

VOLUNTARY DELISTING PROCESS MADE EASIER

The securities market regulator, Securities and Exchange Board of India (“SEBI”) has notified the amendment to the SEBI (Delisting of Equity Shares) Regulations, 2009 in order to make the process of voluntary delisting easier and has reduced the timeline substantially with effect from March 24, 2015. Some of the major amendments are as follows:

Reduction in Procedural Timelines:

Parameter	Earlier Timeline	Revised Timeline
In-principal approval from Stock Exchange	30 working days	5 working days
Public Announcement of Opening of offer	-	1 working day
Dispatch of Letter of Offer	45 days	2 working days
Bidding Period	55 working days	7 working days
Public Announcement of Closure of Offer	5 working days	8 working days

Additional restrictions on Promoters:

- The promoter or promoter group will not be allowed to propose delisting of shares, if the promoter or promoter group has sold shares during a period of six months prior to the date of board meeting in which such delisting was proposed and approved.
- The promoter or the acquirer will not be allowed to sell shares from the date of board meeting in which the delisting proposal was approved till the completion of delisting process.

Bidding Process: The tendering of shares and the settlement must be carried out through the stock exchange mechanism and the bidding period must remain open for five working days.

Due Diligence: In order to ensure that a delisting plan has been decided in a fair manner, SEBI has mandated that the company would approve the delisting only after a due diligence process, for which it may appoint a merchant banker. Further, the Board of Directors must certify that the company is in compliance of securities law, the delisting is in interest of shareholders and the acquirer/promoter or related entities are engaged in fraudulent, deceptive practice in connection with delisting or exit opportunity.

Minimum Public Shareholding: In view of the severe criticism from the Merchant Bankers on the requirement that at least 25% of the total number of public shareholders should tender their shares in the delisting offer, SEBI has done away with the said requirement.

Post-completion Promoter shareholding: Minimum 90% of the shares (excluding shares held by custodian and issued against depository receipts) must be held by promoter post offer.

Exemption from strict enforcement of the regulation: SEBI is empowered to grant relaxation from strict enforcement of any of the requirements of the regulations.

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