

Special Provisions for Voluntary Delisting of Public Sector Undertakings: Amendment to SEBI (Delisting of Equity Shares) Regulations, 2021

1. Objective

- 1.1. This memorandum seeks the approval of the Board to introduce a special provision for Voluntary Delisting of Public Sector Undertakings (**PSUs**) by way of an amendment to SEBI (Delisting of Equity Shares) Regulations, 2021 (**SEBI Delisting Regulations**).

2. Background

- 2.1. Under SEBI Delisting Regulations, any acquirer¹ who wishes to voluntarily delist the equity shares of the company, inter-alia, has to provide an exit opportunity to its public shareholders. Such an exit opportunity cannot be less than the floor price. The computation of the floor price is stipulated under Regulation 19A of SEBI Delisting Regulations, which is placed at **Annexure-I**.
- 2.2. Further, delisting of a company is considered to be successful, if the post offer shareholding of the acquirer along with the shares tendered / offered by public shareholders reaches ninety percent of the total issued shares.

3. Issues with respect to certain PSUs and a need to have a separate carve out

- 3.1. There are certain PSUs which have thin public float and/or poor financials. Although some of these PSUs may be profitable, they might not have foreseeable future per se due to several reasons such as outdated product lines, government decisions to sell-off their assets as individual units, being closed or wound-up or struck-off, etc.
- 3.2. Considering that in such PSUs wherein the majority of the shareholding is held by the Government of India (promoter) and the public shareholding is minimal, the costs of being publicly listed outweighs the benefits.
- 3.3. Further, in such PSU companies, the minimal public ownership i.e. lower float may lead to artificially elevated market prices, distorting valuations and potentially misleading investors.

¹ In terms of Regulation 2(1)(b) of SEBI Delisting Regulations, “acquirer” includes a person – (i) who decides to make an offer for delisting of equity shares of the company along with the persons acting in concert in accordance with regulation 5A of the Takeover Regulations as amended from time to time; or (ii) who is the promoter or promoter group along with the persons acting in concert.

4. Key Proposals made in the consultation paper

4.1. To address the aforesaid issues, SEBI issued a consultation paper on May 06, 2025 seeking comments from the public on creating a separate carve out for carrying out voluntary delisting for such PSUs, where the shareholding of promoter / promoter group equals or exceeds ninety percent of the total issued shares. The said consultation paper is placed at **Annexure – II**.

4.2. The key proposals made in the consultation paper were as follows-

- 4.2.1. **Eligibility condition for delisting under special provisions;**
- 4.2.2. **Dispensing with the requirement of complying with Minimum Public Shareholding (MPS) Norms;**
- 4.2.3. **Delisting through a fixed price delisting process (with a 15% premium over the floor price);**
- 4.2.4. **Relaxing the requirement of seeking two-third approval from public shareholders on the proposal of Delisting;**
- 4.2.5. **Exit Price to the Public Shareholders;**
- 4.2.6. **Transferring the unutilized amount to the designated stock exchange.**

4.3. In response to the aforesaid Consultation Paper, 5 entities have provided their responses which includes Merchant Bankers, Research Analyst, Individual Investor and Legal Firms. The details of the comments received from public and SEBI's analysis of the same is placed at **Annexure-III**.

4.4. (This has been excised for reasons of confidentiality). The details of the comments are placed at **Annexure-IV**.

4.5. The consultation paper was also shared Primary Market Advisory Committee (PAMC). Only one member of PMAC has commented on the same. The details of the comments are placed at **Annexure-V**.

5. The following paragraphs describe the existing provisions, issues for consideration, proposal made in the Consultation Paper, analysis of PMAC's comments and public comments, SEBI's comments and the final proposals for the consideration of the Board.

5.1. Eligibility condition for delisting under special provision

5.1.1. Existing Provisions

- i. There is currently no provision under the SEBI Delisting Regulations which provide for a separate mechanism for delisting of a Public Sector Undertakings.

5.1.2. **Issue for Consideration**

- i. Under SEBI Delisting Regulations, delisting of a company is considered to be successful, if the post offer shareholding of the acquirer (promoter or promoter group) along with the shares tendered / offered by public shareholders reaches ninety percent of the total issued shares.
- ii. In case of certain PSUs, it is observed that the shareholding of the Government of India (**Promoter or Promoter Group**), directly, or indirectly through other public sector undertakings already equals or exceeds the delisting threshold i.e. ninety percent of the total issued shares.

