



**CIRCULAR**

CIR/MRD/DP/ 18 /2012

July 18, 2012

The Managing Director and CEO  
Bombay Stock Exchange Limited  
Phiroze Jeejeebhoy Towers,  
Dalal Street,  
Mumbai - 400001

The Managing Director  
National Stock Exchange of India Ltd.  
Exchange Plaza, Bandra Kurla Complex,  
Bandra (E),  
Mumbai - 400 051

Dear Sir,

**Sub: Comprehensive guidelines on Offer For Sale (OFS) of Shares by Promoters through the Stock Exchange Mechanism**

This has reference to circular no. CIR/MRD/DP/05/2012 dated February 1, 2012, CIR/MRD/DP/07/2012 dated February 23, 2012 and CIR/MRD/DP/8/2012 dated February 27, 2012 on the captioned subject.

Several representations/suggestions have been received from the market participants on few provisions of the above circulars. After due examination and deliberation with the market participants it has been decided to replace the procedures and instructions contained in the aforementioned circulars by the following:

**1. Eligibility**

**(a) Exchanges**

The facility of offer for sale of shares shall be available on Bombay Stock Exchange (BSE) and National Stock Exchange (NSE).

**(b) Sellers**

- (i) All promoter(s)/ promoter group entities of such companies that are eligible for trading and are required to increase public shareholding to meet the minimum public shareholding requirements in terms Rule 19(2)(b) and 19A of Securities Contracts (Regulation) Rules, 1957 (SCRR), read with clause 40A (ii) (c) of Listing Agreement.



# भारतीय प्रतिभूति और विनियम बोर्ड Securities and Exchange Board of India

- (ii) All promoter(s)/ promoter group entities of top 100 companies based on average market capitalization of the last completed quarter.

For (i) and (ii) above, the promoter/promoter group entities should not have purchased and/or sold the shares of the company in the 12 weeks period prior to the offer and they should undertake not to purchase and/or sell shares of the company in the 12 weeks period after the offer. However, within the cooling off period of  $\pm 12$  weeks, the promoter(s)/promoter group entities can offer their shares only through OFS/ Institutional Placement Programme (IPP) with a gap of 2 weeks between successive offers.

The above shall also be applicable on promoter(s) /promoter group entities who have already offered their shares through OFS/IPP.

## **(c) Buyers**

All investors registered with the brokers of the aforementioned stock exchanges other than the promoter(s)/ promoter group entities.

## **2. Definitions**

- (a) "Single Clearing Price" is the price at which the shares are allocated to the successful bidders in a proportionate basis methodology.
- (b) "Multiple Clearing Prices" are the prices at which the shares are allocated to the successful bidders in a price priority methodology.
- (c) "Indicative Price" is the volume weighted average price of all the valid/confirmed bids
- (d) "Floor Price" is the minimum price at which the seller intends to sell the shares.

## **3. Size of Offer for sale of shares**

The size of the offer shall be a minimum of ₹ 25 crores. However, size of offer can be less than ₹ 25 crores so as to achieve minimum public shareholding in a single tranche.

## **4. Advertisement and offer expenses**

- (a) Advertisements about the offer for sale of shares through stock exchange(s) , if any, shall be made after the announcement/ notice of the offer for sale of shares to the stock



exchanges in accordance with para 5 (b) below and its contents shall be restricted to the contents of the notice as given to the stock exchange under Para 5 (b)

- (b) All expenses relating to offer for sale of shares through stock exchange(s) shall be borne by the seller(s).

## 5. Operational Requirements

### (a) Appointment of Broker

The Seller(s) will appoint broker(s) for this purpose. The Seller's broker(s) may also undertake transactions on behalf of eligible buyers.

### (b) Contents of the announcement/ Notice of the Offer for sale of shares

Seller(s) shall announce the intention of sale of shares at least one clear trading day prior to the opening of offer, along with the following information:

- (i) Name of the seller(s) (promoter/ promoter group) and the name of the company whose shares are proposed to be sold.
- (ii) Name of the Exchange(s) where the orders shall be placed. In case orders are to be placed on both BSE and NSE, one of them shall be declared as the Designated Stock Exchange ("DSE").
- (iii) Date and time of the opening and closing of the offer.
- (iv) Allocation methodology i.e. either on a price priority (multiple clearing prices) basis or on a proportionate basis at a single clearing price.
- (v) Number of shares being offered for sale.
- (vi) The maximum number of shares that the seller may choose to sell over and above the offer made at point (v) above. The name of the broker(s) on behalf of the seller(s).
- (vii) The date and time of the declaration of floor price, if the seller(s) chooses to announce it to the market. Alternatively, a declaration to the effect that the floor price will be submitted to the DSE in a sealed envelope that shall be disclosed post closure of the offer.
- (viii) Conditions, if any, for withdrawal or cancellation of the offer.



**(c) Floor price**

- (i) In case the seller chooses to disclose the floor price, the seller(s) shall declare it after the close of trading hours and before the close of business hours of the exchanges on T-1 day else the seller(s) shall give the floor price in a sealed envelope to DSE before the opening of the offer. (T day being the day of the offer for sale)
- (ii) The floor price if not declared to the market, shall not be disclosed to anybody, including the selling broker(s).
- (iii) Sealed envelope shall be opened by the DSE after the closure of the offer for sale and the floor price suitably disseminated to the market.

**(d) Timelines**

- (i) The duration of the offer for sale shall be as per the trading hours of the secondary market and shall not exceed one trading day.
- (ii) The placing of orders and funds on the exchange system shall take place only during trading hours.
- (iii) In case of institutional trades, the custodians shall conclude the confirmation of bids with the available funds not later than the end of the half an hour post close session.

