8th September 2025

The Securities and Exchange Board of India (SEBI),
SEBI Bhavan, Plot No. C4-A,
G-Block, Bandra Kurla Complex,
Bandra (East), Mumbai -- 400051, India

Subject: Response to Consultation Paper on Minimum Public Offer (Free Float) and Timelines to Comply with Minimum Public Shareholding (MPS) for Large Issuers

Dear Sir/Madam,

On behalf of the Asian Corporate Governance Association (ACGA) and its institutional investor membership, the following comments are provided on SEBI's Consultation Paper dated August 18, 2025, which proposes revisions to India's Minimum Public Offer (MPO) and Minimum Public Shareholding (MPS) requirements for large issuers.

The shift toward global norms is commendable, but SEBI should ensure India's market remains both accessible and credible. International practice consistently couples free float relaxations for large issuers with higher governance, ongoing transparency, and explicit review triggers. We urge periodic review of the impacts of the revised regime on market depth, investor confidence, and minority shareholder protection.

Our response addresses each proposal in the consultation paper by reference to its number in the Consultation Paper and gives a clear statement as to whether we agree or disagree with the proposal and our rationale. Additional suggested safeguards on corporate governance and board structure for low free float issuers are provided at the end.

Proposal 1: Bifurcation of post-issuance market cap thresholds

Agree.

Rationale: Segmenting market capitalisation thresholds improves alignment with issuer size and provides a more tailored approach to regulating free float. This targets regulatory requirements proportionately, as reflected in international benchmarks.

Proposal 2: For ₹50,000 Cr < Market Cap ≤ ₹1,00,000 Cr, revise MPO to ₹1,000 Cr and at least 8%

Agree, with caveats.

Rationale: Reducing the mandatory free float requirements for large companies facilitates their access to Indian capital by easing the listing process. Concurrently, the expansion of listing opportunities for large corporates enhances investor access to diverse investment options and increases the supply of tradable shares. However, decreased public float requirements introduce risks for minority shareholders including reduced liquidity and potentially diminished shareholder participation. A robust framework for monitoring liquidity and safeguarding shareholder rights is critical to mitigate these concerns.

Proposal 3A: For ₹1,00,000 Cr[1] < Market Cap ≤ ₹5,00,000 Cr, revise MPO to ₹6,250 Cr and at least 2.75%

Agree, though with strong governance concerns.

Rationale: This phased approach to dilution balances the market's ability to absorb shares with the need for capital formation. Global precedent shows that very large IPOs often begin with low floats but must ramp up responsibly to strategically manage dilution and support trading volumes whilst protecting minority shareholders.

Proposal 3B: For Market Cap > ₹5,00,000 Cr, revise MPO to ₹15,000 Cr and at least 1%, subject to minimum 2.5%

Agree, but only if paired with escalated transparency and corporate governance requirements.

Rationale: Extremely low initial float can inhibit price discovery, liquidity, and board accountability unless compensatory governance measures are imposed, such as those outlined below, including a clear plan for meeting ongoing float requirements and enhanced disclosure requirements.

Proposal 4: Extend timeline for MPS of 25% to 5 Years for ₹50,000 Cr < Market Cap ≤ ₹1,00,000 Cr

Agree.

Rationale: Extending the timeline for large companies allows for more orderly market absorption and reduces pressure for hasty secondary sales, improving price stability. However, we recommend that progress should be reviewed annually, with required disclosures.

Proposal 5A: For Market Cap > ₹1,00,000 Cr, where public shareholding is <15% at listing — MPS of 15% in 5 years, 25% in 10 years

Disagree.

[1] 1 crore is defined as 10 million in terms of units. At USD/INR exchange rate of 88, ₹10 crore is equivalent to US$1.1m.

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Rationale: Ten years to reach full MPS is excessive in view of governance and liquidity risks. ACGA proposes that all issuers reach the standard 25% MPS within five years and publicly disclose a clear time-bound roadmap for dilution within that period. We note SEBI has mentioned in investor meetings there is large demand for IPOs from retail and institutional investors hence we anticipate this supply will be absorbed within five years without undue market disruption.

Proposal 5B: For Market Cap > ₹1,00,000 Cr, where public shareholding is ≥15% at listing — MPS of 25% in 5 years

Agree.

Rationale: Five years is reasonable and aligns with international norms, provided issuers make annual disclosures of progress and commit to governance improvements in the interim.

Proposal 6A/B: Applicability of extended timelines for existing listed entities

Agree.

Rationale: Applying extended timelines consistently avoids creating arbitrary disadvantages for existing issuers and enhances regulatory fairness; however fines for historic non-compliance should remain.

Recommended additional safeguards for low Free Float issuers

To address market, governance, and investor risks associated with low free float, ACGA recommends:

1) Companies with a public float below 25% must maintain at least 50% independent board membership, consistent with global best practice to bolster oversight and counterbalance concentrated ownership. For companies with a lowered public float, we recommend mandating an independent Chair and a fully independent audit committee.

2) Where MPS is less than 25%, we recommend a requirement that the board address and explain by the next shareholder meeting why it is in the interests of the company to have proceeded with proposals where majority of minorities have voted against.

3) All issuers should be required to reach MPS of 25% within five years of listing and should be required to publicly disclose a specific, time-bound roadmap to achieve compliance with the same.

We appreciate the opportunity to provide feedback and urge SEBI to pair market access reforms with oversight mechanisms that strengthen long-term governance and market liquidity. ACGA is available for further dialogue and would be pleased to discuss the matters above and any related issues.

Yours faithfully,

The Asian Corporate Governance Association (ACGA)

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