

Framework for Issuance of Differential Voting Rights (DVR) Shares

1.0 Objective

- 1.1 This memorandum seeks to prescribe a framework for allowing public issue of ordinary shares by issuer companies having promoters who hold shares with superior voting rights and accordingly amend SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, SEBI (Buy-Back of Securities) Regulations, 2018, and SEBI (Delisting of Equity Shares) Regulations, 2009.

2.0 Background

- 2.1 There is an increasing debate about the need to enable issuance and listing of shares with differential voting rights, commonly known as DVRs in India (dual class shares or DCS in the international context). Such shares have rights disproportionate to their economic ownership.
- 2.2 New technology firms typically employ asset light business model whereby the firm owns relatively fewer capital assets compared to the value of its operations. Such firms prefer equity over debt capital and raising equity on a periodic basis leads to dilution of founder/ promoter stake. In such new technology firms where the promoter/ founders are instrumental in the success of the firms, there is a need for a structure to enable them to retain decision-making powers and rights vis-à-vis other shareholders. One such possible structure could be the issuance of shares with superior voting rights to founders/ promoters of the company.
- 2.3 SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 prohibits a listed company from issuance of shares which may confer on any person superior rights as to voting or dividend vis-à-vis the rights of equity shares that are already listed. Further, SEBI (ICDR) Regulations, 2018 mandates a statement that the shares issued in an issue are pari passu with the existing shares in all respects including dividend. Apart from these, Companies (Share Capital and Debentures) Rules, 2014 [Companies (SCAD)

Rules, 2014] restricts issuance of DVRs only by companies having profitability track record among other conditions. The Companies(SCAD) Rules, 2014, also provides a cap of 26% on shares with differential rights of the total post issue paid up capital.

2.4 A sub- group of the Primary Market Advisor Committee (PMAC) of SEBI was formed in September, 2018 [DVR Group], headed by Shri Prithvi Haldea, a member of PMAC, to do an in-depth study of the proposal of introduction of dual class shares in Indian Scenario.

2.5 The DVR Group was represented by different stakeholders including professional bodies, merchant bankers and lawyers etc.

2.6 The DVR Group submitted its report [DVR Group report] to SEBI. The Report proposed to structure the regulation of DVR issuance under two broad heads. The broad heads covered issuance by companies whose equity shares are already listed on stock exchanges; and companies with equity shares not hitherto listed but proposed to be offered to the public. The DVR Group report is placed at **Annexure A**.

3.0 Public comments and consultation with stakeholders

3.1 The report of the DVR Group was placed on the SEBI website on March 20, 2019 for public comments to be submitted latest by April 20, 2019.

3.2 Comments were received from more than 40 entities / persons including from a variety of stakeholders such as industry, NITI Aayog, Ministry of Corporate Affairs, Global institutional investors, global associations, lawyers etc. The comments received in the matter were both for and against introduction of DVRs. Some commentators have highlighted that introduction of DVRs would result in corporate governance issues such as abuse of minority shareholders, weakening of the checks and balances between shareholders and

management, etc. Comments on issuance of lower or fractional voting rights highlight that issuance of such shares should not be encouraged as they attract less investor interest, trade at discount and therefore negatively impact retail shareholders attracted to such shares. Further, lower fractional rights will likely result in existing ordinary shares to trade at premium resulting in lower returns for institutional investors. However, some commentators have sought relaxations in existing regulatory framework to enable listing of technology companies with superior voting rights issued to its promoters/ founders. A summary of all comments is placed at **Annexure B**.

3.3 Based on the analysis of the public comments received, DVR Group revised its recommendations which were discussed at the PMAC meeting held on May 16, 2019.

3.4 The PMAC of SEBI comprises of eminent representatives from the, Industry, Market Participants, academicians, Institute of Chartered Accountants of India, Ministry of Finance etc.. The PMAC meeting held on May 16, 2019 also had representatives from Ministry of Corporate Affairs and NITI Aayog as special invitees for discussion on DVRs.

