

## **New Takeover Code is fair and equitable: ASSOCHAM**

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**According to the New Takeover Code which will come into force from October 22, the public offer limit has been increased to 26 per cent as against 20 per cent at present.**

Lauding the efforts of capital market regulator Securities Exchange Board of India (SEBI), apex industry body ASSOCHAM said that the new Takeover Code will enhance India's capability and credibility to create a level playing field for bigger economic engagements, thereby developing a transparent and business friendly environment for mergers and acquisitions (M&As).

According to the New Takeover Code which will come into force from October 22, the public offer limit has been increased to 26 per cent as against 20 per cent at present. However, the Takeover Regulations Advisory Committee had recommended 100 per cent which was not accepted by SEBI.

This has been welcomed by The Associated Chambers of Commerce and Industry of India (ASSOCHAM) considering that Indian banks do not fund acquisitions. This has provided a level playing field to domestic companies as against foreign companies which have access to foreign funds to finance acquisitions.

"It's a good move from the domestic acquirers' point of view on account of lack of proper bank funding options available," said Mr D.S. Rawat, secretary general of ASSOCHAM while addressing the chamber's National Conference on 'New Takeover Code – A Mirror of the Dynamic Economy'.

The non-compete fees which was earlier to the advantage of the promoters has been done away with. This will enable all the shareholders advantage of higher price for their shares. "Promoters who already enjoy large pay packets and hefty commissions as a compensation to run the companies are not entitled to increased price advantage vis-à-vis an ordinary shareholder," said Rawat.

ASSOCHAM strongly feels that this is a very bold step and would encourage larger participation of retail investors in the capital markets which will remove the advantage in favour of the promoters of the target companies.

"Increase in the initial threshold limit from 15 per cent to 25 per cent will provide better muscle power to Indian promoters to strengthen their hold on the companies," said Mr Pawan Kumar Vijay, chairman of ASSOCHAM National Council for M & As.

A backgrounder 'New Takeover Code-A Mirror of the Dynamic Economy' jointly prepared by ASSOCHAM and Corporate Professionals was also released during the conference.

Others who spoke during the occasion were Mr Somasekhar Sundaresan, member of the Takeover Regulations Advisory Committee (TRAC); Mr G.P. Madaan, ASSOCHAM member and founder, Corporate Knowledge Foundation; Mr Nishchal Joshipura, partner, Nishith Desai Associates; and Mr P.N. Vijay, founder, P.N. Vijay Financial Services Pvt Ltd.