

Demystifying Promoter & Promoter Group: A Compilation of FAQs

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Background

Conceiving the idea of a company and thereafter controlling its affairs, indicates the features of being a promoter. Extending this, is the concept of promoter group which literally spreads out to cover several other members and entities having a close nexus with the promoter. If we refer to one of the statistics in the past decade, more than half of the total market cap of listed entities has been held by the promoters of such listed entities¹. Acting as a unified block, promoters can effectively steer strategic decisions, while dispersed public shareholders have limited influence. This makes regulatory oversight essential to protect public interest, which can be directly influenced by promoter-driven decisions.

The Companies Act, 2013 ('Act'), along with various SEBI regulations and other sector specific laws, establishes a framework to maintain regulatory oversight over promoters and promoter groups (P/PG), covering their identification, enhanced disclosure obligations, funding restrictions, stringent reporting requirements, restrictions on certain transactions by P/PG, requirement for maintaining *skin-in-the-game*, getting hit by the RPT framework, etc. Worthwhile to note that unlike philosophical discourses, ignorance is not a bliss when it comes to the regulatory framework for P/PG — and can have repercussions for both P&PG and the entities for which they are P/PG.

To help in navigating through the regulatory landscape, we have come up with these FAQs which deal with the concept of the P/PG, nuances in their clear and sound identification, their key obligations and reporting requirements, and the process of exiting a P/PG.

Apart from these FAQs, our other resources on the subject matter can be accessed on the Resource *[Centre on Promoter/Promoter Group Identification and Obligations](#)*.

¹ Source - [NSE's India Ownership Tracker Q1 FY26 | Vol. 7, Issue 1](#)

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General overview and relevance

1. What does the term '*promoter*' signify?

Our response: Intuitively, the literal meaning of the term seems to be suggesting the idea of a founder, proponent, or someone who moots the idea of a company, brings all the stakeholders together and brings the company on its feet.

In a limited sense, a promoter to a company is what a parent is to a child. However, in the case of companies, the relationship between promoter and promotee is clearly not eternal. It is quite common that companies, over time, may suffer changes in ownership, and to the extent the law fastens responsibilities on promoters, it will be futile to continue to refer to the founding fathers of a company.

Therefore, the expression takes its color based on the context – in relation to incorporation, public offers, etc., it refers to the person to the founding father, who is named in the offer documents. However, once the company has matured and is up and running, it also refers to the persons who are in control.

2. What are the legal provisions under which the term '*promoter*' has been defined?

Our response: The term '*promoter*' has been defined in an almost similar fashion under the Act [*refer sec. 2(69)*] as well as the ICDR Regulations [*refer reg. 2(1) (oo)*]. While the Act provides an exhaustive definition, the ICDR Regulations provide an inclusive definition of the said term. The definition of '*promoter*' has been borrowed by various other SEBI Regulations from the ICDR Regulations only. As per the definition, there are three limbs to the definition of promoter, being:

- a. **Promoter by proclamation:** that is, the person who is named as promoter in the offer documents or the annual return.
- b. **Promoter by control:** that is, a person having control over affairs, whether as shareholder, director or otherwise, directly or indirectly. The meaning of control is an inclusive definition and has to be borrowed from SAST Regulations.
- c. **Promoter by absentee control:** that is, by orchestrating the affairs of the company by giving instructions to the board of directors, which the latter is accustomed to adhere to.

It is to be noted that the definition of promoter is an inclusive definition under the ICDR Regulations and not to be restricted to the three limbs mentioned above.

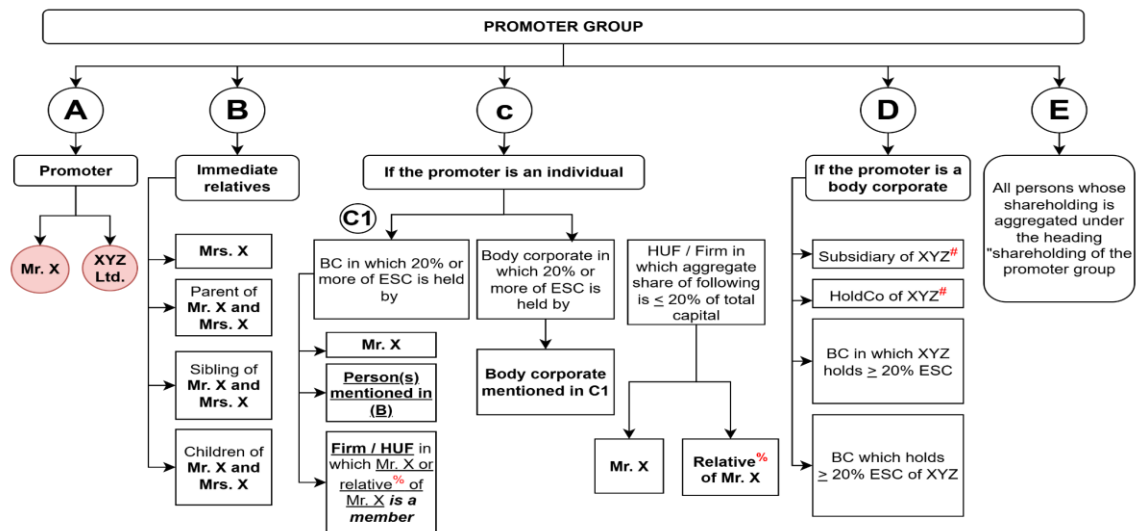
3. What does the term 'promoter group' signify?

Our response: Broadly, promoter group is a group of individuals and entities to which the promoter is related or over which the promoter exercises control or significant influence. Given the stricter obligations applicable to a promoter compared to an ordinary shareholder, it may so happen that the promoter (through related individuals or entities) attempts to achieve indirectly what they cannot do directly. For instance - acquisition of securities of a listed entity over a certain threshold.

The concept of a promoter group seeks to identify related individuals or entities, group them together, and apply a regulatory framework similar to that applicable to a promoter. Further, one may also note that P&PG are deemed 'persons acting in concert' under the SAST Regulations.

4. What are the legal provisions under which the term 'promoter group' has been defined?

Our response: The term 'promoter group' has not been defined in the Act. The definition of promoter group given under the ICDR Regulations is referred to in various SEBI regulations as in the case of the definition of the promoter. The web of promoter group can be understood from the image below:



5. **Since the term ‘promoter group’ is not defined in the Act itself, is there a relevance of the concept of promoter group for unlisted companies? Are they required to identify its promoter group?**

Our response: Since the Act restricts itself to define the term ‘*promoter*’, there does not seem to be any specific need as on date to identify promoter groups under the Act. Further, there are no provisions that demand any action or compliance for promoter groups under the Act for an unlisted company.

