

# DELISTING OF SHARES

Removal of listed stocks from stock exchange





# **VOLUNTARY DELISTING**



Voluntary delisting occurs when a company decides on its own to remove its securities from a stock exchange. The company pays shareholders to return the shares held by them and removes the entire lot from the exchange.

## **REASONS**

- Benefits of being public overshadowed by its cost
- Mergers with another company
- Multiple shareholders takes longer to make major strategic decisions
- Non-Performance etc.

Companies have to wait for 5 years before listing again.

## PROCESS



Prior Intimation to Stock Exchange  
Board Approval  
A Special Resolution of shareholders



An application to Stock Exchange for in-principle approval



Appointment of Merchant Banker and  
Escrow Account opened for delisting

## PROCESS



Setting the Floor Price i.e. minimum price that shall be paid to the shareholders



Public announcement with basic details, and letter of offer to shareholders



Reverse book-building : Shareholders bid online the prices at which they would be willing to sell the shares

## PROCESS



Determination of the final price and approval of the Promoters.



The delisting offer is deemed successful if the post-offer promoter shareholding is at least 90% of the issued shares.



Public announcement of success or failure of delisting offer and final application to stock exchange for delisting.



# **INVOLUNTARY DELISTING**



The company is forced by the regulatory authority to stop its shares from trading as a penalty. The investors do not have the opportunity to vote against the delisting in this case.

## **REASONS**

- Non-compliance with listing guidelines
- Unfair trading practices at the behest of the promoters/ management
- Bankruptcies where the company has losses for the last 3 years and a negative net worth, etc.

Companies have to wait for 10 years before listing again.



## PROCESS



An independent valuer is appointed who evaluates and determines a fair value of the delisted shares



Promoters are obliged to acquire the shares from the shareholders at the price determine



The investors can't vote against the delisting, but can retain their shareholdings if they have a hope of company getting relisted

## **RECENT DELISTING CASE OF VEDANTA**

Vedanta Ltd had voluntarily decided to delist because of Corporate simplification, feeling it would enhance operational and financial flexibility in a capital intensive business.

The reverse book-building process for public shareholders to tender their shares started on 5 Oct and concluded on 9 Oct.

The public shareholders made a valid tender offer for 125.47 crores shares against minimum requirement of 134 crores for the promoters' shareholding to reach the 90% threshold, thereby failing the delisting process.