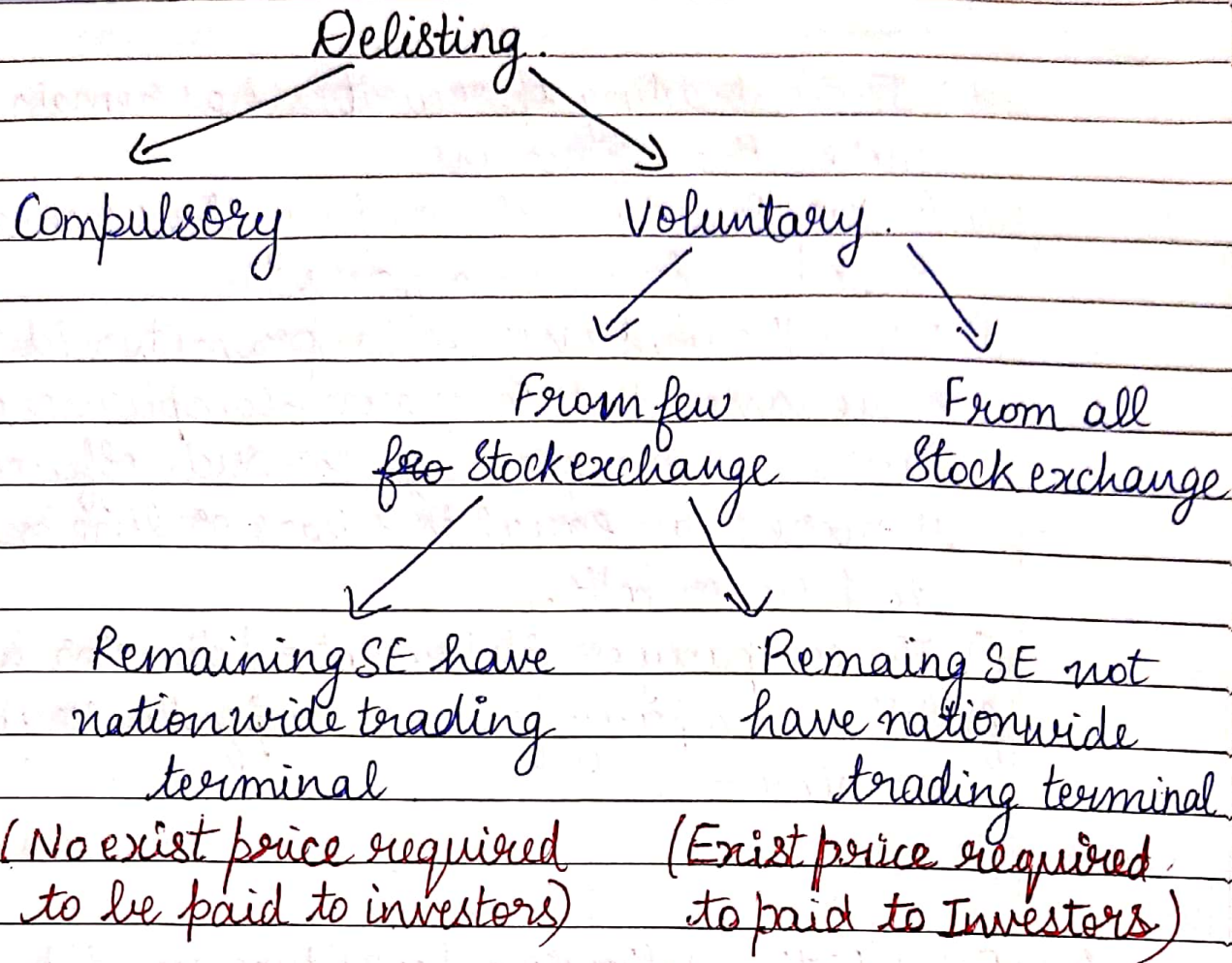


Chapter - 8
SEBI (Delisting of equity shares) Regulations, 2009



SEBI (ICDR)

Company needs to be listed on S.E where its registered office is situated

SE having nationwide trading terminal

BSE → BOLT Required if stock brokers (member of SE)

NSE → NEAT I want to trade in the securities of the company listed on such SE.

Compulsory Delisting.

