

Sebi relaxes preferential pricing norms, tweaks takeover code

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The board of the Securities and Exchange Board of India (Sebi) has made it easier for listed companies to raise money by temporarily relaxing pricing norms for preferential allotment of shares. It also tweaked its takeover regulations to ensure that shareholders receive interest if open offers are delayed.

The board has allowed companies to use the higher of volume-weighted average of preceding two weeks or 12 weeks for a preferential allotment. Currently, companies have to necessarily price such issues at the volume-weighted average price of the preceding 26 weeks (6 months).

This pricing option “shall be available for the preferential issues made between July 1, 2020, or date of notification of amendment to the Regulations, whichever is later, and December 31, 2020,” said a statement from the regulator. The securities allotted on the basis of this pricing will be locked-in for three years, it added.

Relaxing the pricing norm will allow companies to price their preferential issues lower because share prices have come down since covid-19 has struck. This will make it more attractive for promoters, who are the typical buyers of preferential shares, to invest more capital in their companies and stave off hostile takeovers. It is also particularly useful for listed companies to raise capital at a time when banks are risk averse and unwilling to lend.

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Separately, the regulator also said the acquirer should deposit 100 per cent of the open offer amount payable into an escrow account for indirect acquisitions. Currently, such a rule is applicable only for direct acquisitions. In a direct acquisition, the acquirer takes control of a listed target company by buying its shares; in an indirect acquisition, control is gained by buying the shares of a holding or parent company of the target firm.

The Sebi board also sought to strengthen regulations for preventing insider trading. It approved maintaining a structured digital database which will contain the nature of unpublished price sensitive information and the names of the persons who shared the information.

It also permitted automating the process of filing stock exchange disclosures and lifting restrictions on the trading window for transactions prescribed by Sebi.

The regulator has also tweaked its settlement regulations to streamline the process and make it faster.

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