



S. P. Mandali's

R. A. Podar College of Commerce and Economics

Celebrating 75 years of Excellence

A STUDY ON
TRENDS IN
DELISTING OF SHARES
IN INDIA AND
ITS REASONS

OCTOBER, 2015
AN INITIATIVE SUPPORTED BY THE
P.J. FOUNDATION, BOMBAY STOCK EXCHANGE –
INVESTORS' PROTECTION FUND



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SHARES AND ITS REASONS**

Research Team

Research Co-ordinator

Ms. Karishma Khadiwala

Assistant Professor

R.A.Podar College of Commerce and Economics

Research Assistants:

Mr. Mihir Sharma

Under-Graduate Student

Ms. Shagun Sharma

Under-Graduate Student

Mr. Amish Shah

Under-Graduate Student

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DECLARATION

This is to hereby declare that the Research project titled, "**A STUDY ON TRENDS IN DELISTING OF SHARES AND ITS REASONS**" is our own original work.

Due sources in the Research Project have been cited and acknowledged wherever necessary.

The information submitted is true and original to the best of our knowledge.

Prof. Dr. Vinita Pimpale
Khadiwala

Chief Research Co-ordinator,
Head - Research, Development and
Consultancy Cell.

Prof. Karishma

Research Co-ordinator

October 2015,
Mumbai.

ACKNOWLEDGEMENT

Our sincere thanks to the P.J. Foundation, Bombay Stock Exchange- Investors' Protection Fund for supporting and funding the research activity of the Research, Development and Consultancy Cell, R.A.P.C.C.E.

We would also like to express our heartfelt gratitude towards our Principal Dr. (Mrs.) Shobana Vasudevan for supporting us in the process of our research work and for the assistance extended from time to time in completing the research project.

We also sincerely thank Prof. Dr. (Mrs.) Vinita Pimpale, Head, Research, Development and Consultancy Cell, for motivating us.

We also thank the faculty and students of R.A. Podar College of Commerce & Economics who have helped us in our work. Our special thanks to the young respondents for responding to the questionnaire and answering them diligently. We are also thankful to the library staff of our college for making the library resources easily accessible to us for reference work.

Research Team

October, 2015

Mumbai.

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CHAPTER 1: INTRODUCTION

The Indian stock market is one of the earliest in Asia, being in operation since 1875, but it remained largely outside the global integration process until the late 1980's. Globalization, economic assimilation and liberalization in the country have promoted the growth of international financial integration in the country.

The rapid economic growth in the past one hundred years gave rise to the explosive development of stock markets. At the same time the enhancement of stock market has played an important role in promoting the growth of world economy. The modern market economy depends to a greater extent on a soundly operated stock market.

In a country like India , wherein lakhs of people invest in primary as well as secondary markets protection of investors' interest becomes an inherent job for the Regulators , at all forums. With the same intent in mind, the Securities and Exchange Board of India Act was enacted in the year 1992.

At present, approximately 9000 Companies are listed on various Exchanges in India, out of which only approximately 3500 are being actively traded. Trading being taking place only at BSE/ NSE. Others are either not being traded or have become illiquid. The question that arises is what should such investors do, whose investments become illiquid and who had invested in a particular company on the basis of the faith and trust in the system and also on the basis of the contents in the prospectus which mentions that the security would be listed on stock exchanges. Investors also face the bane of being stuck with shares of a company that has not witnessed trading for years. Over the past two years, at least 26 companies, mainly multinational companies have delisted themselves from the stock exchanges, while another 90 other companies propose to do the same in coming years.

So the Indian securities market regulator SEBI, has overhauled the regulatory norms for voluntary delisting in India. SEBI has publicly announced the proposed changes to these regulations on November 19, 2014. However the amendments have been notified only on March 24, 2015 with the immediate effect. SEBI in its new guidelines have made the process easier thus creating a 'win-win' situation for all. The intention behind this is two-fold i.e. to make the cumbersome delisting process easier and to simultaneously align it with the investor's interests.

This study has been taken up to understand the trend of delisting of companies on BSE, its reasons and its impact on investors and the companies.

1.1 HISTORY OF DELISTING

In the earlier days, the public issues of shares and their pricing was looked after by the Controller of Capital Issues (CCI). Ever since the abolition of CCI in the year 1992, the same is being looked after by Securities and Exchange Board of India (SEBI).

The purpose of establishing SEBI and the SEBI Act, 1992 was to protect the interests of the investors in securities and to promote the development of, and to regulate, the securities market and for matters connected therewith or incidental thereto.

Eversince then, it has been the continuous endeavour of SEBI for prescribe procedures, formulate strategies and formulate laws. In one of such attempts, SEBI in the year 2002 constituted a committee on delisting of shares to inter-alia examine and review the conditions for delisting of securities of companies listed on recognized stock exchanges and suggest norms and procedures in connection therewith. The Report of the Committee was considered and accepted by SEBI Board. Pursuant to the same, SEBI vide Circular SMD/Policy/CIR – 7/ 2003 dated February 17, 2003 issued the SEBI (Delisting of Securities) Guidelines, 2003.

The salient features of the said Guidelines were:

1. Public Shareholders to be given an exit option if the company or its promoters propose to delist its securities from all the stock exchanges on which they were listed. However, no exit opportunity was required to be given in case the company continues to remain listed at stock exchanges having nationwide trading terminals.
2. Price discovery by Reverse Book Building process.
3. Eligibility to participate in the book building process was available only to dematerialised shareholders.
4. Option available to the promoters to accept or reject the price determined by the book building process.
5. The exit option to remain open for a period of 6 months after the closure of the offer.

The said Guidelines, although, to a great extent covered the issues involved in Delisting of Securities. However, there were certain areas over which hue and cry was made from various

quarters. Various representations and views, from intermediaries, stock exchanges, shareholders' associations, chambers of commerce etc were given to the Regulators on the operational issues and procedural complications in the guidelines. Based on such representations, it was proposed to look into and suggest changes in the guidelines. In the month of April 2004, the initial changes proposing more systemic clarity were put up for public comments. Comments were received from various quarters and opinions were received on crucial provisions. On the basis of the same, SEBI in December 2006, circulated the Concept Paper on the proposed SEBI (Delisting of Securities) Regulations, 2006, asking for public comments on the proposed Regulations. SEBI received various comments, opinions and suggestions on the subject. And finally, by its publication dated 10th June 2009 in the Official Gazette, SEBI notified the much awaited SECURITIES AND EXCHANGE BOARD OF INDIA (DELISTING OF EQUITY SHARES) REGULATIONS, 2009.

Table 1.1.1: COMPARISON BETWEEN OLD & NEW REGULATIONS

Sr.No	Particulars	Securities And Exchange Board of India (Delisting of Securities) Guidelines, 2003	Securities And Exchange Board of India (Delisting Of Equity Shares) Regulations, 2009.
1.	Coverage	All kind of Securities are covered	Only Equity Shares are Covered
2.	Definitions- Exchange	There is a concept of the Delisting Exchange and Exchange	Both the earlier definitions merged and a definition of Recognized Stock exchange is inserted.
3.	Definitions- Public Shareholding	The Public shareholding is the shareholding in a company of the persons other than the Promoters, Persons Acting in concert with the Promoter	The public shareholding is the shareholding in a company of the persons other than the Promoters, Persons Acting in concert with the

			Promoter , holders of Depositors receipts and the custodian thereof
4.	Definitions- Working Days	Working Days are not defined.	Working days are defined as the working days of the SEBI.
5.	Applicability	Widely defined	Not widely defined.
6.	Inapplicability	Not mentioned exclusively and separately.	Separate section is made. The exemption is available to the companies which have been declared sick & their reconstruction scheme provides the delisting including the provisions of the exit option to the shareholders.
7.	Non-Permissibility	Delisting only through Buy Back of securities is not permitted	Along with Buy Back, delisting through preferential allotment is also not permitted.
8.	Voluntary delisting	The procedure and provisions of both kind of Delisting a) Without Exit option and b) With exit option merged and no separate sections were there.	The procedures for both kind of Delisting a) Without Exit option and b) With exit option are defined and provided in an identifiable manner.
9.	Delisting Without Exit	Special resolution to be passed through the shareholders is	Now the requirement of special resolution for the

	Route. i.e. not from the exchanges having nationwide trading terminal	compulsory.	delisting without Exit route is deleted. Only public announcement and the disclosure in the first annual report after delisting will suffice the requirement.
		No time limit was prescribed for the exchanges for disposal of the Delisting application filed by the companies.	A 30 days' time period after the receipt of Application complete in all respect, given to the exchanges for disposing of the application of delisting.
10.	Delisting with Exit Route i.e. even from the exchanges having nationwide trading terminal	Shareholders' approval for the Delisting can be taken even in the Extra Ordinary General Meeting. The resolution is Special resolution simply to be passed in the Extra Ordinary General Meeting.	Shareholders' approval is required compulsorily through postal ballot. The special resolution shall be deemed to be passed only if the votes cast by the public shareholders in favour of the proposal amount to at least two times the votes cast against it.
		Before starting the process of Delisting there is no requirement of taking In principal approval from the stock exchange.	Before starting the Delisting Procedure, In principal approval is required from the Stock exchange from where the securities are to be delisted.
		There is no validity of special resolution passed by the	The resolution is valid upto 1 year, within which the final

		members in the Extra Ordinary General Meeting.	application is to be made to the stock exchange for the Delisting of securities after completion of the Reverse Book Building Process.
		No specific guidelines were given to the stock exchanges, which they have to consider while approving the application of delisting.	The Checkpoints have been provided in the Regulations which the Stock exchange has to be considered while approving the application of delisting.
11.	Specified Date	No concept of specified date, on which the list of eligible public shareholders can be determined to whom the Letter of Offer will be sent for Delisting.	The concept of Specified date introduced, which is 30 days from the date of the Public Announcement, on which the shareholders list be freezed to whom the letter of offer will be sent for the Delisting.
12.	Bidding period	Only minimum time mentioned during which the bidding Period remain open which is 3 days	The bidding period will now be 3 days to 5 days and should start within 55th day of the public announcement.
13.	Ineligibility of the shareholders to participate in the Delisting offer.	No ineligibility with regard to the public shareholding given.	Now the Receipts holders / ADR / GDR holders are restricted to participate in the Delisting offer. If they wishes to participate then they have to first convert their shares into underlying

