

Offer for Sale (OFS) of Shares by Promoters through Stock Exchange Mechanism

Meaning:

Offer for Sale means offering of specified securities to the public by any existing holders of such specified securities **in a listed issuer**;

Definitions:

Definition in OFS

“Shares” are the listed equity shares of the company.	“Size of the Offer” is the number of shares offered * floor price.	“T day” is first day of OFS.	“Units” are the listed units of Real Estate Investment Trusts (REITs) or Infrastructure Investment Trusts (InvITs).
--	---	-------------------------------------	--

Definition in OFS

“Floor Price” is the minimum price at which the seller intends to sell the shares.	“Indicative Price” is the volume weighted average price of all the valid bids.
1) Seller shall disclose the floor price latest by 5 pm (or latest by 6 pm, if extension is granted) on T-1 day to the stock exchange. 2) The promoters may at their discretion offer these shares to employees at the price discovered in the said OFS transaction or at a discount to the price discovered in the said OFS transaction. 3) Promoters shall make necessary disclosures in the OFS notice to the exchange including number of shares offered to employees and discount offered, if any.	

Definition in OFS

“Single Clearing Price” is the price at which the shares are allocated to the successful bidders in a proportionate basis methodology.	“Multiple Clearing Prices” are the prices at which the shares are allocated to the successful bidders in a price priority methodology.
---	---

Definition in OFS

“Liquid Shares” are listed securities **forming part of Group I securities** (as specified in Chapter 4 of this Master Circular) **and having mean impact cost of greater than 0.05 percent and less than or equal to 0.10 percent for a trade of Rupees One Lakh.**

“Most Liquid Shares” are listed securities **forming part of Group I securities** (as specified in Chapter 4 of this Master Circular) **and having mean impact cost of up to 0.05 percent for a trade of Rupees One Lakh.**

“Illiquid Shares” are securities not forming part of “Most liquid shares” and “Liquid shares”.

Eligibility under OFS:

1. Exchanges:

Facility of OFS available on Exchanges

Bombay Stock Exchange (BSE)

National Stock Exchange (NSE) and

Metropolitan Stock Exchange of India (MSEI)

2. Sellers:

Sellers eligible to sell in OFS

All promoter(s) or promoter group entities of such companies that are eligible for trading and **are required to increase public shareholding to meet the minimum public shareholding; &**

Any promoter or promoter group entity or non-promoter shareholder of Companies with **market capitalization of INR 1,000 Cr. and above.**

Market Capitalization: average daily market capitalization for six months' period prior to the month in which the OFS opens.

Note:

- 1) In case a non-promoter shareholder offers shares through the OFS mechanism, promoter(s) or promoter group entities of such companies may participate in the OFS to purchase shares subject to compliance with applicable provisions of SEBI (ICDR) Reg. 2018, SEBI (Takeover) Code 2015 & Reg. 38 of SEBI (LODR) Reg. 2015.
- 2) Promoters of eligible companies shall be permitted to sell shares within a period of 2 (two) weeks from the OFS transaction to the employees of such companies.

3) **Amendments vide SEBI circular dated January 23, 2024, with effect from 22.02.2024**, it has been decided that the **promoters can also offer the shares to employees in OFS through the Stock Exchange Mechanism.**

4) The procedure for OFS to employees through the Stock Exchange Mechanism is an **additional option** to the existing procedure of OFS to employees outside the exchange mechanism.

5) Procedure to be followed:

- a) OFS to employees shall be on T+1 day along with the retail category under a new category called as "Employee".
- b) While bidding, the employee shall select "Employee" category for employee bids. However, the employees can also bid for other categories, as per the applicable limits.
- c) For employee OFS, certain number of shares shall be reserved for the employees. The same shall be mentioned in the OFS notice to the stock exchanges by the promoter(s).
- d) Bidding shall be allowed during trading hours on T+1 day only.
- e) Floor price of the retail category shall be disclosed to the participants under the "Employee" category.
- f) Employees shall place bids only at cut-off price of T+1 day. The allotment price shall be based on the Cut-off of the retail category, subject to discount, if any.
- g) The maximum bid amount shall be INR 5, 00,000.
- h) Each employee is eligible for allotment of equity shares up to INR 2, 00,000.

Provided that in the event of under-subscription in the employee portion, the unsubscribed portion may be allotted to such employees whose bid amount is more than INR 2,00,000, on a proportionate basis, for a value in excess of INR 2,00,000, subject to the total allotment to an employee not exceeding INR 5,00,000.

