



The Institute of  
**Company Secretaries of India**  
IN PURSUIT OF PROFESSIONAL EXCELLENCE  
*Statutory body under an Act of Parliament*

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# CS UPDATE

## May 10, 2007

# CONTENTS

S. No.	Particulars	Pg. No.
1.	<b>Capital Market Updates</b>	
	• Press Release- SEBI amends DIP Guidelines	03
	• Circular - Amendments to SEBI (Disclosure And Investor Protection) Guidelines, 2000.	04
	• Notification - Securities and Exchange Board Of India (Manner of Service of Summons and Notices Issued by the Board) (Amendment) Regulations, 2007	13
	• Circular- Revised Monthly Cumulative Report (MCR)	16
2.	<b>Economic Laws</b>	
	• North East Industrial and Investment Promotion Policy (NEIIPP), 2007	20
3.	<b>FEMA Updates</b>	
	• External Commercial Borrowings (ECB)	26
	• Foreign Exchange Management Act (FEMA), 1999 – Current Account Transactions – Remittance for consultancy services – Liberalisation	27
	• Foreign Exchange Management Act (FEMA), 1999 – Current Account Transactions – Reimbursement of pre-incorporation expenses – Liberalisation	28
	• Foreign Exchange Management Act (FEMA), 1999 – Current Account Transactions – Remittance towards donation by Corporates - Liberalisation	29

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# **CAPITAL MARKET UPDATES**

- **Press Release- SEBI amends DIP Guidelines**
- **Circular - Amendments to SEBI (Disclosure And Investor Protection) Guidelines, 2000.**
- **Notification - Securities and Exchange Board Of India (Manner of Service of Summons and Notices Issued by the Board) (Amendment) Regulations, 2007**
- **Circular- Revised Monthly Cumulative Report (MCR)**

[HOME](#)

**SEBI amends DIP guidelines**

Securities and Exchange Board of India (SEBI) has amended the Disclosure and Investor Protection (DIP) guidelines as follows:

- 1) Grading of all Initial Public Offerings (IPO) made mandatory. The grading will be applicable to all IPOs for which draft offer documents are filed with SEBI after April 30, 2007;
- 2) Existing practices followed by SEBI regarding processing of draft offer documents incorporated in the DIP guidelines;
- 3) Companies having listing history of one year or more, only to be allowed to make Qualified Institutions Placement(QIP);
- 4) Companies having listing history of less than six months to be enabled to make preferential allotment, subject to certain conditions;
- 5) More clarity on provisions relating to minimum promoters' contribution for the purpose of public issues.

The full text of the circular, issued in this connection, is available on the website [www.sebi.gov.in](http://www.sebi.gov.in)

Mumbai

April 30, 2007

[BACK](#)

**Neelam Bhardwaj**  
Deputy General Manager  
Corporation Finance Department  
Division of Issues and Listing

SEBI/CFD/DIL/DIP/25/2007/30/4  
April 30, 2007

**To All Registered Merchant Bankers / Stock Exchanges**

Dear Sirs,

**Sub.: Amendments to SEBI (Disclosure and Investor Protection) Guidelines, 2000.**

1. In exercise of the powers conferred under sub-section (1) of Section 11 of the Securities and Exchange Board of India Act, 1992, it has been decided to amend the SEBI (Disclosure and Investor Protection) Guidelines, 2000 (hereinafter referred as "the Guidelines").

2. The full text of amendments are given in detail in **Annexure I** and given in brief as under:

**2.1 Processing of draft offer documents**

It is observed that many times, draft offer documents are filed with SEBI with incomplete documentation, incomplete disclosures or information which necessitates clarification from/ discussion with the Lead Manager/s.

SEBI issues observations on the draft offer documents so filed, only after receipt of satisfactory replies from the Lead Manager/s to queries raised, receipt of comments from regulators or other agencies where reference has been so made and receipt of copies of in-principle approvals from all the stock exchanges on which the issuer intends to list the securities proposed to be offered through the prospectus.

It has therefore been decided to amend the Guidelines to reflect the aforementioned existing practice in the Guidelines.

**2.2 Grading of Initial Public offerings (IPOs)**

It has been decided to make grading of all IPOs mandatory. The grading shall be done by credit rating agencies, registered with SEBI under the SEBI (Credit Rating Agencies) Regulations, 1999. It shall be mandatory to obtain grading from at least one credit rating agency. The issuer shall be required to disclose all the grades obtained by it for its IPO in the prospectus, abridged prospectus, issue advertisements and all other places where the issuer is advertising for the IPO. Expenses incurred for grading of IPO shall be borne by the issuer.

**2.3 Guidelines on preferential allotment**

At present, the provisions relating to pricing in preferential allotment guidelines presuppose existence of listing history of at least six months in a company proposing a preferential allotment. It has been decided to amend the preferential allotment guidelines, so as to enable companies with listing history of less than six months to raise money through preferential allotment, subject to complying with the modified pricing and disclosure norms.

**2.4 Guidelines on Qualified Institutions Placement (QIP)**

It has been decided to amend the eligibility criteria for a company desirous of making a QIP. In addition to fulfilling other criteria specified in the guidelines governing QIP, such company shall now be required to have, a listing history of at least one year as

on the date of issuance of notice to its shareholders for convening a general meeting in terms of Section 81(1A) of the Companies Act, 1956 to consider the QIP.

## **2.5 Eligibility of pledged shares for computation of minimum promoters' contribution**

It has been decided to amend the Guidelines to provide that securities which have been pledged with banks or financial institutions as collateral security for loans granted by such banks or financial institutions shall not be eligible for computation of minimum promoters' contribution.

