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## **AMENDMENTS IN SEBI DELISTING REGULATIONS**

Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2021 (“the Regulations”) provides the mechanism for delisting of equity shares by a company including equity shares having superior voting rights from all or any of the recognised stock exchanges where such equity shares are listed. The Regulations set up various modalities for delisting either in the form of voluntarily delisting of equity shares of a company from some of the recognised stock exchanges where exit opportunity is not required or voluntarily delisting of equity shares of a company from all the recognised stock exchanges where exit opportunity is required. The Regulations also provides for delisting of equity shares of small companies as defined therein as well as special provisions for delisting of equity shares of companies listed on innovators growth platform or delisting of equity shares of a company by operation of law, viz, winding up of a company or delisting of equity shares of a subsidiary company pursuant to a scheme of arrangement or delisting due to de-recognition of any stock exchange itself. The Regulations also empower stock exchanges where equity shares of any company can be compulsorily delisted and consequences of such compulsory delisting thereof.

Securities and Exchange Board of India (“SEBI”) vide Securities and Exchange Board of India (Delisting of Equity Shares) (Amendment) Regulations, 2024 (“Amendments”) as Notified on September 25, 2024 has made significant amendments in the Regulations and certain salient features of such changes are outlined below.

### **Applicability**

These Amendments shall come into force on the date of their publication in the Official Gazette, i.e., September 25, 2024 and shall be applicable to such delisting offers whose initial public announcement is made on or after the date of coming into force of these Amendments.

However, an acquirer may make the delisting offer in terms of the provisions of the Regulations as they existed before the coming into force of these Amendments till the sixtieth day from the date of publication of these regulations in the official gazette.



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### **Fixed Delisting Price**

The concept of Fixed Delisting Price as defined as the “fixed price” offered by the acquirer for undertaking delisting of the equity shares of the company through fixed price process has been introduced. However, in case the acquirer has proposed delisting through fixed price process, the acquirer needs to provide a fixed delisting price which shall be at least 15 (fifteen) percent more than the floor price as would be calculated in terms of the revised Floor Price methodology stipulated through the Amendments.

Further, the acquirer shall be eligible to undertake delisting through fixed price process only if the shares of the company are frequently traded and the acquirer shall be bound to accept the equity shares tendered or offered in the delisting offer, if the post-offer shareholding of the acquirer along with the shares tendered by the public shareholders reaches 90 (ninety) percent at the fixed delisting price, offered by the acquirer.

### **Floor Price**

The method to determine “Floor Price” for delisting purpose has been changed and the same shall now be determined in accordance with the new Regulation 19A as introduced vide these Amendments.

In terms of the new Regulation, the Floor Price of the equity shares proposed to be delisted through reverse book building process or through fixed price process, as the case may be, shall not be less than the highest of the following:

- (i) volume weighted average price paid or payable for acquisitions by the acquirer along with persons acting in concert, during the 52 (fifty two) weeks immediately preceding the reference date;
- (ii) the highest price paid or payable for any acquisition by the acquirer along with persons acting in concert during the 26 (twenty six) weeks immediately preceding the reference date;
- (iii) adjusted book value (considering consolidated financials) as determined by an independent registered valuer;
- (iv) the volume weighted average market price for a period of 60 trading days immediately preceding the reference date on the stock exchange where the maximum trading volume of the equity shares is recorded, provided such shares are frequently traded;



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- (v) the price determined by an independent registered valuer taking into account valuation parameters such as the book value, comparable trading multiples and any other customary valuation metrics for valuation of shares of companies in the same industry where the shares are not frequently traded.

### **Delisting of Investment Holding Company**

Special provisions for delisting of equity shares of a listed Investment Holding Company pursuant to a scheme of arrangement has been introduced through these Amendments. “Investment Holding Company” has been defined as a company which holds investments in listed or unlisted companies or holding assets other than such investments. The process of such delisting, subject to the compliance with any requirement specified by any financial sector regulator with whom such Investment Holding Company is regulated, shall be done only pursuant to a scheme of arrangement by an order of a Court or Tribunal and shall be undertaken, in the following manner :

- i. the listed Investment Holding Company shall transfer the equity shares (value as calculated on a net of pro-rata liabilities) held by it in other listed companies, to its public shareholders in proportion to their shareholding;
- ii. the listed Investment Holding Company shall make payment in cash (value as calculated on a net of pro-rata liabilities) in exchange for the underlying shares or investments made by such Investment Holding Company in unlisted companies and other assets, if any, to its public shareholders in proportion to their shareholding;
- iii. public shareholding of the listed Investment Holding Company shall be extinguished upon transfer of the underlying shares mentioned at (i) and payment in cash mentioned at (ii), pursuant to a scheme for selective reduction of capital under Section 66 of the Companies Act, 2013, as amended from time to time; and
- iv. the listed Investment Holding Company shall apply to the stock exchanges for delisting.



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However, the delisting of the equity shares of an Investment Holding Company shall be permitted, subject to the fulfilment of the following conditions :-

- i. the listed Investment Holding Company shall have not less than seventy-five percent of its fair value (net of liabilities and determined pursuant to a joint report by two independent registered valuers) comprising direct investments in equity shares of other listed companies;
- ii. the listed Investment Holding Company shall comply with regulations 11, 37 and 94 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and the Circulars issued thereunder;
- iii. there shall be e-voting by shareholders of such listed Investment Holding Company wherein votes cast by public shareholders of the listed Investment Holding Company in favour of the proposal are not less than two times the number of votes cast against it;
- iv. the material disclosures in relation to calculation of the entitlement ratio and per share consideration is included in the explanatory statement of the notice for the shareholders meeting;
- v. the joint valuation report obtained by two independent registered valuers shall be submitted to the stock exchanges along with draft scheme for disclosure to public;
- vi. the report from a chartered accountant or merchant banker confirming the entitlement ratio is obtained;
- vii. the shares of the listed Investment Holding Company shall have been listed for not less than 3 (three) years and shall not be suspended at the time of taking this route;
- viii. no adverse orders have been passed by the Board against the listed Investment Holding Company and their promoters or promoter group in the last three years;



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- ix. the equity shares of the listed Investment Holding Company so delisted, shall not be permitted to seek relisting for a period of 3 (three) years from the date of delisting. However, such relisting shall be done only in terms of the relevant provisions as stipulated in the Regulations.

The new provisions also provide that nothing contained in the Regulations shall apply to the delisting of equity shares of an Investment Holding Company, pursuant to a scheme of arrangement by an order of a Court or Tribunal, apart from whatever has been specifically stated under the Regulations only for the listed Investment Holding Company.

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**## Disclaimer :** *The above note/analysis has been prepared by our research team for guidance purpose only. For authentication of data/information provided, please refer the respective acts, rules and laws. For any further query in the matter, you may contact us at [aklabhcs@gmail.com](mailto:aklabhcs@gmail.com) or [aklabh@aklabh.com](mailto:aklabh@aklabh.com) Please visit at [www.aklabh.com](http://www.aklabh.com) to know more about us and our services.*