

Protracted Mechanism for Revocation of Suspension



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So far more than 1000 listed companies have been suspended from trading due to variety of penal reasons. By taking away strict provisions in respect of profit track record, capitalization, etc., BSE has provided another opportunity for all suspended companies to get themselves listed again by doing necessary compliances.

BSE had initially proposed strict norms for revocation which required compliance with stringent eligibility criteria like profit making track record, paid-up capital of Rs 10 crores or net worth of Rs 50 crores, etc. which were supposed to be applicable from April 1, 2012. However, based on representations by suspended companies and minority investors, BSE has decided to alleviate its rules and introduced new norms which have become applicable from June 1, 2012. These norms have been classified into 2 categories:

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

Sl.No.	Particulars	Norms
1	Trading in Compulsory Demat	Should have signed with at least one depository. 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. <i>Comments: It is in line with prevalent policy of BSE for revocation of suspension.</i>
2	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. <i>Comments: The companies have to now make detailed Information Memorandum and present it to BSE with certification from the Managing Director / Company Secretary.</i>
3	Other requirements	<ol style="list-style-type: none"> 1. Entire issued capital of the company must be listed. 2. No investor complaints pending against the company. 3. The company is in compliance with clauses of the listing agreement, filings under SEBI regulations/ circulars, SCRA and SCRR. 4. The shareholding of promoter and promoter group entities shall be under lock-in from the date of in-principle revocation of suspension upto a period of 1 year following the date of commencement of trading, post revocation of suspension. 5. Company should have its own website.

		<p>6. Payment of reinstatement fees as applicable.</p> <p><i>Comments: Most of the requirements are in line with the prevalent policy of BSE for revocation of suspension except the fact that lock-in period of 3 months has been extended to 1 year.</i></p>
4	Additional requirements	<ol style="list-style-type: none"> 1. Post revocation of suspension, the trading in the securities of the company will be permitted only after the company demonstrates timely compliance for a period of 2 consecutive quarters succeeding the revocation of suspension. Such companies in watch list will be displayed on www.bseindia.com 2. Promoters and Promoter group entities should not have diluted their shareholding (in terms of no. of shares) during the six months period prior to the date of revocation of suspension. 3. The names of the promoter and promoter group entities shall be displayed on the website www.bseindia.com <p><i>Comments: These are additional requirements due to which the process will be extended by minimum 2 quarters. In the event of any default during review period, listing will be delayed further.</i></p>

2) Revocation of suspension, where the suspension is for a period less than 1 year: The companies which will seek revocation of suspension will be required 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) The shareholding of promoter and promoter group entities shall be under lock-in for a period of 3 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.

Procedure for Revocation of Suspension: There is no pre-defined 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 all outstanding dues towards listing fees, interest, etc.
- 2) Complete all pending compliances under the Listing Agreement / Securities Laws.
- 3) Submit a formal application to BSE for revocation of suspension of the securities of the Company along with detailed Information Memorandum.
- 4) Resolve all queries of BSE by providing necessary clarifications to them.
- 5) Approach SEBI / BSE in respect of pending investor grievances and resolve them.
- 6) If necessary, 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 as demanded by BSE.
- 9) Inform Share Transfer Registrar in respect of lock-in of Promoters' shares for 1 year.
- 10) Take all necessary measures as directed by BSE.



Conclusion: As on date, there are more than 1000 listed companies in which BSE has suspended trading due to variety of penal reasons. By taking away strict provisions in respect of profit track record, capitalization, etc., BSE has provided another opportunity for all suspended companies to get themselves listed again by doing necessary compliances. However, they also need to understand that timeline has got prolonged and hence, more time will be needed for revival.