5.1.3. **Proposal made in the Consultation Paper**

- i. Only those PSUs, whose aggregate shareholding of promoter or promoter group along with the other PSUs equals or exceeds 90% of the total issued shares of the Company, may only be eligible for delisting through this special provisions (Eligible PSUs).

5.1.4. **Analysis of comments of PMAC and Public**

Proposal: Eligibility condition for delisting under special provision

- i. The PMAC member has suggested that rather than having percentage of shareholding as a criteria, it should be number of shares held with public.
- ii. The break-up of the comments received from public on the said proposal are as under.

Total Comments Received	No. Comments of in agreement	No. of Comments in partial agreement	No. of Comments in dis-agreement
6	4	0	2*
*One entity who has dis-agreed with the proposal has stated that criteria must be the performance and how unit responded to monetary infusions. Further, another entity has stated that either the threshold of 90% is reduced to a threshold, which would allow many PSUs to benefit from the relaxation, or no such threshold is prescribed.			

- iii. The details of the comments received from PMAC and public and SEBI's analysis are provided in **Annexure-VI**.

5.1.5. **SEBI's Comments** – After considering the comments from PMAC and public, SEBI's comments are as under -

- a) Considering that the major shareholding of the company is held directly or indirectly by the promoter and the fact that actual public float in such PSUs is very minimal, it would be appropriate if such companies may be permitted to be delisted. The threshold of 90% is important since it aligns with 90% threshold otherwise for delisting.
- b) Further, other than PSUs which are under the ambit of any financial sector regulator may not be eligible.

5.1.6. **Proposal**

- i. In view of the above, it is proposed to introduce a special provisions for delisting of those PSUs (other than those PSUs which are under the ambit of any financial sector regulator), where the aggregate shareholding of promoter or promoter group along with the other PSUs equals or exceeds 90% of the total issued shares of the Company.

5.2. Dispensing with the requirement of complying with Minimum Public Shareholding Norms

5.2.1. **Existing Provisions**

- i. Under Delisting Regulations, while considering the proposal for delisting, the Board of Directors of the company has to, inter-alia, certify that the company is in compliance with the applicable provisions of securities laws.
- ii. Further, Rule 19A(1) of Securities Contracts (Regulation) Rules, 1957 (**SCRR**), provides that every listed company is required to maintain public shareholding of at least twenty five percent.
- iii. However, in terms of Rule 19A(6) of SCRR, the Central Government may, in public interest, exempt any listed entity in which the Central Government or State Government or public sector company, either individually or in any combination with other, hold directly or indirectly, majority of the shares or voting rights or control of such listed entity, from the provisions of this rule.

5.2.2. **Issue for consideration**

- i. It is observed that in certain PSUs, public shareholding is also held by other PSUs, which means that the major shareholding is being held by Government of India, directly or indirectly, which effectively means that there is minimal actual public shareholding.
- ii. Further, in pursuance of the Government of India's approval dated August 01, 2013, a Special National Investment Fund (**SNIF**) was constituted with an objective to, inter-alia, receive such number of shares from Government of India (promoter) of certain PSUs which would make such PSUs compliant with the MPS.
- iii. Pursuant to the creation of SNIF, although such PSUs theoretically became MPS compliant, actual public shareholding remains minimal.
- iv. Further, due to the reasons mentioned in para 3.1, it is not prudent for such companies to either remain listed or achieve MPS norms first and then initiate delisting.

5.2.3. **Proposal made in the Consultation Paper**

- i. Such PSUs may be permitted to be delisted without the requirement of complying with the Minimum Public Shareholding norms.

5.2.4. **Analysis of Comments of PMAC and Public**

Proposal- Dispensing with the requirement of complying with Minimum Public Shareholding Norms

- i. The PMAC member has agreed with the said proposal.
- ii. The break-up of the comments received from public to the said proposal are as under. The details and SEBI's analysis are provided in **Annexure-VI**.

Total Comments Received	No. Comments agreement	of in	No. Comments partial agreement	of in	No. Comments dis-agreement	of in
6	5		0		1*	
* The entity which has disagreed has stated that the Company should be advised to comply with the requirements of Minimum Public Shareholding and then only be allowed to delist as the proposed delisting is shutting down the business completely for an investor.						

- #### 5.2.5. **SEBI's Comments** – After considering the comments from PMAC and public, SEBI's comments are as under -

Considering that the shareholding of promoter remains above the delisting threshold i.e. 90% of total issued shares, it would be unreasonable to ask such companies to comply with MPS requirements first and then initiate delisting.

