

**Addendum to Consultation Paper on Review of Voluntary Delisting Norms under SEBI
(Delisting of Equity Shares) Regulations, 2021**

The following is the executive summary of consultation paper on Review of Voluntary Delisting placed on the website of SEBI on August 14, 2023 for seeking public comments.

1. Review of the Counter-Offer Mechanism

- As per the Delisting Regulations, an acquirer can make a counter-offer only after the cumulative shareholding of the shares held by acquirer and shares tendered by public shareholders in Reverse Book Building (“RBB”) mechanism reaches at least 90% of the paid-up capital of the company.
- In order to facilitate cases where cumulative shareholding of the shares held by acquirer and shares tendered by public shareholders does not reach 90%, it is proposed to reduce the threshold for counter-offer to below 90% but equal to or more than 75% (75%-90%) of the paid-up capital of the company.
- The floor price of such counter-offer shall be the **Volume Weighted Average Price** of the shares tendered by the willing shareholders in the delisting offer wherein the acquirer failed to reach 90%.

2. Review of “Floor Price” under the Delisting Regulations-

- In addition to the current parameters for computing floor price, it is suggested to introduce an additional parameter i.e. **Adjusted Book Value** which will be applicable for delisting of frequently traded and infrequently traded shares.

3. Alternatives to the Reverse Book Building Process

- Presently, exit price is determined by way of RBB mechanism only.
- It is proposed to introduce **delisting at fixed price** as an alternative to RBB for companies whose shares are frequently traded.

4. Review of the Reference Date for Determination of the Floor Price-

- Presently, the reference date for computing the floor price is the date of approval of the board meeting.
- It has been proposed in the consultation paper to change the reference date to the **date of the initial public announcement.**
- Further, in case of delisting of equity shares of a subsidiary company pursuant to a scheme of arrangement under Regulation 37 of Delisting Regulations, the reference date shall be **the date on which prior intimation is given to the stock exchanges.**

5. Delisting of Investment Holding Companies (IHC)- It is proposed in the consultation paper to delist IHC through Scheme of Arrangement (selective capital reduction under Section 66 of Companies Act) by way of -

- Transfer of underlying shares held by IHC in other listed companies to the public shareholders in proportion to their shareholding in IHC;
- Cash payments to the public shareholders of the listed IHC for investments made by such IHC in unlisted companies and other assets;

However, the above alternative mechanism to RBB will only be available to listed IHC having at least 75% of its total value comprising investments in other listed companies.

Note: This is an executive summary given for easy understanding of the proposals made in the Consultation Paper. For details, please refer-

https://www.sebi.gov.in/reports-and-statistics/reports/aug-2023/consultation-paper-on-review-of-voluntary-delisting-norms-under-sebi-delisting-of-equity-shares-regulations-2021_75335.html