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SECURITIES AND EXCHANGE BOARD OF INDIA

NOTIFICATION

Mumbai, the 12th October, 2012

SECURITIES AND EXCHANGE BOARD OF INDIA

(ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS)

(FOURTH AMENDMENT) REGULATIONS, 2012

No. LAD-NRO/GN/2012-13/18/5391— In exercise of the powers conferred by section 30 of the Securities and Exchange Board of India Act, 1992 (15 of 1992), the Board hereby makes the following Regulations to further amend the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, namely:-

1. These regulations may be called the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) (Fourth Amendment) Regulations, 2012.
2. They shall come into force on the date of their publication in the Official Gazette.
3. In the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 —

- (i) in regulation 2, in sub-regulation (1), after clause (n), the following new clause shall be inserted, namely –

"(na) "General Corporate Purposes" include such identified purposes for which no specific amount is allocated or any amount so specified towards General Corporate Purpose or any such purpose by whatever name called, in the draft offer document filed with the Board:

Provided that any issue related expenses shall not be considered as a part of General Corporate Purpose merely because no specific amount has been allocated for such expenses in the draft offer document filed with the Board."

(ii) in regulation 4, after sub-regulation (3), the following new sub-regulation shall be inserted, namely-

"(4) The amount for general corporate purposes, as mentioned in objects of the issue in the draft offer document filed with the Board, shall not exceed twenty five per cent of the amount raised by the issuer by issuance of specified securities."

(iii) in regulation 5, -

(A) in sub-regulation (3), for the full stop, the symbol ":" shall be substituted;

(B) after sub-regulation (3), the following proviso shall be inserted, namely,-

"Provided that where any of the merchant bankers is an associate of the issuer, it shall declare itself as a marketing lead manager and its role shall be limited to marketing of the issue."

(iv) in regulation 10, in sub-regulation (1), in clause (b) the words "five thousand crore rupees" shall be substituted with the words "three thousand crore rupees";

(v) in regulation 11, after sub-regulation (4), the following new sub-regulation shall be inserted, namely-

"(5) An issue shall be opened after at least three working days from the date of registering the red herring prospectus with the Registrar of Companies."

(vi) in regulation 13, in sub-regulation (2), in the proviso, the words "fifty per cent." shall be substituted with the words "seventy five per cent.".

(vii) in regulation 26, in sub-regulation (1), for clause (b), the following shall be substituted, namely-

"(b) it has a minimum average pre-tax operating profit of rupees fifteen crore, calculated on a restated and consolidated basis, during the three most profitable years out of the immediately preceding five years."

(viii) in regulation 26, sub-regulation (2) shall be substituted with the following, namely, -

"(2) An issuer not satisfying the condition stipulated in sub-regulation (1) may make an initial public offer if the issue is made through the book-building process and the issuer undertakes to allot, at least seventy five percent of the net offer to public, to qualified institutional buyers and to refund full subscription money if it fails to make the said minimum allotment to qualified institutional buyers."

(ix) in regulation 30, -

(A) in sub-regulation (2),

(i) the words "If the floor price or price band is not mentioned in the red herring prospectus," shall be omitted;

(ii) the words "two working days" shall be substituted with the words "five working days";

(B) after sub-regulation (3), the following new sub-regulation shall be inserted, namely-

"(3A) The announcement referred to in sub-regulation (2) and the relevant financial ratios referred to in sub-regulation (3) shall be disclosed on the websites of those stock exchanges where the securities are proposed to be listed and shall also be pre-filled in the application forms available on the websites of the stock exchanges."

(x) in regulation 32, in sub-regulation (1) -

(A) in clause (a), for the symbol ";" the symbol ":" shall be substituted;

(B) after clause (a) the following proviso shall be inserted, namely,-

"Provided that in case the post issue shareholding of the promoters is less than twenty per cent., alternative investment funds may contribute for the purpose of meeting the shortfall in minimum contribution as specified for promoters, subject to a maximum of ten per cent of the post issue capital."

(xi) in regulation 33, in sub-regulation (1)-

A. in clause (b), after the words "acquired by promoters", the words "and alternative investment funds", shall be inserted.

B. In clause (b), in the proviso, in para (i), after the words "if promoters", the words and symbol "/alternative investment funds, as applicable", shall be inserted.

C. In clause (c), after the words "allotted to promoters", the words "and alternative investment funds", shall be inserted.

(xii) in regulation 36, in clause (a), after the words "minimum promoters' contribution" and before the words "shall be", the words and symbols "including contribution made by alternative investment funds, referred to in proviso to clause (a) of sub-regulation (1) of regulation 32," shall be inserted.