3.5 PMAC is of the view that DVRs may currently be restricted to technology companies not hitherto listed and seeking listing. The PMAC has also recommended measures to mitigate the corporate governance issues that arise with existence of such DVR structures. Further, it also recommended that issuance of shares having fractional voting rights may not be permitted by listed companies at this stage.

4.0 Proposed framework for issuance of differential rights shares by PMAC

4.1 A detailed framework for issuance of differential rights shares as recommended by PMAC has been prepared.

4.2 Proposal:

4.2.1 Nomenclature: “SR shares” shall mean equity shares having superior voting rights.

4.2.2 Eligibility: Company having SR shareholders would be permitted to do an initial public offering (IPO) of only ordinary shares to be listed on the Main Board, subject to fulfillment of eligibility requirements as per Chapter II (Part I) of the SEBI(ICDR) Regulations and the following conditions:

i. The issuer company is a tech company (as per the definition in Innovators Growth Platform) which is defined as follows:

An issuer which is 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 is not part of the promoter group whose collective net worth is more than Rs 500 Crores. While determining the collective net worth, the investment of SR shareholders in the shares of the issuer company shall not be considered.

iii. The SR shares have been issued only to the promoters/ founders who hold an executive position in the company.

iv. The issue of these SR shares has been authorized by a special resolution passed at a general meeting of the shareholders with notice of specific matters such as:

- a. Size of SR issuance
- b. Ratio of voting rights of SR shares vis-à-vis ordinary shares
- c. Rights as to differential dividends, if any
- d. Sunset clause

- e. Coat tail provisions (scenarios where SR shares would have same voting rights as ordinary shares)
 - v. SR shares have been held for a period of atleast 6 months prior to the filing of Red Herring Prospectus (RHP)
 - vi. The SR shares have voting rights in the ratio of minimum 2:1 to maximum 10:1 compared to ordinary shares. The ratio shall be in whole numbers only.
 - vii. SR shares have the same face value as ordinary shares.
 - viii. The company has only one class of SR shares.
- 4.2.3 Pre-issue Disclosures: Company shall disclose names of all SR shareholders along with complete details of all special rights provided and the coat tail provisions in the Offer Documents required under SEBI (ICDR) Regulations.
- 4.2.4 Minimum Promoter Contribution: SR shares would be allowed towards computation of minimum promoter contribution requirement of SEBI (ICDR) Regulations, 2018.
- 4.2.5 Listing and Lock-in: SR shares shall also be listed on Stock Exchanges after the issuer company makes a public issue. However, SR shares shall be under lock-in after the IPO until their conversion to ordinary shares. In case of early conversion of SR shares to ordinary shares, the shares shall continue to be under lock-in in terms of Chapter II (Part IV) of the SEBI (ICDR) Regulations i.e. for 3 years after listing for SR shares considered for Minimum Promoter Contribution and for 1 year for SR shares in excess of Minimum promoter contribution. Transfer of SR shares among promoters shall not be permitted. No pledge/ lien shall be allowed on SR shares.
- 4.2.6 Rights of SR shares: SR shares shall be treated at par with the ordinary equity shares in every respect, including dividends, except in the case

of voting on resolutions. The total voting rights of SR shareholders (including ordinary shares), post listing, shall not exceed 74%.

4.2.7 Enhanced Corporate Governance: In view of disproportionate voting rights conferred to promoters vis-à-vis their economic holding, companies having SR shareholders shall be subject to enhanced corporate governance as follows:

- i. 2/3 rd of the Board and Committees (excluding Audit Committee) as prescribed under SEBI(LODR) Regulations, 2015 shall comprise of Independent Directors
- ii. Audit Committee shall comprise of only Independent Directors.

