



भारतीय प्रतिभूति और विनियम बोर्ड
Securities and Exchange Board of India

CIRCULAR

CFD/DIL3/CIR/2018/2

January 03, 2018

To

All Listed Entities who have listed their equity and convertibles
All the Recognized Stock Exchanges

Dear Sir/Madam,

Sub: Schemes of Arrangement by Listed Entities and (ii) Relaxation under Sub-rule (7) of Rule 19 of the Securities Contracts (Regulation) Rules, 1957

1. SEBI Circular No. CFD/DIL3/CIR/2017/21 dated March 10, 2017 has laid down the framework for Schemes of Arrangement by Listed Entities and relaxation under Rule 19 (7) of the Securities Contracts (Regulation) Rules, 1957.
2. SEBI has received representations suggesting improvements to the existing regulatory framework governing scheme of arrangement. Considering the above and in order to expedite the processing of draft schemes and to prevent misuse of schemes to bypass regulatory requirements, it has been decided to make certain amendments to the Circular No. CFD/DIL3/CIR/2017/21 dated March 10, 2017, as provided in the Annexure.
3. The Stock Exchanges are advised to bring the provisions of this circular to the notice of Listed Entities and also to disseminate the same on their websites.
4. This circular is issued under Section 11 of the SEBI Act, 1992 and Regulations 11, 37 and 94 read with Regulation 101(2) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Rule 19(7) of Securities Contracts (Regulation) Rules, 1957.
5. This circular is available on SEBI website at www.sebi.gov.in under the category "Legal / Circulars".

Yours faithfully,

Narendra Rawat
Deputy General Manager
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Annexure

Amendments to Circular No. CFD/DIL3/CIR/2017/21 dated March 10, 2017 ('the circular')

1. Amendment to Para 7

Para 7 of the circular shall be replaced with the following:

"7. The Provisions of this circular shall not apply to schemes which solely provides for merger of a wholly owned subsidiary or its division with the parent company. However, such draft schemes shall be filed with the Stock Exchanges for the purpose of disclosures and the Stock Exchanges shall disseminate the scheme documents on their websites."

2. Insertion of Para (I)(A)(2A)

Following Para shall be inserted after Para (I)(A)(2) of Annexure I to the circular:

"The valuation report referred to in Para 2(b) above and the Fairness opinion referred to in Para 2(d) above shall be provided by Independent Chartered Accountant and Independent SEBI Registered Merchant Banker respectively. The chartered accountant and the merchant banker referred herein shall not be treated as independent in case of existence of any material conflict of interest among themselves or with the company, including that of common directorships or partnerships."

3. Amendment to Para(I)(A)(3)(b)

Para (I)(A)(3)(b) of Annexure I of the circular shall be replaced with the following:

"The percentage of shareholding of pre-scheme public shareholders of the listed entity and the Qualified Institutional Buyers (QIBs) of the unlisted entity, in the post scheme shareholding pattern of the "merged" company on a fully diluted basis shall not be less than 25%."

4. Deletion of Para (II)

Para (II) of Annexure I to the circular shall stand repealed.



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5. Amendment to Para(III)(A)(3)

Para (III)(A)(3) of Annexure I of the circular shall be replaced with the following:

“3. In case of a scheme involving merger of a listed company or its division into an unlisted entity, the entire pre-scheme share capital of the unlisted issuer seeking listing shall be locked in as follows:

- (a) Shares held by Promoters up to the extent of twenty percent of the post-merger paid-up capital of the unlisted issuer, shall be locked-in for a period of three years from the date of listing of the shares of the unlisted issuer;*
- (b) The remaining shares shall be locked-in for a period of one year from the date of listing of the shares of the unlisted issuer.*
- (c) No additional lock-in shall be applicable if the post scheme shareholding pattern of the unlisted entity is exactly similar to the shareholding pattern of the listed entity.*

Provided that the shares locked-in under this clause may be pledged with any scheduled commercial bank or public financial institution as collateral security for loan granted by such bank or institution if pledge of shares is one of the terms of sanction of the loan;

Provided further that the shares locked-in under this clause may be transferred ‘inter-se’ among promoters in accordance with the conditions specified under Regulation 40 of ICDR Regulations.

Provided further that shares presently under lock-in as per the provisions of earlier circulars shall also be governed by the provisions of this clause”

6. Deletion of Para (III)(A)(4)

Para (III)(A)(4) of Annexure I to the circular shall stand repealed.

7. Amendment to Para(III)(A)(5)

Para (III)(A)(5) of Annexure I of the circular shall be replaced with the following:

“5. It shall be ensured that steps for listing of specified securities are completed and trading in securities commences within sixty days of receipt of the order of the Hon’ble High Court/ NCLT, simultaneously on all the Stock Exchanges where the equity shares of the listed entity (or transferor entity) are/were listed. Before commencement of trading, the transferee entity shall give an advertisement in one English and one Hindi newspaper with nationwide circulation and one regional newspaper with wide circulation at the place where the registered office of the transferee entity is situated, giving following details:”
