

CORPORATE FINANCE POCKET REVISION BOOK (60 MARKS)

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CHAPTERWISE WEIGHTAGE PAST PAPER

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	75	75	75	75
	135	135	135	135

IMPORTANT SHORT NOTES

MASALA BONDS	<ul style="list-style-type: none"> ❖ With a unique name, Masala Bonds are <u>rupee denominated</u> borrowings by Indian companies in the overseas markets. ❖ This is <u>different</u> from the other overseas borrowings in the sense that in the other borrowings, the currency is normally dollar, euro, yen etc. whereas Masala Bonds are Rupee denominated. ❖ The <u>advantage</u> of issuing masala bonds is that the company does not have to worry about the depreciation in the rupee in comparison to the other bonds/ instruments that are denominated in foreign currencies. This is normally a big worry for corporates while raising money in the overseas markets. If the rupee weakens at the time of the redemption of the bonds, the company will have to pay more rupees to repay the dollars. ❖ In order to compensate the risk of currency depreciation, the buyer of the Masala Bond will get <u>a higher coupon rate</u> and therefore earns a higher yield. ❖ The masala bonds were reckoned under both corporate debt and external commercial borrowings for Foreign Portfolio investment. The Reserve Bank of India recently amended the Regulations and currently treats Masala Bonds <u>under the ECB category only</u>, where a borrower just needs to seek the RBI's approval to sell those securities. ❖ The provisions in respect of maturity period, all-in-cost ceiling and recognized lenders (investors) of Masala Bonds as under: <ul style="list-style-type: none"> i. <u>Maturity period:</u> Minimum original maturity period for Masala Bonds raised upto USD 50 million equivalent in INR per financial year should be 3 years and for bonds raised above USD 50 million equivalent in INR per financial year should be 5 years. ii. <u>All-in-cost ceiling:</u> The all-in-cost ceiling for such bonds will be 300 basis points over the prevailing yield of the Government of India securities of corresponding maturity. iii. <u>Recognised investors:</u> Entities permitted as investors under the provisions of paragraph 3.3.3 of the Master Direction No.5 dated January 1, 2016 but should not be related party within the meaning as given in Ind-AS 24.
FOREIGN DIRECT INVESTMENT	<ul style="list-style-type: none"> • Foreign Direct Investment is one of the important drivers of economic growth and a source of <u>non-debt finance</u> for the economic development of India. • FDI complements and supplements domestic investment. • Domestic companies are benefited through FDI by way of enhanced access to supplementary capital and state-of-art- technologies, as also exposure to global managerial practices resulting into employment generation and accelerated growth of the sectors. • Foreign investment through routes of Foreign Direct Investment (FDI) inflow and Foreign Portfolio Investment (FPI) inflows (net). • To promote FDI, the Government has put in place an investor-friendly policy, wherein except for a small negative list, most sectors are open for 100% FDI under the Automatic route. Further, the policy on FDI is reviewed on an ongoing basis, to ensure that India remains attractive & investor friendly destination. • Changes are made in the policy after having intensive consultations with stakeholders including apex industry chambers, Associations,

	<p>representatives of industries/groups and other organizations taking into consideration their views/comments.</p> <ul style="list-style-type: none"> • Government has also taken various steps to improve the overall business regulatory environment in the country and create a conducive business environment by streamlining the existing regulations and processes and eliminating unnecessary requirements and procedures. • Government has taken various steps in addition to ongoing schemes to boost domestic investments in India. These include the National Infrastructure Pipeline, Reduction in Corporate Tax, easing liquidity problems of NBFCs and Banks, trade policy measures to boost domestic manufacturing. • Government of India has also promoted domestic manufacturing of goods through the public procurement order, Phased Manufacturing Programme (PMP), Schemes for Production Linked Incentives of various Ministries.
<p>SECURITIZATION & STEPS INVOLVED</p> <p>(DEC 25)</p>	<ul style="list-style-type: none"> • Securitization is the transformation of financial assets into securities. • Securitization is used by financial entities to raise funding other than what is available via the traditional methods of on-balance-sheet funding. • In other words, Securitization is the process of pooling and repackaging of homogenous illiquid financial assets into marketable securities that can be sold to investors. The process leads to the creation of financial instruments that represent ownership interest in, or are secured by a segregated income producing asset or pool of assets. The pool of assets collateralizes securities. • These assets are generally secured by personal or real property (e.g. automobiles, real estate, or equipment loans), but in some cases are unsecured (e.g. credit card debt, consumer loans). <p>There are four steps in a securitization:</p> <p>(i) Special Purpose Distinct Entity (SPDE) is created to hold title to assets underlying securities; Securitisation as a structured finance mechanism has several commercial advantages, including balance sheet and risk management, increased liquidity, cost-efficient financing, marketability of the resulting securities and an opportunity for portfolio diversification, which has remained an attractive option for banks, NBFCs and financial institutions in India.</p> <p>(ii) the originator or holder of assets sells the assets (existing or future) to the SPDE;</p> <p>(iii) the SPDE with the help of an investment banker, issues securities which are distributed to investors; and</p> <p>(iv) the SPDE pays the originator for the assets with the proceeds from the sale of securities.</p>
<p>SECURITIZED DEBT INSTRUMENTS</p>	<ul style="list-style-type: none"> • Securitized debt instruments are regulated by the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002, SEBI (Issue and Listing of Securitized Debt Instruments and Security Receipts) Regulations, 2008 for listing on stock exchanges and the RBI Guidelines on Securitisation of Assets issued in 2012.

	<ul style="list-style-type: none"> • ‘Securitized debt instruments’ has been defined to mean any certificate or instrument (by whatever name called), issued to an investor by any issuer being a special purpose distinct entity which possesses any debt or receivable, including mortgage debt, assigned to such entity, and acknowledging beneficial interest of such investor in such debt or receivable, including mortgage debt, as the case may be. <p>Eligibility:- A person cannot make a public offer of securitized debt instruments or seek listing for such securitized debt instruments unless –</p> <ul style="list-style-type: none"> (a) it is constituted as a special purpose distinct entity; (b) all its trustees are registered with the SEBI under the SEBI (Issue and Listing of Securitized Debt Instruments and Security Receipts) Regulations, 2008; and (c) it complies with all the applicable provisions of these regulations and the SEBI Act.
<p>ENTITIES NOT REQUIRED TO OBTAIN REGISTRATION TO ACT AS A TRUSTEE OF SPECIAL PURPOSE DISTINCT ENTITIES</p>	<p>The <u>requirement of obtaining registration is not applicable for the following persons</u>, who may act as trustees of special purpose distinct entities:</p> <ul style="list-style-type: none"> (a) any person registered as a debenture trustee with SEBI; (b) any person registered as a securitization company or a reconstruction company with the RBI under the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002; (c) the National Housing Bank established by the National Housing Bank Act, 1987; (d) the National Bank for Agriculture and Rural Development established by the National Bank for Agriculture and Rural Development Act, 1981; (e) any scheduled commercial bank other than a regional rural bank; (f) any public financial Institution as defined under clause (72) of section 2 of the Companies Act, 2013; and (g) any other person as may be specified by SEBI.
<p>LISTING OF SECURITIZED DEBT INSTRUMENTS</p>	<ul style="list-style-type: none"> • A SPDE desirous of making an offer of securitized debt instruments to the public shall make an application for listing to one or more recognized stock exchanges. • Every SPDE desirous of listing securitized debt instruments on a recognised stock exchange, shall execute an agreement with such stock exchange. • In respect of public offer of securitized debt instruments, the SPDE or trustee thereof shall satisfy the recognised stock exchange to which a listing application is made that each scheme of securitized debt instruments was offered to the public for subscription through advertisements in newspapers for a period of not less than two days and that applications received in pursuance of the offer were allotted in accordance with these regulations and the disclosures made in the offer document. • In case of a <u>private placement</u> of securitized debt instruments, the SPDE shall ensure that it has obtained credit rating from a registered credit rating agency in respect of its securitized debt instruments.

	<ul style="list-style-type: none"> • The SPDE or trustee thereof shall submit such information, including financial information relating to the schemes, to the stock exchanges and investors and comply with such other continuing obligations as may be stipulated in the listing agreement. • The securitized debt instruments issued to the public or on a private placement basis, which are listed in recognised stock exchanges, shall be traded and such trades shall be <i>cleared and settled</i> in recognised stock exchanges subject to conditions specified by SEBI.
<p>DEBT MARKET</p>	<ul style="list-style-type: none"> ○ Debt markets are markets for the issuance, trading and settlement of various types and features of fixed income securities. ○ Fixed income securities can be issued by any legal entity like central and state governments, public bodies, statutory corporations, banks and institutions and corporate bodies. ○ The debt market in India comprises mainly of <i>two segments</i> viz., the Government securities market consisting of Central and State Governments securities, Zero Coupon Bonds (ZCBs), Floating Rate Bonds (FRBs), T-Bills and the corporate securities market consisting of FI bonds, PSU bonds, and Debentures/Corporate bonds. ○ Government securities form the <i>major part of the market</i> in terms of outstanding issues, market capitalization and trading value. ○ The trading of government securities on the Stock exchanges is currently through <i>Negotiated Dealing System</i> using members of BSE/NSE and these trades are required to be reported to the exchange. The bulk of the corporate bonds, being privately placed, were, however, not listed on the stock exchanges and the trend is changing now. Most of the debt securities which are privately placed are now listed either on both the exchanges or on one of the exchange. ○ Two Depositories, NSDL & CDSL maintain records of holding of securities in a dematerialized form. ○ Records of holding of Government securities for wholesale dealers like banks/Primary Dealers (PDs) and other financial institutions are maintained by the RBI.
<p>CONDITIONS FOR ISSUING EQUITY SHARES WITH DIFFERENTIAL RIGHTS (JUNE 2024)</p>	<p>No company limited by shares can issue equity shares with differential rights as to dividend, voting or otherwise. Such company has to comply with the following conditions, namely:-</p> <p>(a) Authorization in Articles of Association: The articles of association of the company authorizes the issue of shares with differential rights.</p> <p>(b) Passing of Ordinary Resolution at general Meeting: The issue of shares is authorized by an ordinary resolution passed at a general meeting of the shareholders. Where the equity shares of a company are listed on a recognized stock exchange, the issue of such shares shall be approved by the shareholders through postal ballot.</p> <p>(c) Limit for voting power not exceeding 74%: The voting power in respect of shares with differential rights of the company shall not exceed 74% of total voting power including voting power in respect of equity shares with differential rights issued at any point of time.</p> <p>(d) No defaults: The company has not defaulted in the following:</p>

- the company has not defaulted in filing *financial statements and annual returns* for three financial years immediately preceding the financial year in which it is decided to issue such shares;
- the company has *no subsisting default* in the payment of a declared dividend to its shareholders or repayment of its matured deposits or redemption of its preference shares or debentures that have become due for redemption or payment of interest on such deposits or debentures or payment of dividend;
- the company has not defaulted in payment of the dividend on preference shares or repayment of any term loan from a PFI or State level financial institution or scheduled Bank that has become repayable or interest payable thereon or dues with respect to statutory payments relating to its employees to any authority or default in crediting the amount in IEPF to the CG.

However, a company may issue equity shares with differential rights upon expiry of 5 years from the end financial year in which such default was made good.

(e) No Penalty: The company has not been penalized by Court or Tribunal during the last three years of any offence under the RBI Act, 1934, the SEBI Act, 1992, the SCRA, 1956, the FEMA, 1999 or any other Special Act, under which such companies being regulated by sectoral regulators.

(f) Conversion of existing equity share capital into differential voting rights and vice-versa not possible: The company shall not convert its existing equity share capital with voting rights into equity share capital carrying differential voting rights and vice versa.

(g) Register of Members: The Register of Members maintained under section 88 shall contain all the relevant particulars of the shares so issued along with details of these.

(h) The holders of the equity shares with differential rights enjoys all other rights such as bonus shares, rights shares etc., which the holders of equity shares are entitled to, subject to the differential rights with which such shares have been issued.

INTERNATIONAL MONETARY FUND – MISSION, OBJECTIVES & ACTIVITIES

- The IMF is an organization of 190-member countries, working to foster global monetary cooperation, secure financial stability, facilitate international trade, promote high employment and sustainable economic growth, and reduce poverty around the world.
- The IMF was established in 1944 in the aftermath of the Great Depression of the 1930s.
- Today, its membership embraces 190 countries, with staff drawn from 150 nations. The IMF is governed by and accountable to the 190 countries that make up its near-global membership.

Mission:-

The IMF's fundamental mission is to ensure the stability of the international monetary system. It does so in three ways:

- (i) keeping track of the global economy and the economies of member countries;
- (ii) lending to countries with balance of payments difficulties; and

	<p>(iii) giving practical help to members.</p> <p>Objectives of IMF:- The main objectives of the International Monetary Fund (IMF) are as under:</p> <ul style="list-style-type: none"> • To improve and promote global monetary cooperation of the world. • To secure financial stability by eliminating or minimizing the exchange rate stability. • To facilitate a balanced international trade. • To promote high employment through economic assistance and sustainable economic growth. • To reduce poverty around the world.
<p>FINANCIAL ASSISTANCE BY INTERNATIONAL MONETARY FUND</p>	<ul style="list-style-type: none"> • IMF lending aims to give countries breathing room to implement adjustment policies in an orderly manner, which will restore conditions for a stable economy and sustainable growth. These policies will vary depending upon the country's circumstances. • For instance, a country facing a sudden drop in the prices of key exports may need financial assistance while implementing measures to strengthen the economy and widen its export base. • A country suffering from severe capital outflows may need to address the problems that led to the loss of investor confidence- perhaps interest rates are too low; the budget deficit and debt stock are growing too fast; or the banking system is inefficient or poorly regulated. • The causes of crises are varied and complex. They can be domestic, external, or both. • Domestic factors include inappropriate fiscal and monetary policies, which can lead to large current account and fiscal deficits and high public debt levels; an exchange rate fixed at an inappropriate level, which can erode competitiveness and result in the loss of official reserves, and a weak financial system, which can create economic booms and busts. Political instability and weak institutions also can trigger crises. • External factors include shocks ranging from natural disasters to large swings in commodity prices. Both are common causes of crises, especially for low-income countries. With globalization, sudden changes in market sentiment can result in capital flow volatility. Even countries with sound fundamentals can be severely affected by economic crises and policies elsewhere. • It also provides precautionary financing to help prevent and insure against crises. The IMF's lending toolkit is continuously refined to meet countries' changing needs.
<p>INTERNATIONAL MONETARY FUND RESOURCES</p>	<p>IMF funds come from following three sources:</p> <p>1. Member quotas- Quotas are the IMF's main source of financing. Each member of the IMF is assigned a quota, based broadly on its relative position in the world economy. The IMF regularly reviews quotas to assess their adequacy overall and their distribution among members. The 16th review by IMF is expected to conclude by mid-December 2023. The previous review concluded in February 2020 without a quota increase. The last increase in quotas, to SDR 477 billion (US\$ 637 billion), was agreed to under the 14th Review, which concluded in December 2010 and took effect in January 2016. At</p>

	<p>present, India has quota of 2.75% (with 13,114.4 Millions of Special Drawing Rights) of total quota at IMF with 2.63% of voting rights.</p> <p>2. New Arrangements to Borrow- The New Arrangements to Borrow (NAB) constitutes a second line of defense. Through the NAB, certain member countries and institutions stand ready to lend additional resources to address challenges to the international monetary system. NAB activation requires support from 85% of participants eligible to vote.</p> <p>3. Bilateral borrowing agreements- Bilateral Borrowing Agreements serve as a third line of defense after quotas and the NAB. Since the onset of the global financial crisis, the IMF has entered into several rounds of bilateral borrowing agreements (BBAs) to meet its members' financing needs. Activation of the agreements requires support of 85% of creditors eligible to vote.</p>
<p>WORLD BANK</p>	<p>World Bank is an international organization affiliated with the United Nations (UN) and designed to finance projects that enhance the economic development of member states. Headquartered in Washington, D.C., the bank is the largest source of financial assistance to developing countries. It also provides technical assistance and policy advice and supervises -on behalf of international creditors - the implementation of free-market reforms.</p> <p>Together with the International Monetary Fund (IMF) and the World Trade Organization, it plays a central role in overseeing economic policy and reforming public institutions in developing countries and defining the global macro-economic agenda.</p> <p><u>FIVE CONSTITUENT INSTITUTIONS UNDER WORLD BANK</u></p> <p>The World Bank Group comprises following five constituent institutions that share a commitment to reducing poverty, increasing shared prosperity, and promoting sustainable growth and development.</p> <p><u>1. The International bank for Reconstruction and Development (IBRD)</u> - provides loans at market rates of interest to middle-income developing countries and creditworthy lower-income countries.</p> <p><u>2. The International Development Association (IDA)</u> - provides interest-free long-term loans, technical assistance, and policy advice to low-income developing countries in areas such as health, education, and rural development.</p> <p><u>3. The International Finance Corporation (IFC)</u> - operating in partnership with private investors, provides loans and loan guarantees and equity financing to business undertakings in developing countries.</p> <p><u>4. The Multilateral Investment guarantee Agency (MIGA)</u> - Loan guarantees and insurance to foreign investors against loss caused by non-commercial risks in developing countries are provided by the MIGA.</p> <p><u>5. The International Centre for Settlement of Investment Disputes (ICSID)</u> - is responsible for the settlement by conciliation or arbitration</p>

	of investment disputes between foreign investors and their host developing countries.
<p>PRIORITIES OF WORLD BANK GROUP</p>	<p>The priorities of World Bank Group inter alia covers the following:</p> <p>1) <u>Climate Change</u> Climate change, poverty, and inequality are the defining issues of our age. The World Bank Group is the biggest multilateral funder of climate investments in developing countries and intend to go further in helping countries reduce poverty and rise to the challenges of climate change.</p> <p>2) <u>Food Security</u> The World Bank Group works with partners to build food systems that can feed everyone, everywhere, every day by improving food security, promoting ‘nutrition-sensitive agriculture’ and improving food safety. The Bank is a leading financier of food systems.</p> <p>3) <u>Human Capital Project (HCP)</u> Human capital consists of the knowledge, skills, and health that people invest in and accumulate throughout their lives, enabling them to realize their potential as productive members of society. Investing in people through nutrition, health care, quality education, jobs and skills helps develop human capital, and this is key to ending extreme poverty and creating more inclusive societies.</p> <p>The Human Capital Project is a global effort to accelerate more and better investments in people for greater equity and economic growth. As of October 2022, 86 countries at all income levels are working with the World Bank Group on strategic approaches to transform their human capital outcomes.</p>
<p>ASIAN DEVELOPMENT BANK & ITS AREA OF WORK</p>	<ul style="list-style-type: none"> • The Asian Development Bank (ADB) was conceived in the early 1960s as a financial institution that would be Asian in character and foster economic growth and co-operation in one of the poorest regions in the world. • The Asian Development Bank (ADB) envisions a prosperous, inclusive, resilient, and sustainable Asia and the Pacific, while sustaining its efforts to eradicate extreme poverty in the region. • ADB assists its member and partners, by providing loans, technical assistance, growth and other equity investments to promote social and economic development. • ADB is composed of 68 members 49 of which are from the Asia and the Pacific region and 19 outside. <p><u>Areas of Work:-</u> The ADB is committed to achieving a prosperous and sustainable Asia and the Pacific, while sustaining its efforts to eradicate extreme poverty. It assists its members and partners by providing loans, technical assistance, grants, and equity investments to promote social and economic development. ADB supports projects in developing member countries that create economic and development impact, delivered through both public and private sector operations, advisory services, and knowledge support.</p> <p>As a multilateral development finance institution, ADB provides:</p>

	<ul style="list-style-type: none"> • Loans • technical assistance • grants <p>ADB maximizes the development impact of its assistance by:</p> <ul style="list-style-type: none"> • facilitating policy dialogues, providing advisory services, and • mobilizing financial resources through co-financing operations that tap official, commercial, and export credit sources.
<p>INTERNATIONAL FINANCE CORPORATION AND ITS FUNCTIONS</p>	<ul style="list-style-type: none"> • The International Finance Corporation (IFC) is a sister organization of the World Bank and member of the World Bank Group is the largest global development institution focused exclusively on the private sector in developing countries. The Bank Group has set two goals for the world to achieve by 2030: <ol style="list-style-type: none"> 1. End Extreme Poverty; and 2. Promote shared prosperity in every country. • The International Finance Corporation (IFC) is an international financial institution that offers investment, advisory, and asset-management services to encourage private-sector development in developing countries. • IFC was founded in 1956 on a bold idea that the private sector has the potential to transform developing countries. Since then IFC has expanded its horizons in more than 100 countries, coining the term "emerging markets" and pioneering new markets such as sustainable bonds. • The mission of IFC is Advance economic development by encouraging the growth of private enterprise in developing countries. • The IFC helps the countries to develop their private sectors in a variety of ways: <ul style="list-style-type: none"> ○ Investing in companies through loans, equity investments, debt securities and guarantees. ○ Mobilizing capital from other lenders and investors through loan participations, parallel loans and other means. ○ Advising businesses and governments to encourage private investment and improve the investment climate. <p>Functions of IFC:-</p> <ul style="list-style-type: none"> • It provides a wide range of investment and advisory services that help businesses and entrepreneurs in the developing world meet the challenges they face in the marketplace. • It offers innovative financial products to private sector projects in developing countries. These include loans for IFC's own account (also called A-loans), equity financing, quasi-equity financing, syndicated loans (or B-loans), risk management products, and partial credit guarantees. IFC often provides funding to financial intermediaries that on-lend to clients, especially small and medium enterprises. • It also provides advisory services that help build businesses. Much of IFC's advisory work is conducted by facilities managed by IFC but funded through partnerships with donor Governments and other multilateral institutions. Other sources of funding include donor country trust funds and IFC's own resources.

	<ul style="list-style-type: none"> • It can provide a mix of financing and advisory services that is tailored to meet the needs of each project. But the bulk of the funding, as well as leadership and management responsibility, lies with private sector owners and investors.
<p>FUNDING INSTRUMENTS OF INTERNATIONAL FINANCE CORPORATION</p>	<p>A brief on some of the <i>FUNDING INSTRUMENTS</i> are discussed below:</p> <ul style="list-style-type: none"> • <i>Benchmark & Global Bonds</i>- IFC issues various Benchmark and Global Bonds such as U.S. Dollar Benchmark Bonds, USD SOFR Floating Rate Notes Bonds, Australian Dollar Public Bonds, British Pound Sterling Public Bonds, New Zealand Dollar Public Bonds etc. • <i>Discount Notes</i>- IFC’s Discount Note Program was launched in June 2009 and provides an additional funding and liquidity management tool for IFC to support our trade finance and supply chain initiatives, and to expand the availability of short-term local currency finance. Our discount notes offer a high- quality, short-term investment opportunity in U.S. dollar and Chinese renminbi. • <i>Green Bonds</i> - IFC is one of the world’s largest financiers of climate-smart projects for developing countries. IFC was also one of the earliest issuers of green bonds, launching a Green Bond Program in 2010 to help catalyze the market and unlock investment for private sector projects that support renewable energy and energy efficiency. • <i>Impact Notes</i> - IFC is one of the world’s largest financiers of climate-smart projects for developing countries. IFC was also one of the earliest issuers of green bonds, launching a Green Bond Program in 2010 to help catalyze the market and unlock investment for private sector projects that support renewable energy and energy efficiency. • <i>MTNs & Structured Notes</i>- IFC aims to maintain the position as an active and flexible issuer of plain vanilla and structured notes. Our structured notes offer investors a yield pickup and can accommodate investor needs. • <i>Social Bonds</i> - FC’s Social Bond Program, launched in 2017, offers bond investors an opportunity to allocate investments to the achievement of certain SDGs without any additional credit risk than that of IFC as a triple-A rated issuer. Proceeds from the bonds go towards financing select projects from IFC’s Banking on Women and Inclusive Business programs, which benefit under-served populations in emerging markets including women and low-income communities with limited access to essential services such as basic infrastructure, finance etc.
<p>FOREIGN PORTFOLIO INVESTORS & ITS CATEGORIES</p>	<p>‘Foreign Portfolio Investment’ means any investment made by a person resident outside India through capital instruments where such investment is less than 10% of the post issue paid-up share capital on a fully diluted basis of a listed Indian company or less than 10% of the paid-up value of each series of capital instruments of a listed Indian company.</p>

Explanation: The 10% limit for foreign portfolio investors shall be applicable to each foreign portfolio investor or an investor group as referred in SEBI (Foreign Portfolio Investors) Regulations, 2014.

According to section 2(1)(j) of the SEBI (Foreign Portfolio Investors) Regulations, 2019, “Foreign Portfolio Investor” means a person who has been registered under Chapter II - Registration of Foreign Portfolio Investors of these regulations and shall be deemed to be an intermediary in terms of the provisions of the SEBI Act, 1992.

Categories of Foreign Portfolio Investor:-

FPI Category	Investors
Category I	<ul style="list-style-type: none"> • Government and Government related investors such as central banks, sovereign wealth funds, international or multilateral organizations or agencies including entities controlled or at least 75% directly or indirectly owned by such Government and Government related investor(s). • Pension funds and university funds. • Appropriately regulated entities such as insurance or reinsurance entities, banks, asset management companies, investment managers, investment advisors, portfolio managers, broker dealers and swap dealers. • Entities from the Financial Action Task Force member countries, or from any country specified by the Central Government by an order or by way of an agreement or treaty with other sovereign Governments, which are – <ol style="list-style-type: none"> I. appropriately regulated funds; II. unregulated funds whose investment manager is appropriately regulated and registered as a Category I foreign portfolio investor. However, the investment manager undertakes the responsibility of all the acts of commission or omission of such unregulated fund; III. university related endowments of such universities that have been in existence for more than 5 years. • An entity (A) whose investment manager is from the Financial Action Task Force member country and such an investment manager is registered as a Category I foreign portfolio investor; or (B) which is at least 75% owned, directly or indirectly by another entity and such an eligible entity is from a Financial Action Task Force member country. However such an investment manager or eligible entity undertakes the responsibility of all the acts of commission or omission of the applicants seeking registration under this sub-clause.

	<p>Category II</p> <p>"Category II foreign portfolio investor" shall include all the investors not eligible under Category I foreign portfolio investors such as –</p> <ul style="list-style-type: none"> • appropriately regulated funds not eligible as Category-I foreign portfolio investor • endowments and foundations • charitable organisations • corporate bodies • family offices • Individuals • appropriately regulated entities investing on behalf of their client, as per conditions specified by the Board from time to time • Unregulated funds in the form of limited partnership and trusts.
<p>APPLICABILITY OF ICDR 2018</p>	<p>Unless otherwise provided, these regulations shall apply to the following:</p> <p>(a) an initial public offer by an unlisted issuer;</p> <p>(b) a rights issue by a listed issuer;</p> <p>(c) a further public offer by a listed issuer;</p> <p>(d) a preferential issue by a listed issuer;</p> <p>(e) a qualified institutions placement by a listed issuer;</p> <p>(f) an initial public offer of Indian depository receipts;</p> <p>(g) a rights issue of Indian depository receipts;</p> <p>(h) an initial public offer by a small and medium enterprise;</p> <p>(i) a listing on the innovators growth platform through an issue or without an issue; and</p> <p>(j) a bonus issue by a listed issuer.</p>
<p>TYPES OF ISSUES IN THE CAPITAL MARKET</p>	<p>The following are the various types of issues in the capital market –</p> <p>INITIAL PUBLIC OFFER: It means an offer of specified securities by an <i>unlisted issuer</i> to the public for subscription and <i>includes an offer for sale</i> of specified securities to the public by any existing holder of such securities in an unlisted issuer. In order to qualify as an Initial public offer, the offer of securities must be by an unlisted issuer company and such an issue shall be made to the public and not to the existing shareholders of the unlisted issuer company.</p> <p>FURTHER PUBLIC OFFER (FPO): It is an offer of specified securities by a <i>listed issuer company</i> to the public for subscription. In other words, another issue to the public other than its existing shareholders or to a select group of persons by the listed persons is referred to as a Further Public offer.</p> <p>RIGHTS ISSUE: Rights issue of securities is an issue of specified securities by a company to its existing shareholders as on a record date in a predetermined ratio.</p> <p>PREFERENTIAL ALLOTMENT: It refers to an issue, where a <i>listed issuer</i> issues shares or convertible securities, to a select group of persons on a private placement basis it is called a preferential allotment. The issuer is required to comply with various provisions</p>

	<p>which inter alia include pricing, disclosures in the notice, lock in etc., in addition to the requirements specified in the Companies Act, 2013.</p> <p>QUALIFIED INSTITUTIONAL PLACEMENT (QIP): It refers to an issue by a <i>listed entity</i> to only qualified institutional buyers in accordance of Chapter VI of the SEBI (ICDR) Regulations, 2018.</p> <p>BONUS ISSUE: Bonus issue of shares means additional shares issued by the Company to its existing shareholders to reward for their royalty and is an opportunity to enhance the shareholders wealth. The bonus shares are issued without any cost to the Company by capitalizing the available reserves.</p>
<p>GENERAL CONDITIONS OF IPO / RIGHT ISSUE /IPO OF SME</p> <p>For IPO, use words draft offer document & offer document</p> <p>For Right Issue, Use words Draft letter of Offer & letter of Offer</p>	<p>The issuer making IPO/rights issue/IPO Of SME of specified securities shall ensure that:</p> <p>(a) it has made an application to one or more stock exchanges to seek an in-principle approval for listing of its specified securities on such stock exchanges and has chosen one of them as the designated stock exchange, in terms of Schedule XIX.</p> <p>(b) it has entered into an agreement with a depository for dematerialisation of the specified securities already issued and proposed to be issued;</p> <p>(c) all its specified securities held by –</p> <ul style="list-style-type: none"> (i) the promoters, (ii) the promoter group, (iii) the selling shareholder(s), (iv) the directors, (v) the key managerial personnel, (vi) the senior management, (vii) qualified institutional buyer(s), (viii) employees, (ix) shareholders holding SR equity shares, (x) entities regulated by Financial Sector Regulators, (xi) any other categories of shareholders as maybe specified by the Board from time to time, <p>are in the dematerialised form prior to the filing of the draft offer document;</p> <p>Explanation – For the purposes of this clause, -</p> <ul style="list-style-type: none"> (i) the term “employee” shall mean a person designated as an employee by the issuer, who is exclusively working in India, and employees of its holding, subsidiary or associate company; (ii) “financial sector regulator” shall mean an authority or body constituted under any law for the time being in force to regulate services or transactions of financial sector and includes the RBI, the SEBI, the IRDAI, the PFRDA, the IFSCA, the IBBI and such other authorities as may be specified by the Board; <p>(d) all its existing partly paid-up equity shares have either been fully paid-up or have been forfeited;</p>

(e) it has made firm arrangements of finance through verifiable means towards 75% of the stated means of finance for the specific project proposed to be funded from issue proceeds, excluding the amount to be raised through the proposed rights issue or through existing identifiable internal accruals.

(2) The amount for general corporate purposes, as mentioned in objects of the issue in the draft letter of offer and the letter of offer, shall not exceed 25% of the amount raised by the issuer. (IPO & RIGHT ISSUE)

(2A) The amount for:

(i) general corporate purposes, and
(ii) such objects where the issuer company has not identified acquisition or investment target, as mentioned in objects of the issue in the draft offer document and the offer document, shall not exceed 35% of the amount being raised by the issuer:

Provided that the amount raised for such objects where the issuer company has not identified acquisition or investment target, as mentioned in objects of the issue in the draft letter of offer and the letter of offer, shall not exceed 25% of the amount being raised by the issuer:

Provided further that such limits shall not apply if the proposed acquisition or strategic investment object has been identified and suitable specific disclosures about such acquisitions / investments are made in the draft letter of offer and the letter of offer at the time of filing of offer documents.

Extra Conditions for RIGHT ISSUE:

(3) Where the issuer or any of its promoters or directors is a wilful defaulter or a fraudulent borrower, the promoters or promoter group of the issuer shall not renounce their rights except to the extent of renunciation within the promoter group or to the specific investor(s) as disclosed by the issuer in terms of these regulations. **(only for Right Issue)**

(4) Where the issuer has issued SR equity shares to its promoters or founders, then such a SR shareholder shall not renounce their rights and the SR shares received in a rights issue shall remain under lock-in until conversion into equity shares having voting rights same as that of ordinary equity shares along with existing SR equity shares. **(only for Right Issue)**

Extra Conditions for IPO of SME:

(f) the size of offer for sale by selling shareholders shall not exceed 20% of the total issue size;

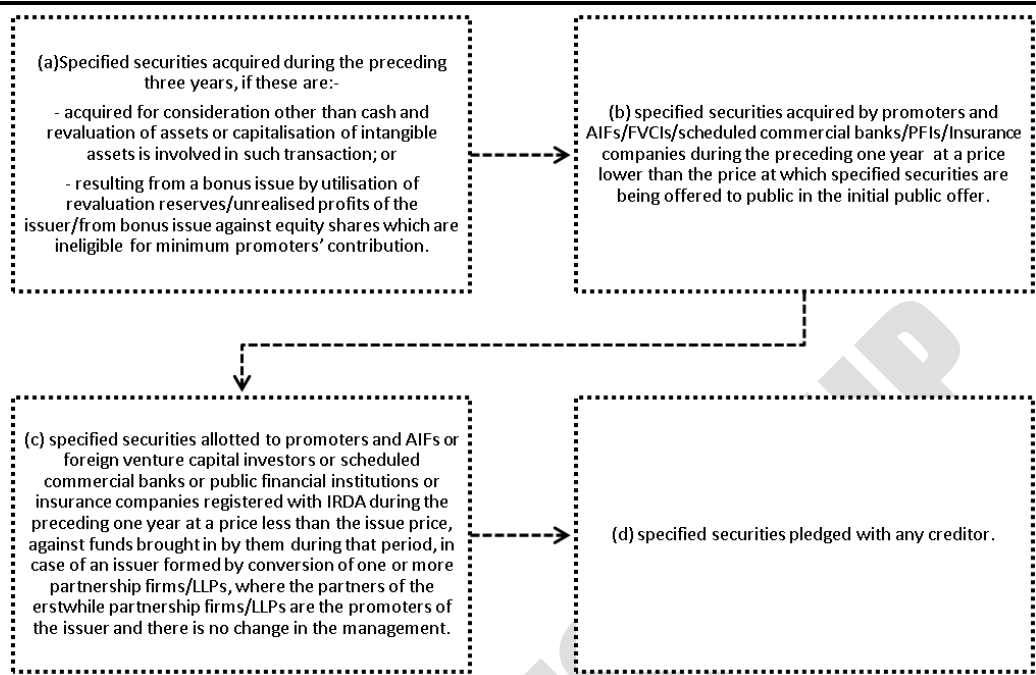
(g) the shares being offered for sale by selling shareholders shall not exceed 50% of such selling shareholders' pre-issue shareholding on a fully diluted basis;

(h) its objects of the issue should not consist of repayment of loan taken from promoter, promoter group or any related party, from the issue proceeds, directly or indirectly.

The amount for general corporate purposes, as mentioned in objects of the issue in the draft offer document and the offer document shall not

	<p>exceed 15% of the amount being raised by the issuer or ₹10 crores, whichever is less.</p>
<p>ADDITIONAL CONDITIONS FOR OFFER FOR SALE</p>	<ul style="list-style-type: none"> • Only such fully paid-up equity shares may be offered for sale to the public, which have been held by the sellers for a period of at least one year prior to the filing of the draft offer document: <p>Provided further that the requirement of holding equity shares for a period of one year shall not apply:</p> <p>a) in case of an offer for sale of a government company or statutory authority or corporation or any special purpose vehicle set up and controlled by any one or more of them, which is engaged in the infrastructure sector;</p> <p>(b) if the equity shares or equity shares arising out of conversion of fully paid-up compulsorily convertible securities are offered for sale where such equity shares or fully paid-up compulsorily convertible securities were acquired pursuant to any scheme approved by a High Court or approved by a Tribunal or the Central Government under sections 230 to 234 of the Companies Act, 2013, as applicable, in lieu of business and invested capital, which had been in existence for a period of more than one year prior to approval of such scheme;</p> <p>c) if the equity shares offered for sale were issued <i>under a bonus issue on securities</i> held for a period of at least one year prior to the filing of the draft offer document with the Board and further subject to the following:</p> <p>(i) such specified securities being issued out of free reserves and share premium existing in the books of account as at the end of the financial year preceding the financial year in which the draft offer document is filed with the Board; and</p> <p>(ii) such equity shares not being issued by utilisation of revaluation reserves or unrealized profits of the issuer.</p>
<p>ISSUE OF WARRANTS</p>	<p>An issuer shall be eligible to issue warrants in an initial public offer subject to the following:</p> <p>a) the tenure of such warrants shall <u>not exceed 18 months</u> from the date of their allotment in the initial public offer;</p> <p>b) a specified security may have one or more warrants attached to it;</p> <p>c) the price or formula for determination of exercise price of the warrants shall be determined upfront and disclosed in the offer document and <u>at least 25 % of the consideration amount</u> based on the exercise price shall also be received upfront; <i>However, in case the exercise price of warrants is based on a formula, 25 % consideration amount based on the cap price of the price band determined for the linked equity shares or convertible securities shall be received upfront.</i></p> <p>d) in case the warrant holder does not exercise the option to take equity shares against any of the warrants held by the warrant holder, within 3 months from the date of payment of consideration, such consideration made in respect of <u>such warrants shall be forfeited</u> by the issuer.</p>

<p>MINIMUM PROMOTER CONTRIBUTION (IPO)</p>	<p>Minimum Promoters' Contribution:-</p> <p>The minimum promoters' contribution shall be as follows:</p> <p>a) the promoters shall contribute 20%., as the case may be, either by way of equity shares, including SR equity shares held, if any, or by way of subscription to convertible securities.</p> <p><i>However, if the price of the equity shares allotted pursuant to conversion is not pre-determined and not disclosed in the offer document, the promoters shall contribute only by way of subscription to the convertible securities being issued in the public issue and shall undertake in writing to subscribe to the equity shares pursuant to conversion of such securities.</i></p> <p>b) in case of any issue of convertible securities which are convertible or exchangeable on different dates and if the promoters' contribution is by way of equity shares (conversion price being pre-determined), such contribution shall not be at a price lower than the weighted average price of the equity share capital arising out of conversion of such securities.</p> <p>c) in case of an initial public offer of convertible debt instruments without a prior public issue of equity shares, the promoters shall bring in a contribution of at least 20% of the project cost in the form of equity shares, subject to contributing at least 20% of the issue size from their own funds in the form of equity shares.</p> <p><i>However, if the project is to be implemented in stages, the promoters' contribution shall be with respect to total equity participation till the respective stage vis-à-vis the debt raised or proposed to be raised through the public issue.</i></p>
<p>PROMOTER CONTRIBUTION</p>	<ul style="list-style-type: none"> The promoters of the issuer shall hold at least twenty per cent. of the post-issue capital: Provided that in case the post-issue shareholding of the promoters is less than twenty per cent., alternative investment funds or foreign venture capital investors or scheduled commercial banks or public financial institutions or insurance companies registered with Insurance Regulatory and Development Authority of India or any non-individual public shareholder holding at least five per cent. of the post-issue capital or any entity (individual or non-individual) forming part of promoter group other than the promoter(s) may contribute to meet the shortfall in minimum contribution as specified for the promoters, subject to a maximum of ten per cent. of the post-issue capital without being identified as promoter(s). <p>Provided further that the requirement of minimum promoters' contribution shall not apply in case an issuer does not have any identifiable promoter.</p>
<p>SECURITIES INELIGIBLE FOR MINIMUM PROMOTER CONTRIBUTION (IPO)</p>	<p>For the computation of minimum promoters' contribution, the following specified securities shall not be eligible:</p>



*In clause (c), specified securities, allotted to promoters against capital existing in such firms for a period of more than one year on a continuous basis, shall be eligible.

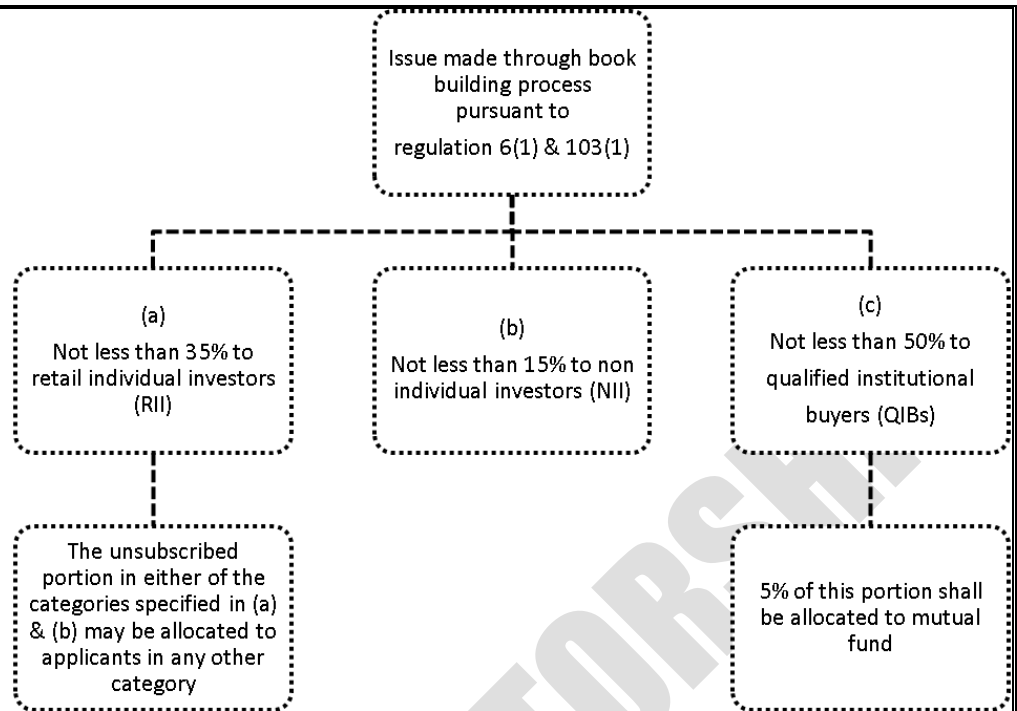
However, Clause (b) shall not apply:

- if the promoters and AIFs or foreign venture capital investors or scheduled commercial banks or public financial institutions or insurance companies registered with IRDA, as applicable pay to the issuer, the difference between the price at which specified securities are offered in the initial public offer and the price at which the specified securities had been acquired;
- if such specified securities are acquired in terms of the scheme under sections 230-240 of the Companies Act, 2013, as approved by a High Court or a tribunal or the Central Government, as applicable, by promoters or alternative investment funds or foreign venture capital investors or scheduled commercial banks or public financial institutions or insurance companies registered with Insurance Regulatory and Development Authority of India or any non-individual public shareholder holding at least five per cent. of the post issue capital or any entity (individual or non-individual) forming part of promoter group other than the promoter(s), as applicable in lieu of business and invested capital that had been in existence for a period of more than one year prior to such approval;
- to an initial public offer by a government company, statutory authority or corporation or any special purpose vehicle set up by any of them, which is engaged in infrastructure sector.

Specified securities referred above shall be eligible for the computation of promoters' contribution, if such securities are acquired pursuant to a scheme which has been approved by a High Court or approved by Tribunal or the Central Government under sections 230-240 of the Companies Act, 2013.

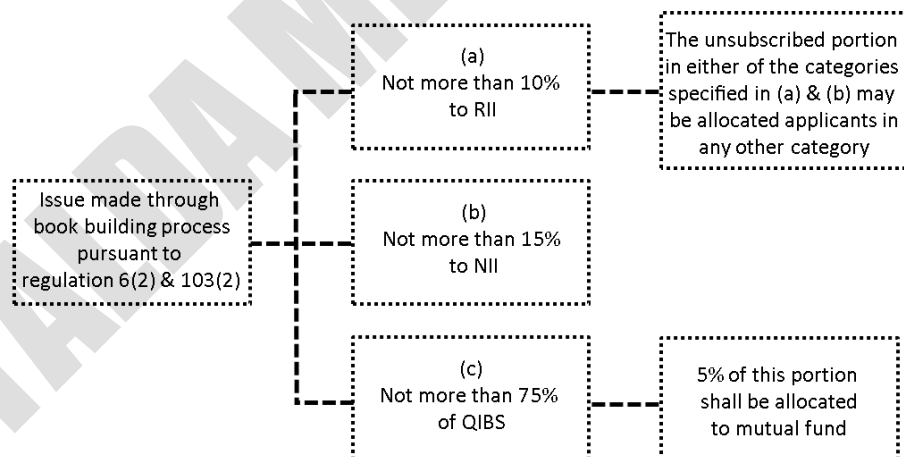
<p>PRICE & PRICE BAND (IPO)</p>	<ul style="list-style-type: none"> ➤ The issuer may mention a price or price band in the draft prospectus (in case of a fixed price issue) and floor price or price band in the red herring prospectus (in case of a book built issue) and determine the price at a later date before filing the prospectus with the Registrar of Companies. <i>However, the prospectus filed with the ROC shall contain only one price or the coupon rate, as the case may be.</i> ➤ The cap on the price band, and the coupon rate in case of convertible debt instruments, shall be less than or equal to 120% of the floor price. Provided that the cap of the price band shall be at least 105% of the floor price. ➤ The floor price or the final price shall <u>not be less than</u> the face value of the specified securities. ➤ The issuer shall announce the floor price or the price band at least two working days before the opening of the issue/bid in the pre-issue and price band advertisement in the format specified under Part A of Schedule X in the same newspapers in which the public announcement was published. ➤ The announcement referred above shall also contain all the relevant financial ratios computed for both the upper and lower end of the price band and also a statement drawing attention of the investors to the section titled “basis of issue price” of the offer document. ➤ The announcement and the relevant financial ratios 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.
<p>MANNER OF CALLS (IPO)</p>	<p>If the issuer proposes to receive subscription monies in calls, it shall ensure that the outstanding subscription money is <u>called within 12 months from the date of allotment</u> in the issue and if any applicant fails to pay the call money within the said 12 months, the equity shares on which there are calls in arrears along with the subscription money already paid on such shares shall be forfeited:</p> <p><i>Provided that it shall not be necessary to call the outstanding subscription money within 12 months, if the issuer has appointed a monitoring agency in terms of regulation 41.</i></p>
<p>DIFFERENTIAL PRICING (IPO)</p>	<p>An issuer may offer specified securities at different prices, subject to the following:</p> <ol style="list-style-type: none"> a) retail individual investors or retail individual shareholders or employees entitled for reservation made under regulation 33 & 130 of the ICDR Regulations, may be offered specified securities at a price not lower than by more than 10% of the price at which net offer is made to other categories of applicants, other than anchor investors; b) in case of a book built issue, the price of the specified securities offered to an anchor investor shall not be lower than the price offered to other applicants; c) In case the issuer opts for the alternate method of book building as specified under ICDR Regulations, 2018, the issuer may offer specified securities to its employees at a price not lower by more than 10% of the floor price.

<p>MINIMUM OFFER TO PUBLIC</p>	<p>The minimum net offer to the public shall be subject to the provision of clause (b) of sub-rule (2) of rule 19 of Securities Contracts (Regulations) Rules, 1957 (SCRR).</p> <p><i>The provisions of Rule 19(2)(b) of SCRR related to minimum offer to public are as given hereunder:</i></p> <p>The minimum offer and allotment to public in terms of an offer document shall be –</p> <p>(i) At least 25%. of each class or kind of equity shares or debentures convertible into equity shares issued by the company, if the post issue capital of the company calculated at offer price is less than or equal to ₹1,600 Crores;</p> <p>(ii) at least such percentage of each class or kind of equity shares or debentures convertible into equity shares issued by the company equivalent to the value of ₹400 Crores, if the post issue capital of the company calculated at offer price is more than ₹1,600 Crores but less than or equal to ₹4,000 Crores;</p> <p>(iii) at least 10% of each class or kind of equity shares or debentures convertible into equity shares issued by the company, if the post issue capital of the company calculated at offer price is above ₹4,000 Crores but less than or equal to ₹1,00,000 Crores;</p> <p>(iv) at least such percentage of each class or kind of equity shares or debentures convertible into equity shares issued by the company equivalent to the value of ₹5,000 Crores and at least 5% of each such class or kind of equity shares or debenture convertible into equity shares issued by the company, if the post issue capital of the company calculated at offer price is above ₹1,00,000 Crores.</p> <p><i>Provided that the company referred to in this sub-clause (iv) shall increase its public shareholding to at least 10% within a period of 2 years and at least 25% within a period of 5 years, from the date of listing of the securities, in the manner specified by the SEBI.</i></p> <p><i>Provided further that the company, referred to in sub clause (ii) or sub-clause (iii), shall increase its public shareholding to at least 25%, within a period of 3 years from the date of listing of the securities, in the manner specified by the SEBI.</i></p>
<p>ALLOCATION OF NET OFFER TO PUBLIC (IPO)</p>	<p>(1) Regulations 32(1) & 129(1):-</p> <p>In an issue made through the book building process pursuant to regulation 6 (1) & 103(1) the allocation in the net offer category shall be as follows:</p>



(2) Regulations 32(2) & 129(2):-

In an issue made through the book building process pursuant to regulation 6 (2) & 103(2) the allocation in the net offer category shall be as follows:



(3) Regulations 32(3) & 129(3):-

In an issue made through the book building process, the issuer may allocate up to 60%. of the portion available for allocation to qualified institutional buyers to Anchor Investors in accordance with the conditions specified in this regard in Schedule XIII of SEBI ICDR Regulations 2018.

Regulation 2(1)(c) of ICDR, 2018 defines Anchor Investors as - “anchor investor” means a qualified institutional buyer who makes an application for a value of at least ₹ 10 crore in a public issue on the main board made through the book building process in accordance with these regulations or makes an application for a value of at least two crore rupees for an issue made in accordance with Chapter IX of these regulations.

In an issue made through book building process, the allocation in the non-institutional investors' category shall be as follows:

- a) one third of the portion available to non-institutional investors shall be reserved for applicants with application size of more than two lakh rupees and up to ₹ 10 lakhs;
- b) two third of the portion available to non-institutional investors shall be reserved for applicants with application size of more than ₹ 10 lakhs.

Provided that the unsubscribed portion in either of the sub-categories specified in clauses (a) or (b), may be allocated to applicants in the other sub-category of non-institutional investors.

(4) Regulations 32(4) & 129(4):-

In an issue made other than through the book building process, the allocation in the net offer category shall be made as follows:

Issue made through other than book building process

- (a) Minimum 50% of Retail Individual Investors (RIIs); and
- (b) Remaining to:
 - (i) Individual applicants other than RIIs; and
 - (ii) Other investors including corporate bodies or institutions, irrespective of the number of specified securities applied for. However, the unsubscribed portion in either of the categories specified in clauses (a) or (b) maybe allocated to applicants in the other category.

It may be noted that, if the retail individual investor category is entitled to more than 50% of the issue size on a proportionate basis, the retail individual investors shall be allocated that higher percentage.

ALLOCATION TO ANCHOR INVESTORS AS PER SCHEDULE XIII

Allocation to the anchor investors shall be ***on a discretionary basis***, subject to the following:

(I) In case of ***public issue on the main board***, through the ***book building process***:

(i) minimum of 2 and maximum of 15 such investors shall be permitted for allocation up to Rs. 250 Crores, subject to minimum allotment of Rs. 5 Crores per such investor;

(ii) in case of allocation above Rs. 250 crores, a minimum of 5 such investors and a maximum of 15 such investors for allocation up to Rs. 250 Crores and an additional 15 such investors for every additional Rs. 250 Crores or part thereof, shall be permitted, subject to a minimum allotment of Rs. 5 Crores per such investor.

(II) In case of ***public issue on the SME exchange***, through the ***book building process***:

(i) maximum of 2 such investors shall be permitted for allocation up to Rs. 2 crores;

(ii) minimum of 2 and maximum of 15 such investors shall be permitted for allocation above Rs. 2 crores and up to Rs. 25 crores , subject to minimum allotment of Rs. 1 crore per such investor;

(iii) in case of allocation above Rs. 25 crores; a minimum of 5 such investors and a maximum of 15 such investors for allocation up to Rs.

	<p>25 crores and an additional 10 such investors for every additional Rs. 25 crores or part thereof, shall be permitted, subject to a minimum allotment of Rs. 1 crore per such investor.</p> <p>d) 40% of the anchor investor portion, within the limits specified in subparagraph (b), shall be reserved as under - (i) 33.33 per cent for domestic mutual funds; and (ii) 6.67 per cent for life insurance companies and pension funds:</p> <p>Any under-subscription in the reserved category specified in clause (ii) above may be allocated to domestic mutual funds.</p>
<p>RESERVATION ON COMPETITIVE BASIS (IPO)</p>	<p>According to SEBI (ICDR) Regulations, 2018, there are certain persons eligible for reservation on competitive basis.</p> <p>(1) The issuer may make reservation on a competitive basis out of the issue size excluding promoters' contribution and net offer to public in favour of the following categories of persons:</p> <ul style="list-style-type: none"> • Employees • shareholders (other than promoters and promoter group) of listed subsidiaries or listed promoter companies. <p><i>However, the issuer shall not make any reservation for the lead manager(s), registrar, syndicate member(s), their promoters, directors and employees and for the group or associate companies (as defined under the Companies Act, 2013) of the lead manager(s), registrar and syndicate member(s) and their promoters, directors and employees.</i></p> <p>(2) In case of an FPO, other than in a composite issue, the issuer may make a reservation on a competitive basis out of the issue size excluding promoters' contribution to the existing retail individual shareholders of the issuer.</p> <p>(3) The reservation on competitive basis shall be subject to following conditions:</p> <ul style="list-style-type: none"> • the aggregate of reservations for employees shall not exceed 5% of the post issue capital of the issuer and the value of allotment to any employee shall not exceed two lakhs rupees; <i>However, in the event of under-subscription in the employee reservation portion, the unsubscribed portion may be allotted on proportionate basis, for a value in excess of two lakh rupees, subject to the total allotment to an employee not exceeding ₹ 5 lakh.</i> • reservation for shareholders shall not exceed 10% of the issue size; • no further application for subscription in the net offer can be made by persons (<i>except an employee and retail individual shareholder of the listed issuer and retail individual shareholders of listed subsidiaries of listed promoter companies</i>) in favour of whom reservation on a competitive basis is made; • any unsubscribed portion in any reserved category may be added to any other reserved category and the unsubscribed portion, if any, after such inter-se adjustments among the reserved categories shall be added to the net offer category;

	<ul style="list-style-type: none"> • in case of under-subscription in the net offer category, spill-over to the extent of under-subscription shall be permitted from the reserved category to the net public offer category.
<p>UNDERWRITING (IPO)</p>	<ul style="list-style-type: none"> • If the issuer making an IPO/FPO, <u>other than through the book building process</u>, desires to have the <u>issue underwritten to cover under-subscription</u> in the issue, it shall, prior to the filing of the prospectus, <u>enter into an underwriting agreement</u> with the <u>merchant bankers or stock brokers</u> registered with SEBI to act as underwriters, indicating therein the maximum number of specified securities they shall subscribe to, either by themselves or by procuring subscription, at a predetermined price which shall not be less than the issue price, and shall disclose the fact of such underwriting agreement in the prospectus. • The issuer making an IPO/FPO, <u>other than through the book building process</u>, shall, prior to the filing of the prospectus, enter into an underwriting agreement with the merchant bankers or stock brokers registered with SEBI to act as underwriters, indicating therein the number of specified securities they shall subscribe to on account of rejection of applications, either by themselves or by procuring subscription, at a predetermined price which shall not be less than the issue price, and shall disclose the fact of such underwriting agreement in the prospectus. <p>If the issuer makes a public issue <u>through the book building process</u>:</p> <p>(a) the issue shall be underwritten by <u>lead manager and syndicate member</u>. However, at least 75% of the net offer proposed to be compulsorily allotted to qualified institutional buyers for the purpose of compliance of the eligibility conditions specified in regulation 6(2) shall not be underwritten.</p> <p>(b) the issuer shall, prior to the filing of the prospectus, enter into an underwriting agreement with the lead manager and syndicate member, indicating therein the number of specified securities they shall subscribe to on account of rejection of bids, either by themselves or by procuring subscription, at a price which shall not be less than the issue price, and shall disclose the fact of such underwriting agreement in the prospectus.</p> <p>(c) if the issuer desires to have the issue underwritten <u>to cover under-subscription in the issue</u>, it shall, prior to the filing of the red herring prospectus, enter into an underwriting agreement with the lead manager and syndicate member to act as underwriters, indicating therein the maximum number of specified securities they shall subscribe to, either by themselves or by procuring subscription, at a price which shall not be less than the issue price, and shall disclose the fact of such underwriting agreement in the red herring prospectus.</p> <p>(d) if the syndicate member fail to fulfil their underwriting obligations, the lead managers shall fulfil the underwriting obligations.</p> <p>(e) the lead manager and syndicate member shall not subscribe to the issue in any manner except for fulfilling their underwriting obligations.</p> <p>(f) in case of every underwritten issue, the lead manager shall undertake minimum underwriting obligations as specified in the SEBI (Merchant Bankers) Regulations, 1992.</p> <p>(g) where the issue is required to be underwritten, the underwriting obligations should be at least to the extent of minimum subscription.</p>

<p>MONITORING AGENCY (IPO)</p>	<ul style="list-style-type: none"> • If the issue size, <i>excluding the size of offer for sale by selling shareholders</i>, exceeds ₹ 100 crores, the issuer shall make arrangements for the use of proceeds of the issue to be monitored by a credit rating agency registered with SEBI. • The monitoring agency shall <i>submit its report</i> to the issuer in the format specified in the ICDR Regulations, 2018 on a quarterly basis, till 100% of the proceeds of the issue have been utilized. • The Board of directors and the management of the issuer shall <i>provide their comments</i> on the findings of the monitoring agency. • The issuer shall, within 45 days from the end of each quarter, publicly disseminate the report of the monitoring agency by uploading the same on its website as well as submitting the same to the stock exchange(s) on which its equity shares are listed.
<p>PRE-ISSUE ADVERTISEMENT</p>	<p>(1) Subject to the provisions of the Companies Act, 2013, the issuer shall, after filing the red herring prospectus (in case of a book-built issue) or prospectus (in case of fixed price issue) with the Registrar of Companies, make a pre-issue and price band advertisement in the same newspapers in which the public announcement was published.</p> <p>(2) The pre-issue and Price band advertisement shall be in the format and shall contain the disclosures specified in Part A of Schedule X.</p> <p>(3) The issuer may release advertisements for issue opening and issue closing, which shall be in the formats specified in Parts B and C of Schedule X.</p> <p>(4) During the period the issue is open for subscription, no advertisement shall be released giving an impression that the issue has been fully subscribed or oversubscribed or indicating investors' response to the issue.</p>
<p>POST-ISSUE ADVERTISEMENT</p>	<p>(1) The lead manager(s) shall ensure that an advertisement giving details relating to:</p> <ul style="list-style-type: none"> • Subscription, • basis of allotment, • number, value and percentage of all applications including ASBA, • number, value and percentage of successful allottees for all applications including ASBA, • date of completion of despatch of refund orders, as applicable, or instructions to self-certified syndicate banks by the registrar, • date of credit of specified securities and • date of filing of listing application, etc. <p>is released within 10 days from the date of completion of the various activities in at least:</p> <ul style="list-style-type: none"> • one English national daily newspaper with wide circulation, • one Hindi national daily newspaper with wide circulation and • one regional language daily newspaper with wide circulation at the place where registered office of the issuer is situated. <p>(2) Details specified in sub regulation (1) shall also be placed on the websites of the stock exchange(s).</p>

<p>OPENING OF THE ISSUE (IPO)</p>	<ul style="list-style-type: none"> • A public issue (both IPO and FPO) may subject to compliance of Section 26(4) of the Companies Act, 2013 <i>may be opened within 12 months</i> from the date of issuance of the observations by SEBI. • In case of a fast track issue, the issue shall open within the period specifically stipulated under the Companies Act, 2013. In case the issuer has filed a shelf prospectus, the first issue may be opened within 3 months of the issuance of observations by SEBI. • An IPO and an FPO shall be opened after at least 3 working days from the date of filing the red herring prospectus in case of a book built issue or the prospectus in case of a fixed price issue with the Registrar of Companies.
<p>MINIMUM SUBSCRIPTION (IPO)</p>	<ul style="list-style-type: none"> • The minimum subscription to be received in an issue shall be not less than 90% of the offer through offer document <i>except in case of an offer for sale of specified securities</i>. • In case of an IPO, the minimum subscription to be received shall be subject to allotment of minimum number of specified securities, as prescribed in sub-clause (b) of clause (2) of rule 19 of Securities Contracts (Regulation) Rules, 1957, which stipulates that atleast 25% of each class or kind of equity shares or debentures convertible into equity shares issued by the company was offered and allotted to public in terms of an offer document. In other words, the issue is said have received minimum subscription in an IPO if it receives 90% of the offer through offer document and 25% of the post issue capital from the public. • [Note: in terms of Rule 19 (2)(b) of SCRR, subject to certain conditions, issuers are allowed to issue less than 25% of the post issue capital to public but in this case the issuer has to raise the minimum public shareholding to 25% within a period of three years from the date of listing.] • In the event of non-receipt of minimum subscription, all application monies received <i>shall be refunded</i> to the applicants forthwith, but not later than <i>4 days</i> from the closure of the issue.
<p>PERIOD OF SUBSCRIPTION (IPO)</p>	<ul style="list-style-type: none"> ➤ An IPO/FPO shall be kept open for at least 3 working days and not more than 10 working days. ➤ In case of a revision in the price band, the issuer shall extend the bidding (issue) period disclosed in the red herring prospectus, for a minimum period of three working days. ➤ In case of force majeure, banking strike or similar unforeseen circumstances, the issuer may, for reasons to be recorded in writing, extend the bidding (issue) period disclosed in the red herring prospectus (in case of a book built issue) or the issue period disclosed in the prospectus (in case of a fixed price issue), for a minimum period of 1 working day.
<p>POST ISSUE RESPONSIBILITY OF THE LEAD MANAGER</p>	<ul style="list-style-type: none"> ➤ The responsibility of the lead manager(s) shall continue until completion of the issue process and for any issue related matter thereafter. ➤ The lead manager(s) shall regularly monitor redressal of investor grievances arising from any issue related activities. ➤ The lead manager(s) shall continue to be responsible for post-issue activities till the applicants have received the securities certificates, credit to their demat account or refund of application monies and

	<p>the listing agreement is entered into by the issuer with the stock exchange and listing or trading permission is obtained.</p> <ul style="list-style-type: none"> ➤ The lead manager(s) shall be responsible for and co-ordinate with the registrars to the issue and with various intermediaries at regular intervals after the closure of the issue to monitor the flow of applications from syndicate member(s) or collecting bank branches and/ or self-certified syndicate banks, processing of the applications including application form for ASBA and other matters till the basis of allotment is finalised, credit of the specified securities to the demat accounts of the allottees and unblocking of ASBA accounts/ dispatch of refund orders are completed and securities are listed, as applicable. ➤ Any act of omission or commission on the part of any of the intermediaries noticed by the lead manager(s) shall be duly reported by them to SEBI. ➤ In case there is a devolvement on the underwriters, the lead manager(s) shall ensure that the notice for devolvement containing the obligation of the underwriters is issued within 10 days from the date of closure of the issue. ➤ In the case of undersubscribed issues that are underwritten, the lead manager(s) shall furnish information in respect of underwriters who have failed to meet their underwriting devolvement to SEBI. 												
<p>FAST TRACK ISSUE FPO</p>	<p><i>Eligibility:-</i> An Issuer Company whose shares are already listed, need not file the draft offer document with SEBI and obtain observations from SEBI, if it satisfies the following conditions:</p> <table border="1" data-bbox="443 1070 1469 1966"> <tr> <td data-bbox="443 1070 528 1243">(a)</td> <td data-bbox="528 1070 790 1243">Listing</td> <td data-bbox="790 1070 1469 1243">The equity shares of the issuer have been listed on any stock exchange for a period of at least three years immediately preceding the reference date.</td> </tr> <tr> <td data-bbox="443 1243 528 1384">(b)</td> <td data-bbox="528 1243 790 1384">Demat Form</td> <td data-bbox="790 1243 1469 1384">Entire shareholding of the promoter group of the issuer is held in dematerialised form on the reference date.</td> </tr> <tr> <td data-bbox="443 1384 528 1518">(c)</td> <td data-bbox="528 1384 790 1518">Market Capitalisation</td> <td data-bbox="790 1384 1469 1518">The average market capitalisation of public shareholding of the issuer is at least one thousand crore rupees.</td> </tr> <tr> <td data-bbox="443 1518 528 1966">(d)</td> <td data-bbox="528 1518 790 1966">Trading Turnover</td> <td data-bbox="790 1518 1469 1966">The annualised trading turnover of the equity shares of the issuer during six calendar months immediately preceding the month of the reference date has been at least 2% of the weighted average number of equity shares listed during such six months' period. However if the public shareholding is less than 15% of its issued equity capital, the annualised trading turnover of its equity shares has been at least 2% of the weighted average number of equity shares available as free float during such six months' period.</td> </tr> </table>	(a)	Listing	The equity shares of the issuer have been listed on any stock exchange for a period of at least three years immediately preceding the reference date.	(b)	Demat Form	Entire shareholding of the promoter group of the issuer is held in dematerialised form on the reference date.	(c)	Market Capitalisation	The average market capitalisation of public shareholding of the issuer is at least one thousand crore rupees.	(d)	Trading Turnover	The annualised trading turnover of the equity shares of the issuer during six calendar months immediately preceding the month of the reference date has been at least 2% of the weighted average number of equity shares listed during such six months' period. However if the public shareholding is less than 15% of its issued equity capital, the annualised trading turnover of its equity shares has been at least 2% of the weighted average number of equity shares available as free float during such six months' period.
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	(e)	Delivery based Trading	Annualized delivery-based trading turnover of the equity shares during six calendar months immediately preceding the month of the reference date has been at least 10% of the annualised trading turnover of the equity shares during such six months' period.
	(f)	Compliance with LODR	The issuer has been in compliance with the equity listing agreement or SEBI Listing Regulations, 2015, as applicable, for a period of at least three years immediately preceding the reference date.
	(g)	Investor Complaints	The issuer has redressed at least 95% of the complaints received from the investors till the end of the quarter immediately preceding the month of the reference date.
	(h)	No show cause Notices	That no show-cause notices, excluding proceedings for imposition of penalty, have been issued by the Board and pending against the issuer or its promoters or whole-time directors as on the reference date.
	(i)	No alleged Violations	If the issuer or the promoter or the promoter group or the director of the issuer has settled any alleged violations of securities laws through the settlement mechanism of the Board in the past three years immediately preceding the reference date, then the disclosure of such compliance of the settlement order, shall be made in the offer document.
	(j)	Disciplinary Measures	Equity shares of the issuer have not been suspended from trading as a disciplinary measure during last three years immediately preceding the reference date.
	(k)	Conflict of Interest	There shall be no conflict of interest between the lead merchant banker(s) and the issuer or its group or associate company in accordance with applicable regulations.
	(l)	Audit Qualification	For audit qualifications, if any, in respect of any of the financial years for which accounts are disclosed in the offer document, the issuer shall provide the restated financial statements adjusting for the impact of the audit qualifications. Further, for the qualifications wherein impact on the financials cannot be ascertained, the same shall be disclosed appropriately in the offer document.

