# Knowledge Alert

JHSConsulting

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## SEBI MANDATES INDEPENDENT VALUATION FOR TAKEOVERS

**Regulation no.:** F. No. SEBI/LAD-NRO/GN/2025/283

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### 1. The Update

SEBI has amended the Substantial Acquisition of Shares and Takeovers (SAST) Regulations, 2011 to enhance fairness in deal pricing. The regulator has removed the authority of Acquirers and Managers to the Open Offer to determine share prices, transferring this responsibility exclusively to Independent Registered Valuers.

### 2. The Shift: Old vs. New

To eliminate potential conflicts of interest in valuation:

- Old Method: The Acquirer and the Manager to the Open Offer determined the fair price based on parameters like book value and trading multiples.
- New Requirement: All such valuations must now be conducted by an Independent Registered Valuer as defined under Section 247 of the Companies Act, 2013.

### 3. Critical Areas of Impact

**The requirement for a Registered Valuer is mandatory in three specific scenarios:**

- Infrequently Traded Shares (Reg 8): When determining the offer price for shares that are not frequently traded on stock exchanges.
- Share Swaps (Reg 9): When certifying the share exchange ratio where shares are offered as consideration (replacing the role of Merchant Bankers/Chartered Accountants).
- Board-Directed Valuation (Reg 16): If SEBI specifically orders a valuation, it will now be executed by a Registered Valuer at the acquirer's expense.

### 4. Transition Protocol (The 9-Month Rule)

**For deals currently in progress, SEBI has provided a specific transition window:**

- Ongoing Assignments: If a valuation assignment was undertaken before this amendment comes into force, the Acquirer, Manager, or Merchant Banker has 9 months from the effective date to complete it under the old norms.
- New Assignments: Any valuation started after the effective date must strictly adhere to the engagement of an Independent Registered Valuer.

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**KNOWLEDGE DESK**

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