

SECURITIES AND EXCHANGE BOARD OF INDIA

ORDER

UNDER SECTION 11(1) AND 11 B OF THE SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 READ WITH REGULATION 25A OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (DELISTING OF EQUITY SHARES) REGULATIONS, 2009.

IN THE MATTER OF DELISTING OF EQUITY SHARES OF SINDHU TRADE LINKS LTD.

Background -

1. Sindhu Trade Links Limited ("**STLL**" / "**Applicant**" / "**the Company**"), is a company incorporated under the Companies Act, 1956 on July 22, 1992, having its registered office at 129, Transport Centre, Rohtak Road, Punjabi Bagh, New Delhi - 110035. The equity shares of the Applicant are listed on BSE Limited ("**BSE**").
2. Securities and Exchange Board of India ("**SEBI**") received an application dated February 04, 2020 ("**Application**") from STLL seeking exemption / relaxation from Regulation 11, 17, 19 and 20 of the SEBI (Delisting of Equity Shares) Regulations, 2009 ("**Delisting Regulations**") under Regulation 25A of the said Regulations. Applicant, vide emails / letters dated February 18, 2020 and March 17, 2020 also submitted additional information and clarification in the matter.
3. Gist of the submissions made by the Applicant vide the application and the additional submissions, is given below:

- a. The application for exemption is made in the interest of minority shareholders and if the exemption / relaxation as sought, is not granted, it would be harsh and prejudicial to the Company, promoters and public shareholders.
- b. The Company is in the business of transportation, media, investment and finance, petrol pump operations, power distribution and engineering projects and overseas mining and trading of coal.
- c. As on date of application, the authorized share capital of the Company is Rs.52,00,00,000 and the paid-up share capital of the Company is Rs.51,39,76,260 divided into 5,13,97,626 equity shares of Rs.10/- each.
- d. The shareholding pattern of the Company as on December 31, 2019 is as under:

Category of shareholder	No. of shareholders	No. of equity shares held	Percentage of shareholding
Promoters and Promoter Group	35	3,85,32,196	74.97%
Public	623	1,28,65,430	25.03%
Total	658	5,13,97,626	100%

- e. The Company is in compliance with Regulation 19(2)(b) and 19A of the Securities Contracts (Regulation) Rules, 1957 read with Regulation 38 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. The shares of the Company fall in the category of small cap along with "not frequently traded share and low volume".

- f. As per the details available on BSE website as on January 27, 2020, the closing price of the share was Rs.60 and 52 weeks high and low prices were Rs.139.90 and Rs.57. The Company had an EPS of Rs.11.19.
- g. The Company and promoters have been exploring opportunities to expand operations and enter into new streams of business with the help of venture funding, FPIs, Family Offices, Institutions as well. However, they were concerned about the valuation of the Company, which is not getting reflected in the present stock price of the Company as compared to the turnover, business lines, promoter and director expertise due to foul play in the stock prices of the Company.
- h. Wide fluctuations were observed in share price of the Company in the past when the shares traded on the stock exchange platform were extremely minuscule. The Board and Promoters of the Company observed manipulation in share prices of the Company done by some public shareholders by creating fake demand and supply of a minuscule volume of 1 share. From February 16, 2017 to June 12, 2018, there had been repetitive trading of 1 share per day, which led to a constant increase in the share price of the Company. The total change in the price of the Company's share was Rs. 54.10, from Rs.16.10 in February 2017 to Rs.70.20 in June 2018. As soon as the price touched the figure of Rs. 72, the volume of the shares of the Company that were being traded sky-rocketed to 2500 on June 13, 2018.
- i. Ever since, the share price of the Company has fluctuated a lot, going as high as 159.35 on October 24, 2018 and then coming back down to Rs. 94.05 as of November 1, 2019. It is observed that trades involving a meagre 1-10 shares per day resulted in a massive fall in the Company's market capitalization. This unexplained

volatility is the shareholder's primary concern, and the Company has been losing reputation in the market even after having attained EPSs of Rs.11.81 and Rs.13.64 for FY17-18 and FY18-19, respectively.

