

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:3214
ANSWERED ON:15.03.2013
LAUNCHING OF IPO
Das Shri Khagen

Will the Minister of FINANCE be pleased to state:

- (a) whether the Securities and Exchange Board of India (SEBI) has advised Book Running Lead Manager (BRLM) to make certain disclosures in the Draft Red Herring Prospectus relating to the launch of Initial Public Offering (IPO) of the infrastructure wing of a telecom company;
- (b) if so, the details thereof and the action taken thereon by the BRLM;
- (c) whether SEBI has accorded approval in spite of repeated complaints from various quarters; and
- (d) if so, the details thereof and the reasons therefor along with the reaction of the Government thereto?

Answer

(MINISTER OF STATE IN THE MINISTRY OF FINANCE) SHRI NAMO NARAIN MEENA

(a): Yes Sir. SEBI scrutinized the Draft Red Herring Prospectus (DRHP) of Bharti Infratel Ltd ("BIL Scheme"), an infrastructure subsidiary of Bharti Airtel Ltd and communicated its observations vide letter dated November 26, 2012 wherein the Book Running Lead Manager (BRLM) was advised, inter-alia, to add/update/modify certain disclosures as stated therein.

(b): The observations of SEBI, inter-alia, included updations / additions / modifications of

a. risk factors relating to pending Indus Scheme, various petitions against Bharti Infratel Ltd (BIL), Hon`ble Supreme Court's judgement of cancellation of 122 2G licenses, Electro Magnetic Field (EMF) radiations, transfer of leases and licenses from Bharti Airtel to Bharti Infratel Ltd, compliance with minimum public shareholding requirement and prominent notes to include aggregate related party transactions.

b. the disclosures in the Section titled `Capital Structure` with regard to face value of shares, shareholding of all 12 shareholders and variation of ESOP scheme with SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) guidelines, 1999

c. the disclosures in the Section titled `Objects of the Issue` with regard to Definitions, upgradation and replacement of existing towers, green initiatives at tower sites, etc.

d. the disclosures in the Section titled `History and other corporate matters` with regard to date of appeal by Commissioner of Income Tax to the BIL Scheme and date of objection petition filed by Department of Income Tax to the Indus Scheme and confirmation regarding termination of Compassvale Shareholding Agreement, etc.

e. the disclosures in the Section titled `Financial Information` with regard to reasons for decrease in the revenues and expenses in 2010, include amount due/outstanding from `directors /Promoter/related parties etc`, that the financial statements for the subsidiary Bharti Infratel Venture Ltd (BIVL) have been audited and disclosed accordingly etc.

f. the disclosures in the Section titled `Legal and other information` with regard to materiality threshold and the criteria on the basis of which the materiality of the litigations /past penalties is disclosed, disclosure of material disclosures which are material for the investors to make an informed decision, Details regarding the threshold used in due-diligence, Pending Regulatory Notices, status of all the outstanding litigations etc.

g. the disclosures in the Section titled `Promoter and Promoter Group` with regard to complete profile of Mr. Sunil Bharti Mittal as the Chairman of the Board of Directors of the promoter (Bharti Airtel Ltd) and details of other directors of the promoter.

Further, the BRLM was also asked to include certain details related to Initial Public Offer (IPO) Grading, Application supported by blocked amount (ASBA), etc. in the offer document.

BRLM had incorporated the updations/changes in the offer document including Corrigendum(s)/ addendum(s) and informed the same to SEBI vide letters dated November 27, 2012, November 28, 2012, December 11, 2012 and December 13, 2012.

(c): SEBI has accorded approval.

(d): As per practice, SEBI forwarded complaints received to the BRLM. The complaints and the corresponding replies received from the BRLM, were analyzed by SEBI. Wherever, there were requirements of additional disclosures, SEBI had advised the BRLM, vide the aforesaid observation letter to make these disclosures in the DRHP.

Accordingly, SEBI scrutinized the DRHP to check whether the disclosures made therein are adequate or certain additional disclosures are required, in terms of the provisions of ICDR. Upon analysis, SEBI had vide aforesaid observation letter advised the BRLM, inter-alia, to add/update/modify certain disclosures as stated therein.

The present legal and regulatory framework is primarily based on disclosures. The draft offer document is required to contain all disclosures and undertakings specified in the Schedule II of the Companies Act read with SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 and also additional disclosures as deemed fit by Merchant Banker to enable investors to make an informed investment decision.

SEBI examines the draft offer document with an objective to enhance disclosures. The observations are then prepared and issued to the Lead Merchant Banker to incorporate necessary changes in the offer document in terms of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 (ICDR).