



**KHAITAN
& CO** ADVOCATES
SINCE 1911



INDIA SNAPSHOT

VOLUNTARY DELISTING OFFERS

2024

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Introduction

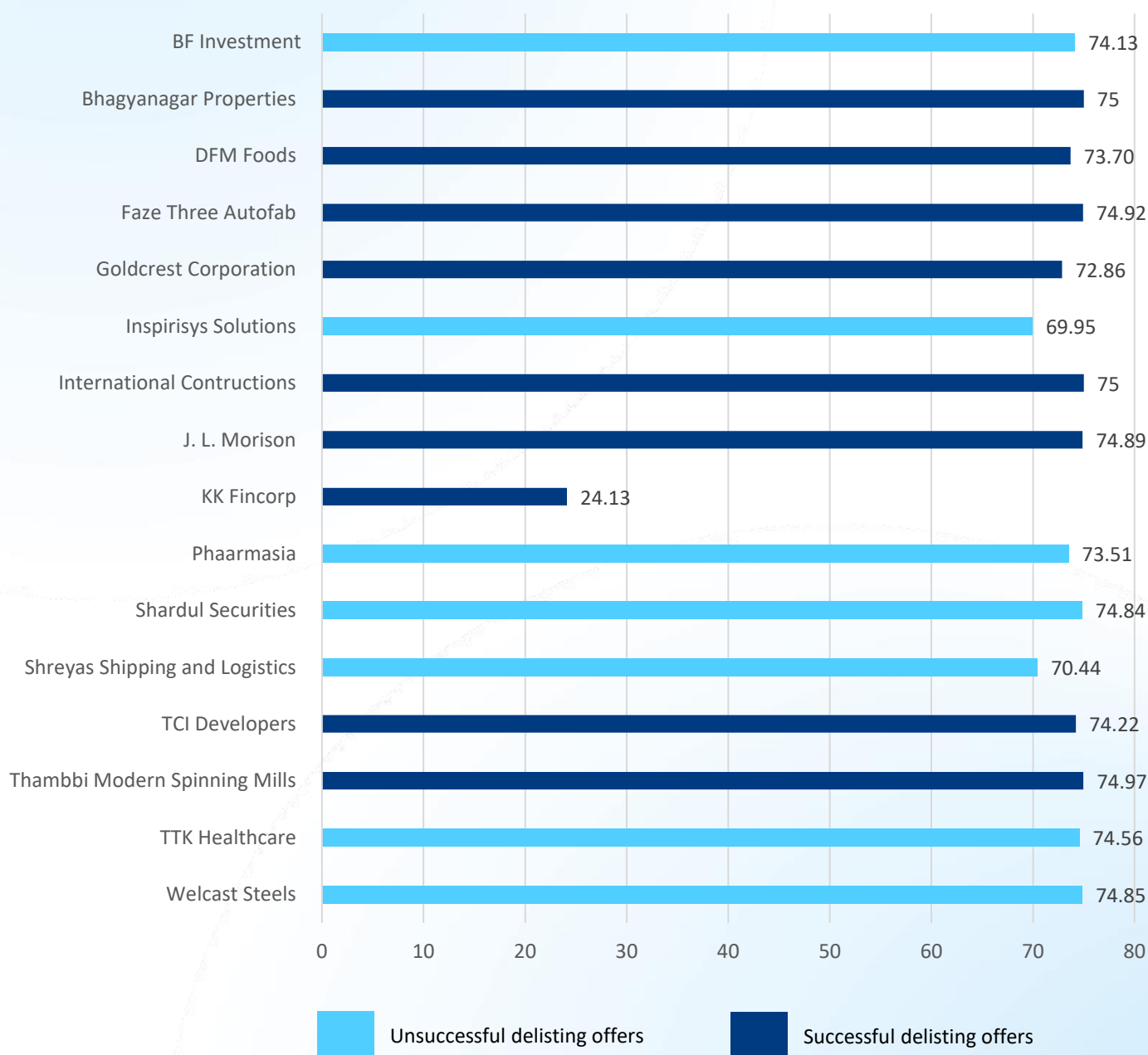


1. In this snapshot, we have provided a broad overview of recent delisting offers* and our key takeaways from deal trends, including pre-launch shareholding and premium expectations
2. We have analysed a total of 16 delisting offers, of which 9 were successful and 7 failed
3. While this data is a helpful reflection of the earlier dynamic pricing regime, we also discuss the key features of the newly introduced fixed price delisting regime