5.2.6. Proposal-

- i. Such PSUs may be permitted to delist as per exemption granted in terms of Rule 19A(6) of SCRR.

5.3. Delisting through a fixed priced delisting process (with a 15% premium over the floor price)

5.3.1. Existing Provisions

- i. Under SEBI Delisting Regulations, a promoter or promoter group can voluntarily delist the equity shares of the company either through the Reverse Book Building (RBB) process or the Fixed Price Process (only in case if the shares of the company are frequently traded).

5.3.2. Issue for consideration

- i. Since the shareholding of Government of India, directly or indirectly, is equal to or exceeds the delisting threshold of 90% of total issued shares, RBB process seems impracticable.

5.3.3. Proposals made in the Consultation Paper

- i. Such an eligible PSUs may be delisted through a fixed price delisting process, irrespective whether the shares are frequently traded or infrequently traded. However, as currently prescribed, the fixed delisting price shall be atleast 15% premium over the floor price.

5.3.4. Analysis of Comments of PMAC and Public

Proposal- Delisting through a fixed priced delisting process (with a 15% premium over the floor price)

- i. The PMAC member has disagreed with the proposal of delisting company through fixed price delisting process for infrequently traded companies. However, no rationale has been provided for the same.
- ii. The break-up of the comments received from public to the said proposal are as under.

Total Comments Received	No. Comments of in agreement	No. of Comments in dis-agreement	No. Comments of in partial agreement
4	4	0	0

5.3.5. **SEBI's Comments** – After considering the comments from PMAC and public, SEBI's comments are as under -

- a. The existing Regulation 20A of Delisting Regulations provide delisting through fixed price process with fixed delisting price being at least fifteen percent more than the floor price.
- b. Adopting Fixed Price Process shall remove all the ambiguity associated with Reverse Book Building Process for such a scenario where the aggregate shareholding already equals to or exceeds the delisting threshold.

5.3.6. **Proposal-** In view of the above, under such proposed special provisions, eligible PSUs shall delist through fixed price process with the fixed price being atleast 15% premium over the floor price.

5.4. Relaxing the requirement of seeking two-third approval from public shareholders on the proposal of Delisting

5.4.1. Existing Provisions

- i. In terms of Regulation 11 of SEBI Delisting Regulations, company is required to obtain the approval of the shareholders through a special resolution not later than forty-five days from the date of obtaining the approval of Board of Directors. Further, it is provided that such a special resolution shall be acted upon only if the votes cast by the public shareholders in favour of the proposal are at least two times the number of votes cast by the public shareholders against it.
- ii. In Rule 21(3)(b) of SCRR, it is provided that the delisting of such securities has been approved by the two-third of public shareholders.

5.4.2. Issue for consideration

- i. In case where the public shareholding is minimal and promoter is already holding 90% or more, there is a possibility of failure of delisting

on account of delisting proposal being opposed by a few public shareholders.

5.4.3. **Proposals made in the Consultation Paper**

- i. In cases where the aggregate shareholding of promoter or promoter group along with the other PSUs equals or exceeds 90% of the total issued shares of that company, the requirement of seeking two-third approval from the public shareholders may be dispensed with. Further, since the requirement flows from SCRR, amendment may also be required to be made in the SCRR.

5.4.4. **Analysis of Comments of PMAC and Public**

Proposal - Relaxing the requirement of seeking two-third approval from public shareholders on the proposal of Delisting

- i. The PMAC Member has agreed with the said proposal.
- ii. The break-up of the comments received from public to the said proposal are as under. The details of the comments and SEBI's analysis are provided in **Annexure-VI**.

Total Comments Received	No. of Comments in agreement	No. Comments of partial agreement	No. Comments of dis-agreement
5	3	0	2*
*The entities who have disagreed with the said proposal have contended that Delisting proposal should involve the most vulnerable ones that is retail participants and such a decision may potentially reduce investor confidence in PSU stocks, apart from being arguably unfair to existing shareholders in eligible PSUs.			

- #### 5.4.5. **SEBI's Comments-** After considering the comments from PMAC and public, SEBI's comments are as under -

Considering that the aggregate shareholding of promoter or promoter group along with the other PSUs already equals or exceeds the delisting threshold, it would not be appropriate that the delisting proposal of a company is subject to at the desire of a few opposing public shareholders. It would also not be appropriate to restrict delisting to only a designated class.

5.4.6. **Proposal**

- i. In view of the above, it is proposed that in case of delisting of an eligible PSUs under proposed special provisions, requirement of special resolution being acted upon only if the votes cast by the public shareholders in favour of the proposal are at least two time the number of votes cast by the public shareholders against it, be dispensed with. This would require suitable amendment to SCRR also.