<p>REPORTING OF TRANSACTIONS OF THE PROMOTERS AND PROMOTER GROUP AND OTHER PRE-IPO TRANSACTIONS</p>	<ul style="list-style-type: none"> ➤ The issuer shall ensure that all transactions in securities by the promoters and promoter group between the date of filing of the draft offer document or offer document, as the case may be, and the date of closure of the issue shall be reported to the stock exchange(s), within twenty-four hours of such transactions. ➤ The issuer shall also ensure that any proposed pre-IPO/ pre-offer placement disclosed in the draft offer document shall be reported to the stock exchange(s), within twenty-four hours of such pre-IPO/ pre-offer transactions (in part or in entirety).
<p>APPOINTMENT OF INTERMEDIARIES IN RIGHT ISSUE</p>	<ul style="list-style-type: none"> ➤ The issuer shall appoint intermediaries which are <i>registered with SEBI</i> after assessing the capability of intermediaries to carry out their obligations. ➤ The issuer shall <i>enter into an agreement</i> with the intermediaries as required under the respective regulations applicable to the intermediary concerned. <p><i>Provided that such agreements may include such other clauses as the issuer and the intermediaries may deem fit without diminishing or limiting in any way the liabilities and obligations of the intermediaries and the issuer under the SEBI Act, the Companies Act, 2013, the Securities Contracts (Regulation) Act, 1956, the Depositories Act, 1996 and the rules and regulations made thereunder or any statutory modification or statutory enactment thereof.</i></p> <p><i>Provided further that in case of ASBA process, the issuer shall take cognisance of the deemed agreement of the issuer with the self-certified syndicate banks.</i></p> <ul style="list-style-type: none"> ➤ The issuer shall appoint bankers to an issue, at centres as specified in Schedule XII. ➤ The issuer shall appoint a registrar to the issue registered with SEBI, which has connectivity with all the depositories. Provided that if the issuer itself is a registrar, it shall not appoint itself as a registrar to the issue. <p><i><u>Vide this amendment, SEBI dispensed with the mandatory requirement of appointment of a Merchant Banker by an Issuer.</u></i></p>
<p>DISCLOSURES IN DRAFT LETTER OF OFFER & LETTER OF OFFER IN CASE OF RIGHT ISSUE</p>	<ul style="list-style-type: none"> ➤ The draft letter of offer and letter of offer shall contain all material disclosures which are true and adequate to enable the applicants to take an informed investment decision. ➤ The draft letter of offer and letter of offer shall contain disclosures as specified in Part B of Schedule VI. ➤ The issuer shall ensure that the information contained in the draft letter of offer and letter of offer and the particulars as per audited financial statements in the letter of offer are not more than six months old from the issue opening date. ➤ An issuer shall make disclosures in the draft letter of offer and letter of offer, if the issuer or any of its promoters or directors is a wilful defaulter or a fraudulent borrower.

	<p>➤ In the letter of offer, the issuer shall disclose the process of credit of rights entitlements in the demat account and renunciation thereof.</p>
<p>FILING OF DRAFT LETTER OF OFFER & LETTER OF OFFER IN CASE OF RIGHT ISSUE</p>	<p>➤ The issuer shall file the draft letter of offer with the stock exchange(s) and shall submit to such stock exchange(s) the following:</p> <p>a. the Permanent Account Number, bank account number and passport number of its promoters where they are individuals, and Permanent Account Number, bank account number, company registration number or equivalent, and the address of the Registrar of Companies with which the promoter is registered, where the promoter is a body corporate,</p> <p>b. in case of an issue of convertible debt instruments, a due diligence certificate from the debenture trustee as per Form B of Schedule V.</p> <p>➤ The issuer shall file letter of offer with the stock exchanges/ the designated stock exchange.</p> <p>➤ The issuer shall file a letter of offer with SEBI for information and dissemination on Board's website along with fees specified in Schedule III.</p>
<p>DRAFT LETTER OF OFFER AND LETTER OF OFFER TO BE AVAILABLE TO THE PUBLIC IN CASE OF RIGHT ISSUE</p>	<p>➤ The issuer shall ensure that the draft letter of offer and letter of offer are hosted on the websites as required under these regulations and its contents are the same as the versions as filed with SEBI and the stock exchanges, as applicable.</p> <p>➤ The stock exchanges shall provide copies of the draft letter of offer to the public as and when requested and may charge a reasonable sum for providing a copy of the same.</p>
<p>RESERVATIONS IN RIGHT ISSUE</p>	<p>(1) The issuer shall make a rights issue of equity shares only if it has made reservation of equity shares of the same class in favour of the holders of outstanding compulsorily convertible debt instruments, if any, in proportion to the convertible part thereof.</p> <p>(2) The equity shares so reserved for the holders of fully or partly compulsorily convertible debt instruments shall be issued to the holder of such convertible debt instruments at the time of conversion of such convertible debt instruments, on the same terms at which the equity shares offered in the rights issue were issued.</p> <p><i>Provided that for the purposes of offering such rights entitlements, the issuer company shall not be required to credit rights entitlements.</i></p>
<p>ALLOTMENT TO SPECIFIC INVESTORS (RIGHT ISSUE)</p>	<p>(1) For the purpose of this chapter, specific investor would mean any investor who is eligible to participate in rights issue of the issuer and-</p> <p>(a) whose name has been disclosed by the issuer in terms of sub-clause (i) of clause (f) of sub-regulation (1) of regulation 84 of these regulations;</p> <p>(b) whose name has been disclosed by the issuer in terms of sub-clause (ii) of clause (f) of sub-regulation (1) of regulation 84 of these regulations.</p> <p>(2) The application by the specific investor(s) in terms of clause (a) shall be made on the first day of issue opening before 11 A.M. and the issuer shall disclose to the stock exchange(s) whether such specific investor(s) have made the application or not, for dissemination on the first day of issue opening by 11:30 A.M.</p>

	<p>(3) No withdrawal of the application(s) shall be permitted when the application by the specific investor(s) is received in terms of clause (a).</p> <p>(4) The application in terms of clause (b) shall be made by the specific investor(s) along with the application money before the finalisation of basis of allotment.</p>
<p>PRICING OF PREFERENTIAL ISSUE TO PERSONS OTHER THAN QIB (FREQUENTLY TRADED SHARES) (REGULATION 164)</p>	<p>(1) If the equity shares of the issuer have been listed on a recognised stock exchange for a <i>period of 90 Trading Days or more</i> as on the relevant date, the price of the equity shares to be allotted pursuant to the preferential issue shall be <i>not less than</i> higher of the following:</p> <p>a. the 90 trading days Volume Weighted average price of the related equity share quoted on recognized stock exchange preceding the relevant date; or</p> <p>b. the 10 trading days Volume Weighted average price of the related equity share quoted on recognized stock exchange preceding the relevant date</p> <p>(2) If the equity shares of the issuer have been listed on a recognised stock exchange for a period of <i>less than 90 trading days</i> as on the relevant date, the price of the equity shares to be allotted pursuant to the preferential issue shall be <i>not less than</i> the higher of the following:</p> <p>a) the price at which equity shares were issued by the issuer in its <i>initial public offer</i> or the value per share arrived at in a scheme of compromise, arrangement and amalgamation under sections 230 to 234 the Companies Act, 2013, as applicable, pursuant to which the equity shares of the issuer were listed, as the case may be; or</p> <p>b) the average of the volume weighted average prices of the related equity shares quoted on the recognised stock exchange <i>during the period the equity shares have been listed</i> preceding the relevant date; or</p> <p>c) the average of the 10 trading days volume weighted average prices of the related equity shares quoted on a recognised stock exchange preceding the relevant date.</p> <p>(3) Where the price of the equity shares is determined in terms of sub-regulation (2), such price <i>shall be recomputed</i> by the issuer <i>on completion of 90 trading days</i> from the date of listing on a recognised stock exchange with reference to the 90 trading days volume weighted average prices of the related equity shares quoted on the recognised stock exchange during these 90 trading days and if such recomputed price is <i>higher than the price paid on allotment</i>, the <i>difference shall be paid by the allottees</i> to the issuer.</p> <p>(4)</p> <p>(a) A preferential issue of specified securities to <i>qualified institutional buyers</i>, not exceeding 5 in number, shall be made at a price not less than the 10 trading days volume weighted average prices of the related equity shares quoted on a recognised stock exchange preceding the relevant date.</p>

	<p>(b) no allotment shall be made, either directly or indirectly, to any qualified institutional buyer who is a promoter or any person related to the promoters of the issuer:</p> <p>Provided that a qualified institutional buyer who does not hold any shares in the issuer and who has acquired rights in the capacity of a lender shall not be deemed to be a person related to the promoters.</p> <p>(5) For the purpose of this Chapter, “frequently traded shares” means the shares of the issuer, in which the traded turnover on any recognised stock exchange during the 240 Trading days preceding the relevant date, <i>is at least 10%</i> of the total number of shares of such class of shares of the issuer:</p>
<p>LISTING & TRADING OF UNITS OF REIT/INVIT (COMMON POINTS)</p>	<ol style="list-style-type: none"> 1. The <i>listing of the units</i> of the REIT/INVIT shall be in accordance with the listing agreement entered into between the REIT/INVIT and the designated stock exchange. 2. In the event of <i>non-receipt of listing permission</i> from the stock exchange(s) or withdrawal of Observation Letter issued by SEBI, wherever applicable, the units shall not be eligible for listing and the REIT/INVIT shall be liable to refund the subscription monies, if any, to the respective allottees immediately along with interest at the rate of 15% per annum from the date of allotment. 3. The units of the REIT/INVIT listed in recognized stock exchanges shall be <i>traded, cleared and settled</i> in accordance with the bye-laws of concerned stock exchanges and such conditions as may be specified by SEBI. 4. Trading lot for the purpose of trading of units of the REIT/INVIT shall be <i>1 unit</i>. 5. The REIT/INVIT shall <i>redeem units</i> only by way of a buy-back or at the time of delisting of units. 6. The units of REIT/INVIT shall <i>remain listed</i> on the designated stock exchange unless delisted under REIT/INVIT Regulations. 7. The <i>minimum public holding</i> for the units of the listed REIT/INVIT shall be in accordance with point 4 as discussed under Issue and Allotment of Units of this lesson, failing which action may be taken as may be specified by SEBI and by the designated stock exchange including delisting of units under REIT/INVIT Regulations. 8. SEBI and the designated stock exchanges may <i>specify any other requirements</i> pertaining to listing and trading of units of the REIT/INVIT by issuance of guidelines or circulars.
<p>ALLOTMENT & LISTING BY SMALL & MEDIUM REIT</p>	<ol style="list-style-type: none"> 1) The units of the scheme of the SM REIT shall be mandatorily listed on the recognized stock exchange(s) having nationwide trading terminals. 2) The units of the SM REIT of the particular scheme shall be allotted and listed with such timelines as may be specified by the SEBI from time to time: <i>However, if the investment manager fails to allot or list units within the specified timelines, the investment manager shall pay interest to investors at the rate of 15% per annum and such interest shall not be recovered in the form of fees or any other form payable to the investment manager by the SM REIT.</i>

	<p>3) The listing of the units of the scheme of the SM REIT shall be in accordance with the listing agreement entered into between the SM REIT and the designated stock exchange.</p> <p>4) The units of the scheme of the SM REIT listed in designated stock exchanges shall be traded, cleared and settled in accordance with the bye-laws of concerned stock exchanges and such conditions as may be specified by the SEBI.</p> <p>5) No person, other than investment manager, its related parties and its associates, shall hold units of a scheme of the SM REIT which taken together with units held by him and by persons acting in concert with him in such scheme of the SM REIT, exceed 25% of the total outstanding units of such scheme of the SM REIT.</p>
<p>MODES OF FUND RAISING BY SMALL & MEDIUM REIT</p>	<p>1. The scheme of the SM REIT may raise funds from any investor whether Indian, or foreign by way of issuance of units. However, the investment by foreign investors shall be subject to the guidelines as may be specified by RBI and the Government of India from time to time.</p> <p>2. The scheme of a SM REIT and the SPV(s) thereunder may undertake leverage if the option to undertake leverage is disclosed in the scheme offer document filed for initial offer.</p> <p>3. With regard to modes of fund raising by a scheme of SM REIT, the following shall apply:</p> <p>(a) The scheme of the SM REIT shall raise capital only by way of issuance of units pertaining to the particular scheme.</p> <p>(b) For a scheme of SM REIT opting to utilize leverage in accordance with sub- regulation (2), the scheme may undertake leverage through borrowings or issuance of debt securities under SEBI (ILNCS) Regulations, 2021.</p> <p>4. With regard to modes of fund raising by a SPV of a scheme of SM REIT, the following shall apply:</p> <p>(a) The SPV shall raise capital only from equity investment from the scheme of SM REIT.</p> <p>(b) The SPV may raise funds by way of borrowings from the scheme of SM REIT.</p> <p>(c) For a scheme of SM REIT opting to utilize leverage in accordance with sub- regulation (2), the SPV(s) under such scheme may undertake leverage through external borrowings or issuance of debt securities under SEBI (ILNCS) Regulations, 2021.</p> <p>5. For a scheme of SM REIT opting to utilize leverage in accordance with sub-regulation (2), the total borrowings and deferred payments net of cash and cash equivalents, at the scheme level, shall not exceed 49% of the value of the scheme assets: Provided that if the total borrowings and deferred payments net of cash and cash equivalents, at the scheme level, exceeds 25% of the value of the scheme assets, then for any further borrowings, -</p> <p>(a) credit rating shall be obtained from a credit rating agency registered with the SEBI; and</p> <p>(b) approval of unit holders shall be obtained in the manner as specified in regulation 26ZM.</p>

<p>DELISTING OF UNITS OF REIT/INVIT</p>	<p>The manager shall apply for delisting of units of the REIT/INVIT to SEBI and the designated stock exchanges if,-</p> <p>(a) the public holding falls below the specified limit as prescribed under REIT/INVIT Regulations.</p> <p>(b) if there are no projects or assets remaining under the REIT/INVIT for a period exceeding six months and REIT does not propose to investing any project in future. The period may be extended by further six months, with the approval of unit holders in the manner as specified in REIT/INVIT Regulations.</p> <p>(c) SEBI or the designated stock exchanges require such delisting for violation of the listing agreement or these regulations or the Act.</p> <p>(d) The sponsor(s) or trustee requests such delisting and such request has been approved by unit holders in accordance with the REIT/INVIT Regulations.</p> <p>(e) The unit holders may also apply for such delisting in accordance with these regulations.</p> <p>(f) SEBI or the designated stock exchanges require such delisting for violation of the listing agreement, these regulations or the Act or in the interest of the unit holders.</p>
<p>DISTRIBUTION POLICY OF REIT /INVIT</p>	<p>With respect to <u>distributions made by the REIT/INVIT and the holdco and/or SPV,</u></p> <ul style="list-style-type: none"> ➤ Not less than 90% of net distributable cash flows of the SPV shall be distributed to the REIT/INVIT or holdco in proportion of its holding in the SPV subject to applicable provisions in the Companies Act, 2013 or the Limited Liability Partnership Act, 2008. ➤ With regard to distribution of net distributable cash flows by the holdco to the REIT/ INVIT, subject to applicable provisions in the Companies Act, 2013 or the Limited Liability Partnership Act, 2008, the following shall be complied: <ul style="list-style-type: none"> (i) with respect to the cash flows received by the holdco from underlying SPVs, 100% of such cash flows received by the holdco shall be distributed to the REIT/ INVIT; and (ii) with respect to the cash flows generated by the holdco on its own, not less than 90% of such net distributable cash flows shall be distributed by the holdco to the REIT/ INVIT. ➤ Not less than 90% of net distributable cash flows of the REIT/ INVIT shall be distributed to the unit holders. <p>Such distributions shall be declared and made not less than once every six months in every financial year and shall be made not later than fifteen days from the date of such declaration.</p> <ul style="list-style-type: none"> ➤ If any property is sold by the REIT/ INVIT or holdco or SPV or if the equity shares or interest in the holdco/ SPV are sold by the REIT, then,- <ul style="list-style-type: none"> (i) if the REIT/ INVIT proposes to reinvest sale proceeds, if any, into another property, it shall not be required to distribute any sale proceeds from such sale to the unit holders; (ii) if the REIT/INVIT proposes not to invest the sales proceeds made into any other property within a period of 1 year, it shall be required

	<p>to distribute not less than 90% of the sales proceeds in accordance with the provisions of Listing and trading of units as prescribed under REIT Regulations.</p> <p>17. If the distributions are not made within 15 days of declaration, then the manager shall be liable to pay interest to the unit holders at the rate of 15% per annum till the distribution is made and such interest shall not be recovered in the form of fees or any other form payable to the manager by the REIT/ INVIT.</p>
<p>DISTRIBUTIONS BY SMALL & MEDIUM REIT</p>	<ul style="list-style-type: none"> ○ With respect to distributions made by the scheme of SM REIT and SPV, the investment manager shall ensure, – <ul style="list-style-type: none"> ▪ not less than 95% of net distributable cash flows of the SPV are distributed to the scheme of SM REIT subject to applicable provisions in the Companies Act, 2013: <i>However, the amount retained by the SPV shall be utilized only in such manner as may be specified by the SEBI from time to time;</i> ▪ 100% of the net distributable cash flows of the scheme of SM REIT shall be distributed to the unit holders; ▪ the distributions are declared at least once in every quarter of the financial year and not later than fifteen working days from the end of the quarter; ▪ the distributions are paid to the unitholders within seven working days of such declaration. ○ If the investment manager fails to make payment within the said timelines, then the investment manager shall pay interest at the rate of 15% per annum to the unitholders, for the delayed period and such excess interest shall not be recovered by the investment manager from the SM REIT in any form.
<p>DISCLOSURE REQUIREMENTS FOR REIT/ INVIT</p> <p>MANAGER IN CASE OF REIT & INVESTMENT MANAGER IN CASE OF INVIT</p>	<ol style="list-style-type: none"> 1) The manager shall ensure that the disclosures in the offer document are in accordance with Schedule III of the REIT Regulations and any circulars or guidelines issued by SEBI in this regard. 2) The manager shall submit an annual report to all unit holders of the REIT/ INVIT with respect to activities of the REIT/ INVIT, within three months from the end of the financial year. 3) The manager shall submit a half-yearly report to all unit holders of the REIT/ INVIT with respect to activities of the REIT within 45 days from the end of the half year ending on September 30th. 4) Such annual and half yearly reports shall contain disclosures as specified under Schedule IV of the REIT Regulations. 5) The manager shall disclose to the designated stock exchanges, any information having bearing on the operation or performance of the REIT as well as price sensitive information which includes but is not restricted to the following,- <ul style="list-style-type: none"> ○ Acquisition or disposal of any properties, value of which exceeds 5% of value of the REIT/ INVIT assets; ○ Additional borrowing, at level of holdco or SPV or the REIT, resulting in such borrowing exceeding 5% of the value of the REIT assets during the year; (15% in case of INVIT)

	<ul style="list-style-type: none"> ○ Additional issue of units by the REIT/ INVIT; ○ Details of any credit rating obtained by the REIT / INVIT and any change in such rating; ○ Any issue which requires approval of the unit holders; ○ Any legal proceedings which may have significant bearing on the functioning of the REIT/ INVIT; ○ Notices and results of meetings of unit holders; ○ Any instance of non-compliance with the REIT/ INVIT Regulations including any breach of limits specified under these regulations. ○ Any material issue that in the opinion of the manager or trustee needs to be disclosed to the unit holder. <ul style="list-style-type: none"> • The manager shall submit such information to the designated stock exchanges and unit holders on a periodical basis as may be required under the listing agreement. • The manager shall disclose to the designated stock exchanges, unit holders and SEBI such information and in the manner as may be specified by SEBI.
<p>RIGHT OF UNIT HOLDERS IN INVITS</p>	<ul style="list-style-type: none"> ➤ Right to receive returns through cash distributions made by the trust ➤ Rights to vote on matters pertaining to acquisition of new assets or borrowing ➤ Right to vote on related party matters ➤ Right to vote on matters such as appointment or change of the Investment Manager ➤ Right to vote on induction of a Sponsor, with the opportunity to exit for dissenting voters ➤ Right to vote on exit of Sponsor ➤ Right to receive periodic disclosures like annual report, valuation report, quarterly/ semi- annual financials etc.
<p>MAINTENANCE OF RECORDS BY REIT/ INVIT (JUNE 2024)</p>	<p>The manager shall maintain records pertaining to the activity of the REIT/ INVIT including,</p> <ul style="list-style-type: none"> (a) decisions of the manager with respect to investments or divestments and documents supporting the same; (b) details of investments made by the REIT/INVIT and documents supporting the same; (c) agreements entered into by the REIT/ INVIT or on behalf of the REIT/ INVIT; (d) documents relating to appointment of persons; (e) insurance policies for real estate assets/Infrastructure Assets; (f) investment management agreement; (g) documents pertaining to issue and listing of units including initial offer document or follow-on offer document(s) or other offer document(s), in-principle approval by designated stock exchanges, listing agreement with the designated stock exchanges, details of subscriptions, allotment of units, etc.; (h) distributions declared and made to the unit holders; (i) disclosures and periodical reporting made to the trustee, Board, unit holders and designated stock exchanges including annual reports, half yearly reports, etc.; (j) valuation reports including methodology of valuation; (k) books of accounts and financial statements;

	<p>(l) audit reports; (m) reports relating to activities of the REIT placed before the Board of Directors of the manager; (n) unit holders' grievances and actions taken thereon including copies of correspondences made with the unit holders and the Board, if any; (o) any other material documents.</p>
<p>PARTIES & INTERMEDIARY INVOLVED IN AN INVIT</p>	<ol style="list-style-type: none"> 1. Trustee: An independent debenture trustee registered with SEBI and responsible for holding the InvIT assets in trust for, and for the benefit of, the unit holders of the InvIT. 2. Sponsor: Typically, a body corporate, LLP, promoter or a Company with a net worth of, atleast Rs. 100 crores classifies as a sponsor. When it comes to a public-private partnership projects, sponsors serve as a Special Purpose Vehicle (SPV) 3. Investment Manager: As a body corporate or LLP, an investment manager supervises all the operational activities and day to day activities of the InvIT. 4. Project Manager: The Project Manager is responsible for the execution of an infrastructure project and achieving project milestones in accordance with the project documents or concession agreement. 5. Compliance Officer: The officer who is responsible for the Compliance related to InvIT. 6. Lead Member: It means Lead member of the Concessionaire SPV for PPP projects as defined in the project documents. 7. Custodian: It means a person registered under (Custodian of Securities) Regulations, 1996. 8. Merchant Banker is one who looks after the entire process of issue of units. 9. Auditor: is one who conducts the audit of accounts of InvIT. 10. Valuer: is one who undertakes valuation of the assets. 11. Unitholders are the one who holds units of the InvIT.
<p>PARTICIPATION BY STRATEGIC INVESTOR(S) IN REITS/ INVIT</p>	<p>SEBI vide its circular dated 18th January, 2018 issued guidelines on participation by the strategic investors in InvITs and REITs. This circular seeks to give clarifications on the participation by the 'strategic investors' in the public issue of the REITs and the InvITs.</p> <p>'Strategic Investor' means:</p> <ol style="list-style-type: none"> 1. an infrastructure finance company registered with RBI as a NBFC ; 2. a Scheduled Commercial Bank; 3. an multilateral and/or bilateral financial institution; 4. a systemically important NBFC registered with RBI; 5. a foreign portfolio investors; 6. an insurance company registered with the Insurance Regulatory and Development Authority of India; 7. a mutual fund. <p>who invest either jointly or severally not less than 5% of the total offer size of the REIT or such amount as may be specified by SEBI with applicable provisions of the FEMA Act, 1999 and the rules or regulations or guidelines made thereunder.</p> <p>Participation by the 'strategic investors' in the public issue of the REITs:-</p>

	Holding requirements	Issue price of the units and utilisation of funds	Lock-in period
<p>MINIMUM INFORMATION TO BE PLACED BEFORE BOARD OF DIRECTORS OF THE INVESTMENT MANAGER (REIT & INVIT)</p>	<ul style="list-style-type: none"> • Holding by strategic investors- Minimum 5%, maximum 25% • Holding by public, other than strategic investors and sponsors- Minimum 25% • Holding by sponsor- Minimum 5%, maximum 70%. 	<ul style="list-style-type: none"> • The price at which units are offered to the strategic investors must not be less than the price determined in the public issue. • It must be ensured that the subscription amount is kept in the separate account until the public issue is opened. 	<ul style="list-style-type: none"> • The unit subscribed by strategic investors, pursuant to the unit subscription agreement, will be locked-in for a period of 180 days from the date of listing in the public issue.
	<p>The following minimum information to be placed before Board of Directors of the investment manager:</p> <ul style="list-style-type: none"> (a) Annual operating plans and budgets and any updates. (b) Capital budgets and any updates (c) Quarterly results for the investment manager and its operating divisions or business segments (d) Minutes of meetings of audit committee and other committees of the Board of Directors. (e) The information on recruitment and remuneration of senior officers just below the level of Board of Directors, including appointment or removal of Chief Financial Officer and the Compliance Officer. (f) Show cause, demand, prosecution notices and penalty notices, which are materially important. (g) Fatal or serious accidents, dangerous occurrences, any material effluent or pollution problems. (h) Any material default in financial obligations to and by the InvIT, HoldCo. and/or SPV. (i) Any issue, which involves possible public or product liability claims of substantial nature, including any judgement or order which, may have passed strictures on the conduct of the investment manager or taken an adverse view regarding another enterprise that may have negative implications on the investment manager. (j) Details of any joint venture or collaboration agreement. (k) Significant labour problems and their proposed solutions, any significant development in Human Resources/ Industrial Relations front like signing of wage agreement, implementation of Voluntary Retirement Scheme etc. (l) Sale of investments, HoldCo. and/or SPV, assets which are material in nature and not in normal course of business. (m) Quarterly details of foreign exchange exposures and the steps taken by management to limit the risks of adverse exchange rate movement, if material. (n) Non-compliance of any regulatory, statutory or listing requirements and shareholders service such as non-payment of dividend, delay in share transfer etc. (o) Reports of tabletop exercises or workshops for identifying risks and vulnerabilities, and specifying risk mitigations and processes for addressing vulnerabilities. 		

<p>CONDITIONS FOR EXISTING SPONSOR PROPOSING TO DISASSOCIATE AS SPONSOR BY SEEKING TO CONVERT MANAGER TO SELF SPONSORED MANAGER</p>	<ul style="list-style-type: none"> (i) the REIT has been listed for a period of at least five years; (ii) the REIT has undertaken not less than twelve distributions on a continuous basis and has complied with the distribution norms as per these Regulations in the preceding five years; (iii) the REIT is rated AAA by a registered credit rating agency for a continuous period of five years immediately preceding exit of the sponsor; (iv) during the period of preceding five years, the REIT has not breached, at any time, the maximum leverage thresholds specified in these regulations; (v) the Manager is meeting the net worth criteria for the sponsor; (vi) the minimum unitholding requirement applicable to sponsor(s) and sponsor group(s) shall be complied with, on or after the date of conversion of the Manager to Self-Sponsored Manager, by the Manager, shareholders of the Manager and/or group entities of Manager. (vii) the sponsor(s) or its associate(s) do not own or control the Manager of the REIT on or after the date of conversion of the Manager to Self-Sponsored Manager; (viii) the Sponsor has not transferred / sold assets to the REIT in the last three years and no assets/ projects shall be acquired by the REIT from the outgoing sponsor(s) for a period of one year from the date of conversion to Self-Sponsored Manager; (ix) atleast one of the sponsor(s) proposing to disassociate should have been a sponsor of the REIT for a minimum period of five years; (x) the REIT shall not have any under-construction properties acquired from the sponsor that have not commenced commercial operations; (xi) unitholders approval in terms of sub-regulation (8) of this regulation and consent of the Trustee has been obtained for conversion to Self-Sponsored Manager; (xii) such other condition as may be specified by the SEBI.
<p>STEWARDSHIP CODE FOR MANAGER OF REIT/INVIT</p>	<p>Stewardship Code has been inserted which states that the following principles of stewardship code shall be complied with by any unitholder holding not less than 10% of the total outstanding units of the REIT/INVIT:</p> <ol style="list-style-type: none"> 1. They must act in the best interests of the REIT/INVIT and its unitholders as a whole; 2. They should formulate a comprehensive policy on the discharge of their stewardship responsibilities and review and update the same periodically; 3. They should have a policy to manage issues of conflict of interest while fulfilling their stewardship responsibilities; 4. They should periodically monitor the REIT/INVIT and its investee entities viz. HoldCo(s) and SPV(s); 5. They should have a policy on intervention in the REIT/INVIT and its HoldCo(s) and SPV(s); 6. They should have a policy on voting.
<p>ISSUANCE OF SUBORDINATE UNITS BY INVIT</p>	<ul style="list-style-type: none"> • The subordinate units shall only be issued by a privately placed InvIT upon acquisition of an infrastructure project. • The subordinate units shall be issued only to the sponsor, its associates and the sponsor group and shall be deemed to be a part of

	<p>the consideration for acquisition of the infrastructure project from such sponsor, its associates and the sponsor group.</p> <ul style="list-style-type: none"> • The subordinate units shall not carry any voting rights or distribution rights. • The subordinate units shall be issued in a dematerialized form with an International Securities Identification Number, distinct from that of the ordinary units. • The subordinate units shall be listed on a recognised stock exchange after their reclassification into ordinary units. • The subordinate units may be issued by way of an initial offer or any offer subsequent to the initial offer, either along with the issue of ordinary units or without the issue of ordinary units. • The issue of subordinate units made after the initial offer by the InvIT shall require the approval of the unitholders where votes cast in favour of the resolution shall not be less than one and a half times the votes cast against the resolution. However, any unitholder who is party to the acquisition of the infrastructure project including the sponsor, its associates and sponsor group, shall not be entitled to vote. • The price of subordinate units shall be determined according to the pricing guidelines applicable for issuance of ordinary units. • Prior to issuance of subordinate units, the investment manager shall obtain in-principle approval from the recognised stock exchange for listing of such subordinate units after their reclassification into ordinary units. • The enabling provisions authorising the issuance of subordinate units shall be specified in the Trust Deed. • The investment manager shall disclose the terms and conditions governing subordinate units in the Term Sheet. • The investment manager shall disclose the impact of potential reclassification of subordinate units into ordinary units in the Term Sheet in such manner as specified by the SEBI. • The investment manager shall disclose the Term Sheet in the placement memorandum, the explanatory statement to the notice for unitholders meeting as well as any document which may be disclosed to investors including prospective investors. • The InvIT shall also disclose the Term Sheet, the placement memorandum and the notice for unitholders meeting including the explanatory statement on its website and shall file the same with the recognised stock exchange. • The amount of subordinate units issued at the time of acquisition of an infrastructure 25 project by the InvIT shall not exceed 10% of the acquisition price of the infrastructure project. • The total number of outstanding subordinate units issued by an InvIT at any point of time shall not exceed 10% of the total number of outstanding ordinary units issued by such InvIT. • The terms and conditions of the subordinate units shall not be varied after their issuance.
<p>TRANSFER OF SUBORDINATE UNITS (INVIT)</p>	<ul style="list-style-type: none"> • The subordinate units shall be locked in till its reclassification into ordinary units • The subordinate units shall not be transferable to any person except the sponsor, its associates and the sponsor group entities. • The subordinate units shall not be encumbered in favor of any person except the sponsor, its associates and the sponsor group entities.

	<ul style="list-style-type: none"> • The depository shall not register the transfer or encumbrance of a subordinate unit in favour of any person unless such a person is a sponsor of the InvIT, associate of such sponsor or belongs to the sponsor group of the InvIT. • The investment manager shall disclose any inter-se transfer or inter-se encumbrance of subordinate units to the recognised stock exchange within one working day of such transfer or encumbrance. • In case of a change in the sponsor, the outgoing sponsor shall transfer the subordinate units held by it, if any, to another sponsor, its associates or sponsor group.
<p>REGULATORY FRAMEWORK FOR DEBT SECURITIES</p>	<p><u>(1) The Companies Act, 2013 & the Companies (Share Capital and Debentures) Rules, 2014:-</u></p> <ul style="list-style-type: none"> • Section 71 of the Companies Act, 2013 prescribes the conditions for issue of debentures. • A company may issue debentures with an option to convert such debentures into shares, either wholly or partly at the time of redemption. • The Section covers provisions relating to Conditions for Issue, Appointment of Debenture Trustee, Signing of Trust Deed and Creation of Debenture Redemption Reserve. <p><u>(2) SEBI (ICDR) Regulations, 2018:-</u></p> <ul style="list-style-type: none"> • Debt securities which are convertible, either partially or fully or optionally into listed or unlisted equity shall be guided by the disclosure norms applicable to equity or other instruments offered on conversion in terms of SEBI (ICDR) Regulations, 2018. <p><u>(3) SEBI (LODR) Regulations, 2015:-</u></p> <ul style="list-style-type: none"> • The listing of securities is ensured by way of an agreement which is entered into between a stock exchange and the issuing company. This agreement called listing agreement. • All Listed entities shall comply with the listing conditions as stipulated in Listing Regulations to provide substantial information about the company to the stock exchanges. • The provisions of Chapter V from Regulation 49 to 62 of 'Listing Regulations' shall apply only to a listed entity which has listed its 'NCS' on a recognised stock exchange in accordance with SEBI (Issue and Listing of NCS) Regulations, 2021. <p><u>(4) SEBI (Issue and Listing of NCS) Regulations, 2021:-</u></p> <ul style="list-style-type: none"> • In May 2021, SEBI decided to review and merge the SEBI (Issue and Listing of Debt Securities) Regulations, 2008 and SEBI (Issue and Listing of Non-Convertible Preference Shares) Regulations, 2013 into a single regulation - SEBI (Issue and Listing of NCS) Regulations, 2021 vide its notification dated August 09, 2021. <p>The new NCS Regulations provide for issuance and/or listing of the following securities:</p> <ol style="list-style-type: none"> a. Debt securities; b. Non-Convertible redeemable preference shares; c. Perpetual debt instruments, Perpetual Non-cumulative preference shares or similar non-equity regulatory capital instruments; d. Commercial Paper.
<p>DIFFERENT KINDS OF BONDS</p>	<p><u>DIFFERENT KINDS OF BONDS:-</u></p> <ul style="list-style-type: none"> ❖ <u>Fixed-rate bonds:</u> In Fixed Rate Bonds, the interest remains fixed throughout the tenure of the bond. Owing to a constant interest

	<p>rate, fixed rate bonds are resistant to changes and fluctuations in the market.</p> <ul style="list-style-type: none"> ❖ <u>Floating rate bonds (FRBs):</u> Floating rate bonds have a fluctuating interest rate (coupons) as per the current market reference rate. ❖ <u>Inflation-Indexed Bonds:</u> Bonds linked to inflation are called inflation linked bonds. The interest rate of Inflation linked bonds is generally lower than fixed rate bonds. ❖ <u>Perpetual Bonds:</u> Bonds with no maturity dates are called perpetual bonds. Holders of perpetual bonds enjoy interest throughout. ❖ <u>Bonds with Call or Put Option:</u> Callable bonds are high coupon paying securities that give the issuer the right to call back the bonds at a pre-agreed price and date. Puttable bonds give the bondholder the right to return the bond and ask for repayment of principal at a pre-agreed date before maturity. Since the benefit offered is for investors, these bonds pay lower returns. ❖ <u>Zero-Coupon Bonds:</u> As the name implies, these bonds do not pay periodic coupons during their tenure. Though, these bonds are issued at a discount and repayable at the par value. ❖ <u>Convertible bond:</u> The investors holding convertible bonds get the right to convert the bond to a predefined number of equity shares in the issuing company at a particular time from the tenure. ❖ <u>Green Bonds:</u> These are bonds which are primarily raised for Green investments such as Solar power projects, Land rehabilitation, Sewage management etc. ❖ <u>Municipal bonds:</u> These Bonds are issued by Municipal authorities to finance the infrastructure needs of cities. ❖ <u>Secured and unsecured bonds:</u> Bonds whose issuance is backed by some fixed or a tangible asset is called secured bonds while those that are not backed by any asset are unsecured bonds. ❖ <u>G-Secs:</u> Bonds issued by the sovereign authority to finance its fiscal and investment needs are called Government bonds. These are risk free instruments which serve as a base for pricing other bond issuances.
<p>VARIOUS KINDS OF RISKS ASSOCIATED WITH BOND INVESTMENT</p>	<p>Risk is an inherent part of investing. Generally, investors must take greater risks to achieve greater returns. The main risks of investing in bonds include:</p> <ul style="list-style-type: none"> • <u>Interest Rate Risk:</u> Rising interest rates are a key risk for bond investors. Generally, rising interest rates will result in falling bond prices, reflecting the ability of investors to obtain an attractive rate of interest on their money elsewhere. • <u>Credit Risk:</u> This is the risk that an issuer will be unable to make interest or principal payments when they are due, and therefore default. • <u>Inflation Risk:</u> Inflation reduces the purchasing power of a bond's future coupons and principal. As bonds tend not to offer extraordinarily high returns, they are particularly vulnerable when inflation rises. • <u>Reinvestment Risk:</u> When interest rates are declining, investors may have to reinvest their coupon income and their principal at maturity at lower prevailing rates. • <u>Liquidity Risk:</u> This is the risk that investor may have difficulty in finding a buyer when they want to sell and may be forced to sell at a significant discount to market value.

<p>POLICY MEASURES HAVE BEEN TAKEN BY THE GOVERNMENT AND THE REGULATORS TO DEVELOP A VIBRANT CORPORATE BOND MARKET</p>	<p>Some important measures include:</p> <ul style="list-style-type: none"> • Framework for allowing banks to provide Partial Credit Enhancement for enhancing creditworthiness; • Information Repositories developed by Exchanges and Depositories to provide consolidated information on primary issuance and secondary market trades in corporate bonds; • Electronic Book Building mechanism for providing enhanced transparency in issuance of debt securities on provide placement basis; • Enhanced standards for Credit Rating Agencies for timely monitoring of credit quality of bonds; • Specifications related to International Securities Identification Number (ISINs) for debt securities to encourage liquidity and reduce fragmentation of issues; • Tri-Party Repo trading on Exchanges to enhance liquidity and price discovery in corporate bonds; • Doing away with the requirement of 1% security deposit for public issue of debt securities.
<p>TYPES OF DEBENTURES</p>	<p><u>SECURITY:</u></p> <p><i>(a) Secured Debentures</i></p> <p>Secured debentures refer to those debentures where a charge is created on the assets of the company (mostly immovable) for the purpose of payment in case of default.</p> <p>The secured debenture holders have greater protection. Holders of secured debentures remain convinced about the payment of interest and payment of principal in the event of redemption.</p> <p><i>(b) Unsecured Debentures</i></p> <p>These debentures are also known as naked debentures. These debentures are not secured by way of charge on the company's assets. Interest rate payable on unsecured debentures is generally higher than that which is payable on secured debentures but the risk is comparatively high too.</p> <p><u>TENURE:</u></p> <p><u>Redeemable Debentures</u></p> <p>Redeemable debentures are those which are payable on the expiry of the specific period (Maximum period 10 years from the date of issue) either in lump sum or in Installments during the life time of the company. Debentures can be redeemed either at par or at premium.</p> <p><u>MODE OF REDEMPTION:-</u></p> <p>These debentures are issued by a company on the basis of option provided to them for conversion of debenture in the equity shares of the company after a certain period. It may be classified in the following categories:-</p> <p>a) <u>Convertible Debenture</u></p> <p>These debentures are fully converted into equity shares of the company on the expiry of a specified period.</p> <p>b) <u>Non- Convertible Debenture</u></p>

	<p>Non-convertible debentures do not have any option to convert the same into equity shares and are redeemed at the expiry of specified period(s).</p> <p>c) Partly Convertible Debenture Partly convertible debentures are divided into two portions, viz., convertible and non-convertible portion. The convertible portion is converted into equity shares of the company at the expiry of specified period. The non-convertible portion is redeemed at the expiry of the specified period in terms of the issue.</p> <p>d) Optionally convertible Debentures An option is provided to the debenture holders at the maturity to get them converted into equity shares of the company are get them redeemed.</p> <p><u>BASIS OF NEGOTIABILITY:-</u> Debentures issued by a company may be negotiable or non-negotiable. There are following two types of debentures:-</p> <p>1. Bearer Debentures These debentures are payable to bearer of the debentures and transferable by mere delivery. These debentures are also known as unregistered debentures.</p> <p>2. Registered Debentures These debentures are not transferable by mere delivery of debenture certificate and shall be transferred as per the provisions of the Companies Act, by executing transfer deeds and the transfer registered by the company. Registered debentures are not negotiable instruments. A registered holder of a debenture means a person whose name appears both in the debenture certificate and in the register of debenture holders. Principal and interest amount, when due in respect of these debentures are payable to the registered holders thereof only.</p>
<p>MARKET LINKED DEBENTURES & THEIR DISCLOSURE REQUIREMENTS</p>	<ul style="list-style-type: none"> • The market-linked debt securities have an underlying principal component issued with market-linked returns obtained through exposures on exchange traded derivatives or MIBOR, GDP, inflation rate, underlying securities/ indices etc. with coupon linked to a benchmark different from plain vanilla debt securities. • The returns linked to equity markets are also called equity linked debt securities, stock linked debt securities, structured debt securities. • In view of the fact that such securities are different in their nature and their risk-return relationship, the following additional disclosures and requirements are specified in respect of issue and listing of structured debt securities/ market linked debt securities: <ul style="list-style-type: none"> a) Credit rating by any registered CRAs shall bear a prefix 'PP-MLD' denoting Principal Protected Market Linked Debt securities followed by the standardized rating symbols for long/ short term debt securities on the lines specified by the SEBI. b) A detailed scenario analysis/ valuation matrix showing value of the security under different market conditions such as rising, stable and falling market conditions shall be disclosed in a table along with a suitable graphic representation. c) A risk factor shall be prominently displayed that such securities are subject to model risk, i.e., the securities are created on the basis of complex mathematical models involving multiple derivative exposures which may or may not be hedged and the actual behavior

	<p>of the securities selected for hedging may significantly differ from the returns predicted by the mathematical models.</p> <p>d) A risk factor shall be prominently displayed stating that in case of principal/ Capital Protected Market Linked Debt securities, the principal amount is subject to the credit risk of the issuer whereby the investor may or may not recover all or part of the funds in case of default by the issuer.</p> <p>e) Where indicative returns/ interest rates are mentioned in the offer document in percentage terms, such figures shall be shown only on annualized basis.</p> <p>f) It shall be disclosed therein that the latest and historical valuation for such securities shall be made available on the websites of the issuer and of the valuer appointed for the purpose.</p> <p>g) All commissions by whatever name called, if any, paid by issuer to distributor for selling/ distribution of such securities to end investors shall be disclosed in the offer document.</p> <p>h) Conditions for premature redemption of such securities, if any, shall be clearly disclosed in the offer document.</p> <p><u>Eligibility criteria for issuers:-</u> As such securities expose the issuer to market risk, the issuer should have a minimum net worth of at least ₹100 crores at the time of issue.</p>
<p>ONLINE BOND PLATFORM PROVIDERS</p>	<p>“Online bond platform provider” (OBPP) means any person operating or providing an online bond platform and “online bond platform” means any electronic system, other than a recognised stock exchange or an electronic book provider platform, on which the debt securities which are listed or proposed to be listed, are offered and transacted.</p> <p>A framework has been prescribed for entities operating/ desirous of operating as OBPPs under regulation 51A of the SEBI (Issue and Listing of NCS) Regulations, 2021:</p> <p>(a) Such entity shall be a company incorporated in India and register itself as a stock broker in the debt segment of the Stock Exchange(s);</p> <p>(b) An entity acting as an OBPP on or prior to this provision coming into force, shall cease to offer products or services or securities on its OBP other than the following:</p> <ul style="list-style-type: none"> ○ Listed debt securities; and ○ Debt securities proposed to be listed through a public offering. Such OBPP shall divest itself of offerings of other products or services or securities.
<p>REQUIREMENTS FOR ONLINE BOND PLATFORM PROVIDERS</p>	<p>SEBI on November 14, 2022, notified the circular, ‘Registration and regulatory framework for Online Bond Platform Providers (‘OBPP’) for regulating online bond trading platforms.</p> <p>Vide this circular it has been prescribed that any entity operating or desirous of operating an Online Bond Platform (OBP) (‘entity’) shall, <u>after obtaining registration as a stock broker in the debt segment of Stock Exchange(s), apply to a recognized stock exchange to act as an Online Bond Platform Provider (OBPP)</u> as specified under NCS Regulations.</p>

In its application, the entity shall ensure that the following requirements are met and confirmations / undertakings are provided:

- The entity has appointed a **Company Secretary** as a compliance officer;
- The entity has appointed at least two qualified key managerial personnel with experience of at least three years in the securities market;
- The entity has obtained a SEBI Complaints Redress System (SCORES) authentication and has put in place a well-defined mechanism to address grievances that may arise or likely arise while carrying out OBP operations;
- The entity owns, operates and maintains robust technology infrastructure with a high degree of reliability, availability, scalability and security in respect of its systems, data and network, appropriate to support its operations and manage the associated risks;
- The entity shall ensure compliance with the minimum disclosure requirements as specified by SEBI;
- The entity undertakes to ensure that its advertisements shall be in conformity with the Advertisement Code;
- The entity undertakes to take steps for redress of grievances of the investors within 30 days from the date of the receipt of the complaint, and disclose the number, nature and other particulars of the complaints received, if any, in such form as specified by the Stock Exchange(s);
- Entity has a comprehensive risk management framework covering all aspects of its operations and shall ensure that risks associated with its operations are identified properly and managed prudently;
- The entity undertakes to establish appropriate safeguards and procedures to deal with exigencies like suspension or cessation of trading in debt securities, cancellation of orders or transactions by the investors and sellers, malfunctions or erroneous use of its systems by investors and sellers, or other unforeseen situations;
- The entity undertakes to identify and disclose on its OBP, all instances of conflict of interest, if any, arising from its transactions or dealings with related parties;
- The entity undertakes to maintain all data relating to its activities in an easily retrievable media and confidentiality and security of all data relating to its activities and strictly control access to such data;
- The entity shall, in addition to the information required to be submitted under various SEBI regulations, submit such information as may be required by the Stock Exchange(s) in relation to their operations.

Taking into account representations from Online Bond Platform Providers, SEBI has revised the provisions of Clause 5.2 of the OBP circular to permit them to offer certain other securities on

their Online Bond Platforms, as under:

“5.2 An entity acting as an Online Bond Platform Provider on or prior to November 14, 2022, shall divest itself of offerings of products or services or securities on its Online Bond Platform or any other website/ platform other than the following:

	<p>5.2.1 Listed debt securities, listed municipal debt securities and listed securitised debt instruments;</p> <p>5.2.2 Debt securities, municipal debt securities and securitized debt instruments proposed to be listed through a public offering;</p> <p>5.2.3 Listed Government Securities, State Development Loans and Treasury Bills; and</p> <p>5.2.4 Listed Sovereign Gold Bonds.”</p>
<p>MINIMUM DISCLOSURE REQUIREMENTS FOR EACH DEBT SECURITY OFFERED FOR SALE ON THE ONLINE BOND PLATFORM PROVIDER</p>	<ul style="list-style-type: none"> • Name of the Issuer, Security Name and ISIN • Nature of instrument: Listed Secured/ Listed unsecured • Seniority: Senior/ non-senior • Original Mode of Issue and date of issue: Public issue/ Private Placement • Rating of the Instrument – Outstanding Rating; date of rating; Rating agency; latest Rating rationale • Face Value, Clean price and Dirty price • Coupon: fixed/ floating, Rate /value, Frequency • Date of maturity/ Tenor • Name of Debenture trustee • Yield: Current yield and yield to maturity; calculation of such yields • Offer documents - Prospectus / Private Placement Memorandum • Any other documents as may be specified by SEBI from time to time.
<p>WHICH SECURITIES ARE REQUIRED TO BE ISSUED THROUGH EBP PLATFORM</p>	<p>(i) A private placement of debt securities and NCRPS as per the provisions of SEBI NCS Regulations, 2021, if it is:</p> <p>a) a single issue, inclusive of green shoe option, if any, of ₹50 crore or more;</p> <p>b) a shelf issue, consisting of multiple tranches, which cumulatively amounts to ₹50 crore or more, in a financial year; and</p> <p>c) a subsequent issue, where aggregate of all previous issues by an issuer in a financial year equals or exceeds ₹50 crore.</p> <p>(ii) Issues of debt securities and NCRPS on private placement basis, irrespective of issue size, by issuers who are in existence for less than three years, in accordance with Schedule II to the SEBI NCS Regulations, 2021.</p> <p>(iii) The issuance of PDIs, PNCPS, PCPS, RNCPS, and instruments of similar nature which are essentially non-equity regulatory instruments, forming part of a bank’s or NBFC’s capital, issued as per RBI stipulations and listed under Chapter V of the SEBI NCS Regulations, 2021, irrespective of the issue size.</p> <p>3. An issuer, if desirous, may choose to access EBP platform for private placement of municipal debt securities or CPs or CDs also.</p> <p>4. Issuers of debt securities and NCRPS on private placement basis of issue size less than ₹50 crore may also choose to access the EBP platform for such issuances.</p>
<p>OBLIGATIONS OF THE ISSUERS ISSUING SECURITIES</p>	<p>a) The issuer shall ensure compliance with all requisite laws, rules, regulations, etc. with respect to private placement of securities including ensuring compliance with Section 42 of the Companies Act, 2013.</p>

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Provided that, the issuer, shall include the number of non-QIB eligible participants, on whose behalf arranger(s) is making bids in a particular issue, for the purposes of compliance with the provisions of Section 42 of the Companies Act, 2013 and other relevant statutes.

b) The Issuer shall provide the Placement Memorandum and term sheet (i.e. summary of important terms and conditions related to an issue) to the EBP at least two working days prior to the issue opening date.

However, the issuer issuing the securities for the first time through EBP platform shall provide the above information at least 5 working days prior to the issue to the opening date.

c) The Placement Memorandum and the term sheet, inter-alia, discloses the following:

i. Details of size of the issue and green shoe portion, if any.

However, the green shoe portion shall not exceed 5 times the base issue size.

ii. Interest rate parameter - Zero coupon, fixed coupon or floating coupon.

iii. Bid opening and closing date.

iv. Minimum Bid Lot.

v. Manner of bidding in the issue i.e. open bidding or closed bidding.

vi. Manner of allotment in the issue i.e. uniform yield allotment or multiple yield allotment.

vii. Manner of settlement in the issue i.e. through clearing corporation or through escrow bank account of issuer.

viii. Settlement cycle i.e. T+1 or T+2 day.

d) The issuer may choose to disclose estimated cut-off yield to the EBP, however the same has to be disclosed at least one hour prior to opening of the bidding for the issue.

e) Subsequent to closure of the issue, the issuer shall ensure following details of the issue are provided on the EBP platform:

Details of allotment in private placement

Details of Investors to whom allotment has been made			
Name	QIB/ Non- QIB	Category i.e. Scheduled Commercial banks, MF, Insurance Company, Pension Fund, Provident Fund, FPI, PFI, Corporate, Others	Amount invested in ₹crore

MANNER OF KYC VERIFICATION & ENROLMENT OF ELIGIBLE PARTICIPANTS ON EBP PLATFORM

The KYC verification and enrolment of the eligible participants on the EBP platform shall be done in the following manner:

i. KYC verification shall be undertaken by obtaining/ utilizing existing KYCs of clients from KYC Registration Agencies (KRAs) registered with SEBI or on the basis of the guidelines as prescribed by SEBI from time to time.

ii. For QIB investors bidding directly or through arranger(s), KYCs and enrolment shall be done by the EBP.

	<ul style="list-style-type: none"> iii. For non-QIB investors bidding directly, KYCs shall be done by the issuer and enrolment shall be done by the EBP. iv. For non-QIB investors, which are bidding through arranger(s), KYC and enrolment on EBP shall be ensured by arranger(s).
<p>PROCESS FLOW OF SETTLEMENT, WHERE FUNDS PAY-IN IS TO BE MADE TO ESCROW BANK ACCOUNT OF ISSUER</p>	<p>Process flow of settlement, where funds pay-in is to be made to escrow bank account of issuer:</p> <ul style="list-style-type: none"> i. Successful bidders, in an issue, will make pay-in of funds towards the allocation made to them, in the escrow bank account within the timelines, as provided by the issuer in the PM/ IM. The funds pay-in by the successful bidders will be made only from the bank account(s), which have been provided/ updated in the EBP system. Further, pay-in received from any other bank account will lead to cancellation of bid and consequent debarment of the investor from accessing EBP platform for 30 days. ii. Escrow bank, pursuant to receipt of funds will provide a confirmation to the RTA, associated with the issue, about receipt of funds along with details including name of bank account holder, bank account number and the quantum of funds received. iii. RTA, will then reconcile the information received from escrow bank with the details as provided by EBP and after reconciliation RTA shall intimate to the issuer about receipt of funds. Subsequently, issuer will initiate the process of corporate action through the RTA to Depository. iv. RTA, after passing on the instructions for corporate action to the depositories, will issue instruction to the escrow bank to release money to the issuers bank account.
<p>OBLIGATIONS & DUTIES OF EBP</p>	<ul style="list-style-type: none"> a) An EBP shall: <ul style="list-style-type: none"> i. provide an on-line platform for placing bids; ii. have necessary infrastructure like adequate office space, equipment, risk management capabilities, manpower and other information technology infrastructure to effectively discharge the activities of an EBP; iii. ensure that the PM, term sheet and other issue related information is available to the eligible participants on its platform immediately on receipt of the same from the issuer; iv. have adequate backup, disaster management and recovery systems; and v. ensure safety, secrecy, integrity and retrievability of data. b) EBPs shall ensure that all details regarding the issuance is updated on its website. c) EBPs shall together ensure that the operational procedure is standardized across all EBP platforms and the details of such operational procedure are disclosed on their websites. d) Where an issuer has disclosed estimated cut-off yield to the EBP, the EBP shall ensure its electronic audit trail and secrecy. However, in case issuers withdraw issues on the EBP because of the cut off yield being higher than the estimated cut off yield, the EBP shall mandatorily disclose the estimated cut off yield in its platform.

	<p>e) EBPs shall ensure coordination amongst themselves and also with depositories so as to ensure that the cooling off period for issuers and debarment period for investors is adhered to.</p> <p>f) EBPs shall ensure that bidding is done in the manner as specified.</p> <p>g) The EBP shall be responsible for accurate, timely and secured bidding process of the electronic bid by the bidders.</p> <p>h) The EBP shall provide a facility to the eligible participants to define the limits/ range, within which quotes may be placed, from its user interface, to avoid 'fat finger' errors.</p> <p>i) The EBP shall be responsible for addressing investor grievances arising from bidding process.</p>
<p>BENEFITS OF EBP MECHANISM</p>	<p>The EBP mechanism offers a lot of benefits to various stakeholders, including the following:</p> <ul style="list-style-type: none"> • Transparent process for price discovery through anonymous bidding • Dissemination of bidding data on anonymous basis to the market which is absent till now • Facility to do multiple bidding at different yields • Institutional investors can also participate on behalf of arrangers/ sub arrangers • Allotment data to be made available on the website of the EBP website which would bring required transparency in the secondary market of such private placements. • EBP has helped in developing an institutional market for corporate bonds wherein all QIBs (i.e. which are institutional investors) can participate after one-time registration, therefore gives an equal access to participation on all issuances to all such institutional participants. • Further, details of proposed issuances (by any issuer) is disclosed before the start of bidding, in order to enable them to enable participants to choose their investments options in advance. • Further, bidding and allotment is done in a transparent manner and appropriate disclosures viz. market price, amount etc. are available to all investors after successful closure of the bid. This has resulted in not only reduction in cost but also timelines for both investors and issuers.
<p>BASIC FEATURES OF REQUEST FOR QUOTE PLATFORM</p>	<ul style="list-style-type: none"> ⇒ The RFQ platform is a system or interface for inviting and/ or giving quotes on an electronic platform. ⇒ A participant who seeks quote(s) is termed as an Initiator and a participant who acts/ responds to the quote requests of the Initiator is termed as a Responder. ⇒ A participant may request other participants for a quote for eligible securities. ⇒ The Initiator has the option to place quote(s) by disclosing its name or anonymously.

