



CIRCULAR

SEBI/HO/MRD/DSA/CIR/P/2016/110

October 10, 2016

All recognised/Non-operational /Exited Stock Exchanges.

All Exclusively Listed Companies in the Dissemination Board (shares of companies available for buying and selling and not for companies referred as vanishing companies.)

Dear Sir/Madam,

Sub: Exclusively listed companies of De-recognized/Non-operational/exited Stock Exchanges placed in the Dissemination Board (DB).

1. SEBI vide circular dated May 30, 2012 issued guidelines facilitating the exit of De-recognized/Non-operational stock exchanges and exit to the shareholders of exclusively listed companies (ELCs) by allowing them to get listed on nationwide stock exchanges after complying with the diluted listing norms of nationwide stock exchanges, failing which they would be moved to the Dissemination Board (DB).
2. Further, SEBI vide circular dated May 22, 2014, inter-alia, provided that ELCs, on de-recognized/non-operational stock exchanges, can also opt for voluntary delisting by following the existing delisting norms of SEBI. It was also specified that if the ELCs fail to comply with the same, they shall be moved to DB.
3. Subsequently, SEBI vide circular dated April 17, 2015 allowed a period of eighteen months' time to ELCs on DB to obtain listing upon compliance with the listing requirements of the nation-wide stock exchanges.
4. SEBI has been receiving representations seeking clarifications on raising of further capital and the process of exit of ELCs from the DB. Therefore, SEBI, in the interest of the investors of such ELCs, clarifies as follows:
 - a. The respective nationwide stock exchanges hosting the ELC on its DB would hereinafter be referred as 'designated stock exchange'.
 - b. The ELCs on the DB would be required to exercise one of the two options as mentioned in Para 4.c or 4.d of the circular.
 - c. Raising capital for listing on Nationwide Stock Exchanges.
In order to facilitate listing on nationwide stock exchanges, the ELCs on the DB shall be allowed to raise capital for meeting the listing requirements through preferential allotment route in terms of the provisions under the Issue of Capital and Disclosure Requirements Regulations, 2009 (ICDR).

6. Action against companies remaining on the DB

a. Any promoter or director whose company is on the DB and has failed to demonstrate adequacy of efforts for providing exit to their shareholders in conformity with the exit mechanism as provided in this circular shall be liable for the following actions :

- The company, its directors, its promoters and the companies which are promoted by any of them shall not directly or indirectly associate with the securities market or seek listing for any equity shares for a period of ten years from the exit from the DB.
- Freezing of shares of the promoters/directors.
- List of the directors, promoters etc. of all non-compliant companies as available from the details of the company with nationwide stock exchanges shall be disseminated on SEBI website and shall also be shared with other respective agencies.
- Attachment of bank accounts/other assets of promoters/directors of the companies so as to compensate the investors.

7. The provisions of this Circular are applicable to the exclusively listed companies of all de-recognized/non-operational stock exchanges which are exited/in the process of exit in terms of exit circular dated May 30, 2012.

8. The respective designated stock exchanges shall ensure that all exclusively listed companies on the DB be accordingly advised to facilitate compliance of the above provisions in a time bound manner.

9. This circular is issued in exercise of powers conferred under Section 11 (1) and 11(2) (j) of the Securities and Exchange Board of India Act, 1992, to protect the interests of investors in securities and to promote the development of, and to regulate the securities market. This circular is available on SEBI website at www.sebi.gov.in.

Yours faithfully,

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Annexure-A.

- i. The promoter in consultation with the designated stock exchange shall appoint an 'independent valuer' from the panel of expert valuers of the designated stock exchange.
- ii. In case the fair value determined is positive the promoter of the company shall acquire shares of such companies from the public shareholders by paying them such value determined by the valuer.
- iii. The promoter shall undertake to complete the entire process within seventy five working days.
- iv. The promoter of the company to make a public announcement in at least one national daily with wide circulation, one regional language newspaper of the region where the exited stock exchange was located and the website of the designated stock exchanges.
- v. The public announcement shall contain all material information of the fact of such exit opportunity to its shareholders, disclosing therein the name and address of company, including exit price offered by the promoter with the justification therefore, and shall not contain any false or misleading statement.
- vi. The announcement shall contain a declaration about the liability of the promoter to acquire the shares of the shareholders, who have not offered their shares under exit offer up to a period of one year from the completion of offer at the same price determined by the valuer.
- vii. The exit offer shall remain open for a period of minimum five working days during which the public shareholders shall tender their shares. The promoter shall open an escrow account in favour of independent valuer/designated stock exchange and deposit therein the total estimated amount of consideration on the basis of exit price and number of outstanding public shareholders. The escrow account shall consist of either cash deposited with a scheduled commercial bank or a bank guarantee, or a combination of both. The amount in the escrow account shall not be released to the promoter unless all the payments made in respect of shares tendered for the aforesaid period of one year.
- viii. The promoter shall make payment of consideration within fifteen working days from the date completion of offer.
- ix. The promoter shall certify to the satisfaction of designated stock exchange that appropriate procedure has been followed for providing exit to shareholders of such companies. Subsequently, the designated stock exchanges upon satisfaction shall remove the company from the dissemination board.

- x. The exclusively listed companies which have 100% promoter holding shall be removed from the dissemination board on obtaining a compliance certification from any independent professional with regard to the holding of shares of these companies and submit to the designated stock exchanges.
- xi. The names of the companies providing exit opportunity to its shareholders and their promoters shall be displayed in a separate section on the website of the designated stock exchange.
