GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:2772
ANSWERED ON:29.08.2012
SHARE HOLDING NORMS QUESTION
Venugopal Shri P.

Will the Minister of FINANCE be pleased to state:

(a) whether Securities and Exchange Board of India (SEBI) has taken a decision that no extra time will be allowed to limited companies to comply with the minimum public shareholding norms;

(b) if so, the details thereof;

(c) whether the listed companies have said that three years time period given is too short; and

(d) if so, the details thereof?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRINAMO NARAIN MEENA)

(a) No Sir.

The Securities Contracts (Regulations) Rules, 1957 (SCRR) were amended on June 4, 2010 by Government of India and Rule 19 A was inserted requiring listed companies to chieve and maintain minimum public shareholding of 25% (10% for public sector companies).

(b) Not applicable in the view of reply (a) above.

(c) Yes Sir.

(d) Certain entities such as some listed companies and market intermediaries, have requested, inter alia, for extension of the deadline and for allowing flexibility in the manner of increasing public shareholding.

Confederation of Indian Industry (CII) has requested for the extension of the deadline and further flexibility in the manner to achieve it. The reasons they have given for the extension of deadlines in brief are as under:

I. `Evolution of timelines` and `limited implementation procedures`: While the notification requiring all listed companies to maintain 25%(10% for public sector companies) public holding was issued on June 04, 2010 by the Central Government, a circular specifying the manner in which public shareholding is to be increased was issued by SEBI on December 16, 2010. Separate mechanisms designed especially for increasing public shareholding for existing companies through Institutional Placement Programme (IPP) and Offer for Sale (OFS) were introduced by SEBI only in February 2012. It took nearly 20 months for the introduction of specific mechanism for increasing the public holding after the issuance of the aforesaid June 2010 notification.

II. `Adverse market conditions`: Since December 2010 the market conditions have not been conducive, challenging the ability of companies to comply with minimum public shareholding norms.

III. `Lack of market depth`: Historically the Indian capital market has been able to endeavour capital infusion only in the range of Rs 15000- 20000 crore per annum with the exception of years 2007 and 2010. Even if the said two years were to be accounted for, the average fund raising per year, over the past 6 years, has been Rs 30, 823 crores only.