

INSOLVENCY AND BANKRUPTCY CODE

CA. Pravin Navandar, CA. Mukund Mall

SEBI: Recalibration of Minimum Public Shareholding norms for listed companies going through CIRP.

The Securities and Exchange Board of India (SEBI) mandated that the companies emerging from insolvency proceedings must have at least a 5% upfront public shareholding, if the resolution process has resulted in the public shareholding falling below 10%. The move is aimed at curbing volatility and manipulation in the share prices of these companies. As per new rule of SEBI these companies would be given 12 months to achieve a public shareholding of 10% from the date their shares are admitted for re-trading on the exchanges and 36 months to reach 25%.

To facilitate the upfront 5% public float when trading commences, SEBI has relaxed the lock-in rules on the shares held by the resolution applicant. The lock-in on equity shares allotted to the resolution applicant, under the resolution plan, shall not be applicable to the extent required to achieve 10% public shareholding within 12 months.

Such companies shall be required to make additional disclosures, such as, specific details of resolution plan including details of assets post-CIRP, details of securities continuing to be imposed on the companies' assets and other material liabilities imposed on the

company, proposed steps to be taken by the incoming investor/acquirer for achieving the minimum public shareholding (MPS) and quarterly disclosure of the status of achieving the MPS.

SEBI also approved a proposal to do away with the applicability of minimum promoters' contribution and the subsequent lock-in requirements for the issuers making a further public offer (FPO), provided the company's equity shares were frequently traded on the exchanges for three years, has complied with listing and disclosure rules for three years and has redressed 95% of investor complaints.