its own seven training centres and encouraging them to appear for different professional examinations and attend computer training courses.

The Bank has established systems of performance appraisal, man-power identification and appropriate deployment of staff across the country.

The Bank had adopted a "Super Achiever Scheme" whereby outstanding performances were identified and suitably recognised by way of promotion, etc. The Bank has since March 2001 introduced the concept of Chairman's Club to enable star performers to be recognised by granting membership to this club of performers. Chairman's Club Members are selected from those who excel in the respective field of resource mobilisation, credit administration, recovery management, profits and operational efficiency and whose performance is assessed under set criteria.

The Bank has over the years developed effective training systems in the industry, with many of its faculty members trained overseas in reputed management schools. The entire training system has been revamped with the assistance of Vinstar of New Zealand, international management and academic consultants. The training system consists of one staff college at Bangalore and 7 training centres spread across the country. The training system of the Bank has won the prestigious Golden Peacock National Training Award for the year 1998 from the Institute of Directors, New Delhi, under "Training Providers" category.

The training system has also been granted on February 14, 2001, the ISO 9001 certification by the Det Norske Veritas of the Netherlands for "Design, Development and Delivery of Customised Training Programs" for the Banking Sector. The training infrastructure is also being used by other commercial and public sector banks.

Though there have been industry-wise agitations, there has been no industrial unrest situation within the Bank.

The appraisal system of the Bank is being revised to promote greater transparency and more accurate unbiased assessments.

Direct recruitment of officers, both in normal and special cadre, has taken place and the training imparted to these officers is consolidated through a process of formalised mentoring.

#### **Voluntary Retirement Scheme**

The Voluntary Retirement Scheme was adopted by the Board at its meeting held on October 31, 2000 and titled "Union Bank of India Voluntary Retirement Scheme 2000 – 2001" (UBI VRS 2000-2001). The VRS scheme received 4,310 applications out of which 4,037 were accepted. The post VRS scenario has not materially affected the Bank's operations and performance.

#### **Manpower deployment and productivity**

Employee productivity of the Bank has been improving over the years. Business per full-time employee and net profit per full-time employee have improved in the last five years as shown below:

<b>As on March 31,</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>
Business per full-time employee (Rs lac)	96.98	112.94	135.44	168.78	214.75

Net Profit per full-time employee (Rs lac)	0.73	0.48	0.42	0.64	1.17
--	------	------	------	------	------

## **INFORMATION TECHNOLOGY**

The Bank's technology initiative began in 1988 with the introduction of computerisation in key functional areas like Salary, Provident Fund, Inter Office Reconciliation, etc. Later on, it extended to the branches where the branch working was also taken up for computerisation. The software for this work was developed by the Bank's in-house software development team. To address the challenges of rapidly changing customer expectations against a backdrop of liberalisation and frequent changes in the IT sector, the Bank in 2000 adopted a long term IT strategy by appointing KPMG, an international consulting firm, to identify the Bank's IT requirements. With the recent tie-up by the Bank with two leading IT companies, Wipro having expertise in hardware and Infosys Technologies whose strength is in software the Bank will be in a position to provide core banking solution. The use of technology in the Bank is aimed at achieving efficiency in operations and thereby reducing the cost of transactions, offering the right products to the customers through the right channels, promoting the usage of alternative channels without compromising on the need of the customer for personalised attention and to identify and manage risks.

### **Branch computerisation**

Out of 2,023 branches, 1,304 branches have been computerised covering for nearly 83% of the Bank's business. The Bank proposes to computerise 220 branches during the current financial year. The integrity of the MIS data has improved considerably due to the use of technology. Since 2000, the Bank is also participating in the Electronic Fund Transfer (EFT) scheme of Reserve Bank of India facilitating fast transmission of funds from customer account to customer account located at different places.

### **Core Banking Solution**

The Bank has engaged the services of leading international consultant to assist in identifying and implementing a centralised core banking solution. The core banking solution so identified is proposed to be implemented in 500 of the top branches in terms of business and infrastructure, which essentially will cover about 60% of the Bank's business. These branches will provide anywhere, anytime banking as also services through other delivery channels like ATM, Internet Banking, Mobile Banking, and Telebanking.

### **Connectivity of Branches/Offices**

The Bank has a Wide Area Network in place, which is and which will continue to be the backbone of the centralised core banking solution. As at present, 199 leased lines including inter-city and intra-city have been commissioned. The network has been especially useful to the Cash Management System. The Corporate Mailing System is also using this network.

25 VSATs have been commissioned under the RBI's network, the INFINET. The treasury operations have been brought under Negotiated Dealing System (NDS) operations. The mail messaging system at Corporate Office is now being routed through the Institute for Development and Research in Banking Technology (IDRBT) promoted by the Reserve Bank making it possible for instant delivery of messages.

SWIFT (Society for Worldwide Interbank Financial Telecommunication) facility for International Financial Messaging is available in 42 branches having international business, facilitating worldwide fast remittance of funds and information.

### **HOUSE KEEPING**

The Bank has laid down clear guidelines for proper House Keeping with established procedures and systems in place. House Keeping primarily entails balancing of books of accounts and, as on March 31, 2002, all the books of the Bank have been balanced. Further, all entries outstanding in inter-bank account have also been reconciled and follow-up action has been initiated in respect of outstanding entries.

### **INTER-BRANCH RECONCILIATION**

Inter-Branch Reconciliation is centralised at Mumbai. Processing of the data, matching of the entries and reconciliation are computerised through an efficient Inter-Branch Reconciliation package developed for the Bank's requirement. The Bank has completed reconciliation of all the branches with regard to Inter-Branch entries upto December 31, 2001. The Bank draws reconciliation on a quarterly basis and the outstanding entries are systematically followed-up thereafter. Adequate provision has been made in respect of old outstanding entries as per RBI directives.

### **AUDIT AND INSPECTION**

The Bank has a comprehensive inspection and audit system covering the entire operation of the branches as well as all the administrative offices. Besides, the Bank has a system of Revenue Audit to detect income leakages. All the 2,023 branches were inspected for the financial year ending March 31, 2002 along with all Administrative Offices and also all the departments in Central Office. The Bank has also established a system of rating the

branches based on their performance in relation to compliance with the policies and procedures of the Bank on the basis of audit reports.

Keeping with the RBI Guidelines, the Bank has established the system of Concurrent Audit by appointing firms of Chartered Accountants as concurrent auditors. At present, 446 branches are under Concurrent Audit, which cover 53% of deposits, 80% of advances and 63% of total business of the Bank.

#### VIGILANCE MECHANISM

The guidelines provided by the Central Vigilance Commission are being adhered to and emphasis is placed on expeditious completion of the disciplinary cases. Also, special emphasis is being placed on preventive vigilance and all out efforts have been made to enhance awareness about preventive measures to be adopted by the functionaries at various levels. A number of training programmes have also been conducted at the Staff Training College and other training centres. A number of preventive vigilance visits are being made on an ongoing basis.

#### SUBSIDIARIES

The Bank does not have any subsidiary.

#### REGIONAL RURAL BANKS

The contribution towards the capital of each of the RRBs is 50%, 35% and 15% by the Central Government, the Sponsoring Bank and the State Government respectively. The Bank has sponsored 4 Regional Rural Banks (RRBs), all in backward areas i.e. 3 in eastern Uttar Pradesh and 1 in eastern Madhya Pradesh (M.P.) as under:

1. Samyut Kshetriya Gramin Bank (SKGB), Azamgarh, covering 3 districts Azamgarh, Ghazipur and Mau.
2. Gomti Gramin Bank (GGB), Jaunpur, covering Jaunpur district and a part of newly carved Dist. Bhadohi.
3. Kashi Gramin Bank (KGB), Varanasi, covering 3 districts Varanasi, Chadauli and Bhadohi.
4. Rewa Sidhi Gramin Bank (RSGB) covering 2 districts Rewa and Siddhi of M.P.

Salient features of the Bank's sponsored RRBs are:

- All the RRBs have earned profit for the year ended March 2002
- The Bank has not received any dividend from the RRBs as the profits are retained by the banks for plough back in business

The capital, business, balance in profit & loss account and net profit for the year ended March 31, 2002 is given below:

Name of the RRB	Equity Share Capital	Deposits	Advances	Total Business	(Rs crore)	
					P & L Balance	Net Profit
SKGB	1.87	873.90	102.42	976.32	0.00	20.11
GGB	1.00	416.96	94.01	510.97	10.43	6.41
KGB	26.28	378.04	102.64	480.68	(13.13)	9.09
RSGB	9.01	310.91	70.33	381.24	8.44	4.08
<b>Total</b>	<b>38.15</b>	<b>1,979.80</b>	<b>369.41</b>	<b>2,349.21</b>	<b>5.74</b>	<b>39.70</b>

In addition to above, the Bank's RRBs have issued 18,555 Kisan Credit Cards and have also linked 2,228 Self-Help Groups.

#### VERMA COMMITTEE RECOMMENDATIONS

The Verma Committee was set up to identify weak and potentially weak banks in the country and for making recommendations for strengthening these Banks and reducing systematic risks.

The panel selected the following seven parameters for the financial year 1998 and 1999 to judge weakness / strength:

- i. Capital Adequacy Ratio (CAR)
- ii. Coverage
- iii. Return on Assets (ROA)
- iv. Net Interest Margin (NIM)



- v. Ratio of Operating Profit to Average Working Funds
- vi. Ratio of Cost to Income
- vii. Ratio of Staff Cost to Net Interest Income plus all other income.

The working group observed that based on the above analysis, Public Sector Banks could be classified in terms of their strengths or weakness under three broad categories

- i. Banks where none of the seven parameters are met
- ii. Banks where all the parameters are met
- iii. Banks where some of the seven parameters are not met

The Bank has been placed amongst nine banks in the third category for compliance with Capital Adequacy Ratio (CAR) but did not comply with one or two of the remaining efficiency parameters for the financial year 1998 and 1999. The Working Group commented that the banks classified in this category are fairly well placed to tackle the visible pointers to weaknesses through internal strategies. The Bank has complied with the parameters in the subsequent years. The two parameters on which the Bank didn't comply were Net Interest Margin (2.66% in 1999 as compared to the median value of 3.02%) and Ratio of Operating Profit to Average Working Funds (1.13% in 1999 as compared to 1.61%). The respective figures under these two parameters stood at 3.01% and 2.16% in 2002.

**PROMOTERS / PRINCIPAL SHAREHOLDERS**

**Not Available**

**EXCHANGE RATES**

**Not Available**

**CURRENCY OF PRESENTATION**

**Not Available**

**SELECTED CONSOLIDATED FINANCIAL INFORMATION**

**Not Available**

## MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL PERFORMANCE

Union Bank of India with its large network of branches spread throughout the country is well equipped to handle the management of change. Its professional management has been taking pro-active steps in this direction. The Bank has recently appointed management consulting firm KPMG for developing the IT Strategy of the Bank. The Bank has also appointed the two leading Indian IT companies, Infosys Technologies and Wipro Infotech for development of IT infrastructure. While Infosys would provide the core banking solution, Wipro Infotech has been appointed as the prime systems vendor and would be responsible for programme and systems integration. The implementation of the core-banking solution and networking of branches will help Union Bank to provide anytime-anywhere banking.

The introduction of prudential accounting norms and capital adequacy were major regulatory changes. Union Bank with its inherent strengths and long tradition of sound banking was able to adjust to these changes without any disruptions in its performance. The Bank has taken proactive measures to meet the challenges of competition. Besides mobilising low cost deposits to bring down funding costs, the Bank has been focussing on retail lending. Further, the Bank has put in place risk management systems to address credit risks.

Financial Highlights of the Bank Year ended as on March 31

Particulars	(Rs crore)				
	2000	2001	2002	% change from 2000 to 2001	% change from 2001 to 2002
<b>Total income</b>	3,616.90	4,052.23	4,502.02	12.04%	11.10%
Interest earned	3,315.11	3,732.95	4,015.68	12.60%	7.57%
Commission, exchange & brokerage	113.86	121.29	129.18	7%	7%
Profit on sale of investments	43.21	34.35	159.83	-21%	365%
Profit on sale of land/bldg and other assets	0.34	-0.12	-0.36	-135%	200%
Profit on exch transaction (net)	78.32	89.54	114.37	14%	28%
Misc income	66.06	74.22	83.32	12%	12%
Total other income	301.79	319.28	486.34	5.80%	52.32%
<b>Expenditure</b>	3,203.39	3,533.29	3,645.58	10.30%	3.18%
Interest expended	2,358.03	2,513.95	2,679.04	6.61%	6.57%
Employee related expenses	592.65	756.19	686.65	27.59%	-9.20%
Other operating expenses	252.71	263.15	279.89	4.13%	6.36%
Total operating expenses	845.36	1,019.34	966.54	20.58%	-5.18%
Profit before provisions and contingencies	413.51	518.94	856.44	25.50%	65.04%
Less: Provisions and contingencies	286.55	338.65	555.11	18.18%	63.92%
<b>Net Profit</b>	126.96	180.29	301.33	42.01%	67.14%

### Significant items of income and expenditure during 2001-02 (Comparison of financials for the year ended March 2002 with March 2001)

**Net Profit** - The Bank registered a net profit of Rs301.33 crore in 2001-02, compared to a net profit of Rs180.29 crore in 2000-01, a rise of 67.14%.

**Interest Income** - Income from advances improved from Rs1,955.06 crore in 2000-01 to Rs2,168.64 crore in 2001-02. The advances rose from Rs17,505.35 crore as on March 31, 2001 to Rs21,383.31 crore as on March 31, 2002. The average yield on advances worked out to 12.10% in 2000-01 as compared to 10.95% in 2001-02. Investments increased from Rs13,671.60 crore as on March 31, 2001 to Rs15,409.69 crore as on March 31, 2002. The income on investments increased from Rs1,524.44 crore to Rs1,674.51 crore in the same period. The yield on average investments decreased from 11.75% to 10.95% in the same period. The Asset Liability Management Committee of the Bank keeps a close watch on interest rate movements and takes corrective measures. The net interest income of the Bank has increased from Rs1,219.00 crore in 2000-01 to Rs1,336.64 crore in 2001-02.

**Other Income** - The Bank has laid thrust on improvement of non-interest income as a means of improving profitability. The other income of the Bank comprises of fee-based income, treasury income and forex earnings. These earnings are in the normal course of business of the Bank. The non-interest income of the Bank grew by

52.32% from Rs319.28 crore in 2000-01 to Rs486.34 crore in 2001-02. The main reason for the large increase is due to a 365% jump in profit on sale of investments from Rs 34.35 crore in 2000-01 to Rs159.83 crore in 2001-02. These profits may not be sustainable in the future. However, the Bank has launched new products such as cash management services, demat account services and also proposes to launch other products to increase fee based income. These products do not contribute to the current profits of the Bank. The increase in other income is not a result of any material change in holding policy or change in accounting policy. The profits have been realised and are not notional entries.

The entire banking industry has shown a strong increase in non-interest income mainly due to profits on investments in a declining interest rate scenario. The banking industry faces a challenge in sustaining this growth.

**Interest Expenses** - As a result of growth of deposits from Rs34,888.06 crore in 2000-01 to Rs39,793.87 crore in 2001-02, interest on deposits also rose from Rs2,427.07 crore to Rs2,573.04 crore during the same period. However, inspite of increasing rates, the bank succeeded in keeping the cost of deposits down at 7.03% as on March 31, 2002 as compared to 7.57% as on March 31, 2001.

**Operating Expenses** - The non-interest expenses of the Bank decreased from Rs 1,019.34 crore in 2000-01 to Rs966.54 crore in 2001-02. The Bank implemented a Voluntary Retirement Scheme in 2000-01 which resulted in a reduction of staff strength by 4,037. The decline in employee related expenses of 9.2% is mainly due to the VRS. The business per employee has increased from Rs168.78 lacs in 2000-01 to Rs214.75 lacs in 2001-02. The total number of permanent employees as on March 31, 2002 is 27,307. The other operating expenses consisting primarily of establishment expenses have increased by 6.36%.

**Significant items of income and Expenditure during the year 2000-2001 (comparison of financials for the year ended March 31, 2001 with the financials for the year ended March 31, 2000).**

**Net profits** - The Bank registered a net profit of Rs180.29 crore in 2000-01, compared to a net profit of Rs126.96 crore in 1999-2000, a rise of 42.01%

**Interest Income** - Income from advances improved from Rs 1,625.49 crore in 1999-2000 to Rs1,955.06 crore in 2000-01. The advances rose from Rs14,613.22 crore as on March 31, 2000 to Rs17,505.35 crore as on March 31, 2001. The average yield on advances worked out to 12.35% in 1999-2000 as compared to 12.10% in 2000-01. Investments increased from Rs11,479.23 crore as on March 31, 2000 to Rs13,671.60 crore in March 31, 2001. The interest on investments increased from Rs1,460.70 crore in March 2000 to Rs1,524.44 crore in March 2001. The yield on average investments decreased from 11.82% to 11.75% in the same period. The Asset Liability Management Committee of the Bank keeps a close watch on interest rate movements and takes corrective measures. The net interest income of the Bank has increased from Rs957.08 crore in 1999-2000 to Rs 1,219.00 crore in 2000-01.

**Other Income** - The Bank has laid thrust on improvement of non-interest income as a means of improving profitability. The non-interest income of the Bank grew from Rs301.79 crore in 1999-2000 to Rs319.28 crore in 2000-01. The other income of the Bank comprises of fee-based income, treasury income and forex earnings.

**Interest Expenses** - As a result of growth of deposits from Rs31,105.36 crore in 1999-2000 to Rs34,888.06 crore in 2000-01, interest on deposits also rose from Rs2,297.45 crore to Rs2,427.07 crore during the same period. However, inspite of increasing rates, the Bank succeeded in keeping the cost of deposits down at 7.57% as on March 31, 2001 as compared to 8.00% as on March 31, 2000.

**Operating Expenses** - The non-interest expenses of the Bank increased from Rs845.36 crore in 1999-2000 to Rs 1,019.34 crore in 2000-01.

#### **Human Resource Development**

The Bank understands that human capital is an important asset for achieving success in the service industry such as banking which is in a forever changing business environment. Hence the Bank focuses on development and recognition of its employees. The Bank has established training systems for its employees at various training centres. The training system has been designed by independent consultants and experts. The Bank has full-fledged training college at Bangalore with faculty members trained overseas in reputed management schools. The Bank has established schemes to recognise performers and reward them through citations and recognition.

#### **Future changes in relationship between costs and revenues**

Following the gradual reduction in interest rates, particularly, in the recent period, the Bank's margin is coming under pressure. Moreover, the Bank has a large portion of term deposits in the maturity bracket of 1 – 3 years and the interest rate for the same has been locked in. The Bank may face pressures on interest rate margin in a falling interest rate scenario. To tackle this, the Bank is focussing on providing retail/consumer loans where interest rate is fixed for the full tenure of the loan. The Bank has also evolved a multi-pronged strategy of mobilising more low cost deposits, achieve better recovery in NPAs, focus on retail lending, boosting non-interest income and reduction in operational expenses.

#### **Non-Dependence on a few customers**

The Bank has well diversified credit portfolio to prevent any concentration of exposures. The maximum exposure of credit to any one company or any one-business group is less than 2% of total advances.

**Competitive conditions**

The Bank recognises the fact that competition has increased in the market due to the following reasons:

- λ Deregulation of interest rates on deposits and on advances
- λ Emergence of new private sector banks
- λ Technological advances

The Bank has developed a strategy to meet the competition by diversifying its product range and appropriate pricing of the same. The Bank enjoys a large franchise value through its branch network and will further leverage on the same through better use of technology.

**Liquidity and Capital Resources**

**Not Available**

**Capital Expenditure**

**Not Available**

**Foreign Exchange Risk**

**Not Available**

**Interest Rate Risk**

**Not Available**

**Material Developments**

In the opinion of the Board of directors, no circumstances have arisen since the date of the last financial statements, as disclosed in the Offer Document, which would materially affect or are likely to affect the profitability of the Bank or the value of its assets or its ability to pay its liabilities within the next twelve months.

**CAPITALISATION**

**Forms a part of Financial Information**

**DIVIDEND POLICY**

**Not Available**

## **SECTION IV**

### **AUDITORS' REPORT**

The Board of Directors  
Union Bank of India  
Head Office  
239, Vidhan Bhavan Marg  
Nariman Point  
Mumbai – 400 021

Dear Sirs,

In terms of our appointment for the purpose of certification of the statement of accounts to be incorporated in the Offer Document proposed to be issued by the Bank in connection with the Initial Public Offer of Equity Shares, we state as follows:

1. We have examined the Audited accounts of the Bank for the five consecutive financial years ended March 31, 2002 being the last date upto which the accounts of the Bank have been made up and audited by the Auditors of the Bank of those respective years.
2. We further report as follows:-
  - a) The Profit & Loss account of Union Bank of India for each of the five consecutive financial years ended March 31, 2002 are as set out in Part I enclosed and the statement of Assets & Liabilities as at the respective year ends are as set out in Part II enclosed.
  - b) The aforesaid Statements of Profit & Loss and Assets & Liabilities;
    - i) read together with Significant Accounting Policies and Significant Changes in Accounting Policies as set out in Part III, Material Notes on Accounts and Notes on Adjustments as set out in Part IV and subject to Auditors' qualifications for which no adjustment could be carried out, as set out in Part V, have been drawn up after giving effect to adjustments and regroupings, as and where, in our opinion, considered appropriate and
    - ii) have been prepared by the Bank in accordance with the guidelines issued by Reserve Bank of India from time to time and subject to the limitations of disclosures required under the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970.
3. We further report that in respect of the five consecutive financial years ended March 31, 2002, the amount of dividend transferred/yet to be transferred to the Government of India by Union Bank of India are as given in Part VI.
4. We have also examined the accompanying statement of Key Accounting Ratios set out in Part VII for the five consecutive financial years ended March 31, 2002 and the Statement of Capitalisation, Tax Shelter and Net Worth set out in Part VIII which are subject to qualifications as detailed above and report that in our opinion they have been correctly computed.

(S.P.Sinha)  
**B. GUPTA & CO.**  
Chartered Accountants

(D.Bhattacharyya)  
**D.P.SEN & CO**  
Chartered Accountants

(Vasant Bheda)  
**GALA & GALA**  
Chartered Accountants

(Suresh Seth)  
**S.N.DHAWAN & CO.**  
Chartered Accountants

(K.Srinivasan)  
**SUNDARAM & SRINIVASAN**  
Chartered Accountants

(Pradeep Verma)  
**V.K.VERMA & CO**  
Chartered Accountants

Mumbai

04.06.2002

## PART I

### Statement of Profit and Loss

		(Rs crore)				
Financial year ended March 31,	1998	1999	2000	2001	2002	
<b>A</b>	<b>INCOME</b>					
	<b>Interest Earned</b>					
	Int. & Disc. on advance/bills	1,259.17	1,353.73	1,625.49	1,955.06	2,168.64
	Income on Investments	1,077.58	1,271.28	1,460.70	1,524.44	1,674.51
	Interest on Balance with RBI and other inter-bank lending	136.49	212.30	214.44	202.22	153.71
	Interest on Income tax	27.32	30.84	11.99	1.12	10.15
	Others	3.46	0.89	2.49	50.11	8.67
	<b>Sub-Total</b>	<b>2,504.02</b>	<b>2,869.04</b>	<b>3,315.11</b>	<b>3,732.95</b>	<b>4,015.68</b>
	<b>OTHER INCOME</b>					
	Commission, Exchange & Brokerage	98.59	100.73	113.86	121.29	129.18
	Profit on Sale of Investments	1.55	34.31	43.21	34.35	159.83
	Profit on sale of Land/Bldg. & other assets	0.15	0.18	0.34	-0.12	-0.36
	Profit on Exch. Transaction [net]	67.75	68.88	78.32	89.54	114.37
	Income earned by way of dividends from subsidiaries/companies/JVs in India	0.00	0.00	0.00	0.00	0.00
	Miscellaneous Income	40.29	60.23	66.06	74.22	83.32
	<b>Sub-Total</b>	<b>208.33</b>	<b>264.33</b>	<b>301.79</b>	<b>319.28</b>	<b>486.34</b>
	<b>TOTAL INCOME</b>	<b>2,712.35</b>	<b>3,133.37</b>	<b>3,616.90</b>	<b>4,052.23</b>	<b>4,502.02</b>
<b>B</b>	<b>EXPENDITURE</b>					
	<b>Interest Expended</b>					
	Interest on deposits	1,674.31	2,024.94	2,297.45	2,427.07	2,573.04
	Interest on RBI/Inter-Bank Borrowings	11.63	11.91	23.90	21.93	19.04
	Others	1.55	0.65	36.68	64.95	86.96
	<b>Sub-Total</b>	<b>1,687.49</b>	<b>2,037.50</b>	<b>2,358.03</b>	<b>2,513.95</b>	<b>2,679.04</b>
	<b>Operating Expenses</b>					
	Payment & prov. for employees & wages	443.48	525.38	592.65	756.19	686.65
	Rent, Taxes & Lighting	39.74	43.37	50.02	55.31	57.57
	Insurance	50.52	60.93	17.18	19.24	22.48
	Printing & Stationery	14.25	13.36	12.47	13.05	14.13
	Advertisement	6.30	6.10	6.50	6.05	8.92
	Postage, Telegram, Telephones, etc.	9.73	10.80	10.34	9.50	9.50
	Repairs & Maintenance	8.45	9.51	9.65	10.38	11.43
	Law Charges	5.07	3.97	6.81	4.59	3.87
	Director's fees, Allowance & Expenses	0.29	0.35	0.34	0.14	0.24
	Auditor's fees & expenses	3.48	3.93	5.35	6.39	7.23
	Other expenditure	68.43	79.85	89.81	93.85	100.36

Depreciation on Bank's properties	32.86	37.88	44.24	44.65	44.16
<b>Sub-Total</b>	682.60	795.43	845.36	1,019.34	966.54
<b>TOTAL EXPENDITURE</b>	2,370.09	2,832.93	3,203.39	3,533.29	3,645.58
Gross Profit before provisions for income tax and extraordinary items	342.26	300.44	413.51	518.94	856.44
<b>Less: Extra ordinary items</b>					
Provisions & Contingencies	117.26	152.89	286.55	338.65	555.11
<b>Net Profit/(Loss) for the year</b>	225.00	147.55	126.96	180.29	301.33
Add: Div. Recd. Back from Govt.	-	-	-	-	-
Amt. Recd. From Inv. Fluct. Res.	-	-	-	-	-
Profit & Loss brought forward	-	-	-	-	-
<b>Profit available for appropriation</b>	225.00	147.55	126.96	180.29	301.33
<b>APPROPRIATIONS</b>					
Transfer to Statutory Reserve	114.00	72.10	45.00	46.64	95.00
Transfer to Revenue & other Reserve	28.29	39.88	55.78	86.86	61.33
Trf. to Cap. Res.-excess Dep. On Inv.W.B.	27.69	0.00	0.00	8.67	0.00
Transfer to Inv. Fluct. Reserves	0.00	0.00	1.48	0.00	100.00
Dividends To Central Govt.	55.02	35.57	24.70	31.09	45.00
Dividend Tax	0.00	0.00	0.00	7.03	0.00
Balance Carried over to Balance Sheet	0.00	0.00	0.00	0.00	0.00
<b>TOTAL</b>	225.00	147.55	126.96	180.29	301.33
<b>Break-up of Provisions &amp; Contingencies</b>					
Prov. For Inc. Tax, Int. Tax & Wealth Tax	95.12	11.63	17.57	60.87	142.00
Depreciation on Investment	-78.28	-	-8.67	17.55	16.46
Bad Debts W/off (Net)	-	-	-	-	-
Interest waiver/concession granted	-	-	-	-	-
Prov. For Bad & Doubtful Debts	76.47	113.56	201.00	230.80	321.60
Prov. For DICGC Claims lodged accounts	0.00	0.00	0.00	0.00	0.00
Provision for Std. Adv	-	-	33.75	7.25	11.25
Others	23.95	27.70	42.90	22.18	63.80
<b>Sub-total</b>	117.26	152.89	286.55	338.65	555.11
<b>Less: Excess Provision Withdrawn</b>					
Income Tax Refund	-	-	-	-	-
Depreciation on Investment	-	-	-	-	-
Others	-	-	-	-	-
<b>Sub-total</b>	0	0	0	0	0
<b>Total</b>	117.26	152.89	286.55	338.65	555.11

## Part II

### Statement of Assets and Liabilities

		(Rs crore)				
As on March 31,		1998	1999	2000	2001	2002
<b>A) ASSETS</b>						
1	Cash in Hand	138.64	145.19	188.50	148.74	163.31
2	Balance with RBI	2,640.09	3,463.61	2,923.82	2,594.76	2,229.37
3	Balance with Banks					
	In India	130.09	274.37	610.59	717.24	1,038.90
	Outside India	1,292.20	1,791.18	2,202.10	1,581.34	1,374.22



