

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:753  
ANSWERED ON:25.02.2011  
DELISTING OF COMPANIES QUESTION  
Jawale Shri Haribhau Madhav

**Will the Minister of FINANCE be pleased to state:**

- (a) whether Government has accorded permission to merge one Company with other sister concern Company or the interest vested in the acquire company by arbitrarily increasing their share capital from single digit value to five digit value per share and consolidated the equity share in to one block and if so, the details thereof and reasons therefor for the last three years;
- (b) the list of companies delisted from Stock exchanges within three months of merger for last three years;
- (c) whether the Government has put safeguards to protect the interests of small investment in such cases;and
- (d) if so, the details thereof and the action proposed by Government in this regard<sup>9</sup>

**Answer**

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

- (a) Merger of one company with other sister company is provided for in Section 391 to 394 of the Companies Act read with relevant Company Court Rules 1959. Section 94(l)(a) of the said Act permits a company to increase its share capital by such amount as it thinks expedient, by issuing new shares and to consolidate and divide all or any of its shares of larger amount than its existing shares if the Articles of Association provide for the same. In the first case, the power is vested in the High Court under whose jurisdiction the registered office of the company is situated. In the second case, the power is vested in the company itself. Therefore, the Central Government permission is not required and no application is made to Central Government.
- (b) The list of companies delisted from Stock exchanges after merger for last three years is at Annexure.
- (c) Under the provisions of the Securities & Exchange Board of India (SEBI) Act, 1992, SEBI has been mandated to protect the interest of investors in securities.
- (d) With respect to protecting the interest of investors in case of listed companies going through the scheme of mergers / de-mergers etc, clause 24(f), 24(g) and 24(h) of the Listing Agreement contains the relevant provisions. It mandates that the scheme does not in any way override, violate or circumscribe the provisions of Securities Laws or the Stock Exchange requirements and provides for disclosures which inter-alia include the 'Fairness opinion' obtained from an independent Merchant banker on valuation of assets and shares done by the valuer of the companies.