5.5. **Exit Price to the Public Shareholders**

5.5.1. **Existing Provisions**

- i. Under SEBI Delisting Regulations, acquirer is required to fix floor price for delisting. Floor price means the minimum price offered by the acquirer while making the proposal for voluntarily delisting of the equity shares of the company. The parameters for computing floor price is provided in **Annexure-I**.
- ii. In case of a fixed price delisting, the promoter or promoter group is required to provide a fixed delisting price which shall be at least 15 percent more than the floor price.

5.5.2. **Issue for consideration**

- i. It is observed that in some PSU companies the shares are frequently trading at prices which are not in commensurate with operations, networth, profitability and other financial parameters of the company.
- ii. If such PSUs are to undertake delisting, being frequently traded, the 60 days' volume weighted average market price shall be required to be taken into consideration, which will result into higher floor price and consequently results into higher outgo for the Government i.e. public money and makes it financially burdensome to delist such companies.

5.5.3. **Proposals made in the Consultation Paper**

- i. In order to prescribe the exit price/floor price to the public shareholders, following options were provided for comments -
 - I. **Option A:** To provide exit to the public shareholders as per the current parameters for determination of floor price as determined

under Regulation 19A of SEBI Delisting Regulations, which is as under-

“19A. (1) The floor price of the equity shares proposed to be delisted through reverse book building process or through fixed price process, as the case may be, shall not be less than the highest of the following:

- i. volume weighted average price paid or payable for acquisitions by the acquirer along with persons acting in concert, during the 52 weeks immediately preceding the reference date;
- ii. the highest price paid or payable for any acquisition by the acquirer along with persons acting in concert during the 26 weeks immediately preceding the reference date;
- iii. adjusted book value (considering consolidated financials) as determined by an independent registered valuer:
Provided that adjusted book value shall not be applicable in case of delisting of Public Sector Undertakings.
- iv. **the volume weighted average market price for a period of 60 trading days immediately preceding the reference date on the stock exchange where the maximum trading volume of the equity shares is recorded, provided such shares are frequently traded;**
- v. **the price determined by an independent registered valuer taking into account valuation parameters such as the book value, comparable trading multiples and any other customary valuation metrics for valuation of shares of companies in the same industry where the shares are not frequently traded.”**

II. **Option B:** Irrespective whether the shares of the company is frequently or infrequently traded, providing exit to the public shareholders on the basis of price determined by an independent registered valuer taking into account valuation parameters such as:

- the book value
- adjusted book value
- comparable trading multiples
- income approach (discounted cash flow method)
- and any other customary valuation metrics for valuation of shares of companies in the same industry.

III. **Option C:** Any other parameter for determination of floor price.

5.5.4. **Analysis of PMAC Comments and Public feedback**

- i. The PMAC member has not commented on the said proposal.
- ii. The break-up of the comments received from public to the said proposal are as under. The details and SEBI's analysis are provided in **Annexure-VI**.

Total Comments Received	No. of Comments in agreement	No. Comments of partial agreement	No. Comments of dis-agreement
5	4*	1*	0
*One entity who has partially agreed has agreed with <u>Option B</u> with an additional requirement of obtaining valuation by atleast 2 valuers with average or the highest valuation provided by the independent valuer forming the floor price. Further, one entity who has agreed has suggested to undertake expert valuation as primary method with mandatory disclosure comparing it to mechanical calculations.			

5.5.5. **SEBI's Comments** - After considering the comments from PMAC and public, SEBI's comments are as under -

- a. Out of the four entities who have agreed with the proposal, two entities have not provided their desired choice of option as to which one may be taken as a parameter for computation of floor price.
- b. (This has been excised for reasons of confidentiality)
- c. It is noted that in certain PSUs where its Price to Book ratio is excessively high and is completely out of line with the industry average, computing floor price based on the artificially heightened 60 days' volume weighted average market price may not be fair.
- d. Further, the suggestion of one entity for undertaking valuation by atleast 2 valuers may be considered.

5.5.6. **Proposal**

- i. In view of the above, it is proposed that in case of delisting of an eligible PSUs under proposed special provisions, the floor price shall be computed as follows-

"The floor price of the equity shares proposed to be delisted shall not be less than the highest of the following-

- i. volume weighted average price paid or payable for acquisitions by the acquirer along with persons acting in concert, during the 52 weeks immediately preceding the reference date;

- ii. the highest price paid or payable for any acquisition by the acquirer along with persons acting in concert during the 26 weeks immediately preceding the reference date;
- iii. the price determined by joint valuation report obtained by two independent registered valuers taking into account valuation parameters such as the book value, adjusted book value, comparable trading multiples, income approach and any other customary valuation metrics for valuation of shares of companies in the same industry.