			Equity shares.
14.	Price determination	Previously the price was calculated from the date of public announcement	Now the price is calculated from the date when the company informed the exchange the date of the board meeting in which the delisting proposal was considered.
15.	Minimum number of shares for Delisting from the stock exchange	The company will be delisted if the public shareholding falls below the minimum limit specified by the listing conditions of listing agreement.	The company will be deemed to be delisted on reaching the level higher of the following:- a) Ninety percent of the total issued shares of that class excluding the shares which are held by a custodian and against which depository receipts have been issued overseas. Or b) The aggregate percentage of pre offer promoter shareholding along with person acting in concert and fifty percent of the offer size.
16.	Final price announcement	Previously the Final announcement to be made in two days declaring the final price and the status of the Delisting i.e whether the price is accepted or not.	Now the Final announcement to be made in eight working days declaring the final price and the status of the Delisting i.e whether the price is accepted or not.

17.	Right of remaining shareholders	The shareholders who could not participate in the Delisting offer can offer their shares to the promoters during a period of 6 months after the Delisting.	The shareholders who could not participate in the Delisting offer can offer their shares to the promoters during a period of 1 year after the Delisting.
18.	Consequence of the Compulsory Delisting	Only company was restricted for a period of 2 years for Relisting at the stock exchange	The company, its promoters, and directors are barred for a period of 10 years for relisting at the stock exchange.
19.	Small Companies	No special provisions are there for the small companies. They have to follow the same provisions as the Large and big companies have to.	Special provisions under the separate section be given for the small companies and winding up companies. They need not to follow the Reverse Book Building process.
20.	Delisting through right Issue	If pursuant to Right issue the Promoters holding is increased by more than the permissible limit, the promoter shall be required to delist the company or reduce their holding within a period of 3 months.	The section is altogether deleted.
21.	Reinstatement of securities	The companies cannot be relisted at the exchange for a period of 2 years from the period of delisting.	The companies delisted voluntarily cannot be relisted for a period 5 years and the companies compulsorily delisted cannot be relisted for

		a period of 10 years from the date of delisting
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Applicability

(1) These regulations shall apply to delisting of equity shares of a company from all or any of the recognised stock exchanges where such shares are listed.

(2) Nothing in these regulations shall apply to any delisting made pursuant to a scheme sanctioned by the Board for Industrial and Financial Reconstruction under the Sick Industrial Companies (Special Provisions) Act, 1985 or by the National Company Law Tribunal under section 424D of the Companies Act, 1956, if such scheme –

(a) lays down any specific procedure to complete the delisting; or

(b) provides an exit option to the existing public shareholders at a specified rate.

3. Delisting not permissible in certain circumstances and conditions for delisting.

a. No company shall apply for and no recognised stock exchange shall permit delisting of equity shares of a company, -

➤ pursuant to a buy-back of equity shares by the company; or

➤ pursuant to a preferential allotment made by the company; or

unless a period of three years has elapsed since the listing of that class of equity shares on any recognised stock exchange; or if any instruments issued by the company, which are convertible into the same class of equity shares that are sought to be delisted, are outstanding.

4. For the removal of doubts, it is clarified that no company shall apply for and no recognised stock exchange shall permit delisting of convertible securities.

5. Nothing contained in clauses (c) and (d) of sub-regulation (1) shall apply to a delisting of equity shares falling under clause (a) of regulation 6.

6. No promoter shall directly or indirectly employ the funds of the company to finance an exit opportunity provided under Chapter IV or an acquisition of shares made pursuant to sub regulation (3) of regulation 23.

7. No promoter or other person shall –

- a. Employ any device, scheme or artifice to defraud any shareholder or other person; or
- b. Engage in any transaction or practice that operates as a fraud or deceit upon any shareholder or other person; or
- c. Engage in any act or practice that is fraudulent, deceptive or manipulative – in connection with any delisting sought or permitted or exit opportunity given or other acquisition of shares made under these regulations.

A pre and a post scenario comparison after amendments which were made in 2015 to the regulations of 2009.

The major challenges faced with the 2009 guidelines can be attributed to high shareholders' bid prices resulting in exorbitant final offer price, low shareholders' participation in book building process, and lengthy timelines associated with completing delisting. In the wake of these challenges, the 2015 Amendment aims at facilitating delisting and has introduced substantial changes to simplify the 2009 Regulations. These amendments were implemented on March 24, 2015. The key changes are as follows:

- (a) **Reduction in timelines:** The maximum time within which the steps must be completed has been reduced to approximately 20 days as against 138 days under the 2009 Regulations.
- (b) **Changed thresholds for successful offer:** Under the 2009 Regulations, delisting was successful if post-delisting the total promoter shareholding was higher of either 90% of the issued share capital or aggregate of pre-offer promoter shareholding and 50% of offer size. The 2015 Amendment has revised the threshold to 90% of the issued share capital. Further, a new condition is added which requires that at least 25% of public shareholders holding demat shares must participate in the book-building process.
- (c) **New responsibilities for board of directors:** The 2015 Amendment imposes new responsibilities on the boards of companies. Per Regulation 8(1A), the board has to (i) disclose the delisting proposal to the stock exchange and appoint merchant banker for due diligence; and (ii) furnish details of trading and off-market transactions of top 25 shareholders to the merchant banker and, provide additional information, as and when sought by them. There was no such obligation under the 2009 Regulations

These amendments ensure that the interest of the shareholders and the company's commercial needs are protected. This also simplifies the entire delisting process. These amendments were implemented on March 24, 2015.

1.2 INTERNATIONAL SCENARIO

Delisting has become a phenomenon of paramount importance globally especially as it has impacted leading economies and markets of countries such as the United States, United Kingdom and Continental Europe. In the global market, delisting assumes a highly negative connotation.

The dramatic market shifts in recent years have resulted in a significant number of public companies facing delisting from NASDAQ and the NYSE. This trend is especially prevalent with smaller public companies. As a result of reductions in the market price of their publicly-traded stock, many such companies are finding that they no longer meet the minimum bid price requirements for continued listing on NASDAQ.

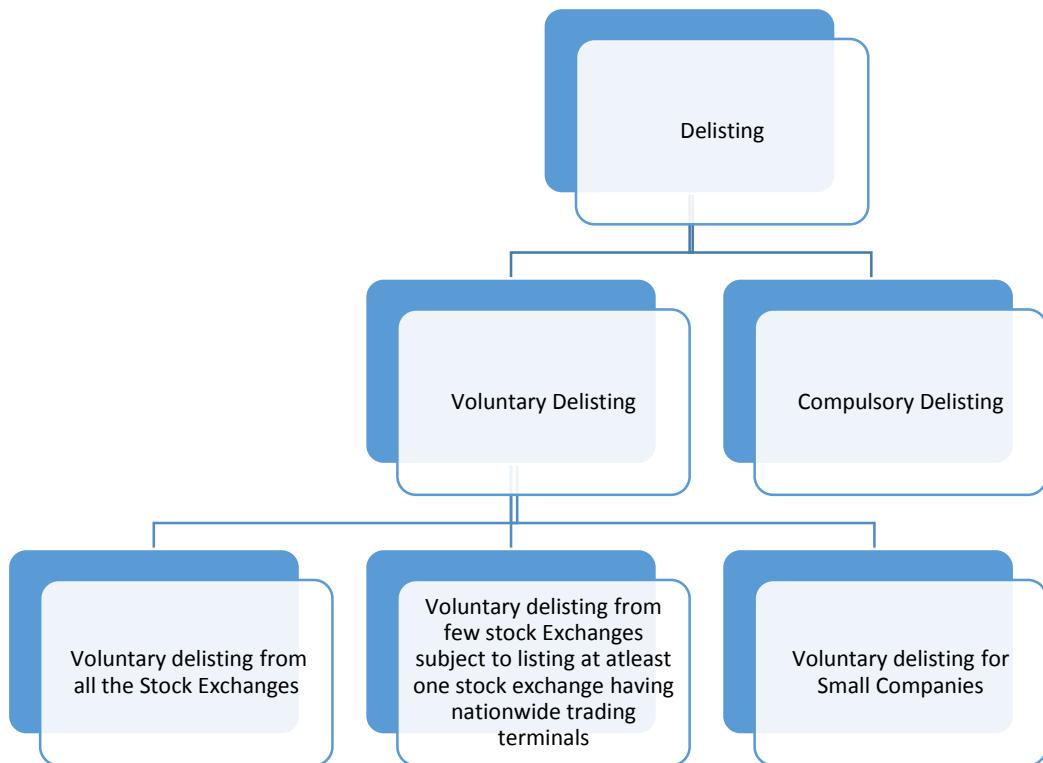
In the US, there is still some liquidity even after delisting. However in countries like Japan, delisting is highly disruptive. The total number of delisted firms between 2002 and 2012 from Tokyo Stock Exchange (TSE) is 665 while that from other Japanese stock exchanges, JASDAQ and MOTHERS as well as regional stock exchanges such as Osaka, Nagoya, Sapporo and Fukuoka is 494. The manufacturing sector of Japan records highest number of delisted firms.