6. **What shall be the regulatory framework for identification of P/PG for a debt listed entity?**

Our response: When it comes to debt listed companies, there is no specific reference for P&PG in this context under the LODR Regulations. However, if we refer to the SEBI (NCS) Regulations, the eligibility criteria for NCD issuance under the said Regulations restricts any issuer whose P or PG have been restricted to access securities markets or whose promoter is a wilful defaulter or fugitive economic offender and similar restrictions. Here it is important to note that the meaning of P&PG shall be taken from the SEBI ICDR Regulations. Further, the PIT Regulations, which are also applicable on debt listed entities, also refers back to the ICDR Regulations for definition of P & PG.

7. **How does P & PG impact a company?**

Our response: The relationship between P&PG and LE is mutual and a continuous one since a promoter is always ought to have skin in the game. The brand value of a LE in the market is tied to the image of its promoters and therefore, the conduct of promoters also impacts the price of shares of LE. Also, the general conduct of P&PG is likely to have a direct bearing on the present and future operations of a listed entity, given the legal restrictions and regulatory conditions applicable to them. Below are certain statutory conditions and restrictions applicable on LE owing to its P&PG:

- a. **Eligibility to raise funds:** In terms of provision of ICDR and NCS Regulations, a LE cannot raise funds if its P/PG is debarred from accessing capital markets, linked to another debarred company, or classified as a wilful defaulter, fraudulent borrower, or fugitive economic offender.
- b. **Suspension of trading in scrip of LE:** If the LE is non-compliant with provision of Listing Regulations and promoter fails to ensure compliance of the same then the stock exchange, as a part of their SOP, may eventually suspend the trading in scrip of LE.

- c. **Regulatory reporting:** The actions taken by SEBI or SEs against the promoters are required to be reported in the annual secretarial compliance report of a LE.
- d. **Disclosure of interest:** A LE is also required to disclose the interest of its P&PG in certain reg 30 disclosures pertaining to material events and information of LE.

8. How does a company impact P&PG?

Our response: 'Heavy is the head that wears the crown' is an adage that fits perfectly for describing the position of a promoter. Being a promoter comes with its own set of regulatory restrictions and obligations, few of which are listed below:

- a. As per the requirement of ICDR Regulations, promoters need to ensure that a specific portion of the post issue capital (*known as minimum promoter contribution*) is held by them on an ongoing basis.
- b. In the event of fund raising by LE, the securities of P&PG are subject to lock-in requirement and transferability restrictions under various provisions of ICDR Regulations.
- c. Non-compliance of provision of Listing Regulations may also result in freezing of securities held by P&PG in their demat accounts
- d. Certain agreements entered into by the P&PG require disclosure to LE and public at large and in few cases, may also require seeking approval from shareholders of LE.

9. Whether the individuals / entities listed out in the definition of PG has to be mandatorily classified as PG or a subjective test can be applied to ascertain whether such individuals / entities actually form part of PG?

Our response: The definition of promoter requires both proclamation as well as having control, under which the latter is a subjective assessment and therefore, being a promoter is more a matter of assertion than a matter of attribution. However, unlike the definition of promoter, the definition of PG does not prescribe any subjective criteria to be applied to the individuals or entities expressly listed therein; their inclusion seems to be warranted by virtue of family relationship or shareholding.

10. Is drawing a P&PG list a one-time exercise or continuous one?

Our response: Generally, P&PG list is not likely to undergo changes every now and then. However, since the definition of P&PG is *inter-alia* based on control, significant

influence and family relations, which may undergo changes over a period of time, the list of P&PG does not remain static and changes on a case-to-case basis. For example, if a subsidiary of LE is incorporated, it shall be required to be disclosed as a part of PG in the latest SHP of such LE similarly where there is inclusion of new family members of individual promoters. Further, the said list may also undergo a change pursuant to reclassification of P/PG. Therefore, drawing a P&PG list cannot be a onetime exercise certainly.

11. What systems are required to be put in place to ensure that P&PG list is updated on a real time basis?

Our response: Refer our response to FAQ no. 9 above, a complete list of P&PG is drawn for the first time when a company goes for listing. Eventually, the list may undergo change pursuant to formation/change in promoter relationship with individual / entities. These changes may not be known to the LE. For instance, while a promoter acquiring shares in a firm or setting up a HUF. Therefore, as a first step, it is to be ensured that P/PG is sensitized towards the regulatory expectations concerning identification of P&PG. Accordingly, based on such sensitization, any relevant change of interest as per the definition of P&PG should be shared by the members of P&PG with the listed entity.

Identifying P & PG

A. Immediate relatives related [reg 2(1) (pp)(ii)]

12. Reg. 2(1) (pp)(ii) requires immediate relatives of the promoter (*i.e. any spouse of that person, or any parent, brother, sister or child of the person or of the spouse*) to be classified as PG. Does this clause also require to also include spouse side relatives of the promoter or just child of the spouse?

Our response: An ideal reading of the above clause should be to include only the child of the promoter's spouse (*where the spouse of promoter has a child by earlier marriage, if any*). However, as the law currently is – the literal reading warrants the inclusion of all spouse side relatives of the promoter in PG. Evidently, this position is also confirmed by SEBI in its informal guidance in the matter of D B Corp Limited wherein SEBI clarified that:

f) Further, as per the definition of 'immediate relative' stated above such term shall also mean any spouse of a person and shall include brother of the spouse.

Therefore, the proposed transfers at para 4(b) also appears to be between entities who are 'immediate relative.

We have also separately covered this issue in our write-up "*Immediate relatives*" and *not "relatives" for determining promoter group* and *Yeh Rishta kya kahlaata hai! – the strange case of "promoters-in-law.*

13. Can the term 'immediate relative' be interpreted to include only those who are specified under reg. 22(1) (pp)(ii) and who consults the promoter in taking decisions relating to trading in securities or are either financially dependent on the promoter?

Our response: Unlike PIT Regulations, ICDR Regulations do not specify any qualifying criteria for considering individuals specified in reg. 2(1) (pp)(ii) as immediate relatives. Therefore, family relations mentioned under the said sub-clause shall be immediate relatives irrespective of whether person covered under such family relations is;

- a. Financially dependent on promoter; or
- b. Consults promoters from taking trading related decisions.

