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VEDANTA LIMITED DELISTING: A LEGAL ANALYSIS UNDER SEBI (DELISTING OF EQUITY SHARES) REGULATIONS, 2021

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Introduction

Delisting is the permanent removal of a company's equity shares from a recognised stock exchange. The issue of voluntary delisting by promoters creates a regulatory conflict between the promoters' right to exit as they please and the public shareholders' right to an exit price which is not forced upon them and is fair. This process is regulated by SEBI primarily through its Delisting of Equity Shares Regulations. A recent example is the attempt to delist Vedanta Limited from BSE and NSE by its promoter, Vedanta Resources Limited in 2020 to acquire public share holding of the company. The minimum share requirement was not fulfilled and the offer was rejected as a result. The said transaction was conducted under the SEBI (Delisting of Equity Shares) Regulations, 2009 and NOT under the SEBI (Delisting of Equity Shares) Regulations, 2021 notified on 10 June, 2021.

Facts & Background of Vedanta Delisting

Vedanta Limited, a diversified natural-resources company under the umbrella of the Vedanta Group, was majority held by the promoter group of Vedanta Resources Limited and its group entities with their equity shares representing about 50.14% of the company's total equity. VRL had voluntarily delisted Vedanta on 12 May 2020 to highlight its better capital structure and operational structure and allowing public shareholders to buy its shares when trading volumes were volatile. The indicative offer price suggested was ₹87.50 per share, which was just a few paise above the price floor as set by Price Waterhouse & Co LLP. The final price was to be determined via Reverse Book Building where the public shareholders would be able to offer shares at or over the floor price. Board approval was granted on 18 May 2020 under Regulation 8(1B) of Regulations 2009 (delisting) and the proposal was approved by shareholders by postal ballot under Section 110 of the Companies Act, 2013. The RBB ran from 5 to 9 October 2020. The bids, initially, seemed to be above the 90%, but some technical and custodian-confirmation related issues resulted in only 125.47 crore shares being validly tendered against the required

134.12 crore shares. The delisting was therefore unsuccessful, the promoters were not buying the shares being tendered and Vedanta continued to be listed. The issue of the price of the ground. The statutory and regulatory framework.

The statutory and regulatory framework.

A statutory source of SEBI's power is: One of the following is a statutory source of SEBI's power: The 2021 Regulations have been drawn up in compliance with:

1. Section 30(1), SEBI Act, 1992 – Power of SEBI to make regulations consistent with the Act and the rules; and
2. Section 11(1), SEBI Act, 1992 – SEBI's responsibilities to protect investors and to promote the development of the securities market and regulate the securities market; and
3. Section 11A(2) of the SEBI Act, 1992 – the power of SEBI to regulate matters relating to issue and transfer of securities; and
4. Section 31, Securities Contracts (Regulation) Act, 1956 (“SCRA”), read with Section 21A, SCRA

The Delisting Regulations are based on these provisions.

Regulation 3 – Scope and Applicability

The 2021 Regulations set out in Regulation 3(1) cover the delisting of equity shares of a company from all or any recognised stock exchanges on which its equity shares are listed. Vedanta's proposed delisting was from both BSE and NSE, both of which have nationwide trading terminals. Hence, the transaction would be considered under the complete voluntary delisting process under the 2021 framework. There are certain exclusions in Regulation 3(2) such as specified delistings in terms of an insolvency resolution plan under section 31 of the Insolvency and Bankruptcy Code, 2016. The exceptions are not relevant in Vedanta as the proposed transaction was a voluntary promoter-led delisting.

Regulation 4 – Conditions for Delisting

Substantive safeguards are included in Regulation 4.

Regulation 4(1)

In general, a company cannot be removed from the register except if:

1. Three years have passed since listing – Regulation 4(1)(a);

2. there is no outstanding convertible security of the same class – Regulation 4(1)(b); and
3. six months have passed since the end of a buy-back – Regulation 4(1)(c);
4. six months have passed since a preferential allotment has been made, subject to the exception in the above.

Regulation 4(2)

Delisting can not be offered by an acquirer if it has sold equity shares of the company in the previous **six months prior to the initial announcement of public offering**.

