

# NEWS ALERT

DECEMBER , 21 , 2009

VOLUME IV , ISSUE 34

## COS MAY SOON HAVE TO OFFLOAD AT LEAST 25% IN IPO

COMPANIES planning to list may have to ensure that at least a quarter of their total equity lies with the public as the government sets about its stated mission to ensure that investors get a wider selection of stocks to choose from. A government official told ET that a notification amending the relevant clauses of the Securities Contracts (Regulation) Rules, 1957, is expected soon. The new norms would come into force soon after an okay from the law ministry, the official said requesting anonymity.

Under the current rules, companies have the option to go public with a 10% or 25% equity dilution. If the company goes for a 10% dilution, the issue size has to be minimum Rs 100 crore, provided they issue 20 lakh securities. The government is scrapping the rules allowing companies to go for IPO with a 10% dilution.

The government had made clear its intention to make a minimum 25% public float compulsory during the last Union Budget.

Under the proposed plan, companies will be required to divest at least 5% stake every year from financial year' 2010 to reach the prescribed threshold, according to a finance ministry official.

## GOVT STICKS TO BUDGET ESTIMATE DESPITE RS 26,000-CRORE HIT

The Centre has taken on an unprecedented Rs 26,000-crore hit, yet making a commitment to Parliament on a money bill to balance it out. This is to ensure that the bond markets in India do not go into a huge seizure and companies planning to tap the international markets to raise funds do not suddenly face a sharp rise in costs in a tough year. In a break from tradition, the finance ministry had put a line in the supplementary demands for grants in the just-concluded winter session, which said the demand "will not result in any significant variation in total expenditure in Budget Estimates (2009-10), as there would be equivalent overall savings in other grants". The effort will crown finance minister Pranab Mukherjee's commitment to end 2009-10 with a fiscal deficit of 6.8% of GDP, despite the impact of the additional spend.

## INFLATION: FOOD STOCKS ON FIRE

Even as the government has yet to grapple with the problem of runaway food prices, investors in food stocks are laughing their way to the bank. The returns — 150-340 per cent since April 2009 — from most of these companies have outperformed the broader indices, indicating increased investor interest.

Domestic food prices hit a 10-year high of 20 per cent for the year till December 5, due to demand-supply mismatch and worst monsoon in 37 years, which affected the kharif crop output. Rising food prices contributed to a faster-than-expected 4.78 per cent surge in the wholesale price index during November. Food inflation has been rising mainly due to surge in prices of sugar, pulses, rice, tea and vegetables.

