

## CHAPTER XI

### <sup>413</sup>(GUIDELINES ON BOOK BUILDING)

- 11.1 An issuer company proposing to issue capital through book building shall comply with the following:
- A) 75% Book Building Process**
- 11.2 In an issue of securities to the public through a prospectus the option for 75% book building shall be available to the issuer company subject to the following:
- (i) The option of book-building shall be available to all body corporate which are otherwise eligible to make an issue of capital to the public.
  - (ii)
    - (a) The book-building facility shall be available as an alternative to, and to the extent of the percentage of the issue which can be reserved for firm allotment, as per these Guidelines.
    - (b) The issuer company shall have an option of either reserving the securities for firm allotment or issuing the securities through book-building process.
  - (iii) The issue of securities through book-building process shall be separately identified / indicated as 'placement portion category', in the prospectus.
  - (iv)
    - (a) The securities available to the public shall be separately identified as 'net offer to the public'.
    - (b) The requirement of minimum 25% of the securities to be offered to the public shall also be applicable.
  - (v) In case the book-building option is availed of, underwriting shall be mandatory to the extent of the net offer to the public.
  - (vi) The draft prospectus containing all the information except the information regarding the price at which the securities are offered shall be filed with the Board.
  - (vii) One of the lead merchant banker to the issue shall be nominated by the issuer company as a Book Runner and his name shall be mentioned in the prospectus.

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<sup>413</sup> Inserted heading of the Chapter vide SEBI Circular No. SEBI/CFD/DIL/DIP/14/2005/25/1 dated January 25, 2005.

- (viii)
  - (a) The copy of the draft prospectus filed with the Board may be circulated by the Book Runner to the institutional buyers who are eligible for firm allotment and to the intermediaries eligible to act as underwriters inviting offers for subscribing to the securities.
  - (b) The draft prospectus to be circulated shall indicate the price band within which the securities are being offered for subscription.
- (ix) The Book Runner on receipt of the offers shall maintain a record of the names and number of securities ordered and the price at which the institutional buyer or underwriter is willing to subscribe to securities under the placement portion.
- (x) The underwriter(s) shall maintain a record of the orders received by him for subscribing to the issue out of the placement portion.
- (xi)
  - (a) The underwriter(s) shall aggregate the offers so received for subscribing to the issue and intimate to the Book Runner the aggregate amount of the orders received by him.
  - (b) The institutional investor shall also forward its orders, if any, to the book runner.
- (xii) On receipt of the information, the Book Runner and the issuer company shall determine the price at which the securities shall be offered to the public.
- (xiii) The issue price for the placement portion and offer to the public shall be the same.
- (xiv) On determination of the price, the underwriter shall enter into an underwriting agreement with the issuer indicating the number of securities as well as the price at which the underwriter shall subscribe to the securities.  
  
**Provided that** the Book Runner shall have an option of requiring the underwriters to the net offer to the public to pay in advance all monies required to be paid in respect of their underwriting commitment.
- (xv) On determination of the issue price within two day, thereafter the prospectus shall be filed with the Registrar of Company.
- (xvi) The issuer company shall open two different accounts for collection of application moneys, one for the private placement portion and the other for the public subscription.

- (xvii) One day prior to the opening of the issue to the public, Book Runner shall collect from the institutional buyers and the underwriters the application forms along with the application moneys to the extent of the securities proposed to be allotted to them / subscribed by them.
- (xviii)
- (a) Allotments for the private placement portion shall be made on the second day from the closure of the issue.
- (b) However, to ensure that the securities allotted under placement portion and public portion are pari passu in all respects, the issuer company may have one date of allotment which shall be the deemed date of allotment for the issue of securities through book building process.
- (xix) In case the Book Runner has exercised the option of requiring the underwriter to the net offer to the public to pay in advance all moneys required to be paid in respect of their underwriting commitment by the eleventh day of the closure of the issue the shares allotted as per the private placement category shall be eligible to be listed.
- (xx)
- (a) <sup>414</sup>(The bidding terminals shall contain a online graphical display of demand and bid prices updated at periodic intervals, not exceeding 30 minutes. The book running lead manager shall ensure the availability of adequate infrastructure <sup>415</sup>(with syndicate member(s)) for data entry of the bids in a timely manner.)
- (b) Allotment of securities under the public category shall be eligible to be listed.
- (xxi)
- (a) In case of undersubscription in the net offer to the public spillover to the extent of under subscription shall be permitted from the placement portion to the net offer to the public portion subject to the condition that preference shall be given to the individual investors.
- (b) In case of under subscription in the placement portion spillover shall be permitted from the net offer to the public to the placement portion.
- (xxii) The issuer company may pay interest on the application moneys till the date of allotment or the deemed date of allotment provided that payment of interest is uniformly given to all the applicants.

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<sup>414</sup> Substituted vide SEBI Circular No. SEBI/CFD/DIL/DIP/28/2007/29/11 dated November 29, 2007 for the following  
"Allotment of securities under the public category shall be made as per the Guidelines."

<sup>415</sup> Inserted vide SEBI Circular No. SEBI/CFD/DIL/DIP/31/2008/30/7 dated July 30, 2008.

- (xxiii)
- (a) The Book Runner and other intermediaries associated with the book building process shall maintain records of the book building process.
  - (b) The Board shall have the right to inspect such records.

**B) <sup>416</sup>(Offer to Public Through Book Building Process)**

11.3 <sup>417</sup>(An issuer company may, subject to the requirements specified in this chapter, make an issue of securities to the public through a prospectus in the following manner:

- a. 100% of the net offer to the public through book building process, or
- b. 75% of the net offer to the public through book building process and 25% at the price determined through book building.)

11.3.1

- (i) <sup>418</sup>(Deleted)
- (ii) Reservation or firm allotment to the extent of percentage specified in these Guidelines shall not be made to categories other than the categories mentioned in sub-clause (iii) below.
- (iii) Book Building shall be for the portion other than the promoters contribution and the allocation made to:
  - (a) 'permanent employees of the issuer company and in the case of a new company the permanent employees of the promoting companies';
  - (b) 'shareholders of the promoting companies in the case of a new company and shareholders of group companies in the case of an existing company' either on a 'competitive basis' or on a 'firm allotment basis'.

<sup>419</sup>((c) persons who, on the date of filing of the draft offer document with the Board, have business association, as depositors, bondholders and

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<sup>416</sup> Substituted vide SEBI Circular No. RMB (Compendium) Series Circular No. 2 (2001-2002) dated November 29, 2001 for words "100% BOOK BUILDING PROCESS".

<sup>417</sup> Substituted vide SEBI Circular No. RMB (Compendium) Series Circular No. 2 (2001-2002) dated November 29, 2001 for the following:  
*"In an issue of securities to the public through a prospectus option for 100% Book Building shall be available to any issuer company subject to the following:"*

<sup>418</sup> Omitted the following words vide SEBI Circular No. RMB (Compendium) Series Circular No. 1 (2001-2002) dated July 17, 2001:  
*"Issue of capital shall be Rs.25 crores and above."*

<sup>419</sup> Inserted vide SEBI Circular No. RMB (Compendium) Series Circular No. 4 (2001-2002) dated March 06, 2002.

subscribers to services, with the issuer making an initial public offering, provided that allotment to such persons shall not exceed 5% of the issue size.

**Provided further** that no reservation shall be made for the issue management team, syndicate members, their promoters, directors and employees and for the group/associate companies of issue management team and syndicate members and their promoters, directors and employees.)

(iv) The issuer company shall appoint an eligible Merchant Banker(s) as book runner(s) and their name(s) shall be mentioned in the draft prospectus.

<sup>420</sup>((iv) (a) The issuer company shall enter into an agreement with one or more of the Stock Exchange(s) which have the requisite system of on-line offer of securities. The agreement shall specify inter-alia, the rights, duties, responsibilities and obligations of the company and stock exchange (s) inter se. The agreement may also provide for a dispute resolution mechanism between the company and the stock exchange.

(iv) (b) The company may apply for listing of its securities on an exchange other than the exchange through which it offers its securities to public through the on-line system.)

(v) <sup>421</sup>(The Lead Merchant Banker shall act as the Lead Book Runner.)

<sup>422</sup>((v) (a) In case the issuer company appoints more than one <sup>423</sup>(merchant banker(s)), the names of all such (merchant bankers(s)) who have submitted the due diligence certificate to SEBI, may be mentioned on the front cover page of the prospectus. A disclosure to the effect that " the investors may contact any of such (merchant bankers(s)), for any complaint pertaining to the issue" shall be made in the prospectus, after the "risk factors".)