- j. While the Applicant Company was earning profits and performing well, its shares did not reflect a positive outlook. Due to this reason, the Company failed to exploit its true potential. As a result, the public shareholders wanted a stop to these inconsistencies, as it was harming them financially.
- k. Due to unwarranted activities on the part of few stakeholders from outside the Company, the Company is unable to bring private equity partners for undertaking projects due to such unwarranted activities, which do not reflect the true value of the Company, and it is causing loss to innocent public shareholders.
- l. In the AGM held in September 2018, the shareholders suggested that the Company raise funds from the market, given the Company's above average/commendable performance during the past few years in spite of economic slowdown and downturn as well.
- m. The Company also held meetings with a few Private Equity investors to discuss expansion related aspects, but all those investors were not comfortable with investing in a Company that depicted such a risky share price history and lack of liquidity in stock and return on investment in future as well thereby prejudicing public shareholders of the Company to a large extent. As a result, the Company was not able to raise funds for expansion even after having several meetings with interested investors in spite of the Company's above average / commendable performance during the past few years.

- n. Potential investors whom the management approached for funds raised the concern that the Company's share price is highly volatile and portrays a risk-prone investment. As a result, the Company was not able to raise funds from external sources as well and its expansion and growth vision has become stagnant.
- o. On May 25, 2019, the Company had sent representation to SEBI about the baseless and unnatural price fluctuation in the stock price of the Company and requested SEBI to inspect and to take required action to settle the matter of price fluctuation for the beneficial interest of the investor associated with the Company.
- p. In the AGM held in September 2019, shareholders asked the Board of Directors to explain why they haven't submitted an application for delisting of the Company from the BSE to help the Company achieve its actual valuation vision with the help of securing funding from various institutions, FPIs family offices and Venture funds.
- q. The volatile nature of the Company's share portrays a very negative proposition to investors which in turn reduces the probability of expansion and investment by Private Equity investors.
- r. Out of 25.03% of the total number of shareholders i.e. public shareholders, more than 90% of the public shareholders requested the board and promoters of the Company to explore the options of voluntary delisting of the shares of the Company as the shares of the Company are being infrequently traded and the fluctuations due to minuscule trading causes downturn of market value of the Company. All the public shareholders who requested the Company to consider voluntary delisting, wish to remain with the Company post delisting and later reap benefits of growth post funding

of the Company with the help of venture funding, FPIs, Family Offices, institutions etc.

s. While considering the request of public shareholders, the Board and promoters determined various difficulties in considering the proposal of voluntary delisting. The Delisting Regulations, which sets out procedural rules to govern delisting offers of equity shares in Indian securities market, is causing hindrance for the public shareholders and the promoters to go for the route of voluntary delisting. The main issue of concern is that the stringency of the entire process prescribed under Delisting Regulations may, dissuade the promoters from trying to delist.

t. In view of the above, the Company has sought relaxation from the strict enforcement of the following regulations under Regulation 25A of the Delisting Regulations:

i. Regulation 11 - Requirement regarding opening of Escrow Account

ii. Regulation 17 - Minimum number of equity shares to be acquired

iii. Regulation 19 - Failure of offer in case of inability to acquire minimum number of equity shares; and

iv. Regulation 20 - Requirement to open a special account on success of the offer

4. The Applicant has also sought an opportunity for personal hearing, which was granted on June 24, 2020. Satya Pal Sindhu and Dev Sindhu, authorised representative of the Company and Sumit Kochar, Advocate, attended the personal hearing. The authorised representatives made oral submissions followed by written submissions made vide

emails dated July 06, 2020, July 31, 2020, September16, 2020, October 12, 2020 and November 03, 2020. The gist of additional submissions so made is given below:

