

ch-15 Delisting OF Equity Shares

⇒ Regulation-3 - Applicability.

→ applicable to delisting of equity shares of a company including equity shares having superior voting rights from all or any of the RSE where such shares are listed.

⇒ Non-Applicability :-

- securities listed and traded on IGP of a RSE without making a public issue.
- pursuant to a plan approved under sec.31 of insolvency code if such plan.
 - a) provides for delisting of such shares.
 - b) provides → exit opp → ex.sh.h.
- The exit price shall not be less than the price at which a promoter IGP / any other sh.holder is provided an exit opportunity.
- details of delisting + Justifiⁿ of exit price → SE (w-ID Res. Plan)

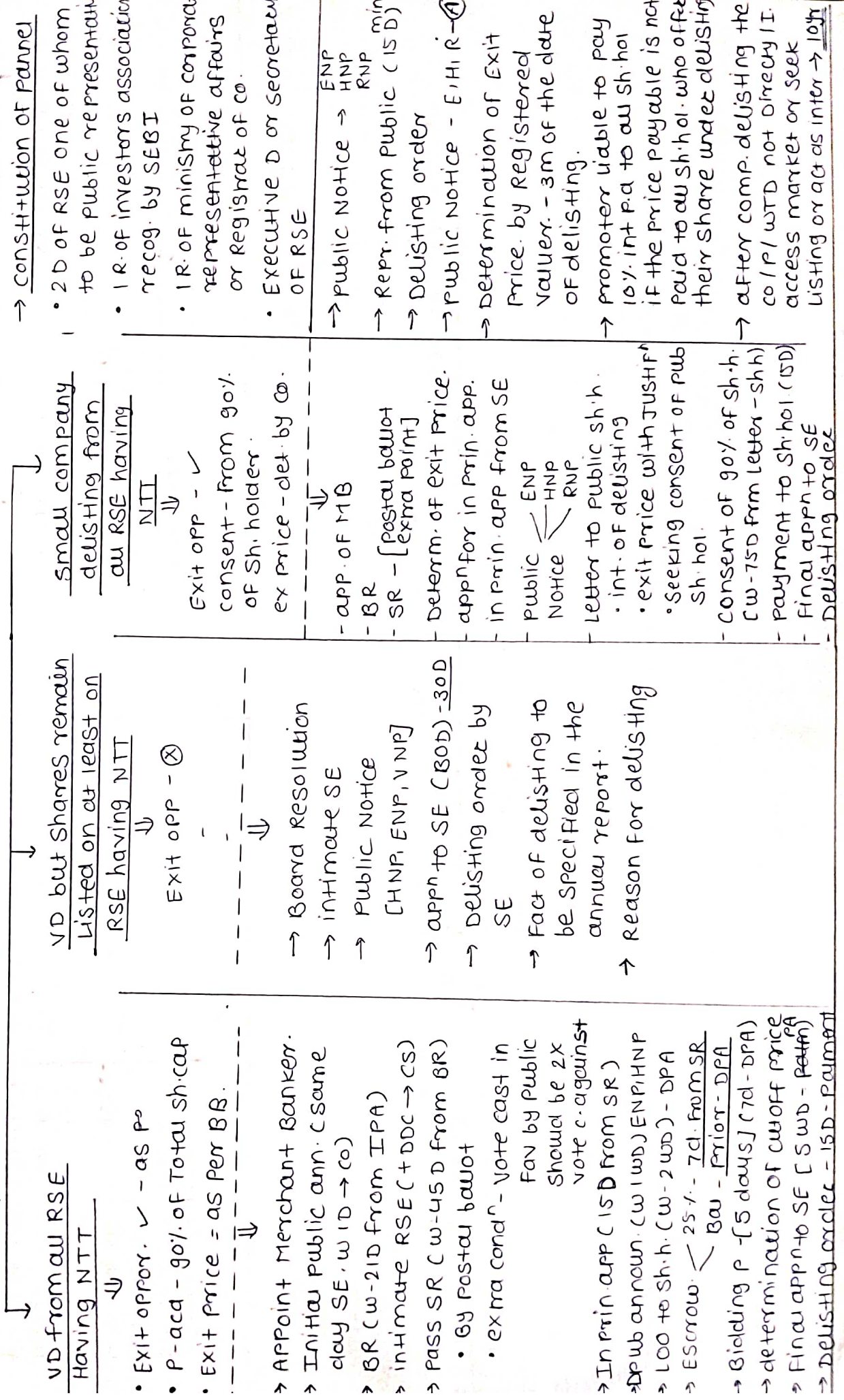
⇒ Regulation-4 - Condition For Delisting :-

