

Delisting framework set for overhaul

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The Securities and Exchange Board of India (Sebi) on Friday proposed changes to the delisting regulations to plug gaps in the existing framework and enhance disclosures in order to help public shareholders take informed decisions.

The regulator has said the practice of giving an indicative price for the delisting bid can be formalised. Under the current regulations, a company sets a floor price for delisting. Some go further and provide a ballpark price, at which the promoters are willing to purchase shares from public shareholders.

"Delisting regulations do not contain any provision to enable this. Indicative price may actually help the investors gauge the inclination of the promoters and their willingness to pay such price," Sebi said.

DELISTING OFFERS

	No. of issues	Offer amount	Acquired amount
2014	22	1,338	779
2015	10	5,749	4,677
2016	7	380	43
2017	3	20	7
2018	7	2,892	2,232
2019	7	4,467	94
2020	13	21,866	4,212

(₹ cr)

Source: PRIME Database

Experts said the floor price is provided because of regulatory reasons, but if promoters give an indicative price, it will provide a better picture to investors.

Further, Sebi has asked independent directors to give reasoned recommendations on the delisting proposal for the benefit of public shareholders. Also, the voting pattern of independent directors on the board resolution will now have to be disclosed.

Moreover, the company will have to make a stock exchange disclosure on the same day it is intimated of the voluntary delisting by promoters.

Sebi has also proposed to shorten the time period required to convene a board meeting for approving the delisting proposal to 21 working days from the date of receipt of the proposal.

The regulator has also mulled several changes to the

so-called reverse book building (RBB) process — used to arrive at the discovered price for delisting.

Sebi has barred companies from disclosing unconfirmed bids to the stock exchanges. The proposal stems from the recent delisting fiasco at Vedanta, where it initially appeared that the company had secured the minimum number of bids required for the delisting to go through. However, later, over 20 million unconfirmed bids went missing, resulting in the failure of the bid.

Sebi has said the outcome of RBB in terms of its success or failure should be announced within two hours of the closure of the tendering period.

Further, the promoters will have only two days instead of five for making a public announcement for giving either a counter offer or accepting or rejecting the discovered price.