



## SEBI Expands Promoter Definition for IPO Companies

[Source: BL](#)

The [Securities and Exchange Board of India \(SEBI\)](#) has **expanded** the [promoter definition](#) for companies tapping the market for an [initial public offering](#).

- Under the new guidelines, founders with a combined 10% stake who are also [key managerial personnel \(KMP\)](#) or directors will all be considered promoters.
  - **Immediate relatives** of the promoter on the company board or as KMP, or holding 10%+ in the company, **directly or indirectly**, will also be classified as promoters.
  - However, once someone is part of the promoter group, it's not easy to be declassified as a public shareholder due to **rule 31A of Listing Obligations and Disclosure Requirements (LODR) Regulations**.
    - Declassification means officially removing the status or label of being a promoter or a specific classification.
- According to **current SEBI regulations**, a promoter is someone who **controls the affairs of the company** or can appoint the majority of directors or is named as such in an offer document.
- An **IPO** is an [initial public offering](#), in which shares of a **private company** are made available to the public for the first time.
  - An IPO allows a company to **raise equity capital** from public investors.

**Read more:** [Proposal for Changing Promoters to Person in Control: SEBI, SEBI](#)

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