Regulation 4(4)

The acquirer does not have the ability to be directly or indirectly funded by the “company's funds” to buy out the exit opportunity.

Regulation 4(5)

First and foremost, the target cannot:

1. Use a device, scheme or artifice to defraud shareholders;
2. ‘use’ a business or engage in a business as a fraud or deceive; or
3. Commit a fraudulent, deceptive or manipulative act relating to delisting.

These provisions demonstrate that SEBI regards delisting as a regulated securities transaction rather than merely a private purchase of shares.

Application to Vedanta: The transaction would have to satisfy these conditions if undertaken under the 2021 Regulations. The actual 2020 transaction was instead tested under the equivalent provisions of the 2009 Regulations, including Regulation 4(5).

Regulation 7 – Exit Opportunity

Regulation 7 is especially applicable to Vedanta.

It stipulates that the delisting may take place only after the exit opportunity is provided to all the public shareholders in accordance with the Regulations in cases where the equity shares are proposed to be delisted from all recognised stock exchanges with nationwide trading terminals. It is therefore logical that Vedanta had to have an exit plan for public shareholders when it wanted to be delisted from both BSE and NSE. This is in line with the fundamental principle of the delisting law, which is to protect the interests of investors, that is, they should be able to exit the market, while the promoter is not allowed to end its sale.

Initial public announcement (Regulation 8).

Regulation 8(1) provides that an initial announcement shall be issued on all Stock Exchanges where equity shares are listed on the date the acquirer elects to voluntarily delist the equity

shares. Disclosure is required under Regulation 8(3) of, among other things:

1. the reasons for delisting; and
2. A commitment to comply with Regulation 4.

Under Regulation 8(4) no relevant information may be omitted and misleading information may not be included. Similarly, in 2020, Vedanta's public disclosures included a statement regarding the commercial reasons for its proposed delisting, and explicitly referenced the relevant Delisting Regulations for the transaction.

This Regulation is for The Manager's Use When Making an Offer.

The SEBI has prescribed the appointment of a Manager to the Offer in Regulation 9(1) upon making the Initial public announcement, which has to be a SEBI Registered Merchant Banker. The Manager will not be associated with the acquirer pursuant to Regulation 9(2). This requirement ensures some level of independence and a regulated professional component that the promoter cannot do without.

The "Board of Directors' Approval and Due Diligence" regulation is in effect.

One of the most important investor protection provisions is contained in regulation 10. Regulation 10(1) requires the company to get the approval of the Board for the acquirer's proposal within 21 days of the initial public announcement. The Board should appoint a Peer Review Company Secretary to conduct due diligence before considering the proposal. The Company Secretary reviews, amongst other things, transactions in the Company's shares by the acquirer and other related parties in the last two years.

The Board shall certify that under Regulation 10(4):

Regulation 10(4)(b): the company is in good standing and is not a member of a monopoly or syndicate; and The acquirer and associated groups adhere to the relevant securities laws as specified in regulation 10(4)(b); and

Regulation 10(4)(c) – delisting is for the benefit of shareholders in the Board's view. This was already in the Regulations of 2009 and used with the Vedanta process.

Regulation 20- Discovered Price:

The discovered price through the Reverse Book Building process is determined to be a price as provided in Regulation 20(1) and Schedule thereto. The RBB system is based on the principle of offering the shares by the public by offering the prices at which they are prepared to purchase them. The discovered price is basically the price at which the minimum number of

shares required to reach the statutory threshold can be purchased. The original 2021 framework thus maintained the underlying principle that the promoter should not fix the exit price. This was at the core of Vedanta. The indicative price quoted by the promoter was just ₹87.50, while the public shareholders could bid for much more. The floor price was fixed at ₹87.25, which meant that public shareholders were not barred from accepting the indicative valuation made by the promoter.

Regulation 21 – 90% Minimum Shareholding Requirement

The successful voluntary delisting is determined by Regulation 21. The offer is successful only if the post-offer shareholding of the acquirer is combined with the shareholding of the public shareholders who tender for or offer the shares and receive them at the discovered price or counter-offer price to be “90% of the total number of issued shares of that class” (exclusive of specified exclusions). This is the sole provision that led to the failure of Vedanta's delisting. The promoters held about 186.36 crore shares and needed about 134.12 crore more shares to build up the 90 per cent. stake. There were only “125.47 crore shares which were validly confirmed”.

