

12th December 2006

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**COMMENTS ON THE PROPOSED SEBI (DELISTING OF
SECURITIES) REGULATIONS, 2006**

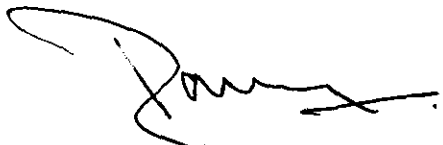
Dear Madam,

This is with reference to the proposed Delisting Regulations. Please find enclosed our comments/ suggestions with regard to the same.

We hope that you will find them useful.

Regards,

For **CORPORATE PROFESSIONALS (INDIA) PVT. LTD.**



(PAVAN KUMAR VIJAY)
MANAGING DIRECTOR

**COMMENTS ON THE PROPOSED SEBI (DELISTING OF SECURITIES)
REGULATIONS, 2006**

1. **Reg. 7(4) & 7(5): [Disposal of applications by Stock Exchanges]:** This is a welcome proposition. This way, even the Stock Exchanges will be under a check to dispose off the applications fast.

2. **Reg. 8(1)(c): [Requirement of obtaining in principle approval]:** This will unnecessarily delay the entire procedure. Already Stock Exchanges take the plea that they are not having the Delisting Meetings.

3. **Proviso to Reg. 8(1)(d):** There should be some time frame for Stock Exchanges to dispose off the pending cases for speedy disposal.

4. **Reg. 8(2)(b): [Compliance of requirements of Cl. 40A of Listing Agreement before delisting]:**
 - 4.1 There does not seem to be much of a viability in this requirement. For instance, for a company wherein promoters shareholding is say, 80%, there is no point in first bringing this shareholding down to 75% and then taking it to 90% or 96%, as the case may be.

 - 4.2 Another corollary to this is that in the case of a company whose shares are not demated, how will the promoters bring their shareholding down to 75% i.e. how will they find the market for the same.

5. **Reg. 8(6)(c):[Considerations while granting in-principle approval by Stock Exchanges]:** Standard compulsory compliances be mandated in the Regulations themselves, otherwise it will be left at the whims and fancies of various Stock Exchanges.

6. **Reg.10:[Public Announcement]:** There should be Standard Announcements for all the Stock Exchanges, with regard to:
 - Public Announcement
 - Post Offer Public Announcement
 - No Public Announcement should be made at the direction of the Stock Exchanges.

7. **Reg. 14(4)(b): [Valuation by registered credit rating agency]:**
 - 7.1 Valuation by registered credit rating agency will increase the cost. It will become very difficult for small and mid cap companies to appoint the Credit Rating Agency.

 - 7.2 Moreover, the criterion should be the Realised Value instead of Book Value.

 - 7.3 The proposal for addition of 25% premium over the determined fair value might not be justifiable in all the circumstances.

8. **Reg. 16: [Minimum Subscription requirements]:** If no shareholders offer their shares, the limit of 90% (or 96%, as the case may be) will not be reached and the entire exercise will go futile.

9. **Reg. 16(2):** In case of failure of an offer, a clause for loss of share certificates should also be inserted. The onus should be on the Merchant Banker.

10. **Reg. 20(1): [Compulsory delisting by a Stock Exchange]:** No grounds as such have been prescribed u/s 21A of SCRA, 1956. These grounds should be specified. A reference of the proposed SCR(Delisting Rules) issued by MOF should also be made therein as well. Comments/ suggestions with regard to the proposed Rules are annexed herewith for your reference.

“Loss making” criterion is not very desirable for judging the viability of a Company. Profits/ losses are a part and parcel of any industry/ company. There are many industries, wherein in the initial phases of their setting up, they suffer losses.

The criterion should instead be “working/ non-working/ functionality/ non-functionality of a company)

11. **Reg. 20(2):** The cases for Compulsory Delisting have to be considered by a panel of directors. What about the cases of Voluntary delisting. These should be allowed to be handled by the ED/ the Secretary of the Exchange.

12. **Reg. 20:** There should also be a provision for the Stock Exchanges to submit on quarterly basis a report to the Board mentioning the cases of Compulsory Delisting, alongwith the reasons thereof.

13. **Reg.24(1): [Relisting requirements]:** 7 years is a very long time. Earlier cooling period of 2 years should be maintained.

14. **Other further provisions that should be included in the Regulations:**

- Exit route for small & mid cap companies
- Easy exit route for companies not listed at BSE/ NSE (but continuing to remain listed at any 1 of the Exchanges)

- Procedure for delisting of Companies with very less (say 50) public shareholders, and continuously remaining infrequently traded for 3 years.
- In case, all the public shareholders of a Company individually agree for complete delisting of the Company from all the Stock Exchange(s), such cases should also be given an opportunity of being delisted.
- In case of compulsorily delisted companies, there should be some clause to keep a check on them/ their promoters, as to see that the public shareholders of such companies are paid the requisite amount. This can be done either by the concerned Stock Exchange(s) or SEBI.

