ECONOMIC LAWS PRACTICE
ADVOCATES & SOLICITORS

# CAPITAL MARKETS NEWSLETTER: APRIL 2026

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# A. CIRCULARS

## 1. SEBI (Infrastructure Investment Trusts) and SEBI (Real Estate Investment Trusts) (Amendment) Regulations, 2026

The Securities and Exchange Board of India ("**SEBI**" or "**Board**") notified the Securities and Exchange Board of India (Infrastructure Investment Trusts) (Amendment) Regulations, 2026 and the Securities and Exchange Board of India (Real Estate Investment Trusts) (Amendment) Regulations, 2026 effective April 16, 2026 (**Amendment(s)**). The key relevant updates that have been highlighted in the Amendments are summarized as follows:

- Infrastructure Investment Trusts (**InvITs**) will be permitted to continue holding investments in Special Purpose Vehicles (**SPVs**) even after the completion or termination of the concession agreement for the underlying infrastructure project, where immediate exit is not feasible due to pending claims, litigation, tax assessments, defect liability periods, or similar unresolved issues.
- InvITs will be required to either exit the SPV or acquire a new infrastructure project in the same SPV within one year from the later of completion of the concession agreement, conclusion of pending litigation or claims, or expiry of the defect liability period.
- Privately listed InvITs can invest up to 10% of the value of their assets in greenfield infrastructure projects.
- The Amendment permits privately listed InvITs to invest in under-construction infrastructure projects, including PPP greenfield infrastructure projects, which were previously restricted.
- InvITs with leverage exceeding 49% and up to 70% of the value of their assets can undertake fresh borrowings for capital expenditure, major maintenance expenses for road projects, and refinancing of existing debt.
- InvITs and Real Estate Investment Trusts (**REITs**) can temporarily deploy surplus funds in units of liquid mutual fund schemes with a credit risk value of at least 10 and classified as Class A-I or Class B-I under SEBI's potential risk class matrix against the earlier credit risk value of at least 12.

## 2. SEBI Alternative Investment Funds (Amendment) Regulations, 2026

SEBI has notified the SEBI Alternative Investment Funds (Amendment) Regulations, 2026, effective April 16, 2026. These amendments introduce critical shifts in investment thresholds and fund lifecycle management as follows:

- The liquidation of assets and distribution of proceeds to investors after satisfying all liabilities is now expressly subject to conditions as may be specified by the Board from time to time. This gives SEBI broader discretion to regulate the winding up process beyond the standard liquidation period.
- SEBI introduced a new sub regulation under Regulation 29, empowering the Board to classify an Alternative Investment Fund as an inoperative fund. This tagging will be carried out in such manner and subject to conditions as may be specified by the Board.
- The minimum investment value for individual investors for Social Impact Funds is reduced from two lakh to one thousand rupees.

## 3. SEBI (Intermediaries) (Amendment) Regulations, 2026

SEBI amended the SEBI (Intermediaries) Regulations, 2008, effective April 16, 2026 (**Amendment**). The key relevant updates that have been highlighted in the Amendment are summarized as follows:

i. The Amendment modifies the scope of the "fit and proper" disqualification criteria. While the earlier framework focused on whether a person had incurred any disqualifications, the amended regulation instead examines whether a person has been "subjected to" specified disqualifying events.

ii. Additionally, the applicant or intermediary under the concerned regulations shall not be declared as not "fit and proper person" if SEBI has declared an associate or group entity of the applicant or intermediary as not "fit and proper person" unless the applicant or intermediary is subject to same event which disqualified its associate or group entity.

The existence of a pending criminal complaint, FIR filed by SEBI, or a charge sheet relating to economic offences will no longer, by itself, lead to automatic disqualification of the Intermediaries. However, SEBI has expanded the disqualification criteria upon conviction for any economic offence or violation under securities laws will also attract disqualification.

