

Govt Raises Threshold for Public Shareholding in Listed Companies

All Listed Companies Required to Maintain 25% Public Holding

The Government has made amendments to the Securities Contracts (Regulation) Rules. The salient features of the amendment are as follows:

- a) The minimum threshold level of public holding will be 25% for all listed companies.
- b) Existing listed companies having less than 25% public holding have to reach the minimum 25% level by an annual addition of not less than 5% to public holding.
- c) For new listing, if the post issue capital of the company calculated at offer price is more than Rs. 4000 crore, the company may be allowed to go public with 10% public shareholding and comply with the 25% public shareholding requirement by increasing its public shareholding by at least 5% per annum.
- d) For companies whose draft offer document is pending with Securities and Exchange Board of India on or before these amendments are required to comply with 25% public shareholding requirement by increasing its public shareholding by at least 5% per annum, irrespective of the amount of post issue capital of the company calculated at offer price.
- e) A company may increase its public shareholding by less than 5% in a year if such increase brings its public shareholding to the level of 25% in that year.
- f) The requirement for continuous listing will be the same as the conditions for initial listing.
- g) Every listed company shall maintain public shareholding of at least 25%. If the public shareholding in a listed company falls below 25% at any time, such company shall bring the public shareholding to 25% within a maximum period of 12 months from the date of such fall.

The Securities Contracts (Regulation) Rules 1957 provide for the requirements which have to be satisfied by companies for the purpose of getting their securities listed on any stock exchange in India. A dispersed shareholding structure is essential for the sustenance of a continuous market for listed securities to provide liquidity to the investors and to discover fair prices. Further, the larger the number of shareholders, the less is the scope for price manipulation. Accordingly, the Finance Minister in his Budget speech for 2009-10, inter- alia, proposed to raise the threshold for non- promoter, public shareholding for all listed companies. To implement the Budget announcement the Securities Contracts (Regulation) (Amendment) Rules, 2010 have been notified today.