<sup>424</sup>((v) (b) The lead book runner/issuer may designate, in any manner, the other Merchant Banker(s), subject to the following:

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<sup>420</sup> Inserted sub-clauses (iv)(a) and (iv) (b) vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003.

<sup>421</sup> Substituted vide SEBI Circular No. RMB (Compendium) Series Circular No. 4 (2001-2002) dated March 06, 2002 for the following:  
*"The Lead Merchant Banker shall act as the Lead Book Runner and the other eligible Merchant Banker(s), so appointed by the Issuer, shall be termed as Co-Book Runner(s)."*

<sup>422</sup> Inserted vide SEBI Circular No. RMB (Compendium) Series Circular No. 1 (2001-2002) dated November 29, 2001.

<sup>423</sup> Substituted the words "merchant banker (s)" for the words "book runner (s)" in Clause (v) (a), wherever they appear, vide SEBI Circular No. RMB (Compendium) Series Circular No. 4 (2001-2002) dated March 06, 2002.

1. the inter-se allocation of responsibilities amongst the merchant bankers shall be disclosed in the prospectus on the page giving the details of the issue management team;
  2. a co-ordinator shall be appointed amongst the lead book runners, for the purpose of co-ordination with SEBI.
  3. the names of only those merchant bankers who have signed the inter-se allocation of responsibilities shall be mentioned in the offer document on the page where the details of the issue management team is given.)
- (vi) The primary responsibility of building the book shall be that of the Lead Book Runner.
- (vii) The Book Runner(s) may appoint those intermediaries who are registered with the Board and who are permitted to carry on activity as an 'Underwriter' as syndicate members.
- <sup>425</sup>((vii)(a) The Book Runner(s)/syndicate members shall appoint brokers of the exchange, who are registered with SEBI, for the purpose of accepting bids, applications and placing orders with the company and ensure that the brokers so appointed are financially capable of honouring their commitments arising out of defaults of their clients/investors, if any.)
- <sup>426</sup>(Provided that in case of Application Supported by Blocked Amount, Self Certified Syndicate Banks shall accept and upload the details of such applications in electronic bidding system of the stock exchanges.)
- <sup>427</sup>((vii)(b) For the purposes of this Chapter, the brokers <sup>428</sup>(and Self Certified Syndicate Banks) accepting applications and application monies, shall be considered as 'bidding/collection centres'.)
- <sup>429</sup>((vii)(c) The broker/s so appointed, shall collect the money from his/their client for every order placed by him/them and in case the client/investors fails

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<sup>424</sup> Inserted vide SEBI Circular No. RMB (Compendium) Series Circular No. 4 (2001-2002) dated March 06, 2002.

<sup>425</sup> Inserted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003.

<sup>426</sup> Inserted vide SEBI Circular No. SEBI/CFD/DIL/DIP/31/2008/30/7 dated July 30, 2008.

<sup>427</sup> Inserted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003.

<sup>428</sup> Substituted vide SEBI Circular No. SEBI/CFD/DIL/DIP/31/2008/30/7 dated July 30, 2008 for the following:  
"so appointed"

<sup>429</sup> Inserted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003.

to pay for shares allocated as per the Guidelines, the broker shall pay such amount.)

<sup>430</sup>((vii)(cc) In case of Applications Supported by Blocked Amount, the Self Certified Syndicate Banks shall follow the procedure specified by the Board in this regard.)

<sup>431</sup>((vii)(d) The company shall pay to the broker/s <sup>432</sup>(/Self Certified Syndicate Banks) a commission/fee for the services rendered by him/them. The exchange shall ensure that the broker does not levy a service fee on his clients/investors in lieu of his services.)

(viii) The draft prospectus containing all the disclosures as laid down in Chapter VI except that of price and the number of securities to be offered to the public shall be filed by the Lead Merchant Banker with the Board.

**Provided that** the total size of the issue shall be mentioned in the draft prospectus.

(viii) (a) <sup>433</sup>(The red herring prospectus shall disclose, either the floor price of the securities offered through it or a price band along with the range within which the price can move, if any.)

<sup>434</sup>(**Provided that** the issuer may not disclose the floor price or price band in the red herring prospectus if the same is disclosed in case of an initial public offer, at least two working days before the opening of the bid and in case of a further public offer, at least one working day before the opening of the bid, by way of an announcement in all the newspapers in which the pre-issue advertisement was released by the issuer or the merchant banker;)

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<sup>430</sup> Inserted vide SEBI Circular No. SEBI/CFD/DIL/DIP/31/2008/30/7 dated July 30, 2008.

<sup>431</sup> Inserted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003.

<sup>432</sup> Inserted vide SEBI Circular No. SEBI/CFD/DIL/DIP/31/2008/30/7 dated July 30, 2008.

<sup>433</sup> Substituted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003 for the following:  
*"The red herring prospectus shall disclose, only the floor price of the securities offered through it and shall not mention the maximum price or the indicative price band"*

**Initially** inserted vide SEBI Circular No. RMB (Compendium) Series Circular No. 1 (2001-2002) dated November 29, 2001.

<sup>434</sup> Substituted vide SEBI Circular No. SEBI/CFD/DIL/DIP/34/2009/24/09 dated February 24, 2009, for the following proviso, which was inserted vide SEBI Circular No. SEBI/CFD/DIL/DIP/15/2005/29/3 dated March 29, 2005.

*"Provided that in case of a further public issue of a class of securities which is already listed on a recognised stock exchange, it shall not be necessary to disclose the floor price or price band in the red-herring prospectus if the same is disclosed by way of an announcement made by the issuer or the merchant banker at least one day before the opening of the bid in all those newspapers where pre-issue advertisement was released."*

<sup>435</sup>**(Provided further that** the announcement shall contain the relevant financial ratios, computed for both upper and lower end of the price band and also a statement drawing attention of the investors to the section titled “basis of issue price” in the offer document.)

<sup>436</sup>**(Provided further that** where the issuer opts not to make the disclosure of the price band or floor price in the red-herring prospectus in terms of the foregoing proviso, the following shall be additionally disclosed in the red-herring prospectus:

- (a) <sup>437</sup>(a statement that the floor price or price band, as the case may be, shall be disclosed at least two working days (in case of an initial public offer) and at least one working day (in case of a further public offer) before the opening of the bid);
- (b) a statement that the investors may be guided in the meantime by the secondary market prices <sup>438</sup>(in case of a further public offer);
- (c) names and editions of the newspapers where the announcement of the floor price or price band would be made;
- (d) names of websites (with address), journals or other media in which the said announcement will be made.)

<sup>439</sup>((viii)(b) <sup>440</sup>(Where the issuer decides to opts for price band instead of floor price, the lead book runner shall ensure compliance with the following conditions:)

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<sup>435</sup> Substituted vide SEBI Circular No. SEBI/CFD/DIL/DIP/34/2009/24/09 dated February 24, 2009, for the following proviso, which was inserted vide SEBI Circular No. SEBI/CFD/DIL/DIP/15/2005/29/3 dated March 29, 2005.

*“Provided that in case of a further public issue of a class of securities which is already listed on a recognised stock exchange, it shall not be necessary to disclose the floor price or price band in the red-herring prospectus if the same is disclosed by way of an announcement made by the issuer or the merchant banker at least one day before the opening of the bid in all those newspapers where pre-issue advertisement was released.”*

<sup>436</sup> Inserted proviso vide SEBI Circular No. SEBI/CFD/DIL/DIP/15/2005/29/3 dated March 29, 2005.

<sup>437</sup> Substituted vide SEBI Circular No. SEBI/CFD/DIL/DIP/34/2009/24/09 dated February 24, 2009 for the following:

*“a statement that the floor price or price band, as the case may be, shall be disclosed one before the opening of the bid;”*

<sup>438</sup> Inserted vide SEBI Circular No. SEBI/CFD/DIL/DIP/34/2009/24/09 dated February 24, 2009.

<sup>439</sup> Inserted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003.