4.2.8 Coat-tail Provisions: Post-IPO, the SR Equity Shares shall be treated as ordinary equity shares in terms of voting rights (i.e. one SR share shall have only one vote) in the following circumstances:

- i. Appointment or removal of independent directors and/or auditor;
- ii. In case where promoter is willingly transferring control to another entity
- iii. Related Party Transactions in terms of SEBI(LODR) Regulations involving SR shareholder
- iv. Voluntary winding up of the company;
- v. Changes in the company's Article of Association or Memorandum- except any changes affecting the SR instrument
- vi. Initiation of a voluntary resolution plan under IBC;
- vii. Utilization of funds for purposes other than business
- viii. Substantial value transaction based on materiality threshold as prescribed under LODR;
- ix. passing of special resolution in respect of delisting or buy-back of shares; and
- x. Any other provisions notified by SEBI in this regard from time to time.

4.2.9 Time based Sun-set clause: The SR shares shall be converted to Ordinary Shares on the 5th anniversary of listing. However, the validity of SR shares can be extended once by 5 years through a resolution. SR shareholders would not be permitted to vote in such resolutions. SR shareholders can convert their shares to ordinary shares at any time prior to Sun-set.

4.2.10 Event based Sun-set clause: On the occurrence of following events, SR shares shall compulsorily get converted into ordinary shares.

- i. In case of demise of the promoter(s) holding such shares
- ii. In case SR shareholder resigns from the executive position in the Company
- iii. In cases of merger or acquisition of the Company having SR shareholder where the control would be no longer with SR shareholder
- iv. Whenever such shares are sold by the SR shareholder after the lock-in period but prior to time based sunset.

4.2.11 Subsequent Issues: In case company decides issue of Bonus or Split of shares, SR shareholders shall be entitled for SR shares. Similarly, SR shareholder shall be entitled to SR shares in case of a rights issues. However, the rights of SR shares cannot be renounced by the SR shareholder. The ratio of voting rights of all such SR shares shall remain same as that adopted by the company initially. The time based sunset for such SR shares shall continue to be from the date of listing of ordinary shares of such company.

4.2.12 Post-issue Disclosures: SR shareholding to be disclosed in periodic disclosure of shareholding pattern.

4.2.13 Issuance of DVRs is proposed to be limited to new tech companies at this stage and to begin with the DVR framework shall be limited to issue of SR shares. Henceforth, issue of fractional rights shares by existing

listed companies shall not be allowed. The need for allowing issue of fractional rights shares by listed companies may however be reviewed after gaining enough experience with the use of SR shares.

4.2.14 It is observed that there are certain recommendations that need referral to the Ministry of Corporate Affairs and Ministry of Finance, Department of Economic Affairs. Such issues are:

- i. Companies (SCAD) Rules, 2014 stipulates a requirement of 3 year profitability on companies that can issue shares with differential rights. SEBI permits issue of shares to public even if the company is not profitable under Regulation 6(2) of the ICDR Regulations, 2018. Ministry of Corporate Affairs may be requested to amend Companies (SCAD) Rules, 2014 so as the same be in congruence with ICDR Regulations on the matter of profitability.
- ii. Companies (SCAD) Rules, 2014 stipulate a cap of 26% on shares with differential rights (post issue of such differential rights shares). Ministry of Corporate Affairs may be requested to re-visit this provision in the context that voting ratios for superior voting rights shares be in the range 2:1 to 10:1 (whole numbers only) and a cap of 74% on total voting rights for such shares.
- iii. To enforce compliance with various provisions of LODR Regulations, it shall be necessary to list SR shares. Rule 19(2)(b) of the Securities Contracts (Regulations) Rules, 1957 stipulate that the minimum offer and allotment to public in terms of an offer document. Since, SR shares are not to be offered to public, there is a need to amend the rules to provide an exemption under SCRR in such cases.

5 **Amendment to SEBI Regulations:**

The following SEBI regulations need to be amended so as to give effect to the proposed framework:

5.1 Regulations 2, 6, 14, 16, 21, 22, 62, 113, 115, 119, 120, 294 of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 along with Schedule V and VI of the ICDR Regulations, 2018. Proposed amendments are placed at Annexure C.