4	Money at call & short notice	512.00	110.00	620.00	275.00	100.00
5	Investments					
	In India	9,192.69	12,140.11	11,479.21	13,671.49	15,409.58
	Outside India	12.35	0.02	0.02	0.11	0.11
6	Advances					
	In India	10,276.19	11,308.77	14,613.22	17,505.35	21,383.31
	Outside India					
7	Fixed Assets #	184.55	211.62	243.19	246.79	249.28
8	Other Assets	803.73	1,242.68	1,580.82	1,737.62	1,921.41
	<b>TOTAL (A)</b>	25,182.53	30,687.55	34,461.47	38,478.44	43,869.49
<b>B</b>	<b>LIABILITIES</b>					
1	Demand deposits from banks	91.01	110.36	148.81	143.45	152.53
	Demand deposits from others	3,167.00	3,352.45	4,680.22	5,922.72	6,501.97
2	Saving Deposits	5,466.53	6,311.99	7,429.90	8,424.15	9,701.02
3	Term deposit from banks	491.03	617.72	657.68	779.92	782.87
	Term deposit from others	13,840.06	17,743.13	18,188.75	19,617.82	22,655.48
4	Borrowings					
	In India	83.32	74.13	350.74	313.34	53.30
	Outside India					
5	Other liabilities & provisions	1,044.36	1,348.06	1,760.74	1,919.80	2,433.58
	<b>TOTAL (B)</b>	24,183.31	29,557.84	33,216.84	37,121.20	42,280.75
<b>C</b>	<b>Net Assets (C=A-B)</b>	999.22	1,129.71	1,244.63	1,357.24	1,588.74
	Represented by:					
<b>D</b>	<b>SHARE CAPITAL</b>	338.00	338.00	338.00	338.00	338.00
<b>E</b>	<b>RESERVES &amp; SURPLUS #</b>					
I	Statutory reserve	400.00	472.10	517.10	563.74	658.74
II	Capital Reserves(others) *	58.98	0.04	0.04	8.71	8.71
III	Investment Fluctuation Reserve	-	52.36	53.83	49.98	149.98
IV	Redemption Reserve for bonds	-	-	-	-	-
V	Revenue & other reserves	202.24	267.21	335.66	396.81	433.31
VI	Balance of Profit & Loss account	-	-	-	-	-
	<b>TOTAL (E)</b>	661.22	791.71	906.63	1,019.24	1,250.74
	* Rs4.00 lac of share premium is included in Capital Reserve (Others)					
<b>F</b>	<b>TOTAL</b>	999.22	1,129.71	1,244.63	1,357.24	1,588.74
<b>G</b>	<b>CONTINGENT LIABILITIES</b>					
i)	Claims against the Bank not ack. as debt	141.01	133.68	133.70	135.26	150.31
ii)	Disputed IT demand under appeal/refer, etc.	141.61	273.56	354.87	388.58	426.94
iii)	Liability for partly paid investments	0.99	0.59	0.59	3.60	1.14
iv)	Liability on account of o/s. for. exch. Contract	2,503.97	3,366.87	3,951.96	4,092.88	4,894.75
v)	G/tees. Given on behalf of constituents	934.90	1,172.49	1,096.22	1,290.64	1,570.92
vi)	Acceptances, endorsements & other oblig.	386.06	418.70	494.64	927.81	1,404.03
vii)	1) Other items for which bank is cont.liable	-	-	-	-	-
	2) Liability on a/c. of rounding of interest tax	-	-	-	-	-
viii)	Others	90.16	79.24	54.52	35.21	22.94
	<b>TOTAL (G)</b>	4,198.70	5,445.13	6,086.50	6,873.98	8,471.03
	<b>Bills for Collection.</b>	1,725.06	2,081.28	2,583.27	1,647.66	2,672.61
	# Excluding Revaluation Reserve	552.85	540.24	527.90	516.43	505.47

<b>Details of Adjustments</b>					(Rs crore)
<b>Year ended March 31</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>
<b>INCOME</b>					
<b>OTHER INCOME</b>					
Miscellaneous Income (Processing charges for compensation claims of Gulf war victims)	0.67	1.74	2.68	7.70	-12.80
<b>TOTAL INCOME</b>	<b>0.67</b>	<b>1.74</b>	<b>2.68</b>	<b>7.70</b>	<b>-12.80</b>
<b>EXPENDITURE</b>					
<b>OPERATING EXPENSES</b>					
Payment to & Provision for employees (Provision for arrears of wage revision)	7.93	11.28	-19.21	0.00	0.00
<b>TOTAL EXPENDITURE</b>	<b>7.93</b>	<b>11.28</b>	<b>-19.21</b>	<b>0.00</b>	<b>0.00</b>
<b>Gross Profit</b> before provision for income tax & extra ordinary items	-7.26	-9.54	21.89	7.70	-12.80
<b>LESS</b>					
<b>PROVISION &amp; CONTINGENCIES</b>					
Provision for Income Tax (Interest on Zero Coupon Bonds)	17.83	3.13	-3.83	-17.13	0.00
<b>NET PROFIT/LOSS FOR THE YEAR</b>	<b>-25.09</b>	<b>-12.67</b>	<b>25.72</b>	<b>24.83</b>	<b>-12.80</b>
<b>Profit Available For Appropriation</b>	<b>-25.09</b>	<b>-12.67</b>	<b>25.72</b>	<b>24.83</b>	<b>-12.80</b>
<b>APPROPRIATION</b>					
Transfer to revenue & other reserves	-25.09	-12.67	25.72	24.83	-12.80
<b>Increase/Decrease in Assets &amp; Liabilities (Cumulative)</b>					

					(Rs crore)
<b>Nature of Adjustments</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>
<b>ASSETS</b>					
Fixed Assets	-552.85	-540.24	-527.90	-516.43	-505.47
Other Assets	-17.83	-3.13	3.83	17.13	0.00
<b>Increase/decrease in assets</b>	<b>-570.68</b>	<b>-543.37</b>	<b>-524.07</b>	<b>-499.3</b>	<b>-505.47</b>
<b>LIABILITIES</b>					
<b>Other Liabilities &amp; Provision</b>	7.26	9.54	-21.89	-7.70	12.80
<b>RESERVE &amp; SURPLUS</b>					
Revaluation Reserve	-552.85	-540.24	-527.90	-516.43	-505.47
Revenue & Other Reserves	-25.09	-12.67	25.72	24.83	-12.80
<b>Sub-total</b>	<b>-577.94</b>	<b>-552.91</b>	<b>-502.18</b>	<b>-491.6</b>	<b>-518.27</b>
<b>Increase/decrease in Liabilities</b>	<b>-570.68</b>	<b>-543.37</b>	<b>-524.07</b>	<b>-499.3</b>	<b>-505.47</b>

## PART III

### A. SIGNIFICANT ACCOUNTING POLICIES

#### 1. General

The financial statements are prepared by following the going concern concept and on the historical cost basis unless otherwise stated, and conform to the statutory provisions and practices prevailing in the country.

#### 2. Recognition of Income and Expenditure

- i) Items of income and expenditure are generally accounted for on accrual basis unless otherwise stated.
- ii) Income on Non Performing Assets (NPAs) is recognised to the extent realised as per the prudential norms prescribed by the Reserve Bank of India. Income accounted for in the preceding year and remaining unrealised is derecognised in respect of assets classified as NPA during the year.
- iii) Commission, exchange earned and rent on safe deposit lockers are accounted for on realisation.
- iv) Leave encashment benefits are accounted for on cash basis.

- v) Interest on overdue term deposits is not considered as liability and hence not provided for.

### **3. Investments**

- i) The Investment portfolio of the Bank is classified in accordance with the Reserve Bank of India guidelines into three categories viz. a. Held to Maturity b. Available for sale c. Held for Trading.
- ii) For the purpose of valuation, in terms of RBI guidelines the following principles have been adopted:-
  - a) Securities held in "Held to Maturity" category - at acquisition cost  
The excess of acquisition cost over the face value is amortised over the remaining period of maturity.
  - b) Securities held in "Held for Trading" category.  
At market price based on market quotation of Govt. Securities put out by FIMMDA/PDAI
  - c) Securities held in "Available for sale" category.
    - (i) Govt. of India Securities  
At market price as per quotation put out by FIMMDA/PDAI
    - (ii) State Development Loans Securities guaranteed by Central/State Govt. PSU Bonds On appropriate yield to maturity basis
    - (iii) Treasury Bills  
At carrying cost
    - (iv) Equity shares  
As per market rates, if quoted, otherwise at Book Value if latest Balance Sheet is available (not more than 1 year old) or Re.1/ per company.
    - (v) Preference Shares  
At market price, if quoted or on appropriate yield to maturity basis not exceeding redemption value.
    - (vi) Debentures  
At market price, if quoted or on appropriate yield to maturity basis not exceeding redemption value.
    - (vii) Mutual funds  
At market price, if quoted, otherwise at repurchase price/Net Asset Value
    - (viii) Certificates of Deposits/Commercial Paper/Term Money Bonds At carrying cost
- Investments in "Available for Sale/Held for Trading" category are valued category-wise and scrip-wise and net depreciation, if any, in each category is charged to Profit & Loss Account while net appreciation, if any, is ignored.
- iii) The non-performing investments are identified and depreciation/provision is made as per RBI guidelines.
- iv) Profit/Loss on sale of investments in any category is taken to the Profit & Loss Account. However, in case of profit on sale of investments in "Held to Maturity" category, an equivalent amount is appropriated to the Capital Reserve Account.
- v) Commission, brokerage, broken period interest etc. on securities is debited/credited to Profit & Loss account.
- vi) a) The Interest Rate Swap transactions for hedging are accounted for on accrual basis and transactions for trading are marked to market at fortnightly intervals, in line with RBI guidelines.  
b) For the purpose of valuation, the fair value of the total swaps is computed on the basis of the amount that would be receivable or payable on termination of the swap agreements as on Balance Sheet date and losses arising therefrom, if any, are fully provided while the profits, if any, are ignored.

### **4. Advances**

Advances are classified as standard, sub-standard, doubtful or loss assets and provisions required on such advances are made as per the extant prudential norms issued by the Reserve Bank of India:

- a) Standard Assets - 0.25%
- b) Sub-standard assets - 10%

- c) Doubtful assets - 100% of unsecured portion  
plus 20% /30% /50% of secured portion depending on the period for which the advance has remained doubtful.
- d) Loss Assets - 100%
- e) In respect of non-Performing advances - 100% of the required provision

guaranteed by State Govt. where guarantees have been invoked, but not paid

**5. Fixed Assets**

- i) Land and buildings of the Bank are stated at historical cost except those recorded upto 31/3/1995 which are stated at values as determined as at 30/9/1995 by an approved valuer. The appreciation on revaluation is credited to Revaluation Reserve and depreciation attributable thereto is stated as a deduction therefrom. Other fixed assets including those given on lease are stated at their historical cost.
- ii) Depreciation on fixed assets is provided for on the diminishing balance method at the rates considered appropriate by the management as under:-

- a) On historical cost

Type of Asset	Rate of Depreciation
I. Premises	5 %
II. Other Fixed assets	
-Furniture & Fittings	10%
-Electric Fittings & Equipment, Office appliances SDV Lockers/ Strong rooms, etc	15%
-Transport vehicles	20%

- b) On the amount consequent upon revaluation of the assets, over the estimated residual life of the respective assets.
- iii) Depreciation on computers acquired on or before 31/3/2000 is provided at 33.33% of book value as on that date and on computers acquired thereafter at 33.33% on Straight-Line method.
- iv) Depreciation on additions to assets made upto 30<sup>th</sup> September of the year is provided at full rate and on additions made thereafter at half the rate.
- v) Depreciation on premises is provided on composite cost, wherever the value of land and building is not separately identifiable.
- vi) No depreciation is provided on assets sold/disclosed off during the year.
- vii) Leasehold land is amortised over the period of lease.

**6. Leased Assets**

- i) Depreciation on Leased Assets is provided over the primary period of lease.
- ii) Provision in respect of non-performing assets is done by applying the asset classification norms prescribed by Reserve Bank of India for advances.
- iii) Transactions in respect of Leased Assets financed prior to 1/4/2001 have been accounted for in accordance with the Guidance Note issued by The Institute of Chartered Accountants of India. There being no transaction on this account after 1/4/2001, provisions of AS-19 are not applicable.

**7. Transactions involving Foreign Exchange**

- i) Assets and liabilities including outstanding forward exchange contracts are revalued at the year-end exchange rates notified by FEDAI and resultant gain/loss is taken to revenue.
- ii) Guarantees, Acceptances, endorsements and other obligations are revalued at year-end exchange rates.
- iii) Income and expenditure items are converted at the exchange rates ruling on the date of transaction.

**8. Retirement Benefit of Employees**

Annual contribution to Gratuity Fund and Pension Fund is on the basis of actuarial valuation as at the year-end.

**9. Treatment of VRS Expenditure**

In accordance with the guidelines issued by RBI, the expenditure incurred under Voluntary Retirement Scheme (VRS) has been treated as Deferred Revenue Expenditure to be written-off over a period of 5 years.

**B. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES**

1. During the five consecutive financial years ended March 31, 2002, various guidelines were issued by Reserve Bank of India on Income Recognition, Asset Classification, Provisioning in respect of Standard Assets / Non-Performing Advances/Other Assets, Classification of Investments, Valuation thereof, Treatment of Depreciation on Investments and amortisation of Voluntary Retirement Scheme expenditure. Necessary amendments in the accounting policies have been carried out by the Bank in the relevant years, to be in conformity with the Reserve Bank of India guidelines.
2. Provision for initial liability on Pension account arrived at as on 31.03.1996 as per actuarial valuation was spread over a period of five years. The incremental liability for Pension for 1996-97 onwards has been provided for, on a year to year basis.
3. The system of providing for interest on overdue Term Deposits has been discontinued with effect from the year 2001-02.

**PART IV**

**A. MATERIAL NOTES ON ACCOUNTS**

1. a) At a few branches, balancing of books and/or reconciliation with balances in general ledger were in progress; and confirmation/reconciliation of balances with foreign and other banks were generally obtained/carried out except in few cases. However, the balancing of books has since been updated.
- b) Adjustment of outstanding entries in Suspense Accounts, Sundry Deposits, Clearing Adjustments, Bank Reconciliation statements and various Inter-branch/office accounts are in progress. Initial matching of entries outstanding as on 31/12/2001 in inter-branch/office accounts has since been done for the purpose of reconciliation.

The consequential effect on the accounts due to the above is not quantifiable.

2. The Investments were classified as "Permanent" and "Current" till 30-9-2000 and valued in terms of the RBI guidelines applicable thereto. Subsequent to the above date, Investments have been classified as "Held to Maturity", "Available for Sale" and "Held for Trading" category and valued in terms of the prevalent RBI guidelines.
  - a) The category-wise position of the investment portfolio as on 31/3/2001 and 31/3/2002 are as follows:-

	31.3.2001		31.3.2002	
	Book Value (Rs crore)	Percentage	Book Value (Rs crore)	Percentage
Held to Maturity	3325.94	24.26	2524.47	16.34
Available for Sale	9989.79	72.86	12631.20	81.73
Held for Trading	396.01	2.88	298.68	1.93
Gross Investments	13711.74	100.00	15454.35	100.00
Less: Provision for depreciation	40.13		44.66	
Net Investments	13671.61		15409.69	

- b) Total Investments made in shares, convertible debentures and units of equity mutual funds and also advances against shares aggregate to Rs339.10 crore, as of 31-03-2002
- c) The Bank has entered into Interest Rate Swap transactions for hedging and the notional principal outstanding as on 31/3/2002 is Rs611.20 crore.
3. a) Land and buildings of the Bank acquired upto 31.3.1995 had been revalued as on 30.9.1995 by an approved valuer. The appreciation of Rs589.64 crore on revaluation was credited to Revaluation Reserve.

- b) Documentation formalities are yet to be completed in respect of certain immovable properties held by the Bank at written down value of Rs18.43 crore as of 31-03-2002 in respect of which steps have already been initiated.
4. The Bank has opted out of Credit Guarantee Scheme of Deposits Insurance and Credit Guarantee Corporation of India (DICGC) with effect from 1/4/1999. For the purposes of classification of advances/provisioning, benefit of DICGC cover had been considered upto 31/3/1999. The pending claims to the extent unrealised, have been written off in full during the year ended 31/3/2001.
5. Provision for initial liability on Pension account arrived at as on 31/3/1996 as per actuarial valuation was spread over a period of 5 years. The incremental liability for pension from 1996-97 onwards has been provided for on a year-to year basis.
6. The Bank considers that provision for income tax held in its account is adequate on the following basis:-
- (i) Provision for income tax for respective years was arrived at after due consideration of the various judicial decisions on certain disputed issues.
- (ii) The amount of Rs426.94 crore paid in respect of disputed income tax liability, as on 31.03-2002, which has been contested in appeals, has been included in "Other Assets". The provision for taxation is not considered necessary in respect of the above disputed demand on the basis of various judicial decisions. The Management does not envisage any liability in this respect.
7. Sikkim Bank Ltd.(SBL) was amalgamated with the Bank in terms of notification of Government of India with effect from 22/12/1999. The assets readily realisable of Rs7.81 crore and the outside liabilities (excluding deposits) of Rs2.75 crore as at the close of business on 21.12.1999 have been taken over and incorporated in the respective heads of accounts by the Bank. As per the Scheme, the liability of the Bank is restricted to the above difference of Rs5.06 crore to be paid to the depositors proportionate to their deposits of Rs63.67 crore of the erstwhile SBL.

The Other assets treated as 'not readily realisable' have been taken over on collection basis for the period upto 21/12/2011 and the recoveries made therefrom will be dealt with in terms of Scheme of Amalgamation referred herein above.

8. The Bank has raised Subordinated Debts by issue of Unsecured Redeemable Bonds under Tier II Capital and the amount is reflected under 'Other Liabilities and Provisions' details of which are given below:-

S.NO.	When raised	Amount (Rs crore)	Tenor	Coupon Rate
Series I	September 1999	500.00	84 months	12.50%
Series II	February 2001	100.00	63 months	11.25%
Series III	August 2001	100.00	69 months	9.80%
Series IV	January 2002	170.00	65 months	9.30%

9. The classification of Assets & Liabilities relating to Deposits, Loans and Advances, Investments, Foreign Currency assets and liabilities and borrowings, into various time buckets has been done on the basis of Reserve Bank of India guidelines. For the purpose of classification, 100% coverage of such assets and liabilities has been done as on 31/3/2002. The methodology adopted in determining the maturity pattern as compiled by the Bank on the above basis has been relied upon by the auditors.
10. a) The liability of the Bank in respect of Voluntary Retirement Scheme (VRS) comprising of Ex-gratia, Gratuity and Pension has been amortised over a period of five years after taking into consideration the tax benefits in line with RBI guidelines. In respect of the liability upto 31/3/2001, amounting to Rs317.94 crore, a sum of Rs157.77 crore has been written off upto 31/3/2002.
- The balance of Rs160.17 crore is included under "Other assets". The liability for the year ended 31/3/2002 has been determined at Rs167.39 crore. The amount written off during the year amounts to Rs45.28 crore. The balance of Rs122.11 crore is included under "Other Assets".
- b) In accordance with cash basis of accounting followed for the accounting of Leave Encashment Benefit, as per past practice, a sum of Rs12.64 crore and Rs29.04 crore have been fully written off during the year ended 31/3/2001 and 31/3/2002 respectively.
11. Miscellaneous income under Other Income for the year ended 31/3/2002 includes Rs13.63 crore relating to processing charges in respect of compensation claims for victims of Gulf War which is inclusive of Rs12.80 crore pertaining to prior years as detailed below:-

Year	(Rs crore) Amount
------	----------------------

1996-1997	0.01
1997-1998	0.67
1998-1999	1.74
1999-2000	2.68
2000-2001	7.70
Total	12.80

12. The system of providing for interest on overdue term deposits has been discontinued during the year ended 31.3.2002 as against the practice of providing the same upto the previous year. The consequential impact of the said change on profits is not quantified.
13. The Bank has reclassified during the year ended 31/3/2002 the term loans repayable within a period upto 36 months, as Demand Loans which were hitherto classified under Term Loans.
14. Bank has made an ad hoc provision of Rs10.31 crore during the year ended 31/3/2002 in compliance with RBI guidelines with a view to building up additional provision for switching over to 90 days norm by 31/3/2004 for identification of Non Performing Advances.
15. INVESTMENT FLUCTUATION RESERVE (IFR)

The Reserve Bank of India vide their Circular dated 10.01.2002 and 03.05.2002 advised the Banks to build up Investment Fluctuation Reserve (IFR) of a minimum of 5% of the Investment Portfolio excluding 'Held to Maturity' category, within a period of five years. Against this, the Bank has transferred a sum of Rs105.61 crore during the year ended March 31, 2002. This, together with the existing balance in the IFR account represents 1.2% of the aggregate investments held excluding 'Held to Maturity' category.

16. i) Movement of provision towards Non Performing Advances

(Rs crore)

Opening Balance as on 1 <sup>st</sup> April 2001	848.30
Add: Provision made during the year	321.60
Less: Write off, Write back of excess provisions during the year	108.68
Closing balance as on 31/03/2002	1061.22

- ii) Movement of Non Performing Advances (NPAs)

(Rs crore)

	Gross NPAs	Net NPAs
Opening Balance as on 1/4/2001	2056.33	1201.22
Additions during the year	703.63	485.92
Reductions during the year	339.48	348.78
Closing Balance as on 31/3/2002	2420.48	1338.36

- iii) Movement of provision for depreciation on investments.

(Rs crore)

Opening Balance as on 1.4. 2001	40.13
Add: Provision made during the year	16.46
Less : Write off, Write back of excess Provisions during the year	11.93
Closing balance as on 31/3/2002	44.66

- iv) Lending to Sensitive Sectors

O/s as of  
31-3-2002  
(Rs crore)

- a) Advances to Capital  
Market Sector 9.34
- b) Advance to Real Estate Sector 541.58
17. The Bank has written to Authorities seeking clarification on applicability and modalities of the Accounting Standard 17 on Segment Reporting and Accounting Standard 22 on "Accounting for Taxes on Income" issued by the Institute of Chartered Accountants of India. Pending such clarification, the Accounting Standard 17 and Accounting Standard 22 have not been complied with during the year ended 31/3/2002. The impact on profit due to non-compliance with Accounting Standard 22 has not been ascertained. However subsequent to adoption of annual accounts, the Reserve Bank of India, by its circular dated 29.05.2002 has made the compliance of these Standards optional for the Banks for the financial year ended 31.03.2002.
18. The following standard and sub-standard loan assets have been subjected to restructuring (including provision for Interest sacrifice) during the year ended 31-03-2002 as per RBI guidelines.

		(Rs crore)	
S.No.	Particulars	Limit	Outstanding as of 31/3/2002
1.	Total amount of Loan assets Subjected to restructuring	411.19	359.13
2.	The amount of Standard Assets subjected to Restructuring	380.58	328.97
3.	The amount of Sub-standard Assets subjected to Restructuring	30.61	30.16

## B. NOTES ON ADJUSTMENTS

- Appropriate adjustments resulting from Auditors' qualifications wherever quantifiable and material adjustments for previous years wherever practicable have been carried out while preparing the Statements of Profit & Loss and Assets & Liabilities (Part I & II).
- During the five consecutive financial years ended 31.3.2002, various guidelines were issued by Reserve Bank of India on Income Recognition, Asset Classification, provisioning in respect of Standard Assets/Non Performing Advances/Other Assets, classification of Investments, Valuation thereof, Treatment of Depreciation on Investments and Amortisation of Voluntary Retirement Scheme expenditure. Necessary amendments in the Accounting Policies have been carried out by the Bank in the relevant years, to be in conformity with the Reserve Bank of India guidelines. Accordingly, the amounts for the respective years are based on RBI guidelines prevailing in the said years.
- The liability in respect of wage revision to employees pending finalisation of the terms of revision was provided on an ad hoc basis as under:-

(Rs crore)	
Year	Amount Provided
1998-99	20.00
1999-00	60.00

As against the above provision, the actual liability got determined at Rs80.06 crore in the year ended 31/3/2001. The difference of Rs0.06 crore was adjusted against the credit balance in Sundry Deposit Account. The year-wise break-up as furnished in 'Details of Adjustments' are given below:

			(Rs crore)
Year	Amount of provision	Amount of Expenditure	Required adjustment in Profit & Loss Account
1997-98	(Op. Bal.) 0.06	7.99	7.93
1998-99	20.00	31.28	11.28
1999-00	60.00	40.79	(-)19.21
<b>TOTAL</b>	<b>80.06</b>	<b>80.06</b>	<b>NIL</b>



4. The income earned by way of processing charges in respect of compensation claims of Gulf war victims aggregating to Rs12.80 crore was accounted in Sundry Deposit Account during the period from 1996-'97 to 2000-'01, and appropriated to Income Account only during 2001-02.

The year wise break up of the amount as considered in the "Details of Adjustments" is as follows:-

	(Rs crore)		
	Amount to be accounted	Amount accounted	Difference
1996-97	0.01	—	0.01
1997-98	0.67	—	0.67
1998-99	1.74	—	1.74
1999-2000	2.68	—	2.68
2000-2001	7.70	—	7.70
2001-2002	0.00	12.80	(12.80)
<b>Total</b>	<b>12.80</b>	<b>12.80</b>	<b>NIL</b>

5. The income on Zero Coupon Bonds though credited to Profit & Loss Account on accrual basis was offered to tax on maturity/disposal. During the year 1997-98, a sum of Rs9.29 crore provided towards tax on said interest in earlier year was written back. A sum of Rs17.83 crore was provided during 1999-2000 towards income tax on such interest. The year-wise break up of the amount to be considered in 'Details of Adjustments' on the basis that the said interest is taxable on accrual basis in the respective years is as follows:-

	(Rs crore)		
Year	Amount of provision to be made of Adjustments	Amount provided	Amount considered in the Details
1997-98	8.54	(-)9.29	17.83
1998-99	3.13	—	3.13
1999-00	14.00	17.83	(-)3.83
2000-01	2.71	19.84	(-)17.13
<b>Total</b>	<b>28.38</b>	<b>28.38</b>	<b>NIL</b>

## PART V

### AUDITORS' QUALIFICATIONS FOR WHICH ADJUSTMENTS COULD NOT BE CARRIED OUT

1. a) At a few branches, balancing of books and/or reconciliation with balances in general ledger is in progress and confirmation/reconciliation of balances with foreign and other banks has generally been obtained/carried out except in few cases. However, the balancing of books has since been updated.
- b) Adjustment of outstanding entries in Suspense accounts, Sundry Deposits, Clearing Adjustments, Bank Reconciliation statements and various Inter-branch/office accounts is in progress. Initial matching of entries outstanding as on 31.12.2001 in inter-branch/office accounts has since been done for the purpose of reconciliation.

The consequential effect on the accounts due to the above remained unadjusted.

2. The Forward Exchange Contracts / balances outstanding as at 31.3.1998 had been valued in line with FEDAI guidelines approved by RBI, which is not in accordance with AS-11 on "Accounting for the Effects of Changes in Foreign Exchange Rates" issued by the Institute of Chartered Accountants of India, the impact whereof is not quantified.
3. Leave Encashment benefit has been accounted for on cash basis instead of accrual basis, as laid down in AS-15 on Retirement Benefits issued by the Institute of Chartered Accountants of India.
4. Income from commission, exchange and rent on Safe Deposit Lockers are accounted for on cash basis which is not in accordance with AS-9 on Revenue Recognition issued by the Institute of Chartered Accountants of India.
5. The Bank has not complied with AS-22 - "Accounting for Taxes on Income" issued by the Institute of Chartered Accountants of India for the reasons stated in the Material Notes on Accounts. The consequential

impact on the profit has not been ascertained. However subsequent to adoption of annual accounts, the Reserve Bank of India, vide its circular dated 29.05.2002 has made the compliance of this Standard optional for the Banks for the financial year ended 31.03.2002.

6. In respect of the years up to 31.3.2000, the ultimate realisability of claims under revised scheme of DICGC was not ascertainable and hence, provision, if any, required in respect of claims lodged and pending settlement was not made. However, during the year ended 31.3.2001, since the Bank had opted out of DICGC and all claims pending were finally disposed of, the claims to the extent unrealised have been written off in full.
7. The adjustments pertaining to initial contribution (Rs40.40 crore) towards pension fund as determined during 1995-96 and accounted for over a period of 5 years was not carried out as the base year for adjustment related to the period prior to 31.3.1998.
8. The system of providing for interest on overdue term deposits has been discontinued during the year ended 31-03-2002 as against the practice of providing the same up to previous year. The effect of the said change is not quantified including those of the previous years.
9. The year-end business ratios, as applicable under the RBI guidelines, are subject to the qualifications listed above.

