



TYPES

i. VOLUNTARY DELISTING

In voluntary delisting, a company decides on its own to remove its securities from a stock exchange. There are many reasons why company wants to delist its securities, some are stated as follows:

1. A Listed Company finds the listing fees payable to the stock exchanges burdensome and disproportionate to the benefits accruing to the company or its stock holders.
2. Negligible trading or total absence of trading for a considerable long period of time. The company has either suspended its business or is under closure or has become sick industrial company.
3. Mergers, Amalgamations, Takeovers, etc.

ii. COMPULSORY DELISTING

In case of compulsory delisting, the securities of a company are removed from a stock exchange as a penal measure for not making submissions/complying with various requirements set out in the SEBI (Listing and Obligatory Disclosure Requirements), 2015 erstwhile Listing agreement within the time frames prescribed.

DELISTING

“Delisting” is totally the reverse of listing. Delisting is not specifically defined but in simple words delisting means permanent removal of securities of a listed company from a stock exchange. It is not only a structuring tool but also a possible corporate strategy to achieve greater control with less accountability to public (shareholders) at large. The securities of that company that is delisted would no longer be tradable at that stock exchange. "Delisting" i.e. the said removal from a Stock Exchange, may be Voluntary (i.e. at the will of the Company) or Compulsory (i.e. out of a penal action by the Stock Exchanges, for the reason of any violations).



THE NON COMPLIANCES THAT LEAD TO COMPULSORY DELISTING ARE AS FOLLOWS

1. Non-payment of listing fees.
2. Non-compliance with listing requirements.
3. Non redressal of investor's complaints despite repeated reminders.
4. Unfair trading practices of the promoters/ management.
5. Other malpractice such as fake, original or duplicate share certificates deliberately issued by the management.
6. Reduction in the number of public holders of securities.

KEY POINTS

1. Delisting occurs when a stock is removed from a stock exchange.
2. It can be either mandatory or voluntary.
3. Some companies opt to go private or get taken over by companies that want them out of the public eye.
4. Stocks that fail to meet the exchange's requirements risk being kicked out and delisted.
5. The consequences of delisting are significant, and some companies strenuously avoid being delisted.
6. Delisting of shares is the route undertaken by companies to make their companies private from the public.
7. Delisting is beneficial to companies in the sense that compliance and regulations get reduced once they are delisted.

8. Delisting has been carried on in the past voluntarily when promoters get too many restrictions from the stakeholders to take their company forward or when they do not want to keep up to the listing norms from the exchanges.
9. Thus for the ease of doing business, many Companies delist their shares and many also delist to play with frauds and irregularities as they are no more listed so they are not required to adhere strictly to norms laid down.

CONDITIONS FOR DELISTING

1. A company cannot go for delisting of its equity shares unless three years has not lapsed since the equity shares of the company are listed on the stock exchange.
2. A company cannot apply for delisting of its equity shares under the following situations: -
 - i. After commencement of buy back of equity shares.
 - ii. After commencement of preferential allotment.
3. In case where company has issued convertible securities and where equity share are pending to be allotted against the securities.
4. A company can delist its securities without giving exit opportunity to its shareholders in the following cases:



- i. If it gets delisted from one or more of the Exchanges where its equity shares are listed but it remains listed on at least one Exchange having nationwide trading terminals.
 - ii. If it falls within the definition of Small Company as defined under the delisting Regulations.
5. Appointment of Merchant Banker is mandatory for all types of delisting except in company voluntarily from one or more exchanges provided it shall remain listed on at least one exchange having nationwide trading terminal.

Professional Involved	<ul style="list-style-type: none"> (a) Intimates stock exchange. (b) Assists the company in preparation of various documents required for the process including Company Board and Shareholders and stock exchanges / regulatory approval (c) Issuance of timely Due Diligence Report about buying, selling, disposal of securities including Top 25 Shareholders, off- market transactions (d) Co-ordination with various legal, regulatory, shareholder and other intermediary on timely basis.
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ACCOMPLISHMENT

- It is extremely rare for a voluntary delisting of shares to be approved in one shot without any significant challenges or hurdles as delisting process typically involves various legal, regulatory, and shareholder considerations, and can take several months or even years to complete.

However, we are happy to significantly contribute the delisting process within the prescribed time limit without any delay being approved in a timely manner as it is extremely rare for the process to be approved in one shot without any significant hurdles or considerations.

- The delisting was completed in the year 2022, with the approval of more than 75% of the Company's outstanding shares and it's important to note that a successful voluntary delisting requires careful planning and execution, and companies should seek professional advice to ensure that they comply with all legal and regulatory requirements.

AGENCY INVOLVED IN DELISTING PROCESS AND THEIR ROLE

AGENCIES	FUNCTIONS
Merchant Banker to the Offer	<ul style="list-style-type: none"> (a) Determines exit price. (b) Makes public announcements. (c) Finalises schedule of delisting. (d) Manages escrow account. (e) Assist the acquirer in determining the final exit price. (f) Interacts with regulatory authorities / stock exchange for the delisting process
Registrar to the Offer	<ul style="list-style-type: none"> (a) Completes dispatch of notice, letter of offer and payment / rejection intimation to the shareholders of the Company (b) Holds equity shares tendered under the offer post settlement of equity shares

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