- i) The employees shall pay upfront the margin to the extent of 100% of the order value in cash or cash equivalents.
- j) Bids for "Employee" category shall not be displayed on the stock exchange website.
- k) The bid book of "Employee" Category shall be segregated from Retail Category book for allotment.
- l) Allotment under the "Employee" category shall be based on the PAN details of employees shared by the company on T-1 day. The PAN mis-matched bids shall be rejected.
- m) The promoters shall transfer the total shares of OFS on T-1 day including shares reserved for "Employee" category, to the designated clearing corporation.

3. Buyers:

Buyers eligible to buy in OFS

The offer is by promoter or promoter group entities:

All investors registered with the brokers of the aforementioned stock exchanges

In case the offer is by non-promoter shareholder:

The promoter(s) or promoter group entities may participate in the OFS subject to applicable compliances.

4. Cooling Off Period:

The cooling off period for transaction (i.e. purchase or sale prior to and after the offer) in the shares of the company for the promoter(s) or promoter group entities and non-promoter shareholders for offering the shares through OFS mechanism shall be based on the liquidity of the shares on exchanges and are as under:

For Most Liquid Shares:	For Liquid Shares:	For Illiquid Shares:
+ 2 weeks	+4 weeks	+12 weeks

Note:

1. Notwithstanding the cooling off period mentioned above, the promoter(s) or promoter group entities of companies whose shares are either liquid or illiquid can offer their shares only through OFS or Qualified Institutional Placement (QIP) with a gap of 2 weeks between successive offers.
2. In case of under subscription of OFS of a company whose shares are either liquid or illiquid and if the original OFS is made for compliance with Minimum Public Shareholding (MPS) norms, the promoter(s) or promoter group entities are allowed to offer the unsubscribed portion of the OFS only for the purpose of MPS compliance in the open market with a gap of 2 weeks from the closure of OFS, subject to compliance with all other applicable conditions.

5. Size of OFS of Shares & Advertisement and Offer Expenses:

Size of OFS of Shares

The size of the offer shall be a minimum of INR 25 Cr.

However, size of offer can be less than INR 25 Cr. by promoter(s) or promoter group entities so as to achieve minimum public shareholding in a single tranche.

Advertisement and Offer Expenses

Advertisements about the OFS of shares through stock exchange(s), shall be made after the announcement or notice of the OFS of shares to the stock exchanges in this circular and its contents shall be restricted to the contents of the notice as given in note points. All expenses relating to OFS of shares through stock exchange(s) shall be borne by the seller(s).

Note: Announcement or Notice of the OFS:

Seller shall announce intention of sale of shares latest by 5 pm on T-1 days (T day being the day of the OFS) to the stock exchange. Stock exchanges shall inform the market immediately upon receipt of the notice. The stock exchange, however, may allow, on a case to case basis based on the request of the seller, the extension of this time up to 6 pm by recording reasons for granting such extension. Seller(s) shall announce the intention of sale of shares **along with the following information:**

1. Name of the seller(s) (promoter(s)/promoter group entities/ non-promoter shareholders) and the name of the company whose shares are proposed to be sold.
2. Name of the stock exchange(s) where the orders shall be placed. In case orders are to be placed on more than one stock exchanges, one of them shall be declared as the Designated Stock Exchange ("DSE").
3. Date and time of the opening and closing of the offer.
4. Allocation methodology i.e. either on a price priority basis (at multiple clearing prices) or on a proportionate basis (at a single clearing price).
5. Number of shares being offered for sale.
6. **Green Shoe Option:** The maximum number of shares that the seller may choose to sell over and above the offer made= number of shares being offered for sale.
7. The name of the seller broker(s) on behalf of the seller(s).

6. Discount by Seller:

<u>Single Clearing Price OFS:</u>	<u>Multiple Clearing Prices OFS:</u>	<u>Single Clearing Price & Multiple Clearing Prices OFS both:</u>
Retail investors shall be allocated shares at a discount to cut off price determined in the retail category.	i. 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, ii. Retail investors may be allocated shares at a discount to the bid price entered by them.	The discounted price which shall be the final allocation price to the retail investors may be below the floor price.

7. Timelines:

<u>Duration</u>	<u>OFS for Non-Retail Investors</u>	<u>OFS for Retail Investors</u>
The duration of the OFS shall be as per the trading hours of the secondary market . Order: Orders shall be placed during trading hours.	On the commencement of OFS on T day only non-retail investors shall be permitted to place their bids. Cut off price shall be determined based on the bids received on T day as per the extant guidelines.	The retail investors shall bid on T+1 day. The seller shall make appropriate disclosures in this regard in the OFS notice.

