

Fillip to IDBI selloff

OUR SPECIAL CORRESPONDENT

New Delhi: The government has exempted public sector entities from the minimum public shareholding (MPS) norm which mandates at least 25 per cent public float for all listed companies. The move is expected to facilitate the selloff of IDBI Bank.

The exemption would apply on the PSU entities regardless of the government's direct or indirect holding.

The exemption will be valid for a "specified period" even if there is a change in ownership or control after the exemption is granted, a gazette notification said.

The notification exempts "any listed entity in which the central government or state

government or public sector company, either individually or in any combination with other, hold directly or indirectly, majority of the shares or voting rights or control of such listed entity, from any or all of the provisions of this rule (MPS norms)."

The Securities Contracts (Regulation) Amendment Rules, 2022 was notified by the government on January 2.

Following the notification, IDBI Bank will be exempt from MPS even after a partial stake sale by LIC and the government.

Last month, the government extended the deadline to submit preliminary bids for the lender till January 7.

The government and LIC together are looking to sell 60.72 per cent of IDBI Bank

and had invited bids from potential buyers in October. The government and LIC hold a 94.71 per cent stake in IDBI Bank.

The successful bidder will have to make an open offer for acquisition of a 5.28 per cent stake from public shareholders.

Poonam Kaura, partner — government and public sector advisory, Nangia Andersen LLP, said: "The exemption has been extended, although it will be for a 'specified period'."

"It will surely have a positive impact on central and state PSUs undergoing strategic disinvestment or privatisation. It sounds very lucrative and attractive for the private investors interested in acquiring a shareholding of large PSUs," she said.

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Government sweetens deal for IDBI bidders

Public sector units have been exempted from 25% minimum public shareholding norm



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By Dipak Mondal

Express News Service

NEW DELHI: With the government eyeing the strategic sale of IDBI Bank, it has exempted listed central and state PSUs from complying with the mandatory 25% public shareholding norms for listed companies.

The finance minister issued a notification in this regard late on Monday night. The notification said:

“Notwithstanding anything, the central government may, in the public interest, exempt any listed entity in which central or state government or public sector company, either individually or in any combination with other, hold directly or

indirectly, majority of the shares or voting rights or control of such listed entity, from any or all of the provisions of this rule (minimum public shareholding norm).”

The notification specifies that the exemption would be for a specific period, irrespective of any change in control of such listed entity subsequent to issuance of such exemption. The notification comes at a time when the government is eyeing a stake sale in IDBI Bank, in which the government and the Life Insurance Corporation (LIC) hold 94.71%. The government is looking to offload 60.72% in the state-owned bank. The successful bidder will also have to make an open offer for acquisition of 5.28 per cent stake from public shareholders.

This could possibly lead to a situation where the bidder would end up owning more than 65% in IDBI. The government has extended the period for inviting expression of interest (EoI) for IDBI Bank to 7 January 2023. “It is not easy to raise capital in difficult global conditions and volatile markets. Considering the above fact, in order to comply with the one with listing regulation, the government is looking at exempting minimum shareholding norms,” says S Ravi, former BSE Chairman and founder and managing partner of Ravi Rajan & Co. Poonam Kaura, Partner - government and public sector advisory, Nangia Andersen, feels though the exemption will be for a specified period, it will have a positive impact on central and state PSUs undergoing strategic disinvestment or privatization.

New public shareholding rule

Govt exempts listed central and state PSUs from following minimum shareholding norm

Sebi norms require listed companies to have minimum 25% public shareholding

Exemption will be for a specified period, irrespective of any change in control of such listed entity

The notification comes at a time when the govt is inviting EoI for IDBI Bank

Govt and LIC together hold 94.71% in IDBI Bank and wants to sell 60.72% stake in the bank

 **More From The Section**

Ease of sale: Exemption for PSUs from minimum public float norm to continue

Shishir Sinha

New Delhi

To facilitate strategic disinvestment, the Finance Ministry has said a listed public sector undertaking will continue to be exempt from the Minimum Public Shareholding (MPS) norm for a 'specified period', even after change of control.

For a listed company, the norm is that it must maintain a minimum public shareholding of 25 per cent.

The Ministry notified changes to the Securities Contracts (Regulation) Rules, 1957 or SCRA late on Monday.

According to the amendments, the Centre can exempt a PSU from various provisions of Rule 19A in public interest.

These provisions prescribe achieving and maintaining public shareholding for a listed company. As on March 31, 2022, listed PSUs totalled 62.

PUSH FOR DIVESTMENT
Explaining the amendment, Sunil Gidwani, Partner, Nangia Andersen LLP, said

The exemptions from the MPS norm will be valid for a 'specified period' even after change of control

that the government and market regulator SEBI had relaxed rules from time to time to make the process of transfer of control easy for government companies easy, and the acquirer. This required changes to the SCRA rules and hence this notification.

According to Sawant Singh, Co-founding Partner of Phoenix Legal, the amendment introduces an explanation to clarify that despite a change in control, the MPP exemption would continue.

"This seems to be aimed at facilitating and smoothening the process of disinvestment," he said.

Sudhir Bassi, Executive Director, Khaitan & Co, said this amended rule added an explanation that the exemption granted will continue to be available even after change of control of PSU.