



#### **Phase 4: SEBI and Stock Exchange Approvals (Parallel Timeline: Weeks 8-18)**

##### **Step 15: Stock Exchange No-Objection Certificate (NOC) Application**

Concurrently with NCLT proceedings (not sequentially), the merged entity applies for a No-Objection Certificate (NOC) from the stock exchanges (BSE and NSE) where the shell company's shares are listed. The NOC application, filed under SEBI's LODR Regulations, 2015, must be accompanied by:

- Scheme of Arrangement (draft version, with notice that NCLT approval is pending)
- Valuation report prepared by a SEBI-registered merchant banker
- Fairness opinion from independent merchant banking advisors
- Audit Committee report recommending the transaction
- Independent Directors Committee report assessing whether the transaction prejudices the interests of listed shareholders
- Disclosure documents detailing both entities' operations, financials, and management quality

The stock exchanges typically respond within 15-20 working days, either issuing the NOC unconditionally, requesting modifications, or (rarely) declining to grant the NOC on grounds of public investor prejudice.

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##### **Phase 5: Open Offer Compliance (Weeks 19-24)**

**Critical Note:** This phase applies when the private company acquires more than 26% shareholding in the listed shell company during the pre-merger acquisition phase. If the merger is structured such that private shareholders directly exchange shares (rather than the acquiring entity first buying majority shares), open offer obligations may be deferred post-merger.

##### **Step 16: Determination of Open Offer Obligation**

Transaction counsel analyzes the transaction structure to determine whether SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 mandate an open offer. Typically, when a private company acquires controlling interest (>26% and effective control), an open offer is triggered, requiring the acquirer to make a public tender offer to all outstanding public shareholders at a fair valuation.

##### **Step 17: Public Announcement (PA) of Open Offer**



Upon triggering the open offer obligation, a Public Announcement (PA) must be submitted to SEBI and both stock exchanges within 2 working days of the acquisition event triggering the obligation. The PA discloses:

- Acquirer identity and shareholding
- Trigger event (acquisition of 26%+ stake)
- Offer price per share (determined through independent valuation)
- Number of shares being offered to public shareholders
- Merchant banker managing the open offer process
- Tender period (minimum 10 working days)

SEBI and stock exchanges acknowledge receipt and commence their review.

#### Step 18: Draft Letter of Offer (DLOF) Submission

Within 10 working days of the PA submission, the acquirer files a Draft Letter of Offer (DLOF) with SEBI, detailing:

- Complete terms and conditions of the open offer
- Financial arrangements, including settlement mechanics
- Merchant banker engagement letter
- Acquirer's financial capacity verification
- Disclosure of acquirer's intentions post-offer (operational changes, restructuring, etc.)

SEBI reviews the DLOF and provides comments/modifications within 15 working days. If modifications are required, the acquirer revises and resubmits.

#### Step 19: Dispatch of Letter of Offer (LOF) to Shareholders

Following SEBI's clearance of the DLOF, the Final Letter of Offer (LOF) is dispatched to all public shareholders of the shell company (typically 3-5 million shareholders for listed entities), detailing the exact terms of the public tender. The LOF dispatch must occur within 12 working days of SEBI's clearance.

#### Step 20: Open Offer Period and Acceptance

The open offer remains open for a minimum of 10 working days, during which public shareholders can tender their shares at the specified offer price. Merchant bankers and share



transfer agents accept tendered shares and process acceptance confirmations. Public shareholders who don't tender within the offer period retain their shareholdings (unless the merger operates to convert them).

#### Step 21: Settlement and Payment

Settlement of the open offer typically occurs within 10 working days of the offer closing date, with acquirers remitting funds to tendering shareholders. This step marks the technical completion of the open offer obligation.

