

## **Listed companies must now seek Sebi nod for all M&A deals**

Companies traded on stock exchanges will now need the clearance of the capital market regulator Sebi for all merger, demerger and amalgamation deals. Till now, companies could execute these strategies by obtaining the approval of a high court and no-objection certificate from exchanges. The regulator believes that many complex merger and demerger transactions that are not in the best interest of minority shareholders are being pushed through by company managements and promoters.

In cases where company managements sought certain exemptions from Sebi, the information shared with the regulator was inadequate. "In the recent past, Sebi has received applications, seeking exemption, from certain entities containing inadequate disclosures, convoluted schemes of arrangement, exaggerated valuations, etc. Sebi is of the view that granting listing permission or exemption based on such applications may not be in the interest of minority shareholders," Sebi said in a circular. In overhauling the merger-demerger rules, Sebi has directed listed companies to obtain shareholders' approval through postal ballot and e-voting on a special resolution proposed to ratify the transaction. Companies will also have to ensure that they receive the approval from at least two-thirds of minority shareholders.

Sebi has also made it mandatory for companies to disclose the scheme valuation report obtained from independent chartered accountant, fairness opinion and audit committee's observation on the scheme for public scrutiny for 21 days. "Earlier, companies were only required to get no-objection from stock exchanges but now they will have to get Sebi's approval on the scheme and incorporate the observations before approaching the court," said Manoj Kumar, AVP, Corporate Professionals Capital, a boutique investment banking firm. "The disclosure of valuation report and fairness opinion to public will make the merger and de-merger process transparent and seeking public shareholders approval will protect their interest," Kumar said.

The process, however, could stretch for two months instead of one. "Listed companies shall be required to include the observation letter of the stock exchanges, in the notice sent to the shareholders seeking approval of the Scheme and bring the same to the notice of the Hon'ble High Court at the time of seeking approval of the scheme," said the Sebi circular.

*(Economic Times)*