

New rules seek to speed up merger, demerger approvals

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A new standard operating procedure (SOP) has set the framework for slashing the protracted procedural drift involved in securing regulatory approvals for mergers and demergers, creating much-needed predictability for dealmakers. Yet, the toughest hurdles remain untouched.

The SOP rolled out by National Stock Exchange of India Ltd (NSE) and BSE Ltd, effective 1 August, promises a seven-working-day processing window for merger and demerger applications if all the documents are in order. Until now, the processing window typically stretched for 3-5 months.

The framework, which has been mandated by the Securities and Exchange Board of India (Sebi), also scraps physical paperwork, requiring only digital filings through platforms such as NSE's Electronic Application Processing System and BSE's Listing Centre.

But firms listed on stock exchanges still need to go to the National Company Law Tribunal (NCLT) to secure approvals for mergers and demergers—a time-consuming and laborious process the government had considered eliminating.

Also, regulatory scrutiny and sequence can still stretch deal timelines, said market participants and lawyers, adding that the new framework's rigidity could create fresh risks.

"While the SOP imposes a streamlined and time-bound mechanism, it simultaneously gives rise to certain challenges, primarily due to the inflexible nature of the framework, undefined obligations of Sebi and the absence of safeguards against unforeseen procedural failures," said Madhavan Sri-



The framework, which scraps physical paperwork, requiring only digital filings, has been mandated by market regulator Sebi. REUTERS

vatsan, senior partner, Emerald Law Offices.

The SOP enforces strict timelines at every stage. Companies must file their draft scheme for a merger or demerger within 15 days of board approval, and will be given only two chances to respond to queries from the exchanges.

The exchanges, if satisfied with the draft scheme, will issue a no-objection certificate (NOC) or observation letter to Sebi, which will then issue its clearance. Only then can a company approach the NCLT for a final sanction.

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Ketan Dalal, managing director at compliance and advisory firm Katalyst Advisors, termed the first step of securing exchange and Sebi signoffs as "long and tortu-

ous."

"The first step of taking approval from exchanges (where they internally take Sebi's approval) is now taking three-five months. Unless this approval comes, companies cannot apply to the NCLT," he said.

Dalal urged a structural change: allow parallel NCLT filings, with companies committing to incorporate Sebi-driven amendments in their draft scheme or withdraw if the plan is rejected. "This parallel

tracking will help to save four-five months in a situation where the current timelines are out of sync with commercial reality," he said.

Srivatsan of Emerald Law Offices pointed to the lack of a statutory outer limit for Sebi's signoff in the new framework, leaving the overall timetable open-ended.

"The SOP could have clarified an outer timeline for exchanges to grant the NOC to the issuer, which actually matters the most to the issuer for filing the scheme with NCLT," he said.

Srivatsan also flagged the absence of redressal mechanisms for technology failures, which could potentially require restarting the review cycle.

The SOP's strict reminders-and-return mechanism for incomplete responses could penalize issuers even when delays stem from exchange systems or required third-party inputs, he added.

Others warned about the tighter response pressures in the new framework.

"They (companies) will now only get two opportunities to respond to the deficiencies before the application is rejected," said Yash Vardhan Singh, counsel, Sarvaank Associates, adding that the mandate to respond only through a digital platform could test the digital-readiness of a company.

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