	<ul style="list-style-type: none"> ⇒ The quote can be placed to an identified counterparty (i.e. ‘One to One’ (OTO) mode) or to all the participants (i.e. ‘One to Many’ (OTM) mode). ⇒ The platform provides the participants a range of options to seek a quote and to respond to a quote, while keeping an audit trail of all interactions i.e. quoted yield, mutually agreed price, deal terms etc. ⇒ The quotes will be bilaterally negotiated between the counterparties, based on specified parameters. The acceptance of a quote by a participant will be considered as mutual agreement between the parties for the given deal.
<p style="text-align: center;">SECURITIES ELIGIBLE FOR BEING TRADED IN REQUEST FOR QUOTE PLATFORM</p>	<ul style="list-style-type: none"> ⇒ Non-convertible securities; ⇒ Securitised Debt Instruments; ⇒ Municipal Debt Securities; ⇒ Commercial Paper; ⇒ Certificate of Deposit; ⇒ Government Securities; ⇒ State development Loans; ⇒ Treasury Bills; and ⇒ Any other instrument, as may be specified by Stock Exchanges in consultation with SEBI.
<p style="text-align: center;">ADDITIONAL DISCLOSURES FOR ISSUER OF TRANSITION BONDS</p>	<p>SEBI brought a circular on May 04, 2023, requiring an issuer desirous of issuing transition bonds to make the following additional disclosures:</p> <ul style="list-style-type: none"> ➤ <u>Disclosure in the offer document for public issues /private placements of such transition bonds:</u> <ul style="list-style-type: none"> a. To differentiate transition bonds from other categories of green debt security, Issuer of transition bonds shall use a denotation ‘GB-T’. The denotation shall be disclosed in the offer documents on the cover page and in type of instrument field in the term sheet. b. Transition Plan, which shall contain the following: <ul style="list-style-type: none"> (i) Details of interim targets / milestones along with an indicative timeline for achieving the targets. (ii) Brief of the project implementation strategy (iii) Details regarding the usage of technology for the project implementation (iv) Mechanism to oversee the utilization of the funds raised through transition bonds and the implementation of the transition plan. Issuers may form a committee to oversee the implementation and ensure timely completion of the defined targets. ➤ <u>Disclosure in the Centralised Database for corporate bonds:</u> <p>An issuer shall disclose the denotation in the Centralized Database for corporate bonds/ debentures by filling the denotation i.e. GB-T in sub point 6 i.e. Others of point 10. i.e. Type of Instrument of Annex-XIV-A to Chapter XIV (Centralized Database for corporate bonds/ debentures) of the Operational Circular dated August 10, 2021 (and as amended from time to time).</p> <p>The Depositories shall update the denotation i.e. GB-T as prefix in “instrument details” field in Centralized Database for corporate bonds/ debentures.</p>

	<p>➤ <u>Disclosure to Stock Exchanges, in case of a revision in the transition plan:</u> An Issuer of transition bonds, during the year, shall disclose the revised transition plan along with an explanation for any such revision to the already disclosed plan; if applicable.</p> <p>➤ <u>Disclosure in the Annual report:</u> The Issuer, shall disclose the transition plan along with a brief on the progress of the implementation of the transition plan.</p>
MUNICIPAL BONDS	<p>➤ SEBI has issued the SEBI (Issue and Listing of Municipal Debt Securities) Regulations, 2015 (‘ILDMS Regulations’).</p> <p>➤ In accordance with these Regulations, “municipal debt securities” shall mean non-convertible debt securities which create or acknowledge indebtedness, and include debenture, bonds and such other securities of an issuer and “municipality” shall mean an institution of self-government constituted under Article 243Q of the Constitution of India.</p> <p>➤ Municipal bonds are a good alternative source of finance to fund projects undertaken by Municipal Corporations.</p>
APPLICABILITY OF IFSCA (Listing) Regulations, 2024	<p>These regulations shall apply to:</p> <ol style="list-style-type: none"> an initial public offer of specified securities by an unlisted entity; a follow-on public offer of specified securities by a Listed Entity; an initial public offer of specified securities by a Special Purpose Acquisition Company; a rights issue or a preferential issue or a qualified institutions placement of specified securities by a Listed Entity; issuance and listing of depository receipts by an entity; issue and listing of debt securities by an entity; secondary listing of securities by an entity; listing of Commercial Paper or Certificates of Deposit or other financial products as permitted by the Authority
DISCLOSURES IN THE OFFER DOCUMENT IFSCA LISTING REGULATIONS 2024	<p>Disclosures in Offer document shall include:</p> <ol style="list-style-type: none"> Offer Document Summary Risk factors Introduction providing a brief overview of the offer details General Information Capital Structure Particulars of the issue Underwriting Tax implication for the investors About the Issuer Financial Statements Material related party transactions Legal and other information Details of major group companies Regulatory and other disclosures Any other material disclosures
CONDITIONS OF ISSUE/FUND RAISING BY SPAC IN IFSC	<p>ISSUE SIZE:</p> <p>(a) The issue shall be of size not less than USD 50 million.</p>

	<p>(b) The sponsors shall hold at least fifteen per cent and not more than twenty per cent of the post issue paid up capital. Prior to an IPO, the sponsors shall also have aggregate subscription (all securities) in terms of amount in the SPAC company prior to or simultaneous to the IPO, amounting to at least 2.5 per cent of the issue size or USD 10 million, whichever is lower.</p> <p><u>UNDERWRITING:</u></p> <p>(a) May be underwritten and in such case adequate disclosure regarding underwriting arrangements shall be disclosed in the offer document.</p> <p>(b) At least fifty per cent of the underwriting commission shall be deferred until successful completion of the business combination and shall be deposited in the escrow account.</p> <p>(c) In case of liquidation, the underwriter shall waive their rights on the deferred commission deposited in the escrow account.</p> <p><u>APPLICATION & ALLOTMENT:</u></p> <p>(1) Minimum application size : USD 1,00,000.</p> <p>(2) Allotment shall be on proportionate basis or discretionary basis, as disclosed in the offer document.</p> <p>(3) The issuer and lead manager(s) shall ensure that the specified securities are allotted, and the payments and refunds are completed within five working days from the date of closing of the issue.</p> <p><u>SHAREHOLDERS APPROVAL:</u></p> <p>The SPAC shall seek prior approval by way of majority of shareholders other than sponsors, for the proposed business combination.</p>
<p>WHAT IS SPAC? ENTITIES INVOLVED & PROCESS FLOW</p>	<p>SPAC is a company which does not have any operating business and has been formed with the primary objective to affect a business combination. The SPACs have witnessed a surge in recent years in some of the jurisdictions (particularly USA) and are seen as an alternative to traditional IPOs for many companies to raise funds.</p> <p>The IFSCA has specified the regulatory framework for listing of SPACs based on global best practices. The Authority's listing framework gives scope for innovation and at the same time has the necessary checks and balances to protect the interests of investors. The framework on SPACs is aimed at facilitating the start-up ecosystem by providing access to global capital.</p> <p><u>ENTITIES INVOLVED:</u></p> <ul style="list-style-type: none"> • The Sponsors/Founders • Investors • Underwriters • Institutional PIPE investors <p><u>PROCESS FLOW:</u></p>

<p>LISTING OF DEBT SECURITIES IN IFSC</p>	<p>An issuer may list its debt securities on a recognised stock exchange.</p> <p>The regulatory framework facilitates listing of debt securities (including issuances under Medium Term Notes) on the recognized stock exchanges in IFSC.</p> <p>Minimum subscription in case of private placement In case of private placement, the minimum subscription amount per investor shall be disclosed in the offer document.</p> <p>Credit Rating (a) Issuers can obtain credit rating for their debt securities from a credit rating agency, who may be registered with the Authority or registered in India or any Foreign Jurisdiction. (b) If the credit rating has been obtained, it is mandatory to disclose the details of the credit ratings in the prospectus, shelf prospectus or information memorandum, as the case may be.</p> <p>Public Issue With respect to a public issue of debt securities on a recognised stock exchange, the issuer shall meet compliances such as appointment of trustee, creation of debenture redemption reserve etc. that may be specified by the Authority or the recognised stock exchange(s), from time to time.</p> <p>Exempt Issuers The recognised stock exchange(s) may relax some of the requirements for the following class of issuers: (a) Supranational, multilateral or statutory institutions /organizations /agencies; (b) Entities whose securities are irrevocably guaranteed by a Sovereign; and (c) Any other entity as may be specified by the Authority from time to time.</p>
<p>ENVIRONMENT, SOCIAL AND GOVERNANCE (ESG) DEBT SECURITIES IN IFSC</p>	<p>Applicability Environmental, Social and Governance (ESG) labelled debt securities including “green”, “social”, “sustainability”, “sustainability linked” debt securities or any other ESG labelled debt securities as may be specified by the Authority, which is listed or proposed to be listed on a recognised stock exchange.</p>

	<p><u>Green/ Social/ Sustainability/ Sustainability-linked Bonds</u></p> <p>Green bonds are targeted to finance projects or activities with positive environmental benefits. Proceeds from social bonds go towards social projects or activities to achieve positive social output or address a particular social issue. The social projects generally target communities such as those living below the poverty line, marginalized communities, migrants, unemployed, women, people with disabilities, and displaced persons.</p> <p>Sustainable bonds are raised to achieve a combination of green and social objectives. On the other hand, sustainability-linked bond issuers focus on improving their performance against specified Key Performing Indicators (KPIs) and link certain targets directly to the coupon paid to investors. Unlike green bonds, the use of proceeds can be for general corporate purposes also.</p>
<p>LABELLING OF GREEN, SOCIAL OR SUSTAINABLE BONDS (IFSC)</p>	<p>The debt securities shall be labelled as green, social or sustainability if the funds raised through the issuance of such debt securities are to be utilised for financing or refinancing projects and/or assets aligned with any of the following recognised frameworks:</p> <ul style="list-style-type: none"> (a) International Capital Market Association Principles / Guidelines; (b) Climate Bonds Standard; (c) ASEAN Standards; (d) European Union Standards / Taxonomy; (e) Any framework or methodology specified by a competent authority in India; or (f) Other international standards. <p>The debt securities shall be labelled as ‘sustainability-linked’, if aligned with any of the above recognised frameworks.</p>
<p>PRINCIPLES GOVERNING DISCLOSURES AND OBLIGATIONS</p> <p>LODR UNDER IFSCA LISTING REGULATIONS 2024</p>	<p>The listed entity shall make disclosures and abide by its obligations under IFSCA (Listing) Regulations, 2024, in accordance with the following principles:</p> <ul style="list-style-type: none"> a. Information shall be prepared and disclosed in accordance with applicable standards of accounting and financial disclosure. b. The listed entity shall implement the prescribed accounting standards in letter and spirit in the preparation of financial statements taking into consideration the interest of all stakeholders and shall also ensure that the annual audit is conducted by an independent, competent and qualified auditor. c. The listed entity shall refrain from misrepresentation and ensure that the information provided to recognised stock exchange(s) and investors is not misleading. d. The listed entity shall provide adequate and timely information to recognised stock exchange(s) and investors. e. The listed entity shall ensure that disseminations made under provisions of these Regulations and circulars made thereunder, are adequate, accurate, explicit, timely and presented in a simple language.

	<p>f. Channels for disseminating information shall provide for equal, timely and cost efficient access to relevant information by investors.</p> <p>g. The directors of the Listed Entity shall act in good faith in order to promote the objects of the company for the benefit of its members as a whole, and in the best interests of the Listed Entity, its employees, the shareholders, the society and for the protection of environment.</p> <p>h. The listed entity shall abide by all the provisions of the applicable laws including the securities laws and also such other guidelines as may be issued from time to time by IFSCA and the recognised stock exchange(s) in this regard and as may be applicable.</p> <p>i. The listed entity shall make the specified disclosures and follow its obligations in letter and spirit taking into consideration the interest of all stakeholders.</p> <p>j. Filings, reports, statements, documents and information which are event based or are filed periodically shall contain relevant information and shall be filed within the specified timelines.</p> <p>k. Periodic filings, reports, statements, documents and information reports shall contain information that shall enable investors to track the performance of a listed entity over regular intervals of time and shall provide sufficient information to enable investors to assess the current status of a listed entity.</p>
<p>SEED FUNDING</p>	<ul style="list-style-type: none"> ○ Seed funding, taken from the word “seed” is the capital needed to start/expand your business. ○ It <i>often comes from</i> the company founders’ personal assets, from friends and family or other investors. ○ The amount of money is <i>usually relatively small</i> because the business is still in the idea or conceptual stage. ○ This type of funding is often obtained in <i>exchange for an equity stake</i> in the enterprise, although with less formal contractual overhead than standard equity financing. ○ Lenders often view seed capital as a <i>risky investment</i> by the promoters of a new venture, which represents a meaningful and tangible commitment on their part to making the business a success. ○ This would be a type of Venture Capital Funding and hence covered under the provisions of Angel Funding in the AIF Regulations.
<p>PRIVATE EQUITY</p>	<ul style="list-style-type: none"> ✓ Private equity is a type of equity (finance) and one of the asset classes that are <i>not publicly traded</i> on a stock exchange. ✓ Private equity is essentially a way to invest in some assets that is not publicly traded, or to invest in a publicly traded asset with the intention of taking it private. ✓ Unlike stocks, mutual funds, and bonds, private equity funds usually invest in more illiquid assets, i.e. companies. ✓ By purchasing companies, the firms gain access to those assets and revenue sources of the company, which can lead to very high returns on investments. ✓ Another feature of private equity transactions is their extensive use of debt in the form of high-yield bonds. By using debt to finance

	<p>acquisitions, private equity firms can substantially increase their financial returns.</p> <ul style="list-style-type: none"> ✓ Private equity consists of investors and funds that make investments directly into private companies or conduct buyouts of public companies that result in a delisting of public equity. ✓ Capital for private equity is <u>raised from</u> retail and institutional investors, and <u>can be used to</u> fund new technologies, expand working capital within an owned company, make acquisitions, or to strengthen a balance sheet. The major of private equity consists of institutional investors and accredited investors who can <u>commit large sums of money</u> for <u>long periods of time</u>. ✓ Private equity investments often demand long holding periods to allow for a turnaround of a distressed company or a liquidity event such as IPO or sale to a public company. ✓ Generally, the private equity fund raise money from investors like Angel investors, Institutions with diversified investment portfolio like – pension funds, insurance companies, banks, funds of funds etc.
<p>TYPES OF PRIVATE EQUITY</p>	<p>Private equity investments can be divided into the following categories:</p> <ol style="list-style-type: none"> 1. Leveraged Buyout (LBO): This refers to a strategy of making equity investments as part of a transaction in which a company, business unit or business assets is acquired from the current shareholders typically with the use of financial leverage. The companies involved in these type of transactions that are typically more mature and generate operating cash flows. 2. Venture Capital: It is a broad sub-category of private equity that refers to equity investments made, typically in less mature companies, for the launch, early development, or expansion of a business. 3. Growth Capital: This refers to equity investments, mostly minority investments, in the companies that are looking for capital to expand or restructure operations, enter new markets or finance a major acquisition without a change of control of the business.
<p>VENTURE CAPITAL</p>	<p>Venture Capital is one of the innovative financing resource for a company in which the promoter has to give up some level of ownership and control of business in exchange for capital for a limited period, say, 3-5 years.</p> <p>Venture Capital is generally equity investments made by venture capital funds, at an early stage in privately held companies, having potential to provide a high rate of return on their investments. It is a resource for supporting innovation, knowledge based ideas and technology and human capital intensive enterprises.</p> <p>Unlike banks, which seek their return through interest payments, venture firms seek for capital appreciation. Generally, venture capital firms look for a return of 5 to 10 times the original investment.</p> <p><i>A venture capital company is a group of investors who pool investments focused within certain parameters. The participants in venture capital firms can be institutional investors like pension funds, insurance companies, foundations, corporations or individuals.</i></p>

	<p>Areas of Investment:- Different venture groups prefer different types of investments. Some specialize in seed capital and early expansion while others focus on exit financing. Biotechnology, medical services, communications, electronic components and software companies seem to be the most likely attraction of many venture firms and receiving the most financing. Venture capital firms finance both early and later stage investments to maintain a balance between risk and profitability.</p> <p>In India, software sector has been attracting a lot of venture finance. Besides media, health and pharmaceuticals, agri-business and retailing are the other areas that are favoured by a lot of venture companies.</p>
<p>EARLY STAGE FINANCING</p> <p>VENTURE CAPITAL</p>	<p>Early Stage Financing:- <i>I. Seed Capital and R&D Projects:</i> Venture capitalists are more often interested in providing seed finance i. e. making provision of very small amounts for finance needed to turn into a business. Research and Development activities are required to be undertaken before a product is to be launched. External finance is often required by the entrepreneur during the development of the product. The financial risk increases progressively as the research phase moves into the development phase, where a sample of the product is tested before it is finally commercialised. Venture capitalists/firms/funds are always ready to undertake risks and make investments in such R & D projects promising higher returns in future.</p> <p><i>II. Start Ups:</i> The most risky aspect of venture capital is the launch of a new business after the Research and Development activities are over. At this stage, the entrepreneur and his products or services are still not tried and tested in the market forces. The finance required usually falls short of his own resources. Start-ups may include new industries/businesses set up by the experienced persons in the area in which they have knowledge, specialization and proficiency. Others may result from the research bodies or large corporations, where a venture capitalist joins with an industrially experienced or corporate partner.</p> <p><i>III. Second Round Financing:</i> It refers to the stage when product has already been launched in the market but has not earned enough profits to attract new investors. Additional funds are needed at this stage to meet the growing needs of business. Venture Capital Institutions (VCIs) provide larger funds at this stage than at other early stage financing in the form of debt. The time scale of investment is usually three to seven years.</p>
<p>LATER STAGE FINANCING</p> <p>VENTURE CAPITAL</p>	<p>Later Stage Financing:- Those established businesses which require additional financial support but cannot raise capital through public issue approach venture capital funds for financing expansion, buyouts and turnarounds or for development capital. This is known as later stage financing. It includes the following:</p> <p><i>I. Development Capital:</i> It refers to the financing of an enterprise which has overcome the highly risky stage and have recorded profits but cannot go public, thus needs financial support. Funds are needed for the purchase of new equipment/plant, expansion of marketing and</p>

distributing facilities, launching of product into new regions and so on. The time scale of investment is usually one to three years and falls in medium risk category.

II. Expansion Finance: Venture capitalists perceive low risk in ventures requiring finance for expansion purposes either by growth implying bigger factory, large warehouse, new factories, new products or new markets or through purchase of existing businesses. The time frame of investment is usually from one to three years. It represents the last round of financing before a planned exit.

III. Buy Outs: It refers to the transfer of management control by creating a separate business by separating it from their existing owners.

It may be of two types.

i. Management buyouts (MBOs): In Management Buyouts (MBOs) venture capital institutions provide funds to enable the current operating management/investors to acquire an existing product line/business. They represent an important part of the activity of VCI's.

ii. Management buy-ins (MBIs): Management Buy-ins are funds provided to enable an outside group of manager(s) to buy an existing company. It involves three parties: a management team, a target company and an investor (i.e. Venture Capital Institution). MBIs are more risky than MBOs and hence are less popular because it is difficult for new management to assess the actual potential of the target company. Usually, MBIs are able to target the weaker or under-performing companies.

IV. Replacement Capital: VCI's another aspect of financing is to provide funds for the purchase of existing shares of owners. This may be due to a variety of reasons including personal need of finance, conflict in the family, or need for association of a well-known name. The time scale of investment is one to three years and involve low risk.

V. Turnarounds: Such form of venture capital financing involves medium to high risk on a time scale of three to 5 years. It involves buying the control of a sick company which requires specialised skills in finance. It may require rescheduling of company's all the borrowings, change in management or even a change in ownership.

**ENTITIES NOT
CONSIDERED AS
ALTERNATIVE
INVESTMENT FUND**

the following shall not be considered as Alternative Investment Fund for the purpose of these regulations-

- (i) family trusts set up for the benefit of 'relatives' as defined under Companies Act, 2013;
- (ii) ESOP Trusts set up under the SEBI (Share Based Employee Benefits) Regulations or as permitted under Companies Act, 2013;
- (iii) employee welfare trusts or gratuity trusts set up for the benefit of employees;
- (iv) holding companies' as defined under sub-section 46 of section 2 of Companies Act, 2013;
- (v) other special purpose vehicles not established by fund managers, including securitization trusts, regulated under a specific regulatory framework;
- (vi) funds managed by securitisation company or reconstruction company which is registered with the Reserve Bank of India under

	<p>Section 3 of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002; and (vii) any such pool of funds which is directly regulated by any other regulator in India.</p>
<p>CATEGORIES OF ALTERNATIVE INVESTMENT FUNDS</p>	<p>There are three categories of Alternative Investments Funds and they are:</p> <p>(i) Category I Alternative Investment Fund are those which invest in start-up or early-stage ventures or social ventures or SMEs or infrastructure or other sectors or areas which the government or regulators consider as socially or economically desirable and shall include venture capital funds, SME Funds, angel funds, social impact funds, infrastructure funds, special situation funds and such other Alternative Investment Funds as may be specified.</p> <p>Alternative Investment Funds which are generally perceived to have a positive spillover effect on the economy and for which SEBI or Government of India or other regulators in India might consider providing incentives or concessions shall be included and such funds which are formed as trusts or companies shall be construed as venture capital company or venture capital fund as specified under sub-section (23FB) of Section 10 of the Income Tax Act, 1961.</p> <p>(ii) Category II Alternative Investment Fund are those which does not fall in Category I and III and which does not undertake leverage or borrowing other than to meet day-to-day operational requirements and as permitted in the AIF Regulations. Alternative Investment Funds such as private equity funds or debt funds for which no specific incentives or concessions are given by the government or any other Regulator shall be included under this category.</p> <p>(iii) Category III Alternative Investment Fund which employs diverse or complex trading strategies and may employ leverage including through investment in listed or unlisted derivatives. Alternative Investment Funds such as hedge funds or funds which trade with a view to make short term returns or such other funds which are open ended and for which no specific incentives or concessions are given by the government or any other Regulator shall be included in this category.</p>
<p>FOREIGN CURRENCY CONVERTIBLE BONDS (FCCB)</p>	<ul style="list-style-type: none"> • Foreign Currency Convertible Bonds (FCCBs) are optionally convertible bonds issued in a currency other than Indian Rupees. • A convertible bond is a mix between a debt and equity instruments. It acts like a bond by making regular coupon and principal payments, but these bonds also give the bondholders the option to convert the bond into shares at the expiry the term of the Bond. • The FCCBs are unsecured, carry a fixed rate of interest and an option for conversion into a fixed number of equity shares of the issuer company. • Interest and redemption price (if conversion option is not exercised) is payable in dollars. • FCCBs shall be denominated in any freely convertible Foreign Currency. However, it must be kept in mind that FCCB issue proceeds need to conform to ECB end use requirements.

	<ul style="list-style-type: none"> • Apart from the policy of ECB, issue of FCCB is also required to adhere to FEMA Regulations and in accordance with the scheme viz., “Issue of Foreign Convertible Bonds and Ordinary Shares (Through Depository Receipt Mechanism) Scheme, 1993. • The major drawbacks of FCCBs are that the issuing company cannot plan its capital structure as it is not assured of conversion of FCCBs. Moreover, the projections for cash outflow at the time of maturity cannot be made.
BENEFITS OF FCCB TO ISSUER COMPANY & INVESTORS	<p><u>Benefits to the Issuer Company</u></p> <ul style="list-style-type: none"> • Being Hybrid instrument, the coupon rate on FCCB is particularly lower than pure debt instrument there by reducing the debt financing cost. • FCCBs are book value accretive on conversion. It saves risks of immediate equity dilution as in the case of public shares. Unlike debt, FCCB does not require any rating nor any covenant like securities, cover etc. • It can be raised within a month while pure debt takes a longer period to raise. Because the coupon is low and usually payable at the time of redeeming the instrument, the cost of withholding tax is also lower for FCCBs compared with other ECB instruments. <p><u>Benefits to the Investor</u></p> <ul style="list-style-type: none"> • It has advantage of both equity and debt. • It gives the investor much of the upside of investment in equity, and the debt portion protects the downside. • Assured return on bond in the form of fixed coupon rate payments. • Ability to take advantage of price appreciation in the stock by means of warrants attached to the bonds, which are activated when price of a stock reaches a certain point. • Significant Yield to maturity (YTM) is guaranteed at maturity. • Lower tax liability as compared to pure debt instruments due to lower coupon rate.
REDEMPTION OF FCCB	<p>Keeping in view the need to provide a window to facilitate refinancing of FCCBs by the Indian companies which may be facing difficulty in meeting the redemption obligations, Designated AD Category - I banks have been permitted to allow Indian companies to refinance the outstanding FCCBs, under the automatic route, subject to compliance with the terms and conditions set out hereunder:</p> <ul style="list-style-type: none"> • Fresh ECBs/ FCCBs shall be raised with the stipulated average maturity period and applicable all-in- cost being as per the extant ECB guidelines; • The amount of fresh ECB/FCCB shall not exceed the outstanding redemption value at maturity of the outstanding FCCBs; • The fresh ECB/FCCB shall not be raised six months prior to the maturity date of the outstanding FCCBs ; • The purpose of ECB/FCCB shall be clearly mentioned as ‘Redemption of outstanding FCCBs’ in Form 83 at the time of obtaining Loan Registration Number from the Reserve Bank; • The designated AD - Category I bank should monitor the end-use of funds;

	<ul style="list-style-type: none"> • ECB / FCCB beyond USD 500 million for the purpose of redemption of the existing FCCB will be considered under the approval route; and • ECB / FCCB availed of for the purpose of refinancing the existing outstanding FCCB will be reckoned as part of the limit of USD 750 million available under the automatic route as per the extant norms.
<p>FOREIGN CURRENCY EXCHANGEABLE BOND (FCEB)</p>	<p>According to the “Issue of Foreign Currency Exchangeable Bonds (FCEBs) Scheme, 2018, FCEB means :</p> <ul style="list-style-type: none"> • a bond expressed in foreign currency. • the principal and the interest in respect of which is payable in foreign currency. • issued by an issuing company, being an Indian company. • subscribed to by a person resident outside India. • Exchangeable into equity shares of another company, being Offered company in any manner. • Either wholly or partly or on the basis of any equity related warrants attached to debt instruments. <p>Under this option, an issuer company may issue FCEBs in foreign currency, and these FCEBs are convertible into shares of another company (offered company) that forms part of the same promoter group as the issuer company.</p> <p>For example, company ABC Ltd. issues FCEBs, then the FCEBs will be convertible into shares of company XYZ Ltd. that are held by company ABC Ltd. and where companies ABC Ltd. and XYZ Ltd. form part of the same promoter group. Unlike FCCBs that convert into shares of issuer itself, FCEBs are exchangeable into shares of Offered Company. Also, relatively, FCEB has an inherent advantage that it does not result in dilution of shareholding at the Offered Company level.</p>
<p>APPROVALS REQUIRED FOR EURO ISSUE (PROCEDURE FOR EURO ISSUE)</p>	<p>A. APPROVALS REQUIRED:-</p> <p>1) <u>Approval of board of Directors</u></p> <ul style="list-style-type: none"> • A meeting of Board of Directors is required to be held for approving the proposal to raise money from Euro Capital market. • The Board resolution should indicate therein specific purposes for which funds are required, quantum of the issue, country in which issue is to be launched, time of the issue etc. • A director/Sub- Committee of Board of Directors is also to be authorised for seeking Government approval in connection with Euro issue and signing agreements with depository, organising road shows for fixation of price of GDRs. • The Board meeting shall also decide and approve the notice of Extraordinary general meeting of shareholders at which special resolution is to be considered. <p>2) <u>Approval of Shareholders</u></p> <ul style="list-style-type: none"> • A special resolution under Section 62 of the Companies Act, 2013 is required to be passed at a duly convened general meeting of the shareholders of the company. <p>3) <u>Approval of Ministry of Finance - “In Principle and Final”</u></p>

	<ul style="list-style-type: none"> • With respect to ADR/GDR, guidelines issued on the subject dated 19-1-2000 brought ADR/GDR under the automatic route and therefore the requirement of obtaining approval of Ministry of Finance, Department of Economic Affairs has been dispensed with. • Further, private placement of ADR/GDR will also not require prior approval provided the issue is managed by investment banker. <p>4) <u>In-Principle Consent of Stock Exchanges for Listing of Underlying Shares</u></p> <ul style="list-style-type: none"> • The issuing company has to make a request to the domestic stock exchange for in-principle consent for listing of underlying shares which shall be lying in the custody of domestic custodian. • These shares, when released by the custodian after cancellation of GDR, are traded on Indian stock exchanges like any other equity shares. <p>5) <u>In-Principle Consent of Financial Institutions</u></p> <ul style="list-style-type: none"> • Where term loans have been obtained by the company from the financial institutions, the agreement relating to the loan contains a stipulation that the consent of the financial institution has to be obtained. • The company must obtain in-principle consent on the broad terms of the proposed issue.
<p>INTERMEDIARY INVOLVED IN EURO ISSUE</p>	<p>The following agencies are normally involved in the Euro issue:</p> <p>➤ <u>Lead Manager</u> The company has to choose a competent lead manager to structure the issue and arrange for the marketing. Lead managers usually charge a fee as a percent of the issue. The issues related to public or private placement, nature of investment, coupon rate on bonds and conversion price are to be decided in consultation with the lead manager.</p> <p>➤ <u>Co-Lead/Co-Manager</u> In consultation with the lead manager, the company has to appoint co-lead/co-manager to coordinate with the issuing company/lead manager to make the smooth launching of the Euro issue.</p> <p>➤ <u>Overseas Depository Bank</u> It is the bank which is authorised by the issuing company to issue Depository Receipts against issue of ordinary shares or Foreign Currency Convertible Bonds of issuing company.</p> <p>➤ <u>Domestic Custodian Bank</u> A banking company which acts as custodian for the ordinary shares or Foreign Currency Convertible Bonds of an Indian company, which are issued by it. The function of the domestic custodian bank is to co-ordinate with the depository bank. When the shares are issued by a company the same are registered in the name of depository and physical possession is handed over to the custodian. The beneficial interest in respect of such shares, however, rests with the investors.</p> <p>➤ <u>Listing Agent</u> One of the conditions of Euro-issue is that it should be listed at one or more Overseas Stock Exchanges. The appointment of listing agent is necessary to coordinate with issuing company for listing the securities on Overseas Stock Exchanges.</p>

	<p>➤ <u>Legal Advisors</u> The issuing company should appoint legal advisors who will guide the company and the lead manager to prepare offer document, depository agreement, indemnity agreement and subscription agreement.</p> <p>➤ <u>Printers</u> The issuing company should appoint printers of international repute for printing Offer Circular.</p> <p>➤ <u>Auditors</u> The role of issuer company's auditors is to prepare the auditors report for inclusion in the offer document, provide requisite comfort letters and reconciliation of the issuer company's accounts between Indian GAAP/UK GAAP/US- GAAP and significant differences between Indian GAAP/UK GAAP/US-GAAP.</p> <p>➤ <u>Underwriters</u> It is desirable to get the Euro issue underwritten by banks and syndicates. Usually, the underwriters subscribe for a portion of the issue with arrangements for tie-up for the balance with their clients. In addition, they will interact with the influential investors and assist the lead manager to complete the issue successfully.</p>
<p>ROADSHOW – EURO ISSUE (JUNE 2024)</p>	<ul style="list-style-type: none"> • Roadshows represent meetings of issuers, analysts, and potential investors. • Road show is arranged by the lead manager by sending invitation to all prospective investors. • Details about the company are presented in the roadshows and such details usually include the following information about the company making the issue: <ul style="list-style-type: none"> ○ History ○ Organisational structure ○ Past performance of the company ○ Principal objects ○ Business lines ○ Position of the company in Indian and international market ○ Future plans of the company ○ Competition - domestic as well as foreign ○ Financial results and operating performance ○ Valuation of shares ○ Review of Indian stock market and economic situations. • During road shows, the investors give indication of their willingness to buy a particular quantity at particular terms. Their willingness is booked as orders by the marketing force of lead manager and co-lead manager. This process is known as <u>book building</u>. • Thus, at road shows, series of information presentations are organised in selected cities around the world with analysts and potential institutional investors. It is, in fact, a conference by the issuer with the prospective investors.

<p>OFFERING CIRCULAR</p>	<ul style="list-style-type: none"> • Offering Circular is a <i>mirror</i> through which the prospective investors can access vital information regarding the company in order to form their investment strategies. • It is to be prepared very carefully giving <i>true and complete information</i> regarding the financial strength of the company, its past performance, past and envisaged research and business promotion activities, track record of promoters and the company, ability to trade the securities on Euro capital market. • A copy of the Offering Circular is required to be sent to the Registrar of Companies, SEBI and the Indian Stock Exchanges for record purposes. • The Offering Circular for Euro-issue offering should typically <i>cover the following contents</i>: <ul style="list-style-type: none"> ➤ Background of the company and its promoters including date of incorporation and objects, past performance, production, sales and distribution network, future plans, etc. ➤ Capital structure of the company-existing, proposed and consolidated. ➤ Deployment of issue proceeds. ➤ Financial data indicating track record of consistent profitability of the company. ➤ Investment considerations. ➤ Terms and conditions of global depository receipt and any other instrument issued along with it. ➤ Economic and regulatory policies of the Government of India. ➤ Details of Indian securities market indicating stock exchange, listing requirements, foreign investments in Indian securities. ➤ Market price of securities. ➤ Tax aspects indicating analysis of tax consequences under Indian law of acquisition, membership and sale of shares, treatment of capital gains tax, etc. ➤ Status of approvals required to be obtained from Government of India. ➤ Summary of significant differences in Indian GAAP, UK GAAP and US GAAP and expert's opinion. ➤ Report of statutory auditor. ➤ Legal matters etc. ➤ Other general information not forming part of any of the above.
<p>PARKING OF ECB PROCEEDS</p>	<p>ECB proceeds are permitted to be parked abroad as well as domestically in the manner given below:</p> <ul style="list-style-type: none"> ➤ <u>Parking of ECB proceeds abroad</u> ECB proceeds meant only for foreign currency expenditure can be parked abroad pending utilization. Till utilisation, these funds can be invested in the following liquid assets (a) deposits or Certificate of Deposit or other products offered by banks rated not less than AA (-) by Standard and Poor/ Fitch IBCA or Aa3 by Moody's; (b) Treasury bills and other monetary instruments of one-year maturity having minimum rating as indicated above and (c) deposits with foreign branches/ subsidiaries of Indian banks abroad. ➤ <u>Parking of ECB proceeds domestically</u> ECB proceeds meant for Rupee expenditure should be repatriated immediately for credit to their Rupee accounts with AD Category I banks in India. ECB borrowers are also allowed to park ECB proceeds

	in term deposits with AD Category I banks in India for a maximum period of 12 months cumulatively. These term deposits should be kept in unencumbered position.		
MINIMUM AVERAGE MATURITY PERIOD FOR ECB	Minimum average maturity period (MAMP) will be 3 years. Call and put options, if any, shall not be exercisable prior to completion of minimum average maturity. However, for the specific categories mentioned below, the MAMP will be as prescribed therein:		
	Sr. No.	Category	MAMP
	(a)	ECB raised by manufacturing companies up to USD 50 million or its equivalent per financial year.	1 year
	(b)	ECB raised from foreign equity holder for working capital purposes, general corporate purposes or for repayment of Rupee loans.	5 years
	(c)	ECB raised for (i) working capital purposes or general corporate purposes. (ii) on-lending by NBFCs for working capital purposes or general corporate purposes.	10 years
	(d)	ECB raised for (i) repayment of Rupee loans availed domestically for capital expenditure. (ii) on-lending by NBFCs for the same purpose.	7 years
	(e)	ECB raised for (i) repayment of Rupee loans availed domestically for purposes other than capital expenditure. (ii) on-lending by NBFCs for the same purpose.	10 years
RECOGNIZED LENDERS FOR ECB	The lender should be resident of FATF or IOSCO compliant country, including on transfer of ECBs. However, a) Multilateral and Regional Financial Institutions where India is a member country will also be considered as recognised lenders; b) Individuals as lenders can only be permitted if they are foreign equity holders or for subscription to bonds/debentures listed abroad; and c) Foreign branches / subsidiaries of Indian banks are permitted as recognised lenders only for FCY ECB (except FCCBs and FCEBs).		
ECB FRAMEWORK	Parameters	FCY denominated ECB	INR denominated ECB
	Currency of borrowing	Any freely convertible Foreign Currency	Indian Rupee (INR)
	Forms of ECB	Loans including bank loans; floating/ fixed rate notes/ bonds/ debentures (other than fully and compulsorily convertible instruments); Trade credits beyond 3 years; FCCBs; FCEBs and Financial Lease.	Loans including bank loans; floating/ fixed rate notes/ bonds/ debentures/ preference shares (other than fully and compulsorily convertible instruments); Trade credits beyond 3 years; and Financial Lease. Also, plain vanilla Rupee denominated bonds

			issued overseas (RDBs), which can be either placed privately or listed on exchanges as per host country regulations.
	Eligible borrowers	All entities eligible to receive FDI. Further, the following entities are also eligible to raise ECB: a) Port Trusts; b) Units in SEZ; c) SIDBI; and d) EXIM Bank.	a) All entities eligible to raise FCY ECB; and b) Registered entities engaged in micro-finance activities, viz., registered Not for Profit companies, registered societies/trusts/cooperatives and Non-Government Organisations (permitted only to raise INR ECB).
REPORTING REQUIREMENTS FOR ECB	<p>Borrowings under ECB Framework are subject to following reporting requirements apart from any other specific reporting required under the framework:</p> <ul style="list-style-type: none"> ➤ Loan Registration Number (LRN) <ul style="list-style-type: none"> • Any draw-down in respect of an ECB should happen only after obtaining the LRN from the Reserve Bank. • To obtain the LRN, borrowers are required to submit duly certified Form ECB, which also contains terms and conditions of the ECB, in duplicate to the designated AD Category I bank. • In turn, the AD Category I bank will forward one copy to the Reserve Bank of India. • Copies of loan agreement for raising ECB are not required to be submitted to the Reserve Bank. ➤ Changes in terms and conditions of ECB <p>Changes in ECB parameters in consonance with the ECB norms, including reduced repayment by mutual agreement between the lender and borrower, should be reported to the RBI through revised Form ECB at the earliest, in any case not later than 7 days from the changes effected. While submitting revised Form ECB the changes should be specifically mentioned in the communication.</p> ➤ Monthly Reporting of actual transactions <p>The borrowers are required to report actual ECB transactions through Form ECB 2 Return through the AD Category I bank on monthly basis so as to reach DSIM within seven working days from the close of month to which it relates. Changes, if any, in ECB parameters should also be incorporated in Form ECB 2 Return.</p> ➤ Late Submission Fee (LSF) for delay in reporting <p>Any borrower, who is otherwise in compliance of ECB guidelines, can regularize the delay in reporting of drawdown of ECB proceeds before obtaining LRN or delay in submission of Form ECB 2 returns, by</p> 		

	payment of late submission fees in accordance with Master Direction-Reporting under FEMA, 1999.
CLASSIFICATION OF NBFCs BASED ON SUPERVISION	<p>Recently, RBI has classified NBFCs into four layers, like banks, for supervision, particularly risk based supervision.</p> <p>a. Base layer (NBFC-BL)</p> <p>The base layer will be equivalent to the existing non-deposit taking non-systemically important NBFCs (NBFC-NDs) Systemically important, non-deposit taking NBFCs below the asset size of Rs. 1,000 crore (except those necessarily featuring in the middle layer) will be part of NBFC-BL. It will specifically include:</p> <ul style="list-style-type: none"> • NBFC-P2P (NBFC-Peer to Peer lending platform); • NBFC-AA (NBFC-Account Aggregator); • NOFHC (Non-Operative Financial Holding Company); and • NBFCs without public funds and customer interface. <p>While higher level of prudential regulations will not be applicable to such entities, there will be an increase in the transparency requirements through additional disclosures and improved governance standards.</p> <p>b. Middle layer (NBFC-ML)</p> <p>The middle layer will be equivalent to the existing deposit taking NBFCs (NBFC-D) and systemically important non-deposit taking NBFCs (NBFC-ND-SI). It will specifically include the SPD (i.e. Standalone Primary Dealers) and IDF (Infrastructure Debt Funds) (which will always remain in the middle layer). It will also include NBFC-D, irrespective of their asset size, NBFC-ND-SI with asset size greater than ₹1,000 crore, CIC, IFC and HFCs. Government owned NBFCs will not be placed in the upper layer, till further notice, and accordingly, will be placed in NBFC-BL or NBFC-ML. There will be a higher level of regulatory supervision in this layer, which aims to plug the areas of regulatory arbitrage between banks and NBFCs.</p> <p>c. Upper layer</p> <p>The upper layer has been conceived as a new category of NBFCs, in which a chosen few, systemically significant NBFCs would be specifically identified by RBI through parametric analysis of certain quantitative and qualitative criteria, which will be reviewed periodically. Accordingly, entities that meet the specified criteria will move from the middle layer to the upper layer of the scale-based framework. The top 10 eligible NBFCs in terms of their asset size will always reside in the upper layer, irrespective of any other factor. Higher prudential regulations and intensive supervision will be applicable for such entities proportionate to their systemic significance.</p> <p>d. Top layer</p> <p>The top layer would ideally remain empty and NBFCs will be slotted into this layer from the upper layer of the scale-based framework at the discretion of RBI if it is of the opinion that the entity is contributing significantly to the systemic risk. Such entities would be required to comply with significantly higher regulatory and supervisory requirements.</p>

<p>CLASSIFICATION OF NBFC ON THE BASIS OF ACTIVITIES</p>	<p>On the basis of activities, NBFCs can be classified as under:</p> <ul style="list-style-type: none"> • <i>Investment and Credit Company (NBFC-ICC)</i> – Conducting primarily Investing, Lending and Asset Finance activities, other specialized classifications. • <i>Micro-finance Company (NBFC-MFI)</i> – Conducting the principal business of providing micro finance. • <i>Infrastructure Finance Company (NBFC-IFC)</i> – Conducting the principal business of providing infrastructure finance through loans. • <i>Factoring Company (NBFC-Factor)</i> – Conducting the principal business of factoring. • <i>Housing Finance Companies (NBFC-HFC)</i> – Engaged in the principal business of Housing Finance. • Core Investment Company (Systemically Important if Asset Size above ₹100 Cr.) (CIC). • <i>Account Aggregators (NBFC-AA)</i> – Conducting the activity of account aggregation. • <i>Peer to Peer Lending Platforms (NBFC-P2P)</i> – Conducting the business of a peer to peer lending platform, majorly IT driven. • <i>Infrastructure Debt Fund NBFC (IDF-NBFC)</i> – It facilitates the flow of long term debt into infrastructure projects. • Mortgage Guarantee Companies (MGC). 					
<p>PROVISIONING NORMS FOR NBFC FOR STANDARD ASSETS & NPA</p>	<p>The RBI provisioning norms for Standard Assets as well as Non-Performing Assets for NBFCs (Scale-Based Regulation) are as follows:</p>					
	<p>Provisioning for NBFC-ND-SI and NBFC-D</p>	<p>Provisioning for NBFC-ND-NSI</p>	<p>Treatment for secured portion</p>			
<p>Standard Assets</p>	<p>At the end of each year: 0.40%</p>	<p>At the end of each year: 0.25%</p>	<p>NA</p>			
<p>Sub-standard assets</p>	<p>10% of the outstanding amount if it remains outstanding for a period of 12 months.</p>	<p>10% of the outstanding amount if it remains outstanding for a period of 18 months.</p>	<p>No specific provisions regarding Security</p>			
<p>Doubtful Assets</p>	<p>100% provision to the extent to which the advance is not covered by the realizable value of the security Note: Asset will be considered doubtful if it</p>	<p>100% provision to the extent to which the advance is not covered by the realizable value of the security Note: Asset will be considered doubtful if it</p>	<p>To the extent of loan which is covered by estimated realizable value of securities, the following provisioning is required - based on the period the asset (the underlying loan) has remained doubtful</p> <table border="1" data-bbox="1098 1877 1460 2018"> <tr> <td>Period for which Considered</td> <td>% of Provision against</td> </tr> </table>		Period for which Considered	% of Provision against
Period for which Considered	% of Provision against					

		remains substandard for 12 months	remains substandard for 18 months	Doubtful	estimated realizable value of securities
				Up to - one year	20
				One - three year	30
				More than three years	50
	Loss Assets	100% Write off in the books (Same treatment for the Interest)	100% Write off in the books (Same treatment for the Interest)	NA	
OVERDRAFT	<ul style="list-style-type: none"> ❖ After bank loans, Overdrafts is the <u>most common way</u> of availing credit facilities from the bank. ❖ Overdraft means allowing the customer to draw cheques over and above credit balance in the account. ❖ Bank overdraft is line of credit that overs the transaction if the Bank Account balance drops below zero. ❖ Overdraft is normally allowed to <u>Current Account customers</u> and in exceptional cases Savings bank account holders are also allowed to overdraw their account. ❖ <u>High rate of interest</u> is charged on daily debit balance of overdraft account as these are clean advances i.e. banks do not have any securities to sell back if these facilities are not repaid. ❖ There are <u>two types of overdraft accounts</u> as prevalent in Banks i.e. (i) Temporary overdraft or clean overdraft and (ii) Secured overdraft. Temporary overdrafts are allowed purely on <u>personal credit</u> worthiness of the customer concerned and it is availed by the customer to meet some urgent commitments on rare occasions. Allowing a customer to draw against his cheques sent in clearing - known as “against clearing” also falls under this category. Secured overdraft is allowed up to a certain limit against some <u>tangible security</u> like bank deposits, LIC policies, National Saving Certificates shares and other similar assets. ❖ Secured overdraft is most popular with traders as lesser operating cost, simple application and document formalities are involved in this facility. 				
CASH CREDIT ACCOUNT	<ul style="list-style-type: none"> ❖ A cash credit facility is a <u>short-term finance</u> to a borrower company, having a tenure of up to one year which can be renewed for further period by the bank on the basis of projected sales and satisfactory operation in the account during the period of finance. ❖ Cash credit facility is extended in two forms viz. Open Cash Credit and Key Cash Credit. 				

	<ul style="list-style-type: none"> ❖ <u>Open Cash credit account</u> is a running account just like a current account where the borrower is allowed to maintain debit balance in the account up to a sanctioned limit or drawing power whichever is lower. The Cash Credit facility is offered to a borrowers normally <u>either against pledge (Key Cash Credit) or hypothecation of stocks of raw materials, semi-finished goods and/or finished goods and Book Debts (Receivables).</u> ❖ In the case of Key Cash Credit, the borrower lodges the stocks in his godown and the key of the godown will be handed over to the bank. By this process, the goods lodged in the godown are pledged to the bank and the bank will allow the customer to draw funds against the value of the goods less its safety margin. This is known as Drawing Power. The pledged goods are allowed to be removed by the borrower on remitting into his CC account the amount equivalent to value of the goods. ❖ In case of manufacturing units this facility is required for purchase of raw materials, processing and converting them into finished goods. In case of traders, the limit is allowed for purchase of goods which they deal.
BILL FINANCE	<ul style="list-style-type: none"> ❖ Bills finance is short term and self-liquidating finance in nature. ❖ The bills can be classified as Demand Bills and Usance Bills. ❖ Demand Bill is purchased and Usance bill is discounted by the banks. ❖ The credits available to the seller against the bills drawn under Letter of Credit either on sight draft or usance draft are called bills negotiated by the banks. ❖ The advantage of bills finance is that the seller of goods (borrower) gets immediate money from the bank for the goods sold by him irrespective of whether it is a purchase, discount or negotiation by the bank. ❖ The 'Demand Bills' can be documentary or clean. Usually, banks accept only documentary bills for purchase. However, clean bills from good parties also purchased by the banks which have a clean repayment record. ❖ The 'Documentary Bills' may be drawn by a Seller of Goods ('Drawer') on D/P (Delivery against payment) or D/A (Delivery against Acceptance) terms. ❖ In case of D/P terms the documents of title to goods are delivered to the buyer of the goods (drawee) against payment of bill amount. In case of D/A bills, the documents to the title of goods are to be delivered to the drawee (Buyer) against acceptance of bills. These types of bills are called "Usance Bills' which means bills are maturing on a future date and payment will be made on due date. In case of 'Usance Bills' bills become clean after it is delivered to drawee on acceptance. Therefore, banks take into consideration the credit worthiness not only of the borrower but also of the drawee.
LEASING FINANCE	<ul style="list-style-type: none"> ❖ A lease is a contract between the owner (lessor) and the user (lessee). ❖ There are various types of leases viz. operating lease, finance lease etc. ❖ In terms of lease agreement the lessor pays money to the supplier who in turn delivers the article to the lessee. The lessee (hirer of the article) makes periodical payment to the lessor. At the end of lease period the asset is restored to the lessor.

	<ul style="list-style-type: none"> ❖ Commercial banks in India have been financing the activities of leasing companies, by providing overdraft/ Cash credit account/Demand loan against fully paid new machinery or equipment by hypothecation of security. The repayment should be from rentals of machinery/ equipment leased out and similar other ways. ❖ The maximum period of repayment is 5 years or the economic life of the equipment whichever is lower. The bank is allowed to periodical inspection of the asset. ❖ Lease contracts are only for productive purpose and not for consumer durable.
<p>HIRE PURCHASE FINANCE</p>	<ul style="list-style-type: none"> ❖ Hire-Purchase transactions are very similar to leasing transactions. In the Hire-purchase finance takes place predominantly in automobile sector. Like Leasing Finance, the ownership of the vehicle continues to remain with the Leasing Company till the agreement period ends. ❖ However, at the end of the stipulated period, the hirer (lessee) has options either to return the asset to leasing company while terminating the agreement or purchase the asset upon terms set out in the hire-purchase agreement. ❖ Since hire-purchase finance takes place predominantly in automobile sector, banks have started direct finance to transport operator as the nature of advance being classified as priority sector lending. By and large most banks finance vehicles under Hypothecation arrangement instead of Hire-Purchase.
<p>LOAN AGAINST SECURITIES</p>	<p>Features of Loan against Securities:-</p> <ol style="list-style-type: none"> 1) <u>Secured Loan</u> - Loan against securities is a secured loan as the bonds, shares, debentures or mutual funds owned by the borrower are kept as collateral security when this loan is advanced. 2) <u>Tenure</u> - The tenure of loan against securities is generally one year. 3) <u>Rate of Interest</u> - Generally, interest rates at which loan against securities is advanced varies from 12%–15% per annum. 4) <u>Processing Fees</u> - Banks and financial institutions usually charge approximately 2% as processing fees. 5) <u>Loan Amount</u> - The loan amount for which the borrower may be eligible depends upon the type of security that is being offered. For example, in case equity shares are offered then the amount that is eligible would be 50% of the value of such shares. 6) <u>Prepayment Charges</u> - There are generally no prepayment charges.
<p>LOAN AGAINST PROPERTY</p>	<ul style="list-style-type: none"> • Similar to loans against securities, this is a loan, banks grant against property owned by the prospective borrower. • Banks take the property as security and based on the valuation of the property, they extend a loan, net of the margin fixed by them. • The types of Property against which LAP can be availed can range from owned residential properties, self-occupied property, owned and rented property, owned land, owned commercial property, owned but rented out commercial property. • The proceeds from these are used by borrowers for personal, business and consumption purposes. • After due appraisal Banks sanction generally anywhere between 50% to 65% of the value of borrower's property.

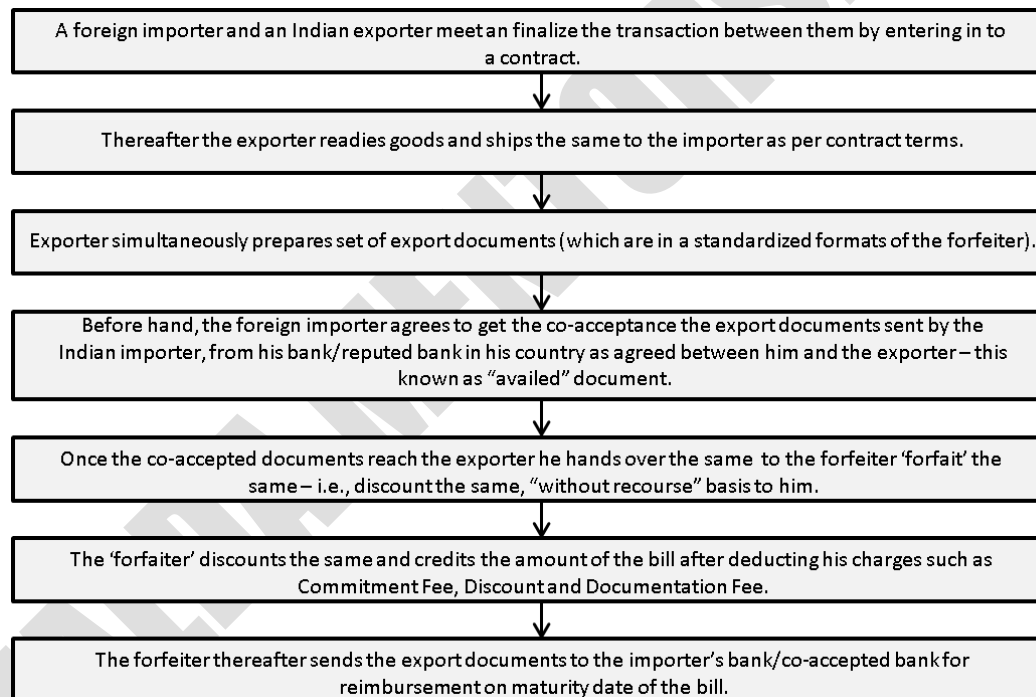
	<ul style="list-style-type: none"> • Banks offer repayment period of 10 to 15 years at competitive interest rates. • For sanctioning loans against properties banks insist on creating a mortgage in their favour.
BILL DISCOUNTING	<ul style="list-style-type: none"> • Commercial bills are basically <i>negotiable instruments</i> accepted by buyers for goods or services obtained by them on credit. • Such bills being bills of exchange can be kept upto the due maturity date and encashed by the seller or may be endorsed to a third party in payment of dues owing to the latter. • The most common practice is that the seller who gets the accepted bills of exchange discounts it with the Bank or financial institution or a bill discounting house and collects the money (less the interest charged for the discounting). • The biggest advantage of this facility to the seller is to get the cash released fast on the trade bill drawn which would otherwise be locked in the invoices and hence a better way to get an unsecured business loan. • The volume of bills both inland and foreign, which are discounted accounted, forms a substantial part of the total scheduled commercial bank credit. • The difficulties which stand in the way of bill market development are, the incidence of stamp duty, shortage of stamp paper, reluctance of buyers to accept bills, predominance of cash credit system of lending and the administrative work involved in handling documents of title to goods. • To be freely negotiable and marketable, the bills should be first class bills i.e. those accepted by companies having good reputation. Alternatively, the bills accepted by companies should be co-accepted by banks as a kind of guarantee. In the absence of these criteria, bill market has not developed in India as the volume of first class bills is very small.
CREDIT DEFAULT SWAPS & ITS BENEFITS	<ul style="list-style-type: none"> • A Credit default swap (CDS) is <i>credit derivative contract</i> in which one counterparty (protection seller) commits to compensate the other counterparty (protection buyer) for the loss in the value of an underlying debt instrument resulting from a credit event with respect to a reference entity and in return, the protection buyer makes periodic payments (premium) to the protection seller until the maturity of the contract or the credit event, whichever is earlier. <p>Benefit of CDS:-</p> <ul style="list-style-type: none"> • Credit Default Swaps (CDS) on corporate bonds provide market participants a tool to transfer and manage credit risk in an effective manner through redistribution of risk. • CDS, as a risk management product offer participant the ability to hive / hedge credit risk and also assume credit risk which otherwise may not be possible. • Since CDS has benefits like enhancing investment and borrowing opportunities and reducing transaction costs while allowing risk-transfers, such products would increase investors' interest in corporate bonds and would be beneficial to the development of the corporate bond market in India.

FORFAITING

Forfaiting is a mechanism through which exporters can avail finance by discounting their medium term/long term export receivables with an intermediary called forfaiter. Long term receivable can be as long as 10 years whereas medium term can be anywhere between 3 to 5 years. Thus, receivables on deferred basis evidenced by export bills and commercial documents can be forfeited.

Forfaiting is done on a without recourse basis i.e. if the importer fails to pay, the forfaiter cannot recover the dues from the exporter for whom he has discounted the export receivable. Of course, a forfaiter covers this risk by getting the export documents co-accepted by an importer's bank/ reputable bank from the importer's country.

A brief overview of general working mechanism of Forfaiting is as follows:



Forfaiting is an approved method of export financing by RBI. EXIM Bank in India has been authorised to facilitate the forfaiting transactions. The advantage for the exporter is that he can convert the credit sale into cash sale without recourse to him or his banker.

FACTORING

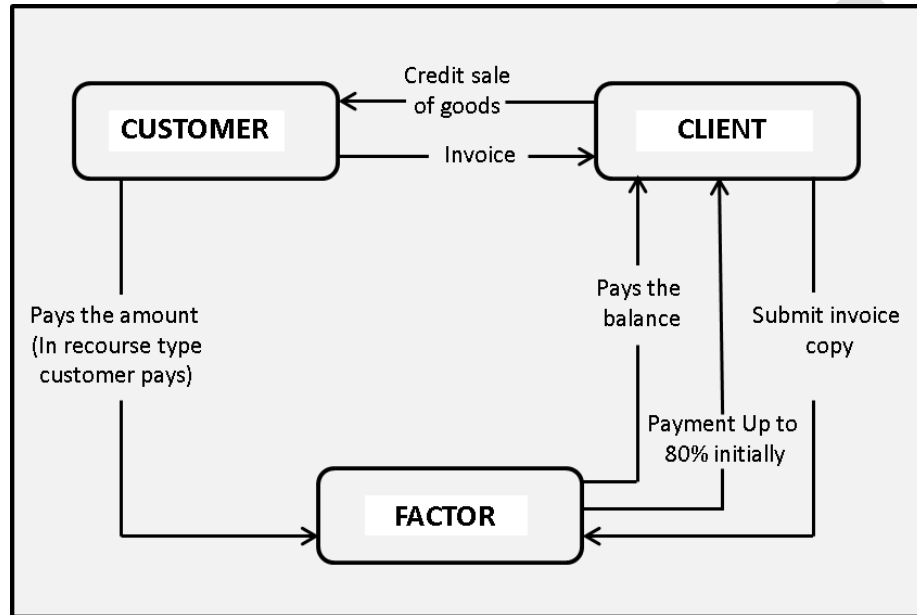
Factoring is a financial transaction where an entity sells its receivables to a third party called a 'factor', at discounted prices. Factoring is a financial option for the management of receivables. In simple definition it is the conversion of credit sales into cash. In factoring, a financial institution (factor) buys the accounts receivable of a company (Client) and pays up to 80% (rarely up to 90%) of the amount immediately on formation of agreement.

Examples

Factoring against goods purchased, factoring for construction services (usually for government contracts where the government body is capable of paying back the debt in the stipulated period of factoring. Contractors

submit invoices to get cash instantly), factoring against medical insurance etc.

Factoring company pays the remaining amount (Balance 20%-finance cost-operating cost) to the client when the customer pays the debt. Collection of debt from the customer is done either by the factor or the client depending upon the type of factoring. The account receivable in factoring can either be for a product or service.



FACTORING PROCESS

Factoring Process:-

The steps involved in factoring are listed below:

- ✓ The seller interacts with the funding specialist/broker and explains the funding needs.
- ✓ The broker prepares a preliminary client profile form and submits to the appropriate funder for consideration.
- ✓ Once both parties agree that factoring is possible, the broker puts the seller in direct contact with the funder to ask/answer any additional questions and to negotiate a customized factoring agreement, which will meet the needs of all concerned.
- ✓ At this point, the seller may be asked to remit a fee with formal application to cover the legal research costs, which will be incurred during “due diligence”. This is the process by which the buyer’s credit worthiness is evaluated through background checks, using national database services.
- ✓ During the next several days, the under completes the “due diligence” process on the seller, further verifies invoices and acknowledges any liens, UCC filings, judgments or other recorded encumbrances on the seller’s accounts receivables.
- ✓ The seller is advised of the facility and is asked to advise the buyers of the Factor by letter and submit an acknowledged copy of the same to the Factor for records.
- ✓ A detailed sanction letter is given to the seller and their acceptance on the same taken, with the Required signatories.
- ✓ ***Sanction terms must contain the following:***
 - All facilities covered under the sanction.
 - The period for which the sanction is valid.

	<ul style="list-style-type: none"> • When the facility comes into effect (e.g. if facility is dated 1/12/120, it can state that invoices raised from or after 15/12/20 only would be Factored). • Who are the authorized signatories for signing invoices for factoring? • The limits. • The seller has to advise the buyer of the Factoring agreement. • Copy of such advice acknowledged by the buyer should be submitted to the Factor. Buyer's consent is not required to decide on the Factor. • The discounting rates, charges fixed. • In case of discounts given by the seller to the buyer, which value would be financed by the factor (since the factored amount should never exceed the amount actually payable by buyer). <ul style="list-style-type: none"> ✓ Usually within 7 to 10 days of the initial contact with the factor, agreements are signed, customers are notified, UCC forms filed and the first advance is forwarded to the company. This advance can vary between 70 - 80% of the face value of the invoices being factored. In the construction industry, the advances may be in the range of 60 - 70%. The remaining amount is called the "reserve" which is held by the factor until the invoices are paid. The factor then deducts his fee and returns the remaining funds to the seller. ✓ The seller performs services or delivers products, thus creating an invoice. ✓ The seller sends or faxes a copy of the invoice directly to the factor. ✓ The funder verifies the invoice and the advance is sent to the seller as per the agreement with the factor. In certain cases, the funder wires the funds to the seller's account for an additional fee. ✓ The buyer pays the factor. The factor then returns any remaining reserve, minus the fee, which has been predetermined in the negotiated agreement.
<p>TYPES OF FACTORING</p>	<p>TYPES OF FACTORING:-</p> <ol style="list-style-type: none"> 1. <u>Non-Recourse or Full Factoring</u> Under this type of factoring the bank takes all the risk and bear all the loss in case of debts becoming bad debts. 2. <u>Recourse Factoring</u> Under this type of factoring the bank purchases the receivables on the condition that any loss arising out or bad debts will be borne by the company which has taken factoring. 3. <u>Maturity Factoring</u> Under this type of factoring bank does not give any advance to the company rather bank collects it from customers and pays to the company either on the date of collection from the customers or on a guaranteed payment date. 4. <u>Advance Factoring</u> Under advance factoring arrangement the factor provides an advance against the uncollected and non-due receivables to the firm. 5. <u>Undisclosed Factoring</u> Under this type of factoring, the customer is not informed of the factoring arrangement. The firm may collect dues from the customer on its own or instruct to make remit once at some other address. 6. <u>Invoice Discounting</u>

	<p>Under this type of factoring the bank provide an advance to the company against the account receivables and in turn charges interest rate from the company for the payment which bank has given to the company.</p>
<p>VARIOUS METHODS FOR ASSESSING WORKING CAPITAL REQUIREMENT</p>	<p>Various methods of accessing Working Capital requirements of a business:</p> <p>1. OPERATING CYCLE METHOD:</p> <ul style="list-style-type: none"> Any manufacturing activity is characterized by a cycle of operations consisting of purchase of raw materials for cash, converting these into finished goods & realizing cash by sale of these finished goods. The time gap between cash outlay & cash realization by sale of finished goods & realization of sundry debtors is known as the <i>length of the operating cycle</i>. Operating cycle is also called the <i>cash-to-cash cycle</i> & indicates how cash is converted into raw material, stocks in process, finished goods, bills (receivables) & finally back to cash. <p>2. TURNOVER METHOD (NAYAK COMMITTEE): (dec 25)</p> <ul style="list-style-type: none"> This method of assessing working capital requirement of a firm is given by “Nayak Committee”. The committee headed by Mr. P.R. Nayak examined the adequacy of institutional credit to SSI sector and gave its recommendations which are as under: <ul style="list-style-type: none"> Under this method, bank credit for working capital purposes for borrowers requiring fund based limits up to Rs. 5 crore for Small Scale Industries borrowers and Rs. 2 crore in case of other borrowers, may be assessed at minimum of 25% of the projected annual turnover of which should be provided by the borrower (i.e. minimum margin of 5% of the annual turnover to be provided by the borrower) and balance 4/5th (i.e. 20% of the annual turnover) can be extended by way of working capital finance. <p>3. MAXIMUM PERMISSIBLE BANKING FINANCE METHOD (TANDON COMMITTEE): (dec 25)</p> <p>A committee headed by Mr. P.L. Tandon, ex-chairman of PNB, was constituted with view to suggest improvement in the existing ash credit system. It submitted its report on guidelines for follow up of credit in August 1974, suggesting three methods of lending as follows:</p> <p>1st Method of Lending: Formula: $MPBF = 75\%(CA - CL)$</p> <p>2nd Method of Lending: Formula: $MPBF: (75\% \times CA) - CL$</p> <p>3rd Method of Lending: Formula: $MPBF: [75\% \times (CA - CCA)] - CL$</p> <p>4. CHORE COMMITTEE:</p> <ul style="list-style-type: none"> The RBI constituted, in April 1979, a working group under the chairmanship of Shri K.B Chore, to <i>review the system of cash credit</i> with the particular reference to the <i>gap between sanctioned limit and the extent of their utilization</i>. It was also asked to suggest alternative type of credit facilities which would ensure greater credit discipline

	<p>and enable the banks to relate the credit limits to increase in output or other productive activities.</p> <ul style="list-style-type: none"> • The committee recommended assessment of working capital requirements have to be mandatorily assessed based on 2nd method of lending suggested by Tandon Committee except for sick/Units under rehabilitation. <p>5. CASH BUDGET SYSTEM:</p> <p>In case of tea, sugar, construction companies, film industries and service sector requirement of finance may be at the peak during certain months while the sale proceeds may be realised throughout the year to repay the outstanding in the account. Therefore, credit limits are fixed on the basis of <u>projected monthly cash budgets</u> to be received before beginning of the season.</p>
<p>TYPES OF LETTER OF CREDIT</p>	<p>TYPES OF LETTER OF CREDIT:-</p> <ul style="list-style-type: none"> • <u>Sight Credit</u> - Under this letter of credit, documents are payable at sight/ upon presentation, i.e., Payment is made to the seller immediately after the required documents have been submitted. • <u>Acceptance Credit/ Time Credit</u> - The Bills of Exchange which are drawn, payable after a period, are called usance bills. Under acceptance credit usance bills are accepted upon presentation and eventually honoured on due dates. The documents of title to goods (R/R, L/R, MTR, Bill of Lading etc.) are delivered to the applicant (importer / buyer) on acceptance of Bill of exchange drawn under LC by the Seller / exporter. To that extent these LCs are unsecured. • <u>Revocable and Irrevocable Credit</u> - A revocable letter of credit is a credit, in which the terms and conditions of the credit can be amended/cancelled by the Issuing bank, any time and without prior notice to the beneficiaries. If the negotiating bank makes a payment to the beneficiaries prior to receiving notice of cancellation / amendments, it is obligatory for issuing bank to make payment to reimburse the negotiating bank. An irrevocable letter of credit is a credit, the terms and conditions of which can neither be amended nor cancelled without the consent of the beneficiaries. Hence, the opening bank is bound by the commitments given in the letter of credit. If nothing is stated, the LC is treated as irrevocable. • <u>Confirmed Credit</u> - Only Irrevocable letter of credit can be confirmed. A confirmed letter of credit is one when a banker other than the Issuing bank, adds its own confirmation to the credit. In case of confirmed letter of credits, the beneficiary's bank would forward the LC to the confirming banker with a request to add their confirmation. The liability of the confirming bank is same as the issuing bank. • <u>Back-to-Back Letter of Credit</u> - Back-to-Back Letter of Credit is a negotiable instrument in which the seller gets a Letter of Credit from the buyer and the seller further transfers the Letter of Credit to its supplier. In simple words, the seller first gets the Letter of Credit from the buyer to ensure timely payment and further the same seller hands over the Letter of Credit to someone from whom he buys

	<p>goods or materials. There are various advantages and disadvantages of Letter of Credit.</p> <ul style="list-style-type: none"> • <u>Transferable Credit</u> - While a letter of credit is not a negotiable instrument, the Bills of Exchange drawn under it are negotiable. A Transferable letter of credit is one in which a beneficiary can transfer his rights to third party / parties in whole or in part (in that case the unused portion can be transferred back to the original beneficiary). Such letter of credit should clearly indicate that it is a 'Transferable' letter of credit. Transferable Letter of Credit is transferrable only once. • <u>Red Clause Letter of Credit</u> - Red clause letter of credit is an advance payment letter of credit. Under the red clause letter of credit, the issuing bank will make an advance payment to the exporter i.e. the seller before the seller ships the goods to the importer i.e. buyer. This is usually done to provide aid to the seller in the form of working capital to purchase raw material, processing and packaging of goods, etc. The advance payment will be done against documentary requirement under the red clause letter of credit. Generally, documents required are written undertaking and receipts. • <u>Green Clause Letter of Credit</u> - Green clause letter of credit is an extension of red clause letter of credit. Which means it provides the advance not only for the purchase of raw materials, processing, and packaging of goods, etc. but also for pre-shipment warehousing at the port of origin and insurance expense. In usual cases, the advance under this letter of credit is granted only after the purchased goods are stored in bonded warehouses. This type of letter of credit is usually used in transactions related to commodity market such as wheat, rice, gold, etc. • <u>Standby Letter of Credit</u> - In certain countries there are restrictions to issue guarantees, as a substitute these countries use standby credit. In case the guaranteed service is not provided, the beneficiary can claim under the terms of the standby credit. In case of Standby letter of credits, the documents required are proof of non- performance or a simple claim form. • <u>Revolving Credit</u> - Here the amount of drawings made would be reinstated and made available to the beneficiary again and again for further drawings during the currency of credit provided. At times an overall turnover cap is also stipulated.
<p>PARTIES INVOLVED IN LETTER OF CREDIT FINANCE</p>	<ol style="list-style-type: none"> 1. <u>Applicant (The buyer/importer of goods)</u>: This person has to make payment of letter of credit to the issuing bank if the documents are in accordance with the terms and conditions of LC. 2. <u>Issuing Bank</u>: Importer's or buyer's bank who lends its name or credit, is issuing Bank. It is liable for payment of LC in case the documents are received by it from the nominated or negotiating bank and the documents are in terms of letter of credit. This bank gets 5 days to check the documents.

