



HANDBOOK ON STOCK EXCHANGE LISTING



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PREFACE

Capital markets have always been the preferred source of value unlocking for more than 400 years and crores of investors have invested in the securities of lakhs of companies on various platforms across different countries in the world. Even in India, stock exchanges have been in existence for almost 150 years where thousands of companies have listed themselves. Currently, there are 3 nationwide stock exchanges and 1 regional stock exchange which are recognised by the market regulators - SEBI. Richest people in the world or even in any country are ultra rich since they have been controlling listed companies either as promoters or key investors. Even when deadly pandemic like Covid-19 had stuck globally in 2019, large listed companies could manage to grow rapidly by capitalising on their listing status and created huge value for their stakeholders even when most of the unlisted companies were struggling for survival and revival.

With the help of listing, companies can access capital markets platform to raise funds for expansion which in turn helps to all their stakeholders ~ more employment opportunities for workforce, efficient loan servicing towards lenders, better products for general public, higher taxes for the government, extra revenue for capital markets intermediaries, more social projects for the benefit of society and ultimately, superior value creation for the shareholders. Public issues used to be the most common strategy for listing, however besides them, there are around half a dozen strategies to get listed on stock exchanges. An attempt has been made to discuss each of these strategies at length in this book besides providing applicable checklists, wherever needed. Moreover, getting listed on stock exchanges is a team work and support from all stakeholders will be critical at every stage for the ultimate success of the transaction. Besides listing of shares, even debt securities can be listed by companies while municipal corporations can list bonds which are also covered in this book. In nearby future, charitable institutions and trusts are also expected to access capital markets with the help of newly launched social stock exchanges.

A Cost Accountant, whether in practice or employment, has been well versed with a number of expert domains ~ costing, finance, accounting, corporate laws, taxation, legal compliance, etc besides industry knowledge. Post Covid-19, there have been ever increasing growth opportunities for corporates for which they also need excess funding but it can be suitably met by utilising nationwide platforms of stock exchanges. Given the excellent track record of Cost Accountants for more than 65 years, they have a great opportunity to guide such companies to access capital markets and create value for all their stakeholders.



There have been numerous books in the market to guide businessmen for investment of surplus funds in stocks of other listed companies. However, if these businessmen really wish to follow the footprints of richest individuals in the world then they will have to get their companies listed on stock exchanges instead of investing money into other listed companies. Cost Accountants can guide such businessmen to re-invest money in their own companies, make them stronger and finally maximize value by getting listed on stock exchanges in India or abroad. We sincerely hope that this publication will be of immense help to practicing Cost Accountants as well as other finance professionals for taking their clients to capital markets.

Given the great command of Cost Accountants in financial world and their strong presence across India, it is recommended for them to come forward and actively serve our Mother Nation by helping more and more companies to access capital markets. Our leaders have kept a very ambitious target to take Indian economy to “USD 5 Trillion” by 2025 and needless to mention, every successful listing will be a positive step in that direction.

Happy Listing!

PRESIDENT'S MESSAGE



India has a fair share of the world economy and hence the capital markets or the share markets of India form a considerable portion of the world economy. The capital market is vital to the financial system. Funding is crucial for corporates, not only to invest and to expand, but also to operate their daily business. In corporate finance, a listing refers to the company's shares being on the list (or board) of stock that are officially traded on a stock exchange.

The primary goal of listing is to raise funds for growth and expansion. Upon share subscription, there is a considerable inflow of funds from the market. This gives the company the means to meet a sizable part of its financial needs.

It gives me immense pleasure to congratulate the Corporate Laws Committee for bringing out a handbook on "Stock Exchange Listing" to provide knowledge on the various source of finances available to raise funds in the Indian as well as international market, the legislative framework for raising such funds and regulatory requirements to list the securities on the Indian Stock Exchanges, issued pursuant to the funds raised.

I place on record my sincere thanks to all the members of the Corporate Laws Committee for their valuable contribution and firmly believe that this Handbook would be beneficial for the members of the Institute to play a pivotal role in providing the impetus, guidance and direction for raising funds from different sources and to advise their client, companies on their regulatory compliances while raising funds.

I wish the Corporate Laws Committee grand success in all its initiatives.

With regards,

CMA Vijender Sharma
President

VICE-PRESIDENT'S MESSAGE



The Indian Capital market has grown exponentially in terms of resource mobilization, number of listed stocks, market capitalization, trading volumes, and investors' base. The measures taken by SEBI such as, market determined allocation of resources, rolling settlement, sophisticated risk management and derivatives trading have greatly improved the framework and efficiency of trading and settlement, making the Indian capital market qualitatively comparable to many developed markets.

I am pleased to note that the Corporate Laws Committee of the Institute is releasing a Handbook on "Stock Exchange Listing". This comprehensive handbook deals with the concept of the capital market, IPO, raising of funds through debt and equity, bonds, Social Stock Exchange, etc and role of Cost Accountants.

I am very sure that this Handbook will not only benefit our practicing members and professionals but also other stakeholders such as Government Departments, Regulators, Industrial Houses, Banks and Financial Institutions, etc.

I would like to acknowledge the hard work of resource persons and dedicated efforts of the Secretary, Corporate Laws Committee in releasing this publication. My best wishes to the endeavours of the Corporate Laws Committee.

With best wishes,

CMA Rakesh Bhalla
Vice President

CHAIRMAN'S MESSAGE



I on behalf of the Corporate laws Committee of the Institute of cost Accountants of India delighted to announce the release of our latest publication, "Handbook on Stock Exchange Listing." This comprehensive guide is designed to help businesses navigate the complex process of listing their stocks on a public exchange.

Listing on a stock exchange can be a game-changer for a company, providing access to new capital, increased visibility, and greater credibility with investors. However, the process can be daunting, with strict regulatory requirements and intense scrutiny from investors and regulators.

May be a start-up looking to raise capital, or an established business considering an IPO, this book covers everything you need to know about the listing process, regulatory requirements, investor relations, Role of CMAs' and much more.

We've drawn on the expertise of seasoned professionals with decades of experience in the financial industry, including lawyers, accountants, and investment bankers. Their insights, combined with our own research and analysis, provide a comprehensive and authoritative resource for companies considering a listing.

Whether you're a CEO looking to take your company public or a financial advisor assisting a client with the listing process, our handbook is an indispensable guide to achieving a successful listing.

We believe that the release of this book will have a positive impact on the financial industry by providing valuable insights and guidance to businesses seeking to list their stocks on a public exchange. We hope that it will help to demystify the listing process and encourage more companies to pursue this avenue for growth and investment.

I sincerely place on record my sincere appreciation to the authors of the handbook CMA Amar Rajmal Kakaria, Director - Fusion Advisors Private Limited and Shri Vishal P Dedhia, Designated Partner - Edge Consultancy Services LLP for the detailed presentation on the topic under the impeccable expert mentoring by the reviewer of the book CS Makarand Lele, Government nominee of the Institute of Cost Accountants of India and Past President of the Institute of Companies Secretaries of India. I also thank CMA Dr. Ashish P. Thatte, Central Council Member and former Chairman of Corporate Laws Committee for his contributions. With contributions from these industry experts and seasoned professionals, the "Handbook on Stock Exchange Listing" is a must-read for anyone involved in the capital markets. Don't miss out on this valuable resource.

I hope this communication finds you safe, well, and happy!

Sincerely,

CMA Niranjana Mishra
Chairman

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Chapter 1

Introduction To Capital Markets

About Capital Markets

The capital market is a niche segment of the financial system which helps to direct financial resources of the economy to those who are in need of capital. In simple words, capital markets connect the people who hold capital with those seeking capital together by providing a reliable platform where securities can be smoothly exchanged against capital. These transfers of capital are undertaken legally through financial instruments as well as securities. There are various types of financial instruments viz. money market assets, sovereign or non-sovereign bonds, securitized assets, mutual funds, preference or equity shares, etc. In contrast to deposits, investors have primarily to bear the risk of their investments made in the capital markets.

The capital market can be rightly regarded as the backbone of the economy in almost every country across the globe and it may have substantial impact on the country's finances. The capital market is at the centre of economic growth as in recent times most of the liquid capital of the globes are parked in this segment of investment sector. Despite being highly volatile in nature, capital market has tremendous potential to shape the growth of any economy in the most efficient manner. Capital markets play a vital role in any economy as one of the most powerful drivers of economic growth and wealth creation. Capital markets match borrowers with investors and their respective risk appetites for financial instruments, with an aim to produce a profitable investment opportunity as well as value creation for all the stakeholders involved. Essentially, these markets bring out the financial resources in the game which helps to keep capital flows rotating in the economy. A significant portion of the country's industrial and commercial growth is directly dependent on how well the capital market is developed. Industries continue to need long-term funds for growth and undoubtedly Capital Market is the ultimate source for generating funds in huge volumes and that too at the most economical ways.

On a micro-economic level, for businesses that already enjoy access to banking finance, capital markets can provide an interesting alternative as they can give these businesses access to larger volumes of funding with much longer maturities and potentially better economic terms whereby reducing their overall funding costs. Such funding could often be a crucial source for companies seeking to expand their businesses across different markets. Capital markets can also fund riskier and more collateral-scarce businesses and activities that would not traditionally be served by the banking sector with the help of investors with higher risk appetites. Capital markets usually rely on government recognised intermediaries and also require appropriate market infrastructure, including trading platforms, clearing houses and central securities depositories, besides a securities markets specific regulatory framework backed by government supervision as well as strict enforcement. Capital market broadly consists of:



- 1. Primary market** – where the financial instruments as described above are sold by their issuers (governments, companies, collective investment schemes i.e. mutual funds, special purpose vehicles, etc) to the investors for the first time, such as in an initial public offering (IPO).
- 2. Secondary market** – where already-issued securities are traded among the investors.

As per the analysis of the World Bank, a strong correlation has been observed between development of capital markets and underlying economic growth. Moreover, increased attention need to be given to capital markets as a mechanism that can potentially help to manoeuvre private sector funding to important sectors of the economy: from corporates to infrastructure, housing, small and medium sector industries or even emerging start-ups. Capital markets can properly mobilize additional savings into the economy, while making more capital available to listed companies, which may then in turn provide more jobs to manpower, improve demand, maximize consumption and ultimately, facilitate all around economic growth.

From the perspective of investors, capital markets offer both - investment opportunities as well as risk management tools. Firstly, capital markets have been historically offering more attractive investing opportunities with superior returns as compared to bank deposits, albeit with a comparatively higher risk. Further, if a wide range of instruments exist then capital markets can provide an interesting opportunity to investors in the form of a diversified portfolio which can help them to manage risks more efficiently. Well developed capital markets can also provide efficient risk management tools through the derivatives markets, not only to market participants, but also to ultimate users like the companies, agriculture producers, etc. While investors in some countries can access international capital markets, development of local capital markets can increase access to local currency financing which can even help the government to manage foreign exchange risk and inflation in a much better way. Capital markets can be a vital source to fund governments' fiscal deficits as well as expenditures for social services and also boost the job creation domestically. Moreover, existence of efficient local capital markets is remarkably beneficial to governments while attempting to finance development internally instead of depending on external forces.

Capital Markets & Economy

Gross domestic product (GDP) is a customary mechanism to measure the size of an economy. It is often cited in newspaper, on the television news, and in reports by governments, central banks, and the business community represented by association of industries. It has become widely used as a reference point for the health of national and global economies. When GDP is growing, especially if inflation is not a problem, employees and businesses are generally better off than when it is not.

GDP and GDP per capita are two of the most popular measures to track changes in outputs as well as people's standard of living. GDP is a way to analyse how much all of an economy's goods and services are worth and therefore, it is an important aspect for suitably devising a policy that the government and decision makers

need to know. By assessing changes in GDP and also comparing them with global economies, we can attempt to understand if the economy is currently in recession or in growth phase. Theoretically, GDP can be viewed in three different ways:

1. "The Production Approach" sums the value-added at each stage of production, where value-added is defined as total sales minus the value of intermediate inputs into the production process. For example, an architect's services would be an intermediate input while the building complex is the final product.
2. "The Expenditure Approach" sums the value of purchases made by final users—for example, the consumption of food, products and services by households; investments in machinery by companies; and purchases of goods and services by the government and foreigners.
3. "The Income Approach" sums the incomes generated by production—for example, the salaries received by the employees and the operating surplus of companies (broadly, sales minus costs).

GDP per capita is the total market value of the final goods and services made in a country divided by its total population. With 7 percent growth forecast in terms of nominal GDP for the current year, the Indian economy is now the fifth largest in the world. And, by PPP - purchasing power parity, it is the third largest with nearly 7.5% share in the global economy. GDP is a key measure of a country's national income and economic health and the formula for calculating GDP is as follows:

$$\text{GDP} = \text{C} + \text{I} + \text{G} + \text{NE}$$

Where,

C = Total Consumption (Personal Consumer Expenditure)

I = Total Private Investment in the Country

G = Total Government Spending

NE = Net Exports (Total amount of imports - Total amount of exports)

Market capitalisation (Market Cap) is basically the product of prevailing market price with total number of securities issued and listed by the given issuer company in the stock exchange. Market Cap of Economy is sum total of Market Cap of all companies which are listed across all the stock exchanges of that country. Market capitalization as a whole is the indicator of total market investments in the country through securities by domestic as well as foreign investors and moreover, it is also one of the most important factors affecting GDP in highly volatile ways.

Market Cap of Company = Market Price X No. of Shares Listed on Stock Exchange

The Market Cap to GDP Ratio is also known as the Buffett Indicator. It is a measure of the total value of all publicly-traded stocks in a country, divided by that country's Gross Domestic Product (GDP). It is used as a broad way of assessing whether the country's stock market is overvalued or undervalued, compared to a historical average. Ratio of 1 is considered to be ideal while higher ratio demonstrates over-

valuation of the markets and lower ratio indicates undervaluation. It is in the form of Price/Sales valuation multiple for an entire country and following formula is used.

$$\frac{\text{Market Value of all listed stocks in the country}}{\text{GDP of the country}} \times 100$$

Higher growth of GDP can be a booster to capital markets which can help it to go up and vice-versa. Public spending is linked with their sentiments which ultimately drives the GDP growth. As the stock market goes up or down, so could be the economy's mood. Therefore, major changes in the GDP can have substantial positive or negative effects on the domestic stock markets.

Pre-Conditions for Development of Capital Markets

There is no 'one size fits all' solution with regards to the development of capital markets. Countries with developed capital markets tend to grow more quickly, provide better financial services to all segments of their populations, and enjoy greater prospects for long-term financial and economic stability. Transparent and superior corporate governance alongside availability of reliable data for investors for making better investment decisions can positively work in favour of the Indian capital markets in a big way.

In the recent past, the literacy rates in general have been upto the mark and there is visible awareness about the same. Needless to mention, still more efforts and planning may be required to make this skilled and educated population financially literate segment in the society. Financial literacy continues to remain fairly low across many countries including India even when Indian economy has now reached 5th position globally. Following are important pre-conditions for development of capital markets.

Stable Macro-economic Environment

- Lower Inflation
- Robust Economic Policy
- Steady Economic Growth

Development of Financial Sector

- Financial Openness
- Healthy Banking Sector
- Strong Institutional investors

Robust Legal & Institutional Environment

- Law Abiding Citizens
- Improved Financial Literacy
- Mechanism to Protect Investors

Indian Capital Markets

Indian economy has been steadily growing at one of the fastest rates in the world and undoubtedly, the corporate sector has been the biggest contributors in this

growth story. Not only has India enjoyed large inflow of foreign investments but has also witnessed the emergence of Indian multinationals as global giants. The capital market and its continuous expansion had been a key factor in giving a boost to the growth of the corporate sector till now. With this growth of the capital market, quite a few Indian companies have now been enjoying mammoth market capitalizations and are regarded amongst the top companies in the world while their promoters are appearing among the list of top richest people globally. Moreover, ever increasing participation of retail investors in the corporate sector through capital markets has also been a booster whereby dependence on public financial institutions and foreign institutional investors have been gradually coming down.

Since independence, the Government of India (GOI) has consistently taken numerous steps for overall revival and development of capital markets as the country was drained of capital and so, support from investors was extremely critical. In order to boost confidence of local investors, the concept of regional stock exchanges was introduced in the 20th century. Accordingly, regional stock exchanges were set up across different states and it was made mandatory for all companies to also get listed at the regional stock exchanges in their own state. In order to avail tax as well as other benefits while providing liquidity for listed companies, once upon a time over 2 dozen regional stock exchanges (RSEs) were successfully operating across India.

Considering the evolution and pace of capital market, need of the security market regulator arose. Earlier, Controller of Capital Issues was the regulatory authority and it was empowered with necessary authority as per the Capital Issues (Control) Act, 1947. SEBI was established by the GOI on April 12, 1992 in accordance with the provisions of the Securities and Exchange Board of India Act, 1992 (SEBI Act). SEBI has been formed to protect the interests of investors in securities and to promote the development of, and to regulate the securities market by taking such measures as it deems fit. The headquarters of SEBI is situated in Mumbai. The regional offices of SEBI are located in Ahmedabad, Kolkata, Chennai and Delhi. Recently, Ms Madhabi Puri Buch, former whole-time member of the SEBI, has been appointed as its new chairperson for a period of three years. She is the first woman to head the capital market regulator in India.

The Preamble of the Securities and Exchange Board of India describes the basic functions of the Securities and Exchange Board of India as "...to protect the interests of investors in securities and to promote the development of, and to regulate the securities market and for matters connected therewith or incidental thereto". Since inception, SEBI has regularly taken various measures for the development of capital markets. Nearly two decades ago, under the guidance of SEBI, nationwide stock exchanges embraced advanced systems and modern technologies while expanding their terminals across the country due to which regional stock exchanges practically lost their relevance over a period of time.

Most of the regional stock exchanges failed to upgrade themselves by adopting new technology in order to meet the expectations of investors and as a result, their business was severely affected. Thereafter, SEBI introduced tough norms for all

stock exchanges viz. minimum capital structure, shareholding pattern, own clearing house, restrictions on brokers holding stake, etc by issuing a circular in 2012 while highlighting importance of "Risk Mitigation" mechanism. As a result, almost all regional stock exchanges were either closed down or exited few years ago except Calcutta Stock Exchange (CSE). Currently, there are 3 recognised nationwide stock exchanges:

- National Stock Exchange (NSE),
- Bombay Stock Exchange (BSE) and
- Metropolitan Stock Exchange of India (MSEI).

Among all regional stock exchanges, only CSE could manage to survive, but there are no trading operations on its platform for last many years in the absence of own clearing house. Moreover, majority of daily turnover ~ in excess of 99% happens on top 2 stock exchanges viz. NSE and BSE while other 2 exchanges have hardly any market share.

Following is the comparative analysis among all 4 stock exchanges which are actively registered with the SEBI:



NATIONAL STOCK EXCHANGE

- Nationwide
- Established in 1992
- Flagship Index - Nifty
- India's largest exchange
- 1600+ listed companies
- SME platform - NSE Emerge



BOMBAY STOCK EXCHANGE

- Nationwide
- Established in 1875
- Flagship Index - Sensex
- Asia's oldest exchange
- 4700+ listed companies
- SME platform - BSE SME



METROPOLITAN STOCK EXCHANGE OF INDIA

- Nationwide
- Established in 2008
- Flagship Index – SX40
- India's newest exchange
- 300+ listed companies
- No SME platform



CALCUTTA STOCK EXCHANGE

- Regional
- Established in 1908
- Flagship Index – N.A.
- Second oldest exchange
- 2000+ listed companies
- No SME platform

Multiple Avenues for Listed Companies to Raise Funds on Capital Markets

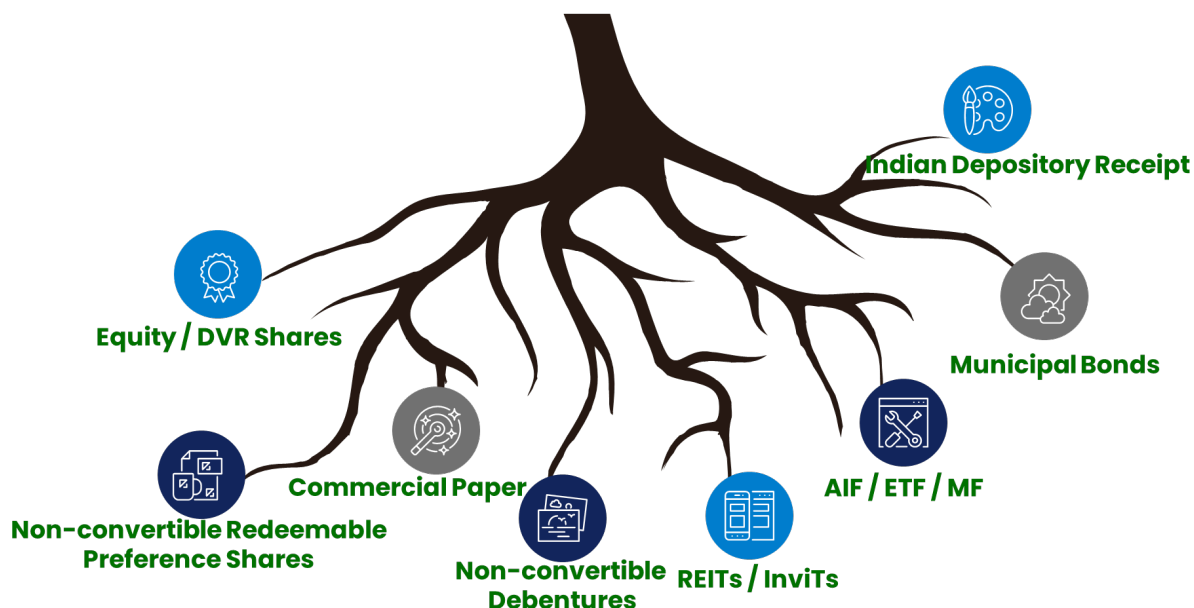
As per Section 2(52) of the Companies Act, 2013 "listed company" means a company which has any of its securities listed on any recognised stock exchange. Provided that such class of companies, which have listed or intend to list such class of securities, as may be prescribed in consultation with the Securities and Exchange Board of India (SEBI), shall not be considered as listed companies.

A listed security is a financial instrument that is traded through an exchange which are recognised by SEBI in India. When a private company decides to go public and issue shares, it will need to choose an exchange on which it would be listed and also issue appropriate securities which will be listed thereon. In majority of the issues

which are launched over last few decades, the issuer companies have chosen to BSE and NSE as preferred stock exchanges for getting themselves listed.

Stock exchanges can help domestic companies to list diverse instruments such as ordinary equity shares, equity shares with differential voting rights, non-convertible debentures / bonds / warrants, commercial papers, etc, while foreign companies can also tap investments from Indian investors by issuing instruments like Indian Depository Receipts. Listing of units by Real Estate Investment Trusts as well as Infrastructure Investment Trusts have got a headstart in the last decade. Moreover, increasingly large number of municipal corporations have started coming forward to raise money for developing local infrastructure by issuing municipal bonds and also getting them listed on the stock exchanges. Following is the snapshot of various instruments which can be listed by different types of entities in India currently:

Wider Range of Listing Instruments

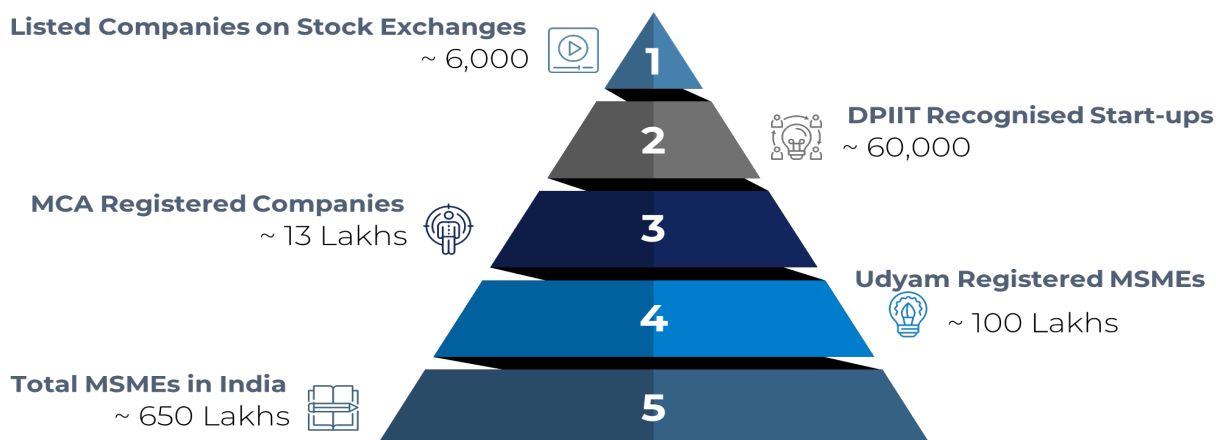


Benefits of Listing

India is a massive country with over 135 crore population but there are merely 6.5 crore micro, small and medium enterprises (MSMEs) of which barely 20% are registered with Udyam portal as MSMEs. Over 13 lakh companies are registered with the Ministry of Corporate Affairs and more than 60,000 start-ups are active. However, in this grand nation in which everything is available in abundance, there are less than 6000 companies which are listed on recognised nationwide stock exchanges where trading is happening on regular basis.

As per the recent analysis of Oxfam, 1% richest people in India are controlling nearly 40% wealth. It is important to understand that somewhat similar is the trend globally. The richest people any country in the world including India are closely associated with listed companies either as an investor or promoter.

Less Competition at The TOP



Listing means the formal admission of securities of a company to the trading platform of the Exchange. It is a significant occasion for a company in the journey of its growth and development. It enables a company to raise capital while strengthening its structure and reputation. It provides liquidity to investors and ensures effective monitoring of compliance of the issuer and trading of the securities in the interest of investors. Listing status can help a company to enjoy following key benefits:

- 1. Cost Effective Funding Avenue:** Issue of listed securities can help the issuer company to gain an access to cost effective way to finance their business by allowing public investors to participate in their business. Majority of companies reach a level wherein additional capital is required to be infused to fund the company's growth / expansion plans. Going public is thereby a popular method of overcoming these constraints in a systematic manner. By listing on a stock exchange, the company not only creates value for different stakeholders but also enhances its overall brand equity.
- 2. Visible Market Presence:** Going public improves company's visibility and credibility among financial institutions and the investors. With the trading of shares on the platforms of nationwide stock exchanges, listed companies can strongly create fantastic visibility across different parts of the country and even abroad which is very difficult for unlisted companies.
- 3. Superior Liquidity:** Shares of a listed company can be termed as virtual currency due to very high liquidity. Listing stimulates liquidity, giving shareholders an opportunity to quickly realize the value of their investments by selling them through nationwide terminals of stock exchanges. It allows the shareholders to transact in the listed shares of the company, sharing risks with others and also benefitting from every increase in the organizational value.
- 4. Increase in Employee Morale:** Going public increases overall visibility and also improves public perception of the organization, thereby improving employee

value and morale. It may also lead to hiring of new staff on relatively economical terms and can even facilitate launching attractive stock-based payments such as ESOPs etc while conserving cash reserves of the company.

- 5. Efficient Risk Management:** In case of a private company, the promoter has to bear all the risk and it can have an adverse impact on the growth. However, in case of a publicly listed company, the promoter is supported by co-shareholders who had invested their money in the company. In the event of unforeseen contingencies, the company can easily raise funds by rights issue from the promoters and public shareholders which helps to manage risks efficiently. Moreover, as per the prevailing laws, the risk of investors would not go beyond the quantum of shares subscribed by them.
- 6. Enhanced Borrowing Powers:** Shares of listed companies are often taken as a security while disbursing loans by the banks and financial institutions but such benefit is usually not available for shares of privately held companies. Moreover, banks offer loans at relatively lesser interest rates to listed companies as compared to their unlisted counterparts.
- 7. Transparency and Efficiency:** Listing brings transparency and efficiency in the overall operations of the company which helps them to get an edge while bagging contracts from multinational companies. The board and management team of a listed company has accountability towards its shareholders. Further, listed companies also need to ensure timely compliance by providing information/disclosure through the Exchange in the interests of the shareholders as laid down in the Listing Agreement as well as applicable guidelines which help them to comply with applicable laws.
- 8. Tax Benefits:** Till few years ago, there was zero tax on long term capital gains when shares of listed companies were sold after 1 year since the Government was keen to develop capital markets. As per existing Indian Tax Laws, the investors have to pay tax at just 10% on the gains made by selling shares of a listed company, however, in case of sale of shares of unlisted company, the tax levied at double the rate i.e. 20%. Needless to mention, being a listed entity can be helpful for its shareholders while saving taxes.
- 9. Exit Route for Investors:** Usually, investors, particularly venture capital and private equity funds have definitive timelines for exit on the basis of their arrangements with anchor investors, but the promoters of company may find it difficult to buy back stake from these funds by taking out cash from the business which may even destroy the value. In such event, going public is an ideal option which can offer utmost flexibility to venture funds / investors to exit by selling shares in the stock exchange as per their own convenience.

Inorganic Growth: Across the globe, companies are being acquired in cash-less transactions wherein shares of listed companies are getting swapped in lieu of consideration in cash. Such mechanism provides much needed flexibility to acquirers for growing rapidly and even the shareholders of target companies are assured of getting purchase consideration due to underlying value of shares of listed companies.

Chapter 2

Preparing To Get Listed

Roadmap for Listing & Key Stakeholders

Typically, any businessman makes a humble beginning while launching any new business and he invests his own money while testing the markets. Such business is usually in the form of a proprietorship or a partnership firm and if it starts giving desired results, then planning is done for expansion. At that stage, angel investors come in the picture, but in majority of the cases, these angels are either friends or relatives. With enhanced funding, the organisation continues to prosper and then, it may adopt corporate style in the form of a private or public limited company. Depending upon the sector in which company is involved, the venture capital funds may also be roped in which can make the company stronger and consolidate its position further. However, ultimately the investors need an exit and often, stock exchange listing is the most preferred option which can not only help company to access capital for future growth but also unlock value for all the stakeholders. Timely listing can help the company to even raise funds globally and become a leading company in its sector.

Long Term Wealth Creation with Listing



Listing is a team work and there are 7 pillars i.e. different stakeholders who need to work jointly for getting the desired results by completing exercise in the given timespan. In order to create maximum value, it is essential to have great co-ordination among all the stakeholders:

1. Company and its Management: Companies which are desirous of raising funds through capital markets need to devise suitable strategy under the guidance of senior management. The term Management usually includes:

- Promoters,
- Shareholders,
- Board of Directors,
- Key Managerial Personnel like Chief Executive Officer, Chief Financial Officer, Company Secretary, etc.

Efficient management can help the company to quickly tap emerging avenues to create more value and vice versa.

2. SEBI Registered Intermediaries: SEBI is the market regulator and given the sensitivity of issue, it is essential to take services of SEBI registered intermediaries who are familiar with SEBI Regulations and process knowledge. These intermediaries include:

- Merchant Banker,
- Registrar and Transfer Agents,
- Underwriter,
- Market makers / Registered Brokers, etc.

Given the high quality standards prescribed by SEBI, very few agencies have been able to successfully register themselves with SEBI as intermediaries like merchant banker, registrar and transfer agents, etc. In order to get anticipated success in the listing process, it would be recommended to appoint intermediaries with proven track record.

3. Other Agencies: Besides SEBI registered intermediaries, a lot of other agencies are involved and each of them have to play critical role for getting desired success in timely manner:

- Printers,
- Advertisers,
- Public Relations advisor,
- Investor Relations consultants,
- Courier / Despatch Agency, etc

Every agency will have to play its role and delay from any of them may even affect the entire project adversely.

4. Professionals: Professionals always have to play a very important but balancing role in this entire project and support other stakeholders wherever necessary. Professionals can be a vast list which may include:

- Statutory Auditors,
- Cost Accountants / Auditors,
- Company Secretaries,
- Lawyers,
- Valuers,
- Investment bankers, etc.

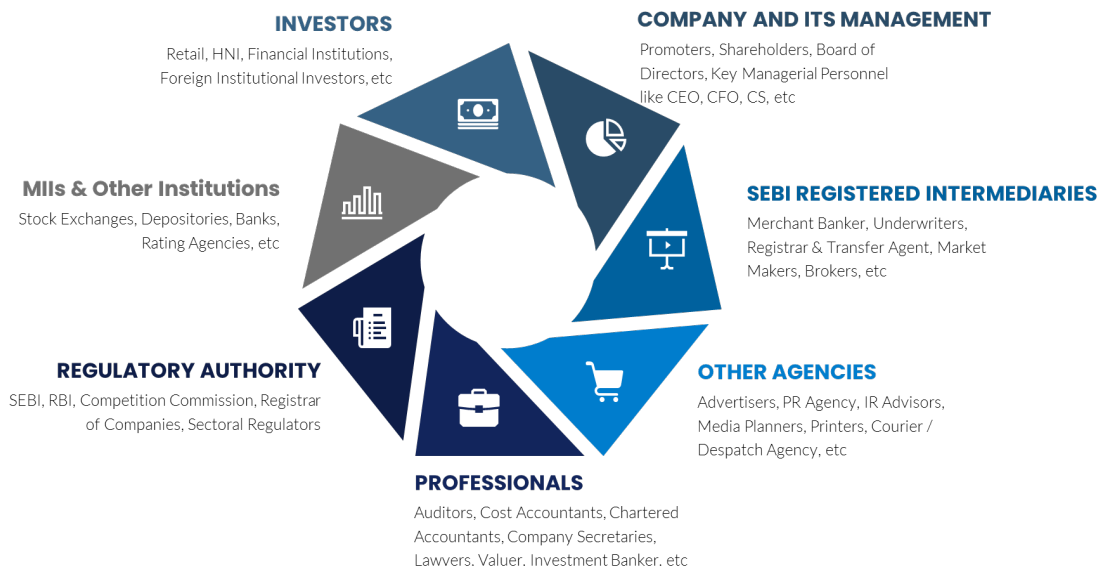
Given the intricacies involved in this exercise, hiring experienced professionals having expertise in capital markets may increase chances of successful closure within scheduled timeline.

5. Regulatory Authorities: Given the huge stakes and monetary commitments involved, it is essential for the regulator to nurture capital markets properly and constantly take various measures for safeguarding it. SEBI is the apex regulator of capital markets in India and it is essential to comply with its regulations / guidelines while getting listed. However, depending upon the industry, specific clearances are also needed from other government regulators viz. Registrar of Companies (ROC), Reserve Bank of India (RBI), etc. Further, approvals from Sectoral Regulators as well as Competition Commission would be needed in some cases. Professionals can play a key role while explaining the matter to regulators on behalf of the company and get their clearance by addressing their concerns properly.

6. Market Infrastructure & Other Institutions: Listing without blessings from market infrastructure institutions like stock exchanges, depositories, etc can not be practically possible and it is essential to resolve their queries in a timely manner. Moreover, support from other institutions like public financial institution, banks, rating agencies, etc would also be critical for getting desired outcome.

7. Investors: It is rightly said that "Cash is the King" but Investor is always regarded as the God in the corporate world. Entire process of listing will be futile in the absence of investors and so, they are undoubtedly the most respected stakeholders. Investors can be of different types viz. retail, high networth individuals, financial institutions, fund houses, foreign institutional investors, etc. Many large corporates have set up specialist 'Investor Relations' department or even hired external professional agencies to regularly interact with investors and effectively communicate with them about corporate strategies. Many investors have set-up investment departments internally by hiring research specialists who constantly focus on getting accurate information on portfolio companies which can help them in decision making.

Key Stakeholders For Successful Listing



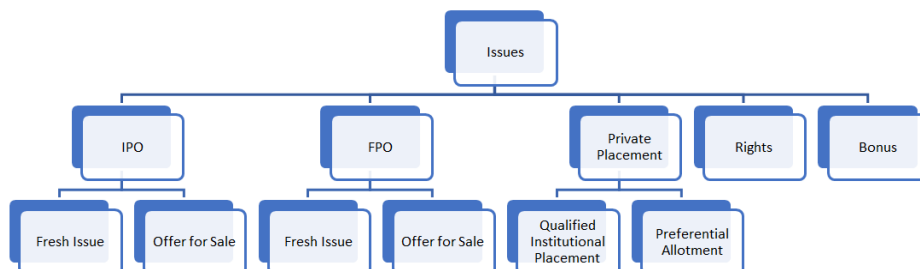
Alternate Strategies for Listing

Multiple strategies are available for the companies which plan to go public by accessing capital markets. Often companies may opt for initial public offer (IPO) on Main Board or SME Exchange, however, there are several success stories wherein the companies had explored other avenues for unlocking value to their stakeholders. Broadly, these strategies can be divided in 2 types:

1. Listing with Public Issue
2. Listing without Public Issue

Let us discuss both the strategies briefly:

- 1. Listing with Public Issue:** The companies can come out with public issues which may be public, rights or preferential allotment. The company may also have an option to make bonus issue, if it has good reserves. Public and rights issue involve a detailed procedure, however, preferential allotment and bonus issue are relatively simpler.