- a. The Applicant was formerly known as Bhandari Consultancy and Finance Limited. In the year 2010-11, 7 companies viz. Uttaranchal Finance Limited, Sindhu Trade Links Limited, Parnami Habitat Developers Limited, Sindhu Holdings Limited, Garuda Imaging and Diagnostic Private Limited, Suvidha Stock Broking Services Private Limited and Reward Vinimay Private Limited merged with the Applicant and the name of the Applicant was changed to that of one of the amalgamating companies, i.e. Sindhu Trade Links Limited.
- b. The Company has been doing very well in the recent past and needs additional investment to sustain its growth.
- c. However, it could not obtain good valuation or funding from Private Equity investors due to severe fluctuations in the market price of the shares.
- d. Stock market has not reflected true value of its shares, which were not frequently traded.
- e. Delisting is the only option available to them to attract new investment.
- f. The exemptions sought under the Application are purely in the interest of the investors as all minority dissenting shareholders who wish to take exit from the Applicant Company will be offered an exit price in accordance with the Delisting Regulations. If exemption from the strict enforcement of Delisting Regulations not granted, it would be harsh and prejudicial to the Company and its stakeholders.

- g. The possibility of bringing a Rights Issue to fund the capital requirements of the Company was discussed with major public shareholders and majority of them rejected the proposal.
- h. Promoters and Directors of the Company had discussions with various Private Equity Funds, Venture Capital Funds, Foreign Portfolio Investors etc. Directors and Promoters of the Company also explored the route of raising investments through Qualified Institutional Placement. However, the investment proposals were rejected citing high volatility in the share prices of the Applicant. Other reasons stated for the rejection included pricing history at stock exchange, illiquid stock, small trading volumes, unnatural fluctuations in the prices not commensurate with company's financials, unclear exit strategy etc.
- i. The abnormal price volatility and infrequent/minuscule trades in Company's free float stock is denting the image, goodwill and future growth prospects, and may further lead to become a roadblock in Company's capacity to continue as going concern entity on account of not being able to have access to funds in the form of equity to cater to the existing requirements.
- j. The trading volumes in the shares of the Company have been shrinking and the market fails to reflect the true value of the Company's shares. Trading of a single share of the Company affects the total market capitalization which dissuades the investors to invest or stay invested for a long time with the Company.
- k. On account of the ensuing lockdown and pandemic (Covid-19), Company's business has been forced to cease operations due to the liquidity crunch and failure to raise

monies from the investors due to illiquid stock. The listing fees paid by the Company appear to be not beneficial for the public shareholders, promoters and the Company.

- l. The exemptions sought under the Application are purely in the interest of the investors as all minority dissenting shareholders who wish to take exit from the Company will be offered an exit price in accordance with the Delisting Regulations.
- m. If exemption from the strict enforcement of Delisting Regulations is not granted, it would be harsh and prejudicial on the Company, Promoters and Public Shareholders and may lead to loss of image, goodwill, clients, empanelments and the business of the Company will get adversely affected.
- n. If the relaxation sought is not given, the Company's shares will remain illiquid and it would not be possible for the public retail shareholder to take an exit from the Company at a fair value.
- o. Delisting would infuse liquidity into the hands of the public shareholders.
- p. While only 2.1% of the shareholders may opt for the exit, promoters have agreed to maintain Escrow Account in respect of 3% of the total Shareholding in the Company.
- q. All minority dissenting shareholders who wish to take exit from the Applicant Company will be offered an exit price in accordance with the Delisting Regulations.

Consideration

- 5. Before I proceed with my consideration, I find it appropriate to quote the regulatory provisions relevant in the matter:

Delisting Regulations

“Delisting from only some of the recognised stock exchanges

6. *A company may delist its equity shares from one or more recognised stock exchanges where they are listed and continue their listing on one or more other recognised stock exchanges, subject to the provisions of these regulations and subject to the following –*

(a),

(b) if after the proposed delisting, the equity shares do not remain listed on any recognised stock exchange having nationwide trading terminals, exit opportunity shall be given to all the public shareholders holding the equity shares sought to be delisted in accordance with Chapter IV.”

