

1. Manner of increasing minimum public shareholding to comply with Securities Contracts Regulation (Rules), 1957

The following additional methods viz. Institutional Placement Programme (IPP) and Offer for Sale of Shares through the stock exchange for the purpose of compliance with SCRR requirements are being introduced. The broad features of the same are as under:

A. Institutional Placement Programme (IPP):

- i. This method can be used only for the purpose of complying with minimum public shareholding requirements under SCRR, either by way of fresh issue of capital or dilution by the promoters through an offer for sale. Using this method, public shareholding can be increased by 10% or such lesser percentage as is required to comply with the minimum public shareholding requirement.
- ii. There would be simultaneous filing of red herring prospectus / prospectus with SEBI, Registrar of Companies and Stock Exchanges.
- iii. Offer would be made only to Qualified Institutional Buyers (QIBs). There would be a reservation of minimum 25% to mutual funds and insurance companies.
- iv. Issuer shall announce an indicative floor price or price band atleast one day prior to the opening of the offer.
- v. The aggregate demand schedule shall be displayed by stock exchanges.
- vi. Issuers shall endeavor to maximize the number of allottees in order to ensure wider distribution of shares. There shall be atleast 10 allottees in every IPP issuance. No single investor shall receive allotment for more than 25% of the offer size.
- vii. The allotment of shares may be made on price priority, proportionate or on pre-specified criteria which has to be disclosed in advance in the prospectus and cannot be changed subsequently.

B. Offer for sale of shares through stock exchanges:

- i. The stock exchange would offer a separate window for the purpose of such sales. The duration of this window would co- exist with the normal trading hours.
- ii. The offer shall be for atleast 1% of the paid-up capital of the company, subject to a minimum of Rs. 25 crores.

iii. Only the promoter/ promoter group of companies which are active /eligible for trading would be permitted to offer their shares for sale. Promoter/ promoter group of the company would not be permitted to bid for the shares.

iv. Every bid/buy order would be required to be backed by 100% upfront cash margin. The settlement shall be through exchange clearing mechanism.

v. Allotment would be done either on price priority or clearing price basis proportionately and would be overseen by the exchanges.

Apart from use for compliance with minimum shareholding requirements, this method can be used by promoters of top 100 companies (based on average market capitalization) for sale of their stake.

2. Amendment to SEBI (Buyback of Securities) Regulations,1998

As a part of constant endeavor to align regulatory requirements with the principle of equitable treatment to all shareholders as well as to enhance efficiency of the buyback process, the following changes in the tender offer method of buyback are being made:

i) Procedure for acceptance of shares in buyback through tender offer

The company shall announce ratio of buyback as is done in the case of rights issues and fix a record date for determination of entitlements as per shareholding on record date. While the shareholders are free to tender over and above their entitlement, acceptance of shares shall first be based on entitlement of each shareholder and if any shares are still left to be bought back, acceptance of additional shares tendered over and above the entitlement shall be in proportion to the excess shares tendered by the shareholder.

ii) “Record date” in lieu of specified date

The company shall fix “record date” for the purpose of deciding entitlement for buyback, as per the practice followed for other corporate actions as laid down in listing agreement.

iii) Review of requirement of issuing Public Notice and Public Announcement

The Public Announcement shall be published within two working days from the date of Board or Shareholders resolution, as the case may be.

iv) Rationalisation of timelines in buyback through tender offer

The timelines for various activities involved in the buyback process have been revised which shall result in substantial reduction of time taken for completion of buyback.