<sup>440</sup> Substituted vide SEBI Circular No. SEBI/CFD/DIL/DIP/34/2009/24/09 dated February 24, 2009, for the following, which was inserted vide SEBI Circular No. SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003:

*“In case the red herring prospectus discloses the price band, the lead book runner shall ensure compliance with the following conditions:”*

- (a) The cap of the price band should not be more than 20% of the floor of the band; i.e cap of the price band shall be less than or equal to 120% of the floor of the price band
  - (b) The price band can be revised during the bidding period in which case the maximum revision on either side shall not exceed 20% i.e floor of price band can move up or down to the extent of 20% of floor of the price band disclosed in the red herring prospectus and the cap of the revised price band will be fixed in accordance with Clause (a) above;
  - (c) Any revision in the price band shall be widely disseminated by informing the stock exchanges, by issuing press release and also indicating the change on the relevant website and the terminals of the syndicate members.
  - (d) In case the price band is revised, the bidding period shall be extended for a further period of three days, subject to the total bidding period not exceeding thirteen days.
  - (e) The manner in which the shortfall, if any, in the project financing, arising on account of lowering of price band to the extent of 20% will be met shall be disclosed in the red herring prospectus. It shall also be disclosed that the allotment shall not be made unless the financing is tied up.)
- (ix)
- (a) In case of appointment of more than one Lead Merchant Banker or Book Runner for book building, the rights, obligations and responsibilities of each should be delineated.
  - (b) In case of an under subscription in an issue, the shortfall shall have to be made good by the Book Runner(s) to the issue and the same shall be incorporated in the interse allocation of responsibility given in **Schedule II**.
- (x) <sup>441</sup>(Deleted)
- (xi)
- (a) <sup>442</sup>(Deleted)

<sup>441</sup> Omitted the following clause vide SEBI Circular No. SEBI/CFD/DIL/DIP/25/2007/30/4 dated April 30, 2007:

“(x)

- (a) *The Board within 21 days of the receipt of the draft prospectus may suggest modifications to it.*
- (b) *The Lead Merchant Banker shall be responsible for ensuring that the modifications / final observations made by the Board are incorporated in the prospectus.*

<sup>442</sup> Omitted the following clause vide SEBI Circular No. SEBI/CFD/DIL/DIP/14/2005/25/1 dated January 25, 2005:

- “(xi) (a) *The issuer company shall after receiving the final observations, if any, on the offer document from the Board, make an advertisement in an English National daily with wide circulation, one Hindi National newspaper and a Regional language newspaper with wide circulation at the place where*

- (b) <sup>443</sup>(The issuer company shall circulate the application forms to the Brokers)
- (xii) <sup>444</sup>(Deleted)
- (xiii) The pre-issue obligations and disclosure requirements as specified in Chapter V and VI respectively of these Guidelines, shall be applicable to issue of securities through book building unless stated otherwise in this Chapter.
- (xiv) The Book Runner(s) and the issuer company shall determine the issue price based on the bids received through the 'syndicate members' <sup>445</sup>(and 'Self Certified Syndicate Banks'.)
- <sup>446</sup>((xiv)(a) Retail individual investors may bid at "cut off" price instead of their writing the specific bid prices in the bid forms.)
- (xv) On determination of the price, the number of securities to be offered shall be determined (issue size divided by the price which has been determined).
- (xvi) Once the final price (cut-off price) is determined all those bidders whose bids have been found to be successful (i.e. at and above the final price or cut-off price) shall become entitle for allotment of securities.
- (xvii) No incentive, whether in cash or kind, shall be paid to the investors who have become entitled for allotment of securities.

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*the registered office of the Issuer company is situated, containing the salient features of the final offer document as specified in Form 2A of the Companies Act circulated along with the application form. The advertisement in addition to other required information, shall also contain the following:*

- i. the date of opening and closing of the issue*
- ii. the method and process of application and allotment*
- iii. the names, addresses and the telephone numbers of the stock brokers and centres for bidding".*

**Prior to the above**, the clause was substituted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003 for the following:

*"The issuer company shall after receiving the final observations if any on the offer document from the Board make an advertisement in an English National daily with wide circulation, one Hindi National newspaper and a Regional language newspaper with wide circulation at the place where the registered office of the Issuer company is situated".*

<sup>443</sup> Substituted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003 for the following:  
*"The advertisement so issued shall contain the salient features of the final offer document as specified in Form 2A of the Companies Act circulated along with the application form."*

<sup>444</sup> Omitted the following clause vide SEBI Circular No. RMB (Compendium) Series Circular No. 1 (2001-2002) dated November 29, 2001:  
*"The issuer company shall compulsorily offer an additional 10% of the issue size offered to the public through the prospectus."*

<sup>445</sup> Inserted vide SEBI Circular No. SEBI/CFD/DIL/DIP/31/2008/30/7 dated July 30, 2008.

<sup>446</sup> Inserted vide SEBI Circular No. RMB (Compendium) Series Circular No. 4 (2001-2002) dated March 06, 2002.

- (xvii) (a) <sup>447</sup>(The broker may collect an amount to the extent of 100% of the application money as margin money from the clients/investors before he places an order on their behalf. The margin collected from categories other than Qualified Institutional Buyers shall be uniform across the book runner(s)/syndicate members <sup>448</sup>(/Self Certified Syndicate Banks) for each such category.)
- <sup>449</sup>((xvii)(aa) The broker/syndicate member shall collect an amount of not less than ten percent of the application money as margin money in respect of bids placed by qualified institutional buyers.)
- (xvii) (b) <sup>450</sup>(Bids for securities beyond the investment limit prescribed under relevant laws shall not be accepted by the syndicate members/brokers from any category of clients/ investors.)
- <sup>451</sup>((xvii)(c) The lead book runner may reject a bid placed by a qualified institutional buyer for reasons to be recorded in writing provided that such rejection shall be made at the time of acceptance of the bid and the reasons therefor shall be disclosed to the bidders. Necessary disclosures in this regard shall also be made in the offer document.)
- (xviii) On determination of the entitlement under sub-clause (xvi), the information regarding the same (i.e. the number of securities which the investor becomes entitled) shall be intimated immediately to the investors.
- (xviii) (a) <sup>452</sup>(Renumbered)

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<sup>447</sup> Substituted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003 for the following:  
*"The margin collected from categories other than Qualified Institutional Buyers shall be uniform across the book runner(s)/syndicate members, for each such category".*  
**Initially** inserted vide SEBI Circular No. RMB (Compendium) Series Circular No. 1 (2001-2002) dated November 29, 2001.

<sup>448</sup> Inserted vide SEBI Circular No. SEBI/CFD/DIL/DIP/31/2008/30/7 dated July 30, 2008.

<sup>449</sup> Inserted sub-clause, vide SEBI Circular No. SEBI/CFD/DIL/DIP/16/2005/19/9 dated September 19, 2005.

<sup>450</sup> Substituted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003 for the following:  
*"Bids for securities beyond the investment limit prescribed under relevant laws shall not be accepted by the syndicate members from any category of investors."*

**Initially** inserted as sub-clause (xvii)(a) vide circular dated November 29, 2001 and renumbered as (xvii)(b) vide SEBI Circular No. RMB (Compendium) Series Circular No. 4 (2001-2002) dated March 06, 2002.

<sup>451</sup> Inserted sub-clause, vide SEBI Circular No. SEBI/CFD/DIL/DIP/16/2005/19/9 dated September 19, 2005.

<sup>452</sup> Inserted vide SEBI Circular No. RMB (Compendium) Series Circular No. 1 (2001-2002) dated November 29, 2001 and later renumbered as (xvii) (b) vide SEBI Circular No. RMB (Compendium) Series Circular No. 4 (2001-2002) dated March 06, 2002.

- (xix) The final prospectus containing all disclosures as per these Guidelines including the price and the number of securities proposed to be issued shall be filed with the Registrar of Companies.
- (xx) <sup>453</sup>(Arrangement shall be made by the issuer for collection of the applications from mandatory collection centres as provided in clause 5.9 of the Guidelines)
- (xx)(a) <sup>454</sup>(The bidding terminals shall contain a online graphical display of demand and bid prices updated at periodic intervals, not exceeding 30 minutes. The book running lead manager shall ensure the availability of adequate infrastructure <sup>455</sup>(with syndicate members) for data entry of the bids in a timely manner.)
- (xxi) The investors who had not participated in the bidding process or have not received intimation of entitlement of securities may also make an application.

### 11.3.2 Additional Disclosures

Apart from meeting the disclosure requirements as specified in these Guidelines, the following disclosures shall be suitably made:

- (i) <sup>456</sup>(The particulars of syndicate members, brokers, Self Certified Syndicate Banks, registrars, bankers to the issue, etc.)
- (ii) The following statement shall be given under the 'basis for issue price':-
- "The issue price has been determined by the Issuer in consultation with the Book Runner(s), on the basis of assessment of market demand for the offered securities by way of Book-building."

