

**GOVERNMENT OF INDIA
(MINISTRY OF FINANCE)
(DEPARTMENT OF ECONOMIC AFFAIRS)**

LOK SABHA

STARRED QUESTION No. *298

TO BE ANSWERED ON FRIDAY, 5th AUGUST, 2016/ SHRAVANA 14, 1938 (Saka)

NON-COMPLIANCE OF LISTING NORMS

QUESTION

***298. SHRI ASHOK SHANKARRAO CHAVAN:**

SHRI M.K. RAGHAVAN:

Will the Minister of FINANCE be pleased to state:

- (a) the names of the companies whose stocks have been suspended on stock market for more than seven years for non-compliance of listing norms;
- (b) whether the Security and Exchange Board of India (SEBI) has issued a set of strict norms for these companies and frozen their demat accounts with share, bonds and mutual funds;
- (c) if so, the details thereof and the time by which the new norms are likely to be operationalised;
- (d) the total amount of money lost in these companies as a result thereof; and
- (e) whether the Government has taken any step to get back the said public money from the errant promoters of the companies and if so, the details thereof?

ANSWER

**MINISTER OF THE MINISTRY OF FINANCE
(SHRI ARUN JAITLEY)**

(a) to (e): A statement is laid on the table of the House.

Statement referred to in reply to parts (a) to (e) of the Lok Sabha Starred Question No. *298 raised by Shri Ashok Shankarrao Chavan and Shri M.K.Raghavan regarding Non-Compliance of Listing Norms due for answer on 5th August 2016

As informed by the Securities and Exchange Board of India (SEBI), there are 995 and 126 companies respectively on the Bombay Stock Exchange Limited (BSE) and National Stock Exchange of India Limited (NSE), whose shares have been suspended for more than seven years for non-compliance with listing norms. The details of these companies are available on the websites of the stock exchanges.

Section 21A of the Securities Contracts (Regulation) Act, 1956, read with Rule 21 of the Securities Contracts (Regulation) Rules, 1957 and Chapter V of SEBI (Delisting of Equity Shares) Regulations, 2009, empowers the recognised stock exchanges to compulsorily delist the equity shares of listed companies on any of the grounds prescribed therein, including those companies, whose trading has been suspended for more than six months. Where a company has been compulsorily delisted under the Delisting Regulations, the company, its whole-time directors, its promoters and the companies promoted by any of them shall not, directly or indirectly, access the securities market or seek listing for any equity shares for a period of ten years from the date of such delisting.

However, given that the suspension of trading in shares denies the small investors an exit opportunity, SEBI, vide Circulars dated 30th September, 2013 and 30th November, 2015, provided that recognised stock exchanges shall use imposition of fines as action of first resort in case of such non-compliance and invoke suspension of trading in case of subsequent and consecutive defaults. In pursuance of the same, SEBI has prescribed Standard Operating Procedure (SOP) for suspension and revocation of suspension of trading in shares. Further, during the process of suspension of trading, the depositories, on receipt of intimation from the concerned stock exchange, shall freeze or unfreeze, as the case may be, the entire shareholding of the promoter and promoter group in such entity.

The total issued capital, at face value, of the companies suspended for more than seven years, as provided by SEBI, is as under:

Name of Exchange	Total number of suspended companies#	Total Issued Capital at face value (in Rs. Cr.)*
NSE	126	3108.04
BSE	995	10194.47

#Some of these companies are listed on both the exchanges and have been suspended by both.

*including holding of the promoters

Investment in equity entails inherent risk as the stock valuation of a company depends not only on the company's performance but also on a multitude of external factors. This being the case, SEBI ensures adequate disclosures by listed companies to enable investors to make informed investment decisions. However, it is stipulated that the promoter of the compulsorily delisted company shall acquire equity shares from the public shareholders of such delisted companies, by paying them the value determined by the valuer, subject to their option of retaining their shares.