

Sebi revamps delisting, listing norms

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The Securities and Exchange Board of India moved to reduce the timeline for delisting of companies, as well as to allow new companies to list their shares faster on stock exchanges. The decisions were taken at the Sebi board meeting on Wednesday. The delisting time has been reduced from 117 working days to 76 and companies will now have to get shares from at least 25 per cent of the total number of shareholders. The regulator also approved a proposal to frame regulations which would pave the way for e-IPOs.

E-IPOs can reduce the time for listing of shares from roughly a fortnight to around to four days, according to experts. Other key decisions include bringing in listing regulations to replace listing agreements, and moves on re-classification of promoters as public and imposing fund-raising restrictions on promoters who have been declared willful defaulters.

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"The delisting shall be considered successful only when the shareholding of the acquirer reaches 90% of the total share capital, (and) at least 25% of the number of public shareholders tender in the reverse book building process," according to a Sebi statement issued after the board meeting.

The offer price will be the price at which shareholding reaches 90 per cent. It also bars promoters from delisting if they have sold shares within six months prior to the date of the Board meeting which approves the delisting proposal. The new regulations also allow the stock exchange mechanism to be used for all offers made under the Delisting, Buy Back and Takeover Regulations.

"This would have positive tax implications, with investors able to avoid long-term capital gains tax which they now pay on the off-market settlement during delisting," said Mehul Savla - Director at RippleWave Equity.

Company boards have been asked to only approve delisting proposals after ensuring that it is in the interest of shareholders. Companies with a paid up capital of less than Rs 10 crore and net worth less than Rs.25 crores are exempted from the reverse book building process. The exemption only applies if shares have not been suspended, and have not been traded for a year.

"The 25 per cent rule could pose problems if say 25 per cent of the shareholders account for only 2 per cent of the shares. One could have a situation where the company is unable to delist even if 98 per cent stakeholders are in favour of the move. That said, the exemption for smaller companies would help many of them delist; easing a major problem for such firms," said Harish H.V., Partner, Grant Thornton.

?Option to the acquirer to delist the shares of the company directly through Delisting Regulations pursuant to triggering Takeover Regulations has been provided. However, if the delisting attempt fails, the acquirer would be required to complete the mandatory open offer process under the

Takeover Regulations and pay interest at 10% p.a. for the delayed open offer, added the Sebi statement.

"The e-IPO has always been an option which was underexplored. The infrastructure has now caught up, and could help make it a success," said Mehul Savla

Sebi also allowed mutual funds who have not met networth requirements of Rs.50 crore to launch two new schemes a year.

Sebi also announced plans for a risk-based supervision approach for market intermediaries and granting of single registration for depository participants. The regulator also accepted the recommendations of the Depository System Review Committee (DSRC). The regulator has also said that for minor violations, entities can provide for consent even before the issue of a show cause notice.

Additionally, insider trading regulations were also changed to "strengthen the legal and enforcement framework, align Indian regime with international practices, provide clarity with respect to the definitions and concepts, and facilitate legitimate business transactions," according to the Sebi statement.

It also announced a public consultation on promoters reclassifying themselves as public shareholders, and the circumstances under which such moves would be allowed. The regulator had noted that a number of promoters had reclassified themselves as public, in order to meet minimum public shareholding norms. It also announced public consultation on issuance of partly paid shares and warrants by Indian companies. The paper will look at laws on foreign investments into such securities, according to a source.

The regulator also moved on imposing fund-raising restrictions on promoters who have been classified as willful defaulters. A public consultation is expected on the same.

The board also allowed for foreign venture capital investments in non-banking financial companies (NBFCs).

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