

Sebi's new rules on startups, delisting, ESG

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In News: Recently, Securities and Exchange Board of India (SEBI) has announced key changes in the rules for listing of startups.

About SEBI New Rules on startups, delisting, ESG

Retail investors to get access to institutional investors meets

- SEBI made it mandatory for the companies to provide the audio and video recordings of all meetings on its website within 24 hours or before the next trading day.
- Also written transcripts of the meetings will also be made available within five working days.
- This is an important move for retail investors as companies are known to share important developments and outlook with the deep-pocketed institutional investors .

Encouraging startups

- SEBI reduced the holding period for pre-issue capital from the existing two years to one year while allowing such companies to make a discretionary allotment to eligible investors—a facility available to companies that list on BSE and NSE.
- Startups offer their investors (private equity, venture capitalists, angel investors etc) a board seat or certain special rights like veto power or affirmative voting rights as part of the funding arrangement and Sebi has allowed such rights to be continued for such investors if they hold over 10 percent stake.
- These decisions are expected to encourage start-ups to list on Indian exchanges.

- SEBI approved several changes to the listing rules on the Innovators Growth Platform, including reducing from two years to one the time early-stage investors need to hold 25% of pre-issue capital, and allowing IPO-bound startups to allocate up to 60% of the issue size to any eligible investor with a lock-in of 30 days on such shares.
- SEBI relaxed the threshold trigger for open offers from the existing 25% to 49% for startups, barring situations where there is a change in management control of the target company.

Enhanced focus on Environmental, social, and governance (ESG) parameters

- SEBI has introduced a concept called 'Business Responsibility and Sustainability Report' for the top 1,000 listed companies of the country.
- Report will emphasise on disclosures related to climate and social related issues of the company, which would help the investor community assess the firm's sustainability-related risks and opportunities.
- This is an important move considering the fact that the recent past has seen quite a few Indian mutual fund house launch ESG funds even as such form of sustainable investing has grown exponentially across some of the largest markets.

Delisting of Startups.

- SEBI eased norms for the delisting of startups.
- Delisting will be considered successful if the acquirer or promoter shareholding, along with the shares tendered and accepted, reaches 75% of the total issued shares of that class, and at least 50% of the public shareholding is tendered and accepted.
- Reverse book-building mechanisms will not be applicable to startups seeking to go private.

- Independent directors will have to give their “reasoned recommendations” on the delisting proposal while the promoter or acquirer entity will have to disclose its intention to delist the company through an initial public announcement.

About SEBI

- SEBI is a statutory regulatory body established by the Government of India to regulate the securities market in India and protect the interests of investors in securities.
- The Securities and Exchange Board of India was established on April 12, 1992 in accordance with the provisions of the Securities and Exchange Board of India Act, 1992.
- SEBI has the power to regulate and perform functions such as:
 - check the books of accounts of stock exchanges and call for periodical returns
 - approve by-laws of stock exchanges
 - inspect the books of financial intermediaries such as banks
 - compel certain companies to get listed on one or more stock exchanges
 - handle the registration of brokers
- The organization was created to meet the requirements of the following three groups:
 - **Issuers:** SEBI works towards providing a marketplace to the investors where they can efficiently and fairly raise their funds
 - **Intermediaries:** SEBI works towards providing a professional and competitive market to the intermediaries

Investors: SEBI protects and supplies accurate information to investors

Additional Link: <https://journalsofindia.com/sebi>