

Sebi prescribes exchange platform for share tendering

Shareholders will now be able to tender shares in open offers, buybacks, delisting through exchanges

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Capital market regulator Securities and Exchange Board of India (Sebi) on Monday allowed tendering of shares on the stock exchange platform while participating in open offers, buybacks and delisting.

The move will help investors save on capital gains tax while participating in such transactions. Currently, open offers, delisting and tender route buybacks are conducted through 'off-market transactions' and, hence, investors have to pay capital gains.

Sebi in a circular has said for all offers after July 1, the acquirer will have the option of going for either the stock exchange platform or the existing tender route. If the acquirer is ineligible to acquire shares through the former, the existing method will be allowed.

Tendering shares on the stock exchange platform will be similar to a secondary market transaction and will be through a separate window on nationwide trading terminals. The transaction will be during normal trading hours. The payout to shareholders will also take place directly, as in secondary market transactions. Any excess shares will be returned to the seller-brokers by the clearing corporation.

"A lot of investors refrained from participating in open offers and buybacks due to applicability of capital gains. Participation will definitely get a boost if investors can save capital gains tax on such transactions," said an investment banker, asking not to be named.

"Not many open offers in India have been successful in the recent past. One of the biggest contributors to the failure have been the fact that open offers have been treated as off-market transactions and the consequent tax disadvantages. Now, (with this), India Inc. should witness more successful open offers and delistings," according to a note from law firm Nishith Desai Associates. The note was authored by Tanya Pahwa, Arun Scaria, Simone Reis and Pratibha Jain, and was released after the Sebi board had approved the move.

"Stock exchanges shall take necessary steps and put in place necessary infrastructure and systems for implementation of the mechanism and to ensure compliance with requirements of this circular," the Sebi circular said.