# B. CIRCULARS

## 1. Relaxations by SEBI

Due to geopolitical instability in the Middle East and subdued market conditions, issuers have faced delays in launching public issues. In light of market volatility caused by such geopolitical tensions, SEBI has issued the following circulars to provide certain relaxations to the companies contemplating public issues:

### *1.1 Background Relaxation from the applicability of SEBI Master Circular for compliance with the provisions of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 on non-compliance with the Minimum Public Shareholding (MPS) requirements*

SEBI issued a Circular dated April 7, 2026 effective immediately, under Sections 11 and 11A of the SEBI Act, 1992, granting a one-time relaxation from penal consequences for non-compliance with Minimum Public Shareholding (**MPS**) requirements under the SEBI Master Circular dated July 11, 2023 (**Master Circular**). The Master Circular mandated actions such as fines, freezing of promoter shareholding and other enforcement measures for MPS non-compliance. SEBI has relaxed the applicability of these penal provisions for listed entities whose compliance deadlines fall between April 1, 2026 and September 30, 2026. During this period, stock exchanges and depositories have been directed to not initiate penal action, and any action already initiated during this period is to be withdrawn.

### *1.2 One-time relaxation with respect to validity of SEBI Observations*

SEBI issued a Circular dated April 7, 2026, effective immediately, under section 11 and 11A of the SEBI Act, 1992, providing a one-time extension of validity of SEBI final observation letters issued under Regulations 44(1) and 59C of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended ("**SEBI ICDR Regulations, 2018**"). Ordinarily, these observations are valid for 12 months for an initial public offer ("**IPO**") and 18 months for other issues, from the date of issue of such final observations. SEBI has therefore extended the validity of observation letters expiring between April 01, 2026 and September 30, 2026, up to September 30, 2026, subject to merchant bankers providing an undertaking confirming compliance with Schedule XVI of the SEBI ICDR Regulations, relating to the changes in the offer document requiring filing of the updated offer document.

## 2. Circulars by SEBI and Depositories on ease of doing business and mechanism for Lock-In of Pledged Shares under SEBI (Issue Of Capital and Disclosure Requirements) Regulations, 2018

Pursuant to the SEBI circular dated April 8, 2026, a mechanism has been introduced for lock-in of pledged shares under the SEBI ICDR Regulations, 2018, clarifying that where lock-in cannot be created, such securities may be recorded as "non-transferable" for the applicable lock-in period. To operationalise this framework, the depositories have issued detailed guidelines to be followed by issuers, including, *inter alia*, incorporation of suitable provisions in the articles of association, issuance of necessary intimations to lenders/pledgees and appropriate disclosures in the offer documents, along with corresponding changes to their systems and processes. In this regard, the depositories have operationalised of the aforesaid framework through their respective circulars.

- The Central Depository Services (India) Limited (**CDSL**) issued a communiqué to the registrar and transfer agents (**RTAs**) dated April 6, 2026 for incorporation of lock-in of pre-issue capital during initial public offering. It operationalises the amended Regulation 17(2) of the SEBI ICDR Regulations, 2018 by introducing a detailed corporate action-based framework for incorporation of lock-in of pre-IPO capital, including for securities held under pledge or freeze/safe balance. The circular clarifies that while equity shares in free balance shall be directly locked-in, shares under pledge or freeze status shall be restricted from transfer by marking them as *"non-transferable"*, thereby ensuring functional equivalence to lock-in. It prescribes a step-by-step operational process, including (i) mandatory verification of total pre-IPO shareholding across free, pledged and frozen balances prior

to the filing of the red herring prospectus, (ii) exclusion of exempt and offer for sale (**OFS**) shares, (iii) initiation of corporate action for lock-in of pre-issue capital held in the depository system by submitting requisite documents to CDSL latest by T-1 day, (iv) implementation by CDSL whereby equity shares in free balance are locked-in and shares under pledge/freeze are rendered non-transferable, (v) reporting of such pledge/freeze balances as "successful" in the report notwithstanding their continued reflection as pledged/safekept in the Benpos Report, and (vi) automatic continuation of lock-in upon release or invocation of pledge (or unfreezing), with such shares remaining locked-in in the relevant account for the residual lock-in period, and (vii) post-action reconciliation to ensure the entire pre-issue capital is either locked-in or transfer-restricted.

