

COVID-19 - SEBI introduces relaxations for further public offers through fast track route

11 June 2020

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1 Introduction

Securities and Exchange Board of India (SEBI) had earlier introduced certain temporary relaxations in eligibility conditions for fast track rights issue (discussed in our update dated 22 April 2020, [accessible here](#)). In continuation, SEBI has on 9 June 2020, introduced similar relaxations in eligibility conditions for further public offers (FPOs) through the fast track route provided under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 (ICDR Regulations). The relaxations introduced are only applicable to FPOs and do not extend to issuance of warrants.

As business disruptions from the coronavirus pandemic continue, SEBI has introduced temporary relaxations in eligibility conditions for further public offers through the fast track route.

2 Relaxations introduced

Issuers may carry out an FPO through the fast track route if the eligibility conditions specified under the ICDR Regulations are met. SEBI has introduced the following temporary relaxations in eligibility conditions for fast track FPOs that open on or before 31 March 2021:

S. No.	Particulars	Previous Requirement	Relaxation Introduced
1.	Market Capitalisation	The average market capitalisation of public shareholding of the issuer should be at least <u>Rs. 1,000 crore</u> in case of public issue.	The average market capitalisation of public shareholding of the issuer has been reduced to <u>Rs. 500 crore</u> .
2.	Legal Proceedings	As on the reference date, <u>no show-cause notices should have been issued</u> or prosecution proceedings have been initiated by SEBI and be	Any show-cause notice issued by SEBI <u>under adjudication proceedings</u> have been excluded from this eligibility condition.

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S. No.	Particulars	Previous Requirement	Relaxation Introduced
		pending against the issuer, its promoters or whole-time directors.	
3.	Violation of Securities Laws	The issuer, promoter, promoter group or director of the issuer <u>has not settled any alleged violation of securities laws</u> through the consent or settlement mechanism with SEBI in the last 3 years immediately preceding the reference date.	Where any such violations are settled, the relevant entity <u>has fulfilled the terms of settlement or adhered to directions of the settlement order</u> through the consent or settlement mechanism with SEBI.
4.	Audit Qualifications	<u>Impact of audit qualifications</u> on the audited accounts of the issuer for those financial years for which such accounts are disclosed in the letter of offer <u>does not exceed 5% of net profit or loss after tax</u> of the issuer for the respective years.	Impact of audit qualifications on the audited accounts of the issuer <u>should be disclosed and accounts should be accordingly restated</u> . Any qualifications for which the impact cannot be ascertained must be appropriately disclosed in the offer documents.

The above relaxations introduced by the SEBI are intended to facilitate fundraising through FPOs by offering greater flexibility. However, FPOs are largely market-driven and subject to more detailed review by the SEBI compared to a rights issue and a qualified institutions placement. FPOs are also subject to minimum promoters' contribution and lock-in restrictions, which have not been relaxed by the SEBI. Accordingly, listed entities may consider rights issues and qualified institutions placements as preferred alternatives to FPOs to raise funds during this pandemic.

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