

Share transfer among promoters amounts to equity sale, rules SEBI

Capital market regulator Sebi has said that any transfer of shares even within the promoter group of a company would be considered as an equity sale, when it comes to promoters getting a preferential treatment for allotment of fresh shares or warrants.

Accordingly, the promoters of a listed company would not be eligible for preferential allotment of shares or warrants, if there has been any inter-se transfer of shares among the promoter group firms in last six months, Sebi said.

The regulations bar any entity from being allotted shares on preferential basis, if it has sold the shares of the same company in last six months.

The Securities and Exchange Board of India (Sebi) has made its stance clear in this regard in an informal guidance sought by pharma company Strides Arcolab Ltd.

Strides Arcolab was seeking to issue convertible warrants to its promoter group. However, the promoter group entities of the company had executed certain 'inter-se transfer of shares', although the same did not lead to any change in the its total promoter holding.

The company had sought Sebi's guidance on whether the inter-se transfer would be considered as 'sale', as per the Sebi's Issue of Capital and Disclosure Requirements (ICDR) regulations, which make the promoters ineligible to subscribe to preferential allotment within six months.

Sebi in its reply has told the company that all the promoters and promoter group entities become ineligible for allotment of shares on preferential basis, if any person belonging to promoters or the promoter group has sold shares during the last six months.

Sebi further said that the relevant regulations do not "differentiate between inter-se transfers made to entities within promoter group and sales made to others."

"Hence, the term 'any person who has sold any equity shares of the issuer' shall also include any person who has made inter-se transfers within the Promoter group.

"Thus, as per the extant regulations, if there is any inter-se transfer among the promoter group entities in the preceding six months, then all the persons/entities forming part of 'promoter(s) and promoter group' shall become ineligible for allotment of specified securities on preferential basis," Sebi noted.

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