## PART VI

### STATEMENT OF DIVIDEND

Year ended March 31,	Share Capital	Net Profit	Rate of Dividend (of net profit)	Amount of Dividend	(Rs crore)
					Dividend Tax
1998	338.00	250.10	20.00%	50.02	5.00
1999	338.00	160.22	20.00%	32.04	3.53
2000	338.00	101.24	20.00%	20.25	4.45
2001	338.00	155.46	20.00%	31.09	7.03
2002	338.00	314.13	14.33%	45.00	Nil

## PART VII

### KEY ACCOUNTING RATIOS

#### Key Accounting Ratios

Year Ended March 31	1998	1999	2000	2001	2002
Earning Per Share (Rs)	6.66	4.37	3.76	5.33	8.92
Book Value per Share (Rs) (Excl RR)	29.56	33.42	36.82	40.16	47.00
Return on Net Worth (%)	22.52	13.06	10.20	13.28	18.97

#### OTHER RATIOS

Net NPA to Net Advances Ratio (%)	7.66	9.01	7.76	6.86	6.26
Interest Income/working Fund (%)	10.46	10.50	10.46	10.49	9.96
Non Interest Income/Working Fund (%)	0.87	0.97	0.95	0.90	1.21
Return on Assets (%)	0.89	0.48	0.37	0.47	0.69
Operating Profit/working funds (%)	1.43	1.10	1.30	1.46	2.12
Business per employee (Rs lac)	96.98	112.94	135.44	168.78	214.75
Net Profit per employee (Rs lac)	0.73	0.48	0.42	0.64	1.17
Capital Adequacy Ratio (%)	10.86	10.09	11.42	10.86	11.07
<b>Tier I</b>	8.05	7.87	6.66	6.19	6.16
<b>Tier II</b>	2.81	2.22	4.76	4.67	4.91
Credit/Deposit Ratio (%) (net)	44.57	40.19	46.98	50.18	53.74

Interest Spread/Average working fund (%)	3.41	3.04	3.02	3.43	3.32
Gross Profit /Average working fund (%)	1.43	1.10	1.30	1.46	2.12
Operating exp./Avg. working funds (%)	2.85	2.91	2.67	2.86	2.40
Return on Average net worth (%)	24.61	13.86	10.69	13.86	20.46
Yield on Advances (%)	13.43	12.74	12.35	12.10	10.95
Yield on Investments (%)	11.56	11.81	11.82	11.75	10.95
Cost of Deposits (%)	7.94	8.17	8.00	7.57	7.03
Gross Profit per employee (Rs lac)	1.11	0.97	1.36	1.85	3.32
Business per Branch (Rs lac)	1436.02	1643.47	1926.12	2305.60	2741.06
Gross profit per Branch (Rs lac)	16.40	14.18	19.36	25.28	42.34

**Definitions of key ratios**

Credit/Deposit Ratio	Total advances/Total deposits
Average Working Funds (AWF)	Total average of monthly total assets as per Form X
Interest Spread/AWF (%)	Net Interest earned /AWF
Gross profit/AWF (%)	Profit prior to provisions and contingencies/AWF
Net profit/AWF (%)	Net Profit/AWF
Operating expenses/AWF (%)	Non-interest expenditure/AWF
Cost of deposits (%)	Interest expended/Average deposits as per Form X
Yield on investments Form X	Interest earned on investments/Average investments as per Form X
Yield on advances	Interest earned on Advances/Average advances as per Form X
Return on average net worth (%)	Net profit/Average of opening and closing net worth
Business per employee (Rs lac) strength	Total deposits excl. bank deposits + Total Advances/Employees
Gross profit per employee (Rs lac)	Profit prior to provisions & contingencies/Employees Strength
Business per branch (Rs lac) branches	Total deposits excluding bank deposits & Advances/No. of branches
Gross profit per branch (Rs lac)	Profit prior to provisions & contingencies/ No. of branches

**CAPITALISATION STATEMENT AS ON MARCH 31, 2002**

Particulars	(Rs crore)	
	Pre Issue	Issue of 18,00,00,000 equity shares at Rs16 per share
Loan Funds		
Long Term	870	870
Short Term	53.3	53.3
Total Debt	923.3	923.3
Shareholders' Funds		
Share Capital	338	460*
Reserves And Surplus	1,250.74	1,358.74
Total Equity	1,588.74	1,818.74
Long Term Debt/ Equity Ratio	0.55	0.51

\*Including proposed return of capital of Rs58 crore

**TAX SHELTER**

Financial Year Ended March 31,	(Rs crore)				
	1998	1999	2000	2001	2002
Tax Rate	35%	35%	38.50%	39.55%	35.70%
Tax at actual rate on profit	111.45	56.37	47.57	92.66	162.95

## ADJUSTMENTS

### Permanent Differences

i) Interest on Tax Free Bonds	-40.62	-68.03	-79.83	-99.37	-145.33
ii) Dividends (exempt from Tax)	-2.80	-4.78	-28.82	-54.62	0
iii) Interest income from Infrastructure Project	0	0	-10.21	-14.48	-30.00
v) Others	3.6	6.04	3.22	-8.63	8.77
<b>Total</b>	<b>-39.82</b>	<b>-66.77</b>	<b>-115.64</b>	<b>-177.1</b>	<b>-166.56</b>

### Timing Difference

i) Difference between Income-Tax Depreciation and Book Depreciation on fixed assets	2.75	0.81	-3.62	-0.37	0
ii) Provision for Bad & Doubtful Debts	0	0	67.66	65.14	104.78
iii) VRS Expenditure	-	-	-	-53.85	-6.20
iv) Interest on securities	-49.65	-87.91	-29.29	-60.35	-116.00
v) Zero Coupon Bonds	0	0.80	17.74	100.28	0
vi) Others	-13.42	-45.07	8.21	5.47	8.83
vii) Carry forward of losses	0	59.77	-59.77	0	0
<b>Total</b>	<b>-60.32</b>	<b>-71.6</b>	<b>0.93</b>	<b>56.32</b>	<b>-8.59</b>
Net Adjustments	<b>-100.14</b>	<b>-138.37</b>	<b>-114.71</b>	<b>-120.78</b>	<b>-175.15</b>
Tax Savings Thereon	<b>(35.05)</b>	<b>(48.43)</b>	<b>(44.16)</b>	<b>(47.77)</b>	<b>(62.53)</b>
<b>Total Taxation thereon</b>	<b>76.40</b>	<b>7.94</b>	<b>3.41</b>	<b>44.89</b>	<b>100.42</b>

The figures for the four financial years ended 31/3/2001 has been computed as per the relevant Income Tax returns filed with the Department. For the year ended 31/3/2002, pending finalisation of filing of return of income figures are calculated on an estimated basis.

### STATEMENT OF NET WORTH (EXCLUDING REVALUATION RESERVES ON FIXED ASSETS)

	(Rs crore)				
Year Ended 31 <sup>st</sup> March	1998	1999	2000	2001	2002
<b>Share Capital</b>	338.00	338.00	338.00	338.00	338.00
<b>RESERVES &amp; SURPLUS #</b>					
I Statutory reserve	400.00	472.10	517.10	563.74	658.74
II Capital Reserves(others)	58.98	0.04	0.04	8.71	8.71
III Investment Fluctuation Reserve	0.00	52.36	53.83	49.98	149.98
IV Revenue & other reserves	202.24	267.21	335.66	396.81	433.31
<b>TOTAL</b>	<b>661.22</b>	<b>791.71</b>	<b>906.63</b>	<b>1,019.24</b>	<b>1,250.74</b>
Net Worth (Excluding Revaluation Reserve)	999.22	1,129.71	1,244.63	1,357.24	1,588.74
# Excluding Rev. Reserve	552.85	540.24	527.90	516.43	505.47

Note: The Net Worth as mentioned above for the Year Ended 31-03-2001 & 31-03-2002 includes unamortised expenditure on Voluntary Retirement Scheme as permitted by Reserve Bank of India.

## 2. NOTE

- All the notes to the accounts, significant accounting policies as well as the auditors' qualifications have been disclosed above.
- The Bank has discontinued the practice of providing for interest on overdue term deposits from year ended March 31, 2002, as per the clarification received from RBI. The interest provided in earlier years has not been reversed in the accounts shown above, as the amount is not ascertainable.



## **SECTION V**

### **OUTSTANDING LITIGATION, DEFAULT AND MATERIAL DEVELOPMENTS**

The following are the details of all criminal suits filed against the Bank:

#### **Criminal**

<b>Sr. No.</b>	<b>Date</b>	<b>Branch</b>	<b>Party</b>	<b>Forum</b>	<b>Remarks and Present Status</b>
1.	Appeal no. 194 of 1998	Null Bazar	Enforcement Directorate, Mumbai	FERA appellate Board, New Delhi	The Special Director of Enforcement Directorate imposed a penalty of Rs0.03 crore on the Bank for the alleged contraventions by the Bank under the Foreign Exchange Regulation Act in relation to certain transactions. The Bank has preferred an appeal against the order.
2.	589 of 1989	Ludhiana	Surinder Mohan	Magistrate Court, Ludhiana	The Bank had filed against the party for misutilisation of funds. The party was taken in custody and subsequently released on bail. The defamation case filed by the party against the Bank is pending.
3.	565 of 1996 A-Z	Sardar Bazar	Auto Centre	Chief Judicial Magistrate	The party has filed a complaint against the Bank and its officers alleging offence of forgery and cheating for unauthorisedly withdrawing Rs0.40 crore from the party's account. The matter is pending. The party had earlier filed several proceedings before different forums viz. the High Court, Allahabad and the National Commission, New Delhi alleging unauthorised debits to its account made by the Bank, which proceedings have been dismissed.

#### **Action by SEBI**

No disciplinary action/investigation has been taken by SEBI /stock exchanges against the Bank and its Directors other than mentioned below:

- Four branches of the Bank in Gujarat have been prohibited by SEBI from acting as bankers to any issue for a period of one year i.e. from September 20, 1999 to September 20, 2000 due to some discrepancies in reporting the provisional subscription figures.
- SEBI has by its order dated January 19, 2000 directed the Bank to refund the application money aggregating Rs3.53 crore along with interest @ 15% with effect from April 1996 to the original applicants in the case of the Bank acting as Bankers to the Jalatarang Motels Ltd. (JML) public issue. SEBI has ruled that the Bank has violated the provisions of Section 73 of the Companies Act. On an appeal by the Bank, the Securities Appellate Tribunal (SAT) by its order dated June 7, 2000 confirmed the order of SEBI. The Bank's appeal against the above two orders in the High Court, Mumbai is pending and the operation of the SEBI and SAT order has been stayed.

#### **Amalgamation of the Sikkim Bank Ltd. (SBL) with the Bank**

By its notification dated 21.12.1999, on an application made by RBI u/s 45(1) of the Banking Regulation Act, 1949, the Central Government has framed a scheme called The Sikkim Bank (Amalgamation with Union Bank of India) Scheme, 1999 which came into force on 22.12.1999.

Under the Scheme, all assets of SBL have stood transferred to the Bank and all liabilities of the Bank but to the extent provided under the Scheme. According to the Scheme, the Bank has to realise/recover all proceeds realisable/recoverable by SBL and to pay over the same to SBL's depositors and the balance, if any is to be distributed among SBL's shareholders. The total liability of SBL as on 22.12.1999 was Rs66.42 crore. The Bank has made payment to the depositors to the extent of Rs22.27 crore, leaving the balance of Rs41.40 crore. The Bank has to continue to recover the assets over a period of 12 years and clear the liabilities of the depositors, if possible. At the end of 12 years, the RBI shall value the assets then remaining available and it shall require the Bank to discharge the liabilities to the depositors to the extent of such value only.

Twenty-two depositors whose deposits aggregate to Rs13.45 crore have filed three petitions in the Supreme Court against the Central Government, Reserve Bank of India and other parties including the Bank and these petitions are pending. In case of one depositor claiming an amount of Rs55,234, the District Consumer Court at Hyderabad passed an order directing the Bank to make the payment. The Bank's appeal before the Andhra Pradesh State Consumer Commission is pending.

Since SBL had defaulted in maintenance of SLR as per RBI requirement, the RBI had imposed a penalty of Rs9,01,152 on SBL. Subsequent to the scheme of merger, the Bank was asked by RBI to pay this amount. The Bank's request to waive this penalty, since there was no default on its part is pending before RBI.

### Income Tax and Interest Tax matters

The details of appeals pending before CIT(A)/Tribunal where the Bank is in dispute and treated the demand as contingent as on March 31, 2002

#### Income Tax Appeals

Date of Appeal	Assessment Year	Interest accrued but not due on investments	Appreciation in the value of investments	Major Grounds of Appeal			Others	Total disputed amount	Tax amount including interest
				Interest paid on purchase of securities	Expenses on tax free income	Bad debts written off			
<b>Income Tax Appeals pending before CIT (A)</b>									
Feb 2001	1998-1999	25.25	64.80	138.59	41.32	-	19.12	289.08	146.81
Mar 2002	1999-2000	60.49	-	36.82	54.61	-	10.14	162.06	35.80
<b>Income Tax Appeals pending before Tribunal</b>									
Nov 2000	1988-1989	-	-	-	-	-	11.00	11.00	5.77
Oct 1992	1989-1990	31.96	-	-	-	-	0.07	32.03	16.82
Jun 1995	1990-1991	12.54	-	-	-	-	5.90	18.44	3.20
Jun 1995	1991-1992	17.00	-	-	-	23.05	30.11	70.16	32.27
Nov 1996	1993-1994	16.53	-	-	-	-	0.06	16.59	Nil (Being Loss)
Apr 1999	1994-1995	37.50	-	-	-	14.94	0.14	52.58	Nil (Being Loss)
Apr 1999	1995-1996	14.16	-	-	-	-	0.20	14.36	6.60
Apr 2001	1996-1997	22.42	-	-	-	-	21.23	43.65	20.08
Apr 2001	1997-1998	33.32	38.96	119.69	-	-	20.05	212.02	150.79
							<b>TOTAL</b>	<b>921.97</b>	<b>418.14</b>

#### Interest Tax Appeals

Date of Appeal	Assessment Year	Interest on leasing transactions	Major Grounds of Appeal		Others	Total disputed amount	Tax amount including interest
			Interest on debentures				
<b>Interest Tax Appeals pending before CIT (A)</b>							
Apr 2002	1999-2000	5.78	267.15		10.69	283.62	8.39
<b>Interest Tax Appeals pending before Tribunal</b>							

*Report of the Malegam Committee on Disclosure Requirements in Offer Documents*

May 2001	1996-1997	0.69	-	-	0.69	0.02
May 2001	1997-1998	8.23	-	-	8.23	0.25
Aug 2001	1998-1999	7.07	-	-	7.07	0.14
<b>TOTAL</b>					<b>299.61</b>	<b>8.80</b>

Details of civil suits/writs including those before the Consumers' Forum, where the claim amount exceeds Rs0.50 crore are given below.

S. No.	Date and Number	Branch	Party	Forum	Principal Amount, Basis and Present Status
1.	22/1/1998 44 of 1998	Navsari	Hindustan Static & Dynamic Products	2 <sup>nd</sup> Court of Jt. Civil Judge (SD) at Navsari	Suit for damages for Rs4.44 crore as the Bank locked and took possession of the premises. Reply was filed on 29.9.1998 stating that the premises were locked since the borrower has failed to repay dues.
2.	27/4/2002 106 of 2001	SSI, Ahmedabad	Delux Chem. Pvt. Ltd.	Court of Civil Judge (SD), Ahmedabad (Rural) at Mirzapur City Civil Court, Ahmedabad.	Suit for damages for Rs1.62 crore for not considering the loan as per the proposal and not disbursing entire sanctioned loan. Bank has filed its reply.
3.	28/10/1996 C.S. 5283 of 96	C G Road, Ahmedabad	Ronak Prints (P) Ltd.	City Civil Court, Ahmedabad.	Suit for damages amounting to Rs5 crore alleging defamation and claiming loss of reputation as the Bank locked and took possession of the factory premises and issued public notice for sale of properties. Bank has filed its reply
4.	3/1/1997 C.S. 127 of 1997	C G Road, Ahmedabad	Ronak Prints (P) Ltd.	City Civil Court, Ahmedabad	Suit for damages for Rs0.81 crore as the bank locked the factory. Bank has filed its reply
5.	29/4/1997 C.S.No.99 of 1997	Vapi	Padma Pharmaceuticals Pvt. Ltd.	Court of Civil Judge (SD) at Valsad	Suit for damages for Rs2.01 crore on account of the Bank not sanctioning credit facilities. The court rejected the claim. Restoration application filed by the party is pending for disposal.
6.	Jan 1997 286 of 1997	Textile Market Surat	Divya Prints (P) Ltd.	City Civil Court, Ahmedabad	Suit for damages for Rs5.47 crore on account of the loss occasioned due to not transferring/crediting foreign exchange recovered for the goods exported.
7.	3/6/1991 Sp C.S. 316 of 1991	Textile Market, Surat	Mazda Textile Industries, Surat.	Court of Second Civil Judge (S D) Surat	Counter claim of Rs3.07 crore by the party in the suit for recovery filed by the Bank. The suit is stayed as the party has registered itself with the BIFR.
8.	2/8/1996 O.P. no. 165 of 1996	Mahalaxmi	Dastur Associates	National Consumer Disputes	Claim of Rs10 crore for damages for loss of business on account of withdrawal of sanctioned credit facilities. The Bank has



*Report of the Malegam Committee on Disclosure Requirements in Offer Documents*

				Redressal Commission, New Delhi High Court, Mumbai	also filed a suit for recovery before DRT. Suit claiming Rs3.60 crore as refund of Lead Bank charges debited in the party's account and for damages.
9.	9/5/2001 1712 of 2001	M S Marg	M/s. Bombay Dyeing & Mfg. Co. Ltd.	High Court, Mumbai	Suit claiming Rs100 crore as damages for alleged defamation for circulating instructions to branches not to deal with the party. The Bank has filed its reply. Counter claim of Rs393 crore by the party in the suit for recovery filed by the Bank in the High Court which has been subsequently transferred to the DRT
10.	26/9/95 4367 of 1995	Tejpal Scheme, Vile Parle	Haria Exports Ltd.	High Court, Mumbai	Counter claim of Rs6.93 crore made in the suit for recovery filed by the Bank for not granting the promised credit limit. The Bank has filed reply.
11.	O.A. 2614 of 1999 (18/6/91 2187 of 1991)	M S Marg	Khader International Construction Ltd.	DRT Mumbai	Counter claim of Rs0.99 crore in the suit filed by the Bank for recovery of amounts due under overdraft facility. The case is pending
12.	26/2/2002 O.A. 257 of 1999	Darukana	Fair Shipbrokers & Fabricators Pvt. Ltd.	DRT, Mumbai	Claim of Rs1.04 crore made against the Bank alleging fraud on the part of the branch manager and another in releasing the party's fixed deposit.
13.	O.A. 1489 of 2000 (18/3/98 1979 of 1998)	M. S. Marg	Nandkishore Lalbhai Mehta & ors.	DRT, Mumbai (Previously High Court, Mumbai)	Claim of Rs1.16 crore made against the Bank alleging fraud on the part of the branch manager and another in releasing the party's fixed deposit.
14.	5/11/2001	Ganganagar	Anil Jindal	Banking Ombudsman, Jaipur	Claim of Rs0.55 crore on account of alleged deficiency in service due to wrong adjustments/ misappropriation of FCNR deposit.
15.	5/11/2001	Ganganagar	Sunil Jindal	Banking Ombudsman, Jaipur	Claim of Rs0.55 crore on account of alleged deficiency in service due to wrong adjustments/ misappropriation of FCNR deposit.
16.	2/3/2000 O.P.No.120/2000	Jodhpur Main	Harish Lalwani & Renu Lalwani	National Consumer Disputes Redressal Commission, New Delhi	Claim of Rs1.47 crore has been passed in favour of the party. The Bank has taken up the matter with the RBI for keeping the award in abeyance
17.	2/3/2000 O.P.No.125/2000	Jodhpur Main	Renu Lalwani and Harish	National Consumer Disputes Redressal Commission, New Delhi	Complaint claiming damages of Rs1 crore alleging deficiency in service due to delay in
18.	BOS 60/2000-201	Bangalore	Mrs. Jaya T. Dalamal and three others	Banking Ombudsman, Karnataka	
19.	23/5/97 O.A. 133 of	Mallasa-mudram	Kathiravan Pipes (P) Ltd.	National Consumer	

*Report of the Malegam Committee on Disclosure Requirements in Offer Documents*

	1997			Disputes	sanctioning working capital loan. The Bank has filed its reply to the complaint.
20.	30/9/96	Vedureswaram N. Gopala Raju		Redressal Commission, New Delhi National	Complaint claiming compensation of Rs1.81 crore alleging deficiency in service due to non-issuance of bank guarantee. The Bank has filed its reply to the complaint.
	O.P. 208 of 1996			Consumer Disputes	
21.	4/4/1979	Jumerati,	Tower Engineering	Redressal Commission, New Delhi District Judge	Counter claim of Rs0.63 crore in a suit filed by the Bank before the District Judge on grounds of alleged bss of business, damage to property and goodwill, illegal retention of immovable property and withdrawal of loan facility. The matter is pending.
	R.C.S No 29B of 1979	Bhopal	Bhopal and others	Bhopal	
22.	9/8/2000	Overseas	Vao Techmach	High Court,	Writ petition claiming difference in exchange variation amounting to Rs3.02 crore on account of two guarantees issued by the bank on behalf of constituent. The Bank has filed its reply and the case is pending.
	WP No 19820 of 2000	Branch, Calcutta	Export	Calcutta	
23.	4/5/2001	Nayapalli	P.N.Panjabi and	Banking	Complaint challenging appropriation of FCNR deposits by the Bank towards the loan and claiming Rs2.40 crore. The matter is pending award of the B.O.
	452 of 2001		others	Ombudsman (B.O.),	
24.	4/5/2001	Nayapalli	K.H. Lakhani and others	Bhubaneshwar Banking Ombudsman,	Complaint challenging appropriation of FCNR deposits by the bank towards the loan and claiming Rs4.40 crore. The matter is pending award of the B. O.
	454 of 2001			Bhubaneshwar	
25.	14/10/00	Nayapalli	Dayaldas Aswani	Banking	Complaint challenging appropriation of FCNR deposits by the Bank towards the loan and claiming Rs0.96 crore. The B.O. has passed an award and the Bank has filed a writ petition before H.C. challenging the award after obtaining permission from RBI.
	398 of 2000-01			Ombudsman, Bhubaneshwar	
26.	16.07.2002	Khurju, R.O.	M/s. Gulraj	National	Claim amount Rs1.69crore. Complaint on the ground of non-granting of additional working capital and term loan facilities by the bank.
	Meerut	Industries	Commission		
27.	O.S.No. 1922/97 April 1997	Merchant Banking Division, Mumbai	Bhavenesh D. Shah and others	City Civil Court, Ahmedabad	Claim amount Rs1.07 crore. Suit against the bank, SBI Capital Market Ltd, and Nav Bharath Enterprises Ltd claiming damages for the alleged loss suffered due to the purchase of the shares relying on the prospectus.
28.	20.11.2001	Asset Recovery Branch	Chinmaya Techno Engg. Pvt. Ltd.	DRT Mumbai	Claim amount Rs7.34 crore. The Bank has filed case for recovery of dues. Party has filed a counter claim on 20.11.2001 alleging that the bank has taken possession of the assets of the company unlawfully when the directors of the company were in abroad.
29.	O.A.No.256/00	Asset Recovery Branch	Chinmaya Ship Brakers Pvt. Ltd.	DRT, Mumbai	Claim amount Rs4.76 crore. Counter Claim filed in the recovery suit filed by the bank. Claim on the ground of non-sanction of the loan and for not restoring the possession of the business premises

30.	O.A.No.1306/ 00 9.10.2000	Assets Recovery Branch	Gosalaia Emultech Pvt. Ltd.	DRT Mumbai	and for the loss of goodwill of the company. Claim amount Rs4.08 crore. Counter claim filed in the recovery suit filed by the bank. Claim on the ground of loss occasioned due to the non sanction of OD facility in time, non granting NOC to approach other banks for finance etc.
31.	28.2.202 O.S.No.8/2002 for	Khairatabad Branch R.O., Hyderabad	T.D.CC.Bank Ltd. Vishakhapatnam	District Court, Visakhapatnam	Claim amount Rs1.3 crore. Suit filed recovery of FDR amount together with interest in respect of deposit made with erstwhile Sikkim Bank Ltd. which is merged with the bank.

#### **Litigation by employees**

There are 482 cases filed by employees/ex-employees against the Bank before various tribunals/courts claiming benefits such as re-employment, promotions, reservations in promotions, postings and transfers, dropping imposition of punishments, payment of permanent benefits, etc. None of the claims exceed Rs1 crore.

#### **Litigation against the Bank-sponsored Regional Rural Banks**

There are no litigations against the four Regional Rural Banks except Gombi Gramim Bank against whom 9 cases have been filed by its customers whose total claim does not exceed Rs0.03 crore. However, the Bank is not concerned with respect of this litigation.

There are no claims against the Bank pertaining to Credit Card Business.

#### **Contingent Liabilities**

##### **Guarantees**

The outstanding guarantees issued on behalf of its constituents as on March 31, 2002 amounted to Rs1,570.92 crore. During the year ending March 31, 2002, the Bank had issued financial guarantees and performance guarantees aggregating to Rs2,027.85 crore thus earning an income of Rs31.83 crore from the guarantee business as against Rs23.30 crore during the year 2000-01. During the year 2001-02, the Bank had not paid 99 guarantees amounting to Rs7.61 crore due to various reasons. After adjusting margin money of Rs2.92 crore, the Bank has made provision for balance amount i.e. Rs4.69 crore. All cases were subjudice and some claims were time barred. There were 1,284 guarantees amounting to Rs45.90 crore, which had expired but not reversed in the books of the Bank.

##### **Letters of Credit (LC)**

As on March 31, 2002, the Bank had LCs aggregating to Rs 792.83 crore, earning an income of Rs16.83 crore as compared to Rs 15.04 crore during the previous year.

##### **Forward Exchange Contracts**

The contingent liability on account of outstanding forward foreign exchange contracts as on March 31, 2002 was Rs 4,894.75 crore. Out of this, the total outstanding contracts amounting to Rs1,798.65 crore pertain to inter bank purchase and contracts amounting to Rs 2,076.17 crore to inter bank sales. Further, contracts representing merchant purchase and merchant sales aggregates to an amount of Rs1,019.93 crore.

##### **Defaults**

The Bank has not defaulted in the payment of interest and repayment of principal to other banks, financial institutions, deposit holders, etc. The Bank has not defaulted in the payment of any statutory payments/dues nor has it defaulted on dues to holders of other debt instruments.

Other than the above, there are no disputes/litigations towards tax liabilities or criminal prosecutions against the Bank and its Directors for any offence, economic or otherwise. As regards civil litigations against the Bank and its Directors, there are no material disputes/legal actions other than those disclosed above.

No penalties have been imposed on the Bank by RBI other than that disclosed above relating to Sikkim Bank. No proceedings is being undertaken by governmental authorities except those relating to the income tax disputes as given above.

The Bank as on date does not owe any sum exceeding Rs1.00 lac, which is outstanding for more than 30 days, to small-scale undertakings.

**GOVERNMENT APPROVALS**

**Not Available**

## **SECTION VI**

### **Authority for the Present Issue**

The Issue of equity shares is being made after obtaining the approval of the Government of India (Gol) under Section 3(2B)(c) of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 as amended from time to time, vide its letter dated April 8, 2002, and the resolution of the Board of Directors of the Bank, passed at its meeting held on January 5, 2002.

**It is to be distinctly understood that the sanction/approval of the Gol and the RBI should not, in any way, be deemed or construed that the Offer Document has been cleared or approved by them nor do they take any responsibility either for the financial soundness of the Bank or for the correctness of the statements made or opinions expressed in the Offer Document.**

The Bank can carry on its existing activities and future activities planned by it in view of the existing approvals, and no further approvals from any Government authority are required by the Bank to carry on its said activities.