8. Order Placement, Allocation & Settlement:

<u>Order Placement</u>	<u>Allocation</u>	<u>Settlement</u>
1. A separate window for the purpose of sale of shares through OFS shall be created. The following orders shall be valid in the OFS window: a) Orders with 100% of margin paid upfront by institutional investors and non-institutional investors. Such orders can be modified or cancelled at any time during the trading hours. b) Orders without paying upfront margin by institutional investors only. Such orders cannot be modified or cancelled by the investors or stock brokers, except for making upward revision in the price or quantity. 2. Individual retail investors shall have the option to bid in the retail category and the general category (non-retail). However, if the cumulative bid value of such investors exceeds INR 2 lakhs, the bids in the retail category shall become ineligible. 3. To make it easier for retail investors to participate in OFS, it would be mandatory for sellers to provide the option to retail investors to place their bids at cut off price in addition to placing price bids. In order to do so, following conditions shall be applicable to the OFS: a) Sellers shall mandatorily announce floor price latest by 5 pm (or latest by 6 pm, if extension is granted by stock exchange) on T-1 day to stock exchange. b) Exchanges will decide upon the quantity of shares eligible to be considered as retail bids, based upon the floor price declared by the seller. c) There shall be no indicative price for the retail portion of OFS.	1. Minimum of 25% of the shares offered shall be reserved for mutual funds and insurance companies, subject to allocation methodology. Any unsubscribed portion thereof shall be available to the other bidders. 2. 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 INR 2 lakhs aggregated across the exchanges. If the cumulative bid value across exchanges exceeds INR 2 lakhs in the retail category, such bids shall be rejected. 3. 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. 4. Upon determining the cut-off price, the offer size reserved for retail investors shall be allocated to eligible bids of retail investors. In case of excess demand in retail category at the cut-off price, allocation shall be on proportionate basis. 5. In order to ensure that shares reserved for retail investors do not remain	1. The allocation and the obligations resulting thereof shall be intimated to the brokers or clearing members on T day. 2. Settlement shall take place on trade for trade basis. For non-institutional orders or bids and for institutional orders with 100% margin, settlement shall take place on T+1 day. In case of orders or bids of institutional investors with no margin, settlement shall be as per the existing rules for secondary market transactions. 3. Settlement for bids received on T+1 day shall be carried out as per the existing rules for secondary market transactions. 4. Funds collected from the bidders who have not been allocated shares shall be released after the download of the obligation. 5. On the day prior to settlement, to the extent of obligation determined, the designated clearing corporation of the seller broker(s) under the framework of interoperability among clearing corporations shall transfer such number of shares to the other interoperable clearing corporations. The other interoperable clearing corporation(s) shall transfer funds consideration to designated Clearing Corporation on

<u>Order Placement</u>	<u>Allocation</u>	<u>Settlement</u>
d) Retail investors may enter a price bid or opt for bidding at cut-off price. e) Margin for retail bids placed at cut-off price shall be at the cut-off price determined based on the bids received on T Day and for price bids at the value of the bid. f) Bidding by retail investors on T+1 Day shall be based on the cut-off price determined in the non-retail category. In case of under subscription in the non-retail category, the retail investors shall be allowed to place their bids at floor price on T+1 day. g) Seller may offer discount to retail investors on the cut off price determined based on the bids received on T+1 day. h) Retail bids below the cut-off price of T day or the floor price, whichever is applicable, shall be rejected. Retail bids at cut-off price shall be allocated on proportionate basis in case of over subscription. i) Any unsubscribed portion of non-retail category after allotment shall be eligible for allocation in the retail category and vice versa. 4. Cumulative bid quantity shall be made available online to the market throughout the trading session at specific intervals in respect of orders with 100% upfront margin and separately in respect of orders placed without any upfront margin. Indicative price shall be disclosed to market throughout the trading session for non-retail bids. The indicative price shall be calculated based on all valid bids or orders. 5. If the shares have a price band in the normal segment, the same shall not apply for the orders placed in the OFS. Stock specific	unallocated due to insufficient demand by the retail investors, the bids of non-retail investors shall be allowed to carry forward to T+1 day. Similarly, the unsubscribed portion of the non-retail segment shall be allowed for bidding in the retail segment. 6. Unsubscribed portion of the shares reserved for retail investors shall be allocated to non-retail bidders (un-allotted bidders on T day who choose to carry forward their bid on T+1 day) on T+1 day at a price equal to cut off price or higher as per the bids. In this regard, option shall be provided to such non-retail bidders to indicate their willingness to carry forward their bids to T+1 day. If the non-retail bidders choose to carry forward their bids to T+1 day, then, they may be permitted to revise such bids. Settlement for such bids shall take place as per the existing rules for secondary market transactions. 7. The orders shall be cumulated by the DSE immediately on close of the offer. Based on the methodology for allocation to be followed as disclosed in the notice, the DSE shall draw up the allocation, i.e., either on a price priority basis (at multiple prices) or on a	settlement day. Excess shares, if any, shall be returned to seller broker(s). The direct credit of shares shall be given to the demat account of the successful bidder provided such manner of credit is indicated by the broker or bidder.

