



Minimum Public Shareholding Norms

Analysis: 35% vs 25%

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Background

Nirmala Sitharaman, the Honorable Finance Minister of India, while presenting the Union Budget for FY19-20, said that government has asked SEBI to consider raising current threshold of minimum public shareholding from 25% to 35%. Let us analyze the implications of the same on various listed entities.

As on 08-Jul-19, if we take the universe of all listed companies, then the value of all stakes to be divested, to comply with the minimum public shareholding of 35%, comes to c. **USD 51.6 bn**. We believe this number may not reflect the actual situation and the following categories should be considered differently:

1. **Government Owned Companies:** Directives could be given to Government Owned Companies, for maintaining a promoter stake of 65% or below, instead of the new guideline via SEBI. Out of the c. USD 51.6 bn, **c. USD 15.3 bn relates to Government Owned Companies**. Below is the list of top 10 Government Owned Companies wherein promoter stake is greater than 65%:

S.No.	Company	M. Cap (USD mn)	Promoter Stake			Stake Value (USD mn)
			Current Stake (%)	Target Stake (%)	Stake to be divested (%)	
1	IDBI Bank	3,850	97.5%	65.0%	32.5%	1,249.8
2	Coal India	20,843	71.0%	65.0%	6.0%	1,242.2
3	GIC	5,748	85.8%	65.0%	20.8%	1,194.5
4	Bank of India	4,061	87.1%	65.0%	22.1%	895.4
5	Hindustan Aeronautics	3,320	90.0%	65.0%	25.0%	829.1
6	New India Assurance	3,503	85.4%	65.0%	20.4%	715.9
7	Corp Bank	2,483	93.5%	65.0%	28.5%	707.8
8	Allahabad Bank	2,526	92.0%	65.0%	27.0%	682.2
9	UCO Bank	2,058	93.3%	65.0%	28.3%	582.3
10	SBI Life Insurance	10,942	69.8%	65.0%	4.8%	525.2
	Total					8,624.5

Source: Bloomberg, BSE as on 08-Jul-19

2. **Companies having promoter stake > 75%:** Companies which already have promoter stake greater than 75%, need to achieve the minimum public shareholding of 25% under the current guidelines itself. Out of the c. USD 51.6 bn, **c. USD 1.5 bn relates to companies having promoter stake greater than 75%** whose promoters will have to sell their shares to comply with minimum public shareholding of 25% (excluding government companies, since they are included in 1

above; also excluding companies undergoing corporate actions as they are included in 4 below). Below is the list of top 10 Companies which have promoter stake greater than 75%:

S.No.	Company*	M. Cap (USD mn)	Promoter Stake			Stake Value (USD mn)
			Current Stake (%)	Target Stake (%)	Stake to be divested (%)	
1	Avenue Supermarts	11,913	81.2%	75.0%	6.2%	738.6
2	Reliance Nippon Life Asset Management	1,970	85.8%	75.0%	10.8%	211.8
3	HDFC Life Insurance	13,446	76.1%	75.0%	1.1%	153.3
4	Adani Green Energy	1,018	86.5%	75.0%	11.5%	117.0
5	L&T Technology Services	2,453	78.9%	75.0%	3.9%	95.2
6	ICICI Securities	1,014	79.2%	75.0%	4.2%	42.8
7	Monsanto India	561	81.8%	75.0%	6.8%	38.4
8	Andrew Yule & Co	114	89.3%	75.0%	14.3%	16.3
9	Xchanging Solutions	84	90.8%	75.0%	15.8%	13.3
10	Shalby	163	79.4%	75.0%	4.4%	7.2
	Total					1,433.9

Source: Bloomberg, BSE as on 08-Jul-19

*Excludes government owned companies and companies undergoing corporate actions

3. **Multi-National Companies:** In last few years foreign owners of various Multi-National Companies have invested a lot of money in increasing their shareholding to 75%. It will be detrimental for such foreign owners to sell-down in market to comply with the guideline of minimum public shareholding of 35% and hence they might instead delist their subsidiaries. Out of the c. USD 51.6 bn, **c. USD 4.8 bn relates to Multi-National Companies** (excluding companies under corporate actions as they are included in 4 below). Below is the list of top 10 Multi-National Companies wherein promoter stake is greater than 65%:

S.No.	Company	M. Cap (USD mn)	Promoter Stake			Stake Value (USD mn)
			Current Stake (%)	Target Stake (%)	Stake to be divested (%)	
1	Siemens	6,477	75.0%	65.0%	10.0%	647.7
2	ABB India	4,602	75.0%	65.0%	10.0%	460.2

3	Bosch	6,838	70.5%	65.0%	5.5%	378.8
4	3M India	3,616	75.0%	65.0%	10.0%	361.6
5	Gillette India	3,435	75.0%	65.0%	10.0%	343.5
6	Kansai Nerolac Paints	3,278	75.0%	65.0%	10.0%	327.4
7	Honeywell Automation India	3,068	75.0%	65.0%	10.0%	306.8
8	GlaxoSmithKline Pharmaceuticals	2,899	75.0%	65.0%	10.0%	289.9
9	Whirlpool of India	2,862	75.0%	65.0%	10.0%	286.2
10	Abbott India	2,678	75.0%	65.0%	10.0%	267.5
	Total					3,669.8

Source: Bloomberg, BSE as on 08-Jul-19

4. **Companies where corporate action is undergoing:** There are certain companies where corporate actions are undergoing, post which promoter's shareholding will come below 65% stake. Out of the c. USD 51.6 bn, **USD 2.8 bn relates to companies which are undergoing corporate action.** The list of such companies is provided below:

S.No.	Company	M. Cap (USD mn)	Promoter Stake				
			Current Stake (%)	Target Stake (%)	Stake to be divested (%)	Stake Value (USD mn)	Stake Post Corporate Action (%)
1	Bandhan Bank	9,379	82.3%	65.0%	17.3%	1,620.7	61.0%
2	Hindustan Unilever	55,154	67.2%	65.0%	2.2%	1,207.9	61.9%
	Total					2,828.6	

Source: Bloomberg, BSE as on 08-Jul-19

Hence, post removing 1, 2, 3 and 4 as listed above, the value of stakes to be divested comes to:

	Particulars	Value (USD bn)
	Total stake to be divested as per entire listing universe	51.6
Less:	1. Government Owned Companies	15.3
Less:	2. Companies having promoter stake > 75%	1.5

Less:	3. Multi-National Companies	4.8
Less:	4. Companies where corporate action is undergoing	2.8
	Total stake to be divested post 1, 2, 3, 4	27.2

Post the above, the top 10 companies in which promoter stakes are to be divested so as to achieve minimum public shareholding of 35% are:

S.No.	Company	M. Cap (USD mn)	Promoter Stake			Stake Value (USD mn)
			Current Stake (%)	Target Stake (%)	Stake to be divested (%)	
1	Tata Consultancy Services	118,837	72.1%	65.0%	7.1%	8,378.0
2	Wipro	23,731	73.9%	65.0%	8.9%	2,100.2
3	HDFC Life Insurance	13,446	75.0%*	65.0%	10.0%	1,344.6
4	Avenue Supermarts	11,913	75.0%*	65.0%	10.0%	1,191.3
5	InterGlobe Aviation	8,706	74.9%	65.0%	9.9%	864.5
6	ICICI Prudential Life Insurance	8,111	75.0%	65.0%	10.0%	809.4
7	Berger Paints India	4,319	75.0%	65.0%	10.0%	431.5
8	DLF	6,091	71.9%	65.0%	6.9%	420.9
9	Pidilite Industries	8,785	69.8%	65.0%	4.8%	418.2
10	Larsen & Toubro Infotech	4,125	74.8%	65.0%	9.8%	405.9
	Total					16,364.5

Source: Bloomberg, BSE as on 08-Jul-19

*Stake above 75% not considered, since included in point 2 above

Out of the USD 27.2 bn, c. USD 10.5 bn relates to TCS and Wipro. Hence, the new guideline requiring minimum public shareholding of 35% could have a unilateral impact instead of the universal impact envisaged.

Note: All the figures are converted to USD using 1 USD = 70 INR

Note: All the above lists are illustrative and not exhaustive



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