### **Disclaimer Clause**

**AS REQUIRED, A COPY OF THIS OFFER DOCUMENT HAS BEEN SUBMITTED TO THE SECURITIES AND EXCHANGE BOARD OF INDIA (HEREINAFTER REFERRED TO AS SEBI). IT IS TO BE DISTINCTLY UNDERSTOOD THAT THE SUBMISSION OF THE OFFER DOCUMENT TO SEBI SHOULD NOT, IN ANY WAY, BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF THE BANK OR THE OBJECTS FOR WHICH THE ISSUE IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE OFFER DOCUMENT. THE LEAD MANAGER, ICICI SECURITIES AND FINANCE COMPANY LIMITED, (HEREINAFTER REFERRED TO AS THE LEAD MANAGER), HAS CERTIFIED THAT THE DISCLOSURES MADE IN THE OFFER DOCUMENT ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI (DISCLOSURE AND INVESTOR PROTECTION) GUIDELINES IN FORCE FOR THE TIME BEING. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING INVESTMENT IN THE PROPOSED ISSUE. IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE ISSUER BANK IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE OFFER DOCUMENT, THE LEAD MANAGER IS EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE BANK DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE LEAD MANAGER, ICICI SECURITIES AND FINANCE COMPANY LIMITED, HAS FURNISHED TO SEBI A DUE DILIGENCE CERTIFICATE DATED JUNE 24, 2002 IN ACCORDANCE WITH SEBI (MERCHANT BANKERS) REGULATIONS, 1992, WHICH READS AS FOLLOWS :**

**“(1) WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, DISPUTES WITH EMPLOYEES/ EX-EMPLOYEES ETC., AND OTHER MATERIALS IN CONNECTION WITH THE FINALISATION OF THE DRAFT OFFER DOCUMENT PERTAINING TO THE SAID ISSUE;**

**(2) ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE BANK, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS MENTIONED IN THE ANNEXURE AND OTHER PAPERS FURNISHED BY THE BANK,**

**WE CONFIRM THAT:**

**(a) THE DRAFT OFFER DOCUMENT FORWARDED TO SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;**

**(b) ALL LEGAL REQUIREMENTS CONNECTED WITH THE SAID ISSUE AS ALSO THE GUIDELINES, INSTRUCTIONS, ETC. ISSUED BY SEBI, THE GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH; AND**

**(c) THE DISCLOSURES MADE IN THE OFFER DOCUMENT ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL-INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED ISSUE.**

**(3) WE CONFIRM THAT BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE OFFER DOCUMENT ARE REGISTERED WITH SEBI AND THAT TILL DATE SUCH REGISTRATION IS VALID.**

**FILING OF THE OFFER DOCUMENT WITH SEBI DOES NOT, HOWEVER ABSOLVE THE BANK FROM ANY LIABILITIES UNDER SECTION 63 OR 68 OF THE COMPANIES ACT OR FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY OR OTHER CLEARANCES AS MAY BE REQUIRED FOR THE PURPOSES**

**OF THE PROPOSED ISSUE. SEBI FURTHER RESERVES THE RIGHT TO TAKE UP, AT ANY POINT OF TIME, WITH THE LEAD MANAGER(S) ANY IRREGULARITIES OR LAPSES IN THE OFFER DOCUMENT.**

The Lead Manager has issued a fresh due diligence certificate dated August 1, 2002 which reiterates the statements made in the above referred certificate and states that all observations made by SEBI vide letters No. PMD/SU/13115/2002 dated July 16, 2002 and PMD/SU/14367/2002 dated July 30, 2002 have been incorporated in the Offer Document.

**Disclaimer Clause of the Stock Exchange, Mumbai**

The Stock Exchange, Mumbai (hereinafter referred to as "the Exchange") has given vide letter dated July 10, 2002 permission to this Bank to use the Exchange's name in this Offer Document as one of the stock exchanges on which the Bank's securities are proposed to be listed. The Exchange has scrutinised this Offer Document for its limited internal purpose of deciding on the matter of granting the aforesaid permission to the Bank.

**The Exchange does not in any manner:**

1. warrant, certify or endorse the correctness or completeness of any of the contents of this Offer Document; or
2. warrant that the Bank's securities will be listed or will continue to be listed on this Exchange; or
3. take any responsibility for the financial or other soundness of this Bank, its promoters, its management or any scheme or project of this Bank;

and it should not for any reason be deemed or construed that this Offer Document has been cleared or approved by the Exchange. Every person who desires to apply for or otherwise acquire any securities of this Bank may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the Exchange whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/ acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

**Disclaimer Clause of the National Stock Exchange of India Ltd.**

As required, a copy of this Offer Document has been submitted to National Stock Exchange of India Ltd. (hereinafter referred to as NSE). NSE has given vide its letter dated July 12, 2002 permission to the Bank to use the Exchange's name in this Offer Document as one of the stock exchanges on which this Bank's securities are proposed to be listed. NSE has scrutinised this Offer Document for its limited internal purpose of deciding on the matter of granting the aforesaid permission to the Bank. It is to be distinctly understood that aforesaid permission given by NSE should not in any way be deemed or construed that the Offer Document has been cleared or approved by NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Offer Document; nor does it warrant that the Bank's securities will be listed or will continue to be listed on the Exchange; nor does it take any responsibility for the financial or other soundness of the Bank, its promoters, its management or any scheme or project of the Bank;

Every person who desires to apply for or otherwise acquire any securities of the Bank may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against NSE whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/ acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

**Disclaimer in Respect of Jurisdiction**

This offer is made in India to persons resident in India and to NRIs/OCBs on a non-repatriation basis. This Offer Document does not, however, constitute an offer to sell or an invitation to subscribe to shares offered hereby in any other jurisdiction to any person to whom it is unlawful to make an offer or invitation in such jurisdiction. Any person into whose possession this Offer Document comes is required to inform himself about and to observe any such restrictions. Disputes arising out of this Issue shall be subject to the jurisdiction of appropriate Court(s).

**General Disclaimer**

The Bank accepts no responsibility for statements made otherwise than in the Offer Document or in the advertisements or any other material issued by or at the instance of the Bank and that anyone placing reliance on any other source of information would be doing so at his own risk.

**Filing**

The draft Offer Document was filed with SEBI, Mittal Court, Nariman Point, Mumbai for its observations and SEBI has given its observations. A copy of this Offer Document along with the documents referred under the head "Material Contracts and Documents" in the Offer Document, shall be delivered for registration to BSE. A complete set of the documents shall be kept open at the Head Office of the Bank for public and investors at large.

All information shall be made available by the Lead Managers and the Bank to the public and investors at large and no selective or additional information would be available for a section of the investors in any manner whatsoever including at road shows, presentations, in research or sales reports, at collection centres, etc.

### **Listing**

Applications shall be made to The Stock Exchange, Mumbai ("BSE") the Regional Stock Exchange, and the National Stock Exchange of India Ltd. ("NSE") to list the existing shares of the Bank and also the new equity shares now being offered through this Offer Document and for permission to deal in such shares.

The Bank shall comply with the requirements of the listing agreement to the extent applicable to it, on a continuous basis.

If the permissions to deal in and for an official quotation of the equity shares are not granted by either of the aforesaid two Stock Exchanges, the Bank shall forthwith repay, without interest all such moneys received from the applicants in pursuance of this Offer Document. If such monies are not repaid within eight days after the Bank becomes liable to repay them (i.e. from the date of refusal or within 70 days from the date of the closing of the subscription list, whichever is earlier), then the Bank will be liable to repay the monies, with interest, as prescribed under Section 73 of the Companies Act, 1956.

### **Eligibility of the Bank to Come Out With the Issue**

The SEBI (Disclosure and Investor Protection) Guidelines, 2000 prescribe eligibility norms for a company to list its equity shares. Clause 2.2.1 of the Guidelines specifies the eligibility requirements for Public Issue by an unlisted company. Clause 2.4.1, however, exempts a banking company from these requirements. Hence in terms of Clause 2.4.1, the Bank is eligible to come out with the present Public Issue.

### **Filing of the Offer Document**

The Bank has filed the draft Offer Document with SEBI atleast 21 days prior to the filing of the Offer Document with the aforesaid two stock exchanges where the shares are proposed to be listed. The Bank has also incorporated the comments given by SEBI before filing the Offer Document with the said stock exchanges.

### **Prohibition by SEBI**

The Bank, its associates and companies with which the directors of the Bank are associated as directors or promoters are not prohibited from accessing the capital market under any order or directions passed by SEBI.

### **Issue of Shares in Dematerialised Format**

The Bank has entered into agreements with NSDL and CDSL for dematerialisation of shares for the existing and the proposed shareholders. The Bank has also given an option to the subscribers / shareholders / investors to receive the share certificates in physical form or in the demat form.

### **Impersonation**

As a matter of abundant caution, the attention of the investor is drawn to the provision of Section 68A of the Companies Act, 1956, which is reproduced below:

#### **“(1) Any person who -**

**(a) makes in a fictitious name an application to a company for acquiring, or subscribing for, any shares therein, or**

**(b) otherwise induces a company to allot, or register any transfer of, shares therein to him, or any other person in a fictitious name,**

**shall be punishable with imprisonment for a term which may extend to five years”.**

### **Minimum Subscription**

If the Bank does not receive the minimum subscription of 90% of the issued amount, on the date of closure of the Issue, or if the subscription level falls below 90% after the closure of the Issue on account of cheques having been returned unpaid or withdrawal of applications, the Bank shall forthwith refund the entire subscription amount. If there is delay beyond 8 days after the Bank becomes liable to pay the amount, the Bank shall pay interest as per Section 73 of the Companies Act, 1956.

### **Letters of Allotment / Share Certificates / Refund Orders**

Letters of Allotment / Share Certificates or Refund Orders, as the case may be, will be despatched by Registered Post or as per extant postal rules at the sole risk of the applicants to the sole / first applicant within ten weeks from the date of the closing of the subscription list. In accordance with the extant postal rules the Bank will ensure the despatch of the refund orders of the value up to Rs1,500/- under Certificate of Posting and refund orders of value above Rs1,500/- by Registered Post only. Further,

- a. as far as possible, the allotment of the equity shares shall be made within 30 days of the closure of the Issue; and
- b. the Bank shall pay interest at the rate of 15% per annum (except to the applicants applying through Stockinvest) if the allotment has not been made and / or the Letters of Allotment / Refund Orders have not been despatched to the Investors within 30 days from the day of the closure of the Issue, for the delayed period beyond 30 days.

The Bank will provide adequate funds to the Registrars to the Issue, for the purpose of despatch of Letter(s) of Allotment / Share Certificate(s) / Letter(s) of Regret / Cancelled Stockinvest(s) / Refund Order(s). Despatch of share certificates/refund orders/cancelled stockinvests and demat credit would be completed and the allotment and listing documents would be submitted to the Stock Exchanges within 2 working days of the finalisation of the basis of the allotment. The listing and trading of the securities offered through this Offer Document shall commence at the aforesaid two stock exchanges where they are proposed to be listed within 7 working days of the date of the finalisation of the basis of the allotment.

#### **Denomination of Shares**

The Bank undertakes that at any given time, there shall be only one denomination for the shares of the Bank and that the Bank shall comply with such disclosures and accounting norms specified by SEBI from time to time.

#### **Consents**

Consents in writing of the Auditors, Lead Managers, Co-Managers, Legal Advisors, Compliance Officer, Directors, Registrar and Banker to the Issue to act in their respective capacities, have been obtained and filed along with a copy of the Offer Document with BSE and such consents have not been withdrawn upto the time of delivery of the Offer Document to the said Stock Exchange.

The Auditors have given their written consent to the inclusion of their Report in the form and context in which it appears in the Offer Document and such consent and Report has not been withdrawn upto the time of delivery of the Offer Document to BSE.

#### **Expert Opinion**

The Bank has not obtained any opinion from any expert other than those mentioned in the Offer Document.

#### **Change in Directors during the last three years**

The changes that took place in the Board of Directors during the last three years (since 01.04.1999) are as follows:

<b>Name</b>	<b>Position held</b>	<b>Reasons</b>
Shri A.T. Pannir Selvam	CMD	Retired w.e.f. 31.3.2000
Shri D. T. Pai	ED	Appointed as CMD at Syndicate Bank w.e.f. 25.5.2000
Dr. K.B.L Mathur	Govt. Nominee Director	Appointed by Gol w.e.f. 21.03.2001
Shri A.V. Sardesai	RBI Nominee Director	Appointed by Gol w.e.f. 01.06.2001
Shri Alok Kumar	Govt. Nominee Director	Retired w.e.f. 20.03.2001
Shrimathi Shyamala Gopinath	RBI Nominee Director	Retired with effect from 31.05.2001

#### **Changes in Statutory Central Auditors over Last Three Years and Reasons Thereof**

(Financial Year ending 31.03.1999 to Financial Year ending 31.03.2002)

<b>Year</b>	<b>Added/ Retired</b>	<b>Name of the Auditor</b>	<b>Reason</b>
31-03-99	Retired	M/s Manian & Rao	Completed the term
31-03-99	Retired	M/s K.C.Khanna & Co.	Completed the term
31-03-99	Retired	M/s C.B.Bhargava & Co.	Completed the term
31-03-99	Added	M/s Ved & Co.	Added by RBI
31-03-99	Added	M/s L.S.Nalwaya & Co.	Added by RBI



31-03-99	Added	M/s V.P.Aditya & Co.	Added by RBI
31-03-00	Retired	M/s L.B.Jha & Co.	Completed the term
31-03-00	Added	M/s D.P.Sen & Co.	Added by RBI
31-03-01	Retired	M/s B.M.Chatrath & Co.	Completed the term
31-03-01	Retired	M/s L.S.Nalwaya & Co.	Completed the term
31-03-01	Retired	M/s S.N.Nanda & Co.	Completed the term
31-03-01	Retired	M/s Ved & Co.	Completed the term
31-03-01	Added	M/s B. Gupta & Co.	Added by RBI
31-03-01	Added	M/s C.S.Hariharan & Co.	Added by RBI
31-03-01	Added	M/s Gala & Gala	Added by RBI
31-03-01	Added	M/s Sundaram & Srinivasan	Added by RBI
31-03-02	Retired	M/s V.P.Aditya & Co.	Completed the term
31-03-02	Retired	M/s C.S.Hariharan & Co.	Completed the term
31-03-02	Added	M/s S.N.Dhawan & Co.	Added by RBI
31-03-02	Added	M/s V.K.Verma & Co.	Added by RBI

#### Expenses of the Issue

The expenses of the Issue payable by the Bank including brokerage, fees and reimbursement to the Lead Managers, Registrars, printing and distribution expenses, publicity, listing fees, stamp duty and others are estimated to be around 5% of the total Issue size and will be met out of the proceeds of the Issue.

#### Fees Payable to the Lead Managers to the Issue

The fee payable to the Lead Managers to the Issue are as set out in the Memorandum of Understanding, copies of which are kept open for inspection at the Head Office of the Bank.

#### Fees Payable to the Co-Managers to the Issue

There are no fees payable to the Co-Managers

#### Fees Payable to Registrar to the Issue

The fee payable to the Registrars to the Issue are as set out in the Memorandum of Understanding, copies of which are open for inspection at the Head Office of the Bank.

#### Brokerage

As per Section 13 of the Banking Regulation Act, 1949, no banking company can directly or indirectly pay out by way of commission, brokerage, discount in any form in respect of any shares issued by it, any amount exceeding in the aggregate 2.5% of the face value of the said shares.

The Bank has got an exemption from Gol, Ministry of Finance, Department of Economic Affairs (Banking Division) vide letter ref. F. No. 11/1/2002-BOA dated June 7, 2002 from the provisions of the said Section 13 relating to the payment of brokerage, commission, discount for a period of 5 years.

Accordingly, brokerage would be paid to the Brokers to the Issue as per Bank's communication to the BSE and NSE.

In case of tampering or over stamping of broker codes on the Application Form, the Bank's decision to pay brokerage in this respect will be final and no further correspondence will be entertained in this matter.

Since the Issue is not being underwritten, no underwriting commission is payable.

#### Offer Otherwise than for Cash

There have not been any issues for consideration other than cash.

#### Previous Commission and Brokerage

No previous commission or brokerage has been paid by the Bank for any Issue of equity shares.

#### Previous Issues by the Bank

The Bank has not made any issue of equity shares/debentures/preference shares by way of Public/Rights Issue through an offer document since the date of nationalisation in July 1969. However, the Bank has raised Tier II capital by way of private placement to augment capital adequacy as under:

Issue	Year of	Size	Tenor	Credit	Coupon	Redemption
-------	---------	------	-------	--------	--------	------------

	<b>Placement</b>	<b>(Rs crore)</b>	<b>(months)</b>	<b>Rating</b>	<b>(%)</b>	<b>date</b>
1	1999	500	84	—	12.50	10.09.2006
2	2001	100	63	—	11.25	08.05.2006
3	2001	100	69	LAA+ by ICRA	9.80	01.06.2007
4	2002	170	65	AA+ by CRISIL	9.30	05.07.2007

For the purposes of raising equity through this Issue, there is no requirement as per the covenant in any of the documents relating to the borrowings to take prior approval/consent of the lenders /trustees.

#### **Option to Subscribe**

Save as otherwise stated in the Offer Document, the Bank has not given any person nor does it propose to give any person any option to subscribe for any shares of the Bank.

#### **Undertaking Regarding Purchase of Property**

There is no property which the Bank has purchased or acquired or proposes to purchase or acquire, which is to be paid for wholly or partly out of the proceeds of the present issue or the purchase or acquisition of which has not been completed on the date of this Offer Document, other than property as given hereunder:

- a) The contracts for the purchase or acquisition whereof were entered into, or may be entered into, in the ordinary course of the Bank's business, such contracts not being made in contemplation of the offer nor the offer in consequence of the contract or
- b) In respect of which the amount of the purchase money is not material.

The Bank has not purchased any property in which any of its directors had or have any direct or indirect interest or in

respect of any payment thereof.

#### **Capitalisation of Reserves or Profits**

There was no capitalisation of profits or reserves in the last five years ended March 31, 2002

#### **Revaluation of Assets**

There has been no revaluation of assets in the last five years.

## **INVESTOR GRIEVANCE AND REDRESSAL SYSTEMS**

Since the Bank is entering the capital market for the first time, there are no outstanding grievances from investors. To ensure that grievances of investors are expeditiously attended to, the Bank is in the process of setting up a Share Department to effectively deal with investor complaints. Investors may note that Shri R.B. Menon, Assistant General Manager, Union Bank of India, has been designated as the Compliance Officer for the Issue. In case of any pre-issue/ post-issue related problems such as non-receipt of letters of allotment/ share certificates/ refund orders/ cancelled stockinvests, etc. the investors are requested to contact the Compliance Officer at:

Shri R.B. Menon  
Assistant General Manager  
Union Bank of India  
239, Vidhan Bhavan Marg  
Nariman Point, Mumbai 400 021  
Tel: 022 - 202 4647  
Fax: 022 - 288 1979  
E-mail: union-ipo@unionbankofindia.com

The Registrar to the Issue, MCS Limited, will also be available to handle any investor queries/ complaints.



## **SECTION VII**

### **DESCRIPTION OF EQUITY SHARES AND MAIN PROVISIONS OF THE BANK NATIONALISATION ACT**

**Relevant provisions of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970**, as amended by the Banking Companies (Acquisition and Transfer of Undertakings) Amendment Act, 1994 & Banking Companies (Acquisition and Transfer of Undertakings) Amendment Act, 1995 hereinafter collectively referred to as the Bank Nationalisation Act are:

#### **Authorised Capital**

As per the provisions of Section 3 (2A) of the Bank Nationalisation Act the authorised capital of the Bank shall be Rupees one thousand and five hundred crore to be divided into one hundred and fifty crore of fully paid-up equity shares of Rs10 each. Provided that the Central Government may, after consultation with the Reserve Bank of India and by notification in the Official Gazette, increase or reduce the authorised capital as it thinks fit, so however that after such increase or reduction, the authorised capital shall not exceed Rupees three thousand crore, or be less than Rupees one thousand and five hundred crore.

#### **Issued Capital**

Section 3(2B) of the Bank Nationalisation Act provides that the paid-up capital, may, from time to time, be increased by

- (a) Such amounts as the Board of Directors of the corresponding new bank may, after consultation with the Reserve Bank of India and with the previous sanction of the Central Government transfer from the reserve fund established by such bank to such paid-up capital;
- (b) Such amounts as the Central Government may, after consultation with the Reserve Bank, contribute to such paid-up capital;
- (c) Such amounts as the Board of Directors of the corresponding new bank may, after consultation with the Reserve Bank and with the previous sanction of the Central Government, raise by Public Issue of shares as may be prescribed, so however, that the Central Government shall at all times hold not less than 51% of the paid-up capital of each corresponding new bank.

The entire paid-up capital of the corresponding new Bank, except the paid-up capital raised by public Issue under clause (c) of sub-section 2B shall stand vested in, and allotted to, the Central Government.

Sec 3 (2BB) of Bank Nationalisation Act provides that "notwithstanding anything contained in subsection (2), the paid capital of a corresponding new bank constituted under subsection (1) may from time to time and before any paid up capital is raised by Public Issue under clause (c) of sub section (2B) be reduced by:

- (a) the Central Government after consultation with the Reserve Bank by cancelling any paid up capital which is lost, or is unrepresented by available assets;
- (b) the Board of directors, after consultation with Reserve Bank and with the previous sanction of the Central Government, by paying off any paid up capital which is in excess of the wants of the corresponding new bank"

Sec 3 (2BBB): "Notwithstanding anything contained in sub section (2BB) or sub-sub section (2BBA), the paid up capital of a corresponding new Bank shall not be reduced at any time so as to render it below twenty five percent of the paid up capital of that bank as on date of commencement of the Banking Companies (Acquisition and Transfer of Undertakings) Amendment Act, 1995."

#### **Rights of Equity Shareholders**

##### **As to Dividend**

Section 10(7): After making provision for bad and doubtful debts, depreciation in assets, contributions to staff and Superannuation funds and all other matters for which provision is necessary under any law, or which are usually

provided for by Banking companies, a corresponding new bank may, out of its net profits, declare a dividend and retain the surplus, if any.

### **Voting Rights**

Section 3(2E): No shareholder of the corresponding new bank, other than the Central Government, shall be entitled to exercise voting rights in respect of any shares held by him in excess of one per cent of the total voting rights of all the shareholders of the corresponding new bank.

### **Meeting of Shareholders**

Section 10A: A General Meeting (in this Act referred to as an annual general meeting) of every corresponding new bank which has issued capital under clause (c) of sub-section (2B) of Section 3 shall be held at the place of the head office of the bank in each year at such time as shall from time to time be specified by the Board of Directors:

- Provided that such annual general meeting shall be held before the expiry of six weeks from the date on which the balance-sheet together with the profit and loss account and auditors' report is under sub-section (7A) of section 10, forwarded to the Central Government or to the Reserve Bank, whichever date is earlier.
- The shareholders present at an annual general meeting shall be entitled to discuss the balance sheet and the profit and loss account of the corresponding new bank made up to the previous 31st day of March, the report of the Board of Directors on the working and activities of the corresponding new bank for the period covered by the accounts and the auditor's report on the balance sheet and account.

### **Transfer of Shares and Share Registers**

Section 3 (2D): The shares of every corresponding new bank not held by the Central Government shall be freely transferable

Provided that no individual or company resident outside India or any company incorporated under any law not in force in India on any branch of such company whether resident outside India or not, shall at any time hold or acquire by transfer or otherwise shares of the corresponding new bank so that such investment in aggregate exceed the percentage, not being more than twenty per cent of the paid-up capital as may be specified by the Central Government by notification in the Official Gazette.

Explanation – For the purposes of this clause “company” means any body corporate and includes a firm or other association of individuals

Section 3 (2F): Every corresponding new bank shall keep at its head office a register, in one or more books, of the shareholders (in this Act referred to as the Register) and shall enter therein the following particulars:

- (i) the names, addresses and occupations, if any, of the shareholders and a statement of the shares held by each shareholder, distinguishing each share by its denoting number;
- (ii) the date on which each person is so entered as a shareholder;
- (iii) the date on which any person ceases to be a shareholder and
- (iv) such other particulars as may be prescribed

Section 3(2G): Notwithstanding anything contained in sub-section (2F), it shall be lawful for every, corresponding new bank to keep the register in computer floppies or diskettes subject to such safeguards as may be prescribed.

Section 3 (3): Notwithstanding anything contained in the Indian Evidence Act, 1872, a copy of, or extract from, the Register, certified to be a true copy under the hand of an officer of the corresponding new bank authorised in this behalf by it, shall in all legal proceedings, be admissible in evidence.

Section 3A: Notwithstanding anything contained in sub-section (2F) of Section 3, no notice of any trust, express, implied or constructive, shall be entered on the register, or be receivable, by the corresponding new bank.

### **Board of Directors and their Powers**

Constitutions of the Board of Directors:

Section 9 (3): Every Board of Directors of a corresponding new bank, constituted under any scheme made under Section (1), shall include:

- (i) not more than two whole-time directors to be appointed by the Central Government after consultation with the Reserve Bank;

- (ii) one director who is an official of the Central Government to be nominated by the Central Government provided that no such Director will be a Director of any other corresponding new bank as in terms of the Bank Nationalisation Act;
- (iii) one director who is an officer of the Reserve Bank to be nominated by the Central Government on the recommendation of the Reserve Bank.

Explanation: For the purpose of this clause “an officer of the Reserve Bank” includes an officer of the Reserve Bank who is deputed by the Bank under Section 54AA of the Reserve Bank of India Act, 1934 to any institution referred to therein.

- (iv) Not more than 2 directors to be nominated by the Central Government from amongst SEBI established under Section (3) of SEBI Act 1992 (15 of 1992), the National Bank for Agriculture & Rural Development established under section (3) NABARD Act 1981 (61 of 1981), Public financial institutions as specified in subsection (1) or notified from time to time under Sub-Section (2) of Section (4A) of Companies Act 1956 (1 of 1956) and other institutions established or constituted by or under any Central Act or incorporated under the Companies Act 1956 and having not less than 51% of the paid-up share capital held or controlled by the Central Government.
- (v) One director, from among such of the employees of the corresponding new Bank who are workmen under clause(s) of Section 2 of the Industrial Disputes Act, 1947 to be nominated by the Central Government in such manner as may be specified in a scheme made under this section;
- (vi) One director, from among the employees of the corresponding new Bank, who are not workmen under clause (S) of Section 2 of the Industrial Disputes Act, 1947, to be nominated by the Central Government after consultation with Reserve Bank;
- (vii) One director who has been a Chartered Accountant for not less than 15 years to be nominated by the Central Government after consultation with the Reserve Bank;
- (viii) subject to the provisions of clause (i), not more than six directors, to be nominated by the Central Government;
- (ix) where the capital issued under clause (c) of sub-section (2B) of Section 3 is -
  - λ not more than twenty per cent, of the total paid up capital, not more than two directors.
  - λ more than twenty per cent but not more than forty per cent, of the total paid-up capital, not more than four directors.
  - λ more than forty per cent, of the total paid-up capital, not more than six directors to be elected by the shareholders other than the Central Government, from amongst themselves. Provided that on the assumption of charge after election of any such directors under this clause, equal number of directors nominated under clause (h) shall retire in such manner as may be specified in the scheme.

(3A): The directors to be nominated under clause (h) or to be elected under clause (i) of Sub-Section 3 shall -

(A) have special knowledge or practical experience in respect of one or more of the following matters, namely:

- (i) agricultural and rural economy
- (ii) Banking
- (iii) co-operation
- (iv) economics
- (v) finance
- (vi) law
- (vii) small scale industry
- (viii) any other matter the special knowledge of, and practical experience in which would in the opinion of the Reserve Bank, be useful to the corresponding new Bank;

(B) represent the interest of depositors; or

(C) represent the interests of farmers, workers and artisans.

#### **Removal of Directors**

Section 9 (3B): Where the Reserve Bank is of the opinion that any director of a corresponding new bank elected under clause (i) of Sub-section (3) does not fulfil the requirements of the Sub-Section (3A), it may, after giving to such director and the bank a reasonable opportunity of being heard, by an order remove such director and on such removal, the Board of Directors shall co-opt any other person fulfilling the requirements of sub-section 3(A) in place

of the person so removed till a Director is duly elected by the shareholders of the corresponding new bank in the next Annual General Meeting and the person so co-opted shall be deemed to have been duly elected by the shareholders of the corresponding new bank as a director.

**Powers of Board of Directors**

Section 19: (1) The Board of Directors of a corresponding new bank may, after consultation with the Reserve Bank and with the previous sanction of the Central Government by notification in the Official Gazette make the regulations, not inconsistent with the provisions of this Act or any scheme made thereunder, to provide for all matters for which provision is expedient for the purpose of giving effect to the provisions of this Act.