## **2.6 Miscellaneous**

It has also been decided to bring more clarity to the provisions pertaining to eligibility of shares for promoters' contribution and incorporate the new addresses of SEBI offices at relevant places in the Guidelines.

## **3. Applicability**

3.1 The amendments made vide this circular shall be applicable as under:

- a. Amendments to clauses 2.0, 2.1.1, 2.1.2, 4.0, 4.6.1(ii), 4.6.2, 4.6.4A, 4.15.1, 5.6.1, 5.8.1 and 11.3.1(x) shall be applicable to all draft offer documents on which observations are issued by SEBI on or after the date of the circular;
- b. Amendments to clauses 2.5A, 5.6B, 6.4.2.2(a)(x-a), 6.8.2.9A, 6.17.3A, Schedule VIIA and Schedule XX-A shall be applicable to all draft offer documents filed with SEBI after the date of the circular.
- c. All amendments other than those specified in para (3.1) (a) and (3.1) (b) above shall come into force with immediate effect. (i.e. 13.1.1.1, 13.1.1.2, Explanation to clauses 13.1.1.1 and 13.1.1.2, 13.1A, Proviso inserted after 13.3.1(e), 13.7.2, 13A.1.1(a), Schedule XXII)

4. This circular is available on SEBI website at [www.sebi.gov.in](http://www.sebi.gov.in) under the category "Legal Framework". The entire text of the SEBI (DIP) Guidelines, 2000, including the amendments issued vide this circular, is available on the SEBI website under the categories "Legal Framework" and "Issues and Listing".

5. All registered merchant bankers are directed to ensure compliance with the applicable amendments made vide this circular.

6. All stock exchanges are advised to bring to the notice of all the listed companies, amendments mainly pertaining to preferential allotment and QIP, made vide this circular.

Yours faithfully,

**Neelam Bhardwaj**

**Encl.:** Annexure I

[BACK](#)

**ANNEXURE I**

**AMENDMENTS TO SEBI (DIP) GUIDELINES, 2000**

**CHAPTER II**

**ELIGIBILITY NORMS FOR COMPANIES ISSUING SECURITIES**

1. In Clause 2.0, the words “, unless specified otherwise in the Chapter” shall be inserted after the words “filing the draft offer document with SEBI” and before the words “and also at the time of filing the final offer document”.

2. For clause 2.1.1, the following clause shall be substituted, namely:-

“2.1.1 No issuer company shall make any public issue of securities, unless a draft Prospectus has been filed with the Board through a Merchant Banker, at least 30 days prior to the filing of the Prospectus with the Registrar of Companies (ROC):

**Provided that** if the Board specifies changes or issues observations on the draft Prospectus (without being under any obligation to do so), the issuer company or the Lead Manager to the Issue shall carry out such changes in the draft Prospectus or comply with the observations issued by the Board before filing the Prospectus with ROC.

**Provided further that** the period within which the Board may specify changes or issue observations, if any, on the draft Prospectus shall be 30 days from the date of receipt of the draft Prospectus by the Board.

**Provided further that** where the Board has sought any clarification or additional information from the Lead Manager/s to the Issue, the period within which the Board may specify changes or issue observations, if any, on the draft Prospectus shall be 15 days from the date of receipt of satisfactory reply from the Lead Manager/s to the Issue.

**Provided further that** where the Board has made any reference to or sought any clarification or additional information from any regulator or such other agencies, the Board may specify changes or issue observations, if any, on the draft Prospectus after receipt of comments or reply from such regulator or other agencies.

**Provided further that** the Board may specify changes or issue observations, if any, on the draft Prospectus only after receipt of copy of in-principle approval from all the stock exchanges on which the issuer company intends to list the securities proposed to be offered through the Prospectus.”

3. For clause 2.1.2, the following clause shall be substituted, namely:-

“2.1.2 No listed issuer company shall make any rights issue of securities, unless a draft letter of offer has been filed with the Board, through a Merchant Banker, at least 30 days prior to the filing of the letter of offer with the Designated Stock Exchange (DSE).



**Provided that** if the Board specifies changes or issues observations on the draft Letter of Offer (without being under any obligation to do so), the issuer company or the Lead Manager to the Issue shall carry out such changes in the draft Letter of Offer or comply with the observations issued by the Board before filing the Letter of Offer with DSE.

**Provided further that** the period within which the Board may specify changes or issue observations, if any, on the draft Letter of Offer shall be 30 days from the date of receipt of the draft Letter of Offer by the Board.

**Provided further that** where the Board has sought any clarification or additional information from the Lead Manager/s to the Issue, the period within which the Board may specify changes or issue observations, if any, on the draft Letter of Offer shall be 15 days from the date of receipt of satisfactory reply from the Lead Manager/s to the Issue.

**Provided further that** where the Board has made any reference to or sought any clarification or additional information from any regulator or such other agencies, the Board may specify changes or issue observations, if any, on the draft Letter of Offer after receipt of comments or reply from such regulator or other agencies.

**Provided further that** the Board may specify changes or issue observations, if any, on the draft Letter of Offer only after receipt of copy of in-principle approval from all the stock exchanges on which the issuer company intends to list the securities proposed to be offered through the Letter of Offer.”

4. After clause 2.5, the following new clause shall be inserted, namely:-

**“2.5A IPO Grading**

2.5A.1 No unlisted company shall make an IPO of equity shares or any other security which may be converted into or exchanged with equity shares at a later date, unless the following conditions are satisfied as on the date of filing of Prospectus (in case of fixed price issue) or Red Herring Prospectus (in case of book built issue) with ROC:

(i) the unlisted company has obtained grading for the IPO from at least one credit rating agency;

(ii) disclosures of all the grades obtained, along with the rationale/description furnished by the credit rating agency(ies) for each of the grades obtained, have been made in the Prospectus (in case of fixed price issue) or Red Herring Prospectus (in case of book built issue);

And

(iii) the expenses incurred for grading IPO have been borne by the unlisted company obtaining grading for IPO.”

