

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:5231
ANSWERED ON:27.08.2010
PROCEDURE ON CORPORATE TAKE OVER
Tewari Shri Manish

Will the Minister of FINANCE be pleased to state:

- (a) whether there is a Securities and Exchange Board of India (SEBI) Committee which has recommended that the procedure of Corporate acquisitions through the hostile take over route be amended;
- (b) if so, the details thereof
- (c) the salient and significant departures recommended by the Committee from the earlier take over code;
- (d) whether the Government has applied itself to the recommendations of the SEBI Committee;
- (e) whether the Government propose to put the take over code on a statutory basis;
- (f) whether the new or proposed take over code not disincentivise corporate risk taking by raising the acquisition bar to 100 percent; and
- (g) if so, the reaction of the Government thereto?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI NAMO NARAIN MEENA)

(a): SEBI had constituted a Committee called the "Takeover Regulations Advisory Committee(TRAC)" which has recommended amendments to the procedure for corporate acquisitions.

(b): The mandate of the committee was to examine and review SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 and to suggest suitable amendments therein.

The Committee consisted of experts in the relevant areas and was headed by Mr. C. Achuthan, Former Presiding Officer, Securities Appellate Tribunal.

(c): The salient and significant departures recommended by the Committee include:

Initial trigger for an open offer to be 25 per cent of the voting capital of a listed company.

Compulsory open offer for all the shares of the target company

The creeping limit of 5 per cent per annum, to be made applicable till the aggregate post-acquisition shareholding of the acquirer reaches the maximum permissible non-public shareholding limit.

The minimum offer price will be based on 12 weeks' volume weighted average of market prices.

(d) and (e): The Government would take a view on the recommendations of the Committee when they are considered by the SEBI Board.

(f): The compulsory requirement to make open offer of 100 percent of shares would ensure equality of opportunity to all shareholders. This requirement will prevent non-serious entities from making takeover efforts.

(g): Does not arise in view of reply to (f) above.