



PR No.35/2020

Relaxations for Listed Companies having stressed assets

SEBI has decided to relax the pricing methodology for preferential issues by listed companies having stressed assets and exempt allottees of preferential issues from open offer obligations in such cases, with immediate effect.

1. Relaxations

- i. Eligible listed companies having stressed assets will be able to determine pricing of their preferential allotments at not less than the average of the weekly high and low of the volume weighted average prices of the related equity shares during the two **weeks** preceding the relevant date.
- ii. Allottees of preferential issue in such eligible companies will be exempted from making an open offer if the acquisition is beyond the prescribed threshold or if the open offer is warranted due to change in control, in terms of Takeover Regulations.

2. Eligibility

A listed entity satisfying any two out of the following three conditions shall be considered as stressed and therefore be eligible for aforesaid relaxations:

- (i) Any listed company that has made disclosure of defaults on payment of interest/ repayment of principal amount on loans from banks / financial institutions/ Systemically Important Non-Deposit taking Non-banking financial companies/ Deposit taking Non-banking financial companies and /or listed or unlisted debt securities in terms of SEBI Circular dated November 21, 2019, and such default is continuing for a period of at least 90 calendar days after occurrence of such default.
- (ii) Existence of Inter-creditor agreement in terms of Reserve Bank of India (Prudential Framework for Resolution of Stressed Assets) Directions 2019 dated June 07, 2019.

- (iii) Downgrading of credit rating of the financial instruments (listed or unlisted), credit instruments / borrowings (listed or unlisted) of the listed company to “D”.

3. Other Conditions

Eligible listed companies shall also be required to comply with the following conditions to avail the relaxations:

- (i) The preferential issue will be made to persons/entities that are not part of the promoter or promoter group. Further, certain other persons including an Undischarged insolvent, Wilful defaulter, Fugitive economic offender, those Disqualified to act as director, prohibited by SEBI from trading in securities and accessing the securities market will also be ineligible.
- (ii) The resolution for the preferential issue at the aforesaid pricing and exemption from open offer shall be passed by majority of minority.
- (iii) Proposed end-use of proceeds of such preferential issue will be disclosed. The proceeds should not be used for any repayment of loans taken from promoters/ promoter group/ group companies.
- (iv) Monitoring agency will be appointed for monitoring end-use of the proceeds of such a preferential issue. The monitoring agency shall not be an associate to the company. The Audit Committee shall also monitor the proceeds of such a preferential issue.
- (v) The shares issued to the investors in such an issue shall be locked in for a period of three years from the latest date of trading approval granted by all the stock exchanges where the specified securities are listed.
- (vi) The statutory auditor and the Audit Committee shall certify that eligibility norms as mentioned at point 2 above and conditions at point 3 (i) to (iii) have been met at the time of dispatch of notice for general meeting proposed for passing the special resolution and also at the time of allotment.

The above framework is aimed at helping stressed companies raise capital through timely financial intervention, at the same time protecting the interest of shareholders.

To give effect to these relaxations, [SEBI ICDR Regulations](#) and [SEBI Takeover Regulations](#) have been amended. The relaxations introduced vide notifications dated June 22, 2020, are expected to make fund raising through preferential allotments relatively easier for stressed companies.

Mumbai

June 23, 2020