

SEBI Regulations on Mergers and Acquisitions

Course Name: Mergers and Acquisitions (23BBE735)

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Growth. Together.

Agenda

Introduction to SEBI

Role and jurisdiction in M&A regulation

Regulatory Framework

Key regulations governing M&As in India

Types of M&A Transactions

Classifications and regulatory implications

Case Studies

Recent examples and impact analysis

Sector-Specific Insights

Industry-specific regulatory considerations

Introduction to SEBI

Securities and Exchange Board of India

- Established in 1992 as the regulatory authority for securities markets
- Primary objective: Protect investor interests and promote market development
- Statutory powers to regulate M&A activities affecting listed entities
- Issues guidelines, regulations, and circulars governing corporate restructuring



SEBI's Regulatory Framework

1

SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011

Governs acquisition of shares, voting rights, and control in listed companies

2

SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018

Regulates public offerings and preferential allotments in M&A transactions

3

SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

Mandates disclosures and approvals for corporate restructuring activities

Takeover Code: Key Provisions

Mandatory Open Offer Triggers

- Acquisition of 25% or more voting rights
- Additional acquisition of more than 5% in a financial year by existing 25%+ shareholders
- Acquisition of direct/indirect control over target company

Open Offer Requirements

- Minimum offer size: 26% of total shares
- Pricing norms based on historical trading prices
- Detailed disclosure requirements
- Appointment of merchant banker mandatory



Types of M&A Transactions

Mergers

Combination of two or more companies into a single entity

Acquisitions

Purchase of controlling interest or assets of another company

Amalgamations

Fusion of two or more companies to form a new entity

Takeovers

Acquisition of controlling stake in a target company

Regulatory Process for M&A Approval

Initial Filing

Submit detailed proposal to SEBI with transaction structure, valuation reports, and financial details

Public Announcement

Mandatory disclosure to stock exchanges and public regarding the proposed transaction

Shareholder Approval

Special resolution requiring 75% majority from shareholders of both companies

Regulatory Review

SEBI examines compliance with regulations, fair treatment of minority shareholders

Final Approval

SEBI and other regulatory bodies (CCI, RBI if applicable) grant final clearance



Disclosure Requirements

Pre-Transaction Disclosures

- Detailed transaction structure and rationale
- Valuation reports from independent registered valuers
- Financial statements and projections
- Impact on minority shareholders

Post-Transaction Disclosures

- Completion of open offer process
- Final shareholding pattern
- Changes in board composition
- Integration plans and timelines

Case Study 1: HDFC-HDFC Bank Merger (2022)

Transaction Overview

- \$40 billion merger creating India's largest private bank
- HDFC Ltd. merged with HDFC Bank
- Share swap ratio: 42 shares of HDFC Bank for every 25 shares of HDFC Ltd.

Regulatory Challenges

- Required approvals from SEBI, RBI, CCI, and IRDAI
- Complex due to size and cross-holding structure

Impact Analysis

- Created entity with market cap over \$160 billion
- Increased weight in stock indices
- Enhanced mortgage lending capabilities
- Set precedent for financial sector consolidation



Case Study 2: Air India Acquisition by Tata Group (2021)

Transaction Overview

- ₹18,000 crore (\$2.4 billion) acquisition
- Government divestment of 100% stake
- Included Air India Express and 50% of AISATS

Regulatory Process

- CCI approval for competition concerns
- SEBI oversight on listed Tata entities
- Special provisions for government divestment

Impact Analysis

- Consolidation in Indian aviation sector
- Return of Air India to original founders after 68 years
- Reduction in government's fiscal burden
- Created India's largest international carrier



Case Study 3: Reliance-Future Retail Deal (2020-2022)



1

August 2020

Reliance Retail announces ₹24,713 crore acquisition of Future Group's retail assets

2

October 2020

Amazon initiates legal proceedings citing violation of contractual rights

3

February 2022

Future Group creditors reject deal; Reliance takes over 900+ Future stores

4

April 2022

Deal officially terminated after prolonged legal battles

Regulatory Lessons: Highlighted importance of contractual obligations, stakeholder approvals, and disclosure requirements in M&A transactions

References

Regulatory Sources

- SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011
- SEBI (LODR) Regulations, 2015
- Companies Act, 2013
- Competition Act, 2002

Business Journals & News

- Economic Times: HDFC-HDFC Bank Merger Analysis
- Business Standard: Air India Acquisition Coverage
- Financial Express: Future-Reliance Deal Reports
- Bloomberg Quint: Recent Regulatory Updates

For further information: www.sebi.gov.in | www.mca.gov.in | www.cci.gov.in