

Capital Market Newsflash dated October 17, 2006

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- SEBI amends Lock-in requirements for VCFs and FVCIs
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» SEBI amends Lock-in requirements for VCFs and FVCIs

The Securities and Exchange Board of India (SEBI) has vide its circular dated October 16, 2006 bearing no. SEBI/FD/DIL/DIP/23/2006/16/10 has amended the Disclosure and Investor Protection Guidelines, 2000 (DIP Guidelines) for Lock in requirement of pre-initial public offering shares held by Venture Capital Funds (VCFs) / Foreign Venture Capital Investors (FVCIs).

SEBI has amended the DIP Guidelines to provide that the benefit of □no lock-in□ on the pre-issue shares of an unlisted company making an Initial Public Offering (IPO), currently available to the shares held by VCFs and FVCIs registered with SEBI shall be limited to:

- the shares held by VCFs/FVCIs registered with SEBI, for a period of at least one year as on the date of filing draft prospectus with SEBI; and
- the shares issued to SEBI registered VCFs/ FVCIs upon conversion of convertible instruments during the period of one year prior to the date of filing draft prospectus with SEBI provided that the period of holding such convertible instruments as fully paid up, together with the period of holding shares resulting from conversion, by the VCFs and FVCIs, is at least one year as on the date of filing the draft prospectus with SEBI.

This amendment shall be applicable to all offer documents, which are yet to be registered with the Registrar of Companies.

As stated in our earlier newsflash dated June 30, 2006, the objective behind this provision is that only those VCFs/FCVIs who participate in the company with a long term perspective, are allowed to get the benefit of the exemption from requirement of lock-in as intended by the DIP Guidelines.

For any further information on the above, please contact our Capital Markets Team.

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