- (2) In particular, and without prejudice to the generality of the foregoing power, the regulations may provide for all or any of the following matters, namely:
- (a) the powers, functions and duties of local boards and restrictions, conditions or limitations, if any, subject to which they may be exercised or performed, the formation and constitution of local committees and committees of local boards (including the number of members of any such committee) the powers, functions and duties of such committees, the holding of meetings of local committees and committees of local boards and the conduct of business there at;
  - (b) the manner in which the business of the local boards shall be transacted and the procedure in connection therewith.;
    - b (a) the nature of shares of the corresponding new bank, the manner in which and the conditions subject to which shares may be held and transferred and generally all matters relating to the rights and duties of shareholders.
    - b (b) the maintenance of register, and the particulars to be entered in the register in addition to those specified in sub-section (2F) of Section 3, the safeguards to be observed in the maintenance of register on computer, floppies or diskettes, inspection and closure of the register and all other matters connected therewith.
    - b(c) the manner in which general meetings shall be convened, the procedure to be followed thereat and the manner in which voting rights may be exercised.
    - b(d) the holding of meetings of shareholders and the business to be transacted thereat.
    - b(e) the manner in which notices may be served on behalf of the corresponding new bank upon shareholders or other persons.
    - b(f) the manner in which the directors nominated under clause (g) of sub-section (3) of Section 9 shall retire.  - (c) the delegation of powers and functions of the Board of Directors of a corresponding new Bank to the general manager, director, or other employee of that Bank.
  - (d) the conditions or limitations subject to which the corresponding new bank may appoint advisors, officers or other employees and fix their remuneration and other terms and conditions of service.
  - (e) the duties and conduct of advisors, officers or other employees of the corresponding new bank.
  - (f) the establishment and maintenance of Superannuation, pension, provident or other funds for the benefit of officers or other employees of the corresponding new bank or of the dependants of such officers or other employees and the granting of Superannuation allowances, annuities and pensions payable out of such funds.
  - (g) the conduct and defence of legal proceedings by or against the corresponding new bank and the manner of signing and pleadings.
  - (h) the provision of a seal for the corresponding new bank and the manner and effect of its use.
  - (i) the form and manner in which contracts binding on the corresponding new bank may be executed.
  - (j) the conditions and the requirements subject to which loans or advances may be made or bills may be discounted or purchased by the corresponding new bank.
  - (k) the persons or authorities who shall administer any pension, provident or other fund constituted for the benefit of officers or other employees of the corresponding new bank or their dependants.
  - (l) the preparation and submission of statements of programs of activities and financial statements of the corresponding new bank and the period for which and the time within which such statements and estimates are to be prepared and submitted

## **SECTION IX**

### **MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION**

The contracts referred to below (not being contracts entered into in the ordinary course of business carried on by Union Bank of India or entered into more than two years before the date of the Offer Document) which are or may be deemed material have been entered by the Bank. Copies of these contracts together with the copies of the documents referred to below, all of which have been attached to a copy of this Offer Document has been delivered to the BSE and may be inspected at the Head Office of the Bank between 10 A.M. and 12 Noon on any working day of the Bank from the date of Offer Document until the date of closing of the subscription list.

#### **A. MATERIAL CONTRACTS**

1. Memorandum of Understanding with the Lead Managers to the Issue, ICICI Securities and Finance Company Limited, DSP Merrill Lynch Limited, ENAM Financial Consultants Private Limited, J M Morgan Stanley Private Limited, Kotak Mahindra Capital Company Limited and SBI Capital Markets Limited, agreeing to act as Lead Managers to the Issue on the terms stated therein
2. Memorandum of Understanding between the Bank and MCS Limited, agreeing to act as the Registrar to the Issue on the terms stated therein
3. Letters from Union Bank of India to the Lead Managers to the Issue appointing them as such and their acceptances thereof
4. Letter from Union Bank of India to the Registrar i.e. MCS Limited appointing them as such and their acceptance thereof
5. Letter from Union Bank of India to the Legal Advisors to the Issue i.e. Little & Co., appointing them as such and their acceptance thereof
6. Letter from Union Bank of India to the Co-Managers to the Issue., appointing them as such and their acceptance thereof

#### **B. DOCUMENTS**

1. Copy of resolution of Board of Directors dated January 5, 2002 approving the Issue.
2. Copy of letter dated April 8, 2002 from Ministry of Finance, Department of Economic Affairs (Banking Division) to the Bank approving the Issue.
3. Government of India, Ministry of Finance (Department of Economic Affairs) Notification in Part I, Section I of the Gazette of India Extraordinary regarding return of capital.
4. Copy of the initial listing applications made to BSE and the NSE for listing of the shares of the Bank dated June 25, 2002 and June 27, 2002.
5. Copy of the Banking Companies (Acquisition & Transfer of Undertakings Act, 1970, of the Banking Companies (Acquisition and Transfer of Undertakings) Amendment Act, 1994 and the Banking Companies (Acquisition and Transfer of Undertakings) Amendment Act, 1995.
6. Consents in writing of Auditors, M/s. D. P. Sen & Co., M/s. V. K. Verma & Co., M/s. B. Gupta & Co., M/s. Gala & Gala, M/s. S. N. Dhawan & Co., M/s. Sundaram & Srinivasan to act in their respective capacities, all dated June 3, 2002.
7. Consent in writing from the Banker to the Issue.
8. Copy of letter dated June 4, 2002 from Auditors, confirming the Tax benefits as mentioned in the Offer Document.
9. Copy of letter dated June 4, 2002 from Auditors including the Auditor's Report and other financial data incorporated in the Offer Document.
10. Copy of resolution of Board of Directors dated July 11, 2002 authorising the Registrars to dispose of the applications received with Stockinvest.
11. Copy of resolution of Board of Directors authorising the Chairman and Managing Director (CMD) to take decisions and execute all agreements / documents and sign declaration/papers as may be required for the initial public on behalf of the Board of Directors.
12. Government of India notification F.No.9/16/2000 - F. No. 9/10/2000-B.O.I. dated April 19, 2000 regarding appointment of Shri V. Leeladhar as the Chairman and Managing Director of the Bank.



13. Government of India notification F.No.9/31/2000-B.O.I dated September 25, 2000 regarding appointment of Shri M. Venugopalan as the Executive Director of the Bank.
14. Annual Reports/Balance Sheets of Union Bank of India for the last 5 years.
15. Tripartite agreement between Union Bank of India, MCS Limited and the National Securities Depository Limited ("NSDL") dated July 27, 2002.
16. Tripartite agreement between Union Bank of India, MCS Limited and the Central Depository Services (India) Limited ("CDSL") dated July 27, 2002.
17. Observations letters No. PMD/SU/13115/2002 dated July 16, 2002 and PMD/SU/14367/2002 dated July 30, 2002 from SEBI.
18. Letter dated July 10, 2002 from BSE and letter dated July 12 2002 from NSE.

#### **DECLARATION**

All the relevant provisions of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 as amended from time to time and the guidelines issued by the Government have been complied with and no statement made in this Offer Document is contrary to the provisions of the said Acts/Regulations/Guidelines and rules thereunder.

**Signed by the Chairman and Managing Director pursuant to the authority granted by the Board of Directors of the Bank at their meeting held on January 5, 2002.**

**Shri V. Leeladhar**

Chairman and Managing Director

Place : Mumbai

Date : July 31, 2002

**DEFINITIONS/ABBREVIATIONS**

ALCO	Asset-Liability Management Committee
AS	Accounting Standard
BIS	Bank for International Settlements
BSE/ Regional Stock Exchange	The Stock Exchange, Mumbai
CAGR	Compounded Annual Growth Rate
CAR	Capital Adequacy Ratio
CBDT	Central Board of Direct Taxes
CDSL	Central Depository Services (India) Limited
CRAR	Capital to Risk Assets Ratio
CRISIL	The Credit Rating Information Services of India Limited
CRR	Cash Reserve Ratio
DP	Depository Participant
ECGC	Export Credit Guarantee Corporation of India Limited
FCNR (B)	Foreign Currency Non Resident (Banks)
FEDAI	Foreign Exchange Dealers Association of India
FIMMDA	Fixed Income, Money Markets and Derivatives Association
FY	Financial Year
Gol	Government of India/ Central Government
ICRA	ICRA Limited
Issue/Offer	Public Issue of 18,00,00,000 equity shares of Rs10 each for cash at a premium of Rs6 per share aggregating Rs288 crore
IBR	Inter Branch Reconciliation
LIBOR	London Inter Bank Offered Rate
LEC	Lease Equalisation Charge
MoF	Ministry of Finance
NDTL	Net Demand and Time Liabilities
NPA	Non-Performing Assets
NRI	Non Resident Indians
NSDL	National Securities Depository Limited
NSE	The National Stock Exchange of India Limited
OCBs	Overseas Corporate Bodies
PDAI	Primary Dealers Association of India
RBI	Reserve Bank of India
RRBs	Regional Rural Banks
SCBs	Scheduled Commercial Banks
SEBI	Securities and Exchange Board of India
SLR	Statutory Liquidity Ratio
SWIFT	Society for Worldwide Interbank Financial Telecommunications
The Bank or Union Bank	Union Bank of India
The Bank Nationalisation Act	The Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 as amended from time to time
The Board	The Board of Directors of the Bank
The BR Act	The Banking Regulation Act, 1949 as amended from time to time
The Companies Act	The Companies Act, 1956
The IT Act	The Income Tax Act, 1961
USD/\$	United States Dollar - currency of the USA
w.e.f	With effect from
YOY	Year-on-year
YTM	Yield-to-maturity

**THERE IS NO INFORMATION AVAILABLE IN THE FOLLOWING SECTIONS**

**COVER PAGE**

- 1) Promoter details not available.

**SECTION II-INTRODUCTION**

- 2) Summary of the industry and business of the Issuer Company, offering details in brief and summary of the Consolidated Financial, Operating and Other Data not available.

**SECTION III-ABOUT US**

- 3) Details on Promoters/Principal Shareholders not available
- 4) Exchange Rates not available
- 5) Currency Presentation not available
- 6) Selected Consolidated Financials and Operating Data not available
- 7) Capitalisation Statement forms a part of the Financial Information
- 8) Dividend Policy not available

**SECTION IV –LEGAL AND OTHER INFORMATION**

- 9) Government Approvals/Licensing arrangements not available

**SECTION VI- OTHER REGULATORY AND STATURORY DISCLOSURES**

- 10) Information on classes of shares , if applicable not available
- 11) Stock Market Data for Equity Shares of the company not available

**ANNEXURE-VII**

(Referred to in paragraph 6.4 of the Report)

---

**A-VII. CONFIRMATIONS/UNDERTAKINGS/DOCUMENTS TO BE SUBMITTED TO SEBI**

---

**A. AT THE TIME OF SUBMITTING DRAFT OFFER DOCUMENT**

***I By Lead Manager***

Documents to be submitted along with the draft Offer Document by the Lead Manager

1. Memorandum of Understanding (MOU) [DIP Guideline 5.3.1]
2. Inter-se Allocation of Responsibilities [DIP Guideline 5.3.2]
3. Due Diligence Certificate [DIP Guideline 5.3.3]
4. Statement showing details of BRLMs as per the requirement of RMB (GI Series) Circular No. 2 (97-98) dated 26-6-97.
5. Draft offer document on a computer floppy. [DIP Guideline 16.1.3(a)].
6. Following details certified as correct, along with forwarding letters while filing offer documents for public/ rights issue/ buyback/ takeovers. [DIP Guideline 16.1.5(a)]
  - i. Registration No.
  - ii. Date of Registration / Renewal of registration.
  - iii. Date of expiry of registration.
  - iv. If applied for renewal, date of application.
  - v. Any communication from the Board prohibiting from acting as a merchant banker.
  - vi. Any inquiry / investigation being conducted by the Board
7. Information as above for other intermediaries. [DIP Guideline 16.1.7(a)]
8. Following details certified as correct along with forwarding letter while filing offer documents for public/ rights issue/ buyback/ takeovers. [DIP Guideline 16.1.5.(b)]
  - (i) Whether any promoter/ director/ group /associate company/entity of the issuer company and/or any company/entity with which any of the above is associated as promoter/ director/ partner/ proprietor, is/was engaged in securities related business and registered with SEBI.
  - (ii) If any one or more of these persons/entities are/ were registered with SEBI, their respective registration numbers.
  - (iii) If registration has expired, reasons for non renewal.
  - (iv) Details of any enquiry / investigation conducted by SEBI at any time.
  - (v) Penalty imposed by SEBI (Penalty includes deficiency/warning letter, adjudication

proceedings, suspension / cancellation / prohibitory orders)

(vi) Outstanding fees payable to SEBI by these entities, if any.

9. Certificate to SEBI - Appointment of Compliance officer by the Company. [DIP Guideline 5.12.2]
10. Checklist for processing issue management cases with respect to Chapters II, III, IV, V & VI of SEBI DIP Guidelines. (As per Annexure A)

## ***II By Issuer***

### **1. Confirmation signed by the Company Secretary or Chartered Accountant, in case of Listed Companies Making Further Issue of Capital [DIP Guideline 5.3.4]**

- a. all refund orders of the previous issues were despatched within the prescribed time and in the prescribed manner;
- b. all security certificates were despatched to the allottees within the prescribed time and in the prescribed manner;
- c. the securities were listed on the Stock Exchanges as specified in the offer documents.

### **2. Undertaking [DIP Guideline 5.3.5]**

Transactions in securities by the 'promoter' the 'promoter group' and the immediate relatives of the 'promoters' during the period between the date of filing the offer documents with the Registrar of Companies or Stock Exchange as the case may be and the date of closure of the issue shall be reported to the Stock exchanges concerned within 24 hours of the transaction(s).

### **3. List of Promoters' Group and other Details Confirmation [DIP Guideline 5.3.6]**

- The list of the persons who constitute the Promoters' Group and their individual shareholding.
- Submission to the Stock Exchanges on which securities are proposed to be listed, the Permanent Account Number, Bank Account Number and Passport Number of the promoters at the time of filing the draft offer document to them

### **4. SEBI Filing fees**

### **5. Compliance with Corporate Governance requirements**

Confirmation if the company has complied with SEBI guidelines in respect of Corporate Governance specially with respect to broad basing of Board, Constituting the Committees such as shareholding/ investor Grievance Committee, etc. The details of these committees have been disclosed under the head "Management". We note that if the committees are not constituted for any legal reason before listing, the stock exchanges may require that the application monies be kept in escrow account till compliance.

**B. AT THE TIME OF FILING RED HERRING PROSPECTUS TO ROC**

1. **Lead Manager** to file Due Diligence Certificate as per Schedule IV of the DIP Guidelines. [DIP Guideline 5.3.3.2(ii)]
2. **Issuer**, in case of Debentures, to file a due diligence certificate to be given by the debenture trustee before opening of the issue as per Schedule III-A of the DIP Guidelines.
3. All undertakings mentioned under part A (II) (points 1 to 3) above to be submitted to SEBI in original by Issuer at the time of filing of the offer document with RoC.

**C. AT THE TIME OF OPENING OF THE ISSUE**

1. **Lead Manager** to file Due Diligence Certificate as per Schedule V of the DIP Guidelines. [DIP Guideline 5.3.3.2(ii)]
2. Copy of the Syndicate Agreement before the opening of the Bid
3. All undertakings mentioned under part A (II) (points 1 to 3) above to be submitted to SEBI in original by Issuer before opening of the Bidding.

**D. AT THE TIME, AFTER ISSUE OPENS BUT BEFORE IT CLOSES**

**Lead Manager** to file Due Diligence Certificate as per Schedule VI of the DIP Guidelines. [DIP Guideline 5.3.3.2(ii)]

**E. AFTER ISSUE CLOSES**

Lead Manager to file **Post-Issue Monitoring Report** with SEBI as follows: [DIP Guideline 7.2]

- 7.2.1 Irrespective of the level of subscription, the post-issue Lead Merchant Banker has to ensure the submission of the post-issue monitoring reports within 3 working days from the due dates.
- 7.2.2.2 In case of Rights Issue, a 3-day and 50- day (in both cases, days counted from date of closure of subscription) Post Issue Monitoring Report needs to be filed.

**F. OTHERS**

1. In case of Book Building, due diligence certificates to be furnished as provided in clause 5.3.3 of the Guidelines before opening of the bidding, closure of bidding, filing of document with ROC, opening of issue for book built as well as fixed price portion, and after the issue

opening but before closing of subscription for book built and fixed price portion. [SEBI Comments Annexure II]

2. All undertakings mentioned under part A (II) (points 1 to 3) to be submitted to SEBI in original by Issuer before opening of the Bidding and filing of the offer document with RoC.
3. In case of book built issues, a printed and soft copy on a computer floppy, of the draft offer document incorporating the Board's observations and a printed copy of bid cum application form at least five days before opening of bidding. [DIP Guideline 16.1.3(b)]
4. In-principle approval of the stock exchanges for listing of the securities, which is to be obtained within 15 days of filing of the draft offer document with the stock exchanges, to be filed with SEBI. [DIP Guideline 5.6.2(iii)]
5. **Clause 5.8** of the DIP Guideline also requires the Merchant Banker to file a '**No Complaints Certificate**' with the Board after a period of 21 days from the date the draft offer document was made public:
  - i) giving a list of complaints received by it,
  - ii) a statement by it whether it is proposed to amend the draft offer document or not, and;
  - iii) highlight those amendments.
6. In case of Green Shoe Option, the Stabilising Agent ("SA") has to submit a final report to SEBI in the format specified in Schedule XXIX, accompanied with a depository statement for the "**GSO Demat Account**" for the stabilization period, indicating the flow of the shares into and from the account. The report shall also be accompanied by an undertaking given by the SA and countersigned by the depository(ies) regarding confirmation of lock-in on the shares returned to the promoters in lieu of the shares borrowed from them for the purpose of the stabilization, as per the requirement specified in clause 8A.16 of the DIP Guideline. [DIP Guideline 8A.18]
7. Two copies of final printed copy of the final offer document to within three (3) days of filing offer document with Registrar of Companies / concerned Stock Exchange(s) as the case may be. [DIP Guideline 16.1.4(a)]
8. One final printed copy of the final offer document within three (3) days of filing the offer document with Registrar of Companies / concerned Stock Exchange(s) as the case may be. [DIP Guideline 16.1.4(b)]
9. A computer floppy containing the final prospectus/ letter of offer within three (3) days of filing the final prospectus/ letter of offer with the Registrar of Companies/ concerned Stock Exchange(s).

Along with the floppy, an undertaking to SEBI certifying that the contents of the floppy are in HTML format and are identical to the printed version of prospectus/ letter of offer filed with Registrar of Companies/ concerned Stock Exchange as the case may be. [DIP Guideline 16.1.4(c)]

**Annexure A**

**CHECKLIST FOR PROCESSING ISSUE MANAGEMENT CASES WITH RESPECT TO CHAPTERS II, III, IV , V & VI OF SEBI DIP GUIDELINES**

<b>CHAPTER –II</b>					
<b>ELIGIBILITY NORMS FOR COMPANIES ISSUING THE SECURITIES</b>					
<b>CL.</b>	<b>SUB - CLAUSE</b>	<b>CONTENTS</b>	<b>IF COMPLI ED WITH YES/ NO/Not applicable</b>	<b>Page no. in prospectus where complied with</b>	<b>Comm ents</b>
2.0		<b>CONDITIONS FOR ISSUE OF SECURITIES</b> The companies issuing securities through an offer document, to satisfy the following in this Chapter			
2.1		<b>Filing of offer document</b> Draft prospectus to be filed with the Board, through an eligible Merchant Banker, at least 21 days prior to the filing of Prospectus.			
	2.1.3	<b>Companies barred not to issue security</b> No company to make an issue if the company has been prohibited from accessing the capital market under any order or direction passed by the Board.			
	2.1.4	<b>Application for listing</b> Company to make public issue making an application for listing of those securities in the stock exchange (s).			
	2.1.5	<i>Issue of securities in dematerialized form</i>			
	2.1.5 (a)	Company to enter into agreement with a depository for dematerialization			
	(b)	The company to give an option to subscribers/shareholders/investors to hold securities in dematerialized form			
2.2		<b>INITIAL PUBLIC OFFERINGS BY UNLISTED COMPANIES</b>			
	2.2.1 (a)	The company has net tangible assets of at least Rs. 3 crore in each of the preceding 3 full years			
	(b)	The company has a track record of distributable profits in terms of section 205 of the Companies Act, 1956, for at least three (3) out of immediately preceding five (5) years			
	(c)	The company has a net worth of at least Rs. 1 crore in each of the preceding 3 full years (of 12 months each);			
	(d)	In case the company has changed its name within the last one year, atleast 50% of the revenue for the			



		preceding 1 full year is earned by the company from the activity suggested by the new name			
	(e)	The aggregate of the proposed issue and all previous issues made in the same financial year in terms of size not to exceed five (5) times its pre-issue networth			
	2.2.2	<b>An unlisted company not complying with any of the conditions specified in Clause 2.2.1: may make an initial public offering (IPO) only if it meets both the conditions (a) and (b) given below:</b>			
	(a)(i)	Book-building issue, with at least 50% of the issue size being allotted to the Qualified Institutional Buyers (QIBs),			
	<b>OR</b>				
	(a)(ii)	The “project” has at least 15% participation by Financial Institutions/ Scheduled Commercial Banks,			
	<b>AND</b>				
	(b)(i)	The minimum post-issue face value capital of the company shall be Rs. 10 crore			
	<b>OR</b>				
	(b)(ii)	There shall be a compulsory market-making for at least 2 years from the date of listing of the shares subject to conditions( <i>refer DIP Guidelines</i> )			
	2.2.2 A	For an unlisted company making an issue the prospective allottees are not less than one thousand (1000) in number).			
	2.2.2 B	<i>Checklist for Definitions contained in Clause 2.2.1 and 2.2.2 as above like Net Tangible Assets, Project, Accounting Statement and Qualified Institutional Buyer etc.</i>			
	2.2.3	<b>Offer for sale</b>			
	2.2.3.1	An offer for sale to comply with conditions laid down in clause 2.2.1 or 2.2.2, as the case may be and in clause 2.2.2A			
	2.2.4	Offer for sale can also be made if provisions of Clause 2.2.2 are complied at the time of submission of offer document with Board.			
	2.3	<b>PUBLIC ISSUE BY LISTED COMPANIES</b>			
	2.3.1	Aggregate of the proposed issue and all previous issues made in the same financial year in terms of size not to exceed 5 times its pre-issue net worth			
	2.3.2	A listed company which does not fulfill the conditions given in the provisos to Clause 2.3.1 above, shall be eligible to make a public issue subject to complying with the conditions specified in Clause 2.2.2			
	2.4	<b>EXEMPTION FROM ELIGIBILITY NORMS</b>			
	2.4.1	The provisions of clauses 2.2 (Public Issue by Unlisted Company )and 2.3(Public Issue by Listed Company) shall not be applicable for :			
	(i)	a banking company including a Local Area Bank etc			
	(ii)	a corresponding new bank set up under the Banking			

		Companies (Acquisition and Transfer of Undertaking) Act, 1970 Banking Companies (Acquisition and Transfer of Undertaking) Act, 1980 etc			
	(iii)	an infrastructure company			
	(a)	whose project has been appraised by a Public Financial Institution etc.			
	(b)	not less than 5% of the project cost is financed by any of the institutions referred to in sub-clause (a),			
	(iv)	rights issue by a listed company			
2.5		<b>CREDIT RATING FOR DEBT INSTRUMENTS</b>			
	2.5.1 A	Credit rating, company name not in the list of willful defaulters or default in payments etc.			
	2.5.1 B	An issuer company shall not make an allotment of non-convertible debt instrument pursuant to a public issue if the proposed allottees are less than fifty (50) in number.			
	2.5.2	Disclosure of credit ratings			
	2.5.4	All the credit ratings obtained during the three (3) years preceding the public or rights issue of debt instrument			
2.6		<b>OUTSTANDING WARRANTS OR FINANCIAL INSTRUMENTS</b>			
2.7		<b>PARTLY PAID-UP SHARES</b>			
2.8		<b>MEANS OF FINANCE</b> Firm arrangements of finance through verifiable means towards 75% of the stated means of finance , to be made			

<b>CHAPTER III</b>					
<b>PRICING BY COMPANIES ISSUING SECURITIES</b>					
<b>Clau se</b>	<b>Sub - Clau se</b>	<b>Contents</b>	<b>IF COMPLIED WITH YES/ NO/Not applicable</b>	<b>Page no. in prospectus where complied with</b>	<b>Comments</b>
3.0		The companies eligible to make public issue can freely price their equity shares or any security convertible at later date into equity shares in the following cases:			
3.1		<b>PUBLIC / RIGHTS ISSUE BY LISTED COMPANIES</b>			
	3.1.1	A listed company whose equity shares are listed on a stock exchange, may freely price its equity shares and any security convertible into equity at a later date, offered through a public or rights issue.			
3.2		<b>PUBLIC ISSUE BY UNLISTED COMPANIES</b>			
	3.2.1	An unlisted company eligible to make a public issue and desirous of getting its securities listed on a recognised stock exchange pursuant to a public issue, may freely price its equity shares or any securities convertible at a later date into equity shares.			
	3.2.3	<b>Infrastructure company</b> An eligible infrastructure company shall be free to price its equity shares subject to the compliance with the disclosure norms as specified by SEBI from time to time.			
3.3		<b>INITIAL PUBLIC ISSUE BY BANKS</b>			
	3.3.1	Banks can freely price their equity shares with approval from the Reserve Bank of India			
3.4		<b>DIFFERENTIAL PRICING</b>			
	3.4.1	Price at which the security is being offered to the applicants in firm allotment category is higher than the price at which securities are offered to public.			
	3.4.2	A listed company making a composite issue of capital may issue securities at differential prices in its public and rights issue.			
	3.4.3	In the public issue which is a part of a			

		composite issue differential pricing as per sub-clause 3.4.1 above is also permissible.			
	3.4.4	Justification for the price difference shall be given in the offer document for sub-clauses 3.4.1 and 3.4.2.			
3.5		<b>PRICE BAND</b>			
	3.5.1	Issuer company can mention a price band of 20% (cap in the price band should not be more than 20% of the floor price) in the offer documents			
	3.5.2	If the Board of Directors has been authorized to determine the offer price within a specified price band such price shall be determined by a Resolution to be passed by the Board of Directors.			
	3.5.3	The lead merchant banker to submit with the Stock Exchange a 48 hours notice of the meeting of the Board of Directors			
	3.5.4	Final offer document to have only one price and one set of financial projections, if applicable			
3.6		<b>PAYMENT OF DISCOUNTS / COMMISSIONS, ETC;</b>			
	3.6.1	No direct or indirect payment, in the nature of a discount, commission, allowance etc. to be made to the persons who have received firm allotment.			
3.7		<b>FREEDOM TO DETERMINE THE DENOMINATION OF SHARES FOR PUBLIC / RIGHTS ISSUES AND TO CHANGE THE STANDARD DENOMINATION</b>			
	3.7.1	An eligible company shall be free to make public or rights issue of equity shares in any denomination determined by it in accordance with Companies Act etc.			
	3.7.2	The companies which have already issued shares in the denomination of Rs.10/- or Rs.100/- may change the standard denomination			
	3.7.3	The companies proposing to issue shares in any denomination or changing the standard denomination in terms of clause 3.7.1 or 3.7.2 with following:			
	(a)	The shares shall not be issued in the denomination of decimal of a rupee;			
	(b)	The denomination of the existing shares shall not be altered to a denomination of decimal of			

		a rupee;			
	(c)	At any given time there shall be only one denomination for the shares of the company;			
	(d)	The companies seeking to change the standard denomination may do so after amending the Memorandum and Articles of Association, if required;			
	(e)	The company shall adhere to the disclosure and accounting norms specified by SEBI from time to time.			

