



I. INTRODUCTION:

The Securities and Exchange Board of India (SEBI) plays a crucial role in regulating the securities market and safeguarding investor interests. Among its many responsibilities, SEBI oversees the issuance of offer documents by companies looking to raise funds through public offers.

SEBI ensures that the offer documents filed by the issuers and Lead Manager are compliant with Schedule VI of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulation, 2018 ("ICDR Regulations") which specifies information for disclosure in the draft offer documents or draft letter of offer as applicable.

II. REQUIREMENTS FOR PRESENTATION OF OFFER DOCUMENT AS PER SCHEDULE VI OF SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATION, 2018 ("ICDR REGULATIONS"):

- The draft offer document is required to be prepared in simple language along with the visual representation of data to ensure ease of understanding of its contents and which complies with the following principles:
 - a. Use of short sentences;
 - b. Use of definite, unambiguous, and conventional words;
 - c. Use of active voice;
 - d. Use of tabular presentation or bullet lists, where required; and
 - e. Avoidance of multiple negatives.

- It also appears that the draft offer document is presented in a **clear, concise, and intelligible manner**, adhering to the following standards:
 - a. Clear and concise sections, paragraphs, and sentences;
 - b. Descriptive headings and subheadings wherever necessary;
 - c. Avoidance of legal and technical terminology; and
 - d. Clarification of technical and complex terms, if any, used to explain the business of the issuer/other matters in simple terms

- The draft offer document needs to avoid the following:
 - a. Complex presentations that may make the substance of the disclosures incomprehensible
 - b. Complex information quoted or copied from legal documents, unless accompanied with a clear and concise explanation of the provision(s) therein;
 - c. Vague, ambiguous, and imprecise explanations which may lead to more than one interpretation;



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- d. Repetition of disclosures in different sections of the document which may increase the size of the document but does not improve the quality or efficacy of the information, unless the context requires otherwise; and
 - e. Inconsistency in the numbers/data/facts provided in different sections of the offer document or between the draft offer document and subsequent submission(s) made in response to clarifications sought.
- The draft offer document requires:
 - a. Substantial revision or addenda on key disclosures, in accordance with the clarifications /explanations sought on the draft offer document; or
 - b. Corrective measures on account of regulatory interpretation

The SEBI has observed that at times draft offer documents draft letter of offer filed with the Board for public issue/ right issue of securities are found lacking in compliance with respect to instructions provided under Schedule VI of ICDR Regulations.

Such documents requires revision/changes and thus lead to longer processing time.

In order to ensure compliances and consistency in the disclosure and for timely processing, it has been decided to issue “**Guidelines for returning of draft offer document and its resubmission**”.

III. GUIDELINES FOR RETURNING OF DRAFT OFFER DOCUMENT AND ITS RESUBMISSION:

The Securities and Exchange Board of India (SEBI) issued a circular on February 06, 2024, introducing certain guidelines for the return and resubmission of draft offer documents. This circular shall come into force with immediate effect.

The recognized Stock Exchange are directed to bring the provisions to this circular to the notice of listed entities and also to disseminate the same on their websites.

This Circular is issued in exercise of powers conferred by Section 11(1) of the Securities and Exchange Board of India Act, 1992 and Regulation 299 of ICDR Regulations to protect the interests of investors in securities and to promote the development of, and to regulate the securities market.

A copy of this circular is available on SEBI website at www.sebi.gov.in under the categories “Legal Framework →Circulars”.



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- **Return of Draft Offer Document:**

The draft offer document/draft letter of offer shall be scrutinized based on the Board guidelines and such documents which are not in compliance with the instructions provided under Schedule VI of ICDR Regulations and guidelines provided hereunder shall be returned to the investor.

In addition, SEBI has asked to avoid legal and technical terminology and has also directed to clarify technical and complex terms used to explain the business of the issuer company in the document.

- **Resubmission of Draft Offer Document:**

Upon receiving the returned draft offer document, the issuer is expected to address the deficiencies pointed out by (SEBI) within the stipulated timeframe. It's imperative for issuers to carefully analyze SEBI's observations and ensure that all discrepancies are rectified effectively. This may involve revising the content, providing additional information, or making necessary disclosures as per regulatory standards.

The guidelines came into the headlines after (SEBI) observed that draft offer documents for public issues sometimes didn't meet the requirements specified in ICDR (Issue of Capital and Disclosure Requirements) Regulations. This led to the need for revisions, causing delays in processing.

On resubmission of the document (SEBI) clarified that there shall be no requirement for payment of any fees on account of resubmission of the draft offer document, the requirement for paying applicable fees for the changes, if any, in terms of changes specified in Schedule XVI of the ICDR Regulations for the updated offer document shall continue to apply as is applicable to the issuer for updation in the offer document.

- **Timeline:**

The issuer within two days of resubmission of the draft offer document with the Board, shall make a public announcement in the mode and manner as prescribed under ICDR Regulations, as applicable, and the issuer shall also include a disclosure that it is a resubmitted document and the Issuer shall make written intimation to its sectoral regulator, if any, informing about the return and resubmission of the draft offer document, as applicable.

The Issuer and the Lead Manager(s) shall ensure that the draft offer document is resubmitted only after addressing the insufficiency for which the draft offer document was returned and such draft offer document is in compliance with provisions of ICDR Regulations and other applicable laws.



IV. CONCLUSION:

SEBI's guidelines for returning and resubmitting draft offer documents are designed to uphold transparency, protect investor interests, and maintain the integrity of the securities market. Issuers must diligently adhere to these guidelines, promptly address any deficiencies, and resubmit revised documents in accordance with regulatory norms. By navigating SEBI's requirements effectively, issuers can streamline the approval process for public offers and demonstrate their commitment to regulatory compliance and transparency.

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