



CIRCULAR

CIR/MRD/DP/ 24 /2014

August 08, 2014

To  
All Stock Exchanges

Dear Sir / Madam,

**Sub: Expanding the framework of Offer for Sale (OFS) of Shares through stock exchange mechanism**

1. Comprehensive guidelines on sale of shares through Offer for Sale mechanism were issued vide circular no CIR/MRD/DP/18/2012 dated July 18, 2012. These guidelines have been modified vide circulars dated CIR/MRD/DP/04/2013 dated January 25, 2013 and CIR/MRD/DP/17/2013 dated May 30, 2013.
2. While the OFS mechanism has been successfully used to divest promoter stake, market feedback indicated that there is a need to take measures to encourage retail participation in OFS, enable other large shareholders to use the OFS mechanism and expand the universe of companies to use this framework.
3. Accordingly, the OFS framework shall be modified as under.
  - 3.1. The OFS mechanism shall be available to top 200 companies by market capitalization in any of the last four completed quarters.
  - 3.2. Any non-promoter shareholder of eligible companies holding at least 10% of share capital may also offer shares through the OFS mechanism.
  - 3.3. In case a non-promoter shareholder offers shares through the OFS mechanism, promoters/ promoter group entities of such companies may participate in the OFS to purchase shares subject to compliance with applicable provisions of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 and SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.
  - 3.4. Minimum 10% of the offer size shall be reserved for retail investors. For this purpose, retail investor shall mean an individual investor who places bids for shares of total value of not more than Rs.2 lakhs aggregated across the exchanges. If the cumulative bid value across exchanges exceeds Rs.2 lakhs in the retail category, such bids shall be rejected.



- 3.5. Individual retail investors shall have the option to bid in the retail category and the general category. However, if the cumulative bid value of such investors exceeds Rs.2 lakhs, the bids in the retail category shall become ineligible.
- 3.6. The cut off price i.e. the lowest price at which the entire offer gets sold, shall be determined based on all valid bids. The cut off price shall be determined separately for bids received in the retail category and for bids received in the non-retail category.
- 3.7. Upon determining the cut-off price, the offer size reserved for retail investors shall be allocated to eligible bids of retail investors. Any unutilized portion shall be offered to non-retail category of investors. In case of excess demand in retail category at the cut-off price, allocation shall be on proportionate basis.
- 3.8. Indicative price for retail and non-retail portion shall be displayed separately.
- 3.9. Seller shall announce intention of sale of shares latest by 5 pm on T-2 day (T day being the day of the OFS) to the stock exchange. Stock exchanges shall inform the market immediately upon receipt of notice.
- 3.10. In case of disclosure of the floor price, seller shall disclose the floor price latest by 5 pm on T-1 day to the stock exchange. Stock exchanges shall ensure that the same is informed to the market immediately.
- 3.11. Seller may offer discount to retail investors. The details of discount and percentage of reservation for retail investors shall be disclosed upfront in the notice of OFS to the exchange.
- 3.12. Discount to retail investors may be offered as follows:

Multiple Clearing price OFS-

- 3.12.1. Retail investors may be allocated shares at a discount to the cut-off price determined in the retail category, irrespective of the bid price entered by them. Or
- 3.12.2. Retail investors may be allocated shares at a discount to the bid price entered by them.



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

Single clearing price OFS-

3.12.3. Retail investors shall be allocated shares at a discount to cut off price determined in the retail category.

3.13. In case of both of the above methodologies, the discounted price which shall be the final allocation price to the retail investors may be below the floor price.

4. Para 1, 2, 5 and para 7 of OFS circular dated July 18, 2012 stand accordingly modified. All other conditions for sale of shares through OFS framework contained in the circulars CIR/MRD/DP/18/2012 dated July 18, 2012, CIR/MRD/DP/04/2013 dated January 25, 2013 and CIR/MRD/DP/17/2013 dated May 30, 2013 remain unchanged.

5. Stock Exchanges are advised to:

5.1. take necessary steps and put in place necessary systems for implementation of above within three weeks from the date of this circular.

5.2. take steps to implement para 3.9 and 3.10 above with immediate effect.

5.3. make necessary amendments to the relevant bye-laws, rules and regulations for the implementation of the above decision.

5.4. bring the provisions of this circular to the notice of the member brokers of the stock exchange to also to disseminate the same on their website.

6. 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,

**Maninder Cheema**  
**Deputy General Manager**  
Email: [maninderc@sebi.gov.in](mailto:maninderc@sebi.gov.in)