** Our analysis covers voluntary delisting offers attempted during FY 2022-23 and FY 2023-24. It does not cover delisting offers which are currently on-going, or those from stock exchanges other than BSE and NSE, involving the small companies route, cases of compulsory delistings and those through a scheme of arrangement, or where it is pursuant to a winding up situation.*

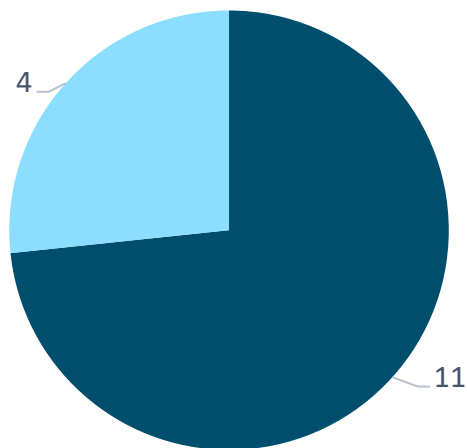
Deal Trends

Pre-delisting promoter shareholding (%)



*In 14 of the 16 delisting offers, the pre-delisting shareholding of the promoter group of the Listco was **70% or more***

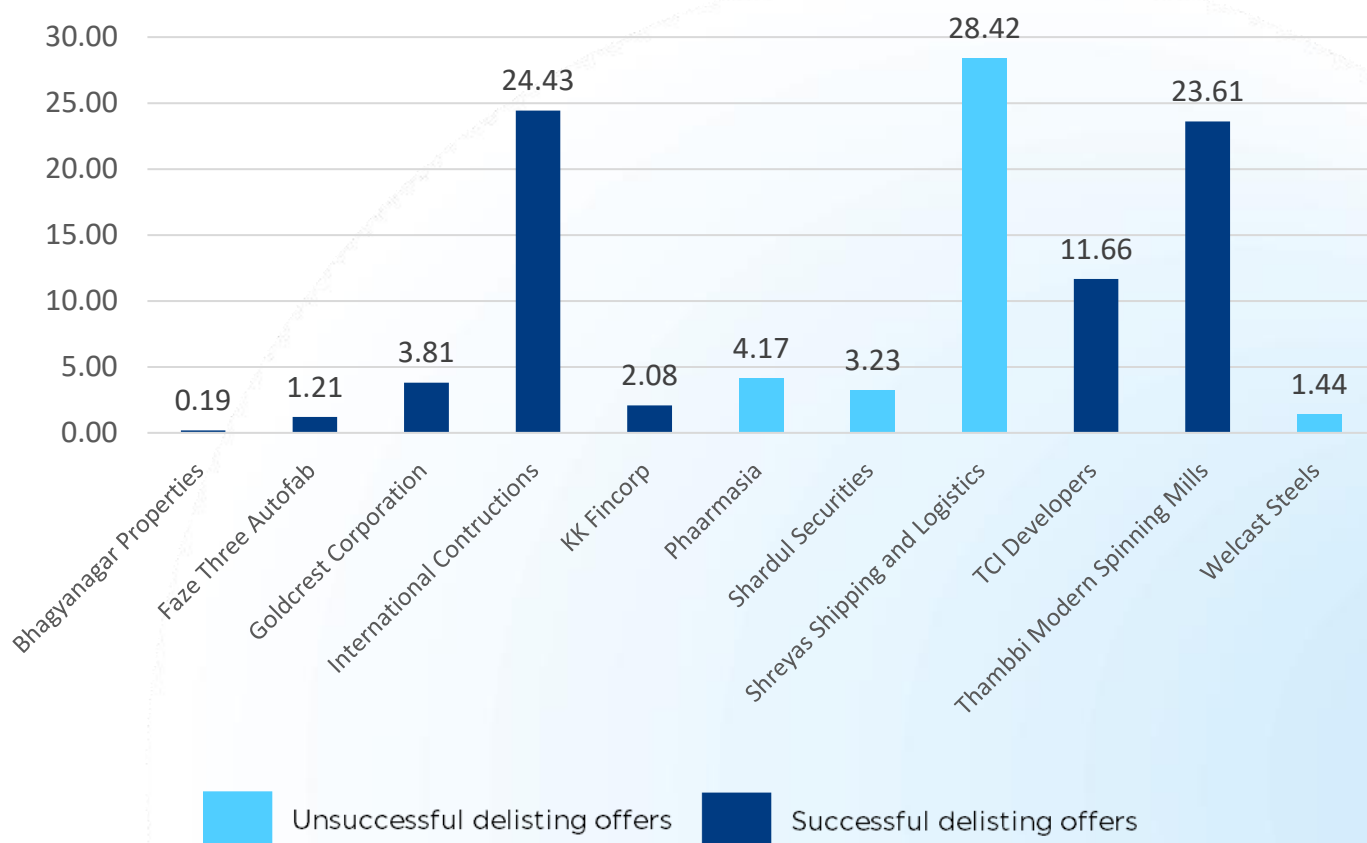
Delisting offers with Indicative Price



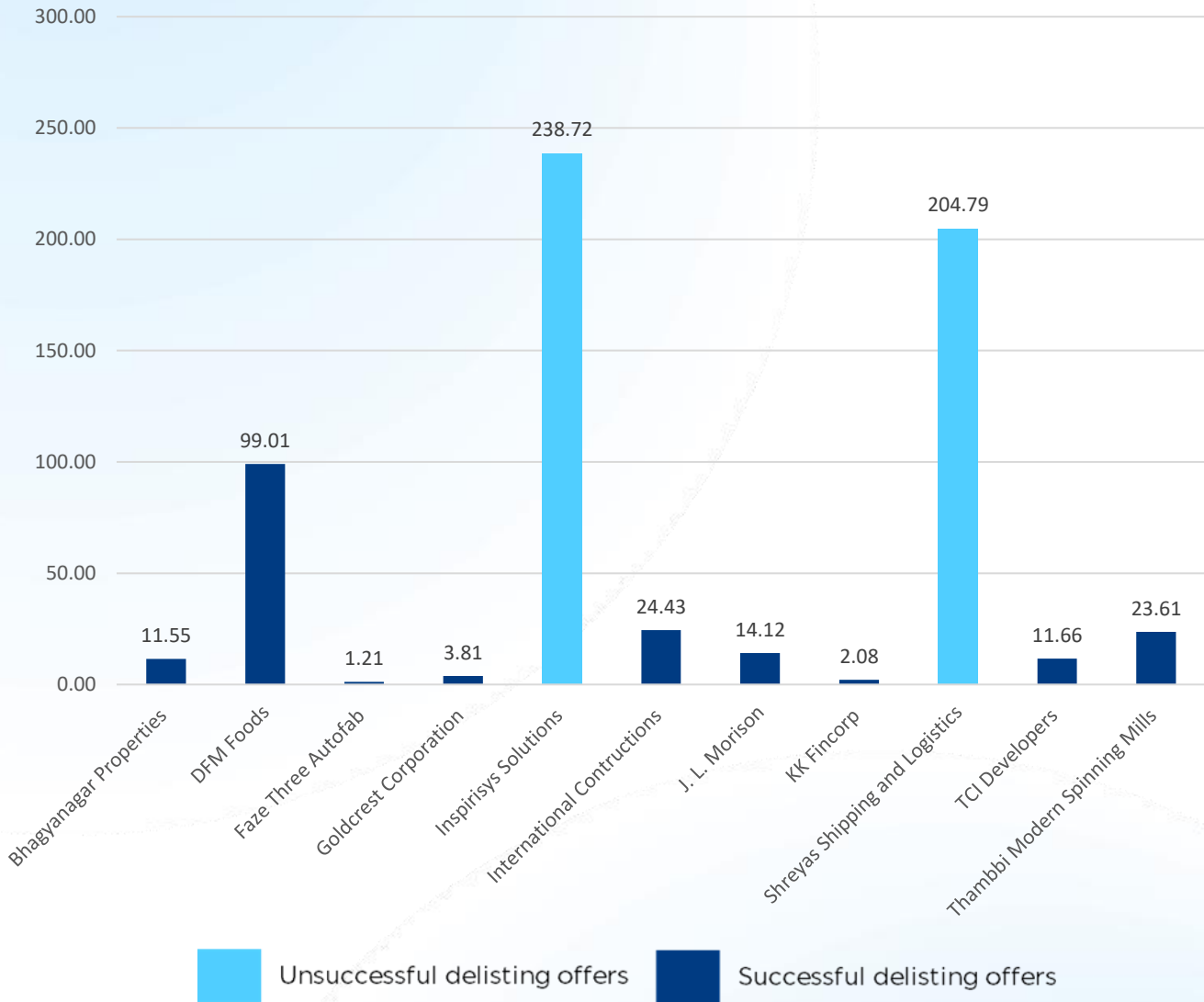
■ Indicative Price offered

Premium over Floor Price (%)	No of deals
0-10	7
10-20	1
20-30	3
Above 30	0

Premium of Indicative Price over Floor Price (%)