## CHAPTER IV

### PROMOTERS' CONTRIBUTION AND LOCK-IN REQUIREMENTS

#### PART I – PROMOTERS' CONTRIBUTION

5. The following words shall be inserted in clause 4.0 after the words “the following provisions”, namely:-

“as on the date of filing of draft offer document with SEBI, unless specified otherwise in this Part ”

6. In sub-clause (ii) of clause 4.6.1, the following words shall be inserted after the words “without accrual of cash resources “, namely:-

” or against shares which are otherwise ineligible for computation of promoters' contribution”

7. In clause 4.6.2, for the words “issued to” appearing after the words “securities which have been” and before the words “the promoters during the preceding one year”, the words “acquired by” shall be substituted.

8. After 1<sup>st</sup> proviso to clause 4.6.2, the following proviso shall be inserted to clause 4.6.2, namely:-

“**Provided further that** nothing contained in clause 4.6.2 shall apply to shares acquired by promoters inter se, if such shares had been acquired by the transferor promoter during the preceding one year at a price equal or higher than the price at which equity is being offered to public or had been acquired by the transferor promoter prior to the preceding one year.”

9. After clause 4.6.4, the following clause shall be inserted, namely:-

“4.6.4A Pledged securities held by promoters shall not be eligible for computation of promoters' contribution.”

#### PART III - OTHER REQUIREMENTS IN RESPECT OF LOCK-IN

10. After clause 4.15.1, the following proviso shall be inserted to clause 4.15.1, namely:-

“Provided that if securities are locked in as minimum promoters' contribution under clause 4.11.1, the same may be pledged, only if, in addition to fulfilling the requirements of this clause, the loan has been granted by such banks or financial institutions for the purpose of financing one or more of the objects of the issue.”

## CHAPTER V

### PRE- ISSUE OBLIGATIONS

11. In clauses 5.6.1 and 5.8.1, for the figures and words “21 days”, the figures and words “30 days” shall be substituted.

12. For clause 5.6B, the following clause shall be substituted, namely:-

“5.6B **IPO Grading**



5.6B.1 Every unlisted company obtaining grading for IPO under clause 2.5A.1 shall disclose all the grades obtained, along with the rationale/description furnished by the credit rating agency (ies) for each of the grades obtained, in the Prospectus, Abridged Prospectus, issue advertisements and at all other places where the issuer company is advertising for the IPO.”

## CHAPTER VI

### CONTENTS OF OFFER DOCUMENT

#### SECTION I - CONTENTS OF THE PROSPECTUS

13. In sub-clause (a) of clause 6.4.2.2, for item (x-a), the following item shall be substituted, namely:-

“(x-a) Disclosure under the heading “IPO Grading”, stating all the grades obtained for the IPO and giving reference to the page number(s) on which details of IPO Grading, as provided for in clause 6.8.2.9A, are given.”

14. In sub-clause (a) of clause 6.8.2.9A, –

(a) for the words “Name of the credit rating agency”, the words “Names of all the credit rating agencies” shall be substituted.

(b) the words “and the grading so obtained, including unaccepted grades” shall be omitted.

15. For sub-clause (b) of clause 6.8.2.9A, the following sub-clause shall be substituted, namely:-

“(b) Disclosure of all the grades obtained from the credit rating agencies.”

#### SECTION II - CONTENTS OF ABRIDGED PROSPECTUS

16. For clause 6.17.3A, the following clause shall be substituted, namely:-

“6.17.3A Disclosure under the heading “IPO Grading”, stating all the grades obtained for the IPO, along with the rationale/ description furnished by the credit rating agency(ies) for each of the grades obtained.”

## CHAPTER XI

### GUIDELINES ON BOOK BUILDING

17. In clause 11.3.1, sub-clause (x) shall be omitted.

## CHAPTER XIII

### GUIDELINES FOR PREFERENTIAL ISSUES

18. For the opening para of clause 13.1.1.1, the following para shall be substituted, namely:-

“Where the equity shares of a company have been listed on a stock exchange for a period of six months or more as on the relevant date, the issue of shares on preferential basis shall be made at a price not less than higher of the following:”

19. After clause 13.1.1.1 and before the Explanation given under clause 13.1.1.1, the following clause shall be inserted, namely:-

“13.1.1.2 Where the equity shares of a company have been listed on a stock exchange for a period of less than six months as on the relevant date, the issue of shares on preferential basis can be made at a price not less than the higher of the following:

i) The price at which shares were issued by the company in its IPO or the value per share arrived at in a scheme of arrangement under sections 391 to 394 of the Companies Act, 1956, pursuant to which the shares of the company were listed, as the case may be;

OR

ii) The average of the weekly high and low of the closing prices of the related shares quoted on the stock exchange during the period shares have been listed preceding the relevant date;

OR

iii) The average of the weekly high and low of the closing prices of the related shares quoted on a stock exchange during the two weeks preceding the relevant date.

**Provided that** on completing a period of six months of being listed on a stock exchange, the company shall recompute the price of the shares in accordance with the provisions mentioned in sub-clause (i) of clause 13.1.1.1 and if the price at which shares were allotted on a preferential basis under clause 13.1.1.2 was lower than the price so recomputed, the difference shall be paid by the allottees to the company.”

20. In the Explanation appearing after clause 13.1.1.2 inserted as above, -

(a) in clauses (a) and (b), for the words “for the purpose of this clause”, the words “for the purpose of clauses 13.1.1.1 and 13.1.1.2” shall be substituted.