Chinese companies are preferring to delist from foreign stock exchanges particularly in the US due to the boom in Shanghai and Shenzhen stock exchanges. China has removed a total of 74 stocks from trading since 2001, while no companies have been delisted in Shanghai since 2007. CSC Nanjing Tanker Corp became the first stock set to be delisted from Shanghai's exchange in seven years.

Over the last few years, an increasing number of quoted firms delisted from the London's Alternative Investment Market (AIM). In the UK, the delisted firms' shares remain private and illiquid. Over 380 firms were delisted in the period 1995 - 2009.

1.3 VARIOUS TYPES OF DELISTING

CHART 1.3.1: TYPES OF DELISTING.



1. Voluntary Delisting

a. Voluntary delisting from all the Stock Exchanges

If after the proposed delisting, the equity shares would not remain listed on any recognised stock exchange having nationwide trading terminals, exit opportunity shall be given to all the public shareholders holding the equity shares sought to be delisted. (Regulation 6 (b))

CASE STUDY

In early 2003, chocolate-maker Cadbury delisted, offering Rs 500 to shareholders. The company managed to buy over 90% shares, the minimum required for delisting. The 8,149 minority shareholders, holding about 2.4% equity, rejected the price and moved court.

In September 2009, the company revised the offer price to Rs 1,340 per share, but the shareholders rejected this too. In May 2010, Ernst & Young (E&Y), appointed by the Bombay High Court, arrived at a figure of Rs 1,743 per share, which was also rejected by the shareholders. In January 2011, Cadbury revised the offer price to Rs 1,900 per share. The

shareholders demanded that the company be valued according to the discounted cash flow method. In July 2011, E&Y valued the shares at Rs 2,014 per share, still much lower than the Rs 2,500 the shareholders are expecting.

Out of a total of 7,51,120 non-controller shares voted at the meeting, only 12,784 voted against the resolution, thereby indicating that a “majority of the minority” (MoM) was in favour of the capital reduction. This appears to have weighed heavily with the court

Evidently, the objectors in *Cadbury* were not only in a minuscule minority of non-controlling shareholders, but they were unable to discharge the burden of successfully challenging the valuation. Given these circumstances, the court approved the capital reduction at the price of Rs. 2,014.50, based on the revised E&Y report.

- b. Voluntary delisting from few stock exchanges subject to listing at least one stock exchange having nationwide terminals

If after the proposed delisting from any one or more recognised stock exchanges, the equity shares would remain listed on any recognised stock exchange which has nationwide trading terminals, no exit opportunity needs to be given to the public shareholders. (Section 6 (a))

- c. Voluntary delisting for Small Companies

Small Company means

- a. A company having paid-up capital of upto one crore and its equity shares were not traded on any exchange in the one year immediately preceding the date of decision of delisting; OR (**Regulation 27 (1)**)
- b. A company having upto 300 public shareholders and the paid-up value of the shares held by such shareholders is upto one crore rupees. (**Regulation 27 (2)**)

2. COMPULSORY DELISTING

A recognized stock exchange may, by order, delist any equity shares of a company on any ground prescribed in the rules made under section 21A of the Securities Contracts (Regulation) Act, 1956.

Special Provisions for small Companies and Delisting by Operation of Law

(1) Where a company has paid up capital upto one crore rupees and its equity shares were not traded in any recognised stock exchange in the one year immediately preceding the date of decision, such equity shares may be delisted from all the recognised stock exchanges where they are listed, without following the procedure in Chapter IV.

(2) Where a company has three hundred or fewer public shareholders and where the paid up value of the shares held by such public shareholders in such company is not more than one crore rupees, its equity shares may be delisted from all the recognised stock exchanges where they are listed, without following the procedure in Chapter IV.

(3) A delisting of equity shares may be made under subregulation (1) or sub-regulation (2) only if, in addition to fulfilment of the requirements of regulation 8, the following conditions are fulfilled:-

(a) the promoter appoints a merchant banker and decides an exit price in consultation with him;

(b) the exit price offered to the public shareholders shall not be less than the price arrived at in consultation with the merchant banker;

(c) the promoter writes individually to all public shareholders in the company informing them of his intention to get the equity shares delisted, indicating the exit price together with the justification therefor and seeking their consent for the proposal for delisting;

(d) at least ninety per cent. of such public shareholders give their positive consent in writing to the proposal for delisting, and have consented either to sell their equity shares at the price offered by the promoter or to remain holders of the equity shares even if they are delisted;

(e) the promoter completes the process of inviting the positive consent and finalisation of the proposal for delisting of equity shares within seventy five working days of the first communication made under clause (c);

(f) the promoter makes payment of consideration in cash within fifteen working days from the date of expiry of seventy five working days stipulated in clause (e).

(4) The communication made to the public shareholders under clause (c) of sub-regulation (3) shall contain justification for the offer price with particular reference to the applicable parameters mentioned in regulation 15 and specifically mention that consent for

the proposal would include consent for dispensing with the exit price discovery through book building method.

(5) The concerned recognised stock exchange may delist such equity shares upon satisfying itself of compliance with this regulation.

Delisting in case of winding up, derecognition, etc.

(1) In case of winding up proceedings of a company whose equity shares are listed on a recognised stock exchange, the rights, if any, of the shareholders of such company shall be in accordance with the laws applicable to those proceedings.

(2) Where the Board withdraws recognition granted to a stock exchange or refuses renewal of recognition to it, the Board may, in the interest of investors pass appropriate order in respect of the status of equity shares of the companies listed on that exchange.

1.4 CAUSES OF DELISTING:

<u>COMPULSORY DELISTING</u>	<u>VOLUNTARY DELISTING</u>
<ul style="list-style-type: none">• Non payment of listing fees.• Non compliance with listing requirements and listing agreement.• Non redressal of investor's complaints despite repeated reminders.• Unfair trading practices at the behest of the promoters/ management.• Other malpractice such as fake, original or duplicate share certificates deliberately issued by the management.• Whereabouts of the Company / or its Promoters / Directors not known• Reduction in the number of public holders of securities.	<ul style="list-style-type: none">• A Listed Company finds the listing fees payable to the stock exchanges burdensome and disproportionate to the benefits accruing to the company or its stock holders.• Regional imbalance of the holders of the securities• Negligible trading or total absence of trading for a considerable long period of time.• The company has either suspended its business or is under closure or has become sick industrial company.• Small capital base or failure to comply with the requirement of increasing the capital, not justifying listing to be continued.• Mergers, Amalgamations, Takeovers, etc.

1.5 PROCEDURE FOR DELISTING OF SECURITIES

The following procedure is to be followed for voluntary delisting of securities from the Stock Exchanges.

1. BOARD APPROVAL

Convening a meeting of the Board of Directors of the Company after issuing a notice preferably in writing to all the directors of the Company in accordance with the provisions of Sec. 286 of the Companies Act, 1956 and to pass a resolution on the following:

- (a) proposal for delisting the shares of the Company.
- (b) for convening General Meeting for obtaining the consent of the members by way of a special resolution and fix up the date, time, place and agenda for convening the same. The agenda can be included in the Annual General Meeting also.

2. INTIMATION TO STOCK EXCHANGES:

Immediately after the Board Meeting, a certified copy of the Board Resolution proposing the delisting of the securities from the said Stock Exchange is to be submitted to the required Stock Exchange. Similarly, two copies of the notice of the general meeting is also to be sent to the Stock Exchanges.

3. MEMBERS APPROVAL:

The notice convening the General Meeting is to be sent in writing at least twenty-one clear days before the date of the meeting to the shareholders of the Comapny. Suitable Explanatory Statement as provided under Sec.173 (2) of the Companies Act, 1956 is to be attached to the Resolution.

The General Meeting is to be held on the given date and the Special Resolution referred above is passed. The Companies (Passing of resolution by postal ballot) Rules, 2001 are not applicable for delisting of securities from Stock Exchanges. Accordingly, the Special Resolution has to be passed in the conventional manner only in Extra Ordinary General Meeting or Annual General Meeting.

4. FILING OF FORMS WITH THE REGISTRAR OF COMPANIES:

Within thirty days of passing the Special resolution, the Company is required to file Form No. 23 of the Companies (Central Government`s) General Rules & Forms, 1956 with the concerned Registrar of Companies, enclosing a certified copy of the resolution, explanatory statement and the notice of such meeting alongwith the payment of the requisite fee as prescribed under Schedule X to the Companies Act, 1956 either by way of cash, demand draft or treasury challan.

5. PUBLICATION OF NOTICE IN NEWS PAPERS:

The Company desiring to delist the securities shall publish a notice in newspapers (one in all India English Newspaper and one in regional language newspaper of the region) with detailed explanation and justification for the proposed delisting. A copy of the notice shall be filed with the stock exchange.

6. EXIT OPPORTUNITY TO SHAREHOLDERS OF THE REGION:

The holders of the securities in the region where the concerned stock exchange is located should be given an exit opportunity requiring the promoters or those who are in the control of the management of the Company to buy or to make arrangement for buying the securities of such holders.

7. PURCHASE PRICE:

The price at which the shares are to be bought shall not be less than the weighted average of the traded price of the security in the preceding six months at any of the Stock Exchanges on which the securities are listed and where the highest of the volume of the securities was traded.

In case there was no trading at any of the Exchanges during the preceding six months, the price for the purpose of buying of the securities should be a fair price to be computed by the Auditors of the Company. The Company shall submit a certificate from the Auditor certifying that the price has been fixed as per SEBI Guidelines, giving the details of calculation.

8. SUBMISSION OF LIST OF SHAREHOLDERS TO STOCK EXCHANGE:

The Company desiring to voluntarily delist the shares shall submit a complete list of the shareholders of the region, duly certified by the Auditor and / or Registrar and Transfer Agent and / or Managers to the offer, where the concerned Stock Exchange is located and from which the company is seeking delisting.