5.2 Regulations 17, 18, 19, 20, 21, 41 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. Proposed amendments are placed at Annexure D.

5.3 Regulation 2 of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011. Proposed amendments are placed at Annexure E.

5.4 Regulation 3 of the SEBI (Buy-Back of Securities) Regulations, 2018. Proposed amendments are placed at Annexure F.

5.5 Regulation 3 of the SEBI (Delisting of Equity Shares) Regulations, 2009. Proposed amendments are placed at Annexure G.

6 **Proposal**

6.1.1 The Board is requested to approve the proposed framework for issuance of differential voting rights shares and approve the amendments to SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, SEBI (Buy-Back of Securities) Regulations, 2018 and SEBI (Delisting of Equity Shares) Regulations, 2009 as proposed above. Further, Chairman may be authorized to take any consequential and incidental steps to give effect to the decisions of the Board.

(The Board Memorandum and its annexures must be read in conjunction with the press release issued on June 27, 2019 and minutes of the meeting.)

(Consultation paper available on SEBI website)

(This has been excised for reasons of confidentiality)

ANNEXURE 'C'

**PROPOSED AMENDMENTS TO THE SECURITIES AND EXCHANGE BOARD OF
INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS)
REGULATIONS, 2018**

**THE GAZETTE OF INDIA
EXTRAORDINARY
PART – III – SECTION 4
PUBLISHED BY AUTHORITY
NEW DELHI, [•], 2019**

**SECURITIES AND EXCHANGE BOARD OF INDIA
NOTIFICATION
Mumbai, the [•], 2019**

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

No. [•]— 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 the existing clause (eee), the following new clause shall be inserted, namely, -

“(eeee) “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 the existing sub-regulation (2), a new sub-regulation (3) 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 symbol “including SR equity shares held, if any,” shall be inserted.
- IV. in regulation 16, the existing regulation shall be numbered as sub-regulation (1) and after the sub-regulation (1) so numbered, a new sub-regulation (2) 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-regulation (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 the existing sub-regulation (3), a new sub-regulation (4) shall be inserted, namely, -

“(4) Where the issuer has issued SR equity shares to its promoters/ founders, then such a SR shareholder shall not renounce the 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 the existing sub-regulation (4), a new sub-regulation (5) 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 the existing clause (b), a new clause (c) 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 the existing sub-regulation (4), a new sub-regulation (5) shall be inserted, namely, -

“(5) If an issuer has issued SR equity shares to its promoters/ 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 clause (11), in sub-clause (a), after the word “issuer” and before the symbol “,”, the words “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”, 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.
- XV. In Schedule VI, in Part A, in clause 15 dealing with “Offering Information”, in sub-clause (A) dealing with “Terms of the Issue”, in item (d), after the

words and symbol “instrument holders.”, the words and symbol “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.

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.

ANNEXURE 'D'

**PROPOSED AMENDMENTS TO THE SECURITIES AND EXCHANGE BOARD OF
INDIA (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS)
REGULATIONS, 2015**

**THE GAZETTE OF INDIA
EXTRAORDINARY
PART – III – SECTION 4
PUBLISHED BY AUTHORITY
NEW DELHI, [•] 2019**

**SECURITIES AND EXCHANGE BOARD OF INDIA
NOTIFICATION
Mumbai, the [•] 2019**

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

No. [•]— In exercise of the powers conferred by section 11, sub-section (2) of section 11A and section 30 of the Securities and Exchange Board of India Act, 1992 (15 of 1992) read with section 31 of the Securities Contracts (Regulation) Act, 1956 (42 of 1956), the Board hereby makes the following regulations to further amend the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, namely,—

1. These regulations may be called the Securities and Exchange Board of India (Listing Obligations 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 (Listing Obligations and Disclosure Requirements) Regulations, 2015, -

- I. in regulation 17, in sub-regulation (1), after the existing clause (c), the following new clause (d) shall be inserted, namely, -