5.6. Transferring the unutilized amount to the designated stock exchange.

5.6.1. Existing Provisions

- i. The remaining public shareholders, whose shares were either not accepted or were not tendered at all during the bidding period, shall have a right to tender their equity shares for a minimum period of one year from the date of delisting.
- ii. The amount lying in the escrow account or the bank guarantee shall be released to the acquirer only after the completion of minimum period of one year from the date of delisting or till the time payment has been made to the remaining public shareholders, whichever is earlier.
- iii. Further, presently, in case any delisted company undertakes voluntary strike-off after the date of delisting and just after the end of the one year from such date, no modalities are spelt out, either in Companies Act or SEBI Act, with respect to maintenance of escrow account for the purpose of payment to the remaining public shareholders.

5.6.2. Issue for consideration

- i. There may be a scenario where a company which has already delisted undertakes the process of strike off before the completion of one year from the date of delisting which could conclude just after the end of one year from date of delisting. In such a case, with no modality prescribed for maintenance of the escrow account and possibility of strike-off, remaining shareholders may not get their rightful exit.

5.6.3. **Proposal made in the Consultation Paper**

- i. The amount lying in the escrow account or the bank guarantee meant for the remaining public shareholders shall be transferred to the designated stock exchange and shall be held by such designated stock exchange for a minimum period of 7 years during which time the investor/s can claim such amount from the Exchange and after that such amount shall be transferred as per applicable laws to Investor Education and Protection Fund (IEPF) for entities established under Companies Act and to SEBI's Investor Protection and Education Fund (IPEF), if not eligible to be transferred to the IEPF for any reason whatsoever. Investor can claim from IEPF or IPEF as the case may be as per the laid down procedures.

5.6.4. **Analysis of PMAC Comments and Public feedback**

- i. The PMAC member has not commented on the said proposal.
- ii. The break-up of the comments received from public to the said proposal are as under. The details and SEBI's analysis are provided in **Annexure-VI**.

Total Comments Received	No. of Comments in agreement	No. Comments of in partial agreement	No. Comments of in dis-agreement
3	2	0	1*
* The entity who have disagreed with the said proposal has contended that transfer of such funds to the stock exchanges and subsequently to IEPF may not serve to the best interests of investors. This is because residual shareholders would be subjected to a prolonged and cumbersome process to claim the value of their shares.			

5.6.5. **SEBI's Comments-** After considering the comments from PMAC and public, SEBI's comments are as under –

- a. A need is felt to have a mechanism in place to safeguard the interest of the remaining public shareholders in case the company decides to undertake voluntary strike-off after the date of delisting that may conclude after one year of the date of delisting and within 30 days of such one year period.
- b. (This has been excised for reasons of confidentiality).

5.6.6. **Proposal**

- i. In view of the above, it is proposed that in case of delisting of a PSUs under proposed special provisions, and such PSU decides to undertake voluntary strike-off after the date of delisting that may conclude after one year of the date of delisting and within or no later than 30 days of such one year period, then the amount which is due to its remaining public shareholders who have not tendered their shares shall be transferred to the appropriate account of designated stock exchange and shall be held by such designated stock exchange for a period of 7 years during which time the investors can claim such amount from the Stock Exchange and after such period, such amount shall be transferred as per applicable laws to Investor Education and Protection Fund (**IEPF**) for entities established under Companies Act or to SEBI's Investor Protection and Education Fund (**IPEF**) if not eligible to be transferred to the IEPF for any reason whatsoever. Investor can claim the relevant amount from the designated Stock Exchange, which in turn can claim reimbursement from IEPF or IPEF as the case may be, as per procedures that are specified or may be specified from time to time.
- ii. Further, after the completion of one year and 30 days from the date of delisting, such PSUs would be out of the purview of SEBI's Regulatory framework and the proposal for the designated stock exchange to hold the amounts for claims by investors shall not be available or applicable.

6. Proposal for consideration of the Board:

6.1.1. The Board is requested to consider and approve the proposals mentioned under paras 5.1.6, 5.2.6, 5.3.6, 5.4.6, 5.5.6 and 5.6.6. The draft amendment notification to SEBI (Delisting of Equity Shares) Regulations, 2021 are placed at **Annexure- VII** and the draft amendment notification to SEBI (Investor Protection and Education Fund) Regulations, 2009 are placed at **Annexure- VIII**.