Where no shareholder resides in the region of the concerned stock exchange the company should furnish the certificate of its registrars and transfer agent and of Managing Director /Company Secretary /Auditors of the company or practicing company secretary to that effect.

9. RECORD DATE:

The Company shall fix a Record Date to determine the shareholders of the region to whom the offer letters are to be sent and the same shall be intimated to the Stock Exchange.

10. OFFER TO BUY SHARES:

The Company shall send a circular / letter of offer to each and every share holder of the regional stock exchange from which the securities are proposed to be delisted. The circular / offer letter shall contain all details viz., back ground of the persons) who is / are buying the shares, where the share certificates are to be sent, offer price, details of payment, detailed explanation and justification for the proposed de-listing etc.

11. AUDITOR/RTA'S CERTIFICATE:

The Company shall obtain a certificate from the Auditors/Share Transfer Agent that the Circular/Letter of Offer has been dispatched to all the shareholders of the concerned region before the opening date of the offer and send the same along with two copies of the Circular/Letter of Offer to the Stock Exchange(s) from where the securities are proposed to be delisted.

12. MINIMUM PERIOD FOR OFFER TO BUY:

The offer to buy the securities as aforesaid shall be kept open for a minimum period of 30 days similar to that of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997.

13. MANNER OF PAYMENT FOR SHARES BOUGHT BACK:

The consideration amount shall be calculated and the entire amount shall be kept in a separate bank account (Escrow Account) before the opening of the offer. A certificate from the Auditor to this effect shall be submitted to the Stock Exchange before the opening of the offer. The promoter(s)/person(s) who is /are buying the securities can make use of the balance amount after the payment of the consideration amount to the shareholders from whom the shares have been bought back. The shareholders from whom the shares have been accepted, only after all the formalities are completed, including the transfer of shares.

14. TIME LIMIT FOR PAYMENT OF SHARES BOUGHT BACK:

All the formalities in connection with the offer including the payment of consideration and transfer of securities shall be completed within 30 days from the date of the closure of the offer. The Company shall also furnish the details of the response received for the said offer viz., number of shares for which offers have been received, rejection if any, number of shares accepted etc.

15. AUDITOR'S CERTIFICATES REGARDING PAYMENT, etc.:

The Company shall submit a certificate from the statutory auditors of the Company certifying that the consideration amount has been paid and all transfers have been effected. Similarly, the Company shall furnish another certificate from the Statutory Auditors that the company has complied with all the requirements, SEBI guidelines and Stock Exchange procedures in connection with the purchase of the aforesaid shares.

In case the aforesaid purchase of shares results in purchase of shares in excess of the limits prescribed under the SEBI (substantial Acquisition of Shares and Take Over) Regulations, 1997 the Company shall take up the matter with the SEBI for getting necessary exemption.

16. CLEARANCE OF INVESTOR COMPLAINTS OF THE REGION:

The Company seeking to delist the securities from a particular region should ensure that all the complaints of the region are attended to and such company shall furnish a certificate from the auditors of the company that there are no pending complaints from that region.

A certificate from the regional stock exchange to the effect that the company remains listed on the regional stock exchange is also required to be furnished.

Also submit the details of financial position of the company whether it is a profit making company, loss making company or closed Company in terms of production or commercial transactions or a sick company registered with BIFR. If it is a BIFR registered company, please furnish the necessary documentary evidence.

17. PAYMENT OF LISTING FEE ARREARS:

The Company desiring to delist the securities from a particular stock exchange shall pay the Annual Listing fee till the date of delisting. There shall not be any arrears of listing fee payable to the stock exchange at the time of consideration of application for delisting of securities.

18. APPLICATION FOR DELISTING:

A Company shall make application to the Stock Exchange for delisting of shares only on completion of the aforesaid formalities.

19. MENTION IN THE DIRECTORS' REPORT:

The Company shall disclose the fact of delisting together with a statement of reasons and justification therefor in the Directors Report of the Company and a copy of the same be sent to the Stock Exchange immediately on dispatch of the notice of the Annual General Meeting to the members of the Company.

TABLE 1.5.1: AGENCIES INVOLVED IN DELISTING PROCESS AND THEIR ROLE.

AGENCIES	FUNCTIONS
MERCHANT BANKER	<ul style="list-style-type: none"> • DETERMINES EXIT PRICE. • MAKES PUBLIC ANNOUNCEMENTS. • DETERMINES BIDING CENTRES. • APPOINTS TRADING MEMBERS. • DETERMINES AND ANNOUNCES FINAL TRADING PRICE. • OVERSEAS SETTLEMENT PROCESS.
PROFESSIONALS INVOLVED	<ul style="list-style-type: none"> • INTIMATES STOCK EXCHANGE. • GETS SPECIAL RESOLUTION APPROVED AND FILED AT ROC. • DETERMINES EXIT PRICE. • FINALIZES SCHEDULE OF DELISTING. • OVERSEES BOOK BUILDING PROCESS. • OPENS ESCROW ACCOUNT. • PREPARES PUBLIC ANNOUNCEMENT. • DETERMINES AND ANNOUNCES FINAL OFFER PRICE. • OVERSEES SETTLEMENT PROCEDURE.

CHAPTER 2:REVIEW OF LITERATURE

The delisting phenomenon is an issue that still remains little investigated in many countries. We see greater attention being paid to operations aimed at the abandonment of the regulated market, and, for this reason, we considered it appropriate to undertake a systematic analysis of the international literature to identify the knowledge objectives pursued by the most authoritative doctrine in the various scientific papers.

The BSE has issued guidelines on tendering and settlement of shares through its platform, effective from 1 July,2015 to make delisting, buyback and takeover offers easier. BSE said, “Facility for acquisition of shares through the stock exchange mechanism pursuant to offer would be available on the bourse in the form of a separate window (acquisition window).”

According to Rachit Gupta (Columnist, IndiaTvNews.com) “The 2015 Amendment aims at striking a balance between a company’s commercial need to delist and protect the interest of public shareholders. It not only brings about amendments to simplify the delisting process, but also incorporates new obligations to ensure fair conduct by the board of directors and promoters. Permitting delisting pursuant to open offers is also a welcome step and may act as impetus for M&A activities in India. However, certain aspects such as timeline for submission of merchant banker’s report, grant of exemption by SEBI etc. may require further clarifications through SEBI directions to ensure smooth and effective delisting.”

According to Martinez and Serve (2011), the decision of delisting is made when the listing costs exceed the benefits of staying public, i.e., when one of the following occur: (i) the benefits decrease below the threshold at which the benefits of being public exceed the costs or (ii) the costs increase above the threshold at which costs exceed benefits.

Bharath and Dittmar (2010) argued that because theories related to the costs and benefits of going public are trade-off type theories, they can also be used to analyze why firms decide to delist. Thus, according to these theories, the decision to go private will depend on the market timing.

The delisting of corporations does not represent a single area of study in the international literature, as scholars tend to separately concentrate their attention on particular types of delisting. For the most part, existing research tends to identify delisting as the result of a going-private transaction, i.e. a transaction or a series of transactions that convert a publicly traded company into a private entity.

Other studies address delisting as the result of a going-dark strategy (Marosi&Massoud 2007) typical of the U.S. market, where companies cease SEC reporting, but continue to trade publicly on less regulated markets (for example, the pink sheets system). In particular, Leuz et al. (2008) demonstrate that going dark and going private are distinct economic events.

According to studies by Amihud and Mendelson, 1998; Bolton and Von Thadden, 1998; Boot et al., 2006), the liquidity of share trading is a primary benefit of listing. As a consequence, if the stocks' liquidity benefit deteriorates, the firm will be more likely to go for delisting of shares.

According to Kim and Lyn (1991), when the management knows that the share price is undervalued, they may decide to delist for strategic reasons, to extract private benefits and to avoid the opportunity costs of staying listed.

The seminar paper of DeAngelo et al. (1984) investigated the motivations behind delisting transactions and their consequences for the minority shareholders. These authors emphasized that a GPT potentially generates gains through a reduction in listing costs and the introduction of an ownership structure that improves the incentives for managers.

CHAPTER 3: RESEARCH METHODOLOGY

3.1 RESEARCH OBJECTIVES

The following are the research objectives:

1. An industry wide analysis trend of listed companies who have opted for delisting.
2. To study the progression of delisted companies from BSE.
3. To identify the reasons for delisting.

3.2 RESEARCH METHODOLOGY

For the purpose of the present study, mainly literature survey and secondary data has been used. The required secondary data was collected from the Official Website, various Journals and Research Papers, diagnostic study reports and newspaper articles have been surveyed in making this study.

3.3. RATIONALE

Traditionally, delisting of shares has not been encouraged in India since it was perceived to affect negatively the depth and liquidity of the stocks. However, over time, it was realized that in a market driven economy and an overall liberalized environment, companies have gone for delisting. The year 2004 witnessed the maximum companies (977) getting delisted on stock exchange. This study has been taken up to analyse the trend of number of companies which got delisted from the period of 2001-2007 and 2008-2014 respectively. Also there was a need felt to examine the reasons for such high delisting over the years and its impact on the investors as well as on companies.

3.4 SCOPE

For the purpose of the study the researchers have taken a base of 7 years and have made a comparison of companies which have delisted from 2001-2007 with the number of companies between 2007-2014. The study also focuses on the reasons of the companies getting delisted and its impact on the investors as well as on the companies. A PLD model has also been suggested to reduce the severity of impact on the investors.

CHAPTER 4: DATA ANALYSIS AND INTERPRETATION

4.1 DATA ANALYSIS AND INTERPRETATION

The researchers have collected data so as to analyse the trend of delisting in India. To understand this trend it is inevitable to understand the exact meaning of Delisting-

WHAT IS DELISTING?