- a. Initial Public Offer:** An unlisted company may come out with an initial public offering (IPO) on the Main Board of stock exchange or SME exchange by following prescribed process whereby any retail investor can subscribe to their shares and become shareholder. Depending upon the size of issue, the companies may opt to get listed either on SME Exchange or Main Board. IPO may be in the form of either issue of fresh equity shares or offer for sale. An IPO, where fresh securities are issued, is typically made by a company when it needs money for growth-expansion or diversification or acquisitions or even to meet its increasing working capital requirements. Companies also go in for IPOs mainly for the purpose of obtaining valuations for their companies.

Following is the broader process flow for an IPO which may take minimum 4-8 months to successfully complete the process, provided all compliances are in order and necessary documents are available.

Successful IPO = Preparation + Execution + Timing



IPO Process is primarily managed by the Merchant Banker with the support of other SEBI registered intermediaries. Overall process to get listed on Main Board is similar to that of SME Exchange except that in case of latter, market making is compulsory upto 3 years or till the company migrates to the Main Board whichever is earlier. SEBI gives approval for the IPO on the Main Board while stock exchanges give clearance for IPOs on the SME Exchanges. IPO on SME Exchange usually takes lesser time and it can be finished as quickly as 100 days, if all documents are in order.

- b. Follow-on Public Offer:** Any listed company which is already having its securities trading on capital markets, may come out with a follow-on public offering (FPO) on the Main Board of stock exchange or SME exchange by following prescribed process whereby any retail investor can subscribe to their shares and become shareholder. FPO may be in the form of either issue

of fresh equity shares or offer for sale. An FPO, where fresh securities are issued, is typically made by a company when it needs money for growth-expansion or diversification or acquisitions or even to meet its increasing working capital requirements. An FPO is also the preferred route over the rights issue when the company wants to bring in new investors-both institutional as well as retail. Where an offer for sale is being made by the existing shareholders in an FPO then it is typically made to comply with the listing guidelines which require a minimum level of public shareholding. Usually, FPO route is being utilized extensively by the Government for the purpose of disinvestment of government's holdings in the PSUs and use the proceeds to meet budgetary targets.

- c. Rights Issue:** Rights Issue is a mechanism wherein a listed company issues fresh securities to its all existing shareholders in the similar ratio to the number of securities held prior to the issue as on a record date. This route is normally used by a company which would like to raise capital without changing the stake of its existing shareholders, as in a rights issue the stake held by each shareholder remains the same even after the issue. In order to reward the loyalty of existing shareholders, rights issues are usually launched at a discount to prevailing market price.
- d. Composite Issue:** When the issue of shares or convertible securities by a listed company is made on public cum-rights basis, wherein the allotment in both public issue and rights issue would be made simultaneously, it is called a composite issue.
- e. Bonus Issue:** Companies with high free reserves often issue bonus shares to reward their shareholders for their loyalty. Without any cash payment, all existing shareholders as on a record date are entitled for extra shares in the form of bonus. However, the Companies Act has permitted the companies to issue shares only to public shareholders by keeping promoter group away and this mechanism has been used by quite a few companies in the past.
- f. Private Placement / Preferential Allotment:** While IPO, FPO, rights and bonus issues are meant for all shareholders, in case of private placement, shares are strictly issued on selective basis to limited number of shareholders. There are differential criteria for issue of shares on preferential basis and companies need to comply with ICDR regulations in respect of disclosures, pricing, lock-in period, etc.
- g. Qualified Institutional Placement (QIP):** In case of QIP, a listed company issues securities in the form of equity shares or non-convertible debt instruments along with warrants and convertible securities other than warrants to Qualified Institutions Buyers only, in terms of provisions of Chapter VIII of SEBI (ICDR) Regulations, 2009. In a nutshell, QIP is a private placement of securities only to the Qualified Institutional Buyers. The issuing company is required to follow an elaborate set of guidelines

prescribed under the SEBI ICDR Regulations on issue pricing, disclosures, etc. QIPs are typically made to meet funding requirements of the company, and also to comply with the listing requirements, primarily with respect to minimum public holding.

- h. Institutional Placement Programme (IPP):** In case of IPP, a listed company makes further public offer of equity shares, or offer for sale of shares by promoter / promoter group of listed issuer in which the offer, allocation and allotment of such shares is made only to qualified institutional buyers in terms Chapter VIII A of SEBI (ICDR) Regulations, 2009 for the purpose of achieving minimum public shareholding.

2. Listing without Public Issue: Every company may not be able to come out with an IPO and further, given the high volatility in capital markets, sometimes it may not be feasible to raise money by offering shares to public. In such cases, the companies may opt for different strategies to get listed even without coming out with an IPO.

- a. Direct Listing:** The companies which were erstwhile listed on regional stock exchanges can be migrated to Main Board of nationwide stock exchanges like NSE, BSE or MSEI by meeting concessional eligibility criteria. Given the fact that thousands of companies were stuck up on regional stock exchanges, SEBI had prescribed relaxed norms for them to migrate to the nation-wide stock exchanges and hundreds of companies had successfully tapped this opportunity in the last decade.
- b. Demerger:** In such cases, a listed company gets demerged with the approval of National Company Law Tribunal (NCLT) and thereafter, shares of both the companies including the resulting company gets listed on the stock exchanges without following process of IPO or FPO. Many large corporate houses including Reliance, Mahindra, L&T, etc have adopted this strategy to streamline their businesses and as a result, original shareholders got shares in multiple companies which unlocked value on a grand scale.
- c. Reverse Merger:** An unlisted company merges with a listed company and thereby, the shareholders of unlisted company gets shares of listed company as a consideration which may also result in change of management control. Reverse Merger is a relatively new concept in India, however, it is extremely popular in developed nations ~ particularly in USA and European countries. Besides clearance from shareholders, approvals from the stock exchanges, SEBI as well as NCLT would be needed for the scheme of arrangement proposing the reverse merger.
- d. Takeover under Insolvency Code:** Since last few years, acquirers have been acquiring financially bankrupt company through NCLT by following due process as prescribed under the Insolvency & Bankruptcy Code, 2016 which was launched by the GOI to help banks for recovering outstanding

dues from such companies. In such cases, there is no need to make an open offer even when there is a change in management control. Moreover, the primary objective of takeover under IBC is to help lenders to recover their dues while reviving the businesses and hence, the NCLT may even pass an order for delisting of company or reduce public shareholding beyond minimum prescribed limit of 25% whereby new promoter can control even 90% or above stake in the company. In such cases, the new promoter has to systematically bring down his stake in such a time limit as prescribed by NCLT so that public shareholding will be at least 25%. The order of NCLT is supreme and it may temporarily provide some exclusions to protect the interests of stakeholders of companies under Corporate Insolvency Resolution Process (CIRP). Order can be challenged at the National Company Law Appellate Tribunal (NCLAT).

- e. **Open Offer under SEBI Takeover Code:** Listed companies with limited business or weaker financial position are often being acquired by strong players after making an open offer under SEBI Takeover Code. On completion of takeover process of a company, the acquirer can continue to run existing business of target company and may also transfer his additional business in it in order to maximize value by accessing capital markets.
- f. **Listing on Innovators' Growth Platform:** SEBI is exploring a possibility of launching Innovators' Growth Platform wherein start-ups can get listed without going through complex process of IPO. This mechanism is at a discussion stage and rules are yet to be notified by SEBI, however once launched, it is likely to be a game changer which can boost investments in start-ups.

All these strategies to get listed on stock exchanges are discussed at length in subsequent chapters.

Chapter 3

Initial Public Offer & Follow-on Public Offer

IPO by Unlisted Companies

IPO on the main board is a process by which a privately owned company sells shares to the public for the first time and gets listed at stock exchanges. These are large unlisted companies with a minimum post-issue paid-up capital of Rs 10 crore. They can raise money either in the form of IPO by issuing fresh set of equity shares or in the form of OFS (Offer for Sale) by selling shares of existing shareholders to public. Following is the eligibility criteria for issue / sale of shares by unlisted public limited companies:

Eligibility criteria -1:	Eligibility criteria-2: (If the issuer does not satisfy Eligibility criteria -1)
(i) Minimum Net tangible assets (as defined) of Rs. 3,00,00,000 in each of the preceding 3 full years (of 12 months each), of which not more than 50% is held in monetary assets. If monetary assets exceed 50% of net tangible asset, company should have firm commitments to utilise the excess in its business/project. However, the limit of fifty per cent on monetary assets shall not be applicable in case the public offer is made entirely through an offer for sale.	(i) (a) Issue is made only through book building process with at least 75% of the net offer to public being allotted to Qualified Institutional Buyers (QIBs); AND (ii) Prospective allottees shall be minimum 1,000.
(ii) It has minimum average pre-tax operating profit of Rs 15,00,00,000 (Fifteen crores) only, calculated on restored and consolidated basis, during the three most profitably years out of the immediately preceding five years	
(iii) Net worth of minimum Rs. 1,00,00,000 in each of preceding 3 full years (of 12 months each).	
(iv) In case of a name change in the last 1 year, at least 50% of the revenue for the preceding 1 full year is earned by the company from the activity suggested by the new name.	
(v) Prospective allottees shall be minimum 1,000.	

FPO by Listed Companies

Any listed company which is already having its securities trading on capital markets, may come out with FPO by following prescribed process whereby any retail investor can subscribe to their shares and become shareholder. Following is the eligibility criteria for the same:

Eligibility criteria -1:	Eligibility criteria -2 (If the issuer does not satisfy Eligibility criteria -1)
(i) In case of a name change in the last 1 year, at least 50% of the total revenue for the preceding 1 full year is earned by the company from the activity suggested by the new name.	(i) (a) Issue is made only through book building process with at least 75% of the net offer to public being allotted to QIBs; AND
(ii) Prospective allottees shall be minimum 1,000.	(ii) Prospective allottees shall be minimum 1,000.

- No unlisted company shall make public issue of equity share or any security convertible at a later date into equity share, if there are outstanding financial instruments or any other right which would entitle existing promoters or shareholders any option to receive equity share capital after the initial public offering.
- Equity shares may be offered for sale to public if such equity shares have been held by the sellers for a period of at least one year prior to the filing of draft offer document with the Board.
- No company shall make an initial public offer, unless as on the date of filing prospectus or red-herring prospectus with the ROC, the company has obtained grading for the initial public offer from at least one credit rating agency registered with the Board.
- No company shall make public or rights issue of equity shares or any security convertible at a later date into equity share, unless all the existing partly paid-up shares have been fully paid or forfeited.
- No company shall make an IPO if it has any outstanding convertible securities or other rights which entitles any person with an option to receive equity shares. Exceptions are provided for shares to be allotted under Employee stock options scheme as well as fully / partly paid-up convertible securities on giving declarations.
- No company shall make any public issue of securities, unless a draft prospectus has been filed with the SEBI through a Merchant Banker, at least 30 days prior to the filing of the prospectus with the ROC.
- No company shall make public or rights issue of securities unless firm arrangements of finance through verifiable means towards 75% of the stated

means of finance (excluding the amount to be raised through proposed Public/Rights issue) have been made.

- Unlisted company making an IPO shall list its securities on at least one stock exchange having nationwide trading terminals.

Primary Qualifications for listing Initial Public Offerings (IPO) are as below:

1. Paid up Capital

The paid-up equity capital of the applicant shall not be less than 10 crores* and the capitalization of the applicant's equity shall not be less than 25 crores**

* Explanation 1

For this purpose, the post issue paid up equity capital for which listing is sought shall be taken into account.

** Explanation 2

For this purpose, capitalisation will be the product of the issue price and the post issue number of equity shares. In respect of the requirement of paid-up capital and market capitalisation, the issuers shall be required to include, in the disclaimer clause of the Exchange required to put in the offer document, that in the event of the market capitalisation (Product of issue price and the post issue number of shares) requirement of the Exchange not being met, the securities would not be listed on the Exchange.

2. Conditions Precedent to Listing:

The issuer shall have adhered to conditions precedent to listing as emerging from inter-alia from Securities Contracts (Regulations) Act 1956, Companies Act 1956/2013, Securities and Exchange Board of India Act 1992, any rules and/or regulations framed under foregoing statutes, as also any circular, clarifications, guidelines issued by the appropriate authority under foregoing statutes.

3. At least three years track record of either:

The applicant seeking listing; or

The promoters***/promoting company, incorporated in or outside India or

Partnership firm and subsequently converted into a Company (not in existence as a Company for three years) and approaches the Exchange for listing. The Company subsequently formed would be considered for listing only on fulfillment of conditions stipulated by SEBI in this regard.

For this purpose, the applicant or the promoting company shall submit annual reports of three preceding financial years to NSE and also provide a certificate to the Exchange in respect of the following:

- That the company has not referred to the Board of Industrial & Financial Reconstruction (BIFR) &/OR No proceedings have been admitted under Insolvency and Bankruptcy Code against the issuer and Promoting companies.

- The company's net worth should not have been washed out by its losses, resulting in negative net worth.
- The company has not received any winding up petition admitted by a NCLT

*** Explanation 3

Promoters mean one or more persons with minimum 3 years of experience of each of them in the same line of business and shall be holding at least 20% of the post issue equity share capital individually or severally.

It is also to be noted that the founders, directors, and selling shareholders of the company are subject to the next set of criteria:

- The SEBI must not have taken any disciplinary action against them. The company can not enter the capital markets if the directors have been denied entry to the markets by the regulator. The company can not proceed with its IPO with these individuals as promoters/directors during their debarment time, i.e. if these promoters or director are serving their debarment time mandated by SEBI, draft red herring prospectus (DRHP) of the company would not be accepted. However, this limitation would not apply if the date of debarment has already expired at the time of filing a draft of the IPO with SEBI.
- The DRHP of the IPO will also be rejected if these individuals are promoters/directors of another company that has been barred from entering the markets. The company can not proceed with the IPO with these people as promoters/directors if it wants to issue an IPO. The limitation is applicable till the period that another company has been barred from accessing the capital markets.
- The company cannot proceed with the IPO if any bank, financial institution, or consortium has listed these individuals as wilful defaulters. A wilful defaulter is someone who has failed to repay debts to banks and other financial institutions. The company can either drop these tainted individuals as directors/promoters or get their debts regularised before filing DRHP with the regulator.
- The company's DRHP will be accepted by the regulator only if none of the promoters/directors has been classified as a fugitive or an offender under the Fugitive Economic Offenders Act 2018.

4. The applicant desirous of listing its securities should satisfy the exchange on the following:

- Redressal Mechanism of Investor grievance

Key points of consideration are:

1. Details of pending investor grievances against issuer company, listed subsidiaries and top 5 listed group companies by Market Cap.
2. Arrangements or mechanism evolved for redressal of investors' grievances including through SEBI Complaints Redress System.

- **Defaults in payment**

Defaults in respect of payment of interest and/or principal to the debenture/bond/ fixed deposit holders by the applicant, promoters / promoting company(ies), group companies, Subsidiary Companies shall also be considered while evaluating a company's application for listing. The securities of the applicant company may not be listed till such time it has cleared all pending obligations relating to the payment of interest and/or principal.

Fast Track Issues (FTIs)

Listed companies satisfying specified conditions are permitted to make FTIs through Follow-on Public Offerings (FPO) or Rights Issues. Such companies are not required to file draft offer document with SEBI and stock exchanges. Issues made under FTIs will enable the eligible listed companies to proceed with follow-on public offering/ rights issue by filing a copy of the Red Herring Prospectus (in case of Book Built Issue) / Prospectus (in case of fixed price issue) registered with the ROC or the letter of offer filed with designated stock exchange, as the case may be, and with SEBI before opening of the issue. Conditions for FTI, inter alia, includes:

- Trading history of 3 years on nation-wide terminals.
- Average market capitalisation of public shareholding of at least Rs 1,000 crores for FPO and 250 crores for rights issues.
- Annualized trading turnover of the shares of the company during 6 calendar months immediately preceding the month of the reference date is at least 2% of the weighted average number of shares listed during the said period.
- If public shareholding of the company is less than 15%, the annualized trading turnover of the shares of the company during 6 calendar months immediately preceding the month of the reference date is at least 2% of the weighted average number of shares available as free float during the said period.
- The company has redressed at least 95% of the total investor grievances or complaints received till end of the quarter immediately preceding the month of the reference date.
- The company has complied with the listing agreement for at least 3 years immediately preceding the reference date.
- If company has not complied with the provision of the equity listing agreement relating to composition of board of directors for any quarter during the last 3 years immediately preceding the reference date, but is compliant with such provisions at the time of filing of offer document with the ROC / designated stock exchange, it shall deemed to have complied with the condition of the listing agreement subject to disclosures in the offer document.
- An alternative set of disclosures of financial information specified, subject to conditions.

- The financial information disclosed in the offer document / abridged prospectus/ abridged letter of offer shall be certified by auditors who have subjected themselves to the Peer Review process of the Institute of Chartered Accountants of India (ICAI) and hold a valid certificate issued by the 'Peer Review Board' of ICAI. If the financial statements were audited by an auditor who had not been subjected to peer review process of ICAI, the financial information must be re-audited for 1 financial year and the stub period, by the auditor certifying them.
- If the issuer company has entered into any scheme of arrangement during the period for which the financials are disclosed in the offer document, lead merchant banker shall ensure that the specified disclosure requirements of Accounting Standard – 14 on Accounting for Amalgamations have been complied with.
- The impact of auditors' qualifications, if any, on the audited accounts of the company in respect of the financial years for which such accounts are disclosed in the offer document does not exceed 5% of the net profit/loss after tax of the company for the respective years.
- No prosecution proceedings or show cause notices issued by SEBI are pending against the company/its promoters/whole time directors as on the reference date; and
- Entire shareholding of the promoter group is held in dematerialised form as on the reference date.
- No such further issue of capital under FTI shall be made, during the period between reference date and listing of the securities offered in the issue and / or refund of application moneys, unless full disclosures regarding the total capital proposed to be so raised are made in the offer document.

For the above, "reference date" means:

- i. In case of public issue, the date of filing red herring prospectus (in case of a book built issue) or prospectus (in case of a fixed price issue) with the ROC; and
- ii. In case of rights issue, the date of filing draft letter of offer with Designated Stock Exchange.

Temporary Relaxation due to Covid-19 in case of FTIs

SEBI had issued a circular on 9th June 2020 for providing temporary relaxation to companies for raising capital in view of Covid-19 pandemic. Accordingly, following measures were taken:

- a. Average market capitalisation of public shareholding reduced to Rs. 500 crores.
- b. A listed company could not undertake a Fast Track FPO if SEBI had issued any show cause notice (SCN) or had initiated prosecution proceedings, against the company, its promoters or whole-time directors. Above circular provided a relaxation for cases in which: (a) SCNs had been issued under adjudication proceedings; or (b) where prosecution proceedings had been initiated by SEBI,

subject to requisite disclosures regarding such actions in the offer document, along with its potential adverse impact on the issuer. This exemption provided relief to companies attempting to raise funds while the matters continued to remain *sub judice*.

- c. A listed company was earlier unable to undertake a Fast Track FPO if such company / its promoter / promoter group / director had settled any alleged violation of securities laws through the consent or settlement mechanism with SEBI during preceding three years. This condition no longer impacted the eligibility of a listed company to undertake a Fast Track FPO if the terms of such settlement had been fulfilled or the directions of the settlement order had been adhered to.
- d. A listed company was earlier ineligible to undertake a Fast Track FPO if the impact of its quantifiable audit qualifications, included in the audit report covering audited financial statements disclosed in the offer document, exceeded 5% of the net profit or loss after tax of the issuer. This condition was relaxed as long as the qualification is disclosed in the offer document and its impact was adjusted for in the restated financial statements.

Discretionary allotment to Anchor Investor (AIs) in public issues

Out of the portion available for allocation to Qualified Institutional Buyers, up to 60% may be allocated to Anchor Investors subject to the following:

- Anchor Investors should necessarily be Qualified Institutional Buyers who make an application for a value of ten crore rupees or more in a public issue made through the book building process in accordance with the SEBI ICDR Regulations 2009.
- Minimum investment by Anchor Investor need to be Rs 10 crores.
- One-third of the Anchor Investor portion should be reserved for domestic mutual funds.
- The bidding for Anchor Investors should open one day before the issue opens and need to be completed on the same day.
- There would be lock-in of 30 days for the shares allotted so that Anchor Investor won't be able to sell shares for at least 30 days after allotment.
- The number of shares allocated to Anchor Investors and the price at which the allocation is made, should be made available in public domain by the merchant banker before opening of the issue.
- If the price fixed for the public issue through book building process is higher than the price at which the allocation is made to Anchor Investors, the additional amount should be paid by the Anchor Investors. However, if the price fixed for public issue is lower than the price at which the allocation is made to Anchor Investors, difference shall not be payable to the Anchor Investors.

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- There would be a lock-in of 30 days on half the shares allotted to the Anchor Investors from the date of allotment in the public issue and the remaining half can be sold only after 90 days.
- No person related to the book running lead managers/ promoters/promoter group in the concerned public issue or the book running lead managers to the concerned public issue can apply under Anchor Investor category.
- The parameters for selection of Anchor Investors should be clearly identified by the merchant banker and also made available as part of records of the merchant banker for inspection by SEBI.
- The applications made by Qualified Institutional Buyers under Anchor Investor category and under Non Anchor Investor category may not be considered as multiple applications.

Minimum offer to public [Rule 19(2) (b) of Securities Contracts (Regulation) Rules, 1957]

In case of public issue by unlisted company or listed company, the issuer company shall offer to public for subscription:

- At least twenty five per cent of each 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 less than or equal to one thousand six hundred crore rupees.
- at least 10% of equity shares / convertible debentures shall be offered to public if the post issue capital of the company computed at offer price is more than Rs 4,000 crores and shall comply with the below condition:
 - ✓ the company shall increase the public shareholding to at least 25% within a period of 3 years from the date of listing of securities.
 - ✓ A public sector company shall offer and allot at least 10% of equity shares/ convertible debentures to public.However, 25% minimum net offer to public is not applicable, if the issuer is:
 - ✓ 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 infrastructure sector; or
 - ✓ An infrastructure company whose project has been appraised by public financial institutions or minimum 50 percent of the project cost is financed by them whether in the form of equity or debt.

Reservation on Competitive basis

- Maximum reservation under employees' category on competitive basis is fixed 5% of post issued capital.
- For reservations on competitive basis under employees' category, value of allotment to any employee shall not exceed Rs 1,00,000 (Rs One lakh) only.

- Reservation for shareholders can not exceed 10% of the issue size.
- Reservation for business associates such as depositors, bondholders and subscribers to services with the issuer making an initial public offer can not exceed 5% of the issue size

Minimum Public shareholding

- Every listed company (other than listed public sector company) needs to maintain at least 25% public shareholding.
 - ✓ If public shareholding in a listed company is less than 25% at the commencement of the Securities Contracts (Regulation) (Second Amendment) Rules, 2010, such company has to increase its public shareholding to 25% within a period of 3 years from the date of such commencement.
 - ✓ If public shareholding in a listed company falls below 25% at any time, such company has to bring the public shareholding to 25% within a period of 12 months from the date of such reduction.
 - Every listed public sector company needs to maintain at least 10% public shareholding.
 - ✓ If public shareholding in a listed public sector company is less than 10% at the commencement of the Securities Contracts (Regulation) (Second Amendment) Rules, 2010, such company has to increase its public shareholding to 10% within a period of 3 years from the date of such commencement.
 - ✓ If public shareholding in a listed public sector company falls below 10% at any time, such company has to bring the public shareholding to 10% within a period of 12 months from the date of such reduction.
- If the public shareholding is / falls before 25% / 10%, the same should be increased in the manner prescribed as under:
- a. issuance of shares to public through prospectus; or
 - b. offer for sale of shares held by promoters to public through prospectus; or
 - c. sale of shares held by promoters through the secondary market after taking prior approval of the Specified Stock Exchange.

IPO Grading

IPO grading is the grade assigned by a Credit Rating Agency registered with SEBI, to the initial public offering (IPO) of equity shares as well as other convertible securities. The grade represents a relative assessment of the fundamentals of the IPO in relation to other listed equity securities. Disclosure of IPO Grades, so obtained is mandatory for companies coming out with an IPO on the main board, however, for IPOs on the SME exchanges, grading is optional.

Offer Document & Types

'Offer document' is a document which contains very comprehensive information about the issuer company, its promoters, projects, financial details, objects of fund raising, terms of the issue, etc. Offer document is usually used for inviting subscription to the issue being made by the issuer and is known as "Prospectus" in case of a public issue and "Letter of Offer" in case of a rights issue. Terms used for offer documents may vary depending upon the stage or type of the issue where the document is used, but underlying objective is common i.e. to raise money from the investors:

- (i) Draft offer document is an offer document filed with SEBI for specifying changes, if any, in it, before it is filed with the ROC. Draft offer document is also made available in public domain including websites of SEBI, concerned stock exchanges as well as the concerned Merchant Banker so that general public may study it thoroughly and also give comments, if any, on the draft offer document.
- (ii) Red herring prospectus is an offer document which is used in case of a book built public issue. It contains all the relevant details except that of price or number of shares being offered. It is filed with RoC before the issue opens.
- (iii) Prospectus is an offer document in case of a public issue, which has all relevant details including price and number of shares or convertible securities being offered. This document is registered with RoC before the issue opens in case of a fixed price issue and after the closure of the issue in case of a book built issue. This document is also made available in public domain including websites of SEBI, concerned stock exchanges, or concerned Merchant Banker for enabling public to study it thoroughly and take an informed decision while investing in the securities of the issuer company.
- (iv) Abridged prospectus is an abridged version of offer document in public issue and is issued along with the application form of a public issue. It contains all the salient features from the prospectus.
- (v) Shelf prospectus is a prospectus which enables an issuer company to make a series of issues within a period of 1 year without the need of filing a fresh prospectus every time. This facility is usually available to public sector banks, scheduled banks and Public Financial Institutions.
- (vi) Letter of offer is an offer document in case of a rights issue of shares or convertible securities and is filed with stock exchanges before the issue opens. It is meant for existing shareholders and not for general public.
- (vii) Abridged letter of offer is an abridged version of the letter of offer. It is sent to all the shareholders along with the application form.
- (viii) Placement document is an offer document for the purpose of Qualified Institutional Placement and contains all the relevant and material disclosures as prescribed under SEBI Regulations.



MERCHANT BANKER'S CHECKLIST FOR DUE DILIGENCE OF ABRIDGED PROSPECTUS

All documents required along with back up and supporting documents:

S. No.	Documents required	Remarks
1	Details of Registered, Corporate Office along with Contact details (Contact person, Contact no, email id, fax no., Website etc.	
2	Details of Compliance officer.	
3	Copy of Scheme of Arrangement filed with stock exchange and any observation made by the stock Exchange and any amendment thereof.	
4	Details of Following persons: - Registrar and Share transfer Agent - Statutory Auditors of the Company - Debenture Trustee, if any along with Contact details.	
5	Copy of the Memorandum & Articles of Association of the Company along with Certificate of Incorporation (Fresh COI for change in name/ Conversion)(Hard and Soft Copy) of all companies part of the Scheme.	
6	Minutes of Board Meeting and General meeting of shareholders approving the arrangement.	
7	Details voting results of shareholders approval along with scrutinizer report.	
8	Copy of Stock Exchange of Observations letter.	
9	Copy of Applications submitted with Stock Exchange for NOC.	
10	Management: (i) Background of Board of Directors, their name, age, Pan Card, Photograph, father's name, residential address, qualification certificates, occupation, experience and directorships in other companies. CIBIL. Is there any pending litigation against the Directors?	
11	Following details regarding key managerial personnel: (i) Name, Age, Designation, Experience, Brief profile.	
12	List of Promoters of the Company (i) Age, Pan Card, Passport, Driving License, Aadhar Card, qualifications, background and experience of the promoters, CIBIL	

HANDBOOK ON STOCK EXCHANGE LISTING

13	Outstanding Litigations: Details pertaining to Company, Group Companies, Directors of the issuer Company, Promoter of the issuer Company, Subsidiary Company (All Back up documents required)	
14	Income tax return filed along with computation for the Company as well as the Promoters for last 3 years	
15	Tax challans for last 3 years	
16	Corporate profile of the Company presentation and brochures.	
17	List of business activities undertaken by the company and group. Companies through which these business activities are undertaken.	
18	Description of lines of business undertaken in the past, changes in the lines of business and the reasons thereof.	
19	Details of all material agreements with third parties including but not limited to joint venture agreements, technical assistance agreements, outsourcing agreements, strategic alliances, facilities and collaboration agreements of a long term nature.	
20	Property and Intellectual Property - Details of property owned/ leased by the Company.	
21	List of shareholders and directors	
22	Audited Financials of last three years and for latest period not older than 6 months (Standalone and consolidated)	
23	Details of Trademarks, Patents, Copyrights, if any.	
24	Details of corporate restructuring undertaken by the issuer company including copies of scheme of arrangements with the shareholders and creditors	
25	Details of group companies with brief profile	

Chapter 4

SME & Start-Up Listing

Creativity, networking, versatility, risk tolerance, decisiveness, etc are some of the essential qualities to become successful businessmen and needless to mention, Indians have these qualities in abundance. No wonder, Indians have set up many successful businesses in India and across the globe which are of different sizes – small, medium or big. In fact, in India nearly 70 million micro, small and medium enterprises (MSMEs) have been serving over 135 crore citizens across the country.

Historically, very conservative norms were adopted for classification of MSMEs by keeping lower investment norms with differential limits for both – manufacturing and services sector. Despite doing good business, many enterprises were reluctant to grow beyond the given limits merely to enjoy various concessions offered by the government to MSMEs. Therefore, an urgency was felt to introduce new norms with a mutual structure across both the categories ~ manufacturing and services. For bringing more enterprises under MSMEs category, new rationalised norms had been adopted since June 2020 with dual criteria of turnover as well as investments made and they are common for both – manufacturing and service sector enterprises.

L = Lakhs Cr = Crores	Old Norms for Manufacturing	Old Norms for Services	New Norms for both - Manufacturing & Services
Micro	Investment < 25L	Investment < 10L	Investment < 1 Cr Turnover < 5 Cr
Small	Investment < 5 Cr	Investment < 2 Cr	Investment < 10 Cr Turnover < 50 Cr
Medium	Investment < 10 Cr	Investment < 5 Cr	Investment < 50 Cr Turnover < 250 Cr

Start-ups – Niche Category

Certain categories of business entities are permitted to be registered and recognised as start-ups with the Department of Industry & Internal Trade (DPIIT) which functions under the aegis of the GOI. As per existing DPIIT norms, an entity can be recognised as a start-up if:-

- It is incorporated as partnership firm, limited liability partnership or private limited company
- It is less than 10 years old from registration / incorporation
- It's annual turnover is less than Rs 100 crores since inception
- It is working towards innovation, development or improvement of products, or if it is a scalable business model with a high potential of employment generation or wealth creation

Any entity formed by splitting up or reconstruction of a business already in existence can not be considered as a start-up and so, it will not be entitled to get applicable benefits under Start-up India initiative. Following is the category-wise data for different start-ups with the DPIIT as on May 2022:

- Total Registrations: Above 2,08,000
- DPIIT Recognition: Above 60,000
- Eligibility for Angel Tax Benefits: 5,962
- Eligibility for 80-IAC benefits (IMB) – 448

Covid-19 Impact on MSMEs and Start-ups

Traditionally, MSMEs have grown at faster pace than Indian economy at 10% p.a. besides contributing in excess of 30% of GDP till last year. MSMEs have also contributed for 40% of total exports and 45% of total manufactured output in India. Prior to Covid-19 outbreak in March 2020, MSMEs used to provide employment to around 11 crore citizens ~ equivalent to one third of domestic workforce. Despite being such a vibrant sector, many MSMEs failed to grow primarily due to lack of timely financing and in fact, the situation has further deteriorated over last few years after Covid-19 outbreak. It is also estimated that majority of the start-ups are still in the initial stage of operations and hence, they fall under MSME category due to small size.

In spite of various challenges, MSMEs have still continued to provide large number of employments, but they have been badly needing funds to meet various obligations. Banks had introduced various schemes during the last fiscal year to support MSMEs including “Atma Nirbhar” package, however, the destruction is enormous and MSMEs are needing auxiliary support in this second wave of Covid-19. There has been acute liquidity constraints with banks as well as finance companies which has diminished quantum of fresh loan disbursements during the current year. Moreover, given the fragile financials with reduced business, it may not be feasible to take extra burden of higher loans by the MSMEs and hence, there is a need to explore possibility of raising funds by diluting equity, preferably through capital markets.

Atma Nirbhar Package - Fund of Funds Scheme for MSMEs

In May 2020, Hon’ble Finance Minister had announced about “Fund of Funds” scheme in the form of “Self Reliant India (SRI) Fund” for MSMEs for which guidelines were drafted in August 2020. Accordingly, a mother fund will be anchored by a special purpose vehicle having 100% equity from National Small Industries Corporation Limited. This mother fund will have corpus of Rs 10,000 crore and in turn it will have another 4-5 daughter funds whereby equity funding of Rs 50,000 crore will be invested across promising companies in order to enable them for expansion in size and capacity besides encouraging them for listing. It is intended to help those businesses which are in their nascent and initial stages, where there are limited prospects to raise funds through the help of professional corporations or venture capitalists.

All investments will be compulsorily routed through daughter funds and in any given company, it will not hold stake beyond 15% of its issued capital. As per the proposed guidelines, priority will be given to traditional manufacturing & services sector instead of information technology. Once SRI Fund is actively operational through its daughter funds, deserving companies which have adopted corporate structure may be able to have easier access to funds besides opportunity to avail benefits through stock exchange listing. On successful exit from any company after listing, the proceeds will be deployed to make investments in other emerging MSMEs.

Raising Funds by SME Listing

Financiers usually prefer to fund the organisations having corporate structure and India is not an exception even though there has been very low corporatisation here. Hardly 13 lakh companies are actively registered with the Ministry of Corporate Affairs amounting to less than 2% of total MSMEs in India. Among those 13 lakh registered companies, about 6000 are actively listed on nationwide stock exchanges which itself is an extremely negligible proportion.

During FY 2011-12, the Indian Government took a novel initiative by launching SME Exchanges ~ BSE SME and NSE Emerge with an objective to help SMEs to get listed on easier terms with relaxed norms. SEBI has permitted both the stock exchanges ~ BSE SME and NSE Emerge to have their own set of norms. BCB Finance Limited was the first company to get listed in March 2012 on BSE SME but since then, over 700 companies have got successfully listed on SME platforms of BSE & NSE during last 10 years.

SEBI has given freedom to both the stock exchanges with respect to IPOs on SME platforms to devise own norms and processes. Hence, it is possible to get listed in a short duration of just 3 months of getting final set of documents if all compliances are in order.

Criteria which should be complied with for getting listed on on BSE - SME Exchange:

1. Minimum track record of 3 years
2. Minimum net worth and tangible assets of Rs 3 crores
3. Positive cash accruals for at least 2 years out of preceding 3 years
4. It needs to be a company incorporated in India under the Companies Act, 1956/ 2013 and there should not be any winding up petition pending against it

If the business is done in the form of proprietorship or partnership firm then its track record can be considered by the stock exchanges, provided a new company has been incorporated with an objective to take over the business of proprietorship firm. In case of a partnership firm, the firm can be duly converted to a company by following due process as prescribed under the Companies Act, 2013.

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BSE SME has offered further concessions to DPIIT recognised start-ups for listing on its platform. Norms of NSE Emerge are also similar to BSE SME with few differences related to tangible assets and net worth.

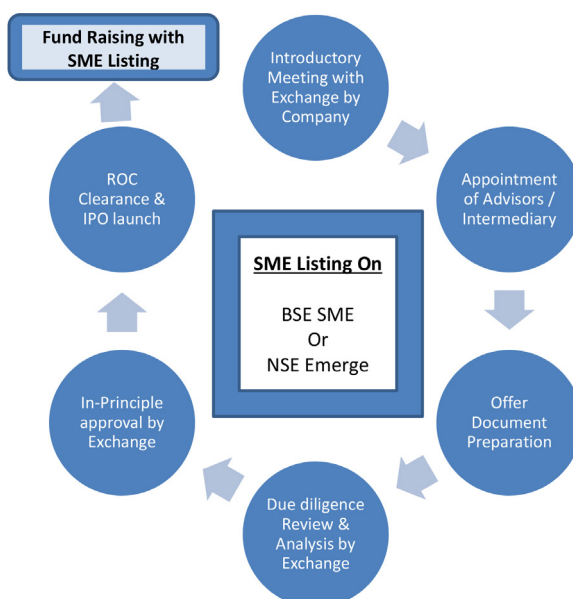
With the ongoing Covid-19 pandemic, BSE SME had temporarily reduced net tangible asset requirement by 50% to 1.50 crores. Moreover, positive cash accrual in any 1 year out of last 3 years will suffice instead of earlier requirement of 2 years. Currently, above concessional norms are in place in lieu of original norms.

