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B.Com Honours

Semester VI

Calicut University

FUNDRAISING SERVICES IN INVESTMENT BANKING

Course Code: COM6EJ315 • Module 4 Notes

Module IV: Buybacks and Delisting

Covers share buyback concepts, financial rationale, SEBI Buyback Regulations, execution methods (Tender offer vs Open market), Voluntary Delisting, Compulsory Delisting, Reverse Book Building (RBB), & floor price discovery.

Unit 15: Share Repurchase / Buyback Concept & Rationale

Share Buyback: Corporate action where company repurchases its own shares from existing shareholders to extinguish capital. Rationale: Returning excess cash, increasing EPS, & signaling undervaluation.

Unit 16: Regulatory Framework for Equity Buyback in India

Statutory Limits (Sec 68 Companies Act): Buyback capped at 25% of aggregate paid-up capital & free reserves. Debt-Equity Ratio post buyback must not exceed $2:1$. Methods: Tender Offer route or Open Market purchase (Book Building / Stock Exchange).

Unit 17: Investment Banking Perspectives in Share Buybacks

Merchant Banker Role: Valuing buyback price, issuing public announcement, managing escrow accounts, & executing tender offer mechanism.

Unit 18: Regulatory Framework & Process for Voluntary & Compulsory Delisting

Delisting (SEBI Delisting Regulations): Permanent removal of company shares from stock exchange trading.
- **Voluntary Delisting:** Promoters acquire public shares via **Reverse Book Building (RBB)** process to discover exit price. Promoters must reach 90% threshold.
- **Compulsory Delisting:** Penalty enforced by stock exchange for non-compliance.

Practical Case Framework 1 (SEBI Buyback Methods Execution Comparison Matrix): Compare buyback route, SEBI price fixity rule, quota reservation, and completion timeline.

SEBI Share Buyback Methods Comparison Table:

Share Buyback Route	Price Fixity & Determination Rule	Retail Shareholder Reservation & Timeline
Tender Offer Route	Fixed buyback price set upfront by Board	Mandatory 15% reservation for small retail investors
Open Market Stock Exchange Route	Maximum ceiling price set; bought at market rate	Executed via stock exchange trading terminal

Practical Case Framework 2 (Voluntary Delisting Reverse Book Building (RBB) Exit Price Matrix): Detail delisting stage, regulatory formula, promoter decision, and minority squeeze-out condition.

Reverse Book Building (RBB) Delisting Price Discovery Table:

Delisting Execution Stage	Reverse Book Building (RBB) Action	Regulatory & Promoter Threshold Rule
1. Floor Price Fixation	Calculated as per SEBI Takeover Regulations formula	Minimum price below which public bids cannot be made
2. Public Bidding & Price Discovery	Public shareholders submit sell bids on exchange	Discovered Price = Price at which promoter reaches 90%
3. Promoter Acceptance / Counter-Offer	Promoter accepts discovered price or gives counter-offer	If accepted, delisting succeeds; remaining 10% squeezed out