To be able to understand the meaning of delisting, one has to first understand the meaning of the word “Listing”.

Listing means admission of a Company’s securities to the trading platform of a Stock Exchange, so as to provide marketability and liquidity to the security holders.

LISTING = STOCK EXCHANGES + COMPANY

“Delisting” is totally the reverse of listing. To delist 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 tradeable at that stock exchange.

DELISTING = STOCK EXCHANGES - COMPANIES

"Delisting" i.e. the said removal from a Stock Exchange, may be Voluntary (i.e. at the will of the Company) or Compulsory (i.e. out of a penal action by the Stock Exchanges, for the reason of any violations/ lapses).

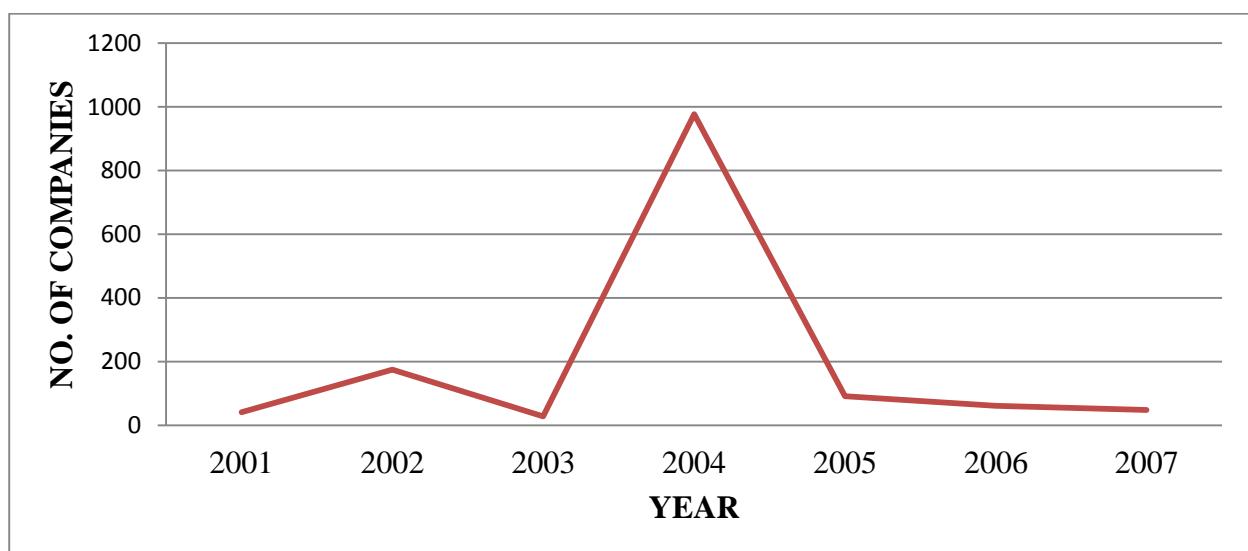
Delisting refers to the removal of a listed security from the exchange on which it trades. Stock is removed from an exchange because the company for which the stock is issued, is not in compliance with the listing requirements of the exchange or when a company goes private, is bought out, declares bankruptcy

The researchers have collected the following data about the number of companies delisted from the Bombay Stock Exchange. YOY Analysis of the number of companies delisting. There is a comparison made between companies that have delisted from 2001-2007 with the number of companies delisting between 2008-2014.

Trend of Companies delisting

Following is a comparison of how the number of companies delisting from BSE has changed. Comparison of the last 7 years (2008-14) with 7 years before them (2001-07) has been made.

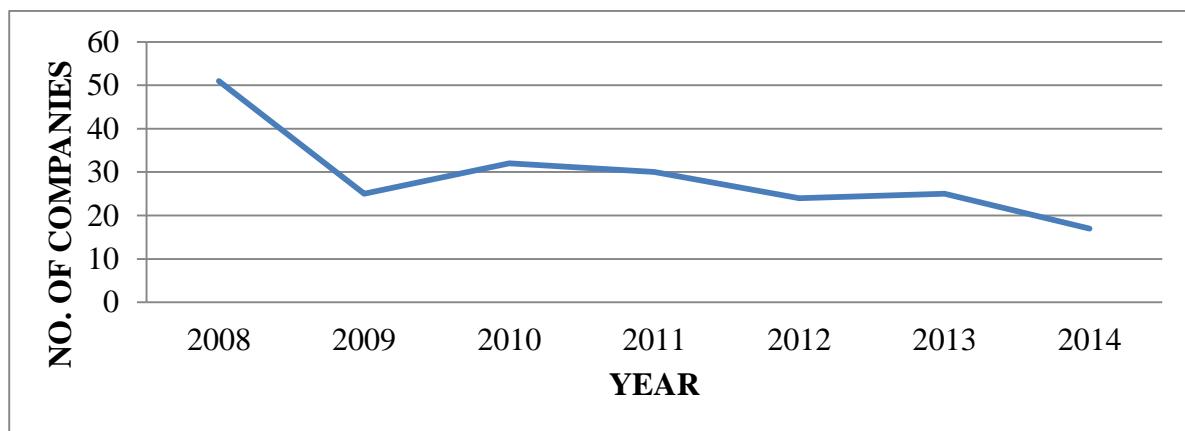
GRAPH 4.1.1: TREND OF THE NUMBER OF COMPANIES THAT HAVE DELISTED IN THE PERIOD 2001 TO 2007.



Source- *Bombay Stock Exchange official website-www.bseindia.com*

The researchers observe that 41 companies were delisted in the year 2001. This saw a huge jump to 175 companies in 2002. The trend remained low in 2003 but the year 2004 was a big year where SEBI delisted 977 companies. 2005 and 2006 still saw a sizeable number of companies getting delisted.

GRAPH 4.1.2: TREND OF THE NUMBER OF COMPANIES THAT HAVE DELISTED IN THE PERIOD 2008 TO 2014.



Source- *Bombay Stock Exchange official website-www.bseindia.com*

In the year 2008, 51 companies got delisted while in 2009, there was decline in the companies getting delisted. 2014 saw just 17 companies getting delisted.

The year 2004 saw a huge spurt in the number of companies getting delisted i.e.977 companies got delisted in the year of which 876 companies were compulsorily delisted by SEBI for non-compliance with regulations.

Companies go for delisting, whether voluntary or compulsory, due to following reasons-

1) Reasons for Involuntary Delisting

1) Non Payment of Listing Fees

For initial listing, every listed company is required to pay fees to each Stock Exchange on which its securities are listed. Annual listing fees are also payable every year. Many companies default on the payment of annual listing fees to the Stock Exchanges. This breach of the Listing Agreement enables the Stock Exchange to resort to compulsory delisting of the securities of the defaulting company. Delisting has been resorted to due to non-payment of the annual listing fees in over 95% cases.

2) Non Compliance with listing requirements:

BSE has set various guidelines and forms that need to be adhered to and submitted by new companies and companies delisted by BSE seeking Relisting on BSE. Some of the requirements revolve around minimum post issue paid up capital, submission of letter of Application, depositing 1% of issue amount with Stock Exchange before issue opens, etc. Penal action is taken against defaulting companies and a company maybe compulsorily delisted for disregarding these requirements.

EXAMPLE:Hoganas India Ltd. Was delisted due to non-compliance with Clause 21(3)(a) of the SEBI(SAST) Regulations 2004.

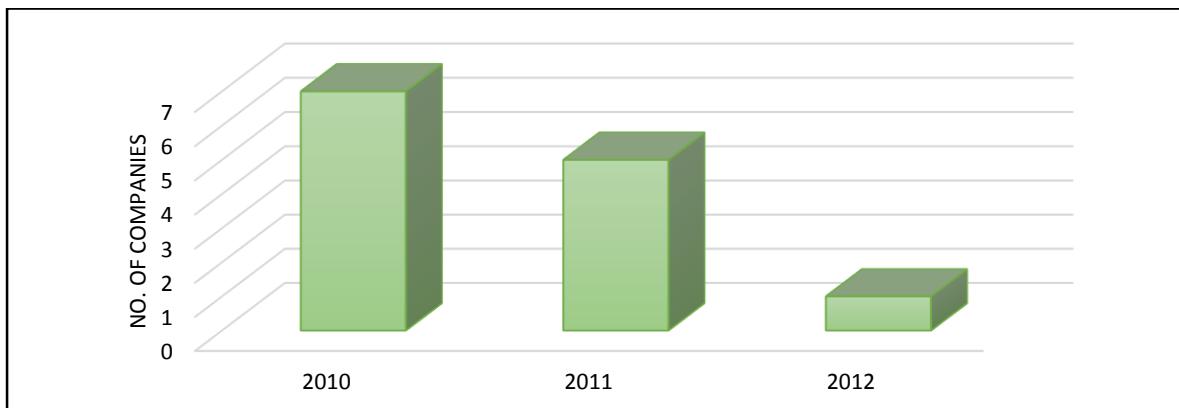
3) Non Compliance with Listing Agreement

All Issuers whose securities are listed on the Stock Exchange shall comply with the listing conditions and requirements contained in the Listing Agreement Form or such other conditions and requirements as the Relevant Authority may from time to time prescribe in addition thereto or in modification or substitution thereof. Non Compliance with Listing Agreement may lead to compulsory delisting of a company.The year 2004 saw a huge spurt in the number of companies getting delisted i.e.977 companies got delisted in the year of

which 876 companies were compulsorily delisted by SEBI for non-compliance with regulations.

EXAMPLE: Companies that have delisted due to non-compliance with listing agreement includes Bhurka Gasses Ltd which delisted in 2008, Sulzer India Ltd. Which delisted in 2010,Nidhi Polyester Ltd. which delisted in 2012.

