

FAQs – DELISTING

1. What is meant by delisting of securities?

The term "delisting" of securities means permanent removal of securities of a listed company from a stock exchange. As a consequence of delisting, the securities of that company would no longer be traded at that stock exchange.

2. What is the difference between Voluntary delisting and Compulsory delisting?

Compulsory delisting refers to permanent removal of securities of a listed company from a stock exchange as a penalizing measure at the behest of the stock exchange for not making submissions/comply with various requirements set out in the Listing agreement within the time frames prescribed. In voluntary delisting, a listed company decides on its own to permanently remove its securities from a stock exchange.

3. What is the exit opportunity available for investors in case a company gets delisted?

SEBI (Delisting of Securities) Guidelines, 2003 provide an exit mechanism, whereby the exit price for voluntary delisting of securities is determined by the promoter of the concerned company which desires to get delisted, in accordance to book building process. The offer price has a floor price, which is average of 26 weeks average of traded price quoted on the stock exchange where the shares of the company are most frequently traded preceding 26 weeks from the date public announcement is made. There is no ceiling on the maximum price.

In case of infrequently traded securities, the offer price is as per Regulation 20 (5) of SEBI (Substantial Acquisition and Takeover) Regulations. For this purpose, infrequently traded securities is determined in the manner as provided in Regulation 20 (5) of SEBI (Substantial Acquisition and Takeover) Regulations.

4. Does a company listed at BSE/NSE have to provide exit offer to shareholders in case it delists from stock exchanges other than BSE and NSE?

No, the company does not have to provide exit offer to shareholders because it continues to be listed on the BSE / NSE which have nationwide reach and shareholders can exit any time they decide to so by way of selling shares in NSE/ BSE.