6.1.2. The proposed amendments shall come into force from the date of their publication in the official gazette and would be applicable to the delisting offers where Initial Public Announcement (IPA) for the delisting has not been made.

6.1.3. The Board is also requested to authorize the Chairman to carry out suitable amendments to the regulations and to take any other consequential or incidental steps for implementation of decisions of the Board.

Encls:

1. Annexure I – Computation of Floor Price under SEBI Delisting Regulations
2. Annexure II – Consultation Paper dated May 06, 2025
3. Annexure III – Details of comments received from public on consultation paper and SEBI's analysis
4. Annexure IV- (This has been excised for reasons of confidentiality) comments
5. Annexure V - Details of comments received from PMAC member on consultation paper
6. Annexure VI - Details of comments received from PMAC member and public on consultation paper and SEBI's analysis
7. Annexure VII - Draft amendment notification to SEBI (Delisting of Equity Shares) Regulations, 2021
8. Annexure VIII - Draft amendment notification to SEBI (Investor Protection and Education Fund) Regulations, 2009

Addendum: Special Provisions for Voluntary Delisting of Public Sector Undertakings: Amendment to SEBI (Delisting of Equity Shares) Regulations, 2021

A. Following internal discussions and review, it is proposed as follows –

Eligibility condition for delisting under special provision (Refer para 5.1 at page 19.3 of Board Memorandum No. 37/2025)

The proposal in the Board Memorandum is intended to apply to all PSUs other than those PSUs which are under the ambit of any financial sector regulator, where the aggregate shareholding of promoter or promoter group along with the other PSUs equals or exceeds 90% of the total issued shares of the Company.

Change proposed:

- i. In this regard, it is proposed that the exclusion clause may be revisited. Instead of excluding PSUs which are under the ambit of financial sector regulator, it is proposed that this exclusion clause may be revised to “Banks, Non-Banking Financial Companies (NBFCs) and Insurance Companies”. Thus, under the revised proposal Banks, NBFCs and Insurance Companies shall not be eligible for this special provision of delisting of PSUs.
- B. Following internal discussions it was also felt appropriate to explain the rationale for non-applicability of the aforesaid proposal to Private Sector Companies
- a) In terms of Rule 19A of SCRR, every listed company is required to maintain public shareholding of at least twenty-five per cent.
 - b) However, in case, where the public shareholding in any listed company falls below twenty-five percent at any time, such company is required to bring the public shareholding to twenty-five per cent. within a maximum period of twelve months from the date of such fall in the manner specified by the Securities and Exchange Board of India.
 - c) However, Rule 19A(6) of SCRR provides the Central Government, in public interest, to exempt any listed entity in which the Central Government or State Government or PSU, either individually or in any combination with other, hold directly or indirectly, majority of the shares or

voting rights or control of such listed entity, from any or all of the provisions of this rule.

- d) In view of the aforesaid, it is seen that the exemption is available only for specific companies where the Central Government or State Government or PSU, either individually or in any combination with other, hold directly or indirectly, majority of the shares or voting rights or control of such listed entity and not to any private sector companies.
- e) In case any private sector companies does not comply with the timeline to achieve the Minimum Public Shareholding threshold, such companies shall be termed as non-compliant with the Minimum Public Shareholding norms and thus would make it ineligible to undertake delisting in terms of SEBI (Delisting of Equity Shares) Regulations, 2021.
- f) Thus, the eligibility condition for delisting under special provision is provided to only public sector undertakings and not to private sector companies.

Computation of Floor Price under SEBI Delisting Regulations

Floor Price

19A (1) The floor price of the equity shares proposed to be delisted through reverse book building process or through fixed price process, as the case may be, shall not be less than the highest of the following:

- (i) volume weighted average price paid or payable for acquisitions by the acquirer along with persons acting in concert, during the 52 weeks immediately preceding the reference date;
- (ii) the highest price paid or payable for any acquisition by the acquirer along with persons acting in concert during the 26 weeks immediately preceding the reference date;
- (iii) adjusted book value (considering consolidated financials) as determined by an independent registered valuer:
Provided that adjusted book value shall not be applicable in case of delisting of Public Sector Undertakings.
- (iv) the volume weighted average market price for a period of 60 trading days immediately preceding the reference date on the stock exchange where the maximum trading volume of the equity shares is recorded, provided such shares are frequently traded;
- (v) the price determined by an independent registered valuer taking into account valuation parameters such as the book value, comparable trading multiples and any other customary valuation metrics for valuation of shares of companies in the same industry where the shares are not frequently traded.