14. If two brothers are living and carrying on their business independently from each other – should one be considered part of the promoter group of a company where the other is a promoter and vice versa?

Our response: The definition of PG given under reg. 2(1) (pp) of ICDR Regulations includes the brother of the promoter as PG. While in our view, the web of PG cannot be stretched to include immediate relatives where there is no evidence of commonality. However, SEBI rules require a listed company to list out the names of all such immediate relative entities, no matter whether there is a shareholding overlap or not. And all these entities will be identified as '*related parties*' too.

Therefore, going by the language of law, the answer to the above question would be a yes.

B. Body corporate promoter [reg 2(1) (pp)(iii)]

15. Item A of reg. 2(1) (pp)(iii) of ICDR Regulations requires that holding and subsidiary of a body corporate promoter to be classified as PG. For the purpose of this clause, are all entities (vertical up and vertical down) to be considered under holding and subsidiary companies?

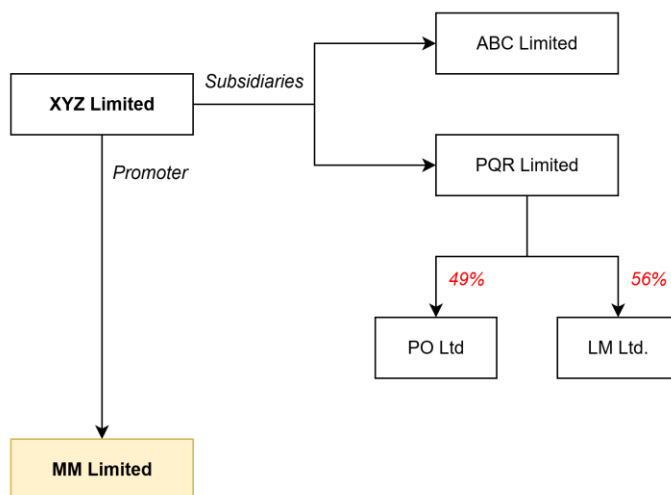
Our response: Please note that the definition of subsidiaries as per sec. 2(87) of the Act includes step-down subsidiaries as well. Similarly, the definition of holding company under sec. 2(46) of the Act includes the company which is holding a company through layers.

Therefore, all entities, vertically up and down, shall be considered for the purpose of PG identification. That is to say, all step-down subsidiaries and as well as entities holding the entity in question including the ultimate holding entity of the body corporate promoter shall form part of PG.

16. Are foreign entities also to be considered under holding and subsidiary companies for the purpose of Item A of reg. 2(1) (pp)(iii) of ICDR Regulations?

Our response: The text of the law does not provide for any exemption to a holding/subsidiary company domiciled in foreign territory. Therefore, foreign entities shall also be considered for identifying PG under reg. 2(1) (pp)(iii) of ICDR Regulations.

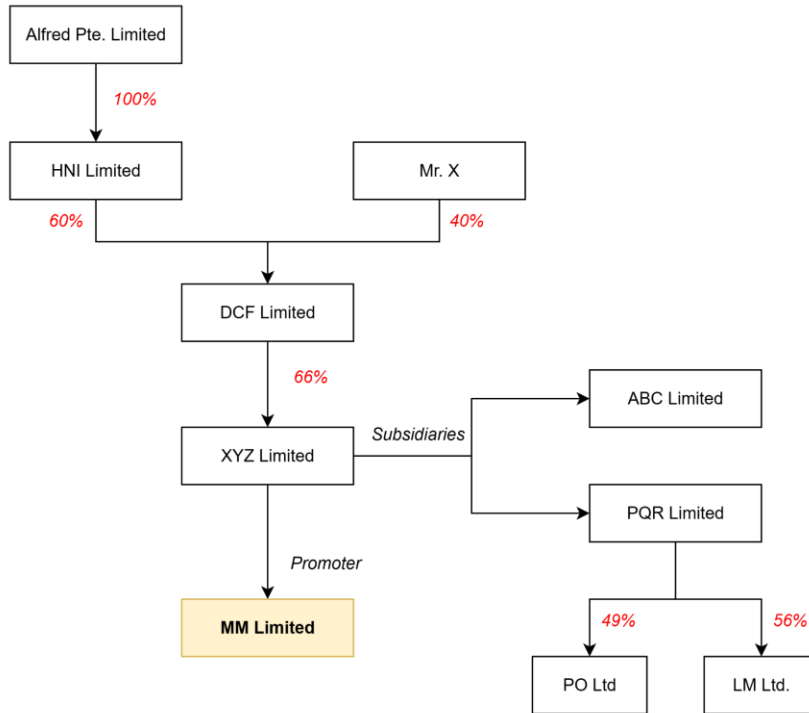
17. XYZ Ltd. is a promoter of MM Limited, a listed entity. It has two subsidiaries viz. ABC Ltd. and PQR Ltd. PQR Ltd. holds 56% and 49% of shareholding in LM and PO Ltd. Which of these entities will form part of PG of MM Limited.



Our response: Refer to our response to the FAQ above, in terms of reg. 2(1) (pp)(iii), a subsidiary of a LE needs to be classified as PG. Subsidiaries include step-down subsidiaries. Therefore, in the question above, PG identification shall be as follows:

Name of party	Whether subsidiary?	Whether PG under clause (iii)
ABC Ltd	Yes	Yes
PQR Limited	Yes	Yes
LM Limited	Yes, step-down subsidiary	Yes
PO Limited	No	Yes

18. In the question above, say DCF Ltd. holds 66% of XYZ Ltd. DCF Limited has two shareholders – Mr. X and HNI Limited, holding 40% and 60% of the total ESC of DCF, respectively. 100% of the shareholding of HNI Limited is held by Alfred Pte. Limited, a Mauritius based company. Which of these entities will form part of PG of MM Limited.



Our response: In terms of reg. 2(1) (pp)(iii) of ICDR Regulations, a holding company of a LE forms part of PG. The expression '*holding company*' includes a company of which LE is an indirect subsidiary. Therefore, in the question above, PG identification shall be as follows:

Name of party	Whether covered under clause (iii)	Whether PG under clause (iii)
DCF Ltd	Yes, it is holding company of XYZ	Yes
HNI Limited	Yes, it is the holding company of XYZ since XYZ is its step-down subsidiary.	Yes
Mr. X	NA since clause (iii) deals with entities and not individuals.	No
Alfred Pte. Limited	Yes, it is the ultimate holding company of XYZ Limited.	Yes

19. For the purpose of item B of reg. 2(1) (pp)(iii) of ICDR Regulations, whether bodies corporate holding 20% or more in promoter or bodies corporate in which 20% or more is held by promoter covers direct holdings only or indirect holding is also covered?