<b>CHAPTER IV</b>					
<b>LOCK – IN REQUIREMENTS &amp; PROMOTERS’ CONTRIBUTION</b>					
<b>CLA USE</b>	<b>SUB - CLA USE</b>	<b>CONTENTS</b>	<b>IF COMPLI ED WITH YES/ NO/Not applicable</b>	<b>Page no. in prospectus where complied with</b>	<b>Comments</b>
4.0		Promoters contribution in any public issue shall be in accordance with the following provisions :			
4.1		<b>PROMOTERS CONTRIBUTION IN A PUBLIC ISSUE BY UNLISTED COMPANIES</b>			
	4.1.1	In a public issue by an unlisted company, the promoters shall contribute not less than 20% of the post issue capital.			
4.2		<b>PROMOTERS SHAREHOLDING IN CASE OF OFFERS FOR SALE</b>			
	4.2.1	The promoters shareholding after offer for sale shall not be less than 20% of the post issue capital.			
4.3		<b>PROMOTERS CONTRIBUTION IN CASE OF PUBLIC ISSUES BY LISTED COMPANIES</b>			
	4.3.1	In case of public issues by listed companies, the promoters shall participate either to the extent of 20% of the proposed issue or ensure post-issue share holding to the extent of 20% of the post-issue capital.			
4.4		<b>PROMOTERS CONTRIBUTION IN CASE OF COMPOSITE ISSUES</b>			
	4.4.1	Option of the promoter(s) be either 20% of the proposed public issue or 20% of the post-issue capital.			
	4.4.2	Rights issue component of the composite issue shall be excluded while calculating the post-issue capital.			
<b>4.6</b>		<b>SECURITIES INELIGIBLE FOR COMPUTATION OF PROMOTERS CONTRIBUTION</b>			
	4.6.1	Where the promoters of any company making an issue of securities have acquired equity during the preceding three years, such equity			

		shall not be considered, if it is:			
	(i)	Acquired for consideration other than cash and revaluation of assets or capitalisation of intangible assets is involved in such transaction(s); or			
	(ii)	Resulting from a bonus issue, out of revaluation reserves or reserves without accrual of cash resources;			
	4.6.2	In case of public issue by unlisted companies, securities issued in preceding one year, at a price lower than the price at which equity is being offered to public shall not be eligible for computation of promoters contribution.			
	4.6.3	In respect of companies formed by conversion of partnership firms, shares allotted to the promoters during previous one year out of the funds brought in during that period shall not be considered eligible for computation of promoters contribution			
	4.6.4	Ineligible shares acquired in pursuance to a scheme of merger or amalgamation approved by a High Court shall be eligible for computation of promoters contribution.			
	4.6.5	For the purposes of computing the promoters contribution referred to in Clauses 4.1.1, 4.1.2, 4.2.1, 4.3.1, 4.4.1 & 4.5.1 above, minimum contribution of Rs.25000			
	4.6.6	No securities forming part of promoters contribution shall consist of any private placement made by solicitation of subscription from unrelated persons either directly or through any intermediary.			
	4.6.7	The securities for which a specific written consent has not been obtained from the respective shareholders for inclusion of their subscription in the minimum promoters contribution subject to lock-in shall not be eligible for promoters contribution.			
4.7		COMPUTATION OF PROMOTERS CONTRIBUTION IN CASE OF ISSUE OF CONVERTIBLE SECURITY			
	4.7.1	In case of any issue of convertible security by a company, the promoters shall have an option to bring in their subscription by way of equity or by way of subscription to the convertible security			
	4.7.2	In case of any issue of security convertible in stages the promoters contribution in terms of equity share capital shall not be at a price lower than the weighted average price of the share			

		capital			
	4.7.3	The promoters contribution shall be computed on the basis of post-issue capital			
4.8		PROMOTERS PARTICIPATION IN EXCESS OF THE REQUIRED MINIMUM CONTRIBUTION TO BE TREATED AS PREFERENTIAL ALLOTMENT			
	4.8.1	In case of a listed company, participation by promoters in the proposed public issue in excess of the required minimum percentage, pricing provisions of Guidelines on preferential allotment will apply			
4.9		PROMOTERS CONTRIBUTION TO BE BROUGHT IN BEFORE PUBLIC ISSUE OPENS			
	4.9.1	Promoters shall bring in the full amount of the promoters contribution including premium at least one day prior to the issue opening date			
	4.9.2	The company's board shall pass a resolution allotting the shares or convertible instruments to promoters against the moneys received.			
	4.9.3	A copy of the resolution alongwith a Chartered Accountants' Certificate to be filed with the board			
	4.9.4	The certificate of the Chartered Accountants shall also be accompanied by a list of names and addresses of friends, relatives and associates			
4.10		EXEMPTION FROM REQUIREMENT OF PROMOTERS CONTRIBUTION			
	4.10.1	The requirement of promoters contribution shall not be applicable			
	(a)	In case of public issue of securities by a company which has been listed on a stock exchange for at least 3 years			
	(b)	In case of companies where no identifiable promoter or promoter group exists			
	(c)	in case of rights issues.			
		The promoters shall disclose their existing shareholding I (a) and (c) above			

4.11		<b>Lock in of Minimum Specified Promoters Contribution in Public Issues</b>			
	4.11.1	In case of any issue of capital to the public the minimum promoters contribution (as per clause 4.1, 4.2, 4.3, 4.4 & 4.5) shall be locked in for a period of 3 years.			
	4.11.2	The lock-in shall start from the date of allotment in the proposed public issue and the last date of the lock-in shall be reckoned as three years			



4.12		<b>LOCK-IN OF EXCESS PROMOTERS' CONTRIBUTION</b>			
	4.12.1	This shall also be locked in for a period of one year			
	4.12.2	Participation by promoters in the public issue if it is in excess of minimum percentage ,this shall also be locked-in for a period of one year			
	4.12.1 3	In case shortfall in the firm allotment category is met by the promoter as specified in clause 8.5(e), such subscription shall be locked in for a period of one year			
4.13		<b>SECURITIES ISSUED LAST TO BE LOCKED-IN FIRST</b>			
	4.13.1	The securities forming part of promoters contribution as specified in Clauses 4.1.1, 4.1.2, 4.2.1, 4.3.1, 4.4.1 & 4.5.1 of Part I of this Chapter and issued last to the promoters shall be locked in first for the specified period.			
4.14		<b>LOCK-IN OF PRE-ISSUE SHARE CAPITAL OF AN UNLISTED COMPANY</b>			
	4.14.1	The entire pre-issue share capital, other than that locked-in as promoters' contribution, shall be locked-in for a period of one year from the date of commencement of commercial production			
	4.14.2	Clause 4.14.1 shall not be applicable to :			
	(i)	pre-issue share capital held by Venture Capital Funds and Foreign Venture Capital Investors registered with the Board.			
	(ii)	pre-issue share capital held for a period of at least one year at the time of filing draft offer document with the Board			
	(iii)	pre-IPO shares held by employees other than promoters, which were issued under employee stock Option or employee stock purchase scheme			
4.14 A		<b>Lock-in of securities issued on firm allotment basis</b> Securities issued on firm allotment basis shall be locked-in for a period of one year from the date of commencement of commercial production			
4.15		<b>PLEDGE OF SECURITIES FORMING PART OF PROMOTERS CONTRIBUTION</b>			
	4.15.1	Locked-in Securities held by promoters may be pledged only with banks or financial institutions as collateral security			

4.16		<b>INTER-SE TRANSFER OF SECURITIES AMONGST PROMOTERS</b>			
	4.16.1	<b>Inter-se Transfer of Locked- in Securities</b>			
	(a)	Shares held by the person other than the promoters which are locked in as per Clause 4.14 of these Guidelines, may be transferred to any other person holding shares			
	(b)	Shares held by promoter(s) which are locked in as per the relevant provisions of this chapter, may be transferred to and amongst promoter/promoter group			
4.17		<b>Inscription of Non-Transferability</b>			
	4.17.1	The securities which are subject to lock-in shall carry inscription `non transferable`			

<b>CHAPTER V PRE-ISSUE OBLIGATIONS</b>					
<b>CLA USE</b>	<b>SUB - CLA USE</b>	<b>CONTENTS</b>	<b>IF COMPLI ED WITH YES/ NO/Not applicable</b>	<b>Page no. in prospectus where complied with</b>	<b>Comments</b>
	5.1	The lead merchant banker shall exercise due diligence.			
	5.1.1	Merchant banker to satisfy himself about all the aspects of offering, veracity and adequacy of disclosure in the offer documents.			
	5.1.2	The liability of the merchant banker as referred to clause 5.1.1 shall continue even after the completion of issue process.			
5.2		The lead merchant banker, shall pay requisite fee			
5.3		<b>Documents to be submitted along with the Offer Document by the Lead Manager</b>			
	5.3.1	<b>MEMORANDUM OF UNDERSTANDING</b>			
	5.3.1 .1	Memorandum of Understanding has to be entered into between a lead merchant banker and the issuer company			
	5.3.1 .2	MOU shall contain such clauses as are specified at <b>Schedule I</b>			
	5.1.3 .3	The Lead Merchant Banker responsible to submit copy of the MOU and a draft offer document to the Board			
	<b>5.3.2</b>	<b>INTER-SE ALLOCATION OF RESPONSIBILITIES</b>			
	5.3.2 .1	In case a public or rights issue is managed by more than one merchant bankers, merchant banker shall be <b>demarcated</b> as specified in <b>Schedule II.</b>			
	5.3.2 .2	In case of under subscription at an issue, the lead Merchant Banker invoke underwriting obligations and to accompany the due diligence certificate submitted by the Lead Merchant Banker to the Board			
	<b>5.3.3</b>	<b>Due Diligence Certificate</b>			
	5.3.3 .1	a due diligence certificate as specified in <b>Schedule III</b> along with the draft prospectus to be submitted by the Merchant Banker			
	5.3.3	In case of a debenture issue a diligence			

	.1 A	certificate given by the debenture trustee in the format specified in Schedule IIIA along with the draft offer document to be submitted			
	5.3.3 .2	In addition to the due diligence certificate, a merchant banker needs to submit the following:			
	(i)	that all amendments suggestion or observations made by Board have been incorporated in the offer document;			
	(ii)	furnish a fresh "due diligence" certificate at the time of filing the prospectus with the Registrar of Companies as per <b>Schedule IV</b>			
	(iii)	furnish a fresh certificate immediately before the opening of the issue that no corrective action on its part is needed as per the <b>Schedule V</b> .			
	(iv)	furnish a fresh certificate after the issue has opened but before it closes for subscription as per <b>Schedule VI</b>			
	(v)	The lead managers who are responsible for conducting due diligence exercise as per inter-se allocation of responsibilities shall sign due diligence certificate			
	<b>5.3.4</b>	<b>CERTIFICATES SIGNED BY THE COMPANY SECRETARY OR CHARTERED ACCOUNTANT, IN CASE OF LISTED COMPANIES MAKING FURTHER ISSUE OF CAPITAL</b>			
	5.3.4 .1	The Lead Merchant Banker shall furnish the following certificates duly signed by <sup>1</sup> (Company Secretary) or Chartered Accountants along with the draft offer documents:			
	(a)	all refund orders of the previous issues were despatched prescribed time and in the prescribed manner;			
	(b)	all security certificates were despatched to the allottees			
	(c)	the securities were listed on the Stock Exchanges as specified in the offer documents.			
	<b>5.3.5</b>	<b>UNDERTAKING</b>			
		Issuer shall submit an undertaking to the Board to the effect that transactions in securities by the 'promoter' the 'promoter group' etc. be reported			

		to the Stock exchanges concerned within 24 hours of the transaction(s).			
	<b>5.3.6</b>	<b>LIST OF PROMOTERS' GROUP AND OTHER DETAILS</b>			
	5.3.6 .1	The issuer company shall submit to the Board the list of the persons who constitute the Promoters' Group and their individual shareholding.			
	5.3.6 .2	The issuer company shall submit to the Stock Exchanges on which securities are proposed to be listed, the Permanent Account Number, Bank Account Number and Passport Number of the promoters			
	<b>5.4</b>	<b>APPOINTMENT OF INTERMEDIARIES</b>			
	5.4.1	<b>APPOINTMENT OF MERCHANT BANKERS</b>			
	5.4.1 .1	A Merchant Banker shall not lead manage the issue if he is a promoter or a director or associate of the issuer company. (refer DIP)			
	<b>5.4.2</b>	<b>APPOINTMENT OF CO-MANAGERS</b>			
	5.4.2 .1	the number of co-managers to an issue does not exceed the number of Lead Merchant Bankers to the said issue and there is only one advisor to the issue.			
	5.4.3	<b>APPOINTMENT OF OTHER INTERMEDIARIES</b>			
	5.4.3 .1	Lead Merchant Banker shall ensure that the other intermediaries to be duly registered by the Board			
	5.4.3 .1.1	Lead Merchant Banker shall independently assess the capability and the capacity of the various intermediaries to carry out assignment.			
	5.4.3 .1.2	The Lead Merchant Banker shall ensure that issuer companies enters into a Memorandum of Understanding with the intermediary(ies)			
	5.4.3 .2	The Lead Merchant Banker shall ensure that Bankers to the Issue are appointed in all the mandatory collection centres as specified in clause 5.9.			
	5.4.3 .3	The Lead Merchant Banker shall not act as a Registrar to an issue in which it is also handling the post issue responsibilities.			
	5.4.3	The Lead Merchant Bankers shall ensure that;			

	.4				
	(a)	the Registrars to Issue registered with the Board are appointed in all public issues and rights issues;			
	(b)	in case where the issuer company is a registered Registrar to an Issue, the issuer shall appoint an independent outside Registrar to process its issue. Registrar to an issue which is associated with the issuer company as a promoter or a director shall not act as Registrar for the issuer company.			
<b>5.5</b>		<b>UNDERWRITING</b>			
	5.5.1	underwriters should be able to discharge their underwriting obligations.			
	5.5.2	The lead merchant banker shall;			
	(a)	incorporate a statement in the offer document to the effect that in the opinion of the lead merchant banker, the underwriters' assets are adequate to meet their underwriting obligations;			
	(b)	obtain Underwriters' written consent before including their names as underwriters			
	5.5.3	In respect of every underwritten issue, the lead merchant banker(s) shall undertake a minimum underwriting obligation of 5% of the total underwriting commitment or Rs.25 lakhs whichever is less.			
	5.5.4	The outstanding underwriting commitments of a merchant banker shall not exceed 20 times its net worth			
	5.5.5	In respect of an underwritten issue, the lead merchant banker shall ensure that the relevant details of underwriters are included in the offer document.			
<b>5.6</b>		<b>OFFER DOCUMENT TO BE MADE PUBLIC</b>			
	5.6.1	The draft offer document filed with the Board shall be made public for a period of 21 days from the date of filing the offer document			
	5.6.2	The lead merchant banker shall,			
	(i)	while filing the draft offer document with the Board in terms of Clause 2.1, also file the draft offer document with the stock exchanges where the securities are proposed to be listed			
	(ii)	make copies of the draft offer document available to the public, host the draft and final offer documents on the websites of the all the lead managers / syndicate members associated			

		with the issue			
	(iii)	obtain and furnish to the Board, an in-principle approval of the stock exchanges for listing of the securities within 15 days of filing of the draft offer document with the stock exchanges			
	5.6.3	Lead merchant banker or stock exchanges may charge an appropriate sum to the person requesting for the copy of offer document.			
<b>5.7</b>		<b>DESPATCH OF ISSUE MATERIAL</b>			
	5.7.1	The lead merchant banker shall ensure that for public issues offer documents and other issue materials are dispatched to the various stock exchanges, brokers, underwriters, bankers to the issue, investors associations, etc. in advance			
	5.7.2	In the case of rights issues, lead merchant banker shall ensure that the letters of offer are dispatched to all shareholders at least one week before the date of opening of the issue.			
<b>5.8</b>		<b>NO COMPLAINTS CERTIFICATE</b>			
	5.8.1	After a period of 21 days from the date the draft offer document was made public, the Lead Merchant Banker shall file a statement with the Board as :			
	(i)	giving a list of complaints received by it,			
	(ii)	a statement by it whether it is proposed to amend the draft offer document or not,			
	(iii)	highlight those amendments.			
<b>5.9</b>		<b>MANDATORY COLLECTION CENTRES</b>			
	5.9.1	The minimum number of collection centres for an issue of capital shall be-			
	(a)	the four metropolitan centres situated at Mumbai, Delhi, Calcutta and Chennai			
	(b)	all such centres where the stock exchanges are located in the region in which the registered office of the company is situated.			
	(c)	The issuer company shall be free to appoint as many collection centers as it may deem fit in addition to the above minimum requirement.			
	5.9.2	The issuer company shall be free to appoint as many collection centres as it may deem fit in addition to the above minimum requirement.			
<b>5.10</b>		<b>AUTHORISED COLLECTION AGENTS</b>			
	5.10.1	The issuer company can also appoint authorised collection agents in consultation with the Lead Merchant Banker provided all disclosures are made			
	5.10.2	The modalities of selection and appointment of collection agents can be made at the discretion			

		of the Lead Merchant Banker.			
	5.10.3	The lead merchant banker shall ensure that the collection agents so selected are properly equipped for the purpose, both in terms of infrastructure and manpower requirements.			
	5.10.4	The collection agents may collect such applications as are accompanied by payment of application moneys paid by cheques, drafts and stock invests.			
	5.10.5	The authorised collection agent shall not collect application moneys in cash.			
	5.10.6	The applications collected by the collection agents shall be deposited in the special share application account with designated scheduled bank either on the same date or latest by the next working day.			
	5.10.7	The application forms along with duly reconciled schedules shall be forwarded by the collection agent to the Registrars to the Issue after realization of cheques within a period of 2 weeks from the date of closure of the public issue.			
	5.10.8	The applications accompanied by stock invests shall be sent directly by the collection agent to the Registrars to the Issue along with the schedules within one week from the date of closure of the issue.			
	5.10.9	The offer documents and application forms shall specifically indicate that the acknowledgement of receipt of application moneys given by the collection agents shall be valid and binding on the issuer company			
	5.10.10	The investors from the places other than from the places where the mandatory collection centres and authorised collection agents are located, can forward their applications along with stockinvests to the Registrars to the Issue through Registered Post			
	5.10.11	The applications received through the registered post shall be dealt with by the Registrars to the Issue in the normal course.			
<b>5.11</b>		<b>ADVERTISEMENT FOR RIGHTS POST ISSUES</b>			
	5.11.1	The Lead Merchant Banker shall ensure that in case of a rights issue, an advertisement giving the date of completion of despatch of letters of offer, shall be released in			
	5.11.2	The advertisement referred to in clause 5.11.1 shall indicate the centres other than registered office of the company where the shareholders			



		or the persons entitled to rights may obtain duplicate copies application forms			
	5.11.13	Where the shareholders have neither received the original composite application forms may make applications to subscribe to the rights on a plain paper.			
	5.11.4	The advertisement shall also contain a format to enable the shareholders to make the application on a plain paper			
	5.11.5	The advertisement shall further mention that applications can be directly sent by the shareholder through <b>Registered Post etc</b>			
	5.11.6	The advertisement may also invite attention of the shareholders to the fact that the shareholders making the applications otherwise than on the standard form shall not be entitled to renounce their rights			
	5.11.7	If the shareholder makes an application on plain paper and also in standard form, he may face the risk of rejection of both the applications.			
<b>5.12</b>		<b>APPOINTMENT OF COMPLIANCE OFFICER</b>			
	5.12.1	An issuer company shall appoint a compliance officer who shall directly liaise with the Board with regard to compliance with various laws, rules, regulations			
	5.12.2	The name of the compliance officer so appointed shall be intimated to the Board.			
<b>5.13</b>		<b>ABRIDGED PROSPECTUS</b>			
	5.13.1	The Lead Merchant Banker shall ensure the following:			
	(i)	Every application form distributed by the issuer Company or anyone else is accompanied by a copy of the Abridged Prospectus.			
	(ii)	The application form may be stapled to form part of the Abridged Prospectus. Alternatively, it may be a perforated part of the Abridged Prospectus.			
	(iii)	The Abridged Prospectus shall not contain matters which are extraneous to the contents of the prospectus.			
	(iv)	The Abridged Prospectus shall be printed at least in point 7 size with proper spacing			
	(v)	Enough space shall be provided in the application form to enable the investors to file in various details like name, address, etc.			
<b>5.14</b>		<b>AGREEMENTS WITH DEPOSITORIES</b>			
	5.14.1	The lead manager shall ensure that the issuer company has entered into agreements with all			

		the depositories for dematerialization of securities.			
<b>5.15</b>		<b>BRANDING OF SECURITIES</b>			
	5.15.1	Securities may be branded describing their nature but not the quality			

<b>CHAPTER VI DISCLOSURE REQUIREMENTS</b>					
<b>SR. NO.</b>	<b>CLAU SE</b>	<b>STEPS</b>	<b>IF COMPLI ED WITH YES/ NO/Not applicable</b>	<b>Page no. in prospectus where complied with</b>	<b>Comments</b>
<b>A</b>		<b>CONTENTS OF THE OFFER DOCUMENT</b>			
<b>Sect ion I</b>		Contents of the Prospectus			
<b>a</b>	<b>6.1.2</b>	Approval & certification draft by Board of Directors ,signed by MD, CEO, CFO of Issuer Company:			
<b>b</b>	6.2	Cover Page			
<b>⊖</b>	<b>6.2.1</b>	<b>Front Cover Page</b>			
i.	<b>6.2.1.1</b>	White and without patterns/pictures			
ii.		Inclusion of the name, address ,Telephone Fax & E-mail Address of the regd. office of Issuer			
iii.		Nature, Number, Price and amount of the instruments offered			
iv.		Risks in relation to first Issue			
v.		Concluding sentence, If issue is listed OCTCEI			
vi.		General risk to be incorporated			
vii.		Issuer's Absolute Responsibility			
viii.		Details of the Lead Merchant Banker			
ix.		<b>On Back Cover Page</b> , Names of the other lead merchant banker & co-Managers			
x.		Disclosure of inter-se allocation, in the case of more than one merchant bankers			
xi.		Names & address of the RTIs			
xii.		Opening date of the Issue			
xiii.		If applicable , then Credit Rating			
xiv.		Names of the Stock Exchanges & details of In-principle approval			
	<b>6.2.2</b>	<b>FRONT INSIDE COVER PAGE</b>			
i.	6.2.2.1	Index shall appear			
	<b>6.2.3</b>	<b>INNER COVER PAGES</b>			
	6.2.3.1	Other Risk Factors in clear readable font, minimum point 10 size			
	<b>6.2.4</b>	<b>BACK COVER PAGES</b>			
		To be in White			
	6.2.4.2	Any 'notes' required to be given prominence shall appear immediately after the Risk Factors			

		wherever they appear.			
	<b>6.3</b>	<b>GENERAL INFORMATION</b>			
i.	6.3.1	Name and address of registered office of the issuer company.			
ii	6.3.2	Letter of intent / industrial license and declaration of the Central Govt / RBI about non-responsibility for financial soundness or correctness of statements			
	<b>6.3.3</b>	<b>Disclaimer Clause</b>			
	6.3.3.1	Disclaimer clause along with Merchant Bankers' due diligence ensurance			
	<b>6.3.4</b>	<b>Disclaime r statement from the issuer</b>			
	6.3.4.1	A statement to the effect of relying on any other party apart from the issuer			
	<b>6.3.5</b>	<b>Filing of offer document with the Board and ROC</b>			
i.		Office of the Board where the offer document has been filed shall be mentioned.			
ii.		The RoC where copy of the offer document, has been filed shall also be mentioned.			
	<b>6.3.6</b>	Names of the Designated stock exchange and other exchanges where application has been made for listing of the present issue shall be mentioned			
	<b>6.3.7</b>	Provisions of sub-section (1) of section 68A of the Companies Act, relating to punishment for fictitious applications, shall be mentioned.			
	<b>6.3.8</b>	<b>Minimum Subscription Clause for the following:</b>			
	<b>6.3.8.1</b>	For Non-underwritten Public Issue			
	<b>6.3.8.2</b>	For Underwritten Public Issues			
	<b>6.3.8.3</b>	For Composite Issues			
	<b>6.3.8.4</b>	<b>Offer For Sale</b>			
	6.3.8.4.1	Requirement for minimum subscription shall not be applicable to offer for sale			
	<b>6.3.8.5</b>	<b>Public Issues by Infrastructure Companies</b>			
		Requirement of minimum subscription shall not			

		be applicable to an eligible infrastructure company, provided disclosures regarding the alternate source of funding is made in the offer documents.			
	<b>6.3.9</b>	Declaration about the issue of allotment letters or refunds to be mentioned			
	<b>6.3.10</b>	<b>Issue of Schedule</b>			
i.		Date of Opening of the issue			
ii.		Date of Closing of the issue			
iii.		Date of earliest closing of the issue			
	<b>6.3.11</b>	<b>Intermediaries &amp; Auditors</b>			
i.		Name & address of Lead Managers & audit ors			
ii.		Name & Address of Registrars to the Issue			
iii.		Name and address of Trustee under debenture trust deed(if it is a debenture issue)			
	<b>6.3.12</b>	<b>Credit Rating</b>			
i.		Credit rating to be obtained from the credit rating agency for the proposed issue of debt security including convertible instruments			
ii.		If the rating has been done from more than one credit rating agency, all those ratings, including unaccepted ones to be included			
iii.		All the credit ratings obtained during the previous three years before filing of the offer document for any of its listed debt-securities at the time of accessing the market through a rated debt-security shall be disclosed.			
	<b>6.3.13</b>	<b>Underwriting of the issue</b>			
i.		Names and addresses of the underwriters and the amount underwritten by them			
ii.		Declaration by board of directors of the issuer company that the underwriters have sufficient resources to discharge their respective obligations.			
	<b>6.3.14</b>	<b>Compliance Officer</b>			
i.		The name, address, telephone number, fax and E-mail address of Compliance Officer.			
ii.		The investor's attention shall also be invited to contact the compliance officer in case of any pre-issue / post-issue related problems such as non-receipt of letters of allotment / share certificates / refund orders / cancelled stockinvests, etc.			

	<b>6.4</b>	<b><i>CAPITAL STRUCTURE OF THE COMPANY(TO BE PRESENTED BY THE LEAD MERCHANT BANKER)</i></b>			
i.		Authorised issued subscribed and paid up capital (Number of instruments, description, aggregate nominal value)			
ii.		Size of present issue giving separately promoters contribution, firm allotment / reservation for specified categories and net offer to public.			
iii.		Paid-up Capital after the issue, after conversion of securities (if-applicable) and Share Premium Account (before and after the issue)			
	<b>6.4.2</b>	Notes to Capital structure			
i.		Note relating to promoters' contribution and lock-in period stating date of allotment, date when made fully paid up, Nature of allotment (rights, bonus, etc.), number of securities, face value of securities, issue price of securities, percentage of promoters contribution to total issued capital and the date up to which the securities are locked-in.			
ii.		An illustrative format of promoters contribution and lock-in is specified in Schedule VIII.			
	a)	percentage of contribution by the promoters whose name figured in the prospectus and the date upto which securities are locked in			
	b)	An illustrative format of promoters contribution whose name figures in prospectus is specified in <b>Schedule IX</b> .			
iii.		statement that promoters contribution has been brought in not less than the specified minimum lot and from persons defined as promoters under the Guidelines.			
iv.		Statement that the promoters undertake to accept full conversion, if the promoters contribution is in terms of the same optionally convertible security as is being offered to the public.			
v.		Details of all "buy-back" and `stand by' and similar arrangements for purchase of securities by promoters, directors and lead merchant bankers shall be disclosed.			

vi.		An over-subscription to the extent of 10% of the net offer to public can be retained for the purpose of rounding off to the nearer multiple of 100 while finalizing the allotment			
vii.		A disclosure to the effect that the securities offered through this public/ rights issue shall be made fully paid up or may be forfeited within 12 months from the date of allotment of securities in the manner specified in clause 8.6.2.			
viii.	a)	A note about unsubscribed portion to be added to any other category			
	b)	The unsubscribed portion, if any, after such inter se adjustments amongst the reserved categories shall be added back to the net offer to the public.			
ix.		In case of under-subscription in the net offer to the public portion spillover to the extent of under subscription shall be permitted from the reserved category to the net public offer portion.			
x.		<i>Following Details Regarding Major Shareholders:</i>			
	a)	names of the ten largest shareholders as on the date of filing of the prospectus with the registrar of Companies;			
	b)	number of shares held by shareholders at (i) above including number of shares which they would be entitled to upon exercise of warrant, option, rights to convert a debenture, loan or other instrument;			
	c)	particulars as in (i) and (ii) above as on a date two years prior to the date of filing the prospectus with the Registrar of Company, -			
	d)	Particulars as in (i) and (ii) above as on a date 10 days prior to the date of filing of the prospectus with the Registrar of the Company;			
	e)	if the issuer company has made an initial public offering within the immediately preceding two			

		years, the above information shall be given separately indicating the names of persons who acquired shares by subscriptions to the public issue and those who acquired the shares by allotment on a firm basis or by private placement.			
xi.		The Details of:			
	a)	the aggregate shareholding of the Promoters group and of the directors of the Promoters, where the promoter is a company;			
	b)	aggregate number of securities purchased or sold by the Promoters Group and the directors of the promoter during a period of six months preceding the date on which the draft prospectus is filed with Board and to be updated by incorporating the information in this regard till the time of filing the prospectus with the Registrar of the Company;			
	c)	the maximum and minimum price at which purchases and sales referred to in (ii) above were made along with the relevant dates.			
xii.		<b>In the event of it not being possible to obtain information regarding sales and purchase of securities by any relative of the promoters, a statement to that effect shall be made in the prospectus on the basis of the transfers recorded in the books of the company.</b>			
<b>Explanation I</b>		For (ix) a, b & c above, the term promoter shall include:			
	a)	The person or persons who are in over-all control of the company.			
	b)	The person or persons who are instrumental in the formulation of a plan or programme pursuant to which the securities are offered to the public;			
	c)	the persons or persons named in the prospectus as promoters(s) : <b>Provided</b> that a director / officer of the issuer company or person, if they are acting as such merely in their professional capacity shall not be included in the Explanation.			