**(e) Order Placement**

- (i) A separate window for the purpose of offer for sale of shares shall be created by stock exchanges. Modification/ Cancellation of orders/ bids will be allowed during the duration of the offer only for bids for which 100% upfront margin has been received. However, modification/ cancellation of orders/ bids shall not be allowed during the last 60 minutes of the duration of the offer.
- (ii) Cumulative orders/ bid quantity information shall be made available online by the exchanges at specific time intervals. The indicative price shall be disclosed by the exchanges only during the last 60 minutes of the duration of the offer for sale.
- (iii) If the security has a price band in the normal segment, the same shall not apply for the orders placed in the offer for sale. Stock specific tick size as per the extant practice in normal trading session shall be made applicable for this window.



- (iv) In case of shares under offer for sale, the trading in the normal market shall also continue. However, in case of market closure due to the incidence of breach of 'Market wide index based circuit filter', the offer for sale shall also be halted.
- (v) Only limit orders/ bids shall be permitted.
- (vi) Multiple orders from a single buyer shall be permitted.
- (vii) In case floor price is disclosed, orders/ bids below floor price shall not be accepted.

## 6. Risk Management

- (a) Clearing Corporation/ Clearing house shall collect 100% of the order value in cash from non-institutional investors at the order level for every buy order/ bid. Institutional investors shall have an option to pay either 25% of the order value or 100% of the order value in cash at the order level for every buy order/ bid to the Clearing Corporation/ Clearing house. Such funds shall neither be utilized against any other obligation of the trading member nor co-mingled with other segments.
- (b) Modification/ Cancellation of orders/ bids will be allowed only for bids for which 100% upfront margin has been received. In case of order/bid modification/cancellation, such funds shall be released/collected on a real time basis by the stock exchange.
- (c) The seller(s) shall deposit the entire quantity of shares offered for sale including the additional shares disclosed at Para 5(b)(vi) as pay-in with the clearing corporation/clearing house of DSE prior to the commencement of the offer. No other margin shall be charged on the seller(s).

## 7. Allocation

- (a) Minimum of 25% of the shares offered shall be reserved for mutual funds and insurance companies, subject to allocation methodology. Any unsubscribed portion thereof shall be available to the other bidders.
- (b) The orders shall be cumulated by the DSE immediately on close of the offer. Based on the methodology for allocation to be followed as disclosed in the notice, the DSE shall draw up the allocation. i.e. either on a price priority (multiple prices) basis or on a proportionate basis at a single clearing price.
- (c) No allocation will be made in case of order/ bid is below floor price.
- (d) No single bidder other than mutual funds and insurance companies shall be allocated more than 25% of the size of offer for sale.



- (e) The allocation details shall be shared by the DSE with the other exchange after the allocation is crystallized.

**8. (i) Settlement**

- a. The allocation and the obligations resulting thereof shall be intimated to the brokers on T day.
- b. The settlement shall take place similar to trade for trade basis and shall be completed on T + 1 day. There shall be no netting of settlement at broker's end.
- c. Funds collected from the bidders who have not been allocated shares shall be released after the download of the obligation.
- d. On T+1 day, to the extent of obligation determined, the clearing Corporation/ Clearing house of DSE shall transfer such number of shares to the clearing corporation/clearing house of the other stock exchange, without consideration of money. Excess shares, if any, shall be returned to seller broker(s). The direct credit of shares shall be given to the demat account of the successful bidder provided such manner of credit is indicated by the broker/bidder.

**(ii) Handling of default in pay-in**

- a. In the event of default in pay-in an amount of 10% of the bid value shall be forfeited as a penalty and shall be credited to Investor Protection Fund. The balance amount shall be returned to the bidder.
- b. The price at which allotments have been made based on the allocation on T day shall not be revised as a result of any default in pay-in.
- c. Issuer shall have the option to cancel in full or conclude the offer.
- d. Allotment details after settlement shall also be disseminated by the exchange.
- e. Allocation details after settlement shall be consolidated by the DSE and excess shares, if any, shall be returned by the respective Clearing Corporation/ Clearing house to the seller(s) broker(s).
- f. Settlement Guarantee Fund shall not be available for OFS through stock exchange mechanism.

**9. Issuance of Contract Notes**

The brokers shall be required to issue contracts note to its clients based on the allotment price and quantity in terms of conditions specified by the exchange.



**10. Withdrawal of offer**

The offer for sale may be withdrawn prior to its proposed opening. In such a case there will be a cooling off period of 10 trading days from the date of withdrawal before an offer is made once again. The stock exchange(s) shall suitably disseminate details of such withdrawal.

**11. Cancellation of offer**

Cancellation of offer shall not be permitted during the bidding period. If the seller(s) fails to get sufficient demand at or above the floor price, he may choose to either conclude the offer or cancel it in full. The seller may also choose to conclude the offer or cancel it in full, in case of defaults in settlement obligation.

**12.** This circular shall supersede the circulars no. CIR/MRD/DP/05/2012 dated February 1, 2012, CIR/MRD/DP/07/2012 dated February 23, 2012 and CIR/MRD/DP/8/2012 dated February 27, 2012.

**13.** Stock Exchanges are advised to:

- a. take necessary steps and put in place necessary systems for implementation of the above.
- b. make necessary amendments to the relevant bye-laws, rules and regulations for the implementation of the above decision.
- c. bring the provisions of this circular to the notice of the member brokers of the stock exchange and also to disseminate the same on the website.

**14.** This circular is being issued in exercise of powers conferred under Section 11 (1) of the Securities and Exchange Board of India Act, 1992 to protect the interests of investors in securities and to promote the development of, and to regulate the securities market.

Yours faithfully,

**Harini Balaji**  
Deputy General Manager  
022-26449372  
harinib@sebi.gov.in