Minimum Public Shareholding (MPS)

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Minimum Public Shareholding Latest News

SEBI recently proposed to increase the flexibility of minimum public shareholding (MPS) and minimum public offer (MPO) for companies aspiring to get listed, aimed at “simplifying fund-raising by issuers in India.

About Minimum Public Shareholding

- The Minimum Public Shareholding (MPS) rule is a **regulatory requirement laid out by SEBI** under the **Securities Contracts (Regulation) Rules, 1957**, and reinforced by the Listing Obligations and Disclosure Requirements (LODR) Regulations.
- It is **applicable to all listed companies** in India.
- As per these rules, **all listed companies must ensure** that **at least 25% of their total issued and paid-up equity share capital** is **held by public shareholders**—i.e., **non-promoters and non-promoter group entities.**
- **Where promoters are holding more than 75%,** they have to **mandatorily divest additional shares to the public** to comply with the MPS rule.

    - Such stake reduction could be done **either by placing shares with institutions or by issuing rights shares** to dilute their holdings.
- The **objective** is to:
    - **Enhance liquidity** in the market
    - Promote **fair price discovery**
    - Ensure **broader participation** and **corporate governance**
- **Newly listed companies** are expected to meet this requirement **within three years from** the **date of listing.**
- **For issuers with a post-issue market cap of over ₹1 trillion**, the deadline for 25% MPS is **five years.**
- **If the public shareholding falls below 25%** at any time, such **company shall bring** the public shareholding to **25% within** a maximum period of **12 months** from the date of such fall.

Source: TH
