



Deputy General Manager
Corporation Finance Department
Policy and Development
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SEBI/HO/CFD/PoD/OW/P/2023/40409
September 27, 2023

To

Arihant Capital Markets Ltd.
1011, Building No. 10, Solitaire Corporate Park,
Guru Hargovindji Road, Chakala,
Andheri (East), Mumbai- 400093

Sir,

Sub: Your request for informal guidance by way of an “interpretive/no-action letter” under SEBI (Informal Guidance) Scheme, 2003 with respect to SEBI (Delisting of Equity Shares) Regulation, 2021

1. This is with reference to your letter dated July 10, 2023 (application) seeking guidance by way of an interpretive/no-action letter under Securities and Exchange Board of India (Informal Guidance) Scheme, 2003.
2. It is gathered from your application that Marvel Vinyls Limited (the company) was delisted from BSE Limited with effect from September 15, 2022, pursuant to the delisting offer made by Sauve Enterprises Private Limited (“Acquirer/Promoter”) on behalf of all the promoters of the Company. Arihant Capital Markets Limited (“Applicant”) acted as the Manager to the delisting offer of the Company.
3. For the aforesaid delisting, SEBI vide its letter dated September 30, 2021, granted certain relaxations along with mandating certain additional requirements for compliance, inter-alia, extending the period for public shareholders who could not participate in the delisting offer to tender their equity shares for a period of 2 years from the date of delisting of equity shares.
4. The Company is currently engaged in the business of manufacturing plastic and synthetic leather (textiles). The Company now proposes to transfer the textile business to a newly incorporated company through a scheme of demerger to be filed with National Company Law Tribunal (NCLT). The proposed scheme of demerger intends to provide the following:
 - i. Exit option to the public shareholders by implementing a capital reduction i.e. all the shares held by the public shareholders in the

Q. Shrivastava

- Company as on the record date shall be cancelled and extinguished and the Company shall pay the public shareholders a sum of such amount as determined by a registered valuer or Rs. 89/- per equity share, whichever is higher;
- ii. The payment shall be discharged by issue of cheque, draft, pay order/warrant or by electronic transfer of funds, to the last known details of such public shareholder, as available with the Company or Registrar and Share Transfer Agent;
 - iii. If the payment is not claimed by or paid to the public shareholders due to some reason, for a period of 7 years from the Record Date, such unclaimed consideration after the said period shall be transferred by the Company to the Investor Education and Protection Fund.
5. In this background, you have sought an Interpretative letter under the Informal Guidance Scheme on the following queries:
- i. *“Whether the Company can make payment to the public shareholders instead of the Acquirer as part of the proposed scheme of demerger and if yes, whether the entire payment to all the public shareholders can be made in terms of the capital reduction approved by NCLT, prior to expiry of the stipulated exit offer period of 2 years in the instant case as per SEBI exemption letter.*
 - ii. *If yes, whether the bank guarantee in terms of Regulation 26(4) can be released/returned once the payment to be made to the public shareholders is secured by way of a NCLT sanctioned scheme or is it necessary to wait for 2 years (as per undertaking) or 1 year (as per regulation 26(1) of the SEBI (Delisting Regulations), prior to release or return of the bank guarantee.”*
6. We have considered the submissions made by you in your application. Without necessarily agreeing with your analysis, we are issuing interpretive letter as under:
- i. Regulation 14 of the Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2021 (Delisting Regulations) mandates the acquirer to open an interest bearing escrow account (consisting of either cash deposited or bank guarantee) with a scheduled commercial bank within 7 days from the date of obtaining the shareholders' approval for delisting.
 - ii. Further, in terms of regulation 14(4), the acquirer is required to deposit in the said escrow account the entire amount due and payable as consideration in respect of equity shares outstanding with the public shareholders. The escrow account or the bank guarantee, as the case may be, forms the essence of the delisting offer as it provides security to the



- remaining public shareholders of the consideration due in respect of the shares held by them.
- iii. Regulation 26(4) of the Delisting Regulations further specifies that the Manager of the offer shall ensure that the amount lying in the escrow account or the bank guarantee shall not be released to the acquirer for a minimum period of one year or till the time payment has been made to the remaining public shareholders, two years in the instant case as mentioned above at para 3.
 - iv. The obligation to make payment in respect of the shares acquired in the delisting offer is on the acquirer alone in terms of Regulation 14 of SEBI (Delisting of Equity Shares) Regulations, 2021.
7. In view of the foregoing observations, your queries are replied to as under:
- a) The query at paragraph 5(i) is answered as below:
The obligation to pay the remaining public shareholders is on the acquirer in terms of Regulation 14 of SEBI (Delisting of Equity Shares) Regulations, 2021. Further, the requirement of exit offer period of 2 years as obligated by SEBI vide its letter dated September 30, 2021 shall remain applicable till the expiry of 2 years i.e. till September 14, 2024.
 - b) In view of the answer as above, the query at paragraph 5(ii) have become irrelevant and need not to be answered.
8. Vide your application under reference, you have requested for confidentiality in respect of your application. Accordingly, the interpretative letter issued to you in this matter shall not be made public for a period of 90 days from the date of issuance of this letter.
9. The above position is based on the facts and circumstances described by you in the application. Further, this letter does not express a decision of the Board on the questions referred. This letter may be brought to the notice of the Company ("Marvel Vinyls Ltd.") also.
10. You may also note that the above views are expressed only with respect to the clarification sought vide your letter under reference in relation to the above mentioned provisions of the Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2021 and do not affect the applicability of any other law or requirements of any other SEBI Regulations, Guidelines and Circulars administered by SEBI or of the laws administered by any other authority.

Yours faithfully,



Vimal Bhatte