

Ministry of Finance notifies revised minimum public shareholding requirements

The Ministry of Finance, through its notification dated March 13, 2026 notified the Securities Contracts (Regulation) Amendment Rules, 2026 ("**Amendment Rules**"), amending Rule 19(2)(b) of the Securities Contracts (Regulation) Rules, 1957 ("**SCRR**"). As the size of IPOs have been increasing year on year, the Amendment Rules have been notified to provide flexibility to large issuers with post-issue capital of more than INR 50,000 crore (Indian Rupees fifty thousand crore) ("**Large Issuers**") by relaxing the Minimum Public Offer ("**MPO**") requirement and extending the timelines to achieve the Minimum Public Shareholding ("**MPS**") threshold.

Background

The SCRR prescribes conditions for listing securities on recognised stock exchanges, with Rule 19(2)(b) of the SCRR specifically mandating minimum offer and allotment to the public as a core listing requirement to ensure adequate public shareholding and market liquidity.

SEBI issued a Consultation Paper on August 18, 2025 ("**Consultation Paper**") seeking comments on proposed revisions to Rule 19(2)(b) of the SCRR. The Consultation Paper noted the feedback from stakeholders and highlighted that Large Issuers face challenges in meeting the MPS requirements within the prescribed timelines, particularly issuers that dilute only 5 - 10% of their share capital at the time of the IPO and are required to dilute an additional 15 - 20% within 3 (three) - 5 (five) years of listing.

Further, this challenge is especially pronounced for profitable issuers with substantial cash reserves who are not in a high-growth phase, as well as public sector undertakings. Since these constraints could act as a deterrent for Large Issuers from considering listing in India and limiting investment opportunities for Indian investors, the Amendment Rules were notified, substantially adopting the proposed slab-wise calibration of MPO requirements and extended MPS compliance timelines.

Key amendments

The Amendment Rules now substitute clause (b) in Rule 19(2)(b) under the SCRR with the 6 (six) tiered MPS slabs. The table below provides a comparative analysis between the requirements under the erstwhile SCRR and the Amendment Rules:

Post-issue capital	MPO requirement prior to the Amendment Rules	MPS timeline requirement prior to the Amendment Rules	MPO requirement pursuant to the Amendment Rules	MPS timeline under the Amendment Rules
Up to INR 1600 crore	At least 25% of the post-issue capital	NA	MPO and MPS requirements for issuers with post-issue capital up to INR 50,000 crore remain the same as prior to the Amendment Rules.	
INR 1600 crore – INR 4000 crore	At least 400 crore	To increase MPS to 25% within 3 years from the date of listing of the securities.		
INR 4000 crore – INR 50,000 crore	At least 10% of the post-issue capital			
INR 50,000 crore – INR 1,00,000 crore	At least 10% of the post-issue capital	To increase MPS to 25% within 3 years from the date of listing of securities.	At least INR 1000 crore and must constitute at least 8% of the post-issue capital.	To increase MPS to 25% within 5 years from the date of listing of the securities
More than INR 1,00,000 crore but less than INR 5,00,000 crore	At least INR 5,000 crore and at least 5% of post-issue capital	10% MPS to be achieved in 2 years; and 25% MPS to be achieved within 5 years from the date of listing.	At least INR 6,250 crore and must constitute at least 2.75% of the post-issue capital.	<p>If MPS of a company at the time of listing is:</p> <ol style="list-style-type: none"> less than 15%, the timeline to achieve MPS of 15% is 5 years; and to achieve MPS of 25% is 10 years; and If MPS upon listing is 15% or above, the company shall increase the MPS to 25% within 5 years from the date of listing.
More than INR 5,00,000 crore			At least INR 15,000 crore and must constitute at least 1% of the post-issue capital. <i>“Notwithstanding the applicability of the aforementioned threshold, the Amendment Rules state that at least 2.5% of the post-issue capital must be offered to the public.”</i>	

Applicability to existing listed companies

The Amendment Rules clarify that the timelines prescribed for achieving the MPS will also apply to all companies listed on or before the commencement of the Amendment Rules. Further, it has also been clarified that stock exchanges will continue to retain the authority to impose fines or other penalties in respect of any past non-compliance with the prescribed MPS norms.

Exemption for International Financial Services Centres

With respect to companies listing in the International Financial Services Centre (“**IFSC**”), a uniform MPS of 10% is applicable under the Amendment Rules (instead of the previously applicable 25%), irrespective of the post-issue capital size. Further, the tier-based MPS slab requirements do not apply to companies listed in IFSC.

Listing of Superior Voting Rights shares

Further, the Amendment Rules contain provisions relating to companies that have issued equity shares with superior voting rights (“**SVR**”) to promoters and founders. In the event where a company with SVR shares held by its promoters or founders seeks to list its ordinary shares, it must list the SVR shares on the same recognised stock exchange along with the ordinary shares offered to the public.

Conclusion

The Amendment Rules introduce a more flexible and practical approach to MPS by linking requirements to the size of a company. This would allow Large Issuers to undertake fund raising in a phased manner, thereby facilitating issuers to plan and execute fund-raising activities in alignment with their strategic and operational requirements, while also enabling them to achieve MPS compliance in a more calibrated manner.

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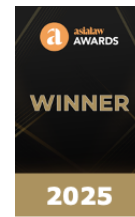
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