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SEBI makes it tough for cos to delist

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MUMBAI: Companies may have a tougher time trying to delist from stock exchanges. In its attempt to give minority shareholders a say in the decision stages of delisting process, Sebi on Thursday said non-promoter shareholders' votes in favour of the delisting proposal should be at least two times the number of votes cast against it by them.

"The new regulations now allow public shareholders to have a meaningful say in approving the special resolution required for delisting," said RippleWave Equity director Mehul Savla. "The earlier process was more of a formality, though it would be unusual to expect public shareholders to vote against a delisting as it provides them with an opportunity to seek exit at a premium."

Fund managers said the move will prevent managements from using their 'clout and unethical methods' to push through the shareholders approval. "Some companies in the past have taken a portion of the minority shareholders into confidence, by offering them extra money under the table to vote in favour of the delisting. All this will stop, hopefully," said a CIO at a private mutual fund.

Sebi has also clarified on the definition of a successful open offer, ahead of the delisting, though the market regulator has fixed a higher limit for the total number of shares that needs to be acquired to delist. Sebi said an open offer would be deemed successful if the promoter shareholding, post-offer, is the higher of 90% of total equity, excluding depository receipts or the aggregate percentage of pre-offer promoter shareholding and 50% of the offer size.

"While the new norms have moved the delisting threshold higher at 90% or more, the norms have at least provided much-needed clarity by specifying a uniform mechanism instead of a vague, uncertain requirement between 75% and 90%, based on the listing agreement, which could keep varying every year for companies," Mr Savla said.

Sebi has also spelt out the rights of minority shareholders in case of compulsory delisting. As per the new guidelines, the promoter of the company has to buy the delisted shares from the minority shareholders, based on a price determined by an exchange-appointed valuer.

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