(xiii) in regulation 43,

(A) sub-regulation (2) shall be substituted with the following, namely -

"(2) In an issue made through the book building process under sub-regulation (1) of regulation 26, the allocation in the net offer to public category shall be as follows:

(a) not less than thirty five per cent to retail individual investors;

(b) not less than fifteen per cent to non-institutional investors;

(c) not more than fifty per cent to qualified institutional buyers, five per cent. of which shall be allocated to mutual funds:

Provided that in addition to five per cent allocation available in terms of clause (c), mutual funds shall be eligible for allocation under the balance available for qualified institutional buyers.";

(B) after sub-regulation (2), the following new sub-regulation shall be inserted, namely:-

"(2A) In an issue made through the book building process under sub-regulation (2) of regulation 26, the allocation in the net offer to public category shall be as follows:

- (a) not more than ten per cent to retail individual investors;
- (b) not more than fifteen per cent to non-institutional investors;
- (c) not less than seventy five per cent to qualified institutional buyers, five per cent. of which shall be allocated to mutual funds:

Provided that in addition to five per cent. allocation available in terms of clause (c), mutual funds shall be eligible for allocation under the balance available for qualified institutional buyers."

(xiv) in regulation 49, in sub-regulation (1), the words "five thousand rupees to seven thousand rupees" shall be substituted with the words "ten thousand rupees to fifteen thousand rupees".

(xv) in regulation 50,-

(A) in sub-regulation (1), after the words "to applicants other than" and before the words "anchor investors", the words "retail individual investors and" shall be inserted;

(B) after sub-regulation (1) the following new sub-regulation shall be inserted, namely,-

"(1A) The allotment of specified securities to each retail individual investor shall not be less than the minimum bid lot, subject to availability of shares in retail individual investor category, and the remaining available shares, if any, shall be allotted on a proportionate basis."

(xvi) after regulation 51, the following new regulation shall be inserted, namely,-

"Annual Updation of Offer Document

51A. The disclosures made in the red herring prospectus while making an initial public offer, shall be updated on an annual basis by the issuer and shall be made publicly accessible in the manner specified by the Board."

(xvii) in regulation 57, in sub-regulation (2), -

(A) in clause (b), for the full stop the symbol ":" shall be substituted;

(B) after clause (b), the following proviso shall be inserted, namely-

"Provided that in the case of a further public offer or a rights issue, the offer document shall be deemed to be in compliance with the

provisions of this regulation, if suitable references are made to the updated disclosures in the offer document referred to in regulation 51A of these regulations."

(xviii) in regulation 85, -

(A) in sub-regulation (1), for the full stop the symbol ":" shall be substituted;

(B) after sub-regulation (1), following proviso shall be inserted, namely, -

"Provided that the issuer may offer a discount of not more than five per cent. on the price so calculated for the qualified institutions placement, subject to approval of shareholders as specified in clause (a) of regulation 82 of these regulations."

(xix) in Schedule VI, in Form A, after para (16), following new Para shall be inserted, namely -

"(17) We certify that profits from related party transactions have arisen from legitimate business transactions."

(xx) in Schedule VII, -

(A) in para (1),-

(I) in clause (d), -

(i) the words "or deletion" shall be omitted;

(ii) the words "a change" shall be substituted with the words "an increase";

(iii) the words "ten per cent" shall be substituted with the words "twenty per cent";

(iv) after the full stop, the following shall be inserted, namely,-

"However, if there are grounds to believe that there is an exacerbation of risk on account of deletion of an object resulting in a decrease in issue size by more than twenty per cent., the Board may require fresh filing of the offer document along with fees."

(II) in clause (e), the words "ten per cent" shall be substituted with the words "twenty per cent";

(III) in clause (f), -

(i) the word "or decrease" shall be omitted;

(ii) the words "ten per cent." shall be substituted with the words "twenty per cent."

(B) in para (2), in clause (a), in sub-clause (iii), the words and symbols "by not more than 10%" shall be substituted with the words and symbols "by more than 10% and not exceeding 20%."

(xxi) in Schedule VIII, in Part A, in para 2, in item (I), in sub-item (A), in clause (2), in sub-clause (i), after the full stop, the following shall be inserted, namely,-

"Where any of the merchant bankers is an associate of the issuer, it shall disclose the same and shall declare itself to be a 'Marketing Lead Manager'."

