*Disclaimer: These guidelines are issued as guidance only. The directions/instructions issued in provision of Law, Regulation, SEBI and Exchange circular are referred to in these guidelines are final for decision making in the matter. These guidelines are not and should not be construed as substitution/clarification/explanation on any matter on which provision of Law, Regulation or SEBI/Exchange circular were issued.*

**Points to be Remembered**

* Obtain in-principle approval under regulations 28 (1) of SEBI LODR regulations from the Exchange prior to the issuance of any security through preferential issue.
* Application seeking in-principle approval of the stock exchange(s), to be submitted, on the same day when the notice has been sent in respect of the general meeting seeking shareholders’ approval.
* Obtain Permanent Account Numbers (PAN) of the proposed allottees, before submitting the application seeking in-principle.
* Company shall ensure compliance with the conditions for continuous listing of equity shares as specified in the listing agreement with the stock exchange where the equity shares of the issuer are listed.
* Ensure there are no outstanding due like pending SOP fines, annual listing fees, processing fees, etc.
* Explanatory statement to notice sent to the shareholders obtaining approval for the preferential issue shall contain all the disclosures as mentioned under Regulation 163 (1) of SEBI (ICDR) Regulations, 2018 including the Ultimate Beneficial Owner details.
* If the Issue size exceeds 100 crores, ensure compliance with item no. 3.2 of annexure A of NSE Circular no. NSE/CML/2023/51 dated July 05,2023.
* Ensure compliance with item no. 3.1 of annexure A of NSE Circular no. NSE/CML/2023/51 dated July 05, 2023 and upload the Issue summary document with either of stock exchange at time of submitting the application.
* Ensure compliance with SEBI (SAST) Regulations, 2011 and other applicable regulations.
* Ensure that all equity shares held by the proposed allottees in the issuer are in dematerialized form.
* The tenure of the convertible securities of the issuer shall not exceed eighteen months from the date of their allotment.
* Allottee shall not have sold or transferred any equity shares of the company during the 90 trading days preceding the relevant date.

Note: Where any person belonging to promoter(s) or the promoter group has sold/transferred their equity shares of the company during the 90 trading days preceding the relevant date, the entire promoter(s) and promoter group shall be ineligible for allotment of specified securities on preferential basis.

* 90 / 10 trading days volume weighted average price shall be calculated by taking into consideration aggregate daily turnover in the scrip over the period of 90/10 trading days and dividing the same by the total number of shares traded during the said period.

*E.g.:- for 90 trading days*

|  |
| --- |
| *TO1+TO2+ …… + TO90* |
| *Q1+Q2+ ………. + Q90* |

*in case the relevant script has been traded for 85 days out of total 90 trading days of the market, the calculation shall be like*

|  |
| --- |
| *TO1+TO2+ …… + TO85* |
| *Q1+Q2+ ………. + Q85* |

*assuming the script has not traded between trading day 2 and trading day 90 for 5 trading days.*

*Where, TOn = Total turnover in the scrip on ‘nth’ trading day*

*Qn = Number of shares of the scrip traded on ‘nth’ trading day*

* In case valuation is triggered in terms of any of the provisions of chapter V of SEBI (ICDR) Regulations, 2018 or pursuant to the Articles of Association of the company, ensure submission of a Valuation report along with the application. Also ensure that:

1. The valuation report to be submitted shall also display relative fair value per share / fair share exchange ratio, after considering all the 3 approaches for valuation namely Asset Approach, Income Approach and Market Approach.
2. In case comparable company multiples method is used, the company shall provide the rationale for considering particular companies as comparable companies
3. In case control premium is used, company shall provide detailed working for arriving at such control premium.

* Allotment of more than 5% of the post issue size in reference to the regulation 166A shall be determined as follows:

*No. of shares being allotted to an allotee or to allotees acting in concert / post issue size of the company \* 100*

* The entire pre-preferential allotment shareholding of the allottees (ie. the shareholding of the allotee as on the date of the allotment of the security being issued on preferential basis), if any, shall be locked-in for the period as stated in regulation 167(6) of SEBI (ICDR) Regulation, 2018.
* In case the Pre-preferential holding of the allottee is under pledge and Lock-in on these shares can’t be executed due to pledge, the shares should be pledged with Banks/ financial institutions only.
* Transaction statement to be provided shall be:

1. duly certified,
2. issued by the Depository Participant,
3. for a period of 90 trading days prior to the relevant date till commencement of lock-in / relevant date,
4. reflect lock-in end date of entire pre-preferential holding