<u>Order Placement</u>	<u>Allocation</u>	<u>Settlement</u>
tick size as per the extant practice in normal trading session shall be made applicable for this window. 6. In case of shares under OFS, the trading in the normal market shall also continue. However, in case of market closure due to the incidence of breach of ‘Market wide index based circuit filter’, the OFS shall be halted. 7. Non-retail investors shall be allowed to place only limit orders or bids. 8. Multiple orders from a single buyer shall be permitted. 9. On T Day orders or bids below floor price shall be rejected. On T+1 Day the orders or bids from retail investors below the cut-off price on the non-retail category or the floor price, whichever is applicable, shall be rejected. 10. Vide The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 (“PIT Regulations”) have been amended and Clause 4(3)(b) of Schedule B read with Regulation 9 of PIT Regulations, interalia, states that trading window restrictions shall not apply in respect of transactions mentioned therein or transactions undertaken through such other mechanism as may be specified by the Board from time to time. It has been decided that in addition to the transactions mentioned in Clause 4(3)(b) of Schedule B read with Regulation 9 of PIT Regulations, trading window restrictions shall not apply in respect of OFS and Rights Entitlements (RE) transactions carried out in accordance with the framework specified by SEBI from time to time.	proportionate basis (at a single clearing price). 8. No single bidder other than mutual funds and insurance companies shall be allocated more than 25% of the size of OFS. 9. The allocation details shall be shared by the DSE with the other exchanges after the allocation is finalized.	

9. Handling of Default in Pay-in:

1. In case of **default in pay-in by any investor, 10% of the order value shall be charged as penalty from the investor and collected from the broker.** This amount shall be credited to the Investor Protection Fund of the stock exchange.
2. The price at which allotments have been made based on the allocation on T day shall not be revised as a result of any default in pay-in.
3. **Seller(s) shall have the option to cancel in full or conclude the offer.**
4. Allotment details after settlement shall also be disseminated by the exchange.
5. Allocation details after settlement shall be consolidated by the DSE and excess shares, if any, shall be returned by the respective Clearing Corporation to the seller broker(s).
6. Settlement Guarantee Fund shall not be available for OFS through stock exchange mechanism.

10. Issuance of Contract Notes, Withdrawal of Offer & Cancellation of offer:

<u>Issuance of Contract Notes</u>	<u>Multiple Clearing Prices OFS</u>	<u>Cancellation of offer</u>
The brokers shall be required to issue contract note to the client based on the allotment price and quantity in terms of conditions specified by the exchange.	The OFS may be withdrawn prior to its proposed opening. In such a case there will be a cooling off period of 10 trading days from the date of withdrawal before an offer is made once again. The stock exchange(s) shall suitably disseminate details of such withdrawal.	Cancellation of offer shall not be permitted during the bidding period. If the seller(s) fails to get sufficient demand from non-retail investors at or above the floor price in T day, then the seller may choose to cancel the offer, post bidding, in full (both retail and non-retail) on T day and not proceed with offer to retail investors on T+1 day. The stock exchange(s) shall suitably disseminate details of such cancellation.

Link of SEBI Circulars mentioned in this assignment:

1. SEBI Master Circular dated 16.10.2023:

https://www.sebi.gov.in/legal/master-circulars/oct-2023/master-circular-for-stock-exchanges-and-clearing-corporations_78047.html

2. SEBI Circular dated 23.01.2024:

https://www.sebi.gov.in/legal/circulars/jan-2024/framework-for-offer-for-sale-of-shares-to-employees-through-stock-exchange-mechanism_80842.html

Thank you so much for your support & *sharing is caring* always...
Shree Radhe Krishna...