Query – Answer span – Answer Regulation

What if a stock delisted from the market?

if any instruments issued by the company, which are convertible into the same class of equity shares that are sought to be delisted, are outstanding

4. (1) No company shall apply for and no recognised stock exchange shall permit delisting of equity shares of a company,- (a) pursuant to a buyback of equity shares by the company; or (b) pursuant to a preferential allotment made by the company; or (c) unless a period of three years has elapsed since the listing of that class of equity shares on any recognised stock exchange; or (d) if any instruments issued by the company, which are convertible into the same class of equity shares that are sought to be delisted, are outstanding. 13[(1A) No promoter or promoter group shall propose delisting of equity shares of a company, if any entity belonging to the promoter or promoter group has sold equity shares of the company during a period of six months prior to the date of the board meeting in which the delisting proposal was approved in terms of sub-regulation (1B) of regulation 8.]

------------------------------------------------------------------------------------------------------------------------

What can a person do with shares that are now delisted?

continue their listing

6. A company may delist its equity shares from one or more recognised stock exchanges where they are listed and continue their listing on one or more other recognised stock exchanges, subject to the provisions of these regulations and subject to the following – (a) if after the proposed delisting from any one or more recognised stock exchanges, the equity shares would remain listed on any recognised stock exchange which has nationwide trading terminals, no exit opportunity needs to be given to the public shareholders; and, (b) if after the proposed delisting, the equity shares 16[do] not remain listed on any recognised stock exchange having nationwide trading terminals, exit opportunity shall be given to all the public shareholders holding the equity shares sought to be delisted in accordance with Chapter IV. nationwide trading terminals’ means the Bombay Stock Exchange Limited, the National Stock Exchange of India Limited or any other recognised stock exchange which may be specified by the Board in this regard. Procedure for delisting where no exit opportunity is required

------------------------------------------------------------------------------------------------------------------------

Why companies are delisting their shares

the delisting is in the interest of the shareholders

8. (1) Any company desirous of delisting its equity shares under the provisions of Chapter III shall, except in a case falling under clause (a) of regulation 6, - (a) obtain the prior approval of the board of directors of the company in its meeting; (b) obtain the prior approval of shareholders of the company by special resolution passed through postal ballot, after disclosure of all material facts in the explanatory statement sent to the shareholders in relation to such resolution: 7 Provided that the special resolution shall be acted upon 17[\*\*\*] only if the votes cast by public shareholders in favour of the proposal amount to at least two times the number of votes cast by public shareholders against it. (c) make an application to the concerned recognised stock exchange for in-principle approval of the proposed delisting in the form specified by the recognised stock exchange; and (d) within one year of passing the special resolution, make the final application to the concerned recognised stock exchange in the form specified by the recognised stock exchange: Provided that in pursuance of special resolution as referred to in clause (b), passed before the commencement of these regulations, final application shall be made within a period of one year from the date of passing of special resolution or six months from the commencement of these regulations, whichever is later. 18 [(1A) Prior to granting approval under clause (a) of sub-regulation (1), the board of directors of the company shall,- (i) make a disclosure to the recognized stock exchanges on which the equity shares of the company are listed that the promoters/acquirers have proposed to delist the company; (ii) appoint a merchant banker to carry out due-diligence and make a disclosure to this effect to the recognized stock exchanges on which the equity shares of the company are listed; (iii) obtain details of trading in shares of the company for a period of two years prior to the date of board meeting by top twenty five shareholders as on the date of the board meeting convened to consider the proposal for delisting, from the stock exchanges and details of off-market transactions of such shareholders for a period of two years and furnish the information to the merchant banker for carrying out due- diligence; (iv) obtain further details in terms of sub-regulation (1D) of regulation 8 and furnish the information to the merchant banker. (1B) The board of directors of the company while approving the proposal for delisting shall certify that : (i) the company is in compliance with the applicable provisions of securities laws; (ii) the acquirer or promoter or promoter group or their related entities, are in compliance with sub-regulation (5) of regulation 4; (iii) the delisting is in the interest of the shareholders. (1C) For certification in respect of matters referred to in sub-regulation (1B), the board of directors of the company shall take into account the report of the merchant banker as specified in sub-regulation (1E) of regulation 8. (1D) The merchant banker appointed by the board of directors of the company under clause (ii) of sub-regulation (1A) shall carry out due-diligence upon obtaining details from the board of directors of the company in terms of clause (iii) of sub-regulation (1A) of regulation 8 Provided that if the merchant banker is of the opinion that details referred to in clause (iii) of sub-regulation (1A) of regulation 8 are not sufficient for certification in terms of sub-regulation (1E) of regulation 8, he shall obtain additional details from the board of directors of the company for such longer period as he may deem fit. (1E) Upon carrying out due-diligence as specified in terms of sub-regulation (1D) of regulation 8, the merchant banker shall submit a report to the board of directors of the company certifying the following: (a) the trading carried out by 19[any of the acquirer or promoter or promoter group entity] or their related entities was in compliance or not, with the applicable provisions of the securities laws; and 20[(b) any of the acquirer or promoter or promoter group entity or persons acting in concert or their related entities have carried out or not any transaction to facilitate the success of the delisting offer which is in contravention of the provisions of sub- regulation (5) of regulation 4.]]