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<sup>453</sup> Substituted vide SEBI Circular No. SEBI/CFD/DIL/DIP/31/2008/30/7 dated July 30, 2008 for the following:  
*"Arrangement shall be made by the issuer for collection of the applications by appointing mandatory collection centres as per these Guidelines."*

<sup>454</sup> Substituted sub-clause, vide SEBI Circular No. SEBI/CFD/DIL/DIP/28/2007/29/11 dated November 29, 2007, for the following:  
*"(xx)(a) The online, real time graphical display of demand and bid prices at the bidding terminals, shall be made. The book running lead manager shall ensure the availability of adequate infrastructure for data entry of the bids on a real time basis."*

**Prior to the above**, sub-clause (xx)(a) was Inserted vide SEBI Circular No. RMB (Compendium) Series Circular No. 1 (2001-2002) dated November 29, 2001.

<sup>455</sup> Inserted vide SEBI Circular No. SEBI/CFD/DIL/DIP/31/2008/30/7 dated July 30, 2008.

<sup>456</sup> Substituted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003 for the following:  
*"The particulars of syndicate members along with the details of registrars, bankers to the issue, etc."*

- (iii) <sup>457</sup>(The following accounting ratios shall be given under the basis for issue price for each of the accounting periods for which the financial information is given:
1. EPS, pre-issue, for the last three years (as adjusted for changes in capital).
  2. P/E pre-issue.
  3. Average return on net-worth in the last three years.
  4. Net-Asset value per share based on last balance sheet.
  5. Comparison of all the accounting ratios of the issuer company as mentioned above with the industry average and with the accounting ratios of the peer group (i.e. companies of comparable size in the same industry. (Indicate the source from which industry average and accounting ratios of the peer group has been taken).
  6. The accounting ratios disclosed in the offer document shall be calculated after giving effect to the consequent increase of capital on account of compulsory conversions outstanding, as well as on the assumption that the options outstanding, if any, to subscribe for additional capital shall be exercised).
- (iv) <sup>458</sup>(Deleted)
- <sup>459</sup>((v) the proposed manner of allocation among respective categories of investors, in the event of under subscription.)

### 11.3.3 Underwriting

- (i) <sup>460</sup>(In case the issuer company is making an issue of securities:

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<sup>457</sup> Substituted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003 for the following:  
“The following accounting ratios shall be given under the basis for issue price for each of the accounting periods for which the financial information is given:  
1 EPS, pre-issue, for the last three years (as adjusted for changes in capital).  
2 P/E, pre-issue and comparison thereof with industry P/E where available (giving the source from which industry P/E has been taken).  
3 Average return on net-worth in the last three years.  
4 Net-Asset value per share based on last balance sheet.  
5 The accounting ratios disclosed in the offer document shall be calculated after giving effect to the consequent increase of capital on account of compulsory conversions outstanding, as well as on the assumption that the options outstanding, if any, to subscribe for additional capital shall be exercised.”

<sup>458</sup> Omitted the following sub-clause, vide SEBI Circular No. SEBI/CFD/DIL/DIP/16/2005/19/9 dated September 19, 2005:  
“the broad parameters on which allocation is proposed to be made to QIBs.”  
The sub-clause was **initially inserted** vide SEBI Circular No. SEBI/CFD/DIL/DIP/15/2005/29/3 dated March 29, 2005.

<sup>459</sup> Inserted sub-clause, vide SEBI Circular No. SEBI/CFD/DIL/DIP/15/2005/29/3 dated March 29, 2005.

- a. under sub clause(a) of clause 11.3, 100% of the net offer to the public;
- b. under sub clause (b) of clause 11.3, the book built portion - 75% of the net offer to the public,

shall be compulsorily underwritten by the syndicate members/book runner(s).

<sup>461</sup>**(Provided that** nothing contained in sub-clause (i) shall apply to 50% of the net offer to the public, mandatorily to be allotted to the Qualified Institutional Buyers under proviso to clause 2.2.2 or clause 2.3.2 of these guidelines, in case the company is making an issue of securities under clause 2.2.2 or clause 2.3.2, as the case may be.)

- (ii)
  - (a) The 'syndicate members' shall enter into an underwriting agreement with the Book Runner(s) indicating the number of securities which they would subscribe at the predetermined price.
  - (b) The Book Runner(s) shall in turn enter into an underwriting agreement with the Issuer company.
- (iii) In the event of the syndicate members not fulfilling their underwriting obligations the Book Runner(s) shall be responsible for bringing in the amount devolved.

(iv) <sup>462</sup>(Deleted)

#### 11.3.4 Procedure for bidding:

11.3.4.1 The method and process of bidding shall be subject to the following:

- (i) <sup>463</sup>(Bid shall be open for atleast <sup>464</sup>(three working days) and not more than <sup>465</sup>(seven working days), which may be extended to a maximum of

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<sup>460</sup> Substituted vide SEBI Circular No. RMB (Compendium) Series Circular No. 1 (2001-2002) dated November 29, 2001 for the following:  
*"The entire offer other than to the categories referred to in clause 11.3 (iii) above shall be fully underwritten by the 'syndicate members'/ Book Runner(s)".*

<sup>461</sup> Substituted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003 for the following:  
*"Provided that nothing contained in sub-clause (i) shall apply to 60% of the net offer to the public, mandatorily to be allotted to the Qualified Institutional Buyers under proviso to clause 2.2.2 or clause 2.3.2 of these guidelines, in case the company is making an issue of securities under clause 2.2.2 or clause 2.3.2)."*

<sup>462</sup> Omitted the following clause vide SEBI Circular No. RMB (Compendium) Series Circular No. 1 (2001-2002) dated November 29, 2001:  
*"There shall not be any undersubscription in the category reserved for persons applying upto 10 tradeable lots as the Underwriters shall bring in the amount devolved subject to the fulfillment of the minimum shareholders criterion."*

- <sup>466</sup>(ten working days) in case the price band is revised in accordance with clause 11.3.1.)
- (ii) <sup>467</sup>(Deleted )
- (iii) Bidding shall be permitted only if an electronically linked transparent facility is used.
- (iv) The 'syndicate members' shall be present at the bidding centres so that at least one electronically linked computer terminal at all the bidding centres is available for the purpose of bidding.
- (v)
- (a) <sup>468</sup>(The number of bidding centres, in case 75% of the net offer to the public is offered through the book building, process shall not be less than the number of mandatory collection centres as specified in these regulations. In case 100% of the net offer to the public is made through book building process, the bidding centres shall be at all the places, where the recognised stock exchanges are situated.)
- (b) The same norms as applicable for collection centres shall be applicable for the bidding centres also.
- (vi) <sup>469</sup>(Individual as well as qualified institutional buyers shall place their bids only through the 'brokers' who shall have the right to vet the bids.

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<sup>463</sup> Substituted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003 for "Bid shall be open for atleast 5 days."

<sup>464</sup> Substituted vide SEBI Circular No. SEBI/CFD/DIL/DIP/15/2005/29/3 dated March 29, 2005 for the words and figure "5 days".

<sup>465</sup> Substituted vide SEBI Circular No. SEBI/CFD/DIL/DIP/15/2005/29/3 dated March 29, 2005 for the words and figure "10 days".

<sup>466</sup> Substituted vide SEBI Circular No. SEBI/CFD/DIL/DIP/15/2005/29/3 dated March 29, 2005 for the words and figure "13 days".

<sup>467</sup> Omitted the following vide SEBI Circular No. SEBI/CFD/DIL/DIP/31/2008/30/7 dated July 30, 2008:  
" The advertisement mentioned at clause 11.3.1 (xi) shall also contain the following:  
(a) the date of opening and closing of the bidding(not less than 5 days).  
(b) the names and addresses of the syndicate members as well as the bidding terminals for accepting the bids.  
(c) the method and process of bidding. "

<sup>468</sup> Substituted vide SEBI Circular No. RMB (Compendium) Series Circular No. 1 (2001-2002) dated November 29, 2001 for the following:  
"The number of bidding centres shall not be less than the number of mandatory collection centres specified in these Guidelines."

<sup>469</sup> Substituted vide SEBI Circular No. SEBI/CFD/DIL/DIP/31/2008/30/7 dated July 30, 2008 for the following:  
"(Individual as well as qualified institutional buyers shall place their bids only through the 'brokers' who shall have the right to vet the bids. The applicant shall enclose the proof of DP ID and Client ID along with the application, while making bid)"

Provided that ASBA investors shall place their Application Supported by Blocked Amount through Self Certified Syndicate Banks.)

