In another move to ease fund raising by listed companies, SEBI, on June 9, 2020 has temporary relaxed certain norms applicable to fast track further public offer (Fast Track FPO). Relaxations are aimed at primarily easing the eligibility criteria for listed companies to avail Fast Track FPO and removes disqualification norms such as pending prosecution proceedings/show cause notice, settlement with SEBI, impact of audit qualifications. The relaxations are applicable for FPOs that open on or before March 31, 2021 and are not applicable for issuance of warrants.

The relaxations are:

- **Expanding the universe of listed entities**: Average market capitalization of public shareholding of the issuer has been reduced from at least INR 1000 crores to INR 500 crores;

- **Pending prosecution proceedings/show cause notice does not disentitle from Fast Track FPO**: For availing fast track FPO, one of the requirements was that no show-cause notices should have been issued or prosecution proceedings should have been initiated by SEBI and pending against the issuer or its promoters or whole-time directors as on the reference date. This has been relaxed, with a disclosure being allowed to be made in that regard. Revised requirement states that no show-cause notices, excluding under adjudication proceedings, should have been issued by SEBI and pending against the issuer or its promoters or whole-time directors as on the reference date. In cases where the issuer or its promoters/ directors/ group companies, i) have been issued a show cause notice(s) by SEBI in an adjudication proceeding or ii) prosecution proceedings have been initiated by SEBI, necessary disclosures in respect of such action(s) along-with its potential adverse impact on the issuer shall be made in the offer documents.

- **Settlement of cases with SEBI not a bar for Fast Track FPO**: Another eligibility criteria for availing Fast Track FPO was that the issuer or promoter or promoter group or director of the issuer should not have settled any alleged violation of securities laws through the consent or settlement mechanism with SEBI for 3 years immediately preceding the reference date. This requirement too has been relaxed with a necessary declaration with respect to any settlement that has been availed. The revised requirement states that the issuer or promoter or promoter group or director of the issuer should have fulfilled the settlement terms or adhered to directions of the settlement order(s) in cases where it has settled any alleged violation of securities laws through the consent or settlement mechanism with SEBI.

- **Impact of audit qualification in breach of 5% of the net profit or loss after tax, not a bar for Fast Track FPO**: Another important criteria for availing Fast Track FPO was that the impact of audit qualifications, if any and where quantifiable, on the audited accounts of the issuer in respect of those financial years for which such accounts are disclosed in the letter of offer should not have exceeded 5% of the net profit or loss after tax of the issuer for the respective years. This requirement has been relaxed with necessary disclosures. Revised requirement states that impact of audit qualifications, if any and where quantifiable, on the audited accounts of the issuer in respect of those financial years for which such accounts are disclosed, shall be appropriately disclosed and accounts accordingly restated, in the offer documents. Further, for the qualifications wherein the impact on the financials cannot be ascertained the same shall be disclosed appropriately in the offer documents.

Aforementioned relaxations have been announced vide SEBI circular dated June 9, 2020 (available here).

We trust you will find this an interesting read. For any queries or comments on this update, please feel free to contact us at insights@elp-in.com.

Disclaimer: The information provided in this update is intended for informational purposes only and does not constitute legal opinion or advice. Readers are requested to seek formal legal advice prior to acting upon any of the information provided herein.