	<p>3. <u>Advising Bank:</u> Issuing bank branch or correspondent in exporter country to whom the letter of credit is sent for onward transmission to the seller or beneficiary, after authentication of genuineness of the credit. Where it is unable to verify the authenticity, it can seek instructions from the opening bank or can advise the LC to the beneficiary, without any liability on its part. This bank has no obligation to negotiate the document.</p> <p>4. <u>Beneficiary:</u> The party to whom the credit is addressed i.e. seller or the exporter or the supplier of the goods. It gets payment against documents as per LC from the nominated bank within validity period of negotiation maximum 21 days from date of shipment.</p> <p>5. <u>Negotiating Bank:</u> The bank nominated by the issuing bank to negotiate the documents when submitted by the exporter or alternatively the bank to whom the beneficiary presents the documents for negotiation. It claims payment from the reimbursing bank or opening bank and gets 5 banking days to check the documents.</p> <p>6. <u>Reimbursing Bank:</u> Third bank which repays, settle or funds the negotiating bank at the request of its principal, the issuing bank.</p> <p>7. <u>Confirming Bank:</u> The bank adding confirmation to the credit, which undertakes the responsibility of payment by the issuing bank and on his failure, to pay. The confirmation, is added on request of the opening bank.</p>
<p>DOCUMENTS HANDLED UNDER LETTER OF CREDIT</p>	<p>The important documents handled under LCs are broadly classified as under:</p> <p><u>(a) Bill of Exchange</u> Bill of exchange, is drawn by the beneficiary (exporter) on the LC issuing bank. When the bill of exchange is not drawn under a LC, the drawer of the bill of exchange (exporter), draws the bill of exchange on the drawee (importer). Banks should be careful in ensuring that the Bill of Exchange is drawn strictly as per the terms and conditions of the credit.</p> <p>Some others important aspects are:</p> <ul style="list-style-type: none"> (i) It should be drawn by the beneficiary on the opening bank. (ii) It should clearly indicate the amount and other details. (iii) Depending upon the LC terms a Bill of Exchange may be drawn as a sight bill or an usance bill. (iv) It should clearly indicate the LC number. <p><u>(b) Commercial Invoice</u> Commercial invoice is prepared by the beneficiary, which contains</p> <ul style="list-style-type: none"> (i) relevant details about goods in terms of value, quantity, weights (gross/net), importer's name and address, LC number. (ii) Commercial invoice should exactly reflect the description of the goods as mentioned in LC. (iii) Another important requirement is that the commercial invoice should indicate the terms of sale contract (Inco terms) like FOB, C&F, CIF, etc. (iv) Other required details like shipping marks, and any specific detail as per the LC terms should also be covered.

(c) Transport Documents (Documents of title to the goods)

- When goods are shipped from one port to another port the transport document issued is called the bill of lading.
- Goods can be transported by means of airways, waterways, roadways and railways depending upon the situations.
- In case goods are transported by means of water ways, the document is called bill of lading (B/L), by airways it is known as airway bills (AWB) and by roadways called as lorry receipt (LR) and by railways it is known as railway receipt (RR).
- In case of a single transaction, when different modes are used to transport the goods from the beneficiary's country to the importer's destination, a single transport document can be used viz., Multi Modal Transport Document.

(d) Bill of Lading (B/L)

- The B/L is the shipment document, evidencing the movement of goods from the port of acceptance (in exporter's country) to the port of destination (in importer's country).
- It is a receipt, signed and issued by the shipping company or authorized agent.

Other important features

As per the terms and conditions of the credit, a bill of lading should clearly indicate:

- (i) the description of goods shipped, as indicated in the invoice;
- (ii) conditions of goods "Clean" or otherwise (not in good condition/shortage/damaged);
- (iii) drawn to the order of the shipper, blank endorsed or in favour of the opening bank;
- (iv) the gross and net weight;
- (v) Freight payable or prepaid;
- (vi) Port of acceptance and port of destination.

(e) Insurance Policy/ Certificate: This document is classified as a document to cover risk.

- (a) It must be issued by the insurance company or their authorized agents;
- (b) It should be issued in the same currency in which the LC has been issued;
- (c) It should be issued to cover "All Risks";
- (d) The date of issuance of the policy/ certificate should be on or before the date of issuance of the shipment, and should clearly indicate that the cover is available from the date of shipment;
- (e) Unless otherwise specified, it should be issued for an amount of 110% of CIF value of goods;
- (f) The description of the goods in the policy/certificate should be as per the terms of the credit;
- (g) The other important details like the port of shipment, port of destination etc. needs to be clearly indicated.

(g) Other documents

As per the terms of LC, all required documents have to be submitted by the beneficiary. Documents like Certificate of Origin (issued by the Chamber of Commerce), indicates the origin of goods. The origin of

	<p>goods should not be from any prohibited nations. Packing list, required certificates, etc. should be drawn as per the terms and conditions of the credit.</p>
<p>STANDBY LETTER OF CREDIT</p>	<ul style="list-style-type: none"> • A standby letter of credit (SLOC or SBLC), also known as a standby or LOC, is a lender's guarantee of payment to an interested third-party in the event the client defaults on an agreement. • Standby letters of credit are formal documents that specify the duties and obligations of each party and serve as an act of good faith. • The bank issuing the SLOC performs general underwriting duties to ensure the financial credibility of the party seeking the letter of credit. Then it sends a notification to the bank of the party requesting the letter of credit (typically a seller or creditor). <p>Example</p> <p><i>A financial SLOC, the most common type, is typically used in international trade or other high-value purchase contracts where litigation or other non-payment actions may not be feasible. A financial SLOC guarantees payment to the beneficiary if contract requirements are unfulfilled. For example, an exporter sells goods to a foreign buyer who guarantees payment in 30 days. When no payment is received by the deadline, the exporter presents the SLOC to the buyer's bank to receive payment.</i></p> <p><i>A performance SLOC ensures that time, cost, amount, quality of work, and other criteria are fulfilled in a manner acceptable to the client. The bank pays the beneficiary if any contractual obligations are unmet. For example, a contractor guarantees a construction project will be finished in 90 days. If work remains incomplete after the 90-day period, the client can present the SLOC to the contractor's bank and receive payment.</i></p> <p><i>Standby letters of credit and bank guarantees are both methods of providing assurance to a vendor of payment on credit. A bank guarantee is a commitment by a bank to pay its client's obligation up to a certain amount, while standby letter of credit is a more formal document that details the obligations of both parties.</i></p>
<p>BANK GUARANTEE & TYPES OF BANK GUARANTEE</p>	<ul style="list-style-type: none"> • Bank guarantees are part of <u>non-fund based credit facilities</u> provided by the bank to the customers. • Bank issue bank guarantee on behalf of his client as a commitment to third party assuring her/ him to honour the claim against the guarantee in the event of the non- performance by the bank's customer. • A Bank Guarantee is a legal contract which can be imposed by law. <p>Banks issue different types of guarantees, on behalf of their customers, as illustrated below:</p> <ul style="list-style-type: none"> • <u>FINANCIAL GUARANTEE:</u> <ul style="list-style-type: none"> ○ The banker issues guarantee in favour of a government department against caution deposit or earnest money to be deposited by bank's client. ○ This type of guarantee helps the bank's customer to bid for the contract without depositing actual money.

	<ul style="list-style-type: none"> ○ In case, the contractor does not take up the awarded contract, then the government department would invoke the guarantee and claim the money from the bank. • <u>PERFORMANCE GUARANTEE:</u> <ul style="list-style-type: none"> ○ In performance guarantee bank issue on behalf of his client to assure the third party to complete some work on time or as per the terms of contact between the parties. ○ If the work is not completed as per the term of contract then the third party can request the bank to invoke the bank guarantee and make payment for default. • <u>DEFERRED PAYMENT GUARANTEE:</u> <ul style="list-style-type: none"> ○ It is clear from the name that under this guarantee, the banker guarantees payments of installments spread over a period of time. ○ Here, the banks undertake to make payment of instalments payable by the buyer of capital goods such as machinery, on long term credit given by the supplier. ○ Normally advance payment of 10 to 15% of the price of the capital goods is made by the borrower (margin). ○ The balance amount with interest is payable in installments spread over may be 1 to 5 years. ○ The supplier accordingly draws bills due on different dates which are accepted by the borrower and further co-accepted by the banker or bank issues DPG. ○ On every due date the buyer's bank makes payment of the bill to the supplier irrespective of there being balance in the buyer's (borrower's) account or not. Banks secure such guarantees by creating charge over the assets purchased.
<p>PURPOSE OF ISSUING PERFORMANCE BANK GUARANTEE</p>	<ul style="list-style-type: none"> i. Due performance of a specific contract undertaken by a customer in favour of Govt. bodies / Others - for e.g. supply of materials, Construction of Roads, Buildings Dams, Civil Work, etc. ii. To secure any claims by the buyer on the seller arising from default in delivery or performance of the terms of the contract (e.g. construction, assembly, execution). iii. Due performance of an equipment/project after completion for a specific period due to possible defects appearing after delivery during warranty period of the equipments. iv. Execution of Long Term Infrastructure Projects such as Seaports, Airports, Road Construction, Bridges, Sanitation and Sewerage Projects, Telecommunication Services, Construction of Educational Institutions and Hospitals, Generation/ Transmission/ Distribution of Power, etc.
<p>RUPEE DEEMED EXPORT CREDIT</p>	<ul style="list-style-type: none"> • A deemed export transaction is one in which goods are supplied to a project in India itself which are funded by International/ Multilateral agencies or where goods are supplied to units in SEZs or foreign shipping companies calling on Indian ports, Supply of goods to foreign tourists etc., such that the proceeds of such goods supplied will be paid in foreign currencies. • Such transactions are treated as prima facie Export transactions and enjoy incentives and other concessions given to normal export transactions.

	<ul style="list-style-type: none"> • Pre-shipment and Post-shipment credit facilities granted to Rupee Deemed Export Credit transactions are similar to finance/credit extended under Rupee Export credit - Pre-shipment as well as Post-shipment as described herein. • However in Deemed Export transactions the date of supply to the projects/SEZ units/ foreign tourists is taken as date of export. Also the value of the transaction will be based on Free on Rails (FOR) basis instead of usual Free on Board (FOB) basis, usually associated with export transactions.
<p>FOREIGN CURRENCY EXPORT CREDIT</p>	<p>The objective of PCFC facility is to provide an additional source of finance at internationally competitive rates to Indian exporters. Normally this facility is applicable to Cash Exports. Cash exports are those where “payment for goods is received prior to the export”.</p> <p>An exporter can avail PCFC in any one of the following ways:</p> <ol style="list-style-type: none"> 1. Avail pre-shipment credit in Rupees and convert the same in Foreign currency at the discretion of financing bank. 2. Avail pre-shipment credit in Foreign currency and discount/rediscount export bills in Foreign currency under Export Bill Rediscounting Scheme (EBR). 3. Avail Pre-shipment credit in Rupees and post-shipment credit either in Rupees or in foreign currency by discounting/re-discounting export bills under EBR. <p>PCFC is normally available for a maximum period of 360 days. Further extension is subject to the financing bank’s terms and conditions. PCFC is liquidated by discounting or re-discounting of Export bills under EBR scheme at the post-shipment stage. PCFC is also allowed for Deemed Exports subject to a maximum period of 30 days or up to the date of payment by project authorities whichever is earlier.</p>
<p>EMPLOYEE STOCK OPTION SCHEME</p>	<p>The ESOS shall contain the details of the manner in which the scheme will be implemented and operated. ESOS shall not be offered unless the disclosures, as specified by SEBI in this regard, are made by the company to the prospective option grantees.</p> <p>Pricing</p> <p>The company granting option to its employees pursuant to ESOS will have the freedom to determine the exercise price subject to conforming to the accounting policies as specified in these regulation.</p> <p>Vesting Period</p> <ul style="list-style-type: none"> • There shall be a minimum vesting period of one year in case of ESOS. • <i>However, in case where options are granted by a company under an ESOS in lieu of options held by a person under an ESOS in another company which has merged or amalgamated with that company, the period during which the options granted by the transfer or company were held by him shall be adjusted against the minimum vesting period required under this sub-regulation.</i> • The company may specify the lock-in period for the shares issued pursuant to exercise of option.

	<p>Rights of the option holder The employee shall not have right to receive any dividend or to vote or in any manner enjoy the benefits of a shareholder in respect of option granted to him, till shares are issued upon exercise of option.</p> <p>Consequence of failure to exercise option The amount payable by the employee, if any, at the time of grant of option, (i) may be forfeited by the company if the option is not exercised by the employee within the exercise period; or (ii) may be refunded to the employee if the options are not vested due to non-fulfilment of conditions relating to vesting of option as per the ESOS.</p>
<p>EMPLOYEE STOCK PURCHASE SCHEME</p>	<p>The ESPS scheme shall contain the details of the manner in which the scheme will be implemented and operated.</p> <p><u>PRICING AND LOCK-IN</u> The company may determine the price of shares to be issued under an ESPS, provided they conform to the provisions of accounting policies under these regulation. Shares issued under an ESPS shall be locked-in for a minimum period of one year from the date of allotment.</p> <p>However, in case where shares are allotted by a company under an ESPS in lieu of shares acquired by the same person under an ESPS in another company which has merged or amalgamated with the first mentioned company, the lock-in period already undergone in respect of shares of the transferor company shall be adjusted against the lock-in period required under this sub-regulation.</p> <p>If ESPS is part of a public issue and the shares are issued to employees at the same price as in the public issue, the shares issued to employees pursuant to ESPS shall not be subject to lock-in.</p>
<p>STOCK APPRECIATION RIGHTS</p>	<ul style="list-style-type: none"> • The SAR scheme shall contain the details of the manner in which the scheme will be implemented and operated. • The company shall have the freedom to implement cash settled or equity settled SAR scheme. However, in case of equity settled SAR scheme, if the settlement results in fractional shares, then the consideration for fractional shares should be settled in cash. • SAR shall not be offered unless the disclosures, as specified by SEBI in this regard, are made by the company to the prospective SAR grantees. <p>VESTING</p> <ul style="list-style-type: none"> • There shall be a minimum vesting period of one year in case of SAR scheme. • <i>However, in a case where SAR is granted by a company under a SAR scheme in lieu of SAR held by the same person under a SAR scheme in another company which has merged or amalgamated with the first mentioned company, the period during which the SAR granted by the transferor company were held by the employee shall be adjusted</i>

	<p><i>against the minimum vesting period required under this sub-regulation.</i></p> <p>RIGHTS OF THE SAR HOLDER The employee shall not have right to receive dividend or to vote or in any manner enjoy the benefits of a shareholder in respect of SAR granted to him.</p>
<p>VARIATION OF TERMS OF THE SCHEMES (SBEBSE)</p>	<ol style="list-style-type: none"> 1. A company may by special resolution of its shareholders vary the terms of the schemes offered pursuant to an earlier resolution of the general body but not yet exercised by the employees, if such variation is not prejudicial to the interests of the employees. 2. A company shall be entitled to vary the terms of the schemes to meet any regulatory requirement without seeking shareholders' approval by special resolution. 3. The provisions of regulation 6 (Shareholders' Approval) of these regulations shall apply to such variation of terms as they apply to the original grant of option, SAR, shares or other benefits, as the case may be. 4. The notice for passing a special resolution for variation of terms of the schemes shall disclose full details of the variation, the rationale therefor, and the details of the employees who are beneficiaries of such variation. 5. A company may reprice the options, SAR or shares, as the case may be, which are not exercised, whether or not they have been vested, if the schemes were rendered unattractive due to fall in the price of the shares in the stock market. However, the company ensures that such repricing is not detrimental to the interests of the employees and approval of the shareholders by a special resolution has been obtained for such repricing.
<p>DISCLOSURES IN EXPLANATORY STATEMENT TO THE NOTICE AND RESOLUTION FOR APPROVING SWEAT EQUITY ISSUE</p>	<p>Schedule II provides that the explanatory statement to the notice and the resolution proposed to be passed in the general meeting for approving the issuance of sweat equity shall, inter alia, contain the following information:</p> <ol style="list-style-type: none"> a) The total number of shares to be issued as sweat equity. b) The current market price of the shares of the company. c) The valuation of know-how or intellectual property rights or value addition to be received from the employee or director along with the valuation report / basis of valuation. d) The names of the employees or directors or promoters to whom the sweat equity shares shall be issued and their relationship with the company. e) The consideration to be paid for the sweat equity. f) The price at which the sweat equity shares shall be issued. g) Ceiling on managerial remuneration, if any, which will be affected by issuance of such sweat equity. h) A statement to the effect that the company shall conform to the accounting policies as specified by the Board. i) Diluted Earnings Per Share pursuant to the issue of securities to be calculated in accordance with Accounting Standards specified by the Central Government.

<p>ACCOUNTING TREATMENT OF SWEAT EQUITY ISSUE</p>	<p>Where the sweat equity shares are issued for a non-cash consideration, such non-cash consideration shall be treated in the following manner in the books of account of the company:-</p> <p>(a) where the non-cash consideration takes the form of a depreciable or amortizable asset, it shall be carried to the balance sheet of the company in accordance with the relevant accounting standards; or</p> <p>(b) where clause (a) is not applicable, it shall be expensed as provided in the relevant accounting standards.</p>
<p>GENERAL RESPONSIBILITY OF INVESTMENT ADVISORS</p>	<ul style="list-style-type: none"> ✓ An investment adviser shall <u>act in a fiduciary capacity</u> towards its clients and shall <u>disclose all conflicts of interests</u> as and when they arise. ✓ An investment adviser shall not receive any consideration by way of remuneration or compensation or in any other form from any person other than the client being advised, in respect of the underlying products or securities for which advice is provided. ✓ An investment adviser shall <u>maintain an arms-length relationship</u> between its activities as an investment adviser and other activities. ✓ An investment adviser which is also engaged in activities other than investment advisory services shall ensure that its investment advisory services are <u>clearly segregated</u> from all its other activities, in the manner as prescribed hereunder. ✓ An investment adviser shall ensure that in case of any conflict of interest of the investment advisory activities with other activities, such <u>conflict of interest shall be disclosed to the client</u>. ✓ An investment adviser shall <u>not divulge any confidential information</u> about its client, which has come to its knowledge, without taking prior permission of its clients, except where such disclosures are required to be made in compliance with any law for the time being in force. ✓ An investment advisor shall not enter into transactions on its own account which is contrary to its advice given to clients for a period of 15 days from the day of such advice. ✓ An investment advisor shall follow <u>Know Your Client</u> procedure as specified by SEBI from time to time. ✓ An investment adviser shall abide by <u>Code of Conduct</u>. ✓ An investment adviser shall <u>not act on its own account</u>, knowingly to sell securities or investment products to or purchase securities or investment product from a client. ✓ In case of <u>change in control</u> of the investment adviser, prior approval from the SEBI shall be taken. ✓ Investment advisers shall <u>furnish to the SEBI</u> information and reports as may be specified by the SEBI. ✓ It shall be the responsibility of the investment adviser to ensure compliance with the <u>certification and qualification requirements</u> at all times.
<p>GENERAL RESPONSIBILITY OF MERCHANT BANKER</p>	<ul style="list-style-type: none"> ✓ Every merchant banker shall abide by the <u>Code of Conduct</u> as specified in Schedule III. ✓ Merchant banker not to associate with any business other than that of the securities market. ✓ Every merchant banker shall <u>keep and maintain books of account</u>, records and documents namely copy of balance sheet, profit and loss account, auditor's report etc. and shall <u>preserve</u> the books of

	<p>account and other records and documents maintained for a minimum period of <u>5 years</u>.</p> <ul style="list-style-type: none"> ✓ Every merchant banker shall furnish to the SEBI <u>half-yearly unaudited financial results</u> when required by the SEBI with a view to monitor the capital adequacy of the merchant banker. ✓ Every merchant banker acting as an underwriter shall <u>enter into an agreement</u> with each body corporate on whose behalf it is acting as an underwriter. ✓ A merchant banker <u>acting as an underwriter</u> shall not derive any direct or indirect benefit from underwriting the issue other than the commission or brokerage payable under the agreement for underwriting entered with client. ✓ A merchant banker shall <u>disclose to the SEBI</u> his responsibilities, change in the information or particulars previously furnished, names of the body corporate whose issues he has managed or has been associated with. ✓ The merchant banker shall <u>submit a periodic report</u> in such manner as may be specified by the SEBI.
<p style="text-align: center;">GENERAL RESPONSIBILITIES OF A PORTFOLIO MANAGER</p>	<ul style="list-style-type: none"> • Every portfolio manager shall abide by the <u>Code of Conduct</u>. • The <u>discretionary portfolio manager</u> shall individually and independently manage the funds of each client in accordance with the needs of the client, in a manner which does not partake character of a Mutual Fund, whereas the non-discretionary portfolio manager shall manage the funds in accordance with the directions of the client. • The portfolio manager shall <u>act in a fiduciary capacity</u> with regard to the client's funds. • The portfolio manager shall <u>segregate each client's holding</u> in securities in separate accounts. • The portfolio manager shall keep the funds of all clients in a <u>separate account</u> to be maintained by it in a Scheduled Commercial Bank. • The portfolio manager shall transact in securities within the limitation placed by the client himself with regard to dealing in securities under the provisions of the Reserve Bank of India Act, 1934. • The portfolio manager shall <u>not derive any direct or indirect benefit</u> out of the client's funds or securities. • The portfolio manager shall <u>not borrow funds or securities</u> on behalf of the client. • The portfolio manager shall <u>not lend securities</u> held on behalf of the clients to a third person except as provided under these regulations. • The portfolio manager shall ensure <u>proper and timely handling of complaints</u> from his clients and take appropriate action immediately. • The portfolio manager shall ensure that any person or entity involved in the distribution of its services is carrying out the distribution activities in compliance with these regulations.
<p style="text-align: center;">IMPORTANCE OF A COMPANY SECRETARY TO A COMPANY</p>	<ul style="list-style-type: none"> • Company Secretary of a to-be listed entity as well as a listed entity that proposes a further public offer (FPO) or a rights issue is pivotal in as much that there are a lot of tasks including co-ordination with various regulators, intermediaries for the success of the IPO.

<p>DESIROUS OF GETTING LISTED:-</p>	<ul style="list-style-type: none"> • The tasks that a Company Secretary has to undertake as far as an issue of securities on a public or rights basis is concerned is given in the following paragraphs. • Under regulation 6 of the SEBI (LODR) Regulations, 2015, a company Secretary has to be appointed as the compliance officer of a listed entity. Hence, when a company decides to go for an IPO, the first step is to appoint a Company Secretary. <p>Co-ordination with intermediaries:-</p> <p>An issue, from an idea to fruition requires co-ordination with a number of intermediaries, SEBI registered and otherwise. While a merchant banker is the fulcrum around which the due diligence for an issue revolves, there is a need to co-ordinate with various intermediaries and the Company Secretary has to do such co-ordination. Specifically, the intermediaries with whom the Company Secretary has to co-ordinate are as under:</p> <ul style="list-style-type: none"> • Merchant Banker/Book Running Lead Manager (in case of book-built issues) • Statutory Auditors of the Issuer company • Lawyers / Legal Counsel • Credit Rating Agency/ Industry Report • Debenture Trustee, if applicable • Banker to the issue - Escrow Account • Registrar to the Issue • Printers • Syndicated brokers • Advertisement agencies / newspapers.
<p>INVESTMENT RULES FOR PORTFOLIO MANAGER</p>	<ol style="list-style-type: none"> 1) The portfolio manager shall, before taking up an assignment of management of funds and portfolio on behalf of a client, enter into an agreement in writing with such client that clearly defines the inter se relationship and sets out their mutual rights, liabilities and obligations relating to management of portfolio. 2) The money or securities accepted by the portfolio manager shall not be invested or managed by the portfolio manager except in terms of the agreement between the portfolio manager and the client. 3) The portfolio manager may make investments in the securities of its related parties or its associates only after obtaining the prior consent of the client in such manner as may be specified by the SEBI. 4) Under Discretionary Portfolio Management Service (DPMS), Portfolio Managers shall invest funds of his clients in the securities listed or traded on a recognized stock exchange, money market instruments, units of Mutual Funds through direct plan and other securities as specified by SEBI from time to time. 5) Under Non-Discretionary Portfolio Management Service (NDPMS), Portfolio Managers may invest up to 25% of the assets under management (AUM) of a client in unlisted securities, in addition to the securities permitted for discretionary portfolio management. 6) "Unlisted securities" for investment by Portfolio Managers shall include units of Alternative Investment Funds (AIFs), Real Estate Investment Trusts (REITs), Infrastructure Investment Trusts (InvITs), debt securities, shares, warrants, etc. which are not listed on any recognized stock exchanges in India.

	<p><i>However, funds of clients availing discretionary PMS cannot be invested in unlisted bonds, which are traded over the counter but settled and reported to the Stock Exchanges.</i></p> <p>7) A Portfolio manager shall also ensure that an existing client of Non-Discretionary PMS, who has already invested in certain unlisted securities, does not subscribe to rights issue of such unlisted securities, which may result in breach of the 25% limit. An active breach due to investor action, subsequent to corporate actions like subscription to rights issue, which results in breach of 25% limit applicable to Non-Discretionary portfolios, shall be considered as non-compliance. However, a passive breach due to corporate actions like bonus with respect to value of unlisted securities will not be considered as non-compliance.</p> <p>8) The portfolio manager is required to accept minimum INR 50 Lacs or securities having a minimum worth of INR 50 Lacs from the client.</p> <p>9) The client may withdraw partial amounts from his portfolio, in accordance with the terms of the agreement between the client and the Portfolio Manager. However, the value of investment in the portfolio after such withdrawal shall not be less than the applicable minimum investment amount.</p>
<p>ROLE OF MERCHANT BANKER</p>	<ul style="list-style-type: none"> • A merchant banker or the investment banker plays a pivotal role in any public issue. A merchant banker has to be registered with SEBI. • In an IPO, particularly in a book-built IPO, Merchant bankers are known as Book Running Lead Managers (BRLMs). • A Merchant Banker manages the entire IPO / FPO from beginning to end, right from getting the prospectus filed and approved by SEBI to determining the price range to making the selling and market plan for the IPO as well as post listing support is all handled by the merchant bankers. • A merchant banker is the nodal contact point for everything pertaining to the issue. • The past track record and credibility of the merchant bankers matters a lot since most investors tend to invest in IPOs based on the reputation of merchant bankers. • SEBI has stipulated that the same also be disclosed in the offer document as well as in the advertisement. Investors normally prefer merchant bankers with a strong pedigree, who have handled many IPOs successfully in the past as well as those merchant bankers whose IPOs have generally done well post listing. • A Merchant banker has the following responsibilities <ul style="list-style-type: none"> ⇒ Overall transaction management responsibility. ⇒ Navigating transaction strategy including structuring, timeline and execution. ⇒ Conducting due diligence and Participating in Drafting sessions. ⇒ Co-ordination with all parties involved in the transaction; Liaison with SEBI and Stock Exchanges. ⇒ Coordinating Research Briefing, Pre-marketing, Management Roadshows and Marketing the Issue. ⇒ Managing the Book of Demand, Advising on Pricing and Allocation. ⇒ Assisting in managing post issue formalities.

<p>MAJOR DEVELOPMENTS/ AMENDMENTS TO BE CONSIDERED BY INVESTMENT ADVISERS</p>	<p>Some of the key regulatory changes include:</p> <p>A. Segregation of Advisory & Distribution Activities:-</p> <ul style="list-style-type: none"> • Segregation of Advisory & Distribution Activities at client level to avoid conflict of interest. • An individual investment adviser shall not provide distribution services. • A non-individual investment adviser shall have client level segregation at group level for investment advisory and distribution services and maintain an arm's length relationship between its activities as investment adviser and distributor by providing advisory services through a separately identifiable department or division. <p>B. Implementation services:-</p> <p>Investment Advisers are allowed to provide implementation services (Execution) through direct schemes/ products in the securities market. However, no consideration can be received directly or indirectly, at investment adviser's group or family level for these services.</p> <p>C. Agreement between Investment Adviser and client:-</p> <p>Mandatory agreement to be entered between Investment Adviser and the client or ensuring greater transparency with reference to advisory activities.</p> <p>D. Fees:-</p> <p>The fee charged by the Investment Adviser for providing Investment Advice from a client shall be in the manner as specified by SEBI.</p> <p>E. Eligibility Criteria for IAs:-</p> <ul style="list-style-type: none"> • Enhanced eligibility criteria for registration as an Investment Adviser including net worth of Rs.50 lakhs for non-individuals and Rs.5 lakhs for individuals. • Individual investment adviser or a principal officer of a non-individual investment adviser to have enhanced professional or post-graduate qualification in relevant subjects and relevant experience of 5 years while grandfathering existing Individual Investment Advisers from complying with the enhanced qualification and experience as specified by SEBI. • Individuals registered as investment advisers whose number of clients exceed 150 in total, shall apply for registration with SEBI as non-individual investment adviser.
<p>EXEMPTIONS FROM REGISTRATION UNDER INVESTMENT ADVISOR REGULATIONS</p> <p>(JUNE 2024)</p>	<p>The following entities have been inter alia provided exemptions from registration under the SEBI IA Regulations:</p> <p>a) Any person who gives general comments in good faith in regard to trends in the financial or securities market or the economic situation where such comments do not specify any particular securities or investment product;</p> <p>b) Entities which are providing advice/incidental advice to their primary activity and are regulated by the respective regulator/self-regulatory body/institute. These include-</p> <p>(i) Insurance agent or insurance broker;</p> <p>(ii) Any pension advisor;</p>

	<p>(iii) Any distributor of mutual funds;</p> <p>(iv) Any advocate, solicitor or law firm;</p> <p>(v) Any member of Institute of Chartered Accountants of India, Institute of Company Secretaries of India, Institute of Cost and Works Accountants of India, Actuarial Society of India or any other professional body;</p> <p>(vi) Any stock broker, portfolio manager or merchant banker registered under respective SEBI Regulations, who provides any investment advice to its clients incidental to their primary activity: However, such intermediaries shall comply with the general obligation(s) and responsibilities as specified in Chapter III of these regulations.</p> <p>(vii) Any fund manager of a mutual fund, alternative investment fund or any other intermediary, by whatever name called.</p> <p>c) Any person who provides investment advice exclusively to clients based out of India (except Non- Resident Indian or Person of Indian Origin).</p>
<p>VARIOUS COSTS INVOLVED IN A PROJECT</p>	<p>A brief on various cost incurred in a construction project is placed below:</p> <p>a) Material Cost- Many factors can impact the cost of a construction project, and one of them is the materials used. Some materials, like concrete and steel, are very expensive and required in bulk, while others, like wood, are relatively affordable. The type of materials used can have a significant impact on the overall cost of a project.</p> <p>b) Impact of Labor Wage on Project Cost- The impact of labor wages on project cost is an important consideration for any business or organization. Several factors can impact the cost of labor, including the type of work being done, the skills required, and the location of the work.</p> <p>c) Impact of Method of Construction on Project Cost- The method of construction is how the project is built, and it can have a significant impact on the overall cost. For example, traditional methods of construction tend to be more expensive than newer methods such as modular construction.</p> <p>d) Impact of variation Orders on Project Cost- Projects are often subject to change which modify the scope of work that is requested by the client after the commencement of construction. These changes can be minor, such as adding an extra light fixture to a room, or major, such as adding a floor to a building.</p> <p>e) Impact of Delay on Cost Overrun in Project cost- Construction projects are often delayed due to a variety of factors, including bad weather, material shortages, and problems with the construction crew. When a project is delayed, the contractor may need to pay overtime to the construction crew, and they may also need to pay for storage fees if the project site is not ready to receive materials.</p> <p>f) Nature of Construction site- The project site can heavily influence the construction cost of the project. Site conditions such as poor soil, presence of pipes, uneven land, archaeological site, water bodies and</p>

	<p>environmentally hazardous spaces could increase the cost of the project manifold. Thus, they must be essentially covered in the project cost.</p> <p><i>g) Nature of Structure-</i> The type of structure and its structural form significantly influence the project cost. Simpler the structure, the lesser the cost will be. For example, if we have a simple grid, the structural design will be simple. Accordingly, the cost would be lesser comparatively.</p> <p><i>h) Project quality-</i> The quality of the project massively influences the cost. Whether you plan to incorporate modern amenities or wish to keep it simple, the project quality considerably influences the development cost of a house. Besides, high-quality projects involve the use of high-quality raw materials.</p> <p><i>i) Regulator and insurance requirements-</i> Approvals from the different regulatory authorities could be both costly and time-consuming. Also, it is crucial to consider the home insurance cost in advance as it can seriously blow your budget out of proportion.</p> <p><i>j) Size of the project-</i> A large-sized project requires a large workforce and more materials. Thus, the construction cost would enormously differ based on the size of the project.</p>
<p>KEY PARAMETERS A LENDER SATISFIES BEFORE GIVING SANCTION FOR PROJECT FUNDING</p>	<p>The lender generally satisfies on the following key parameters before giving sanction for project funding:</p> <ul style="list-style-type: none"> • Management Appraisal: Whether promoters can manage the Project successfully and infuse the required equity capital into the project. • Technical Appraisal: Whether the necessary resources are available for the manufacturing of products. • Marketing Appraisal: Whether products can be sold in the market and can surmount the competition. • Financial Appraisal: Whether a project can make profit to meet the financial obligations without any default. • Social Benefit Appraisal: Whether it is in line with societal expectations. <p>To access the above key parameters, FIs/Banks focus on the following crucial aspects:</p> <ul style="list-style-type: none"> • Promoter's background, experience and their managerial skills. • Technology adopted and its suitability to the local environment. • Availability of raw materials and other resources. • Scope of market for the product. • Cost structure and expected profits in light of the cost structure. • Impact of the project on the society in terms of employment generation, use of local resources and environmental impact, etc. • Impact on foreign exchange reserves of the country due to export of the finished products and/or import of raw materials. • Compliance of the Government policies and regulations. • Acceptability of the risk level with reference to political, social, economic, technological and legal environment. • Greenfield / Brown field / ESG impact and consequent Tax holidays / implications.

<p>TYPES OF FEASIBILITY STUDIES</p>	<p>There are five types of feasibility studies mentioned as under:</p> <table border="1" data-bbox="432 208 1479 734"> <thead> <tr> <th data-bbox="432 208 531 277">S. No</th> <th data-bbox="531 208 855 277">Type of feasibility</th> <th data-bbox="855 208 1479 277">Reason for conducting study</th> </tr> </thead> <tbody> <tr> <td data-bbox="432 277 531 383">1.</td> <td data-bbox="531 277 855 383">Legal Feasibility</td> <td data-bbox="855 277 1479 383">Performed to understand if the proposed plan conforms to the legal and ethical requirements.</td> </tr> <tr> <td data-bbox="432 383 531 488">2.</td> <td data-bbox="531 383 855 488">Economic Feasibility</td> <td data-bbox="855 383 1479 488">Involves a cost benefits analysis to identify how well, or how poorly, a project will be concluded.</td> </tr> <tr> <td data-bbox="432 488 531 593">3.</td> <td data-bbox="531 488 855 593">Technical Feasibility</td> <td data-bbox="855 488 1479 593">Process of validating the technical resources and capabilities to convert the ideas into working systems.</td> </tr> <tr> <td data-bbox="432 593 531 698">4.</td> <td data-bbox="531 593 855 698">Operational Feasibility</td> <td data-bbox="855 593 1479 698">Performed to understand well a proposed system solves the problems.</td> </tr> <tr> <td data-bbox="432 698 531 734">5.</td> <td data-bbox="531 698 855 734">Scheduling Feasibility</td> <td data-bbox="855 698 1479 734">Measure of how reasonable the project duration is.</td> </tr> </tbody> </table>		S. No	Type of feasibility	Reason for conducting study	1.	Legal Feasibility	Performed to understand if the proposed plan conforms to the legal and ethical requirements.	2.	Economic Feasibility	Involves a cost benefits analysis to identify how well, or how poorly, a project will be concluded.	3.	Technical Feasibility	Process of validating the technical resources and capabilities to convert the ideas into working systems.	4.	Operational Feasibility	Performed to understand well a proposed system solves the problems.	5.	Scheduling Feasibility	Measure of how reasonable the project duration is.
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<p>ROLE OF COMPANY SECRETARY IN PROJECT APPRAISAL & DUE DILIGENCE</p>	<p>The Practicing Company Secretary plays an important role in the entire process of project report preparation, appraisal, and funding and project implementation.</p> <p>Due to expertise in corporate funding, compliances, governance and legal understanding and due diligence, Company Secretaries can provide professional services in the following areas:</p> <table border="1" data-bbox="432 976 1479 1977"> <thead> <tr> <th data-bbox="432 976 751 1012">Area of Practice*</th> <th data-bbox="751 976 1479 1012">Professional services</th> </tr> </thead> <tbody> <tr> <td data-bbox="432 1012 751 1256">In Formation</td> <td data-bbox="751 1012 1479 1256"> <ol style="list-style-type: none"> 1. To obtain DIN of proposed directors of the project 2. To ascertain the availability of name for the new company 3. To prepare the Memorandum and Articles of Association 4. To incorporate the Company/LLP </td> </tr> <tr> <td data-bbox="432 1256 751 1532">In Registration & Licence</td> <td data-bbox="751 1256 1479 1532"> <ol style="list-style-type: none"> 1. To obtaining Udyam Registration for MSME status 2. To obtain Industrial Entrepreneurs Memorandum from Ministry of Commerce and Industry, Government of India for large scale registration 3. To obtain industrial licence from Government of India </td> </tr> <tr> <td data-bbox="432 1532 751 1807">In Raising Fund</td> <td data-bbox="751 1532 1479 1807"> <ol style="list-style-type: none"> 1. To Prepare feasibility report for financial assistance from FIs/Banks 2. Representing case before the FIs/Bank and doing Liaison and follow up win FIs/ Banks 3. To obtain Credit ratings from external rating agencies 4. To raise the capital from capital market or Venture Capital </td> </tr> <tr> <td data-bbox="432 1807 751 1977">Other Corporate Services</td> <td data-bbox="751 1807 1479 1977"> <ol style="list-style-type: none"> 1. To draft collaboration agreement and/or Shareholders Agreement, if required 2. To provide FEMA related advice on FDA and ECB guidelines 3. To carry on due diligence </td> </tr> </tbody> </table>		Area of Practice*	Professional services	In Formation	<ol style="list-style-type: none"> 1. To obtain DIN of proposed directors of the project 2. To ascertain the availability of name for the new company 3. To prepare the Memorandum and Articles of Association 4. To incorporate the Company/LLP 	In Registration & Licence	<ol style="list-style-type: none"> 1. To obtaining Udyam Registration for MSME status 2. To obtain Industrial Entrepreneurs Memorandum from Ministry of Commerce and Industry, Government of India for large scale registration 3. To obtain industrial licence from Government of India 	In Raising Fund	<ol style="list-style-type: none"> 1. To Prepare feasibility report for financial assistance from FIs/Banks 2. Representing case before the FIs/Bank and doing Liaison and follow up win FIs/ Banks 3. To obtain Credit ratings from external rating agencies 4. To raise the capital from capital market or Venture Capital 	Other Corporate Services	<ol style="list-style-type: none"> 1. To draft collaboration agreement and/or Shareholders Agreement, if required 2. To provide FEMA related advice on FDA and ECB guidelines 3. To carry on due diligence 								
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		4. To obtain Environment Clearance from the Concerned department
	Corporate Compliances	<ol style="list-style-type: none"> 1. To increase the authorised capital and comply with the statutory requirement for further issue of shares 2. To comply with the statutory requirement of accepting the unsecured loans and deposits and issue of debentures 3. To suggest proper capital structure 4. To allot shares and to issue share certificates 5. To help in executing the loan and other legal documents 6. To create/satisfy charge with MCA 7. To take search of the company's record and issue necessary certificate
REGULATORS IN INDIAN FINANCIAL SYSTEM	<p>The following are Regulators in Indian Financial system:</p> <ul style="list-style-type: none"> • SEBI: The apex regulator in the Indian capital market is the Securities and Exchange Board of India (SEBI). • IRDAI: The Insurance Regulatory and Development Authority of India (IRDA) is the regulatory authority for the insurance sector. • RBI: Reserve Bank of India (RBI) is the apex regulator for banking sector. • PFRDA: Pension Funds Regulatory and Development Authority (PFRDA) regulate pensions. • MCA: Ministry of Corporate Affairs (MCA) regulates the functioning of corporate sector in accordance with law. • AMFI: Association of Mutual Funds in India is a non-statutory body. It is a body to control mutual fund industry in the country. 	
APPROVALS OR CLEARANCES REQUIRED FOR DOING BUSINESS IN INDIA	Approvals/Clearances required	Department/Agencies to be approached and consulted
	Incorporation of Company	Registrar of Companies, Ministry of Corporate Affairs
	Registration/IEM/Industrial license	DIC for SSI/SIA, Department of Industrial Policy & Promotion for large and Medium industries
	Allotment of land	Concerned State DI/SIDC/Infrastructure Corporation/SSIDC
	Permission for land use (In case industry is located outside an approved industrial area)	State DI Department of Town and Country Planning Local authority/ District Collector
	Consent under Water and Air Pollution Control Acts Environment Impact Assessment	State Pollution Control Board Ministry of Environment and Forests, Government of India
	Approval of construction activity and building plan	a. Town and country planning b. Municipal and local authorities c. Chief Inspector of Factories d. Pollution Control Board
	Sanction of Power and power safety	State Electricity Board/Companies and state electricity inspector

	Use and storage of explosives	Chief Controller of Explosives
	Manufacturing pharmaceutical products.	Drugs Inspectorate
	Boiler Inspection	Chief Inspector of Boilers
	Finance	SFC/ State Industrial Development Corporation for term loans For loans higher than Rs. 15 million, all India financial institutions like IDBI, ICICI, IFCI etc.
	Registration under State Sales Tax Act State Excise Act Central Excise Act	i. Sales Tax Department ii. State Excise Department iii. Central Excise Department.
	Extraction of Minerals	State Director of Mines and Geology
	ISI (Quality) Marking	Regional Office of the Bureau of Indian Standards (BIS)
	Quality Marking Certificate	Quality Marking Centre of the State Government
	Labour Act	Labour Department
	Weights and Measures	Inspector of Weights and Measures
	Code Number for Export and Import	Regional Office of Director General of Foreign Trade.
LIMITATIONS OF PROJECT REPORT	<p>A project Report is prepared by the expert after detailed study and analysis of the various aspects of a project. However, there are certain constraints and limitations of the project report. They are:</p> <ul style="list-style-type: none"> • There is no uniform loan application form prescribed for the loan application by FIs/Banks • There is no uniform format for project report prescribed by FIs/Banks • There is no uniform appraisal process. Each bank has its own appraisal System • The report is prepared on assumptions, which are likely to change when implemented. As the project evolves, assumptions may come prove correct or wrong. Changing circumstances may compel to modify previously identified assumptions. 	
IMPORTANCE OF PROJECT REPORT	<ul style="list-style-type: none"> • Project report is a <i>blueprint of future trajectory</i> of any business organisation. • A well drafted Project Report plays a pivotal role in <i>strengthening the investment proposal</i> which in turn assist immensely in obtaining financial assistance from Financial Institutions/Banks (FIs/Banks) or any other stakeholder, i.e. equity shareholder, preference shareholder, debenture holder etc. of the business. • A project report contains the information and data on the basis of which project is appraised to study its feasibility. • Project Report submitted at the beginning to the FIs/Banks mainly contains the <i>information about the business ideas and its promoters.</i> • A SWOT analysis of the project proposal in the report with appropriate solution is well appreciated by the FIs/Banks. The proper presentation provides confidence to the sanctioning authority to consider the proposal favourably. 	

	<ul style="list-style-type: none"> • Furnishing the information “as and when asked for” should always be avoided. It delays the processing and sometimes adversely affects the decision. • The necessity of detailed project report can be understood from the fact that it is an extensive document that gives intricate details about the proposed business idea focusing on the information about the business proposal and different strategies that would be taken into account in order to implement the plan. It provides a sound base for investing in a project. • If a good DPR is prepared, it can result into benefits like: <ul style="list-style-type: none"> • Managing the budget of the Project • Risk Minimization • Efficient Project progress follow up • Holdover the project by the concerned Authorities.
<p style="text-align: center;">DETAILED PROJECT REPORT</p>	<ul style="list-style-type: none"> • The concept of Detailed Project Reports (DPRs) is quite demanding which are the outputs of planning and design phase of a project. • DPR is a very detailed and elaborate plan for a project indicating overall programme, different roles and responsibilities, activities and resources required for the project. It can be called a <i>blueprint of the project plan</i>. • An ideal DPR should be clear, concise, accurate and well organized with clear section headings. It must be easy for the audience to understand. Presentation of the facts and figures report writing is quite crucial. Formatting, revising and proof reading is very important process for good report writing that must be well focused. • A detailed project report must include the following information: <ul style="list-style-type: none"> ○ Brief information about the project ○ Experience and skills of the people involved in the promotion of the project ○ Details and practical results of the industrial concerns of the promoters of the project ○ Project finance and sources of financing ○ Government approvals ○ Raw material requirement ○ Details of the requisite securities to be given to various financial organizations ○ Other important details of the proffered project idea include information about management teams for the project, details about the building, plant, machinery, etc.

NUMERICAL QUESTIONS

1. On the basis of the following information, calculate the operating cycle of Raksha Goods Limited:

Particulars	As at April 1, 2019	As at March 31, 2020
Inventory	₹ 4,00,000	₹ 3,80,000
Accounts receivable	₹ 18,00,000	₹ 22,50,000

The sales and cost of goods sold for the year ended March 31, 2020 are ₹ 2,65,00,000 and ₹ 1,55,00,000 respectively.

Operating Cycle = Inventory Holding Period + Account Receivable Collection Period

Average Inventory = $(4,00,000 + 3,80,000) / 2 = 3,90,000$

Average Account Receivable = $(18,00,000 + 22,50,000) / 2 = 20,25,000$

Inventory Holding Period = $\text{Average Inventory} / \text{COGS} * 365 = 3,90,000 / 1,55,00,000 * 365 = 9.2 \text{ Days}$

Account Receivable Collection Period = $\text{Average AR} / \text{Sales} * 365 = 20,25,000 / 2,65,00,000 * 365 = 27.9 \text{ days}$

Operating Cycle = $9.2 + 27.9 = 37.1 \text{ Days Approx}$

Please Note: All Sales are assumed to be on Credit.

2. Somaskanda Printers Limited approached Support Bank, for working capital facilities. The projected annual turnover of the Company is ₹ 1,85,00,000. Explain the assessment of working capital requirement as per Nayak Committee and compute the working capital finance which can be extended by the Bank.

Please Note: Current or Existing actual Working capital details are not given in the question.

(i) Minimum Working Capital required i.e 25% of Sales = $25\% \text{ of } 1,85,00,000 = ₹ 46,25,000$

(ii) Margin or Minimum Borrower's contribution i.e. 5% of projected sales = $5\% \text{ of } 1,85,00,000 = ₹ 9,25,000$

(iii) Margin or Net Working Capital whichever is higher to be deducted from 25% of Sales i.e. ₹ 9,25,000 (5% is taken as Actual Working Capital is not given)

So, maximum permissible finance as per Nayak Committee's recommendation in the case under consideration shall be ₹ 37,00,000

3. Alphameter Technologies Limited has outstanding guarantees of ₹ 92 crore as on March 31, 2019. During the year, Company had given new guarantees of ₹ 8 crore to the Telecom Department for new telephone lines. The income tax assessment proceedings for the Assessment Year (AY) 2014-15 have concluded and the Department has released bank guarantees of ₹ 21 crore which the company had provided earlier. The Department has demanded an additional guarantee of ₹ 2 crore towards the interest for the AY 2015-16, for which the Company had provided guarantee of ₹ 14 crore in previous years.

Compute the bank guarantee limits as on March 31, 2020.

Assessment of Limit of Bank Guarantee

Particulars	
Outstanding Bank Guarantee as per Audited Balance Sheet (92 + 8)	100
Add Bank Guarantee required during the period	2
Less Estimated maturity or cancellation of Bank Guarantee during the period	(21)

Please Note: 14 Crore BG is not released, its just information given relating to past years there is no change in that. Hence, no effect taken.

4. The following data pertains to XYZ Ltd. :

	₹
Projected Sales	20,00,000
Creditors	3,00,000
Bank Borrowings	3,30,000
Current Assets	7,40,000

Assess the Working Capital requirement of XYZ Ltd. using the method given by Nayak Committee.

Net Working Capital = Current Assets - Current Liabilities i.e Bank Borrowings & Creditors
 Net Working Capital = ₹ 7,40,000 - ₹ 6,30,000 = ₹ 1,10,000

(i) Minimum Working Capital required i.e 25% of Sales = 25% of 20,00,000 = ₹ 5,00,000

(ii) Margin or Minimum Borrower's contribution i.e. 5% of projected sales = 5% of 20,00,000 = ₹ 1,00,000

(iii) Margin or Net Working Capital whichever is higher to be deducted from 25% of Sales i.e. ₹ 5,00,000 - ₹ 1,10,000 = ₹ 3,90,000

So, maximum permissible finance as per Nayak Committee's recommendation in the case under consideration shall be ₹ 3,90,000.

5. Balance Sheet of X company as at 31st March, 2018 and its statement of changes in financial position for the year ending on 31st March, 2019 are presented below:

Balance Sheet as at 31st March, 2018			
Liability	₹	Assets	₹
Common Stock	6,000	Land	9,800
Reserves	6,560	Equipment	12,200
Preferential Stock	2,500	Accumulated Depreciation	(2,000)
Long term Bonds	7,000	Inventory	2,370
Amount Payable	2,140	Amount Receivable	1,300
		Cash	530
	24,200		24,200

Statement of changes in Financial Position for the year ended on 31st March, 2019 :

Sources	₹	Uses	₹
Net Income	1,200	Paid Cash Dividend	360
Depreciation	600	Repaid Preferential Stock	2,500
Loss on sale of land	(80)	Retired Bond Payable	1,400
Issued Stock	4,000	Purchased Equipment	3,000
Sold land	1,880	Increase in Working Capital	340
	7,600		7,600

Calculate the working capital as on 31st March, 2019.

Working capital as on 31st March, 2018
 Opening w. c.(₹) = Cash + AR + Inv. - AP
 = 530+1300+ 2370 -2140
 = 2060

Hence W.C. as on 31st March 2019

= Opening w.c. + change in w.c. for the year ended on march 31, 2019
 = ₹ 2060 + ₹340
 = ₹ 2400

6. From the following particulars, calculate the effective interest cost per annum to ABC Ltd., which is planning a CP (Commercial Paper) issue:

Issue price of a CP	₹97,350
Face Value	₹1, 00,000
Maturity period	3 Months

Interest amount (₹) = 1,00,000 – 97,350
 = 2,650
 Maturity period = 3 months

$$\text{Effective interest} = \frac{f - p}{p} \times \frac{12}{m} \times 100$$

$$= \frac{1,00,000 - 97,350}{97,350} \times \frac{12}{3} \times 100$$

$$= 10.89\%$$

7. ABC Ltd. is considering a right issue by issuing one share against two shares to raise funds to finance a new project requiring ₹4.5 Crore. The floatation cost will be 10% of funds raised. The company currently has 18 Lakh shares outstanding and the current price of its share is ₹100. The subscription price has been fixed at ₹50 per share. Calculate the value of a right.

$$\text{Value of rights} = \frac{MP_{CR} - OP}{N_0 + N_1}$$

$$= \frac{100 - 50}{2 + 1}$$

$$= ₹16.67$$

Note: Since the ratio of rights issue is given (1:2) it means the number of shares to be issued on rights issue is fixed. Also the subscription price is give which is ₹50. Therefore total amount that will be raised is fixed which is number of shares to be issued multiplied with price at which it will be issued. Accordingly, the value of rights can be calculated as explained in above suggested solution and floating cost of 10% will not have any bearing on such calculation hence it was an additional information in the question which was not required for arriving at the answer.

Alternate Solution

Market value of 2 shares presently held	= ₹200
Add : price to be paid for buying one share	= ₹50
Total value of 3 shares	= ₹ 250
Average value of one share	= ₹ 250/3 = ₹83.33

Value of rights (₹) =Market value of one share - Average price of one share
 = 100 – 83.33
 = 16.67

8. On the basis of following information, calculate the limit for Letter of Credit (LC) for the Financial Year 2019-20 of M/s Madhukar Enterprises :

(i) Estimated Raw Material purchase for the FY 2019-20	₹172.64 Crore
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(ii) Estimated purchase under Letter of Credit for FY 2019-20 (LC)	₹69.41 Crore
(iii) Lead time i.e. time from order placement to shipment	10 days
(iv) Transit Time	20 days
(v) Credit (Usance) Period available	3 months

ANS:

Sr. No.	Particulars	
A	Annual Consumption of Raw Material (RM) to be purchased under Letter of Credit (LC)	₹ 69.41 Crore
B	Average monthly purchase of Raw Material	₹ 69.41/12
		₹ 5.78 Crore
C	Lead time i.e. time from order placement to shipment	10 days
D	Transit Time	20 days
E	Credit (Usance) Period available	3 months
F	Total Period (C+D+E)	4 months
G	Requirement of LC (BX F) i.e. ₹ 5.78 x 4	₹ 23.14 Crore.
	i.e. LC limit recommended	₹ 23 Crore

9. Following data relates to M/s ABC Pvt. Ltd. :

	Amount (₹ in lakh)		Amount (₹ in lakh)
Creditors for purchases	200	Raw Material	380
Other Current Liabilities	100	Work in Process	40
Finished Goods	180	Receivables	110
		Other Current Assets	30

Calculate the Maximum Permissible Bank Finance (MPBF) as per the Tandon Committee Recommendations using the norm of a current ratio of 1.33.

Working Note:

Particulars	Amount (₹ In lakhs)
Raw Material	380
Work in Process	40
Finished Goods	180
Receivables	110
Other Current Assets	30
Total Current Assets	740

Calculation of Maximum Permissible Bank Finance (MPBF) as per 2nd Method of Lending (Tandon Committee Recommendations) are as under:

Particulars	Amount (₹ in lakh)
1 Total Current Assets (TCA)	740
2 Less : Current Liabilities other than banking borrowing	300
3 Working Capital Gap (WCG) (1 -2)	440
4 Less : 25% of Total Current Assets (25% of 1)	185
5 Maximum Permissible Bank Finance (MP BF) (3-4)	255

With this additional borrowing the Current Liabilities shall become ₹ 555 lakhs (300 + 255) and the new Current Ratio shall become 1.33 (740/555).

10. You are required to compute Maximum Permissible Bank Borrowings (MPBB) under three methods of Tandon Committee Norms pertaining to M L Ltd. from the following data and how you will present it to the Board:

Existing Current Assets	Amount in ₹

Raw materials	8,00,000	
Work in progress	80,000	
Finished goods	3,60,000	
Receivables	2,00,000	
Other current assets	40,000	14,80,000
Existing Current Liabilities		
Creditors for purchases	4,00,000	
Other current liabilities	2,00,000	
Bank borrowings	8,00,000	14,00,000
Core current assets are ₹ 3,80,000.		

Maximum Bank Borrowings: (Tandon Committee norms)

Method – I	Method – II	Method – III
= 0.75 (CA-CL)	= 0.75 (CA) -CL	= 0.75 (CA -CAA)- CL
= 0.75(14,80,000-6,00,000)	= 0.75(14,80,000)	= 0.75(14,80,000-6,00,000)
= 0.75(8,80,000)		3,80,000)-6,00,000
= 6,60,000	= 5,10,000	= 0.75 (11,00,000)-6,00,000
		= 2,25,000

Review

	Method – I	Method – II	Method – III
Maximum Bank Borrowings	6,60,000	5,10,000	2,25,000
Actual Bank Borrowings	8,00,000	8,00,000	8,00,000
Excess Bank Borrowings	1,40,000	2,90,000	5,75,000

Under all the 3 methods, the excess bank borrowings can be converted in to long term debt.

- 11. Commercial Paper is sold at a discount from its face value and redeemed at its face value. Calculate the pre-tax cost on annualised basis of commercial paper, if face value is ₹ 5,00,000, maturity period is 180 days and net amount realized is ₹ 4,80,000. (Assume 360 days in a year.)**

$$\text{Cost of commercial paper} = \frac{\text{Face Value} - \text{Amount Realised (Net)}}{\text{Net Amount Realised}} \times 360/\text{Maturity Fund}$$

$$= \frac{(5,00,000 - 4,80,000) \times 360/180}{4,80,000} \times 8.33\%$$

- 12. MSC Ltd. would like to issue Commercial Paper (CP). Calculate the effective interest yield of the commercial paper (CP) from the following data:**

Particulars	Amount in ₹
Face Value	10,00,000
Sale Price	9,91,000
Maturity Period	120 days
Brokerage and other charges	2.50%

Consider One Year = 360 days

$$\text{Net Sale Price to Company} = 9,91,000 - \text{Brokerage \& Other Charges}$$

$$= 9,91,000 - 2.5\% = 9,66,225$$

$$\text{Interest amount (₹)} = 10,00,000 - 9,66,225 = 33,775$$

$$\text{Maturity period} = 120 \text{ days}$$

$$\text{Effective interest} = \frac{f - p}{p} \times \frac{360}{\text{days}} \times 100$$

$$= \frac{10,00,000 - 9,66,225}{9,66,225} \times \frac{360}{120} \times 100$$

$$= 10.49\%$$

13. Gulab Ltd. is a newly incorporated company and it would like to purchase raw materials from domestic sources as well as from other countries under Letter of Credit (LC). On the basis of the following information, calculate the limit for Letter of Credit (LC) for the Financial Year 2021-22: (5 marks)

(i)	Estimated Raw Material purchase for FY 2021-22	₹ 240 crore
(ii)	Estimated purchase under Letter of Credit (LC) for FY 2021-22 (90%)	₹ 216 crore
(iii)	Of which import of Raw Material under Letter of Credit (30%)	₹ 64.80 crore
(iv)	Lead Time - Domestic - Import	1 Month 2 Months
(v)	Transit Time - Domestic - Import	1 Month 2 Months
(vi)	Credit (Usance) Period available - Domestic - Import	1 Month 4 Months

Domestic LC Requirement:

Domestic Purchase under LC = Total LC purchase – Import Purchase under LC = 216 – 64.80 = 151.2 Crores

Total Time = Lead Time + Transit Time + Usance Time = 1 + 1 + 1 = 3 Months

Domestic LC = 151.2 ÷ 12 × 3 = 37.8 Crores

Import LC Requirement:

Import under LC = 64.8 Crores

Total Time = 2 + 2 + 4 = 8 Months

Import LC = 64.8 ÷ 12 × 8 = 43.2 Crores

Total LC Requirement = Domestic + Import = 37.8 + 43.2 = 81 Crores

14. Moon Ltd. makes an application for Bank Guarantee Limit for the Financial Year 2021-22 with following data to PQR Bank Ltd.:

(i) Outstanding Bank Guarantee as per the last Audited Balance Sheet: ₹ 95 lakhs

(ii) Bank Guarantee required for the Financial Year 2021-22: ₹ 115 lakhs

(iii) Estimated maturity or Cancellation during the period: ₹ 65 lakhs

Compute the Bank Guarantee limit of Moon Ltd. for the Financial Year 2021-22.

Computation of Bank Guarantee Limit for FY 2021-22: (Rs. In Lakhs)

Bank Guarantee as per Last Audited Balance Sheet	95
(+) New Bank Guarantees Required	115
(-) Maturity or Cancellation of BG	-65
Bank Guarantee at the end of FY	145

15. Sunlight Solar Ltd. decides to issue six right shares for every eleven shares held. The right shares are priced at ₹ 561 each and the present cum-right price of the company's share traded in the NSE/BSE is ₹ 785. Average Floating Cost of each right share is ₹ 10. Calculate the fair value of the right.

$$\text{Value of Right} = \frac{\text{Number of Right Shares (Market Value - Net Issue Price)}}{\text{Number of Existing Shares + Number of Right Shares}}$$

$$\text{Value of Right} = \frac{6 (785 - 561 - 10)}{11 + 6}$$

$$\text{Value of Right} = \frac{1284}{17}$$

$$\text{Value of Right} = 75.5$$

16. Following is the extract from the Balance Sheet of M/s YBL Ltd. as on 31 March, 2022:

Current Liabilities	Amount (₹ in lakh)	Current Assets	Amount (₹ in lakh)
(1) Bank Borrowings	820	(1) Inventories	650
(2) Trade Payables	200	(2) Financial Assets	
(3) Other current Liabilities	180	(i) Investments	250
		(ii) Trade Receivables	75
		(iii) Cash and Cash Equivalents	125
		(iv) Bank Balance other than (iii) above	150
		(v) Other Financial Assets	350

YBL Limited has bank borrowings of ₹ 820 Lakhs which includes bills discounted with the bank. It wishes to avail loan for its working capital and approaches your bank for financing. While maintaining the minimum current ratio of 1.33, calculate the Maximum Permissible Bank Finance (MPBF) as per methodology suggested by Tandon Committee. Should be bank sanction the loan request or not?

Calculation of Maximum Permissible Bank Finance and decision making

To maintain the minimum current ratio of 1.33, Second method of lending as suggested by Tandon Committee would be used wherein maximum financing by bank can be up to 75% of current assets.