“Escrow account

11. (1) *Before making the public announcement under regulation 10, the acquirer or promoter shall open an escrow account and deposit therein the total estimated amount of consideration calculated on the basis of floor price and number of equity shares outstanding with public shareholders.”*

“Minimum number of equity shares to be acquired

17.(1) *If a counter offer has not been made by the acquirer or promoter in accordance with regulation 16(1A), an offer made under chapter III shall be deemed to be successful only if,-*

(a) the post offer promoter shareholding (along with the persons acting in concert with the promoter) taken together with the shares accepted through eligible bids at the final price determined as per Schedule II, reaches ninety per cent of the total issued shares of that class excluding the shares which are held by a custodian and against which depository receipts have been issued overseas; and

(b) at least twenty five per cent of the public shareholders holding shares in the demat mode as on date of the board meeting referred to in sub-regulation (1B) of regulation 8 had participated in the Book Building Process:

Provided that the requirement under clause (b) of sub-regulation (1) shall not be applicable to cases where the acquirer and the merchant banker demonstrate to the stock exchanges that they have delivered the letter of offer to all the public shareholders either through registered post or speed post or courier or hand delivery with proof of delivery or through email as a text or as an attachment to email or as a notification providing electronic link or Uniform Resource Locator including a read receipt.

Explanation I. -

a. If the acquirer or the merchant banker send the letters of offer to all the shareholders by registered post or speed post through India Post and is able to provide a detailed account regarding the status of delivery of the letters of offer (whether delivered or not) sent through India Post, the same would be considered as a deemed compliance with the proviso.

b. If the acquirer or the merchant banker is unable to deliver the letter of offer to certain shareholders by modes other than speed post or registered post of India Post, efforts should be made to deliver the letters of offer to them by speed post or registered post through India Post. In that case, a detailed account regarding the status of delivery of letter of offer (whether delivered or not) provided from India Post would also be considered as deemed compliance with the proviso.

Explanation II.- In case the delisting offer has been made in terms of regulation 5A of Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, the threshold limit of ninety per cent. for successful delisting offer shall be calculated taking into account the post offer shareholding of the acquirer taken together with the existing shareholding, shares to be acquired which attracted the obligation to make an open offer and shares accepted through eligible bids at the final price determined as per Schedule II.

(2) If a counter offer has been made by the acquirer or promoter in accordance with regulation 16(1A), an offer made under chapter III shall be deemed to be successful only if the post offer promoter shareholding (along with the persons acting in concert with the promoter) taken together with the shares accepted at the counter offer price reaches ninety per cent. of the total issued shares of that class excluding the shares which are held by a custodian and against which depository receipts have been issued overseas.”

“Failure of offer

19. (1) *Where the offer is rejected under regulation 16 or is not successful as per regulation 17, the offer shall be deemed to have failed and no equity shares shall be acquired pursuant to such offer.*

(2) Where the offer fails –

(a) the equity shares deposited or pledged by a shareholder under paragraphs 7 or 9 of Schedule II shall be returned or released to him within ten working days from the end of the bidding period;

Provided that the acquirer shall not be required to return the shares if the offer is made pursuant to regulation 5A of Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.

(b) no final application shall be made to the exchange for delisting of the equity shares; and (c) the escrow account opened under regulation 11 shall be closed.”

“Payment of consideration and return of equity shares

20. (1) *The promoter shall immediately upon success of the offer, open a special account with a banker to an issue registered with the Board and transfer thereto, the entire amount due and payable as consideration in respect of equity shares tendered in the offer, from the escrow account.*

(2) *All the shareholders whose equity shares are verified to be genuine shall be paid the final price stated in the public announcement within ten working days from the closure of the offer.*

(3) *The equity shares deposited or pledged by a shareholder pursuant to paragraphs 7 or 9 of Schedule II shall be returned or released to him, within ten working days from the closure of the offer, in cases where the bids pertaining thereto have not been accepted.”*

“Power to relax strict enforcement of the regulations.

