

**GOVERNMENT OF INDIA
FINANCE AND COMPANY AFFAIRS
LOK SABHA**

STARRED QUESTION NO:64
ANSWERED ON:21.02.2003
FUNCTIONING OF FOREIGN COMPANY
NITISH SENGUPTA;VILAS BABURAO MUTTEMWAR

Will the Minister of FINANCE AND COMPANY AFFAIRS be pleased to state:

- (a) whether a large number of foreign companies are taking advantage of the present liberalization policy to get back to 100 p.c. or near 100 p.c. foreign controlled companies and get themselves delisted from the stock exchanges;
- (b) if so, whether this move will have harmful effects on the Indian stock market, both from the point of view of the drastic reduction of the floating stock and the lack of opportunities for Indian shareholders to own good dividend paying scrips; and
- (c) if so, the remedial measures proposed by the Government in this regard?

Answer

MINISTER OF FINANCE AND COMPANY AFFAIRS (SHRI JASWANT SINGH)

(a) to (c): A statement is placed on the Table of the House.

Statement referred to in the reply to Lok Sabha starred question no. 64 for 21.2.2003 regarding 'Functioning of Foreign Company' raised by Dr. Nitish Sengupta and Shri Vilas Muttemwar

(a) No, Sir. No such generalisation can be made.

(b) & (c) The main concern here is not so about delisting per se but the measure of investor protection in case of delisting. Accordingly, based on the recommendations of a Committee set up by it, SEBI has issued the SEBI (Delisting of Securities) Guidelines, 2003 on 17th February, 03. These Guidelines provide that companies can voluntarily delist from stock exchanges only after offering an exit route to remaining shareholders through a reverse book building process. This mechanism would leave the option of pricing to the investors and would be totally transparent to the market. Further, the promoter shall offer a floor price on the basis of average of previous 26-weeks' high and low prices to investors.

These guidelines seek to protect the interests of the small investors in the wake of any company delisting from the exchanges.