



भारतीय प्रतिभूति और विनियम बोर्ड  
Securities and Exchange Board of India

CIRCULAR

SEBI/HO/CFD/PoD2/P/CIR/2023/18

February 03, 2023

To

All listed entities  
All Recognized Stock Exchanges

Madam / Sir,

**Sub: Manner of achieving minimum public shareholding**

1. SEBI, vide circular No. SEBI/HO/CFD/CMD/CIR/P/43/2018 dated February 22, 2018 on the captioned subject, had permitted different methods that may be used by listed entities to achieve compliance with the minimum public shareholding (MPS) requirements mandated under Rule 19(2)(b) and 19A of the Securities Contracts (Regulation) Rules, 1957 (“**SCRR**”) read with regulation 38 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“**LODR Regulations**”).
2. SEBI has been receiving representations from listed entities and other stakeholders requesting relaxation from compliance with the conditions specified in the existing methods and approval for using non-prescribed methods to achieve MPS compliance.
3. In view of the above and to facilitate listed entities achieve MPS compliance, few of the existing methods have been reviewed and rationalized and two additional methods have been introduced. Accordingly, a listed entity shall adopt any of the following methods in order to achieve compliance with the MPS requirements mandated under rules 19(2)(b) and 19A of the SCRR read with regulation 38 of the LODR Regulations:

No.	Method	Specific conditions, if any, applicable
1.	Issuance of shares to public through prospectus	-
2.	Offer for sale of shares held by promoter(s) / promoter group to public through prospectus	-

No.	Method	Specific conditions, if any, applicable
3.	Offer for sale of shares held by promoter(s) / promoter group through the Stock Exchange mechanism i.e., the secondary market, in terms of circular reference No. SEBI/HO/MRD/MRD-PoD-3/P/CIR/ 2023/10 dated January 10, 2023.	-
4.	Rights issue to public shareholders	Promoter(s) / promoter group shareholders shall forgo their entitlement to equity shares that may arise from such issue.
5.	Bonus Issue to public shareholders	Promoter(s) / promoter group shareholders shall forgo their entitlement to equity shares that may arise from such issue.
6.	Allotment of equity shares under Qualified Institutions Placement in terms of Chapter VI of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018.	-
7.	<p>Sale of shares held by promoter(s) / promoter group in the open market in any one of the following ways, subject to compliance with the conditions specified:</p> <p>i. Promoter(s) / Promoter group can sell up to 2% of the total paid-up equity share capital of the listed entity, subject to five times' average monthly trading volume of the shares of the listed entity, every financial year till the due date for MPS compliance as per the SCRR (or)</p> <p>ii. Promoter(s) / Promoter group can sell upto a maximum of 5% of the paid-up capital of the listed entity during a financial year subject to the</p>	<p>i. Promoter(s) / Promoter group can use either the mechanism specified at Sl. No. 7(i) or 7(ii) to comply with MPS requirements, but not both.</p> <p>ii. The listed entity shall, at least one trading day prior to every such proposed sale, announce the following details to the stock exchange(s) where its shares are listed:</p> <p>a) the intention of the promoter(s) / promoter group to sell and the purpose of sale;</p> <p>b) the details of promoter(s)/promoter group, who propose to divest their shareholding;</p>

No.	Method	Specific conditions, if any, applicable
	<p>condition that the public holding in the listed entity shall become 25% after completion of such sale. The sale can be a single tranche or in multiple tranches not exceeding a period of 12 months and the amount of shares to be sold shall not exceed the trading volume of the shares of the listed entity during the preceding 12 months from the date of announcement.</p>	<p>c) total number of shares and percentage of shareholding in the listed entity that is proposed to be divested; and</p> <p>d) the period within which the entire divestment process will be completed.</p> <p>iii. The listed entity shall also give an undertaking to the recognized stock exchange(s) obtained from the persons belonging to the promoter and promoter group that they shall not buy any shares in the open market on the dates on which the shares are being sold by promoter(s)/promoter group as stated above.</p> <p>iv. The listed entity, its promoter(s) and promoter group shall ensure compliance with all applicable legal provisions including that of the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 and Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.</p>
8.	<p>Increase in public holding pursuant to exercise of options and allotment of shares under an employee stock option (ESOP) scheme, subject to a maximum of 2% of the paid-up equity share capital of the listed entity.</p>	<p>The ESOP scheme shall be in compliance with the Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 and the promoter(s) / promoter group shall not be allotted any shares.</p>

<b>No.</b>	<b>Method</b>	<b>Specific conditions, if any, applicable</b>
9.	Transfer of shares held by promoter(s) / promoter group to an Exchange Traded Fund (ETF) managed by a SEBI-registered mutual fund, subject to a maximum of 5% of the paid-up equity share capital of the listed entity.	<p>The listed entity shall, at least one trading day prior to such proposed transfer, announce the following details to the stock exchange(s) where its shares are listed:</p> <ul style="list-style-type: none"> <li>i. the intention of the promoter(s) /promoter group to transfer shares and the purpose of such transfer;</li> <li>ii. the details of promoter(s)/promoter group who propose to transfer their shares in the listed entity;</li> <li>iii. total number of shares and percentage of shareholding proposed to be transferred; and</li> <li>iv. Details of the ETF to which shares are proposed to be transferred by the promoter / promoter group.</li> </ul> <p>The listed entity shall also give an undertaking to the recognized stock exchange(s) obtained from the persons belonging to the promoter and promoter group that they shall not subscribe to the units of such ETF to which shares have been transferred by promoter(s) / promoter group entities for the purpose of MPS compliance.</p>
10.	Any other method as may be approved by the Board on a case to case basis.	<p>The listed entity shall approach the Board with an application containing relevant details to obtain prior permission.</p> <p>The Board would endeavour to communicate its decision within 30 days from the date of receipt of the proposal or the date of receipt of additional information as sought from the listed entity.</p>

4. The Stock Exchange(s) shall monitor the methods adopted by listed entities to increase their public holding and comply with MPS requirements in terms of this circular. Non-compliance, if any, observed by the Stock Exchange(s) with respect to the method(s) and / or conditions prescribed herein, shall be reported to SEBI on a quarterly basis.
5. This Circular is issued in exercise of the powers conferred under sections 11 and 11A of the Securities and Exchange Board of India Act, 1992 read with regulations 38 and 101(2) of the LODR Regulations and shall supersede the circular No. SEBI/HO/CFD/CMD/CIR/P/43/2018 dated February 22, 2018.
6. This circular is available at [www.sebi.gov.in](http://www.sebi.gov.in) under the link “Legal” and “Circulars”.
7. The recognized Stock Exchanges are advised to disseminate the contents of this Circular on their website.

Yours faithfully,

**Yogita Jadhav**  
**General Manager**  
**Policy and Development**  
**Corporation Finance Department**  
+91-22-26449583  
[yogitag@sebi.gov.in](mailto:yogitag@sebi.gov.in)