Therefore:

Public shares accepted by the promoter and held by him are less than 90% of the total public shares.

Therefore, the condition for successful delisting as required by the statutes was not met.

The failure was therefore not a discretionary one; not reaching the necessary threshold was sufficient to halt the delisting.

Regulation 22- Acceptance, Rejection and Counter-Offer.

If the promoter discovers the price, then this is regulated by Regulation 22. In cases where the price found is equal to the floor price or the appropriate indicative price, the shares are to be accepted by the acquirer. If the price discovered is more than the indicative price and is not acceptable to the acquirer, the acquirer may issue a counter-offer, as prescribed by the Regulations. This is crucial in the analysis of Vedanta as the institutional shareholders were willing to pay a lot more than the promoter's suggested price. So even if it had reached 90%, the promoter would have had to consider whether or not to accept the found price, or make an allowable counter-offer. The RBB mechanism then derives the advantage of having bargaining leverage for public shareholders, but also has some level of commercial freedom for the promoter.

The Problem Of The Floor Price

Vedanta has set its floor price at ₹87.25 per share along with indicative offer price of ₹87.50 per share. This floor was the same as the 60-day vwap price under the Takeover Regulations 2011 and the Delisting Regulations 2009. Industry experts pointed out that the price was reflective of undervaluing Vedanta as the offer was made amidst market disruption during COVID-19. This concern was also the basis for SEBI's subsequent overhauls in Regulations 2021, which changed the formula for floor price determination and introduced acquisition price parameters and redefined the book value based on an independent registered valuer. This is the concept of Vedanta, and the difference between a legislated minimum price and a fair economic value.

Related Judicial Authorities

1. Uniproducts (India) Ltd. v. SEBI, SAT, 2008

In the case of Uniproducts (India) Ltd versus SEBI, the company had offered shares under a rights issue. Subsequently, promoters purchased the unallotted shares, thereby effecting a decrease in public shareholding. The company intended to purchase back the remaining public shareholders and be delisted. However, SEBI felt the disclosures were “contradictory”, and asked the promoters to go with reverse book-building.

Issue

If it was possible to force RBB on the company in view of the particular mechanism for delisting in such circumstances of SEBI.

Arguments

The company said it had made adequate disclosure in its letter of offer and the regulations allowed the route that it wanted. SEBI noted that the disclosures were vague, and that it was in the best interests of investors to adhere to RBB.

Judgment

SAT upheld the appeal and quashed the order passed by SEBI. It had concluded that the disclosures were not in contradiction and that SEBI was not empowered to impose any RBB as a specific regulatory mechanism is provided for the transaction.

Relevance

The case concludes that SEBI's regulatory powers must be exercised within the ambit of the applicable regulations and that the investor protection cannot be invoked to set aside an express statutory procedure.

2. Riddhi Siddhi Gluco Biols Ltd. vs. SEBI

Riddhi Siddhi had in-principle approval for delisting. RBB process yielded a discovered price of ₹630 per share. In response to investors' complaints, SEBI then conducted an investigation in the company.

Issues

The proceedings concerned:

1. Failure to disclose promoter group entities; and
2. Failure of minimum levels of public shareholding;
3. Whether trading activity was artificially generated;
4. if there was a plan for the transaction to enable the delisting;
5. If the RBB process and identified price had been deliberately misled.

SEBI charged that the Company has violated sections 12A(a), (b) and (c) of the SEBI Act, 1992 (Act) in conjunction with Regulation 3 of the SEBI (PFUTP) Regulations, 2003 (PFUTP Rules) and other provisions of the securities laws.

The Appellants contested the allegations and questioned the findings made by SEBI. In its decision of 9 March 2026, SAT dismissed the appeals, affirming the regulatory action. The case shows that the RBB mechanism is not a mechanism that can be “gamed” to give them an artificial appearance of trading or to generate a good delisting outcome.