- The National Securities Depository Limited (**NSDL**), through its circular dated April 7, 2026 has operationalized the amended Regulation 17(2) of the SEBI ICDR Regulations. The circular introduces a framework to facilitate the lock-in of pre-IPO securities that are under pledge or freeze status. Where lock-in cannot be directly created, NSDL shall, upon instructions from the issuer, mark such securities as "non-transferable" and freeze them for the applicable lock-in period. This mechanism shall operate in addition to the existing corporate action framework for lock-in and ensures that securities issued prior to an IPO remain effectively restricted from transfer even in cases of encumbrance or operational constraints within the depository system.

# C. CONSULTATION PAPER

## 1. Consultation Paper: Re-introduction of Open Market Buy-Back of Shares through Stock Exchange

The consultation paper issued by the SEBI on April 2, 2026 (**Consultation Paper**), seeks public comments on the proposal to re-introduce the open market buy-back of shares or other specified securities through the stock exchange mechanism. The proposal marks a significant regulatory shift, as this method was discontinued with effect from April 1, 2025, due to concerns relating to equitable shareholder treatment and tax inefficiencies. The present consultation revisits the framework in light of subsequent changes in taxation and market considerations, with the objective of restoring an additional capital management tool for listed companies.

***Background and Existing Framework***

Buy-back of securities in India is governed by Section 68 of the Companies Act, 2013, read with the SEBI (Buy-Back of Securities) Regulations, 2018. These regulations permit buy-backs through:

- Tender offer (proportionate basis), and
- Open market (earlier through book-building or stock exchange).

However, the stock exchange route under the open market method was gradually phased out between 2023 and 2025 through a "glide path," eventually being eliminated entirely.

**Evolution of Taxation Framework**

The Consultation Paper highlights a fundamental shift in the tax regime governing buy-backs:

- ***October 2024:*** Buy-back proceeds taxed as "deemed dividend" in the hands of shareholders.
- ***April 2026 onwards:*** Rationalisation to capital gains taxation, aligning buy-back transactions with normal market sales.

Additionally, promoter shareholders are subject to an additional tax component, aimed at preventing arbitrage between dividends and buy-backs. This transition removes the earlier tax-driven inequity, which was a key reason for discontinuation.

**Stakeholder Representations**

Industry bodies such as the Federation of Indian Chambers of Commerce and Industry (**FICCI**) and the Association of Investment Bankers of India (**AIBI**) have advocated for reinstating the stock exchange method, citing greater efficiency and global alignment, ability to absorb market selling pressure gradually, improved price discovery and liquidity and enhanced shareholder confidence. They also emphasized that tax-related concerns are no longer relevant under the revised framework.

**Rationale for Re-Introduction**

SEBI's proposal is premised on the following considerations:

- **Tax Neutrality:** With capital gains taxation, buy-backs are now comparable to normal market transactions.
- **Equal Opportunity:** All shareholders can participate under uniform market conditions.
- **Market Efficiency:** Continuous buying supports liquidity and price discovery.
- **Global Practice:** Open market buy-backs through exchanges are widely used internationally.

Hence, SEBI through the Consultation Paper proposes to re-introduce buy-back through stock exchange as an additional method under Regulation 4(iv) of the Buy-Back Regulations. They intend to continue applying the existing regulatory framework, including separate buy-back window on stock exchanges, restrictions on promoter participation, price, volume, and timing controls and disclosure and escrow requirements. No entirely new framework is proposed; instead, the earlier mechanism is sought to be reinstated with the benefit of the updated tax regime.

