

**SECURITIES AND EXCHANGE BOARD OF INDIA**

**ORDER**

**Under sections 11(1), 11(2)(j), 11(4) and 11B of the Securities and Exchange Board of India Act, 1992 read with section 12A of the Securities Contracts (Regulation) Act, 1956 in the matter of non-compliance with the requirement of minimum public shareholding by listed companies**

**In respect of REIL Electricals India Limited**

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1. Securities and Exchange Board of India (hereinafter referred to as "SEBI") had passed an *interim order* dated June 04, 2013 (hereinafter referred to as "*the interim order* ") with respect to 105 listed companies who did not comply with the Minimum Public Shareholding ("MPS") norms as stipulated under rules 19(2)(b) and 19A of the Securities Contracts (Regulation) Rules, 1957 (hereinafter referred to as "SCRR") within the due date i.e., June 03, 2013. The *interim order* was passed without prejudice to the right of SEBI to take any other action, against the non-compliant companies, their promoters and/or directors or issuing such directions in accordance with law. The *interim order* was to be treated as a show cause notice by those companies for action contemplated in *paragraph 18* thereof.

2. REIL Electricals India Limited (hereinafter referred to as "the Company") is one such company against whom the *interim order* was passed. After considering the submissions made by the Company, SEBI, vide Order dated May 26, 2014, had issued the following directions, for the reasons stated therein:

8. "Accordingly, I, in exercise of the powers conferred upon me under section 19 of the Securities and Exchange Board of India Act, 1992 read with sections 11(1), 11(2)(j), 11(4) and 11B thereof and section 12A of the Securities Contracts (Regulation) Act, 1956, hereby issue the following directions :

- (i) *The direction issued in paragraph 17(b) of the interim order dated June 04, 2013 stands modified to the extent that it shall not hinder the voluntary delisting process initiated by the Company and that its promoters shall be permitted to buy shares of the Company held by public shareholders in their offer for delisting.*
- (ii) *The Company shall endeavour to complete the delisting process within a period of 6 (six) months from the date of this Order, and shall report the outcome of the delisting process to SEBI within a period of one month thereafter.*
- (iii) *The direction issued in paragraph 17(b) of the interim order dated June 04, 2013 shall be re-imposed immediately (without the need for passing of a separate order) in case the delisting process of the Company is not completed successfully within the period directed in sub-paragraph (ii) above.*
- (iv) *The directions contained in paragraphs 17(a), (c) and (d) of the interim order dated June 04, 2013 shall continue to be in effect till such time the Company is delisted from the stock exchanges or till the time the Company becomes compliant with the MPS norms, whichever is earlier.*

9. *This Order shall come into force with immediate effect.*

10. *The aforesaid directions are issued without prejudice to the right of SEBI to initiate action as contemplated in paragraph 18 of the interim order in case the delisting process of the Company is not successful within the period as directed above”.*

3. Thereafter, vide letter dated August 20, 2015, the Company *inter alia* stated that pursuant to the SEBI Order dated May 26, 2014, the Board of Directors approved the proposal for delisting vide resolution dated June 28, 2014 and also a special resolution was passed by the shareholders through postal ballot and approved on August 04, 2014. The Company stated that BSE had granted in-principle approval on September 15, 2014 and the public announcement was made on September 30, 2014 in newspapers regarding the delisting offer. However, according to the Company, the delisting offer failed in terms of regulation 19 and 17 of the SEBI (Delisting of Equity Shares) Regulations, 2009 (“the Delisting Regulations”) as the number of shares tendered was less than the minimum number of shares required to be accepted. The Company also stated that the promoters have expressed their intention to make another offer with upward revision of offer price under the Delisting Regulations and are confident that shareholders would come forward and tender their shares for the following reasons:

- (a) Substantial reduction (fell from Rs.24.2 crore to Rs.14.34 crore) in the revenue of the Company and losses incurred for the last three years.
- (b) No trading in the shares of the Company and the last trading happened on September 5, 2014.
- (c) The Company is compliant with stipulation under regulation 17(a) of the Delisting Regulations (*as amended in the year 2015*) and is confident of achieving stipulation under regulation 17(b) thereof.

The Company requested SEBI to grant time of around one year to enable it to proceed with obtaining approval of the shareholders and complete the process of delisting.

4. I have considered the above submissions. As per the SEBI Order dated May 26, 2014, the Company had to complete the delisting process by November 25, 2014 and in case the same was not done, direction issued in paragraph 17(b) of the interim order shall be re-imposed without the need for any separate order. The SEBI Order had also directed the Company to report the outcome of its delisting process. However, the Company neither reported the outcome nor filed any application seeking extension of time before the due date of November 25, 2014 to complete the delisting process. This conduct shows that the Company/promoter is not serious about its delisting proposal. The Company belatedly submitted the letter dated August 20, 2015 seeking time of around one year for obtaining shareholders' approval and complete the delisting process. In view of the above, I do not find any merit in the letter dated August 20, 2015 of the Company seeking one year time for completing the delisting.

5. I note from the shareholding pattern of the Company for the quarter ended September 2015 that public shareholding in the Company is at 1.81%. The Company has therefore also not achieved compliance with the MPS norms till date and such violation is committed on a continuous basis. Considering the fact that the Company has not complied with the MPS requirements till date in breach of rule 19A of the SCRR and Clause 40 A of the Listing Agreement read with section 21 of the SCRA, and such non-compliance being continuous in nature and also as it failed to complete its delisting within the time frame granted by SEBI, it becomes necessary for SEBI, to confirm the directions issued vide the *interim order* against the Company, its directors and promoters/promoter group. Further, for proper regulation of the securities market and in view of the continuing nature

of the violations committed by the Company, SEBI may also initiate other action, as appropriate in law, against the Company, its directors and promoters. Therefore, I, in exercise of the powers conferred upon me under section 19 of the Securities and Exchange Board of India Act, 1992 read with sections 11(1), 11(2)(j), 11(4) and 11B thereof and section 12A of the Securities Contracts (Regulation) Act, 1956, hereby order accordingly.

6. This Order shall remain in force till further directions.

7. Copy of this Order shall be served on the stock exchanges and depositories for their information and necessary action.

**PRASHANT SARAN**  
**WHOLE TIME MEMBER**  
**SECURITIES AND EXCHANGE BOARD OF INDIA**

**Date: December01, 2015**

**Place: Mumbai**