

Corpsec Hotline

April 09, 2004

PROPOSED SEBI (DELISTING OF SECURITIES) REGULATIONS, 2004

The Securities and Exchange Board of India ("SEBI") has proposed Draft SEBI (Delisting of Securities) Regulations, 2004 ("Proposed Regulations") pursuant to the response generated by the SEBI (Delisting of Securities) Guidelines, 2003 ("Delisting Guidelines").

The Proposed Regulations prohibit companies from delisting their shares before the expiry of three years from the time of listing. Companies are also prohibited from delisting when there are any convertible instruments issued by the company that are outstanding.

The prohibition on delisting of securities does not extend to securities of a company that remain listed on a stock exchange that has nationwide trading terminals after they are delisted from one or more exchanges.

Where securities of the company will not remain listed on a stock exchange with nation wide trading after the proposed delisting, all public shareholders will have to be given an exit opportunity. The reverse book building procedure for determining the price at which such exit opportunity is afforded has been detailed under the Delisting Guidelines and supplemented under the Proposed Regulations.

There are distinct provisions for determining the floor price of shares that are frequently traded and those that are infrequently traded.

The promoter may refuse to accept the offer price arrived at by the book building process contemplated under the Delisting Guidelines and the Proposed Regulations. Where the promoter refuses to accept the offer price and the public holding is below the minimum limit specified under the listing agreement ("LA") entered into between the company and the stock exchange, the Promoter shall have to bring up the level of public holding either by a fresh issue of shares or an offer for sale of the Promoter's securities in compliance with the SEBI (Disclosure and Investor Protection) Guidelines, 2000 or by the Promoter selling his holding in the secondary market in a transparent manner.

Where the minimum number of securities that are accepted does not result in the public shareholding falling below the limit specified in the LA, the offer for delisting shall have failed.

Further, the Proposed Regulations contain special provisions for delisting pursuant to withdrawal of recognition or non-renewal of recognition of a stock exchange and a rights issue.

The SEBI is empowered to grant exemption from following the procedures under the Proposed Regulation for companies having fifty or less public holders.

These Regulations have been proposed by the Securities and Exchange Board of India that has invited public comments to the same.

You can direct your queries or comments to **Avaantika Kakkar & Kishore Joshi**

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