

Frequently Asked Questions

June 29, 2018

SEBI CIRCULAR DATED FEBRUARY 22, 2018 ISSUED IN RESPECT OF MANNER OF ACHIEVING MINIMUM PUBLIC SHAREHOLDING

***Disclaimer:** Based on queries/ comments received from market participants, these FAQs have been prepared to provide guidance on Regulation 38 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("the Regulations", "Listing Regulations", "LR") and circulars issued there under. For full particulars of laws governing minimum public shareholding, please refer to the Acts/Regulations/Guidelines/Circulars etc. appearing under the Legal Framework Section of SEBI website i.e., www.sebi.gov.in and the websites of respective recognized stock exchanges.*

1. Is approval of SEBI required for sale of 2% shares in accordance to the terms of the Circular?

No prior approval of SEBI is required for adopting open market sale provided that all the conditions mentioned in the SEBI Circular dated February 22, 2018 with respect to the open market sale are fulfilled by the listed entity.

2. For calculating 5 times' average monthly trading volume of scrip of the listed entity, what should be the period considered for calculating the average? In case the company is listed in more than one stock exchange, trading volume of which stock exchange should be considered for calculating average monthly trading volume?

For calculating 5 times' average monthly trading volume of scrip of the listed entity, a period of 12 months preceding the date of announcement of the open market sale shall be considered.

The aggregate trading volume of all the stock exchanges, where the entity is listed, shall be considered.

3. In case, the number of shares arrived at by calculating 5 times the average monthly traded volume is less than 2% of the total paid up share capital of the company, can the company keep selling till it reaches the cap of 2%?

No, the limit of the total number of shares to be sold shall be up to 2% of the total paid up share capital of the company or five times' average monthly trading volume, whichever is lower.

4. In case the proposed sale is not completed due to lack of demand, can the formula for calculating the number of shares to be sold by promoters/promoter group in open market be applied again?

The limit of total number of shares to be sold by promoters/promoter group, which is calculated at the time of first announcement only shall be taken into account. However, the promoters/promoter group of the listed entity can sell the shares in multiple tranches provided the aggregate number of shares to be sold is within the overall limit of 2% of the paid up capital of the listed entity or 5 times' average monthly trading volume of scrip of the listed entity, whichever is lower. For instance, if the limit of number of shares is 10,000 shares (as calculated on the basis of 2% of the paid up capital of the entity or five times' average monthly trading volume of the scrip, whichever is lower) at the time of making first announcement, then the promoter/promoter group of the entity can sell only up to 10,000 shares during the entire exercise either in one of multiple tranches.