(vi)(a) <sup>470</sup>(During the period the issue is open to the public for bidding, the applicants may approach the brokers of the stock exchange/s through which the securities are offered under on-line system or Self Certified Syndicate Banks, as the case may be, to place an order for bidding for the securities. Every broker shall accept orders from all clients/investors who place orders through him and every Self Certified Syndicate Bank shall accept Applications Supported by Blocked Amount from ASBA investors)

(vi) (b)<sup>471</sup>

(vi) (c)<sup>472</sup>

(vi) (d)<sup>473</sup>

(vii) <sup>474</sup>(The investors shall have the right to revise their bids provided that Qualified Institutional Buyers shall not be allowed to withdraw their bids after the closure of the bidding.)

<sup>475</sup>(Provided that ASBA investors shall not have the right to revise their bids)

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<sup>470</sup> Substituted vide SEBI Circular No. SEBI/CFD/DIL/DIP/31/2008/30/7 dated July 30, 2008 for the following:  
*"During the period the issue is open to the public for bidding, the applicants may approach the brokers of the stock exchange/s through which the securities are offered under on-line system, to place an order for bidding to the securities. Every broker shall accept orders from all clients/investors who place orders through him."*

<sup>471</sup> Inserted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003 the following clause, which has been deferred vide press release no. PR No.246/2003 dated October 13, 2003:  
*"The broker shall collect the client registration form duly filled up and signed from the applicants before placing the order in the system as per "Know your client rule" as specified by SEBI and as may be modified from time to time."*

<sup>472</sup> Inserted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003 the following clause, which has been deferred vide press release no. PR No.246/2003 dated October 13, 2003:  
*"The broker shall, thereafter, enter the buy order in the system, on behalf of the clients and enter important details including the name, address, telephone number, and category of the applicant, the number of shares applied for, amount paid, beneficiary ID, DP code and Bid-cum Application Form number, Bid price, etc., and give an order number/order confirmation slip to the investor."*

<sup>473</sup> Inserted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003 the following clause, which has been deferred vide press release no. PR No.246/2003 dated October 13, 2003:  
*"The broker shall open a separate bank account [Escrow Account] with the clearing house bank for primary market issues and the amount collected by the broker from his clients/investors as margin money shall be deposited in this account."*

<sup>474</sup> Substituted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003 for *"The investors shall have the right to revise their bids"*

<sup>475</sup> Inserted vide SEBI Circular No. SEBI/CFD/DIL/DIP/31/2008/30/7 dated July 30, 2008.

(viii) **Bidding Form**

- (a) There shall be a standard bidding form to ensure uniformity in bidding and accuracy.
- (b) The bidding form shall contain information about the investor, the price and the number of securities that the investor wishes to bid.
- (c) The bidding form before being issued to the bidder shall be serially numbered at the bidding centres and date and time stamped.
- (d) The serial number may be system generated or stamped with an automatic numbering machine.
- (e) The bidding form shall be issued in duplicate signed by the investor and countersigned by the syndicate member, with one form for the investor and the other for the syndicate member(s)/Book Runner(s).

<sup>476</sup>((f)The bidding form for Applications Supported by Blocked Amount shall contain details as specified by the Board and shall be uniform for all ASBA investors.)

(ix) At the end of each day of the bidding period the demand shall be shown graphically on the terminals for information of the syndicate members as well as the investors.

<sup>477</sup>((x) The identities of the Qualified Institutional Buyers making the bidding, shall not be made public)

(xi)<sup>478</sup>

<sup>479</sup>((xii) The stock exchanges shall display data pertaining to book built issues in a uniform format, interalia giving category wise details of bids received Indicative format is given in Schedule XXX. The data pertaining to an issue shall be displayed on the site for a period of atleast three days after closure of bids.)

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<sup>476</sup> Inserted vide SEBI Circular No. SEBI/CFD/DIL/DIP/31/2008/30/7 dated July 30, 2008.

<sup>477</sup> Inserted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003.

<sup>478</sup> Inserted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003 the following clause, which has been deferred vide press release no. PR No.246/2003 dated October 13, 2003::  
*“The Stock exchange shall, by the end of each day while the issue is open for subscription, send the order data to the Registrar to the Issue and Lead Managers / Book Runners. This data shall consist of only valid orders (excluding those that are cancelled). On the date of closure of the issue, the final status of orders received shall be sent to the Registrar to the issue and Lead Managers / Book Runners”*

<sup>479</sup> Inserted sub-clause, vide SEBI Circular No. SEBI/CFD/DIL/DIP/15/2005/29/3 dated March 29, 2005.

### 11.3.5 Allocation / Allotment Procedure

- (i) <sup>480</sup>(In case an issuer company makes an issue of 100% of the net offer to public through 100% book building process:
- a) not less than <sup>481</sup>(35%) of the net offer to the public shall be available for allocation to retail individual investors;
  - b) not less than <sup>482</sup>(15%) of the net offer to the public shall be available for allocation to non institutional investors i.e. investors other than retail individual investors and Qualified Institutional Buyers;
  - c) not more than 50% of the net offer to the public shall be available for allocation to Qualified Institutional Buyers.

**Provided that,** <sup>483</sup>(50% of net offer to public) shall be mandatorily allotted to the Qualified Institutional Buyers, in case the issuer company is making a public issue under Clause 2.2.2 and 2.3.2 of these guidelines)

<sup>484</sup>**(Provided further that,** in respect of issues made under Rule 19(2)(b) of Securities Contract (Regulation) Rules 1957, with 60% mandatory allocation to Qualified Institutional Buyers, the percentage allocation to retail individual investors and non institutional investors in terms of clause 11.3.5(i)(a) shall be 30% and 10% respectively.)

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<sup>480</sup> Substituted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003 for the following:  
*"In case an issuer company makes an issue of 100% of the net offer to public through 100% book building process -*

- a) *not less than 25% of the net offer to the public shall be available for allocation to retail individual investors i.e. investors applying for upto 1000 securities;*
- b) *not less than 15% of the net offer to the public shall be available for allocation to non institutional investors i.e. investors applying for more than 1000 securities;*
- c) *not more than 60% of the net offer to the public shall be available for allocation to Qualified Institutional Buyers."*

**Initially** substituted vide SEBI Circular No. RMB (Compendium) Series Circular No. 1 (2001-2002) dated November 29, 2001 for the following:  
*"Atleast 15% of the issue size shall be reserved for allocation to individual investors applying upto 10 tradeable lots through the syndicate member."*

<sup>481</sup> Substituted vide SEBI Circular No. SEBI/CFD/DIL/DIP/15/2005/29/3 dated March 29, 2005 for the figures "25%".

<sup>482</sup> Substituted vide SEBI Circular No. SEBI/CFD/DIL/DIP/15/2005/29/3 dated March 29, 2005 for the figures "25%".

<sup>483</sup> Substituted vide SEBI Circular No. SEBI/CFD/DIL/DIP/16/2005/19/9 dated September 19, 2005 for the letters and figures "50% of the issue size".

<sup>484</sup> Inserted 2<sup>nd</sup> proviso vide SEBI Circular No. SEBI/CFD/DIL/DIP/15/2005/29/3 dated March 29, 2005.

- (ii) <sup>485</sup>(In case an issuer company makes an issue of 75% of the net offer to public through book building process and 25% at the price determined through book building –
- a. in the book built portion, not less than 25% of the net offer to the public, shall be available for allocation to non Qualified Institutional Buyers and not more than 50% of the net offer to the public shall be available for allocation to Qualified Institutional Buyers.
  - b. the balance 25% of the net offer to the public, offered at a price determined through book building, shall be available only to retail individual investors who have either not participated or have not received any allocation, in the book built portion.

**Provided that,** <sup>486</sup>(50% of net offer to public) shall be mandatorily allotted to the Qualified Institutional Buyers, in case the issuer company is making a public issue under Clause 2.2.2 and 2.3.2 of these guidelines)

<sup>487</sup>((ii-a) Out of the portion available for allocation to qualified institutional buyers under sub clause (i) or (ii) or any proviso thereof, as the case may be, 5% shall be allocated proportionately to mutual funds. Mutual fund applicants shall also be eligible for proportionate allocation under the balance available for Qualified Institutional Buyers as illustrated in Schedule XIX-A.)

