

**SECURITIES AND EXCHANGE BOARD OF INDIA
PRIMARY MARKET DEPARTMENT
Mittal Court, 'A' Wing, Ground Floor
Nariman Point, MUMBAI - 400 021.**

**RMB DIP Series Circular No. 1 (1999- 2000)
May 18, 1999**

To All Registered Category I Merchant Bankers

Dear Sirs,

**Sub: SEBI (Disclosure and Investor Protection) Guidelines
Clarification No. XXIV**

SEBI introduced Guidelines relating to eligibility of body corporates for public issues in April 1996.

SEBI has received representations for relaxation of the criterion of actual payment of dividend as some profit making closely held companies which otherwise would have been eligible for declaration of dividend but which have not declared dividend with a view to plough back the profit for the benefit of the company are unable to access capital market. Further, it has also been represented that the shares of the closely held companies before going to the public are entirely held by the promoters and their associates and hence declaration of dividend would only benefit the limited segment and thus the entry norms of actual payment of dividend may not always reflect the quality of the issuer.

The issues raised in these representations have become all the more significant in view of the requirement for greenfield software closely held companies to raise money from the public.

The SEBI Board, therefore, in its meeting held on March 19, 1999, decided to further revise the eligibility norms for public issues. This clarification is now being issued pursuant to the said decision of the Board.

Part A of the Clarification pertains to the revised eligibility norms for public issues.

Part B of the Clarification pertains to the public issues by infrastructure companies.

Part C of the Clarification pertains to the Guidelines on Advertisement.

This Clarification is being issued in pursuance of sub-section (1) of the Section 11 of the Securities and Exchange Board of India Act, 1992.

The Part A and Part B of the Clarification shall be applicable to all the offer documents filed with SEBI after May 19, 1999.

The Part C shall be applicable to all the public and rights issues opening on or after June 1, 1999.

Please acknowledge receipt.

Yours faithfully,

**(O. P. Gahrotra)
Sr. Executive Director**

PART A- GUIDELINES FOR ELIGIBILITY OF BODY CORPORATES FOR PUBLIC ISSUES

Clause 1 in Part A of Clarification XV dated April 17, 1996 shall be modified to read as under :-

"No body corporate, desirous of getting securities listed on any stock exchange, shall make a public issue of any equity share or any security convertible at later date into equity share unless the body corporate has

- i. a track record of distributable profits in terms of Section 205 of Companies Act, for at least three (3) out of immediately preceding five (5) years and
- ii. a pre-issue networth of not less than Rs. One Crore in three (3) out of preceding five (5) years, with the minimum networth to be met during immediately preceding two (2) years.

Explanation: "Networth" shall mean aggregate value of paid-up equity capital and free reserves (excluding reserves created out of revaluation) reduced by the aggregate value of accumulated losses, intangible assets and deferred expenditure not written off including miscellaneous expenses not written off."

PART B: ELIGIBILITY FOR AN INFRASTRUCTURE COMPANY

The para appearing under the head 'Eligibility' after clause 7 in Part C of Clarification XXIII dated February 12, 1999, is modified as under:

The words 'by the appraising institution' appearing after '(in debt and / or equity)' shall be substituted by the following words namely; "by any of the aforesaid institutions, jointly or severally, irrespective of whether they have appraised the project or not."

PART C: CODE OF ADVERTISEMENT

A new Clause no. 1.1(m) shall be added after clause No.1.1.(l), to the Clarification No. IX dated October 11, 1993 which shall be as under:

1.1

"(m) Issue advertisements on television in the form of crawlers (the advertisements which run simultaneously with the programme in a narrow strip or any other form, at the bottom or elsewhere on the television screen) shall not be allowed."