

FREQUENTLY ASKED QUESTIONS

ON

SEBI (DELISTING OF EQUITY SHARES) REGULATIONS, 2009

These FAQs offer only a simplistic explanation/clarification of terms/concepts related to the SEBI (Delisting of Equity Shares) Regulations, 2009 [“Delisting Regulations, 2009”]. Any such explanation/clarification that is provided herein should not be regarded as an interpretation of law nor be treated as a binding opinion/guidance from the Securities and Exchange Board of India [“SEBI”]. For full particulars of laws governing the substantial acquisition of shares and takeovers, please refer to actual text of the Acts/Regulations/Circulars appearing under the Legal Framework Section on the SEBI website.

1. What is meant by delisting of securities?

The term "delisting" of securities means removal of securities of a listed company from a stock exchange. As a consequence of delisting, the securities of that company would no longer be traded at that stock exchange.

2. What is the difference between voluntary delisting and compulsory delisting?

In voluntary delisting, a company decides on its own to remove its securities from a stock exchange whereas in compulsory delisting, the securities of a company are removed from a stock exchange as a penal measure for not making submissions/complying with various requirements set out in the Listing agreement within the time frames prescribed

3. What is the exit opportunity available for investors in case a company gets delisted?

SEBI (Delisting of Securities) Regulations, 2009 provide an exit mechanism to the existing shareholders in the following manner:

Voluntary delisting whereby the exit price is determined through the Reverse Book Building process- The floor price is calculated in accordance with the regulations and the shareholders have to make a bid at a price either on or above the floor price. The exit price would be decided on the basis of bidding by the public shareholders. If the exit price so determined is acceptable to the promoter, the promoter pays that price to the investors and the investors can exit.

Those investors who do not participate in the Reverse Book Building process have an option to offer their shares for sale to the promoters. The promoters are under an obligation to accept the shares at the same exit price. This facility is usually available for a period of at least one year from the date of closure of the delisting process.

Voluntary Delisting for a small company- Any company with paid up capital of less than Rs. ten crore and net worth less than Rs. twenty five crores, whose equity shares have not been traded in any recognized stock exchange for a period of one year and has not been suspended for any non-compliance in the preceding one year would not be required to follow the Reverse Book Building process. In such cases, the promoter decides the exit price in consultation with the merchant banker. The promoter writes to all public shareholders informing the proposal for delisting. Once the requisite consent is received, the promoter makes payment of consideration for the same and the shareholders can exit.

4. Whether a company listed on more than one stock exchange has to provide exit offer to shareholders in case it delists from one stock exchange but remains listed on the other stock exchange?

A company which delists its equity shares from a recognised stock exchange but continues to remain listed on another recognised stock exchange would not be required to provide an exit opportunity to its shareholders provided the equity shares remain listed on any recognised stock exchange which has nationwide trading terminals.

5. Whether the same merchant banker appointed to carry out due-diligence on behalf of the company in terms of Regulation 8(1A) of Delisting Regulations can act as a Manager to the offer?

Yes, the same merchant banker can conduct due-diligence on behalf of the company and also act as the Manager to the Delisting Offer.

6. What is the reference date for calculation of floor price under the delisting Regulations?

The reference date for computing the floor price would be the date on which the recognized stock exchanges were notified of the board meeting in which the delisting proposal would be considered

7. What would constitute demonstration of delivering the letter of offer to all the public shareholders in terms of the proviso to regulation 17(b) of

Delisting Regulations in cases where atleast 25% of the public shareholders do not participate in the book building process?

In this regard, it is clarified as under:

- a. If the acquirer or the Merchant Banker sends the letter of offer to all the shareholders by registered post or speed post through India Post and is able to provide a detailed account regarding the status of delivery of the letters of offer (whether delivered or not) sent through India Post, the same would be considered as a deemed compliance with the proviso to regulation 17(b) of the Delisting Regulations.
 - b. If the Acquirer and Merchant Banker are unable to deliver the letter of offer to certain shareholders by modes other than speed post or registered post of India Post, efforts should be made to deliver the letter of offer to them by speed post or registered post of India Post. In that case, a detailed account regarding the status of delivery of letter of offer (whether delivered or not) provided from India Post would also be considered as deemed compliance with the proviso to regulation 17(b) of the Delisting Regulations.
- 8. In case any third party acquirer makes a delisting offer instead of an open offer under regulation 5A of SEBI(Substantial Acquisition of Shares and Takeover) Regulations, 2011, whether the requirement of Board approval and MB due diligence would apply?**

Yes, the requirement of Board approval and due diligence by the Merchant Banker would apply in such cases as well.