

Public-promoter confusion: Switches across multiple cos

In many instances, same shareholder is both public and promoter

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There have been multiple instances of the same entity appearing as both a public shareholder as well as under the promoter classification in some listed companies.

And this dual-classification happened in the same quarter, according to data compiled by *prime-database.com*. One example in the December quarter (Q3FY25) is Atcom Technologies (Vikram Anantrai Doshi). There are multiple instances of such companies in previous quarters as well.

This can reflect inadvertent classification errors, spelling differences, or instances where promoters are also trustees of staff pension funds that hold company stakes, which cause their names to appear in more than one place, suggested experts. An email sent to Atcom went unresponded till the time of going to the press.

The Securities and Exchange Board of India (Sebi) has moved towards using the income tax permanent account number for classification, which should provide a unique identity for every investor, noted company secretary Gaurav Pingle.

"Compliance has improved in recent years because the monitoring

system has also changed," said Pingle. He added that regulatory systems are better geared towards monitoring than they were a decade ago due to advancements in technology.

But if such instances persist, perhaps regulatory moves can help avoid confusion, suggested Shriram Subramanian, founder and managing director of domestic proxy advisor InGovern Research Services. "Probably this is an area which Sebi needs to address," he said.

There are also instances where entities have moved from promoter to public and back again, or vice versa, multiple times. At least half-a-dozen companies have seen promoter-public switches in the last three years, each of which has seen a similar switch at least once before. In other words, entities have reclassified between promoter and public at least twice in these firms.

The regulator was in discussions to have a harmonised shareholding database for uniformity and clarity on the classification of promoter entities, according to a person familiar with the matter. It may be that the regulator chose to let companies correct issues as they emerge rather than put all firms through the exercise, the person said.

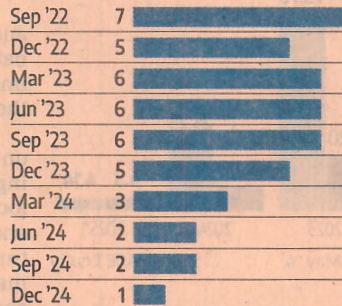
An email sent to the regulator did

ILLUSTRATION: BINAY SINHA



Dual classification

Number of companies with same entity under promoter and public



Source: [primeinfobase.com](https://www.primeinfobase.com)

not immediately get a reply. The regulator had moved to make promoter reclassification easier in 2020. It had initiated a discussion paper, which noted that "the present regulatory framework does not prescribe criteria for reclassification, it is proposed to prescribe specific criteria to

lend objectivity to the process of reclassification of promoters of listed companies as public shareholders under various circumstances".

This was to apply to companies such as when the original promoters have exited the company due to a stake sale or family disputes, which results in one group no longer having any operational say following a separation of stake in various group entities.

The regulator has also moved to better disclosure of promoter and promoter group entities in the shareholding pattern through an August 2021 circular.

"Currently, the shareholdings of promoter(s) and promoter group entities are collectively disclosed under 'table II Statement showing shareholding pattern of the Promoter and Promoter Group' of the aforementioned circular. In the interest of transparency to the investors, all listed entities shall now provide such shareholding, segregated into promoter(s) and promoter group," it said.

Some companies have been told by exchanges to file a revised version after such instances.

The highest number of dual classification over the ten quarters ending Q3FY25 involved seven companies in September 2022.