“(d) where the listed company has outstanding SR equity shares, atleast two thirds of the board of directors shall comprise of independent directors.”
- II. in regulation 18, in sub-regulation (1), in clause (b), after the words “independent directors” and before the symbol “.”, the words “and in case of a listed entity having outstanding SR equity shares , the audit committee shall only comprise of independent directors” shall be inserted.
- III. in regulation 19, in sub-regulation (1), in clause (c), after the words “independent directors” and before the symbol “.”, the words, numerals and symbol “and in case of a listed entity having outstanding SR equity shares, two thirds of the nomination and remuneration committee shall comprise of independent directors” shall be inserted.
- IV. in regulation 20, in sub-regulation 2A, after the words “members of the Committee” and before the symbol “.”, the words, numerals and symbol “and in case of a listed entity having outstanding SR equity shares, at least two thirds of the Stakeholders Relationship Committee shall comprise of independent directors” shall be inserted.
- V. in regulation 21, in sub-regulation (2), after the words “members of the Committee” and before the symbol “.”, the words, numerals and symbol “and in case of a listed entity having outstanding SR equity shares, at least two thirds of the Risk Management Committee shall comprise of independent directors” shall be inserted.
- VI. in regulation 41, the existing sub-regulation (3) shall be substituted with the following sub-regulation, namely, -

“(3) The listed entity shall not issue shares in any manner that may confer on any person; superior or inferior rights as to dividend vis-à-vis the rights on equity shares that are already listed or inferior voting rights vis-à-vis the rights on equity shares that are already listed:

Provided that, a listed entity having SR equity shares issued to its promoters/ founders, may issue SR equity shares to its SR shareholders only through a bonus, split or rights issue in accordance with the provisions of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 and the Companies Act, 2013.”

VII. after the existing regulation 41, a new regulation 41A shall be inserted, namely, -

“Other provisions relating to outstanding SR equity shares.

41A (1) The SR equity shares shall be treated at par with the ordinary equity shares in every respect, including dividends, except in the case of voting on resolutions.

(2) The total voting rights of SR shareholders (including ordinary shares) in the issuer upon listing, pursuant to an initial public offer, shall not at any point of time exceed seventy four per cent.

(3) The SR equity shares shall be treated as ordinary equity shares in terms of voting rights (i.e. one SR share shall only have one vote) in the following circumstances -

- i. appointment or removal of independent directors and/or auditor;
- ii. where a promoter is willingly transferring control to another entity;
- iii. related party transactions in terms of these regulations involving an SR shareholder;
- iv. voluntary winding up of the listed entity;
- v. changes to the Articles of Association or Memorandum of the listed entity, except any change affecting the SR equity share;

- vi. initiation of a voluntary resolution process under the Insolvency Code;
- vii. utilization of funds for purposes other than business;
- viii. substantial value transaction based on materiality threshold as specified under these regulations;
- ix. passing of special resolution in respect of delisting or buy-back of shares; and
- x. other circumstances or subject matter as may be specified by the Board, from time to time.

(4) The SR equity shares shall be converted into equity shares having voting rights same as that of ordinary shares on the fifth anniversary of listing of ordinary shares of the listed entity:

Provided that the SR equity shares may be valid for upto an additional five years, after a resolution to that effect has been passed, where the SR shareholders have not been permitted to vote:

Provided further that the SR shareholders may convert their SR equity shares into ordinary equity shares at any time prior to the period as specified in this sub-regulation.

(5) The SR equity shares shall be compulsorily converted into equity shares having voting rights same as that of ordinary shares on the occurrence of any of the following events -

- i. demise of the promoter(s)/ founder holding such shares;
- ii. an SR shareholder resigns from the executive position in the listed entity;
- iii. merger or acquisition of the listed entity having SR shareholder/s, where the control would no longer remain with the SR shareholder/s;
- iv. the SR equity shares are sold by an SR shareholder who continues to hold such shares after the lock-in period but prior to the lapse of validity of such SR equity shares.”

