

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:1761

ANSWERED ON:16.08.2013

PUBLIC HOLDING OF LISTED COMPANIES

Adhalrao Patil Shri Shivaji; Adsul Shri Anandrao Vithoba; Bapurao Shri Khatgaonkar Patil Bhaskarrao; Bhagora Shri Tarachand; Bhoi Shri Sanjay; Dharmshi Shri Babar Gajanan; Gaikwad Shri Eknath Mahadeo; Paranjpe Shri Anand Prakash; Yadav Shri Dharmendra; Yaskhi Shri Madhu Goud

Will the Minister of FINANCE be pleased to state:

- (a) whether the Securities and Exchange Board of India (SEBI) has issued guidelines to the listed companies to attain minimum 25 per cent public holding within stipulated period and if so, the details thereof including the deadline fixed if any, for compliance thereof;
- (b) whether some companies have failed to meet the norms despite repeated reminders from SEBI;
- (c) if so, the name of such companies and the reasons cited by each company for not complying with the norms; and
- (d) The action taken by the SEBI/Government against each such company?

Answer

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

(a) Yes Sir. Government of India, vide notifications dated June 04, 2010 and August 09, 2010, amended Securities Contracts (Regulation) Rules, 1957 (SCRR). The amended rule 19(2)(b) and newly introduced rule 19A of SCRR require the listed companies to achieve and maintain minimum public shareholding of 25% of the total issued shares for listed companies in private sector (Non-PSUs) and 10% for public sector companies (PSUs). Further, a time period of three years was provided from the date of notification (i.e. by June 03, 2013 for Non-PSUs and August 08, 2013 for PSUs) to companies to achieve minimum public shareholding (MPS) in the manner specified by SEBI.

(b) & (c) Yes. Despite issuance of various circulars and the efforts of SEBI to facilitate achieving the minimum public shareholding requirement, some companies have not fulfilled the said requirement. Based on the details furnished by the National Stock Exchange of India Limited (NSE) and the Bombay Stock Exchange Limited (BSE), 106 listed companies from private sector failed to meet the minimum public shareholding requirement by June 03, 2013. The names of such companies and reasons cited by these companies are at Annexure.

(d) SEBI passed an interim order dated June 04, 2013 with respect to 105 listed companies and interim order dated July 05, 2013 in the respect of Gillette India Limited, who did not comply with the minimum public shareholding norms as stipulated under rules 19(2)(b) and 19A of SCRR within the due date i.e., June 03, 2013.

The directions issued vide the said orders, inter-alia, are as follows:

i. The voting rights and corporate benefits like dividend, rights, bonus shares, split, etc. with respect to the excess of proportionate promoter/promoter group shareholding in the non-compliant companies were directed to be frozen, till such time the companies complied with the minimum public shareholding requirement.

ii. The promoters/promoter group and directors of those non-compliant companies were prohibited from buying, selling or otherwise dealing in securities of their respective companies, either directly or indirectly, in any manner whatsoever, except for the purpose of complying with minimum public shareholding requirement till such time those companies complied with the minimum public shareholding requirement.

iii. The shareholders forming part of the promoter/promoter group in the non-compliant companies were restrained from holding any new position as a director in any listed company, till such time those companies comply with the minimum public shareholding requirement.

iv. The directors of non-compliant companies were restrained from holding any new position as a director in any listed company, till such time those companies complied with the minimum public shareholding requirement.

The interim order was passed without prejudice to the right of SEBI to take any other action, against the non-compliant companies, their promoters and/or directors or issuing such directions in accordance with law.