

SEBI directs Schneider Electric to list on national bourses

PALAK SHAH : 3-4 minutes : 19/01/2021

In a win for shareholders, market regulator SEBI has directed Schneider Electric President Systems to list on the stock exchanges or give a proper exit route to its investors per de-listing norms.

The SEBI order against Schneider came after the Securities and Appellate Tribunal (SAT) rejected its appeals and even the Supreme Court asked the regulator to issue a judgment based on investor complaints. The shareholders were represented by Somasekhar Sundaresan with Sumit Agarwal and Amit Agarwal.

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The Schneider Electric case was the second instance back in 2019, where the shareholders of a regional stock exchange (RSE) listed company had moved SAT for 'poor treatment' of their complaint by SEBI.

SAT had observed that the treatment of the case by SEBI and the exchanges made it wonder "if public shareholders of RSE-listed companies were children of a lesser God."

In its November 2019 verdict regarding Schneider, SAT had observed that none of the authorities, including SEBI and the stock exchanges, had discharged 'any of their responsibilities', including listing or monitoring the exit opportunity to shareholders of a company listed on RSEs.

It was of the view that the continued listing, exit and valuation of shares of companies on RSEs cannot be treated as individual investor complaints by SEBI. It further asked the regulator to pass a reasoned order in three months. SEBI went into an appeal to the SC.

Schneider was listed on the Bangalore and Pune stock exchanges, both RSEs, which subsequently closed down. Per rules, "it is mandatory for exclusively listed companies on RSEs to seek listing on any national level stock exchanges and, only for genuine reasons, alternatively, they can provide an exit option to the shareholders per SEBI Delisting Guidelines/Regulations, after taking shareholders' approval for the same within a time-frame to be specified by SEBI."

The shareholders of Schneider had complained to SEBI that the company "never made any effort to list on the national exchanges though it was eligible to get listed on the BSE. Rather, it communicated to its shareholders otherwise, and decided to exit/delist with an undervalued offer to the public shareholders". The valuation conducted by Schneider was contested as it did not take into account the complete assets and strengths of the company, the shareholders had said.

The shareholders, in their application to SAT, provided detailed evidence of how Schneider did not make any effort to list on the BSE or the NSE. They also said the self-valuation of its shares did not take all factors into account. "Instead of carrying out at least an examination, SEBI has treated these representations as just ordinary SCORES (SEBI Complaints Redress System) complaints like individual investors' complaints such as non-receipt of shares, dividend etc, and the regulator and national level stock exchanges adopted a completely unconcerned approach and directed the appellants to approach the Bangalore Stock Exchange and Pune Stock Exchange (which are not even functional) or the company Schneider (which itself is against the public shareholders)."

SEBI has now asked the NSE to monitor the compliance of its order by Schneider, which is either to list or give proper exit to shareholders.