<b>Explanation II</b>		<b>“Promoter”</b> shall include			
	<b>a)</b>	The Promoter			
	<b>b)</b>	an immediate relative of the promoter (i.e. any spouse of that person, or any parent, brother, sister or child of the person or of the spouse);and			
	<b>c)</b>	In case the promoter is a company			
	<b>i.</b>	A subsidiary or holding company of that company			
	<b>ii.</b>	any company in which the promoter holds 10% or more of the equity capital or which holds 10% or more of the equity capital of the Promoter;			
	<b>iii.</b>	any company in which a group of individuals or companies or combinations thereof who holds 20% or more of the equity capital in that company also holds 20% or more of the equity capital of the issuer company; and			
	<b>d)</b>	In case the promoter is an individual			
	<b>i.</b>	any company in which 10% or more of the share capital is held by the promoter or an immediate relative of the promoter' or a firm or HUF in which the 'Promoter' or any one or more of his immediate relative is a member;			
	<b>ii.</b>	any company in which a company specified in (i) above, holds 10% or more, of the share capital;			
	<b>e)</b>	all persons whose shareholding is aggregated for the purpose of disclosing in the prospectus "shareholding of the promoter group".			
<b>Explanation III</b>		The Financial Institution, Scheduled Banks, Foreign Institutional Investors (FIIs) and Mutual Funds shall not be deemed to be a promoter or promoter group merely by virtue of the fact that 10% or more of the equity of the issuer company is held by such institution.			
	<b>6.5/6.5.1</b>	<b><i>Terms of the present issue-Terms of Payment</i></b>			
	<b>6.5.1.1</b>	The caption "Interest in Case of Delay in Despatch of Allotment Letters/ Refund Orders in Case of Public Issues" shall appear and shall contain a statement			
	<b>6.5.2</b>	Arrangements for disposal of Odd lots			
<b>i.</b>	<b>6.5.2.1</b>	Any arrangements made by the issuer company for providing liquidity for and consolidation of the shares held in odd lots			

ii.		The company is free to make arrangements for providing liquidity in respect of odd lot shares through any investment or finance company, broking firms or through any other agency and the particulars of such arrangement, if any, may be disclosed in the offer documents related to the concerned issue of capital.			
	6.5.2.2	Lead Merchant Banker shall ascertain whether the companies coming for fresh issue of capital propose to set up trusts in order to provide service to the investors in the matter of disposal of odd lot shares of the company held by them and if so, disclosures relating to setting up and operation of the trust shall be contained in the offer document.			
	6.5.2.3	Whenever any issue results in issue of shares in odd lots, the issuer company, shall as far as possible issue certificates in the denomination of 1-2-5-10-20-50 shares.			
	<b>6.5.4</b>	<b>How to apply - availability of forms, prospectus and mode of payment</b>			
	<b>6.5.4.1</b>	<b>Application by Mutual Funds</b>			
		Lead Merchant Bankers shall clearly incorporate necessary disclosures under the heads "Procedure for applications by mutual funds" and "Multiple Applications"			
		The applications made by the AMCs or custodians of a Mutual Fund shall clearly indicate the name of the concerned scheme for which application is being made			
	<b>6.5.4.2</b>	<b>Applications by NRIs ( to be provided by Lead Merchant Bankers)</b>			
	a)	"NRI applicants may please note that only such applications as are accompanied by payment in free foreign exchange shall be considered for allotment under the reserved category.			
		"NRI applicants may please note that only such applications as are accompanied by payment in free foreign exchange shall be considered for allotment under the reserved category.			
	<b>6.5.4.3</b>	<b>Disclosures about stock invests</b>			
i.		Disclosures regarding manner of obtaining			

		and mode of drawing stockinvests, specified by RBI to be incorporated			
ii.		Name of the bank through which stockinvests shall be realized, to be given in Prospectus			
iii.		A paragraph to be included relating to the proceeds of the stock invests			
	<b>6.5.5</b>	Despatch of Refund Orders			
i.	<b>6.5.51</b>	Clause to be incorporated in the prospectus to ensure the despatch of refunds of over Rs.1500 Value			
	<b>6.5.6</b>	Undertaking by the issuer Company (points a to h)			
	<b>6.5.6.2</b>	Undertaking in case of a debenture issue, by the issuer Company			
	<b>6.5.7</b>	Utilization of Issue Proceeds			
i.		A statement by the Board of Directors of issuer company relating to monies received, purpose, bank account and any unutilized monies			
i i	<b>6.5.7.2</b>	A statement by the Board of Directors of the issuer company relating to funds received from promoter's contribution, and firm allotments etc.			
	<b>6.6</b>	<b><i>Particulars of the Issue</i></b>			
	<b>6.6.1.1</b>	Objects			
i.	<b>6.6.1.2</b>	Whether the company proposes to raise funds for a purpose like fixed asset creation and/or for rotation such as working capital etc shall be disclosed clearly in the offer document			
ii.	<b>6.6.1.3</b>	Where the company proposes to raise funds for a purpose like fixed asset creation, the requirement of funds shall also be disclosed clearly.			
	<b>6.6.2</b>	Project Cost			
		Activity –wise Project cost (for diversification, modernization etc.)			
		Phase-wise implementation cost of the project			
	c)	The total project cost shall reflect the cost involved in each of the projects mentioned under the section on "Objects of the issue".			
	<b>6.6.3</b>	<b>Means of Financing</b>			
		Undertaking by the company regarding firm arrangements of finance towards 75% of the stated means of finance			
		The balance portion of the 'Means of Finance' for which no firm arrangement has			

		been made shall be mentioned without specification)			
	<b>6.6.4</b>	<b>Appraisal</b>			
i.	<b>6.6.4.1</b>	Cope, appraisal & date of the appraisal to be included			
ii.		Cost of the project & means of finance as per appraisal report			
iii.		Weaknesses & threats given in appraisal report to be disclosed by way of risk factors			
	<b>6.6.5</b>	<b>Deployment of funds in the project(points a to d)</b>			
	<b>6.6.6</b>	Name of Monitoring agency, if any, to be disclosed			
	<b>6.7</b>	<b><i>Company, Management, and Project</i></b>			
i.	<b>6.7.1</b>	History and main objects, present business of the company			
ii.	<b>6.7.2</b>	Subsidiaries of the company, if any			
	<b>6.7.3</b>	<b>Promoters and their Background</b>			
i.		Profile of the promoters, line of business, financial activities, photo, Voter I.d. etc			
		Submission of PAN, Bank account No, Passport No, to the Stock Exchange			
ii.		If promoter is a company, history and promoters of the company to be disclosed			
iii.		Details in change of management of the companies if any, including details of the persons who are holding the controlling interest together with the applicability and compliance of Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997.			
	<b>6.7.4</b>	<b>Key Managerial Personnel</b>			
i.		Full details of the personnel recruited as on the date of filing etc.			
ii.		The above point to be ensured by the lead merchant banker that they are in the employment of the company.			
iii.		Any change otherwise than by way of retirement in the normal course in the key senior managerial personnel particularly in charge of production, planning, finance and marketing within one year prior to the date of filing the offer document with the Board shall be disclosed.			
	<b>6.7.5</b>	Name, addresses, and occupations of manager, managing director and other directors			

	<b>6.7.6</b>	Location of the project			
	<b>6.7.7</b>	Plant & Machinery, Technology, Process, details regarding cost of machines, name of the suppliers, etc.(points a to d)			
	<b>6.7.8</b>	<b>Collaboration, performance guarantee or assistance in marketing by the collaborators</b>			
i.	<b>6.7.8.1</b>	Information like, place of registration, year of corporation, paid up share capital, turnover, etc.			
ii.	<b>6.7.9</b>	Infrastructure facilities for raw materials and utilities			
iii.	<b>6.7.10</b>	Schedule of implementation of the project and progress made			
	<b>6.7.11</b>	<b>The products</b>			
i.	<b>6.7.11.1</b>	Nature of the products, consumer, industrial and end users			
ii.	<b>6.7.11.2(a)</b>	Market including details of the competition, past production etc. to be given			
	<b>(b)</b>	Mention of the source of data			
	<b>6.7.11.3</b>	Approach to marketing and proposed marketing set up			
	<b>6.7.11.4</b>	Export possibilities and export obligations, if any (in case of a company providing any "service" particulars, as applicable, be furnished)			
	<b>6.7.12.</b>	<b>Future Prospects</b>			
	<b>6.7.12.1</b>	Capacity & capacity Utilization (points a & b)			
	<b>6.7.13</b>	<b>Stock Market Data (points a to g)</b>			
	<b>6.8</b>	<i>Management Discussion and Analysis of the Financial Condition and Results of the Operations as Reflected in the Financial Statements.</i>			
i.	<b>6.8.1</b>	A summary of past financial results after adjustments as given in the auditor's report for the past three years containing significant items of income and expenditure shall be given.			
ii.	<b>6.8.2</b>	An analysis of reasons for the changes in significant items of income and expenditure shall also be given, with points a to j.			
iii.	<b>6.8.3</b>	A statement by the directors whether in their opinion there have arisen any circumstances since the date of the last financial statements as disclosed in the prospectus			
iv.	<b>6.8.4</b>	One standard financial unit shall be used in the offer document			

	<b>6.9</b>	<b><i>Financial of Group companies</i></b>			
		information for the last 3 years based on the audited statements in respect of all the companies, firms, ventures, etc. promoted by the promoters irrespective of whether these are covered under section 370 (1)(B) of the Companies Act, 1956 shall be given, wherever applicable: (points a to k)			
a	<b>6.9.2</b>	In case the issuer company has more than 5 listed group companies, information to be restricted to five largest listed companies			
b		Information of companies under BIFR			
	<b>6.9.3</b>	If the promoters have disassociated themselves from any of the companies/firms during preceding three years, the reasons therefor and the circumstances leading to the disassociation shall be furnished together with the terms of such disassociation.			
a	<b>6.9.4</b>	Reasons and justifications of common pursuits between company if any			
b		Related business transaction between the group shall also be mentioned			
c		The significance of these transactions on the financial performance of the company shall be stated			
	<b>6.9.5</b>	Sale or purchase between companies			
	<b>6.10</b>	Particulars in regard to the company and other listed companies under the same management within the meaning section 370 (1)(B) of the Companies Act, 1956 which made any capital issue during the last three years shall be given (points a to h)			
	<b>6.11</b>	<b><i>Promise against Performance</i></b>			
	<b>6.11.1</b>	<b>Issuer Company</b>			
	<b>6.11.2</b>	<b>Listed Ventures of Promoters</b>			
	<b>6.12</b>	<b><i>Projections</i></b>			
		No forecast of projections relating to financial performance of the issuer company shall be given in the offer document.			
	<b>6.13</b>	<b><i>Basis for Issue price</i></b>			
	<b>6.13.1</b>	Basis for Issue Price Information to be given for all issues irrespective of the issuer price			
i.	<b>6.13.2</b>	Issuer Company and Lead merchant banker shall provide the accounting ratios			
ii.		In case of book built issues, the offer document shall state that the final price has been determined on the basis of the demand			

		from the investors.)			
	<b>6.14</b>	<b><i>Outstanding Litigations or defaults (points a to h)</i></b>			
	<b>6.15</b>	<b><i>Risk Factors and management perception, if any</i></b>			
	<b>6.16</b>	<b><i>Disclosure on Investor Grievances and redressal System</i></b>			
i.		The company shall disclose the time normally taken by it for disposal of various types of investor grievances.			
ii.		Similar disclosure shall be made in regard to the listed companies under the same management within the meaning of Section 370 (1B) of the Companies Act for the period of 3 years prior to the date of filing of the offer documents with ROC / Stock Exchange.			
	<b>6.17</b>	<b><i>General Information</i></b>	<b>IF COMPLIED WITH YES/ NO/Not applicable</b>	<b>Page no. in prospectus where complied with</b>	<b>Comments</b>
i.	<b>6.17.1</b>	Consent of Directors, auditors etc.			
ii.	<b>6.17.2</b>	Expert opinion obtained, if any			
iii.	<b>6.17.3</b>	Change, if any, in directors and auditors during the last three years, and reasons, thereof			
iv.	<b>6.17.4</b>	Authority for the issue and details of resolution passed for the issue			
v.	<b>6.17.5</b>	Procedure and time of schedule for allotment and issue of certificates			
vi.	<b>6.17.6</b>	Names and address of the company secretary, legal adviser, lead managers, co-managers, auditors, bankers to the company, bankers to the issue and brokers to the issue.			
	<b>6.18</b>	<b><i>Financial Information</i></b>			
	<b>6.18.1</b>	Report by the auditors of the company (points a to b)			
	<b>6.18.2</b>	When the company has no subsidiaries (points a to b)			
	<b>6.18.3</b>	If the companies have subsidiaries (point a to b)			
	<b>6.18.4</b>	If the proceeds, or any part of the proceeds, of the issue of the shares or debentures are or is to be applied directly or indirectly -			
	<b>6.18.5</b>	If the proceeds, or any part of the proceeds, of the issue of the shares or debentures are or is to be applied directly or indirectly in any			

		manner resulting in the acquisition by the company of shares in any other body corporate;			
	<b>6.18.7</b>	<b>Other provisions relating to accounts of the issuer company</b> (points a to h)			
a)	<b>6.18.8</b>	The Issuer Company, if it so desires, may include in the offer document, the financial statements prepared on the basis of more than one accounting standards subject to disclosure of the material differences arising because of differences in the accounting policies of two different accounting standards.			
b)		‘Management Discussion and Analysis (MDA)’ and ‘Accounting and other Ratios’ computed as per Clause No. 6.8 and 6.13 of the Guidelines shall be based on the Financial Statements prepared on the basis of Indian Accounting Standards. In addition, the issuer company may present MDA based on other Accounting Standards.			
	<b>6.19</b>	<b>Statutory and other Information</b>			
	<b>6.19.1</b>	Minimum subscription			
	<b>6.19.2</b>	Expenses of fees given to advisers, RTIs Managers to the issue and Trustees for the debenture - holders			
	<b>6.19.3</b>	Underwriting Commission & brokerage			
	<b>6.19.4</b>	Previous issue for cash			
	<b>6.19.5</b>	Previous rights issue if any (during last 5 years) points a to c)			
	<b>6.19.6</b>	Commission or brokerage on previous issue			
	<b>6.19.7</b>	Issue of shares otherwise than for cash			
	<b>6.19.8</b>	Debentures and redeemable preference shares and other instruments issued by the company outstanding as on the date of prospectus and terms of issue.			
	<b>6.19.9</b>	Option to subscribe (points a to b)			
	<b>6.19.10</b>	Purchase of property (points a to d)			
	<b>6.19.11</b>	Details to be given in Offer document relating to details of directors, etc. (points a to c)			
	<b>6.19.12</b>	Rights of members regarding voting, dividend, lien on shares and the process for modification of such rights and forfeiture of shares.			
	<b>6.19.13</b>	Restrictions, if any, on transfer and transmission of shares / debentures and on their consolidation / splitting.			
	<b>6.19.14</b>	Revaluation of assets, if any (during last five			



		years			
	<b>6.19.15</b>	Material contracts and inspection of documents (points a to c)			

**Annexure VIII**

(Referred to in paragraph 7.3.8 of the Report)

**A-VIII. RECOMMENDATIONS REGARDING DISCLOSURES IN ABRIDGED PROSPECTUS**

**SECTION II: CONTENTS OF ABRIDGED PROSPECTUS**

<b>Present Clause</b>          <b>(1)</b>	<b>Present DIP Guidelines</b>          <b>(2)</b>	<b>Requirements of the Companies Act (Form 2A)</b>          <b>(3)</b>	<b>New disclosures that should be added in the Abridged Prospectus as being recommended by the Malegam Committee (The relevant DIP Guidelines clause applicable for the main Offer Document is given in parenthesis)</b>          <b>(4)</b>	<b>Proposed DIP Guidelines</b>          <b>(5)</b>
6.20	The abridged prospectus shall contain the disclosures as specified under Section I of Chapter VI.			<b>6.20 General</b> The information to be provided under each of the heads specified below shall be as per the requirement of Section I of Chapter VI except when specified otherwise.
6.20.1	The disclosure requirement as specified shall also be applicable in case of abridged prospectus.			6.20.1 The Abridged Prospectus shall be printed in a font size which shall not be visually smaller than TIMES NEW ROMAN Size 10.
				6.20.2 The order in which items appear in the Abridged Prospectus shall correspond, wherever applicable, to the order in which items appear in the Offer

				Document.
				6.20.3 The application form shall be so positioned that on the tearing-off of the application form, no part of the information given in the Abridged Prospectus is mutilated.
<b>6.21</b>	<b>General Information</b>			<b>6.21 General Information</b>
6.21.1	Name and address of registered office of the company	(a) Name and address of registered office of the company		6.21.1 The name of the Issuer and address of the registered office of the Issuer along with telephone number, fax number, e-mail address and website address, and where there has been a change in the address of the registered office or name of the Issuer, details thereof.
6.21.2	Name/s of stock exchanges where listing of the securities is proposed.	(b) Issue listed at : [name(s) of the stock exchanges]		6.21.2 Name/s of stock exchanges where listing of the securities is proposed.
6.21.3	Date of opening, closing and earliest closing of the issue	(c) Opening, closing and earliest closing dates of the issue		6.21.3 Dates of opening, earliest closing and closing of the issue .
6.21.4	Disclaimer Clause			6.21.4 Disclaimer Clause of SEBI
			Consolidated Disclaimer Clause of Stock Exchanges Disclaimer clauses of stock exchanges shall be combined into a single disclaimer clause with appropriate reference to individual stock exchanges	6.21.5 Consolidated Disclaimer Clause of Stock Exchanges: Disclaimer clauses of stock exchanges shall be combined into a single disclaimer clause with appropriate reference to individual stock exchanges
			Disclaimer Statement of the Issuer (6.3.4)	6.21.6 Disclaimer Statement of the Issuer
6.21.5	Name and address of lead managers.	(d) Name and address of lead manager		6.21.7 Name and address of the lead managers along with phone number, fax number, website address, name of contact person and email address.
			Name and address of the brokers along with phone numbers	6.21.8 Name and address of the brokers along with phone numbers

			Name and address of the collecting bankers	6.21.9 Name and address of the collecting bankers
6.21.6	Name and address of registrars to the issue.			6.21.10 Name and address of the registrars to the issue along with phone number, fax number, website address, name of contact person and email address.
6.21.7	Name and address of trustee under debenture trust deed (in case of debenture issue)	(e) Name and address of trustees under debenture trust deeds(in case of debenture/ issue)		6.21.11 Name and address of the trustee under debenture trust deed (in case of a debenture issue) along with phone number, fax number, website address, name of contact person and email address.
			Name and address of the statutory auditors (6.3.11a)	6.21.12 Name and address of the statutory auditors
6.21.8	Rating for the proposed debenture/ preference shares issue, if any, obtained from any other Credit Rating Agency	(f) Rating for the debenture/ preference shares, if any, obtained from Crisil or any recognized rating agency.		6.21.13 Rating for the proposed debenture/ preference shares issue, if any, obtained from the credit rating agencies.
			Name and address of the underwriters and the amount underwritten by them (6.3.13a)	6.21.14 Name and address of the underwriters and the amount underwritten by them
6.21.9	(a) The name, address, telephone number, fax number and address of Compliance Officer. (b) The investor's attention shall also be invited to contact the compliance officer in case of any pre-issue / post-issue related problems such as non-receipt of letters of allotment / share certificates / refund orders / cancelled stockinvests, etc.			6.21.15 (a) Name, address, telephone number, fax number and email address of the Compliance Officer. (b) Investor's attention shall be invited to contact the Compliance Officer in case of any pre-issue / post-issue related problems such as non-receipt of letters of allotment / share certificates / share credits in depositories/refund orders etc.
6.21.10	Provisions of sub section (1) of section 68A of the Companies Act, relating to punishment for fictitious applications.			6.21.16 Provisions of sub section (1) of Section 68A of the Companies Act, relating to punishment for impersonation.
6.21.11	Declaration about the issue of allotment letters/refunds within a			6.21.17 Declaration about the issue of allotment letters/refunds within a

	period of 30 days and interest in case of delay in dispatching refund/ allotment letters @ 15% p.a. as at the rate as may be specified.			period of 30 days and interest in case of delay in dispatching refund/ allotment letters @ 15% p.a. or at the rate as may be specified.
<b>6.21.12</b>	<b>Risk Factors and Issue Highlights</b>			
6.21.13	The Risk Factors and management perception on the same shall be printed along with Issue Highlights with equal treatment in printing in all respects.			6.21.18 Risk Factors and proposals to address the same
<b>6.22</b>	<b>Capital Structure of the company</b>			<b>6.22 Capital Structure of the Issuer</b>
6.22.1	<p>Following details shall appear</p> <p>a. Authorised, issued, subscribed and paid up capital (Number of instruments, description, aggregate nominal value)</p> <p>b. Size of present issue giving separately promoters contribution, firm allotment/ reservation for specified categories and net offer to public.</p> <p>c. (Number of instruments, description, aggregate nominal value and issue amount shall be given in that order, Name(s) of group companies to be given, in case, reservation has been made for shareholders of the group companies)</p> <p>d. Paid-up Capital</p> <p>i. after the issue</p> <p>ii. after conversion of securities (if-applicable)</p> <p>e. Share Premium Account (before and after the issue)</p>	<p>(a) Issued, subscribed and paid-up capital</p> <p>(b) Size of present issue giving separately reservation for preferential allotment to promoters and others.</p> <p>(c) Paid-up capital</p> <p>(i) after the present issue,</p> <p>(ii) after conversion of debentures (if applicable)</p>		<p>6.22.1 Following details shall appear</p> <p>a. Authorised, issued, subscribed and paid up capital (Number of instruments, description, aggregate nominal value)</p> <p>b. Size of present issue giving separately promoters contribution, firm allotment/ reservation for specified categories and net offer to public.</p> <p>c. (Number of instruments, description, aggregate nominal value and issue amount shall be given in that order, Name(s) of group companies to be given, in case, reservation has been made for shareholders of the group companies )</p> <p>d. Paid-up Capital</p> <p>i. after the issue</p> <p>ii. after conversion of securities (if applicable)</p> <p>e. Share Premium Account (before and after the issue)</p>
			Complete Notes to the Capital Structure (6.4.2)	6.22.2 Complete Notes to the Capital Structure
6.22.2	A disclosure to the effect that the securities offered through this public/			6.22.3 A disclosure to the effect that the securities offered through this

	rights issue shall be made fully paid up or forfeited within 12 months from the date of allotment of securities in a manner as specified in clause 8.5.2.			public/ rights issue shall be made fully paid up or forfeited within 12 months from the date of allotment of securities in a manner as specified in clause 8.5.2.
<b>6.23</b>	<b>Terms of the present issue</b>			<b>6.23 Terms of the Present Issue</b>
6.23.1	i. Authority for the issue, terms of payment and procedure and time schedule for allotment and issue of certificates. ii. The caption "Interest in Case of Delay in Despatch of Allotment Letters/ Refund Orders in Case of Public Issues" shall appear.	(a) Authority for the issue, terms of payments and procedure and procedure and time schedule for allotment and issue of certificates.		6.23.1 i. Authority for the issue, terms of payment and procedure and time schedule for allotment and issue of certificates/ refund orders. ii. The clause "Interest in Case of Delay in Despatch of Allotment Letters/ Refund Orders in Case of Public Issues" shall appear.
<b>6.23.2</b>	<b>How to apply – availability of forms, prospectus and mode of Payment</b>	(b) How to apply - Availability of forms, Prospectus Mode of payment		6.23.2 How to Apply, Availability of Prospectus, Abridged Prospectus and Application Forms, Mode of Payment and Book building procedure, if relevant
6.23.2.1	<b>Applications by NRIs</b> a) In the application form meant for Indian Public, the declaration relating to Nationality and Residency shall be shown prominently as under: <b>"Nationality and Residency (Tick whichever is applicable)</b> i. I am / We are Indian National(s) resident in India and I am/we are not applying for the said equity shares as nominee(s) of any person resident outside India or Foreign National(s). ii. I am / We are Indian National(s) resident in India and I am / We are applying for the said equity shares as Power of Attorney holder(s) of Non- Resident Indian(s) mentioned below on non-repatriation basis.			<b>6.23.2.1 Application by NRIs</b> a) In the application form meant for Indian Public, the declaration relating to Nationality and Residency shall be shown prominently as under: "Nationality and Residency (Tick whichever is applicable) i. I am / We are Indian National(s) resident in India and I am/we are not applying for the said equity shares as nominee(s) of any person resident outside India or Foreign National(s). ii. I am / We are Indian National(s) resident in India and I am / We are applying for the said equity shares as Power of Attorney holder(s) of Non- Resident Indian(s)

<p>iii. I am / We are Indian National(s) resident outside India and I am/we are applying for the said equity shares on my / our own behalf on non-repatriation basis."</p> <p>b) The application form meant for NRIs shall not contain provision for payment through NR(O) accounts.</p> <p>i. On the face of the form, the following legend shall be printed in a box: "Attention NRI Applicants: Payment must be made through their Non Resident External (NRE) / Foreign Currency Non Resident (FCNR) accounts or through cheques / drafts sent from abroad and drawn on convertible rupee accounts in India. Forms accompanied by cheques drawn on NR(O) accounts are liable to be rejected".</p> <p>c) Attention of NRIs shall be invited to the following:</p> <p>i. the name and address of at least one place in India from where individual NRI applicants can obtain the application forms.</p> <p>ii. Such applications as are accompanied by payment in free foreign exchange shall be considered for allotment under the reserved category.</p> <p>iii. Such NRIs who wish to make payment through Non-Resident Ordinary (NRO) accounts shall use the form meant for Resident Indians and shall not use the form meant for reserved category.</p>	<p>mentioned below on non-repatriation basis.</p> <p>iii. I am / We are Indian National(s) resident outside India and I am/we are applying for the said equity shares on my / our own behalf on nonrepatriation basis."</p> <p>b) The application form meant for NRIs shall not contain provision for payment through NR(O) accounts.</p> <p>I On the face of the form, the following legend shall be printed in a box: "Attention NRI Applicants: Payment must be made through their Non Resident External (NRE) / Foreign Currency Non Resident (FCNR) accounts or through cheques / drafts sent from abroad and drawn on convertible rupee accounts in India. Forms accompanied by cheques drawn on NR(O) accounts are liable to be rejected".</p> <p>c) Attention of NRIs shall be invited to the following:</p> <p>i. the name and address of at least one place in India from where individual NRI applicants can obtain the application forms.</p> <p>ii. Such applications as are accompanied by payment in free foreign exchange shall be considered for allotment under the reserved category.</p> <p>iii. Such NRIs who wish to make payment through Non-Resident Ordinary (NRO)</p>
--	---

