

# Legal update

## Disclosure of track record of IPOs managed by Merchant Bankers

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## *Legal Update*

An **offer document** enables the investors to take informed decisions who put their money at stake in companies by subscribing to the **Initial Public Offers (IPOs)**. In order to ensure reliability of such offer documents, the **Merchant Bankers** registered with Securities and Exchange Board of India (SEBI), have been vested with the responsibility of exercising Due Diligence. The Merchant Banker, while exercising such due diligence, is required to satisfy himself about the veracity and adequacy of the disclosures made in the Offer Document so as to ensure that the money put in by the public is in safe hands.

But, on preliminary investigations being made into certain recent Initial Public Offers, SEBI came across serious irregularities which made the regulator impose some more responsibility on the Merchant Bankers. As in case of Brooks Laboratories Limited, it came to the notice of SEBI that there were non-compliances in respect of disclosures pertaining to related party transactions. In another case of Taksheel Solutions Limited, it came to the scene that the allotment of land made in favour of the Company has been cancelled but the Company made only a partial disclosure that the allotment will be cancelled if the construction is not commenced and completed within the specified time. Thus, there were deviations of actions from the disclosures made. In a similar way, several other companies have come in clasp of the Regulator.

This has hit the minds of the SEBI drastically and therefore, it took a stringent decision that ***all Merchant Bankers shall disclose the track record of the performance of the public issues managed by them*** in the following manner:

- Disclosure shall be ***for a period of three financial years*** from the date of listing for each public issue managed by the Merchant Banker.
- Disclosure is to be made ***on the website*** of the Merchant Banker. A reference to this effect is required to be made in the offer documents of public issues managed in future.
  - This is to ensure that there is no miss at all by the Merchant Banker of ensuring maintenance of the Track record and that there is no escape route from such maintenance and disclosure. Therefore, we realize the seriousness of the Regulator and that the Merchant Bankers have to exercise stringent due diligence.
- In case of past public issues managed during the last three years, the track record is to be disclosed latest by March 31, 2012.

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- In case there are more than one merchant bankers to a single public issue, disclosure of track record is to be made by all of them who have signed the due diligence certificate as disclosed in the offer document.

The relevant Circular can be viewed at:

[http://www.sebi.gov.in/cms/sebi\\_data/attachdocs/1326184127412.pdf](http://www.sebi.gov.in/cms/sebi_data/attachdocs/1326184127412.pdf)

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