(xxii) in Schedule XI, in Part A,-

(A) in para 12, -

(I) for clause (i), the following clause shall be substituted, namely,-

"(i) The retail individual investors may either withdraw or revise their bids until finalization of allotment."

(II) for clause (j), the following clause shall be substituted, namely,-

"(j) The qualified institutional buyers and the non-institutional investors shall neither withdraw nor lower the size of their bids at any stage."

(B) in para 15, -

(I) in clause (a),-

(i) the words and symbol "retail individual investors," shall be omitted;

(ii) after the full stop, the following shall be inserted namely,-

"The allotment to retail individual investors shall be made as referred to in sub-regulation (1A) of regulation 50 of these regulations."

(II) in clause (b), in the proviso, the symbol and words " , in case the book building process is undertaken for the purpose of compliance of eligibility conditions for public issue" shall be omitted.

(xxiii) for Schedule XIV, the following shall be substituted, namely:-

" Schedule XIV

[See regulation 49 (2)]

ILLUSTRATION EXPLAINING MINIMUM APPLICATION SIZE

For inviting applications in multiples of the minimum value as referred to in sub-regulation (2) of regulation 49, the procedure is clarified by following example:

Assuming an issue is being made at a price of Rs.900 per equity share. In this case, the issuer in consultation with the lead merchant banker can determine the minimum application lot within the range of 12 – 16 equity shares (in value terms between Rs.10,000- Rs.15,000), as explained hereunder:

Options	I	II	III	IV	V
Lot Size @ Rs.900/- per share	12 shares	13 shares	14 shares	15 shares	16 shares
Application / Bid amount for 1 lots	10800	11700	12600	13500	14400
Application / Bid amount for 2 lots	21600	23400	25200	27000	28800
Application / Bid amount for 4 lots	43200	46800	50400	54000	57600
Application / Bid amount for 8 lots	86400	93600	100800	108000	115200
Application / Bid amount for 16 lots	172800	187200	--	--	--
Application / Bid amount for 18 lots	194400	--	--	--	--

The options given above are only illustrative and not exhaustive.

Where the issuer in consultation with the lead merchant banker decides to fix the minimum application / bid size as 14 (Option III), necessary disclosures to the effect that the applicant can make an application for 14 shares and in multiples thereof shall be made in the offer document. "

(xxiv) for Schedule XV, the following shall be substituted, namely:-

" Schedule XV
[See regulation 50 (2), 106 and Schedule XI]

ILLUSTRATION EXPLAINING PROCEDURE OF ALLOTMENT

A.

- (1) Total no. of specified securities on offer@ Rs. 600 per share: 1 crore specified securities.
- (2) Specified securities on offer for retail individual investors' category: 35 lakh specified securities.
- (3) The issue is over-subscribed 2.5 times whereas the retail individual investors' category is oversubscribed 4 times.
- (4) Issuer decides to fix the **minimum application / bid size as 20** specified securities (falling within the range of Rs. 10,000 - 15,000). Application can be made for a minimum of 20 specified securities and in multiples thereof.
- (5) Assume that a total of **one lakh retail individual investors** have applied in the issue, in varying number of bid lots i.e. between 1 – 16 bid lots, based on the maximum application size of upto Rs. 2,00,000.
- (6) Out of the one lakh investors, there are five retail individual investors A, B, C, D and E who have applied as follows: A has applied for 320 specified securities. B has applied for 220 specified securities. C has applied for 120 specified securities. D has applied for 60 specified securities and E has applied for 20 specified securities.

(7) As per allotment procedure, the allotment to retail individual investors shall not be less than the minimum bid lot, subject to availability of shares, and the remaining available shares, if any, shall be allotted on a proportionate basis.

The actual entitlement shall be as follows:

Sr. No.	Name of Investor	Total Number of specified securities applied for	Total number of specified securities eligible to be allotted
1	A	320	20 specified securities (i.e. the minimum bid lot) + 38 specified securities [$\{35,00,000 - (1,00,000 * 20)\} / \{140,00,000 - (1,00,000 * 20)\}$] * 300 (i.e. 320-20)
2	B	220	20 specified securities (i.e. the minimum bid lot) + 25 specified securities [$\{35,00,000 - (1,00,000 * 20)\} / \{140,00,000 - (1,00,000 * 20)\}$] * 200 (i.e. 220-20)
3	C	120	20 specified securities (i.e. the minimum bid lot) + 13 specified securities [$\{35,00,000 - (1,00,000 * 20)\} / \{(140,00,000 - (1,00,000 * 20))\}$] * 100 (i.e. 120-20)
4	D	60	20 specified securities (i.e. the minimum bid lot) + 5 specified securities [$\{(35,00,000 - 1,00,000 * 20)\} / \{(140,00,000 - (1,00,000 * 20))\}$] * 40 (i.e. 60-20)
5	E	20	20 specified securities (i.e. the minimum bid lot)

B.

