

## **ANNEXURE-8**

### **GUIDELINES FOR DETERMINING ISSUE PRICE FOR**

#### **PREFERENTIAL ALLOTMENT TO NON-RESIDENT INDIAN<sup>3</sup> :**

- 1 Attention of authorised dealers is drawn to paragraph 10.B2 of the Exchange Control Manual (1993 edition) indicating the procedure for making applications to RBI for permission under Section 19(1) of FERA 1973 for issue of shares to non residents by Indian companies.
- 2 Government of India have since announced the revised guidelines in connection with raising of foreign equity in the existing Indian companies through preferential allotment of shares to non-resident as also pricing thereof as per Ministry of Industry's press note No 2,(1994 series) dated 3<sup>rd</sup> June, 1994 (followed by RBI press release of the same date)
3. In terms of this guidelines, preferential allotment of shares (other than allotment on Right basis) should be approved by the shareholders by a special resolution under section 81(1A) of The Companies Act 1956. Further the preferential allotment shall be at the market value of the shares to be determined on the basis of their average price during the immediate preceding 6 months at the main listing centre, calculated on the monthly average of high and low rate quoted for the shares at such centres. However, in the case of companies whose shares are not listed on stock exchange/s or the companies whose shares are listed but not regularly traded, the valuation of shares should be on the basis of NAV and PECV per share as per the valuation guidelines notified by the erstwhile CCI, Govt. of India in December 1990. These guidelines will be applicable in respect of approval to be granted by Reserve Bank under the automatic approval scheme as also for approvals to be granted by Government (SIA / FIPB). Accordingly the issue price should be fixed after taking into account following aspects :

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<sup>3</sup> Issued by the RBI, Exchange Control Department, wide AD. (MA Series) Circular No.12 dated 8<sup>th</sup> July, 1994.

- 1)The six months period should be reckoned from the month preceding the month in which the company's Board Resolution in connection with preferential allotment has been passed
- 2)The average price should be worked out based on average of daily high and low prices of the share for the said six months
- 3)The price worked out as above should be certified by an independent chartered Accountant.