So as per the suggested methodology, Maximum Permissible Bank Finance (MPBF) as per Tandon Committee would be:

$$\text{MPBF} = 75\% (\text{Current Assets}) - \text{Current Liabilities (excluding Bank Borrowings)}$$

Or

$$\text{MPBF} = [\text{Current Assets} - \text{Current Liabilities (excluding Bank Borrowings)}] - 25\% \text{ of Current Assets}$$

MPBF would be

$$= 75\% (\text{₹1600 Lakhs}) - \text{₹380 Lakhs}$$

$$= \text{₹1200 Lakhs} - \text{₹380 Lakhs}$$

$$= \text{₹820 Lakhs}$$

OR

$$= [₹1600 \text{ Lakhs} - ₹380 \text{ Lakhs}] - 25\% \text{ of } ₹1600 \text{ Lakhs}$$

$$= ₹1220 \text{ Lakhs} - ₹400 \text{ Lakhs} = ₹820 \text{ Lakhs}$$

Since YBL Ltd. has already availed Maximum Permissible Bank Finance and hence have reached the minimum current ratio of 1.33:1 via borrowings of ₹820 Lakhs, the Bank Manager should not sanction the loan request of YBL Ltd.

17. The projected financial information of M/s Bansiwala is as given below :

Projected Annual Sales	₹ 6,50,000
Percentage of net profit on sales	25%
Average credit period allowed to debtors	10 weeks
Average credit period allowed by creditors	4 weeks
Average stock holding in terms of sales requirement	8 weeks

On the basis of above information, calculate the following :

- (i) Current Ratio and
- (ii) Working Capital.

Calculation of Working capital

Step No.	Working Notes: Sales - Net Profit = Cost of goods sold	₹6,50,000 - 25% on ₹6,50,000 = ₹4,87,500
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CURRENT ASSETS (CA)		
Step 1	** Debtors (10 weeks) at cost (4,87,500 x 10 weeks) / 52 Weeks	₹93,750
Step 2	Stock (8 Weeks) (4,87,500 x 8 Weeks) / 52 Weeks	₹ 75,000
	Total Current Assets	₹ 1,68,750

CURRENT LIABILITIES (CL)		
Step 3	Creditors (₹ 4,87,500 x 4 Weeks) / 52 Weeks	₹ 37,500
Step 4	(i) Current Ratio: CA/CL - (₹ 1,68,750 / ₹37,500)	4.5: 1
Step 5	(ii) Working Capital (CA-CL): (₹1,68,750 - ₹ 37,500)	₹1,31,250

**Some students may calculate the debtor at full value, in such case, the alternative solution would be as under:

CURRENT ASSETS		Amount (₹)
Step 1	*Debtors (10 weeks) at sales price (6,50,000 x 10 weeks) / 52 Weeks	1,25,000
Step 2	Stock (8 Weeks) (4,87,500 x 8 Weeks) / 52 Weeks	75,000
	Total Current Assets	2,00,000
CURRENT LIABILITIES		
Step 3	Creditors (₹4,87,500 x 4 Weeks) / 52 Weeks	37,500
Step 4	(i) Current Ratio (₹2,00,000 / ₹37,500)	5.33: 1
Step 5	(ii) Working Capital (₹2,00,000 / ₹ 37,500)	1,62,500

18. A company issued Commercial Paper (CP) having a face value of ₹ 5 lakhs for 90 days' maturity at the interest rate of 10% p. a. of issue price. Calculate its issue price assuming 365 days in a year.

Calculation of Issue Price of Commercial Paper

Face Value (FV) of Commercial Paper : ₹ 5,00,000

Rate of Interest (ROI): 10% p.a.

Period of maturity: 90 Days

Issue Price = Face Value / (1+rate * time)

= ₹ 5,00,000 / (1+10%*90/365)

= ₹ 4,87,967.91 or ₹4,87,968

(There may be little difference in the final answer due to consideration of digits after decimal)

19. ABC Limited is a trading company. Its annual turnover is ₹4000 lakhs out of which ₹2800 lakhs is on credit. Its average collection period is 90 days and presently its receivable collection cost is ₹35 lakh p.a. The company needs immediate funds to finance its growth projects and it has an option to take short-term loans at interest rate of 18% p.a. Recently, one of the factoring company visited the Chief Executive of ABC Limited and offered him to provide the factoring services on recourse basis. As per terms of factoring arrangement, factoring company will provide for an advance payment of 80% (maintaining factor reserve of 20% to provide for disputes and deductions relating to the bills assigned) of the value of factored receivable and for guaranteed payment after 90 days from the date of purchasing the receivables. The advance will carry a rate of interest of 12% per annum. In addition to interest, factoring company will charge factoring commission @ 2.5% of the value of factored receivables. Both the interest and commission shall be collected by factoring company on upfront basis. You are the Company Secretary of ABC Limited and you have been requested to prepare a report containing the following aspects.

(a) What is the net annual cost of funding through factoring of receivables assuming 360 days in a year?

(b) Whether it is appropriate to choose the factoring of receivable in comparison to short term bank loan?

(c) Whether your advice would be changed if the clause of 'on recourse basis' is negotiated 'on non-recourse basis' keeping the other terms of agreement with factoring company as same. The experience indicates that bad debt losses on sales are 2% of sales.

(a)

Net Annual Cost of Funding from the Factoring of receivables

Particulars	₹lakh
Average level of Receivables= ₹2800 lakh x 90/360	700.000
Less: Factoring commission= ₹700 lakh x 2.5%	17.500
Less. Factoring reserve = ₹700 lakh x 20/100	140.000
Amount available for advance	542.500
Less: Interest on advance @ 12%	16.275
$\frac{R542.50 \text{ Lakhs} \times 12 \times 90}{100 \times 360}$	
Amount of advance received from the factoring company after deducting commission and interest	526.225
Total cost of factoring for 90 days = ₹17.500 Lakhs + ₹16.275 Lakhs)	33.775
Annual Cost of factoring - ₹33.775 * 360/90	135.100
Less: saving in cost of receivable collection cost	35
Net Cost of factoring of receivables on annual basis	100.100

(b)

Effective annual cost of factoring	19.02%
$\frac{R100.10 \text{ Lakhs} \times 100}{526.225}$	
Cost of Short-Term Loan	18%
Since the effective annual cost of factoring i.e. 19.02% is higher than the cost of short term loan i.e. 18%, it is not appropriate to choose the factoring of receivables in comparison to short term loan.	

(c)

If terms of agreement are negotiated from Recourse Factoring to Non-Recourse Factoring keeping the other terms of agreement same, it is advisable to opt for 'on Non-recourse basis' clause since it will reduce the effective cost of factoring to 17.02% (19.02% -2.00%) which is lower than the cost of Short Term Loan i.e 18%.

20. The annual sales of ABC Ltd. are ₹ 60 lakhs of which 20% is on cash and balance on credit. Debtors are allowed one month to clear off the dues. A factor is willing to advance 90% of the book debts for a fee of 1% per month plus a commission of 4% on total debtors (besides the interest charged). If this arrangement is made, the company is able to make a gain of ₹ 21,600 annually in debt management costs and bad debts of 1%. Factor charges interest on the loans. Bank offers working capital finance against book debts with 10% margin at 12% interest per annum and a processing fee of 2% on total debts. As the CFO of the company, advise the company on the best option. (June 2025)

ANSWER:

Computation of amount financed (Amount ₹)

Annual Sales = ₹ 60 lakh

Cash sales 20% (₹12 lakh), credit sales 80% = ₹48 lakh

Credit sales per month = $48/12 = ₹4$ lakh

Finance available in both the situation 90% of credit sales= ₹3.60 lakh (per month)

2. Factoring Cost

Fees payable to the factor = ₹ 3.60 lakh x 1% = ₹ 3,600

Processing charges = 4% on monthly debtors= ₹ 4 lacs x 4% = ₹ 16,000

Total cost = ₹ 16,000 + ₹ 3,600 = ₹ 19,600

Less: Savings in debt management costs = ₹ 21600 per year or 21600/12

= ₹ 1,800 per month

Savings in book debts = 1% of total debtors = ₹ 4 lakh x 1% = ₹ 4,000

Hence, Net factoring cost= ₹ 19,600 – (₹ 1,800 + ₹ 4,000) = ₹13,800

3. Cost of Bank borrowing (working capital against book debts)

Limit sanctioned = 90% of book debts = $90\% \times ₹ 4,00,000 = ₹ 3,60,000$

Interest payable @ 12% = ₹ 3,60,000 x 12% = ₹ 43,200

Per month interest payable= $43,200/12 = ₹ 3,600$

Processing fee = $2\% \times ₹4,00,000 = ₹ 8,000$

Total cost of bank finance = ₹ 3,600 + ₹ 8,000 = ₹ 11,600

Advice: Since cost of Bank finance is less than that of cost of factoring, company can opt for bank funding.

21. A bond with a face value of 100 is paying an annual coupon of 12 percent and trading in the markets for 109.50 per bond. What is the effective percentage yield of the bond.

$$\text{Effective yield} = (\text{Coupon rate} / \text{Market price}) * 100$$

$$= (12/109.50) \times 100 = 10.96\%$$

22. From the latest CMA data of Vancouver Ltd., the projected figures are as under:

- Sales : ₹10 crore
- Total current assets : ₹7 crore
- Current liabilities : ₹3 crore

You are required to calculate the working capital requirement under turnover method and maximum permissible banking finance method (method 1).

i) Working Capital requirement under the turnover method

Under this method, bank credit for working capital purposes for borrowers requiring fund may be assessed at minimum of 25% of the projected annual turnover out of which 1/5th should be provided by the borrower (i.e. minimum margin of 5% of the annual turnover to be provided by the borrower) and balance 4/5th (i.e. 20% of the annual turnover) can be extended by way of working capital finance.

The working capital requirement will be as under:		
Projected sales	=	₹10 crore
Working capital requirement (25% of Projected Sales) -A	=	₹2.50 crore
Minimum margin (5% of Projected Sales) - B	=	₹0.50 crore
Working capital limit (A-B)	=	₹2.00 crore

ii) Maximum Permissible Banking Finance (1st Method of Lending): As per this method, 75% of the working capital gap (Working Capital Gap- Total current assets- Total current liabilities other than bank borrowings) is financed by the bank and the balance 25% of the Working Capital Gap considered as margin is to come out of long term source i.e. owned funds and term borrowings.

The working capital requirement will be as under:

Projected current assets	=	₹7 crore
Projected current liabilities	=	₹3 crore
Working capital gap (A)	=	₹4 crore
25% of (A) as margin (B)	=	₹1 crore

Maximum Permissible Banking Finance (A-B) = ₹3 crore

23. XYZ Factoring Ltd. has agreed to finance receivable of IFK Ltd. on a term of advances 80% of the receivables with 10% p.a. interest and 2% commission as factoring. Based on the below information, find the net amount to be remitted by XYZ Factoring Ltd.

- Annual credit sales = ₹1 crore
- Average collection period = 60 days
- Saving in administration cost = ₹1,00,000
- Bad debts = Nil.

* Assume 365 days in a year for calculation purpose.

Calculation of net amount to be remitted by XYZ Factoring Ltd. to IFK Ltd.

Annual credit sales	₹1,00,00,000
Average collection period	60 days
Average receivable (₹1 crore * 60/365)	₹16,43,836
Advanced by factor (80%) of average receivable - A	₹13,15,068
Factoring commission 2% of ₹16,43,836 (average receivable) - B	₹32,877

Amount available for advance(A-B)	₹12,82,191
Factoring interest @ 10% (₹12,82,191 *10%*60/365) -C	₹21,077
Amount to be remitted to IFK Ltd. (A-B-C)	₹12,61,114

Amount rounded off to nearest rupee

24. Calculate the amount of fund based and non-fund based credit facilities availed by Yamuna Ltd. from Bank from the following details :

Sr. No	Credit Facilities provided by	Rupees in Lakhs
1.	Standby Letter of Credit	2.50
2.	Clean Overdraft	9.80
3.	Bank Guarantee	12.50
4.	Car Loan	60.95
5.	Letter of Credit	22.50
6.	Key Cash Credit	35.50
7.	Post Shipment Packing Credit	80.40
8.	Suppliers Credit	30.50
	Total Credit Facilities	254.65

Calculation of Fund based and Non-fund based credit facilities availed by Yamuna Ltd.

Sr. No.	Credit Facilities Provided by Bank	Amount (in ₹ Lakhs)
I	Fund Based Credit Facilities	
	Clean Overdraft	9.80
	Key Cash Credit	35.50
	Car Loan	60.95
	Post Shipment Packing Credit	80.40
	Total Fund Based Credit Facilities	186.65
II	Non Fund Based Credit Facilities	
	Stand by Letter of Credit	2.50
	Bank Guarantee	12.50
	Letter of Credit	22.50
	Suppliers Credit	30.50
	Total Non Fund Based Credit Facilities	68.00

Hence, Yamuna Ltd. has availed ₹186.65 Lakhs fund based facilities and ₹68 Lakh Non-Fund-based facilities from Bank.

25. A Real Estate Investment Trust (REIT) is having ₹600 crore assets in its portfolio. The asset mixes are as under :

(a) Completed project : ₹300 crore

(ii) Property on rent : ₹100 crore

(iii) Government securities : ₹150 crore

(iv) Money market instrument : ₹50 crore.

By referring the SEBI regulations, advise the company on the asset mix and suggest any changes, if required.

(i) Pursuant to the Regulation 18(4) of the SEBI (REITs) Regulations, 2014, not less than 80% of the value of the REIT assets shall be invested in completed and rent and/or income generating properties.

In the given case, out of total investment of ₹ 600 crore in various assets, it has only invested ₹400 crore in the completed project and property on rent which is 66.67% of total investment (i.e less than 80%).

Therefore, the assets mix of REIT is not as per SEBI (REITs) Regulations, 2014 as it should invest at least ₹480 crore in the completed and rent and/or income generating properties.

26. Balance sheet of GKJ Ltd. for the year ended 31st March, 2024 is given below :

Liabilities	Amount (₹ lakh)	Assets	Amount (₹ lakh)
Equity Share 10 each	200	Fixed Assets	500
Retained Earnings	200	Raw Materials	150
11% Debentures	300	W.I.P.	100
Public Deposits (Short-term)	100	Finished goods	50
Trade Creditors	80	Debtors	125
Bills Payable	100	Cash/Bank	55
	980		980

Calculate the amount of maximum permissible bank finance under three methods as per Tandon Committee lending norms. The total core current assets are assumed to be ₹30 lakh. (JUNE 2024)

Current Assets = Raw Material + W.I.P + Finished Goods + Debtors + Cash/Bank
 Current Assets = ₹150 Lakh + ₹100 Lakh + ₹50 Lakh + ₹125 Lakh + ₹55 Lakh
 = ₹480 lakh

Current Liabilities = Public Deposits (Short-term) + Trade Creditors + Bills Payable
 = ₹100 Lakh + ₹80 Lakh + ₹100 Lakh = ₹280 lakh

Maximum Permissible Banks Finance under Tandon Committee Norms

Method I

Maximum Permissible Bank Finance = 75% of (Current Assets – Current Liabilities other than bank borrowings)
 = 75% of (₹480 Lakh – ₹280 Lakh)
 = ₹150 lakh

Method II

Maximum Permissible Bank Finance = (75% of Current Assets) – Current Liabilities
 = (75 % of ₹480 Lakh) – ₹280 Lakh
 = ₹80 lakh

Method III

Maximum Permissible Bank Finance = 75% of (Current Assets – Core Current Assets) – Current Liabilities
 = 75 % of (₹480 Lakh – ₹30 Lakh) – ₹280 Lakh
 = ₹57.5 lakh

27. From the following information of Ganpati Ltd., you are required to calculate :

(i) Net operating cycle period.

(ii) Number of operating cycles in a year.

Particulars	(₹)
Raw material inventory consume during the year	6,00,000
Average stock of raw material	50,000
Average cost of production	5,00,000
Average work-in-progress inventory	30,000
Cost of goods sold during the year	8,00,000
Average finished goods stock held	40,000

Average collection period from debtors	45 days
Average credit period availed	30 days
No. of days in a year	360 days

(JUNE 2024)

(i) Calculation of Net Operating Cycle period of Ganpati Ltd.

$$\text{Raw Marterial storage period (R)} = \frac{\text{Average stock of raw material}}{\text{Average Cost of Raw Material Consumption per day}}$$

$$= \frac{₹50,000}{₹6,00,000} \times 360$$

$$= 30 \text{ days}$$

$$\text{WIP inventory holding period (W)} = \frac{\text{Average WIP inventory}}{\text{Average Cost of Production per day}}$$

$$= \frac{₹30,000}{₹5,00,000} \times 360$$

$$= 21.60 \text{ OR } 22 \text{ days}$$

$$\text{Finished Goods inventory holding period (F)} = \frac{\text{Average stock of Finished Goods}}{\text{Average Cost of Goods sold per day}}$$

$$= \frac{₹40,000}{₹8,00,000} \times 360$$

$$= 18 \text{ days}$$

Receivables (Debtors) collection period (D) = 45 days

Credit Period allowed by creditors (C) = 30 days

Net Operating Cycle = R + W + F+ D - C

$$= 30 + 22 + 18 + 45 - 30 = 85 \text{ days}$$

$$\text{(ii) Number of operating cycles in a year} = \frac{\text{Number of days in a year}}{\text{Operating cycle period}}$$

$$= 360/85 \text{ days}$$

$$= 4.23 \text{ times}$$

28. Galaxy Ltd. is a newly incorporated company and it would like to purchase raw materials from domestic sources as well as from other countries under Letter of Credit (LC). On the basis of the following information, calculate the limit for Letter of Credit (LC) for the Financial Year 2024-25 :

(i) Estimated Raw Material purchase for FY 2024-25	R480 crore
(ii) Estimated purchase under Letter of Credit (LC) for FY 2024-25 (90%)	R432 crore
(iii) Of which import of Raw Material under Letter of Credit (30%)	R129.60 rore
(iv) Lead Time :	

Domestic Import	1.5 months 2.5 months
(v) Transit Time : Domestic Import	1.5 months 2.5 months
(vi) Credit (Usance) Period available : Domestic Import	2 months 5 months

(JUNE 2024)

Galaxy Ltd.

(Amount in ₹ Crore)

Annual Raw Material Consumption for FY 2024-25	A	₹480	
Estimated purchase under Letter of Credit (LC) for FY 2024-25 (90 %)	B	₹432	
		Calculation of Inland Letter of Credit (ILC)	Calculation of Foreign Letter of Credit (FLC)
Annual Raw Material Procurement through ILC/FLC	C	₹302.40	₹129.60
Monthly Consumption (C/12)	D	₹25.20	₹10.80
Lead Time (Time from order placement to shipment)	E	1.5 months	2.5 months
Transit Time	F	1.5 months	2.5 months
Credit (Usance) Period Available	G	2 months	5 months
Total Period	H=E+F+G	5 months	10 months
LC limit Required for FY 2024-25	I = D x H	₹126	₹108

29. Casino Ltd. is a newly incorporated manufacturing company in Gujarat desiring to procure raw materials (RM) from within the country and some machine tools from Japan. They have entered into an agreement with a leading public sector bank for letter of credit for the said purpose. Up to 80% of the purchases will be under LC of which 30% shall be used for imports and balance for inland purchases. On the basis of the information provided, calculate the limit of LC for the financial year 2025-26 :

Sl. No.	Particulars	Amount ₹
1	RM to be procured during the year	400 crore
2	Lead time for purchases within India	1 month
	Lead time for imports	2 months
3	Goods will be in transit	
	- for domestic purchases	1 month
	- for imports	2 months
4	Credit available from	
	- Indian suppliers	1 month
	- Japanese suppliers	3 months

(June 2025)

ANSWER:

Calculation of ILC & FLC limits of Casino Ltd for FY 2025-26

Raw material required for FY 2025-2026 is ₹ 400 crore, of which 80% is procured through LC i.e. ₹ 320 crore

Particulars	ILC (Amount in ₹ crore)	FLC (Amount in ₹ crore)
LC used for	70% of 320 i.e. ₹224	30% of 320 i.e. ₹96
Monthly consumption	$224 \div 12 = 18.667$	$96 \div 12 = 8$
Lead time	1 month	2 months
Transit time	1 month	2 months

Particulars	ILC (Amount in ₹ crore)	FLC (Amount in ₹ crore)
Credit period available	1 month	3 months
Total period	3 months	7 months
LC limit required	$3 \times 18.667 = 56$	$7 \times 8 = 56$

Total LC limit required for the year = $56 + 56 = ₹ 112$ crore.

30. Casino Ltd. in another incidence has given the loan details extracted from its Balance Sheet as on 31st March ,2025 and other available information.

Calculate the fund based and non-fund-based facilities availed from bank/financial institutions :

Sl. No.	Loan facilities	₹ In crore
1	Bank Guarantee (against 75% cash margin)	2
2	Cash Credit (against hypothecation of book debts)	4
3	Vehicle loan (availed from Reliant Finance Ltd. An NBFC)	0.50
4	Housing Loan (availed from TALA Housing Finance Ltd. – house mortgaged)	2
5	Key Loan Cash Credit (godown jointly opened by Bank & company)	5
6	Performance bank guarantee (for contracts executed). Period expired & bank reversed the entry in its books	5.50
7	Standby letter of credit	2.50
8	Pre-shipment packing credit	3
9	Supplier's credit	4
10	Bank Guarantee invoked by the beneficiary	2
11	Bill discounting facility with a limit of ₹2 crore. At present Bill discounted for ₹50 lakhs yet to be realised and Rs.25 lakhs worth bills were sent for collection	
12	The company is in discussion with a group of consortium banks for a project loan (documents yet to execute) (3 crore Bank Guarantee & 7 crore term loan.)	10

(June 2025)

ANSWER:

Calculation of fund based & non-fund-based credit facilities availed by Casino Ltd (₹ in crore) as on 31.03.2025

S. No.	Loan Facilities	Fund based ₹ in Crore	Non fund based ₹ in Crore
1	Bank Guarantee		2
2	Cash Credit	4	
3	Vehicle Loan	0.50	
4	Housing Loan	2	
5	Key Loan Cash Credit	5	

6	Performance Bank Guarantee		-
7	Standby letter of credit		2.50
8	Pre-shipment packing credit	3	
9	Supplier's credit		4
10	Bank Guarantee invoked by beneficiary	2	
11	Bill Discount	0.50	
Total		17	8.50

Note: As on 31.03.2025, the company has availed fund-based limit of ₹ 17 crore & non-fund-based facilities of ₹ 8.50 crore.

Project loan is not yet availed & Bill discounting outstanding is only ₹ 50 lakhs, bills for ₹ 25 lakhs sent for collection is not funded.

31. Renaissance Ventures Ltd announced issue of bonus shares in the ratio of 1 : 4 (1 share for every 4 shares held). At present the shares have a market value of ₹ 1000 per share. Besides the bonus issue, company also announced to split the shares by reducing the face value from ₹ 10 to ₹ 2.

Calculate the value per share if :

(i) Bonus shares were issued before splitting the shares.

(ii) Bonus shares were issued after splitting the shares.

Determine the difference between above scenarios and comment on price. (June 2025)

ANSWER:

Case (i) In case bonus shares were issued before splitting the face value

Particulars	Amount (₹)
Market value of 4 shares required to be held by the shareholder = $4 \times ₹1000$	4000
Add: Value of 1 bonus share	0
Total market value of 5 shares	4000
No. of shares post-split of face value (₹10 share split to ₹2) 5×5	25 shares
Average price per share $4000/25$	160

Case (ii) if stock split happens before bonus issue

Particulars	Amount ₹
Market value of shares required to be held by shareholders – $4 \times ₹1000$	4000
Number of shares post-split 4×5	20
Number of bonus shares to be received $20/4$	5

Particulars	Amount ₹
Total shares after bonus issue	25
Value of 25 shares	4000
Average price per share $4000/25$	160

Conclusion – There is no change in the value of shares, whether the bonus issue happens before or after the split of face value.

32. Norton Ltd. manufactures steel rods and is now considering to purchase a new aluminum smelting plant. This initial cost of the plant is Rs.20,00,000. It has a useful life of 5 years with a residual value of Rs.1,00,000. Production and sales from the new plant are expected to be 1,00,000 units per year. Other estimates are as follows :

Selling price Rs.150 per unit

Direct cost Rs.100 per unit

Fixed cost (including depreciation) is Rs.8,00,000 per annum. Marketing and promotion cost not included in the above will be Rs.1,00,000 and Rs.1,60,000 for years 1 and 2, respectively. Additionally, investment in debtors and stocks will increase in year 1 by Rs.1,50,000 and Rs. 2,00,000, respectively. Creditors will also increase by Rs.1,00,000 in year 1. Thus, debtors, stocks and creditors will be recouped at the end of the fifth year.

The cost of capital is 18%. Corporate tax is 30% and is paid in the year in which profits are made. Depreciation is tax deductible. The company follows straight line method of depreciation. Assume working capital is invested at the start of the year.

Required :

(i) Estimate the net cash inflows after tax over the useful life of the project.

(ii) Calculate the Net Present Value and Profitability Index of the project.

(iii) Advise Norton Ltd. whether the plant should be purchased. Justify with reasoning.

The PV factors at 18% are :

Year	1	2	3	4	5
PV Factor	0.847	0.718	0.609	0.516	0.437

(Dec 2025)

Calculation of net cash inflows after tax and Net Present Value and Profitability Index of the project

Amount in Rs.

Years	1	2	3	4	5
Units	1,00,000	1,00,000	1,00,000	1,00,000	1,00,000
Sales (Rs. 150 per unit) (I)	1,50,00,000	1,50,00,000	1,50,00,000	1,50,00,000	1,50,00,000
Cost					
Direct Cost (Rs.100 per unit)	1,00,00,000	1,00,00,000	1,00,00,000	1,00,00,000	1,00,00,000
Marketing Cost	1,00,000	1,60,000	-	-	-
Depreciation	3,80,000	3,80,000	3,80,000	3,80,000	3,80,000
Fixed Cost	4,20,000	4,20,000	4,20,000	4,20,000	4,20,000
Total Cost (II)	1,09,00,000	1,09,60,000	1,08,00,000	1,08,00,000	1,08,00,000
Profit (I-II)	41,00,000	40,40,000	42,00,000	42,00,000	42,00,000
Tax @ 30%	12,30,000	12,12,000	12,60,000	12,60,000	12,60,000
Profit After tax	28,70,000	28,28,000	29,40,000	29,40,000	29,40,000
Add back depreciation	3,80,000	3,80,000	3,80,000	3,80,000	3,80,000
Cash inflow after tax	32,50,000	32,08,000	33,20,000	33,20,000	33,20,000
Add: WC released					2,50,000
Add: Residual value of machine					1,00,000
Net cash inflow after tax Rs.	32,50,000	32,08,000	33,20,000	33,20,000	36,70,000

Present value factor	0.847	0.718	0.609	0.516	0.437
Present value cash inflow Rs.	27,52,750	23,03,344	20,21,880	17,13,120	16,03,790

Net Present Value = Present value cash inflow - initial cash outflow
= Rs. 27,52,750 + Rs. 23,03,344 + Rs. 20,21,880 + Rs. 17,13,120 + Rs. 16,03,790 - Rs.22,50,000
= Rs. **81,44,884**

Initial investment = Rs. 22,50,000 (assumed working capital invested at start of the year)

Profitability Index (PI) = $\frac{\text{Sum of discounted cash inflows}}{\text{Initial cash outlay}}$

= Rs. 1,03,94,884 / Rs.22,50,000 = 4.62

Advise: Since the plant has a positive NPV and Profitability Index is >1, therefore, it should be purchased.

33. Compute the Drawing Power for Cash Credit Limit granted to Mukund by Laxmi Bank for the month of March 2025 from the following information :

Particulars	Amount(Rs.)
Value of stocks	50,000
Value of debtors (including debtors of Rs.5,000 for an invoice dated 18.11.24)	45,000
Value of creditors for goods	15,000
Sanctioned limit	45,000

Margin on stock is 20% and on debtors is 50%

Note : Debtors older than 3 months are ineligible for calculation of drawing power. (Dec 2025)

**Computation of Drawing power of Mukund
For the month of March 2025**

Amount in Rs.	
A. Stocks	
Value of stocks at realizable value	50,000
Less: Value of creditors for goods	15,000
Value of paid stocks	35,000
Less: Margin @20%	7,000
Drawing Power (A)	28,000
B. Debtors	
Value of Debtors	45,000
Less: Ineligible Debtors (Debtors older than 3 months)	5,000
Eligible Debtors	40,000
Less: Margin @50%	20,000
Drawing Power (B)	20,000
Total Drawing Power (A + B)	48,000

The sanctioned limit given in the question is Rs.45000 whereas drawing power as per the above working is Rs.48000. So drawing power would be restricted to sanctioned limit i.e. Rs.45000.

34. The following information is available for Vision Ltd. :

Particulars	
Cost of Production	Rs. 15,48,000
Cost of goods sold	Rs. 14,61,000
Average stock of work-in-progress	Rs. 94,600
Average stock of finished goods	Rs. 2,43,500

Administration and Selling Expenses	Rs. 4,14,000
Receivables collection period	36 days
Raw material storage period	65 days
Creditors payment period	63 days

You are required to calculate the working capital requirement by operating cycle method. Assume 1 year = 360 days.(Dec 2025)

Operating Cycle = R + W + F + D - C Where,

R = Raw material storage period = 65 days

W = Work-in-progress Inventory holding period F = Finished goods storage period

D = Receivables (Debtors) collection period = 36 days

C = Credit period allowed by suppliers (Creditors) = 63 days Work-in-progress Inventory holding period (W)

= Average WIP inventory / Average cost of production per day

= Rs.94,600 / (Rs.15,48,000/360 days)

= **22 days**

Finished goods storage period (F)

= Average stock of finished goods / Average Cost of Goods Sold per day

= Rs.2,43,500 / (Rs.14,61,000/ 360 days)

= 60 days

Net Operating Cycle = 65+22+60+36-63 days = **120 days**

No. of operating cycles in year

= No. of days in year / Operating cycle period

= 360 days / 120 days

= **3 times**

Amount of working capital required

= Annual operating cost / Number of Operating Cycles

= (Rs.14,61,000 + Rs.4,14,000) / 3

= **Rs.6,25,000**

35. A firm has credit sales of Rs.360 lakh and its average collection period is 30 days. The financial controller estimates that bad debt losses are around 2% of credit sales. The firm spends Rs.1,40,000 annually on debtor's administration. These are the avoidable costs. A Factoring firm has offered to buy the firm's receivables. The factor will charge 1% commission and will pay an advance against receivables on an interest @ 15% p.a. after withholding 10% as reserve. Advise the firm whether it should avail factoring services. Assume 360 days in a year. (Dec 2025)

Working Notes:

Average level of receivables = Rs.360 lakhs × 30/360 = Rs.30 lakhs

Factoring commission = 1% of Rs.30,00,000 =Rs.30,000

Reserve = 10% of Rs.30,00,000 = Rs.3,00,000

Total (i) = 3,30,000

Thus, the amount available for advance is:

Average level of receivables = Rs.30,00,000

Less: Total (i) from above = Rs.3,30,000

Amount available for advance = Rs.26,70,000 Less: Interest @ 15% p.a. for 30 days = Rs.33,375 Net

amount of advance available = Rs.26,36,625

Evaluation of Factoring Proposal

Particulars	Amount in Rs.	Amount in Rs.
(A) Savings (Benefit) to the firm		
Cost of credit administration		1,40,000
Cost of bad debt losses	2% of 360 Lakhs	7,20,000
Total annual savings		8,60,000
(B) Cost to the firm		
Factoring Commission [Annual Credit Sales × % of Commission (or calculated annually)]	30,000 × 360/30	3,60,000
Interest charges	33,375 × 360/30	4,00,500
Total annual cost		7,60,500
Net annual Benefit to the firm (A-B)		99,500

Since the savings to the firm exceed the cost to the firm on account of factoring, therefore, the proposal is acceptable.

36. Calculate Current ratio from the following information of a trading concern :

Projected Annual Sales : Rs.6,50,000

Percentage of Net Profit on sales : 25%

Average Credit period allowed to debtors : 10 Weeks

Average Credit period allowed by creditors : 4 Weeks

Average Stock holding in terms of sales requirement : 8 Weeks

Company operates 52 weeks per year (Dec 2025)

	<i>Amount in Rs.</i>
Current Assets	
Debtors (10 weeks) at cost (Rs.4,87,500 × 10 weeks) / 52 Weeks	93,750
Stock (8 Weeks) (Rs.4,87,500 × 8 Weeks) / 52 Weeks	75,000
Total Current Assets	1,68,750
Current Liabilities	
Creditors (Rs.4,87,500 × 4 Weeks) / 52 Weeks	37,500
(i) Current Ratio (Rs.1,68,750 / Rs.37,500)	4.5: 1

Working Notes:

Cost = Sales - Net Profit

= Rs.6,50,000 - 25% on Rs.6,50,000 = Rs.4,87,500

Alternative Answer

Assuming the debtor at sales value

	<i>Amount in Rs.</i>
Current Assets	
Debtors (10 weeks) at sales value (Rs.6,50,000 × 10 weeks) / 52 Weeks	1,25,000
Stock (8 Weeks) at cost (Rs.4,87,500 × 8 Weeks) / 52 Weeks	75,000
Total Current Assets	2,00,000
Current Liabilities	
Creditors (Rs.4,87,500 × 4 Weeks) / 52 Weeks	37,500
(i) Current Ratio (Rs.2,00,000 / Rs.37,500)	5.33:1

Working Notes:

Cost = Sales – Net Profit
= Rs.6,50,000 – 25% on Rs.6,50,000 = Rs.4,87,500

AMIT TALDA MENTORSHIP

CASE STUDY QUESTIONS

- 1. Ultra-Information Services Limited, provides IT and ITES services. The Board of Directors of the Company want to go for Initial Public Offer (IPO) to raise funds for expansion of the Company. During the previous year, the Company started a new line of business of providing aeronautical designs to an Australian entity and accordingly changed its name to Ultra Aero Technology Services Limited. As a Company Secretary, advise the Board of Directors about eligibility for an IPO.**

The eligibility requirements for initial public offer are provided under Regulation 6(1) of the SEBI (Issue of Capital and Disclosure Requirements) Regulations 2018. The said Regulation inter-alia, provides that an issuer shall be eligible to make an IPO only if, in case the issuer has changed its name within the last one year, at least 50% of the revenue calculated on a restated and consolidated basis, for the preceding one full year has been earned by it from the activity indicated by the new name.

Hence, based on the above it can be concluded that as the Company has changed its name in the previous year, it would be eligible for an IPO, if at least 50% of the revenue calculated on a restated and consolidated basis, for the preceding one full year has been earned from its aeronautical designing business.

Nonetheless, in terms of the Regulation 6(2) of the SEBI (Issue of Capital and Disclosure Requirements) Regulations 2018, an issuer not satisfying the condition stipulated above shall be eligible to make an initial public offer if the issue is made through the book-building process and the issuer undertakes to allot at least 75% of the net offer to qualified institutional buyers and to refund the full subscription money if it fails to do so. Therefore, Ultra Aero Technology Services Limited may also opt for this route if the conditions above are not satisfied.

- 2. The Board of Directors of Minto Limited wanted to set up a new production plant at Manesar. In the Board Meeting where the budgets were being discussed, one Director suggested that funds can be raised by issuing warrants to fund the new project. As a Company Secretary, advise the Board of Directors, whether the Company can issue warrants.**

As per Regulation 13 of the SEBI (Issue of Capital and Disclosure Requirements) Regulations 2018, an issuer shall be eligible to issue warrants in an initial public offer subject to the following:

- ❖ the tenure of such warrants shall not exceed 18 months from the date of their allotment in the initial public offer;
- ❖ a specified security may have one or more warrants attached to it;
- ❖ the price or formula for determination of exercise price of the warrants shall be determined upfront and disclosed in the offer document and at least 25 % of the consideration amount based on the exercise price shall also be received upfront; However, in case the exercise price of warrants is based on a formula, 25% consideration amount based on the cap price of the price band determined for the linked equity shares or convertible securities shall be received upfront.
- ❖ in case the warrant holder does not exercise the option to take equity shares against any of the warrants held by the warrant holder, within 3 months from the date of payment of consideration, such consideration made in respect of such warrants shall be forfeited by the issuer.

Accordingly, Minto Ltd. can issue warrants after complying with the aforementioned conditions.

- 3. Mono Auto Limited raised ₹100 crores through an IPO with manufacturing of cars as one of its main objects. However due to economic downturn, the Company wants to**

change its objects to designing and supply of spare parts. Some of the shareholders have voted against this resolution for change in objects. Can the Company give such shareholders an option to exit. If so, what should be the exit price to be offered ?

The promoters or shareholders in control shall make the exit offer, to the dissenting shareholders, in cases only if a public issue has opened after April 1, 2014; if:

- the proposal for change in objects or variation in terms of a contract, referred to in the offer document is dissented by at least 10 % of the shareholders who voted in the general meeting; and
- the amount to be utilized for the objects for which the offer document was issued is less than 75 % of the amount raised (including the amount earmarked for general corporate purposes as disclosed in the offer document).

The 'exit price payable to the dissenting shareholders shall be the highest of the following:

- the volume-weighted average price paid or payable for acquisitions, whether by the promoters or shareholders having control or by any person acting in concert with them, during the fifty-two weeks immediately preceding the relevant date
- the highest price paid or payable for any acquisition, whether by the promoters or shareholders having control or by any person acting in concert with them, during the twenty-six weeks immediately preceding the relevant date;
- the volume-weighted average market price of such shares for a period of sixty trading days immediately preceding the relevant date as traded on the recognised stock exchange where the maximum volume of trading in the shares of the issuer are recorded during such period, provided such shares are frequently traded;
- where the shares are not frequently traded, the price determined by the promoters or shareholders having control and the merchant banker considering valuation parameters including book value, comparable trading multiples, and such other parameters as are customary for valuation of shares of such issuers.

Therefore, Mono Auto Limited shall compute the exit price as stated above.

- 4. Shaurya Ltd. a company dealing with glass molding and peripherals has plans to go public and raise ₹1,000 crores. They appoint CFQ Financial Services as their lead managers. The company's directors having no knowledge of rules and regulations argue with the lead managers that 40% of shares are to be allotted to public, 40% to QIBs, 10% to HNI clients and balance to be taken by underwriters. As a Company Secretary, explain to the directors the Regulations 40 & 136 of underwriting.**

The directors of the company are not correct as the rules pertaining to issue states that allotment of shares has to be made based on the following regulation:

(Regulation 40 & 136 of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009

- If an issuer makes a IPO/FPO other than through the book building process, desires to have the issue underwritten, it shall appoint the underwriters in accordance with the SEBI (Underwriters) Regulations, 1993.
- If the issuer makes a public issue through a book building process:
 - (a) the issue shall be underwritten by lead managers and syndicate members. However, at least 75% of the net offer to the public is proposed to be compulsorily allotted to the QIBs, and such portion cannot be underwritten.

(b) the issuer shall, prior to filing the prospectus, enter into an underwriting agreement with the lead manager(s) and syndicate member(s) which shall indicate the number of specified securities which they shall subscribe to at the predetermined price in the event of under-subscription in the issue.

(c) if the syndicate member(s) fail to fulfil their underwriting obligations, the lead manager(s) shall fulfil the underwriting obligations.

(d) the lead manager(s) and syndicate member(s) shall not subscribe to the issue in any manner except for fulfilling their underwriting obligations.

(e) in case of every underwriting issue, the lead manager(s) shall undertake minimum underwriting obligation as specified in the SEBI (Merchant Bankers) Regulations, 1992.

(f) where the issue is required to be underwritten, the underwriting obligations should at least to the extent of minimum subscription.

- 5. An established company maintaining power projects in India, raised ₹11,000 crores from Indian Stock market with an issue price of ₹450 (FV of ₹10 per share) on 15th January, 2008. Anticipating a huge returns on the share price, the issue was subscribed 27.5 times and a huge response received to the company's IPO. The company at the time of listing only owned a land for its six power projects which were to be developed for generation of electricity, and there was no revenue income at the time of listing. On 15th February, 2008 the company listed its shares but due to the stock market meltdown, the stock fell to ₹320 per share, i.e. a discount of ₹130 from its issue price of ₹450. Facing huge criticism from its investors, the company decided to issue bonus shares in the ratio of 3 shares for 5 shares held. A Public Interest Litigation was filed challenging the issuance of bonus shares without any revenue income. The case was rejected and dismissed. Discuss the merits of the case and also the conditions for issue of bonus shares.**

Conditions for issue of Bonus Shares

- (i) In terms of section 63(2) of the Companies Act, 2013, no company shall capitalize its profits or reserves for the purpose of issuing fully paid-up bonus shares, unless — it is authorised by its articles.
- (ii) It has been authorized by the shareholders in a general meeting of the company, on the recommendation of the Board of Directors.
- (iii) It has not defaulted in the payment of interest or principal in respect of fixed deposits or debt securities, if any issued by it.
- (iv) It has not defaulted in respect of the payment of statutory dues of the employees, such as contribution to provident fund, gratuity and bonus.
- (v) The partly paid up shares, if any outstanding on the date of allotment have been made fully paid up.
- (vi) No Bonus shares in lieu of dividend

According to Rule 14 of Companies (Share Capital and Debentures) Rules, 2014 states that the company which has once announced the decision of its Board recommending a bonus issue shall not subsequently withdraw the same.

Since the company has complied with all the conditions required to be satisfied, the court was correct in awarding the judgment in favour of the company.

Bonus shares can be issued from Securities Premium Account which company collected at the time of Issue. Company had collected a premium of 440 per share (Issue Price 450 – Face Value 10).

- 6. The provisions relating to “Special Situation Fund (SSF)” has been notified by SEBI vide SEBI (Alternative Investment Funds) (Amendment) Regulations, 2022. Explain the**

above referred provision in view of requirement with regard to minimum corpus funds for each scheme of SSF and minimum investment required by different types of investors of SSF.

Special situation fund means a Category 1 Alternative Investment Fund that invests in special situation assets in accordance with its investment objectives and may act as a resolution applicant under the Insolvency and Bankruptcy Code, 2016.

Each scheme of Special Situation Fund (SSF) shall have a corpus of at least 100 crore.

SSF shall accept an investment of value not less than 10 crore from an investor. In case of an accredited investor, the SSF shall accept an investment of value not less than 5 crore. Further, in case of investors who are employees or directors of the SSF or employees or directors of the manager of the SSF, the minimum value of investment shall be 25 lakhs.

7. Who may act as the trustee of Special Purpose Distinct Entity (SPDE) without obtaining registration with the SEBI under the SEBI (Issue and Listing of Securitized Debt Instruments and Security Receipts) Regulations, 2008?

ANSWER:

Persons not required to register with SEBI for working as the trustee of Special Purpose Distinct Entity (SPDE) under SEBI (Issue and Listing of Securitized Debt Instruments and Security Receipts) Regulations, 2008.

The requirement of obtaining registration is not applicable for the following persons, who may act as trustees of special purpose distinct entities:

- (a) any person registered as a debenture trustee with SEBI;
- (b) any person registered as a securitization company or a reconstruction company with the RBI under the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002;
- (c) the National Housing Bank established by the National Housing Bank Act, 1987;
- (d) the National Bank for Agriculture and Rural Development established by the National Bank for Agriculture and Rural Development Act, 1981;

Provided that the aforesaid persons and special purpose distinct entities in respect of which they are trustees shall comply with all other provisions of these regulations:

Provided further that the provisions of these regulations shall not apply to the National Housing Bank and the National Bank for Agriculture and Rural Development to the extent of inconsistency with the provisions of their respective Acts.

- (e) any scheduled commercial bank other than a regional rural bank;
- (f) any public financial Institution as defined under clause (72) of section 2 of the Companies Act, 2013; and
- (g) any other person as may be specified by SEBI.

However, these persons and special purpose distinct entities of which they are trustees are required to comply with all the other provisions of the SEBI (Public Offer and Listing of Securitized Debt Instruments and Security Receipts) Regulations, 2008.

8. Answer with reference to SEBI Regulations:

(i) ABC Ltd., a leading software development company is having outstanding paid-up equity share capital of ₹ 20 crore as on 31st March, 2021. On 20th April, 2021, it has issued sweat equity shares of ₹ 2 crore to the eligible employees. To control the high attrition rate, it is planning to allot further sweat equity shares of ₹ 2 crore during the year. Is it permissible under the law?

(ii) Can a company allot sweat equity shares to an employee working outside India, who has been deputed outside India for last three years?

(iii) Himanshu, a non-executive director, approached the company for allotment of sweat equity shares. Whether he is eligible?

(iv) Whether the company is free to fix the price of sweat equity shares?

(i) A company shall not issue sweat equity shares for more than 15% of the existing paid up equity share capital in a year. However, the issuance of sweat equity shares in the company shall not exceed 25% of the paid up equity share capital of the company at any time.

Maximum Sweaty Equity that can be issued by ABC Ltd in a FY will be 15% of 20 Crores = 3 Crores. Company has already issued 2 Crore worth of Sweat Equity so, ABC can maximum issue 1 Crore worth of Sweat Equity only in the Financial Year. Hence, 2 Crore worth of Sweat Equity cannot be issued by ABC during the year.

(ii) The term 'employee' means,

- (a) an employee of the company working in India or abroad; or
- (b) a director of the company whether a whole time director or not.

Hence, Company can issue Sweat equity to employees working outside India.

(iii) The term 'employee' means,

- (a) an employee of the company working in India or abroad; or
- (b) a director of the company whether a whole time director or not.

Hence, Non Executive Director is eligible for Sweat Equity Shares.

(iv) The price of sweat equity shares shall be determined in accordance with the pricing requirements stipulated for a preferential issue to a person other than a qualified institutional buyer under the SEBI (ICDR) Regulations, 2018.

38. The Board of directors of Vijay Ltd., a listed entity proposes to issue sweat equity shares to Ganesh, an employee belonging to the promoter's group. Ganesh also participated in the Shareholders' resolution for allotment of sweat equity shares. By referring the relevant SEBI Regulations, answer the followings:

- (i) Can Ganesh participate in the resolution (Give reason)?
- (ii) Briefly explain the provisions for issuing of sweat equity shares under SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021.
- (iii) When these regulations are exempted from enforcement in special cases?

As per SEBI (SBEBSE) Regulations, 2021

The issue of sweat equity shares to employees who belong to promoter or promoter group shall be approved by way of a resolution passed by a simple majority of the shareholders in general meeting.

However, for passing such a resolution, voting through postal ballot and/or e-voting as specified under Companies (Management and Administration) Rules, 2014 shall also be adopted.

Further, **provided that** the promoters/promoter group shall not participate in such resolution.

Applying the above provisions in the Instant Case, we can conclude the following:

(i) Promoters & Promoters Group cannot vote in such resolution. Hence, As Mr. Ganesh belongs to Promoter Group, he cannot vote in such resolution.

(ii) A company whose equity shares are listed on a recognised stock exchange may issue sweat equity shares in accordance with section 54 of the Companies Act, 2013 and these regulations to its employees for their providing know-how or making available rights in the nature of intellectual property rights or value additions, by whatever name called.

For the purposes of passing a special resolution under clause (a) of sub-section (1) of section 54 of the Companies Act, 2013), the explanatory statement to be annexed to the notice for the general meeting pursuant to section 102 of the Companies Act, 2013 shall contain disclosures as specified in the Schedule – II of these regulations.

A company shall not issue sweat equity shares for more than 15% of the existing paid-up equity share capital in a year. However, the issuance of sweat equity shares in the company shall not exceed 25% of the paid-up equity share capital of the company at any time.

(iii) The Board may exempt any person or class of persons from the operation of all or any of the provisions of these regulations for a period as may be specified but not exceeding twelve months, for furthering innovation relating to testing new products, processes, services, business models, etc., in live environment of regulatory sandbox in the securities markets.

39. “The accounting treatment of an issue of sweat equity shares is different than the public offer of shares.” Elucidate briefly. Is there any requirement of Auditor’s certificate after issue of sweat equity shares ? When such shares are treated as part of managerial remuneration ?

Accounting Treatment :

Where the sweat equity shares are issued for a non-cash consideration, such non cash consideration shall be treated in the following manner in the books of account of the company:

1. where the non-cash consideration takes the form of a depreciable or amortizable asset, it shall be carried to the balance sheet of the company in accordance with the relevant accounting standards; or
2. where the above clause is not applicable, it shall be expensed as provided in the relevant accounting standards.

Placing of Auditors Certificate before Annual General Meeting

In the General meeting subsequent to the issue of sweat equity, the Board of Directors shall place before the shareholders, a certificate from the Secretarial auditor that the issue of sweat equity shares has been made in accordance with the SEBI Regulations and in accordance with the resolution passed by the company authorizing the issue of such Sweat Equity Shares.

Ceiling of Managerial Remuneration

The amount of sweat equity shares issued shall be treated as part of managerial remuneration for the purpose of sections 197 of the Companies Act, 2013, if the following conditions are fulfilled:

- (i) the Sweat Equity shares are issued to any director or manager; and
- (ii) they are issued for non-cash consideration, which does not take the form of an asset which can be carried to the balance sheet of the company in accordance with the relevant accounting standards.

23. Actnow Edge Limited, an unlisted company, is in the process of expanding its business. For expansion, it needs funds of ₹200 crore. For raising ₹200 crore, company has decided to

bring an initial public offer through book building mechanism. It has fixed a price band of ₹500 – ₹600. Referring to provisions of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018, advise the company on the following matters :

- (i) What should be minimum application value and minimum number of equity shares in one application ?
- (ii) What will be minimum sum payable on application ?
- (iii) What should be minimum time period for which issue should remain open for subscription ?

Application and Minimum Application Value (Regulations 47 & 143 of SEBI (ICDR) Regulations, 2018]

The issuer shall stipulate in the offer document the minimum application size in terms of number of specified securities which shall fall within the range of minimum application value of ten thousand rupees to fifteen thousand rupees.

Thus, in the given case Actnow Edge Limited should fix the minimum number of shares in one application in such a manner that minimum application value should not cross the limit of ₹10,000 to ₹15,000. Hence, minimum number of shares in one application will be:

At lower level of price band: 20 Shares (₹10,000/₹500) & 30 Shares (₹15,000/ ₹500)

At higher level of price band: 17 Shares (₹10,000/₹600) & 25 Shares (₹15,000/ ₹600)

(ii) The minimum sum payable on application per specified security shall be at least 25% of the issue price.

(iii) Period of Subscription [Regulations 46 & 142]

An IPO shall be kept open for at least three working days and not more than ten working days.

In case of a revision in the price band, the issuer shall extend the bidding (issue) period disclosed in the red herring prospectus, for a minimum period of 3 working days.

In case of force majeure, banking strike or similar unforeseen circumstances, the issuer may, for reasons to be recorded in writing, extend the bidding (issue) period disclosed in the red herring prospectus (in case of a book built issue) or the issue period disclosed in the prospectus (in case of a fixed price issue), for a minimum period of 1 working day.

24. Karuna Ltd. made an Initial Public Offer (IPO) of equity shares in March, 2020 and was granted listing on stock exchange. Soon, thereafter, the promoters of the company started contemplating a change in the objects clause mentioned in the offer document. To give effect to the same, the company convened an extra-ordinary general meeting of shareholders in April 2020. Though the requisite resolution was passed by the company, there were, nevertheless, the dissenting shareholders too. The promoters decided to provide an exit opportunity to the dissenting shareholders. In the light of the above, answer the following :

- (i) Who are the dissenting shareholders ?
- (ii) What is the eligibility of shareholders for availing the exit offer ?
- (iii) Enumerate the conditions required to be complied with to give effect to this recourse which was availed by the promoters.
- (iv) How the exit offer price will be determined ?

(i) “Dissenting Shareholders” mean those shareholders who have voted against the resolution for change in Objects or variation in terms of a contract, referred to in the offer document of the issuer.

(ii) Only those dissenting shareholders of the issuer who are holding shares as on the relevant date shall be eligible to avail the exit offer.

(iii) Conditions for Exit Offer

The promoters or shareholders in control of Karuna Ltd. shall make the exit offer to the dissenting shareholders, in cases only if a public issue has opened after April 1, 2014, if :

1. The proposal for change in objects or variation in terms of a contract, referred to in the offer document is dissented by at least 10 per cent of the shareholders who voted in the general meeting; and
2. The amount to be utilized for the objects for which the offer document was issued is less than 75 % of the amount raised (including the amount earmarked for general corporate purposes as disclosed in the offer document).

(iv) The "exit price" payable to the dissenting shareholders shall be the highest of the following:

- (a) The volume-weighted average price paid or payable for acquisitions, whether by the promoters or by any person acting in concert with them, during the fifty-two weeks immediately preceding the relevant date;
- (b) The highest price paid or payable for any acquisition, whether by the promoters or by any person acting in concert with them, during the twenty six weeks immediately preceding the relevant date;
- (c) the volume-weighted average market price of such shares for a period of sixty trading days immediately preceding the relevant date as traded on the recognised stock exchange where the maximum volume of trading in the shares of the issuer are recorded during such period, provided such shares are frequently traded;
- (d) where the shares are not frequently traded, the price determined by the promoters or shareholders having control and the lead manager(s) taking into account valuation parameters including book value, comparable trading multiples, and such other parameters as are customary for valuation of shares of such issuers.

25. Good Luck Finance Ltd., a listed company issued 20 lakh equity shares of ₹180 each. The Company provided Green Shoe Option and Nishan was nominated as Stabilising Agent. On the date of listing, Corona Virus threat spread across the globe. Consequently post listing, the share price of the company fall to ₹150. From the above :

- (i) Compute the quantum of shares that can be bought by Nishan.**
- (ii) State the provisions for balance of shares lying in the special account for Green Shoe Option.**

Green Shoe Option is a post listing price stabilising mechanism. Good Luck Finance Ltd. issued 20 lakh equity shares@₹180 each. As per SEBI (ICDR) Regulations, 2018, the maximum number of securities that can be borrowed for the purpose of allotment/ allocation of securities in excess of issue size shall not be more than 15% of the issue size.

Hence, Nishan (Stabilising agent) can purchase 3,00,000 equity shares (15% of 20,00,000 equity shares) to stabilise the price.

Having bought back all of the 300000 equity shares, these shares would be temporarily held in a special depository account with the depository participant (Green Shoe Demat Account), and would then be returned back to the lender shareholders, within a maximum period of two days after the stabilisation period.

Any surplus lying in the Green Shoe Escrow Account would then be transferred to the Investor Protection and Education Fund established by SEBI.

26. Tango Trading Ltd. is a public company which has its equity shares listed on NSE. The Company wants to implement Employee Stock Option Plan (ESOP) for its employees. ESOP

Plan will be operated through a trust in accordance with the SEBI (Share Based Employee Benefits) Regulations, 2014. The company is willing to issue shares under ESOP scheme to one of its whole time director, Irfan. Irfan holds 12% of the outstanding equity shares of the company. In view of the above facts, answer the following questions :

- (i) Can the company issue shares to its director, Irfan under ESOP scheme ?
- (ii) Prepare a brief note on the process of implementation of ESOP scheme through Trust route.

- (i) A company can issue shares through employee stock option scheme (ESOP) to its
- a. employees (India or outside India)
 - b. a director whether whole time director or not (excluding independent director)
 - c. an employee as defined in clauses (a) or (b) of a subsidiary, in India or Outside India or of a holding company but excluding following:
 - i. An Employee who is a promoter or a person belongs to the promoter group
 - ii. A director who either himself or through his relative or through anybody corporate, directly or indirectly holds more than 10% of the outstanding equity shares of the company.

In the given case, Irfan holds more than 10% of stake in Tango Trading Ltd. Hence, he is not eligible to participate in the ESOP scheme.

- (ii) The process of implementation of ESOPs scheme through Trust Route is as under:
- The company creates an Employee Welfare Trust specifically for the purpose of running the ESOP schemes.
 - Company grants loan to the trust for subscribing its shares
 - Company issues fresh shares to the trust and option to employees.
 - Where the employees decide to exercise the option to acquire the shares, trust transfers the shares in the name of the employees
 - Trust repays the loan to the company from the proceeds on sale of shares to employee.

27. RP Ltd. is planning to issue an IPO in 2019 for which a draft offer document is proposed to be filed in September, 2019. The following data is available regarding the company: (₹ in crore)

	2015-16	2016-17	2017-18
Net Tangible Assets	5.00	8.00	7.00
Monetary Assets	1.00	3.00	3.00
Net Worth	3.00	4.00	5.00

- (i) Advise the company whether they can proceed with the IPO
- (ii) Will your answer be different if value of monetary assets is ₹ 4 crore in 2016-17?
- (iii) How will you deal with the situation, if company has monetary assets of ₹ 5 crore in the year 2017-18 ?

(i) Regulation 6 of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 deals with the eligibility requirement of an IPO. The provisions pertaining to Net tangible Assets, Monetary Assets and Net worth as per SEBI (ICDR) Regulations are as under:

- a) the issuer has net tangible assets of at least ₹3 crores on a restated and consolidated basis, in each of the preceding three full years of (12 months each) of which not more than 50% is held in monetary assets;
- b) the issuer has a net worth of at least 1 crore in each of the preceding three full years, calculated on a restated and consolidated basis;

In the given case, RP Ltd. has net tangible assets of at least ₹3 crores in three years and Net worth of at least ₹1 crores. Monetary assets are also within the threshold limit of 50% in each year, thereby satisfying all the conditions. Therefore, RP Ltd. can proceed with the IPO.

(ii) A company can proceed for IPO, if value of monetary assets is upto 50% of the Net Tangible Assets. In case monetary assets is ₹4 crores in 2016-2017 i.e. 50% of Net Tangible Asset. Hence, RP Ltd. can still proceed for IPO.

(iii) As per SEBI regulation, if more than 50% of the net tangible assets are held in monetary assets, the issuer has utilized or made firm commitment to utilize such excess monetary assets in its business or project. Therefore, if monetary assets are ₹5 corers in 2017-2018, the company should have made firm commitment to utilize such excess monetary assets in its business or project, otherwise the company will not be able to proceed for IPO.

28. Raman Ltd. issued 50 Lakh equity shares at a price of ₹200 per share. The company provided Green Shoe Option for stabilizing the post listing price of the shares. The issue was oversubscribed and it was decided that stabilizing agent would borrow maximum number of shares permitted by SEBI (ICDR) regulations. Due to rise in price during Green Shoe Option period, only 5 Lakh shares could be bought back at the price of ₹180. You are required to:

- (i) Calculate the number of shares that the stabilizing agent needs to borrow in this case at the time of allotment and explain the same with relevant provisions.**
- (ii) Explain the responsibility of Issuer Company in the above case with respect to shortfall while exercising Green Shoe Option.**
- (iii) Calculate the amount if any, to be transferred to Investor Protection and Education Fund.**

(i) As per SEBI (ICDR) Regulations, 2018, the maximum number of shares that can be borrowed by the stabilizing agent shall not be in excess of 15% of the issue size. In the given case, stabilizing agent can borrow 7.5 Lakh shares (15% of 50 Lakh shares).

(ii) The issuer company would allot the differential 2.5 Lakhs shares into the Green Shoe Demat Account to cover up the shortfall, and the Stabilising Agent would discharge his obligation to the lending shareholder(s) by returning the 7.5 Lakhs shares that had been borrowed from them. The issuer company would need to apply to the exchanges for obtaining listing/ trading permissions for the incremental shares allotted by them, pursuant to the Green Shoe mechanism.

(iii) The Amount which should be transferred to Investor Protection and Education Fund will be calculated as follows: = 5,00,000 (200-180) = ₹1,00,00,000

29. After the Initial Public Offer, the equity capital of promoters group holding in a listed company is ₹140 crore. The post issue equity capital of the company is ₹600 crore. The promoters group holding includes (acquired during previous year):

- (i) ₹20 crore equity capital allotted in consideration of transfer of Technical knowhow by the promoters.**
- (ii) ₹10 crore equity capital pledged with bank. Whether the promoters group is satisfying minimum promoters contribution requirement as per SEBI regulation? Explain.**

As per regulation 14 of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018, the promoters of the issuer shall hold at least twenty per cent of the post-issue capital. Further as per regulation 15 of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018, for the computation of minimum promoters' contribution, the following specified securities shall not be eligible:

(a) specified securities acquired during the preceding three years, if it is acquired for consideration other than cash and revaluation of assets or capitalization of intangible assets is involved in such transaction;

(b) specified securities pledged with any creditor.

In the present case, ₹20 crore equity capital acquired in consideration of transfer of technical know-how will not be eligible for promoters' contribution, further ₹10 crore equity capital was pledged with bank will also not eligible for promoters contribution.

The net promoter's contribution after deduction of ₹30 crore (₹20 crore & ₹10 crore) will be ₹110 crore (₹140 crore - ₹30 crore), which is below then the prescribed limit i.e, 20% of post issued capital (₹600 x 20%= ₹120 crore), Therefore, promoters are not satisfying minimum promoters contribution requirements as per SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018.

30. SEBI has issued guidelines for overseas investment by Alternative Investment Funds (AIFs) /Venture Capital Funds (VCFs) vide its circular No. SEBI/HO/AFD-1/PoD/ CIR/P/2022/108 dated August 17, 2022. In reference to above referred circular, in which overseas entities, An AIF/VCF may not invest?

As per the asked circular, AIFs/VCFs shall not invest in an overseas investee company, which is incorporated in a country identified in the public statement of Financial Action Task Force (FATF) as:

- (a) a jurisdiction having a strategic Anti-Money Laundering or Combating the Financing of Terrorism deficiencies to which counter measures apply; or
- (b) a jurisdiction that has not made sufficient progress in addressing the deficiencies or has not committed to an action plan developed with FATF to address the deficiencies.

31. As per Regulations 16 and 115 of SEBI (ICDR) certain number of pre-issue securities of promoters is not transferrable for a certain period of time. By referring to the above regulations, state the minimum lock-in period in following cases :

- (i) If the majority of the issue proceeds invested in purchase of plant and machinery.
- (ii) Promoter's holding 40% of post-issue capital.

(i) Regulation 16(1)(a) of the SEBI (ICDR) Regulations, 2018 provides that minimum promoters' contribution including contribution made by alternative investment funds or foreign venture capital investors or scheduled commercial banks or public financial institutions or insurance companies registered with IRDAI or any non-individual public shareholder holding at least five per cent. of the post-issue capital or any entity (individual or non-individual) forming part of promoter group other than the promoter(s) shall be locked-in for a period of **18 months** from the date of allotment in the initial public offer. However, if the majority of the issue proceeds excluding the portion of offer for sale is proposed to be utilized for capital expenditure, then the lock-in period shall be **three years** from the date of allotment in the initial public offer.

Hence, the lock-in period will be **three years** from the date of allotment in the given case as majority of the issue proceeds are invested in purchase of plant and machinery.

(ii) As per Regulation 14(1) of the SEBI (ICDR) Regulations, 2018, the promoters of the issuer shall hold at least 20% of the post-issue capital.

*Further, as per regulation 16 (1)(b) of the SEBI (ICDR) Regulations, 2018, promoters' holding in excess of minimum promoters' contribution shall be locked in for a period of **six months** from the date of allotment in the initial public offer. However, in case the majority of the issue proceeds excluding the portion of offer for sale is proposed to be utilized for capital expenditure, then the lock-in period shall be **one year** from the date of allotment in the initial public offer.*

32. Nischal Finance Ltd. floated IPO for 10 crore equity shares. Due to impending war like situation. Secondary market started falling due to weak market sentiment. As a result IPO was subscribed only to the extent of 80% on the closure date (i.e. 20/06/2023).

The Company has refunded the application money on 28.06.2023. Based on the SEBI regulation, is company action of refunding application money is justifiable ?

As per Regulation 45 of the SEBI (ICDR) Regulations, 2018, the minimum subscription to be received in the issue shall be at least 90% of the offer through the offer document, except in case of an offer for sale of specified securities. Further, in the event of non-receipt of minimum subscription referred above, all application monies received shall be refunded to the applicants forthwith, but not later than four days from the closure of the issue.

As the company have not been received the minimum subscription of 90%, hence it is obligatory to refund/unblock all subscription amount within four days from the date of closure of issue.

Under Regulation 50 of the SEBI (ICDR) Regulations, 2018, where the specified securities are not allotted and/or application monies are not refunded or unblocked within the period, the issuer shall undertake to pay interest at the rate of 15% per annum to the investors and within such time as disclosed in the offer document and the lead manager(s) shall ensure the same.