<sup>488</sup>((ii-b) Out of the portion available for allocation to Qualified Institutional Buyers under sub-clause (i) or (ii) or any proviso thereof, as the case may be, upto 30% may be allocated to Anchor Investors subject to the following:

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<sup>485</sup> Substituted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003 for the following:  
*"In case an issuer company makes an issue of 75% of the net offer to public through book building process and 25% at the price determined through book building -*  
a. *in the book built portion, not less than 15% of the net offer to the public, shall be available for allocation to non institutional investors and not more than 60% of the net offer to the public shall be available for allocation to Qualified Institutional Buyers.*  
b. *the balance 25% of the net offer to the public, offered at a price determined through book building, shall be available only to retail individual investors who have either not participated or have not received any allocation, in the book built portion.*

**Provided that,** *60% of the issue size shall be allotted to the Qualified Institutional Buyers, in case the issuer company is making a public issue under Clause 2.2.2 or clause 2.3.2 of these guidelines." Initially substituted Vide circular dated November 29, 2001 for "10% of the issue size offered to the public through the prospectus shall be reserved for allocation to individual investors who had not participated in the bidding process or have not received an intimation for entitlement of securities under clause 11.3 (xix)."*

<sup>486</sup> Substituted vide SEBI Circular No. SEBI/CFD/DIL/DIP/16/2005/19/9 dated September 19, 2005 for the letters and figures "50% of the issue size".

<sup>487</sup> Inserted sub-clause, vide SEBI Circular No. SEBI/CFD/DIL/DIP/16/2005/19/9 dated September 19, 2005.

<sup>488</sup> Inserted sub-clause, vide SEBI Circular No. SEBI/CFD/DIL/DIP/36/2009/09/07 dated July 9, 2009.

- a) Anchor Investors shall necessarily be Qualified Institutional Buyers as defined in these guidelines.
  - b) The minimum application size by an Anchor Investor shall be Rs.10 crores.
  - c) One-third of the Anchor Investor portion shall be reserved for domestic mutual funds.
  - d) The bidding for Anchor Investors shall open one day before the issue opens and shall be completed on the same day.
  - e) Allocation to Anchor Investors shall be on a discretionary basis subject to minimum number of 2 investors for allocation of upto Rs.250 crores and 5 investors for allocation of more than Rs.250 crores.
  - f) The number of shares allocated to Anchor Investors and the price at which the allocation is made, shall be made available in public domain by the merchant banker before opening of the issue.
  - g) Anchor Investors shall pay a margin of at least 25% on application with the balance to be paid within two days of the date of closure of the issue.
  - h) 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 shall 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.
  - i) There shall be a lock-in of 30 days on the shares allotted to the Anchor Investors from the date of allotment in the public issue.
  - j) 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.
  - k) The parameters for selection of Anchor Investors shall be clearly identified by the merchant banker and shall be available as part of records of the merchant banker for inspection by SEBI.
  - l) The applications made by Qualified Institutional Buyers under Anchor Investor category and under Non Anchor Investor category may not be considered as multiple applications. )
- (iii) <sup>489</sup>(Allotment to retail individual investors, non-institutional investors and qualified institutional buyers shall be made proportionately as illustrated in Schedule XVIII.)

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<sup>489</sup> Substituted the sub-clause vide SEBI Circular No. SEBI/CFD/DIL/DIP/16/2005/19/9 dated September 19, 2005 for the following:  
"Allotment to (retail individual investors and non institutional investors.), shall be made on the basis of the proportionate allotment system as specified in **Schedule XVIII.**"  
Of the above, the words "retail individual investors and non institutional investors" were initially substituted for the words "investors under sub-clauses (i) and (i) of this clause" vide SEBI Circular No. RMB (Compendium) Series Circular No. 1 (2001-2002) dated November 29, 2001

- (iv) <sup>490</sup>(In the event of under subscription in any category, the undersubscribed portion shall be allocated to the bidders as per disclosures made in terms of clause 11.3.2(v).

**Provided that**, the unsubscribed portion in the "Qualified Institutional Buyer" category, shall not be available for subscription to other categories, in case the issuer company has made an issue of securities under clause 2.2.2 or clause 2.3.2 of these guidelines.)

- (v)  
(a) <sup>491</sup>(Deleted)  
(b) <sup>492</sup>(Deleted)  
(vi) <sup>493</sup>(Allotment shall be made not later than 15 days from the closure of the issue failing which interest at the rate of 15% shall be paid to the investors.)  
(vii) <sup>494</sup>(**Schedule XX** may be referred to for Clarificatory Examples for issue size and allocation has been specified in **Schedule XX**.)

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<sup>490</sup> Substituted the sub-clause vide SEBI Circular No. SEBI/CFD/DIL/DIP/15/2005/29/3 dated March 29, 2005 for the following:

*"In case of under subscription in any category, the undersubscribed portion may be allocated to the bidders in the other categories.*

**Provided that**, the unsubscribed portion in the "Qualified Institutional Buyer" category, shall not be available for subscription to other categories, in case the issuer company has made an issue of securities under clause 2.2.2 or clause 2.3.2 of these guidelines."

**Prior to the above substitution**, the sub-clause was substituted vide SEBI Circular No. RMB (Compendium) Series Circular No. 1 (2001-2002) dated November 29, 2001 for the following:

*"In case of undersubscription in the category referred to in clause (ii) of this clause, the Issuer company has the option to allocate it to whichever category it deems fit or let the undersubscribed portion lapse."*

<sup>491</sup> Omitted the following sub-clause, vide SEBI Circular No. SEBI/CFD/DIL/DIP/16/2005/19/9 dated September 19, 2005:

*"The allocation to QIBs shall be made as per disclosures made in terms of clause 11.3.2(iv)."*

The above sub-clause was **earlier substituted** for the following sub-clause, vide SEBI Circular No. SEBI/CFD/DIL/DIP/15/2005/29/3 dated March 29, 2005:

*"The allocation to the Qualified Institutional Buyers shall be determined by the Book Runner(s) based on prior commitment, investor quality, price aggression, earliness of bids, etc."*

**Prior to the above substitution**, the sub-clause was substituted vide SEBI Circular No. RMB (Compendium) Series Circular No. 1 (2001-2002) dated November 29, 2001 for the following:

*"For the class of investors other than those mentioned at clauses (i) and (ii) of this clause, the allocation"*

<sup>492</sup> Omitted vide SEBI Circular No. RMB (Compendium) Series Circular No. 1 (2001-2002) dated November 29, 2001 the following sub-clause, which has been wrongly numbered as sub-clause (v) (a) instead of sub-clause (v) (b):

*"The minimum shareholders criterion shall not be applicable to this category."*

<sup>493</sup> Substituted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003 for the following clause and the aforesaid substituted clause has been deferred vide press release no. PR No.246/2003 dated October 13, 2003:

*"After finalisation of basis of allocation, the Registrar to the Issue/company shall send the computer file containing the allocation details i.e. the allocation numbers, allocated quantity of successful applicants, etc. along with broker-wise funds pay-in obligation, to the Broker to the Issue and the stock exchange (s)."*

- (viii) <sup>495</sup>(Model Time Frame for Book Building is specified in **Schedule XXI.**)
- (ix) <sup>496</sup>(The broker shall refund the margin money collected earlier, within 3 days of receipt of basis of allocation, to the applicants who did not receive allocation)
- <sup>497</sup>((x))
- <sup>498</sup>((xi))

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<sup>494</sup> Substituted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003 for the following clause and the aforesaid substituted clause has been deferred vide press release no. PR No.246/2003 dated October 13, 2003:

*"The Company, Lead Manager / Book Runner shall announce the pay-in day and intimate the same to Brokers and stock exchange. It shall be responsibility of the broker to deposit the amount in the Escrow Account to the extent of allocation to his clients on the pay-in date"*

<sup>495</sup> Substituted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003 for the following clause and the aforesaid substituted clause has been deferred vide press release no. PR No.246/2003 dated October 13, 2003:

*"On receipt of the basis of allocation data, the brokers shall immediately intimate the fact of allocation to their client /applicant. The broker shall ensure that each successful client/applicant pays submits the duly filled-in and signed application form to him along with the amount payable towards the application money by the pay-in date. Amount already paid by the applicant as margin money shall be adjusted towards the total allocation money payable. The broker shall, thereafter, hand over the application forms of the successful applicants who have paid the application money, to the exchange, which shall submit the same to the Registrar to Issue/company for their records"*

<sup>496</sup> Substituted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003 for the following:

*"In case the issuer company has made an issue of 75% of the net offer to public through book building process and 25% at the price determined through book building -*

