

# Business Standard



**WORLD P8**  
**ICC SEEKS ARREST WARRANTS FOR NETANYAHU, HAMAS LEADERS**

**BACK PAGE P16**  
**POWER DEMAND IN NORTH INDIA WITNESSES SHARP RISE**



PUBLISHED SIMULTANEOUSLY FROM AHMEDABAD, BENGALURU, BHOPAL, BHUBANESWAR, CHANDIGARH, CHENNAI, HYDERABAD, KOCHI, KOLKATA, LUCKNOW, MUMBAI, NEW DELHI AND PUNE

50 years of choosing integrity over virality.



50 Years of Insight

## Sebi offers shield against M&A price disruptions

New framework, part of rumour-verification norms, will be rolled out on June 1

**KHUSHBOO TIWARI**  
 Mumbai, 20 May

The Securities and Exchange Board of India (Sebi) has made significant amendments to the takeover regulations that could potentially lower the cost of mergers and acquisitions (M&A) for India Inc. The market regulator has said the disruption in stock prices following news reports or leaks of sensitive information will be excluded while computing the open offer price.

This amendment is part of Sebi's new rumour verification framework that comes into effect on June 1. Industry players are still awaiting a relatively detailed framework in this regard.

The volume-weighted average 60-day prior to the announcement is a crucial formula for determining the open offer price. However,



### SAFETY NET

- ▶ News leaks often send stock prices soaring
- ▶ This, in turn, leads to uptick in open offer price
- ▶ Sebi's price protection framework will not take into account price changes due to market rumours

news about potential M&A often leaks in the media before the formal announcement, leading to a surge in the target company's stock price. This results in a higher open

### M&A DEALS: VALUE ON THE RISE, AGAIN

Takeovers through open offers

Year	Deal count	Value (₹cr)
2014	61	18,912
2015	68	3,421
2016	62	1,032
2017	63	543
2018	66	5,166
2019	57	13,357
2020	47	5,304
2021	66	11,887
2022	98	9,802
2023	71	1,868
2024*	28	3,113

Note: Data until April 2024  
 Source: PRIME Database

offer price, making it relatively expensive for the acquirer.

Legal experts believe that these changes will reassure companies that premature leaks will

not affect stock prices and jeopardise the deal.

"The price protection framework is a welcome development. One of industry's key concerns was the statutory linkage of the pricing of listed company deals with the pre-deal announcement traded price and the impact of rumour verification on the pricing of deals. While we await details of the framework for the calculation of unaffected price, this is a step in the right direction," said Anchal Dhir, partner, Cyril Amarchand Mangaldas.

From 1 June, the top 100 listed companies will have to confirm, deny, or clarify any media-reported information that leads to a significant price movement of the shares within 24 hours of the trigger. This requirement will be extended to the top 250 listed firms from December 1, 2024.

Turn to Page 6 ▶



## Sebi offers a shield against M&A price disruptions

The norms were initially set to be implemented in February before the deferment.

"This also encourages listed companies to confidently address market rumours, with the assurance that any resulting volatility in the stock price will not turn away interested bidders -- that is ultimately also a win for public shareholders as it will reduce informational asymmetries," said Sanjam Arora, partner, Trilegal.

An industry standards forum of members from industry associations had recommended changes to the earlier approved norms on rumour verification. Following the suggestions, Sebi approved changes in its board meeting held in March.

However, detailed circulars on the same are awaited. These circulars will bring clarity on the framework to be adopted for taking the unaffected price.

Under Sebi regulations,

pricing for preferential issues, open offers, and several other transactions is based on the volume-weighted average price (VWAP), which is used to calculate a stock's average price over a period, factoring in the volume traded. Sebi has proposed using the "unaffected price" for such calculations.

"This change seems to be acquirer- and market-friendly, since acquirers will not be required to consider market price movement due to leak of information and subsequent clarifications by the listed target company for deriving the open offer price," said Supreme Waskar, a corporate lawyer.

Prithiviraj Senthil Nathan, partner at King Stubb & Kasiva, Advocates and

Attorneys, said: "Sebi seeks to provide an accurate reflection of a company's value, thereby protecting investors from misleading price fluctuations. This transparency in rumour verification helps curb speculative trading based on false information and promotes a more stable and trustworthy market environment."

On the exclusion of the reported information from generally available information, Natasha Treasurywala, partner, Desai & Diwanji said: "This amendment prevents mischief by an insider from trading based on unverified reports and then taking the defence that the unverified event or information reported in the media was generally available-information."

