

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**

DISCLAIMER

The contents of this hotline should not be construed as legal opinion. View detailed disclaimer.

This Hotline provides general information existing at the time of preparation. The Hotline is intended as a news update and Nishith Desai Associates neither assumes nor accepts any responsibility for any loss arising to any person acting or refraining from acting as a result of any material contained in this Hotline. It is recommended that professional advice be taken based on the specific facts and circumstances. This Hotline does not substitute the need to refer to the original pronouncements.

This is not a Spam mail. You have received this mail because you have either requested for it or someone must have suggested your name. Since India has no anti-spamming law, we refer to the US directive, which states that a mail cannot be considered Spam if it contains the sender's contact information, which this mail does. In case this mail doesn't concern you, please unsubscribe from mailing list.

Research Papers

Mergers & Acquisitions

July 11, 2025

New Age of Franchising

June 20, 2025

Life Sciences 2025

June 11, 2025

Research Articles

2025 Watchlist: Life Sciences Sector India

April 04, 2025

Re-Evaluating Press Note 3 Of 2020: Should India's Land Borders Still Define Foreign Investment Boundaries?

February 04, 2025

INDIA 2025: The Emerging Powerhouse for Private Equity and M&A Deals

January 15, 2025

Audio

CCI's Deal Value Test

February 22, 2025

Securities Market Regulator's Continued Quest Against "Unfiltered" Financial Advice

December 18, 2024

Digital Lending - Part 1 - What's New with NBFC P2Ps

November 19, 2024

NDA Connect

Connect with us at events, conferences and seminars.

NDA Hotline

Click here to view Hotline archives.

Video

Webinar : Designing Innovative Share Swap and Deferred Consideration Structures for PE and M&A Deals

July 15, 2025

**Webinar: Blended Finance
Structures to Scale up Climate
Smart Agriculture**

July 03, 2025

**Reimagining CSR: From Grant Giving
to Blended Finance & Outcome
Based Funding**

June 16, 2025