AJAY TYAGI
CHAIRMAN

SECURITIES AND EXCHANGE BOARD OF INDIA

Footnotes:

1. The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 were published in the Gazette of India on 2nd September 2015 vide No. SEBI/LAD-NRO/GN/2015-16/013.
2. The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, were subsequently amended on:
 - a) December 22, 2015 by the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2015 vide notification no. SEBI/LAD-NRO/GN/2015-16/27.
 - b) May 25, 2016 by Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2016 vide notification no. SEBI/LAD-NRO/GN/ 2016-17/001.
 - c) July 8, 2016 by Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Second Amendment) Regulations, 2016 vide notification no. SEBI/ LAD-NRO/GN/2016-17/008.
 - d) January 4, 2017 by Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Third Amendment) Regulations, 2016 vide notification no. SEBI/ LAD-NRO/GN/2016-17/025.
 - e) February 15, 2017 by Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2017 vide notification no. SEBI/LAD/NRO/GN/2016-17/029.
 - f) March 6, 2017 by the Securities and Exchange Board of India (Payment of Fees and Mode of Payment) (Amendment) Regulations, 2017 vide Notification No. LAD-NRO/GN/2016- 17/037 read with March 29, 2017 by Securities and Exchange Board of India (Payment of Fees and Mode of Payment) (Amendment) Regulations, 2017 vide notification no. SEBI/LAD/NRO/GN/2016-17/38.
 - g) May 9, 2018 by the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2018 vide notification SEBI/LAD-NRO/GN/2018/10.

- h) May 30, 2018 by the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Second Amendment) Regulations, 2018 vide notification no. SEBI/LAD-NRO/GN/2018/13.
- i) June 1, 2018 by the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Third Amendment) Regulations, 2018 vide notification no. SEBI/LAD-NRO/GN/2018/21.
- j) June 8, 2018 by the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Fourth Amendment) Regulations, 2018 vide notification no. SEBI/LAD-NRO/GN/2018/24.
- k) September 6, 2018 by the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Fifth Amendment) Regulations, 2018 vide notification no. SEBI/LAD-NRO/GN/2018/30.
- l) November 16, 2018 by the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Sixth Amendment) Regulations, 2018 vide notification no. SEBI/LAD-NRO/GN/2018/47.
- m) March 29, 2019 by the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2019 vide notification no. SEBI/LAD-NRO/GN/2019/07.
- n) May 7, 2019 by the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Second Amendment) Regulations, 2019, vide notification no. SEBI/ LAD-NRO/GN/2019/12.

ANNEXURE 'E'

**PROPOSED AMENDMENTS TO THE SECURITIES AND EXCHANGE BOARD OF
INDIA (SUBSTANTIAL ACQUISITION OF SHARES AND TAKEOVERS)
REGULATIONS, 2011**

**THE GAZETTE OF INDIA
EXTRAORDINARY
PART – III – SECTION 4
PUBLISHED BY AUTHORITY
NEW DELHI, [●] 2019**

**SECURITIES AND EXCHANGE BOARD OF INDIA
NOTIFICATION
Mumbai, the [●] 2019**

**SECURITIES AND EXCHANGE BOARD OF INDIA (SUBSTANTIAL ACQUISITION
OF SHARES AND TAKEOVERS) (SECOND AMENDMENT) REGULATIONS, 2019**

No. [●] .— 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 (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, namely:

1. These regulations may be called the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) (Second 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 (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, in regulation 10, after the existing sub-regulation (2), a new sub-regulation (2A) shall be inserted, namely, -

“(2A) An increase in the voting rights of any shareholder beyond the threshold limits stipulated in sub-regulations (1) and (2) of regulation 3, without the acquisition of control, pursuant to the conversion of equity shares with superior voting rights into ordinary equity shares, shall be exempted from the obligation to make an open offer under regulation 3.”