In the given situation, the Nischal Finance Ltd. has refunded the application money on 28.06.2023 which is later than four days. Hence, the action of company is not correct as per SEBI regulations and it has to pay interest to the investors for the delayed period.

33. Harish is an Independent director of a listed company. In the Board Meeting, an agenda for formulation of policy for Sweat Equity Shares has been discussed. Harish objected on a clause, which made him ineligible for availing Sweat Equity Shares. Is Harish eligible for the sweat equity shares ?

Will your answer be different, if it was for an Employee Stock Option Scheme?

According to the Regulation 29 of the SEBI (Share Based Employee Benefits and Sweat Equity) Regulations 2021, term 'employee' means,

- (i) an employee of the company working in India or abroad; or
- (ii) a director of the company whether a whole time director or not.

In the given question, Harish is an Independent director on the Board, he is eligible under scheme for Sweat Equity shares.

Further, according to the regulation 2(1)(i)(ii) of the SEBI (Share Based Employee Benefits and Sweat Equity) Regulations 2021 'employee', except in relation to issue of sweat equity shares, means a director of the company, whether a whole time director or not, including a non-executive director who is not a promoter or member of the promoter group, but excluding an independent director.

In view of above, Harish will not be eligible under scheme for Employee Stock Option Scheme.

34. Dollar LLC from Singapore wants to invest in an AIF fund in India and have approached you to understand how investment in AIF works in India ? Can they invest in an AIF in India ?

Regulation 10 of SEBI (Alternative Investment Fund) Regulations, 2012 provides for the conditions of investment in Alternative Investment Fund (AIF). It provides that AIF may raise funds from any investor whether Indian, foreign or non-resident Indians by way of issue of units. Hence, Dollar LLC, Singapore can invest in an AIF in India.

Some other conditions for investing in AIF as prescribed in the Regulation covers the following:

- Each scheme of the alternative investment fund should have a corpus of at least ₹20 crores and the AIF shall not accept from an investor, an investment of a value less than ₹1 crore.

- In case the investors are employees or directors of the AIF Fund or employees or directors of the manager, the minimum value of investment shall be ₹ 25 Lakhs. However, this clause shall not apply to an accredited investor.
- The fund manager or sponsor shall have a continuing interest in the AIF Fund of not less than 2.5% of the corpus or ₹5 crores, whichever is lower, in the form of investment in AIF and this interest shall not be through the waiver of management fees. In case of category III AIF, the continuing interest shall be not less than 5% of the corpus or ₹10 crore, whichever is lower.
- The manager or sponsor shall disclose their investment in the AIF to the investors of the AIF.
- No scheme will have more than 1000 investors.
- The provisions of the Companies Act, 2013 shall apply to the AIF, if it is formed as a Company.
- The AIF shall collect funds only by way of private placement.

35. Jewel Ltd. needs funds for running its business operations. Mr. Sona one of the shareholders of Jewel Limited is ready to provide Loan to Jewel Ltd. The Board is skeptical on availing loan from a shareholder. One of the Directors of the Company is of the view that such loan will be treated as a deposit. What is considered as deposit pursuant to the provisions of the Companies Act, 2013 and Rules made thereunder. Can the company accept deposit from its member ? Do you agree with the view of the Director ?

According to section 2(31) of the Companies Act, 2013, deposit includes any receipt of money by way of deposit or loan or in any other form by a company, but does not include such categories of amount as may be prescribed in consultation with the Reserve Bank of India.

Jewel Ltd. may, subject to the passing of a resolution in general meeting and subject to such rules prescribed by Reserve Bank of India (RBI), accept deposits from its members on such terms and conditions, including the provision of security, if any, or for the repayment of such deposits with interest, as may be agreed upon between the company and its members, subject to the fulfillment of the conditions, as mentioned in section 73(2) of the Companies Act, 2013.

Hence, the view of the Director is agreeable and the loan availed from the shareholder will be treated as deposit.

36. A listed company has granted Employee Stock Options of 1000 shares under the scheme to Niraj. He is in need of funds. Therefore against the mortgage options, he took the loan from Quick Finance Ltd., a NBFC. Is the action of employee is legally valid as per Regulation 9 of SEBI Regulations 2021 ?

According to the Regulation 9 (3) of the SEBI (Share Based Employee Benefits and Sweat Equity) Regulations 2021, the option, Stock Appreciation Right (SAR), or any other benefit granted to the employee shall not be pledged, hypothecated, mortgaged or otherwise alienated in any other manner.

Therefore, action of Niraj is not legally valid as per the SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021.

(Above answer is based on Regulation 9 of SEBI (Share Based Employee Benefits and Sweat Equity) Regulations 2021.)

37. Josh Ltd. a Listed Company in the process of implementing SEBI (Share Based Employee Benefits) (SBEB) for its employees :

- (i) Can Mr. Louis an employee working outside India avail the benefit of the scheme ?
- (ii) Can Mr. Ayaan, CEO and a member of the Promoter Group apply for the benefit of the scheme ?

(iii) Can Mr. Sunder, a director in the Subsidiary Company of Josh Ltd. and holding 25% shares in Josh Limited apply for scheme ?

As per Regulation 2(1)(i) of the SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021:

i) An employee who is exclusively working in India or outside India can avail the benefit of the share based employee benefit (SBEB) scheme.

Hence, Mr. Louis who is an employee working outside India can avail the benefits of the scheme.

ii) An employee who is a promoter or a person belonging to the promoter group cannot avail the benefits of the share based employee benefit (SBEB) Scheme.

Hence Mr. Ayaan, who is a CEO and a member of the Promoter Group, cannot apply for the benefit of SBEB scheme.

iii) A director who either himself or through his relative or through any body corporate directly or indirectly, holding more than 10 per cent of the outstanding equity shares of the Company cannot avail the share based employee benefit (SBEB) scheme.

Hence Mr. Sunder, who is a director in the Subsidiary Company of Josh Ltd and holding 25% shares in Josh Limited cannot apply for the (SBEB) scheme.

38. X Ltd. wants to issue 1000 shares through a book build offer within a Price Band of ₹ 130 to ₹ 150. Bids are received as follows:

	Bid Price	No. of Shares	Total Demand
1	150	200	200
2	140	300	500
3	138	500	1000
4	130	1000	2000

(a) What is the cut off price in this offer? Can the company decide the cut off at a lower price at which the issue is subscribed? Can the company allot the shares to the retail investors at a price that is at a discount to the cut off price?

Cut off Price will be ₹ 138 as 1,000 shares can be allotted at that price only. We will start accepting the bid of higher amount first. So, we will accept bids of Rs. 150 first, then Rs. 140 and so on till we accept bids of 1,000 shares. So, the price at which we complete acceptance of 1000 shares will be the cut off price.

Generally, Company cannot decide the cut off at a lower price at which issue is subscribed.

However, Retail individual investors or retail individual shareholders or employees entitled for reservation made under regulation 33 & 130 of the ICDR Regulations, may be offered specified securities at a price not lower than by more than 10% of the price at which net offer is made to other categories of applicants, other than anchor investors;

(b) What would be the allocation pattern, presuming the company fulfils the eligibility criteria regarding net tangible assets, average operating profit, net worth etc.?

In an issue made through the book building process under sub-regulation (1) of regulation 6 the allocation in the net offer category shall be as follows:

- (a) not less than 35% to retail individual investors;
- (b) not less than 15% to non-institutional investors;

(c) not more than 50% to qualified institutional buyers, 5% of which shall be allocated to mutual funds:

Provided that the unsubscribed portion in either of the categories specified in clauses (a) or (b) may be allocated to applicants in any other category:

Provided further that in addition to 5% allocation available in terms of clause (c), mutual funds shall be eligible for allocation under the balance available for qualified institutional buyers.

(c) What would be allocation pattern, if the company does not meet the criteria as mentioned above in question no. 1 (b)?

In an issue made through the book building process under sub-regulation (2) of regulation 6, the allocation in the net offer category shall be as follows:

(a) not more than 10% to retail individual investors;

(b) not more than 15% to non-institutional investors;

(c) not less than 75% to qualified institutional buyers, 5% of which shall be allocated to mutual funds

Provided that the unsubscribed portion in either of the categories specified in clauses (a) or (b) may be allocated to applicants in the other category:

Provided further that in addition to 5% allocation available in terms of clause (c), mutual funds shall be eligible for allocation under the balance available for qualified institutional buyers.

39. PRAKS Ltd. is planning for an IPO of 200,000 shares, at a book-built price of ₹100 each, resulting in an IPO size of ₹200,00,000. As per the ICDR Regulations, the over-allotment component under the Green Shoe mechanism could be up to 15% of the IPO. Prior to the IPO, the stabilising agent would borrow such number of shares to the extent of the proposed Green Shoe shares from the pre-issue shareholders. These shares are then allotted to investors along with the IPO shares. The total shares issued in the IPO therefore stands at 230,000 shares. IPO proceeds received from the investors for the IPO shares, i.e. ₹200,00,000 being 200,000 shares at the rate of ₹100 each, are remitted to the Issuer Company, while the proceeds from the Green Shoe Shares are parked in a special escrow bank account, i.e. Green Shoe Escrow Account. During the price stabilization period, if the share price drops below ₹100, the stabilising agent would utilize the funds lying in the Green Shoe Escrow Account to buy these back shares from the open market. This gives rise to the following three situations, examine all situations given below with reference to the role of stabilising agent.

(a) Where the stabilising agent manages to buyback all of the Green Shoe Shares, i.e., 30,000 shares;

(b) Where the stabilising agent manages to buyback none of the Green Shoe Shares;

(c) Where the stabilising agent manages to buy-back some of the Green Shoe Shares, say 20,000 shares. (JUNE 24)

a) **Where all Green Shoe Shares are bought back:** In this situation, funds in the Green Shoe Escrow Account (30,000 shares × ₹100 i.e. ₹30,00,000) would be deployed by the stabilising agent towards buying up shares from the open market. Given that the prices prevalent in the market would be less than the issue price of ₹100, the stabilising agent would have sufficient funds lying at his disposal to complete this operation.

Having bought back all of the 30,000 shares, these shares would be temporarily held in a special depository account with the depository participant (Green Shoe Demat Account), and would then be returned to the lender shareholders, within a maximum period of two days after the stabilisation period.

b) **Where none of the Green Shoe Shares are bought back:** This situation would arise in the event that the share prices have fallen below the Issue Price, but the stabilising agent is unable to find any sellers in the open market, or in an event where the share prices continue to trade above the listing price, and therefore there is no need for the stabilising agent to indulge in price stabilisation activities.

In either of the above-said situations, the stabilising agent is under a contractual obligation to return the 30,000 shares that had initially been borrowed from the lending shareholder(s). Towards meeting this obligation, the issuer company would allot 30,000 shares to the stabilising agent into the Green Shoe Demat Account (the consideration being the funds lying in the Green Shoe Escrow Account), and these shares would then be returned by the stabilising agent to the lending shareholder(s), thereby squaring off.

c) **Where some of the Green Shoe Shares are bought back, say 20,000 shares:** This situation could arise in an event where the share prices witness a drop in the initial stages of the price stabilization period, but recover towards the later stages, generally after such purchase.

In this situation, the stabilising agent has a responsibility to return 30,000 shares to the lending shareholder(s), whereas the stabilising activities have yielded only 20,000 shares.

Similar to the instance mentioned in Situation (b) above, the issuer company would allot the differential 10,000 shares into the Green Shoe Demat Account to cover up the shortfall, and the stabilising agent would discharge his obligation to the lending shareholder(s) by returning the 30,000 shares that had been borrowed from them.

In both Situation (b) and (c), the issuer company would need to apply to the exchanges for obtaining listing/ trading permissions for the incremental shares allotted by them, pursuant to the Green Shoe mechanism.

Any surplus lying in the Green Shoe Escrow Account would then be transferred to the Investor Protection and Education Fund established by SEBI, as required under ICDR Regulations and the account shall be closed thereafter.

40. In Board Meeting of Casino Ltd., it was decided to raise ₹ 10 crore by issuing 200000 shares through a book building process. As the Company Secretary advise the Board on the following :

(a) What would be the allocation pattern if the company fulfils the eligibility criteria regarding net tangible assets, average operating profit, net worth etc. ?

(b) Will there be any change in allocation, if the company does not fulfil the above mentioned criteria ? (June 2025)

ANSWER:

a) Regulation 32 (1) and 129 (2) of SEBI(ICDR) Regulations, 2018 provides that in a book-built offer, where the issuer fulfils the eligibility criteria regarding net tangible assets, average operating profit, net worth etc, the allocation pattern of the net offer shall be as follows:

1. Not less than 35% to retail individual investors
2. Not less than 15% to non-institutional investors
3. Not more than 50% to QIBs of which 5% shall be reserved for mutual funds.

However, the unsubscribed portion in category 1 & 2 above may be allocated to applicants in any other category. Further in addition to 5% allocation available in terms of 3 above, mutual funds shall be eligible for allocation under the balance available for QIBs.

b) In case the criteria are not fulfilled

As per the above regulations if the company does not meet the eligibility criteria, the allocation pattern shall be as follows:

- i) Not more than 10% to the retail individual investors
- ii) Not more than 15% to non-institutional investors
- iii) Not less than 75% to the QIBs of which 5% shall be reserved for MFs.

However, the unsubscribed portion in either of the categories specified in i) & ii) above may be allocated to applicants in the other category. Further in addition to 5% allocation available in terms of clause iii) above mutual funds shall be eligible for allocation under the balance available for QIBs.

41. An Infrastructure Investment Trust (InvITs) is a Collective Investment Scheme similar to a mutual fund, which enables direct investment of money from individual and institutional investors in infrastructure projects to earn a small portion of the income as return.

Is it mandatory to list InvITs as per SEBI (Regulations) ? What are the situations when delisting of InvIT units are permitted ? (June 2025)

ANSWER:

Listing of InvITs

In accordance with the SEBI (Infrastructure Investment Trusts) Regulations, 2014, it shall be mandatory for units of all InvITs to be listed on a recognized stock exchange having nationwide trading terminals, whether publicly issued or privately placed. However, this shall not apply if the initial offer does not satisfy the minimum subscription amount or the minimum number of subscribers as prescribed under the SEBI (Infrastructure Investment Trusts) Regulations, 2014.

Delisting of InvIT units

SEBI (Infrastructure Investment Trusts) Regulations, 2014 stipulates that the investment manager shall apply for delisting of units of the InvIT to SEBI and the designated stock exchanges if:

- a) the public holding falls below the specified limit under the SEBI (Infrastructure Investment Trusts) Regulations, 2014.
- b) the number of unit holders of the InvIT falls below the limit as prescribed in the SEBI (Infrastructure Investment Trusts) Regulations, 2014.
- c) if there are no projects or assets remaining under the InvIT for a period exceeding six months and InvIT does not purpose to invest in any project in future. The period may be extended by further 6 months, with the approval of unit holders.
- d) SEBI or the designated stock exchanges require such delisting for violation of the listing agreement or SEBI (Infrastructure Investment Trusts) Regulations, 2014 or the SEBI Act, 1992.
- e) the trustee and investment manager requests such delisting and such request has been approved by unit holders
- f) unit holders apply for such delisting in accordance with SEBI (Infrastructure Investment Trusts) Regulations, 2014.
- g) SEBI or the designated stock exchanges require such delisting in the interest of the unit holders. Provided that exit shall be provided to dissenting unitholders.

If clause (a) or (b) is breached, the trustee may provide a period of six months to the investment manager to rectify the same, failing which it shall apply for such delisting.

In case of PPP projects, such delisting shall be subject to relevant clauses in the concession agreement.

42. Intermediaries are an integral part of securities market. They are the facilitators ensuring seamless functioning of securities market. SEBI regulates various intermediaries in the primary markets through Regulations for these intermediaries. These Regulations allow SEBI to inspect the functioning of these intermediaries and to ensure that their conduct is market appropriate and fair.

Based on the above statements answer the following questions :

(i) Whether insurance agent or insurance broker is exempted from obtaining registration under SEBI (Investment Advisers) Regulations 2013.

(ii) Whether a person acting in multiple capacities such as insurance agent, pension advisor, mutual fund distributor, etc. is exempted from obtaining registration under IA Regulations ?

(iii) How does an Investment Advisor redress grievance of the investor clients ? (June 2025)

ANSWER:

(i) Registration under SEBI (Investment Advisers) Regulations, 2013

Regulation 4 of the SEBI (Investment Advisers) Regulations, 2013 provides that any insurance agent or insurance broker who offers investment advice solely in insurance products and is registered with Insurance Regulatory and Development Authority for such activity shall not be required to seek registration under the under SEBI (Investment Advisers) Regulations, 2013. Insurance Agents or Insurance Brokers registered with IRDA who provide advice in various insurance products across manufacturers shall be regulated by IRDA only. If such Insurance Agents or Insurance Brokers expand their activities to include investment advice on other financial products, then they shall register and be regulated under the SEBI (Investment Advisers) Regulations, 2013 for financial products other than insurance products.

(ii) Registration if acting in multiple capacities

A person acting in multiple capacities such as insurance agent, pension advisor, mutual fund distributor, etc. planning to expand his/her scope of activities to include investment advice on other financial products or engaged in the financial planning of the clients shall be registered and regulated under the SEBI (Investment Advisers) Regulations, 2013 for advising on such other financial products or financial planning of the clients.

(iii) Redressal of client grievances

- An investment adviser shall redress client grievances promptly but not later than twenty-one calendar days from the date of receipt of the grievance.
- An investment adviser shall have adequate procedure for expeditious grievance redressal.
- Client grievances pertaining to financial products in which investments have been made based on investment advice, shall fall within the purview of the regulator of such financial product.
- Any dispute between the investment adviser and his client shall be submitted to a dispute resolution mechanism that includes mediation and/or conciliation and/or arbitration in accordance with the procedure specified by SEBI or through Ombudsman authorized or appointed for the purpose by any regulatory authority, as applicable.

43. A company came out with an issue of 1000 shares at a price band of ₹ 300 to ₹ 360. The minimum lot size is 50. The company received the following bids :

Bid	Number of Shares	Bid Price per share (₹)
1	250	360
2	250	355
3	100	350
4	450	360

5	150	330
6	250	320
7	150	300

From the above:

(i) Decide how the allotment shall be made to each applicant under Book Building process, if the final issue price is ₹300.

(ii) What is the amount to be charged from the application of Bid 1 and Bid 3? (June 2025)

ANSWER:

Since total number of shares for which application received is 1600, the allotment shall be made as follows:

Bid	Minimum (A)	Proportionate Shares (B)	Total (A+B)
1.	50	$200 \times 650 / 1250 = 104$	154
2.	50	$200 \times 650 / 1250 = 104$	154
3.	50	$50 \times 650 / 1250 = 26$	76
4.	50	$400 \times 650 / 1250 = 208$	258
5.	50	$100 \times 65 / 1250 = 52$	102
6.	50	$200 \times 650 / 1250 = 104$	154
7.	50	$100 \times 650 / 1250 = 52$	102
	350	650	1,000

(ii) Since both bidders 1 and 3 have been allotted 154 and 76 shares respectively, a sum of ₹46,200 (154 shares × ₹ 300 per share) and ₹ 22,800 (76 shares × ₹ 300 per share) shall be charged from them.

The balance amount of ₹ 43,800 (₹ 360 × 250 - ₹ 46,200) shall be refunded to bidder 1 and an amount of ₹ 12,200 (₹ 350 × 100 - ₹22,800) shall be refunded to Bidder 3.

44. Sun Ltd. Offers new shares of ₹100 each at 25% premium to existing shareholders on one for four basis. The cum-right market price of a share is ₹150.

Calculate:

- Value of a right
- Ex-right market price of a share

Interpret the results. (June 2025)

ANSWER:

Ex-right value of the shares:

$$= \frac{[\text{Cum - right value of the existing shares} + (\text{Right shares} \times \text{Issue Price})]}{\text{Existing number of shares} + \text{No. of right shares}}$$

$$= \frac{[(\text{Rs. } 150 \times 4 \text{ shares}) + (\text{Rs. } 125 \times 1 \text{ shares})]}{(4 + 1 \text{ shares})}$$

$$= ₹ 725 / 5 \text{ shares} = ₹45 \text{ per share}$$

Value of right = Cum-right value of the share – Ex-right value of the share

$$= 150 - 145$$

$$= ₹ 5 \text{ per share}$$

Hence, any one desirous of having a confirmed allotment of one share from the company at ₹ 125 will have to pay ₹ 20 (4 shares × ₹5) to an existing shareholder holding 4 shares and willing to renounce his right of buying one share in favour of that person.

45. XYZ Ltd. wants to make a public issue of 10,00,000 equity shares of ₹ 100 each at par. The applications are received for 15,00,000 shares. The company wants to explore the Green Shoe Option (GSO). IPO Price, i.e. listing price is ₹ 120.

- (i) What is the maximum number of shares which can be issued through Green Shoe Option ?
- (ii) If the market price post listing comes down to ₹ 90, what the stabilizing agent can do in this situation ?
- (iii) If the market price post listing goes up to ₹ 110, what is the option before the stabilizing agent ? (June 2025)

ANSWER:

(i) Maximum number of shares which can be issued through the green shoe option
 $= 10,00,000 \times 15\% = 1,50,000$ equity shares

(ii) If the market price post listing comes down to ₹ 90, the stabilizing agent will purchase shares from the market to boost up the demand for the shares. This will induce the investors to start purchasing the shares of XYZ Ltd. and consequently, the market price of shares will go up. So, basically, green shoe option is a price stabilizing mechanism. The shares borrowed from the promoters will then be returned to them.

(iii) If the market price post listing goes up to ₹ 110, the stabilizing agent will do the same thing as discussed in point (ii) above. However, if the post listing market price goes above ₹ 120, the best course of action for the stabilizing agent is to wait for 30 days after the date of listing and then take steps to allot further shares. The shares borrowed from the promoters will then be returned to them.

46. ABC Ltd. wants to make an Initial Public Offer (IPO) and to list its shares on NSE in April 2025. The following information is available:

- (1) Net Tangible Assets : 1 2022 : Rs.4 crore 1 2023 : Rs.3.5 crore 1 2024 : Rs.2.8 crore
- (2) Average Operating Profits (last 3 years) : 1 2022 : Rs. 5 crore 1 2023 : Rs. 6 crore 1 2024 : Rs. 4 crore
- (3) Net Worth : 1 2022 : Rs. 1.5 crore 1 2023 : Rs. 1.2 crore 1 2024 : Rs. 1.3 crore
- (4) The company changed its name in 2024. In FY 2024, 55% of total revenue came from the new line of business.
- (5) Proposed IPO size : Rs. 20 crore.
- (6) Pre-issue Net Worth = Rs. 1.3 crore.

Based on the above details answer the following questions :

Analyse whether ABC Ltd. satisfies the conditions under Regulation 6(1) (Track Record Route) of SEBI (ICDR) Regulations, 2018 to bring IPO in April 2025 ?

(ii) Under what circumstances, IPO can be brought under Regulation 6(2) of SEBI (ICDR) Regulations, 2018 (Book Building Route) by ABC Ltd. ? (Dec 25)

Eligibility under Regulation 6(1) of SEBI (ICDR) Regulations, 2018 – Track Record Route

a) Net Tangible Assets: Condition - at least three crore rupees, calculated on a restated and consolidated basis, in each of the preceding three full years (of twelve months each). Given – 2022: Rs.4 Crore, 2023: Rs.3.5 crore, 2024: Rs.2.8 crore Condition not satisfied.

b) Average Operating Profits: n Condition – at least Rs. 15 crore, calculated on a restated and consolidated basis, during the preceding three years (of 12 months each), with operating profit in each of these preceding 3 years. n Given – 2022: Rs.5 Crore, 2023: Rs.6 crore, 2024: Rs.4crore
 Average = $(Rs.5\ cr + Rs.6\ cr + Rs.4\ cr) \div 3 = Rs.5\ crore$. Condition not satisfied.

c) Net Worth n Condition – at least Rs. 1 crore in each of the preceding three full years (of 12 months each), calculated on a restated and consolidated basis. n Given – 2022: Rs.1.5 Crore, 2023: Rs.1.2 crore, 2024: Rs.1.3 crore Condition satisfied.

d) Condition for Name Change by the Company- If the company has changed its name within the last one year, at least 50% of the revenue, calculated on a restated and consolidated basis, for the preceding one full year has been earned by it from the activity indicated by its new name. In Financial Year 2024, the company earns 55% of total revenue from the new line of business. Hence, the Company satisfies the condition. Since the company fails 2 out of 4 conditions, it is not eligible under Track record route under Regulation 6(1) of SEBI (ICDR) Regulations, 2018.

(ii) Eligibility under Regulation 6(2) of SEBI (ICDR) Regulations, 2018– Book Building Route: An issuer not satisfying the condition stipulated in Regulation 6(1) of SEBI (ICDR) Regulations, 2018 shall be eligible to make an initial public offer only if the issue is made through the bookbuilding process and the issuer undertakes to allot at least 75% of the net offer to qualified institutional buyers and to refund the full subscription money if it fails to do so.

47. What are the amendments made by SEBI vide amendment to Master Circular for Real Estate Investment Trusts (REITs) and Infrastructure Investment Trusts (InvITs) dated May 15, 2024, related to : (i) The board nomination rights to unitholders of REITs and InvITs (August 06, 2024), (ii) Review of statement of investor complaints and timeline for disclosure of statement of deviations(s) (August 22, 2024). (Dec 2025)

Amendment related to Board nomination rights to unitholders of REITs/InvITs (August 06, 2024)

- Eligible Unitholder(s) shall be entitled to nominate only one Unitholder Nominee Director, subject to the unitholding of such Eligible Unitholder(s) exceeding the specified threshold.
- If the right to nominate one or more directors on the Board of Directors of the Manager/ Investment Manager is available to any entity (or to an associate of such entity) in the capacity of shareholder of the Manager/Investment Manager or lender to the Manager/Investment Manager or the REIT/InvIT (or its HoldCo(s) or SPVs), then such entity in its capacity as unitholder, shall not be entitled to nominate or participate in the nomination of a Unitholder Nominee Director.
- SEBI vide this circular stated that the above restrictions relating to right to appoint a unitholder director shall not be applied if the right to appoint a nominee director is available in terms of clause (e) of sub-regulation (1) of regulation 15 of the SEBI (Debenture Trustees) Regulations, 1993.

Amendment related to Review of statement of investor complaints and timeline for disclosure of statement of deviation(s) (August 22, 2024).

- To improve ease of doing business related to activities of InvITs and REITs and to align with the provisions of SEBI LODR Regulations, SEBI has amended its Master Circular for Real Estate Investment Trusts (REITs) and Infrastructure Investment Trusts (InvITs) dated May 15, 2024.
- It is prescribed that the Trustee and the Board of Directors/Governing Body of the Manager shall ensure that all investor complaints are redressed by the Manager in timely manner and statement shall be placed, on a quarterly basis, before the Board of Directors/Governing Body of the Manager and the Trustee for review. However, the statement of deviation shall also be placed before the Trustee and the Board of Directors/Governing Body of the Manager for review.
- Pursuant to such review, the statement shall be submitted to the stock exchange. Such submission to the Stock Exchange shall be made within twenty one days from the end of each quarter.

48. Info Tech Ltd., an unlisted public company, has a paid-up equity share capital of Rs.10 Crores (1 Crore shares of Rs. 10 each fully paid-up). The company wishes to reward its Chief Technology Officer (CTO) for developing a patented software which has significantly improved the performance and revenues of the company. The company

decides to issue sweat equity shares to the CTO. The company has not issued sweat equity shares so far.

Following details are available : 1 Current Market Price of share = Rs. 250 1 Face Value of share = Rs. 10 1 Number of sweat equity shares to be issued = 1,00,000 shares 1 These shares will be issued to the CTO at a premium of 50%.

Based on the above information answer the following :

Verify whether the proposed issue is within statutory limits or not.

(ii) Compute the post-issue share capital and percentage holding of sweat equity in it.

(iii) Explain any two conditions for the issue of sweat equity shares under Section 54 of Companies Act, 2013. (Dec 2025)

(i) Statutory Limits

Paid-up share capital = Rs.10 Crores (1 Crore shares × Rs.10 each). n 15% of paid-up capital = Rs.1.5 Crores (15 lakh shares) n Proposed issue = 1,00,000 shares × Rs.10 = Rs.10 Lakhs

It is within the 15% annual limit and much below the 25% overall cap. (Info Tech Ltd. has not issued sweat equity shares so far)

(ii) Post-Issue Share Capital

Existing share capital = 1 Crore equity shares of Rs.10 each i.e Rs.10 Crore Sweat equity issue = 1,00,000 shares × Rs.10 = Rs.10 Lakhs. Post-issue capital = Rs.10 Cr + Rs.0.1 Cr = Rs.10.1 Cr

Total number of Shares as per post Issue capital = Rs.10.1 Crore/ Rs.10 = 1.01 crore.

Sweat equity shares as % of post issue capital total: (1 lakh ÷ 101 lakh) × 100 = 0.99%

(iii) According to Section 54 of the Companies Act, 2013, a company may issue sweat equity shares of a class of shares already issued, if the following conditions are fulfilled:

(a) The issue is authorized by a special resolution passed by the company.

(b) The resolution specifies the number of shares, current market price, consideration, if any and the class or classes of directors or employees to whom such equity shares are to be issued.

(c) The sweat equity shares of a company whose equity shares are listed on a recognized stock exchange are issued in accordance with the Regulations made by SEBI in this regard and if they are not listed the sweat equity shares are to be issued in accordance with Rule 8 of the Companies (Share Capital and Debenture) Rules, 2014.

(d) The rights, limitations, restrictions and provisions as are for the time being applicable to equity shares shall be applicable to the sweat equity shares issued under this section and the holders of such shares shall rank pari passu with other equity shareholders.

49. SEBI vide its circular dated (July 09, 2024) specified the Information to be filed by schemes of Alternative Investment Funds (AIFs) availing dissolution period/additional liquidation period and conditions for in-specie distribution of assets of AIFs. What are the informations to be filed by schemes of AIFs availing dissolution period/ additional liquidation period and conditions for in-specie distribution of assets of AIFs ? (dec 2025)

SEBI vide circular dated (July 09, 2024) specified the Information to be filed by schemes of Alternative Investment Funds (AIFs) availing dissolution period/additional liquidation period and conditions for in-specie distribution of assets of AIFs.

A. Information Memorandum for schemes of AIFs entering into Dissolution Period– The information memorandum for a scheme of an AIF entering into dissolution period shall be submitted to SEBI in terms of Regulation 29B (2) of SEBI (Alternative Investment Funds)

Regulations, 2012 before expiry of the liquidation period or additional liquidation period of the scheme, as the case may be. SEBI has also specified the format for information memoranda and due diligence certificate.

B. Information to be submitted by schemes of AIFs availing additional liquidation period – In terms of regulation 29(9A) of AIF Regulations, if the liquidation period for a scheme of an AIF has expired or is expiring within three months from the date of notification of the SEBI (Alternative Investment Funds) (Second Amendment) Regulations, 2024 (i.e., on or before July 24, 2024), such schemes may be granted an additional liquidation period, subject to conditions and in the manner as may be specified by SEBI. In this regard, Schemes of AIFs which are intending to avail the additional/fresh liquidation period in terms of aforesaid provisions, shall submit information to SEBI regarding the same as per the prescribed format given in the circular for grant of the additional liquidation period.

C. In specie distribution of investments of AIFs – With respect to carry out in specie distribution of investments of a scheme of an AIF in terms of Regulation 29(8) of AIF Regulations, it is clarified that such in specie distribution (other than the aforesaid mandatory in specie distribution), shall be carried out after obtaining approval of at least 75% of the investors by value of their investment in the scheme of the AIF. The manager, trustee and key management personnel of AIF and manager shall be responsible for compliance with the provisions prescribed above.

INVESTMENT CONDITIONS

INVESTMENT IN AN ANGEL FUND	<ul style="list-style-type: none"> ○ Angel funds shall raise funds only from accredited investors by way of issue of units. Provided that the key management personnel of an angel fund or its manager may invest in the angel fund. ○ No minimum value of investment shall be applicable for investment in an angel fund by an angel investor. ○ Angel fund shall raise funds through private placement by issue of information memorandum or placement memorandum, by whatever name called. Provided that the provisions of the Companies Act, 2013 shall apply to the Angel Fund, if it is formed as a company ○ Such placement memorandum shall be filed with the Board in the specified format through a merchant banker while filing the application for registration as an angel fund. ○ The Board may communicate its comments, if any, to the merchant banker and the merchant banker shall ensure that the comments are incorporated in the placement memorandum prior to its circulation to angel investors by the angel fund for soliciting funds. ○ An angel fund shall on-board at least five accredited investors before declaring its first close in the manner as may be specified by the Board from time to time. ○ If the angel fund fails to declare the first close of the fund in the specified manner, it shall be required to refile the placement memorandum with the Board for circulation and soliciting funds from angel investors, by paying the requisite fee under the Second Schedule.
INVESTMENT BY ANGEL FUNDS (AIF)	<ul style="list-style-type: none"> ● Angel funds shall invest only in startups, which are not promoted or sponsored by or related to a corporate group whose group turnover exceeds three hundred crore rupees: <p>Provided that angel funds may make additional investments in their existing investee companies, which are no longer start-ups, subject to the conditions as may be specified by the Board from time to time.</p> <p>Explanation I: For the purpose of this clause, "corporate group" shall include a group of body corporates with the same promoter(s)/promoter group, a parent company and its subsidiaries, a group of body corporates in which the same person/ group of persons exercise control, and a group of body corporates consisting of associates/ subsidiaries/ holding companies.</p> <p>Explanation II: For the purpose of this clause, "group turnover" shall mean combined total revenue of the corporate group.</p> <ul style="list-style-type: none"> ● Investment made by an angel fund in any investee company shall not be less than ten lakh rupees and shall not exceed twenty five crores rupees. ● Investment by an angel fund in an investee company shall be subject to lock-in period as may be specified by the Board. ● Angel funds shall not invest in associates. ● Each investment of an angel fund in an investee company shall have contribution from at least two accredited investors.

	<ul style="list-style-type: none"> • Angel funds shall not accept contribution for investment in an investee company, from those angel investors who are a related party to such investee company. • An angel fund may also invest in the securities of companies incorporated outside India subject to such conditions or guidelines that may be stipulated or issued by the Reserve Bank of India and the Board from time to time.
SCHEMES BY ANGEL FUNDS	An angel fund shall not launch any schemes for soliciting funds from angel investors or making any investments.
INVESTMENTS IN SPECIAL SITUATION FUNDS (AIF)	<p>Each scheme of a special situation fund shall have a corpus as may be specified by the SEBI. The special situation fund shall accept from an investor, an investment of such value as may be specified by the SEBI.</p> <p>The special situation fund shall not accept investments from any other Alternative Investment Fund other than a special situation fund.</p> <p>SEBI, vide its circular dated January 27, 2022, has specified the following with respect to special situation fund:</p> <ul style="list-style-type: none"> • Each scheme of SSF shall have a corpus of at least ₹100 crore. • SSF shall accept an investment of value not less than ₹10 crore from an investor. In case of an accredited investor, the SSF shall accept an investment of value not less than ₹5 crore. Further, in case of investors who are employees or directors of the SSF or employees or directors of the manager of the SSF, the minimum value of investment shall be ₹25 lakh. • SSF intending to act as a resolution applicant under the Insolvency and Bankruptcy Code, 2016 shall ensure compliance with the eligibility requirement provided thereunder
INVESTMENT BY SPECIAL SITUATION FUNDS	<p>Special situation funds shall invest only in special situation assets and may act as a resolution applicant under the Insolvency and Bankruptcy Code, 2016. However, the special situation fund shall not invest in,</p> <ul style="list-style-type: none"> • its associates; or • the units of any other Alternative Investment Fund other than the units of a special situation fund; or • units of special situation funds managed or sponsored by its manager, sponsor or associates of its manager or sponsor.
GENERAL INVESTMENT CONDITIONS FOR ALL CATEGORIES OF ALTERNATIVE INVESTMENT FUND	<p>Investments by all categories of Alternative Investment Funds shall be subject to the following conditions:-</p> <p>(a) Alternative Investment Fund may invest in securities of companies incorporated outside India subject to such conditions or guidelines that may be stipulated or issued by the Reserve Bank of India and the SEBI from time to time;</p> <p>(b) The terms of Co-investment in an investee company by a Manager or Sponsor or co-investor, shall not be more favourable than the terms of investment of the Alternative Investment Fund. However, the terms of exit from the Co-investment in an investee company including the timing of exit shall be identical to the terms applicable to that of exit of the Alternative Investment Fund.-(omitted)</p>

(c) Category I and II Alternative Investment Funds shall invest not more than 25% of the investable funds in an Investee Company directly or through investment in the units of other Alternative Investment Funds.

(d) Category III Alternative Investment Funds shall invest not more than 10% of the investable funds in an Investee Company, directly or through investment in units of other Alternative Investment Funds and the large value funds for accredited investors of Category III Alternative Investment Funds may invest up to 20% of the investable funds in an Investee Company, directly or through investment in units of other Alternative Investment Funds.

(e) Alternative Investment Funds which are authorised under the fund documents to invest in units of Alternative Investment Funds shall not offer their units for subscription to other Alternative Investment Funds.

(ea) Alternative Investment Fund shall not invest except with the approval of 75% of investors by value of their investment in the Alternative Investment Fund in –

i. associates;

ii. units of Alternative Investment Funds managed or sponsored by its Manager, Sponsor or associates of its Manager or Sponsor.

(f) Un-invested portion of the investable funds and divestment proceeds pending distribution to investors may be invested in liquid mutual funds or bank deposits or other liquid assets of higher quality such as Treasury bills, Triparty Repo Dealing and Settlement, Commercial Papers, Certificates of Deposits, etc. till the deployment of funds as per the investment objective or the distribution of the funds to investors as per the terms of the fund documents, as applicable.

(g) Alternative Investment Fund may act as Nominated Investor.

(h) Investment by Category I and Category II Alternative Investment Funds in the shares of entities listed on institutional trading platform after the commencement of SEBI (ICDR) (Fourth Amendment) Regulations, 2015 shall be deemed to be investment in unlisted securities for the purpose of the AIF Regulations.

(i) Alternative Investment Funds shall hold their investments in dematerialised form, subject to such conditions as may be specified by the Board from time to time:

Provided that the requirement under clause (i) of sub-regulation (1) shall not apply to:

(a) investments by Alternative Investment Funds in such type of instruments which are not eligible for dematerialisation,

(b) investments held by a liquidation scheme of the Alternative Investment Funds that are not available in the dematerialised form, and

(c) such other investments by Alternative Investment Funds and such other schemes of Alternative Investment Funds as may be specified by the Board from time to time.

**GUIDELINES
FOR OVERSEAS**

In terms of Regulation 15(1)(a) of SEBI (Alternative Investment Funds) Regulations, 2012, AIFs/VCFs may invest in securities of companies

<p>INVESTMENT BY ALTERNATIVE INVESTMENT FUNDS (AIFS) / VENTURE CAPITAL FUNDS (VCFS)</p>	<p>incorporated outside India subject to such conditions or guidelines that may be stipulated or issued by the Reserve Bank of India and SEBI from time to time. In this regard, the following is specified –</p> <p>(i) AIFs/VCFs shall file an application to SEBI for allocation of overseas investment limit in the format specified at Annexure A;</p> <p>(ii) The requirement of the overseas investee company to have an Indian Connection;</p> <p>(iii) AIFs/VCFs shall invest in an overseas investee company, which is incorporated in a country whose securities market regulator is a signatory to the International Organization of Securities Commission’s Multilateral Memorandum of Understanding or a signatory to the bilateral Memorandum of Understanding with SEBI;</p> <p>(iv) AIFs/VCFs shall not invest in an overseas investee company, which is incorporated in a country identified in the public statement of Financial Action Task Force (FATF) as:</p> <p>(a) a jurisdiction having a strategic Anti-Money Laundering or Combating the Financing of Terrorism deficiencies to which counter measures apply; or</p> <p>(b) a jurisdiction that has not made sufficient progress in addressing the deficiencies or has not committed to an action plan developed with FATF to address the deficiencies.</p> <p>(v) If an AIF/VCF liquidates investment made in an overseas investee company previously, the sale proceeds received from such liquidation, to the extent of investment made in the said overseas investee company, shall be available to all AIFs/VCFs for reinvestment.</p> <p>(vi) AIFs/VCFs shall transfer/sell the investment in overseas investee company only to the entities eligible to make overseas investments, as per the extant guidelines issued under the FEMA, 1999.</p>
<p>INVESTMENT CONDITIONS FOR CATEGORY I AIF</p>	<p>The following investment conditions shall apply to all Category I Alternative Investment Funds:-</p> <p>(a) Category I AIF shall invest in investee companies, venture capital undertakings, special purpose vehicles, limited liability partnerships, in units of other Category I AIF of the same sub category or in units of Category II AIF as specified in AIF regulation.</p> <p>(b) Category I AIF may engage in hedging, including credit default swaps in terms of the conditions as may be specified by SEBI from time to time.</p> <p>(c) Category I AIF shall not borrow funds directly or indirectly or engage in any leverage except for meeting temporary funding requirements for not more than thirty days, on not more than four occasions in a year and not more than 10% of the investable funds.</p>
<p>INVESTMENT CONDITIONS FOR CATEGORY II AIF</p>	<p>The following investment conditions shall apply to Category II Alternative Investment Funds:-</p> <p>(a) Category II Alternative Investment Funds shall invest in investee companies or in the units of Category I or other Category II Alternative Investment Funds as may be disclosed in the Placement Memorandum;</p> <p>Explanation -Category II Alternative Investment Fund shall invest primarily in unlisted securities and/or listed debt securities (including securitised debt instruments) which are rated ‘A’ or below by a credit rating agency registered with the Board, directly or through investment in units of other Alternative Investment Funds, in the manner as may be specified by the Board;</p>

	<p>(b) Category II Alternative Investment Funds may not borrow funds directly or indirectly and shall not engage in leverage except for meeting temporary funding requirements for not more than thirty days, not more than four occasions in a year and not more than 10% of the investable funds.</p> <p>(c) Notwithstanding this restriction, a Category II AIF may engage in hedging, subject to guidelines as specified by SEBI from time to time.</p> <p>(d) Category II AIF may buy or sell credit default swaps in terms of the conditions as may be specified by the SEBI from time to time.</p> <p>(e) Category II AIF may enter into an agreement with merchant banker to subscribe to the unsubscribed portion of the issue or to receive or deliver securities in the process of market making under SEBI (ICDR) Regulations, 2018.</p> <p>(f) Category II AIF shall be exempt from sub-regulations (1) and (2) of regulation 3 and sub-regulation (1) of regulation 4 of the SEBI (PIT) Regulations, 2015 in respect of investment in companies listed on SME Exchange or SME segment of an exchange pursuant to due diligence of such companies subject to the following conditions: (i) the fund shall disclose any trading in securities pursuant to such due diligence, within 2 trading days of such trading, to the stock exchanges where the investee company is listed; (ii) such investment shall be locked in for a period of 1 year from the date of investment.</p>
<p>INVESTMENT CONDITIONS FOR CATEGORY III AIF</p>	<p>The following investment conditions shall apply to Category III AIF:-</p> <p>(a) Category III AIF may</p> <ul style="list-style-type: none"> • invest in securities of listed or unlisted investee companies or derivatives, units of other Alternative Investment Funds or complex or structured products; • deal in goods received in delivery against physical settlement of commodity derivatives. • buy or sell credit default swaps in terms of conditions as may be specified by SEBI from time to time. <p>(b) Category III AIF may engage in leverage or borrow, subject to consent from the investors in the fund and subject to a maximum limit, as may be specified by SEBI.</p> <p><i>However, such funds shall disclose information regarding the overall level of leverage employed, the level of leverage arising from borrowing of cash, the level of leverage arising from position held in derivatives or in any complex product and the main source of leverage in their fund to the investors and to SEBI periodically, as may be specified by SEBI.</i></p> <p>(c) Category III AIF shall be regulated through issuance of directions regarding areas such as operational standards, conduct of business rules, prudential requirements, restrictions on redemption and conflict of interest as may be specified by SEBI.</p>
<p>INVESTMENT IN ALTERNATIVE</p>	<p>The AIF, in all categories, may raise funds from any investor whether Indian, foreign or non-resident Indians only by way of issue of units.</p>

<p>INVESTMENT FUND</p>	<ul style="list-style-type: none"> • Each scheme of the AIF shall have corpus of atleast twenty crore rupees and the AIF shall not accept from an investor, an investment of value less than one crore rupees. • In case the investors are employees or directors of the AIF Fund or employees or directors of the Manager, the minimum value of investment shall be twenty five lakh rupees. However, this clause shall no apply to an accredited investor. • The Manager or Sponsor shall have a continuing interest in the AIF Fund of not less than two and half percent of the corpus or five crore rupees, whichever is lower, in the form of investment in the Alternative Investment Fund and such interest shall not be through the waiver of management fees. However, In the case of Category III AIF, the continuing interest shall be not less than five percent of the corpus or ten crore rupees, whichever is lower. • The Manager or Sponsor shall disclose their investment in the Alternative Investment Fund to the investors of the Alternative Investment Fund. • No scheme of the Alternative Investment Fund shall have more than 1000 investors. Provided that the provisions of the Companies Act, 2013 shall apply to the Alternative Investment Fund, if it is formed as a company. • The AIF shall collect funds only by way of private placement.
<p>FOREIGN INVESTMENT IN ALTERNATIVE INVESTMENT FUNDS</p>	<p>In terms of Regulation 10(a) of SEBI (Alternative Investment Funds) Regulations, 2012, AIFs may raise funds from any investor whether Indian, foreign or non-resident Indians, by way of issue of units. At the time of on-boarding investors, the manager of an AIF shall ensure the following:</p> <ul style="list-style-type: none"> • Foreign investor of the AIF is a resident of the country whose securities market regulator is a signatory to the International Organization of Securities Commission’s Multilateral Memorandum of Understanding or a signatory to the bilateral Memorandum of Understanding with SEBI. <p>For the purpose of the aforesaid clause, “Bilateral Memorandum of Understanding with SEBI” shall mean a bilateral Memorandum of Understanding between SEBI and any authority outside India that provides for information sharing arrangement as specified under clause (ib) of sub-section (2) of Section 11 of the SEBI Act, 1992.</p> <p>(i) The investor, or its underlying investors contributing 25% or more in the corpus of the investor or identified on the basis of control, is not the person(s) mentioned in the Sanctions List notified from time to time by the United Nations Security Council and is not a resident in the country identified in the public statement of Financial Action Task Force as a jurisdiction having a strategic Anti-Money Laundering or Combating the Financing of Terrorism deficiencies to which counter measures apply; or</p> <p>(ii) A jurisdiction that has not made sufficient progress in addressing the deficiencies or has not committed to an action plan developed with the Financial Action Task Force to address the deficiencies.</p>

<p>CONDITIONS FOR APPOINTING A CUSTODIAN WHICH IS AN ASSOCIATE OF SPONSOR OR MANAGER OF AIF</p>	<p>A Custodian which is an associate of the Sponsor or Manager of an Alternative Investment Fund may act as a custodian for that Alternative Investment Fund only when all the following conditions are met:</p> <p>(a) the Sponsor or Manager has a net worth of at least twenty thousand crore rupees at all points of time;</p> <p>(b) 51% or more of the directors of the Custodian do not represent the interest of the Sponsor or Manager or their associates;</p> <p>(c) the Custodian and the Sponsor or Manager of the Alternative Investment Fund are not subsidiaries of each other;</p> <p>(d) the custodian and the Sponsor or Manager of the Alternative Investment Fund do not have common directors; and</p> <p>(e) the Custodian and the Manager of the Alternative Investment Fund sign an undertaking that they shall act independently of each other in their dealings of the schemes of the Alternative Investment Fund.</p>
<p>INVESTMENT CONDITIONS FOR REIT</p>	<p><u>Not less than 80% of value of the REIT assets</u> shall be invested in completed and rent and/or income generating properties subject to the following:</p> <p>(a) if the investment has been made through a holdco and/or SPV, whether by way of equity or debt or equity linked instruments or partnership interest, only the portion of direct investments in properties by such holdco and/or SPVs shall be considered and the remaining portion shall be included as prescribed under clause(6).</p> <p>(b) if any project is implemented in stages, the part of the project which is completed and rent and/or income generating shall be considered and the remaining portion including any contiguous land and extension of an existing project being implemented in stages shall be included under clause (a) of sub-regulation (5) of Investment Conditions and Distribution Policy.</p> <p>6. <u>Not more than 20% of value of the REIT assets</u> shall be invested in assets other than as provided in clause (5) and such other investment shall only be in:</p> <ul style="list-style-type: none"> ➤ properties, whether directly or through company or through LLP which are: <ul style="list-style-type: none"> (i) under-construction properties which shall be held by the REIT for not less than three years after completion; (ii) under-construction properties which are a part of the existing income generating properties owned by the REIT which shall be held by the REIT for not less than three years after completion; (iii) completed and not rent generating properties which shall be held by the REIT for not less than three years from date of purchase. ➤ listed or unlisted debt of companies or body corporate in real estate sector. However, this shall not include any investment made in debt of the holdco and/or SPVs. ➤ mortgage backed securities. ➤ equity shares of companies which are listed on a recognized stock exchange in India which derive not less than 75% of their operating

	<p>income from real estate activity as per the audited accounts of the previous financial year.</p> <ul style="list-style-type: none"> ➤ unlisted equity shares of companies which derive not less than 75% of their operating income from real estate activity as per the audited accounts of the previous financial year. <p><i>However, the investments, made through unlisted equity shares of a company, in under construction properties and/ or completed and not rent generating properties, shall be in compliance with clause 6(a).</i></p> <ul style="list-style-type: none"> ➤ Government securities. ➤ unutilized FSI of a project where it has already made investment. ➤ TDR acquired for the purpose of utilization with respect to a project where it has already made investment. ➤ money market instruments or cash equivalents.
<p>INVESTMENT CONDITIONS FOR INVIT</p>	<p>1. In case of InvITs as specified above:</p> <p>a. not less than 80% of the value of InvIT the assets shall be invested, proportionate to the holding of the InvITs, in completed and revenue generating infrastructure projects subject to the following;</p> <p>(i) if the investment has been made through a holdco and/ or SPV, whether by way of equity or debt or equity linked instruments or partnership interest, only the portion of direct investments in completed and revenue generating projects by such Holdco and/ or SPVs shall be considered and the remaining portion shall be included under clause (b) as mentioned below;</p> <p>(ii) if any project is implemented in stages, the part of the project which can be categorized as completed and revenue generating project shall be considered and the remaining portion shall be included under clause (b) as mentioned below;</p> <p>b. not more than 20% of value of the InvIT assets, shall be invested in,–</p> <p>(i) under-construction infrastructure projects, whether directly or through Holdco and/ or SPVs.</p> <p><i>However, investment in such assets shall not exceed 10% of the value of the InvIT assets;</i></p> <p>(ii) listed or unlisted debt of companies or body corporate in infrastructure sector. However, this shall not include any investment made in debt of the Holdco and/ or SPV.</p> <p>(iii) equity shares of companies listed on a recognized stock exchange in India which derive not less than 80% of their operating income from infrastructure sector as per the audited accounts of the previous financial year;</p> <p>(iv) government securities;</p>

	<p>(v) money market instruments, liquid mutual funds or cash equivalents.</p> <p>c. if the conditions specified in clauses (a) and (b) are breached, the investment manager shall inform the same to the trustee and ensure that the conditions as specified in these Regulations are satisfied within six months of such breach.</p> <p><i>However, the period may be extended to one year subject to approval from investors in accordance with these regulations.</i></p>
<p>CONDITIONS FOR INITIAL OFFER BY SMALL & MEDIUM REIT</p>	<ul style="list-style-type: none"> ⇒ The investment manager shall identify the real estate assets or properties it proposes to acquire or provide the features of the real estate assets or properties including location or such other details for the particular scheme in the draft scheme offer document. ⇒ The investment manager shall, through a merchant banker, file the draft scheme offer document with the Board, along with fees specified in Schedule IIA and with the designated stock exchange. ⇒ The minimum price of each unit of the scheme of the SM REIT shall be Rs. 10 lakhs or such other amount as may be specified by the SEBI from time to time. ⇒ Each scheme of the SM REIT shall be identified by a separate name, which shall not be misleading and shall not portray any guaranteed returns to the investors. ⇒ The value of real estate assets or properties in each scheme shall be at least Rs. 50 Crores. ⇒ The investment manager and the trustee shall ensure that the assets of each scheme, the bank accounts, investment or demat accounts and the books of accounts of each scheme are segregated and ring-fenced. ⇒ The investment manager and the trustee shall ensure that the property documents evidencing the title to the real estate assets or properties along with the related papers shall be duly maintained in safe-deposit boxes, at a scheduled commercial bank and be annually inspected by the trustee. ⇒ The draft scheme offer document filed with the SEBI shall be made public, for comments, if any, by hosting it on the websites of the SEBI, designated stock exchanges and merchant bankers associated with the issue, for a period of not less than twenty-one days. ⇒ The SEBI may issue observations, if any, to the merchant banker within thirty days from the later of: <ul style="list-style-type: none"> ○ the date of receipt of the draft scheme offer document; ○ the date of receipt of satisfactory reply from the merchant banker, where the SEBI has sought any clarification or additional information from the merchant banker; ○ the date of receipt of clarification or information from any regulator or agency, where the SEBI has sought any clarification or information from such regulator or agency; or ○ the date of receipt of a copy of in-principle approval letter issued by the designated stock exchange(s). ⇒ The merchant banker shall ensure that the observations issued by the SEBI are addressed in the scheme offer document prior to launch of the scheme.

INVESTMENT CONDITIONS FOR SMALL & MEDIUM REIT	<ul style="list-style-type: none">○ The SPV shall directly and solely own all assets that are acquired or proposed to be acquired by the scheme of the SM REIT, of which SPV is the wholly owned subsidiary.○ The scheme of the SM REIT shall invest at least 95% of the value of the schemes' assets for each of its schemes in completed and revenue generating properties and shall not invest in under-construction or non-revenue generating real estate assets: However, up to 5% of the value of the schemes' assets may be invested in liquid assets, which are unencumbered.○ The scheme of SM REIT shall not be permitted to lend to any entity other than lending to its own SPV.○ The SPV shall not be permitted to lend to any entity.
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IMPORTANT DEFINITIONS

<p>QUALIFIED INSTITUTIONAL BUYERS (QIB)</p>	<p>“Qualified Institutional Buyer” means:</p> <ul style="list-style-type: none"> • a mutual fund, venture capital fund, alternative investment fund and foreign venture capital investor registered with SEBI; • a foreign portfolio investor other than individuals, corporate bodies and family offices; • a public financial institution; • a scheduled commercial bank; • a multilateral and bilateral development financial institution; • a state industrial development corporation; • an insurance company registered with the Insurance Regulatory and Development Authority of India; • a provident fund with minimum corpus of ₹ 25 Crores; • a pension fund with minimum corpus of ₹ 25 Crores registered with PFRDA; • National Investment Fund set up by resolution no. F. No. 2/3/2005-DDII dated November 23, 2005 of the Government of India published in the Gazette of India; • insurance funds set up and managed by army, navy or air force of the Union of India; and • insurance funds set up and managed by the Department of Posts, India; and • systemically important non-banking financial companies.
<p>GREEN DEBT SECURITIES</p>	<p>Accordingly, Regulation 2(1)(q) of NCS Regulations, defines green debt security as under:</p> <p>“Green debt security” means a debt security issued for raising funds subject to the conditions as may be specified by SEBI from time to time, to be utilised for project(s) and/ or asset(s) falling under any of the following categories:</p> <ol style="list-style-type: none"> i. renewable and sustainable energy including wind, bioenergy, other sources of energy which use clean technology, ii. clean transportation including mass/public transportation, iii. climate change adaptation including efforts to make infrastructure more resilient to impacts of climate change and information support systems such as climate observation and early warning systems, iv. energy efficiency including efficient and green buildings, v. sustainable waste management including recycling, waste to energy, efficient disposal of wastage, vi. sustainable land use including sustainable forestry and agriculture, afforestation, vii. biodiversity conservation, viii. pollution prevention and control (including reduction of air emissions, greenhouse gas control, soil remediation, waste prevention, waste reduction, waste recycling and energy efficient or emission efficient waste to energy) and sectors mentioned under the India Cooling Action Plan launched by the Ministry of Environment, Forest and Climate Change, ix. circular economy adapted products, production technologies and processes (such as the design and introduction of reusable, recyclable and refurbished materials, components and products, circular tools and services) and/or eco efficient products, x. blue bonds which comprise of funds raised for sustainable water management including clean water and water recycling, and sustainable

	<p>maritime sector including sustainable shipping, sustainable fishing, fully traceable sustainable seafood, ocean energy and ocean mapping,</p> <p>xi. yellow bonds which comprise of funds raised for solar energy generation and the upstream industries and downstream industries associated with it,</p> <p>xii. transition bonds which comprise of funds raised for transitioning to a more sustainable form of operations, in line with India's Intended Nationally Determined Contributions, and</p> <p>xiii. any other category, as may be specified by the SEBI from time to time.</p>
ESG DEBT SECURITIES	A new definition of Environment, Social and Governance Debt Securities ("ESG Debt Securities) is inserted which means green debt securities, social bonds, sustainability bonds, sustainability-linked bonds, or any other type of bonds, by whatever name called, that are issued in accordance with such international frameworks as adapted or adjusted to suit Indian requirements that are specified by the Board from time to time, and any other securities as specified by the Board.
STRATEGIC INVESTORS (REIT/INVIT)	<p>'Strategic Investor' means,—</p> <p>(a) An infrastructure finance company registered with RBI as a NBFC.</p> <p>(b) A Scheduled Commercial Bank</p> <p>(c) A Multilateral and/ or Bilateral development Financial Institution.</p> <p>(d) A systemically important NBFCs registered with RBI</p> <p>(e) A foreign portfolio investors,</p> <p>(f) an Insurance Company registered with IRDA;</p> <p>(g) A Mutual Fund;</p> <p>who invest, either jointly or severally, not less than 5% the total offer size of the InvIT or such amount as may be specified by SEBI from time to time subject to the compliance with the applicable provisions, if any, of the Foreign Exchange Management Act, 1999 and the rules or regulations or guidelines made thereunder;</p>
PUBLIC AS PER REIT REGULATIONS	
ANGEL INVESTORS (JUNE 2024)	"angel investor" means an accredited investor, or key management personnel of an angel fund or its manager, who invests in an angel fund.
ACCREDITED INVESTOR FOR THE PURPOSE OF ALTERNATIVE INVESTMENT FUND	<p>"accredited investor" means any person who is granted a certificate of accreditation by an accreditation agency who,</p> <p>(i) in case of an individual, Hindu Undivided Family, family trust or sole proprietorship has:</p> <p>(A) annual income of at least 2 crore rupees; or</p> <p>(B) net worth of at least 7.5 Crore, out of which not less than 3.75 Crore is in the form of financial assets; or</p> <p>(C) annual income of at least one crore rupees and minimum net worth of 5 crore, out of which not less than 2.5 Crore is in the form of financial assets.</p> <p>(ii) in case of a body corporate, has net worth of at least 50 crore;</p> <p>(iii) in case of a trust other than family trust, has net worth of at least 50 crore;</p>

	<p>(iv) in case of a partnership firm set up under the Indian Partnership Act, 1932, each partner independently meets the eligibility criteria for accreditation:</p> <p><i>Provided that the Central Government and the State Governments, developmental agencies set up under the aegis of the Central Government or the State Governments, funds set up by the Central Government or the State Governments, qualified institutional buyers as defined under the Securities and Exchange Board of India (ICDR) Regulations, 2018, Category I foreign portfolio investors, sovereign wealth funds and multilateral agencies and any other entity as may be specified by the Board from time to time, shall deemed to be an accredited investor and may not be required to obtain a certificate of accreditation;</i></p>
<p>SPECIAL SITUATION ASSETS</p>	<p>Special situation asset includes, -</p> <p>(a) stressed loan available for acquisition in terms of Clause 58 of Master Direction – Reserve Bank of India (Transfer of Loan Exposures) Directions, 2021 as amended from time to time or as part of a resolution plan approved under the Insolvency and Bankruptcy Code, 2016 or in terms of any other policy of the Reserve Bank of India or Government of India issued in this regard from time to time;</p> <p>(b) security receipts issued by an Asset Reconstruction Company registered with the Reserve Bank of India;</p> <p>(c) securities of investee companies,</p> <p>(i) whose stressed loans are available for acquisition in terms of Clause 58 of the Master Direction – RBI (Transfer of Loan Exposures) Directions, 2021 as amended from time to time or as part of a resolution plan approved under the Insolvency and Bankruptcy Code, 2016 or in terms of any other policy of the Reserve Bank of India or Government of India issued in this regard from time to time;</p> <p>(ii) against whose borrowings, security receipts have been issued by an Asset Reconstruction Company registered with the Reserve Bank of India;</p> <p>(iii) whose borrowings are subject to corporate insolvency resolution process under Chapter II of the IBC, 2016;</p> <p>(iv) who have disclosed all the defaults relating to the payment of interest/ repayment of principal amount on loans from banks / financial institutions/ Systemically Important Non-Deposit taking Non-Banking Financial Companies/ Deposit taking Non-Banking Financial Companies and /or listed or unlisted debt securities in terms of the SEBI (ICDR) Regulations, 2018 and such payment default is continuing for a period of at least ninety calendar days after the occurrence of such default.</p> <p>(d) Any other asset as may be specified by the SEBI from time to time.</p>
<p>EMPLOYEE FOR THE PURPOSE OF SBEB</p>	<p>“Employee”, except in relation to issue of sweat equity shares, means,</p> <p>(i) an employee as designated by the company, who is exclusively working in India or outside India; or</p> <p>(ii) a director of the company, whether a whole-time director or not, including a non-executive director who is not a promoter or member of the promoter group, but excluding an independent director; or</p>

	<p>(iii) an employee as defined in sub-clauses (i) or (ii), of a group company including subsidiary or its associate company, in India or outside India, or of a holding company of the company, but does not include—</p> <p>(a) an employee who is a promoter or a person belonging to the promoter group; or</p> <p>(b) a director who, either himself or through his relative or through any body corporate, directly or indirectly, holds more than 10% of the outstanding equity shares of the company.</p>
EMPLOYEE FOR THE PURPOSE OF SWEAT EQUITY	<p>The term ‘employee’ means,</p> <p>(i) an employee of the company working in India or abroad; or</p> <p>(ii) a director of the company whether a whole time director or not</p>
ALTERNATIVE INVESTMENT FUND	<p>“Alternative Investment Fund” means any fund established or incorporated in India in the form of a trust or a company or a limited liability partnership or a body corporate which-</p> <p>(i) is a privately pooled investment vehicle which collects funds from investors, whether Indian or foreign, for investing it in accordance with a defined investment policy for the benefit of its investors; and</p> <p>(ii) is not covered under the SEBI (Mutual Funds) Regulations, 1996, SEBI (Collective Investment Schemes) Regulations, 1999 or any other regulations of the SEBI to regulate fund management activities.</p>
ANGEL FUNDS	<p>“angel fund” means a sub-category of Category I- Alternative Investment Fund that raises funds from accredited investors and invests in accordance with the provisions of this Chapter.</p>
DEPOSITS	<p>Under Section 2 (31) of the Companies Act, 2013, “deposit” includes any receipt of money by way of deposit or loan or in any other form by a company, but does not include such categories of amount as may be prescribed in consultation with the Reserve Bank of India. Under the rule 2(1)(c) of the Companies (Acceptance of Deposits) Rules, 2014, deposit has been granularly defined as any receipt of money by way of deposit or loan or in any other form by a company, but does not include the following amounts:</p> <ul style="list-style-type: none"> • Received from the Central Government or a State Government, or any such source where the repayment will be guaranteed by the State or the Centre. • Received from foreign banks or international banks, foreign governments, multilateral financial institutions subject to the provisions of FEMA, 1999. • Received by way of financial assistance or loan from Public Financial Institutions notified by the Central Government or Scheduled Banks or Insurance Companies. • Received as a loan or facility from any banking company or the State Bank of India or any of its subsidiaries. • Received by a company from any other company. • Received against the issue of commercial paper or any other instruments issued in accordance with the RBI guidelines.