25A. (1) *The Board may for reasons recorded in writing, grant relaxation from strict enforcement of any of the requirements of these regulations, if the Board is satisfied that the relaxation is in the interests of investors in securities and the securities market.*

(2) *For seeking exemption under sub-regulation (1), the promoter or the acquirer or the company shall file an application with the Board, supported by a duly sworn affidavit, giving details for seeking such exemption and the grounds on which the exemption has been sought.*

(3) *The promoter or the acquirer or the company, as the case may be, shall along with the application referred to under sub-regulation (2) pay a non-refundable fee of rupees fifty thousand, by way of direct credit in the bank account through NEFT/RTGS/IMPS or any other mode allowed by RBI or by way of a banker’s cheque or demand draft payable in Mumbai in favour of the Board.*

(4) *The Board may after affording reasonable opportunity of being heard to the applicant and after considering all the relevant facts and circumstances, pass a reasoned order either granting or rejecting the exemption or relaxation sought as expeditiously as possible.”*

6. From the material available on record, I note that the Applicant has been listed on BSE since 1996. The Company has a promoter shareholding of 74.97% and the balance 25.03% share capital is held by 623 public shareholders. As per the applicant’s submissions, public shareholders have been worried about the huge volatility in the market prices of the shares of the Company and suggested to get the Company delisted and get the additional funding from private equity or similar investments. According to the Applicant,

the Company requires additional capital investment for business expansion but is facing difficulty in getting investments from Private Equity, Venture Capital Funds, Foreign Portfolio Investors etc. due to high volatility in the Company's share prices. Accordingly, Company has considered delisting as the only option to get rid of market volatility and to attract further investments.

7. As per the submissions made by the Company in the application, public shareholders holding more than 90% of the public shareholding wanted the Company to be delisted and they wished to continue with the Company post delisting and the Applicant has submitted affidavits from these 31 shareholders holding 22.90% shareholding to this effect.
8. Since public shareholders holding majority of the public shareholding, want the Company to be delisted but did not want to participate in the delisting process, the proposed delisting would not meet the requirement of promoters increasing their shareholding to at least 90%, as required under Regulation 17(1) of the Delisting Regulations. Further, since shareholders holding 2.13% shares (25.03% - 22.90%) only are expected to take part in the delisting process, the promoters want to comply with the requirement of deposit in Escrow Account provided in Regulation 11, only to the extent of 3% as against the requirement of 25.03%. Further, the Applicant has also sought exemption from Regulation 19, which, inter-alia, provides that the offer shall be deemed to have failed if the requirement of 90% holding by promoters post the delisting offer, provided under Regulation 17, is not met. The Applicant has also sought exemption from the requirements of Regulation 20, which provides that the promoter shall, immediately upon the success of the offer, open a special account and deposit therein, the total consideration payable in the delisting offer.

9. I note that the requirements from which the relaxation is sought, i.e., making an exit offer to the public shareholders, opening of escrow account, special account, meeting the mandated percentage of promoter's acquisition to deem the offer as successful etc., are some of the fundamental requirements specified in the Delisting Regulations intended to protect the interests of the public shareholders. Relaxation under Regulation 25A is normally considered in cases where an entity is unable to comply with certain specific procedural requirements due to genuine reasons and where there is a case made out for the non-applicability of the SEBI Delisting Regulations, for various reasons and such exemption is in the interest of the investors and the securities market.
10. In the instant case, I find that the Applicant is essentially seeking relaxation from the process of making an exit offer to a major section of the public shareholders (i.e to 22.90% of the shareholders), since they have agreed to stay with the Company. In other words, the Applicant wants to limit the exit offer to 2.13% of the public shareholders. The Applicant has tried to justify the relaxation sought by producing affidavits from 22.90% of shareholders to the effect that they would like to continue to be the shareholders of the Company even after delisting. Based on this premise, the Applicant has sought a decrease in the amount to be deposited in the escrow account for the purpose of delisting. Similarly, the Applicant has further sought a relaxation from the norm of acquiring at least 90% of the shareholding pursuant to the delisting.
11. In the instant case, the Applicant is reported to have a public shareholding of 25.03%, duly meeting the requirements under Rule 19A of Securities Contracts (Regulations) Rules, 1957. As per the submissions made by the Applicant and the data available on BSE website, the Applicant's shares were infrequently traded with minuscule volume and many of the trades recorded were of 1 share each. However, the public shareholders