- (1) Total no. of specified securities on offer @ Rs. 600 per share: 1 crore specified securities.
- (2) Specified securities on offer for retail individual investors' category: 35 lakh specified securities.
- (3) The issue is over subscribed 7 times whereas the retail individual investors' category is over subscribed 9.37 times.
- (4) Issuer decides to fix the minimum application / bid size as 20 specified securities (falling within the range of Rs. 10,000 - 15,000). Application can be made for a minimum of 20 specified securities and in multiples thereof.
- (5) Assume that a total of two lakh retail individual investors have applied in the issue, in varying number of bid lots i.e. between 1 – 16 bid lots, based on the maximum application size of upto Rs. 2,00,000, as per the table shown below.
- (6) As per allotment procedure, the allotment to retail individual investors shall not be less than the minimum bid lot, subject to availability of shares.
- (7) Since the total number of shares on offer to retail individual investors is 35,00,000 and the minimum bid lot is 20 shares, the maximum no. of investors who can be allotted this minimum bid

lot will be 1,75,000. In other words, 1,75,000 retail applicants will get the minimum bid lot and the remaining 25,000 retail applicants will not get allotment.

The details of allotment shall be as follows:

No. of Lots	No. of Shares at each lot	No. of retail Investors applying at each lot	Total No. of Shares applied for at each lot	No. of investors who shall receive minimum bid-lot (to be selected on lottery)
A	B	C	D=(B*C)	E
1	20	10,000	2,00,000	8,750 =(1,75,000/2,00,000)*10,000
2	40	10,000	4,00,000	8,750
3	60	10,000	6,00,000	8,750
4	80	10,000	8,00,000	8,750
5	100	20,000	20,00,000	17,500
6	120	20,000	24,00,000	17,500
7	140	15,000	21,00,000	13,125
8	160	20,000	32,00,000	17,500
9	180	10,000	18,00,000	8,750
10	200	15,000	30,00,000	13,125
11	220	10,000	22,00,000	8,750
12	240	10,000	24,00,000	8,750
13	260	10,000	26,00,000	8,750
14	280	5,000	14,00,000	4,375
15	300	15,000	45,00,000	13,125
16	320	10,000	32,00,000	8,750
Total		2,00,000	328,00,000	1,75,000

Note: For the purpose of IDR, minimum application size shall be twenty thousand rupees.”

U.K. SINHA
CHAIRMAN
SECURITIES AND EXCHANGE BOARD OF INDIA

Footnote:

1. The SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 were published in the Gazette of India on 26th August, 2009 vide No. LAD-NRO/GN/2009-10/15/174471.
2. The SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 were subsequently amended on:-
 - (a) 11th December, 2009 by Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) (Amendment) Regulations, 2009 vide No. LAD-NRO/GN/2009-10/23/186926.

- (b) 1st January, 2010 by Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) (Amendment) Regulations, 2010 vide No. LAD-NRO/GN/2009-2010/25/189240.
- (c) 8th January, 2010 by Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) (Second Amendment) Regulations, 2010 vide No. LAD-NRO/GN/2009-10/26/190146.
- (d) 13th April, 2010 by Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) (Third Amendment) Regulations, 2010 vide No. LAD-NRO/GN/2010-11/03/1104.
- (e) 12th November, 2010 by Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) (Fourth Amendment) Regulations, 2010 vide No. LAD-NRO/GN/2010-11/19/26456.
- (f) 29th April, 2011 by Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) (Amendment) Regulations, 2011 vide F. No. LAD-NRO/GN/2011-12/05/13907.
- (g) 23rd September, 2011 by Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) (Second Amendment) Regulations, 2011 vide F. No. LAD-NRO/GN/2011-12/25/30309.
- (h) 30th January, 2012 by Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) (Amendment) Regulations, 2012 vide No. LAD-NRO/GN/2011-12/34/2499.
- (i) 7th February, 2012 by Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) (Second Amendment) Regulations, 2012 vide No. LAD-NRO/GN/2011-12/35/3186.
- (j) 24th August 2012 by Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) (Third Amendment) Regulations, 2012 vide No. LAD-NRO/GN/2012-13/12/18951.