

## Wipro rejig to set a precedent for firms meeting 25% float norms

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The Securities and Exchange Board of India (Sebi) will not give blanket approval for restructuring of companies to meet the minimum public float requirement of 25 per cent, the deadline of which falls in June next year. But Wipro's move to hive off non-IT business into a separate unlisted entity may set a precedent for India Inc.

Bangalore-based Wipro, where public float is 21.69 per cent, had said the demerger was anticipated to also assist the company in increasing public float for the purpose of the meeting the minimum public shareholding requirement under clause 40A of its listing agreement.

With Wipro getting the approval from Sebi last week, experts say this may set a precedent for more companies to use this method as well to meet the minimum public float requirement.

Sebi had outlined several steps such as offer for sale (OFS), institutional placement programme (IPP), further public offer (FPO), rights issue and bonus issue for achieving the minimum public float requirement. Significantly, restructuring was not one of them.

Notably, Wipro had used OFS route in March this year, which saw promoter Azim Premji partially diluting his stake from 78.41 per cent to 78.37 per cent.

People in the knowledge of the development said the regulator will look into such proposals in future only on a case-to-case basis. Further, Wipro's earlier share sale through the OFS window may have helped the company to convince the regulator their case about its intention.

Wipro spokesman did not respond to an e-mail query from Financial Chronicle.

Sambhav Ranka, senior associate in the corporate & securities practice at Nishith Desai Associates, said restructuring of operations by companies to meet the minimum public float requirement will be looked into by Sebi on a case-to-case basis. "With Sebi's nod to Wipro, it may set a precedent and other companies may also follow similar route as a number of companies have not been able to effectively use the prescribed routes by Sebi for complying with the minimum public float requirement," he told Financial Chronicle.

Vivek Gupta, partner at BMR Advisors, a firm specialising in tax, M&A and risk advisory, said the Wipro scheme was an innovative way of complying with 25 per cent minimum public shareholding requirement, and at the same time achieving business restructuring as commercially required.

Traditional modes prescribed by Sebi for compliance such as offer for sale, follow on public offer etc. have their set of challenges given the current capital markets situation, he pointed out.

"In the past, Sebi has not taken a favourable view of court restructurings with the intent of delisting certain businesses or squeezing our minority shareholders; however, the Sebi approval to the Wipro scheme indicates its satisfaction with the bonafides of the scheme. Such intent and bonafide would be tested in future on a case to case basis by Sebi, before granting approvals," Gupta said.

With just six more months to go for Indian companies to meet the deadline prescribed for minimum public float, several companies are adopting the OFS route. The private sector companies that used OFS route include Anil Ambani's Reliance Power, DB Corp, Jaiprakash Power Ventures, Uttam Sugar Mills, Fresenius Kabi Oncology, Pioneer Distilleries, Blue Dart Express and Honeywell Automation India.

Eros International, where the public float is 22.2 per cent, used OFS route on Thursday to meet the Sebi requirement. Promoters of Adani Enterprises is using the OFS route to sell 2.30 crore shares through the OFS route on Friday. The public float in the Gautam Adani-founded company is now at 20.04 per cent.

Three state-owned firms viz., NMDC, Hindustan Copper and ONGC used the OFS route to increase

public float, though there is still more offerings required to meet the prescribed level.  
Two Godrej group companies – Godrej Industries and Godrej Properties – used the IPP route to increase the public float.

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