	<ul style="list-style-type: none"> • Received against an offer made towards the subscription of securities, by way of share application money or advance towards allotment. The money shall be considered as a deposit provided the company fails to allot such securities within 60 days and after the expiry of the aforesaid 60 days, the money that is received has still not been refunded in the next 15 days. • Received from an employee of the company not exceeding his annual salary in the nature of non- interest bearing security deposit. • Received amount that is non-interest bearing in nature or held in trust. • Received from a director who provides a declaration stating that the amount is not given out of borrowings or a loan from any person. • Raised by way of issue of debentures or bonds secured by a first charge or any other way. • Brought in by the promoters as a loan, unsecured in nature, in pursuance with the stipulation of bank or lending financial institution. • Accepted by a Nidhi Company as per the provisions of Sec 406 of the Act. • Received in the course/for the purpose of business as an advance:- <ul style="list-style-type: none"> a) Received in connection with consideration for an immovable property under an agreement. b) Received for the supply of capital goods under long term projects. c) For the supply of goods/provision of services as long as the advance is appropriated against the supply of goods/provision of services within 365 days of accepting the same. d) Received as a security deposit for the performance of a contract. e) Towards consideration for providing future services in the form of a warranty or maintenance contract as per written agreement or arrangement. f) Received and as allowed by any sectoral regulator or in accordance with directions of Central or State Government. g) For subscription towards publication, whether in print or in electronic to be adjusted against receipt of such publications. • Received by way of subscription in respect of a chit under the Chit Fund Act, 1982. • Received by the company under any collective investment scheme in compliance with regulations framed by SEBI. • An amount of ₹ 25 Lakhs or more received by a start-up company, by way of a convertible note (convertible into equity shares or repayable within a period not exceeding 10 years from the date of issue) in a single tranche, from a person.
NBFC	<p>As per Section 45 I(f) of Reserve Bank of India Act, 1934, “Non-Banking Financial Company” means:</p> <ol style="list-style-type: none"> 1. a financial institution which is a company; 2. a non-banking institution which is a company, and which has as its principal business the receiving of deposits, under any scheme or arrangement or in any other manner, or lending in any manner;

	3. such other non-banking institution or class of such institutions, as the Bank may, with the previous approval of the Central Government and by notification in the Official Gazette, specify;
SENIOR MANAGEMENT	“Senior Management” shall mean the officers and personnel of the issuer who are members of its core management team, excluding the Board of Directors, and shall also comprise all the members of the management one level below the Chief Executive Officer or Managing Director or Whole Time Director or Manager (including Chief Executive Officer and Manager, in case they are not part of the Board of Directors) and shall specifically include the functional heads, by whatever name called and the Company Secretary and the Chief Financial Officer.
REAL ESTATE (REIT REGULATIONS)	<p>“Real Estate” or “Property” means land and any permanently attached improvements to it, whether leasehold or freehold and includes buildings, sheds, garages, fences, fittings, fixtures, warehouses, carparks, etc. and any other assets incidental to the ownership of real estate but does not include mortgage.</p> <p>However, any asset falling under the purview of infrastructure’ as defined vide Notification of Ministry of Finance dated October 07, 2013 including any amendments or additions made there of shall not be considered as ‘real estate’ or ‘property’ for the purpose of these Regulations.</p> <p>Apart from the above, following captured within the above mentioned definition of infrastructure shall be considered under “real estate” or “property”, -</p> <ul style="list-style-type: none"> (i) hotels, hospitals and convention centers, forming part of composite real estate projects, whether rent generating or income generating; (ii) common infrastructure for composite real estate projects, industrial parks and SEZ.
ELIGIBLE INFRASTRUCTURE PROJECT (INVIT)	<p>“Eligible Infrastructure Project” means an infrastructure project which, prior to the date of its acquisition by, or transfer to, the InvIT, satisfies the following conditions, –</p> <ul style="list-style-type: none"> • For PPP projects,– <ul style="list-style-type: none"> a) the Infrastructure Project is a completed and revenue generating project; or b) the Infrastructure Project, which has achieved commercial operations date and does not have the track record of revenue from operations for a period of not less than one year; or c) the Infrastructure Project is a pre-COD project. • In non-PPP projects, the infrastructure project has received all the requisite approvals and certifications for commencing construction of the project.
PRE-COD PROJECT (INVIT)	<p>“Pre-COD project” means an infrastructure project which:</p> <ul style="list-style-type: none"> a) has not achieved commercial operation date as defined under the relevant project agreements including <ul style="list-style-type: none"> (i) the concession agreement; (ii) power purchase agreement; or

	<p>(iii) any other agreement of a similar nature entered into in relation to the operation of a project; or</p> <p>(iv) any agreement entered into with the lenders; and</p> <p>b) has,</p> <p>(i) achieved completion of at least 50% of the construction of the infrastructure project as certified by an independent engineer of such project; or</p> <p>(ii) expanded not less than 50% of the total capital cost set forth in the financial package of the relevant project agreement.</p>
<p>PUBLIC</p> <p>INVIT</p> <p>REGULATIONS</p>	<p>“public” means any person other than:</p> <p>(i) the related party of the InvIT, its sponsor, investment manager or project manager; or</p> <p>(ii) any other person as may be specified by the Board:</p> <p>However, a person specified above, who is also a qualified institutional buyer in an offer, shall be considered as “public” for the purpose of these regulations: Further the sponsor, sponsor group, investment manager and project manager of the InvIT shall not be considered as “public” for the purpose of these regulations.”</p>
<p>REIT</p>	<p>“REIT” or “Real Estate Investment Trust” means a person that pools rupees 50 crores or more for the purpose of issuing units to at least 200 investors so as to acquire and manage real estate asset(s) or property(ies), that would entitle such investors to receive the income generated therefrom without giving them the day-to day control over the management and operation of such real estate asset(s) or property(ies).</p> <p>Explanation 1. – For the purpose of these regulations, a REIT or Real Estate Investment Trust shall include an SM REIT under Chapter VIB of these regulations.</p> <p>Explanation 2. – For the removal of doubts, it is hereby clarified that for the purpose of these regulations, any company which acquires and manages real estate asset(s) or property(ies) and offers or issues securities to the investors, shall not be construed as a REIT or Real Estate Investment Trust;</p>
<p>NOT FOR PROFIT</p> <p>ORGANISATION</p> <p>ICDR</p>	<p>“Not for Profit Organization” means a Social Enterprise which is any of the following entities:</p> <p>(i) a charitable trust registered under the Indian Trusts Act, 1882;</p> <p>(ii) a charitable trust registered under the public trust statute of the relevant State;</p> <p>(iii) a Trust registered under the Registration Act, 1908 with the relevant Sub-Registrar in those States that have not enacted the law governing public trust;</p> <p>(iv) a charitable society registered under the Societies Registration Act, 1860;</p> <p>(v) a charitable society registered under the Societies Registration Act of the relevant State;</p> <p>(vi) a company registered under section 8 of the Companies Act, 2013 including a company registered under section 25 of the repealed Companies Act, 1956;</p> <p>(vii) any other entity as may be specified by SEBI.”</p>

AMIT TALDA MENTORSHIP

IMPORTANT ELIGIBILITY CRITERIA

<p style="text-align: center;">ELIGIBILITY CRITERIA FOR MAKING AN IPO ON MAIN BOARD [REGULATION 6(1) & 6(2) OF ICDR]</p> <p style="text-align: center;">(JUNE 2024)</p>	<p>Eligibility requirements for an Initial Public Offer [Regulation 6(1)]:-</p> <p>An issuer shall be eligible to make an IPO only if:</p> <ol style="list-style-type: none"> a) the issuer has net tangible assets of atleast Rs. 3 crores on a restated and consolidated basis, in each of the preceding three full years of (12 months each) of which not more than 50% is held in monetary assets; <p style="margin-left: 40px;"><i>However, if more than 50% of the net tangible assets are held in monetary assets, the issuer has utilized or made firm commitments to utilize such excess monetary assets in its business or project. This limit of 50% shall not apply in case of IPO is made entirely through an offer for sale.</i></p> <ol style="list-style-type: none"> b) the issuer has an average operating profit of at least Rs. 15 crores, calculated on a restated and consolidated basis, during the three preceding years with operating profit in each of the three preceding years; c) the issuer has a networth of atleast Rs.1 crore in each of the preceding three full years, calculated on a restated and consolidated basis; d) in case the issuer has changed its name within the last one year, atleast 50% of the revenue calculated on a restated and consolidated basis, for the preceding one full year has been earned by it from the activity indicated by the new name. <p><u>In case the Eligibility condition is not met:</u></p> <p>However, in case an issuer does not satisfy the eligibility conditions stipulated above and included in Regulation 6(1) of ICDR Regulations 2018, it may still make an Initial Public Offer but only through the book building process and further undertake to allot at least 75% of the net offer to the public to Qualified Institutional Buyers (QIBs) and to refund full subscription money if it fails to do so. [Regulation 6(2)].</p> <p>In case of IPOs under Regulation 6(2), if QIBs does not subscribe to allocated 75% of the net offer to public the issue will fail and the issuer company will have to refund full subscription money even though on overall basis the issue may have been over-subscribed. Therefore, in these cases, 75% subscription from QIBs is must irrespective of subscription by retail investors and non-retail investors.</p>
<p style="text-align: center;">ELIGIBILITY CONDITIONS FOR IPO BY SME</p>	<ul style="list-style-type: none"> ➤ If post issue paid-up capital <= Rs. 10 Crores - Listing only on SME Board ➤ If post issue paid-up capital is > Rs. 10 crores but up to Rs. 25 crores - Option to list either on SME Board or on Main Board ➤ SEBI does not issue any observation on the offer document ➤ The lead manager(s) shall submit a due-diligence certificate to SEBI ➤ IPO shall be 100% underwritten. The lead manager(s) shall underwrite at least 15% ➤ Compulsory market making for a minimum period of 3 years from the date of listing ➤ Minimum application size in IPO & Trading lot shall be one lakh rupees

	<ul style="list-style-type: none"> ➤ May migrate to Main Board if SR is passed through postal ballot with majority of minority
<p>ELIGIBILITY CONDITIONS FOR IPO ON INNOVATORS GROWTH PLATFORM</p>	<ul style="list-style-type: none"> ➤ Aimed to list start-ups which are intensive in the use of technology, information technology, intellectual property, data analytics, bio-technology or nano-technology to provide products, services or business platform ➤ At least 25% of pre-issue capital is held by QIBs, Innovators Growth Platform Investors, Any other class of investors as specified by SEBI ➤ Listing is allowed with or without IPO. SEBI will issue its observations in both the cases ➤ The minimum offer size shall be ten crore rupees in case of IPO ➤ Minimum application size shall be two lakh rupees and in multiples thereof ➤ Number of allottees in the initial public offer shall at least be 50 ➤ Minimum trading lot shall be two lakh rupees and in multiples thereof.
<p>ELIGIBILITY CRITERIA FOR REGISTRATION AS A REIT</p>	<p>No person shall act as a REIT unless it is registered with SEBI under the REIT Regulations. The following conditions shall be considered before grant of registration:</p> <p>(a) Applicant:- The applicant must be a sponsors or on behalf of trust and Trust Deed shall be duly registered in India under the provisions of the Registration Act, 1908 containing its main objective as undertaking activity of REIT in accordance with the REIT Regulations and includes responsibilities of the Trustee in accordance with of the provisions of REIT Regulations. Persons have been designated as sponsor(s), manager and trustee and all such persons are separate entities.</p> <p>(b) Sponsor:-</p> <ul style="list-style-type: none"> • Each sponsor shall hold or propose to hold not less than 5% of the number of units of the REIT on post-initial offer basis. Further, each sponsor and sponsor group shall be clearly identified in the application of registration to SEBI and in the offer document/placement memorandum, as applicable. • For each sponsor group not less than one person shall be identified as a sponsor. • Out of the entities categorized as sponsor group, only the following entities may be considered: <ul style="list-style-type: none"> a) a person or entity who is directly or indirectly holding an interest or shareholding in any of the assets or SPVs or holdcos proposed to be transferred to the REIT. b) a person or entity who is directly or indirectly holding units of the REIT on post-issue basis. c) a person or entity whose experience is being utilized by the sponsor for meeting with the eligibility conditions required under REIT regulations. • The sponsor(s), on a collective basis, have a networth of not less than one hundred crore rupees: However, each sponsor has a networth of not less than twenty crore rupees; and

- The sponsor or its associate(s) has not less than 5 years' experience in development of real estate or fund management in the real estate industry.
However, where the sponsor is a developer, at least two projects of the sponsor have been completed.

(c) Manager:-

- In case, the Manager is a body corporate or a company, the networth of the manager shall not be less than ₹10 crore or in case, the manager is a LLP, the value of net tangible assets shall not be less than ₹ 10 crore;
- The Manager or its associate must have at least 5 years of experience in fund management/ advisory services/property management in the real estate industry or in development of real estate. Further, the manager must have at least 2 key personnel who each have not less than 5 years of experience in fund management/advisory services/property management in the real estate industry or in development of real estate;
- The manager shall not less than half, of its directors in the case of a company or of members of the governing board in case of an LLP, as independent and not directors or members of the governing board of the manager of another REIT; and
- The manager must have entered into an investment management agreement with the trustee which provides for the responsibilities of the manager in accordance with REIT Regulations.

(d) Trustee:-

It should be registered with SEBI under SEBI (Debenture Trustees) Regulations, 1993. It is not an associate of the sponsor(s) or manager and the trustee has such wherewithal respect to infrastructure, personnel, etc. to the satisfaction of SEBI and in accordance with circulars or guidelines as may be specified by SEBI.

(e) The unit holder of the REIT shall not enjoy superior voting or any other rights over another unit holder and there are no multiple classes of units of REIT. However, subordinate units may be issued only to the sponsors and its associates, where such subordinate units shall carry only inferior voting or any other rights compared to other units.

(f) The applicant has clearly described at the time of application for registration, details pertaining to proposed activities of the REIT.

(g) The REIT and parties to the REIT are fit and proper persons based on the criteria as specified in Schedule II of the SEBI (Intermediaries) Regulations, 2008.

(h) Whether any previous application for grant of certificate by the REIT or the parties to the REIT or their directors/members of governing board has been rejected by SEBI.

(i) Whether any disciplinary action has been taken by SEBI or any other regulatory authority against the REIT or the parties to the REIT or their directors/ members of governing board under any Act or the regulations or circulars or guidelines made thereunder.

**ELIGIBILITY
CRITERIA FOR
REGISTRATION
AS AN INVIT**

The following conditions shall be considered before grant of registration:

- The applicant is the sponsor on behalf of the trust and the trust deed must be registered in India

Applicant	under the provisions of the Registration Act, 1908 containing undertaking activity of InvIT as main objective and includes responsibilities of the trustee.
Sponsor	<ul style="list-style-type: none"> ➤ Net worth of at least INR 100 crores in case of body corporate or a company or net intangible assets of INR 100 crores in case of a Limited Liability Partnership (LLP). ➤ Minimum experience of at least 5 years and has completed at least two projects
Investment Manager	<ul style="list-style-type: none"> ➤ Net worth of at least INR 10 crores in case of body corporate or a company or net intangible assets of INR 10 crores in case of a LLP; ➤ Minimum experience of 5 years in fund management/advisory services/ development in infrastructure sector/combined experience of the directors/ partners/employees of the investment manager in fund management or advisory services or development in the infrastructure sector is not less than 30 years; ➤ Two or more key personnel, having more than 5 years of experience in fund management/advisory services/development in infrastructure sector; ➤ One or more employee who has at least 5 years of experience in relevant sub-sector in which InvIT proposes to invest; ➤ Not less than half of its directors/members should be independent and they should not be directors/members of another InvIT; An office in India from where operations pertaining to InvIT is proposed to be conducted; ➤ The investment manager has entered into an investment management agreement with the trustee which provides for the responsibilities of the investment manager.
Project Manager	<ul style="list-style-type: none"> ➤ The project manager has been identified and shall be appointed in terms of the project implementation/management agreement; <p><i>However, the project implementation agreement/management agreement shall be submitted along with the draft offer document/or the placement memorandum.</i></p>
Trustees	<ul style="list-style-type: none"> ➤ Registered with SEBI and is not an associate of sponsor/investment manager; ➤ Sufficient resources with respect to infrastructure, personnel etc. as specified by SEBI; and ➤ Holds InvIT assets in trusts for the benefit of unit holders.

	<p>Other Conditions</p>	<ul style="list-style-type: none"> ➤ No unit holder of the InvIT enjoys superior voting or any other rights over another unit holder and there shall not be multiple classes of units of InvITs; ➤ Notwithstanding the above, subordinate units may be issued only to the sponsors and its associates, where such subordinate units shall carry only inferior voting or any other rights compared to other units; ➤ The applicant has clearly described at the time of registration, details pertaining to proposed activities of the InvIT; ➤ The InvIT and parties to the InvIT are fit and proper persons based on the criteria as specified in Schedule II of SEBI (Intermediaries) Regulations, 2008; ➤ Whether any previous application for grant of certificate made by the InvIT or the parties to the InvIT or their directors/members of governing board has been rejected by SEBI; ➤ Whether any disciplinary action has been taken by SEBI or any other regulatory authority against the InvIT or the parties to the InvIT or their directors/members of governing board under any Act or the regulations or circulars or guidelines made thereunder.
<p>ELIGIBILITY CRITERIA FOR REGISTRATION AS A SMALL AND MEDIUM REIT</p>	<p>The SEBI shall consider the following, namely,—</p> <ul style="list-style-type: none"> ⇒ the applicant is the investment manager on behalf of the trust and the instrument of trust is in the form of a deed duly registered in India under the provisions of the Registration Act, 1908; ⇒ the trust deed has its main objective as undertaking activity of SM REIT through one or more schemes and includes responsibilities of the trustee; ⇒ separate persons have been designated as investment manager of the SM REIT and trustee of the SM REIT; ⇒ with regard to the investment manager,— <ul style="list-style-type: none"> ♣ the investment manager is clearly identified in the application for grant of certificate of registration to the SEBI and in the scheme offer document; ♣ the investment manager has a net worth of not less than Rs. 20 crore (including Rupees 10 crores in the form of positive liquid net worth) ♣ the investment manager has at least two years' experience in the real estate industry or real estate fund management: <i>however, in case the investment manager is unable to meet the requirement, it shall employ at least two key managerial personnel, each of whom have not less than five years' experience in the real estate industry or real estate fund management;</i> ♣ not less than half of the directors of the investment manager are independent and are not directors of the manager or investment manager of another REIT or SM REIT, as the case may be; and ♣ the investment manager has entered into an investment management agreement with the trustee, which provides for the 	

	<p>responsibilities of the investment manager in accordance with these regulations;</p> <ul style="list-style-type: none"> ⇒ the trustee is not an associate of the investment manager; ⇒ no unit holder of the scheme of the SM REIT enjoys superior voting or any other rights over another unit holder in the same scheme and there are no multiple classes of units of scheme of the SM REIT; ⇒ the rights of each unitholder in the scheme are pro-rata and pari-passu; ⇒ the applicant has clearly described at the time of application for registration, details pertaining to proposed activities of the SM REIT; ⇒ the SM REIT and the parties to the SM REIT are fit and proper persons based on the criteria as specified in Schedule II of the Securities and Exchange Board of India (Intermediaries) Regulations, 2008; ⇒ whether any previous application for grant of certificate by the applicant or the parties to the SM REIT or their directors, for registration as a REIT or an SM REIT, has been rejected by the SEBI; ⇒ whether any disciplinary action has been taken by the Board or any other regulatory authority against the SM REIT or the parties to the SM REIT or their promoters or directors under any Act or the regulations or circulars issued thereunder.
<p>CONDITIONS FOR PREFERENTIAL ISSUE (ICDR)</p>	<p>A listed issuer making a preferential issue of specified securities shall ensure that:</p> <ul style="list-style-type: none"> a) all equity shares allotted by way of preferential issue shall be made fully paid up at the time of the allotment; b) a special resolution has been passed by its shareholders; c) all equity shares held by the proposed allottees in the issuer are in dematerialised form; d) the issuer is in compliance with the conditions for continuous listing of equity shares as specified in the listing agreement with the stock exchange where the equity shares of the issuer are listed and the SEBI (LODR), 2015, as amended, and any circular or notification issued by the Board thereunder; e) the issuer has obtained the PAN of the proposed allottees, except those allottees which may be exempt from specifying their Permanent Account Number for transacting in the securities market by the Board.
<p>CONDITIONS FOR QUALIFIED INSTITUTIONAL PLACEMENT (QIP)</p>	<p>(1) A listed issuer may make a QIP of eligible securities if it satisfies the following conditions:</p> <ul style="list-style-type: none"> a) a special resolution approving the QIP has been passed by its shareholders, and the special resolution shall, among other relevant matters, specify that the allotment is proposed to be made through QIP; <p><i>Provided that no shareholders' resolution will be required in case the QIP is through an offer for sale by promoters or promoter group for compliance with minimum public shareholding requirements specified in the Securities Contracts (Regulation) Rules, 1957;</i></p>

	<p><i>Provided further that allotment pursuant to the special resolution referred to in this clause (a) of regulation 172 shall be completed within a period of 365 days from the date of passing of the resolution.</i></p> <p>b) the equity shares of the same class, which are proposed to be allotted through QIP or pursuant to conversion or exchange of eligible securities offered through QIP, have been listed on a stock exchange for a period of at least one year prior to the date of issuance of notice to its shareholders for convening the meeting to pass the special resolution:</p> <p>Explanation: For the purpose of clause (b), “equity shares of the same class” shall mean equity shares which rank pari-passu in relation to rights as to dividend, voting or otherwise.</p> <p>c) An issuer shall be eligible to make a QIP if any of its promoters or directors is not a fugitive economic offender.</p> <p>(2) All eligible securities issued through a QIP shall be listed on the recognized stock exchange where the equity shares of the issuer are listed.</p> <p>(3) The issuer shall not make any subsequent QIP until the expiry of two weeks from the date of the prior qualified institutions placement made pursuant to one or more special resolutions.</p>
<p>SOCIAL STOCK EXCHANGE</p>	<ul style="list-style-type: none"> • Social Stock Exchange” means a separate segment of a recognized stock exchange having nationwide trading terminals permitted to register Not for Profit Organizations and / or list the securities issued by Not for Profit Organizations in accordance with provisions of these regulations. • A Social Stock Exchange shall be accessible only to institutional investors, non- institutional investors and retail investors. • Every Social Stock Exchange shall constitute a Social Stock Exchange Governing Council to have an oversight on its functioning. • A Social Enterprise which is a Not for Profit Organization registered with a Social Stock Exchange may make an issue of Zero Coupon Zero Principal Instruments and list them on such Social Stock Exchange.
<p>INELIGIBILITY FOR RAISING FUNDS BY SOCIAL ENTERPRISE</p>	<p>A Social Enterprise shall not be eligible to register or raise funds through a Social Stock Exchange or Stock Exchange, as the case may be:</p> <p>(a) if the Social Enterprise, any of its promoters, promoter group or directors or selling shareholders or trustees are debarred from accessing the securities market by the Board;</p> <p>(b) if any of the promoters or directors or trustees of the Social Enterprise is a promoter or director of any other company or Social Enterprise which has been debarred from accessing the securities market by the Board;</p> <p>(c) if the Social Enterprise or any of its promoters or directors or trustees is a wilful defaulter or a fraudulent borrower;</p> <p>(d) if any of its promoters or directors or trustees is a fugitive economic offender;</p> <p>(e) if the Social Enterprise or any of its promoters or directors or trustees has been debarred from carrying out its activities or raising funds by</p>

	the Ministry of Home Affairs or any other ministry of the Central Government or State Government or Charitable Commissioner or any other statutory body.
REQUIREMENTS RELATING TO REGISTRATION FOR A NOT FOR PROFIT ORGANISATION (ICDR)	<p>(1) A Not for Profit Organization shall mandatorily seek registration with a Social Stock Exchange before it raises funds through a Social Stock Exchange:</p> <p>Provided that a Not for Profit Organization may register on a Social Stock Exchange and not raise funds through it for a maximum period of two years from the date of registration or such duration as may be specified by the Board.</p> <p>Provided further that upon expiry of the period of two years from the date of registration or such duration as may be specified by the Board, the Not for Profit Organization shall have at least one listed project for which funds have been raised through the Social Stock Exchange, failing which it shall cease to be registered.</p> <p>(2) The minimum requirements for registration of a Not for Profit Organization on a Social Stock Exchange shall be specified by the Board from time to time.</p> <p>(3) The Social Stock Exchange may specify the eligibility requirements for registration of a Not for Profit Organization in addition to the minimum requirements specified by the Board.</p>
CONDITIONS FOR LISTING OF SECURITY RECEIPTS	<p>An issuer may list its security receipts on a recognized stock exchange subject to the following conditions:</p> <p>(a) the security receipts have been issued on a <i>private placement</i> basis;</p> <p>(b) the issuer has issued such security receipts in <i>compliance</i> with the applicable laws;</p> <p>(c) the offer or invitation to subscribe to security receipts shall be made to such number of persons <i>not exceeding 200</i> or such other number, in a financial year, as may be prescribed from time to time;</p> <p>(d) the security receipts proposed to be listed are in <i>dematerialized form</i>;</p> <p>(e) the <i>disclosures</i> as provided in Regulation 38E of SEBI (Issue and Listing of Securitized Debt Instruments and Security Receipts) Regulations, 2008 have been made in the offer document;</p> <p>(f) the minimum allotment made to the qualified buyers is <i>Rs. 10 lakhs</i>;</p> <p>(g) such security receipts have been <i>valued</i> prior to listing; <i>However, such valuation shall not be more than three months old from the date of listing and shall be done by an independent valuer;</i></p> <p>(h) the security receipts have been <i>rated</i> by a credit rating agency registered with SEBI. However, such rating shall not be more than three months old from the date of listing. <i>The issuer shall comply with the conditions of listing of such security receipts as specified in SEBI Listing Regulations, 2015.</i></p>
CONDITIONS FOR TRADING OF SECURITY RECEIPTS	<ul style="list-style-type: none"> The security receipts issued on a private placement basis, which are listed on recognised stock exchanges, shall be traded and such trades shall be cleared and settled in recognised stock exchanges subject to conditions specified by SEBI. The <i>trading lot</i> of the security receipts shall <i>not be less than ₹10 lakh</i>.

	<ul style="list-style-type: none"> • The trades of security receipts which have been made over the counter, shall be reported on a recognized stock exchange having a nation-wide trading terminal or such other platform as may be specified by SEBI. • SEBI may specify conditions for reporting of trades on the recognized stock exchange or other platform.
<p>CONDITIONS FOR ISSUE OF DEPOSITORY RECEIPTS</p> <p>(GDR RULES 2014)</p>	<p>Rule 4 lays down the following conditions to be fulfilled by a company for issue of depository receipts:</p> <ul style="list-style-type: none"> ➤ The Board of Directors of the company intending to issue depository receipts shall <i>pass a resolution</i> authorising the company to do so. ➤ The company shall take <i>prior approval of its shareholders</i> by a special resolution to be passed at a general meeting. However, a special resolution passed under section 62 of Companies Act, 2013 for issue of shares underlying the depository receipts, shall be deemed to be a special resolution for the purpose of section 41 of Companies Act, 2013 as well. ➤ The depository receipts shall be <i>issued by an overseas depository bank</i> appointed by the company and the underlying shares shall be kept in the <i>custody of a domestic custodian bank</i>. ➤ The company shall ensure that all the applicable provisions of the Scheme and the rules or regulations or guidelines issued by the Reserve Bank of India are complied with before and after the issue of depository receipts. ➤ The company shall <i>appoint</i> a merchant banker or a practising chartered accountant or a practising cost accountant or a practising company secretary to oversee all the compliances relating to issue of depository receipts and the compliance report taken from such merchant banker or practising chartered accountant or practising cost accountant or practising company secretary, as the case may be, shall be placed at the meeting of the Board of Directors of the company or of the committee of the Board of directors authorised by the Board in this regard to be held immediately after closure of all formalities of the issue of depository receipts. <p><i>However, that the committee of the Board of directors referred to above shall have at least one independent director in case the company is required to have independent directors.</i></p>
<p>ELIGIBILITY CRITERIA FOR MAKING IPO ON IFSCA</p> <p>International Financial Services Centres Authority (Listing) Regulations, 2024.</p> <p>(JUNE 2024)</p>	<p>An issuer shall be eligible to make an initial public offer of specified securities, only if:</p> <p>(a) the issuer has an operating revenue, based on consolidated audited accounts, of at least USD twenty million in the last financial year or averaged over the last three financial years; or</p> <p>(b) the issuer has a pre-tax profit, based on consolidated audited accounts, of at least USD one million in the last financial year or averaged over the last three financial years; or</p> <p>(c) The issuer has a post issue market capitalization of at least USD twenty five million; or</p> <p>(d) It qualifies under any other eligibility criteria specified by the Authority.</p>

<p>ELIGIBILITY CRITERIA OR CONDITIONS FOR FAST TRACK FPO ON IFSCA</p>	<p>An issuer may make follow-on public offer through the fast-track route, if the conditions mentioned below are fulfilled:</p> <p>(i) issuer has listed his equity shares on a recognized stock exchange(s) for a period of at least 18 months;</p> <p>(ii) issuer is in compliance with all the regulatory requirements specified by IFSCA and the recognised stock exchange(s) in the preceding three years;</p> <p>(iii) no show-cause notice has been issued by IFSCA and pending against the issuer or its promoters or controlling shareholders or whole-time directors;</p> <p>(iv) there is no adverse opinion, disclaimer of opinion, qualified opinion by the auditors on the financial statements of the issuer, or any of the issuer's subsidiaries or associated companies (having a material impact on the issuer's consolidated accounts), in the preceding three years;</p> <p>(v) there has not been any disclosure relating to irregularities in the issuer, having a material impact on the issuer, by any director, key managerial personnel or compliance officer.</p> <p>Note: <i>If the issuer's securities are listed for a period of less than three years then the date of listing for the purpose of clauses (b) and (d) above, shall be considered from the date of listing.</i></p>
<p>ELIGIBILITY CRITERIA FOR LISTING OF SPAC (IFSCA)</p>	<p>A SPAC is eligible to raise capital through initial public offer of specified securities on the recognised stock exchange(s), only where:</p> <p>a) the target business combination has not been identified prior to the IPO;</p> <p>b) The SPAC has the provisions for redemption and liquidation in line with these Regulations; and c) The sponsor of the SPAC has a good track record in SPAC transactions, business combinations, fund management or investment banking activities and the same shall be disclosed in the offer document.</p> <p>A SPAC shall not be eligible to list specified securities under these regulations if the issuer or any of its sponsors is:</p> <ul style="list-style-type: none"> <input type="checkbox"/> debarred from accessing the capital market; or <input type="checkbox"/> a wilful defaulter; or <input type="checkbox"/> a fugitive economic offender.
<p>ELIGIBILITY CRITERIA FOR ISSUE OF DEPOSITORY RECEIPTS IN IFSC</p>	<p>An issuer incorporated outside an IFSC shall be eligible to make an issue of depository receipts only if–</p> <p>(1) It is authorised to issue depository receipts as per the applicable laws of its home jurisdiction; and</p> <p>(2) The underlying securities represented by such depository receipts is in dematerialised form, fully paid and free from all encumbrances.</p>
<p>CONDITIONS FOR IPO OF DEPOSITORY RECEIPTS IN IFSC</p>	<ul style="list-style-type: none"> • The issue of depository receipts shall be of size not less than USD 700,000 (or equivalent in foreign currency), or any other amount as may be specified by the Authority from time to time. • The price of the DRs can be determined through consultation with the lead managers(s) or through book building process. • The initial public offer of DRs shall be kept open for at least three working days and not more than ten working days.

	<ul style="list-style-type: none"> • The listing of DRs shall be permitted only if the subscription in the offer is not less than USD 700,000 (or equivalent in foreign currency) or any other amount as may be specified by IFSCA from time to time. • The allotment, payments and refunds must be completed within 5 working days from the date of closing of the issue. • The DRs shall list on the stock exchange(s) within the period, as specified by the stock exchange(s). • <u>Secondary Listing without Public Offer</u>: An issuer, having its depository receipts listed in a jurisdiction outside IFSC, may list its depository receipts on a recognised stock exchange by filing the listing application in such form and manner as may be specified by the recognised stock exchange(s).
<p>SECONDARY LISTING OF SPECIFIED SECURITIES ON IFSC</p>	<p><u>Listing without Public Offer</u> Any company which is having its specified securities listed in India (outside IFSC) or in a Foreign Jurisdiction can list its specified securities on a recognised stock exchange(s), without public offer, if it fulfils the following conditions:</p> <p>a) It files an application in the manner as may be specified by the recognized stock exchanges(s);</p> <p>b) It fulfils the obligations/ requirements as laid down by the recognized stock exchanges(s) and also those laid down by the Authority, from time to time.</p> <p><u>Listing with Public Offer</u></p> <p>a) Any company which is having its specified securities listed in India (outside IFSC) or in a Foreign Jurisdiction can list its specified securities on a recognised stock exchange(s) by undertaking public offer.</p> <p>b) The provisions relating to appointment of lead manager, in-principle approval from recognised stock exchange(s), filing of offer document, offer timing, initial disclosures in offer document, pricing, offer period, issue size, minimum subscription, underwriting, allotment, listing, post-issue report, other responsibilities of lead manager and prohibition on payment of incentives provided for Initial Public Offers under the IFSCA (issuance and listing of securities) regulations, 2021, shall mutatis mutandis apply to secondary listing with public offer by such issuer.</p>
<p>ECB FACILITY FOR STARTUPS</p>	<p>AD Category-I banks are permitted to allow Startups to raise ECB under the automatic route as per the following framework:</p> <p><i>i. Eligibility</i> An entity recognised as a Startup by the Central Government as on date of raising ECB.</p> <p><i>ii. Maturity</i> Minimum average maturity period will be 3 years.</p> <p><i>iii. Recognised lender</i> Lender / investor shall be a resident of a FATF compliant country. However, foreign branches/subsidiaries of Indian banks and overseas entity in which Indian entity has made overseas direct investment as per the extant Overseas Direct Investment Policy will not be considered as recognized lenders under this framework.</p> <p><i>iv. Forms</i></p>

The borrowing can be in form of loans or non-convertible, optionally convertible or partially convertible preference shares.

v. Currency

The borrowing should be denominated in any freely convertible currency or in Indian Rupees (INR) or a combination thereof. In case of borrowing in INR, the non-resident lender, should mobilise INR through swaps/ outright sale undertaken through an AD Category-I bank in India.

vi. Amount

The borrowing per Startup will be limited to USD 3 million or equivalent per financial year either in INR or any convertible foreign currency or a combination of both.

vii. All-in-cost

Shall be mutually agreed between the borrower and the lender.

viii. End uses

For any expenditure in connection with the business of the borrower.

ix. Conversion into equity

Conversion into equity is freely permitted subject to Regulations applicable for foreign investment in Startups.

x. Security

- The choice of security to be provided to the lender is left to the borrowing entity.
- Security can be in the nature of movable, immovable, intangible assets (including patents, intellectual property rights), financial securities, etc. and shall comply with foreign direct investment / foreign portfolio investment / or any other norms applicable for foreign lenders / entities holding such securities. Further, issuance of corporate or personal guarantee is allowed.
- Guarantee issued by a non-resident(s) is allowed only if such parties qualify as lender under ECB for Startups.
- However, issuance of guarantee, standby letter of credit, letter of undertaking or letter of comfort by Indian banks, all India Financial Institutions and NBFCs is not permitted.

xi. Hedging

The overseas lender, in case of INR denominated ECB, will be eligible to hedge its INR exposure through permitted derivative products with AD Category - I banks in India. The lender can also access the domestic market through branches/ subsidiaries of Indian banks abroad or branches of foreign bank with Indian presence on a back-to-back basis.

Startups raising ECB in foreign currency, whether having natural hedge or not, are exposed to currency risk due to exchange rate movements and hence are advised to ensure that they have an appropriate risk management policy to manage potential risk arising out of ECBs.

xii. Conversion rate

In case of borrowing in INR, the foreign currency - INR conversion will be at the market rate as on the date of agreement.

	<p>xiii. Other Provisions</p> <p>Other provisions like parking of ECB proceeds, reporting arrangements, powers delegated to AD banks, borrowing by entities under investigation, conversion of ECB into equity will be as included in the ECB framework. However, provisions on leverage ratio and ECB liability: Equity ratio will not be applicable.</p>
<p>ECB FACILITY FOR OIL MARKETING COMPANIES</p>	<p>ECB Facility for Oil Marketing Companies</p> <ul style="list-style-type: none"> • Notwithstanding the provisions contained Public Sector Oil Marketing Companies (OMCs) can raise ECB for working capital purposes with minimum average maturity period of 3 years from all recognized lenders under the automatic route without mandatory hedging and individual limit requirements. • The overall ceiling for such ECBs shall be USD 10 billion or equivalent. • However, OMCs should have a Board approved forex mark to market procedure and prudent risk management policy, for such ECBs. • All other provisions under the ECB framework will be applicable to such ECBs.
<p>CONDITIONS FOR ISSUE OF BONUS SHARES</p> <p>(COMPANIES ACT)</p>	<p>In terms of section 63(2) of the Companies Act, 2013, company shall not capitalise its profits or reserves for the purpose of issuing fully paid-up bonus shares, unless-</p> <ol style="list-style-type: none"> a) It is authorised by its articles; b) It has been authorized by the shareholders in a general meeting of the company, on the recommendation of the Board of Directors; c) It has not defaulted in the payment of interest or principal in respect of fixed deposits or debt securities, if any issued by it; d) It has not defaulted in respect of the payment of statutory dues of the employees, such as contribution to provident fund, gratuity and bonus; e) The partly paid-up shares, if any outstanding on the date of allotment have been made fully paid up.
<p>CONDITIONS FOR ISSUE OF BONUS SHARES</p> <p>(ICDR)</p>	<p>Subject to the provisions of the Companies Act, 2013 or any other applicable law, a listed issuer shall be eligible to announce its bonus issue and issue bonus shares to its members if:</p>

	<p>It is authorised by its articles of association for issue of bonus shares, capitalisation of reserves, etc. However, if there is no such provision in the articles of association, the issuer shall pass a resolution at its general body meeting making provisions in the articles of associations for capitalisation of reserve.</p> <p>It has received approval from the stock exchanges for listing and trading of all securities.</p> <p>It has not defaulted in payment of interest or principal in respect of fixed deposits or debt securities issued by it.</p> <p>It has not defaulted in respect of the payment of statutory dues of the employees such as contribution to provident fund, gratuity and bonus.</p> <p>Any outstanding partly paid shares on the date of the allotment of the bonus shares, are made fully paid-up.</p> <p>Any of its promoters or directors is not a fugitive economic offender.</p>
<p>CONDITIONS FOR ACCEPTANCE OF DEPOSITS</p>	<p>Rule 2(1)(e) of the Companies (Acceptance of Deposits) Rules, 2014 states that a public company having a net worth of not less than one hundred crore rupees or a turnover of not less than ₹ 500 Crores and which has obtained the prior consent of the company in general meeting by means of a special resolution and also filed the said resolution with the Registrar of Companies and where applicable, with the Reserve Bank of India before making any invitation to the Public for acceptance of Deposits can accept deposits.</p> <p><i>However, such company which is accepting deposits within the limits specified under clause (c) of sub-section (1) of Section 180, may accept deposits by means of an ordinary resolution.</i></p> <p>There are a few conditions that have to be fulfilled in order for a company to accept deposits. The following is the procedure to be followed by a company to accept deposits:</p> <ul style="list-style-type: none"> • A resolution has to be passed by shareholders in a General Meeting. • The members shall be informed about the following: <ul style="list-style-type: none"> a) Financial statements of the company b) Credit rating obtained c) Total number of depositors d) Amount due to the depositors with regard to deposits collected in the past by the company • File a copy of the above information and the statements with the Registrar at least 30 days prior to the issue of the circular. • 20% of the total amount of deposits maturing in the following financial year to be deposited with a Scheduled bank in a separate account, "Deposit Repayment Reserve Account" before the 30th of April, of every year. • The company shall certify the fact that it has not defaulted on the repayment of the deposits or any payment of interest on such

	<p>deposits, whether those deposits were accepted before or after the commencement of the Act.</p> <ul style="list-style-type: none"> • In case there has been a default in the past and the company has made good the same, a period of 5 years should have passed since the default has been made good. • A security has to be provided for secured deposits; others will be treated as unsecured deposits.
<p>ENTITIES NOT ELIGIBLE TO MAKE AN IPO (ICDR)</p>	<p>(1) An issuer shall not be eligible to make an initial public offer -</p> <p>(a) if the issuer, any of its promoters, promoter group or directors or selling shareholders are debarred from accessing the capital market by the Board.</p> <p>(b) if any of the promoters or directors of the issuer is a promoter or director of any other company which is debarred from accessing the capital market by the Board.</p> <p>(c) if the issuer or any of its promoters or directors is a wilful defaulter or a fraudulent borrower.</p> <p>(d) if any of its promoters or directors is a fugitive economic offender.</p> <p>Explanation: The restrictions under (a) and (b) above shall not apply to the persons or entities mentioned therein, who were debarred in the past by the Board and the period of debarment is already over as on the date of filing of the draft offer document with the Board.</p> <p>(2) An issuer shall not be eligible to make an initial public offer if there are any outstanding convertible securities or any other right which would entitle any person with any option to receive equity shares of the issuer:</p> <p>Provided that the provisions of this sub-regulation shall not apply to:</p> <p>(a) outstanding options granted to employees, whether currently an employee or not, pursuant to an employee stock option scheme in compliance with the Companies Act, 2013, the relevant Guidance Note or accounting standards, if any, issued by the ICAI or pursuant to the Companies Act, 2013, in this regard;</p> <p>(b) outstanding stock appreciation rights granted to employees pursuant to a stock appreciation right scheme, which are fully exercised for equity shares prior to the filing of the red herring prospectus (in case of book-built issues) or the prospectus (in case of fixed price issues), as the case may be, disclosures regarding such stock appreciation rights and the scheme and the total number of equity shares resulting from the exercise of such rights are made in the draft offer document and offer document.</p> <p>(c) fully paid-up outstanding convertible securities which are required to be converted on or before the date of filing of the red herring prospectus (in case of book-built issues) or the prospectus (in case of fixed price issues), as the case may be.</p>
<p>ENTITIES NOT ELIGIBLE TO MAKE A RIGHT ISSUE</p>	<p>An issuer shall not be eligible to make a rights issue of specified securities:</p> <p>a) if the issuer, any of its promoters, promoter group or directors of the issuer are debarred from accessing the capital market by the Board;</p>

	<p>b) if any of the promoters or directors of the issuer is a promoter or director of any other company which is debarred from accessing the capital market by the Board;</p> <p>c) if any of its promoters or directors is a fugitive economic offender;</p> <p>d) if the equity shares of the issuer are suspended from trading as a disciplinary measure as on the reference date.</p> <p><i>Explanation: The restrictions under (a) and (b) above will not apply to the persons or entities mentioned therein] who were debarred in the past by the Board and the period of debarment is already over as on the date of filing of the draft letter of offer with the stock exchange(s).</i></p>
<p>QUALIFICATION & CERTIFICATION REQUIREMENTS OF INVESTMENT ADVISORS</p>	<p>Securities and Exchange Board of India (Investment Advisers) (Second Amendment) Regulations, 2025 [November 25, 2025] SEBI vide this notification has amended the Regulation 7 pertaining to Qualification and certification requirement.</p> <p>An individual investment adviser or a principal officer of a non-individual investment adviser registered as an investment adviser under these regulations or persons associated with investment advice, shall have the following minimum qualification, at all times</p> <p>a) A graduate degree or any equivalent educational qualification from a university or institution recognized by the Central Government or any State Government or a recognized foreign university or institution or association or CFA Charter from the CFA Institute, and relevant certification from NISM or from any other organization or institution accredited by NISM; or</p> <p>b) A Post Graduate Program in the Securities Market (Investment Advisory) from NISM or a Post Graduate Program in Financial Planning from NISM or any other program of NISM as may be specified by the SEBI.</p> <p>However, the investment advisers registered under these regulations as on the date of commencement of these regulations shall ensure that the individual Investment adviser or principal officer of a non-individual investment adviser registered under these regulations and persons associated with investment advice shall comply with the qualification and experience requirements within such time as may be specified by the SEBI.</p> <p>Provided further that the requirements at clauses(a) and (c) shall not apply to such existing individual investment advisers as may be specified by the SEBI.</p> <p>An individual investment adviser or principal officer of a non-individual investment adviser, registered under these regulations, persons associated with investment advice, and in case of investment adviser being a partnership firm, the partners thereof who are engaged in providing investment advice, shall obtain a fresh relevant NISM certification as specified by the Board from time to time before expiry of the validity of the existing certification or within three years from the date of registration certificate , as the case may be, to ensure continuity in compliance with certification requirements.</p>

PROCEDURES

<p>PROCEDURE FOR ISSUE OF BONUS SHARES</p>	<ol style="list-style-type: none"> 1. Send Notice of Board Meeting at least before 7 days before the date of Board Meeting. 2. In the case of listed entity, inform the Stock Exchange atleast 2 working days prior to the date of Board Meeting of the proposal to consider the Bonus Issue. 3. Convene a Board Meeting to consider the issue of bonus shares and for taking necessary steps in that regard, including fixing the date of closure of books and to fix up the date, time, place and agenda for holding a General Meeting to pass an Ordinary Resolution, or a Special Resolution, if the Articles so require, to issue bonus shares. 4. Submit the Outcome of Board Meeting within 30 minutes of the conclusion of the Board Meeting. 5. Issue a notice of General Meeting to the shareholders, Directors and Auditors at least 21 clear days. before the date of General Meeting. 6. Conduct a general meeting to consider and pass necessary resolution (special / ordinary). 7. File form MGT-14 (if special resolution passed) for alteration of articles within 30 days. 8. Permission of RBI if any required under Section 6(3)(b) of FEMA, 1999 should be obtained to allot bonus shares to Non-Resident Indians if such issue do not fall under the automatic route. 9. Obtain necessary listing and trading approval from the stock exchange. 10. To hold a Board Meeting and complete proceeding regarding allotment of the bonus shares in the proportion and in the manner as mentioned in the resolution, and as approved by the Stock Exchange. 11. File the return of allotment with the ROC in PAS—3 after paying the requisite fee within 30 days of the allotment of shares. 12. Submit an application to the Stock Exchange(s) concerned for listing the bonus shares allotted. 13. Obtain necessary approval from the NSDL and CDSL for issuing shares in demat mode. 14. In case of physical, issue the share certificates within 60 days from the date of issue.
<p>PROCEDURE FOR ISSUING ESOP BY LISTED COMPANY</p>	<ul style="list-style-type: none"> • Prepare the draft ESOP plan in accordance with the Companies Act, 2013 and Rules and SEBI (SBEB) Regulations, 2021; • Send notice of Board Meeting to all the directors atleast 7 days before the date of Board Meeting; • Hold Board Meeting to pass the resolution for the issuance of shares through ESOP, appoint the Merchant Banker and approve the notice of the General Meeting for shareholders' approval; • File the MGT-14 form with the Registrar of Companies within 30 days of passing the board resolution; • Send a notice of General Meeting to the shareholders, Directors and Auditors at least 21 clear days before the date of General Meeting; • Hold General Meeting for approval of shareholders and pass the special resolution for the issuance of shares under the ESOP to the employees; • File the MGT-14 form with the Registrar of Companies within 30 days of passing the special resolution;

	<ul style="list-style-type: none"> • Make an application to the stock exchange for obtaining in-principal approval of the stock exchange; • Issue of letter of grant of option to the eligible employees along with the letter of acceptance of option; • On receipt of letter of acceptance of option along with upfront payment (if any), from the employee issue the option certificates; • After expiry of vesting period, not less than one year, the options shall vest in the employee; • At that time, the Company shall issue a letter of vesting along with the letter of exercise of options; • Receipt to letter of exercise from the employee; • Send notice of Board Meeting to all the directors atleast 7 days before the date of Board Meeting; • Hold a Board Meeting at the suitable interval during the exercise period for allotment of shares; • Dispatch of letter of allotment along with the share certificates or credit the shares so allotted with the Depositories; • Make an application to the stock exchange for listing of the shares so allotted; and • Receipt of Listing of the shares from the stock exchange.
<p>PROCEDURE FOR ISSUANCE OF SWEAT EQUITY SHARES</p>	<ol style="list-style-type: none"> 1) Decide before convening a Board Meeting, the number of shares, their current market price and consideration, if any, and the class or classes of directors or employees to whom such of sweat equity shares are proposed to be issued. 2) Send notice of Board Meeting to all the directors atleast 7 days before the date of Board Meeting. 3) Convene a Board Meeting to consider the proposal of issue of sweat equity shares and to fix up the date, time, place and agenda for the General Meeting. 4) File e-form MGT-14 with a copy of board resolution within a period of 30 days of passing of board resolution. 5) Send a notice of General Meeting to the shareholders, Directors and Auditors at least 21 clear days before the date of General Meeting. 6) Hold the General Meeting and pass the Special Resolution by three fourths majority and file a copy of the Special Resolution with the ROC in e-Form MGT-14. 7) Convene Board meeting within 12 months of passing of special resolution to the resolution for allotment of sweat equity shares. 8) File return of allotment in e-form PAS-3 with the ROC within 30 days of the allotment. 9) In case of a listed company, to apply to the stock exchange and obtain necessary listing and trading approval for the shares so allotted. 10) In the General Meeting subsequent to the issue of sweat equity, the Board of Directors shall place before the shareholders, a certificate from the secretarial auditor of the Company that the issue of sweat equity shares has been made in accordance with the regulations and in accordance with the resolution passed by the Company authorizing the issue of such sweat equity shares.
<p>PROCEDURE FOR RAISING EXTERNAL</p>	<ul style="list-style-type: none"> • All ECBs can be raised under the automatic route if they conform to the parameters prescribed under this framework.

<p>COMMERCIAL BORROWINGS</p>	<ul style="list-style-type: none"> • For approval route cases, the borrowers may approach the RBI with an application in Form ECB for examination through their AD Category I bank. Such cases shall be considered keeping in view the overall guidelines, macroeconomic situation and merits of the specific proposals. • ECB proposals received in the Reserve Bank above certain threshold limit would be placed before the Empowered Committee set up by the Reserve Bank. The Empowered Committee will have external as well as internal members and the Reserve Bank will take a final decision in the cases taking into account recommendation of the Empowered Committee. • Entities desirous to raise ECB under the automatic route may approach an AD Category I bank with their proposal along with duly filled in Form ECB.
<p>PROCEDURE FOR MAKING RIGHT ISSUE</p>	<p>The various steps involved for issue of rights share are enumerated below:</p> <ul style="list-style-type: none"> • Check whether the rights issue is within the authorised share capital of the company. If not, steps should be taken to increase the authorised share capital. • Issue Notice of Board Meeting to all the directors of company at least 7 days before the date of Board Meeting. • Notify the stock exchange concerned the date of Board Meeting at which the rights issue is proposed to be considered at least 2 days in advance of the meeting. • Convene another Board Meeting which shall decide on the following matters: <ul style="list-style-type: none"> ➤ Quantum of issue and the proportion of rights shares. <ul style="list-style-type: none"> ○ Alteration of share capital, if necessary, and offering shares to persons other than existing holders of shares in terms of Section 62 of the Companies Act, 2013. ○ Fixation of record date. ○ Appointment of merchant bankers (not compulsory) and underwriters. ○ Approval of draft letter of offer or authorisation of managing director/ company secretary to finalise the letter of offer in consultation with the managers to the issue, the stock exchange and SEBI. • Immediately after the Board Meeting notify the concerned Stock Exchanges about particulars of Board of Directors decision. • File a draft letter of Offer with SEBI and obtain Observations (if any) and incorporate the same in the Letter offer. • Rights issue shall be kept open for at least 7 days and not more than 30 days. • File a copy of the letter of offer with the stock exchange where the shares of the company are listed and obtain the In-principle approval for listing of equity shares to be issued under the proposed Rights Issue. • Dispatch letters of offer and the Composite Application Form to shareholders by registered post. • Check that an advertisement giving date of completion of dispatch of letter of offer has been released in at least an English National Daily, one Hindi National Paper and a Regional Language Daily where registered office of the issuer company is situated and that

	<p>the shareholder can apply on plain paper if he does not receive the application form.</p> <ul style="list-style-type: none"> • The advertisement should state that applications of shareholders who apply both on plain paper and also in a composite application form are liable to be rejected. • Make arrangement with bankers for acceptance of share application forms. • Finalise the allotment in consultation with Stock Exchange. • Convene Board Meeting and make allotment of shares. • Make an application to the Stock Exchange(s) where the company's shares are listed for permission of listing of new shares.
<p>CONVERSION OF ECB INTO EQUITY</p>	<p>Conversion of ECBs, including those which are matured but unpaid, into equity is permitted subject to the following conditions:</p> <p>i. The activity of the borrowing company is covered under the automatic route for FDI or Government approval is received, wherever applicable, for foreign equity participation as per extant FDI policy;</p> <p>ii. The conversion, which should be with the lender's consent and without any additional cost, should not result in contravention of eligibility and breach of applicable sector cap on the foreign equity holding under FDI policy;</p> <p>iii. Applicable pricing guidelines for shares are complied with;</p> <p>iv. In case of partial or full conversion of ECB into equity, the reporting to the Reserve Bank will be as under:</p> <p>a. For partial conversion, the converted portion is to be reported in Form FC-GPR prescribed for reporting of FDI flows, while monthly reporting to RBI in Form ECB 2 Return will be with suitable remarks, viz., "ECB partially converted to equity".</p> <p>b. For full conversion, the entire portion is to be reported in Form FC-GPR, while reporting to RBI in Form ECB 2 Return should be done with remarks "ECB fully converted to equity". Subsequent filing of Form ECB 2 Return is not required.</p> <p>c. For conversion of ECB into equity in phases, reporting through Form FC-GPR and Form ECB 2 Return will also be in phases.</p> <p>v. If the borrower concerned has availed of other credit facilities from the Indian banking system, including foreign branches/subsidiaries of Indian banks, the applicable prudential guidelines issued by the Department of Banking Regulation of Reserve Bank, including guidelines on restructuring are complied with;</p> <p>vi. Consent of other lenders, if any, to the same borrower is available or at least information regarding conversions is exchanged with other lenders of the borrower;</p> <p>vii. For conversion of ECB dues into equity, the exchange rate prevailing on the date of the agreement between the parties concerned for such conversion or any lesser rate can be applied with a mutual agreement with the ECB lender. It may be noted that the fair value of the equity shares to be issued shall be worked out with reference to the date of conversion only.</p>

MANNER OF PROVIDING EXIT TO DISSENTING SHAREHOLDERS (SCHEDULE XX OF SEBI ICDR REGULATIONS 2018)

- ❖ The **notice** proposing the passing of special resolution for changing the objects of the issue and varying the terms of contract, referred to in the prospectus shall also contain information about the exit offer to the dissenting shareholders.
- ❖ In addition to the disclosures required under the provisions of section 102 of the Companies Act, 2013 read with rule 32 of the Companies (Incorporation) Rules, 2014 and rule 7 of the Companies (Prospectus and Allotment of Securities) Rules, 2014 and any other applicable law, a statement to the effect that the promoters or the shareholders having control shall provide an exit opportunity to the dissenting shareholders shall also be included in the explanatory statement to the notice for passing special resolution.
- ❖ After passing of the special resolution, the issuer shall submit the voting results to the recognised stock exchange(s), in terms of the provisions of regulation 44(3) of SEBI (LODR) Regulations, 2015.
- ❖ The issuer shall also submit the list of dissenting shareholders, as certified by its compliance officer, to the recognised stock exchange(s).
- ❖ The promoters or shareholders in control, shall appoint a merchant banker registered with SEBI and finalize the exit offer price in accordance with these regulations.
- ❖ The issuer shall intimate the recognised stock exchange(s) about the exit offer to dissenting shareholders and the price at which such offer is being given.
- ❖ The recognised stock exchange(s) shall immediately on receipt of such intimation disseminate the same to public within one working day.
- ❖ To ensure security for performance of their obligations, the promoters or shareholders having control, as applicable, shall create an escrow account which may be interest bearing and deposit the aggregate consideration in the account at least two working days prior to opening of the tendering period.
- ❖ The tendering period shall start not later than seven working days from the passing of the special resolution and shall remain open for 10 working days.
- ❖ The dissenting shareholders who have tendered their shares in acceptance of the exit offer shall have the option to withdraw such acceptance till the date of closure of the tendering period.
- ❖ The promoters or shareholders having control shall facilitate tendering of shares by the shareholders and settlement of the same through the recognised stock exchange mechanism as specified by SEBI for the purpose of takeover, buy-back and delisting.
- ❖ The promoters or shareholders having control shall, within a period of 10 working days from the last date of the tendering period, make payment of consideration to the dissenting shareholders who have accepted the exit offer.
- ❖ Within a period of two working days from the payment of consideration, the issuer shall furnish to the recognised stock exchange(s), disclosures giving details of aggregate number of shares tendered, accepted, payment of consideration and the post-offer shareholding pattern of the issuer and a report by the merchant banker that the payment has been duly made to all the dissenting shareholders whose shares have been accepted in the exit offer.

<p>MECHANISM OF TRADING OF DEMATERIALIZED RIGHTS ENTITLEMENTS</p>	<p>SEBI has vide its Circular dated January 22, 2020 introduced dematerialized Rights Entitlements (REs). Salient points related to dematerialized Rights Entitlements and its trading on stock exchange platform are given hereunder:</p> <ol style="list-style-type: none"> 1) In the letter of offer and the abridged letter of offer, the issuer shall disclose the process of credit of REs in the demat account and renunciation thereof. 2) REs shall be credited to the demat account of eligible shareholders in dematerialized form. 3) In REs process, the REs with a separate ISIN shall be credited to the demat account of the shareholders before the date of opening of the issue, against the shares held by them as on the record date. 4) Physical shareholders shall be required to provide their demat account details to Issuer /Registrar to the Issue for credit of REs not later than two working days prior to the issue closing date, such that credit of REs in their demat account takes place at least one day before the issue closing date. 5) REs shall be traded on secondary market platform of Stock exchanges, with T+2 rolling settlement, similar to the equity shares. Trading in REs on the secondary market platform of stock exchanges shall commence along with the opening of the issue and shall be closed at least four days prior to the closure of the rights issue. 6) Investors holding REs in dematerialized mode shall be able to renounce their entitlements by trading on stock exchange platform or off-market transfer. Such trades will be settled by transferring dematerialized REs through depository mechanism, in the same manner as done for all other types of securities.
<p>GREEN SHOE PROCESS</p>	<p style="text-align: center;">GREEN SHOE OPTION PROCESS</p> <pre> graph TD A[Company obtains shareholder approval for exercising Green Shoe Option] --> B[Appointment of Stabilizing Agent] B --> C[Agreement with Stabilizing Agent] C --> D[Agreement with promoter for borrowing shares] D --> E[Opening Special Account with Bank and Depository] E --> F[Company over allots] F --> G[Commencement of Trading] G --> H{Drop in Prices} H -- Yes --> I[Stabilizing Agent process shares from open market] I --> J[Shares borrowed are returned] J --> K[Excess in any transferred to SEBI IEPF fund] H -- No --> L[Issuer allots shares to Stabilizing Agent] L --> M[SA return shares] M --> N[Separate listing application for shares issued] </pre>
<p>ACTIVITIES INVOLVED IN THE</p>	<p>The activities involved in the entire process of execution of professional assignment are illustrated as under:</p>

<p>ENTIRE PROCESS OF EXECUTION OF PROFESSIONAL ASSIGNMENT</p>	<ul style="list-style-type: none"> ➤ Initial discussion with the promoters on the project ➤ Understanding the scope of the work and discuss about the professional charges ➤ To apprise the broad about financing norms ➤ Obtain the assignment in writing specifying the scope of work and payment terms of professional fees ➤ Send the questionnaire format to furnish the information about the project and promoters ➤ Prepare the draft report based on the information received and discuss the report point to point with promoters and incorporate their suggestion before the final report ➤ Advise the promoters to read the entire project report very carefully so that during the discussion with the FIs/Banks, they do not make any such statement which is not in conformity with what is stated in the project report, unless revised or modified ➤ Submit the proposal to more than one FI/Bank and try to obtain the in-principle clearance to avoid the rejection at later stage ➤ Arrange the meeting of the promoters with bankers ➤ Remain in touch with bankers during the preparation of their appraisal note for sanctioning authority and also on the likely terms and conditions being stipulated. At this stage we can discuss on the change in terms and conditions which are not favourable to the borrowers ➤ Try to arrange the discussion with the higher authority sanctioning the proposal. This will always help in easy sanction. ➤ If the loan proposal is sanctioned by the FI/Bank, read the terms and conditions for disbursement of the loan ➤ Pay processing fee ➤ Express thanks to all involved in the sanction process, formally or informally ➤ Comply with the terms and conditions of the sanction and execute the loan agreement and other legal document
<p>STEPS FOR VIABILITY CHECK OF A PROJECT</p>	<ul style="list-style-type: none"> • <u>Define the scope of the project:</u> This will include project's goals, objectives, and deliverables and any restrictions or limitations. • <u>Conduct a market analysis:</u> This entails investigating and evaluating the project target market, identifying possible clients, Competitors, and recent market trends. • <u>Preparing a financial plan:</u> It will include making a budget for the project, projected income and costs, and calculating the payback period. • <u>Risk assessment and understanding uncertainties:</u> This includes locating and assessing any potential risks or uncertainties that may affect the project in any way, such as governmental changes or market conditions. • <u>Report Preparation:</u> The data collected above should be compiled into a report that explains the viability study results and offers options for continuing the project. • <u>Review and feedback:</u> Presenting the report to all the stakeholders to get their input, and make any necessary adjustments.
<p>PROCESS FOR RECLASSIFICATION OF</p>	<p>(1) The status of achievement of performance benchmark shall be certified by the statutory auditor of the InvIT for reclassification of subordinate units to ordinary units and shall be reviewed by the trustee and the audit committee of the investment manager.</p>

<p>SUBORDINATE UNIT BY INVIT</p>	<p>(2) If the performance benchmark is achieved at the end of the entitlement date, including extended period, if any; the subordinate units shall be reclassified into equal number of ordinary units on a pari passu basis in accordance with the terms and conditions of subordinate units mentioned in the Term Sheet.</p> <p>Explanation 1. - The reclassification can happen for all subordinate units either together or on a piecemeal basis in accordance with the terms and conditions and on the achievement of performance benchmarks as disclosed in the Term Sheet.</p> <p>Explanation 2. - The subordinate units may be reclassified into ordinary units, in part or in full in accordance with the terms and conditions and on the achievement of performance benchmarks as disclosed in the Term Sheet.</p> <p>(3) If the performance benchmark is not achieved at the end of the entitlement date, including extended period, if any, the subordinate units shall be extinguished without any payment to the holder of subordinate units.</p> <p>(4) The board of directors of the investment manager shall consider reclassification of subordinate units into ordinary units or extinguishment of the subordinate units depending on the achievement of the performance benchmark and pass a resolution making the necessary recommendation to this effect to the trustee.</p> <p>(5) The recommendation for reclassification of the subordinate units into ordinary units or extinguishment of the subordinate units, as the case may be, shall be considered by the trustee and after ensuring compliance with the provisions of these regulations, the trustee may approve reclassification of the subordinate units into ordinary units or extinguishment of the subordinate units, as the case may be, and intimate the same to the investment manager.</p> <p>(6) Pursuant to the approval of the trustee, the investment manager shall make the necessary intimation to the recognised stock exchange, depositories and the Registrar and Transfer Agent.</p> <p>(7) The investment manager shall ensure that the record date is disclosed as part of the intimation made under this regulation, at least two working days prior to the record date, excluding the date of intimation and the record date.</p> <p>Record date here means the date from when subordinate units shall be reclassified as ordinary units.</p> <p>(8) The subordinate units upon being reclassified as ordinary units shall be listed on the recognised stock exchange(s) upon receipt of final listing and trading approval from such stock exchange(s).</p>
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DOCUMENTATION

1. DOCUMENTS TO BE SUBMITTED TO STOCK EXCHANGE FOR IN-PRINCIPLE APPROVAL FOR IPO/FPO

Along with the application for seeking in-principle approval of the Exchange to use name of the Exchange in the offer document, the following documents/information shall to be filed by the Company with the Exchange:

1. 05 copies of the draft offer document.
2. Copy of resolution passed by the Board of Directors for issue of securities and by the shareholders at the AGM/ EGM authorising the issue of securities to the public.
3. Copy of the letter vide which the draft Offer Document was filed with SEBI. Acknowledgement through which the Draft Offer Document was filed with SEBI.
4. Latest date/period up to which the information has been incorporated in the draft offer document. Date of opening of public issue to be intimated as soon as it is finalized.
5. Undertaking form BRLM(s) / Lead Manager(s) confirming that the draft offer document contains:
 - a. All material disclosures which are true and adequate to enable the applicants to take an informed investment decision;
 - b. All the disclosures that are specified under the Companies Act, 2013; and
 - c. All the disclosures that are specified under Part A of Schedule VI of the SEBI (ICDR) Regulations, 2018.
6. In case of Individuals, PAN, TAN, Bank Account Number, Passport Number of the Promoters and in case the promoter is a body corporate, PAN, bank account number, company registration number or equivalent and the address of the Registrar of Companies with which the promoter is registered.
7. Printed Balance Sheets, Profit & Loss Accounts and Cash Flow Statements for the preceding 5 years.
8. Following Certificates to be submitted by the Lead Manager(s):
 - a) A due Diligence Certificate as per Form A of Schedule V of SEBI (ICDR) Regulations, 2018 submitted to SEBI.
 - b) In case of Issue of Convertible Debt Instruments, a due diligence certificate from the debenture trustee as per Form B of Schedule V of SEBI (ICDR) Regulations, 2018.
9. A statement containing particulars of the dates of, and parties to all the material contracts, agreements, concessions and similar other documents (except those entered into in the ordinary course of business carried on or intended to be carried on by the company) together with a brief description of the terms, subject matter and general nature of the documents. The copies of the aforesaid material contracts or documents which are received/ executed/ in-hand should be kept ready and be available for inspection. The Company should also state the place, time and date where these documents can be inspected.
10. Name of the exchange which is proposed to be designated by the Company as the lead exchange, for the purposes of approval of the basis of allotment, ~~and for depositing the security deposit as required under the listing conditions of the exchanges. (requirements of keeping security deposit has been discontinued by sebi)~~
11. Copy of Form 32/DIR 12 filed with the ROC for appointment of directors and company secretary.
12. Memorandum & Articles of Association of the Company.
13. Confirmation from the Issuer Company and BRLM(s)/ Lead Manager(s) confirming that:
 - The Company is eligible to make an issue under SEBI (ICDR) Regulations, 2018 and is in compliance with Regulation 5 and 7 of said regulations.
 - The Company is in compliance with all the eligibility criteria of the Exchange for listing on Main Board.
 - The Company is in compliance with the eligibility requirement for an IPO as laid down under Regulation 6(1) or Regulation 6(2) of SEBI (ICDR) Regulations 2018 as may be applicable. Further in case of issues filed under Regulation 6 (2) of SEBI (ICDR) Regulations 2018, and the applicant company will allot at least 75% of the net offer to Qualified Institutional Buyers and will refund the full subscription money if it fails to do so.

