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TOPICS

» SEBI may relax rules to help companies raise funds for their arms

As per the news article published in the Economic Times on May 28, 2009, SEBI is considering a proposal to exempt infrastructure companies from the current rule that restrains parent companies from raising money through public issue of debentures for funding group companies.

Industry officials say the move is aimed at boosting the corporate debt market by making it easier for companies to tap this mode of fund raising. Also, many infrastructure companies are waiting to tap the debt market to fund their projects housed in special purpose vehicles.

SEBI has received requests to relax the norms for infrastructure companies and the regulator is examining the same.

Most infrastructure companies follow the holding company and special purpose vehicle (SPV) structure because of the nature of the business. Funding requirements vary from project to project, and so the company undertakes different projects in various SPVs. Since SPVs do not have a strong credit rating on their own, it becomes difficult for them to raise money by issuing bonds. Also, the debt requirement may not be large enough to justify a public issue of debt.

[TOP]

» Automatic CCI nod for M&As of sick companies

As per the news article published in the Economic Times on May 28, 2009, Competition Commission of India (CCI), which will soon start scrutinizing and clearing big corporate M&As, will give automatic approval to such deals if one of the parties involved is in financial distress.

CCI, which has already opened its doors to complaints of anti-competitive practices such as cartelization and predatory pricing, is now finalizing the merger regulations. Once these merger regulations are notified, it will be mandatory for all big corporate deals to get CCI□s endorsement that they will not adversely affect competition in the market. CCI can also direct the parties to exclude certain businesses from the purview of the deal to protect healthy competition in the market.

As per CCI Chairman, CCI will give automatic clearance to all big deals that are in the interest of the economy. This is despite the fact that CCI is empowered under the competition law to take up to 210 days to clear a transaction. The CCI is keen to reduce the time taken as regulatory delays can mar corporate transactions. The CCI Chairman said that in the case of an M&A deal where the target company is sick or is facing bankruptcy; it is in the interest of the economy and stakeholders, including clients and employees of the company, that it be given a quick clearance. The final merger code will identify all such cases where automatic clearance should be given. In some other cases, the regulator may clear the deal in about a month.

CCI is now fine-tuning the merger regulations prepared earlier, which said the regulator would clear most of the deals in 90 days. The commission feels it should take the maximum 210 days allowed by law only in exceptional cases that require a thorough investigation.

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