Explanation: The adjusted book-value of the company shall be calculated as below $-A+B+C+D-L$, where,

‘A’ shall be the book value of all the assets (other than jewellery, artistic work, shares & securities and immovable property) in the balance sheet as reduced by any amount shown as asset including the unamortised amount of deferred expenditure which does not represent the value of any asset;

'B' shall be the price which jewellery and artistic work would fetch if sold in the open market on the basis of the valuation report obtained from a registered valuer;

'C' shall be the fair market value of unquoted/infrequently traded shares and securities as determined considering the internationally accepted valuation methods by the registered valuer. If the shares and securities are quoted and frequently traded on any recognized stock exchange, the fair market value of such shares and securities shall be the transaction value as recorded in such stock exchange as on the valuation date;

'D' shall be the value adopted or assessed or assessable by any authority of the Government for the purpose of payment of stamp duty in respect of the immovable property. In case immovable property is located outside India, market value of the property shall be determined by the independent registered valuer;

'L' shall be the book value of liabilities shown in the balance sheet, but not including the following amounts, namely :—

- the paid-up capital in respect of equity shares;
- the amount set apart for payment of dividends on preference shares and equity shares where such dividends have not been declared before the date of transfer at a general body meeting of the company;
- reserves and surplus, by whatever name called, even if the resulting figure is negative, other than those set apart towards depreciation;
- any amount representing provisions made for meeting liabilities, other than ascertained liabilities;
- any amount representing contingent liabilities other than arrears of dividends payable in respect of cumulative preference shares.

Annexure-II

(Consultation Paper is available on SEBI Website. This may be accessed at -
https://www.sebi.gov.in/reports-and-statistics/reports/may-2025/consultation-paper-on-separate-carve-out-for-voluntary-delisting-of-public-sector-undertakings_93820.html)

Annexure-III

Details of comments received from public on consultation paper and SEBI's analysis

(This has been excised for reasons of confidentiality)

Annexure-IV

(This has been excised for reasons of confidentiality) comments

(This has been excised for reasons of confidentiality)

Annexure-V

Comments of PMAC Member

(This has been excised for reasons of confidentiality)

Proposal wise analysis of Comments from PMAC and Public along with SEBI's analysis

1. Eligibility

1.1. Comments received on the said proposal and SEBI's analysis on the same are as under-

• **Comments received**

The entities who has dis-agreed with the proposal has contended the following-

- a) Rather than having percentage of shareholding as a criteria, it should be number of shares held with public.
- b) Criteria must be the performance and how unit responded to monetary infusions.
- c) Either the threshold of 90% is reduced to a threshold, which would allow many PSUs to benefit from the relaxation, or no such threshold is prescribed.

• **SEBI's analysis-**

Corresponding analysis of SEBI on the points raised by the entities on this issue are as under-

- a) The number of shares held with public varies from company to company. Further, there could be a possibility that a company undertakes a corporate action such as bonus, rights etc. to fall under such criteria. In view of the aforesaid issues, it is felt that criteria of having percentage of shareholding must be retained.
- b) The said proposal in a way deals with such performance based criteria only. It is expected that only such companies which has poor financials and does not have foreseeable future would be take benefit of this special provisions.
- c) Considering that the delisting threshold is 90% and at it, the company is theoretically delisted, the same threshold has been chosen for adopting an easier mechanism. Reducing such threshold would mean company having substantial public

shareholders and in such a scenario it would not be in the interest of public shareholders.

2. Dispensing with the requirement of complying with MPS Norms-

2.1. Comments received on the said proposal and SEBI's analysis on the same are as under-

- **Public comments**

The entity who has disagreed with the proposal has contended that-

- a) Company should be advised to comply with the requirements of Minimum Public Shareholding and then only be allowed to delist as the proposed delisting is shutting down the business completely for an investor.

- **Analysis**

Analysis of SEBI on the point raised by the entity on this issue is as under-

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- a) This carve out is being considered for only those companies where there is substantial promoter shareholding and minimal public shareholding. Considering that the shareholding of promoter remains above the delisting threshold viz. 90% of total issued shares, it would be unreasonable to ask such companies to first comply with MPS requirements and then initiate delisting.