- a. *the offer of 25% of the net offer to the public, made at a price determined through book building, shall open within 15 days from the date of closure of bidding ;*
- b. *the offer for subscription to the public, shall remain open for a period of atleast 3 working days after completing all the requirements of advertisement and despatch of issue material to all the stock exchanges ;*
- c. *during the time when the offer is open, the investors who have received an intimation of entitlement of securities under sub clause (xviii) of clause 11.3.1, shall submit the application forms along with the application moneys ;*
- d. *the other retail individual investors who had not participated in the bidding process or have not received intimation of entitlement of securities under sub clause (xviii) of clause 11.3.1 may also make an application."*

**Initially** substituted vide SEBI Circular No. RMB (Compendium) Series Circular No. 1 (2001-2002) dated November 29, 2001 for the following clause:

*"(a) The offer shall remain open for subscription from the public for a period of atleast 3 working days after completing all the requirements of advertisement and despatch of issue material to all the stock exchanges.*

*(b) During the time when the offer is open, the investors who have received an intimation of entitlement of securities under the clause (xviii) shall submit the application forms along with the application moneys.*

*(c) The other individual investors who had not participated in the bidding process or have not received intimation of entitlement of securities under clause (xviii) may also make an application."*

<sup>497</sup> Inserted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003 the following clause, which has been deferred vide press release no. PR No.246/2003 dated October 13, 2003:

*The brokers shall give details of the amount received from each client/investors and the names of clients/investors who have not paid the application money to Registrar / Book Runner the exchange. The brokers shall also give soft copy of this data to the exchange.*

<sup>498</sup> Inserted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003 the following clause, which has been deferred vide press release no. PR No.246/2003 dated October 13, 2003:

*"In the event of the successful applicants failing to pay the application money, the broker through whom such client placed orders, shall bring in the funds to the extent of the client's default. If the broker does not bring in*

499((xii))

500((xiii))

501((xiv))

502 (xv) On payment and receipt of the sum payable on application for the amount towards minimum subscription, the company shall allot the shares to the applicants as per these Guidelines.

503((xvi))

504((xvii))

505((xviii))

506((xix))

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*the funds, he shall be declared as a defaulter by the stock exchange and action as prescribed under the Bye-Laws of the stock exchange shall be initiated against him. In such an event, the Book Runners in case of issues through book building process, who have underwritten the issue, shall bring-in the shortfall.*

499 Inserted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003 the following clause, which has been deferred vide press release no. PR No.246/2003 dated October 13, 2003:

*On pay-in date, the clearing house shall, without any instruction from the broker, debit the escrow account of each broker to the extent of allocation made to his clients/investors and credit the amount so collected from each broker to the 'Issue Account'.*

500 Inserted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003 the following clause, which has been deferred vide press release no. PR No.246/2003 dated October 13, 2003:

*The concerned Exchange shall not use the Settlement/Trade Guarantee Fund of the Exchange for honoring brokers commitments in case of failure of broker to bring in the funds.*

501 Inserted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003 the following clause and the aforesaid inserted clause was deferred vide press release no. PR No.246/2003 dated October 13, 2003:

*"The broker shall open an 'Escrow Securities Account' with any depository for the purpose of receiving credit of securities on behalf of the clients.*

502 Inserted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003.

503 Inserted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003 the following clause, which has been deferred vide press release no. PR No.246/2003 dated October 13, 2003:

*"After the allotment, the Registrar to the issue shall post the share certificates to the investors or, instruct the depository to credit the Escrow Securities Account of each Broker, as the case may be.*

504 Inserted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003 the following clause, which has been deferred vide press release no. PR No.246/2003 dated October 13, 2003:

*"On receipt of the credit of securities to the Escrow Securities Account, the Broker shall transfer the shares to the clients/applicants' depository account, after receipt of confirmation of full payment from the clients/applicants. For this purpose broker shall be considered as Agent of the client/applicant. Broker shall confirm to the Book-runner/Registrar to the issue that shares have been credited to the account of clients /applicants not later than the day of commencement of trading, in case full payment had been received."*

505 Inserted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003 the following clause, which has been deferred vide press release no. PR No.246/2003 dated October 13, 2003:

*"Any cases of dispute, amongst the broker and the clients, would be referred to arbitration as per the by-laws / regulations of the stock exchange"*

506 Inserted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003 the following clause, which has been deferred vide press release no. PR No.246/2003 dated October 13, 2003:

507((xx))

508((xxi))

509((xxii))

510((xxiii)) In case the issuer company has made an issue of 75% of the net offer to public through book building process and 25% at the price determined through book building:

- a) the offer of 25% of the net offer to the public, made at a price determined through book building, shall open within 15 days from the date of closure of bidding;
- b) the offer for subscription to the public, shall remain open for a period of atleast 3 working days after completing all the requirements of advertisement and despatch of issue material to all the stock exchanges;
- c) during the time when the offer is open, the investors who have received an intimation of entitlement of securities under sub clause (xviii) of clause 11.3.1, shall submit the application forms along with the application moneys;
- d) the other retail individual investors who had not participated in the bidding process or have not received intimation of entitlement of securities under sub clause (xviii) of clause 11.3.1 may also make an application.”

### 11.3.6 Maintenance of Books and Records

- (i) A final book of demand showing the result of the allocation process shall be maintained by the book runner/s.

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*“The Allotment details shall be put on the website (if available) of the Registrar to the issue and the issuer. Further, online messaging facility of NSDL/CDSL or of stock exchanges may be used to communicate the Allotment details to Brokers, as an alternative of physical Confirmation of Allocation Note”*

507 Inserted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003 the following clause, which has been deferred vide press release no. PR No.246/2003 dated October 13, 2003:

*“Trading shall commence within 6 days from the closure of the issue failing which interest at the rate of 15% p.a. shall be paid to the investors.”*

508 Inserted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003 the following clause, which has been deferred vide press release no. PR No.246/2003 dated October 13, 2003:

*“Schedule XX may be referred to for Clarificatory Examples for issue size and allocation has been specified in Schedule XX.”*

509 Inserted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003 the following clause, which has been deferred vide press release no. PR No.246/2003 dated October 13, 2003.

*“Model Time Frame for Book Building is specified in Schedule XXI.”*

510 Inserted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003.

(ii) The Book Runner/s and other intermediaries in the book building process associated shall maintain records of the book building prices.

(iii) The Board shall have the right to inspect the records, books and documents relating to the Book building process and such person shall extend full co-operation.

<sup>511</sup>(11.4) **Applicability to fast track issues)**

<sup>512</sup>(11.4.1) Unless specified otherwise in this Chapter and unless the context otherwise requires, all references in this Chapter to “draft prospectus” shall be construed as having been made to “red herring prospectus”, in application to fast track issues.)

<sup>513</sup>(11.4.2) Nothing contained in sub-clause (vi) of clause 11.2 or sub-clause (viii) of clause 11.3.1 shall apply to a fast track issue.)

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<sup>511</sup> Inserted clause, vide SEBI Circular No. SEBI/CFD/DIL/DIP/28/2007/29/11 dated November 29, 2007.

<sup>512</sup> Inserted clause, vide SEBI Circular No. SEBI/CFD/DIL/DIP/28/2007/29/11 dated November 29, 2007.

<sup>513</sup> Inserted clause, vide SEBI Circular No. SEBI/CFD/DIL/DIP/28/2007/29/11 dated November 29, 2007.

<sup>514</sup>(CHAPTER XI A

**GUIDELINES ON INITIAL PUBLIC OFFERS THROUGH THE STOCK EXCHANGE  
ON-LINE SYSTEM (e-IPO)**

- 11A.1 A company proposing to issue capital to public through the on-line system of the stock exchange for offer of securities shall comply with the requirements as contained in this Chapter in addition to other requirements for public issues as given in these Guidelines, wherever applicable.
- 11A.2 **Agreement with the Stock exchange.**
- 11A.2.1 The company shall enter into an agreement with the Stock Exchange(s) which have the requisite system of on-line offer of securities.
- <sup>515</sup>(Deleted)
- 11A.2.2 The agreement mentioned in the above clause shall specify inter-alia, the rights, duties, responsibilities and obligations of the company and stock exchange (s) inter se. The agreement may also provide for a dispute resolution mechanism between the company and the stock exchange.
- 11A.3 **Appointment of Brokers**
- 11A.3.1 The stock exchange, shall appoint brokers of the exchange, who are registered with SEBI, for the purpose of accepting applications and placing orders with the company.
- 11A.3.2 For the purposes of this Chapter, the brokers, so appointed accepting applications and application monies, shall be considered as 'collection centres'.
- 11A.3.3 The broker/s so appointed, shall collect the money from his/their client for every order placed by him/them and in case the client fails to pay for shares allocated as per the Guidelines, the broker shall pay such amount.
- 11A.3.4 The company/lead manager shall ensure that the brokers having terminals are appointed in compliance with the requirement of

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<sup>514</sup> Inserted Chapter, vide SEBI Circular No. DIP (Compendium) Series Circular No. 5 dated November 30, 2000.