------------------------------------------------------------------------------------------------------------------------

If a company is about to delist and is ready to buy back my shares and I didn't sell, what will happen?

the InvIT shall surrender its certificate of registration to the Board

17. (1) The investment manager shall apply for delisting of units of the InvIT to the Board and the designated stock exchanges if,- (a) (b) (c) (d) (e) the public holding falls below the specified limit under sub- regulation (6) of regulation 16; the number of unit holders of the InvIT falls below the limit as specified under sub-regulation (7) 196[of regulation 16]; if there are no projects or assets remaining under the InvIT for a period exceeding six months and InvIT does not propose to invest in any project in future: Provided that, the period may be extended by further 6 months, with the approval of unitholders in the manner as specified in regulation 22; the Board or the designated stock exchanges require such delisting for violation of the listing agreement or these regulations or the Act; the 197[\*\*\*\*] trustee 198[and investment manager] requests such delisting and such request has been approved by unit holders in accordance with regulation 22; 199[(ea) the trustee and the Investment Manager of a privately placed and listed InvIT chooses to convert InvIT to a privately placed unlisted InvIT and such request has been approved by unit holders in accordance with regulation 22: Provided that exit shall be provided to dissenting unitholders.] (f) unit holders apply for such delisting in accordance with regulation 22; the Board or the designated stock exchanges require such delisting in the interest of the unit holders: (g) Provided that if clause (a) or (b) is breached, the trustee may provide a period of six months to the investment manager to rectify the same, failing which shall apply for such delisting: Provided further that in case of PPP projects, such delisting shall be subject to relevant clauses in the concession agreement. The Board and the designated stock Exchanges may consider such application for delisting for approval or rejection as may be appropriate in the interest of the unit holders. The Board may, instead of delisting of the units, if it deems fit, provide additional time to the InvIT or parties to the InvIT to comply with sub- regulation (1). The Board may reject the application for delisting and take any other action, as it deems fit, under these regulations or the Act for violation of the listing agreement or these regulations or the Act. The procedure for delisting of units of InvIT including provision of exit option to the unit holders shall be in accordance with the listing agreement and in accordance with procedure as may be specified by the Board and by the designated stock exchanges from time to time. After delisting of its units, the InvIT shall surrender its certificate of registration to the Board and shall no longer undertake activity of an InvIT: 200[Notwithstanding the above, in case the delisting is done in terms of clause (ea) of sub-regulation (1), the InvIT may retain its certificate of registration and continue to undertake the activity of a privately placed and unlisted InvIT as specified in Chapter VIA.] The InvIT and parties to the InvIT shall continue to be liable for all their acts of omissions and commissions with respect to activities of the InvIT notwithstanding surrender of registration to the Board.

----------------------------------------------------------------------------------------------------------------------

How does an initial public offering get valued?

the issuer shall make an application for listing of the specified securities in at least one recognised stock exchange having nationwide trading terminals

(2) No issuer shall make a public issue or rights issue of specified securities: (a) (b) if the issuer, any of its promoters, promoter group or directors or persons in control of the issuer are debarred from accessing the capital market by the Board; if any of the promoters, directors or persons in control of the issuer was or also is a promoter, director or person in control of any other company which is debarred from accessing the capital market under any order or directions made by the Board; 22[\*\*\*] (c) (d) unless it has made an application to one or more recognised stock exchanges for listing of specified securities on such stock exchanges and has chosen one of them as the designated stock exchange: Provided that in case of an initial public offer, the issuer shall make an application for listing of the specified securities in at least one recognised stock exchange having nationwide trading terminals; (e) unless it has entered into an agreement with a depository for dematerialisation of specified securities already issued or proposed to be issued; (f) unless all existing partly paid-up equity shares of the issuer have either been fully paid up or forfeited; (g) unless firm arrangements of finance through verifiable means towards seventy five per cent. of the stated means of finance, excluding the amount to be raised through the proposed public issue or rights issue or through existing identifiable internal accruals, have been made.

---------------------------------------------------------------------------------------------------------------------

How does a company offer initial public offering?

the issuer shall make an application for listing of the specified securities in at least one recognised stock exchange having nationwide trading terminals

(2) No issuer shall make a public issue or rights issue of specified securities: (a) (b) if the issuer, any of its promoters, promoter group or directors or persons in control of the issuer are debarred from accessing the capital market by the Board; if any of the promoters, directors or persons in control of the issuer was or also is a promoter, director or person in control of any other company which is debarred from accessing the capital market under any order or directions made by the Board; 22[\*\*\*] (c) (d) unless it has made an application to one or more recognised stock exchanges for listing of specified securities on such stock exchanges and has chosen one of them as the designated stock exchange: Provided that in case of an initial public offer, the issuer shall make an application for listing of the specified securities in at least one recognised stock exchange having nationwide trading terminals; (e) unless it has entered into an agreement with a depository for dematerialisation of specified securities already issued or proposed to be issued; (f) unless all existing partly paid-up equity shares of the issuer have either been fully paid up or forfeited; (g) unless firm arrangements of finance through verifiable means towards seventy five per cent. of the stated means of finance, excluding the amount to be raised through the proposed public issue or rights issue or through existing identifiable internal accruals, have been made.

------------------------------------------------------------------------------------------------------------------------