- company / RSE - Permit (X) → Delisting of equity shares -
 - pursuant to buy back of eq. shares by the company.
 - pursuant to Pref. allotment made by the company.
 - Listing of that class of equity sh - 3 yrs elapsed.
 - instruments which are convertible into the same class of equity shares that are sought to be delisted are o/s.
- Acquirer (X) → employ the Funds of the co → Finance an exit opportunity / acquisition of shares.
- Acquirer sold eq. shares during the period of 6m before IPA delisting (X)
- No acquirer shall directly or indirectly.
 - Employ any device, scheme or artifice to defraud any sh.hol.
 - Engage in any transaction or practice that operates as a fraud or deceit upon any shareholder or other person.
 - engage in any act or practice that is fraudulent, deceptive or manipulative in connection with any delisting of equity shares.

SEBI (Delisting of Equity Shares) Reg. 2021

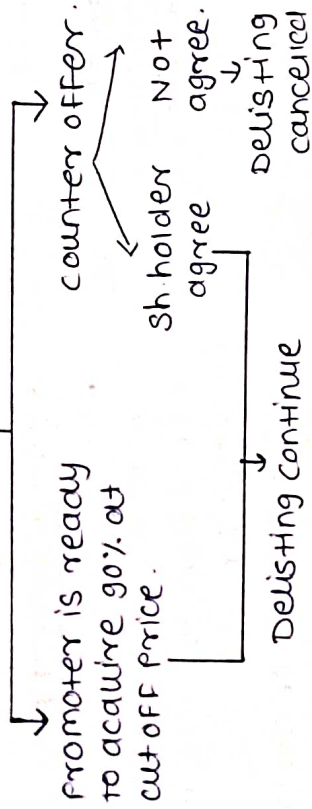
Voluntary Delisting

Compulsory Delisting



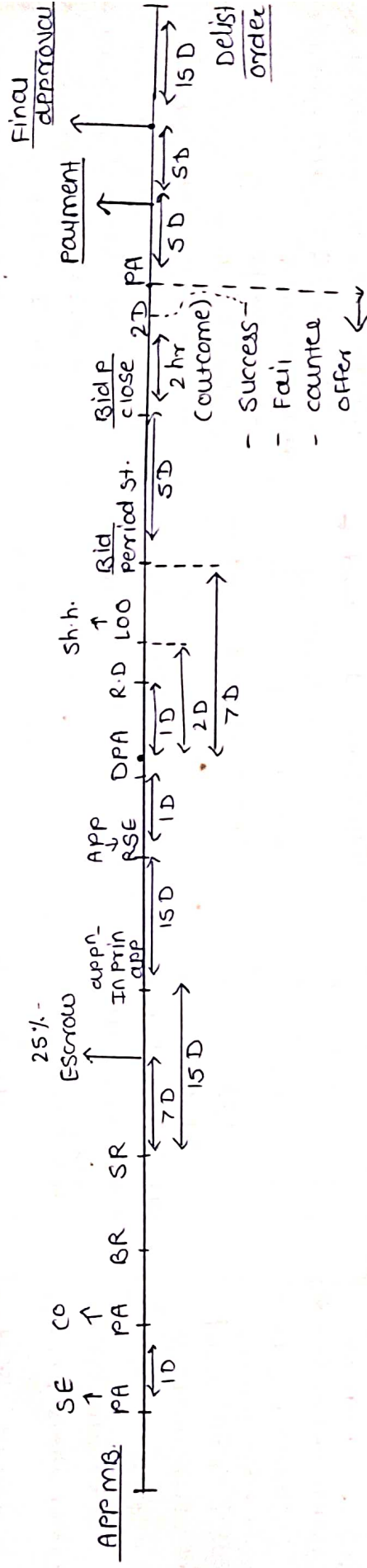
VD From all RSE having NTT - some imp. points.