- In case of offer for sale of shares in proposed IPO by the existing shareholders, the selling shareholders are in compliance with the Additional Conditions for an Offer for Sale laid down under Regulation 8 of SEBI (ICDR) Regulations, 2018.
 - There are no restrictive clauses in the Articles of Association of the Company.
 - The provisions of the Memorandum and Articles of Association are not inconsistent with the clauses of the Listing agreement or any other applicable law, Rules or Regulations.
 - For the proposed IPO, the company has complied with all the statutory requirements including requirements of the Companies Act, 2013, SEBI Act, 1992, RBI Guidelines, SEBI (ICDR) Regulations, 2018 etc. and no statutory authority has restrained the company from issuing its securities to public through IPO.
14. The company has appointed <name > as compliance officer in term of Regulation 23(8) of SEBI (ICDR) Regulations, 2018 and his contact details are given hereunder: <Provide contact details>.
 15. A certificate from the statutory auditor/practicing chartered accountant certifying compliance of conditions of Corporate Governance as stipulated SEBI (LODR) Regulations, 2015. The company should also give the composition of various committees as required under the said clause.
 16. Complete details of any outstanding ESOP and other employee benefit schemes and a confirmation from Merchant Bankers & Statutory Auditor that said schemes are in compliance with the requirement of the SEBI (SBEBSE) Regulations, 2021.
 17. The Company shall undertake to inform the Exchange forthwith of any material development which takes place after the filing of the application with the Exchange but prior to the issue of the in-principle approval that may render the information provided to the Exchange incorrect or out dated or which otherwise has a bearing on the proposed issue of securities.
 18. If Company had filed the IPO documents with BSE in past , kindly provide details of the same. Also, provide following details of its listed group companies:
 1. Name of the Company
 2. ISIN Number
 3. Name of the Exchange, where it is listed
 4. Scrip Code/Scrip Symbol
 5. If under suspension Reason for suspension.
 19. Processing Fees
 20. Undertaking from MD/ CS/ Compliance Officer of the company stating:
 - a) We hereby confirm that the company or its promoters or whole time directors are not in violation of the provisions of the SEBI Delisting Regulations, 2021.
 - b) We hereby confirm that the company, its promoters, its directors are not in violation of the restrictions imposed by SEBI under SEBI circular no. SEBI/HO/MRD/DSA/CIR/P/2017/92 dated August 01, 2017.
 - c) The dividend entitlement for the current year for all the existing shares including the shares issued in the public issue shall rank pari-passu.

2. DOCUMENTS TO BE SUBMITTED ON T+2 DAYS (I.E. WITHIN 2 WORKING DAYS FROM THE CLOSURE OF THE ISSUE) FOR IPO/FPO

Documents to be submitted on T+2 days (i.e. within 2 working days from the closure of the issue)

- 1) All due diligence certificates with SEBI by Merchant banker(s).
- 2) Observation Letter issued by SEBI pursuant to filing of draft offer document.
- 3) List of authorized signatories along with their specimen signatures.
- 4) Confirmation from Lead Managers that devolvement notices have been sent to underwriters (applicable if the issue has devolved).
- 5) Certificate from the BRLM(s) that the issue has received minimum subscription as specified under Regulation 45 (1) of SEBI (ICDR) Regulations, 2018.
- 6) Confirmation from the company regarding the email ID for Investor Grievances as per Regulation 46 of SEBI (LODR), Regulations, 2015.

- 7) Copies of all advertisements published in connection with the issue upto T+1 stage.
- 8) Confirmation from the company stating that they have obtained authentication for SCORES from SEBI as per Regulation 13 of LODR Regulations, 2015.

3. DOCUMENTS TO BE SUBMITTED ON T+3 DAYS (I.E. WITHIN 3 WORKING DAYS FROM THE CLOSURE OF THE ISSUE) FOR IPO/FPO (BASIS OF ALLOTMENT STAGE)

- 1) One soft Copy of final prospectus filed with ROC along with its acknowledgement copy.
- 2) Proceeding details / minutes of basis of allotment, verified and signed by R & T Agent, BRLM (Responsible for post issue) and the Issuer along with the reasons for exception to rejection cases.
- 3) Category wise, summary of list of “technical rejection” cases Specifying - Application No., Category, Name & Add., Pan #, DP ID, CL ID, Quantity, price Amount and reason for rejection.
- 4) Copy of the statutory advertisement released in respect of the public issue / offer for sale, opening and closing of the issue, price revision, if any etc. upto the stage of basis of allotment.
- 5) Auditor’s certificate for the following:
 - (a) Receipt of the minimum promoter’s contribution, if applicable with date and amount.
 - (b) If minimum promoter’s has been brought in by alternative investment funds or foreign venture capital investors or scheduled commercial banks or public financial institutions or insurance companies registered with Insurance Regulatory and Development Authority of India, as specified under Regulation 14(1) of SEBI (ICDR) Regulation, 2018, bifurcation of the same shall be provided with date of receipt of the same from each of the party with percentage to the post issue capital. Further, a confirmation that the same is in compliance with the requirement of SEBI (ICDR) Regulations, 2018.
- 6) Declaration from the Managing Director / Company Secretary that there is no injunction / prohibition order of a competent court of law on the issue or on a part of any particular category of the issue.
- 7) Confirmation that:
 - Only QIBs as mentioned under the definition in SEBI ICDR, regulation 2018 are proposed to be allotted equity shares under QIB category.
 - No QIB has Bid and proposed to be allotted equity shares under non-QIB or retail category.
- 8) The Basis of allotment has been prepared in compliance with SEBI (ICDR) Regulations, 2018 and for its issue the company has complied with said regulation and all other statutory requirement.
- 9) Verification of all the final certificates issued by the controlling branch and the same have been found in order.
- 10) The validation of the electronic bid details with the depository’s records for DP ID, client ID and PAN.
- 11) If Approval from SEBI is sought for relaxation in PAN mismatch applications, then copy of SEBI approval letter as well as the true copy of request letter to SEBI, should be submitted.

4. DOCUMENTS TO BE SUBMITTED BEFORE T+4 DAYS (I.E. WITHIN 4 WORKING DAYS FROM THE CLOSURE OF THE ISSUE) FOR IPO/FPO

- 2) Letter of listing application.
- 3) Listing Agreement as per SEBI (LODR) Regulations, 2015 duly executed on non-judicial stamp paper along with certified true copy of the resolution passed by the Board of Directors for authorizing officer to sign and execute the listing agreement.
- 4) Certified true copy of the resolution passed by the Board of Directors for allotment of securities (the resolution should specifically make a mention of total number of Securities allotted/allocated by the issuer).

- 5) Certificate from statutory Auditors/Practicing Chartered Accountant/ Practicing Company Secretary stating that:
- Allotment has been made as per the basis of allotment approved by the Designated Stock Exchange.
 - The share certificates corresponding to equity Securities under lock in have been encased with non- transferability condition, as per format given below:

Number of Securities	Distinctive numbers range		Lock-in-Date	
	From	To	From	To

- Allotment of shares from the employees' quota has been made to permanent/regular employees of the company and of the promoter companies, as on the date of the opening of the public issue and who are entitled to such allotment.
- 6) If Pre-IPO shares are held in physical form, then confirmation from RTA to the issue that the Pre- IPO shares held in physical form are locked-in in their system upto the dates mentioned as per the table shown below. Further, the RTA should confirm that as and when the physical share certificates, if received for dematerialization will be locked in upto the dates as mentioned below:

Number of Securities	Distinctive numbers range		Lock-in-Date	
	From	To	From	To

- Lock-in confirmation from depositories for pre-IPO equity shares held in dematerialized form.
- In case Securities issued (including anchor investors) in dematerialized form are under lock-in, then a certificate from the depositories must be furnished stating that the Securities are under lock-in confirming the date upto which they are under lock-in (applicable only in cases where the equity Securities issued are under lock in).
- Shareholding pattern of company (pre issue, issue and post issue) in format given as per Regulation 31 of SEBI (LODR), Regulations, 2015 with PAN. **Also provide Post issue shareholding pattern (without PAN).**
- Copies of all statutory advertisements published till date.
- Certification of Compliance with Regulation 17-27 of the SEBI (LODR) Regulations, 2015 relating to Corporate Governance and **if there is any change after In-Principle Approval kindly highlight the same.**
- Details of Current Issue in the format showing category-wise Gross, Valid & Allotted applications & equity shares.
- Initial Listing Fees, Annual Listing Fees.
- Confirmation from the issuer for the following:
 - o That the copies of all advertisements published as regards the present issue have been submitted to the Exchange.
 - o That the issuer is compliant with the requirement of common agency as specified by SEBI.
 - o That all securities required to be under lock-in are subjected to lock-in, as mentioned in Offer Document for the issue.
- Certified true copy of the additional material contracts and documents (mentioned in the final offer document/ Prospectus) which have not been submitted earlier with the Exchange including SEBI observation letter. **(Soft copy for all the material contracts and documents)**
- Confirmation from the Lead Manager and Issuer confirming that the issue in compliance with all requirements of Companies Act, 2013, SEBI (ICDR) Regulations, 2018 and any other applicable law(s), Rules and Regulations and no statutory authority has restrained the Company from issuing and listing of shares pursuant to present issue.
- Soft copy of total securities issued by the Issuer (in MS-Excel & pdf file format only thru email).

- 18) List of all allottees, addresses, category wise & sub-category wise, (QIB/HNI/Retail/Reserved category) along with number of shares applied, allotted, amount paid, bank account details, PAN number, Demat account details etc.
- 19) Confirmation from the company stating that they have obtained authentication for SCORES from SEBI as per Regulation 13 of SEBI (LODR) Regulations, 2015.
- 20) Confirmation from RTA on the total quantum of non-syndicate member(NSM) commission payable as per SEBI circular CIR/CFD/14/2012 dated Oct. 4, 2012 in the captioned issue. The calculation format for determining the quantum of commission should be as per the aforesaid SEBI circular.
The commission payment instruction - dat file format has to be forwarded from the RTA/Issuer/BRLM once the NSM commission calculation process is completed.
- 21) Confirmation from the issuer on the transfer of the NSM commission amount to the Bank Account of the Exchange.
- 22) Confirmation from the issuer on the transfer of the NSM commission amount to the Bank Account of the Exchange.
- 23) Date of Listing & Scrip Symbol (max 10 alphabets).
- 24) Undertaking from MD/ CS/ Compliance Officer of the company stating:
 - a) "We hereby confirm that the company or its promoters or whole time directors are not in violation of the provisions of the SEBI Delisting Regulations, 2021."
 - b) "We hereby confirm that the company, its promoters, its directors are not in violation of the restrictions imposed by SEBI under SEBI circular no. SEBI/HO/MRD/DSA/CIR/P/2017/92 dated August 01, 2017."
- 25) CIN, PAN, TAN & GSTIN of the Company.
- 26) DIN & PAN of Promoters and Directors.

5. DOCUMENTS TO BE SUBMITTED BEFORE T+5 DAYS (I.E. WITHIN 5 WORKING DAYS FROM THE CLOSURE OF THE ISSUE) FOR IPO/FPO

2. Certified true copy of the letter from Registrars and lead manager regarding dispatch of share/ debenture/ warrant certificates, allotment advice, refund orders, underwriting commission, uploading of electronic credit of Securities, uploading of ECS/NEFT/RTGS credits and brokerage warrants.
3. Confirmation from the depositories regarding the credit of beneficiary accounts of the security holders.
4. Certificate from the Registrar reconciling the total securities allotted with the total securities credited, and securities that have failed to be credited.
5. Basis of allotment advertisement.

6. DOCUMENTS TO BE SUBMITTED FOR SEEKING IN-PRINCIPLE APPROVAL FOR RIGHT ISSUE

The following document should be submitted to obtain in-principle approval for the proposed Rights issue:

- 1) Covering letter making application for In-principle approval for the proposed Rights issue of the company.
- 2) Certified true copy of the resolution passed by the Board of Directors for issue of securities under proposed rights issue/ approving the proposed fast track rights issue.
- 3) Certified true copy of the resolution passed by the Shareholders, if any;
 - a. for issue of securities under proposed rights issue/ fast track rights issue.
 - b. increase in the authorised share capital (if required).
- 4) Permanent Account Number, bank account number and passport number of its promoters where they are individuals, and Permanent Account Number, bank account number, company registration number or equivalent and the address of the Registrar of Companies with which the promoter is registered, where the promoter is a body corporate.

- 5) Undertaking from the Company Secretary/Compliance Officer of the issuer as per the following format:

“Neither the issuer nor any of its promoters or directors is a wilful defaulter as defined SEBI (ICDR) Regulations, 2018”; OR

“<Name of the issuers / <name>, the promoter(s) of the issuer / <name> the director(s) of the issuer is a wilful defaulter as defined under SEBI (ICDR) Regulations, 2018 and disclosures in this regard has been made at <place of disclosures.as per the format given in said regulation.”

- 6) Certificate from all Lead Manager/Merchant Banker confirming the following:
- a) The issuer is eligible to make a rights issue of securities under SEBI (ICDR) Regulations, 2018;
 - b) For the proposed rights issue the issuer has complied with all the statutory formalities including the requirements of Companies Act, 2013, SEBI (ICDR) Regulations, 2018 etc. and no statutory authority has restrained the company from coming up with the proposed rights issue.
- 7) Compliance with Regulation 99 (in case of fast track rights issue).
- 8) 10 Copies of Draft Letter of Offer along with a soft copy on CD.
- 9) Processing fees.

7. LIST OF DOCUMENTS TO BE SUBMITTED FOR FINALIZING BASIS OF ALLOTMENT FOR RIGHT ISSUE

Company has to finalise the basis of allotment, and submit the documents as under, within 10 days from closure of the issue:

- 1) Bid data of Exchanges other than the designated stock exchange.
- 2) All rejections application along with Summary statement (1 set photocopy to be submitted).
- 3) Certified copies of all Bank final certificates (ASBA & NON ASBA).
- 4) Minutes of Basis of allotment duly signed by all the Lead Manager, Registrar and the Company.
- 5) Basis of allotment sheet for each category.
- 6) Round summary in case of over subscription, in hard as well as soft format.
- 7) Copy of post issue initial monitoring report filed with SEBI (3 days monitoring report).
- 8) Undertaking from Lead Manager, Company and the Registrar.
- 9) Pre Allotment shareholding and Post proposed Allotment Shareholding pattern as per Regulation 31 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.
- 10) The calculation of ex right price by the Statutory Auditor/ Practicing Company Secretary/ Practicing Chartered Accountant, if not available in the offer document.

8. LIST OF DOCUMENTS TO BE SUBMITTED FOR SEEKING LISTING APPROVAL FOR RIGHT ISSUE

The company should submit the letter of application along with the following documents / formalities:

- 2) Listing Application for all types of securities issued on rights basis should be submitted.
- 3) Certified copy of the resolution passed by the Board of Directors for allotment of securities on Right Basis.

- 4) Shareholding pattern for pre and post issue as per the format prescribed under Regulation 31 of the SEBI (LODR) Regulations, 2015 for all types of securities issued on Rights basis.
- 5) A certified copy of Basis of Allotment as approved by Designated Stock Exchange should be filed.
- 6) Auditors/Practicing CA/CS certificate that allotment has been done as per basis of allotment approved by the designated stock exchange.
- 7) The total number of securities allotted in the physical category and in Demat (CDSL & NSDL Separately) with category wise distinctive numbers should be filed.
- 8) An undertaking from the Managing Director/Compliance Officer certifying that all the documents filed by the Company with the Exchange are same/similar/identical in all respect with the documents filed by the Company with Register of Companies/SEBI/RBI/FIPB in respect of the allotment/enlistment of the aforesaid rights share on the Exchange, and that the company has complied with all the legal and statutory formalities and no statutory authority has restrained the company from issuing and allotting the securities on rights basis.
- 9) Undertaking from the Company Secretary/Compliance Officer of the issuer as per the following format:
 - “The company or its promoters or whole time directors are not in violation of the provisions of the SEBI Delisting Regulations, 2021”.
 - “We hereby confirm that the company, its promoters, its directors are not in violation of the restrictions imposed by SEBI under SEBI circular no. SEBI/HO/MRD/DSA/CIR/P/2017/92 dated August 01, 2017.”
 - For the proposed rights issue, the issuer has complied with all the statutory formalities including the requirements of Companies Act, 2013, SEBI (ICDR) Regulations, 2018 etc. and no statutory authority has restrained the company from coming up with the proposed rights issue.
- 10) Undertaking from the Compliance Officer of the issuer as per the following format:
 “Neither the issuer nor any of its promoters or directors is a wilful defaulter as defined under SEBI (ICDR) Regulations, 2018”; OR

“<Name of the issuer> / <name>, the promoter(s) of the issuer / <name> the director(s) of the issuer is a wilful defaulter as defined under SEBI (ICDR) Regulations, 2018 and disclosures in this regard has been made at <place of disclosure>.as per the format given in said regulation.”

- 11) Annual Listing fees.

9. LIST OF DOCUMENTS TO BE SUBMITTED FOR SEEKING IN-PRINCIPLE APPROVAL FOR PREFERENTIAL ISSUE

Covering letter for “In-principle approval” for issue and allotment of Securities on a preferential basis under Regulation 28(1) of the SEBI (LODR), Regulations, 2015.

2. Certified copy of the resolution passed by the Board of Directors of the company for the proposed preferential issue.

3. Printed copy of notice of AGM/EGM.

4. Where allotment is:

I) for consideration other than cash:

- a) Certified copy of valuation report;
- b) Certified copy of Shareholders Agreements;
- c) Certified copy of approval letters from FIPB and RBI if applicable.

II) pursuant to a resolution plan approved by NCLT under Insolvency and Bankruptcy Code, 2016 (IBC)/ CDR Scheme/ Order of High Court/ BIFR

- a) Certified copy of resolution plan approved by NCLT under IBC (Extract of the relevant resolution) / relevant scheme/ order.

III) pursuant to conversion of loan of financial institutions:

a) Certified copy of the Loan Agreement executed by the company.

5. Brief particulars of the proposed preferential issue.

6. In case if the prior holding of the allottee is under pledge with banks/ financial institution(s), company needs to provide an undertaking/ confirmations from the banks/ financial institutions, company and allottee(s).

7. Confirmation by the Managing Director/ Company Secretary.

8. Certificate from Statutory Auditors/ Practicing Chartered Accountant/ Practicing Company Secretary.

9. Pricing certificate by Statutory Auditor/ Practicing Chartered Accountant/ Practicing Company Secretary.

10. Non-refundable processing fees.

11. Brief particular of the proposed preferential issue.

12. Shareholding pattern of the company pre and post proposed preferential issue.

10. LIST OF DOCUMENTS TO BE SUBMITTED FOR SEEKING LISTING APPROVAL FOR PREFERENTIAL ISSUE

Documents required for granting listing approvals, for the equity shares issued on a preferential basis:

- 1) Covering letter for listing approval of equity shares issued and allotted on preferential basis.
- 2) Letter of Application (i.e. by Listed companies applying for listing of further issue) duly completed.
- 3) Brief particular of the new securities issued .
- 4) Certified copy of the resolution passed by board of directors for allotment of equity shares along with depository confirmation for the credit of securities in dematerialized form.
- 5) Certified copy of the resolution passed by board of directors for allotment of convertible instrument, applicable only where the allotment of equity shares is pursuant to conversion of convertible instrument.
- 6) Certified copy of the resolution passed by the shareholders of the Company approving the allotment on preferential basis and the resolution passed for increasing the authorized capital wherever applicable.
- 7) Shareholding Pattern as per the format prescribed under Regulation 31 of the SEBI (LODR), Regulations, 2015 giving details pre and post allotment.
- 8) Certified copy of the compliance certificate from the Statutory Auditor placed before the shareholders in the general meeting.
- 9) Certificate from Statutory Auditor of the company for receipt of funds.
- 10) Certificate from the Statutory Auditors/ Practicing Chartered Accountant/ Practicing Company Secretary for compliance.
- 11) Certificate from the Managing Director/Company Secretary of the company.
- 12) Confirmation for authentication on SEBI for SCORES.
- 13) Certified copy of the order passed by Hon'ble NCLT/ Hon'ble High Court/ BIFR/ Copy of NCLT approved resolution plan/scheme approved by CDR, if applicable.
- 14) Details of Processing fee/ Additional listing fee, if applicable, to be paid on the enhanced capital.

11. LIST OF DOCUMENTS TO BE SUBMITTED FOR SEEKING IN-PRINCIPLE APPROVAL FOR QUALIFIED INSTITUTIONAL PLACEMENT

Documents required for granting approvals under Regulation 28(1) of SEBI (LODR), 2015, for the companies coming out with Qualified Institutions Placement (QIPs) - Prior Approval:

1. Covering letter making application for prior In-principle approval for the proposed QIP issue of the company inter alia including the following points:

a) Whether the proposed QIP issue is for the fresh issue of shares / securities OR an offer for sale of equity shares by the promoter of the company to comply with minimum public shareholding requirement specified under Securities Contracts (Regulation) Rules, 1957 with required details;

b) whether Company intends to give discount to the investors as per SEBI (ICDR) Regulation, 2018.

2. Copy of the two days prior intimation given by the company to the Exchange about the proposed meeting of the Board of Directors in which fund raising by way of QIP issue is specifically mentioned as required under Regulations 29(1) and (2) of Listing Regulations.

3. Certified true copy of the resolution passed by the Board of Directors of the Company approving the placement of securities with Qualified Institutional Buyers (QIBs) under the SEBI (ICDR) Regulations, 2018.

4. Copy of the notice sent to the shareholders of the company inter alia seeking approval for the proposed QIP issue, if applicable.

5. Certified true copy of a special resolution approving the qualified institutions placement has been passed by its shareholders, if applicable.

The special resolution shall specifically include the following points:

a) The allotment is proposed to be made to QIBs through Qualified Institutions Placement in accordance with Chapter VI of SEBI (ICDR) Regulations, 2018.

b) Discount is proposed to be given to the QIBs in terms of Chapter VI of SEBI (ICDR) Regulations, 2018, if company is opting for the same.

c) Relevant date referred to in Regulation 171 (b)(ii) of SEBI (ICDR) Regulations, 2018.

6. Draft placement document for issue of specified securities to QIBs. The placement document required to be prepared in accordance with SEBI (ICDR) Regulations, 2018, shall contain disclaimer in bold capital letters to the effect that **“the placement is meant only for QIBs on a private placement basis and is not an offer to the public or to any other class of investors.”**

7. Abridged shareholding pattern of the Company without Annexures.

8. Due diligence certificate from the Merchant Bankers to the issue inter alia stating that the proposed issue of (Name of the Company) ____, is being made in compliance with Chapter VI of SEBI (ICDR) Regulations, 2018 and the _____ (Name of the Company)___ complies with the requirements of Chapter VI of SEBI (ICDR) Regulations, 2018.

9. Confirmation by the Managing Director/ Company Secretary stating:

- The Company complies with the provision of Regulation 29(1) and (2) of the SEBI (LODR) Regulations, 2015.

- The placement of specified securities to the Qualified Institutional Buyers has been made in accordance with Chapter VI of SEBI (ICDR) Regulations, 2018.

- The equity shares arising pursuant to the Qualified Institutions Placement shall rank pari passu in all respects including dividend entitlement with the existing equity shares of the Company.

- The Company shall upload the placement document on its website with appropriate disclaimer to the effect that the placement is meant only for QIBs on private placement basis and is not an offer to the public or to any other class of investors.

- For the proposed QIP issue, the company has complied with all the statutory requirements including requirements of the Companies Act, 2013, SEBI (ICDR) Regulations, 2018, RBI etc. and no statutory authority has restrained the company from issuing said securities.
- The company or its promoters or whole time directors are not in violation of the provisions of the SEBI Delisting Regulations, 2021.
- The company, its promoters, its directors are not in violation of the restrictions imposed by SEBI under SEBI circular no. SEBI/HO/ MRD/DSA/CIR/P/2017/92 dated August 01, 2017.”
- None of the promoters or directors of an issuer are fugitive economic offender as defined under Regulation 2(1) (p) of SEBI (ICDR) Regulations, 2018.

10. The particulars of other issues (in sequential order) in respect of which approvals are pending with the Exchange.

11. Processing Fee.

12. LIST OF DOCUMENTS TO BE SUBMITTED FOR SEEKING LISTING APPROVAL FOR QUALIFIED INSTITUTIONAL PLACEMENT

Documents required for granting listing approvals, for the securities issued by the companies under Qualified Institutions Placement (QIPs) - Post Allotment:

- 1) Letter of Application (i.e. by Listed companies applying for listing of further issue) duly completed along with Distribution Schedule pre and post allotment.
- 2) Certified true copy of the Board resolution in which the securities were allotted.
- 3) List of allottees and the number of equity shares allotted to them should be filed with the Stock Exchange.
- 4) List of allottees who have been allotted more than 5% of the securities offered in the issue giving details such as name of the allottees, nos. of equity shares allotted, % of the issue size, etc. and the number of equity shares.
- 5) Shareholding Pattern Form duly completed with relevant enclosures giving details before and after the issue.
- 6) Additional listing fee, if applicable, to be paid on the enhanced capital as per the enclosed schedule of listing fee.
- 7) Confirmation by the Managing Director/ Company Secretary.
- 8) PCA/PCS Certificate confirming the floor price and receipt of funds against the placement pursuant to QIP issue.
- 9) Due diligence certificate from the Merchant Bankers that the placement of securities issued to QIBs by (Name of the Company) has been made in compliance with Chapter VIII of SEBI (ICDR) Regulations, 2009 and the (Name of the Company) complies with the requirements of SEBI (ICDR) Regulations, 2018.
- 10) Confirmation from the post-issue Merchant Banker giving summary of bids received and details of allocations made to QIBs.
- 11) Certified true copy of the final Placement Document along with soft copy in pdf format.
- 12) Detail terms and conditions of the NCDs/ securities which are convertible into or exchangeable with equity shares, as may be applicable. Also provide the reconciliation of such outstanding securities.
- 13) List of allottees in excel in following format (Clubbing multiple allottees as single allottee if they are under same control or group as per SEBI (ICDR) Regulations, 2018:

13. LIST OF DOCUMENTS TO BE SUBMITTED FOR SEEKING IN-PRINCIPLE APPROVAL FOR LISTING UNITS OF AIF SCHEME

Certified true copy of the following agreements/documents:

- Draft Information/Placement memorandum. Hard as well as soft copy
- Investment Management Agreement. (In case of 1st Listing)

- Certification of registration of Alternative Investment Fund issued by SEBI. (In case of 1st Listing)
- Custodian Agreement. (In case of 1st Listing)
- R & T Agreement. (In case of 1st Listing)
- Trust Deed (if applicable)
- Memorandum & Articles of Association of the issuer. (in case of 1st listing)
- Resolution passed by trustee in case of AIF is established as trust or board of directors in case AIF is established as Company or by partners in case AIF is established as a Limited Liability partnership at their meeting approving listing of units of close ended AIF on the BSE Ltd.
- An undertaking from the CEO/compliance officer that AIF is in compliance with SEBI (Alternative Investment Funds) Regulations, 2012 as amended and all the other applicable laws.

14. LIST OF DOCUMENTS TO BE SUBMITTED FOR LISTING OF UNITS OF AIF (POST ALLOTMENT OF UNITS)

Certified true copy of the following agreements/documents:

- Letter of Application for listing of units of Scheme.
- Details of the applicant (In case of 1st Issue/Listing) and Issue Details.
- Certified True Copy of observations/comments received from SEBI on the/placement Memorandum/ Scheme Information Document (SID).
- Certified true copy of the Final Placement Memorandum/Scheme Information Document (SID) (soft copy also required).
- Unit holding pattern of Unit holders of the Scheme.

Scheme Name	Option	Mode of Issue	ISIN	Symbol	Date of allotment	Number of Units	Face Value	Issue Price	Date of Redemption
				Grand Total No. of Units					

- Confirmation from the CEO/Compliance officer regarding allotment of units and the actual no. of units allotted.
- Statement of Collection details.
- Listing Agreement (In case of 1st Listing) as per SEBI LODR Regulations.
- Confirmation from CEO/Compliance officer regarding compliance with the provisions of SEBI (Alternative Investment Funds) Regulations, 2012 including subsequent amendments thereof and SEBI circulars issued in this respect.
- Confirmation from NSDL and CDSL (ISIN activation).
- Confirmation from RTA on the final number of units to be allotted with NSDL, to be allotted with CDSL and to be issued under physical form.
- Undertaking from the RTA on the units considered under switches that they have debited the units from the respective schemes and credited the applicable units in this scheme (if applicable).
- Confirmation received from NSDL/CDSL for credit.
- Confirmation from RTA regarding dispatch of Certificates/Account statement/refund order.
- Annual listing fees plus Applicable Taxes.

15. LIST OF DOCUMENTS TO BE SUBMITTED FOR IN-PRINCIPLE APPROVAL (PRE-ISSUE) FOR ESPS/ESOS/SAR/GEBS/RBS (JUNE 2024 EXAMS)

Checklist - Prior In-principle under Regulation 28(1) of the SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015 for ESPS/ESOS/SARS/GEBS/RBS:

1. Certified copy of Stock Option/Stock Purchase Scheme/ Stock Appreciation Rights Scheme/ General Employee Benefits Scheme/ Retirement Benefit Schemes, certified by the Company Secretary.
2. Certified copy of statement to be filed with the Stock Exchange as required under Regulation 10(b) of the SEBI (SBEBSE) Regulations, 2021.
3. Certified true copy of the notice of AGM/EGM for approving the Scheme/for amending the Scheme/ for approving grants under Regulation 6 of the SEBI (SBEBSE) Regulations, 2021, certified by the Company Secretary.
4. Certified true copy of special resolution along with the explanatory statement passed by the shareholders of the Company approving/ amending the Scheme.
5. Certificate of Secretarial Auditors on compliance with SEBI (SBEBSE) Regulations, 2021.
6. Certificate of Merchant Banker on compliance with SEBI (SBEBSE) Regulations, 2021.
7. List of Promoters as defined under the SEBI (SBEBSE) Regulations, 2021.
8. Details of employee (wherever applicable) -
 - a) Who have been granted options/issued shares in excess of 5% of option/shares issued in one year.
 - b) Who have been granted options/issued shares equal to or exceeding 1% of issued capital during any one year.
9. Copy of latest Annual Report.
10. Confirmation from the Company.
11. Undertakings as required by SEBI.
12. Reconciliation statement.
13. Certified true copy of irrevocable trust deed.
14. Certified true copy of Disclosure document (applicable only for ESOS and SARS).
15. Processing fees.

16. LIST OF DOCUMENTS TO BE SUBMITTED FOR LIST & TRADING APPROVAL (POST ALLOTMENT) FOR ESOS/ESOS/SAR/GEBS/RBS

Documents required for listing of equity shares issued pursuant to exercise of options granted under ESOS/ ESOS/ SARS/GEBS/RBS:

- 1) Letter of application and listing application.
- 2) Certified true copy of Statement as per the format prescribed under Regulation 10(c) of (SBEBSE) Regulations, 2021.
- 3) Applicable Additional Listing Fees.
- 4) A certified copy of the resolution passed by the Board of Directors in which the company has allotted these shares.
- 5) Certificate for receipt of money from the Statutory Auditors/Practicing Company Secretary/ Practicing Chartered Accountant specifically certifying that the company has received the application/allotment monies from the applicants of these shares. For other than ESOS, in case the company opt to submit the above certificate on a quarterly basis the same should be mentioned in the application.
- 6) List of allottees specifying the name of the allottee, number of shares allotted.
- 7) NSDL/CDSL credit and/or dispatch of physical certificate confirmation by the R & T agent.
- 8) Certificate from statutory auditors that the issue is in compliance with SEBI (SBEBSE) Regulations, 2021 and the shares are under lock-in as per the SEBI (SBEBSE) Regulations, 2021.
- 9) Statement of reconciliation from the Company Secretary/Compliance Officer/Authorised signatory showing number of shares for which the in-principle approval was taken and no. of shares allotted, date of allotment and the balance outstanding.
- 10) Undertaking from the Company Secretary/Compliance Officer/ Managing Director of the issuer as per the following:
 - i) The Company has complied with the provisions of SEBI (SBEB) Regulations, 2021 as amended from time to time and also with SEBI circulars issued thereunder.

ii) The company has complied with all the legal and statutory formalities and no statutory authority has restrained the company from issuing and allotting the above referred shares.
iii) The Company has received the share application money (against exercise of options granted under the <Name of the Scheme under which such options were granted> of the Company.

iv) The company or its promoters or whole-time directors are not in violation of the provisions of Regulation 34 of the SEBI Delisting Regulations, 2021.

v) We hereby confirm that the company, its promoters, its directors are not in violation of the restrictions imposed by SEBI under SEBI circular no. SEBI/HO/MRD/DSA/CIR/P/2017/92 dated August 01, 2017.

17. LIST OF DOCUMENTS TO BE SUBMITTED FOR IN-PRINCIPLE APPROVAL (PRE-ISSUE) FOR ISSUE OF ADR/GDR/FCCB

Documents required for granting approval under Regulation 28(1) of the SEBI (LODR), Regulations, 2015, for companies proposing to come out with issue of GDRs/ADRs/FCCBs:

1. Certified true copy of the resolution passed by the Board of Directors of the Company approving the issue of the GDRs/ADRs/FCCBs.
2. Copy of the notice sent to the shareholders of the company.
3. Certified true copy of the resolution passed by the shareholders of the Company in the general body meeting approving the issue of the GDRs/ADRs/FCCBs.
4. Draft offering circular for issue of the GDRs/ADRs/FCCBs.
5. Confirmation by the Managing Director and/or Company Secretary as per prescribed format by Exchange.
6. Processing fee.

18. LIST OF DOCUMENTS TO BE SUBMITTED FOR LIST & TRADING APPROVAL (POST ALLOTMENT) OF ADR/GDR/FCCB

Documents required for listing approval for equity shares underlying GDRs/ADRs/ or equity shares allotted upon conversion of FCCBs issued by the Companies:

1. Letter of Application duly completed.
2. Brief particular of the new securities issued as per prescribed format.
3. Certified true copy of the Board resolution in which the equity shares were allotted.
4. List of allottees and the number of equity shares allotted. In case of GDRs/ADRs, the list of GDR/ADR holders and the number of GDRs/ADRs allotted.
5. Shareholding Pattern as per the format prescribed under Regulation 31 of the SEBI (LODR), Regulations, 2015 giving details pre and post allotment.
6. Processing Fee
7. Additional Annual Listing Fee, if applicable, on enhanced capital.
8. Confirmation by the Managing Director/ Company Secretary as per enclosed format by Exchange.
9. Certified true copy of letter issued by the overseas Stock Exchange granting listing/ trading permission to the GDRs/ADRs/FCCBs.
10. Certified true copy of the resolution in which the Board of the company or the Committee of Directors of the company decided to open the proposed issue of GDRs/ADRs/FCCBs.
11. Auditor's Certificate confirming the floor price for the proposed issue and receipt of funds against the said issue.
12. A copy of the final offering circular (printed copy as well as pdf file on CD), duly certified by the Managing Director/ Company Secretary.
13. Detailed valuation report with related workings/calculations on the basis of which company proposes to acquire the foreign company.

AMIT TALDA MENTORSHIP

DISTINGUISH BETWEEN

Basis	Preference capital	Equity share capital
Meaning	Preference share capital means that part of the issued share capital of the company which carries preferential right with respect to payment of dividend and repayment in the case of a winding up.	Equity capital is also known as “Common Stock” or common share capital that represents ownership in a company.
Rate of Dividend	Preference shares are entitled to a fixed rate of dividend.	The rate of dividend on equity shares depends upon the amount of profit available and the funds requirements of the company for future expansion etc.
Payment of Dividend	Dividend on the preference shares is paid in preference to the equity shares. Dividend on preference share may be cumulative.	The dividend on equity shares is paid only after the preference dividend has been paid. The dividend on equity shares is paid only after the preference dividend has been paid and it is not cumulative.
Payment in case of Winding up	In case of winding up, preference share holder get preference over equity Shareholders with regard to the payment of capital.	In case of winding up, equity share holder get payment of capital after the payment of capital to preference shareholders.
Voting Rights	<p>The voting rights of preference shareholders are restricted. A preference shareholder can vote only when his special rights as a preference shareholder are being varied, or on any resolution for the winding up of the company or for the repayment or reduction of its equity or preference share capital or their dividend has not been paid for a period of two years or more [section 47(2)].</p> <p>Voting right of a Preference Shareholders on a poll shall be in proportion to his share in the paid-up preference share capital of the company.</p>	An equity shareholder can vote on all matters affecting the company. Voting right of an Equity Shareholders on a poll shall be in proportion to his share in the paid-up equity share capital of the company.
Entitlements	No bonus shares/right shares are issued to preference shareholders.	A company may issue rights shares or bonus shares to the company’s existing equity shareholders.
Redemption	Redeemable preference shares may be redeemed by the company.	Equity shares cannot be redeemed except under a scheme involving reduction of capital or buy back of its own shares.

Basis	REITs	Mutual Funds
Meaning	A REIT is a corporation, trust, or association that invests directly in real estate through properties or mortgages. They trade on a stock exchange and are bought and sold like stocks.	Mutual funds are professionally managed pooled investments that invest in a variety of vehicles, such as stock and bonds.
Investment	A large amount of funds to be shelled out if one wish to invest in real estate.	Mutual funds require small amounts to be invested.
Diversification	An Investor can invest only real estate related stocks through REITs.	Mutual funds, however, allow you to diversify your portfolio by investing in various sectors.
Legal	The SEBI (Real Estate Investment Trusts) Regulations applies to REITs).	The SEBI (Mutual Funds) Regulations, 1996 applies to Mutual Funds.

Particulars	REITs	InvITs
Meaning	REITs serves as an investment tool that helps own and operate income-generating real estate properties. Such properties serve as a stream of annual revenue and mostly include warehouses, healthcare centres, commercial buildings, malls, etc.	InvITs is planned to pool money from investors to invest it in assets generating cash flow. Moreover, they invest in projects like roadways, highways and other high- value infrastructural units.
Growth prospect	The growth prospects of REITs rely on the redevelopment or acquisition of assets, new construction, etc.	Their growth prospect depends mainly on the success of acquisition and concession of assets.
Income Stability	REITs tend to provide a steady flow of income mostly because their income yielding properties come with extensive rental contracts.	The stability of income for InvITs depends mainly on those factors that tend to affect the capacity of usage and also the scalability of tariffs. Hence, in most cases, income is quite uncertain.
Associated risks	REITs are better insulated from regulatory/ political risks. REITs tend to hold properties that are either leased or owned on a freehold basis.	The infrastructure sector is prone to react to regulatory policies and political interference. Thus, parking funds in infrastructure investment trusts often prove risky.

DIFFERENCE BETWEEN HIRE-PURCHASE AND HYPOTHECATION

- For a long time, Hypothecation was not defined legally in India, until it was defined by SARFAESI Act in 2002.
- It is a charge on any movable asset/property of a borrower for which bank has extended it's finance. It is an equitable charge on the assets in favour of the financing bank where the asset is owned by the borrower as well as possession is with him on behalf of the bank.
- If a borrower fails to repay the finance extended for the movable asset the bank can repossess the asset with the consent of the borrower.
- If the borrower surrenders the asset to the bank, bank has a legal right to sell the asset without the intervention of the court and adjust the proceeds towards the loan dues.

- Under SARFAESI Act bank also has got the right to sell the movable asset of a defaulted borrower without the intervention of a court subject to following rules laid down in this regard.
- Under Hire Purchase Agreement, as explained above the ownership of the financed assets remains with the lender till it is purchased by the borrower at the end of the hire purchase period as per agreed terms between the financing agency and the borrower.
- Under Hire Purchase the financing entity may get the benefit of depreciation as well as ownership of the asset financed.
- Banks cannot take advantage of Hire Purchase Arrangement, as ownership aspect of the asset will result in violating permitted line of activity under the banking license granted by RBI.
- For example if a bank finances a public transport vehicle under Hire Purchase, it implies that the bank as the owner of the public transport vehicle, is involved in the business of public transportation which is against permitted activities under the Banking license.
- Also in a Hire Purchase arrangement, if an accident takes place, bank will be a party to the claim suit filed by the injured passengers which will involve monetary loss and as well as damage to the image of the bank.

MAJOR DIFFERENCE BETWEEN BANKS AND NBFCs

NBFCs lend and make investments and hence their activities are akin to that of banks; however there are a few differences as given below:

- NBFC cannot accept demand deposits;
- NBFCs do not form part of the payment and settlement system and cannot issue cheques drawn on itself;
- deposit insurance facility of Deposit Insurance and Credit Guarantee Corporation is not available to depositors of NBFCs, unlike in case of banks.

Buyers' Credit	Suppliers' Credit
Buyers' credit refers to loans for payment of imports into India arranged by the importer from overseas bank or financial institution.	Suppliers' credit relates to the credit for imports into India extended by the overseas supplier.
Imports should be as permissible under the extant Foreign Trade Policy of the Director General of Foreign Trade (DGFT).	In this case too, imports should be as permissible under the extant Foreign Trade Policy of the DGFT.
For the overseas exporter the transaction becomes cash	The importer pays an agreed amount of down payment and the balance amounts are paid in instalments over a deferred period.
Since the facility is provided by an overseas bank the interest rates may be slightly high.	Since the facility is provided by the supplier itself, interest rates are comparatively low.

DIFFERENCE BETWEEN FORFAITING AND FACTORING:-

- Factoring applies to domestic and international trade both, whereas forfaiting is limited to international trade.
- While factoring focuses on accounts receivables, forfaiting also covers negotiable instruments such as promissory notes and bills of exchange.
- Factoring deals with short-term receivables, whereas forfaiting is for medium and long-term receivables.
- Factoring usually provides 80-90% of the accounts receivable, whereas forfaiting can in some cases provide up to 100%.
- Factoring is normally for ordinary products or services, whereas forfaiting is for capital goods.
- Factoring can be recourse or non-recourse, whereas forfaiting is almost always non-recourse.

- Factoring supports the seller, whereas forfaiting supports both the buyer (importer) and the seller (exporter).

DIFFERENCE BETWEEN BANK GUARANTEE AND LETTER OF CREDIT:

- A bank guarantee and a letter of credit are similar in many ways but they're two different things. Letters of credit ensure a transaction proceeds as planned, while bank guarantees reduce the loss if transaction does not go as planned.
- A letter of credit, sometimes referred to as a documentary credit, acts as a promissory note from a bank. It represents an obligation taken on by a bank to make a payment once certain criteria are met.
- Once these terms are completed and confirmed, the bank will transfer the funds. The letter of credit ensures the payment will be made as long as the services are performed.
- Letters of credit are especially important in international trade due to the distance involved and potentially differing laws in the countries of the businesses involved. In these transactions, it is not always possible for the parties to meet in person. The bank issuing the letter of credit holds payment on behalf of the buyer until it receives confirmation that the goods in the transaction have been shipped.
- While letters of credit are used mostly in international trade agreements, bank guarantees are often used in real estate contracts and infrastructure projects.
- Bank guarantees represent a more significant contractual obligation for banks than letters of credit do. A bank guarantee, like a letter of credit, guarantees a sum of money to a beneficiary; however, unlike a letter of credit, the sum is only paid if the opposing party does not fulfill the stipulated obligations under the contract. This can be used to essentially insure a buyer or seller from loss or damage due to non-performance by the other party in a contract.

RECENT CIRCULARS/AMENDMENTS

1. Framework for Category I and II Alternative Investment Funds (AIFs) to create encumbrance on their holding of equity of investee companies (Circular No SEBI/HO/AFD/PoD1/CIR/2024/027 dated April 26, 2024)

In terms of provisos to Regulation 16(1)(c) and 17(c) of SEBI (Alternative Investment Funds) Regulations, 2012 (“AIF Regulations”), Category I and Category II AIFs may create encumbrance on equity of investee company, which is in the business of development, operation or management of projects in any of the infrastructure subsectors listed in the Harmonised Master List of Infrastructure issued by the Central Government, only for the purpose of borrowing by such investee company and subject to such conditions as may be specified by the Board from time to time.

In this regard, SEBI vide this circular has specified the following conditions:

- Existing schemes of Category I or Category II AIFs who have not on-boarded any investors prior to April 25, 2024, may create encumbrance on equity of investee company subject to explicit disclosure with respect to creation of such encumbrance in this regard and disclosure of associated risks in their Private Placement Memorandums (PPMs).
- Any encumbrances already created by a scheme of Category I or Category II AIF prior to April 25, 2024, may continue if such encumbrances were created after making an explicit disclosure in the PPM of the scheme.
- In case such encumbrances were created by a scheme of Category I or Category II AIF without making an explicit disclosure in the PPM, consent of all investors in the scheme of the AIF is obtained to this effect latest by October 24, 2024. If consent of all investors is not obtained within the aforesaid time period, the encumbrances shall be removed latest by January 24, 2025.
- Category I or Category II AIFs shall ensure that the borrowings made by the investee company against the equity investments encumbered by the AIFs are utilised only for the purpose of development, operation or management of investee company, and not utilised otherwise including to invest in another company.
- In case of default by the borrower investee company, Category I or Category II AIF shall ensure that the fund or its investors are not subject to any liability over and above the equity of the borrower investee company encumbered by the AIF.
- The pilot Standard Setting Forum for AIFs (SFA) in consultation with SEBI shall formulate implementation standards to ensure that the encumbrance created on equity of investee company by Category I or Category II AIFs, is only utilized for facilitation of debt raising at the infrastructure sector investee company. Managers of such AIFs shall adopt and adhere to such implementation standards.

2. Flexibility to Alternative Investment Funds (AIFs) and their investors to deal with unliquidated investments of their schemes (Circular No. SEBI/HO/ AFD / PoD- I/P/CIR/2024/026 dated April 26, 2024)

SEBI in its meeting approved a proposal to allow AIFs to deal with unliquidated investments which are not sold due to lack of liquidity during the winding up process, by continuing to hold such investments in the same scheme of the AIF and entering into a Dissolution Period. The value of such investments carried forward into the Dissolution Period shall be recognised as per norms specified by SEBI for capturing in the track record of the manager and for reporting to Performance Benchmarking Agencies. The said facility of entering into Dissolution Period has been introduced in place of the existing option of launching a new scheme (viz. Liquidation Scheme). The Board also approved the proposal to provide a one- year additional Liquidation Period to schemes of AIFs to deal with unliquidated investments whose Liquidation Period had

expired in the past or shall expire within three months from the date of notification of amendment to AIF Regulations, subject to certain conditions.

In this regard, SEBI (Alternative Investment Funds) (Second Amendment) Regulations 2024 ("AIF Regulations Amendment"), have been notified on April 25, 2024, inter alia, to provide additional flexibility to AIFs and their investors to deal with unliquidated investments of their schemes. (Same is covered under point 8 above)

Further, SEBI vide this circular has specified the following conditions:

- If an alternative investment fund (AIF) or its manager wants to enter unliquidated assets of a scheme into dissolution period, then they have to arrange bid for a minimum of 25% of the value of the unliquidated assets.
- The performance of the manager during the Dissolution Period will be captured separately and reported to Performance Benchmarking Agencies, distinct from the performance of the scheme before entering into Dissolution Period.
- The manager will also not be allowed to charge a fee during the dissolution period.
- Before seeking the consent of the investors to enter the assets into dissolution period, the fund or the manager must disclose the following to the investors.
 - The proposed tenure of the Dissolution Period, details of unliquidated investments, value recognition of the unliquidated investments for reporting to Performance Benchmarking Agencies, etc.
 - An indicative range of bid value, along with the valuation of the unliquidated investments carried out by two independent valuers.
- Before the expiry of the liquidation period, the AIF / manager shall intimate SEBI about obtaining the investor consent and the investors' decision to enter into Dissolution Period.
- If the scheme of the AIF fails to sell the unliquidated investments during the Dissolution Period, such investments shall be mandatorily distributed in-specie to the investors. It is clarified that no further extension or Liquidation Period shall be available to these schemes after the expiry of Dissolution Period.

3. Modifications to provisions of Chapter XXI of NCS Master Circular dealing with registration and regulatory framework for Online Bond Platform Providers (OBPPs) (Circular No. SEBI/HO/DDHS/POD1/P/CIR/2023/194 dated December 28, 2023)

SEBI vide this circular has modified the provisions of Chapter XXI of the NCS Master Circular, specifically focusing on the registration and regulatory framework for Online Bond Platform Providers (OBPPs). The provisions pertaining to the products or securities or services offered by Online Bond Platform Provider on its Online Bond Platform, divestment requirements, disclaimer for links/tab, agreement with third party seller or advertisement code, have been modified. The modifications will come into force with immediate effect.

4. Enhancement in the scope of optional T+0 rolling settlement cycle in addition to the existing T+1 settlement cycle in Equity Cash Markets (December 10, 2024)

The SEBI vide this circular has increased the number of eligible scrips for trading under optional T+0 settlement cycle to top 500 scrips in terms of market capitalization as on December 31, 2024. The scrips shall be made available for trading and settlement starting with scrips at bottom 100 companies out of the aforesaid 500 companies and gradually include the next bottom 100 companies every month till top 500 companies are available for trading in optional T+0 settlement cycle.

Stock brokers who are designated as Qualified Stock Brokers (QSBs) and meet the parameter of minimum number of active clients for qualification as QSB as on December 31, 2024 shall put in place necessary systems and processes for enabling seamless participation of investors in optional T+0 settlement cycle. However, new QSBs shall put in place the necessary systems within 3 months from the date of updation of the list.

To ensure smooth implementation, the MIIs shall publish the operational guidelines (including mechanism for trading, clearing and settlement, risk management, etc.) and Frequently Asked Questions (FAQs) along with the list of eligible scrips and list of QSBs for the optional T+0 settlement cycle and disseminate the same on their respective websites.

5. Pro-rata and pari-passu rights of investors of AIFs (December 13, 2024)

SEBI has specified the requirements of maintaining investors' rights pro-rata to their commitment to the scheme, shall not be applicable in an investment of a scheme and distribution of proceeds of the investment to the extent an investor has been excused or excluded from participating in the said investment; or, an investor has defaulted on providing his/her pro-rata contribution for the said investment.

Further, the requirement of maintaining pro-rata rights of investors in distribution of proceeds of investments of a scheme, shall not be applicable to the extent returns or profit on the investments is shared by an investor with the manager or sponsor of the AIF in terms of contribution agreement executed between them.

SEBI has also decided that the Standard Setting Forum for AIFs ('SFA') shall, in consultation with SEBI, formulate the implementation standards for compliance with the provision of Pari-passu rights of investors of AIFs, prescribing the positive list of specific differential rights that may be offered by AIFs. Such list may be reviewed and updated by SFA, whenever necessary, in consultation with SEBI.

The manager of the AIF shall report the details of differential right(s) which do not fall under the implementation standards formulated by SFA, to SEBI in the prescribed format and shall immediately terminate/discontinue those differential rights which are ascertained to be affecting the rights of other investors.

Further, Large Value Fund for Accredited Investors (LVFs), whose Private Placement Memorandums are filed with SEBI for launch of scheme post the date of issuance of this circular, may avail exemption from the requirement of maintaining pari-passu rights among investors, by making appropriate disclosure in memorandum and obtaining undertaking from accredited investor.

The trustee/sponsor of AIF, as the case may be, shall ensure that the 'Compliance Test Report' prepared by the manager includes compliance with the provisions of this circular.

6. Classification of Corporate Debt Market Development Fund (CDMDF) as Category I Alternative Investment Fund (December 13, 2024)

Corporate Debt Market Development Fund (CDMDF) has been set-up under Chapter III-C of SEBI (Alternative Investment Funds) Regulations, 2012 to act as a Backstop Facility for purchase of investment grade corporate debt securities, to instill confidence amongst the participants in the Corporate Debt Market during times of stress and to generally enhance secondary market liquidity by creating a permanent institutional framework for activation in times of market stress.

SEBI had received representation to provide clarity on classification of CDMDF under one of the defined categories under the AIF Regulations. While a separate framework has been laid down for CDMDF under chapter III-C of Regulation 19 of AIF Regulations, the fund has been set-up with the broader economic objective of development of corporate bond market, inter-alia, to act as a Backstop facility during times of market stress. Accordingly, SEBI clarified that CDMDF falls under Category I AIF in terms of Regulation 3(4)(a) of AIF Regulations.

7. Transition to IFSCA (Fund Management) Regulations, 2025 (April 08, 2025)

IFSCA on April 08, 2025, issued Transition to IFSCA (Fund Management) Regulations, 2025. IFSCA (Fund Management) Regulations, 2025 notified on February 19, 2025, repealed the old 2022 regulations and introduced key changes including an increased validity period of 12 months for PPMs (up from 6 months) and a reduced minimum corpus requirement of USD 3 million (down from USD 5 million) for Venture Capital and Restricted Schemes. Schemes recorded or extended under the 2022 regulations as of February 19 2025, may operate under the new regime. A one-time opportunity is being offered to the Fund Management Entities to seek an extension of the PPM of Venture Capital Schemes and Restricted Schemes whose validity has expired before February 19, 2025. A one-time window allows expired PPMs to be re-filed within 3 months, subject to conditions. No processing fee is required for filings prompted by regulatory changes or Authority actions.

8. SEBI (Real Estate Investment Trusts) (Amendment) Regulations, 2025 (April 23, 2025) SEBI vide notification dated April 22, 2025 amended the SEBI (Real Estate Investment Trusts) Regulations, 2025.

Changes include the definition and conditions related to “common infrastructure” for REITs, and modifications to the definition of “cash equivalent.” The regulations also address filling vacancies for independent directors, specify trustee responsibilities, and detail conditions for transferring locked-in units held by sponsors. Furthermore, the amendments outline eligible investments for REITs, including property management companies, liquid mutual funds, and interest rate derivatives, subject to certain conditions. They also introduce provisions related to Small and Medium Real Estate Investment Trusts (SM REITs), including initial offer processes, scheme offer documents, pricing, and allotment procedures. Additional changes cover continuous disclosures, leverage limits, unclaimed distributions, and mandatory disclosures in the scheme offer document.

9. SEBI (Infrastructure Investment Trusts) (Amendment) Regulations, 2025 (April 02, 2025) SEBI vide notification dated April 01, 2025 amended the SEBI (Infrastructure Investment Trusts) Regulations, 2014.

Key changes include revised rules for filling independent director vacancies within investment managers, requiring prompt filling of vacancies to maintain compliance. A new Schedule is inserted introducing illustrative Roles and Responsibilities of Trustees emphasizing transparency, accountability, and unitholder’s protection. It also revises regulations related to InvIT borrowing, distribution, and reporting, aiming to enhance governance and protect investor interests.

10. Reclassification of Real Estate Investment Trusts (REITs) as equity related instruments for facilitating enhanced participation by Mutual Funds and Specialized Investment Funds (SIFs) (November 28, 2025)

With a view to facilitate enhanced participation by Mutual Funds and Specialized Investment Funds (SIFs) in Real Estate Investment Trusts (REITs), it is prescribed that any investment made by Mutual Funds and SIFs in REITs shall be considered as investment in equity related instruments with effect from January 01, 2026. InvITs shall continue to be classified as hybrid instruments for the purpose of investments by Mutual Funds and SIFs.

However, the existing investment in REITs held by debt schemes of Mutual Funds and investment strategies of SIFs as on December 31, 2025, shall be grandfathered. Any inclusion of REITs in the equity indices shall be carried out only after a period of six months i.e, July 1, 2026.

11. Framework for AIFs to make co-investment within the AIF structure under SEBI (Alternative Investment Funds) Regulations, 2012 (September 09, 2025)

SEBI vide this circular introduced a new framework enabling Category I and II Alternative Investment Funds (“AIFs”) to offer co-investment opportunities to accredited investors within the AIF structure itself, through the launch of separate Co-Investment Schemes (“CIV schemes”). Key Highlights of the circular are as under:

a) SEBI has permitted Category I and II AIFs to offer Co-Investment facilities within the AIF structure by launching CIV schemes, in addition to the existing Portfolio Management Services (“PMS”) route.

b) A Shelf Placement Memorandum must be filed as per the prescribed template by SEBI, that inter-alia includes governance structure, regulatory framework, and principal terms of coinvestment.

c) Each CIV scheme must maintain separate bank and demat accounts, assets must be ring-fenced from other schemes.

d) Investor’s co-investment via CIV schemes in a company must not exceed 3 times their investment in the main AIF scheme, except for:

- Multilateral/ Bilateral Development finance institutions (DFIs)
- Government-owned entities
- Sovereign Wealth Funds and Central Banks

e) Investors excused, excluded, or defaulting in main AIF scheme investment cannot co-invest via CIV in that company. CIVs must not invest in a manner that:

- creates indirect exposure the investor cannot hold directly;
- requires additional disclosure if done directly;
- breaches eligibility norms for direct investment in the investee.

Additionally, no leverage or borrowing is allowed by CIV schemes.

f) Proceeds and rights from CIV investments are pro-rata, subject to carried interest or equivalent, if applicable. Co-investment expenses to be shared proportionally between AIF scheme and CIV scheme based on investment ratio.

g) CIV schemes must comply with standards (if any) developed by the Standard Setting Forum of AIFs (SFA) in consultation with SEBI. These standards shall be published by industry associations like Indian Venture and Alternate Capital Association (IVCA), Private Equity Venture Capital Chief Financial Officer Association (PEVCCFO), and Trustee Association of India.

h) AIF trustees/ sponsors must ensure that the Compliance Test Report (CTR) includes adherence to this framework, as per Chapter 15 of the SEBI Master Circular for AIFs.

12. SEBI (Share Based Employee Benefits and Sweat Equity) (Amendment) Regulations, 2025 (Notification No. SEBI/LAD-NRO/GN/2025/262 dated September 08, 2025)

SEBI has notified the SEBI (Share Based Employee Benefits and Sweat Equity) (Amendment) Regulations, 2025 which shall come into force on the date of their publication in the Official Gazette. Vide this Notification, a new regulation 9A has been inserted:

“9A. Employee identified as promoter or part of the promoter group in the draft offer document. An employee who is identified as a “promoter” or part of the “promoter group” in the draft offer document filed by a company with the Board in relation to an initial public offering, and who was granted options, stock appreciation rights or any other benefit under any scheme at least

one year prior to filing of the draft offer document, shall be eligible to continue to hold and/or exercise such options, SAR or any other benefit, in accordance with its terms and subject to compliance with these regulations and other applicable laws.”

13. Securities and Exchange Board of India (Issue and Listing of Non-Convertible Securities) (Amendment) Regulations, 2025 [October 22, 2025]

SEBI vide this amendment modified the requirements for executing a trust deed in relation to the issuance and listing of Non-Convertible Securities (NCS). As per Regulation 18(1), the Issuers are now required to execute the trust deed “in such format and within such timelines” as specified by SEBI. However, in case of any deviation from the format specified for the trust deed, the debenture trustee may accept such deviations if a key summary sheet capturing the deviations along with the rationale for the same is provided by the issuer in the General Information Document/ Key Information Document or Shelf Prospectus. Further, the structure of trust deed into two parts i.e Part A (statutory/standard information) and Part B (issue-specific details) as per regulation 18(4) has been omitted.

14. SEBI (Investment Advisers) (Amendment) Regulations, 2025 [Notification No. SEBI/LADNRO/GN/2025/253 dated August 04, 2025]

SEBI has notified the SEBI (Investment Advisers) (Amendment) Regulations, 2025 which shall come into force on the date of their publication in the Official Gazette. Vide this notification, the amendment is made in regulation 8 relating to Deposit. The amended regulation 8 of SEBI (Investment Advisers) Regulations, 2013 is reproduced below:

An investment adviser shall maintain a deposit of such sum, as specified by SEBI from time to time. The deposit shall be maintained in such a form or manner as may be specified by SEBI. Such deposit shall be marked as lien in favour of a body or body corporate recognised by SEBI for the purpose of administration and supervision of investment advisers. Provided that the deposit shall be available for utilization in case the investment adviser fails to pay the dues emanating out of arbitration and conciliation proceedings, if any, under the Online Dispute Resolution Mechanism or such other mechanism as may be specified by SEBI.

**CORRECTION(S), IF ANY, WILL BE INFORMED
ON OUR TELEGRAM CHANNEL:**

<https://t.me/amittaldamentorship>