GRAPH 4.1.3: TREND OF THE NUMBER OF COMPANIES THAT HAVE DELISTED DUE TO SEBI DELISTING NORMS.



Source- *Bombay Stock Exchange official website-www.bseindia.com*

4) Absence or Negligible Trading

Lack of trading on stock exchange is another reason which makes continuous listing pointless. They opt to delist their securities for eliminating ongoing costs associated with listing (such as annual listing fee, fee payable to share transfer agents), and dispense onerous compliances under listing agreements.

5) Non Redressal of Investors' complaints despite repeated reminders

SEBI may slap heavy penalties or altogether bar a company from trading like it did in the case of Sparkle Foods till investor grievances were resolved. Failure in getting registered with SEBI's online complaint redressal system as well as delay in addressing investor grievances even after reminder letters may lead to delisting of a company.

6) Unfair Trading Practices

Dealing in securities shall be deemed to be a fraudulent or an unfair trade practice if it involves fraud and may include creating false appearance of trading, act or omission amounting to manipulation of the price of a security, selling, dealing or pledging of stolen or counterfeit security whether in physical or dematerialized form, etc.

7) **Malpractices**

Other malpractices such as fake, original or duplicate share certificates deliberately issued by the management of a company may attract an order for compulsory delisting of securities of the same.

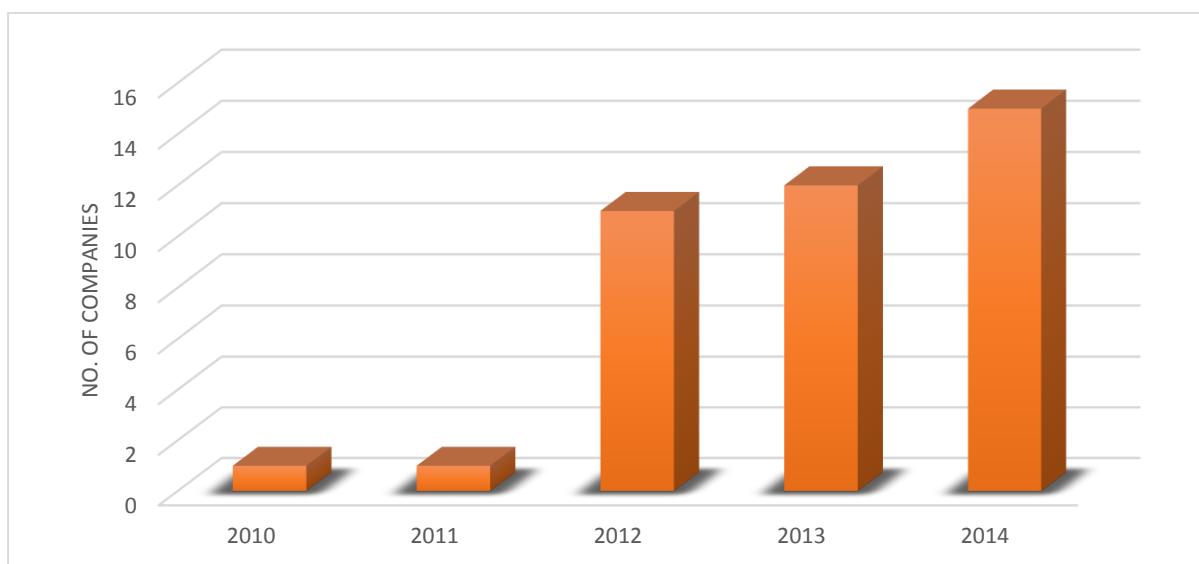
8) A company maybe delisted if **whereabouts of the company and/or it's directors and/or promoters is unknown and they are untraceable.**

9) **Reduction in number of public holders of securities**

A drastic fall in the number of public holders of a security may lead to a voluntary delisting of the security.

10) **Reasons for Voluntary Delisting :**

GRAPH 4.1.4: TREND OF NUMBER OF COMPANIES THAT HAVE DELISTED VOLUNTARILY.



Source- *Bombay Stock Exchange official website-www.bseindia.com*

From the above diagram it is seen that the number of companies going for voluntary delisting have increased from just 1 company in 2010 and 2011 to 15 companies in the year 2014. This shows that companies are growing aware about the negative consequences of having delisting forced by SEBI norms. Reasons for voluntary delisting are as follows-

1. Obtaining full ownership

The most common reason for voluntary delisting of shares is to obtain full ownership of the company, which is seen to provide the promoters with increased operational flexibility to support company's business needs and to provide exit opportunity to the public shareholders of the company.

CASE STUDY: Shares of Alfa Laval India were discontinued , pursuant to a delisting offer made by its promoter, Sweden-based Alfa Laval Corporate AB, for the public shareholders as its Swedish parent joined a host of other multinational companies (MNCs) to delist their local units from the Indian stock market. The stock market has witnessed a slew of delisting and the promoters have been MNCs for most of these entities. Some of the entities having announced or got delisted include IT firm Patni Computer, media and entertainment firm UTV Software Communications, Carol Info Service and Exedy India. Market experts attributed the trend to an opportunity for the promoters to buy out the minority public shareholders at low valuations prevailing currently.

2. Cost Saving

A Listed Company finds the listing fees payable to the stock exchanges, legal fees and other compliance costs burdensome and disproportionate to the benefits accruing to the company or its stock holders.

3. Geographical Impracticality

Regional imbalance of the holders of the securities either due to shifting of the companies registered office and / or location of manufacturing unit, or for any other reason.

4. Obsolescence

The company may choose to delist if negligible trading or total absence of trading prevails for a considerable long period of time. The company could have either suspended its business or may be under closure or has become sick industrial company.

5. Mergers & Acquisitions

Following the closure of the transaction of a merger between two companies, the acquiree or merging company, gets delisted from the stock exchange and only shares of the company resulting after the merger or acquisition are traded.

CASE STUDY: Trading in shares of Ranbaxy was discontinued on 6th April, 2015 following its merger with Sun Pharma. The shareholders of Ranbaxy received 0.8 shares of Sun Pharma for each share held in Ranbaxy.

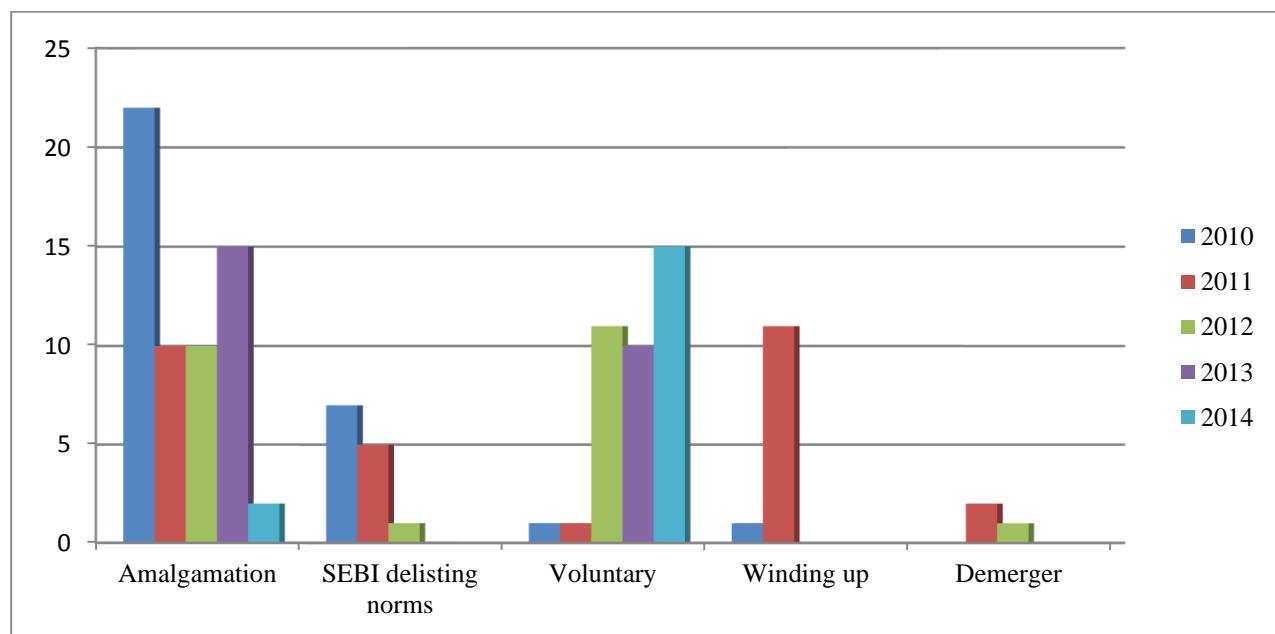
This chart depicts an analysis of how over the years (2010-2014) the companies have delisted due to various reasons.

TABLE 4.1.1: NUMBER OF COMPANIES THAT HAVE DELISTED OVER THE YEARS DUE TO VARIOUS REASONS.

Reason	2010	2011	2012	2013	2014
Amalgamation	22	10	10	15	2
SEBI Delisting Norms	7	5	1	0	0
Voluntary	1	1	11	10	15
Winding up	1	11	0	0	0
Demerger	0	2	1	0	0

Source- Bombay Stock Exchange official website-www.bseindia.com

CHART 4.1.5: NUMBER OF COMPANIES THAT HAVE DELISTED OVER THE YEARS DUE TO VARIOUS REASONS.



Source- Bombay Stock Exchange official website-www.bseindia.com

It is clearly observed that in the year 2010, 2011, 2012 and 2013 amalgamation with another company has been a major reason for delisting like how Millennium Beer Industries Limited amalgamated with United Breweries Limited in the year 2012 and got delisted from BSE. SEBI has used stringent norms in the past years but with major upgradation in the year 2013 and 2014 we clearly see that the number of companies getting delisted due to it has seen a downfall to 0. As stated earlier, delisting voluntarily has seen a spurt. In the last 3 years no company has been delisted due to winding up which shows the consolidating position of the market conditions. Demerger has seen the lowest numbers over the years.