Our response: While the language of the provisions suggests to include direct holdings since there is no mention of the phrase 'holding directly or indirectly', therefore, going by the literal interpretation, direct holdings are to be considered. Having said that, it is also imperative to recognize the intent of such identification of PGs. In cases where the indirect holdings are *via* the controlled or jointly controlled entities, the indirectly held entities should also be included in the PG list. This is because where an entity is being controlled, it will be completely counter-intuitive to exclude such entities simply because the current definition of PG does not mention indirect holdings or controlled entities. On the other hand, if the PG entity only has significant influence over another entity, then, in our view, such an influenced entity need not be considered for the purpose of being a PG entity. This view is inspired by the principles of accounting standards for consolidation which covers entities through other controlled entities, however, does not include entities through other significantly influenced entities.

C. Individual promoter [reg 2(1) (pp)(iv)]

20. For the purpose of reg. 2(1) (pp)(iv)(A) and (C) of the ICDR Regulations, should the meaning of the term 'relative' used in context of HUF or firm be taken as per the Companies Act?

Our response: Item A and C of Reg 2(1) (pp)(iv) of ICDR Regulations pulls in the following entities in the PG list:

- a. Bodies corporate in which HUFs and Firms – in which the 'relatives' of promoters are members – hold $\geq 20\%$ of equity share capital.
- b. Any body corporate in which such body corporate (as described above) holds $\geq 20\%$ of equity share capital.
- c. HUFs and Firms where the "relatives" of promoters are holding $\geq 20\%$ of total capital.

The term '*relative*' is broader than '*immediate relative*'. It also includes the spouses of the promoter's children and all members of any HUF of which the promoter is a member—categories that are not covered under the definition of '*immediate relative*'. These categories of relatives are not themselves part of PG in the first place. Therefore, any holding through such relatives should also be ignored.

Considering that that definition of PG includes immediate relative of the promoters, hence, as a matter of interpreting the term 'relative' used in the other sub-clauses should also be limited to mean 'immediate relative'.

21.Regulation 2(1) (pp)(iv)(A) of ICDR Regulations requires holding in body corporate to be checked through HUFs / firms in which a relative of promoter or promoter themselves are members.

For the purposes of item (A), is the listed entity required to consider only those HUFs or firms that qualify under item (C), or all HUFs and firms in which the promoter or their relatives are members, even if such HUFs or firms are themselves not part of the promoter group?" themselves are members even though such HUFs / firms are themselves not part of PG?

Our response: Going by the language, HUFs in which members of the P&PG hold shares will be considered as a part of PG as mentioned under clause (C) instead of considering all HUFs in which negligible shares. Further, it is imperative to note that it is an unlikely situation for members of P&PG of an HUF to have negligible shareholding in its own HUF.

22.For the purpose of item A of reg. 2(1) (pp)(iv) of ICDR Regulations, holding of promoter / immediate relatives of promoter / HUF or firm qualifying under item A needs to be aggregated or seen at standalone level.

Our response: Item A requires that any body corporate in which 20% of ESC is held by:

- a. Promoter
- b. Immediate relative of promoter
- c. firm or HUF in which the promoter or any one or more of their relative is a member

needs to be classified as PG. The language of the provision seems to indicate that the holding of each of the above-mentioned individuals / entities needs to be aggregated to determine the threshold of 20%.

For instance, let us take examine the following two scenarios:

Category of shareholder	% of holding in XYZ (<i>a body corporate</i>)
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	Case A	Case B	Case C
Promoter of LE	15	10	20
Immediate relative of Promoter	5	2	0
HUF in which promoter is Karta	5	3	0
Others	75	85	80

The identification of PG of XYZ shall be as follows:

	Case A	Case B	Case C
Whether aggregated holding is $\geq 20\%$	Yes	No	Yes
Whether XYZ is PG of LE	Yes	No	Yes

D. Trust related

23. The definition of PG in reg. 2(1) (pp) of ICDR Regulations mentions several entities type viz. body corporate, firms, HUFs but not trust. Does that mean that trust, in general, is not required to be classified as part of PG?

Our response: Please note that the definition of PG includes promoter, immediate relatives of promoter, entities related to the individual promoter and body corporate promoter and a residual clause. It is an inclusive definition and does not restrict to entities that technically fit the definition (*refer relevant extract of the definition below*).

*(pp) "promoter group" **includes:***

i) the promoter;

XXX

Therefore, any entity controlled by the promoter and/or immediate relatives should be identified as a part of the promoter group irrespective of the fact whether such

entity type is explicitly mentioned in the definition of PG or not. Hence, trusts may also form part of the PG. Though the examples may be limited, it is also a market practice to include trusts as a part of PG.

24. Whether family trusts set-up need to be classified as PG?

Our response: Typically, family trusts are only a mirror image of the promoters' holdings and only individual promoters or their immediate relatives or lineal descendants are trustees and beneficiaries of such family trusts. Therefore, there is no reason such trusts should not be included in the definition of PG.

25. Whether public charitable trusts set up by promoters can also form part of P/PG?

Our response: Public charitable trusts ('PCT') are set-up for the benefit of the public at large. In the case of a PCT where the ultimate beneficiary is the public, the benefit, in ideal cases, should not flow back to the settlor / trustees of such PCTs. If such is the case, holding of a position of the trustee in such PCTs by the promoter group of the listed entity does not make such PCTs a part of P/PG.

26. Whether employee welfare trusts set up by promoters can also form part of PG?

Our response: Employment welfare trusts are formed for the benefit of employees and accordingly, shall not form a part of P/PG. Further, in case of a LE, Employee welfare trusts cannot be formed for the benefit of promoters by the virtue of SBEB Regulations. As per regulation 3(9) of SBEB Regulations, the shareholding of the trust shall be shown as '*non-promoter and non-public*' shareholding.

27. Whether investment trust/business trusts should also be classified a part of PG?

Our response: A company may settle trusts for the purpose of making investments/holding assets. Settling such trust may only be a means of segregation and management of funds/ownership of certain assets, effectively working as an extended arm of the Company. If such a trust is controlled by P / PG of the Company, then such trust also becomes the PG of such company.

E. Other entities related (*body corporate, investment trusts etc.*)

28. Whether LLPs can be a promoter? If not, then can it form part of PG?

Our response: An LLP is a body corporate. The term “*person*” used in the definition of Promoter includes body corporate and accordingly, LLPs may also be considered as promoter if it satisfies the conditions specified in the definition of promoter.

