

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:1437
ANSWERED ON:04.03.2011
DELISTING OF PSUS DUE TO NEW HOLDING NORMS
Shetkar Shri Suresh Kumar

Will the Minister of FINANCE be pleased to state:

- (a) whether a new rule has been in operation making changes in the proportion of public holding in listed companies;
- (b) if so, the details thereof and reasons therefor;
- (c) whether new holding norms may force delisting of some PSUs;
- (d) if so, the details thereof; and
- (e) the reasons therefor and reaction of the Union Government thereto?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF FINANCE (SHRI NAMO NARAIN MEENA)

(a): Yes, Sir.

(b): The Government vide notifications dated June 4, 2010 and August 9, 2010 amended the Securities Contracts (Regulation) Rules, 1957 to modify public shareholding requirements in listed companies. The main features of the new rule are as follows:

- i. The minimum threshold level of public holding for listed public sector companies is 10% and for all other listed companies is 25% .
- ii. Requirements for continuous listing is the same as requirements for initial listing,
- iii. Listed companies with public shareholding below the minimum threshold level are required to reach the minimum level within a period of three years from the date of notification of the amendment
- iv. If the post issue capital of a non public sector company, other than a public sector company, calculated at offer price is more than Rs. 4,000 crore, the company may be allowed to go public with 10% public shareholding and comply with 25% public shareholding requirement within three years from the date of listing. For public sector companies, the minimum offer size in every case is 10% only,
- v. If a public shareholding in listed companies falls below minimum threshold at any time, such company shall bring the public shareholding to the minimum threshold level wrthin a maximum period of 12 months from the date of such fall.

(c): As on date, there are only 17 public sector companies having less than 10% public holding. Moreover, since a three year time period has been given to them for increasing the public holding to the 10% level, no forced delisting is expected.

(d): Not applicable in view of reply to (c) above.

(e): The decision to increase public holding was taken to provide depth to the market and to increase the companies' investor base. However, in the case of PSUs, because of their large capitalization and the complexities that may be involved in any fast-paced divestment, the Government permitted a lower public holding requirement and has given three years for reaching the minimum prescribed 10%.