(b) In clause (a), at the end, after the words “to consider the proposed issue” and before the full stop, the following words shall be inserted, namely:-

“; provided however that in respect of shares issued on preferential basis pursuant to a scheme approved under the Corporate Debt Restructuring framework of Reserve Bank of India, the date of approval of the Corporate Debt Restructuring package shall be the relevant date”.

21. In clause 13.1A, after sub-clause (v), the following sub-clause shall be inserted, namely:-

“vi. in case of a preferential allotment to which clause 13.1.1.2 is applicable, requirements specified in proviso to clause 13.1.1.2 and proviso mentioned after sub-clause (e) of clause 13.3.1.”

22. In clause 13.3.1, after clause (e), the following proviso shall be inserted, namely:-

“Provided that where any amount payable by the allottee of shares under the proviso to clause 13.1.1.2 is not paid till the expiry of lock-in period mentioned in sub-clauses (a) to (e) above, lock-in period in respect of the shares issued to such allottee shall continue till the time the company receives such amount from such allottee.”

23. After clause 13.7.1, the following clause shall be inserted, namely:-  
“13.7.2 Clauses 13.1 and 13.3 shall not be applicable to shares allotted to any financial institution within the meaning of sub-clauses (ia) and (ii) of clause (h) of section 2 of the Recovery of Debts due to Banks and Financial Institutions Act, 1993 (51 of 1993).”

#### **CHAPTER XIII-A**

##### **GUIDELINES FOR QUALIFIED INSTITUTIONS PLACEMENT**

24. In clause 13A.1.1, for sub-clause (a), the following shall be substituted, namely:-  
“(a) its equity shares of the same class were listed on a stock exchange having nation wide trading terminals for a period of at least one year as on the date of issuance of notice to its shareholders for convening the meeting referred to in Explanation (a) to clause 13A.3.1; and”

#### **SCHEDULE VIIA**

##### **ORDER OF PRESENTATION OF DISCLOSURES IN PROSPECTUS**

25. In Schedule VIIA, -  
(a) under the sub-heading “Issue Details” appearing under the heading “Front Cover Pages”, the following item shall be inserted after item (i), namely:-  
“(i-a) IPO Grading.”  
(b) under the sub-heading “General Information” appearing under the heading “Introduction”, the following item be inserted after item (ix), namely:-  
“(ix-a) IPO Grading.”

#### **SCHEDULE XX-A**

##### **FORMATS OF ISSUE ADVERTISEMENTS**

26. In Parts A, B and C of Schedule XX-A, the words “**IPO GRADING**” shall be inserted after the information about “Debenture Trustees” and before the information about “Availability of Application Forms”.

#### **SCHEDULE XXII**

**[Clause 16.1.1(b), 16.2.3.1, 16.2.4.3]**

##### **JURISDICTION OF REGIONAL OFFICES/ HEAD OFFICE OF THE BOARD**

27. In Schedule XXII, the Northern Region and Eastern Region addresses of SEBI offices shall be substituted by the following, namely:-  
Northern Region – “5th Floor, Bank of Baroda Building,  
16, Sansad Marg,  
New Delhi - 110 001.”

May 10, 2007

Eastern Region – “3rd Floor, 16 Camac Street,  
Kolkata - 700 017.”

28. In Schedule XXII, the following address shall be inserted in the list of Head Office addresses of SEBI offices, namely:-

Head Office – “3) Plot No.C4-A, 'G' Block,  
Bandra Kurla Complex,  
Bandra (East),  
Mumbai - 400051.”

[BACK](#)



THE GAZETTE OF INDIA

EXTRAORDINARY

PART -III - SECTION 4

PUBLISHED BY AUTHORITY

NEW DELHI, APRIL 23, 2007

SECURITIES AND EXCHANGE BOARD OF INDIA

NOTIFICATION

Mumbai, the 23<sup>rd</sup> April, 2007

**SECURITIES AND EXCHANGE BOARD OF INDIA (MANNER OF SERVICE OF  
SUMMONS AND NOTICES ISSUED BY THE BOARD) (AMENDMENT)  
REGULATIONS, 2007**

**No. SEBI/LAD/DOP/2232/2007.** - In exercise of the powers conferred by section 30 of the Securities and Exchange Board of India Act, 1992 (15 of 1992), the Board hereby makes the following Regulations to further amend the Securities and Exchange Board of India (Procedure for Holding Enquiry by Enquiry Officer and Imposing Penalty) Regulations, 2002, Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003, Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 and Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, namely :-

**Short title**

1. These regulations may be called the Securities and Exchange Board of India (Manner of Service of Summons and Notices issued by the Board) (Amendment) Regulations, 2007.

**Commencement**

2. They shall come into force on the date of their publication in the Official Gazette.

**Amendment to the Securities and Exchange Board of India (Procedure for Holding Enquiry by Enquiry Officer and Imposing Penalty) Regulations, 2002**

3. In the Securities and Exchange Board of India (Procedure for Holding Enquiry by Enquiry Officer and Imposing Penalty) Regulations, 2002, regulation 22 shall be substituted with the following, namely:

## **“Service of notice**

22. A notice issued under these regulations may be served on the concerned person in the following manner, this is to say,-

- a) by delivering or tendering to that person or his duly authorised agent; or
- b) by transmitting a copy thereof by registered post with acknowledgement due, addressed to that person or his duly authorised agent, or by speed post or by such courier services as may be approved by the Board or by any other means of transmission of documents including Fax message or electronic mail service, which affords a record of delivery; or
- c) in case of service upon a stock broker the same may be served through the concerned stock exchange; or
- d) if it cannot be served under clauses (a), (b) or (c), -
  - (i) by affixing the same on the outer door or some other conspicuous part of the premises in which that person resides or is known to have last resided, or carries on business or is last known to have carried on business or personally works for gain or is known to have last personally worked for gain:

Provided that written report thereof shall be witnessed by two persons; or

- (ii) by posting such notice on the Board’s website.”