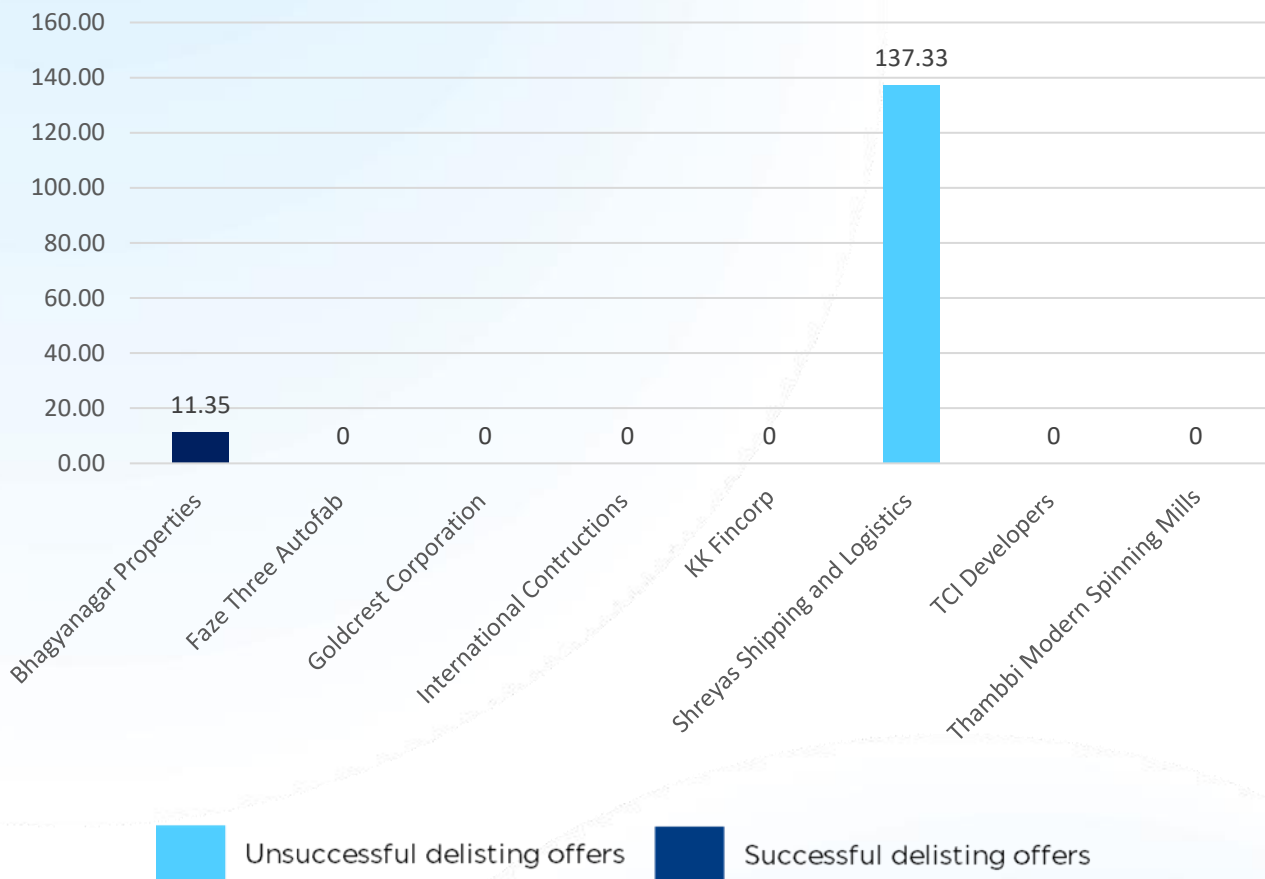


Premium of RBB Price over Floor Price (%)



Premium of RBB Price over Floor Price (%)	No of deals
0-10	3
10-20	3
20-30	2
Above 30	3

Premium of RBB Price over Indicative Price (%)

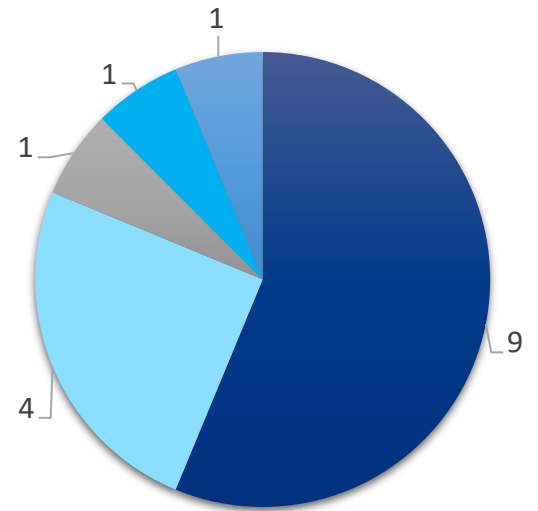


Premium of RBB Price over Indicative Price (%)	No of deals
0-10	6
10-20	1
20-30	0
Above 30	1