<p>d) The application form should contain necessary instructions/provision for the following:</p> <ol style="list-style-type: none"> <li>i. Instructions to applicants to mention the number of application form on the reverse of the instruments to avoid misuse of instruments submitted along with the applications for shares/ debentures in public issues.</li> <li>ii. Provision in the application form for inserting particulars relating to savings bank / current account number and the name of the bank with whom such account is held, to enable <i>the Registrars to print</i> the said details in the refund orders after the names of the payees.</li> <li>iii. Disclosure of PAN/GIR number in respect of applications for monetary value of the investment of Rs.50,000 and above.</li> <li>iv. Giving an option to investors to either receive securities in the form of physical certificates or hold them in dematerialised form.</li> </ol>			<p>accounts shall use the form meant for Resident Indians and shall not use the form meant for reserved category. As regards applications in case of reservations to NRIs, a disclosure is to be made incorporating the fact that payment for such allotments shall come through external source only and that payments through NRO account will not be permitted.</p> <p>d) The application form should contain necessary instructions/provision for the following:</p> <ol style="list-style-type: none"> <li>i. Instructions to applicants to mention the number of application form on the reverse of the instruments to avoid misuse of instruments submitted along with the applications for shares/ debentures in public issues.</li> <li>ii. Provision in the application form for inserting particulars relating to bank account number and the name of the bank with whom such account is held, to enable printing of the said details in the refund orders or for refunds through ECS.</li> <li>iii. Disclosure of PAN/GIR number in respect of applications for monetary value of the investment of Rs.50,000 and above.</li> <li>iv. Details of options, if any, to receive securities subscribed for, either in dematerialised or physical form and a</li> </ol>
--	--	--	--



				statement that trading in securities on the stock exchanges in physical form will be available only subject to limits prescribed by the Board for time to time.
			Application by Mutual Fund (6.5.4.1)	6.23.2.2 Application by Mutual Fund
6.23.3	Any special tax benefits for company and its shareholders	(c) Special tax benefits to company and shareholders under the Income Tax Act. If any		6.23.3 Any special tax benefits for company and its shareholders (Only section numbers of the Income Tax Act should be mentioned, without reproducing the text of the sections)
<b>6.24</b>	<b>Particulars of the issue</b>			<b>6.24 Particulars of the Issue</b>
6.24.1	Objects	(a) Objects of the issue		6.24.1 Objects of the issue
6.24.2	Project Cost	(b) Project cost		6.24.2 Project cost
6.24.3	Means of financing	Means of financing (including contribution of promoters).		6.24.3 Means of financing
			Name of Appraising Agency (6.6.4) Name of Monitoring Agency (6.6.6)	6.24.4 Name of Appraising Agency 6.24.5 Name of Monitoring Agency
<b>6.25</b>	<b>Company, Management and Project</b>			<b>6.25 Company, Management and Project</b>
6.25.1	History and main objects and present business of the company	(a) History, main, object and present business of the company.		6.25.1 History and main objects and present business of the company
6.25.2	Promoters and their Background	(b) Background of promoters		6.25.2 Promoters and their background
6.25.3	Names, address and occupation of manager, managing director, and other Directors (including nominee-directors, whole-time directors giving their directorships in other companies)	(b) managing director/whole -time director and names of nominees of institutions, if any, on the Board of Directors.		6.25.3 Names, address and occupation of manager, managing director, and other Directors (including nominee-directors and whole-time directors) giving their directorships in other companies
6.25.4	Location of the Project	(c) Location of the project.		6.25.4 Location of the project

6.25.5	Plant and machinery , technology, process, etc	(d) Plant and machinery, technology, process, etc.		6.25.5 Plant and machinery , technology, process, etc
6.25.6	Collaboration, any performance guarantee or assistance in marketing by the collaborators	(e) Collaboration, performance guarantee, if any, or assistance in marketing by the collaborators.		6.25.6 Collaboration, any performance guarantee or assistance in marketing by the collaborators
6.25.7	Infrastructure facilities for raw materials and utilities like water, electricity, etc.	(f) Infrastructure facilities for raw materials and utilities like water, electricity, etc.		6.25.7 Infrastructure facilities for raw materials and utilities like water, electricity, etc.
6.25.8	Schedule of implementation of the project and progress made so far, giving details of land acquisition, civil works, installation of plant and machinery, trial production, date of commercial production etc	(g) Schedule of implementation of the project and progress made so far, giving details of land acquisition, execution of civil works, installation of plant and machinery, trial production, date of commercial production, if any.		6.25.8 Schedule of implementation of the project and progress made so far, giving details of land acquisition, civil works, installation of plant and machinery, trial production, date of commercial production etc
<b>6.25.9</b>	<b>The products</b>			
6.25.9.1	Nature of the product/s - consumer / industrial and end users	(h) The products-- (i) Nature of products(s) - consumer/ industrial and end-users.		6.25.9 Products/Services 6.25.9.1 Nature of the products/services and end users
6.25.9.2	Market including details of the competition, past production figures for the industry, existing installed capacity, past trends and future prospects regards exports (if applicable), demand and supply forecasts (if given should be essentially with assumptions unless sourced from a market research agency of repute), etc. to be given.	(ii) Existing, licensed and installed capacity of the product, demand of the product-existing, and estimated in the coming years as estimates by a Government authority or by any other reliable institution, giving source of the information. (iv) In case of company providing services, relevant information in regard to nature/ extent of services, etc., to be furnished.		6.25.9.2 Existing, licensed and installed capacity of the product, demand of the product-existing, and estimated in the coming years as estimates by a Government authority or by any other reliable institution, giving source of the information. In case of company providing services, relevant information in regard to nature/ extent of services, etc., to be furnished.
6.25.9.3	Source of data used shall be mentioned			
6.25.9.4	Approach to marketing and proposed marketing set up	(iii) Approach to marketing and proposed marketing set up.		6.25.9.3 Approach to marketing and proposed marketing set up
6.25.9.5	Export possibilities and export			6.25.9.4 Export possibilities and export

	obligations, if any (in case of a company providing any "service" particulars, as applicable, be furnished)			obligations, if any.
<b>6.25.10</b>	<b>Future prospects</b>	(i) Future prospects--the expected year when the company would be able to earn net profit, declare dividend		In view of the fact that SEBI has prohibited projections in the offer document, it may not be retained. However since this is the requirement mandated by the Companies Act, SEBI may take up with DCA.
<b>6.25.11</b>	<b>Stock Market Data</b> i) Particulars of:- a. high, low and average market prices of the share of the company during the preceding three years; b. monthly high and low prices for the six months preceding the date of filing the draft prospectus with Board which shall be updated till the time of filing the prospectus with the Registrar of Company / Stock Exchange concerned. c. number of shares traded on the days when the high and low prices were recorded in the relevant stock exchange during said period of (i) and (ii) above; d. the stock market data referred to above shall be shown separately for periods marked by a change in capital structure, with such period commencing from the date the concerned stock exchange recognises the change in the capital structure (e.g. when the shares have become ex-rights or ex-bonus); e. the market price immediately after the date on which the resolution of the Board of	(d) Stock market quotation of shares/ Debentures of the company, if any (high/low price in each of the last three years and monthly high/low price during the last six months)		<b>6.25.11 Stock Market Data</b> i) Particulars of:- a. high, low and average market prices of the share of the company during the preceding three years; b. monthly high and low prices for the six months preceding the date of filing of the prospectus c. number of shares traded on the days when high and low prices were recorded in the relevant stock exchange during period of (i) and (ii) above, and total volume traded on those dates; d. the stock market data referred to above shall be shown separately for periods marked by a change in capital structure, with such period commencing from the date the concerned stock exchange recognises the change in the capital structure (e.g. when the shares have become exrights or ex-bonus); e. the market price immediately after the date on which the resolution of the Board of Directors approving the issue was approved; f. the volume of securities traded in each month during the six months preceding the date on which the offer document is filed with ROC.

	<p>Directors approving the issue was approved;</p> <p>f. the volume of securities traded in each month during the six months preceding the date on which the offer document is filed with ROC.</p> <p>g. Along with high, low and average prices of shares of the company, details relating to volume of business transacted should also be stated for respective periods.</p>			<p>g. Along with high, low and average prices of shares of the company, details relating to volume of business transacted should also be stated for respective periods.</p>
<b>6.26</b>	<p><b>Following particulars in regard to the listed companies under the same management with the meaning of Section 370(1B) which made any capital issue in the last three years.</b></p> <p>a. Name of the company</p> <p>b. Year of issue</p> <p>c. Type of issue (public/ rights/ composite)</p> <p>d. Amount of issue</p> <p>e. Date of closure of issue</p> <p>f. Date of despatch of share/ debenture certificate completed</p> <p>g. Date of completion of the project, where object of the issue was financing of a project</p> <p>h. Rate of dividend paid</p>	<p>VIII Following particulars in regard to the listed companies under the same section 370(1B) which made any capital issue in the last three years</p> <p>(a) Names of the company</p> <p>(b) Year of issue</p> <p>(c) Type of issue (public/rights/composite)</p> <p>(d) Amount of issue</p> <p>(e) Date of closure of issue.</p> <p>(f) Date of despatch of share/debenture certificate completed</p> <p>(g) Date of completion of the project</p> <p>(h) Rate of dividend paid.</p>		<p><b>6.26 Following particulars in regard to the listed companies under the same management which made any capital issue in the last three years.</b></p> <p>a. Name of the company</p> <p>b. Year of issue</p> <p>c. Type of issue (public/ rights/ composite)</p> <p>d. Amount of issue</p> <p>e. Date of closure of issue</p> <p>f. Date of despatch of share/ debenture certificate completed</p> <p>g. Date of completion of the project, where object of the issue was financing of a project</p> <p>h. Rate of dividend paid</p>
<b>6.27</b>	<p><b>Basis for Issue Price</b></p> <p>Following information shall be disclosed for all issues irrespective of the issue price.</p> <p>a. Earnings per share i.e. EPS pre-issue for the last three years (as adjusted for changes in capital);</p> <p>b. P/E pre-issue</p> <p>c. Average return on net worth in the last three years</p>			<p><b>6.27 Basis for Issue Price</b></p> <p>a. Earnings per share i.e. EPS pre issue for the last three years (as adjusted for changes in capital);</p> <p>b. P/E pre-issue</p> <p>c. Average return on net worth in the last three years</p> <p>d. Minimum return on increased net worth required to maintain preissue EPS;</p> <p>e. Net Asset Value per share based</p>

	<p>d. Minimum return on increased net worth required to maintain pre-issue EPS;</p> <p>e. Net Asset Value per share based on last balance sheet;</p> <p>f. Net Asset Value per share after issue and comparison thereof with the issue price.</p> <p>g. Comparison of all the accounting ratios of the issuer company as mentioned above with the industry average and with the accounting ratios of the peer group (i.e companies of comparable size in the same industry. (Indicate the source from which industry average and accounting ratios of the peer group has been taken)</p> <p><b>Provided that</b> the projected earnings shall not be used as a justification for the issue price in the offer document.</p> <p><b>Provided</b> further that the accounting ratios disclosed in the offer documents in support of basis of the issue price shall be calculated after giving effect to the consequent increase in capital on account of compulsory conversions outstanding, as well as on the assumption that the options outstanding, if any, to subscribe for additional capital will be exercised."</p> <p>h. The face value of shares (including the statement about the issue price being "X" times of the face value)</p>			<p>on last balance sheet;</p> <p>f. Net Asset Value per share after issue and comparison thereof with the issue price.</p> <p>g. Comparison of all the accounting ratios of the issuer company as mentioned above with the industry average and with the accounting ratios of the peer group ( i.e companies of comparable size in the same industry.( Indicate the source from which industry average and accounting ratios of the peer group has been taken)</p> <p>Provided that the projected earnings shall not be used as a justification for the issue price in the offer document.</p> <p>Provided further that the accounting ratios disclosed in the offer documents in support of basis of the issue price shall be calculated after giving effect to the consequent increase in capital on account of compulsory conversions outstanding, as well as on the assumption that the options outstanding, if any, to subscribe for additional capital will be exercised.</p> <p>h. The face value of shares (including the statement about the issue price being "X" times of the face value)</p>
<p><b>6.28</b></p>	<p>Management perceptions of risk factors (e.g. Sensitivity to foreign exchange rate fluctuations, difficulty</p>	<p>IX Management perceptions of risk factors (e.g., sensitivity to foreign exchange rate fluctuations,</p>		<p>Remove this clause as this is already covered in para 6.21.13. SEBI Guidelines now require disclosure of</p>

	in availability of raw materials or in marketing of products, cost/ time overrun).	difficulty in availability of raw materials or in marketing of products, cost / time overrun.)		risk factors in a different manner.
<b>6.29</b>	Outstanding litigations			<b>6.28 Outstanding Litigations and Defaults (in a summarised tabular form)</b>
<b>6.30</b>	Whether all Payment/ Refunds, Debentures, Deposits of banks or companies, Interest on Deposits, Debenture Interest, Institutional Dues have been paid up to date.	VII Whether all payments/refunds, Debentures, fixed deposits, interest date. If not details of the arrears, if any, to be stated.		6.28.1 Whether all payment/refunds, debentures, Deposits of banks or companies, interest on deposits, debenture interest, institutional dues have been paid up to date. If not, details of the arrears, if any, to be stated.
<b>6.31</b>	If not, details of the arrears if any to be stated.			
<b>6.32</b>	Any material development after the date of the latest balance sheet and its impact on performance and prospects of the company.			6.29 Any material development after the date of the latest balance sheet and its impact on performance and prospects of the company.
<b>6.33</b>	Expert opinion obtained if any.			6.30 Expert opinion obtained, if any.
<b>6.34</b>	Change, if any, in directors and auditors during the last three years and reasons thereof.			6.31 Change, if any, in directors and auditors during the last three years and reasons thereof.
<b>6.35</b>	Option to Subscribe. a. The details of option to subscribe for securities to be dealt in a depository. b. The lead merchant banker shall incorporate a statement in the offer document and in the application form to the effect that the investor shall have an option either to receive the security certificates or to hold the securities in			

	dematerialised form with a depository. c. (In case of public issues by unlisted companies, the lead merchant banker shall incorporate a statement in the offer documents that the trading in the securities shall be in dematerialised form only for all the investors.)		
<b>6.36</b>	Material contracts and time and place of inspection .		<b>6.32 Time and Place of Inspection of material contracts (List of material contracts not required)</b>
<b>6.37</b>	<p><b>Financial Performance of the Company for the Last Five Years:(Figures to be taken from the audited annual accounts in tabular form)</b></p> <p>a. Balance Sheet Data: Equity Capital, Reserves (State Revaluation Reserve, the year of revaluation and its monetary effect on assets) and borrowings</p> <p>b. Profit and Loss data: Sales, Gross profit, Net profit, dividend paid, if any</p> <p>c. Any change in accounting policies during the last three years and their effect on the profits and the reserves of the company</p> <p>d. Lead Merchant Banker shall ensure that the financial information about the issuer company appearing in the abridged prospectus, is as per Auditors' report of the prospectus.</p>	<p>VI Financial performance of the company for the last five years:(Figure to be taken from the audited annual accounts in tabular form)</p> <p>(a) Balance-sheet data; equity capital, reserves (state revaluation reserve and its monetary effect on assets) and borrowings.</p> <p>(b) Profit and loss data: sales, gross profit, net profit, dividend paid, if any.</p> <p>(c) Any change in accounting policies during the last three years and their effect on the profits and the reserves of the company.</p>	<p><b>6.33 Financial Performance of the Company for the Last Five Years:(Figures to be taken from the audited annual accounts in a tabular form)</b></p> <p>a. Balance Sheet Data: Equity Capital, Reserves (State Revaluation Reserve, the year of revaluation and its monetary effect on assets) and borrowings</p> <p>b. Profit and Loss data: Sales, Gross profit, Net profit, dividend paid, if any</p> <p>c. Any change in accounting policies during the last three years and their effect on the profits and the reserves of the company</p> <p>d. Following information as extracted from the report of the auditors reproduced in the main offer document in terms of clause 6.18 of the Guidelines:</p> <p>i) net profit before extra ordinary items</p> <p>ii) extra ordinary items</p> <p>iii) net profit after extra ordinary items</p>

			Management Discussions and Analysis on Accounts(6.8)	6.33.1 Management Discussions and Analysis on Accounts
			Listed Ventures of Promoters (6.11.2)	6.34 Listed Ventures of Promoters
			Previous Public or Rights Issues, if any ,of last 5 years (6.19.5)	6.35 Previous Public or Rights Issues, if any ,of last 5 years
			Disclosure on Investor Grievances & Redressal System (6.16)	6.36 Disclosure on Investor Grievances & Redressal System
<b>6.38</b>	<b>Statement s after minimum subscription clause:</b> a) Minimum subscription clause shall appear followed by the statement given below: (b) No statement made in this Form shall contravene any of the provisions of the Companies Act, 1956 and the rules made thereunder".			<b>6.37 Statement regarding minimum subscription clause:</b> a) Relevant minimum subscription clause statement as given in para 6.3.8.1, 6.3.8.2 and 6.3.8.3 shall be reproduced.
			Signatories to the Offer Document.	6.38 Signatories to the Offer Document.



---

## A-IX. ADVERTISEMENTS FORMAT

---

(Referred to in paragraph 8.7.4 of the Report)

### A. SAMPLE PRE-ISSUE AD FOR A FIXED PRICE PUBLIC ISSUE

This is only an advertisement for information purposes and not a prospectus announcement.

## ABC LTD.

(Incorporated on \_\_\_\_\_ under the Companies Act as \_\_\_\_\_ and  
subsequently renamed \_\_\_\_\_ on \_\_\_\_\_)  
Registered Office: \_\_\_\_\_ Tel: \_\_\_\_\_ Fax \_\_\_\_\_  
Corporate Office: \_\_\_\_\_  
Tel: \_\_\_\_\_ Fax: \_\_\_\_\_ e-mail: \_\_\_\_\_ Website: \_\_\_\_\_

### THE ISSUE

Public issue of \_\_\_\_\_ equity shares of Rs. \_\_\_\_ each at a price of Rs. \_\_\_\_ for cash aggregating  
Rs. \_\_\_\_\_

### PROMOTERS

XXXX

### PROPOSED LISTING

Names of Stock Exchanges

### LEAD MANAGERS

Name, address, telephone and fax numbers, email ID, website address and contact person

### COMPLIANCE OFFICER OF ISSUER COMPANY

Name, address, telephone and fax numbers, email ID, website address and contact person

### CREDIT RATING (only if applicable)

### DEBENTURE TRUSTEES (only if applicable)

### AVAILABILITY OF APPLICATION FORMS

Names of Issuer and Lead Managers, Brokers and Bankers to the issue (Addresses optional)

### AVAILABILITY OF PROSPECTUS

Investors are advised to refer to the prospectus, and the risk factors contained therein, before applying in the issue. Full copy of the prospectus is available at [www.sebi.gov.in](http://www.sebi.gov.in) and websites of issuer at [www.....](http://www.....) and lead managers at [www.....](http://www.....)

**ISSUE OPENS ON:**  
**ISSUE CLOSES ON:**

Issued by  
Directors of Issuer

## B. SAMPLE OPENING AD FOR A FIXED PRICE PUBLIC ISSUE (Optional)

This is only an advertisement for information purposes and not a prospectus announcement.

### **ABC LTD.**

(Incorporated on \_\_\_\_\_ under the Companies Act as \_\_\_\_\_ and subsequently renamed \_\_\_\_\_ on \_\_\_\_\_)

Registered Office: \_\_\_\_\_ Tel: \_\_\_\_\_ Fax \_\_\_\_\_

Corporate Office: \_\_\_\_\_

Tel: \_\_\_\_\_ Fax: \_\_\_\_\_ e-mail: \_\_\_\_\_ Website: \_\_\_\_\_

#### **THE ISSUE**

Public issue of \_\_\_\_\_ equity shares of Rs. \_\_\_\_\_ each at a price of Rs. \_\_\_\_\_ for cash aggregating Rs. \_\_\_\_\_

#### **PROMOTERS**

XXXX

#### **PROPOSED LISTING**

Names of Stock Exchanges

#### **LEAD MANAGERS**

Name, address, telephone and fax numbers, email ID, website address and contact person

#### **COMPLIANCE OFFICER OF ISSUER COMPANY**

Name, address, telephone and fax numbers, email ID, website address and contact person

#### **CREDIT RATING** (only if applicable)

#### **DEBENTURE TRUSTEES** (only if applicable)

#### **AVAILABILITY OF APPLICATION FORMS**

Names of Issuer and Lead Managers, Brokers and Bankers to the issue (Addresses optional)

#### **AVAILABILITY OF PROSPECTUS**

Investors are advised to refer to the prospectus, and the risk factors contained therein, before applying in the issue. Full copy of the prospectus is available at [www.sebi.gov.in](http://www.sebi.gov.in) and websites of issuer at [www.....](http://www.....) and lead managers at [www.....](http://www.....)

#### **ISSUE OPENS TODAY**

Issued by  
Directors of Issuer

## C. SAMPLE CLOSING AD FOR A FIXED PRICE PUBLIC ISSUE

This is only an advertisement for information purposes and not a prospectus announcement.

### **ABC LTD.**

(Incorporated on \_\_\_\_\_ under the Companies Act as \_\_\_\_\_ and  
subsequently renamed \_\_\_\_\_ on \_\_\_\_\_)  
Registered Office: \_\_\_\_\_ Tel: \_\_\_\_\_ Fax \_\_\_\_\_  
Corporate Office: \_\_\_\_\_  
Tel: \_\_\_\_\_ Fax: \_\_\_\_\_ e-mail: \_\_\_\_\_ Website: \_\_\_\_\_

#### **THE ISSUE**

Public issue of \_\_\_\_\_ equity shares of Rs. \_\_\_\_ each at a price of Rs. \_\_\_\_ for cash aggregating  
Rs. \_\_\_\_\_

#### **PROMOTERS**

XXXX

#### **PROPOSED LISTING**

Names of Stock Exchanges

#### **LEAD MANAGERS**

Name, address, telephone and fax numbers, email ID, website address and contact person

#### **COMPLIANCE OFFICER OF ISSUER COMPANY**

Name, address, telephone and fax numbers, email ID, website address and contact person

#### **CREDIT RATING** (only if applicable)

#### **DEBENTURE TRUSTEES** (only if applicable)

#### **AVAILABILITY OF APPLICATION FORMS**

Names of Issuer and Lead Managers, Brokers and Bankers to the issue (Addresses optional)

#### **AVAILABILITY OF PROSPECTUS**

Investors are advised to refer to the prospectus, and the risk factors contained therein, before applying in the issue. Full  
copy of the prospectus is available at [www.sebi.gov.in](http://www.sebi.gov.in) and websites of issuer at [www.....](http://www.....) and lead managers at  
[www.....](http://www.....)

**ISSUE CLOSES TODAY**

Issued by  
Directors of Issuer

## D. SAMPLE PRE-ISSUE AD FOR A BOOKBUILDING PUBLIC ISSUE

This is only an advertisement for information purposes and is not a prospectus announcement.

### **ABC LTD.**

(Incorporated on \_\_\_\_\_ under the Companies Act as \_\_\_\_\_ and  
subsequently renamed \_\_\_\_\_ on \_\_\_\_\_)  
Registered Office: \_\_\_\_\_ Tel: \_\_\_\_\_ Fax \_\_\_\_\_  
Corporate Office: \_\_\_\_\_  
Tel: \_\_\_\_\_ Fax: \_\_\_\_\_ e-mail: \_\_\_\_\_ Website: \_\_\_\_\_

#### **THE ISSUE**

Public issue of \_\_\_\_\_ equity shares of Rs. \_\_\_\_\_ each at a price of Rs. \_\_\_\_\_ for cash aggregating  
Rs. \_\_\_\_\_

#### **FLOOR PRICE/PRICE BAND**

Rs. \_\_\_\_\_ per share

The Issue is being made through the 100% Book Building Process wherein at least \_\_\_\_% of the Issue shall be allocated on a discretionary basis to Qualified Institutional Buyers. Further, not less than \_\_\_\_% of the Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and the remaining \_\_\_\_% of the Issue shall be available for allocation on a proportionate basis to Retail Bidders, subject to valid bids being received at or above the Issue Price.

#### **PROMOTERS**

XXXX

#### **PROPOSED LISTING**

Names of Stock Exchanges

#### **BOOK RUNNING LEAD MANAGERS**

Name, address, telephone and fax numbers, email ID, website address and contact person

#### **CO-BOOK RUNNING LEAD MANAGERS**

Name, address, telephone and fax numbers, email ID, website address and contact person

#### **COMPLIANCE OFFICER OF ISSUER COMPANY**

Name, address, telephone and fax numbers, email ID, website address and contact person

#### **CREDIT RATING** (only if applicable)

#### **DEBENTURE TRUSTEES** (only if applicable)

#### **AVAILABILITY OF APPLICATION FORMS**

Names of Issuer and Bookrunners, Lead Managers, Syndicate Members, Brokers and Bankers to the issue (Addresses optional)

#### **AVAILABILITY OF RED HERRING PROSPECTUS**

Investors are advised to refer to the prospectus, and the risk factors contained therein, before applying in the issue. Full copy of the prospectus is available at [www.sebi.gov.in](http://www.sebi.gov.in) and website/s of issuer/lead managers/----- Stock Exchange.

**BID OPENS ON :**  
**BID CLOSES ON :**

Issued by  
Directors of the Issuer

## E. SAMPLE OPENING AD FOR A BOOKBUILDING PUBLIC ISSUE

This is only an advertisement for information purposes and is not a prospectus announcement.

### **ABC LTD.**

(Incorporated on \_\_\_\_\_ under the Companies Act as \_\_\_\_\_ and  
subsequently renamed \_\_\_\_\_ on \_\_\_\_\_)  
Registered Office: \_\_\_\_\_ Tel: \_\_\_\_\_ Fax \_\_\_\_\_  
Corporate Office: \_\_\_\_\_  
Tel: \_\_\_\_\_ Fax: \_\_\_\_\_ e-mail: \_\_\_\_\_ Website: \_\_\_\_\_

#### **THE ISSUE**

Public issue of \_\_\_\_\_ equity shares of Rs. \_\_\_\_\_ each at a price of Rs. \_\_\_\_\_ for cash aggregating  
Rs. \_\_\_\_\_

#### **FLOOR PRICE/PRICE BAND**

Rs. \_\_\_\_\_ per share

The Issue is being made through the 100% Book Building Process wherein at least \_\_\_\_% of the Issue shall be allocated on a discretionary basis to Qualified Institutional Buyers. Further, not less than \_\_\_\_% of the Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and the remaining \_\_\_\_% of the Issue shall be available for allocation on a proportionate basis to Retail Bidders, subject to valid bids being received at or above the Issue Price.

#### **PROMOTERS**

XXXX

#### **PROPOSED LISTING**

Names of Stock Exchanges

#### **BOOK RUNNING LEAD MANAGERS**

Name, address, telephone and fax numbers, email ID, website address and contact person

#### **CO-BOOK RUNNING LEAD MANAGERS**

Name, address, telephone and fax numbers, email ID, website address and contact person

#### **COMPLIANCE OFFICER OF ISSUER COMPANY**

Name, address, telephone and fax numbers, email ID, website address and contact person

#### **CREDIT RATING** (only if applicable)

#### **DEBENTURE TRUSTEES** (only if applicable)

#### **AVAILABILITY OF APPLICATION FORMS**

Names of Issuer and Bookrunners, Lead Managers, Syndicate Members, Brokers and Bankers to the issue (Addresses optional)

#### **AVAILABILITY OF RED HERRING PROSPECTUS**

Investors are advised to refer to the prospectus, and the risk factors contained therein, before applying in the issue. Full copy of the prospectus is available at www.sebi.gov.in and website/s of issuer/lead managers.

### **BIDS OPEN TODAY**

Issued by  
Directors of the Issuer

## F. SAMPLE CLOSING AD FOR A BOOKBUILDING PUBLIC ISSUE

This is only an advertisement for information purposes and is not a prospectus announcement.

### **ABC LTD.**

(Incorporated on \_\_\_\_\_ under the Companies Act as \_\_\_\_\_ and  
subsequently renamed \_\_\_\_\_ on \_\_\_\_\_)  
Registered Office: \_\_\_\_\_ Tel: \_\_\_\_\_ Fax \_\_\_\_\_  
Corporate Office: \_\_\_\_\_  
Tel: \_\_\_\_\_ Fax: \_\_\_\_\_ e-mail: \_\_\_\_\_ Website: \_\_\_\_\_

#### **THE ISSUE**

Public issue of \_\_\_\_\_ equity shares of Rs. \_\_\_\_\_ each at a price of Rs. \_\_\_\_\_ for cash aggregating  
Rs. \_\_\_\_\_

#### **FLOOR PRICE / PRICE BAND**

Rs.. \_\_\_\_\_ per share

The Issue is being made through the 100% Book Building Process wherein at least \_\_\_% of the Issue shall be allocated on a discretionary basis to Qualified Institutional Buyers. Further, not less than \_\_\_% of the Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and the remaining \_\_\_% of the Issue shall be available for allocation on a proportionate basis to Retail Bidders, subject to valid bids being received at or above the Issue Price.

#### **PROMOTERS**

XXXX

#### **PROPOSED LISTING**

Names of Stock Exchanges

#### **BOOK RUNNING LEAD MANAGERS**

Name, address, telephone and fax numbers, email ID, website address and contact person

#### **CO-BOOK RUNNING LEAD MANAGERS**

Name, address, telephone and fax numbers, email ID, website address and contact person

#### **COMPLIANCE OFFICER OF THE ISSUER**

Name, address, telephone and fax numbers, email ID, website address and contact person

#### **CREDIT RATING** (only if applicable)

#### **DEBENTURE TRUSTEES** (only if applicable)

#### **AVAILABILITY OF APPLICATION FORMS**

Names of Issuer and Bookrunners, Lead Managers, Syndicate Members, Brokers and Bankers to the issue (Addresses optional)

#### **AVAILABILITY OF RED HERRING PROSPECTUS**

Investors are advised to refer to the prospectus, and the risk factors contained therein, before applying in the issue. Full copy of the prospectus is available at [www.sebi.gov.in](http://www.sebi.gov.in) and website/s of issuer/lead managers/----Stock Exchange.

### **BID CLOSES TODAY**

Issued by  
Directors of the Issuer