Further, with respect to classification under the PG, the definition explicitly covers body corporate, which would include LLPs.

29. Whether sec. 8 companies, often incorporated by the companies to act as an implementing agency for its CSR function, should also form part of P/PG despite the restriction on use of its profit by its parent company?

Our response: Firstly, it is to be noted that sec. 8 company is a body corporate. Secondly, it is to be noted that the definition of P/PG does not specify the ‘ability to draw benefit from an entity / individual’ as a factor to be considered for identification of PG. Therefore, if such sec. 8 is satisfying any of the conditions specified under reg. 2(1) (pp) of ICDR Regulations (say such sec. 8 company is subsidiary of the promoter entity) then such sec. 8 company shall be classified as a part of PG.

30. Whether association of persons /body of individuals may also get classified as part of PG?

Our response: It is to be noted that an association of persons /body of individual taxed as a separate entity. Whether such AOP / BOI may form part of PG or not should be decided on the basis of control/significant influence of the promoter basis factors like exposure to returns, power to vary such returns, etc.

Reporting and actionable for companies

A. Under Listing Regulations

31. Whether details of P/PG who have nil shareholding are also required to be disclosed in the SHP filed u/r 31 of Listing Regulations?

Our response: Please note that SEBI *vide* FAQ dated [April 23, 2025](#) clarified that details of P/PG has to be disclosed irrespective of their shareholding in the LE. While from the perspective of statutory provisions, there has never been any ambiguity

regarding disclosure of details of P/PG who have nil shareholding, the said FAQs has clarified SEBI's stance on disclosure in SHP. Therefore, if a LE has not disclosed details of its P/PG in its SHP merely because such P/PG does not have a shareholding in the LE then details of such P/PG should be included in the latest SHP and consistently disclosed in all subsequent filings.

32. Whether the name of an entity forming part of P/PG, holding Nil shares, is required to be disclosed in SHP even if it got merged or liquidated or dissolved or struck off?

Our response: This question has also been answered in NSE FAQs. In such cases, LEs can remove the name of such an entity from the SHP of the corresponding quarter in which the merger or liquidation or dissolution or strike off has taken place. However, LEs are required to disclose that the name of such an entity has been removed due to such entity being merged / liquidated / dissolved / struck off.

33. What are the regulatory implications of not furnishing / furnishing incorrect information in the SHP in respect of details of P/PG?

Our response: In terms of regulation 98 of Listing Regulations, where a listed entity contravenes any of the provisions of these regulations, such listed entity shall be liable for the following actions by the stock exchange:

- a. imposition of fines;
- b. suspension of trading;
- c. freezing of promoter/promoter group holding of designated securities, as may be applicable, in coordination with depositories.
- d. any other action as may be specified by the Board from time to time.

Further, Chapter VIIA of LODR Master Circular provides the manner of taking above mentioned actions by stock exchange including a penalty of INR 2000 per day till the LE makes the default good. In addition to the action taken by the exchange, SEBI may also take action against the company in terms of section 15A of the Securities and Exchange Board of India Act, 1992.

One may also refer to the SEBI order in the matter of *Jagjanani Textiles Limited*, wherein SEBI initiated action against the company under sec. 15A of the SEBI Act for non-compliance with reg. 31(4), among other provisions of the Listing Regulations.

34. Upon the death of a promoter, do his immediate relatives immediately cease to be a part of PG? If yes, can the LE remove their name from SHP to be filed for the latest quarter after the death of the promoter?

Our response: Technically, upon the death of a promoter, his/her immediate relatives would no longer fall within the definition of PG under reg. 2(1) (pp)(ii). However, it is important to note the golden rule: once a promoter, always a promoter—unless reclassified. Therefore, the immediate relatives of the promoter will continue to be a part of PG unless they opt for reclassification under reg. 31A of Listing Regulations. Accordingly, the details of such a person must continue to be disclosed in the SHP of the listed entity until reclassification is approved.

35. X and Y are P and PG of ABC Ltd. respectively. P, an institutional investor has decided to invest funds in ABC Ltd by way of subscribing to shares in the preferential issue. P has also separately entered into an agreement with X and Y which *inter-alia* stipulates that a certain proportion of profit on sale of shares in future by P would be given to X and Y. Whether X, Y and P can enter into this arrangement?

Our response: Reg. 26(6) of Listing Regulations explicitly restrict the promoters of LE to enter into any agreement with any shareholder / third party with regard to profit sharing in connection with dealings in the securities of LE. Such an arrangement may be entered into only with the prior approval of the board and the shareholders of the LE. In the present case, the arrangement very well seems to be covered under the aforesaid provisions since it pertains to a profit-sharing agreement concerning securities of LE. Therefore, approval of board and shareholder is to be sought prior to entering into this arrangement.

It is also to be noted that while reg. 26(6) restricts promoters of a LE to enter into such arrangement, there is no restriction on the PG to enter into such arrangement.

36. Clause A of Sch. III.A.A of Listing Regulations, which deals with acquisition by LEs, requires LE to disclose whether P/PG have any 'interest' in the said 'acquisition'. How 'interest' of P/PG is to be ascertained?

Our response: Here the term 'interest' should mean any sort of interest in the target either by way of a board position, management position or a shareholding position, directly or indirectly. May refer to one such intimation for reference [here](#).

37. X, a promoter of ABC Ltd. committed a fraud in relation to a private company in which he was director. The fraud so committed is not at all in relation to ABC Ltd. Whether ABC Ltd. is required to disclose this fraud to the stock exchange?

Our response: Clause 6 of Sch. III.A.A of Listing Regulations requires fraud by promoters to be disclosed to the stock exchange as a deemed material event. A fraud committed by the promoter may be in relation to the LE or otherwise. However, as the text of the law suggests, fraud committed shall be disclosed as a material event regardless of whether such fraud was committed in relation to the LE or otherwise. The rationale is that fraud by promoters, even if not in relation to the LE, raises credibility issues on such persons who are controlling / directing / managing the company. Hence, the same warrants disclosure.

Accordingly, ABC Ltd. is required to disclose this instance to the SE.

38. Would the response to question above be the same if the fraud was committed by the spouse of the promoter who is not a director / KMP / SMP in the company but forms part of the PG?

