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CDSL/OPS/RTA/POLCY/2024/35

March 04, 2024

SEBI CIR – GUIDELINES FOR RETURNING OF DRAFT OFFER DOCUMENT AND ITS RESUBMISSION

Issuer / RTAs are advised to refer to the SEBI Circular no. **SEBI/HO/CFD/PoD-1/P/CIR/2024/009** dated **Feb 06, 2024**, regarding **Guidelines for returning of draft offer document and its resubmission [refer Annexure]**.

Issuer / RTAs are advised to take note of the same.

Queries regarding this communiqué may be addressed to: **CDSL – Helpdesk** Emails may be sent to: helpdesk@cdslindia.com and telephone number 08069144800.

sd/-

Nilesh Shah
Asst. Vice President – Operations

CIRCULAR

SEBI/HO/CFD/PoD-1/P/CIR/2024/009

Feb 06, 2024

To

All Recognized Stock Exchanges (except Commodity Derivatives Exchanges)

All Depositories

All Registered Merchant Bankers

All Listed Entities

Dear Sir / Madam,

Sub: Guidelines for returning of draft offer document and its resubmission

1. Adequate disclosures by the issuer and timely processing of offer documents are important for the vibrancy of the primary market. It is imperative that the offer documents as filed by the issuers and lead manager(s) are compliant with Schedule VI of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 (“**ICDR Regulations**”), which specifies information for disclosure in the draft offer document or the draft letter of offer and the offer document or the letter of offer, as applicable.
2. It has been observed that at times, draft offer documents / draft letter of offer filed with the Board for public issue / rights issue of securities (hereinafter “draft offer document”) are found lacking in compliance with respect to instructions provided under Schedule VI of ICDR Regulations. Such documents require revisions/changes and thus lead to a longer processing time.
3. In order to ensure completeness of the offer document for investors and provide greater clarity & consistency in the disclosures and for timely processing, it has been decided to issue ‘*Guidelines for returning of draft offer document and its resubmission*’
4. Accordingly, the draft offer document shall be scrutinized based on the broad guidelines and such documents which are not compliant with the instructions provided under Schedule VI of ICDR Regulations and guidelines provided hereunder, shall be returned to the issuer.



5. Broad guidelines for returning of draft offer document and its resubmission are placed at **Annexure A** of this Circular.
6. In order to enhance ease of doing business for issuers, where draft offer document is returned in terms of these guidelines, there shall be no requirement for payment of any fees on account of resubmission of draft offer document.

General Instructions

7. This Circular shall come into force with immediate effect.
8. The recognized stock exchanges are directed to bring the provisions of this circular to the notice of the listed entities and also to disseminate the same on their websites.
9. This Circular is issued in exercise of powers conferred by Section 11(1) of the Securities and Exchange Board of India Act, 1992 and Regulation 299 of ICDR Regulations to protect the interests of investors in securities and to promote the development of, and to regulate the securities market.
10. A copy of this circular is available on SEBI website at www.sebi.gov.in under the categories “Legal Framework →Circulars”.

Yours faithfully,

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Annexure A

Guidelines for returning of draft offer document and its resubmission

1. Return of Draft Offer Document:

The draft offer document / draft letter of offer filed with the Board for public issue / rights issue (hereinafter “draft offer document”) of securities shall be scrutinized based on the broad guidelines specified as under and accordingly, the draft offer document shall be returned to the Issuer and the Lead Manager(s) for resubmission in accordance with the following guidelines -

- 1.1. Disclosures made in the draft offer document do not satisfy one or more of the following requirements:
 - i. Draft offer document is drafted in simple language with visual representation of data, so as to ensure ease of understanding of its contents and which substantially complies with the following principles:
 - a) Use of short sentences;
 - b) Use of definite, unambiguous and conventional words;
 - c) Use of active voice;
 - d) Use of tabular presentation or bullet lists, where required; and
 - e) Avoidance of multiple negatives.
 - ii. The information in the draft offer document is presented in a clear, concise, and intelligible manner, adhering to the following standards:
 - a) Clear and concise sections, paragraphs and sentences;
 - b) Descriptive headings and subheadings wherever necessary;
 - c) Avoidance of legal and technical terminology; and
 - d) Clarification of technical and complex terms, if any, used to explain the business of the issuer/other matters in simple terms.
 - iii. The draft offer document avoids:
 - a) Complex presentations that may make the substance of the disclosures incomprehensible;
 - b) Vague, ambiguous and imprecise explanations which may lead to more than one interpretation;

- c) Complex information quoted or copied from legal documents, unless accompanied with clear and concise explanation of the provision(s) therein;
 - d) Repetition of disclosures in different sections of the document which may increase the size of the document but does not improve the quality or efficacy of information, unless the context requires otherwise; and
 - e) Inconsistency in the numbers/ data/ facts provided in different sections of the offer document or between the draft offer document and subsequent submission(s) made in response to clarifications sought.
- iv. The risk factors are appropriately worded in simple, clear and unambiguous language to bring out clearly the risk to the investor, without undermining the same.
- 1.2. The draft offer document requires:
- i. Substantial revision or addenda on key disclosures, in accordance with the clarifications / explanations sought on the draft offer document; or
 - ii. Corrective measures on account of regulatory interpretation.
- 1.3. The information required to be included in the draft offer document is not clearly understandable without the necessity of referring to the general rules and regulations.
- Illustration: If an issue is filed under regulation 6(2) of the regulations, the draft offer document shall clearly specify the exact requirement under regulation 6(1) which has not been met by the issuer, instead of merely stating that the document is filed under regulation 6(2) of the Regulations.*
- 1.4. Where any other regulatory authority/enforcement agencies has expressed material concern with regard to issue / draft offer document filed by the issuer.
- On return of the draft offer document, the issuer shall ensure to seek/undertake remedial measures with the relevant regulator prior to resubmission of the document.*

- 1.5. Where there are any pending litigation matters in any court or tribunal having an impact on the issue with regard to eligibility criteria provided under ICDR Regulations for the issue / draft offer document filed by the issuer.

For purpose of eligibility criteria as mentioned in above para, Regulation 5, Regulation 61, Regulation 102, Regulation 213 and Regulation 228 of ICDR Regulation may be referred.

2. Resubmission of Draft Offer Document:

- 2.1. While there shall be no requirement for payment of any fees on account of resubmission of draft offer document, the requirement for paying applicable fees for the changes, if any, in terms of changes specified in Schedule XVI of the ICDR Regulations for the updated offer document shall continue to apply as is applicable to issuer for updation in offer document.
- 2.2. There shall be no refund of the filing fees on account of non-submission of draft offer document by the issuer after return.
- 2.3. The issuer, within two days of resubmission of draft offer document with the Board, shall make a public announcement in the mode and manner as prescribed under ICDR Regulations, as applicable, and the issuer shall also include a disclosure that it is a resubmitted document.
- 2.4. Issuer shall make written intimation to its sectoral regulator, if any, informing about the return and resubmission of the draft offer document, as applicable.

The Issuer and the Lead Manager(s) shall ensure that the draft offer document is resubmitted only after addressing insufficiency for which the draft offer document was returned and such draft offer document is in compliance with provisions of ICDR Regulations and other applicable laws.