- Determination of cut-off price.
- cut-off price determine.



- promoter to acquire 90% of total sh. capital
Excep: →
- shares held by custodian against which depository receipt have been issued
- shares held by trust set up for implementing an employee benefit scheme
- shares held by inactive shareholders such as vanishing companies & stuck off companies

VD From all RSE having NTT -



⇒ Guideline for compulsory delisting

- The RSE shall take in to account the grounds prescribed in the rules made under the SCRA, Act. 1956.
- shall take all reasonable steps to trace the promoters of a company whose eq. shares are proposed to be delisted.
- shall consider the nature and extent of the alleged noncompliance by the co. and the number and % of public shareholders → affected.
- shall take a reasonable efforts to verify the comp status of compliance with the provisions of the companies Act. 2013
- The name of the companies whose equity shares are proposed to be delisted and their promoters shall be displayed in a sep section on the website of RSE.
- It shall in appropriate cases file prosecution under relevant provisions of the SCRA Act. 1956
- in appropriate cases. it shall file a petition for winding up the company or make a request to ROC to strikeoff the name of the company.

⇒ Following disclosures are to be made in the Notice → Public after delisting order - → (A)

- Fact of such delisting.
- The name and address of the company .
- The Fair value of the delisted equity shares .
- The Name and addresses of the promoters of the company who would be liable u/R 33
- Inform all other stock exchanges where the equity shares of the company are listed ~~or~~ about such delisting .
- upload a copy of said order on website .

→ Delisting of Equity Shares of Companies Listed on IGP (Reg. 36)

→ Such delisting is approved by BOD.

→ approved by shareholder by passing SR through Postal ballot or e-voting. SR is acted upon only if the votes cast by the majority of public shareholders are in favour of such exit proposal.

→ Delisting price is based on floor price determined in terms of Reg. 8 of takeover regulation as may be applicable.

→ The post offer shareholding of the acquirer along with PAC → shares tendered reaches 75% of total shares of that class and at least 50% of the shares of the public sh. hol. as on the date of BM are tendered and accepted.

→ Provisions Pertaining to delisting under SCRA Act, 1956. -

• A RSE may delist the securities after recording the reasons thereof and after giving opportunity of being heard.

• LE / Agg. investor may file appeal to SAT against the decision of RSE (within 15 days) → Frm decision further 1m if there is suff cause

→ Grounds of delisting. :- [MISAL]

→ co. has incurred losses during P. 3 consecutive yr + -ve NW

→ trading in the securities of the co. has remained suspended for a period of 6 months.

→ securities of the co. have remained infreq. traded - 3 P yrs.

→ co / P/D has been convicted for failure to comply with any provision of the Act or SEBI Act, 1992, DEP. Act 1996 or R / Reg and awarded a penalty of min 1 cr or imp - min 3 yrs.

→ the addresses of the co or any of its P/D are not known or false addresses have been furnished co has change its reg. ofc in contra of the provision of the co. AG 2013

→ shareholding has come below the minimum level of acceptance.

⇒ Delisting of securities on the request of the company.

→ securities of the company have been listed for a min. period of 3 years on the RSE

→ the delisting of such securities have been approved by the 2/3rd of public shareholders.

→ co or its P/D → purchase the outstanding securities from those holders who wish to sell them at a price determined in accordance with SEBI Act - 1992

⇒ penalty for failure to comply with provision of delisting conditions or grounds - REG 23E

→ co or any person managing CIS, MF, REIT'S or Infra IT → fails to comply with the delisting condⁿ



penalty - min 5 L

max 25 cr.