Our response: In terms of Listing Regulations, while a Promoter forms part of the PG, the converse does not apply. The applicability of Clause 6 of Sch. III.A.A extends to promoter only and not to PG. Therefore, technically speaking, a fraud committed by the PG of a LE does not warrant disclosure under Clause 6 of Sch. III.A.A of the Listing Regulations. However, where if such fraud is in relation to LE, materiality of such fraud may be determined by the board under the residual para *i.e.* Para D of schedule III.

39. In case of the demise of a Promoter or member of the Promoter Group, who held shares jointly with another person, whose name should be disclosed in the Shareholding Pattern?

Our response: Upon death of a member, shares are transmitted to his legal heirs who then step in the shoes of the member. Therefore, in case of demise of a P/member of PG, the person to whom his shares are transmitted should be disclosed in the SHP under the '*Statement showing holding of specified securities by the Promoter and Promoter Group*', as the case may be. Further, until the transmission process is completed, the name of deceased P/PG should be disclosed in the Shareholding Pattern against his holdings with word '*Late*' as a prefix. This position has also been clarified in the NSE FAQs.

B. Under SAST Regulations

40. Whether LEs should remove the name of a deceased P/member of PG from SDD portal even though the PAN is not surrendered upon demise?

Our response: As clarified in NSE FAQs, the name of a deceased P/member of PG should be removed irrespective of the fact that whether the PAN has been surrendered or not.

41. Whether acquisition / disposal of securities by P&PG is to be aggregated for determining the open offer / disclosure requirements under SAST Regulations?

Our response: For the purpose of checking open offer / disclosure requirements under SAST Regulations, acquisition / disposal by a person along with the '*person acting in concert*' ('PAC') with him is to be seen. Promoters and members of PG are considered as deemed PAC unless the contrary is established.

42. Whether the acquisition of securities by a member of PG from a promoter can also trigger open offer requirements?

Our response: No. The acquisitions / disposal within P&PG is exempted and does not trigger the open offer requirement under SAST Regulations irrespective of the quantum of acquisition / disposal. It is also to be noted that acquisitions / disposal within P&PG does not result in any change in overall shareholding of P&PG.

43. Say Mr. X, a promoter of ABC Limited, transfers part of his shareholding in ABC Limited to a trust set up as a part of his estate planning. Whether the acquisition by the said trust can trigger the open offer requirement under SAST Regulations?

Our response: It is not uncommon for the promoters to set up a family trust and transfer his shareholding to such family trust as a part of his estate planning. While, there is no exemption for transfer to a family trust by the promoter in reg. 10 of SAST Regulations, a promoter may seek exemption under reg. 11 from SEBI for such transfer. A few of the conditions specified by SEBI, in the SEBI Master Circular No. SEBI/HO/CFD/PoD-1/P/CIR/2023/31 dated February 16, 2023, in this regard are as follows:

- a. The Trust is in substance, only a mirror image of the promoters' holdings and consequently, there is no change of ownership or control of the shares or voting rights in the target company.

- b. Only individual promoters or their immediate relatives or lineal descendants are Trustees and beneficiaries;
- c. The beneficial interest of the beneficiaries of the trust has not been and will not in the future, be transferred, assigned or encumbered in any manner including by way of pledge/mortgage;
- d. In case of dissolution of the Trust, the assets will be distributed only to the beneficiaries of the trust or to their legal heirs;
- e. The Trustees will not be entitled to transfer or delegate any of their powers to any person other than one or more of themselves.

C. Under PIT Regulations

44. ABC Ltd. is promoter of XYZ Limited, a company listed on BSE. Whether ABC Ltd. is required to be classified as DP of XYZ Limited? If yes, would the requirement / restrictions applicable on DPs be extended to ABC Limited only or to its directors / KMP as well?

Our response: As per reg. 9(4) of PIT Regulations, all promoters of a listed entity are required to be classified as DP. The promoter of a LE may either be individual or body corporate. Except in case of a listed entity being a fiduciary / intermediary, all promoters (*be it individual or body corporate*) are required to be classified as DP. In case of a listed entity being a fiduciary / intermediary, only promoters who are individual or who are investment companies are required to be classified as DP.

Further, it is to be noted that a body corporate, by virtue of being an artificial person, acts through the individuals. Accordingly, where a promoter is a body corporate, such promoter as well as its directors / KMP having access to UPSI of the LE through the body corporate promoter shall be classified as DP.

Having said that, in the above case, ABC Ltd. shall be classified as DP of XYZ Limited. Further, directors / KMP who generally have access to UPSI of XYZ Limited through ABC Ltd. shall also be subjected to identification as DP and relevant restrictions and liability.

45. Whether PG also needs to be classified as designated person under PIT Regulations?

Our response: Reg. 9(4)(iii) of PIT Regulations specifies that DP shall include *all promoters of listed companies and promoters who are individuals or investment companies for intermediaries or fiduciaries*. Therefore, in the context of listed / proposed to be listed entities, promoters are deemed DPs. PG is not deemed DP.

However, if one says that members of the PG who are individuals ordinarily have access to UPSI then the same should also be included under the ambit of DP.

46.If a member of PG is not classified as DP, then how the continual disclosure under reg 7(2) of PIT Regulations and framework for PAN freezing at security level would work for PGs?

Our response: Please note that while reg 7(2) of PIT Regulations is as much applicable on PGs as it is applicable on DPs, the framework for freezing of PAN at security level is applicable for DPs only.

For the purpose of automation of disclosure under reg. 7(2), a LE is required to furnish the details of its promoter, PG and DPs to the DD appointed by it (*refer PIT Master Circular dated September 23, 2024*) and update the same as and when necessary. The details so submitted by LEs are auto populated (including the details of PGs who are not DPs) by the DD of LEs on the portal through which LE can direct the DD to freezing PAN of its DPs during TW closure. Therefore, for the purpose of PAN freezing, the Company may de-select/exclude the names of PG members that are auto-populated on the portal but are not classified as DPs. The following rationale can be provided for such de-selection:

[Name of promoter group individual / entity] is not classified as DP by the Company.

47.Is gift of shares by/to PG also warrants disclosure under reg. 7(2) of PIT Regulations?

Our response: Any 'trade' by PG is covered under reg. 7(2). If such trade exceeds the threshold of 10 lac, then a disclosure under reg. 7(2) is warranted. SEBI *vide* its [FAQ](#) dated December 31, 2024 has clarified that 'gift' is included in the definition of trade specified under reg. 2(1)(l) of PIT Regulations. Therefore, for the purpose of checking disclosure requirements under reg. 7(2), one has to check if the market value of shares gifted by/to PG as on the date of gift exceeds the threshold of 10 lac, either at standalone level or coupled with previous transaction in ongoing quarter. If yes, disclosure is required.