<sup>515</sup> Omitted the following proviso vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003:  
*"Provided that, where the Regional Stock Exchange has the requisite system of on-line offer of securities, the company shall also, enter into an agreement with the Regional Stock Exchange for offering securities to public through on-line system."*

mandatory collection centres, as specified in clause 5.9 of Chapter V of the Guidelines.

11A.3.5 The company/lead manager shall ensure that the brokers so appointed are financially capable of honouring their commitments arising out of defaults of their clients, if any.

11A.3.6 The company shall pay to the broker/s a commission/fee for the services rendered by him/them. The exchange shall ensure that the broker does not levy a service fee on his clients in lieu of his services.

#### 11A.4 **Appointment of Registrar to the Issue**

11A.4.1 The company shall appoint a Registrar to the Issue having electronic connectivity with the Stock Exchange/s through which the securities are offered under the system.

#### 11A.5 **Listing**

11A.5.1 <sup>516</sup>(The company may apply for listing of its securities on an exchange other than the exchange through which it offers its securities to public through the on-line system.)

#### 11A.6 **Responsibility of the Lead Manager**

11A.6.1 The Lead Manger shall be responsible for co-ordination of all the activities amongst various intermediaries connected in the issue / system.

11A.6.2 The names of brokers appointed for the issue alongwith the names of the other intermediaries, namely, Lead managers to the issue and Registrars to the Issue shall be disclosed in the prospectus and application form.

#### 11A.7 **Mode of operation**

11A.7.1 The company shall, after filing the offer document with ROC and before opening of the issue, make an issue advertisement in one English and one Hindi daily with nation wide circulation, and one regional daily with wide circulation at the place where the registered office of the issuer company is situated.

11A.7.2 The advertisement shall contain the salient features of the offer document as specified in Form 2A of the Companies (Central

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<sup>516</sup> Substituted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003 for the following:  
"Subject to the requirement of listing on the Regional Stock Exchange, the company may apply for listing of its securities on an exchange other than the exchange through which it offers its securities to public through the on-line system."

Government's) General Rules and Forms, 1956. The advertisement in addition to other required information, shall also contain the following:

- i. the date of opening and closing of the issue
  - ii. the method and process of application and allotment
  - iii. the names, addresses and the telephone numbers of the stock brokers and centres for accepting the applications.
- 11A.7.3 During the period the issue is open to the public for subscription, the applicants may
- a) approach the brokers of the stock exchange/s through which the securities are offered under on-line system, to place an order for subscribing to the securities. Every broker shall accept orders from all clients who place orders through him;
  - b) directly send the application form alongwith the cheque/Demand Draft for the sum payable towards application money to the Registrar to the Issue or place the order to subscribe through a stock- broker under the on-line system.
- 11A.7.4 In case of issue of capital of Rs. 10 crores or above the Registrar to the Issue shall open centres for collection of direct applications at the four metropolitan centres situated at Delhi, Chennai, Calcutta and Mumbai.
- 11A.7.5 The broker shall collect the client registration form duly filled up and signed from the applicants before placing the order in the system as per "Know your client rule" as specified by SEBI and as may be modified from time to time.
- 11A.7.6 The broker shall, thereafter, enter the buy order in the system, on behalf of the clients and enter details including the name, address, telephone number and category of the applicant, the number of shares applied for, beneficiary ID, DP code etc. and give an order number/order confirmation slip to the applicant.
- 11A.7.7 The applicant may withdraw applications in terms of the Companies Act, 1956.
- 11A.7.8 The broker may collect an amount to the extent of 100% of the application money as margin money from the clients before he places an order on their behalf.
- 11A.7.9 The broker shall open a separate bank account [Escrow Account] with the clearing house bank for primary market issues and the amount collected by the broker from his clients as margin money shall be deposited in this account.

- 11A.7.10 The broker shall, at the end of each day while the issue is open for subscription, download/forward the order data to the Registrar to the Issue on a daily basis. This data shall consist of only valid orders (excluding those that are cancelled). On the date of closure of the issue, the final status of orders received shall be sent to the Registrar to the issue/company.
- 11A.7.11 <sup>517</sup>(On the closure of the issue, the Designated Stock Exchange, alongwith the Lead merchant banker and Registrars to the Issue shall ensure that the basis of allocation is finalised in fair and proper manner on the lines of the norms with respect to basis of allotment as specified in Chapter VII of the Guidelines, as may be modified from time to time.)
- 11A.7.12 After finalisation of basis of allocation, the Registrar to the Issue/company shall send the computer file containing the allocation details i.e. the allocation numbers, allocated quantity etc., of successful applicants to the Exchange. The Exchange shall process and generate the broker-wise funds pay-in obligation and shall send the file containing the allocation details to member brokers.
- 11A.7.13 On receipt of the basis of allocation data, the brokers shall immediately intimate the fact of allocation to their client /applicant. The broker shall ensure that each successful client/applicant submits the duly filled-in and signed application form to him along with the amount payable towards the application money. Amount already paid by the applicant as margin money shall be adjusted towards the total allocation money payable. The broker shall, thereafter, hand over the application forms of the successful applicants who have paid the application money, to the exchange, which shall submit the same to the Registrar to Issue/company for their records.
- 11A.7.14 The broker shall refund the margin money collected earlier, within 3 days of receipt of basis of allocation, to the applicants who did not receive allocation.
- 11A.7.15 The brokers shall give details of the amount received from each client and the names of clients who have not paid the application money to the exchange. The brokers shall also give soft copy of this data to the exchange.
- 11A.7.16 On the pay- in day, the broker shall deposit the amount collected from the clients in the separate bank account opened for primary issues with the clearing house/bank. The clearing house shall debit the primary

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<sup>517</sup> Substituted vide SEBI/CFD/DIL/DIP/Circular No. 11 dated August 14, 2003 for the following:  
*“On the closure of the issue, the Regional Stock Exchange, alongwith the Lead merchant banker and Registrars to the Issue shall ensure that the basis of allocation is finalised in fair and proper manner on the lines of the norms with respect to basis of allotment as specified in Chapter VII of the Guidelines, as may be modified from time to time.”*

issue account of each broker and credit the amount so collected from each broker to the "Issue Account"

- 11A.7.17 In the event of the successful applicants failing to pay the application money, the broker through whom such client placed orders, shall bring in the funds to the extent of the client's default. If the broker does not bring in the funds, he shall be declared as a defaulter by the exchange and action as prescribed under the Bye-Laws of the Stock Exchange shall be initiated against him. In such a case, if the minimum subscription as disclosed in the prospectus is not received, the issue proceeds shall be refunded to the applicants.
- 11A.7.18 The subscriber shall have an option to receive the security certificates or hold the securities in dematerialised form as specified in the Guidelines
- 11A.7.19 The concerned Exchange shall not use the Settlement/Trade Guarantee Fund of the Exchange for honoring brokers commitments in case of failure of broker to bring in the funds.
- 11A.7.20 On payment and receipt of the sum payable on application for the amount towards minimum subscription, the company shall allot the shares to the applicants as per these Guidelines. The Registrar to the issue shall post the share certificates to the investors or, instruct the depository to credit the depository account of each investor, as the case may be.
- 11A.7.21 Allotment of securities shall be made not later than 15 days from the closure of the issue failing which interest at the rate of 15% shall be paid to the investors.
- 11A.7.22 In cases of applicants who have applied directly or by post to the Registrar to the issue, and have not received allocation, the Registrar to the issue shall arrange to refund the application monies paid by them within the time prescribed.
- 11A.7.23 The brokers and other intermediaries engaged in the process of offering shares through the on-line system shall maintain the following records for a period of 5 years :
- i. orders received
  - ii. applications received
  - iii. details of allocation and allotment
  - iv. details of margin collected and refunded
  - v. details of refund of application money
- 11A.7.24 SEBI shall have the right to carry out an inspection of the records, books and documents relating to the above, of any intermediary

connected with this system and every intermediary in the system shall at all times co-operate with the inspection by SEBI. In addition the stock exchanges have the right of supervision and inspection of the activities of its member brokers connected with the system.)