

THE GAZETTE OF INDIA
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SECURITIES AND EXCHANGE BOARD OF INDIA

NOTIFICATION

Mumbai, the 29th July, 2019

**SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND
DISCLOSURE REQUIREMENTS) (THIRD AMENDMENT) REGULATIONS, 2019**

No. SEBI/LAD-NRO/GN/2019/29. – In exercise of the powers conferred under section 30 of the Securities and Exchange Board of India Act, 1992 (15 of 1992), the Board hereby makes the following Regulations to further amend the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, namely:-

1. These regulations may be called the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) (Third Amendment) Regulations, 2019.
2. They shall come into force on the date of their publication in the Official Gazette.
3. In the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, -

- I. in regulation 2, in sub-regulation (1), after clause (eee) and before clause (fff), the following clause shall be inserted, namely, -

“(eeea) “SR equity shares” means the equity shares of an issuer having superior voting rights compared to all other equity shares issued by that issuer.”

- II. in regulation 6, after sub-regulation (2), the following sub-regulation shall be inserted, namely, -

“(3) If an issuer has issued SR equity shares to its promoters/ founders, the said issuer shall be allowed to do an initial public offer of only ordinary shares for listing on the Main Board subject to compliance with the provisions of this Chapter and these clauses -

i. the issuer shall be intensive in the use of technology, information technology, intellectual property, data analytics, bio-technology or nano-technology to provide products, services or business platforms with substantial value addition.

ii. the SR shareholder shall not be part of the promoter group whose collective net worth is more than rupees 500 crores:

Explanation: While determining the collective net worth, the investment of SR shareholder in the shares of the issuer company shall not be considered.

iii. The SR shares were issued only to the promoters/ founders who hold an executive position in the issuer company;

iv. The issue of SR equity shares had been authorized by a special resolution passed at a general meeting of the shareholders of the issuer, where the notice calling for such general meeting specifically provided for -

a. the size of issue of SR equity shares,

b. ratio of voting rights of SR equity shares vis-à-vis the

- ordinary shares,
- c. rights as to differential dividends, if any
- d. sunset provisions, which provide for a time frame for the validity of such SR equity shares,
- e. matters in respect of which the SR equity shares would have the same voting right as that of the ordinary shares,
- v. The SR equity shares have been held for a period of atleast 6 months prior to the filing of the red herring prospectus;
- vi. The SR equity shares shall have voting rights in the ratio of a minimum of 2:1 upto a maximum of 10:1 compared to ordinary shares and such ratio shall be in whole numbers only;
- vii. The SR equity shares shall have the same face value as the ordinary shares;
- viii. The issuer shall only have one class of SR equity shares;
- ix. The SR equity shares shall be equivalent to ordinary equity shares in all respects, except for having superior voting rights.”

III. in regulation 14, in sub-regulation (2), in clause (a), after the words “equity shares” and before the words “or by”, the words and symbols “, including SR equity shares held, if any,” shall be inserted.

IV. in regulation 16, the existing regulation shall be numbered as sub-regulation (1) thereof and after the sub-regulation (1) so numbered, the following sub-regulation shall be inserted, namely, -

“(2) The SR equity shares shall be under lock-in until conversion into equity shares having voting rights same as that of ordinary shares or shall be locked-in for a period specified in sub-regulations (1), whichever is later.”

- V. in regulation 21, after the words “Specified securities” and before the words “held by the promoters”, the symbols and words “, except SR equity shares,” shall be inserted.
- VI. in regulation 22, after the words “specified securities” and before the words “held by the promoters”, the symbols and words “, except SR equity shares,” shall be inserted.
- VII. in regulation 62, after sub-regulation (3), the following sub-regulation shall be inserted, namely, -

“(4) Where the issuer has issued SR equity shares to its promoters or founders, then such a SR shareholder shall not renounce their rights and the SR shares received in a rights issue shall remain under lock-in until conversion into equity shares having voting rights same as that of ordinary equity shares along with existing SR equity shares.”

- VIII. in regulation 113, after sub-regulation (4), the following sub-regulation shall be inserted, namely, -

“(5) The SR equity shares of promoters, if any, shall be eligible towards computation of minimum promoters’ contribution.”

- IX. in regulation 115, after clause (b) and before the proviso, the following clause shall be inserted, namely, -

“(c) The SR equity shares shall be under lock-in until their conversion to equity shares having voting rights same as that of ordinary shares, provided they are in compliance with the other provisions of these regulations.”

- X. in regulation 119, after the words “Specified securities” and before the words “held by the promoters”, the symbols and words “, except SR equity shares,” shall be inserted.
- XI. in regulation 120, after the words “specified securities” and before the words “held by the promoters”, the symbols and words “, except SR equity shares,” shall be inserted.
- XII. in regulation 294, after sub-regulation (4), the following sub-regulation shall be inserted, namely, -
- “(5) If an issuer has issued SR equity shares to its promoters or founders, any bonus issue on the SR equity shares shall carry the same ratio of voting rights compared to ordinary shares and the SR equity shares issued in a bonus issue shall also be converted to equity shares having voting rights same as that of ordinary equity shares along with existing SR equity shares.”
- XIII. in Schedule V, in Form A, in clause (11), in sub-clause (a), after the words “of the issuer” and before the symbol “,”, the words and symbols “, excluding SR equity shares, where an issuer has outstanding SR equity shares”, shall be inserted.
- XIV. in Schedule VI, in Part A, in clause 15 dealing with “Offering Information”, in sub-clause (A) dealing with “Terms of the Issue”, -
- i. in item (a), after the words and symbol “including dividends.”, the words and symbol “In case of companies having SR equity shares, a statement that the shares issued in the issue shall be pari passu with the existing shares (excluding SR equity shares) in all respects including dividends.”, shall be inserted;

- ii. in item (d), after the words and symbol “instrument holders.”, the words and symbols “In case of an issuer having SR equity shares, the special rights of such SR shareholders shall be disclosed alongwith the circumstances in which the SR equity shares shall be treated as ordinary equity shares.”, shall be inserted.

sd/-

AJAY TYAGI

CHAIRMAN

SECURITIES AND EXCHANGE BOARD OF INDIA

Footnotes:

1. The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 was published in the Gazette of India on September 11, 2018, vide notification No. SEBI/LAD-NRO/GN/2018/31.
2. The Principal Regulations was subsequently amended on -
 - (a) December 31, 2018 by the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) (Amendment) Regulations, 2018, vide notification No. SEBI/LAD-NRO/GN/2018/57.
 - (b) March 29, 2019 by the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) (Amendment) Regulations, 2019, vide notification No. SEBI/LAD-NRO/GN/2019/05.
 - (c) April 5, 2019 by the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) (Second Amendment) Regulations, 2019, vide notification No. SEBI/LAD-NRO/GN/2019/08.