Criteria which should be complied with for getting listed on NSE Emerge:

Parameter	Listing Criterion
INCORPORATION	The issuer should be a company incorporated under the Companies Act 1956 / 2013 in India.
POST ISSUE PAID UP CAPITAL	The post issue paid up capital of the company (face value) shall not be more than Rs. 25 crore.
TRACK RECORD	<ul style="list-style-type: none"> Track record of atleast three years of either <ul style="list-style-type: none"> i. the applicant seeking listing; or ii. the promoters****/promoting company, incorporated in or outside India or iii. Proprietary / Partnership firm and subsequently converted into a Company (not in existence as a Company for three years) and approaches the Exchange for listing. ****Promoters mean one or more persons with minimum 3 years of experience in the same line of business and shall be holding at least 20% of the post issue equity share capital individually or severally The company/entity should have operating profit (earnings before interest, depreciation and tax) from operations for atleast any 2 out of 3 financial years preceding the application and its net-worth should be positive.
OTHER LISTING CONDITIONS	<ul style="list-style-type: none"> The applicant company has not been referred to erstwhile Board for Industrial and Financial Reconstruction (BIFR) or No proceedings have been admitted under Insolvency and Bankruptcy Code against the issuer and Promoting companies The company has not received any winding up petition admitted by a NCLT / Court. No material regulatory or disciplinary action by a stock exchange or regulatory authority in the past three years against the applicant company.

Parameter	Listing Criterion
DISCLOSURES	<p>The following matters should be disclosed in the offer document:</p> <ol style="list-style-type: none"> 1. Any material regulatory or disciplinary action by a stock exchange or regulatory authority in the past one year in respect of promoters/promoting company(ies), group companies, companies promoted by the promoters/promoting company(ies) of the applicant company. 2. Defaults in respect of payment of interest and/or principal to the debenture/bond/fixed deposit holders, banks, FIs by the applicant, promoters / promoting company(ies), group companies, companies promoted by the promoters/promoting company(ies) during past 3 years. 3. The applicant, promoters/promoting company(ies), group companies, companies promoted by the promoters/promoting company(ies) litigation record, nature of litigation, and its current status. 4. In respect of the track record of the directors, the status of criminal cases filed or nature of the investigation being undertaken with regard to alleged commission of any offence by any of its directors and its effect on the business of the company, where any of the directors of issuer have or has been charge-sheeted with serious crimes like murder, rape, forgery, economic offences.

Following process needs to be followed by the companies for getting listed on SME Exchanges:



Key Points To Remember

Pricing of Issue

Issuer company has been given flexibility to decide pricing for its securities which are offered to public through IPO, however, the Merchant Banker has to provide a comparative analysis with listed peers in the offer document. Due to higher investor participation, easy exit is possible on the Main Board and hence, companies on the Main Board are often valued at higher Price / Earnings multiples as compared to similar companies on SME Exchanges.

Market Making

Usually, companies listed on SME Exchanges struggle with liquidity. Many a times, investors get stuck with an SME stock in case of absence of buyers. In order to address this issue, SEBI has prescribed for "Market Making" where the market maker is required to provide eligible 2-way quotes in securities listed and traded on the SME Exchanges. Market making can be carried out only by eligible trading members brokers registered as market makers with the exchange where security is listed.

Market making is mandatory in respect of all securities listed on SME Exchange and merchant bankers need to compulsorily ensure market making for a minimum period of 3 years from the date of listing of security issued. There can be a minimum of one and maximum of five designated Market Makers for every security traded on the SME segment.

Migration to Main Board

If the company is fully compliant with SEBI Listing Regulations, then on completion of 2 years it will be eligible to migrate to the main board, provided its minimum paid-up capital and market capitalisation would be at least Rs 10 crore and 25 crore respectively. Moreover, the company has to be fully compliant with the listing regulations as well as applicable SEBI guidelines besides maintaining clean track record.

Comparison between IPO on SME Exchange vis-à-vis Main Board

IPO on SME Exchange		IPO on Main Board	
1)	SEBI approval is not necessary and approval from stock exchange is sufficient	1)	SEBI approval is required for every IPO on main board
2)	Maximum paid-up capital can be upto Rs 25 crores	2)	Minimum paid-up capital need to be Rs 10 crores
3)	Simplified listing norms and shorter process. Listing is possible at much lower cost.	3)	Complex listing norms and lengthy process. Cost of listing is significantly high as compared to SME Listing

4)	Every issue is 100% underwritten. So, every IPO will succeed due to compulsory underwriting	4)	No need to have 100% underwriting. So, some IPOs may not succeed if there is shortfall in subscription.
5)	Minimum 50 allottees	5)	Minimum 1000 allottees
6)	Minimum quantity to be traded is of a lot amounting to Rs 1 lakh or above	6)	Minimum quantity to be traded is as low as just 1 share
7)	Market making is compulsory	7)	Market making is not required
8)	Merchant Banker is responsible for market making for a period of 3 years	8)	No responsibility on merchant banker for market making
9)	Half yearly compliances & disclosures	9)	Quarterly compliances & disclosures
10)	Abridged version of annual report and simple regulations in relation thereto	10)	Specific and complex annual report with strict governing regulations

Key Benefits of SME Listing – “Atma Nirbhar” MSMEs:

With successful IPO, every company will be expanding its equity base which further strengthens its balance sheet and thereby, it is able to raise more loans from banks or financial institutions. For promising companies which will be raising funds through daughter funds of GOI's SRI Fund, attracting next round of funding from overseas/sovereign funds will be easier. Getting listed on the SME exchanges by MSMEs will also help them to be self reliant (Atma Nirbhar) in true sense while enjoying numerous benefits:

- Improved brand equity
- Exit route for investors
- Efficient risk distribution
- Lower tax on capital gains
- Increase in employee morale
- Incentives offered by few states
- Superior liquidity for shareholders
- Inspiring entrepreneurial spirit & innovation
- Access to capital and future funding requirements
- Option to explore inorganic growth through M&A route

Chapter 5

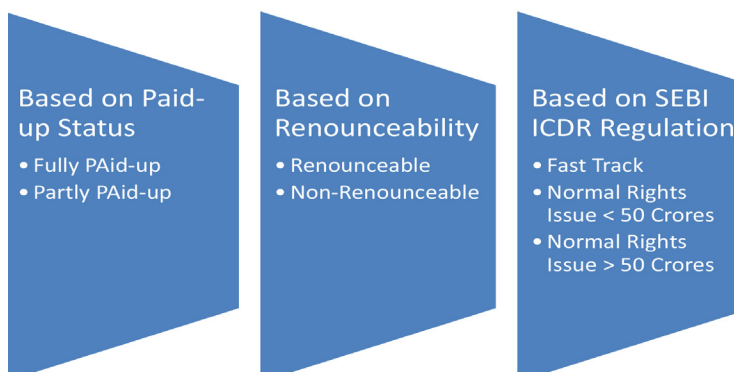
Raising Funds with Rights Issue

A rights issue is simply an invitation to existing shareholders to purchase additional new shares in the company on a pro-rata basis. This type of issue gives existing shareholders securities called rights. With the rights, the shareholder can purchase new shares at a discount to the market price on a stated future date since the issuer company gives shareholders a chance to increase their exposure to the stock at a discounted price. Every shareholder can use his own discretion while choosing an option to buy shares and may decide to acquire entire or part of the eligible stake while renouncing balance to others.

Any company can raise funds by launching rights issue after complying with the provisions under the Companies Act, 2013, however, if the company is listed on any of the recognised stock exchanges in India then applicable provisions under multiple SEBI regulations also need to be duly complied with:



Though there is no compulsion on any shareholder to subscribe for shares as per his entitlement, companies usually offer good discount over prevailing market price and so, usually majority of the shareholders opt for exercising their rights. Rights issue may be of different types and the issuer company may choose any one or combination of them to suit their overall requirements while offering an option to its shareholders for subscription:



Process of Rights Issue

The companies can opt for 'Fast-Track Rights Issue' of more than Rs 50 crores if the conditions laid down in Regulation 99 of SEBI ICDR Regulations are duly met and in such cases, SEBI has offered multiple relaxations. Otherwise, following standard process need to be followed by the issuer company for the rights issue:

1. Ensure that authorised share capital is sufficient to accommodate rights issue or else increase it with the approval of shareholders by passing necessary resolutions
2. Give prior intimation to stock exchanges as per Regulation 29 of LODR
3. Conduct a meeting of the Board of Directors u/s 173 of the Companies Act by ensuring that at least 7 days notice is given to all directors
4. Give disclosure of outcome of board meeting to stock exchanges after the end of the board meeting as required under regulation 30 and 46(3). Also update it on the website of the company.
5. Appoint various intermediaries for the issue including lead manager, registrar, banker, legal consultants, public / investor relations agency, advertisement agency, statutory auditors, etc. Appointment of underwriter is not compulsory and it is optional at the discretion of the issuer company.
6. Carry out due diligence exercise and critically review legal documentation
7. Determine offer price in consultation with advisors
8. Obtain in-principle approval from the regulator for the proposed issue
9. Fix the record date for determining eligible shareholders in consultation with the lead manager
10. Send abridged letter of offer u/s 62(2) and application forms to eligible shareholders by registered post, speed post, courier or through electronic modes
11. File Form MGT-14 with the Ministry of Corporate Affairs within 30 days from passing the board resolution
12. Obtain ASBA facility through the bankers of the company
13. Credit Right Entitlements (REs) in respective demat accounts of eligible shareholders with the help of depositories
14. Open Issue for a window of 15 – 30 days so that eligible shareholders can exercise their rights
15. Eligible shareholders may also trade in the REs during this period through the stock exchange
16. Receive final acceptance and rejection from shareholders u/s 62(1)

17. Allot shares and refund of balance proceeds to eligible shareholders after taking approval of the board u/s 173 in compliance with Secretarial Standard – 1
18. File Form PAS-3 with MCA in compliance with Section 39(4) and Rule 12 of the Companies (Prospectus and Allotment of Securities) Rules
19. Finish corporate action with depositories through the RTA
20. Submit listing application with the stock exchanges and co-ordinate with them for listing of new shares

Basis of Allotment

In case of Rights Issue, equity shares are allotted to all eligible shareholders in a pre-determined sequential hierarchy in the following manner:

1. All eligible shareholders to the extent of their entitlement;
2. Renouncees to the extent of their entitlement;
3. If shares are still available then one share to those eligible shareholders having fractional entitlement and who applied for at least 1 additional share;
4. If shares are still available then to those eligible shareholders who applied for additional shares in proportion to their holding as on the record date;
5. If shares are still available then to eligible Renouncees who applied for additional shares;
6. If anything left even after aforesaid allotment then it would be treated as unsubscribed portion of the issue. It is generally distributed among the shareholders and renouncees who have applied for any additional shares.

Normal rights issue of more than Rs 50 crores size may usually take minimum 6 months for completion. However, in case of 'Fast-Track Rights Issue' or issue having size less than Rs 50 crores, the process can be completed in a much shorter time span of just 3 months.

Pricing Mechanism and Impact

The companies have been given absolute freedom by the regulator to determine pricing for the rights issue as per their choice, however, usually significant discount is offered over the prevailing market price in order to reward loyal shareholders and make offer attractive. Since the regulatory approvals required from the central government for issuing of shares below face value, traditionally offer price is usually been kept at the face value or higher.

Due to discounted price of rights issue, the price of shares also gets diluted. Hence, it is likely to go down with the increase in total number of shares after issue. Share price after issue can be estimated mathematically which is called as "Theoretical Ex-Rights Price" (TXRP).



$$\text{TXRP} = \frac{[(\text{Existing Shares} \times \text{Existing Price}) + (\text{Rights Shares} \times \text{Offer Price})]}{\text{Total Shares}}$$

Value of Right is the difference between TXRP and offer price:

$$\text{Value of Right} = \text{TXRP} - \text{Offer Price}$$

Example: XYZ Company announces rights issue of 1:2 i.e. 1 share for every 2 shares held at a concessional offer price of Rs 70 while the current market price is Rs 100. Then, TXRP and Value of Right can be calculated as below:

$$\text{TXRP} = [(100 \times 2) + (70 \times 1)] / 3 = 90$$

$$\text{Value of Right} = 90 - 70 = 20$$

The shares of XYZ Company may trade at Rs 90 ex-rights and value of Right will be Rs 20. However, it is to be understood that aforesaid calculation is merely an estimate on the basis of mathematical calculations and actual price may substantially differ based on market sentiments. Further, reduction in price may be temporary which can even go up if there are good prospects and vice-versa.

Right Entitlements & Options to Shareholders

REs are the standard rights issued by the company to all existing shareholders for subscribing to new shares. REs are always offered to shareholders on pro-rata basis in proportion with their existing equity shares held as on the record date. If any shareholder is holding shares in physical form then he needs to compulsorily provide details of his demat account for getting REs.

REs are issued in dematerialised form and have separate ISIN, however, they can be traded in online as well as offline mode. Separate scrip code is issued by stock exchanges for trading of REs and while its opening price is decided by the exchanges, subsequently it is determined by the market dynamics. Anybody can purchase REs and also apply for the rights issue in the given proportion during the issue period. However, if no application is made by the purchaser of REs on or before closing date of issue then such REs will lapse. It is to be noted that once trading in REs stops then it can not be extended again even if there is subsequently an extension of rights issue.

Eligible shareholders can exercise any of the following six options at own discretion during the rights issue:

- a) Apply for their rights fully as per their REs
- b) Apply for their rights fully as per their REs and also apply for excess rights shares
- c) Apply for their rights partly as per their REs and renounce balance REs
- d) Apply for their rights partly as per their REs but don't renounce balance REs

- e) Renounce their REs fully
- f) Neither apply for rights shares nor renounce REs

Advantages of Rights Issue

Rights issue has always been an extremely popular fund raising strategy which has been beneficial for both ~ the company as well as the shareholders. Cash-strapped companies can effectively adopt this strategy to mobilize funds when they really need them. Following are key advantages to the issuer companies:

1. Fastest mode of raising capital without incurring any additional debt
2. Negligible chance of failure as compared to IPO or FPO
3. Simplified process which can be completed by the Board without even taking approval from the shareholders
4. Economical option for issuer company wherein costs like underwriting, advertisement, etc can be avoided
5. Preferred mode to attract investors as compared to preferential allotment due to relaxation in lock-in requirements
6. Motivation to existing shareholders with an offer to subscribe shares at discounted rates whereby building long term relationships

The shareholders are also benefitted in the event of rights issue as below:

1. Attractive option to increase stake at a price much lower than prevailing market rates
2. Existing shareholders can continue to control the company if rights are not renounced
3. SEBI has permitted usage of R-WAP platform to resident individual shareholders and HUF investors
4. SEBI has also allowed shareholders having physical certificates to exercise their rights by providing demat account details

The Promoters can also take an advantage to smartly increase their overall stake and control the company with the help of rights issue:

1. REs can be bought or sold by the Promoters even during Trading Window closure period as per SEBI's circular dated 23-7-2020.
2. Under SEBI Takeover Code, the Promoters can acquire upto 5% in a financial year, however, through rights issue the Promoters can acquire even beyond 5% without triggering Open Offer under Regulation 3(2) provided issue price is less than ex-rights price.

Relaxation by SEBI During Covid-19 Pandemic

Due to Covid-19 pandemic, there was an unprecedented economic crisis resulting into huge scarcity of funds.

Every company had to compulsorily wait for at least 1 year after completion of buyback process as per Regulation 24 of SEBI Buyback Regulations, 2018 if it wanted to raise further capital in any manner including rights issue. However, after the Covid-19 outbreak, SEBI had temporarily reduced this timeline from 1 year to 6 months for giving relief to corporates in view of acute liquidity challenges faced by them. Further, SEBI had issued various circulars after March 2020 in order to rationalise overall process and gave multiple relaxations to listed companies for quickly mobilising funds through rights issues:

1. Filing of Letter of Offer to SEBI is not required for rights issues upto issue size of Rs. 50 crores which was earlier limited to Rs 10 crores only
2. Waiver of compulsory 90% minimum subscription criteria, subject to conditions
3. Conditional relaxation to companies for 'Fast-Track Rights Issue' in case of pending show-cause notices provided disclosure is made about potential adverse impact
4. Truncated disclosures by restricting financial statements for last year instead of 3 years

With aforesaid positive measures taken by SEBI, rights issues became preferred mode of raising funds. During Covid-19 pandemic, more than a dozen big listed companies had successfully completed rights issue process and they also got fantastic response from the investors. Following are few examples of mega issues:

- Reliance Industries – Rs 53,124 crores
- M&M Financial Services – Rs 3,089 crores
- Shriram Transport Finance – Rs 1,500 crores
- Aditya Birla Fashions – Rs 995 crores

Rights Issue v. Bonus Issue

Rights Issues refers to issue of equity shares of a company which are usually offered to their existing shareholders at a discounted price. Company's shareholders have a right to accept or reject the proposal and also there is a minimum criteria for subscriptions if the shareholders accept the proposal. Such issuance of shares is called rights issue and such shares is known as right shares. Rights issue is usually done by the Company when it plans to raise fresh funds but also wants to give a chance to their existing members to increase their shareholding.

Bonus shares refers to the shares which are issued free of cost to their shareholders on a specified date by the companies. Bonus shares are issued at a certain proportion (Eg. 1:1, 2:1, 3:1 or even higher) as proposed by the Board after considering the

shareholders' stake in the company. When a company has accumulated huge profits or reserves and it wants to reward its shareholders, then issuing bonus shares is a popular strategy. However, the share price gets recalculated on listing on bonus shares without affecting overall market capitalisation of the issuer company.

Particulars	Rights Issue	Bonus Issue
Whose approval is needed to issue shares?	Board	Shareholders
Whether permission of Stock Exchange / SEBI is needed?	Yes Issue < 50Cr - Stock Exchange Issue > 50Cr - SEBI	No
How much is tentative time frame required?	Approx 3-6 Months	Approx 2 months
How much is minimum costing of issue including fees of regulators, market intermediaries and advisor?	Approx 30 Lakhs	Approx 5 Lakhs
Can any shareholder exercise own discretion to get new shares?	Yes	No
Whether right entitlement can be transferred to another shareholder?	Yes	No
Whether funds are actually raised through the issue?	Yes	No
How is allotment price determined?	Free Pricing	No Pricing

Checklist - Documents Needed by Merchant Banker for Rights Issue

1. List of top 10 customers and suppliers for preceding 3 years (Name & Amount);
2. List of employee with designation;
3. Insurance details;
4. Profile of all directors, CS, CFO;
5. Details of litigations involving of directors, CS, CFO;
6. List of directors with designation and committee compositions (Audit, Nomination and Stakeholders);



7. There should be at least six director and half of them to be independent directors;
8. Details of group companies;
9. Latest shareholding pattern with BenPos data;
10. Images of the plant and product;
11. List of products, brand names and registration logo besides usage of the products manufactured by the company;
12. Updated profile of the company;
13. Changes in MOA/AOA after IPO and latest MOA/AOA;
14. Changes in capital structure after IPO;
15. Details of subsidiary and/ holding company;
16. Details of work order in hand;
17. Details of change in control;
18. Statewise revenue of the company
19. Product / segment wise revenue of the Company for last two years;
20. Details of property(ies) with address and lease / owned;
21. Details of utilization of IPO proceeds;
22. Details of share transfer by, to or between Promoter / Promoter Group
23. Details of production capacity and current utilization;
24. Details of any award etc.;
25. No dues to NSDL/CDSL / RTA;
26. Annual reports for last three years
27. Corporate Governance Report as per SEBI format;
28. SEBI SCORES - Nil screen shot;
29. Details of SOP fine imposed by stock exchanges in the past;
30. Declaration that the promoter and directors are not fugitive economic offenders.

Chapter 6

Preferential Allotment of Equity Shares

Preferential issue is the issue of shares or securities by an issuer company to a selected group of investors. Preferential issue is not a rights Issue, bonus or public issue but it is an unique method of fundraising as compared to other methods. In this case, entire allotment of shares is made to pre-identified persons who may or may not be existing shareholders of the company. It is one of the most sought after methods adopted by listed companies due to lesser time frame as well as economical costing. Section 62 (Allotment of Shares) and Section 42 (Allotment of Securities) of Companies Act, 2013, provides for the preferential allotment of shares.

Following is the comparative analysis between FPO Rights issue v. Preferential allotment:

Particulars	Rights Issue	Preferential Allotment
Whose approval is needed to issue shares?	Board	Shareholders
Whether all existing shareholders are entitled for getting shares in the issue?	Yes	No
Whether right entitlement can be transferred to another shareholder?	Yes	No
Whether permission of SEBI is needed?	Yes. For issue > 50 Cr	No
How is allotment price determined?	Free Pricing	Separate formula for <ul style="list-style-type: none"> Frequently & Non-frequently traded shares
How much is tentative time frame required?	Approx 3-6 Months	Approx 2 months
How much is minimum costing of issue including fees of regulators, market intermediaries and advisor?	Approx 30 Lakhs	Approx 10 Lakhs
Whether newly allotted shares are subject to lock-in after allotment?	No	Yes

As per Regulation 71A of SEBI (ICDR) Regulations, 2009 “Frequently Traded Shares” means shares of an issuer company, in which the traded turnover on any stock exchange during the twelve calendar months preceding the relevant date is at least ten percent of the total number of shares of such class of shares of the issuer.

Process Snapshot and Tentative Timeline for Preferential Allotment

Following is the 20 step process to be followed for getting necessary approval from the shareholders and stock exchanges while allotting shares on preferential basis:

1. Identify proposed shareholders who are willing to participate in the forthcoming round of fund raising with preferential issue and take their consent in prescribed format along with necessary KYC.
2. Close Trading Window as per SEBI (PIT) Regulation 2015
3. Fix relevant date and issue price for proposed preferential issue.
4. Conduct Board Meeting (Pre and Post Compliances)
 - A. Give prior intimation to Stock Exchange under Regulation 29(1)(d) of the SEBI(LODR) 2015.
 - B. Notice for the board meeting need to be issued to all members 7 days before the Board Meeting u/s 173 of the Companies Act, 2013.. The notice should also have agenda of the Board Meeting as follows:
 - Drafting of notice of EGM (decide date, time and venue of EGM)
 - Appointing the Scrutinizer for E-voting
 - Deciding for e-Voting NSDL / CDSL and applying for the same (Generating EVSN number in case of CDSL/ EVEN Number In case of NSDL for E-voting facility and asking RTA to upload BenPos data on depository site)
 - Forming the Allotment Committee.
 - C. Send email to Stock exchange by attaching copy of notice sent to the shareholders along with a copy of updated MOA & AOA of the company for preliminary scrutiny. Draft resolution of the Board Meeting also need to be attached with the notice.
 - D. Intimate stock exchange regarding outcome of the Board Meeting after the closure of meeting as per Regulation 30 of LODR
 - E. Above stock Exchange intimation also need to be posted on website of the listed company as per Regulation 46 of LODR
 - F. File MGT-14 with MCA alongwith copy of board resolution. In compliance with Section 117 read with 179(3) of Companies Act, 2013 as well as Companies (Prospectus and Allotment of Securities Rules) 2014

- G. Lock-in pre-shareholding of all proposed allottees with CDSL and / NSDL by paying applicable fees through company's RTA. Entire pre-preferential allotment shareholding of the allottees, if any, may be locked-in from the relevant date up to a period of minimum six months.
- H. Following are the three steps for preferential allotment.
- In-Principle approval (Pre issue)
 - Post-preferential allotment process for Listing Approval
 - Trading Approval
5. Submit an application for In-Principle approval (Pre issue) with Stock Exchange Download the checklist and formats from Stock Exchange under the download section link is mentioned below:
- <https://www.Stock Exchangeindia.com/static/about/downloads.aspx>
- Apply with all the signed documents mentioned in checklist along with relevant documents.
6. Dispatch EGM notice to shareholders via emails Approx. 25 days prior (as per Companies Act, 21 clear days plus 4 days before EGM date) – before sending emails ask RTA to upload BenPos data on NSDL/CDSL site and approve email draft and confirm to NSDL/CDSL for sending mails to all shareholders.
7. Upload the notice of EGM on Stock Exchange website along with covering letter and also post it on website of the company
8. Prepare draft notice of EGM for newspaper advertisement and publish the same in one english and one vernacular newspaper. Also upload it on Stock Exchange with a covering letter and also post it on the company's website.
9. Open a separate bank account for collecting proceeds of the preferential allotment.
10. Decide cut-off date for e-voting in EGM notice
11. Co-ordinate with stock exchange in order to get their in-principle approval after satisfactorily resolving their queries
12. Complete the e-voting process before EGM
13. Conduct the EGM and upload the proceeding of EGM within 24 hours of conclusion of EGM. After EGM, within 2 working days submit the scrutinizers report and voting result with Stock Exchange.
14. Prepare Form PAS-4 and mail the signed PAS-4 to proposed shareholders along with application letter and take signed application letter from proposed

shareholders for company's record. Also Prepare Form PAS-5 and keep it for company's record.

15. File MGT-14 for special resolution passed at EGM and also prepare PAS-3 by entering SRN no of MGT-14 and attaching PAS-4 and PAS-5 within 15 days of EGM
16. Post issue / listing application, company can use funds only after uploading PAS-3 with the Ministry of Corporate Affairs. Then, start the process of post-preferential allotment process for listing approval by downloading formats of Preferential Issue - Post Issue and Listing Application form from the stock exchange and submit signed copies.
17. Make an announcement under Regulation 30 of LODR regarding allotment.
18. Capital restructuring shareholding pattern to be uploaded on Stock Exchange within 10 days of capital restructuring as per regulation 31 (1) (c) of SEBI LODR Regulations, 2015.
19. Do corporate action forms along with all the required enclosures to both the depositories through RTA.
20. Submit an application to stock exchanges for trading approval with relevant documents.

Specified securities allotted on a preferential basis to persons other than the promoters and promoter group need to be compulsorily locked-in for a minimum period of six months from the date of trading approval. The lock-in for new shares issued to promoters would be at least six months but it may get extended to 18 months. In terms of Reg. 167 of ICDR, in case of convertible securities, provision for lock-in is applicable to both i.e. convertible securities and the equity shares (post conversion). Accordingly, the lock-in of pre-preferential shareholding shall start from the relevant date and shall be upto a period of 90 trading days from:

- Trading approval – In case of equity shares or convertible securities, if listed
- Allotment date – In case of convertible securities or warrants which will not be listed since there will be no trading approval.

Checklist for Preferential Allotment

BSE's Checklist for In-Principle approval prior to issue and allotment of securities on a preferential basis under SEBI (ICDR) Regulations, 2018 ("ICDR Regulations")

Note- The Exchange shall grant In Principle approval under Regulation 28(1) of the SEBI -LODR only if the Company has ensured to obtain Listing & Trading approval from the Exchange for all of its previous equity allotments.

Sr. No.	Document	Remarks	Yes/No/ Not Applicable
1	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.		Yes
2	Brief particulars of the proposed preferential issue as per format enclosed as Annexure I and the allottee details to be provided in excel sheet as per format enclosed as Annexure IA		Yes
3	Certified copy of the resolution passed by the Board of Directors of the company for the proposed preferential issue		Yes
4	<p>Certified True copy of notice of AGM/ EGM/ Postal Ballot along with explanatory statement</p> <p>Note: Attention is drawn towards disclosure requirements as specified under Reg. 163 of ICDR Regulations which should be included in the notice. Please ensure that the notice inter alia include the following:</p> <p>a) Identity of the natural persons who are ultimate beneficial owners of the shares proposed to be allotted and / or who ultimately controls the proposed allottees wherein the proposed allottee is not the natural person subject to exemption provided in the regulation.</p> <p>[Refer: Regulation 163(1)(f) of ICDR Regulations, 2018 and SEBI Circular CIR/ MIRSD/2/2013 dated January 24, 2013]</p>		Yes

	<p>b) The percentage of post preferential issue capital that may be held by the allottee(s) and change in control, if any, in the issuer consequent to the preferential issue</p> <p>c) The current and proposed status of the allottee(s) post the preferential issues namely, promoter or non-promoter</p>		
5	<p>Where allotment is:</p> <p>I) for consideration other than cash</p> <p>a) Certified copy of valuation report by an independent registered valuer for consideration other than cash, valuing the swap of shares in consideration of which securities are proposed to be issued</p> <p>b) Certified copy of Shareholders Agreements.</p> <p>c) Certified copy of approval letters from FIPB and RBI if applicable.</p> <p>[Note: consideration other than cash shall comprise only swap of shares pursuant to a valuation report by an independent registered valuer]</p> <p>II) pursuant to a resolution plan approved by NCLT under Insolvency and Bankruptcy Code, 2016 (IBC)/ CDR Scheme/ Order of High Court/ BIFR</p> <p>a) Certified copy of order and resolution plan approved by NCLT under IBC (Extract of the relevant resolution) /relevant scheme/ order</p> <p>III) pursuant to conversion of loan of financial Institutions.:</p> <p>a) Certified copy of the Loan Agreement executed by the company.</p>		Yes

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6	Transaction statement of <u>all</u> the proposed allottee(s) from 90 trading days prior to the relevant date till commencement of lock-in/ relevant date, issued by the Depository Participant. Further, the statement shall reflect lock-in end date of entire pre-preferential holding [Note: Transaction statement to be provided for <u>all</u> the proposed allottee]		Yes
7	In case if the prior holding of the allottee is under pledge with banks/ financial institution(s), company needs to provide an undertaking/ confirmation from the banks/ financial institutions, company and allottee(s) as per format enclosed as Annexure II		N.A.
8	Certified copy of approval letters/orders of Regulatory Authorities (RBI, CDR, FIPB, BIFR, etc), if applicable		
9	Confirmation by the Managing Director/ Company Secretary as per format enclosed as Annexure III		
10	Certificate from Statutory Auditors/ Practicing Chartered Accountant/ Practicing Company Secretary as per format enclosed as Annexure IV		
11	Copy of valuation report from an independent registered valuer wherever applicable in terms of amendment in ICDR regulations dated 14.01.2022		
12	Latest copy of Article of Association (AoA) of the company		
13	Pricing certificate by Statutory Auditor/ Practicing Chartered Accountant/ Practicing Company Secretary as per format enclosed as Annexure V. In case the securities of the company are infrequently traded, pricing certificate shall be as prescribed under the Regulation 165 and 166 of SEBI (ICDR) Regulation, 2018		



14	Certified copy of recommendation from a committee of independent directors of the issuer after considering all the aspects relating to the preferential issue including pricing, and the voting pattern of the said committee's meeting, in case the preferential issue results in change in control of the issuer.		
15	NSDL/CDSL confirmation for corporate action for lock in of pre-preferential holdings.		
16	<p>Non-refundable processing fees as mentioned below to be paid as per applicable rate through <u>Online Payment Gateway (via Net Banking Facility)</u> in Listing Centre portal or through Cheque/DD favoring "BSE Limited"</p> <ul style="list-style-type: none"> • Main Board: 0.03% of the Issue Size, subject to a minimum fee of Rs 3 Lacs and a maximum of Rs. 6 Lacs plus GST. • SME Board: 0.025% of the Issue Size, subject to a minimum fee of Rs.50,000/- and a maximum of Rs. 2 Lacs plus GST. 		

GENERAL INSTRUCTIONS:

1. The application forms should be submitted duly completed in all respects and all details asked for in the forms should be filled.
2. Each page of the Application along-with the supporting documents should be initialed by the authorized signatory and affixed with the seal of the company.
3. Company should submit the application, complete in all respects including all the relevant enclosures *on the same day when the notice has been dispatched to the shareholders in respect of the general meeting/Postal Ballot seeking shareholders' approval by way of special resolution.*
4. Only applications complete in all respects including information/ supporting documents will be taken up for processing.
5. The Exchange reserves the right to ask for documents other than those mentioned in the application form.

If a field / detail in the application form is not applicable, please mention NA against the said field. If the space provided in the Application form is insufficient, the company may attach separate certificates providing the details for the same along-with the Application form.

Applicable Formats

PRESCRIBED FORMAT OF APPLICATION TO BE SUBMITTED BY THE COMPANY ON ITS LETTERHEAD

Date:

The Chief General Manager
Listing Operation,
BSE Limited, 20th Floor, P.J.Towers,
Dalal Street, Mumbai – 400 001.

Dear Sir,

Sub: Application for “In-principle approval” for issue and allotment of _____ (Quantity & Type of Securities) to be issued on a preferential basis under Regulation 28(1) of the SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015.

In terms of Regulation 28(1) of the SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015, we hereby seek your “In-principle approval” prior to issue and allotment of _____ (Quantity & Type of Securities) to promoters and/or other than promoters on a preferential basis in accordance with provisions specified under Chapter V of SEBI (ICDR) Regulations, 2018.

1. The brief particulars of the proposed preferential issue are given as Annexure I.
2. The particulars of other issues (in sequential order) in respect of which approvals are pending with the Exchange are given hereunder:

Type of Issue (e.g. Amalgamation/ Arrangement, Preferential, Bonus, Rights, etc.)	Size of Issue	Date of Allotment (if applicable)	Stage of Approval Pending (Tick any one which is applicable)
			(Y/N) In-principle (Y/N) Listing (Y/N) Trading

**3. Details of processing fee remitted are given hereunder:**

Processing Fee (including GST)	
TDS, if any	
Net amount remitted after TDS	
UTR No./Cheque/Demand Draft No.	
Dated	
Drawn on	

4. In case of any queries / clarifications the under-mentioned official may be contacted:

Contact Details	
Name & Designation of Contact Person	
Telephone Nos. (landline & mobile)	
Email – id	

5. Details of PAN/ DIN of the company/directors/promoters/promoter group/ compliance officers**i) Details of PAN of the company**

Sr. No.	Name of the company	PAN of the company

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- ii) Details of the PAN of the promoters, entities belonging to promoter group, Directors and Compliance Officer

Sr. No.	Name of the entities	Category (Promoter/ Promoter group/ Director/ Compliance officer)	PAN of the person	DIN - only in case of Directors

- iii) Name of the Stock Exchanges where the equity shares of the issuer are listed.

I / We hereby confirm that the information provided in the application and enclosures is true and correct.

Thanking you,

Yours faithfully,

Managing Director/ Company Secretary

Date:

Encl:



Annexure I

Brief particular of the proposed preferential issue are:

I) Company details:

Name of the Company	
Scrip Code	
ISIN No.	
Face Value of the equity shares of the company	
Authorized Capital of the Company (Rs.)	
Nominal value of the equity share capital (Rs.)	
Paid up equity share capital of the Company (Rs.)	
Maximum no. of shares that may be issued (inclusive of convertible instruments) pursuant to the proposed preferential issue	
Paid up equity share capital of the Company post proposed issue on fully diluted basis (Rs.)	

II) Issue details:

Date of Board Meeting wherein the proposed preferential issue was approved	
Date of General Meeting approving the preferential issue of securities u/s 62	
Date of approval by CDR or Order passed by the Hon'ble High Court/ NCLT, if applicable	
Relevant date	
Minimum price as computed under Regulation 164 / 165 of SEBI (ICDR) Regulations, 2018 Regulations	
Offer Price (Rs.)	
Consideration (cash/ other than cash/conversion of loan)	
Whether any other regulatory approval is required for the issue. If yes, details thereof	

Details of security proposed to be issued			
	Promoters	Non-promoters	Total
Equity (Nos.)			
Warrants (Nos.)			
Others (PCD/FCD, preference shares, etc) (Nos.)			
In case of convertible instrument, period when the same can be exercised/ converted			

III) Allottee details:

Name of the Proposed Allottee	Category (Promoter/ Non - Promoter)	Permanent Account Number (PAN)	If allottee is not a natural person, identity of the natural person who are the ultimate beneficial owner of the shares proposed to be issued, if applicable	Permanent Account Number (PAN) of the beneficial owners of proposed allottee	No. of securities to be allotted	Allottee is: *QIB/ Non QIB	Post issue % of capital that allottee will hold

(*) QIB as defined under Definitions in Regulation 2(1)(ss) of Chapter I of SEBI (ICDR) Regulations, 2018



IV) Details of pre-preferential shareholding of the allottees:

Name of the Allottee	Pre-preferential shareholding (No. of shares)	Whether pre-preferential shareholding in physical/ demat	Lock in Details		Pledge Details	
			Date From	Date To	No of shares	Name of institution
TOTAL						

Note: In cases where the pre-preferential shareholding of the allottee(s) is in physical form, allotment to such allottee(s) shall be made only if such pre-preferential shareholding is dematerialized before the allotment.

