

SEBI proposes to ease Delisting process | Consultation Paper On Review Of Voluntary Delisting Norms

Background

Under Delisting Regulations, public shareholders are provided **exit opportunity** by the acquirer for delisting of equity shares of the company from stock exchanges.



The price is discovered under Reverse Book Building (RBB) when the cumulative shareholding of acquirer + shares tendered by public 90% of total issued shares.



The acquirer can either accept equity shares tendered at discovered price or make a counter offer or reject the discovered price.

Counter-offer by acquirer

Current Provision :

- Only if; cumulative shareholding of the shares held by acquirer + shares tendered by public shareholders in RBB = at least **90% of the paid-up capital of the company.**

Change proposed:

- If the bids received are higher of :
 - (a) the **difference between the acquirer's shareholding and 75% of the total issued shares** of the company; and
 - (b) **50% of the public shareholding**
- The floor price of such counter-offer shall be the **Volume Weighted Average Price** of the shares tendered by the willing shareholders in the delisting offer, if the acquirer failed to reach 90%.

Illustrations :

An Illustrations of the revised counter-offer threshold is set out below:

No.	Parameter	Case 1	Case 2	Case 3
1	Acquirer/Promoter Shareholding (A)	25%	52%	68%
2	Public Shareholding (B)	75%	48%	32%
(i)	Difference between the Promoter's Shareholding and 75%	50%	23%	7%
(ii)	50% of Public Shareholding [50% of (B)]	37.5%	24%	16%
	Higher of (i) and (ii)	50%	24%	16%

Consultation Paper can be viewed [here](#)

Review of Floor Price

Current Provision :

- Floor price is calculated in accordance with Regulation 8 of the SEBI Takeover Regulations.

Proposed Change:

- Additional parameter of **Adjusted Book Value** proposed for determination of price for delisting of frequently traded and infrequently traded shares.
- Calculated in a similar manner as prescribed under Rule **11UA of Income Tax Act 1961**

Intent :

- Since the company does not continue to remain listed, the fair market value of the assets of the company is considered appropriate for determining the floor price.

Alternative to RBB process



Existing : Exit Price in case of delisting are determined by way of RBB Only.



Delisting at Fixed Price as an alternative to RBB for companies whose shares are frequently traded.

Intent :

- To give acquirers and shareholders certainty w.r.t pricing of the delisting offer.
- To minimize speculation in shares of the company that emerges due to announcement of delisting

Review of the Reference Date for Determination of the Floor Price

- The reference date for computing the floor price will be the date of the **initial public announcement**.
- Reference date for Delisting of equity shares of a subsidiary company pursuant to a scheme of arrangement shall be date on which prior intimation is given to the stock exchanges.

Delisting Framework for Investment Holding Companies

- New framework for delisting of **Investment Holding Companies (IHC)** whose main activity is holding investments in listed and unlisted companies.
- To delist IHC through Scheme of Arrangement by way of :
 - i. Transfer of underlying shares held by IHC in other listed companies to the public shareholders in proportion to their shareholding in IHC
 - ii. Cash payments to the public shareholders of the listed IHC for investments made by such IHC in unlisted companies and other assets

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