

National Stock Exchange of India

Circular

Department:	
Download Ref No: NSE/CML/2022/56	Date: December 13, 2022

The Company Secretary
All Listed Companies

Subject: Guidance note on inclusion of “Object of the issue” in case of Preferential issues (in the Explanatory statement to the notice to the shareholders) and in Qualified Institutions Placement (“QIP”) (in the preliminary and final placement document) under Chapter V and VI of SEBI (ICDR) Regulations, 2018, respectively.

The SEBI (ICDR) Regulations, 2018 was amended on November 21, 2022, to provide for, among other things, the requirement for appointing the SEBI registered Credit Rating Agency (“CRA”) as monitoring agency for monitoring the use of proceeds of such issues, if the issue size of QIP issue / Preferential issue exceeds one hundred crore rupees.

It is observed that different issuers have used different ways for the disclosure of object of the issue in their related documents and in case of multiple objects, funds needed for each object is not indicated clearly.

In view of the above, in order to ensure uniformity and enhance clarity in the disclosure of objects of the issue in case of QIP issue (Placement Document) and preferential issue (Notice to the shareholders), so that the CRAs can effectively monitor the utilisation of issue proceeds, the issuers are advised to ensure that they follow the guidelines prescribed below, while disclosing the object of issue in their Placement Document and Notice to the shareholders, as the case may be:

- a) The purpose for which fund is proposed to be raised shall be disclosed under the separate heading “Object of the issue”.
- b) Each object of the issue, for which funds are proposed to be raised shall be stated clearly and same shall not be open ended/ vague.
- c) The amount of funds proposed to be utilised against each of the object shall be stated clearly.

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In case, it is difficult to quantify the exact amount of fund to be used, a broad range of amount may be provided but the broad range shall be a realistic estimation and range gap shall not exceed +/- 10% of the amount specified for that object of issue size.

Further, while giving broad range, the reason for providing the same shall be specified.

- d) Total amount of issue size allocated for different objects of the issue shall together be used only for the object of the issue as specified in the placement document/ notice to shareholders and same cannot be added to General Corporate Purposes (GCP).
- e) The tentative timeline for utilisation of issue proceeds for each of the object shall be clearly stated. Till such time the issue proceeds are fully utilised, the issuer shall also disclose the mode in which such funds will be kept.
- f) The fund to be used for General Corporate Purposes (GCP), if any, shall not exceed 25% of the funds to be raised through the preferential issue or QIP, under the current issue.

The Exchange will be verifying compliance with the aforesaid disclosure requirements at the time of processing the application filed by the issuers under Regulation 28(1) of the SEBI (LODR) Regulations, 2018 seeking in-principle approval of the Exchange before making allotment of securities.

Applicability: -

The above guidance note will be applicable to all QIP and preferential issues which are approved by the Board of Directors of the issue on or after the date of issuance of this guidance note.

Yours faithfully,
For National Stock Exchange of India Limited

Charmi Dharod
Senior Manager