There is a considerable impact seen on shareholders / investors seen due to the delisting of companies. Even the companies which get delisted are affected in several ways. Following is the impact seen on companies as well as investors:

- a. **Impact of Delisting on Companies**
- b. **Impact of Delisting on Shareholders/Investors**

a. Impact of Delisting on Companies

Delisting affects companies in a number of ways as follows:

1) Tax Benefits

Delisting of shares through buyouts lends major value to companies by resulting in tax benefits.

2) Liquidity

Going private frees a lot of blocked funds as the requirement of reserves and provisions is reduced, thus freeing up undistributed cash flows and leading to liquidity and availability of ready cash to carry on operations of the company.

3) Financial Viability

Delisting of shares inevitably leads to increased financial visibility. The extent to which future projections are probable increases.

4) Agency cost

A type of internal cost that arises from, or must be paid to, an agent acting on behalf of a principal. Agency costs arise because of core problems such as conflicts of interest between

shareholders and management. Shareholders wish for management to run the company in a way that increases shareholder value. Once shares are delisted, the company no longer has to incur agency cost.

5) **Compliance costs**

Once a company is delisted it no longer has to incur compliance costs associated with listing such as annual listing fee, fees payable to share transfer agents, etc.

However, Delisting can make it more difficult for a company to raise money, and in this respect, it sometimes is a first step towards bankruptcy. For example, delisting may trigger a company's creditors to call in loans, or its credit rating might be further downgraded, increasing its interest expenses and potentially even pushing it into the red.

The companies that get delisted may lose credibility as shareholders lose faith in the stock. Institutional investors are restricted from researching and buying them. Investors who already own a stock prior to the delisting may be forced by their investment mandates to liquidate their positions, further depressing the company's share price by increasing the selling supply. This lack of coverage and buying pressure minimises the chances of the company operating in profitability post delisting.

b. Impact of Delisting on Shareholders

Following are the different ways in which shareholders are affected by delisting:

1) **Ownership**

When shareholders buy a stock, they own it until they either sell it or, in some cases, the company redeems it from them. If a stock gets delisted, shareholders don't have to hand over their ownership rights. However, those rights often become worthless. In many cases, delisting occurs due to corporate bankruptcy, which typically wipes out original shareholders in favor of newly issued stock. Even if shareholders hold on to their delisted shares, they often won't receive any shares in the company when it emerges from bankruptcy.

2) **Decline in Value**

Before a stock gets delisted, an announcement is made to the marketplace. Sometimes, a company will voluntarily delist its shares and make the announcement itself, but other times

an exchange will announce that a company no longer meets its listing requirements. Because a delisted stock can be hard to sell, many investors will sell after a delisting announcement, driving the price down. This is particularly true in cases of bankruptcy, where there is usually no use in holding on to the delisted shares.

3) **Decline in Liquidity**

A shareholder in a stock is free to sell the stock to whoever will buy it. Trade does not necessarily have to occur on a stock exchange. However, one of the main reasons for the existence of the stock exchanges is to provide liquidity for investors. Liquidity refers to the availability of buyers and sellers in a particular stock. Normally, when shareholders want to sell a stock, they simply enter an order with their broker, and their shares find their way into the hands of a willing buyer. If shareholder's stock gets delisted, it will usually trade on the "over-the-counter" market, which doesn't provide easy access to buyers. It could become difficult, if not impossible, to sell their stock. However, over the counter trading is not permitted in India.

4) **Private Buyout**

In some cases, a stock getting delisted might actually turn out to be a good thing for shareholders. If a company decides to go private instead of remaining publicly traded, it is essentially buying out existing stockholders. In exchange for shares, the company offers shareholder's cash. After the buyout, the shares will be delisted. If you don't accept the buyout offer, shareholders will keep your shares but they will become worthless upon delisting.

5) **Release of blocked funds**

There is a set of Companies, which are defunct or are not being traded or fall under the infrequently traded category at any of the Exchanges. These Companies, by getting delisted, pay off their shareholders on the basis of certain criterion like return on networth, EPS etc, which may be much lesser than the intrinsic value of the share. In cases like above, from the shareholders' point of view, although might be receiving a lesser value than the actual worth, but he stands to benefit in the sense that his blocked funds get released, which now he can utilise in other scrips. Also, he is relieved of the tension of carrying the dead stock on his head.

On a comparison of all the above situations, we will realise all the situations have their pros and cons. If a situation is beneficial for one, the other stands to lose. In certain situations, delisting becomes imperative to relieve the system of the unwanted trash companies. Thus, a complete ban on delisting is not possible. A judicious mix of listings and delistings has to be there in the system, to make it run smoothly.

CHAPTER 5: CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

A decreasing trend of delisting among the companies in India is being witnessed. Companies are becoming more and more conscious about the norms of the country. Stringent punishment and strict action by the authorities has been seen. One such example is the year 2004 where BSE saw a delisting of 977 companies at one stroke majority of them due to non-compliance with norms and guidelines. Rapid and non-sensitive actions by authorities have made companies more conscious.

The reasons for the fall in the number of companies getting delisted are-

1. Rapid action by SEBI has made the companies well aware of the risk of losing a listing on Stock exchange. Companies know that investors have used their hard earned money because they believed in the organization and also with the aim of earning capital gains. The Income Tax act has been providing exemption to Long Term Capital Gains but only on those shares which are listed on recognized Stock Exchanges. Delisting means losing this exemption, hence investors become wary of taking risks even in the future.
2. The companies have become well aware about the cost that has to be incurred to carry out delisting. This can cost a fortune. Companies try to avoid these costs and believe in maximizing shareholder's wealth.
3. SEBI has softened its stand on the procedures on norms because of the development friendly attitude of the Government over the years, which has helped Companies embrace the softened norms easily.
4. SEBI has become more investor friendly too and thus companies who get delisted tend to suffer for the protection of rights of investors in them.
5. The fear that delisting plan might not be approved or it may fail to garner the interest needed which leads to a financial burden on the organization not only in terms of repayment to the shareholders but also the legal expenses. This can also affect the credibility of the organization.

Thus the mix of fear and the forward sightedness has been instrumental in reducing the trend.

5.2RECOMMENDATIONS

Though the trend of delisting is towards the decreasing end, it is yet not totally stopped. Researchers have proved that delisting has considerable impacts on shareholders as well as companies. Thus there is a need to regulate our capital markets.

Given are below are some suggestions that researchers would like to give to-

- A. Stock Exchange.
 - B. Shareholders.
- A. Suggestions to stock exchange.**

The researchers have suggested a PLD Model to be adopted to curb down the effects of delisting.

CHART 5.2.1: EXISTING MODEL OF OFFERING SHARES ON THE STOCK EXCHANGE.



CHART 5.2.2: PROPOSED MODEL OF OFFERING SHARES ON THE STOCK EXCHANGE.



The PLD Model (i.e. Pink Sheet, Listing and Delisting Model) is being proposed to the authorities i.e. SEBI, which regulates the financial markets in India.

It is suggested that all the things after the delisting remain the same except the introduction of Pink Sheets. The sheet will include the stock of small companies to be listed as well delisted companies that wish to be re listed. This will serve a two fold effect:-

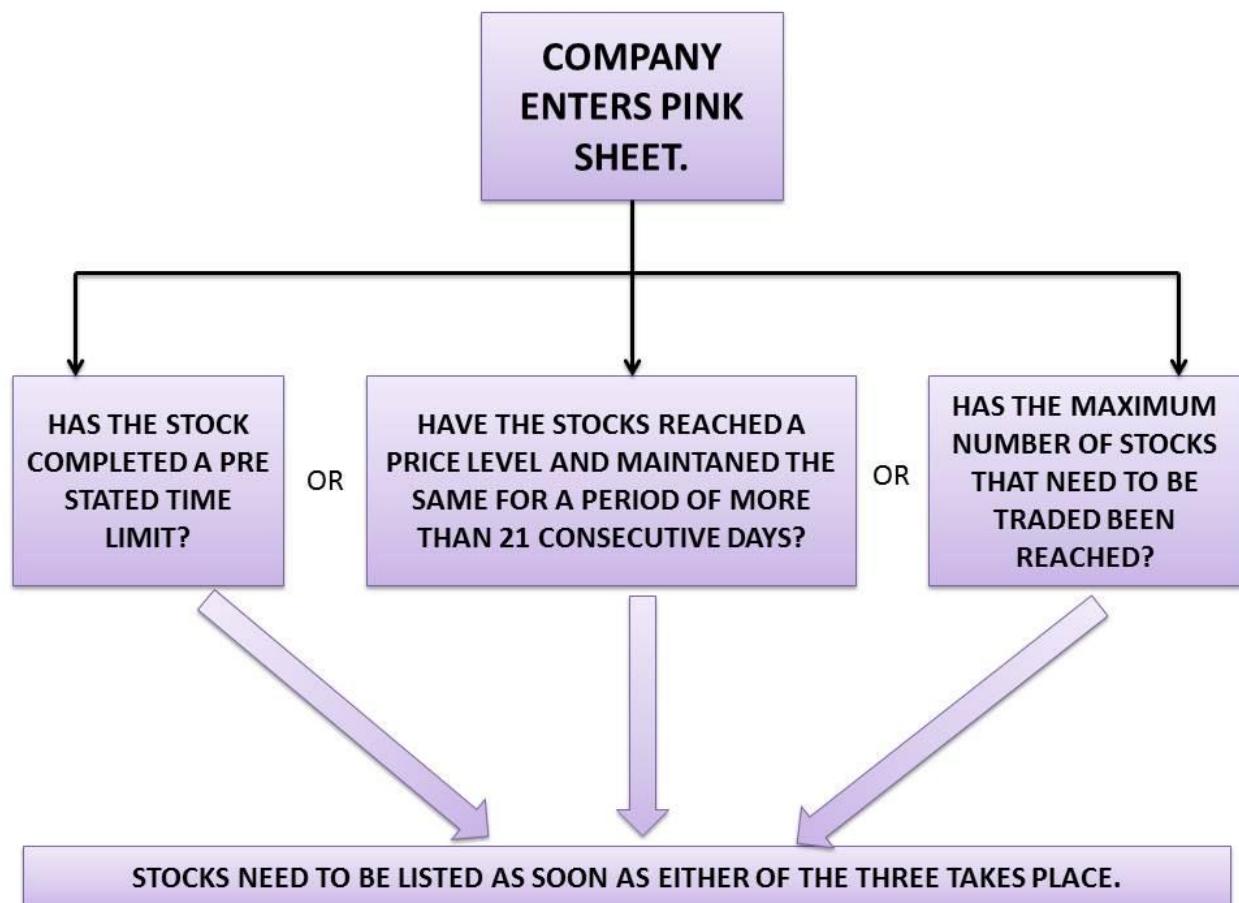
For Companies that want to list their stocks, they can get a good exposure of Market Scenario and instead of failing their IPO at a recognised stock exchange because of inability in garnering the required number of shares, the company can test its viability. This will help the company as well as the stock exchange and free them of the hassles of delisting.