AJAY TYAGI
CHAIRMAN
SECURITIES AND EXCHANGE BOARD OF INDIA

Footnotes:

1. The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 were published in the Gazette of India on September 23, 2011 vide notification No. LAD-NRO/GN/2011-12/24/30181.
2. The Principal Regulations were subsequently amended on:
 - a) March 26, 2013 by the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) (Amendment) Regulations, 2013 vide notification No. LAD-NRO/GN/2012-13/36/7368.
 - b) October 8, 2013 by the Securities and Exchange Board of India (Listing of Specified Securities on Institutional Trading Platform) Regulations, 2013 vide notification No. LAD-NRO/GN/2013-14/28/6720.
 - c) May 23, 2014 by the Securities and Exchange Board of India (Payment of Fees) (Amendment) Regulations, 2014 vide notification No. LAD-NRO/GN/2014-15/03/1089.
 - d) March 24, 2015 by the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) (Amendment)

- Regulations, 2015 vide notification No. LAD-NRO/GN/2014-15/28/542.
- e) May 5, 2015 by the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) (Second Amendment) Regulations, 2015 vide notification No. SEBI/LAD-NRO/OIAE/GN/2015-16/004.
 - f) August 14, 2015 by the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) (Third Amendment) Regulations, 2015 vide notification No. SEBI/LAD-NRO/GN/2015-16/009.
 - g) December 22, 2015 by the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) (Fourth Amendment) Regulations, 2015 vide notification No. SEBI/LAD-NRO/GN/2015-16/026.
 - h) February 17, 2016 by the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) (Amendment) Regulations, 2016 vide notification No. SEBI/LAD-NRO/GN/2015-16/035.
 - i) May 25, 2016 by the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) (Second Amendment) Regulations, 2016 vide notification No. SEBI/ LAD-NRO/GN/2016-17/002.
 - j) March 6, 2017 by Securities and Exchange Board of India (Payment of Fees and Mode of Payment) (Amendment) Regulations, 2017 vide No. SEBI/LAD-NRO/GN/2016-17/037 read with notification dated March 29, 2017 vide notification No. SEBI/LAD-NRO/GN/2016-17/38.
 - k) August 14, 2017 by Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) (Amendment) Regulations, 2017 vide notification No. SEBI/LAD-NRO/GN/2017-18/015.
 - l) June 01, 2018 by Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) (Amendment) Regulations, 2018 vide notification No. SEBI/LAD-NRO/GN/2018/20.

- m) September 11, 2018 by Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) (Second Amendment) Regulations, 2018 vide notification No. SEBI/LAD-NRO/GN/2018/33.
- n) December 31, 2018 by Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) (Third Amendment) Regulations, 2018 vide notification No. SEBI/LAD-NRO /GN/ 2018/55.
- o) March 29, 2019 by the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) (Amendment) Regulations, 2019 vide notification No. SEBI/LAD-NRO /GN/ 2019/06

ANNEXURE 'F'

**PROPOSED AMENDMENTS TO THE SECURITIES AND EXCHANGE BOARD OF
INDIA (BUY-BACK OF SECURITIES) REGULATIONS, 2018.**

**THE GAZETTE OF INDIA
EXTRAORDINARY
PART –III – SECTION 4
PUBLISHED BY AUTHORITY
NEW DELHI, [●] 2019
SECURITIES AND EXCHANGE BOARD OF INDIA
NOTIFICATION
MUMBAI, [●] 2019**

**SECURITIES AND EXCHANGE BOARD OF INDIA (BUY-BACK OF SECURITIES)
(AMENDMENT) REGULATIONS, 2019**

No. [●] - In exercise of the powers conferred by sub-sections (1) and (2) of section 11 and section 30 of the Securities and Exchange Board of India Act, 1992 (15 of 1992) read with clause (f) of sub-section (2) of section 68 of the Companies Act, 2013, the Board hereby makes the following regulations to amend the Securities and Exchange Board of India (Buy-Back of Securities) Regulations, 2018, namely, -

1. These regulations may be called the Securities and Exchange Board of India (Buy-Back of Securities) (Amendment) Regulations, 2019.
2. These regulations shall come into force on the date of their publication in the Official Gazette.
3. In the Securities and Exchange Board of India (Buy-Back of Securities) Regulations, 2018, in regulation 3, the following Explanation shall be inserted, namely, -

“Explanation: For the purposes of these regulations, the term “shares” shall include equity shares having superior voting rights.”