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#### Phase 6: Post-NCLT Consummation and Business Integration (Weeks 25-35)

##### Step 22: Scheme Effectiveness and Automatic Vesting

Upon ROC filing of the NCLT sanction order, the Scheme becomes operatively effective. At this moment, by operation of law:

- All assets, liabilities, intellectual property, and contractual rights of the private company vest in the shell company
- The private company ceases to exist as a separate legal entity
- The shell company is renamed and rebranded to reflect the merged entity's identity
- Licenses, approvals, regulatory registrations automatically transfer (subject to sectoral regulator consent)

##### Step 23: Board Reconstitution and Management Transition

The merged entity's Board of Directors is reconstituted to reflect the merged entity's governance structure. Directors nominated by the private entity's shareholders assume board positions, often including the founder/promoter. All board committees (Audit, Nomination & Remuneration, Compliance, Risk Management) are reconstituted with independent director representation meeting SEBI's LODR requirements (minimum 1/3 independent directors for listed entities).

The Chief Executive Officer, Chief Financial Officer, and Chief Compliance Officer transition from the private company's leadership structure to the merged entity's governance framework.

##### Step 24: Regulatory Filings and Disclosures

Within 30 days of the operative date, the merged entity files:

- NCLT order certified copy with the Registrar of Companies



- Intimation to stock exchanges confirming the Scheme's operative effectiveness
- Form 30 (information about members/shareholding pattern change) to ROC
- Updated MOA/AOA reflecting the merged structure
- Form 1A/1B (auditor appointment confirmation) to ROC

Simultaneously, the merged entity's audit committee initiates a comprehensive financial reconciliation between the private company's books and the shell company's historical accounting records, ensuring seamless consolidated financial reporting.

#### Step 25: Integrated Financial Reporting and Public Disclosures

From the operative date onwards, the merged entity commences consolidated quarterly financial reporting under SEBI's LODR framework. The first post-merger quarterly result (Q1 if operative in Q1, or Q2 if operative mid-quarter) must include:

- Standalone financials of the shell company (pre-merger period)
- Standalone financials of the private company (pre-merger period)
- Consolidated pro forma financials showing the merged entity's combined results
- Detailed reconciliation notes explaining material asset/liability transfers

This transparent disclosure prevents shareholder confusion and demonstrates operational integration.

#### Step 26: Governance Infrastructure Operationalization

The merged entity must immediately operationalize comprehensive public company governance infrastructure:

- Audit Committee: Minimum 3 directors (majority independent; at least one with accounting/finance expertise)
- Nomination and Remuneration Committee: Oversees board selection, director independence, and executive compensation
- Stakeholders' Relationship Committee: Addresses shareholder grievances
- Risk Management Committee: Evaluates operational, financial, and strategic risks
- Insider Trading Policy: Designates key management personnel and restricted categories, implements trading windows



- Code of Conduct: Comprehensive standards for director and employee conduct, including conflict-of-interest provisions
- Whistle-Blower Mechanism: Anonymous reporting channels for governance violations or fraud
- Related Party Transaction Framework: Audit committee pre-approval of all related-party transactions exceeding specified thresholds

Failure to operationalize these governance structures within 30-60 days of listing invites SEBI enforcement action, penalties, and shareholder litigation.

#### Step 27: Post-Merger Communication and Investor Relations

The merged entity executes a proactive investor relations campaign:

- Press releases articulating the strategic rationale for the merger, highlighting business synergies and management vision
- Analyst briefings providing detailed operational and financial insights
- Annual General Meeting (AGM): Usually scheduled 3-6 months post-listing, where the merged entity's leadership addresses shareholder questions comprehensively
- Corporate website updates with management biographies, financial information, and governance documents
- Investor conference calls discussing quarterly results and strategic initiatives

This communication counteracts the historical "backdoor listing" stigma and reframes the transaction as legitimate strategic consolidation rather than speculative arbitrage.

Milestone	Standard NCLT Route	Fast-Track Route (Section 233)
Pre-deal planning & target ID	Weeks 1-6	Weeks 1-6
Scheme drafting & board approval	Weeks 7-14	Weeks 7-12
NCLT application to sanction	Weeks 15-40	Weeks 8-12 (bypass NCLT)



SEBI NOC & stock exchange approvals	Weeks 8-18 (parallel)	Weeks 8-18 (parallel)
Open offer process (if triggered)	Weeks 19-24	Weeks 19-24
Scheme operative date	Week 40-45	Week 12-16
Total timeline	9-12 months	3-4 months

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