

THE HINDU Business Line

SEBI's new takeover norms re-set open offer trigger at 25%

Our Bureau



Mumbai, Sept. 23:

Market regulator SEBI, in its notification on Friday, has reset the trigger for open offers at 25 per cent from 15 per cent and pegged the process of tendering shares in open offers to 10 days.

The norms stipulate the minimum size of an open offer at 26 per cent, up from the earlier 20 per cent. This would go up in case of increase in the number of shares not contemplated as on the date of the public announcement (such as issue of bonus shares).

Most of the proposals made by the Takeover Regulation Advisory Committee, headed by the late C. Achuthan, were accepted by SEBI.

OFFER PRICE

The offer price shall be the highest of the negotiated price, volume weighted average price of the last 52 weeks prior to the public announcement, highest price payable or paid in the last 26 weeks before the public announcement or the volume weighted average price of 60 trading days prior to the public announcement.

In addition, companies cannot breach the maximum promoter shareholding limit of 75 per cent. If this happens, the acquirer has to shed the stake that is over 75 per cent through a public offer.

Automatic delisting has been disallowed and acquirers whose stake exceeds 75 per cent are ineligible to voluntarily delist before 12 months of completion of the open offer.

SEBI has defined indirect acquisition or control as the ability to exercise or direct the exercise of voting rights which would otherwise attract the obligation of making a public announcement of an open offer. In case this ability exceeds 80 per cent of assets or net sales or market capitalisation of the target company, it would be deemed as a direct acquisition.

If the indirect acquisition exceeds 15 per cent of either the assets, net sales or market capitalisation the acquirer has to divulge details of how the valuation of offer price was done in his letter of offer.

The conversion price of convertible instruments are also to be considered while doing due diligence. SEBI reserves the right to constitute an expert panel to make recommendations for exemption from open offer obligations in special situations such as the Satyam case.

The regulations come into force on October 22. Any open offer for which a public announcement has been made under the repealed regulations would be completed under the earlier norms.

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