



PR No. 54 / 2013

**Interim Order in the matter of Non-Compliance of the requirement of Minimum Public Shareholding by the Listed Companies in Private Sector**

The Securities Contracts (Regulation) Rules, 1957 were amended in 2010 to provide for minimum and continuous public shareholding requirement in listed companies in private sector at 25%. In terms of these Rules, all listed companies have to comply with the said requirement by June 03, 2013. This was done with a view that 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.

There were two hundred such companies which were non compliant with the above requirement as on June 30, 2012. For some of the companies the due date of compliance falls beyond June 3, 2013. There are two companies with substantial government holding which will be taken up along with the time line specified for the Public Sector Undertakings. SEBI initiated a detailed process of consultation with the non compliant companies so as to facilitate achieving the minimum public shareholding requirement. There was a positive response from most of the companies and many companies have made substantial efforts to achieve the minimum public shareholding requirement. Among the large active companies, most of the companies have fully complied with the said requirement.

However, there are 108 companies which have not complied with the said requirement, despite SEBI issuing repeated cautionary advice and providing enabling methods. WTM (SEBI) has passed an ad interim order dated June 04, 2013 against the promoter/promoter group and directors of 105 non compliant companies of which, thirty three companies are suspended by the stock exchanges. (There are three companies where the matter is *sub judice*.)

For the aforesaid non-compliances, the following directions have been issued:

- freezing of *voting rights* and *corporate benefits* like dividend, rights, bonus shares, split, etc. of the promoter/ promoters group of the non-compliant companies, with respect to the excess of proportionate shareholding in

respective companies, till such time these companies comply with the minimum public shareholding requirement;

- b. prohibiting the promoters/promoter group and directors of the non-compliant companies from buying, selling or otherwise dealing in the securities of their respective companies, either directly or indirectly, in any manner whatsoever, except for the purpose of complying with the minimum public shareholding requirement till such time these companies comply with the minimum public shareholding requirement;
- c. restraining the promoter/promoter group and directors of the non-compliant companies from holding any new position as a director in any listed company, till such time these companies comply with the minimum public shareholding requirement;

SEBI may take further action in accordance with law for non compliance with the minimum public shareholding requirement and the said order shall be treated as a show cause notice for the same.

The full text of the [order](#) is available on the website: [www.sebi.gov.in](http://www.sebi.gov.in).

**Place: Mumbai**

**Date: June 4, 2013**