

STUDY OF DELISTED COMPANIES

Final Report

Magnitude & Nature of the Problem

Reasons for Delisting

Diverse Aspects

Policy Issues

Two-tier Share Trading System Needed

Role of Ministry of Corporate Affairs

Sponsored by:

IEPF- Ministry of Corporate Affairs

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C O N T E N T S

1 INTRODUCTION

An unresearched area
Why the problem has acquired importance
Regionally listed companies left high and dry
Need for separate share trading platform
for small companies
Delisted companies are a distinct group
Chapter scheme

2 BROAD FEATURES OF THE PROBLEM OF DELISTED COMPANIES IN INDIA

Broad picture
Total delistings and the underlying reasons
Formal delistings vs. “virtual” delistings
“No-man’s-land”
Stock exchange authorities were slow to act
BSE’s Z-Group: a botched up concept
No proper follow-up of listed companies
Too liberal listing caused delistings later
Weeding out the unsuitable listed companies
Trading pattern among the exchanges
A genuine problem not yet solved
Regulatory convenience vs. economy’s need

3 SOME SIGNIFICANT FINANCIAL AND OPERATIONAL CHARACTERISTICS OF DELISTED COMPANIES IN INDIA

Explanation of the method used
Schedule used for data collection
Analysis by company size
Number of shareholders involved
Involvement of term lending institutions
Concluding comments

4 REGULATING THE DELISTING OF COMPANIES:VOLUNTARY DELISTING

Introduction

Conditions for listing and delisting

SEBI's Delisting Guidelines, 2003

Business houses not happy with the Guidelines

Present system of determining "Exit Price"

What the empirical data brings out

Companies which failed in their attempt
to delist

Shortcomings of the proposed
delisting regulations

Inherent weaknesses

Shareholders' predicament in case
of regional companies

Concluding comments

Appendix to Chapter 4

5 COMPULSORY DELISTING

The real problem area

Dominance of compulsory delisting in India

Reasons for compulsory delisting in India

Fresh thinking needed

Comparison with the U.S.

Difference in approach between U.S. and India

6 DEVISING TRADING ARRANGMENTS FOR SHARES OF SMALLER COMPANIES

Too many small listed companies

Historical background

Policy reversal

Failure of IndoNext

Types of trading architecture

Need for market-making system

Pre-requisites for market-making system
The U.S. example
India's legacy of small listed companies
Concluding comments

7 **ROLE OF MINISTRY OF
CORPORATE AFFAIRS VIS-À-VIS
DELISTED COMPANIES**

The rationale behind suggested role
for the MCA
Magnitude of the problem
SEBI Committee on Regional Stock Exchanges
Unhealthy practice of delisting
healthy companies
The MCA should closely supervise
delisted companies
Separate cell in the MCA for delisted companies
Suggestions about MCA's approach

APPENDICES