- It is delisting from SE pursuant to non-compliance.
- As per Rule (21) of securities contract regulation rule 1957

following are the ground for compulsory delisting

- a) If the company has incurred losses during preceeding 3 consecutive year and have negative net worth
- b) If the trading of securities has remain suspended for more than 6 months
- c) If the securities of company has remain in-frequently traded 3 preceeding years
- d) When the company or its promoter / directors has made any statutory non-compliance of securities law and the penalty for such offence is imprisonment is more than equal to 3 years or fine more than equal to 1 cr or both.
- e) The company or its promoter / director has been vanished
- f) When company fails to comply the requirement of minimum public shareholding as required under SEBI (LODR) regulations, 2015 and other securities law and fail to raise the public holding within the time specified by SE.

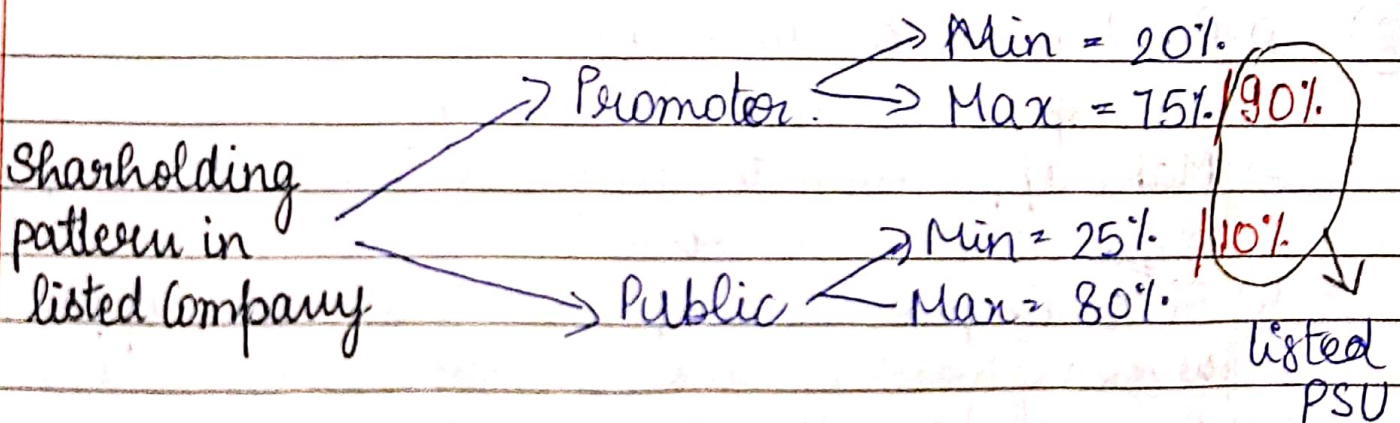
③ For delisting following procedure need to be followed.

(i) Recognised SE can constitute a panel / committee for taking decision for compulsory delisting. Such panel / committee shall be comprising of

- 2 directors of recognised SE, One of whom should public representative
- 1 representative of Investor
- 1 representative of MCA
- Executive director / Company Secretaries of SE

(ii) Public notice of compulsory delisting from SE needs to be given in one english newspaper and one vernacular newspaper where registered recognised SE is been situated.

- (iii) If any person is aggrieved by such proposed delisting then such person need to submit his/her representation to SE within 15 working days of such publication
- (iv) After considering the representative received from aggrieved party SE shall issue delisting order
- (v) After issuance of delisting order by recognised SE, public notice shall be given in 1 English newspaper and 1 vernacular language newspaper where the recognised SE is situated and intimation shall be made where company being listed and shall also be placed in the website of SE.
- (vi) The SE shall appoint an independent valuer for determination of fair price/exist price.
- (vii) Independent Valuer (IV) shall determine the fair/exist price at which promoter/PAC shall be required to purchase public shareholding
- (viii) Promoter/PAC shall made acquisition of public shareholding at a price determined by IV. (Independent Valuer)
- (ix) After the payment of exist price company/ its promoter/ director/PAC/ person acting in control shall not be allowed to access the security market or application for Re-listing for period of next 10 years.



Voluntary Delisting

① Remaining SE have nationwide trading terminal

② Remaining SE not having nationwide trading terminal.

