

Listing means admission of securities of a public limited company for trading privileges on a Stock Exchange through a formal agreement after compliance with specified norms. The prime objective of admission for dealing on the Stock Exchange is to provide liquidity and marketability to securities, as also to provide a mechanism for effective management of trading. Thus, Listing is the admission of securities to dealings on a recognized Stock Exchange. In India, securities are currently getting listed on the Bombay Stock Exchange (BSE) and the National Stock Exchange (NSE). As per primary estimates, there are over 5000 listed companies on BSE of which around 25% companies are suspended due to variety of reasons such as:

- ◆ Non-payment of listing fees.
- ◆ Non-compliance with listing requirements.
- ◆ Non-compliance with provisions of the Listing Agreement.
- ◆ Reduction in number of shareholders below prescribed limits
- ◆ Non-redressal of investors' complaints despite repeated reminders.
- ◆ Unfair trading practices at the behest of the promoters / management.
- ◆ Other malpractices such as fake original or duplicate or share certificates deliberately issued by the management.
- ◆ Whereabouts of the company and / or its promoters / directors not known.

**Existing Procedure for Revocation of Suspension:** 'Revocation of Suspension' is a very niche area and there are very few professionals who are active in this domain. Moreover, there is no pre-defined formal process for revocation of suspension. However, based on practical experience as well as on discussion with BSE executives / practicing professionals, we understood that following procedure is usually followed for revocation of suspension:

- 1) Make payment of outstanding listing fees, if any.
- 2) Complete all pending compliances under the Listing Agreement / Securities Laws.
- 3) Submit an application to BSE with necessary documents for revocation of suspension of the securities of the Company.
- 4) Resolve all the queries of BSE and provide necessary information, as required by them.
- 5) Approach SEBI / BSE in respect of investor grievances and resolve them.
- 6) If required, make a formal representation in the review meeting of BSE.
- 7) On getting 'In-Principle' approval from BSE, comply with all the terms and conditions as mentioned therein.
- 8) Make payment of reinstatement fees and / or penalty as demanded by BSE.
- 9) Inform Share Transfer Registrar in respect of lock-in of Promoters' shares.
- 10) Take all necessary measures as directed by BSE towards pre-revocation conditions.
- 11) Complete necessary compliance after listing of securities.

**Proposed Norms for Revocation of Suspension:** BSE allows revocation of suspension on completion of necessary compliances by the Company. In order to prevent misuse of listing status, BSE has issued new norms for 'Revocation of Suspension' which will be applicable w.e.f. April 1, 2012.

These newly applicable norms can be classified into following 2 categories:

- 1) **Revocation of suspension, where the suspension is for a period more than 1 year:** The companies which are suspended for a period more than 1 year and wish to seek revocation of suspension will be required to comply with the norms as given below:

No	Particulars	Norms	Analysis / Issues
1	Issued and Paid up capital  Networth	Minimum paid up capital of Rs. 10 crores  OR Minimum net worth of Rs. 50 crores (excluding revaluation reserves) in 3 immediately preceding financial years	1) BSE does not permit QIP, Bonus, Rights Issue, etc. Hence, raising capital from current level to Rs 10 Crores will be a Herculean task. 2) Clarity needed while determining net worth in case of corporate actions like M&A
2	Profit making track record	Distributable profits in terms of sec. 205 of Companies Act, 1956 for atleast 3 out of 5 immediately preceding financial years based on audited financial results with the last financial year reporting profit. Provided that extraordinary income shall not be considered for calculating distributable profit and latest 3 Financial Years should comprise a period of atleast 12 months.	Profit making track record is made mandatory, however, quantification has not been done
3	Public Shareholding	Meeting with the requirements of SCRA, SCRR and Listing Agreement.	Quite a few reputed companies have very large promoters' holding.
4	Number of public shareholders	Minimum 500	Many small companies have less than 500 shareholders.
5	Trading in Compulsory Demat	Minimum of 50% of the public shareholding should be held in demat form.  Provided that where the company has not signed with either/ both the depositories for dematerialization, it shall submit a letter from the relevant depository rejecting admission of the security in the depository	(1) Suspended companies won't be able to force its shareholders to get shares converted to demat form? (2) Many suspended companies might not get registered with depositories due to net worth below 1 Crore
6	Information Memorandum	Information Memorandum as provided in Schedule II of Companies Act, 1956 to the extent applicable, as certified by the Company Secretary/ MD of the Company	Preparation of Information Memorandum would be an incremental cost.
7	Other Conditions	i) Entire issued capital of the company must be listed.  ii) No investor complaints pending against the company.  iii) The company is in compliance with clauses of the listing agreement, filings under SEBI regulations/ circulars, SCRA and SCRR.  iv) The shareholding of promoter and promoter group entities shall be under lock-in for a period of 6 months from the date of commencement of trading, post revocation of suspension.  v) Company should have its own website.  vi) Payment of reinstatement fees as applicable	If any part of share capital is unlisted, it must be listed.  All investor complaints need to be satisfactorily resolved prior to listing.  Compliances with various securities laws need to be made.  Lock-in requirements have gone up from 3 months to 6 months.  Own website is made mandatory.  Payment of reinstatement fees is mandatory.

**2) Revocation of suspension, where the suspension is for a period less than 1 year:** The companies which are suspended for a period less than 1 year and seek revocation of suspension will have to comply with the norms as given below:

- i) Entire issued capital of the company must be listed.
- ii) No investor complaints pending against the company.
- iii) The company is in compliance with clauses of the listing agreement, filings under SEBI regulations/ circulars, SCRA and SCRR.

- iv) Company should have its own website.
- v) Payment of reinstatement fees as applicable.

**Conclusion :** Given the strictness of newly introduced norms, it would be a Herculean task to get suspension revoked for smaller companies from next financial year onwards. Perhaps, it is the last and final opportunity for all those companies and they should take quick action in next 6 months to get actively listed again. Practically speaking, its now or never.