V) Shareholding pattern of the company pre and post proposed preferential issue:

Category	Pre preferential issue		Post preferential issue	
	No of Shares	%	No of Shares	%
Promoters and Promoter Group (A)		(A) / (A)+(B)		(A) / (A)+(B)
Public (B)		(B) / (A)+(B)		(B) / (A)+(B)
Total (A) + (B)				
Custodian (C)		- -		- -
Grand Total (A) + (B) + (C)				

Managing Director/ Company Secretary

Date:

Annexure II

Format of undertaking/confirmation from banks/financial institution:

Sub: Application for “In-principle approval” prior to issue and allotment of (Quantity & Type of Securities) on preferential basis under Regulation 28(1) of the SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015.

In connection with above application for in-principle approval filed by (name of the company), we hereby confirm and certify that:

- (name of allottee(s)) have pledged _____ equity shares held by them in (name of the company) with our institution towards collateral for (specify the reasons for pledge)
- (name of the company) has proposed to issue and allot (Quantity & Type of Securities) on preferential basis under Chapter V of SEBI (ICDR) Regulations, 2018 to (name of allottee(s)).

In this regard, we confirm that we will not sell/transfer the _____ equity shares of (Name of the proposed allottees) which had been pledged in demat mode in order to comply with the provisions of Regulation 167(6) of SEBI (ICDR) Regulations, 2018 by the allottee(s) in respect of the aforesaid proposed preferential issue.

Format of undertaking/confirmation by the issuer (Managing Director/ Company Secretary)

Sub: Application for “In-principle approval” prior to issue and allotment of (Quantity & Type of Securities) on preferential basis under Regulation 28(1) of the SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015.

In connection with above application for in-principle approval, we hereby confirm and certify that _____ (name of the allottee(s)) of the proposed shares will not sell/transfer _____ equity shares which have been pledged with the (Name of the Banks/ Financial institution), even if these shares are released from pledge at any time between the relevant date and a period of 90 trading days from the last date of trading approval for equity shares issued on preferential basis, from all the Stock Exchanges to be in compliance with Regulation 167(6) of SEBI (Issue of Capital and Disclosure Requirement) Regulation, 2018.

In case if any of these shares are released from pledge such shares shall be locked-in for the balance period from the date of release of pledge till 90 trading days from the last date of trading approval for equity shares issued on preferential basis from all the Stock Exchanges to be in compliance with Regulation 167(6) of SEBI (Issue of Capital and Disclosure Requirement) Regulation, 2018.



Format of undertaking/confirmation by the allottee

Sub: Application for “In-principle approval” prior to issue and allotment of (Quantity & Type of Securities) on preferential basis under Regulation 28(1) of the SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015.

In connection with above application for in-principle approval, i/we hereby confirm and certify that i/we will not sell/transfer _____ equity shares which have been pledged with the _____ (Name of the Banks/ Financial institution), even if these shares are released from pledge at any time between the relevant date and a period of 90 trading days from the last date of trading approval for equity shares issued on preferential basis, from all the Stock Exchanges to be in compliance with Regulation 167(6) of SEBI (Issue of Capital and Disclosure Requirement) Regulation, 2018. We further confirm that these shares shall be locked-in for the balance period from the date of release of pledge till 90 trading days from the last date of trading approval for equity shares issued on preferential basis, from all the Stock Exchanges to be in compliance with Regulation 167(6) of SEBI (Issue of Capital and Disclosure Requirement) Regulation, 2018. We further agree to intimate the company immediately upon the release of pledge by the bank/ financial institution, where the same has been released within the 90 trading days from the last date of trading approval for equity shares issued on preferential basis, from all the Stock Exchanges.

Annexure III

**Format of the confirmation to be submitted by the Managing Director/
Company Secretary on the letter head of the company:**

To,

The Chief General Manager
Listing Operation,
BSE Limited,
20th Floor, P.J.Towers,
Dalal Street,
Mumbai – 400 001.

Dear Sir,

**Sub: Application for “In-principle approval” prior to issue and allotment of
(Quantity & Type of Securities) on preferential basis under Regulation
28(1) of the SEBI (Listing Obligations and Disclosure Requirements),
Regulations, 2015.**

In connection with above application for in-principle approval, we hereby confirm and certify that:

1. The proposed allottees have not sold any shares of the company during the 90 trading days period prior to the relevant date ()
2. The allotment shall be in compliance with the provisions of SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 2011 and amendments thereof.
3. The proposed allottees and the beneficial owners to proposed allottees have not been directly or indirectly, debarred from accessing the capital market or have been restrained by any regulatory authority from, directly or indirectly, acquiring the said securities
4. The equity shares to be issued on a preferential shall rank pari-passu in all respects including dividend entitlement with the existing equity shares of the company.
5. The allotment of equity shares/ warrants/ convertible securities and equity shares issued on conversion of warrants/ convertible securities will be made only in dematerialized form and fully paid-up.
6. The lock-in of pre-preferential holding (if any) of the allottees would be further extended upto 90 trading days from the last date of trading approval from all the Stock Exchanges to be in compliance with Regulation 167 (6) of SEBI (Issue

of Capital and Disclosure Requirement) Regulations, 2018.

7. The proposed issue is being made in accordance with the requirements of Chapter V of SEBI (Issue of Capital and Disclosure Requirement) Regulations, 2018, Section 42, Section 62 of the Companies Act 2013 and Rule 14 of the Companies (Prospectus and Allotment of Securities) Rules, 2014 and other requirements of Companies Act, 2013, and RBI requirements. Further, the company will comply with all legal and statutory formalities and no statutory authority has restrained the company from issuing these proposed securities.
8. 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 (Listing Obligations and Disclosure Requirements), 2015, as amended, and any circular or notification issued by the Board thereunder.
9. Offers have been made only to such persons whose names are recorded by the Company prior to the invitation to subscribe as per the requirements of Section 42 of the Companies Act, 2013
10. Total number of person to whom offer /invitation to subscribe to the securities has been made, including any previous offer/ invitation, is not more than 200 persons in aggregate in a financial year
11. Allotment w.r.t invitation made earlier of the security offered under present issue or any other kind of security made earlier have been completed / withdrawn / abandoned.
12. Neither the proposed allottees, the beneficial owners to proposed allottees, issuer, its promoters and directors is a wilful defaulter as defined under Regulation 2 (1) (III) of SEBI (ICDR) Regulations, 2018 or a fraudulent borrower

OR

"<Name of the issuer> / <name>, the promoter(s) of the issuer / <name> the director(s) of the issuer, <name> of the proposed allottee and the beneficial owners to proposed allottees is a wilful defaulter as defined under Regulation 2 (1) (III) of SEBI (ICDR) Regulations, 2018 or a fraudulent borrower and disclosures in this regard has been made at <place of disclosure>.as per the format given in said regulation."

13. None of the proposed allottees, the beneficial owners to proposed allottees, issuer, its promoters and directors is a fugitive economic offender as defined under Regulation 2(1) (p) of SEBI (ICDR) Regulations, 2018.
14. the issuer, its whole-time directors, person(s) responsible for ensuring compliance with the securities laws, its promoters and the companies which are promoted

by any of them are not in violation of the provisions of Regulation 34 of the SEBI (Delisting of Equity Shares) Regulations, 2021.

15. 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.
16. If the allottee(s) belong to promoter / promoter group, • no person belonging to promoter(s) or the promoter group who has previously subscribed to warrants of the issuer has failed to exercise the warrants within the time period mandated for the same in the SEBI (ICDR) Regulations
17. Consideration of specified securities, if paid in cash, shall be received from respective allottee's bank account.
18. The proposed preferential issue is being made in compliance with the provisions of Memorandum of Association (MoA) and Article of Association (AoA) of the company. It is further confirmed that for the proposed preferential issue, the price of the equity shares of the company has been determined in compliance with the valuation requirement as mentioned in the AoA of the company.
19. The Company does not have any outstanding dues to SEBI, stock exchanges or depositories.

OR

The Company has outstanding dues of Rs. _____ with SEBI/Stock Exchange/ Depositories which are the subject matter of a pending appeal or proceeding(s), which has been admitted by the relevant Court, Tribunal or Authority. [Note: Company to provide details of the pending appeal along with current/ latest status]

20. Company has appointed <name of monitoring agency> as monitoring agency in terms of Regulation 162A of SEBI (ICDR) Regulations, 2018 (Applicable if the issue size exceeds 100 crores)

Managing Director/ Company Secretary

Date:



Annexure IV

Format of the confirmation to be submitted by the Statutory Auditors/ Practicing Chartered Accountant/ Practicing Company Secretary on their letterhead:

The Chief General Manager
Listing Operation,
BSE Limited,
20th Floor, P. J. Towers, Dalal Street,
Mumbai – 400 001.

Dear Sir,

Sub: Application for “In-principle approval” prior to issue and allotment of (Quantity & Type of Securities) on preferential basis under Regulation 28(1) of the SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015.

We, (Name of the Statutory Auditor/ Practicing Chartered Accountant/ Practicing Company Secretary), have verified the relevant records and documents of _____ (Name of the Company)_____ with respect to the proposed preferential issue by the company as per Chapter V of SEBI (ICDR) Regulations, 2018 and certify that:

- None of the proposed allottee(s) has/ have sold any equity shares of the company during the 90 trading days preceding the relevant date. Further, where the proposed allottee(s) is/ are promoter/ promoter group entity, then none of entities in the promoter and promoter group entities has/ have sold any equity share of the company during the 90 trading days preceding the relevant date.
- (Name of the allottee(s)) does not hold any equity shares of the issuer for a period starting from the relevant date till the date of preferential allotment.
- The pre-preferential shareholding of each of proposed allottee(s) has been locked in accordance with Regulation 167 (6) SEBI (ICDR) Regulations, 2018. Further, there is no sale/ pledge of pre-preferential holding from (Relevant Date) till (date of lock-in). The details of allottee-wise pre-preferential shareholding and lock-in thereon is as given hereunder:

Name of Proposed Allottee	DP ID *	Pre-pref-erential holding	Lock-in details		Pledged with	Pledge end date
			From	To		

(*) client id/ folio no in case allottee hold the securities in physical form

- d) None of the proposed allottees belonging to promoter(s) or the promoter group is ineligible for allotment in terms of Regulations 159 of SEBI (ICDR) Regulations, 2018.
- e) The proposed issue is being made in accordance with the requirements of Chapter V of SEBI (Issue of Capital and Disclosure Requirement) Regulations, 2018, Section 42 and 62 of the Companies Act 2013 and Rule 14 of the Companies (Prospectus and Allotment of Securities) Rules, 2014 and other requirements of Companies Act, 2013. Further, the company has complied with all legal and statutory formalities and no statutory authority has restrained the company from issuing these proposed securities.
- f) The proposed preferential issue is being made in compliance with the provisions of Memorandum of Association (MoA) and Article of Association (AoA) of the company. It is further confirmed that for the proposed preferential issue, the price of the equity shares of the company has been determined in compliance with the valuation requirement as mentioned in the AoA of the company.”
- g) The total allotment to the allottee or allottees acting in concert in the present preferential issue or in the same financial year i.e. _____ is more than 5% of the post issue fully diluted share capital of the issuer.

OR

The total allotment to the allottee or allottees acting in concert in the present preferential issue or in the same financial year i.e. _____ is less than 5% of the post issue fully diluted share capital of the issuer.

For Name of the Auditor/ Practicing Company Secretary

Name of Auditor/ PCS

Membership No.

Date:



Annexure V

Format of the certificate to be submitted by the Statutory Auditor/ Practicing Chartered Accountant/ Practicing Company Secretary on their letterhead

The Chief General Manager
Listing Operation, BSE Limited,
20th Floor, P.J. Towers, Dalal Street,
Mumbai – 400 001.

Dear Sir,

Sub: Application for “In-principle approval” prior to issue and allotment of (Quantity & Type of Securities) on preferential basis under Regulation 28(1) of the SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015.

1. We (Name of the Statutory Auditor/ Practicing Chartered Accountant/ Practicing Company Secretary), hereby certify that the minimum issue price for the proposed preferential issue of (Name of the Company), based on the pricing formula prescribed under Regulation 164 / 165 of Chapter V of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 has been worked out at Rs._____.
2. The relevant date for the purpose of said minimum issue price was _____.
3. The workings for arriving at such minimum issue price or valuation report from Independent Registered Valuer have been attached herewith.
4. The highest trading volume in respect of the equity shares of the issuer has been recorded during the preceding 90 trading days prior to the relevant date on _____ < specify the Stock exchange >
5. We hereby certify that the Articles of Association of the issuer does not provide for a method of determination which results in a floor price higher than that determined under ICDR Regulations, 2018.

OR

We hereby certify that the Articles of Association of the issuer provides for a method of determination which results in a floor price higher than that determined under ICDR Regulations, 2018 then the same shall be considered as the floor price for equity shares to be allotted pursuant to the preferential issue. Accordingly, we have calculated the floor price which worked out as Rs. _____. [kindly provide the detailed working of the same]

For Name of the Auditor/ Practicing Company Secretary

Name of Auditor/ PCS
Membership No.
Date:

Illustrative example for calculation of minimum issue price as per prescribed under Chapter V of SEBI (ICDR) Regulations, 2018

The issuer shall consider VWAP for a period of 90/10 trading days by taking into consideration aggregate daily turnover in the scrip over the period of 90/10 trading days and dividing the same by the total number of shares traded during the said period.

E.g.:- for 90 trading days

$$TO1+TO2+ \\ + TO90$$

$$Q1+Q2+ \\ + Q90$$

in case the relevant script has been traded for 85 days out of total 90 trading days of the market, the calculation shall be like

$$TO1+TO2+ \\ + TO85$$

$$Q1+Q2+ \\ + Q85$$

assuming the scrip has not traded between trading day 1 and trading day 90 for 5 trading days.

Where, TOn = Total turnover in the scrip on 'nth' trading day

Qn = Number of shares of the scrip traded on 'nth' trading day

Chapter 7

Direct Listing

Since independence, the Government of India had consistently taken various measures for inclusive development of capital markets and for encouraging large number of local investors to participate in this value creation exercise, the concept of regional stock exchanges was introduced in the 20th century. Accordingly, regional stock exchanges were set up across different states and it was also made mandatory for all companies to also get listed at the regional stock exchanges in their own state. While most of the states had got 1 regional stock exchange, Maharashtra had got 2 while Gujarat had got 3. In order to avail tax as well as other benefits, once upon a time over 2 dozen stock exchanges were successfully operating across India.

Nearly two decades ago, nationwide stock exchanges systematically embraced advanced systems and modern technologies while expanding their terminals across the country because of which regional stock exchanges practically lost the relevance and majority of them had got closed. All companies which were exclusively listed on closed regional stock exchanges (ELCs) had been transferred to dissemination boards of either NSE or BSE as per the directions issued by SEBI.

With the closure of stock exchanges, ELCs also ceased to continue as a listed entity with a risk of great loss for all the stakeholders including public shareholders. Therefore, SEBI allowed "Direct Listing" mechanism for such companies whereby they may directly get themselves listed on any nationwide stock exchange of their choice after meeting eligibility criteria.

Direct Listing Criteria of BSE

BSE is the oldest stock exchange of India with legacy of 145 years and it has largest number of listed companies as compared to any other stock exchanges in India. Even for Direct Listing, BSE has so far been the most preferred choice among ELCs and its eligibility criteria is as below:

1. Paid-up capital, net worth and profitability of ELC

- a. Issued paid-up capital should be Rs 10 crores
- b. Net worth should be Rs 10 crores after adjusting for losses, if any
- c. Cumulative net profit before tax for last 3 years should be Rs 1 crore
- d. Distributable profits as defined u/s 2(35) of the Companies Act, 2013 are needed

2. Shareholding Pattern

- a. ELCs must have at least 500 public shareholders
- b. Minimum 25% public shareholding as per Regulation 38 of LODR is essential

- c. Promoters' shareholding can not change when ELC is on dissemination board
- d. Fresh issue of shares is allowed only while complying with SEBI Circular No. SEBI/HO/MRD/DSA/CIR/P/2016/110 dated 10-0-2016

3. Demat Connectivity

- a. Shareholders need to be provided demat connectivity through both depositories
- b. At least 50% of public shareholding and 100% of promoters' shareholding need to be compulsorily in dematerialised form

4. Compliance Status

- a. ELC needs to furnish compliance status with LODR under Regulations 6, 7, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 31, 33, 34, 38, 40, 42 and 46 besides share capital audit report and secretarial audit report
- b. If any disciplinary action had been initiated by SEBI against ELC, its promoters or directors then the period of debarment should have been elapsed at the time of making application
- c. No proceedings are pending against ELC under the provisions of Insolvency & Bankruptcy Code, 2016 and further, no winding up proceedings had been initiated under any other laws

5. Lock-in of Shares

- a. Entire share capital issued by ELC under preferential allotment mechanism will be subject to lock-in for a period of 1 year
- b. Shares held by the promoters will be subject to lock-in for a period upto 3 years from the date of listing
- c. After Covid-19 outbreak, SEBI has revised period of lock-in to 18 months and 6 months respectively for promoters and public shareholders who were allotted shares in preferential allotment.

6. Other Requirements

- a. Full time Company Secretary needs to be appointed on the payroll
- b. ELC need to submit its corporate profile based on the prescribed format as certified by the Managing Director / Company Secretary
- c. A website containing all relevant operational and financial information as required under LODR need to be maintained
- d. Submission of "Nil" Investors Complaints Report from SCORES is necessary
- e. Site visit will be conducted at the Registered Office of ELC and it can not be shifted after applying for Direct Listing

BSE used to charge an amount of Rs 50,000 from ELCs towards scrutiny fees while accepting application and if in order, then an amount of Rs 10,00,000 would be collected towards the processing fees. If any ELC was earlier delisted by BSE in the past then an additional amount of Rs 5,00,000 would also be charged towards admission fees.

Direct Listing Criteria of NSE

NSE and MSEI also have their own norms for Direct Listing on similar lines with differential fees structure. Following is the eligibility criteria of NSE

1. Net Worth

- ❖ The net worth of the applicant company shall be more than ₹ INR 75 Cr* in each of the 3 preceding financial years. The Company shall submit a certificate from the statutory auditors in respect of networth as stipulated above*.

* Explanation 1:- Net worth Should be calculated as per the SEBI ICDR Regulations, 2018 and any amendment thereof.

2. Additional Criteria

a) Dividend :

- The applicant company has paid dividend in at least 2 out of last 3 financial years immediately preceding the year in which listing application has been made

OR

b) EBITDA

Positive EBDITA in each of the three preceding financial years.

OR

c) Market Capitalization

- Average Market capitalization of the company to be more than INR 1,000 Cr for a 6 (six) months period prior to the date on which the listing application has been made.*
- *The threshold of market capitalization is computed as the average daily market capitalization for 6 (six) months period preceding the date of application.

While applying for Direct Listing, ELCs need to furnish various documents/undertakings and further, they need proper guidance throughout the entire process. As per BSE's requirements, following certifications are needed to confirm:

- a. Whether entire issued capital consisting of given number of shares of ELC was listed on the given regional stock exchange stock Exchange since its date of listing?
- b. Whether ELC has undergone any changes in its shareholding pattern which suggests change of control of ELC at the time of listing on nationwide stock exchanges? Any change in shareholding, due to increase of capital as is prescribed in SEBI circular SEBI/HO/MRD/DSA/CIR/P/2016/110 dated October 10, 2016.
- c. Whether allotments of equity shares made during the preceding two year from the date of de-recognition of the RSE had been made in compliance with the applicable rules and regulations including the provisions of SEBI (ICDR) Regulations, 2009 and the amendments, thereof?
- d. Whether allotments or changes in the shareholding, if any were in compliance with the provisions of SEBI Takeover Code, 2011
- e. Whether ELC is identified as "Vanishing company" by the Ministry of Corporate Affairs?
- f. Whether ELC or its promoters or promoter group entities or the directors are / have been debarred or disciplinary action taken by SEBI or a recognized stock exchange? If yes, then the name of the person / entity along with the period of debarment.

Direct Listing Criteria of MSEI

Following is primary eligibility criteria as prescribed by MSEI

1. The applicant Company whose securities that are proposed for secondary listing shall be exclusively listed companies of Regional / De-recognized / Non-operational/ Exited Stock Exchanges.
2. The applicant Company shall have positive Networth.
3. The applicant Company shall have minimum issued and paid-up equity capital of Rs. 20 Lakhs.
4. The applicant Company shall inter-alia comply with the following:
 - Companies Act, 1956/2013
 - Securities Exchange Board of India Act, 1992
 - Securities Contracts (Regulations) Act, 1956
 - Securities Contracts (Regulations) Rules, 1957



- Securities and Exchange Board Of India (Issue Of Capital And Disclosure Requirements) Regulations, 2009
 - Any other guidelines, circulars, regulations issued by any regulatory authority from time to time.
5. The applicant Company shall have operating profits for at least one out of the immediately preceding three years.

ELC needs to be very diligent while applying to any of the nationwide stock exchange for direct listing and attach all necessary documents properly because if its application is rejected then it will have to wait for minimum 6 months after the date of rejection. Moreover, if application is rejected for the second time then that ELC may not be eligible to apply to the concerned stock exchange again.

Chapter 8

Innovators' Growth Platform

Entrepreneurship has always been necessary for economic development and with continuous innovation of advanced technologies, developed nations have got an edge over others despite having much smaller population. Needless to mention, technological innovation has emerged as the most preferred option for all countries including developing nations to foster economic development, increase level of employability and also address various issues within society.

With better awareness about benefits of listing, increasing number of promoters are coming forward to access capital markets by getting their companies listed, but there is a great scope to penetrate these levels and increase number of listed companies multifold. IPO has always been the most preferred route for getting listed on stock exchanges, however, considering the huge costs, time as well as uncertainty involved, many companies, particularly start-ups find it difficult to pursue the same which restricts their ability to raise funds through capital markets. On noticing this challenge, the government decided to offer relaxation to selective categories of SMEs and start-ups which are offering high end technology services and products. Considering the evolving industry environment there was need of listing regulation reforms as well to cater to the new edge and new era start-ups and create a listing platform for them. Therefore, SEBI made necessary provision in ICDR Regulations to allow listing on 'Institutional Trading Platform' (ITP) of stock exchanges without bringing an IPO. It was originally notified by SEBI in 2013 and detailed circular was issued, but subsequently it was modified in 2015 to facilitate listing of promising start-ups in new age sectors like bio-technology, data analytics, information technology, etc.

Following eligibility criteria was to be complied as on the date of filing the Offer Document with Stock Exchanges.

Parameter	Listing Criteria
Eligibility Criteria	<p>The following entities shall be eligible for listing on the institutional trading platform,-</p> <ol style="list-style-type: none"> 1. an entity which is intensive in the use of technology, information technology, intellectual property, data analytics, bio-technology or nano-technology to provide products, services or business platforms with substantial value addition and at least twenty five per cent of its pre-issue capital is held by qualified institutional buyer(s) as on the date of filing of draft information document or draft offer document with the Board, as the case may be; or

	<ol style="list-style-type: none"> any other entity in which at least fifty per cent of the pre-issue capital is held by qualified institutional buyers as on the date of filing of draft information document or draft offer document with the Board, as the case may be.
Other Listing Conditions	<ol style="list-style-type: none"> The company, its promoter, group company or director does not appear in the willful defaulters list of Reserve Bank of India as maintained by Credit Information Bureau (India) Limited; There is no winding up petition against the company that has been admitted by a competent court; The company, group companies or subsidiaries have not been referred to the Board for Industrial and Financial Reconstruction within a period of five years prior to the date of application for listing; No regulatory action has been taken against the company, its promoter or director by SEBI, Reserve Bank of India, Insurance Regulatory and Development Authority or Ministry of Corporate Affairs within a period of five years prior to the date of application for listing;
Disclosures	<p>The following matters should be disclosed in the offer document:</p> <ol style="list-style-type: none"> Defaults in respect of payment of interest and/or principal to the debenture/bond/fixed deposit holders, banks, FIs by the applicant, promoters/promoting company(ies), group companies, companies promoted by the promoters/promoting company(ies) during the past three years. An auditor's certificate shall also be provided by the issuer to the exchange, in this regard. The applicant, promoters/promoting company(ies), group companies, companies promoted by the promoters/promoting company(ies) litigation record, the nature of litigation, and status of litigation.

	3. In respect of the track record of the directors, the status of criminal cases filed or nature of the investigation being undertaken with regard to alleged commission of any offence by any of its directors and its effect on the business of the company, where all or any of the directors of issuer have or has been charge-sheeted with serious crimes like murder, rape, forgery, economic offences etc.
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In 2018, it was proposed to rename ITP as 'Innovators Growth Platform' (IGP) in order to position the product differently among the potential stakeholders, however, there was hardly any progress. Therefore, in order to make IGP more lucrative, during the Board Meeting on 25-3-2021, SEBI had approved sweeping changes to encourage technology based start-ups to go public locally and also get listed on IGP. However, rules are yet to be framed and hence, IGP is not fully operational due to which companies will have to wait for some more time to list themselves without going through IPO process.

IGP Listing Framework and Comparative Analysis

India has got vibrant capital markets since almost 150 years and ever increasing number of investors are actively investing in listed companies due to various initiatives taken by the GOI and SEBI. There used to be nearly 2 dozen stock exchanges in the last century but most of them are closed down in the last decade and currently, NSE and BSE are dominant players which account for over 99% of daily equity trading volumes while MSEI and CSE have got hardly any market share.

There are 3 options for technology based start-up companies to get themselves listed on nationwide stock exchanges:

- Listing on Innovators' Growth Platform
- IPO on SME Exchanges
- IPO on the Main Board

Comparative Analysis – IGP, SME Exchange & Main Board Listing

Particulars	IGP	SME Exchange	Main Board
Listing through IPO	Optional	Mandatory	Mandatory
Need of Intermediaries in this process – Merchant Banker, Underwriter, etc	Not Needed	Mandatory	Mandatory
Observations / Clearance Given by	SEBI	Stock Exchange	SEBI

Paid-up Share Capital	Rs 10 crores	Upto Rs 10 crores – On SME Exchange Rs 10-25 crores – Optional	Rs 10 Crores
Minimum number of allottees	50	50	1000
Minimum Application Size	Rs 2 Lakhs	Rs 1 Lakh	Rs 10,000
Minimum Trading Lot	Rs 2 Lakhs	Rs 1 Lakh	No minimum limit
Market Making	Not required	Mandatory	Not required
Reporting Frequency	Quarterly	Half Yearly	Quarterly
Cooling Period to trade on Main Board	1 Year	2 Years	Not Applicable
Minimum Lock-in of Promoters' Stake	6 Months	3 Years	3 years

Special Eligibility Criteria for IGP

Chapter X of SEBI (Issue of Capital & Disclosure Requirements) Regulations, 2018 specifically covers provisions related to IGP towards listing of securities only for trading on a stock exchange without IPO. Given the concessional norms for listing on IGP without IPO as well as subsequent option to access main board of stock exchange in future, SEBI has prescribed strict eligibility criteria for determining eligible companies.

1) Company should be intensive in the use of technology, information technology, intellectual property, data analytics, bio-technology or nano-technology to provide products, services or business platforms with substantial value addition.

2) As on the date of filing of draft information document with SEBI, 25% of the pre-issue capital of the company for at least a period of two years, should have been held by either of the following category of investors:

1. Qualified Institutional Buyers
2. Family Trust with net worth of Rs 500 crores
3. Accredited Investors for the purpose of IGP
4. Foreign Portfolio Investors
5. Registered Pooled Investment Fund having assets under management of USD 150 million

Subsequent to SEBI Board Meeting held on 25-3-2021, the period of holding to be reduced from 2 years to 1 year.

Accredited Investors of IGP:

Accredited Investors are permitted to hold upto 10% of pre-issue paid-up capital of the company. By undergoing due process as per Chapter X, following categories of investors can be termed as "Accredited Investors":

1. Any individual investor with total gross income of Rs 50 lakhs annually alongwith minimum liquid net worth of Rs 5 crores
2. Any body corporate with net worth of Rs 25 crores

In order to get accreditation, these investors have to open a demat account with a depository and thereafter, submit an application to the stock exchange in prescribed format. Subject to eligibility, stock exchanges may grant accreditation to investors upto a period of 3 years. After getting accreditation, these investors will have flexibility to invest in any company listed on IGP.

Subsequent to SEBI Board Meeting held on 25-3-2021, 'Accredited Investors' for the purpose of IGP will now be renamed as 'Innovators Growth Platform Investors'. Further, at present, pre-issue shareholding of such investors for meeting eligibility, is considered for only 10%, which shall be increased and considered for the entire 25% required towards meeting eligibility norms.

Process Snapshot for Listing on IGP without IPO

SEBI has attempted to simplify the process for listing on IGP which can be completed in a short span of 1 quarter if all documents are in order and the issuer companies successfully address the queries of the regulators. Following is the process for listing on IGP:

- 1) Submit draft information document with SEBI alongwith relevant supporting annexures and pay prescribed fees as per Schedule III
- 2) Draft information documents should contain necessary disclosures as per Part A of Schedule VI
- 3) Obtain in-principle approval from the concerned stock exchange where shares are proposed to be listed
- 4) Finish listing process in 30 days on getting final approval from SEBI
- 5) Draft and final information document need to be approved by the Board of Directors of company and it should be signed by all directors as well as CEO and CFO. Each of these signatories will have to also certify that all disclosures made in the information documents are true and correct.

In terms of prevailing IGP provisions, issuer companies are not permitted to make discretionary allotment but subsequent to SEBI Board Meeting held on 25-3-2021,

issuer company shall be able to allocate up to 60% of the issue size on a discretionary basis, prior to issue opening, to eligible investors with a lock in of 30 days on such shares.

Additional Concessions Proposed by SEBI on 25-3-2021:

- 1. Listing of Companies having Differential Voting Rights:** In line with the provisions of Main Board IPO, issuer companies which have issued 'Superior Voting Rights' equity shares to promoters / founders to be allowed to do listing under IGP framework.
- 2. Relaxation for Migration:** Currently, if any company does not satisfy key conditions of profitability, net assets, net worth, etc. then for migration from IGP to Main Board, at least 75% of its capital need to be held by QIBs as on date of application for migration. This limit to be reduced to 50%.
- 3. Higher Trigger for Open Offer:** For the companies listed under IGP framework, stipulation for triggering open offer under Takeover Regulations, 2011, to be relaxed from existing 25% to 49%. However, if there is any direct or indirect change in management control of listed company then open offer will be triggered irrespective of the shareholding of the acquirer.
- 4. Concessional Delisting Norms:** Delisting under IGP framework to be considered successful if the post offer acquirer / promoter shareholding, taken together with the shares tendered and accepted, reaches 75% of the total issued shares of that class provided at least 50% shares of the public shareholders are tendered and accepted. Further, for delisting under IGP framework, the Reverse Book Building mechanism shall not be applicable, and for computation of offer price, the floor price to be determined by following mechanism prescribed under Takeover Regulations, 2011, along with delisting premium as justified by the acquirer / promoter.

Key Benefits of Listing on IGP

More and more entrepreneurs are aiming to list their companies on stock exchanges with an objective to take their business to next level, strengthen financials and use funds to tap growth opportunities. For promising companies which will be raising funds through daughter funds of GOI's SRI Fund, attracting next round of funding from overseas / sovereign funds will be relatively easier. Besides earning surplus profits, every listed company has a great potential to create significant value for its stakeholders ~ employees, vendors, banks, lenders, government, society and ultimately, its shareholders.

Benefits for Companies: Getting listed on IGP can help emerging companies to be self-reliant (Atma Nirbhar) in true sense while enjoying numerous benefits:

- 1) Cost effective listing
- 2) Enhanced brand equity

- 3) Relaxed norms due to optional IPO
- 4) Inspiring entrepreneurial spirit & innovation
- 5) Better visibility among competitors in the industry
- 6) Wider investor base to reduce dependence on single investor
- 7) An opportunity to raise capital for start-ups at nascent / early stage
- 8) High potential to grow inorganically by using shares as a virtual currency for M&A

Benefits for Shareholders: Investment in listed companies has got an edge over unlisted companies and shareholders can protect their interests.

- 1) Tax benefits for long term investors
- 2) Perfect de-risking strategy due to listing on recognised stock exchange
- 3) Smooth entry and exit plans for all investors ~ more particularly for big investors like Angel Investors, AIF / VCF / PE Funds, etc
- 4) SEBI has proposed easier norms for taking over or delisting such companies in the event of failed venture while safeguarding the investors

India is the third largest eco-system for start-ups and there has been a great momentum with many Indian start-ups getting huge investments at very high valuations from investors. These investors will also be needing an exit over a period of time and hence, stock exchange listing can be a feasible option for them. In this context, having a platform like IGP would be beneficial for them and also for smaller start-ups which might be struggling to attract investors. Needless to mention, more listed start-ups can provide wider investment opportunities for investors and make capital markets more competitive.

In case of a company delisted and permanently removed from the IGP platform, no company promoted by promoters and directors of such delisted company shall be permitted to be listed on the IGP for a period of 5 years from the date of such delisting. However, these provisions are not applicable to a company promoted by the independent directors of such a delisted company.

Chapter 9

Open Offer Under Takeover Code

Taking over listed companies is a very common practice abroad for which regulations are in place since last century and even in India, the earliest attempts of regulating takeovers can be traced back to 1990s when SEBI (Substantial Acquisition of Shares & Takeovers) Regulations, 1994 was notified to regulate hostile takeover and competitive offers. Thereafter, SEBI (Substantial Acquisition of Shares & Takeovers) Regulations were notified in 1997 and finally, SEBI (Substantial Acquisition of Shares & Takeovers) Regulations, 2011 came into force from 22-10-2011 (Takeover Code).

Takeover is a popular strategy of inorganic growth through corporate restructuring wherein one company takes over or acquires majority stake as well as management control of another company, however, both the companies continue to function independently. Following are different types of takeover strategies which are adopted by the companies globally:

1. Business perspective

- a. Vertical takeover: Acquiring supplier or customer in order to get benefit of backward or forward integration (Adani Group – ACC & Gujarat Ambuja Cement)
- b. Horizontal takeover: Acquiring company in similar industry to increase market share & consolidate own position (Grasim – Ultratech Cement)
- c. Conglomerate takeover: Acquiring company in another business to get benefit of diversification (Tata Group – VSNL)

2. Legal perspective

- a. Friendly takeover: Acquiring control at mutually agreed terms in an amicable manner (Vodafone – Idea)
- b. Hostile takeover: Unilaterally pursuing acquisition of another company even after rejection of offer by target company (Adani Group – NDTV)
- c. Distressed Takeover: Taking over a bankrupt company with an intention to revive it (Patanjali – Ruchi Soya)

IMPORTANT TERMS

- 1) Takeovers & Substantial Acquisition of Shares:** When an “Acquirer” takes over the control of the “Target Company”, it is termed as “Takeover”. When an acquirer acquires “substantial quantity of shares or voting rights” of the target Company, it results into substantial acquisition of shares.
- 2) Target Company:** The company / body corporate or corporation whose equity shares are listed in a stock Exchange and in which a change of shareholding or control is proposed by an acquirer, is referred to as the ‘Target Company’.

- 3) Acquirer:** As per SEBI (SAST) Reg. 2(1)(a), Acquirer means any person who, whether by himself, or through, or with persons acting in concert with him, directly or indirectly, acquires or agrees to acquire shares or voting rights in, or control over a target company. Acquirer can be a natural person, a corporate entity or any other legal entity.
- 4) Persons acting in concert (PACs):** PACs are individual(s)/company (ies) or any other legal entity (ies) who, with a common objective or purpose of acquisition of shares or voting rights in, or exercise of control over the target company, pursuant to an agreement or understanding, formal or informal, directly or indirectly co-operate for acquisition of shares or voting rights in, or exercise of control over the target company. Takeover Code has defined different categories of persons who are deemed to be acting in concert with other persons in the same category, unless the contrary is established.
- 5) Open Offer:** Open offer is an offer made by the acquirer to the shareholders of the target company inviting them to tender their shares in the target company at a particular price. Basic rationale behind launching an open offer is to provide an exit option to public shareholders of the target company on account of the change in control or substantial acquisition of shares by acquirer. This offer has to be made by an acquirer to all eligible shareholders at the offer price which needs to be determined as per regulation 8 of Takeover Code where separate parameters is given for frequently and infrequently traded shares.