- ①
 - 1.) Pass board resolution
 - 2.) Public notice in english newspaper, hindi newspaper & 1 vernacular newspaper where the recognised SE is situated.
 - 3.) Company shall make application ^{to} recognised SE for delisting.
 - 4.) Disclosure of delisting need to given in 1st annual report after delisting.
 - 5.) Public notice to specify the following information.
 - a) name of SE where the securities are delisted
 - b) Reason of delisting
 - c) Name of SE having nationwide trading terminal where the securities of company remains to be listed.
 - 6.) SE shall dispose of delisting application within 30 days from the application.

- ②
 - 1.) Pass board resolution (BR)
 - 2.) Pass special resolution through postal ballot
 - 3.) Make application to recognised SE for obtaining in-principal delisting approval.
 - 4.) SE shall provide in-principal delisting approval within 5 working days from the receipt of application.
 - 5.) Board of directors shall appoint merchant banker

- 6.) Merchant Banker shall carry out due diligence & submit the report to board of directors.
- 7.) Within 1 yr of passing special resolution final application needs to be made to SE for obtaining final delisting approval.
- 8.) Such special resolution for delisting shall be acted upon vote casted by public shareholder in favour of proposal should be more than equal to 2 times of votes casted shareholder against it.
- 9.) The final application for delisting submitted to SE shall be accompanied with Proof of exist opportunity provided to the public SH as required by recognised SE.
- 10.) Refer (1), (2), (4), (5)

Voluntary Delisting (From all SE)

- (i) Promoter / Acquirer shall make application to SE for obtaining in-principal delisting approval.
- (ii) Promoter / Acquirer shall appoint merchant banker for implementation of delisting procedure & such merchant banker should be independent party & not associated with the promoter.
- (iii) Within 4 working day of receipt of in-principal delisting approval to SE, the promoter / acquirer shall make public announcement in 1 english newspaper, 1 hindi newspaper, 1 vernacular language newspaper where recognised SE is situated.
- (iv) Before making public announcement the promoter / acquirer shall open an escrow A/c and deposit estimated consideration therein.

Estimate consideration = $\text{No. of shares held with public} \times \text{floor price}$

fixed date is same in practical life

- (v) The escrow A/c shall consist of cash / bank guarantee or both.
- (vi) The public announcement shall specify the date, not greater than 30 working days of public announcement as specified date determining SH to whom the letter of offer shall be sent
- (vii) The promoter / acquirer shall dispatch the letter of offer to public shareholder not later than 2 working days from the date of public announcement / specified date
- (viii) The letter of offer shall be sent to all public shareholder whose name appears on the register of members of company / depository, as on specified date mentioned in the public announcement
- (ix) The date of opening of offer shall not be later than 7 working days from the date of public announcement
- (x) The offer shall remain open for minimum 3 working days & maximum 5 working days
- (xi) The offer price shall determine as per book building method based on the bid received from shareholders
- (xii) If the final offer determine by book building
Accepted by promoter
 - ① Promoter shall deposit the total consideration shall be required to deposit in escrow A/c.
 - ② Shall open a special escrow A/c & transfer the final consideration payable to such A/c with respect to shares tendered in voluntary delisting
 - ③ Make a payment of final consideration to public to tender these shares with 10 working days.
- ① The promoter / acquirer shall close the escrow A/c
- ② Shall not make final application to SE for delisting
- ③ Within 5 working days of closure of offer the promoter / acquirer & the

from closure of offer.

merchant banker shall make a public announcement in newspaper regarding the failure of offer and rejection of final offer price.

(4) Within 5 working days of closure of offer the promoter/acquirer and merchant banker shall make a public announcement in newspaper specifying the success of offer and final price accepted & total shares tender under delisting offer

(4) Return shares tendered by public within 10 working days from closure of offer

(5) Shall make a final application to SE for delisting.

Relisting.

In case of compulsory delisting

In case of voluntary delisting.

↓
After 10 years of delisting

↓
After 5 years of delisting

Minimum Promoter holding POST DELISTING
90%.

OR

Pre-delisting promoter holding + 50% of public shareholding

} whichever is higher.

Case 1

Promoter = 60%.

Public = 40%.

Minimum promoter holding after delisting :

90% OR 60% + 20%

90% OR 80%

⇒ 90% since it is the highest.

Case 2

Promoter = 84%.

Public = 16%.

Minimum Promoter holding after delisting :

90% OR 84% + 8%

90% OR 92%

⇒ 92%, since it is the highest.