



SEBI proposes recalibration of public shareholding norms for listed companies undergoing CIRP

Securities and Exchange Board of India (SEBI) has invited public comments on minimum public shareholding (MPS) norms for listed companies undergoing corporate insolvency resolution process (CIRP) and seeking to relist their shares on stock exchanges pursuant to implementation of the approved resolution plan.

In terms of the extant regulatory framework:

(a) MPS Norms: post-CIRP, the listed companies are required to achieve -

- (i) at least 10% public shareholding within 18 months and 25% public shareholding within 3 years in case the public shareholding falls below 10% as a result of implementation of the approved resolution plan; and
- (ii) 25% public shareholding within 3 years in case the public shareholding is above 10% but falls below 25% as a result of implementation of the approved resolution plan.

(b) Lock-in period: where fresh shares are allotted to an incoming investor (designated as promoter) pursuant to the approved resolution plan, such shares shall be locked-in for a period of at least 1 year.

In the consultation paper issued on 19 August 2020, SEBI has proposed/suggested as follows:

(a) Compliance with MPS norms: SEBI has sought public comments on 3 options whereby post-CIRP, listed public companies seeking to relist their shares pursuant to the approved resolution plan may be mandated to:

- (i) achieve at least 10% public shareholding within 6 months and 25% within 3 years from the date of breach of MPS norms; or
- (ii) have at least 5% public shareholding at the time of relisting and achieve 10% public shareholding within 12 months & 25% in the next 24 months; or
- (iii) have at least 10% public shareholding at the time of relisting and achieve 25% public shareholding within 3 years.

(b) Relaxation from lock-in requirement: SEBI has proposed to relax the lock-in norms for the limited purpose of compliance with the MPS norms since the new promoters cannot offload their stake so as to comply with the MPS norms within 1 year on account of the current lock-in requirement.

(c) Enhanced disclosure norms: SEBI has sought views on whether or not there is a need to introduce a standardized reporting framework pursuant to approval of the resolution plan. SEBI has proposed certain disclosure requirements such as pre & post net worth of the company, details of funds infused, names of the new promoters, resolution plan (excluding confidential information, commercial secrets) etc.



The consultation paper can be accessed at the following link:

https://www.sebi.gov.in/reports-and-statistics/reports/aug-2020/recalibration-of-threshold-for-minimum-public-shareholding-norms-enhanced-disclosures-in-corporate-insolvency-resolution-process-cirp-cases_47360.html

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We continue business as usual and our attorneys and staff are available to provide our clients uninterrupted service. Please do not hesitate to reach out with questions or concerns at any time. We hope that you and your family remain healthy and safe throughout this global health challenge.

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