Relevance to Vedanta

Riddhi Siddhi demonstrates why Regulation 4(5) of the 2021 Regulations is important. Delisting can only be done legally by a “fraudulent, deceptive or manipulative scheme,” and simply by meeting the numerical 90% requirement is not enough.

3. SEBI v. Prabhat Dairy Ltd.

Prabhat Dairy Ltd. v. SEBI was a case involving SEBI's intervention in a proposed delisting, as per the Regulations, 2009. The SEBI's major concerns were the financial situation, transactions and the impact of the proposed delisting on the investors of the company. Ultimately, the matter went before the Securities Appellate Tribunal and then the Supreme Court. The case exemplifies an important principle that SEBI is not only a procedural authority with respect to delisting. If the situation calls for investors' prejudice or any violation of the securities law, then SEBI has the power to exercise its statutory regulatory powers. The Supreme Court did not intervene in the SAT's order, but left the questions of law pending. The case thus reiterates Vedanta, in showing that the existence of a formal delisting procedure does not bar SEBI from investigating the underlying transaction in the event of investor protection concerns.

Legal Analysis and Conclusion.

Vedanta's delisting illustrates India's protection of minority shareholders.

1. No absolute right to delist: Despite VRL's roughly 50% holding, promoter control did not exempt it from statutory delisting requirements.
2. Substantive 90% threshold: Only 125.47 crore shares were validly confirmed against the required 134.12 crore; hence, no acquisition occurred and Vedanta remained listed.
3. Shareholder bargaining power: Under Reverse Book Building, public shareholders could tender above the promoter's indicative price, allowing the market to determine the exit price.
4. Floor price versus fair value: The floor price is a statutory minimum, not necessarily the company's true value—particularly where market prices are distorted, as during COVID-19.
5. Stronger 2021 framework: Regulations 4, 7, 8, 9, 10, and 20 to 22 reflect SEBI's enhanced focus on due diligence, transparency, manipulation safeguards, and balancing promoter objectives with public-shareholder interests.

Vedanta was governed by the 2009 Regulations, not the 2021 regime, but remains an important precedent for the latter. The failed delisting shows that shareholder approval and a floor-price offer alone are insufficient; promoters must also satisfy regulatory conditions and the minimum shareholding threshold. The case affirms that Indian delisting law permits promoter-led restructuring while preventing public shareholders from being compelled to exit at an unfair price.

Author's Opinion

The regulatory regime for the delisting of securities strikes an appropriate balance between the need to allow for an appropriate restructuring of a company, and the need to protect the interests of public shareholders. Delisting of equity shares cannot be a prerogative of the promoter and this is reflected in the SEBI (Delisting of Equity Shares) Regulations, 2021. Instead, it's a regulated process with procedural, substantive, and disclosure protections designed to make sure that public shareholders are given a fair and meaningful chance to get out. The elements of the IPO announcement, the Board of Directors' approval, independent due diligence, shareholder approval, floor price determination, the reverse book-building process and the required minimum shareholding percentages all serve as checks that will prevent an unfair or forcing exit. One of the key features of the 90% threshold requirement is that a promoter is not

allowed to proceed with the delisting simply because he or she already has a controlling stake. The framework therefore acknowledges that a promoter's interests can be legally significant even when the promoter has significant control over the company. These are complemented by the statutory powers of investigation, supervision and enforcement of SEBI. The same principle was found to be in the *Securities & Exchange Board of India v. Prabhat Dairy Ltd.* where the Supreme Court refused to interfere with the order passed by the Securities Appellate Tribunal without deciding the questions of law. The proceedings illustrate the overarching argument of SEBI having regulatory powers to look into securities-law transactions and to step in when investor protection and regulatory compliance are at stake. The Vedanta delisting episode, therefore, proves that the delisting regime is not just a way to exit the public markets but is essentially an investor protection regime. The Vedanta's bid, which failed to meet the prescribed threshold, is another example of the substantive nature of regulatory compliance as well as its ability to decide whether or not a delisting bid succeeds. The Delisting Regulations coupled with SEBI's enforcement powers thus offer considerable institutional protection against the possibility of exploitation of minority shareholders and proper promotion of the concept of fairness and transparency in the securities market, in my opinion.

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