



CIRCULAR

CIR/CFD/DIL/2/2011

May 16, 2011

**To All Stock Exchanges**  
**To All Registered Merchant Bankers**  
**To All Registered Registrars to an Issue**  
**To All Registered Bankers to an Issue**

Dear Sirs,

**Sub.: Adjustment of differential pricing amount at the time of application for allotment of specified securities**

This refers to the provisions of Regulation 29 of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 which provide for offer of specified securities at different prices to certain investors.

2. It has been observed that presently, the effect of such differential pricing, if any, in a public issue, is being given to the eligible investors only at the stage of allotment of specified securities and not at the time of filing an application for such allotment. This takes away certain benefits from the investors such as lower cash outflow at a price net of discount, the ability to apply for more shares with the same cash outlay, etc.
3. In order to address the aforesaid issue, it has been decided to allow investors eligible for differential pricing in public issues to make payment at a price net of discount, if any, at the time of bidding itself, and in this context, it is clarified that -
  - a. Merchant Bankers shall ensure that appropriate disclosures are given in the offer document / application forms to the effect that investors eligible for discount can make payment after adjusting the discount, if any. It shall be disclosed that such investors shall in the relevant column indicate the bid price before adjusting for discount, if any. Further, it shall be clearly disclosed under what circumstances application would be liable for rejection in case of errors, if any, in this regard.
  - b. For the ease of calculation by investors eligible for differential pricing, it is preferable that discount, if any, is stated in absolute rupee terms subject to maximum discount, as per SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009, that can be given at the issue price.



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**Securities and Exchange Board of India**

- c. Stock Exchanges shall ensure that appropriate provisions for discount adjustment are provided in the bidding platform. Whenever the net payment (post discount) is more than two lakh rupees, the bidding system should be capable of ensuring that such applications are not eligible for discount.
  - d. Syndicate /Sub syndicate members and SCSBs shall enter the bid price as indicated by the applicant in the price column.
  - e. Segregation of Investor Categories (i.e. two lakh rupees for retail category), shall be based on the net payment amount(after adjusting for discount).
  - f. SCSBs shall carry out the necessary system changes at their end, if any.
4. Merchant Bankers shall create awareness among the investors eligible for discount on account of differential pricing to make payment at price net of discount.
  5. All concerned intermediaries are directed to comply with the instructions contained in this circular.
  6. This circular shall be applicable on Red Herring Prospectus/Prospectus filed with Registrar of Companies on or after June 15, 2011. This is to enable changes in the systems at Stock Exchanges and SCSBs level.
  7. This circular is issued in exercise of the powers conferred under Section 11 read with Section 11A of the Securities and Exchange Board of India Act, 1992 read with Regulation 108 of the SEBI(ICDR) Regulations, 2009.
  8. This circular is available on SEBI website at [www.sebi.gov.in](http://www.sebi.gov.in) under the categories “Legal Framework” and “Issues and Listing”.

Yours faithfully,

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