

SEBI eases listing norms to help start-ups attract big investors

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Revamps open-offer provisions, tweaks rules to make de-listing more transparent

SEBI on Thursday announced a slew of measures including making it easier for start-ups to list, tightening de-listing rules to allow transparent price discovery, and removing the list of restricted activities or sectors from the definition of venture capital undertaking to provide flexibility to Alternative Investment Funds (AIF).

To make it easier for start-ups to list on the Innovators Growth Platform (IGP), SEBI has said that instead of two years, eligible investors, mostly institutional players, will be required to hold 25 per cent capital only for one year before the issue. Also, their pre-issue shareholding has been hiked from 10 per cent to 25 per cent. This will encourage more big investors to fund start-ups in the expectation that they could list in a year.

Although around 50,000 companies have registered as start-ups with the government, not many have listed on the IGP. Currently, an IGP-listed start-up is not permitted to make discretionary allotment. But now start-ups will be allowed to allocate up to 60 per cent of the issue size on a discretionary basis (with a lock-in of 30 days on such shares), prior to the issue opening to eligible investors.

Open offer cap raised

Open offer norms, too, have been relaxed. Instead of acquisition of 25 per cent shares triggering an open offer, the limit will now be 49 per cent. Open offer is when the acquirer has to compulsorily offer to buy public shares upon breaching the threshold. Delisting on the IGP platform will be considered successful, if the post offer acquirer/promoter shareholding reaches 75 per cent of the total issued shares of that class and at least 50 per cent of the public shares are tendered and accepted. On the BSE and the NSE, delisting is achieved when 90 per cent or more public shares are acquired.

To migrate from the IGP to main BSE/NSE platforms, a start-up now requires 75 per cent of its capital to be held by qualified institutional buyers if it does not satisfy the other conditions of profitability, net assets, net worth, etc. This cap is now reduced to 50 per cent. Besides, SEBI has allowed AIFs and angel investors to invest in start-ups.

Indicative delisting price

SEBI also decided to make the delisting process more transparent by making it compulsory for independent directors (IDs) to give their reasoned opinion to shareholders during delisting offers.

Now, SEBI has said that along with floor price, acquirers will be permitted to specify an indicative price for delisting that will not be lower than the floor price. Promoters will be bound to accept the price discovered through reverse book-building if the same is equal to the floor/indicative price.

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In another significant decision, SEBI has given flexibility to Venture Capital Funds, registered as Category I AIFs, in making investments, allowed AIFs, including Funds of AIFs, to simultaneously invest in units of other AIFs and directly in securities of investee companies. SEBI has also clarified on scope of responsibilities of managers and members of AIF investment committees, and prescribed a code of conduct for trustees, directors and key management personnel of AIFs.