



EQUITY MARKET

Differential voting rights

Shares that carry more, or fewer, votes than an ordinary share — and the rules behind them

Rules as on 16 October 2026

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The usual rule is one share, one vote. A differential-voting-right share breaks that link.

Such a share carries either fewer votes than an ordinary share, usually with a higher dividend to compensate, or more votes, to keep control with the founders. Both are forms of 'DVR'.

Three kinds of equity share



Ordinary share

The baseline: one share carries one vote and a normal dividend. Most listed shares are of this kind.



Fewer votes (DVR)

Carries less than one vote per share, often with a higher dividend. Offered to investors who put dividend ahead of a say.



More votes (SR share)

Carries extra votes per share. Held by founders in an executive role, to keep control after a main-board listing.

'DVR' is an umbrella term. A share can differ from the ordinary share by having fewer votes or more.

Sources: Companies (Share Capital and Debentures) Rules, 2014, Rule 4; SEBI ICDR Regulations, reg. 6(3); SEBI LODR Regulations, reg. 41A.

How superior votes concentrate control

THE SET-UP

A founder holds 10 lakh SR shares, each carrying 10 votes.

The public holds 100 lakh ordinary shares, each carrying 1 vote.

- 1 Founder's votes: $10 \text{ lakh} \times 10 = 100 \text{ lakh votes}$.
- 2 Public's votes: $100 \text{ lakh} \times 1 = 100 \text{ lakh votes}$.
- 3 Capital: the founder owns 10 of 110 lakh shares = about 9% of the shares.
- 4 Votes: the founder holds 100 of 200 lakh votes = 50% of the votes.

Under a tenth of the capital can carry half the votes. That is the point of superior-rights shares.

Illustration with assumed round figures. Not any real company's holding or vote split.

The two directions, side by side

Feature	Fewer votes (classic DVR)	More votes (SR share)
Votes	Less than one vote per share.	Between 2 and 10 votes per share.
Dividend / price	Often a higher dividend; trades at its own, separate price.	No special dividend; not separately listed.
Who holds it	Public investors who want income over a say.	Founders in an executive position.
Why issued	To raise capital without diluting the promoter's control.	To keep founder control after a main-board listing.
Governed by	Companies (Share Capital) Rules.	SEBI ICDR and LODR rules, from 2019.

Sources: Companies (Share Capital and Debentures) Rules, 2014, as amended 2019; SEBI ICDR Regulations, SR framework from 2019.

What changed in the law

1

DVR cap raised (2019)

The limit on differential-rights shares was changed to 74% of total voting power, from the earlier 26% of post-issue capital.

2

Profit test dropped (2019)

The old rule that a company needed three years of distributable profits before issuing DVR shares was removed.

3

SR framework added (2019)

SEBI allowed superior-rights shares for founders of tech-intensive main-board listings, with safeguards.

4

SR rules eased; big DVR gone

SEBI relaxed SR eligibility in 2021. In 2024 a large listed DVR was cancelled into ordinary shares.

Sources: Companies (Share Capital and Debentures) Amendment Rules, 16 Aug 2019; SEBI ICDR SR framework 2019, eased 2021.

The safeguards on SR shares



Coat-tail provisions

On certain key decisions — such as related-party deals with an SR holder, delisting or a buy-back — each SR share counts as one vote.



Sunset clause

SR shares convert to ordinary shares five years after listing, extendable once by five years; the SR holder cannot vote on that extension.



Eligibility limits

Only a founder in an executive role may hold them, with an individual net worth capped at ₹1,000 crore under the eased 2021 rules.

Source: SEBI ICDR and LODR Regulations, SR framework (2019), amended 26 Oct 2021.

Where things stand

The key numbers in India's differential-voting-rights rules today.

SR VOTING RATIO
(MAX)

10:1

An SR share may carry up to 10 votes to an ordinary share's one.

DVR CAP (VOTING
POWER)

74%

Differential-rights shares capped at 74% of total voting power, since 2019.

SR SUNSET

5 yrs

SR votes lapse five years after listing, extendable once by five years.

BIG LISTED DVR

2024

A large listed DVR was cancelled in 2024.

Sources: SEBI ICDR Regulations (SR framework, 2019, eased 2021); Companies (Share Capital) Amendment Rules, 2019; 2024 cancellation (exchange and press reports).

If you learnt this from older material

What older decks say

- A DVR means fewer votes than an ordinary one.
- DVR shares cannot exceed 26% of post-issue paid-up equity capital.
- A company needs three years of distributable profits to issue them.
- A large automaker's DVR is actively traded.

What holds now

- Since 2019 a DVR can also mean superior (more) votes.
- The cap is 74% of total voting power.
- That three-year profit requirement was removed in 2019.
- That DVR was cancelled into ordinary shares in 2024.

The idea is older, but the Indian rules and the best-known example both changed since 2019.

Sources: Companies (Share Capital) Amendment Rules, 2019; SEBI ICDR SR framework, 2019; 2024 cancellation (reports).

Four things people get wrong



'DVR always means fewer votes.'

Since 2019 it can also mean more votes for IPO-bound firms. The term just means votes differ from the ordinary share.



'SR holders can outvote everyone.'

No. Their total votes are capped at 74%, and on key decisions such as related-party deals each SR share counts as one vote.



'Superior votes last forever.'

A sunset clause converts them to ordinary shares after five years, extendable once by five years.



'A higher dividend is all that differs.'

It is a different instrument: fewer votes, its own price, and sometimes thin trading. We do not rate one above the other.

Sources: SEBI LODR Regulations, reg. 41A; SEBI ICDR Regulations, reg. 6(3); Companies (Share Capital and Debentures) Rules, 2014, Rule 4.

Check yourself

Q1

A founder holds 10 lakh SR shares at 10 votes each; the public holds 100 lakh ordinary shares at one vote each. What share of capital and of votes does the founder have?

Q2

Name two safeguards SEBI attaches to superior-rights (SR) shares.

Q3

What are two ways the law on DVRs changed in 2019?

Sources and disclaimer

SOURCES FOR THE FIGURES IN THIS DECK

- DVR cap changed to 74% of total voting power; three-year distributable-profit requirement removed: Companies (Share Capital and Debentures) Amendment Rules, 2019, 16 Aug 2019 (Rule 4).
- Superior Voting Rights (SR) framework for main-board IPOs — ratio 2:1 to 10:1 (ICDR reg. 6(3)); coat-tail, five-year sunset extendable by up to five years (LODR reg. 41A): SEBI, 2019.
- SR eligibility eased — SR shareholder net worth cap raised to ₹1,000 crore (individual basis), RHP gap cut to three months: SEBI, effective 26 October 2021.
- A large listed DVR (lower-voting shares, one-tenth of a vote with a higher dividend) cancelled into ordinary shares in 2024; suspended from trading 30 Aug 2024: exchange and press reports.
- The worked example and quiz use invented, round figures and do not refer to any real company's shareholding or vote split.

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