AJAY TYAGI
CHAIRMAN
SECURITIES AND EXCHANGE BOARD OF INDIA

Footnote:

The Securities and Exchange Board of India (Buy-Back of Securities) Regulations, 2018 was published in the Gazette of India on September 11, 2018 vide notification No. SEBI/LAD-NRO/GN/2018/32.

ANNEXURE 'G'

**PROPOSED AMENDMENTS TO THE SECURITIES AND EXCHANGE BOARD OF
INDIA (DELISTING OF EQUITY SHARES) REGULATIONS, 2009.**

**THE GAZETTE OF INDIA
EXTRAORDINARY
PART –III – SECTION 4
PUBLISHED BY AUTHORITY
NEW DELHI, [●] 2019**

**SECURITIES AND EXCHANGE BOARD OF INDIA
NOTIFICATION
MUMBAI, [●] 2019**

**SECURITIES AND EXCHANGE BOARD OF INDIA (DELISTING OF EQUITY
SHARES) (AMENDMENT) REGULATIONS, 2019**

No. [●] - In exercise of the powers conferred by section 31 read with section 21A of the Securities Contracts (Regulation) Act, 1956 (42 of 1956), section 30, sub-section (1) of section 11 and sub-section (2) of section 11A 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 (Delisting of Equity Shares) Regulations, 2009, namely, -

1. These regulations may be called the Securities and Exchange Board of India (Delisting of Equity Shares) (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 (Delisting of Equity Shares) Regulations, 2009, in regulation 3, in sub-regulation (1), after the proviso, the following new Explanation shall be inserted, namely, -

“Explanation: For the purposes of these regulations, the term “shares” shall include equity shares having superior voting rights.”

AJAY TYAGI
CHAIRMAN
SECURITIES AND EXCHANGE BOARD OF INDIA

Footnotes:

1. The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009, were published in the Gazette of India on June 10, 2009, vide notification No. LAD-NRO/GN/2009-2010/09/165992.
2. The Principal Regulations were subsequently amended on -
 - a. October 8, 2013 by the Securities and Exchange Board of India (Listing of Specified Securities on Institutional Trading Platform) Regulations, 2013 vide notification No. LAD-NRO/GN/2013-14/28/6720.
 - b. March 24, 2015 by the Securities and Exchange Board of India (Delisting of Equity Shares) (Amendment) Regulations, 2015 vide notification No. LAD-NRO/GN/2014-15/27/541.
 - c. August 14, 2015 by the Securities and Exchange Board of India (Delisting of Equity Shares) (Second Amendment) Regulations, 2015 vide notification No. SEBI/LAD-NRO/GN/2015-16/010.
 - d. January 12, 2016 by the Securities and Exchange Board of India (Delisting of Equity Shares) (Amendment) Regulations, 2016 vide notification No. SEBI/LAD-NRO/GN/2015-16/30.

- e. March 6, 2017 by the Securities and Exchange Board of India (Payment of fees and mode of payment) (Amendment) Regulations, 2017 vide notification No. SEBI/LAD-NRO/GN/2016-17/037.
- f. June 1, 2018 by the Securities and Exchange Board of India (Delisting of Equity Shares) (Amendment) Regulations, 2018 vide notification No. SEBI/LAD-NRO/GN/2018/23.
- g. November 14, 2018 by the Securities and Exchange Board of India (Delisting of Equity Shares) (Second Amendment) Regulations, 2018 vide notification No. SEBI/LAD-NRO/GN/2018/46.