TRIGGERING OPEN OFFER UNDER TAKEOVER CODE

Open offer can be launched under Takeover Code by an acquirer in following cases once threshold limits are crossed:

- 1) Acquisition of 25% or more shares or voting rights under regulation 3
- 2) Acquisition of 5% or more shares or voting rights in a financial year if acquirer is already holding more than 25% stake in target company
 - a. Due to Covid-19, SEBI had temporarily given relaxation and had increased this limit to 10%
- 3) Change in management control of the listed company under regulation 4
- 4) Voluntary open offer under regulation 6

Open offer needs to be given even if there is an indirect acquisition of shares and / or control over the target company which is listed on a recognised stock exchange in India. An indirect acquisition is the acquisition of shares or control over another entity by an acquirer that would enable the acquirer to exercise or direct to exercise voting rights beyond the stipulated thresholds or control over the target company. Threshold limits for the requirement of making an open offer in case of an indirect acquisition are computed on the basis of the voting rights and / or control acquired

in the target company. However, the quantum of acquisition of the target company in case of an indirect acquisition can not be computed on a pro rata basis.

However, in the interest of the securities market, SEBI has the power to grant exemption from the requirements of making an open offer or grant a relaxation from complying with any of the provisions related to open offer process.

Further, in respect of certain acquisitions, Takeover Code provides an exemption from the requirements of making an open offer, subject to certain conditions being fulfilled. For example, acquisition pursuant to inter-se transfer of shares between promoters; acquisition in the ordinary course of business by entities like SEBI registered underwriter, stock brokers, merchant bankers acting as stabilizing agent, scheduled commercial bank acting as an escrow agent; etc. Further, in case of acquisition of sick / insolvent listed companies under special statutes viz. IBC, etc, there could be a relaxation from making an open offer.

PROCESS SNAPSHOT FOR MAKING OPEN OFFER

Regulation 13 of Takeover Code determines the day on which public announcement needs to be made depending upon the mode of acquisition of shares. Once public announcement is made and open offer process is launched then it can not be cancelled under any circumstances except with the consent of SEBI in few exceptional cases. It takes around 3 – 6 months from the launch of open offer to complete entire process if all documents are in order.

However, in certain cases, sectoral regulators also get involved in the event of change in management control and hence, their permission would also be needed which can further extend timeline. Example: Permission of RBI is essential when existing promoters wish to enter into an agreement with prospective buyer for selling their stake. Following are major steps while launching Open Offer:

1. Appointment of the Merchant Banker to undertake open offer process on behalf of the acquirer
2. Merchant banker has to give public announcement of open offer under regulation 14 of Takeover Code on the date of trigger ~ execution of an agreement to acquire shares or passing a resolution to allot shares beyond threshold limits
3. An escrow account needs to be opened by both the parties jointly with the merchant banker and depositing necessary amount to secure performance of obligations under the Takeover Code. Merchant Banker may accept bank guarantee from acquirer in lieu of depositing money in the escrow account.
4. Detailed public statement needs to be published in newspapers having nationwide circulation in English and vernacular languages where registered office of the company is situated
5. Recommendation from independent directors if the price offered is fair and reasonable

6. Draft letter of offer has to be filed with SEBI for their observations on payment of prescribed fees
7. Receipt of comments / observations from SEBI and addressing their queries, if any
8. Releasing fresh advertisement for schedule of activities of open offer
9. Submission of final letter of offer to SEBI after duly incorporating observations of SEBI
10. Despatch of letter of offer to all eligible shareholders in consultation with the Registrar
11. Opening of open offer wherein shareholders can tender their shares and closing it after 10 days
12. Releasing post-offer advertisement in newspapers
13. Payment of consideration to eligible public shareholders towards shares tendered by them by using proceeds available in the escrow account
14. Final reporting to SEBI by the merchant banker
15. Transfer of management control and shares to acquirer on realisation of payment

It is essential to complete open offer process in a time bound manner or else SEBI may ask an acquirer to pay eligible shareholders with interest besides levying penalty for lapses. Besides statutory compliance under Takeover Code, following commercial & legal factors also need to be considered while taking over any company listed on a recognised stock exchange in India:

- Valuation
- Tax aspects
- Stamp duty cost
- Accounting policies
- Statutory compliances
- Human & cultural integration

Primary objective behind any takeover can be to get benefits of synergy but with acquisition of a listed company, there is an additional opportunity of quickly accessing capital markets and create value for various stakeholders in the long term. However, due to steep penalties prescribed under SEBI Regulations in the event of non-compliances, it would be recommended to undertake such exercise under the supervision of experienced professionals and strictly avoid shortcuts.



Documents Needed by the Merchant Banker Before Launching Open Offer

Different set of documents are needed depending upon the fact whether proposed acquirer is an individual or a body corporate.

Where the Acquirer/PAC is Individual

1. DIN
2. PAN and Residential Address Proof
3. Details of work experience
4. Income Tax returns along with Acknowledgements for last three years
5. Self-attested CV with Photograph
6. Educational Certificates (Highest Qualification)
7. Details of Telephone No. and Email id (should be active)
8. Cancelled Cheque
9. Details of any pending adjudication orders/consent proceedings / show cause notices etc. before SEBI / Stock Exchanges / RBI.
10. Demat Transaction Statement for last 12 months of each Acquirer as back up for their shareholding in Target Company
11. CA certificate for adequacy of financial resources with Acquirer to fulfill the open offer obligations
12. Details of relationship / interest, if any, of the Acquirer in the Target Company or with its promoters
13. Copies of compliances under Takeover Code 2011 and Insider Code for any purchases / sales of equity shares of the Target Company made by the Acquirer, if any.
14. Copy of all transactions executed by the Acquirer in Shares of Target Company.
15. Copy of show cause notices, adjudication orders, WTM orders for any matter pertaining to the securities market

Where the Acquirer/PAC is Corporate

1. PAN
2. MOA & AOA
3. Certificate of Incorporation along with Certificate of commencement of business
4. Name along with name changes in the past [furnish certificate of incorporation for each change]

5. Registered Office Address
6. Income Tax returns along with Acknowledgements for last three years
7. Details of Telephone No. (provide recent bill) & Email id (should be active)
8. Cancelled cheque
9. Audited Financials for three financial years and stub period not older than 6 months
10. Current shareholding pattern
11. PAN, residential address proof, details of work experience & highest educational qualification certificate of all current directors
12. Nature of current business activities
13. Details of any pending adjudication orders / consent proceedings / show cause notices, etc. before SEBI / Stock Exchanges / RBI against promoters / directors of the Acquirer
14. Demat Transaction Statement for last 12 months of each Acquirer as back up for their shareholding in Target Company
15. Copy of all transactions executed by the Acquirer in equity shares of Target Company.
16. CA certificate for adequacy of financial resources with Acquirer to fulfill the open offer obligations
17. Copies of compliances under Takeover Code 2011 and Insider Code for any purchases / sales of equity shares of the Target Company made by the Acquirer

Chapter 10

Revocation of Suspension

All companies are bound to comply with different regulations / guidelines issued by SEBI as well as stock exchanges and in the event of any non-compliance, the stock exchanges may levy fines besides suspending trading in shares of those defaulting companies. The companies may comply with pending non-compliances and then, apply to stock exchanges for revocation of suspension. The process of the revocation of suspension status of the Company starts with instilling the behavior to be compliant with the norms of listing regulations and applicable securities laws coming under the regulatory boundaries. For that the first step is to comply with all the non-compliances due to which company was flagged as non-compliant company and eventually listing status of the Company was suspended.

Before applying for revocation of suspension, the listed company needs to make sure that following regulations are properly complied with in the manner specified by the regulators and also to ensure that all necessary information and documents are in place:

Sr. No.	Particulars	Remarks
1	Issued and Listed Capital of the Company	<p>There should be no difference between Issued and Listed Capital of the Company. All the issued shares of the Company needs to be listed prior to application of revocation of Suspension.</p> <p>However, there might be difference between issues and listed capital due to forfeiture of shares (not re-issued). In that case proper disclosures are required to be made.</p>
2	New listing Agreement to be executed between Company and Stock Exchange.	<p>Since the Listing benefits of offered by Stock exchange were forfeited due to non-compliance, new Listing Agreement needs to be executed between Company and Stock Exchange to restore the Listed Company Status as per Regulation 109 (1) of the SEBI Listing Regulations 2015.</p> <p>Listing Agreement to be executed on stamp paper of Rs.100. A person who is duly authorized by the Board of Directors to sign the Listing Agreement can sign the Listing Agreement (LA).</p> <p>Two Board Members needs to sign the Listing Agreement.</p> <p>A certified true copy of the Board Resolution authorizing the said persons to sign the LA is required to be submitted along with the Listing Agreement</p>

3	Compliance track record	At least Four Consecutive Quarters needs to be Complied fully before making application for Revocation of Suspension.
4	Compliance check points	<p>Regulations inter alia includes followings:</p> <ul style="list-style-type: none"> ✓ Regulation 42 - Book Closure / Record Date ✓ Regulation 34 - Annual Report ✓ Regulation 31 - Shareholding Pattern ✓ Regulation 33 - Quarterly Results ✓ Regulation 38 - Minimum Public Holding ✓ Regulation 46(2)(j) - Email address for grievance Redressal ✓ Regulation 6 - Appointment of Compliance Officer. Regulation ✓ 7 - share Transfer Agent Regulation ✓ 7(3) - Compliance Certificate certifying maintaining physical & electronic transfer facility ✓ Regulation 13 (3) - Statement of Investor complaints Regulation ✓ 14 - Listing Fees & Other charges Regulation ✓ 40 (9- Certificate from Practicing Company Secretary Regulation ✓ 27(2) - Corporate Governance/ In case of non-applicability of Regulation 27(2) of LODR, Regulations, 2015, <p>Please provide non-applicability certificate as on date on letterhead of the Company Reconciliation of Share Capital Audit Report.</p> <ul style="list-style-type: none"> ✓ Regulation 46 - Company should have its own functional and accessible website Appointment of Woman Director
5	Other points to be verified	<ul style="list-style-type: none"> ✓ No outstanding exchange dues ✓ No pending Investor Complaints ✓ No complaints pending in SCORES ✓ No SEBI order debarring company or promoters ✓ No difference in issued and listed capital. (if so same has to get listed) ✓ No Adverse comment on the website watchoutinvestors.com ✓ should not be a vanishing company as per data available on the MCA website

6	Connectivity with Depositories	Company should have signed with at least one depository. Provided that where the company has not signed with either/ both the depositories, it shall submit a letter from the relevant depository rejecting admission of the security in the depository
7	Payment of Fees	Payment of applicable revocation fees of the exchange as under : <ul style="list-style-type: none"> 1. Annual listing fees 2. Revocation Processing fees of Rs. 200000/- plus applicable GST. (to be submitted along with application seeking in principle approval for revocation and valid for a period of one year) 3. Re-instatement fees plus applicable GST, payable after receipt of in principle approval for revocation and prior to approval for resumption of trading (Please REFER NOTES)
8	Lock in of Shares	The entire promoter holding as per the information provided in the latest Shareholding Pattern submitted by the company, should be under lock-in for a period of 3 months from the date of commencement of trading, post resumption of trading as per SEBI circular dated May 03, 2018 regarding SOP. (Please specify the date up to which the shares have been locked in and submit the necessary certificates from CDSL / NSDL / RTA)
9	Information Memorandum or Company Profile	Information Memorandum as provided for abridged prospectus as provided in Part E of Schedule VI of SEBI (ICDR) Regulations, 2018 to the extent applicable, as certified by the Company Secretary/ MD of the Company to be submitted for dissemination on the Exchange website at the time of revocation
10	Additional requirement for companies already suspended prior to implementation of SOP.	In terms of SEBI Circular No. SEBI/HO/CFD/CMD/CIR/P/2018/77 dated May 03, 2018, the Exchange shall, 7 days prior to revocation of suspension of trading in shares of the company, issue a notice informing the market participants about the proposed revocation • After revocation of suspension, the trading of shares shall be permitted only on 'Trade for Trade' basis (in "T" group at BSE, "BE" series at NSE) for a period of three months from the date of revocation and after this period of three months, trading in the shares of the company shall be shifted back to the normal trading category (after verification of the criteria of % of public and promoter holding in demat mode), after giving prior notice of 7 days

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11	Site Visit by Stock Exchange	The site visit report would be collated to include details of business activity carried out by the company, resources (includes employee details), assets available, etc. In case the company is undergoing restructuring or yet to resume operations, a Business Plan would be required to be submitted detailing with timelines the proposed plan for commencement of operations
12	No Change in Promoter / Promoter Group	As per provisions of the SEBI general order No. 1 of 2015 dated July 20, 2015, "clause 3(b) there should not be any transfer of shares by promoter/ promoter group and directors from the date of the order till three months after the date of revocation of suspension." . Companies seeking revocation of suspension are advised to comply with above requirement

Note:

The Method of Calculation of Reinstatement Fee (Effective from January 01, 2022): by putting in place a flat fee structure as follows:

Period of suspension	Reinstatement fees (Rs.)
Less than and equal to 1 year	5 lakh
1 year above and upto 2 years	10 lakh
2 year above and upto 3 years	15 lakh
3 year above and upto 4 years	20 lakh
4 year above and upto 5 years	25 lakh
5 year above and upto 6 years	30 lakh
6 year above and upto 7 years	35 lakh
7 year above	40 lakh

Note:

- For the companies in respect of which reference has been made to or which under the BIFR reference, a relief is granted to the extent of 50% of the reinstatement fees for the period starting from the date of reference to the BIFR till the date the company has come out of BIFR reference
- For the companies which are in the process of voluntary winding up or compulsorily winding up and the Exchange has suspended trading based on court order, if



such companies do not want to go for winding up but want to go for activation/ revocation after complying with filings under Listing Agreement, the maximum cap of reinstatement fees would be Rs. 5 lakhs plus taxes.

- It may be noted that the companies seeking revocation of suspension (on account of non-payment of Annual listing fees) shall be required to pay the reinstatement fees as per the above schedule along with applicable Annual Listing Fees. Bottom of Form

Please refer to the following formats as prescribed by the stock exchange for submission of application for revoking the suspension status of the Company:

PRESCRIBED FORMAT OF APPLICATION

Date:

Head-Listing Compliance
BSE Limited,
P.J. Tower, Dalal Street, Fort,
Mumbai – 400 001.

Dear Sir,

Sub: Application for revocation of suspension in trading of equity shares.

1. We are a listed company on the BSE Limited since < >. The trading in equity shares of the company was suspended w.e.f. < > due to < >. As we have now complied with all the Regulations of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we request you to consider revocation of suspension in trading of the equity shares of our company.
2. We are furnishing herewith the details as required in Annexure 1
3. We confirm that company is in compliance with all the norms for revocation of suspension stipulated on the BSE's website. Company further agrees to submit any further documents/clarifications that may be required by the Exchange and shall also comply with all the condition that may be imposed by the Exchange for revocation of suspension in the securities of the company.

Yours faithfully,

(Managing Director/ Company Secretary)

Encl.:

DOCUMENTS ENCLOSED WITH THE APPLICATION

(To be numbered serially)

Sr.No.	Document	Page Nos.	
		From	To
1.	Brief details pertaining to our company as per format of Fact Sheet given as Annexure I		
2.	Compliance certificate obtained from the practicing company secretary/ statutory auditor on compliance w.r.t. Regulations 17 to 27 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("LODR") as per format enclosed as Annexure II		
3.	Details of PAN/ DIN of the company/directors promoters / compliance officers as per format enclosed as Annexure III		
4.	Confirmation/undertaking to be submitted by Director/ Managing Director/Company Secretary/ Compliance Officer of the Company as per format enclosed in Annexure IV		
5.	Information Memorandum containing all the disclosures that are applicable for abridged prospectus as provided in Part E of Schedule VI of SEBI (ICDR) Regulations, 2018		
6.	Prescribed format of authorization letter to be submitted by the company on its letterhead enclosed in Annexure V		

Note:

1. The application forms should be submitted duly completed in all respects. Kindly note that all pages of the documents/details provided should be serially numbered, stamped and certified by the authorized signatory of the company.
2. The Exchange reserves the right to modify and ask for additional documents/ clarifications depending on a case to case basis. Approval for revocation of suspension of the company will be subject to compliance with the Regulatory requirements and other Exchange requirements.
3. If a particular field / detail in the application form are not applicable, please mention NA against the said field. If the space provided in the Application form is insufficient, the company may attach separate certificates providing the details for the same along-with the Application form.



ANNEXURE I

Fact Sheet

(To be submitted on letterhead of company and signed by the Managing Director / Company secretary)

Name of the Company		
CIN		
Scrip Code		
Group		
ISIN		
Registered Office Address		
Tel. Nos & Fax No. Email:		
Website address of the company		
Email id for investor grievance		
Name and address of the Registrar and Transfer Agent of the company		
Tel. Nos & Fax No. Email:		
Details of Suspension	Date of suspension	
	Reason	
Promoters & Promoter Group	Name	Address

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Details of Board of Directors - along with DIN & PAN – (Status Whether Independent/ Non-Independent Executive/ Non-Independent Non-Executive) (indicate Chairman, CEO, CFO, separately)	Name	Designation	DIN	PAN
Name of the Director (s) who are taking executive decisions and running the affairs of the company.				
Details of Directors disqualified as per MCA (if any)	Name	Designation	DIN	PAN
Details of company secretary & Compliance Officer (appointed as per Regulation 6 of LODR)	Name			
	Contact Nos.			
	Mobile No.			
	E-mail Id			
Brief details of the Company's business and its current activities				
No. of employees				
No. of shareholders				
Group Companies/Associated Listed companies				
Name Change/ Change in business, if any				
Whether the shares of the company are in compulsory demat form.				
If yes provide SEBI Circular no. and date notifying the company for trading in compulsory demat.				



If no, kindly provide the reason for the same and efforts made by the company to start trading in its equity shares in demat form.	
Details of change in management/ takeover of the company during the period of suspension, if any	
Details of Changes in the promoter holding after suspension till date, if any	
Whether the company has been referred to NCLT under Insolvency and Bankruptcy Code	
Name of other Exchanges where the company is listed	

Capital details	Issued capital	Listed Capital	Reasons for difference (if any)
No. of shares			
Face Value			
Total Capital (Rs.)			

Calls in arrears, if any	Promoter	Public	Total
No. of shares			
Amount due			

Shareholding Pattern (latest as on____)	No. of shares	% of total shareholding	No of shares in demat	% of demat	No of Shares Pledged	% of pledged shares
Promoter and Promoter Group						
Public Shareholding						
Shares held by custodians against DRs issued by the company						
TOTAL						

HANDBOOK ON STOCK EXCHANGE LISTING

Shareholding of the promoter group as on March 31 for each year since its suspension	Year (as on March 31 st)	No. of shares	% of total shareholding	Shares pledged	
				No.	%

Financial performance for last 3 years	Rs. in lacs			
		Mar _	Mar _	Mar _
	Sales			
	Income from operations			
	Total Income			
	Expenditure			
	Profit before Tax			
	Provisions for Tax			
	Profit after Tax			
	Equity Share Capital			
	Acc. Profit / (loss)			
Networth of the company as per formula prescribed under the ICDR Regulations 2009				

Yours faithfully,

(Managing Director/ Company Secretary)

Date:



ANNEXURE II

(Compliance report in respect of the requirements of Regulations 17 to 27 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 to be submitted by a Statutory Auditor / Practicing Company Secretary on their letterhead)

To,

Head – Listing Compliance Bombay Stock Exchange Limited,
P.J. Towers, Dalal Street, Mumbai – 400 001.

We confirm that the company satisfies the following conditions as stipulated in the Regulations 17 to 27 of the SEBI (Listing Obligations and Disclosure Requirements) regulations, 2015, as given hereunder:

Sr. No.	Requirements			
i)	The Board of directors of the company has a composition of executive and non-executive directors with not less than fifty percent of the board of directors comprising of non-executive directors The names of the directors and their status	Name of the Director	Executive/ Non-Executive	Independent/ Non Independent
ii)	Where the Chairman of the Board non- executive director, at least one-third of the Board should comprise of independent directors and in case he is an executive director, at least half of the Board should comprise of independent directors. Where the non-executive Chairman is a promoter of the company or is related to any promoter or person occupying management positions at the Board level or at one level below the Board, at least one-half of the Board of the company shall consist of independent directors.			

HANDBOOK ON STOCK EXCHANGE LISTING

iii)	The independent director as mentioned at sub-clause (ii) above, is the non- executive director who complies with the following:	
a	apart from receiving director's remuneration, does not have any material pecuniary relationships or transactions with the company, its promoters, its directors, its senior management or its holding company, its subsidiaries and associates which may affect independence of the director	We confirm that none of the independent director of the company have any material pecuniary relationships or transactions with the company, its promoters, its directors, its senior management or its holding company, its subsidiaries and associates
b	is not related to promoters or persons occupying management positions at the board level or at one level below the board	We confirm that none of the independent director of the company are related to promoters or persons occupying management positions at the board level or at one level below the board
c	has not been an executive of the company in the immediately preceding three financial years	We confirm that none of the independent director has been an executive of the company in the immediately preceding three financial years
d	is not a partner or an executive or was not partner or an executive during the preceding three years, of any of the following: <ul style="list-style-type: none"> i) the statutory audit firm or the internal audit firm that is associated with the company, and ii) the legal firm(s) and consulting firm(s) that have a material association with the company. 	We confirm that none of the independent director is a partner or an executive or was not partner or an executive during the preceding three years, of any of the following: <ul style="list-style-type: none"> i) the statutory audit firm or the internal audit firm that is associated with the company, and ii) the legal firm(s) and consulting firm(s) that have a material association with the company.
e	is not a material supplier, service provider or customer or a lessor or lessee of the company, which may affect independence of the director.	We confirm that none of the independent directors is a material supplier, service provider or customer or a lessor or lessee of the company



f	is not a substantial shareholder of the company i.e. owning two percent or more of the block of voting shares.	We confirm that none of the independent directors own two percent or more of the block of voting shares of the company
g	is not less than 21 years of age.	We confirm that none of the independent directors are less than 21 years of age.

We also confirm that **none of the independent directors named below** would qualify within the definition of promoter/ promoter group as given in SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009:

- 1.
- 2.
- 3.

Further, the company is in compliance with requirement of the Audit Committee the Shareholders / Investors Grievance Committee. The composition of the said committees is as under:

Composition of Audit Committee

Sr. No.	Name of the Members	Status whether Independent/ Non-Independent (Including Chairman of the Committee)
1.		

Composition of Nomination Committee

Sr. No.	Name of the Members	Status whether Independent/ Non-Independent (Including Chairman of the Committee)
1.		

Composition of Risk Management Committee

Sr. No.	Name of the Members	Status whether Independent/ Non-Independent (Including Chairman of the Committee)
1.		

Composition of the Shareholders / Investors Grievance Committee

Sr. No.	Name of the Members	Status whether Independent/ Non-Independent (Including Chairman of the Committee)
1.		

Name of the Company Secretary/ Statutory Auditor: Membership No:

Date:

**ANNEXURE III**

Format of the confirmation to be submitted by the Managing Director/Company Secretary on the letter head of the company:

To,

Head – Listing Compliance Bombay Stock Exchange Limited,
P.J. Towers, Dalal Street, Mumbai – 400 001.

Dear Sir,

Details of PAN/ DIN of the company/directors/promoters/ compliance officers to be submitted by the Managing Director/ Company Secretary on the letter head of the company:

i) Details of PAN of the company

Sr. No.	Name of the company	PAN of the company

i) Details of the PAN of the promoters, Directors and Compliance Officer

Sr. No.	Name of the entities	Category (Promoter/Director/ Compliance officer)	PAN of the entity	DIN (for Directors)

Managing Director/ Company Secretary Date:

ANNEXURE IV

Format of the confirmation/Undertaking to be submitted by **Director/ Managing Director/Company Secretary/ Compliance Officer** of the Company on the letter head of the company:

UNDERTAKING

As a pre-condition to the revocation of suspension in trading of the securities of the Company, the Company unconditionally undertakes as under:

1. That the Company will keep itself updated of all the amendments to the SEBI (LODR) Regulations 2015;

The company shall comply with the provisions of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and other applicable regulations /guidelines/circulars/notices/ directions requirements and conditions as may be issued by SEBI / Exchange from time to time. Kindly upload/mail scanned copies in "pdf" / XBRL format as applicable for compliances to:

- a) Listing Centre: <http://listing.centre.com> , for any assistance in this regard please contact on Tele no. 22728846 / 22728390 or email to listing.crd@bseindia.com
- b) Email to bse.revocation@bseindia.com or corp.relations@bseindia.com

Further, the Company agrees to abide by the Exchange Circular Dated 11 March 2016 DCS/COMP/33/2015-16 in relation to the Mandatory filing of compliances / information in Electronic Mode as stated above. Compliances / Submissions made through Fax, E- mail or Physical Mode i.e. through hand delivery/ Post / courier shall not be considered as submission to the Exchange and would be subject to the attendant penal actions.

2. That all communication/ intimation to the Exchange will be on the letterhead of the Company and signed by the signatory authorized to communicate the same.
3. That the Company will communicate in future
 - all price sensitive information
 - all press releases made by the company
 - ❖ to the Exchange, which may have a bearing, either directly or indirectly, on the share price of the company,
 - ❖ if issued as a press release then, prior to releasing the same to any media, wire agencies and its own website.



4. Where BSE is the non-regional Exchange, the compliance with Listing Agreement with BSE will be in addition to the compliance that is required to be complied pursuant to the Listing Agreement signed with the Regional Stock Exchange of the Company.
5. That there are no cases/ inquiries, under any act, pending against the Company, Designated Directors and Senior Officers of the Company. (If so, please give details)
6. That the Chairman, Managing Director or Designated Directors have never been prosecuted under any law. (If so, please give details)
7. That the Company has not violated any Rules, Regulations of SEBI, particularly SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997.
8. That the company will attend all investor grievances promptly.
9. That the Company agrees to comply with all the regulations of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 henceforth, failing which the Exchange is free to take any action as it may deem fit.
10. We hereby declare that all the filings/ reports made with the Stock Exchange (BSE) and Registrar of Companies are the same with respect to the contents and information contained in these filings/reports.
11. The Company or its promoters or whole time directors are not in violation of the provisions of Regulation 24 of the SEBI Delisting Regulations, 2009.
12. 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.
13. The promoters or directors of the company are not fugitive economic offender as defined under SEBI (ICDR) Regulations, 2018.

Director/ Managing Director/Company Secretary/ Compliance Officer

Date:

Annexure V

Prescribed format of authorization letter to be submitted by the company on its letterhead. (where other than company personnel are handling revocation formalities)

Date:

Head – Listing Compliance

BSE Limited,

P.J. Tower, Dalal Street, Fort, Mumbai – 400 001.

Dear Sir,

Sub: Letter of Authority

We for and on behalf of __ (name of company) __ hereby authorize __ (name of consultant) to liaise and coordinate with BSE Ltd w.r.t. to the following issue/s :

I) Issue Details:

Type of Issue (e.g. Revocation/Amalgamation/ Arrangement, Preferential, Bonus, Rights, etc.)	Approval Sought For (pls specify)
	i) In-principle (/Revocation) ii) Listing / Revocation iii) Trading

II) Contact Details:

	Company	Consultant
Name & Designation of Contact Person		
Telephone Nos. (landline & mobile)		
Email – id		



III) Documents Enclosed in support of authorization:

- Certified copy of resolution passed by the Board of Directors authorizing the appointment of____as consultant. (where consultant is not a registered intermediary)
- Copy of Registration Certificate of SEBI for registered
- Intermediary (whichever is applicable)

I / We hereby confirm that:

- no disciplinary action has been taken by SEBI against (name of consultant)____in the past 1 year.
- the information provided in the application and enclosures is true and correct.

Yours faithfully,

Name and Signature

(Managing Director/ CEO/ Company Secretary/ Compliance Officer)

Encl :

Chapter 11

Corporate Restructuring of Listed Companies

Due to novel Covid-19 pandemic, there had been massive economic slowdown across the globe and India was also not an exception. Indian economy had shrunk by upto 25% initially but soon, it came out and now, moving towards steady growth. Business enterprises across the world were struggling for survival and they are looking for various strategies for revival. Corporate restructuring had given them a helping hand to prosper in the long term while reaping benefits of customised growth strategy to suit their requirements. Restructuring can be either in the form of financial or organisational restructuring, however, in both the cases the ultimate strategy should be to improve overall value and efficiency of the organisation.

Every business enterprise is unique and hence, it may be adopting different strategy than the peer group. Success of the corporate restructuring process is directly dependent upon the positive outcome whereby time, energy and resources can be saved however, it may get impacted due to many factors viz. support from stakeholders, legal restrictions, outstanding liabilities, level of non-compliances, etc. Corporate restructuring initiative is often undertaken when the company is in financial jeopardy due to operational, financial or other pressing issues. To avoid any contingencies and for getting desired results, following key factors need to be kept in mind while launching corporate restructuring process:

1. Tax aspects
2. Cultural synergy
3. Valuation analysis
4. Ongoing Litigation
5. Stamp duty matter
6. Accounting policies
7. Organisation legacy
8. Integration planning
9. Competitive scenario
10. Outstanding liabilities
11. Statutory compliances
12. Funding arrangements
13. Labour / Human capital

Alternate Strategies for Corporate Restructuring

Various strategies have been adopted across the world by different corporates for improving organisational efficiency and strengthening capital structure while creating value for all stakeholders. Following are some of the most popular corporate restructuring strategies adopted in India:

- 1) Merger:** Under this mechanism, 2 or more companies merge or amalgamate together and form a new company with the approval of NCLT. The consideration to shareholders of target company is usually offered in the form of exchange of shares for getting benefits under Indian Tax laws. Besides approval of shareholders, it is essential to take clearance from SEBI and stock exchanges if any of the companies which is getting amalgamated is listed on recognised stock exchanges in India.
- 2) Fast Track Merger:** In view of the ever increasing workload on NCLT, the Government of India had introduced 'Fast Track Merger' scheme in 2016 and now, certain categories of companies are allowed to be directly amalgamated with the approval of Regional Director without even approaching NCLT. It not only saves costs but also puts entire restructuring process on fast track. Quite a few listed companies have taken benefit of this scheme in order to consolidate their position.
- 3) Reverse Merger:** In order to avail listing benefits, a large unlisted company gets merged with small listed company and get itself listed without opting for IPO. Given the listing status, prior approval of SEBI as well as stock exchange is needed. There have also been multiple instances of reverse merger in order to enjoy tax benefits or for business consolidation purpose. Reverse merger has been extremely popular strategy in various developed countries including USA but over a period of time, it has also been gaining popularity in India.
- 4) Takeover:** It is also known as acquisition wherein one company takes over majority stake as well as management control of another company, however, both the companies continue to function separately. While acquiring any listed company, it is mandatory for the acquirer to comply with SEBI Takeover Code and give an open offer to all public shareholders of the company.
- 5) Management Buy Out:** It is a transaction where the company's management executives buy out the assets or operations of the company which they manage. Such strategy is appealing to professional managers because of superior potential rewards as well as control due to ownership rather than employment and usually, external funding is available for promising companies. In India, quite a few listed companies had adopted this strategy, but due to change in management control, it is essential to launch open offer unless specific exemption had been given by SEBI.
- 6) Demerger:** For a company having 2 or more undertakings, any undertaking can be demerged into a resulting company with the approval of NCLT. For getting

tax benefits, the consideration is usually in the form of exchange of shares instead of cash payment. Approval of SEBI as well as stock exchanges would be essential for the scheme of arrangement between the demerged company and resulting company.

- 7) Slump Sale:** Each asset is sold separately in case of itemised sale, however, in case of slump sale, the company sells entire undertaking on lumpsum basis irrespective of value of individual assets or liabilities. Usually, the consideration is settled by cash instead of issuing shares and so, direct liquidity is possible. In case of slump sale by listed companies, the company has to make adequate disclosures on the stock exchanges and also take permission of shareholders by passing a special resolution. However, there is no need to take any permission from the stock exchanges or SEBI in this case.
- 8) Divestment:** An action of selling out stake or liquidating any subsidiary is known as divestment. In order to meet budgetary deficits, the government often divests stakes in public sector undertakings. If the government has divested stake in any listed company, even after divestment, it will continue to remain listed in the stock market. Further, new acquirer may have to launch open offer if threshold limits are crossed under Takeover Code.
- 9) Joint Venture:** Two or more companies may form a new entity in joint venture to undertake commercial activity together with pre-defined roles and responsibilities of each party. Capital is contributed in mutually agreed proportion by all the parties and thereafter, profits & losses are also shared in similar proportion. In case of joint venture by listed companies, there is no need to take any permission from the stock exchanges or SEBI but it is essential to give necessary disclosures in compliance with the LODR.
- 10) Strategic Alliance:** Under such arrangements, 2 or more entities come together to collaborate with each other in order to achieve certain goals. In fact, there has been a new trend of 'Peer Partnership' in order to survive where competitors are entering into an informal alliance by limiting their presence / activities to properly utilise available resources while reducing overall costs. No prior approval from SEBI or stock exchanges would be needed.

Primary Rationale, Success Stories & Benefits

Companies have been undertaking corporate restructuring exercise for diverse reasons, however, each of them had a common goal of maximizing value for their stakeholders. Following can be primary rationale for such initiative:

- 1) Simplified Organisation Structure:** Instead of having too many business verticals across multiple entities, consolidation can help to have a simplified group structure where control can be exercised in a better and effective manner.

Example: TATA Group's ongoing initiative for group consolidation by reducing business verticals

- 2) **Change of Strategy:** Due to continuous evolution, core activities of company often undergo changes. Sometimes, a particular undertaking may become redundant and in order to focus of primarily core functions, it becomes essential to exit from it. Sometimes, the corporate houses may also decide to exit from a particular market in order to focus on its core region.

Example: Holcim's exit from India by completely selling its controlling stake in ACC and Ambuja Cement to Adani Group.

- 3) **Benefits of Synergy:** In some cases, the value of merged entity gets more than combined value of individual entities which primarily, happens due to an additional premium for synergy. Likewise, benefits of reverse synergy can also be tapped with demerger.

Example: LafargeHolcim became largest cement player globally in 2016 after merger of Lafarge and Holcim

- 4) **Turnaround Opportunity:** Quite a few time, ailing companies are available at attractive valuations which can be acquired and then turned around by pumping in fresh equity. Given their legacy and track record, chances of success are higher instead of a greenfield project.

Example: Patanjali Group acquired Ruchi Soya, a company under CIRP with the approval of NCLT and turned it around by putting in fresh equity to expand business.

- 5) **Legal Requirements:** In certain cases, there could be statutory restrictions to carry out 2 or more businesses in similar entity and so, restructuring has to be done in order to avoid any conflict with the regulators.

Example: Amazon's investments in group companies of Future Group in view of statutory restrictions to directly invest in domestic retail sector

- 6) **Inadequate Profitability:** A particular undertaking may find it difficult to generate adequate profits to cover cost of capital and thereby, resulting into economic losses. Unless corrective action is taken in a timely manner, such undertaking can bring down overall profitability of organisation.

Example: Sale of consumer mobile business of Tata Teleservices to Bharti Airtel

- 7) **Cashflow Management:** Divesting an unproductive asset or undertaking can help the organisation to generate cashflows which further, can help it in capital restructuring for better yields.

Example: Air India bifurcated aviation business from real estate and also reduced corresponding liabilities before it was taken over by Tata Group

Major Benefits of Successful Restructuring:

Business enterprises having corporate structure often have superior chances of undertaking corporate restructuring exercise but given the extremely low level of corporatisation in India, Cost Accountants togetherwith other professionals will have to actively spread awareness among the businessmen about various benefits of corporatisation. Various benefits can be enjoyed with proper restructuring process:

- Easy fund raising
- Efficient workforce
- Strong balance sheet
- Superior brand equity
- Focus on core functions
- Exiting from non-core business
- Outsourcing of non-core functions
- Borrowing at economical interest rates
- Availing benefits like subsidy / tax concessions
- Reduced overheads with renegotiated vendor contracts

Economic revival is directly linked with survival as well as revival of business enterprises and therefore, they must continue to grow by keeping aside any challenges. Corporates can get desired results in a timely manner with restructuring, however, due attention has to be given to prevailing economic trends, competitive scenario and regulatory policies besides assessing internal preparations including funding.

Chapter 12

Reverse Merger

With more awareness about listing, large number of promoters are coming forward to get companies listed on stock exchanges and create value for all the stakeholders due to which there had been increasing number of new listings in the capital markets prior to Covid-19 era. There was a temporary slump couple of years ago due to uncertainty, however, the situation has improved and now, even more promoters are coming forward for listing on stock exchanges.

