

Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 (Takeover Code)

1. In regulation 3, in sub-regulation (2), the following new proviso has been inserted before the existing provisos, namely

“Provided that the acquisition beyond five per cent but upto ten per cent of the voting rights in the target company shall be permitted for the financial year 2020-21 only in respect of acquisition by a promoter pursuant to preferential issue of equity shares by the target company.”

Crux: Promoter of target company can acquire equity shares pursuant to preferential issue upto 10% of the voting rights in the target company in financial year 2020-21 without triggering the obligation to make open offer under Reg. 3(2), after this new proviso, it will allow companies to raise fund through preferential issue in this hour of need without such regulatory burden on promoters.

2. In regulation 6, in sub-regulation (1), the following has been inserted after the first proviso, namely,-

“The relaxation from the first proviso is granted till March 31, 2021.”

First proviso to section 6(1) is as follows for reference:

“Provided that where an acquirer or any person acting in concert with him has acquired shares of the target company in the preceding 52 weeks without attracting the obligation to make a public announcement of an open offer, he shall not be eligible to voluntarily make a public announcement of an open offer for acquiring shares under this regulation”

Crux: Any acquirer or any person acting in concert with him who has acquired shares of the target company in the preceding 52 weeks without attracting the obligation to make a public announcement of an open offer, he shall also be eligible to voluntarily make a public announcement of an open offer for acquiring shares under this regulation till March 31, 2021.”