## **Amendment to the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003**

4. In the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to the Securities Market) Regulations, 2003, after regulation 11, the following regulation shall be inserted, namely:-

### **“Manner of service of summons and notices issued by the Board**

11A. A summons or notice issued by the Board under these regulations may be served in the manner provided in regulation 22 of the Securities and Exchange Board of India (Procedure for Holding Enquiry by Enquiry Officer and Imposing Penalty) Regulations, 2002.”

## **Amendment to the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992**

5. In the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992, after regulation 11, the following regulation shall be inserted, namely:-



**“Manner of service of summons and notices issued by the Board**

**11A.** A summons or notice issued by the Board under these regulations may be served in the manner provided in regulation 22 of the Securities and Exchange Board of India (Procedure for Holding Enquiry by Enquiry Officer and Imposing Penalty) Regulations, 2002.”

**Amendment to the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997**

**6.** In the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, after regulation 44, the following regulation shall be inserted, namely:-

**“Manner of service of summons and notices issued by the Board**

**44A.** A summons, notice issued by the Board under these regulations may be served in the manner provided in regulation 22 of the Securities and Exchange Board of India (Procedure for Holding Enquiry by Enquiry Officer and Imposing Penalty) Regulations, 2002.”

**M. DAMODARAN  
CHAIRMAN**

[BACK](#)

May 10, 2007

**EXECUTIVE DIRECTOR**

**INVESTMENT MANAGEMENT DEPARTMENT**

SEBI/IMD/CIR No.2/91600/07

April 20, 2007

**All Mutual Funds Registered with SEBI**

**Association of Mutual Funds in India (AMFI)**

Dear Sirs,

**RE: REVISED MONTHLY CUMULATIVE REPORT (MCR)**

Please refer to SEBI circular No SEBI/IMD/CIR No. 3/2564/2004 dated February 5, 2004, SEBI circular no. MFD/CIR No. 2/110/02 dated April 26, 2002 and SEBI circular no. SEBI/IMD/CIR No. 6 / 72245 /06 dated July 20, 2006 prescribing the format for Monthly Cumulative Report (MCR) and Annual Statistical Report (ASR) respectively.

The format of the MCR report has been modified to incorporate data on Gold Exchange Traded Funds (Gold ETFs) and Other ETFs. The revised format is enclosed. Accordingly, in future, MCR shall be submitted to SEBI in the revised format.

This circular is issued in exercise of powers conferred under Section 11 (1) of the Securities and Exchange Board of India Act, 1992, read with the provisions of Regulation 77 of SEBI (Mutual Funds) Regulations, 1996, to protect the interests of investors in securities and to promote the development of, and to regulate the securities market.

Yours faithfully,

**R K Nair**

Encl : [Revised Monthly Cumulative Report \(MCR\)](#)

NAME OF MUTUAL FUND:																								
MCR FOR THE PERIOD FY [APRIL 2007 - (MARCH 2008)]															Status as on last day of the month									
		No. of Schemes as on month end)			No. of folios as on month end			Funds mobilized for the period			Repurchase/ Redemption for the period			Net Inflow (+ve)/ Outflow (-ve) for the period			Unit Capital as on (month end)			Net Assets Under Management as on (month end)			Average Net Asset under Management for the month	
		O	C	T	O	C	T	O	C	T	O	C	T	O	C	T	O	C	T	O	C	T		
		p	n	s	p	n	s	p	n	s	p	n	s	p	n	s	p	n	s	p	n	s		p
							(in Rs. Crores)			(in Rs. Crores)			(in Rs. Crores)			(no. of units)			(in Rs. Crores)			(in Rs. Crores)		
<b>A INCOME / DEBT ORIENTED SCHEMES</b>																								
i i i i v	Liquid/ Money Market																							
	Gilt																							
	Debt(oth er than assured return schemes )																							
	Debt (Assured return schemes )																							
	<b>Sub total(i+ii +iii+iv)</b>																							
<b>B GROWTH / EQUITY ORIENTED SCHEMES</b>																								
i i i	ELSS schemes																							
	Other schemes																							
	<b>Sub total (i+ii)</b>																							
<b>C BALANCED SCHEMES</b>																								
i	Balance d schemes																							
<b>D EXCHANGE TRADED FUND</b>																								
i i	GOLD ETF																							
	Other ETFs																							

GRAND TOTAL																							
E																							

Footnotes : a) Data should reach us by 3rd of every month  
 b) Data should be given strictly in above format only. Any additional information desired, may be filed by a separate annexure  
 c) "Opn" stands for Open Ended Schemes and "Cls" stands for Closed Ended Schemes  
 d)  $Average\ Net\ Asset\ under\ management = \frac{\sum net\ assets\ as\ at\ the\ end\ of\ the\ business\ hr\ for\ all\ business\ days\ of\ the\ month}{total\ number\ of\ business\ days\ in\ the\ month}$

[BACK](#)



# **ECONOMIC LAWS**

- North East Industrial and Investment Promotion Policy (NEIIPP), 2007

***HOME***

**File No.10 (3)/2007-DBA-II/NER  
Government of India  
Ministry of Commerce and Industry  
Department of Industrial Policy and Promotion  
\*\*\*\*\***

**New Delhi dated the 1<sup>st</sup> April, 2007.**

**OFFICE MEMORANDUM**

**Subject: North East Industrial and Investment Promotion Policy  
(NEIIPP), 2007**

The Government has approved a package of fiscal incentives and other concessions for the North East Region namely the '**North East Industrial and Investment Promotion Policy (NEIIPP), 2007**', effective from 1.4.2007, which, inter-alia, envisages the following:

**(i) Coverage:**

The North East Industrial Policy (NEIP), 1997 announced on 24.12.1997 covered the States of Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland and Tripura. Under NEIIPP, 2007, Sikkim will also be included. Consequently, the 'New Industrial Policy and other concessions for the State of Sikkim' announced vide O.M. No.14(2)/2002-SPS dated 23.12.2002 and the Schemes thereunder i.e. Central Capital Investment Subsidy Scheme, 2002, Central Interest Subsidy Scheme, 2002 and Central Comprehensive Insurance Scheme, 2002, notified vide Notifications No. F.No.14(2)/2002-SPS dated the 24.12.2002 will be discontinued from 1.4.2007.