Over 99% of daily equity trading happens on NSE as well as BSE which have 2 platforms ~ Main Board and SME platform. Due to easy entry and exit pattern for companies listed on the Main Board, investors usually prefer to invest there. IPO on Main Board of stock exchanges had always been a preferred option to get listed historically, but given the strict norms introduced around a decade ago, particularly with respect to profitability, very few companies have been able to meet the same. Moreover, bringing IPO on Main Board is a relatively expensive affair due to involvement of numerous professional agencies viz. merchant bankers, underwriters, brokers, registrars, IR consultants, depositories, investment bankers, advertisement agency, peer reviewed auditors, lawyers, etc.

SME Exchanges had been launched in 2012 for helping small companies to get listed and currently, both ~ BSE and NSE have separate SME platforms. Listed companies on SME platform are allowed to migrate to Main Board on completion of minimum 2 years after doing necessary compliances and subject to meeting key norms related to paid-up capital and market capitalisation. Since inception, nearly 800 companies have got themselves listed on SME platforms of BSE & NSE of which around 30% companies successfully migrated to the Main Board by meeting eligibility criteria for migration. Due to higher costs for IPOs on Main Board and longer time required for companies on SME Exchange to migrate to Main Board, some promoters have explored globally proven "Reverse Merger" strategy to put listing process on fast track.

About Reverse Merger

Reverse Merger is also known as "Reverse Takeover" in some countries but it is a highly effective strategy of corporate restructuring across the globe. Reverse merger is a normal practice adopted by companies in many developed nations, particularly the United States of America as well as European nations. With an ultimate focus on reducing time and costs by having an edge over competitors, reverse merger mechanism is gaining popularity in the corporate sphere.

In case of a merger, two or more companies of similar category merge together legally by getting an order of the court / tribunal and all their assets, liabilities and operations are also consolidated. However, in case of reverse merger, both the companies have different peculiarities and often they may be of diverse industries.

There is no definition of “Reverse Merger” under any statute in India, however, practically it can happen with companies across multiple categories:

- Unlisted strong company merging into a weaker listed company to enjoy benefit of listing status
- Profit making company merging into a loss-making company to avail tax benefits of carried forward losses
- Bigger or parent company merging into a much smaller company or subsidiary as a part of consolidation exercise in the group
- Company with proven track record merging with a newly set-up company to achieve a particular objective of corporate restructuring

If availing benefit of tax losses is the motto behind doing reverse merger then the scheme of arrangement must comply with section 72A of the Income Tax Act, 1961. In such case, the amalgamated company needs to continue the business of amalgamating company for a period of at least 5 years and further, it should also continue to hold at least 75% of the book value of fixed assets acquired through the scheme of arrangement for a minimum period of 5 years from the date of amalgamation. There is also an additional condition to achieve at least 50% of the installed capacity before the end of 4 years from the date of amalgamation and maintain that level till 5th year. Benefits u/s 72A are applicable for a company having industrial undertaking or a ship or a hotel. Further, banking companies and public sector companies in the business of operation of aircraft are also entitled to avail such benefit. Reverse merger may also be done among the group companies of the same business group as a part of consolidation exercise in order to simplify the overall structure with an intention to achieve ease of doing business besides meeting other strategic objectives.

Listing with Reverse Merger

It is simply a merger of an unlisted company having strong financials with a smaller listed company having negligible business or asset base. After merger, existing business of unlisted company is consolidated with the listed company and equity shares of listed company are issued to the shareholders of unlisted company as a consideration which in turn, helps these shareholders to access capital markets without going through lengthy IPO route. While doing reverse merger, the track record & legacy of unlisted company automatically vests with the listed company on getting order from NCLT which can even permit change of name of listed company. If specific prayer is made in the scheme of arrangement filed with the petition, NCLT may also allow to change objects, registered office, etc while permitting the merged entity to enjoy historical track record and legacy.

Process Snapshot

Following is the process flow and finance professionals have to play a critical role across all stages:



- 1) Identifying a target company which is listed on stock exchanges for reverse merger. Usually a company listed on a nationwide stock exchange may be preferred instead of a company from a regional stock exchange
- 2) Carrying out due diligence review of target company for assessing total liabilities whether outstanding or contingent
- 3) Checking statutory compliance under diverse tax and corporate laws, including SEBI regulations
- 4) Undertaking Negotiations between both ~ the promoters of listed and unlisted companies about precise terms of merger and other operational aspects
- 5) Drafting the scheme of arrangement between both the companies by keeping in mind strategic objectives of the transaction
- 6) Getting valuation done from a Registered Valuer to determine of swap ratio i.e. number of listed shares to be issued against every share of unlisted company.
- 7) Obtaining "Fairness Opinion" report from Category – I Merchant Banker.
- 8) Filing the draft scheme with the stock exchange for getting formal NOC under Regulation 37 of LODR. Stock exchange has to forward the scheme to SEBI for its observations.
- 9) Submitting 'Complaint Report' with the stock exchange by the Compliance Officer of the listed company
- 10) Satisfying queries raised by stock exchanges / SEBI for getting formal NOC / observation letter from their side
- 11) Filing petition with the NCLT alongwith scheme of arrangement in compliance with section 230 to 232 as well as other applicable provisions of the Companies Act, 2013
- 12) Publishing advertisements in national and vernacular newspapers of the state where the registered office is situated after getting orders of NCLT
- 13) Obtaining necessary approval from the creditors and shareholders by convening general meeting as per the directions of NCLT
- 14) Co-ordinating with the office of the Official Liquidator and empanelled auditor to address their queries with respect to the scheme of arrangement.
- 15) Passing of an order approving merger of both the companies by NCLT on getting clearance from the regulators / government departments
- 16) Intimating to the ROC about the order passed by NCLT within 30 days
- 17) Issuing shares as per the swap ratio proposed in the scheme of arrangement

- 18) Triggering corporate action with depositories in consultation with the RTA
- 19) Making an application to stock exchange for listing and trading of newly issued shares
- 20) Integrating businesses of both the companies successfully after completion of merger process and running operations of unlisted company under the aegis of listed company

Precautionary Measures:

Ultimate success of the reverse merger process is wholly dependent upon the positive outcome whereby time and costs can be saved, however, deal may get impacted in the event of hidden liabilities. Following aspects need to be kept in mind while undertaking reverse merger activity:

- a) Where the transferor company is a listed company and the transferee company is an unlisted company, the transferee company shall remain an unlisted company until it becomes an unlisted company as per Section 232 (h) of the Companies Act, 2013. Hence, while devising the structure, transferor and transferee companies need to be defined carefully, particularly in view of provisions under section 232.
- b) The consideration has to be in the form of shares and further, the amalgamation should meet various conditions prescribed u/s 2(1B) and u/s 72A Income Tax Act, 1961 failing which it may attract huge tax liabilities besides forgoing benefits of carried forward losses, if any respectively.
- c) If any of the companies own real estate then there could be substantial stamp duty implications which may actually derail entire transaction if not structured properly.
- d) Despite being smaller in size, listed companies often have their own old legacy and hence, due diligence review need to be thoroughly undertaken to properly quantify outstanding liabilities besides evaluating contingent liabilities, if any. Given the huge quantum of statutory penalties, it is also essential to critically check various periodical compliances under various tax & corporate laws, more particularly under SEBI Regulations.
- e) Swap ratio should be determined by following prescribed methods while keeping in mind prevailing market conditions for avoiding unnecessary litigations, particularly by minority shareholders of listed company.
- f) Listed company needs to be extremely quick while providing clarifications on various queries raised by stock exchange / SEBI / Official Liquidator / Government Departments. Otherwise, it may lead to longer time for getting their NOCs which would, in turn, delay overall restructuring process.

Advantages & Disadvantages of Reverse Merger

Advantages of Reverse Merger over IPO

- 1) **Taking Forward Old Legacy:** The original legacy of a listed company can be easily carried forward with the specific approval from NCLT. It helps to maintain track record besides getting benefits from earlier registrations with different government departments / public sector organisations which can be useful while bidding for government tenders.
- 2) **Simplified Eligibility Criteria:** Every company which intends to float an IPO needs to have specific track record for meeting eligibility criteria as per SEBI regulations. Even for SME Listing, stock exchanges usually consider companies with track record of 3 years. However, in case of reverse merger, no criteria has been prescribed. Even a loss making company or newly incorporated company can be merged with a listed company by taking necessary approvals from the concerned authorities.
- 3) **Economical Approach:** Usually IPOs by companies with proven track record get good response from investors in capital markets. Creating track record is a long process and further, many professional agencies get involved to handle IPO for which huge costs need to be incurred in advance. But, there can be substantial saving of time, energy and resources in case of reverse merger.
- 4) **Not Impacted by Market Volatility:** IPOs are often cancelled due to market volatility, however, there would be hardly any impact of market volatility on reverse merger process and so, listing on stock exchange is more certain.
- 5) **Uniform Marketability:** There is no differential treatment for companies which got listed through IPO vis-à-vis the companies which opted for reverse merger route. All listed companies get uniform treatment from stock exchanges and there are no restrictions on marketability of shares.
- 6) **Compulsory Lock-in of New Shares:** All shares issued pursuant to scheme of arrangement related to a merger between a listed company with unlisted company, are subject to lock-in. While promoters holding can be locked in upto 3 years, timeline in 1 year for other shareholders. Due to lock-in of newly issued shares, the float in market will continue to remain steady even after merger without having any adverse impact on the price of the securities.
- 7) **Greater Flexibility:** In case of IPOs, the stake has to be diluted within given timeframe of few days after getting regulatory approval. Sometimes, the promoters may have to unnecessarily compromise if market conditions are not favourable. However, in case of reverse merger the process gets completed without any such urgency and the business of unlisted company gets merged into listed company with statutory approvals. It gives greater flexibility to promoters for diluting their stake whenever the business gets matured and also when the markets are in better conditions.

- 8) **Efficient Risk Management:** After creating fantastic track record for several years, great planning and incurring huge costs, there had been quite a few instances where the companies had called off their at the final stage even when all statutory approvals were in place. This may happen due to varied reasons lack of interest from investors, etc. In such cases, entire costs incurred and track record may get wasted. With reverse merger, the process is bound to get completed after getting statutory approvals since there is hardly any dependency on external factors.

Disadvantages of Reverse Merger:

- 1) **Procedural Delays:** Before approaching NCLT, it is essential to take clearance from the stock exchanges and SEBI on the proposed scheme of arrangement. Though, they have been quick in processing applications, there could be some instances of delays due to longer time needed for resolving queries. Further, before passing final order, NCLT also takes clearance from various government departments and no upper timeline has been fixed for it. Given the huge workload at NCLT, particularly after Covid-19 outbreak, there could be a possibility of procedural delays in certain cases.
- 2) **Increasing Complexities:** Reverse merger is seen as a back-door entry in capital markets and hence, with the passage of time, reverse merger process is becoming complex with new restrictions introduced by regulators in order to curtail such practice. Though listed companies are getting permission for merger with another group company under same management, there has been slowdown in getting clearance from the regulators for merger of a listed company with another unlisted company if the promoters are different in both the companies.
- 3) **Compliance Under Multiple Laws:** Besides SEBI regulations, compliance under different laws viz. Income Tax Act, Companies Act, Contract Act, FEMA, etc will be required which makes reverse merger process relatively complex. In the event of any non-compliance, the penalties are very high.
- 4) **Old Legacy:** In case of an IPO, original company gets listed and the shareholders are fully aware of its legacy. However, in case of reverse merger, the shareholders are exposed to all liabilities of listed company which had its own unique history. In case of hidden and contingent liabilities, the impact can be severe. However, this risk can be minimised by undertaking comprehensive due diligence review under the supervision of expert professionals.
- 5) **Equity Dilution:** In case of reverse merger, the consideration is often given in the form of equity shares and so, there is compulsory stake dilution without getting any actual cash inflow like IPO.
- 6) **Compulsory Lock-in:** New equity shares issued through reverse merger process are under compulsory lock-in for a period of at least 1 year for all shareholders. In case of promoter group, these shares may be under lock-in for upto 3 years.

Therefore, even when the business is fully transferred to listed company, the shareholders will have to wait for longer period to enjoy benefits.

Success Stories:

Reverse Merger has been in existence in India ever since last century and many large companies have got themselves listed by adopting this powerful corporate restructuring tool without following IPO route. Of course, the trend is going up with more companies joining the bandwagon due to increased awareness. With sound auditing framework and improved corporate governance standards, Indian corporates are in a better position to derive superior benefits in the long term by getting listed with reverse merger strategy besides rewarding handsomely to all shareholders. There has also been an increasing trend of cross border reverse mergers wherein both the companies are located at 2 different countries. In such cases, a listed company from 1 country gets merged with an unlisted company in another country in order to avail benefits of stock exchange listing. Quite a few Chinese companies have embarked on this route to get themselves listed on US stock exchanges for successfully tapping investors there. Even Yatra, a leading travel portal from India made a successful debut at Nasdaq after its merger with Terrapin 3 Acquisition Corporation in 2016.

During 1994, a highly profitable & large company like Godrej Soaps had got amalgamated with loss making Gujarat Innovative Chemicals which helped the former to save taxes against losses incurred by the latter. Similarly, there is another example of Jindal Iron & Steel merging with Jindal Vijaynagar Steel in 2005 which also resulted into substantial tax savings. However, reverse merger of Videocon International with Videocon Industries (formerly known as Videocon Leasing & Industrial Finance Limited) in 2005 was aimed at strengthening promoters' control which was evident from run-up in the stock price of the second company from Rs 9.50 in 2003 to Rs 502 in a short span of merely 2 years. ICICI Bank can also be a classic success story of reverse merger process in domestic financial sector wherein ICICI had got itself merged with ICICI Bank in 2002 and created one of the most valuable private sector banks in India.

With the unprecedented Covid-19 pandemic, there had been colossal economic crisis across the world over last couple of years and situation has become even more challenging thereafter. Many companies have been struggling and hence, it is necessary to quickly devise an economical strategy for their revival. Hopefully, reverse merger can lend such companies a new lease of life and also help to grow in the long term by availing maximum benefits with listed status. However, attention needs to be given to prevailing economic and regulatory policies while exercising this option under the guidance of experienced corporate professionals.

Chapter 13

Listed Companies Under CIRP/Liquidation

Background

SEBI is regulating Indian capital markets and it is regarded as one of the best regulators in the world. Due to SEBI's structured moves to develop capital markets by taking various initiatives, large number of investors are getting attracted to invest in listed companies with increasing awareness. There are more than 10 crore demat accounts opened with both the depositories which demonstrates very high level of interest among fellow Indians to invest in shares of listed companies. As per information available on their portals, combined value of securities in demat custody was above 4 Trillion USD in January 2023.

Across the globe, corporate sector has always played a major role in economic development and India is also not an exception. Besides some large diversified business houses from Pre-Independence regime, many dynamic and emerging corporates have been consistently working towards rapid development of different industries across our great nation while positively contributing for the nation building. With the increased awareness about benefits of accessing capital markets, large number of companies have been regularly getting listed across different stock exchanges domestically for tapping investments from public shareholders. Over a period of time, thousands of companies across India have managed to successfully access capital markets and raise equity funding to strengthen their market leadership while creating huge value for their stakeholders. BSE is the oldest stock exchange of India while MSEI is the newest stock exchange and accordingly, BSE has the highest number of listed companies (approx. 4700+) while MSEI has the lowest (approx. 300+). Maximum trading in equity segment happens on NSE and BSE with over 99% market share.

Investment strategy of Indian investors, particularly from retail segment is still evolving. Being a developing nation, India is heavily dependent on agriculture which is cyclical in nature and besides it, there are many other challenges including evolution of technology. Despite having proven track record, often many good companies had found it difficult to survive due to alternate reasons and subsequently went for CIRP/liquidation due to which extremely large number of shareholders have got stuck up in them. Getting an exit in such cases used to be very rare historically, but the situation has been improving with changes in regulations after introduction of the Insolvency and Bankruptcy Code, 2016 (IBC). With strong regulatory framework alongwith effective resolution mechanism, there are improved chances of revival as more potential buyers are coming forward to take over such ailing companies.

Revival of Sick Companies Got Momentum with IBC

Sick Industrial Companies Act, 1985 (SICA) was enacted with a view to secure the timely detection of sick and potentially sick companies owning industrial undertakings followed by speedy determination by a Board of experts of the preventive and

remedial measures which needs to be taken with respect to such companies. Board for Industrial & Financial Reconstruction (BIFR) was empowered to take various decisions for revival of sick companies. However, SICA was applicable only for a company having industrial undertaking and further, section 22 which dealt with moratorium was often misused to defer action by creditors. SICA was repealed w.e.f. 1-12-2016 with dissolution of BIFR and all ongoing proceedings stood abated. There were certain other enactments in the past viz. Recovery of Debts Due to Banks and Financial Institutions Act 1993, Violation and Reconstruction of Financial Provision and Security Interest Act, 2002, etc. which proved to be ineffective because there was a spiral increase in the quantum of loans falling in the category of non-performing assets. It had not only impacted financial institutions as well as banking sector adversely but also had negative fiscal repercussions on Indian economy.

Under SICA, resolving insolvencies was a long process that did not offer an economically viable arrangement and therefore, IBC was launched in 2016 with improved and practical provisions with strict and fixed time lines. The objective of IBC is to consolidate and amend the laws relating to insolvency resolution of corporate persons, as per preamble of IBC, in a time bound manner for maximization of value of assets of such persons, to promote entrepreneurship, availability of credit and balance the interest of stakeholders including alteration in the order of priority of payment of government dues and to establish an Insolvency and Bankruptcy Board of India (IBBI). With IBC, GOI took a positive step by introducing one stop solution for insolvency resolution process to speed up revival of sick companies.

An effort has been made to complete resolution process in a time bound manner with definitive timelines by giving exclusive powers to the NCLT. Besides simplification of process, waterfall mechanism has also been prescribed under IBC to outline priority of payment to creditors in the event of liquidation which provided much needed clarity to all the stakeholders for avoiding any confusion. As a result, there has been rising trend of revival of companies under CIRP in the recent past.

Comparison between CIRP vis-à-vis Liquidation Proceedings:

Parameters	Under CIRP	Under Liquidation
Primary Objective	Usually, providing a resolution for ailing company instead of winding it up	Usually, liquidating assets and winding up the company unless there are buyers
Sequential stage	CIRP is a stage before initiating liquidation	Liquidation follows if CIRP fails
Applicable legal provisions	Section 7, 8 and 10 of Insolvency & Bankruptcy Code	Chapter III and V of Insolvency & Bankruptcy Code AND Chapter XX of Companies Act, 2013

Management control	Resolution Professional (RP)	Liquidator
Continuation of employees / staff	RP may decide about retaining selective employees and relieve others	Order of liquidation u/s 33 is deemed to be notice of discharge to all employees
Normal period to complete process	180 days + Additional 90 days	12 months
Moratorium on pending suits / legal proceedings	Under section 14, Adjudicating Authority shall by order declare moratorium for prohibiting new suits / legal proceedings or continuation of existing suits	Subject to section 52, no suit / legal proceedings can be initiated without approval of Adjudicating Authority

Key Provisions related to CIRP / Liquidation Proceedings under Different Corporate Laws:

(A) Under Insolvency & Bankruptcy Code, 2016:

Under section 14 of IBC, on the insolvency commencement date, the Adjudicating Authority i.e. NCLT shall by order declare moratorium for prohibiting the institution of suits or continuation of pending suits or proceedings against the company including execution of any judgement, decree or order in any court of law, tribunal, arbitration panel or other authority.

Therefore, on initiation of CIRP, NCLT's approval is essential to initiate new legal proceedings against company under CIRP. Moreover, as per section 60 of IBC, NCLT has got absolute jurisdiction to entertain or dispose of any application or proceeding by or against the company under CIRP.

(B) Under Companies Act, 2013:

Part VII of the Companies Act, 1956 had originally dealt with various provisions related to companies under liquidation till 2013 and thereafter, Chapter XX of the Companies Act, 2013 (Chapter XX) has covered all provisions related to liquidation.

As per Section 279 of the Companies Act when a winding up order has been passed or a provisional liquidator has been appointed, no suit or other legal proceeding can be commenced, or if pending at the date of the winding up order, can be proceeded with, by or against the company, except with the leave of the NCLT and subject to such terms as the NCLT may impose. Given the weak financial health of company after commencement of winding up proceedings and in order to protect interests of all stakeholders, this special protection is provided under the Companies Act to all companies under liquidation and so, prior approval of the NCLT is mandatory before initiating new legal proceedings under any regulations.

**(C) Under SEBI (Listing Obligations & Disclosure) Regulations, 2015:**

As per Regulations 30 of LODR, every listed company has to make disclosures of material events as specified in Schedule III in a timely manner. Accordingly, if any party / creditor files winding-up petition against a listed company then it is considered as a material event for which disclosure needs to be given to stock exchanges. Similarly, disclosure needs to be made towards CIRP proceedings launched against the listed company under IBC.

(D) Under SEBI (Delisting of Equity Shares) Regulations, 2009:

There is no provision under any regulations in India to initiate proceedings to delist company from stock exchanges merely because winding up proceedings have been initiated after an appointment of the liquidator. Further, as per Regulations 28(1) of SEBI Delisting Regulations, in case of a winding up proceedings of a company whose equity shares are listed on a recognised stock exchange, the rights, if any, of the shareholders of such company shall be in accordance with the laws applicable to those proceedings.

Through Regulation 28(1), SEBI has specifically re-emphasised rights of shareholders and further, no exemption has been given to stock exchanges from following legal process under Chapter XX. So, prior approval from NCLT will be needed to initiate delisting proceedings for companies under liquidation.

(E) Concessions for Companies under CIRP by CIRP

SEBI has taken variety of measures to support revival of companies under CIRP and following are key initiatives:

- 1) Relaxations had been given from complying with the provisions of LODR dealing with composition and roles and responsibilities of board of directors and committees. Instead, few other disclosures related to resolution process had been recommended.
- 2) Consolidation of holding beyond 75% is permitted while acquiring financially distressed listed companies.
- 3) Exemption for scheduled commercial banks and financial institutions from making open offer under Takeover Code in the event of conversion of their loans into equity as a part of debt restructuring scheme.
- 4) Pre-clearance from stock exchanges won't be required for any scheme of arrangement.
- 5) Exemption has been given for delisting of equity shares for companies under CIRP pursuant to an IBC resolution plan .

Transferability of Shares of Companies under CIRP / Liquidation

As per section 238, the provisions of IBC shall have effect, notwithstanding anything inconsistent therewith contained in any other law for the time being in force or any

instrument having effect by virtue of any such law. There are several judgements by different courts to uphold overriding effect of provisions of IBC over other laws which was reiterated by Hon'ble Securities Appellate Tribunal while quashing an order by SEBI against Monnet Ispat & Energy Limited towards Appeal No. 238 of 2020.

(1) Listed Companies Under CIRP:

On commencement of CIRP, entire management control vests with the Resolution Professional who works in consultation with the Committee of Creditors. There are no restrictions on transfer of shares after initiation of CIRP process under the Companies Act, 2013. Further, neither IBBI nor SEBI has restricted transfer of shares of companies under CIRP and so, stock exchanges allow trading in their equity shares.

When the company is insolvent and unable to pay its liabilities, technically its shares have zero value because under waterfall structure, shareholders have last priority for payment. But, some shareholders believe that if the debt is rescheduled then equity value will go up which creates demand for shares of some companies and so, existing shareholder can exit.

(2) Listed Companies Under Liquidation:

The board of directors cease to exist on commencement of liquidation proceedings and entire management control vests with the liquidator.

However, if the company is under liquidation and no final "Winding-up / Liquidation Order" is passed then prior approval is needed from the liquidator u/s 334 of the Companies Act for dealing in its shares. Given the restrictions on transfer of shares for companies under liquidation, the stock exchanges usually suspend trading in them as per procedural reasons. Further, stock exchanges can initiate delisting proceedings against such companies either on completion of liquidation process or by obtaining specific approval from NCLT by following due process under Chapter XX.

(3) Delisting of Companies Under SEBI Delisting Regulations, 2009:

It is mandatory for all listed companies to do compliances as prescribed under LODR and stock exchanges regularly monitor them. In the event of any non-compliance by listed companies, stock exchanges levy penalties as prescribed by SEBI but if it is a recurring default, trading in their shares can get suspended. If the company does not take any steps within reasonable time to revoke suspension by complying with LODR, stock exchanges can compulsorily delist such companies after initiating delisting proceedings under SEBI Delisting Regulations and transfer them to their own dissemination boards for a period of 5 years where investors are permitted to deal in shares of delisted companies.

Companies under CIRP / liquidation and their shareholders have been granted special protection under IBC as well as Companies Act and it has been well supported by specific provisions under Regulation 28(1) of SEBI Delisting

Regulations. However, as per Chapter XX, stock exchanges are entitled to approach the NCLT and seek their prior approval to initiate delisting proceedings against the companies under liquidation. Similarly, in case of companies under CIRP, the NCLT may permit the stock exchanges to initiate proceedings under SEBI Delisting Regulations, 2009 after following due procedure as per IBC.

Revival of Ailing Companies - Beneficial to All Stakeholders

Several promoters who accessed capital markets had taken pains to get their businesses listed with an intention to create value for all stakeholders, however, delisting of companies often results in collapse of business by affecting all stakeholders badly. After globalisation in 1991, many blue chip companies had gone under liquidation due to varied reasons including tough competition but still there could be chances of revival due to good set-up, track record or such other factors. Globally, there had been many prominent cases of revival of companies after filing for bankruptcy and some of them include giants like General Motors, Marvel Entertainment (acquired by Disney), Converse (acquired by Nike), etc. Just before Covid-19 pandemic, Patanjali Group had acquired Ruchi Soya and it drew attention of masses when its share price went up from Rs 16 in January 2020 to Rs 1535 in June 2020 resulting in market valuation in excess of Rs 45,000 crores. Besides revival of business, Ruchi Soya could enjoy such huge valuation due to its continuous listing.

Compulsory delisting may be end of the tunnel for listed companies under CIRP / liquidation, however, with continuous listing status ~ albeit in suspended mode, there could be a possibility to have some light at the end of a tunnel. By turning around Ruchi Soya, Patanjali Group has definitely demonstrated a novel mechanism for value creation through listed companies under CIRP / liquidation. Similarly, after takeover by Reliance Group through CIRP, Alok Industries has also been a multibagger stock where public shareholders got upside. There are many other success stories of companies under CIRP like Essar Steel, Bhushan Power, etc. Given the scarcity of funds after Covid-19 outbreak, there could be surge in demand from buyers who are on constant look out for value bargains. More revival stories may be possible in future and each of them can create substantial value for all stakeholders ~ enhanced loan repayment to banks, new job vacancies for staff, better business in economy, higher taxes for government, more listing fees revenue for stock exchanges and ultimately, an exit opportunity for public shareholders.

For companies under CIRP / liquidation which are suffering with business failure, continuity in listing status can give more courage to promoters and motivate them to try for speedy revival which can be immensely beneficial for all the stakeholders, more particularly for public shareholders. Even prior to IBC, SEBI had permitted acquisition of a listed company under liquidation through Takeover Code wherein public shareholders got an opportunity to tender shares in open offer with the liquidator's approval. So, it would be appropriate to say that every company under CIRP / liquidation can have a chance to revive until it is completely wound up by the liquidator.

Chapter 14

Delisting of Shares

Delisting of securities means permanently removing securities of a listed company from the given stock exchange. As a result, the securities of that company would no longer be traded at that stock exchange which means they are delisted. There can be 2 types of delisting ~ compulsory and voluntary.

In case of compulsory delisting, the companies are usually delisted by stock exchanges if they are non-compliant with SEBI regulations including LODR and also fail to pay applicable fines. Firstly, the defaulting companies are suspended and thereafter, they are delisted after giving them an adequate opportunity to take corrective action. In case of compulsorily delisted companies, SEBI has prescribed to transfer them to dissemination boards till the time their promoters provide an exit offer to public shareholders at a fair price determined by the empanelled valuers. In case of companies under liquidation or companies having negative net worth, the promoters usually do not give exit offer to public shareholders.

However, if the company is a profit making company and if it wishes to get delisted then, it has to voluntarily give an exit opportunity to public shareholders. In order to protect interests of public shareholders, SEBI has mandated delisting process to be followed in compliance with SEBI (Delisting of Equity Shares) Regulations, 2021. Delisting process is same for all listed companies, however, small companies with paid-up share capital below Rs 10 crores have been given few concessions.

Moreover, if a company is listed on more than one recognised stock exchanges and if it plans to get delisted from any of them while continuing its listing status with other stock exchanges having nationwide presence then it is not necessary to provide an exit offer to public shareholders.

Process for Voluntary Delisting by Small Listed Companies

1. Appointment of Merchant Banker
2. Submission of public announcement with Stock Exchange and company
3. Convening a Board meeting to delist
4. Passing a special resolution through postal ballot
5. Exit Price determination with the help of Merchant Banker
6. Applying to Stock Exchange for getting approval
7. In-Principle approval by Stock Exchange
8. Exit opportunity to be given to all public shareholders
9. Applying to Stock Exchange for final delisting approval
10. Final Delisting approval by Stock Exchange

**Appointment of Merchant Banker (Regulation 9)**

The acquirer shall appoint a SEBI registered Category-I Merchant Banker as the Manager to the offer before submission of Public Announcement.

Submission of Public Announcement with Stock Exchange and Company (Regulation 6 & 8)

On the date when the acquirer(s) decides to voluntarily delist the equity shares of the company, it shall make an initial public announcement to all the stock exchanges on which the shares of the company are listed and the stock exchanges shall forthwith disseminate the same to the public.

Convene a Board Meeting (Regulation 10 (1))

The proposed delisting shall be approved by a resolution of the board of directors of the company in its meeting within 21 days from the date of Initial Public Announcement.

Outcome of Board Meeting to Stock Exchange

The decision of the board meeting that the Board of directors has proposed to delist the company from the exchanges be sent to the exchanges.

Special Resolution Through postal Ballot (Regulation 11)

The prior approval of shareholders of the company be taken by special resolution to be passed through postal ballot / E-voting, disclosing all material facts in the explanatory statement sent to the shareholders in relation to such resolution. The special resolution shall be acted upon if and only if the votes cast by public shareholders in favour of the proposal amount to at least two times the number of votes cast by public shareholders against it. The Special Resolution shall be passed within 45 days from the date of Board Meeting.

Determination of Exit Price (Regulation 35 (2)):

The promoters shall determine the exit price in consultation with the Merchant Banker. The price to be offered to the public shareholders for tendering their shares shall not be less than the exit price determined.

SEBI (Delisting of Securities) Guidelines, 2003 provide an exit mechanism, whereby the exit price for voluntary delisting of securities is determined by the promoter of the concerned company which desires to get delisted, in accordance to book building process. The offer price has a floor price, which is average of 26 weeks average of traded price quoted on the stock exchange where the shares of the company are most frequently traded preceding 26 weeks from the date public announcement is made.

In case of infrequently traded securities, the offer price is as per Regulation 20 (5) of SEBI (Substantial Acquisition and Takeover) Regulations. "Frequently Traded Shares" means shares of an issuer company, in which the traded turnover on any stock exchange during the twelve calendar months preceding the relevant date is at

least ten percent of the total number of shares of such class of shares of the issuer. Infrequently traded shares are those shares which are not frequently traded. There is also no upper ceiling on the maximum price which can be offered to shareholders for exit.

Application for In-Principle Approval to Concerned Stock Exchange (Regulation 12)

The company makes an application to the concerned recognized stock exchange for in-principle approval of the proposed delisting in the form specified by the recognized stock exchange within 15 working days from the date of Special Resolution. The application shall be accompanied by an audit report as required under regulation 76 of the Securities and Exchange Board of India (Depositories and Participants) Regulations, 2018 in respect of the equity shares sought to be delisted, covering a period of six months prior to the date of the application.

While considering an application seeking in-principle approval for delisting, the recognised stock exchange satisfy itself on the following grounds – (Regulation 12(4))

- a. compliance with regulation 10 and 11 of Delisting Regulations;
- b. The resolution of investor grievances by the company;
- c. Payment of listing fees to that recognised stock exchange;
- d. The compliance with any condition of the listing agreement with that recognised stock exchange having a material bearing on the interests of its equity shareholders;
- e. Any litigation or action pending against the company pertaining to its activities in the securities market or any other matter having a material bearing on the interests of its equity shareholders;
- f. Any other relevant matter as the recognised stock exchange may deem fit to verify.

Letter to all public Shareholders (Regulation 35)

The promoters shall write individually to all the public shareholders containing the following particulars:

- i. Intention of delisting the shares.
- ii. Exit price and justification of the exit price.
- iii. Seeking the consent of the shareholders for delisting and for dispensing the requirement of book building process for determination of the exit price.

Consent of the Public Shareholders (Regulation 35)

Public Shareholders holding atleast 90% of the public shareholding shall give their consent in writing for the delisting of the shares and the shareholders shall have



the option to surrender their shares at the exit price determined or to remain the shareholders even if the shares get delisted.

Receiving consent from the Shareholders (Regulation 35)

The process of inviting the positive consent and finalisation of the proposal for delisting of shares to be made within 75 working days of dispatching the letter to all the shareholders.

Payment to shareholders: (Regulation 35)

The promoters shall make the payment in cash to the public shareholders who have tendered their shares within 15 working days from the date of expiry of 75 working days as mentioned above.

However, if any shareholder fails to tender his shares during the delisting window then also he will be entitled to sell his holding to the promoters at the exit price for a period of at least 1 year from the closure of the exit offer.

Final Application to Stock Exchange (Regulation 35)

A final application for delisting be made to the concerned recognised stock exchange accompanied with such proof of having given the exit opportunity in accordance with the above said provisions.

Final Delisting Order

The recognized stock exchange shall dispose off the application of the delisting complete in all respects and pass the delisting order. Promoter has to give an undertaking stating that they will acquire all shares at exit price if tendered up to a period of one year from the completion of delisting.

Once the shares of the company are delisted from all recognised stock exchanges, it need not comply with the listing regulations as well as other SEBI guidelines prospectively and the company becomes an unlisted company.

Dealing in Shares of Delisted Companies on Dissemination Board

With the systematic approach and professional services by nationwide stock exchanges due to adoption of superior technologies, all the regional stock exchanges except CSE have exited and closed down in the last decade. In order to provide an exit opportunity to shareholders of companies which had been exclusively listed on the exiting stock exchanges i.e. ELCs, SEBI introduced the concept of "Dissemination Board" in May 2012.

Accordingly, all companies exclusively listed on exiting stock exchanges had been required to get themselves listed on nation-wide stock exchanges by meeting eligibility criteria and if they failed to do so then, these companies were treated as unlisted companies and thereafter, moved to Dissemination Board. Over a period of time, SEBI also instructed BSE and NSE to also transfer securities of all compulsorily delisted companies by them to Dissemination Board wherein the promoters were

required to give an exit offer to public shareholders by following the process as prescribed by SEBI.

BSE and NSE have launched Dissemination Board platforms as directed by SEBI and both of them together had nearly 2000 companies from different regional stock exchanges. Further, BSE and NSE had compulsorily delisted over 1100 and 200 companies from their own platform over last few years and placed them on respective Dissemination Boards to offer shareholders a facility to deal in their shares for a period of 5 years. Though none of these companies have entered into any listing agreement with nationwide stock exchanges, as per uniform operational guidelines prescribed by SEBI, information received from such companies would be disseminated on the respective exchange's portal and further, wide publicity would be provided about the Dissemination Board in national & regional dailies as part of the agreement with the exiting stock exchanges.

Process for Trading on Dissemination Board

- 1) In order to facilitate wider participation, SEBI permitted stock exchanges to host Dissemination Board in the Capital Market Segment with market type in the Normal Market Segment.
- 2) It is mandatory for both buyer and seller to complete KYC norms as mandated by SEBI while getting themselves registered with the trading members of the respective exchanges.
- 3) Buyers and sellers can deal in the securities of companies which are available with the Dissemination Boards only through the registered trading members of the respective exchanges. Entire communication needs to be routed through trading members and direct interaction between buyer and seller is not allowed.
- 4) The exchanges does not overview the bids / offers in ELCs as a matter of surveillance.
- 5) Offers placed on Dissemination are valid for 1 week and orders are matched on the basis of price and quantity.
- 6) Matched orders are settled bilaterally between buyer and seller while treating as Principal to Principal contract between both the parties but trading member does not have any obligation to settle the trade. Hence, no contract note is issued.
- 7) No margin payments are applicable for trading and further, there is no recourse to the settlement guarantee fund, investor grievance redressal mechanism including arbitration for the trades on Dissemination Board.

