

SEBI Grants One-Time Relaxations for Public Issues and MPS Compliance Amidst Global Volatility

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Background

In a commendable and proactive move, the Securities and Exchange Board of India (SEBI) has issued two circulars dated 7 April 2026¹ (Circulars), granting targeted, one-time relaxations to market participants navigating the headwinds of ongoing geopolitical tensions. The Circulars address two distinct but related pressure points: (a) the validity of SEBI observation letters for public issues; and (b) penal consequences for non-compliance with Minimum Public Shareholding (MPS) requirements as prescribed under the 'Master Circular for compliance with the provisions of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 by listed entities' (SEBI Master Circular). Together, they reflect SEBI's responsiveness to industry concerns and its willingness to calibrate regulatory expectations in light of real-world market conditions.

These Circulars serve as a practical relief measure for companies whose capital raising or compliance plans have been disrupted by macroeconomic factors beyond their control.

Salient Features of the Circulars

I. Extension of Validity of SEBI Observation Letters

Under Regulations 44(1) and 59C of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 (ICDR Regulations), a public issue must typically open within 12 (twelve) or 18 (eighteen) months from the date SEBI issues its observations. Due to current market uncertainties, many issuers have been forced to defer, recalibrate, or withdraw their issuance plans, risking the lapse of their observation letters and the duplication of regulatory processes.

To address this, SEBI has granted a one-time extension for SEBI observation letters expiring between 1 April 2026 and 30 September 2026, **extending their validity to 30 September 2026**. This extension is subject to the Lead Manager providing an undertaking that confirms compliance with Schedule XVI of the ICDR Regulations when submitting the updated offer document to SEBI.

This relaxation is particularly meaningful for issuers that had completed the preparatory work for their public offerings but were compelled to defer launch timelines due to subdued investor sentiment and volatile market conditions. Without this intervention, such issuers would have faced the prospect of re-filing draft offer documents and undergoing a fresh SEBI review process — a costly and time-consuming exercise.

II. Relaxation from Penal Provisions for Non-Compliance with Minimum Public Shareholding Requirements

The SEBI Master Circular dated 11 July 2023 for compliance with the provisions of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (LODR Regulations) prescribes a

¹ SEBI Circular No. HO/49/11/11(123)2026-CFD-RAC-DIL2/1/8760/2026 (available [here](#)) and SEBI Circular No. HO/49/14/14(13)2026-CFD-POD2/1/8772/2026 (available [here](#))

structured enforcement framework for listed entities that fail to meet MPS requirements, including levy of fines, freezing of promoter shareholding, and other consequential actions.

Recognising the difficulties entities face in achieving MPS compliance during the current geopolitical climate, SEBI has directed recognised stock exchanges and depositories to suspend penal actions. This one-time relaxation applies to listed entities whose due date for MPS compliance falls between 1 April 2026 and 30 September 2026. Furthermore, any penal actions already initiated by stock exchanges or depositories for non-compliance during this period must be withdrawn.

Achieving MPS compliance frequently involves dilution of promoter stake through methods such as offers for sale, institutional placements, or bonus issues to public shareholders; each of which is contingent on favourable market conditions and adequate investor appetite. The relaxation sensibly recognises that penalising listed entities for a failure attributable, in significant part, to geopolitical factors would be inequitable. The retrospective withdrawal of penal actions already initiated is a particularly welcome feature, providing clean and comprehensive relief.

Comment

These circulars are a testament to SEBI's evolving, pragmatic, and highly proactive regulatory approach. SEBI's swift intervention here demonstrates a deep understanding of ground realities and a commendable willingness to support the industry. Through the grant of a one-time relaxation, the Circulars intend to respond to prevailing market sentiment, while avoiding any additional compliance burden on companies amid continuing global uncertainties.

By extending the validity of observation letters, SEBI has provided a vital lifeline to issuers, allowing them to time their market entry without the burden, cost, and delay of refiling offer documents. Similarly, the pause on MPS-related penalties offers much-needed breathing room to promoters who would otherwise be forced to dilute their holdings in a depressed market, potentially destroying shareholder value. These measures not only protect the commercial interests of issuers and investors but also reinforce confidence in the Indian capital markets as a resilient and well-regulated ecosystem.

Issuers with pending public issue timelines and listed entities approaching MPS compliance deadlines should take immediate stock of their positions and evaluate how these relaxations can be factored into their strategic plans. Given the defined expiry of 30 September 2026, early engagement with lawyers will be essential to ensure that the extended timelines are utilised effectively and that all conditions for availing the relaxation are duly met.

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