**(ii) Duration:**

All new units as well as existing units which go in for substantial expansion, unless otherwise specified and which commence commercial production within the 10 year period from the date of notification of NEIIPP, 2007 will be eligible for incentives for a period of ten years from the date of commencement of commercial production.

**(iii) Neutrality of location:**

Incentives will be available to all industrial units, new as well as existing units on their substantial expansion, located anywhere in the North Eastern Region. Consequently, the distinction between 'thrust' and 'non-thrust' industries made in NEIP, 1997 will be discontinued from 1.4.2007.



**(iv) Substantial Expansion:**

Incentives on substantial expansion will be given to units effecting 'an increase by not less than 25% in the value of fixed capital investment in plant and machinery for the purpose of expansion of capacity/modernization and diversification', as against an increase by 33½ % which was prescribed in NEIP, 1997.

**(v) Excise Duty Exemption:**

100% Excise Duty exemption will be continued, on finished products made in the North Eastern Region, as was available under NEIP, 1997. However, in cases, where the CENVAT paid on the raw materials and intermediate products going into the production of finished products (other than the products which are otherwise exempt or subject to nil rate of duty) is higher than the excise duties payable on the finished products, ways and means to refund such overflow of CENVAT credit will be separately notified by the Ministry of Finance.

**(vi) Income Tax Exemption:**

100% Income Tax exemption will continue under NEIIPP, 2007 as was available under NEIP, 1997.

**(vii) Capital Investment Subsidy:**

Capital Investment Subsidy will be enhanced from 15% of the investment in plant and machinery to 30% and the limit for automatic approval of subsidy at this rate will be Rs.1.5 crores per unit, as against Rs.30 lakhs as was available under NEIP, 1997. Such subsidy will be applicable to units in the private sector, joint sector, cooperative sector as well as the units set up by the State Governments of the North Eastern Region. For grant of Capital Investment Subsidy higher than Rs.1.5 crore but upto a maximum of Rs.30 crores, there will be an Empowered Committee Chaired by Secretary, Department of Industrial Policy & Promotion with Secretaries of Department of Development of North Eastern Region (DONER), Expenditure, Representative of Planning Commission and Secretary of the concerned Ministries of the Government of India dealing with the subject matter of that industry as its members as also the concerned Chief Secretary/Secretary (Industry) of the North Eastern State where the claiming unit is to be located.

Proposals which are eligible for a subsidy higher than Rs.30 crores, will be placed by Department of Industrial Policy and Promotion before the Union Cabinet for its consideration and approval.

**(viii) Interest Subsidy:**

Interest Subsidy will be made available @ 3% on working capital loan under NEIIPP, 2007 as was available under NEIP, 1997.

**(ix) Comprehensive Insurance:**

New industrial units as well as the existing units on their substantial expansion will be eligible for reimbursement of 100% insurance premium.

**(x) Negative List:**

The following industries will not be eligible for benefits under NEIIPP, 2007:-

- (i) All goods falling under Chapter 24 of the First Schedule to the Central Excise Tariff Act, 1985 (5 of 1986) which pertains to tobacco and manufactured tobacco substitutes.
- (ii) Pan Masala as covered under Chapter 21 of the First Schedule to the Central Excise Tariff Act, 1985 (5 of 1986).
- (iii) Plastic carry bags of less than 20 microns as specified by Ministry of Environment and Forests Notification No.S.O. 705(E) dated 02.09.1999 and S.O.698 (E) dated 17.6.2003.
- (iv) Goods falling under Chapter 27 of the First Schedule to the Central Excise tariff Act, 1985 (5 of 1986) produced by petroleum oil or gas refineries.

**(xi) Incentives for Service/other Sector Industries**

Incentives under NEIIPP, 2007 will be applicable to the following service sector activities/industries:-

**I. Service Sector:**

- (i) Hotels (not below Two Star category), adventure and leisure sports including ropeways ;
- (ii) Medical and health services in the nature of nursing homes with a minimum capacity of 25 beds and old-age homes ;
- (iii) Vocational training institutes such as institutes for hotel management, catering and food crafts, entrepreneurship development, nursing and para-medical, civil aviation related training, fashion, design and industrial training.

A number of tax concessions under the existing provisions of Section 10A and 10AA of the Income Tax Act are already available to the IT sector. However, one of the

important impediments to the development of Software Technology Parks or IT related SEZs in the North Eastern Region is the non-availability of trained human resources in the North Eastern Region. Accordingly, tax benefits as is availed under Section 80 IC of the Income Tax Act would be extended to IT related training centers and IT hardware units.

## **II. Incentives for Bio-technology industry:**

The biotechnology industry will be eligible for benefits under NEIIPP, 2007 as applicable to other industries.

