



# Listing of Start-ups: SEBI proposes review of IGP framework and ease norms

INSIGHTS

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In 2019, SEBI had launched 'Innovators Growth Platform' (IGP) erstwhile known as 'Institutional Trading Platform' for listing of issuers which are in intensive 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. As IGP could not get any traction and no listing by issuers have so far taken place on IGP platform, after consultations with start-ups and market participants and with a view to facilitate listing by issuers on the IGP, SEBI has issued a consultation paper (**Consultation Paper**) proposing changes to the existing IGP framework provided under SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 (**ICDR Regulations**).

Summary of key proposals are:

Provision	Present requirement	Proposal
<b>Eligibility criteria</b>	25% of pre-issue capital is required to be held by eligible investors for 2 years.	The period of holding of 25% of pre-issue capital to be held by eligible investors for 2 years, may be reduced to 1 year.
<b>Lock-in</b>	The entire pre-issue capital of the shareholders is required to be locked-in for a period of 6 months from the date of allotment/listing. However, equity shares held by a venture capital fund or alternative investment fund (AIF) of Category-I or a foreign venture capital investor etc. are exempted from such requirement provided that such equity shares are locked-in for a period of at least 1 year from the date of purchase.	Post issue lock-in requirements should also not be made applicable for AIF Cat-II, provided that the shares are held for a period of 1 year from date of purchase.
<b>Discretionary Allotment to Anchor Investors</b>	Allotment to institutional as well as non-institutional investors are to be made on a proportionate basis, with no requirement of minimum reservation of allocation to specific category of investors.	The issuer company to be allowed to allocate up to 60% of the issue size on a discretionary basis, prior to issue opening. Further, to expand the options available for the issuer, such discretionary allotment may be allowed to all eligible investors as defined under the IGP framework.
<b>Accredited Investors (AIs)</b>	The shareholding of AIs is only considered for up to 10% of pre-issue capital out of eligibility requirement of minimum 25% to be held by eligible investors as defined under Regulation 283 of ICDR Regulations. Further, the definition of AI only includes individuals and body corporate.	The limit of 10% on AIs may be removed and AIs' pre-issue shareholding may be considered for entire 25% of the pre-issue capital required for meeting eligibility condition norms. Further, pre-issue capital held by promoters/promoters groups, even if they are registered as AIs shall not be considered for the said minimum 25% eligibility requirements. Further, to expand the universe of family trusts eligible for investing in companies aspiring to list under IGP, the net worth requirement of family trusts may be reduced from INR 500 crore to INR 25 crore.
<b>Differential Voting Rights (DVR) / Superior Voting Right (SR) equity shares</b>	Present provisions under IGP framework do not allow issuer companies to issue DVR/SR equity shares to promoters/founders.	Issuer companies seeking listing under IGP may also be allowed to issue DVRs/SRs to promoters/founders.

<b>Continuing Rights</b>	Special rights collapse upon a listing event and shareholder approval is required to reinstate any of these special rights.	Continuation of specifically defined special rights for investors holding in excess of 10% of capital may be considered. Special rights along with thresholds may be built into the offer document prior to listing so as to ensure that all participating investors on IGP get upfront information on such rights. Further, special rights may not be open ended and be aligned with the DVR framework, with adequate checks and balances in terms of coat-tail provisions and a sunset clause.
<b>Takeover Requirement</b>	SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 2011 ( <b>SAST Regulation</b> ) stipulate a 25% threshold for triggering an open offer. Further, any acquirer along with persons acting in concert needs to disclose their aggregate shareholding, whenever their shareholding reaches 5% and whenever there is subsequent change of $\pm 2\%$ in their shareholding.	The stipulation under SAST Regulation for triggering open offer may be relaxed to higher threshold from existing 25% to 49%. However, it may be stipulated that any change in control irrespective of value of acquisition will trigger open offer.
<b>Voluntary delisting</b>	Under the ICDR Regulations, any company intending to delist its shares from IGP platform is required to comply with the SEBI (Delisting) Regulations, which would involve among others process of reverse book building including exit price as determined through such process, bidding of minimum 90% shareholding/voting rights etc.	While delisting, the floor price may be determined by delisting regulations along with a new mandatory provision for premium for delisting which the acquirer will have to justify. Delisting may be considered if 75% of the total shareholding/voting rights are acquired. The success of the shareholder resolution while delisting currently stipulated at 2/3rd of minority holding may be changed to majority of minority which would provide sufficient protection to the non-promoter shareholders, especially as they are all sophisticated investors in IGP.
<b>Migration to main board</b>	IGP company shall be eligible to trade on the main board of the stock exchange provided it fulfills certain conditions of the exchange. In case the IGP company does not satisfy the requirements of profitability, net worth, net assets etc. as required under Regulation 292 (2) of ICDR Regulations, then such IGP company can migrate to the main board provided 75% of its total capital as on the date of application of migration to the main board is held by QIBs.	Eligibility requirements to have 75% of its capital to be held by QIBs, as on date of application for migration, to be reduced from 75% to 40%.

Detailed proposal and recommendations are provided under SEBI Consultation Paper dated December 14, 2020 ([available here](#)). Public comments have been sought till January 11, 2021.

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](mailto:insights@elp-in.com)

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