holding more than 90% of the public shareholding appear to be long term investors who want to continue in the Company for a long time, thereby reducing the available free float to around 2% of the total shareholding. This could have, probably contributed to fluctuations in the share prices, which fluctuated from Rs.29.45 to Rs.159.35 during the last 3 years. However, as observed from the BSE website, the fluctuations in share prices of the Applicant during the 52 weeks prior to October 30, 2020 was only 134.04% (Rs.42.30 to Rs.99) which is comparable to that of the peer group companies identified on BSE website. Hence, in my view, the variations in share prices of the Applicant in the recent past is not that unusual or exceptional so as to substantiate the exemptions sought in the Application. Inability to attract investment, is also not a convincing ground to consider for granting exemption from the major provisions of the Delisting Regulations.

12. The promoters of the Applicant want to provide exit opportunity only to shareholders holding 2.13% shareholding. The Applicant has submitted affidavits from 31 public shareholders holding 22.90% shareholding, stating that they want the Company to be delisted but do not want to exit or want to participate in the delisting process. I note that such undertakings obtained prior to the publication of delisting offer price cannot be relied upon. As such, the main purpose for which a public shareholder would invest in a Company is to obtain maximum return on his investment. Since delisting offer price, which is to yet to be decided, is the primary factor that would determine the decision of the public shareholder with respect to exit, such undertakings obtained at a time when the offer / exit price was not made available to them, cannot be considered as an informed decision. Consequently, a relaxation / exemption merely based on such undertakings and which would deprive shareholders holding 22.90% of the shareholding, an opportunity to participate in the delisting process, cannot be considered.

13. As regards the exemptions sought by the Applicant from the requirement of opening an Escrow Account as provided under Regulation 11 of the Delisting Regulations and the requirement to open a special account to pay consideration as provided under Regulation 20(1), I note that these requirements are critical to ensure that the promoters meet the commitment after the shareholders tender their shares in the exit offer. A relaxation thereto may prejudice the successful completion of the offer and may cause losses to public shareholders participating in the delisting process. Inability of the promoters to arrange for funds, or affidavits submitted by a section of shareholders even prior to determination of the exit price, in my view, are not adequate reasons to even consider relaxation of such a critical requirement in the Delisting Regulations.
14. From an evaluation of the relaxations sought and presuming the bonafides underlying the affidavits of the public shareholders, it transpires that the idea of the promoters and the supporting shareholders is to seek investments from third party investors and to continue together as shareholders. The second reason cited in the application is the lack of frequency of trading in the scrip. While less frequency can be a reason for a Company to consider delisting itself, it cannot be done by way of an indirect circumvention of the basic requirements laid down in the Delisting Regulations. The relaxations, if considered, would lead to a total distortion of the very object of the Delisting Regulations, which is aimed at protecting the rights of the public shareholders and providing them a reasonable exit option. The powers of relaxation available under the Delisting Regulations ought to be exercised to advance the interests of the investors in securities and the securities market. The application seems frivolous from the larger perspective of the investor community and does not merit consideration.

15. In view of the aforesaid, I do not find any merit in granting relaxations as sought, as it is neither in the interest of the investors nor that of the securities market.

Order

16. For the aforesaid reasons, in the interest of investors in securities and in exercise of powers under sections 11(1) and 11B of the SEBI Act,1992 and Regulation 25A of the SEBI (Delisting of Equity Shares) Regulations, 2009, I do not find it appropriate to grant the relaxations sought by the Company i.e. Sindhu Trade Links Limited, from the applicability of Regulation 11, Regulation 17(1), Regulation 19(1) and Regulation 20 of Delisting Regulations.

17. Copy of this order shall also be served to BSE for information and necessary action.

18. The Application dated February 04, 2020 along with related correspondence stands disposed of accordingly.

G. MAHALINGAM

PLACE: MUMBAI

WHOLE TIME MEMBER

DATE: November 13, 2020

SECURITIES AND EXCHANGE BOARD OF INDIA