48. Mr. X is promoter of ABC Limited, a listed entity. Mrs. P is the spouse of X and classified as PG. Mrs. P intends to dispose of her shareholding in the open market during the TW closure period. The compliance officer of the ABC Limited contends that Mrs. P is not permitted to trade in securities of ABC Limited during TW closure. Mrs. P contends that she is not classified as DP and therefore, not required to adhere to restrictions applicable on DPs. Whose contention is right here and for what reasons?

Our response: The contention of the compliance officer seems to be correct here for the following reasons:

- a. Mrs. P is a member of PG and therefore does not require to be classified as DP unless her role in ABC Limited gives her, ordinarily, access to UPSI, which we have assumed is not the case.
- b. However, Mrs. P is the spouse of Mr. X, a DP of the Company.
- c. In terms of reg. 2(1)(f) of PIT Regulations, the spouse of a DP is a deemed immediate relative of DP.
- d. In terms of reg. 9(1) of PIT Regulations, the restrictions on DPs are also applicable to their immediate relatives.
- e. Therefore, while Mrs. P is not required to be classified as DP, she is required to adhere to all restrictions as applicable on DP simply by virtue of being an immediate reactive of a DP.
- f. Accordingly, she cannot trade in securities of ABC Limited during TW closure.

49. In the question above, would you, as a compliance officer, have the same position if instead of Mrs. P, Mr. XP, son of promoter and member of PG of ABC Limited intends to undertake trade in securities of ABC Limited?

Our response: Under reg. 2(1)(f) of PIT Regulations, immediate relative means a spouse of a person, and includes parent, sibling, and child of such person or of the spouse. Barring the spouse of a DP, the rest of the individuals mentioned in clause (f) can only be considered as immediate relatives if they are

- a. either dependent financially on DP; or
- b. consults DP in taking decisions relating to trading in securities:

In the present case, if the son of DP satisfies any of the above-mentioned conditions, then he is required to refrain from trading in securities of the company during TW closure. If this is not the case, he can undertake trades during TW closure as well.

Way out from web of P&PG - reclassification

50. What is the legal framework for reclassification of P&PG for listed entities?

Our response: The legal provision for reclassification has been specified in reg. 31A of Listing Regulations. However, it is to be noted that reg. 31A is only applicable on equity listed entities. While the legal framework for identification of P&PG remains the same for equity as well as debt listed entities, there is no explicit framework for reclassification of promoters in debt listed entities.

51. In the absence of a legal framework for reclassification, can a debt listed entity reclassify any member of its PG? Also, is there any relevance of reclassification in the context of a debt listed entity?

Our response: Given the intent of reclassification framework so as to allow persons not in control or in a position to influence the operations of the listed entity, the exercise of reclassification is of very less relevance for a debt listed entity owing to the absence of several ongoing obligations which are otherwise applicable on an equity listed entity

52. Whether the concept of 'reclassification' is relevant for unlisted companies as well? If yes, how is the process of 'reclassification' to be governed in such unlisted companies?

Our response: Firstly, there is no concept of PG in case of unlisted companies. As regards the reclassification of promoters, there is no explicit provision for the same. This raises a question - whether unlisted companies change their promoter in an unregulated manner?

The answer to this question should be no!

Since the promoters of a company are the person who controls a company, reclassification of any promoter (*i.e.* the person controlling the company) should be done with the approval of shareholders.

53. Who can opt for reclassification?

Our response: Subject to fulfillment of conditions specified in Listing Regulations, any promoter or member of PG can apply for his/ her / its reclassification from P/PG to the public.

54. What can be the different types of reclassifications?

Our response: The reclassification under reg. 31A of Listing Regulations can be of following types:

- a. Promoter to public shareholder
- b. Promoter group to public shareholder
- c. Public shareholder to promoter

55. What are the prerequisites for seeking reclassification?

Our response: Reg. 31A of the Listing Regulations specifies following requirements to be met for applying for reclassification:

- a. Promoter seeking reclassification and person related thereto shall not hold more than 10% of the total voting rights in the LE
- b. Promoter seeking reclassification and person related thereto shall not exercise control over LE, directly or indirectly
- c. Promoter seeking reclassification and person related thereto shall not have '*special rights*' with respect to the LE through formal or informal arrangements including SHA
- d. Promoter seeking reclassification and person related thereto shall not be on the board of LE or act as KMP
- e. Promoter seeking reclassification and person related thereto shall not be a wilful defaulted or fugitive economic offender, as may be applicable

56. For the purpose of determining the threshold of 10% specified in reg. 31A(3)(b) of Listing Regulations, whether holding of the P/PG seeking reclassification has to be seen / checked at standalone level or be aggregated with holding of P/G?

Our response: In terms of reg. 31A(3)(b), the P/PG seeking re-classification (***Outgoing P/PG***) and persons related to the P/PG seeking re-classification shall not, together, hold more than 10% of the total voting rights in the LE. Now, if holding of outgoing P/PG is to be aggregated with the existing P/PG this will create a deadlock in the process since the consolidated holding of P/PG is always going to be more than 10% and therefore, the entire concept of reclassification would be frustrated. For instance, if the married daughter of a promoter is to apply for reclassification from PG to the public, the provision requires her shareholding to be aggregated with the shareholding of his father and other persons in P/PG.

The idea of identification of P/PG is to focus on the relevant persons occupying the position of control over a LE. If persons who have nothing to do with the control of the LE are included, and cannot go out of the hotchpot because of blood relationships, then the whole focus attached to P/PG will be lost. While, on one hand, this will allow irrelevant persons continue to remain classified as promoters and therefore, diffuse the regulatory attention, at the same time, the very purpose of reclassification of an Outgoing Promoter will be lost. Therefore, aggregating at the P/PG level for determining the 10% threshold does not seem to be doing justice with the intent of the regulatory framework.

57. What is the difference between the two phrases '*promoters seeking reclassification*' and '*persons related to the promoter seeking reclassification*' used under Reg 31A for reclassification?

Our response: The term '*promoters seeking reclassification*' means any person identified as promoter and who seeks reclassification. Whereas, the term '*persons related to the promoter seeking reclassification*' means person falling under sub-clauses (ii), (iii) and (iv) of reg. 2(1) (pp) of ICDR Regulations. Individuals / entities falling under the said clauses' forms part of PG.

