

SECURITIES AND EXCHANGE BOARD OF INDIA ("SEBI")

AMENDMENT TO THE MINIMUM PUBLIC HOLDING THRESHOLD

SEBI vide the Securities Contracts (Regulation) (Amendment) Rules, 2010 ("Amendment Rules"), notified through the press release dated June 4, 2010¹, has amended the requirement relating to the minimum public holding threshold. As per the amendment the minimum threshold level of public holding will be 25% for all listed companies.

The salient features of the amendment are as follows:

(a) 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;

- (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 listings, if the post issue capital of the company calculated at offer price is more than Rs. 4000 crores, 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 SEBI, on or before the amendments, are required to comply with 25% public shareholding requirement by increasing their public shareholding by at least 5% per annum, irrespective of the

¹ F.No.5/35/2006-CM

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.

A copy of the press release is available at

http://finmin.nic.in/press_room/2010/june_details.html#amendment_public_sharehold

A copy of the Amendment Rules is available at

http://www.finmin.nic.in/the_ministry/dept_eco_affairs/capital_market_div/Amendment_Securt_contract_1957.pdf

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