Advantages of Dissemination Board

- 1) Prior to 2012, there was hardly any mechanism available for the shareholders of delisted companies and hence, SEBI's initiative to introduce dissemination board has been a very positive move in the interest of investors.

- 2) Dissemination Boards were launched as directed by SEBI where the stock exchanges would allow trading in stocks of delisted companies for a period of 5 years in order to help investors to get an exit. It is a sufficiently large period and investors should be able to find out serious buyers for their stocks.
- 3) Due to larger reach of nation-wide stock exchanges, shareholders of delisted companies would have superior prospects of finding interested buyers.
- 4) Since the trades are done through registered trading members of stock exchanges after doing KYC, chances of frauds would be relatively lesser as compared to sale through private channel.

Word of Caution:

Despite a novel concept, overall response from investors had not been encouraging so far due to complex norms for dealing in securities on Dissemination Board. Perhaps, there is a necessity to simplify the process and make it online. Trading members have expectations of higher lot size and since the settlement is not guaranteed by exchanges, investors are afraid to go for bigger deal.

BSE and NSE had delisted large number including liquidated / under liquidation companies over last few years. All these companies are transferred to Dissemination Board and appearing in the database maintained by the respective stock exchanges. There are legal restrictions for transferring shares of companies under liquidation and prior approval of liquidator is necessary. It would be advisable to verify status of the company before dealing in its shares through Dissemination Board.

Delisting of every company subsequently results into collapse of business, job losses, lesser chances of loan recovery and permanent erosion of shareholders' investments. Hence, it is recommended to tap this final exit opportunity given by SEBI and make an effort to identify buyers for selling shares of delisted companies in the prescribed period through Dissemination Board.

Chapter 15

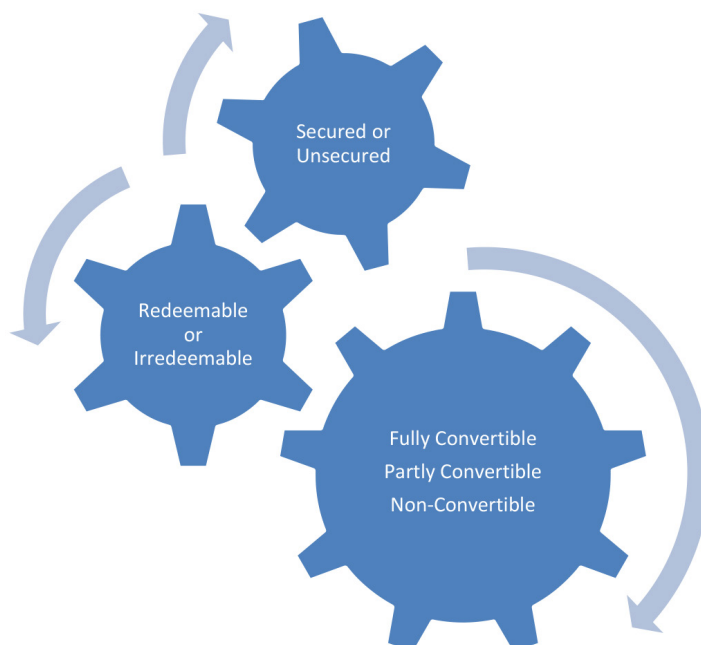
Listing of Debt Securities

When a public company wishes to issue and list its debt securities on stock exchanges, then it has to comply with Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 (ILDS) in addition to Companies Act, 2013. These regulations specify a simplified regulatory framework across 7 chapter for issuance and listing of debt securities issued by public company, public sector undertaking or statutory corporations. These Regulations will not apply to issue and listing of, securitized debt instruments and security receipts for which separate regulatory regime is in place. Further, for listing of debt securities is required to comply with LODR and ICDR too.

Debenture has been defined u/s 2(30) of the Companies Act, 2013. Debenture is a document evidencing a debt or acknowledging it and any document which fulfils

either of these conditions is a debenture. It contains a contract for repayment of principal after a specified period or at the option of the company and for payment of interest at a fixed rate payable at regular intervals.

Debenture includes debenture stock, bonds and any other securities of a company whether constituting a charge on the assets of a company or not as defined in the Companies Act. This is an inclusive definition and amounts to borrowing of monies from the holders of debentures on such terms and conditions subject to which the debentures have been issued. There are different types of debentures depending upon security offered, redeemability and convertibility.





A Debt Security shall be considered as "Green or Green Debt Securities", if the funds raised through issuance of the debt securities are to be utilised for project(s) and/or asset(s) falling under any of the following broad categories:

- a) Renewable and sustainable energy including wind, solar, bioenergy, other sources of energy which use clean technology etc.;
- b) Clean transportation including mass/public transportation etc.;
- c) Sustainable water management including clean and/or drinking water, water recycling etc.;
- d) Climate change adaptation;
- e) Energy efficiency including efficient and green buildings etc.;
- f) Sustainable waste management including recycling, waste to energy, efficient disposal of wastage etc.;
- g) Sustainable land use including sustainable forestry and agriculture, afforestation, etc.;
- h) Biodiversity conservation;
- i) Any other category as may be specified by SEBI

Primarily, listing of debt securities means listing of non-convertible debentures (NCDs). Listing of public issue of bonds or debentures on stock exchange is simpler, faster and also cost effective. BSE has emerged as an exchange of choice as a "Designated Stock Exchange" for issuers listing their public issue of debentures / bonds. BSE's Exchange platform "IBBS" has also been a market leader in terms of garnering online bids for the issuers. Listing of publicly issued debt follows 3 main stages:

- A. Obtaining In – principle approval (Within 7 working days of uploading the Draft Red Herring Prospectus on the Exchange website, subject to no public comments received)
- B. Basis of Allotment
- C. Listing and Trading Approval.

Following procedure needs to be followed by issuer company for issue and listing of NCDs:

- 1. Give intimation to stock exchange before board meeting under regulation 29(1) (D) of LODR
- 2. Get consent from the Debenture Trustees as well as RTA
- 3. Convene Board meeting to discuss following agenda:
 - Approval for issue of NCDs alongwith underlying terms

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- Appointment of debenture trustee before the issue of offer letter
 - Execution of tri-partite agreement with RTA
 - Appointment of credit rating agency
 - Opening a new bank account with a scheduled bank
 - Creation of charge on assets of the company
 - Approval of offer letter for private placement
 - Identification of prospective investors for issuing NCDs
4. Intimation to stock exchanges about outcome of board meeting as per regulation 30 of LODR
 5. Appoint merchant banker and lead manager to issue which can handle the issue by co-ordinating with the regulators
 6. Finalisation of Masterfile creation form with depositories and obtain ISIN number. Enter into an agreement with depository for demat of debt securities
 7. Submit an application to one or more stock exchanges for listing of debt securities and get 'In-Principle' approval
 8. File Form No. MGT-14 with MCA u/s 179 of Companies Act, 2013 and get their approval
 9. Obtain credit rating from agency and disclose it in the offer document. Even unaccepted rating has to be disclosed.
 10. Open a separate bank account for depositing proceeds of issue with a scheduled bank
 11. Decide the price and amount of minimum subscription in consultation with the Merchant Banker and disclose it in the offer document
 12. Upload draft and final offer documents on the corporate website. It should also be visible on the website of the stock exchanges.
 13. A company may file 'shelf offer document' if it has planned to allot debentures on private placement basis and it will be valid for all placements made in 180 days.
 14. Finalise and issue the offer letter in Form PAS-4 alongwith application form. Maintain record of offer letter posted to selected persons in PAS-5.
 15. Give an advertisement in english, hindi and vernacular language newspapers before opening issue
 16. Receive subscription from selected persons in the newly opened bank account and maintain record of bank accounts from where money had been transferred.



17. Issue NCDs in demat form and intimate to stock exchange about the same.
18. File 'Return of Allotment' in Form PAS-3 with the MCA before utilising issue proceeds.
19. Create charge by filing Form CHG-9 with MCA as per Rule 3 of Companies (Registration of Charges) Rules, 2014.
20. Also enter relevant details of charge created in the statutory register as per Rule 10 of Companies (Registration of Charges) Rules, 2014.
21. Pay stamp duty at 0.005% of total value of NCDs issued as per Indian Stamp Act, 1899.
22. Trust Deed to be executed with the Debenture Trustees.
23. Credit NCDs in the demat account of successful allottees through corporate action with depositories.
24. Submit an application for listing of NCDs.
25. In the event of non-receipt of minimum subscription, money has to be refunded back to the subscribers.

Copy of the checklist to be submitted to stock exchanges is enclosed herewith.

With the listing of NCDs, the company gets liquidity while investors get a readily marketable security which can be sold to other investor by using market platform. On listing of NCDs on stock exchanges, the company will be considered as a listed company and so, they will be subject to various provisions like secretarial audit, appointment of woman director, constituting Audit as well as Nomination & Remuneration Committees, etc. In view of underlying high penalties, it is recommended to comply with various SEBI regulations including ILDS in a timely manner.

Checklist of Documents to be uploaded on BSE Listing Centre for in-principle approval of Public Issue of Non-Convertible Securities

Sr. No	Documents to be uploaded on the Listing Centre
1	Certified true copy of the resolution passed by the Board of Directors/ Requisite Committee authorizing the borrowing and issuance of non convertible securities
2	Certified true copy of the resolution passed by the shareholders authorizing the borrowing and issuance of non convertible securities
3	Certified true copy of the resolution passed by the Board of Directors for listing the debt securities of the issuer on BSE
4	Consent letter from the Debenture Trustee/s
5	Consent letter from the Registrar to the issue

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6	Copy of arrangement entered with the depository for dematerialization (Note: Such securities shall be eligible to be admitted on all other depositories)
7	Credit rating certificate of the proposed issue (not being older than one month from the issue opening date)
8	Draft Disclosure Document/ Shelf Prospectus prepared as per SEBI (Issue and Listing of Non-Convertible Securities) Regulations, 2021 and any amendments thereto (along with 2 hard copies)
9	In case of secured instruments, Due diligence certificate from debenture trustee as per Annexure A of SEBI circular no. SEBI/HO/MIRSD/CRADT/CIR/P/2020/218 dated November 03, 2020 and any amendments thereto
10	SEBI SCORES ID (included as per NSE checklist)
11	Copy of SEBI Registration certificate for Merchant Banker appointed as Lead Manager.
12	Name & PAN of Issuer, Promoter & Directors. DIN of Directors
13	Undertaking from issuer as per Annexure I
14	Undertaking from Lead Manager that: <ul style="list-style-type: none"> i. "We hereby confirm that the Company is eligible and in compliance with SEBI (Issue And Listing Of Non-Convertible Securities) Regulations, 2021 as amended from time to time, to make the Public Issue" ii. "We hereby confirm that the issuer or any of its promoters or directors are not declared as 'Fraudulent Borrower' by the lending banks or financial institution or consortium, in terms of RBI master circular dated July 01, 2016"

15	<p>Certificate from the Merchant Banker confirming that:</p> <p>a) The Issuer is eligible and the issue is being made in compliance with SEBI (Issue and Listing of Non-Convertible Securities) Regulations, 2021 and such other laws, rules & regulations as applicable.</p> <p>b) <name if merchant banker> is not an associate of the issuer as provided under the Securities and Exchange Board of India (Merchant Bankers) Regulations, 1992</p> <p>(Note: In case the lead manager is an associate of the issuer, it shall disclose itself as an associate of the issuer and its role shall be limited to marketing of the issue. Such lead manager shall not issue any due diligence certificate, in relation to the issue of such debt securities and/or non-convertible redeemable preference shares)</p> <p>c) All the public comments (if any) will be suitably addressed before filing the final offer document with ROC</p> <p style="text-align: center;">OR</p> <p>No public comments have been received on draft offer document</p>
	Additional documents required in case of new issuer
16	Certified true copy of Certificate of Incorporation, Memorandum & Articles of Association of the Issuer Company. In case of NBFC, a copy of RBI's certificate confirming whether the issuer is deposit taking or non-deposit taking NBFC
17	Certified true copy of the Annual Reports of the Company for the last three financial years
18	Memorandum of Association and Articles of Association.
19	The company should pay processing fees @ 0.05% of the issue size; subject to a minimum of Rs.50,000/- and maximum of Rs.5,00,000/-, along with applicable taxes

Annexure I

(On the letterhead of issuer)

Date:

To,

BSE Ltd,
P.J. Towers, Dalal Street. Fort,
Mumbai 400001

**Sub: Public Issue of (Name of Issuer) of Face Value INR (Face Value)/-
each aggregating INR Crores**

Dear Sir/Madam,

We hereby, inter alia, confirm the following: -

1. The Issuer is eligible to publicly issue non convertible securities in terms of the SEBI (Issue and Listing of Non-Convertible Securities) Regulations, 2021 read with SEBI Circular No SEBI/HO/DDHS/P/CIR/2021/613 dated August 10, 2021 as amended from time to time
2. The issue shall be in compliance with all the provisions of SEBI (Issue and Listing of Non-Convertible Securities) Regulations, 2021, SEBI circular no. SEBI/HO/DDHS/P/CIR/2021/613 dated August 10, 2021 and other applicable SEBI & Exchange Circulars/Guidelines, Companies Act, 2013 and the rules made thereunder and other applicable laws in this regard, as amended from time to time.
3. The issuer, any of its promoters, promoter group or directors are not debarred from accessing the securities market or dealing in securities by SEBI;
4. None of the promoters or directors of the issuer is a promoter or director of another company which is debarred from accessing the securities market or dealing in securities by SEBI;
5. The issuer or any of its promoters or directors are not wilful defaulter;
6. None of the promoters or whole-time directors of the issuer is a promoter or whole-time director of another company which is a wilful defaulter
7. The promoters or directors of the Issuer are not fugitive economic offender;
8. The Issuer has not been referred to and admitted under Insolvency and Bankruptcy Code, 2016 (IBC, 2016)



9. The Issuer has not received any winding up petition admitted by a Court/NCLT
10. The Issuer is not a non-compliant entity and no fine or penalties levied by the Board /Stock Exchanges are pending to be paid by the issuer at the time of filing the offer document
11. Appropriate disclosure has been made in offer documents w.r.t. any disciplinary action or Regulatory action taken by any stock exchange and/or regulatory authority against the Issuer or its Promoter(s) or its Directors in past five financial years.
12. the Issuer has obtained/would obtain necessary approvals from the RBI/ Ministry of Finance/any other authority, as may be applicable, for issuance of the captioned Instruments and utilization of funds
13. We hereby 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 (whether in the application or otherwise) incorrect or outdated or which otherwise has a bearing on the proposed issue of securities.
14. All the public comments (if any) will be suitably addressed before filing the final offer document with ROC

OR

No public comments have been received on draft offer document

15. The Issuer or its promoters or whole time directors are not in violation of the provisions of Regulation 34 of the SEBI (Delisting of Equity Shares) Regulations, 2021.
16. The Issuer, 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.

Yours faithfully,

(Name & Designation)

Date

Chapter 16

Municipal Bonds

“Municipal Bonds” are non-convertible debt securities which create or acknowledge indebtedness, and include debenture, bonds and such other securities of an issuer, issued in terms of Municipal Debt Regulations. Urban local bodies (“ULBs”) often do not have sufficient resources on their own to fund such infrastructure projects viz. roads, transportation, water supply, sanitation, health care, etc. and hence, tapping capital markets by issuing municipal bonds is emerging as a lucrative option.

Bengaluru was the first city in India to issue municipal bonds worth Rs 125 Crores in 1997 followed by Ahmedabad which had issued bonds worth Rs 100 Crores in 1998. Officially the first recorded municipal bond was a general obligation bond issued by the City of New York for a canal in 1812. Besides USA, ULBs in many other developed nations like France, Italy, etc have been efficiently using this option for more than 100 years in order to improve their infrastructure while serving the citizens. Municipal bonds can be of 2 types:

1. Revenue Bonds – These bonds are issued to finance specific projects and its repayment i.e. with principal and interest, is paid through revenues generated from the declared projects
2. General Obligation Bonds – These bonds are serviced out of tax proceeds as well as other receipts of ULBs and can further have following 2 variants.
 - Limited Tax GO Bonds
 - Unlimited Tax GO Bonds

Governing Framework for issuer and Municipal Debt Securities:

“**issuer**” can be any municipality or any statutory body or board or corporation, authority, trust or agency established or notified by any Central or State Act or any special purpose vehicle notified by the State Government or Central Government subject to the condition that it undertakes one or more functions that may be entrusted under Article 243W of the Constitution of India. A municipality means an institution of self-government constituted under Article 243Q of the Constitution of India.

Recent amendments ensure that entities performing functions akin to municipalities also get covered in the scope of ‘issuer’, enabling them to access capital markets for raising funds through issue of municipal bonds. Further, any structure set up under the Pooled Finance Development Fund Scheme of the Government of India or a body corporate to whom the Companies Act, 2013 applies, which offers or proposes to offer municipal debt securities in accordance with Municipal Debt Regulations shall also be deemed to be allowed as an issuer subject to the condition that it is set up by the State Government(s) or Central Government for the purpose of raising funds for a person performing one or more functions entrusted under Article 243W of the

Constitution of India.

Municipal debt securities are usually in the form of non-convertible debt securities, which create or acknowledge indebtedness, and include debenture, bonds or such other securities of an issuer. In 2015, SEBI has introduced SEBI (Issue and Listing of Municipal Debt Securities) Regulations ("ILDM Regulations") for regulating the process of issuing municipal debt securities by ULBs and their listing on recognised stock exchanges. Thereafter, it also issued a circular in 2019 to prescribe continuous disclosures and compliances by listed entities. Finally, it had issued Circular No. SEBI/HO/DDHS/P/CIR/2021/613 in August 2021 (2021 Operational Circular) which was last modified in April 2022. This operational circular provides a chapter-wise framework for the issuance, listing and trading of non-convertible Securities, securitised debt instruments, security receipts, municipal debt securities or commercial paper.

Municipal bonds can be issued by ULBs either through public issue or on private placement basis. Following are primary considerations as per ILDM Regulations:

A. Primary Eligibility Criteria

- The issuer is eligible to make an issue under its constitution document i.e. the issuer is allowed to raise money only under the law / regulation that administer it
- The accounts of the issuer are prepared in accordance with the manual/ standards specified under Municipal Debt Regulations
- The issuer has not defaulted in debt repayment during the preceding 365 days
- The issuer, its promoter, directors have not been named 'willful defaulters', 'fugitive economic offender'
- The issuer has obtained credit rating from SEBI registered credit rating agency
- The issuer has appointed a SEBI registered debenture trustee for the issue
- There shall not be any order from SEBI in force against the issuer or its promoters to prohibit them from accessing capital markets.

B. Mandatory Conditions related to Listing

- issuer needs to appoint a merchant banker and also have demat connectivity through one or more depositories
- issuer has to apply to at least one recognised stock exchange for listing
- It is mandatory to get a credit rating from a recognised credit rating agency & also disclose it in the offer document
- Offer document needs to be submitted with SEBI alongwith due diligence certificate through the merchant banker

C. Two Types of Issues

- **Public Issue:** When an issue / offer of municipal debt securities is made to investors/ public through an issue of offer document, it is called a public issue. The municipal bonds issued through public offer are required to be listed on the stock exchange platform within six working days from the date of the closure of issue.
- **Private Placement:** When an issuer makes an offer of municipal debt securities to a select group of less than 200 persons except QIBs, through placement memorandum, it is called a private placement. The municipal debt securities issued on a private placement basis are required to be listed on the stock exchange platform within four working days from the date of closure of the issue.

D. Issue Options

- Issuance of bonds will be in electronic mode
- There can be buy-back, put or call options for the bonds

E. Basic Requirement for Public Issue

- issuer need to have surplus in Income & Expenditure statement in any of previous 3 years. If issuer is a body corporate then it shall not have negative networth in any of previous 3 years.
- At least 25% of the project cost has to be met by the issuer from internal resources or grants in cash or kind
- For successful issue, minimum subscription is of at least 75% of issue size
- Detailed advertisement in a national daily is needed before opening of issue
- Minimum subscription can be fixed at Rs 10 lakhs per investor

F. Requirement of Issuance & Trading of Securities issued on Private Placement

- An issuer, if desirous, may choose to access Electronic Book Provider (EBP) platform for private placement of municipal debt securities.
- The abridged prospectus shall be in the format as specified in Part B of Schedule I of the SEBI NCS Regulations, 2021.
- The face value of each debt security or non-convertible redeemable preference share issued on private placement basis shall be Rs. Ten lakh as per 2021 Operational Circular.
- The face value of each security mentioned under Chapter V of SEBI NCS Regulations, 2021 and Chapter 13 of 2021 Operational Circular shall be Rs. One crore.

G. Security of Debt

- In order to protect interests of investors, different types of escrow accounts such as No Lien Escrow A/c, Sinking Fund A/c, Interest Payment A/c, etc have been prescribed.
- issuer needs to create a structured payment mechanism and also maintain specific escrow account for debt servicing

H. Trust Deed

- A trust deed has to be compulsorily executed in favour of debenture trustees for securing the issue of bonds. Issue proceeds can not be utilised unless & until trust deed is executed. This trust deed must contain clauses specified in Schedule IV of the SEBI (Debenture Trustees) Regulations, 1993.
- In case of issue of debt securities by a body corporate, trust deed shall contain such clauses as prescribed u/s 71 of Companies Act, 2013 and Companies (Share Capital & Debentures) Rules, 2014
- Trust deed can not have any clause which has the effect to
 - limit or extinguish the rights and obligations of debenture trustees or the issuer in relation to any rights of the investors
 - limit or waive the provisions of rules and regulations issued by SEBI
 - indemnify the debenture trustees or issuer for loss or damage caused by their act of negligence or commission or omission

I. Utilisation of Issue Proceeds

- Separate bank account needs to be maintained in which proceeds will be transferred immediately after the closure of issue
- Funds can be used only for the objects as mentioned in the placement memorandum or offer document
- For funds earmarked towards any specific project, prior approval from the relevant authority is necessary
- Implementation of project need to be done according to schedule given and funds can be utilised accordingly

J. Periodical Reporting

- The issuer shall within fifteen days from the end of every half year(i.e. April 15 and October 15),submit a statement, to the stock exchange, where its debt securities are listed, as well as to the depository containing data in the format as prescribed below:

Name of issuer	ISIN No.	Issuance Date	Maturity Date	Coupon Rate	Payment Frequency	Em-bedded Option, if any	Amount Issued	Amount Outstanding
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- In case there is any modification in terms or structure of the issue viz. change in terms of payment, change in interest pay-out frequency etc. as specified above, the issuer shall, forthwith, inform the same to the depository.

K. Redemption & Rollover

- The issuer has to redeem debt securities in line with the offer document or placement memorandum
- If the issuer desires to roll over debt securities then it needs to get approval of investors by passing a special resolution with at least 75% consent after giving 21 days notice.
- The notice to investors need to contain latest details credit rating obtained from the agency
- issuer has to redeem debt securities of all non-consenting investors by making applicable payment

L. Other Salient Features

- The funds raised from such bonds shall be used only for capital investments in urban infrastructure for providing one or more of specified activities
- The Municipal Bonds should have a minimum maturity of 5 years. The issuers will have option to offer deep discount bonds or other financial innovations especially to enhance the tenure of the bond
- The maximum amount of such bonds as a percentage of the total project costs (excluding interest during construction) may also be capped upto prescribed limits.
- The issuer may make advertisements in a national daily with wide circulation on or before issue opening date and such advertisement is required to contain disclosures as specified under Schedule IV of the Municipal Debt Regulations. Further certain exclusions relating to advertisements are mentioned under Regulation 9 of the Municipal Debt Regulations.
- In case of any complaints, investors can first approach the concerned issuer with their complaint. If the complaint remains unresolved, the investors may approach SEBI for facilitating redressal of their complaints. SEBI has a web based centralized grievance redress system - SCORES available at <http://scores.gov.in> where investors can lodge their complaints online against issuers of municipal debt securities or any other intermediaries involved in the allotment of municipal debt securities.

Attractive Funding Avenues Leading to Rapid Development

Due to continuously rising population and rapid urbanisation, pressure on urban infrastructure and civic amenities has been increasing exponentially in India. Moreover, Government has launched mega initiatives like AMRUT – Atal Mission for



Rejuvenation Urban Transformation, Smart Cities Mission, etc.

Despite abundant popularity abroad, municipal bonds market is still evolving in India due to limited awareness but there may be a huge scope to efficiently use it while executing public projects. Since 1997, quite a few large municipal corporations including Ahmedabad, Amravathi, Bengaluru, Bhopal, Chennai, Hyderabad, Indore, Ludhiana, Lucknow, Madurai, Nagpur, Nasik, Pune, Surat and Visakhapatnam have successfully issued municipal bonds.

On careful analysis of bonds issued during last few years, apparently ULBs have offered interest rate in the range of 8-10% which is much higher than bank deposits and further, the proceeds are secured through regulatory provisions as prescribed under ILDM Regulations which makes it an attractive option for high networth individuals. Tax concessions on returns earned on municipal bonds as well as liquidity provided through trading on stock exchanges can be great incentives to motivate larger pool of investors for actively participating in municipal bond markets. Moreover, if important issues related to demand and supply side are addressed systematically then it can help to fill large deficit in urban infrastructure financing. With this inimitable option, ULBs across India can truly empower themselves to become "Atma Nirbhar" for serving citizens with better infrastructure.

Chapter 17

Social Stock Exchange

Social Stock Exchange (SSE) is a vital link between social enterprises and impact investors, especially institutional investors, who invest their money for social causes, welfare of society and environment sustainability. SSE is no more a novel idea but many countries around the world viz. Brazil, Singapore, Canada, United Kingdom, Kenya, South Africa, Portugal, Germany, etc have already set up SSEs to raise capital for social enterprises. Brazil was the first country to launch this concept in 2003 and set up first SSE with an intention to change the culture of charity to social investments. Subsequently, several countries across the globe established SSE with their own models. The most successful SSE model was established by Singapore in 2013, which is also known as impact investment exchange due to average impact investment of \$40 million per year. In Canada, SSE is an online platform, called Social Venture Connection, that allows social organisations to raise funds for the positive social or environmental sustainability. The United Kingdom's SSE has helped many social enterprises to raise capital for clean energy projects, healthcare services and affordable housing upto Euro 400 million per year. In Kenya, SSE helps to social non-profits organisations, NGOs, and other institutions to raise funds for social causes.

Existing model of SSE operates similar to normal stock exchange in different countries and facilitating listing, trading as well as settlement of securities while providing liquidity to the investors. However, the emphasis of the listed organisations on SSE will be social welfare and environment sustainability rather than enjoying capital gains or profits. Though SSEs focus on social value maximisation, it does not essentially mean that social enterprises will not have any yields. Without a normal profit organisation cannot sustain, be it is commercial or social organisation. Therefore, a minimum return is expected for the interest of stakeholders in social enterprises.

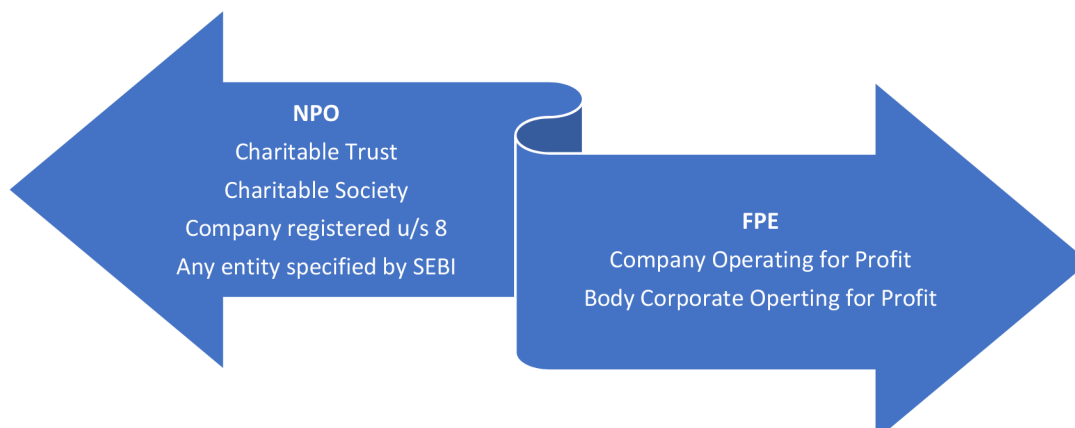
Social Stock Exchange in India

India is committed to achieve sustainable development goals by 2030 set by United Nation and for this achievement, massive investment is needed in the coming years. In view of various challenges, it may not be possible for the government to endlessly provide funds and even private sector may have a lot of limitations at their end due to which there has been a need to strengthen social sector enterprises and motivate them to undertake various projects for development of the country. In India, social ecosystem is very diverse and offers an unique opportunity to social enterprises to identify innovative solution of many social challenges in the field of rural health services, healthcare system, environment protection, education, skill development, etc. It was also observed that many social enterprises had been struggling due to scarcity of funds due to which many of them even failed to meet the sustainable development goals and so, there had been a strong need to have SSEs even in India.

India could not stay away from this emerging concept and finally, SSE had found its mention in the union budget speech of 2019-20 when Hon'ble Finance Minister had proposed to set up Social Stock Exchange to raise the capital needs of social sectors involved in social welfare. Thereafter, SEBI had constituted a working group to formulate SSE model and also, a framework for listing of securities issues by social enterprises. In India, the basic motive behind establishment of SSE would be listing of social enterprises so that they can easily raise more funds in the form of capital from the public, corporates, and philanthropists.

Social Stock Exchange identifies the following two forms of social enterprises that are engaging in the activity of creating positive social impact and that meets primacy of their social intent:

- i. Not-for-profit organization (NPO)
- ii. For profit social enterprise (FPE)



In order to establish primacy of social intent, any entity ~ whether NPO or FPE, it must meet all three criteria mentioned under Regulation 292E(2) of the ICDR Regulations. Briefly, these criteria require that the entity must

indulge in activities prescribed under Regulation 292E(2)(a), and that the entity must target underserved or less privileged population segments or regions which have recorded lower performance in the development priorities of central or state governments.

Further, in order to be identified as a social enterprise, the entity shall demonstrate that 67% of its activities qualifying as eligible activities to the target population shall be demonstrated by either of the following:

- i. At least 67% of its revenue of the immediately preceding 3-year average of revenues comes from providing eligible activities to members of the target population;

or

- ii. At least 67% of the immediately preceding 3-year average of expenditure has been incurred for providing eligible activities to members of the target population;
- or
- iii. Members of the target population to whom the eligible activities have been provided constitute at least 67% of the immediately preceding 3-year average of the total customer base and/or total number of beneficiaries.

However, corporate foundations, political or religious organizations or activities, professional or trade associations, infrastructure, and housing companies, except affordable housing, are not eligible to be identified as a Social Enterprise. Further, following social enterprises are not eligible to raise funds through SSEs if:

- a) any of its promoters, promoter group or directors or selling shareholders (in case of forprofit social enterprise) or trustees are debarred from accessing the securities market by SEBI;
- 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 SEBI;
- c) if the Social Enterprise or any of its promoters or directors or trustees is a willful defaulter or a fraudulent borrower;
- d) If any of its promoters or directors or trustees is a fugitive economic offender;
- 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 the Ministry of Home Affairs or any other ministry of the Central Government or State Government or Charitable Commissioner or any other statutory body

Fund Raising on SSEs

Following is the eligibility criteria for NPOs to register on SSE as prescribed by SEBI vide its circular dated September 19, 2022:

- Mandatory age of NPO as 3 years
- Valid 80G registration
- Valid certificate u/s 12A / 12AA / 12AB of the Income Tax Act,
- Minimum INR 50 lakhs as annual spending
- Minimum INR 10 lakhs of fund in the past year

SSEs have been permitted by SEBI to prescribe additional requirements in order for NPO to register on it.

After registration on SSEs, NPOs may raise funds through following instruments:

- Issuance of Zero Coupon Zero Principal Instruments
- Donations through Mutual Fund Schemes
- Any other means as specified by SEBI

It is not mandatory for NPOs which are registered with SSEs under regulation 292F of the ICDR Regulations to seek listing, however it shall mandatorily seek registration with a SSE before it raises funds through SSE. NPO may choose to register on a Social Stock Exchange and not raise funds through it. It can also continue to raise funds through any other means.

However, FPE need not register with Social Stock Exchange before it raises funds through SSE. However, it shall comply with all provisions of ICDR Regulations, AIF Regulations (as applicable for its fund-raising modes) before it can raise funds through SSE. In the normal course, FPE may raise funds through:

- Issue of Equity Shares (On Main Board, SME Platform or innovators growth platform of stock exchange as the case may be)
- Issue of Equity Shares to an Alternative Investment Fund including Social Impact Fund
- Issue of Debt Instruments
- Any other means as specified by SEBI

If FPEs issue equity shares on Main Board, SME Platform or innovators growth platform of stock exchange as the case may be, it shall also need to meet the eligibility criteria for the respective platform as mandated ICDR Regulations. Similarly, for issuance of equity shares to AIFs, issuance of debt securities etc. would require compliance with respective SEBI Regulations. More clarity is likely to be available in nearby future once NPOs and FPEs start getting listed on SSE after the rules are notified by the regulator.

Retail investors are permitted to invest only in securities offered by FPE under the Main Board. In all other cases, only institutional investors and non-institutional investors would be able to invest in securities issued by social enterprises. However, given the tremendous opportunities offered by our grand nation, NPOs and FPEs should be able to attract larger pool of investors to raise money with the help of SSE for undertaking various projects in the larger interests of the society.

Chapter 18

Crucial Role of Cost Accountants

By playing an important role as 'Covid-19 Warrior', lakhs of doctors & healthcare professionals have succeeded in saving lives of millions of Indians and every survivor has subsequently contributed for the well being of his family. Majority of companies / firms give direct employment to dozens of people and indirectly supporting livelihood of hundreds of individuals. When Indian economy had gone in negative zone and future was bleak in the recent past, numerous enterprises were bleeding with their stakeholders getting adversely impacted. Survival of every single enterprise was directly beneficial dozens of people directly as well as hundreds of people indirectly and for sure, it could be termed as a true service to our mother nation.

Thousands of CMAs are spread across different parts of India and working closely with millions of enterprises. CMAs have been positively spreading more awareness about various benefits of listing among capable SMEs and also helping them unlock value by accessing capital markets. All CMAs have always been pro-actively assisting MSMEs by playing role of 'Economic Warrior' and supporting for their survival and revival. Once a business manages to revive, it immediately boosts up economic growth thereby helping crores of families which have been dependent on those enterprises collectively.

Given the extra-ordinary economic turmoil, there was a need to find economical solution in a time bound manner. Needless to mention, initiatives like SME listing could positively help speedy revival of MSMEs by encouraging them to tap growth opportunities with the support of investors. Further, with the domain expertise in corporate & allied laws besides finance, Cost Accountants had played a key role across entire value cycle by efficiently undertaking corporate restructuring exercise:

- Customise proper restructuring strategy for the client
- Devising suitable transaction structure and drafting various documents keeping in mind overall objective
- Identification of suitable target company, if any to meet the requirements of client for reverse merger
- Carrying out due diligence to assess liabilities and level of compliance
- Assisting the management in carrying out valuation and getting opinions, if needed from other professional agencies
- Assisting the client in appointing various market intermediaries and other agencies to undertake listing exercise
- Addressing queries raised by the regulators and get their approval, if needed
- Complying with applicable provisions under different tax, corporate & other laws to give effect to corporate restructuring

Unlimited Avenues for Corporate & Management Professionals

After the dreadful era of Covid-19, it is now understood that timely assistance as well as expert guidance is the must for survival and growth of business enterprises. Needless to mention:

Behind every survived patient, there was a Doctor as a 'Covid-19 Warrior'

Behind every survived enterprise, there was a CMA as an 'Economic Warrior'

Chapter 19

Compliances by Listed Companies

Every listed company has to comply with all SEBI regulations as well as rules and regulations of the stock exchanges. SEBI has issued Listing Obligations and Disclosure Requirements, 2015 (LODR) with the objective to line up the clauses of the listing agreement with the Companies Act, 2013 and to consolidate the conditions under different securities listing agreements in one single regulation.

ONE TIME COMPLIANCES

SI No.	Regulation reference (Reg.)	Compliance Particulars
1	6(1)	A listed entity shall appoint a qualified Company Secretary as the Compliance Officer. Any vacancy in the post of Compliance office to be filled within 6 months
2	7(1)	The listed entity shall appoint a Share Transfer Agent or the listed entity registered with SEBI as Category II share transfer agent in case of share transfer facility in house.
3	9	The listed entity shall have a Policy For Preservation Of Documents, approved by its Board of Directors.