58. Is there any way under which reclassification can be affected automatically?

Our response: As per the reclassification framework specified in Listing Regulations, there are followings way in which reclassification can be affected automatically:

- a. transmission, succession, inheritance and gift by P/G - the recipient is required to classified as P/PG immediately upon occurrence of such event
- b. Failure to comply with conditions for reclassification specified in clause (iv) and (v) of reg. 31A(3)(b) of Listing Regulations for a period of three years from reclassification.

59. What are the most common grounds for reclassification from P or PG to the public?

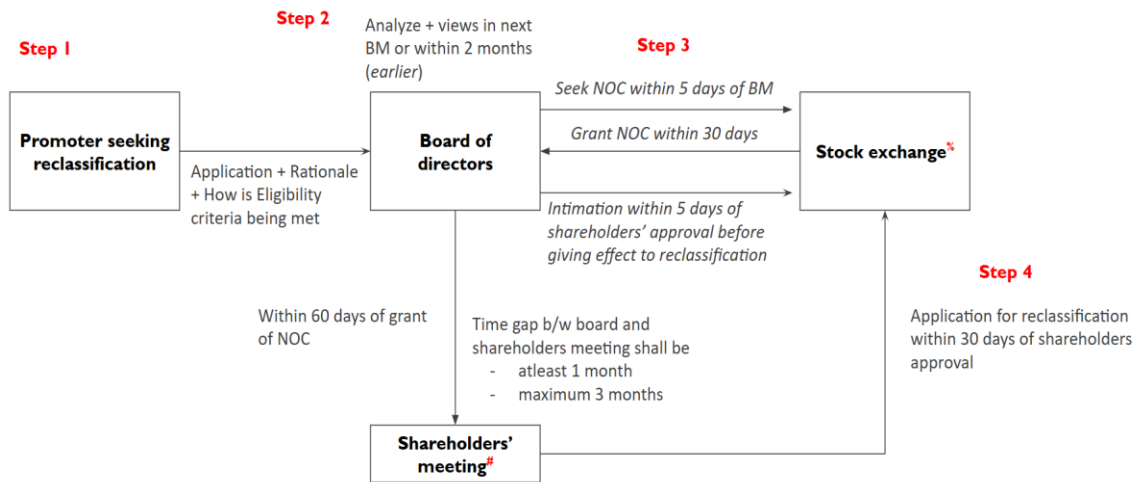
Our response: The most common grounds for reclassification of P/PG to public, as can also be verified through the reclassification requests approved by stock exchanges so far, are:

- No control over the affairs of the company
- New set of promoters after CIRP
- Classification pursuant to transmission of shares
- Reduction in shareholding / no substantial shareholding / divestment of stake

- Shareholding agreement / Share purchase agreements
- Independent occupation and no association with LE in any capacity
- Divorce
- Superannuation / resignation from post of MD/WTD

60. What is the process flow for reclassification?

Our response: The process of reclassification begins with the P/PG seeking reclassification making an approval to the board and with the stock exchange approving the reclassification. A pictorial representation of the entire process is given below:



61. In which cases shareholder's approval is not needed?

Our response: The requirement of shareholder approval is exempted in two cases – (1) P/PG seeking reclassification and the person related thereto together, do not hold more than 1% of the total voting rights in LE and (2) where the reclassification is proposed to a divorce.

62. Whether all the shareholders can vote on the resolution placed for reclassification?

Our response: No. P/PG seeking reclassification and the persons related thereto is prohibited from voting on the agenda placed before the shareholders in general meeting w.r.t reclassification request.

63. Are there any disclosure requirements while reclassification is being considered and being given effect to?

Our response: Yes. In terms of provision of reg. 31A and stock exchanges checklist for making application for reclassification, following are the disclosure requirement concerning reclassification of P/PG:

Event under reclassification	Timeline for disclosure
Receipt of application by LE from P/PG	within 24 hours of receipt of such application
Outcome of BM in which such application is considered	within 24 hours of conclusion of BM
Submission of application by LE for NOC of SE	within 24 hours
Decision of SE on reclassification	within 24 hours
Approval of shareholder	within 24 hours of conclusion of Shareholder meeting
Filing application for reclassification with SE	within 24 hours of filing
Communication of decision by SE on reclassification request	within 24 hours from such communication

64. Are there any conditions which have to be complied with post reclassification from P or PG to the public?

Our response: P/PG whose reclassification has been approved by the stock exchange is required to comply with the conditions listed out in FAQ no. 54 above. The compliance of conditions listed out in line item (a) to (c) of FAQ no. 54 above is required to be met at all times. However, conditions listed out in line item (d) and (e) are required to be complied with till the period of three years from the date of reclassification.

65. What is the relevance of memorandum of understanding ('MoU') or undertakings in the process of reclassification?

Our response: Practically speaking, stock exchanges may require the outgoing promoter and remaining promoter of a company to enter into a MoU. The intent of execution of such MoU is to have the understanding captured b/w the outgoing and remaining promoter regarding conditions to be complied with post reclassification.

66. Can the stock exchange seek any further documents or information while processing the request for reclassification?

Our response: Yes. The list of documents that are required to be placed before / submitted to the board, shareholders and stock exchanges are specified in reg. 31A of Listing Regulations and checklists of stock exchanges. However, stock exchanges may require further documents for information such as execution of a memorandum of understanding, list of SBO / UBO etc. for the purpose of processing the request for reclassification.

67. In case of listed entities that are listed on more than one recognized stock exchange, whether reclassification application has to be made to both the application? Also, what if one of the stock exchanges approves the application and the other one approves the same?

Our response: In case a listed entity is listed on both the stock exchanges, application for reclassification has to be made to both the stock exchanges. Further, the decision on approval or rejection of the reclassification request made is taken jointly by both the stock exchanges as evident from the proviso to clause (iv) of Reg 31A (3).

List of abbreviations used

Act	means Companies Act, 2013
DP	means Designated Persons
HUF	means Hindu Undivided Family
ICDR Regulations	means SEBI (Issue of Capital and Disclosure Requirements) Regulations 2018
LE	means Listed Entity
Listing Regulations	means SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015
LODR Master Circular	means SEBI Master Circular no. SEBI/HO/CFD/PoD2/CIR/P/0155 dated November 11, 2024
NCS Regulations	means SEBI (Issue and Listing of Non-Convertible Securities) Regulations, 2021
NSE FAQ	means FAQs on webinar conducted by NSE on June 25, 2025
P & PG	means Promoter & Promoter Group
PIT Regulations	means SEBI (Prohibition of Insider Trading) Regulations, 2015
SBEB Regulations	means SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021
SE	means Stock Exchange
SHP	means Shareholding pattern