Another impact will be on the companies that have been delisted and want to be relisted. This will ensure prevention of dual failures.

This model includes a pink sheet. This sheet has stocks that need to be traded below a specific price (say Rs.10). At the present there are 6 categories of stock trading on the share market. One may argue that this model is quite similar to 'Z' category stocks, but here researchers will relieve the companies in their infant stage of complying with the burdensome laws right at the beginning. This will have a helping hand in boosting Entrepreneurship.

For getting listed on Pink Sheets no compromise with respect to financial data availability shall be made.

CHART 5.2.3: PROPOSED MODEL OF DEALING IN SHARES ONCE THEY ENTER PINK SHEETS.



The companies after entering the pink sheets can get listed again only once either of the following three conditions gets satisfied-

1. They must have completed a pre stated time period. This will make sure that the companies wishing to get listed again are not such that within months of listing they again start filing for delisting.
2. The price level should be steady for at least a period of 21 days. This will ensure that the situation is not adverse for shareholders once the company lists again i.e. new investors don't lose.
3. The maximum number of stocks that can be traded over pink sheets has to be determined. This is because seeing a relaxation of some essential laws and better subscription, some companies might not want to go for a listing.

This model can serve as a litmus test for both the companies that wish to get listed again after delisting as well as those companies that want to get listed. This is because a point correction at the source can reduce the number of delistings.

Following are some inherent limitation of this model with some suggestions accompanying to eliminate them-

- 1) Companies listed on the Pink Sheets may be difficult to analyze because it is tough to obtain accurate information about them.
- 2) This can be eliminated by maintaining a proper prospectus of each company wishing to get listed.
- 3) Pink Sheets stocks might lack liquidity and might often be thinly traded, which can make them volatile.
- 4) A limit can be placed on the number of shares each company can offer for trade.
- 5) Pink Sheets is not an exchange, but a quotation service, it can result in scams or other potentially harmful investments.
- 6) There is a need to monitor the trade along with stringent punishment if found guilty.
- 7) One common scam involving OTC investors could be the pump and dump scheme where promoters buy the stocks, promote and push up the prices for other investors and then dump their stocks while the late investors are stuck with worthless stock that they overpaid to own. These stocks are often promoted in spam emails or on message boards and blogs.

B. Suggestions to Shareholders.

➤ Recommendations to the Shareholders during delisting-

1. Some investors buy into a stock merely on rumours of delisting or announcement of such an offer. The stock price tends to shoot up for the same reason that a buyback offer excites shareholders—investors expect the company to exit at a sizeable premium to the existing market valuation. However, the stock price need not go up every time.
2. If the company is not able to generate interest among its shareholders at the price it offers, the delisting will not materialise.

3. Sometimes, the company may also reserve the right to not accept the price arrived at through the reverse book-building process.
4. If the delisting does not occur, the stock price can crash as easily as it can soar on delisting announcement. As such, experts do not prescribe blindly chasing stocks that are about to delist.
5. One can succeed in depressed market conditions when one can expect a generous premium to existing prices. Go after such stocks only if genuine intent is shown by the promoters to delist the company. For this, investors should keep track of changes in the promoter holding because firms can delist if promoter shareholding exceeds 90% of the total shares issued.
6. Also, make sure that the market has not already factored in such an eventuality. A higher benefit will accrue to those who buy the stock earlier and hold on till after the delisting announcement.

➤ **Recommendations to shareholders once the PLD Model is implemented.**

Pink Sheets stocks offer exciting opportunities to increase portfolio returns by large magnitudes in a short time. However these opportunities come with significant risks. Investors need to be extremely cautious and diligent with research and analysis of each investment.

1. Investors must know the company and its business properly before investing.

2. He should not cash out.

If seen a pink sheet stock that's ready to take off, it can be hard to keep from cashing out your budget to buy as many shares as you can but this can be dangerous gamble.

3. One must be a Skeptic.

4. Always think well, Then Buy.

5. Don't Get Greedy seeing the opportunity.

Just like when investing in any stock, investors should look for catalysts that will cause a potential investment to go up. Examples of catalysts include any upcoming news that will go

in favour of a company, such as a legal battle, the potential for a merger or acquisition and a new product or service that will increase profits.

4.3 CONCLUSION:

India has been a country where people have looked upon share markets as a gamble. Yet there exists a class of people who have taken share markets to much newer heights and have used it as a medium to garner funds for their operations. People have stayed skeptic since a long time. Frauds in the markets have played their own part in making investors wary of spending their hard earned money for the fear of losing it.

In time where the government has emphasized on developing industries, share markets have played a major role in providing funds to the companies. There is a call to make such conducive environments where investors do not fear that their money might be lost due to any negative impact on the company. This would indicate that even before a company is listed there must be assurance that it won't get delisted so soon that investors don't stand any gains. SEBI has recently amended its guidelines with effect from 1st April, 2015 whereby investors' interest has been given a priority and companies cannot delist without taking care of their interests.

As per the recommendations, the companies only with future viability get a chance to list and gather funds. Delisting has made negative impacts than positive. These recommendations are just one way to ensure that we mitigate the negative impacts.

It has been seen that the delisting trend has seen a negative growth. It has to be ensured that this trend remains low. However this also means that it has to be made sure that companies which might delist due to winding up or due to inability to garner profits must be made to delist immediately to prevent any further losses.

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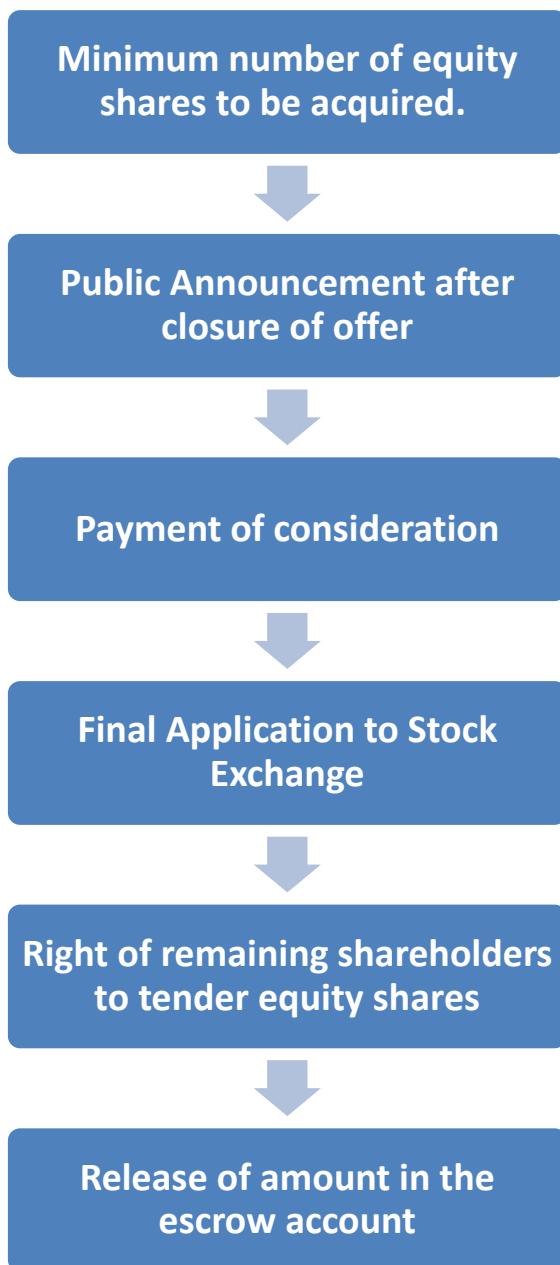
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ANNEXURES

ANNEXURE I : PROCESS OF VOLUNTARY DELISTING FROM ALL STOCK EXCHANGES.



ANNEXURE II : PROCESS OF VOLUNTARY DELISTING FROM ALL STOCK EXCHANGES AFTER THE FINAL PRICE HAS BEEN ACCEPTED.



ANNEXURE III : PROCESS OF VOLUNTARY DELISTING FROM ALL STOCK EXCHANGES AFTER THE FINAL PRICE HAS NOT BEEN ACCEPTED.



ANNEXURE IV :PROCEDURE FOR DELISTING OF SECURITIES

