



भारतीय प्रतिभूति और विनिमय बोर्ड
Securities and Exchange Board of India

Consultation Paper

SEPARATE CARVE OUT FOR VOLUNTARY DELISTING
OF PUBLIC SECTOR UNDERTAKINGS

MAY 06, 2025



OBJECTIVE

1. The objective of this consultation paper is to seek comments / views / suggestions from the public on creating a separate carve out for voluntary delisting under SEBI (Delisting of Equity Shares) Regulations, 2021 (*hereinafter referred to as “**Delisting Regulations**”*) for public sector undertakings, where the shareholding of promoter / promoter group equals or exceeds 90% of the total issued shares.

BACKGROUND

2. Under Delisting Regulations, delisting of a company is considered to be successful, if the post offer shareholding of the promoter/promoter group along with the shares tendered / offered by public shareholders reaches 90% of the total issued shares.
3. Further, Regulation 19A of Delisting Regulations has stipulated a floor price, below which company's shares cannot be delisted. This floor price is arrived by computing highest of the following parameters-
 - 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.

NEED FOR SEPARATE CARVE OUT FOR DELISTING OF PUBLIC SECTOR UNDERTAKINGS

4. There are certain Public Sector Undertakings (*hereinafter referred to as “PSUs”*) which have thin public float and/or poor financials. Although some of these PSUs may be profitable, they might not have future per se due to several reasons such as outdated product lines, government decisions to sell-off their assets such as individual units etc.
5. However, since the shares of these companies are held by the government, it reduces risks and offer more security for investors resulting in heightened market price, which in certain cases may not be commensurate with the book value of these companies.
6. 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 result into higher budgetary outlay for the Government.

PROPOSALS

7. In view of the aforesaid drawback and in order to facilitate delisting of aforementioned companies, a separate carve out may be created with the following features-

7.1. Proposal 1: Eligibility-

Only those PSUs, whose aggregate shareholding of promoter / promoter group along with the other PSUs equals or exceeds 90% of the total issued shares of the Company (“Eligible PSUs”), may only be eligible for delisting through this separate carve out mechanism.



7.2. Proposal 2: Dispensing with the requirement of complying with MPS

Norms-

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

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

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 need to be atleast 15% premium over the floor price.

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

In cases where the aggregate shareholding of promoter / 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 stems from SCRR, amendment may also be required to be made in the SCRR.

7.5. Proposal 5: Exit Price to the Public Shareholders: Presently, the parameters for determination of floor price, *inter-alia*, in case the company is frequently or infrequently traded are as under-

- ✓ for frequently traded shares - computation of 60 days VWAMP;
- ✓ for infrequently traded shares - computation of valuation parameters.

In order to prescribe the exit price to the public shareholders, following options may be explored-

- 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 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.

7.6. Proposal 6: Transferring the unutilized amount to the designated stock exchange: Presently, the amount lying in the escrow account or the bank guarantee for the purpose of consideration to the public shareholders, is not permitted to be released to the acquirer for a minimum period of 1 year or till

the time payment has been made to the remaining public shareholders who has not tendered, whichever is earlier.

In this regard, it is proposed that in delisting of such PSUs, 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.

PUBLIC COMMENTS

8. Public Comments are solicited on the aforesaid proposals. The comments / suggestions along with rationale may be submitted not later than May 27, 2025 through the following link:

<https://www.sebi.gov.in/sebiweb/publiccommentv2/PublicCommentAction.do?doPublicComments=yes>

9. In case of any technical issue in submitting your comment through web based public comments form, you may write to consultationcfd@sebi.gov.in with the subject: "*Comments on the proposal for Separate carve out for voluntary delisting of Public Sector Undertakings*".
