

SEBI FOCUS ON MINORITY SHAREHOLDERS' INTEREST

Independent Directors Get a Bigger Say in Merger, Demerger

Our Bureau

Mumbai: The Securities and Exchange Board of India has put the onus on independent directors to recommend the schemes of arrangement in listed companies as not detrimental to their shareholders.

A scheme of arrangement includes merger, demerger or amalgamation of companies.

"It's a very good move. We have seen several cases of abuse. Independent directors will now have to consciously deliberate on such proposals and give their views. Minority shareholders should derive some comfort from this," PRIME Database chairman Prithvi Haldea said.

Some corporate lawyers said independent directors may find it challenging to provide such a recommendation.



"Independent directors are now tasked with the responsibility of recommending that the scheme is not detrimental to the shareholders of the listed entity. This is quite different from open offer situations whether independent directors are merely required to give their recommendations on the offer. Independent directors may find it challenging to provide such a recommendation virtually signing off on a scheme on such unequivocal terms," said Vikram Raghani, a partner at J Sagar Associates.

The regulator said audit committee should also comment on the rationale of the scheme, synergies of business of the entities involved, the impact of the scheme on the shareholders and the need for the merger among other things.

Sebi has asked stock exchanges to issue no-objection letters on the draft scheme before the regulator could provide its comments.