

## **Sebi notifies buyback norms; cos must repurchase at least 50%**

Market regulator Sebi today notified buyback norms under which it will be mandatory for companies to repurchase at least 50 per cent of their offers.

The norms aim at safeguarding the interest of public shareholders.

The companies will now have to complete their buyback offers within six months, from 12 months currently. Those not able to meet the target will be barred from launching another offer for a period of one year.

The Securities and Exchange Board of India (Sebi) in June, cleared the new buyback norms alongwith a number of other measures.

Under the new norms, the companies are being asked to keep 25 per cent of the proposed buyback offer amount in an escrow account, so as to check companies from making non-serious offers that could wrongly influence the share prices.

It will also be mandatory for companies to buyback a minimum of 50 per cent shares of the total targeted amount.

In case companies falter on some account, there will be a penalty and that could be of a maximum 2.5 per cent on the funds lying in the escrow account.

In the past three years, there have been 75 buyback cases through open market purchases, where most companies could meet only 49.91 per cent of their buyback targets. The companies will also be required to make public the number of shares purchased and the amount utilised on a daily basis.

Companies that fail to meet the buyback target would not be allowed to come up with another offer for one year.

In a bid to encourage buybacks using tender method, where larger amount of surplus funds are involved, Sebi said that companies are required to buyback at least 15 per cent of targeted amount.

At present there are two routes by which a company can come out with a buyback - open market and tender offer.

In an open market offer, companies can buyback shares from shareholders without knowing the buyer, while tender offer involves the company writing to its shareholders individually to know their willingness for sale of shares in the buyback.

*(Economic Times)*