

CFD/DIL-II/SK/AEA/IG/OW/23333/2012  
October 18, 2012

**Rushil Décor Limited,  
S.No.125, Near Kalyanpura Patia, Village ITLA,  
Gandhinagar- Mansa Road,  
Ta. Kalol, Dist. Gandhinagar,  
Gujarat- 382845.**

Dear Sir,

**Sub: Request for interpretive letter under the Securities and Exchange Board of India (Informal Guidance) Scheme, 2003 in the matter of Rushil Decor Limited**

1.0 Please refer to your letters dated May 17, 2012 and August 17, 2012 seeking interpretive letter under the SEBI (Informal Guidance) Scheme, 2003.

2.0 In your letters under reference, you have inter alia represented as follows:

2.1. Pursuant to IPO, the Company allotted shares on July 02, 2011. The company has made a disclosure in the Prospectus regarding the lock-in, which reads as follows:

*"The entire pre-issue equity share capital of a company other than the minimum promoters' contribution, which is locked in for a period of three years, shall be locked in for a period of one year from the date of commencement of commercial production or date of allotment in the present public issue, whichever is later in terms of SEBI ICDR Regulations."*

2.2. The above disclosure linked the lock-in period with commencement of commercial production. The company stated that the same was done inadvertently and is not in line with SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 (hereinafter referred to as the "Regulations") and intends to rectify the same.

**3.0 Query:**

Based on the above facts, the company has requested us to give our opinion/interpretation on whether shares, other than minimum promoters' contribution of 20 percent, can be released for transfer on the expiry of one year from the date of allotment.

**4.0 Our comments:**

Without necessarily agreeing to your analysis, our views on the queries raised by you are as under:

- 4.1. Regulation 36(a) of the Regulations provides that "*minimum promoters' contribution shall be locked-in for a period of three years from the date of commencement of commercial production or date of allotment in public issue, whichever is later.*" Regulation 36(b) of the said Regulations provides that "*promoters' holding in excess of minimum promoters' contribution shall be locked in for a period of one year.*" Regulation 37 states that "*in case of an initial public offer, the entire pre-issue capital held by persons other than promoters shall be locked in for a period of one year.*"
- 4.2. SEBI (Disclosure and Investor Protection) Guidelines, 2000 (the Guidelines) also contained similar provisions with regard to lock-in of minimum promoters' contribution as well as the entire pre-issue share capital.
- 4.3. While the period of lock-in of minimum promoters' contribution is to be calculated from the commencement of commercial production or the date of allotment, whichever is later, the entire pre-issue capital other than the minimum promoters' contribution would have to be locked-in for a period of one year, i.e. one year from the date of allotment.
- 4.4. In the given case, the company has specified in the prospectus that the entire pre-issue share capital of the company, other than minimum promoters' contribution, shall be locked-in for a period of one year from the *date of commencement of commercial production or date of allotment, whichever is later*, akin to the lock-in clause applicable to minimum promoters' contribution. The said disclosure does not prima-facie violate any of the requirement of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009, and prescribes a stricter requirement than that provided under the said Regulations.
- 4.5. The said disclosure in the prospectus, on allotment of shares, has enforceability as in case of a contract. A Prospectus is a document with legal validity and the company is legally bound to abide by the disclosures made therein.
- 4.6. Here, the matter pertains to lock-in of pre-issue share capital, which is considered significant from the point of view of investor protection. Further, the company would be legally bound to comply with the matters stated in the prospectus, based on which it has raised money from the public. Considering the above, a relaxation from the additional lock-in requirements prescribed by the company through the disclosures in prospectus will not be in compliance with the law.

4.7. Accordingly, any relaxation from lock-in requirements as stated in the prospectus shall not be permissible considering the fact that the company is legally bound to comply with the statements/disclosures made in the prospectus. Hence, the company shall ensure compliance with the disclosures made in the prospectus.

5.0 This position is based on the representation made to the division in your aforesaid letters under reference. Different facts or conditions might require different results. This letter does not express a decision of the Board on the question referred.

6.0 Please note that the above position is expressed only with respect to the clarifications sought on the applicability of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 as referred above and does not affect the applicability of any law and other SEBI Regulations, Guidelines and Circulars administered by SEBI or the requirements of Listing Agreement.

Yours faithfully,

**Sunil Kadam**