QUARTERLY COMPLIANCES:

(Reg.)	Compliance Particulars	Timeline / Due Date (For the Quarter Ended December, 2022)	Q1	Q2	Q3	Q4
27(2)	Corporate Governance Report (not applicable to a listed entity only if the paid-up equity share capital and net-worth are less than ₹10 crore and ₹25 crore, respectively)	21 days from end of quarter	21.01.2023	21.04.23	21.07.23	21.10.23
13(3)	Statement of Investor Complaint (Number of investor complaints pending, received, disposed of during the quarter and remaining unresolved at the end of the Quarter)	21 days from end of quarter	21.01.2023	21.04.23	21.07.23	21.10.23



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31(1) (b)	Shareholding Pattern	21 days from end of quarter	21.01.2023	21.04.23	21.07.23	21.10.23
32 (1)	Statement of Deviation	45 days from end of Quarter	14.02.2023	14.05.23	14.08.23	14.11.23
33(3)	Financial Result year-to-date financial results	45 days of end of each quarter, other than the last quarter.	14.02.2023	14.05.23	14.08.23	14.11.23

HALF YEARLY COMPLIANCES

Regulation reference (Reg.)	Compliance Particulars	Timeline / Due Date	Due Date
7(3)	Compliance certificate to the exchange	Within 1 month of end of each half of the financial year.	31 st Oct,2023
23(9)	Related party transactions. (The listed entity shall make such disclosures every 6 months within 15 days from the date of publication of its standalone and consolidated financial results: Provided further that the listed entity shall make such disclosures every 6 months on the date of publication of its standalone and consolidated financial results with effect from April 1, 2023.)	Within 15 days of FR	
33(3)	standalone or consolidated financial results for the half year a statement of assets and liabilities and a statement of cash flows by way of a note.	Once in 6 months	
40(9)	The listed entity shall ensure that the share transfer agent and/or the in-house share transfer facility, as the case may be, produces Certificate From Practicing Company Secretary	within one month of the end of each half of the financial year	31 st Oct,2023

COMPLIANCES UNDER SEBI REGULATIONS / LODR

ANNUAL COMPLIANCES

Regulation reference (Reg.)	Compliance Particulars	Timeline / Due Date	Due Date
7(3) Compliance Certificate	The listed entity shall submit a compliance certificate to the exchange, duly signed by both the compliance officer of the listed entity and the authorised representative of the share transfer agent.	within 30 days from the end of financial year.	30 th April, 2023
14 fees or charges	The listed entity shall pay all such fees or charges, as applicable, to the recognised stock exchange(s), in the manner specified by SEBI or the recognised stock Exchanges.	within 30 days of the end of financial year	30 th April, 2023
33(3) Annual Audited Standalone Financial Results with Audit Report	<p>The listed entity shall submit Annual Audited Standalone Financial Results with Audit Report and Statement on Impact of Audit Qualifications applicable only for audit report with modified opinion to the stock exchange.</p> <p>If listed entity has subsidiaries, it shall, while submitting annual audited standalone financial results, also submit annual audited consolidated financial results along with the audit report and Statement on Impact of Audit Qualifications applicable only for audit report with modified opinion.</p> <p>In case of audit reports with unmodified opinion(s), the listed entity shall furnish a declaration to that effect to the Stock Exchange while publishing the annual audited financial results.</p> <p>The listed entity shall also submit the audited or limited reviewed financial results in respect of the last quarter along-with the results for the entire financial year)</p>	within 60 days from end of financial year	30 th May, 2023



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34 Annual Report along with the Notice of the Annual General Meeting to the stock exchange	<p>The listed entity shall submit the annual report along with the Notice of the Annual General Meeting to the stock exchange. Amongst others, the annual report shall also consist the following:</p> <p>audited financial statements i.e. balance sheets, profit and loss accounts etc and Statement on Impact of Audit Qualifications as stipulated in regulation 33(3)(d), if applicable.</p> <p>The requirement of submitting a business responsibility report shall be discontinued after the financial year 2021-22 and thereafter, with effect from the financial year 2022-23, the top one thousand listed entities based on market</p> <p>Capitalization shall submit a business responsibility and sustainability report describing quantitative and standardized disclosures on ESG parameters to enable comparability across companies, sectors and time, shall form part of the Annual Report.</p>	Not later than the day of commencement of dispatch to its shareholders.	
34(1)(b)	In case any changes to the annual report, Revised Annual Report copy along with the details of and explanation for the changes shall be sent	within 48 hours after the Annual General Meeting	
36	The listed entity shall send annual report to the holders of securities	21 days before AGM (in soft or hard copy)	
40(9)	The listed entity shall ensure that the share transfer agent and/or the in-house share transfer facility, as the case may be, produces a certificate from a practicing company secretary	within 30 days from the end of financial year	30 th April, 2023
24A Secretarial Audit and Secretarial Compliance Report	Every listed entity and its material unlisted subsidiaries incorporated in India shall undertake secretarial audit and shall annex a secretarial audit report given by a company secretary in practice, in such form as specified, with the annual report of the listed entity.	within 60 days from the end of financial year	30 th May, 2023
47 (3) Advertise-ments in Newspapers	Financial results at 47 clause (b) of sub-regulation (1), shall be published within 48 hours of conclusion of the meeting of board of directors at which the financial results were approved.	48 HOURS	

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47 – Advertisements In Newspapers	Now the listed entity will not be required to publish the following: 1. Notice of meeting of the board of directors where financial results shall be discussed. 2. Statements of deviation(s) or variation(s) as specified in regulation 32 (1).		
46(2)(s) Website	The listed entity shall disseminate the following information under a separate section on its website separate audited financial statements of each subsidiary of the listed entity in respect of a relevant financial year, uploaded at least 21 days prior to the date of the annual general meeting which has been called to inter alia consider accounts of that financial year.]	21 days prior 1 days prior to the date of AGM	

Other Quarterly compliance which included half year compliance except Financial Results

Particulars	Regulation reference (Reg.)	Compliance Particulars	Timeline / Due Date
Intimation	Reg 29 read with Reg 33	intimation regarding item specified in clause 29(1) (a) to be discussed at the meeting of board of directors shall be given at least five days in advance (excluding the date of the intimation and date of the meeting), and such intimation shall include the date of such meeting of board of directors	at least 5 working days in advance, excluding the date of the intimation and date of the meeting
Intimations and Disclosure of events or information to Stock Exchanges	87B: Intimations and Disclosure of events or information to Stock Exchanges. READ WITH PART E OF Schedule III	The listed entity shall first disclose to stock exchange(s) of all events or information, as specified in Part E of Schedule III, as soon as reasonably possible but not later than twenty four hours from occurrence of the event or information:	24 HOURS



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Valuation, Rating and NAV disclosure.	87C(1) (iii)	An issuer whose security receipts are listed on a stock exchange shall ensure that: the net asset value is calculated on the basis of such independent valuation and the same is declared by the asset reconstruction company within 15 days of the end of quarter.	15 Days
Other corporate governance requirements.	Reg 27(2)	The listed entity shall submit a quarterly compliance report on corporate governance in the format as specified by the Board from time to time to the recognised stock exchange(s) within fifteen days from close of the quarter.	15 days
Indian Depository Receipt holding pattern & Shareholding details.	69(1)	The listed entity shall file with the stock exchange the Indian Depository Receipt holding pattern on a quarterly basis within fifteen days of end of the quarter in the format specified by the Board.	15 days from end of each quarter

EVENT BASED COMPLIANCES

Regulation reference (Reg.)	Compliance Particulars	Timeline / Due Date
7(5)	The listed entity shall intimate the Appointment Of Share Transfer Agent	Within 7 days of Agreement with RTA
28(1)	obtain In-principle approval from recognised stock exchange	Prior to issuance of Security
29(1)(a) read along with proviso to 29 (2)	Intimations of Board Meeting for financial Result viz. quarterly, half yearly or annual, to the stock exchange(s)	At least 5 clear days in advance (excluding the date of the intimation and the date of the meeting)
29(1) (b), (c),(d), (e) & (f) read along with 29 (2)	Prior Intimations of Board Meeting for Buyback, Voluntary delisting, Fund raising by way of FPO, Rights Issue, ADR, GDR, QIP, FCCB, Preferential issue, debt issue or any other method, Declaration/ recommendation of dividend, issue of convertible securities carrying a right to subscribe to equity shares or the passing over of dividend, proposal for declaration of Bonus securities etc., to the stock exchange(s)	At least 2 working days in Advance

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29(3)	Prior Intimations of Board Meeting for alteration in nature of Securities, alteration in the date on which interest on debentures/bonds/redemption amount, etc. shall be payable to the stock exchange(s)	At least 11 clear working days in Advance
30(6)	Disclosure of Price Sensitive Information	Not later than 24 hours as per Part A of Schedule III
31A (8)	The deemed material events i.e., receipt of request for re-classification by the listed entity from the promoter(s) seeking reclassification; Minutes of the board meeting considering such request which would include the views of the board on the request; etc.	within 24 hours from the occurrence of the event
31(1)(a)	A statement showing holding of securities and shareholding pattern separately for each class of securities prior to listing of securities	One day prior to listing of Securities
31(1)(c)	The listed entity shall submit to the stock exchange(s) statement showing holding of securities and shareholding pattern separately for each class of securities in case of Capital Restructuring	Within 10 days of any change in capital Structure exceeding 2% of the total paid-up share capital.
37(2)	The listed entity shall file draft Scheme of Arrangement to the stock exchange(s)	Prior approval before filing with Court
39(2)	The listed entity shall issue certificates or receipts or advices, as applicable, of subdivision, split, consolidation, renewal, exchanges, endorsements, issuance of duplicates thereof or issuance of new certificates or receipts or advices, as applicable, in cases of loss or old decrepit or worn out certificates or receipts or advices, as applicable	within thirty days from the date of such lodgement
39(3)	The listed entity shall submit information with respect to loss of share certificates and issue of the duplicate certificates to the stock exchange	Within 2 days of getting information.
40(1) Proviso	Transfer or transmission or transposition of Securities (Requests for effecting transfer of securities shall not be processed unless the securities are held in the dematerialized form with a depository)	
40(3)	The listed entity shall register transfers of its securities in the name of the transferee(s) and issue certificates or receipts or advices, as applicable, of transfers; or issue any valid objection or intimation to the transferee or transferor, as the case may be,	within 15 days from the date of such receipt of request for transfer.



42(2)	The listed entity shall intimate the record date or date of closure of transfer books to all the stock exchange(s) where it is listed and also where stock derivatives are available on the stock of the listed entity or where listed entity's stock form part of an index on which derivatives are available	
42(2)	In case of Right Issue	At least 3 working days in advance (excluding the date of intimation and record date)
	Other than Right Issue	At least 7 clear working days in advance (excluding the date of intimation and record date)
43A	Dividend Distribution Policy by the top one thousand listed entities based on market capitalization (calculated as on March 31 of every financial year)	To formulate a dividend distribution policy which shall be disclosed in their annual reports and on their websites and also a web-link shall also be provided in their annual reports
42(2)	The listed entity shall intimate the record date or date of closure of transfer books to all the stock exchange(s)	At least 7 clear working days in advance
42(3)	Notice to stock exchange(s) of Record date for declaring dividend and/or cash Bonus	At least 5 clear working days in advance
44(3)	The listed entity shall submit to the stock exchange details regarding voting results by Shareholders	Within 2 working days of conclusion of its General Meeting
45(3)	The listed entity shall allowed to change its Name	Prior approval from Stock Exchange(s)
46	The listed entity shall maintain a functional website containing the basic information about the listed entity and update any change in the content of its website	within 2 working days from the date of change in content

30	Intimation Of Appointment Of Scrutinizer For The E-Voting Process At The General Meeting Of The Company	On the date of appointment
30(6) AND sub-para 4 of Para A of Part A of Schedule III	<p>The listed entity shall disclose to the Exchange(s), within 30 minutes of the closure of the meeting held to consider the following:</p> <ol style="list-style-type: none"> dividends and/or cash bonuses recommended or declared or the decision to pass any dividend and the date on which dividend shall be paid/dispatched; any cancellation of dividend with reasons thereof; the decision on buyback of securities; the decision with respect to fund raising proposed to be undertaken increase in capital by issue of bonus shares through capitalization including the date on which such bonus shares shall be credited/dispatched; reissue of forfeited shares or securities, or the issue of shares or securities held in reserve for future issue or the creation in any form or manner of new shares or securities or any other rights, privileges or benefits to subscribe to; short particulars of any other alterations of capital, including calls; financial results; decision on voluntary delisting by the listed entity from stock exchange(s). 	30 MINUTES

Note: as per Regulation 36(4), the information and documents made by the listed entity-

- to the stock exchanges shall be in XBRL; and
- to the stock exchanges and on its website, shall be in a format that allows users to find relevant information easily through a searching tool.

DISCLOSURE OR REPORTS TO BE FILED WITH ROC

Sl. No.	Title	Section & Rules	Particulars of Compliances	
1.	Disclosures by a Director of his interest	Section 184(1) & Rule 9 of Companies (Meetings of Board and its Powers) Rules, 2014.	Form MBP-1	Every director shall at the 1st Board Meeting in every financial year or whenever there is any change in the disclosures already made, then at the first Board meeting held after such change, should disclose his interest in any entity which shall Include the shareholding.
2.	Disqualification of Directors	Section 164(2) & Rule 14 (1) of Companies (Appointment and Qualifications of Directors) Rules, 2014.	Form DIR-8	Every director shall at the 1st Board Meeting in every financial year shall give disclosure regarding he is disqualified or not to act as a director
	Declaration by independent director	Sec 149(7) Declaration that he meets the criteria of independence as provided in sub-section (6).		1st Board Meeting of FY or participates as a director
3.	Hold Annual General Meeting	Section 96 of Companies Act, 2013	For every company, it is mandatory to hold an annual general meeting once a year. Companies are required to keep their AGM within six months from closing the Financial year.	
4.	Director's report	Section 134(3) of the Companies Act, 2013 and Rule 8 of the Companies (Accounts) Rules, 2014	Every Company need to prepare a Report as Board of Director's Report to be attached in Form AOC-4 along with Financials and Cash flow statement	

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5.	Certification of Return	Section 92(2) & Rule 11(2) of Companies (Management and Administration) Rules, 2014	Form MGT-8 (Filed as attachment in MGT-7)	The annual return filed by a listed company or a company having paid up share capital of Rs. 10 Crores or more or turnover of Rs. 50 crores or more shall be certified by a Company Secretary in Practice.
6.	Notice of AGM	Section 101 & Rule 18 of the Companies (Management and Administration) Rules, 2014 & SS-2	Before 21 days of General Meeting	
7.	Board Meetings	Section 173 & SS-1	Every Company shall hold a minimum of 4 meetings of its Board of Directors every year in such a manner that maximum gap between two meetings should not exceed 120 days.	
8.	Appointment of Company Secretary	Section 203 & Rule 8A of the Companies (Appointment and Remuneration) Rules, 2014.	Every listed company as well as a private company having paid up share capital of Rs. 10 crore or more is required to appoint a whole time Company Secretary (Vide notification dated January 03, 2019).	
9.	Register of Members	Section 88 & Rule 3 of the Companies (Management and Administration) Rules, 2014. Form MGT.1 & Form MGT. 2	Company shall keep & maintain the following mandatory Registers: 1. Register of Members residing in or outside India, 2. Register of debenture holders, and 3. Register of any other security holders.	
10	Minutes	Section 118 (1): Every company shall prepare minutes of the meeting including resolution passed through postal ballot and signed in such manner as may be prescribed	Within 30 days of the conclusion of every such meeting.	

DISCLOSURE OF INFORMATION TO BE DISSEMINATED ON WEBSITE

As per Regulation 46(1) of LODR, every listed entity needs to maintain a functional website containing the basic information about the listed entity. Accordingly, following information has to be disseminated under a separate section on its website:

- (a) Details of its business;
- (b) Terms and conditions of appointment of independent directors;
- (c) Composition of various committees of board of directors;
- (d) Code of conduct of board of directors and senior management personnel;
- (e) Details of establishment of vigil mechanism/ Whistle Blower policy;
- (f) Criteria of making payments to non-executive directors , if the same has not been disclosed in annual report;
- (g) Policy on dealing with related party transactions;
- (h) Policy for determining 'material' subsidiaries;
 - (i) Details of familiarization programmes imparted to independent directors including the following details:-
 - (ii) number of programmes attended by independent directors (during the year and on a cumulative basis till date),
 - (iii) number of hours spent by independent directors in such programmes (during the year and on cumulative basis till date), and
 - (iv) other relevant details
- (j) Email address for grievance redressal and other relevant details;
- (k) Contact information of the designated officials of the listed entity who are responsible for assisting and handling investor grievances;
- (l) Financial information including:
 - (i) Notice of meeting of the board of directors where financial results shall be discussed;
 - (ii) Financial results, on conclusion of the meeting of the board of directors where the financial results were approved;
 - (iii) Complete copy of the annual report including balance sheet, profit and loss account, directors report, corporate governance report etc;
- (m) Shareholding pattern;
- (n) Details of agreements entered into with the media companies and/or their associates, etc;

- (o) Schedule of analysts or institutional investors meet and presentations made by the listed entity to analysts or institutional investors. For the purpose of this clause 'meet' shall mean group meetings or group conference calls conducted physically or through digital means.
- (oa) Audio or video recordings and transcripts of post earnings/quarterly calls, by whatever name called, conducted physically or through digital means, simultaneously with submission to the recognized stock exchange(s), in the following manner:
 - (i) the presentation and the audio/video recordings shall be promptly made available on the website and in any case, before the next trading day or within twenty-four hours from the conclusion of such calls, whichever is earlier;
 - (ii) the transcripts of such calls shall be made available on the website within five working days of the conclusion of such calls:
- (p) New name and the old name of the listed entity for a continuous period of one year, from the date of the last name change;
- (q) Items in sub-regulation (1) of regulation 47 .
- (r) All credit ratings obtained by the entity for all its outstanding instruments, updated immediately as and when there is any revision in any of the ratings.
- (s) Separate audited financial statements of each subsidiary of the listed entity in respect of a relevant financial year, uploaded at least 21 days prior to the date of the annual general meeting which has been called to inter alia consider accounts of that financial year. Provided that a listed entity, which has a subsidiary incorporated outside India—
 - (a) where such subsidiary is statutorily required to prepare consolidated financial statement under any law of the country of its incorporation, the requirement of this proviso shall be met if consolidated financial statement of such subsidiary is placed on the website of the listed entity;
 - (b) where such subsidiary is not required to get its financial statement audited under any law of the country of its incorporation and which does not get such financial statement audited, the holding Indian listed entity may place such unaudited financial statement on its website and where such financial statement is in a language other than English, a translated copy of the financial statement in English shall also be placed on the website.
- (t) Secretarial compliance report as per sub-regulation (2) of regulation 24A of these regulations;



- (u) Disclosure of the policy for determination of materiality of events or information required under clause (ii), sub-regulation (4) of regulation 30 of these regulations;
- (v) Disclosure of contact details of key managerial personnel who are authorized for the purpose of determining materiality of an event or information and for the purpose of making disclosures to stock exchange(s) as required under sub-regulation (5) of regulation 30 of these regulations;
- (w) Disclosures under sub-regulation (8) of regulation 30 of these regulations;
- (x) Statements of deviation(s) or variation(s) as specified in regulation 32 of these regulations;
- (y) Dividend distribution policy by listed entities based on market capitalisation as specified in sub-regulation (1) of regulation 43A;
- (z) Annual return as provided under section 92 of the Companies Act, 2013 and the rules made thereunder.

Further, as per Regulation 8 of SEBI (Prohibition of Insider Trading) Regulations, 2015, the board of directors of every listed company, need to formulate and publish on its official website, a code of practices and procedures for fair disclosure of unpublished price sensitive information that it would follow in order to adhere to each of the principles set out in Schedule A to these regulations, without diluting the provisions of these regulations in any manner.

Chapter 20

Compliance Calendar

COMPLIANCE CALENDAR: March 2022 (Quarterly and yearly)

Sr. No.	Regulation	Description of Regulation	Last date for compliance	Remarks
1	Regulation 27(2)	CG Report – If applicable	Within 21 Days i.e. on / before 21 st April, 2022	Compulsory filing in XBRL Form
2	Regulation 15(2)	CG Report - If not Applicable PCS/ CS Certificate	Within 21 Days i.e on / before 21 st April, 2022	Certificate from CS or PCS to be submitted to BSE
3	Regulation 13(3)	Statement of Investor Complaints	Within 21 Days i.e. on / before 21 st April, 2022	<p>Check complaints on BSE portal, SEBI Scores and RTA data before preparing the report</p> <p>Please note that the same is to be filed on the BSE Listing Portal Manually under Corporate Announcements.</p> <p>We are attaching herewith the Letter which shall be signed as it was earlier done for maintaining the same in the records of the Company.</p> <p>Please note the BSE listing Portal's Web based form shall be filled as per the document signed and kept in your records.</p>



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4	Regulation 31	Shareholding Pattern	Within 21 Days i.e. on / before 21 st April, 2022	Compulsory filing in XBRL File
5	Regulation 7(3)	Certificate from R&T Agent	Within 30 Days i.e. on / before 30 th April, 2022	Format of Covering Letter attached
6	Regulation 40(9)	PCS Certificate	Within 30 Days i.e. on / before 30 th April, 2022	Format of Covering Letter attached
7	Regulation 76 SEBI (DIP), 2018	Reconciliation of Share Capital Audit Report	Within 30 Days i.e. on / before 30 th April, 2022	This report to be given by PCS the same has to be filed in PDF and XBRL both
8	Regulation 74(5)	Certificate from R&T Agent	Within 30 Days i.e. on / before 30 th April, 2022	Format of Covering Letter attached
9	Large Corporate Annual Disclosure		Within 30 Days i.e. on / before 30 th April, 2022	It is not applicable to your company. For Submission on BSE Portal, go to Corporate Announcements > Compliances > Format of the Annual Disclosure to be made by an entity identified as a Large Corporate > select "No" and submit it
10	Regulation 29	Board Meeting Notice to be sent to BSE	5 Clear Days before the BM date	Advice:- intimate BSE 7 days before

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11	Regulation 33	Audited Financial Results	<p>Within 30 min of the conclusion of Board Meeting</p> <p><i>Board meeting to be held within 60 days i.e. on or before 30th May 2022</i></p>	<ul style="list-style-type: none"> - Outcome of the Meeting - Audited Financial Results along with Audit Report. - Statement of Impact of Audit Qualification/ Declaration of Non Applicability of Statement of Impact of Audit Qualification - Within 24 hours of the conclusion of the meeting Compulsory Filing in XBRL
12	Regulation 47	Result to be Published in News Papers	Within 48 hrs of conclusion of Board Meeting	At least in one English language National daily newspaper circulating in the India and in one daily newspaper published in the language of the region, where the registered office of the Company is situated
13	Regulation 23(9) P.S. : Not mandatory for companies seeking exemption under Reg. 15(2) of SEBI (LODR)	Half Year Disclosures of Related Party Transactions	Within 15 days of publication of its standalone consolidated financial results (As per SEBI Clarification)	<ul style="list-style-type: none"> - disclosures of related party transactions on a consolidated basis, in the format specified in the relevant accounting standards for annual results to the stock exchanges and publish the same on its website - Covering letter attached - To be Filed in XBRL as well
14	Regulation 24A (Applicable only to companies who have not sought exemption under 15(2) of SEBI LODR Regulations)	Secretarial Audit	60 Days from the end of Financial Year	<ul style="list-style-type: none"> - To be filed in PDF and XBRL compulsorily



COMPLIANCE CALENDAR: June 2022 Quarter

Sr. No.	Regulation	Description of Regulation	Last date for compliance	Remarks
1	Regulation 27(2)	CG Report – If applicable	Within 21 Days i.e 21 st July, 2022	Compulsory filing in XBRL Form
2	Regulation 15(2)	CG Report - If not Applicable PCS Certificate	Within 21 Days i.e 21 st July, 2022	Certificate from CS or PCS to be submitted to BSE
3	Regulation 13(3)	Statement of Investor Complaints	Within 21 Days i.e. 21 st July, 2022	<p>Check complaints on BSE portal, SEBI Scores and RTA data before preparing the report</p> <p>Please note that the same is to be filed on the BSE Listing Portal Manually under Corporate Announcements.</p> <p>We are attaching herewith the Letter which shall be signed as it was earlier done for maintaining the same in the records of the Company.</p> <p>Please note that the same shall be filed in XBRL mode with BSE.</p>
4	Regulation 31	Shareholding Pattern	Within 21 Days i.e. 21 st July, 2022	Compulsory filing in XBRL Mode
5	Regulation 76 SEBI (DIP), 2018	Reconciliation of Share Capital Audit Report	Within 30 Days i.e. 30 th July, 2022	This report to be given by PCS the same has to be filed in PDF and XBRL both

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6	Regulation 74(5)	Certificate from R&T Agent	Within 30 Days i.e. on / before 30 th July, 2022	Format of Covering Letter attached
7	Regulation 29	Board Meeting Notice to be sent to BSE	5 Clear Days before the BM date	Advice:- intimate BSE 7 days before BM
8	Regulation 33	Un-Audited Financial Results	<p>Within 30 minutes of conclusion of the Board Meeting</p> <p><i>Board meeting to be held within 45 days i.e. on or before 12th August 2022</i></p>	<ul style="list-style-type: none"> - Outcome of the Meeting - Un Audited Financial Results along with Limited Review Report. - Within 24 hours of the conclusion of the meeting Compulsory Filing in XBRL
9	Regulation 47	Result to be Published in News Papers	Within 48 hrs of conclusion of Board Meeting	At least in one English language National daily newspaper circulating in the India and in one daily newspaper published in the language of the region, where the registered office of the Company is situated

COMPLIANCE CALENDAR: September 2022 Quarter

Sr. No.	Regulation	Description of Regulation	Last date for compliance	Remarks
1	Regulation 27(2)	CG Report – If applicable	Within 21 Days i.e. on / before 21 st Oct, 2022	Compulsory filing in XBRL Form
2	Regulation 15(2)	CG Report - If not Applicable PCS/ CS Certificate	Within 21 Days i.e. on / before 21 st Oct, 2022	Certificate from CS or PCS to be submitted to BSE
3	Regulation 13(3)	Statement of Investor Complaints	Within 21 Days i.e. on / before 21 st Oct, 2022	Check complaints on BSE portal, SEBI Scores and RTA data before preparing the report and the same is to be Filed in XBRL File.
4	Regulation 31	Share Holding Pattern	Within 21 Days i.e. on / before 21 st Oct, 2022	Compulsory filing in XBRL File
5	Regulation 76 SEBI (DIP), 2018	Reconciliation of Share Capital Audit Report	Within 30 Days i.e. on / before 30 th Oct, 2022	This report to be given by PCS the same has to be filed in PDF and XBRL both
6	Regulation 74(5)	Certificate from R&T Agent	Within 15 Days i.e. on / before 15 th Oct, 2022	Format of Covering Letter attached
7	Regulation 29	Board Meeting Notice to be sent to BSE	5 Clear Days before the BM date	Advice:- intimate BSE 7 days before
8	Regulation 33	Un-Audited Financial Results	Within 30 min of conclusion of Board Meeting <i>Board meeting to be held within 45 days i.e. on or before 14th Nov 2022</i>	<ul style="list-style-type: none"> - Outcome of the Meeting - Un Audited Financial Results along with Limited Review Report. - Within 24 hours of the conclusion of the meeting Compulsory Filing in XBRL

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9	Regulation 32	Statement of Deviation or Variation	Within 45 Days i.e. on / before 14 th November, 2022	<ul style="list-style-type: none"> - In XBRL. - Applicable if the company has raised any funds through public issue, rights issue, preferential issue, etc.
10	Regulation 47	Result to be Published in News Papers	Within 48 hrs of conclusion of Board Meeting	At least in one English language National daily newspaper circulating in the India and in one daily newspaper published in the language of the region, where the registered office of the Company is situated
11	Regulation 23(9) P.S. : Not mandatory for companies seeking exemption under Reg. 15(2) of SEBI (LODR)	Half Year Disclosures of Related Party Transactions	Within 15 days of publication of its standalone consolidated financial results	<ul style="list-style-type: none"> - disclosures of related party transactions on a consolidated basis, in the format specified in the relevant accounting standards for annual results to the stock exchanges and publish the same on its website - Covering letter attached - Submission of the same in XBRL is also mandatory.



COMPLIANCE CALENDAR: December 2022 Quarter

Sr. No.	Regulation	Description of Regulation	Last date for compliance	Remarks
1	Regulation 74(5)	Certificate from R&T Agent	Within 15 Days i.e. on / before 15 th Jan, 2022	Format of Covering Letter attached
2	Regulation 27(2)	CG Report – If applicable	Within 21 Days i.e. on / before 21 st January, 2023	Compulsory filing in XBRL Form
3	Regulation 15(2)	CG Report - If not Applicable PCS/ CS Certificate	Within 21 Days i.e. on / before 21 st January, 2023	Certificate from CS or PCS to be submitted to BSE
4	Regulation 13(3)	Statement of Investor Complaints	Within 21 Days i.e. on / before 21 st Jan, 2023	Check complaints on BSE portal, SEBI Scores and RTA data before preparing the report and the same is to be Filed in XBRL form available on BSE
5	Regulation 31	Share Holding Pattern	Within 21 Days i.e. on / before 21 st Jan, 2023	Compulsory filing in XBRL File
6	Regulation 76 SEBI (DIP), 2018	Reconciliation of Share Capital Audit Report	Within 30 Days i.e. on / before 30 th Jan, 2023	This report to be given by PCS the same has to be filed in PDF and XBRL both
7	Regulation 29	Board Meeting Notice to be sent to BSE	5 Clear Days before the BM date	Advice:- intimate BSE 7 days before

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8	Regulation 33	Un-Audited Financial Results	<p>Within 30 mins of conclusion of Board Meeting</p> <p><i>Board meeting to be held within 45 days i.e. on or before 14th Feb, 2023</i></p>	<ul style="list-style-type: none"> - Outcome of the Meeting - Un Audited Financial Results along with Limited Review Report. - Within 24 hours of the conclusion of the meeting Compulsory Filing in XBRL
9	Regulation 47	Result to be Published in News Papers	Within 48 hrs of conclusion of Board Meeting	At least in one English language National daily newspaper circulating in the India and in one daily newspaper published in the language of the region, where the registered office of the Company is situated
10	Regulation 32 (1) - Statement of deviation(s) or variation(s).	Statement of Deviation or Variation	Within 45 days from the end of the quarter	- PDF and XBRL both

Fines for Non-compliance with LODR

SEBI vide circular dated January 22, 2020 (ref no. SEBI/HO/CFD/CMD/CIR/P/2020/12) has specified uniform approach in the matter of levy of fines for non-compliance with certain provisions of the Listing Regulations, the manner of suspension of trading of securities of a listed entity and the manner of freezing the holdings of the promoter of a non-compliant listed entity.

Sr. No.	Regulation	Fine Payable and / or action to be taken
1	Regulation 6(1) Failure to appoint Company Secretary as Compliance Officer	Rs 1000 per day
2	Regulation 7(1) Non-appointment of Share Transfer Agent	Rs 1000 per day
3	Regulation 13(1) Not taking adequate steps to redress investor complaints	Rs 1000 per day
4	Regulation 13(3) Non-submission of statement on shareholders complaints within prescribed period	Rs 1000 per day
5	Regulation 17(1) Non-compliance regarding composition of board including non-appointment of woman director	Rs 5000 per day
6	Regulation 17(1A) Appointment or continuation of Non-executive director above 75 years of age	Rs 2000 per day
7	Regulation 17(2) Non-compliance regarding number of board meetings	Rs 10000 per instance
8	Regulation 17(2A) Non-compliance regarding requirement of quorum of board meetings	Rs 10000 per instance
9	Regulation 18(1) Non-compliance with the constitution of audit committee	Rs 2000 per day
10	Regulation 19(1) / 19(2) Non-compliance with the constitution of nomination and remuneration committee	Rs 2000 per day

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11	Regulation 20(2) / 20(2A) Non-compliance with the constitution of stakeholder relationship committee	Rs 2000 per day
12	Regulation 21(1) Non-compliance with the constitution of risk management committee	Rs 2000 per day
13	Regulation 23(9) Non-disclosure of related party transactions on consolidated basis	Rs 5000 per day
14	Regulation 24A Non-submission of secretarial compliance report	Rs 2000 per day
15	Regulation 27(2) Non-submission of secretarial compliance report	Rs 2000 per day
16	Regulation 28(1) Not obtaining in-principle approval from stock exchanges before issuance of securities	Rs 50000 per instance
17	Regulation 29(2) / 29(3) Delay in furnishing prior intimation about board meeting	Rs 10000 per instance of non-compliance per item
18	Regulation 31 Delay in submission of shareholding pattern within prescribed time	Rs 2000 per day
19	Regulation 31A(3)(a) Delay in submission of reclassification application to stock exchanges	Rs 5000 per day
20	Regulation 32(1) Non-submission of deviations / variations in utilisation of issues proceeds	Rs 1000 per day
21	Regulation 33 Non-submission of financial results within prescribed time	Rs 5000 per day
22	Regulation 34 Non-submission of annual report within prescribed time	Rs 2000 per day

23	Regulation 42(2)/42(3)/42(4)/42(5) Delay in / non-submission of record date / dividend declaration or non-compliance ensuring the prescribed gap between two record dates/ book closure dates	Rs 10000 per instance of non-compliance per item
24	Regulation 43A Non-disclosure of dividend distribution policy in the annual report and on website	Rs 25000 per instance
25	Regulation 44(3) Non-submission of voting results within prescribed period	Rs 10000 per instance of non-compliance
26	Regulation 44(5) Non-convening of annual general meeting within a period of five months from the close of financial year	Rs 25000 per instance
27	Regulation 45(3) Not obtaining approval from stock exchanges before filing for request for change of names with the Registrar of companies	Rs 25000 per instance
28	Regulation 46 Not maintaining functional website	Advisory / warning letter for first non-compliance. Thereafter, Rs 10000 per instance of non-compliance per item

These fines will continue to accrue till the time of rectification of the non-compliance to the satisfaction of the concerned stock exchange or till the trading in the concerned scrip gets suspended. Stock exchanges can periodically review compliance and also recover fines from the defaulting companies but if the fines remain unpaid then, they may instruct depositories to freeze demat accounts of promoters besides initiating appropriate enforcement action.

ABBREVIATIONS

AIF	Alternate Investment Fund
BenPos	Beneficiary Position
BSE	Bombay Stock Exchange
CSE	Calcutta Stock Exchange
CDSL	Central Depository Services (India) Limited
CIRP	Corporate Insolvency Resolution Process
DPIIT	Department of Industry & Internal Trade
DRHP	Draft Red Herring Prospectus
ELC	Exclusively Listed Company
F&O	Futures and Options
FII	Foreign Institutional Investor
FPE	For Profit Enterprise
FPO	Follow-on Public Offer
FTI	Fast Track Issue
GoI	Government of India
IBC	Insolvency and Bankruptcy Code, 2016
ICDR	SEBI (Issue of Capital & Disclosure Requirements) Regulations, 2009
IDR	Indian Depository Receipts
ILDS	SEBI (Issue & Listing of Debt Securities) Regulations, 2008
IPF	Investor Protection Fund
IPO	Initial Public Offering
ISIN	International Securities Identification Number
ITP	Institutional Trading Platform
LODR	SEBI (Listing Obligation & Disclosure Requirement) Regulations, 2015
MBs	Merchant Bankers
MCA	Ministry of Corporate Affairs
MFs	Mutual Funds
MSME	Micro, Small & Medium Enterprises



MSEI	Metropolitan Stock Exchange of India
NBFC	Non Banking Financial Company
NCLT	National Company Law Tribunal
NCLAT	National Company Law Appellate Tribunal
NCD	Non-convertible Debentures
NPO	Not for Profit Organisations
NSDL	National Securities Depository Limited
NSE	National Stock Exchange
OFS	Offer for Sale
PE	Private Equity Fund
PSU	Public Sector Undertaking
QIB	Qualified Institutional Buyer
RBI	Reserve Bank of India
RE	Right Entitlement
RHP	Red Herring Prospectus
ROC	Registrar of Companies
RSEs	Regional Stock Exchanges
RTA	Registrar & Transfer Agent
SAT	Securities Appellate Tribunal
SAST	SEBI (Substantial Acquisition of Shares & Takeovers) Regulation, 2011
SCN	Show Cause Notice
SCORES	SEBI Complaint Redress System
SEBI	Securities and Exchange Board of India
SRI Fund	Self Reliant India Fund
SSE	Social Stock Exchange
STT	Securities Transaction Tax
TXRP	Theoretical Ex-Rights Price
ULB	Urban Local Body
VCF	Venture Capital Fund

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