## **III. Incentives for Power Generating Industries:**

Power Generating plants will continue to get incentives as governed by the provisions of Section 81A of the Income tax Act. In addition, power generating plants upto 10 MW based on both conventional and non-conventional sources will also be eligible for capital investment subsidy, interest subsidy and comprehensive insurance as applicable under NEIIPP, 2007.

### **(xii) Establishment of a monitoring mechanism for implementation of the NEIIPP, 2007:**

In order to establish a monitoring mechanism for implementation of NEIIPP, 2007, a 'High Level Committee' / an 'Advisory Committee' under the Chairmanship of Secretary, Department of Industrial Policy and Promotion and comprising Secretaries of the Ministries/Departments of Revenue, Department of Development of North Eastern Region (DONER), Banking and Insurance, Representative of Planning Commission, CMD, NEDFi as well as major stakeholders including the industry associations of the North Eastern region would be constituted. In addition, an 'Oversight Committee' will be constituted under the Chairmanship of the Union Commerce and Industry Minister with Industry Ministers of NE States as its members.

### **(xiii) Value Addition**

In order to ensure genuine industrial activities in the North Eastern Region, benefits under NEIIPP, 2007 will not be admissible to goods in respect of which only peripheral activities like preservation during storage, cleaning operations, packing, re-packing, labelling or re-labelling, sorting, alteration of retail sale price etc. take place.

### **(xiv) Transport Subsidy Scheme**

The Transport Subsidy Scheme would continue beyond 31.3.2007, on the same terms and conditions. However, an early

evaluation of the scheme will be carried out with a view to introducing necessary safeguards to prevent possible leakages and misuse.

**(xv) Nodal agency**

The North East Industrial Development Finance Corporation (NEDFi) will continue to act as the nodal agency for disbursement of subsidies under NEIIP, 2007.

**2.** The 'New Industrial Policy and other concession in the North Eastern Region' announced vide O.M. No.EA/1/2/96-IPD, dated 24.12.1997 (NEIP, 1997) will cease to operate with effect from 1.4.2007. Industrial Units which have commenced commercial production on or before 31.3.2007 will continue to get benefits/incentives under NEIP, 1997.

**3.** Government reserves the right to modify any part of the Policy in public interest.

**4.** All concerned Ministries/Departments of the Government of India are requested to amend their respective Acts/rules/notifications etc. and issue necessary instructions for giving effect to these decisions.

(N.N. Prasad)

Joint Secretary to the Government of India

Copy for information and necessary action to:

- (i) All Ministries/Departments of the Government of India and Planning Commission.
- (ii) Chief Secretaries of the States of Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Tripura and Sikkim.
- (iii) Secretary (Industries) of the States of Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Tripura and Sikkim
- (iv) The North East Industrial Development Finance Corporation (NEDFi), Guwahati.

Copy also to:

- (i) Cabinet Secretariat
- (ii) PMO

**BACK**

# FEMA UPDATES

- External Commercial Borrowings (ECB)
- Foreign Exchange Management Act (FEMA), 1999 – Current Account Transactions – Remittance for consultancy services – Liberalisation
- Foreign Exchange Management Act (FEMA), 1999 – Current Account Transactions – Reimbursement of pre-incorporation expenses – Liberalisation
- Foreign Exchange Management Act (FEMA), 1999 – Current Account Transactions – Remittance towards donation by Corporates - Liberalisation

[HOME](#)

**RBI/2006-2007/365****A. P. (DIR Series) Circular No. 44****April 30, 2007**

To,  
All Category - I Authorised Dealer Banks

Madam / Sir,

**External Commercial Borrowings (ECB)**

Attention of Authorised Dealer Category - I (AD Category - I) banks is invited to the A. P. (DIR Series) Circular No.17 dated December 4, 2006 relating to External Commercial Borrowings (ECB) and to the announcement made in the Annual Policy statement for the year 2007-08 (para 136).

2. With a view to providing greater flexibility to the corporates in managing their liquidity and interest costs dynamically, the existing limit for prepayment of ECB has been enhanced from USD 300 million to USD 400 million. Accordingly, AD Category - I banks may allow prepayment of ECB up to USD 400 million, without prior approval of the Reserve Bank subject to compliance with the minimum average maturity period as applicable to the loan.

3. The amended ECB policy will come into force with immediate effect and is subject to review.

4. Necessary amendments to FEMA Notification No. 3/2000-RB dated May 3, 2003 [Foreign Exchange Management (Borrowing or Lending in Foreign Exchange) Regulations, 2000] are being issued separately.

5. AD Category - I banks may bring the contents of this circular to the notice of their constituents and customers concerned.

6. The directions contained in this circular have been issued under sections 10(4) and 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and is without prejudice to permissions / approvals, if any, required under any other law.

Yours faithfully,

**(Salim Gangadharan)**  
**Chief General Manager**

[BACK](#)



**RBI/2006-2007/367****A. P. (DIR Series) Circular No.46****April 30, 2007**

To,  
All Category - I Authorised Dealer Banks

Madam / Sir,

**Foreign Exchange Management Act (FEMA), 1999 – Current Account Transactions – Remittance for consultancy services – Liberalisation**

Attention of Authorised Dealer Category-I (AD Category-I) banks is invited to Foreign Exchange Management (Current Account Transactions) Rules, 2000 notified vide Notification No. G.S.R.381(E) dated 4th May 2000, as amended from time to time. In terms of Rule 5 of the Foreign Exchange Management (Current Account Transactions) Rules, 2000, prior approval of the Reserve Bank is required for drawing foreign exchange for remittance exceeding USD 1,000,000 per project, for any consultancy service procured from outside India [item 15 of Schedule III to the Foreign Exchange Management (Current Account Transactions) Rules, 2000].