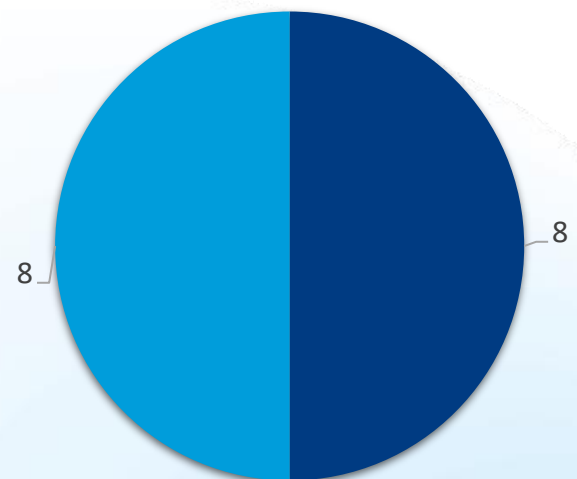
Takeaways and Learnings

1. In 6 of the 8 delisting offers where 90% threshold was met during RBB, the RBB Price was equal to the Indicative Price
2. An equal number of delisting offers were made for frequently and infrequently traded scrips
3. There were 3 instances where the RBB Price was not acceptable, and a counter-offer was made in 2 of these instances
4. 9 of the 16 delisting offers were successful. 4 delisting offers failed on account of delisting threshold of 90% not being met during RBB and 1 delisting offer each failed on account of: (a) rejection of RBB Price; (b) 90% threshold not being met pursuant to counter-offer; and (c) rejection by board of directors
5. SEBI recently issued an order in the Hexa Tradex Limited case clarifying the obligations of the board of directors with respect to the disclosure of non-compliance with securities laws. More specifically, any ongoing proceedings would also need to be disclosed. The board cannot shield itself by relying solely on the due diligence report obtained from a peer review company secretary.

The SEBI order also guides the committee of independent directors (IDC) on delisting offers. The IDC should consider the company's book value vis-à-vis the floor price, and indicative price, if any. Additionally, the IDC should take into account the weighted average price from the initial public announcement to the IDC meeting date.



- Successful offers
- Failure on account of 90% threshold not being met
- Rejection of RBB price
- 90% threshold not being met in counter-offer
- Rejection by board of directors of the target company



- Frequently traded shares
- Infrequently traded shares

1. Fixed price delisting:

- a. In a significant boost to the Indian delisting regime, SEBI has recently introduced a new fixed price voluntary delisting mechanism.
- b. As you may recall, the existing delisting regime involves price discovery through the reverse book build (RBB) mechanism – this has proven to be highly impractical on account of unrealistic price expectations from public shareholders (in short, the delisting price needed to be determined basis bids made by the public – not basis a price offered by the acquirer).
- c. To address this concern, SEBI has now introduced a ‘fixed price’ delisting mechanism – in which the acquirer can upfront specify the delisting price (being a minimum 15% premium to the statutory minimum price, including the last 60 days volume weighted average price). This completely changes deal dynamics with public shareholders now left only with a binary ‘yes or no’ option and completely negating any RBB price risk.
- d. If public shareholder participation in the delisting offer results in the acquirer’s aggregate stake reaching 90% - then the delisting is successful. *To illustrate*, if an acquirer already holds 70% stake in an Indian listed company, it would require an additional 20% public participation (now at a fixed price) to achieve a successful delisting.
- e. This development simplifies the delisting regime and presents an attractive opportunity to delist companies at a pre-determined fixed price.

2. **Counter-offer threshold:** The requirements have been revised in the context of a counter-offer. Now, if at least half of the publicly held shares are tendered, the previously required 90% threshold has been reduced to 75%. The price for the counter-offer can't be lower than the highest of these two: (a) the volume weighted average price of the shares tendered under the RBB; and (b) Indicative Price, if any, offered by the acquirer.

3. **Delisting of investment holding companies (IHC):** IHCs are companies that have at least 75% of their fair value (net of liabilities) comprising direct investments in equity shares of other listed companies. Under this route, the IHC will be permitted to delist after undertaking the following actions through a scheme of arrangement:
 - a. transfer the underlying equity shares held by it in other listed companies to its public shareholders proportionately;
 - b. make proportionate cash payments to its public shareholders against the assets including investments in land, building, unlisted companies etc;
 - c. pursuant to the above, extinguish the entire public shareholding by way of selective capital reduction.

4. **Additional parameter for determining Floor Price:** Adjusted book value to be considered as an additional parameter for determining Floor Price. This mechanism will consider the fair market value of target company's assets. The new parameter has been introduced to ensure that the Floor Price more accurately reflects the value of the shares of the target company.

5. **Reference date for determining Floor Price:** Reference date will be the date of initial public announcement made by the acquirer. This results in Floor Price being based on an "undisturbed" market price.

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