The consultation reflects SEBI's attempt to recalibrate its regulatory stance in light of structural changes in taxation and market dynamics. By addressing the earlier concerns of tax inequity and reinforcing safeguards, the re-introduction of the stock exchange route is positioned as a pragmatic step toward enhancing capital allocation flexibility for companies while maintaining fairness and transparency for investors.

SEBI has invited public comments on the proposal, signalling an openness to stakeholder input before final regulatory action.

# D. MISCELLANEOUS

## 1. SEBI'S Relaxation on IPO Issue Size

SEBI, through a communication addressed to the Association of Investment Bankers of India, has allowed issuer companies to reduce the size of their initial public offerings by up to 50% without filing additional procedural filings. This relaxation has been introduced in response to heightened market volatility arising from the Iran conflict, which has made it challenging for companies to adhere to their original fundraising plans. Currently, under Schedule XVI of the SEBI ICDR Regulations, initial public offering documents need to be refiled if the planned fund-raising amount increases or decreases by 20% or more. Issuer companies will now only have to submit their revised offer size to SEBI for approval and these reviews will be fast-tracked. The relief will apply to issuers planning to open their public issues before September 30, 2026 and will only be granted if there is no change in the main object of the issue.

## 2. CORPORATE LAW (AMENDMENT) BILL, 2026

On March 23, 2026, the Corporate Law (Amendment) Bill, 2026 (the "**Bill**") was tabled before the Lok Sabha by the government proposing significant amendments in the Limited Liability Partnership Act, 2008, as amended and the Companies Act, 2013, as amended (the "**Act**"). With the aim to facilitate ease of doing business and strengthen the governance requirements by the companies, the key changes introduced in the Bill find their basis in the recommendations proposed by the Company Law Committee Report of 2022. The Bill has been currently referred to the joint parliamentary committee for further examination and scrutiny.

Following are the key amendments proposed under the Bill:

- ***Decriminalization and rationalisation of penalties:*** Several offences are shifted from criminal liability to fixed monetary or civil penalties (e.g., prospectus misstatements under section 26, buy-back contraventions under section 68, and certain breaches of directors' duties under section 166 and section 167), materially reducing criminal exposure while preserving deterrence through higher, more structured penalties.

- ***Enhanced corporate governance and board-level standards:*** Independent director eligibility is tightened and extended over a longer look-back period, with fit-and-proper criteria, continuous eligibility obligations, and expanded cooling-off/association restrictions; DIN maintenance and deactivation/cancellation regimes are strengthened; disqualification grounds under section 164 are broadened (including for auditors/valuers/IPs), and the Central Government is empowered to further cap the number of directorships.

- ***Stronger auditor and National Financial Reporting Framework (NFRA):*** A new NFRA sub-framework (sections 132A–132K) formalises the powers of the authority under NFRA and mandates auditor registration/filings and penalties for default; auditors of prescribed companies are barred from providing any non-audit services to the company, its holding or subsidiary (including for three years post-tenure).

- ***Modernization of capital-raising, employee participation and IFSC regime:*** The Bill widens ESOP-like employee participation to "other schemes linked to the value of share capital," refines private placement (scope, thresholds and penalties), liberalises buy-back limits and frequency for certain companies, and grants statutory recognition and foreign-currency flexibility for International Financial Services Centre (**IFSC**) companies' share capital, accounting and disclosures.

- ***Expanded disclosure, corporate social responsibility (CSR) and shareholder participation requirements:*** New website and electronic communication obligations are introduced; board reports must carry detailed explanations on adverse audit remarks and audit committee recommendations; CSR thresholds and timelines are revised; annual and extraordinary general meetings may be held in physical, virtual or hybrid mode (with at least

one physical annual general meeting every three years), improving transparency and shareholder access while moderating compliance for smaller entities.

We hope you have found this information useful. For any queries/clarifications please write to us at insights@elp-in.com or write to our author:

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