2. As announced in the Annual Policy Statement for the year 2007-08 (para 146 (i) ii)) and with a view to further liberalise the procedure and provide greater flexibility, it has been decided to raise the limit for remittance for consultancy service procured from outside India by Indian companies executing infrastructure projects from USD 1 million per project up to USD 10 million per project. For this purpose, infrastructure sector is defined as (i) power, (ii) telecommunication, (iii) railways, (iv) road including bridges, (v) sea port and airport, (vi) industrial parks, and (vii) urban infrastructure (water supply, sanitation and sewage projects).

Accordingly, AD Category - I banks may allow remittances on behalf of Indian companies in such cases up to USD 10 million per project, after verifying the bonafides of the transaction. In all other cases, the existing limit of USD 1 million, per project, for any consultancy service procured from outside India, will continue.

3. Necessary amendments to Foreign Exchange Management (Current Account Transactions) Rules, 2000 are being notified separately.

4. AD Category - I banks may bring the contents of this circular to the notice of their constituents and customers concerned.

5. The directions contained in this Circular have been issued under Section 10 (4) and 11 (1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and is without prejudice to permissions / approvals, if any, required under any other law.

Yours faithfully,

**(Salim Gangadharan)**  
**Chief General Manager**

[BACK](#)

May 10, 2007

**RBI/2006-2007/368****A. P. (DIR Series) Circular No. 47****April 30, 2007**

To,  
All Category - I Authorised Dealer Banks

Madam / Sir,

**Foreign Exchange Management Act (FEMA), 1999 – Current Account Transactions – Reimbursement of pre-incorporation expenses – Liberalisation**

Attention of Authorised Dealer Category - I (AD Category - I) banks is invited to Foreign Exchange Management (Current Account Transactions) Rules, 2000 notified vide Notification No. G.S.R.381(E) dated 4th May 2000. In terms of Rule 5 of the Foreign Exchange Management (Current Account Transactions) Rules, 2000 (the Rules), prior approval of the Reserve Bank is required for drawing foreign exchange for remittance exceeding USD 100,000 by an entity in India by way of reimbursement of pre-incorporation expenses [item 17 of Schedule III of the Rules].

2. As announced in the Annual Policy Statement for the year 2007-08 (para 146 (i) iii)) and with a view to liberalise the procedure further and providing greater flexibility, it has been decided to allow remittance of foreign exchange towards reimbursement of pre-incorporation expenses incurred in India up to 5 per cent of the investment brought into India or USD 100,000, whichever is higher, on the basis of certification from statutory auditors. Accordingly, AD Category - I banks may permit drawal of foreign exchange by an entity in India by way of reimbursement of pre-incorporation expenses up to the limit mentioned above, on the basis of certification from statutory auditors.

3. Necessary amendments to Foreign Exchange Management (Current Account Transactions) Rules, 2000 are being notified separately.

4. AD Category - I banks may bring the contents of this circular to the notice of their constituents and customers concerned.

5. The directions contained in this circular have been issued under Section 10 (4) and 11 (1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and is without prejudice to permissions / approvals, if any, required under any other law.

Yours faithfully,

**(Salim Gangadharan)**  
**Chief General Manager**

[BACK](#)

**RBI/2006-2007/366****A. P. (DIR Series) Circular No. 45****April 30, 2007**

To,  
All Category - I Authorised Dealer Banks  
Madam / Sir,

**Foreign Exchange Management Act (FEMA), 1999 – Current Account Transactions – Remittance towards donation by Corporates – Liberalisation**

Attention of Authorised Dealer Category-I (AD Category - I) banks is invited to Foreign Exchange Management (Current Account Transactions) Rules, 2000 (the Rules) notified vide Notification No. G.S.R.381(E) dated 4th May 2000, as amended from time to time. In terms of item No. 4 of Schedule III to the Rules, remittance of donation exceeding USD 5000 per remitter / donor per annum requires prior approval of the Reserve Bank. Further, in terms of A. P. (DIR Series) Circular No.25 dated March 1, 2002, Indian corporates with proven track record desiring to contribute funds from their foreign exchange earnings for setting up chairs in educational institutions outside India and similar such purposes are required to obtain prior approval of Reserve Bank.

2. As announced in the Annual Policy Statement for the year 2007-08 (para 146 (i) i)) and with a view to further liberalise the procedure and provide greater flexibility, AD Category-I banks are now permitted to make remittances on account of donations by corporates for specified purposes as under :

- i. Creation of Chairs in reputed educational institutes;
- ii. Donations to funds (not being an investment fund) promoted by educational institutes; or
- iii. Donation to a technical institution or body or association in the field of activity of the donor Company.

The remittances are subject to a limit of one per cent of the foreign exchange earnings during the previous three financial years or USD 5 million, whichever is less. Applications for remittances for purposes other than those specified above may be forwarded to the Chief General Manager, Reserve Bank of India, Central Office, Foreign Exchange Department, Foreign Investments Division (EPD), Central Office Building, Mumbai-400 001, together with (a) details of their foreign exchange earning during the last 3 years, (b) brief background of the company's activities, (c) purpose of the donation and (d) likely benefits to the corporate.

3. The existing facility for remittance up to USD 5000 per remitter / per donor per financial year towards donations by Indian corporates would continue as hitherto.

4. Necessary amendments to Foreign Exchange Management (Current Account Transactions) Rules, 2000 are being notified separately.

May 10, 2007

5. AD Category - I banks may bring the contents of this circular to the notice of their constituents and customers concerned.

6. The directions contained in this Circular have been issued under Section 10(4) and 11(I) of the Foreign Exchange Management Act 1999 (42 of 1999) and is without prejudice to permissions/approvals, if any required under any other law.

Yours faithfully,

**(Salim Gangadharan)**  
**Chief General Manager**

[BACK](#)

