



CIRCULAR

SEBI/HO/CFD/DCR/CIR/P/2016/81

September 07, 2016

To

All Listed Entities

All Registered Registrar & Share Transfer Agents

All Depositories

All Recognised Stock Exchanges

Dear Sir/Madam,

Sub: Restrictions on Promoters and Whole-Time Directors of Compulsorily Delisted Companies Pending Fulfillment of Exit Offers to the Shareholders

1. In terms of section 21A of the Securities Contracts (Regulation) Act, 1956 (SCR Act) read with rule 21 of the Securities Contracts (Regulation) Rules, 1957 and Chapter V of Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 ("Delisting Regulations"), a recognised stock exchange may compulsorily delist the equity shares of a listed company on certain grounds.
2. In terms of Regulation 24 of the Delisting Regulations, the company which has been compulsorily delisted, its whole-time directors, its promoters and the companies promoted by any such person, shall not directly or indirectly access the securities markets for a period of ten years from the date of compulsory delisting.
3. Sub-regulation (3) of regulation 23 of the Delisting Regulations provides that pursuant to compulsory delisting of a company, the promoter shall acquire delisted equity shares from the public shareholders, subject to their option of retaining their equity shares, by paying them the fair value, as determined by the independent valuer appointed by the concerned recognised stock exchange.



4. In addition to the restriction imposed under Regulation 24 of the Delisting Regulations, in order to ensure effective enforcement of exit option to the public shareholders in case of compulsory delisting and taking into account the interests of investors, it is felt necessary to strengthen the regulatory mechanism in this regard. Accordingly, it is hereby directed that in case of such companies whose fair value is positive:-
 - a. such a company and the depositories shall not effect transfer, by way of sale, pledge, etc., of any of the equity shares and corporate benefits like dividend, rights, bonus shares, split, etc. shall be frozen, for all the equity shares, held by the promoters/ promoter group till the promoters of such company provide an exit option to the public shareholders in compliance with sub-regulation (3) of regulation 23 of the Delisting Regulations, as certified by the concerned recognized stock exchange;
 - b. the promoters and whole-time directors of the compulsorily delisted company shall also not be eligible to become directors of any listed company till the exit option as stated at 4.a. above is provided.
5. For the aforesaid purposes, "compulsorily delisted company" means a company whose equity shares are delisted by the recognised stock exchange under Chapter V of the Delisting Regulations.
6. The concerned recognised stock exchanges and depositories shall co-ordinate with each other for ensuring compliance of these requirements. SEBI may also take any other appropriate action(s) against the promoters/promoter group and directors of the compulsorily delisted company for non-compliance with sub-regulation (3) of regulation 23 of the Delisting Regulations.
7. This circular is issued in exercise of powers conferred under section 11(1) of the Securities and Exchange Board of India Act, 1992 to protect the interests of investors in securities and to promote the development of, and to regulate the securities markets.



भारतीय प्रतिभूति और विनिमय बोर्ड
Securities and Exchange Board of India

8. A copy of this circular is available on SEBI website at www.sebi.gov.in under the category "Legal Framework/Circulars".

Yours faithfully,

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