3. Delisting through a fixed priced delisting process (with a 15% premium over the floor price)

3.1. All the commenters have agreed with the said proposal.

4. Relaxing the requirement of seeking two-third approval from public shareholders to the proposal of Delisting

4.1. Comments received on the said proposal and SEBI's analysis on the same are as under-

- **Public Comments**

The entity who has disagreed with the proposal has contended that-

- a) Delisting proposal should involve the most vulnerable ones that is retail participants.
- b) Such a decision may potentially reduce investor confidence in PSU stocks, apart from being arguably unfair to existing shareholders in eligible PSUs.

- **Analysis**

Analysis of SEBI on the point raised by the entity on this issue is as under-

- a) When the majority of the company's shareholders are proposing for the delisting and the company is also theoretically delisted, the requirement of seeking two-third approval from public shareholders, which are already very few in numbers, may not be fair.

5. Exit Price to the Public Shareholders

5.1. Comments received on the said proposal and SEBI's analysis on the same are as under-

- **Public Comments**

The entity has suggested following-

- a) Out of the four entities who have agreed with the proposal, two entities have not provided their desired choice of option as to which one may be taken as a parameter for computation of floor price.
- b) Out of the remaining two entities who have agreed with the proposal, one entity has suggested to adopt **Option B** (price to be determined by an independent registered valuer taking into account various account valuation parameters).
- c) While the other entity who has agreed has suggested to adopt **Option C** (Any other parameter for determination of floor price). It has been stated that an expert valuation as primary method may be adopted with mandatory disclosure comparing it to mechanical calculations. The expert valuation with mandatory disclosure framework creates a hybrid system where:

- I. Expert judgment is primary giving valuers flexibility to use sophisticated methodologies and consider company-specific factors that mechanical rules might miss.
 - II. But transparency is enforced by requiring disclosure of what the mechanical calculations would have yielded, so stakeholders can see if the expert price is reasonable or potentially biased.
 - III. When expert valuations differ significantly from mechanical benchmarks, detailed justification is required, creating accountability without rigid constraints.
 - IV. Public oversight is enabled by making comparative data available, it allows market participants, courts, and regulators to evaluate whether expert determinations are genuinely reflecting economic value or potentially favoring certain parties.
- d) Another entity who has partially agreed with the proposal has stated that the requirement for 60 days VWAP for frequently traded shares should be dispensed with in case of delisting by PSUs and valuation parameters may be adopted for computing floor price. However, there should be an additional recommendation. The valuation reports should be obtained by at least 2 valuers and not just one valuer for determining the floor price. The average or the highest valuation provided by the independent valuer should form the floor price.

- **Analysis**

Our analysis on the contention raised by the entities on this issue is as under –

- a) It is noted that all the entities are in principle agreeable with the dispensation of computing 60 days volume weighted average market price for computing floor price.
- b) Further, with a suggestion of one entity of opting C, it is stated that expert valuation might be subject to dispute and could be potentially biased since there would not be an arithmetic basis for arrival of such valuation.

- c) Further, the suggestion of one entity for undertaking valuation by atleast 2 valuers may be considered.

6. Transferring the unutilized amount to the designated stock exchange:

6.1. Public Comments and SEBI's analysis on the said proposal are as under-

- **Public Comments**

The entity who has disagreed with the proposal has contended that-

- a) Transfer of such funds to the stock exchanges and subsequently to IEPF may not serve to the best interests of investors. This is because residual shareholders would be subjected to a prolonged and cumbersome process to claim the value of their shares. Accordingly it is suggested that the escrow funds may be continued to be transferred to the Acquirer after the one year period
- b) As regard the residual shareholders to recover the funds they can directly approach the acquirers or RTA to tender their shares and receive consideration directly in a more timely and efficient manner.
- c) SEBI could strengthen the system by linking PAN data, creating a digital claims portal, shortening the holding period to 3–5 years, sending annual reminders, allowing low-risk investment of idle funds, and issuing clear guidelines for IEPF/IPEF transfers.

- **Analysis**

Analysis of SEBI on the point raised by the entity on this issue is as under-

- a) It has been clarified that the said proposal is applicable only in case of companies being strike-off. In such a case, it would be lot more easier to approach stock exchange for claiming the amount rather than the acquirer.
- b) Further, with respect to procedural suggestions, it is stated that the same shall be considered appropriately.

Annexure-VII

**Draft amendment notification to SEBI (Delisting of Equity Shares) Regulations,
2021-**

(This shall be notified at a later date)

Annexure-VIII

**Draft amendment notification to SEBI (Investor Protection and Education Fund)
Regulations, 2009-**

(This shall be notified at a later date)
