Regulation 37 of SEBI (LODR) Regulations, 2015

Schemes of Arrangement

Regulation 37 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 governs **Schemes of Arrangement** involving listed companies. Before filing a scheme with the National Company Law Tribunal (NCLT), a listed entity must obtain a **No-Objection Letter (Observation Letter)** from the Stock Exchange(s), based on SEBI's framework.

The objective is to ensure that schemes such as mergers, demergers, amalgamations and capital restructuring are transparent, fair to public shareholders and compliant with applicable securities laws.

Transactions Covered

Regulation 37 generally applies to schemes involving:

- Merger / Amalgamation
- Demerger
- Arrangement
- Reconstruction
- Reduction of Share Capital (where applicable)
- Composite Scheme of Arrangement
- Other corporate restructuring requiring approval under the Companies Act, 2013

Broad Process

Step	Activity
1	Board of Directors approves the Scheme of Arrangement.
2	Company files the Scheme with the Stock Exchange(s).
3	Stock Exchange forwards the documents to SEBI for review.
4	SEBI provides its comments (where applicable).
5	Stock Exchange issues its Observation Letter / No-Objection Letter.
6	Company files the Scheme before the NCLT.
7	NCLT considers the Scheme and passes an order.
8	Company files the NCLT order with the Stock Exchange(s) and implements the Scheme.

Key Documents Generally Required

- Draft Scheme of Arrangement
- Valuation Report
- Fairness Opinion from an Independent Merchant Banker
- Audit Committee Recommendation
- Board Resolution approving the Scheme
- Auditor's Certificate confirming compliance with Accounting Standards/Ind AS
- Complaints Report
- Shareholding Pattern
- Other documents prescribed under the SEBI Master Circular on Schemes of Arrangement

Role of the Merchant Banker

An Independent Merchant Banker plays an important role by:

- Issuing a Fairness Opinion on the valuation report.
- Reviewing the valuation methodology adopted by the Registered Valuer.
- Assisting in regulatory compliance, wherever engaged.
- Supporting the company in interactions with Stock Exchanges and SEBI, where applicable.

Benefits of Regulation 37

- Protects the interests of minority shareholders.
- Enhances transparency in restructuring transactions.
- Ensures regulatory scrutiny before NCLT approval.
- Promotes fair valuation and equitable treatment of shareholders.
- Strengthens investor confidence in listed companies.

Frequently Asked Questions

Q1. What is Regulation 37?

It is the provision under the SEBI (LODR) Regulations, 2015 that governs Schemes of Arrangement involving listed companies before they are filed with the NCLT.

Q2. Is Stock Exchange approval mandatory?

Yes. Before filing the Scheme with the NCLT, the listed company must obtain an Observation Letter (or No-Objection Letter) from the Stock Exchange(s) in accordance with the applicable SEBI framework.

Q3. Does SEBI directly approve the Scheme?

No. SEBI does not approve the Scheme. SEBI provides comments through the Stock Exchange(s), and the Stock Exchange issues the Observation Letter. The final approval of the Scheme is granted by the NCLT.

Q4. Is a Merchant Banker required?

Yes, in cases where a fairness opinion on the valuation report is required under the applicable SEBI framework, the opinion must be issued by an Independent Merchant Banker registered with SEBI.

Q5. Is a Valuation Report mandatory?

In many schemes involving share exchange or restructuring, a valuation report prepared by a Registered Valuer is required. The exact requirement depends on the nature of the Scheme and the applicable regulatory framework.

Q6. Which authority finally approves the Scheme?

The National Company Law Tribunal (NCLT) grants the final approval after considering the Scheme, stakeholder approvals and regulatory observations.

Q7. Does every restructuring require Regulation 37 compliance?

Regulation 37 generally applies to Schemes of Arrangement involving listed entities under the Companies Act, 2013. The applicability depends on the nature of the transaction and the relevant SEBI framework.

Q8. What is the purpose of the Observation Letter?

The Observation Letter indicates that the Stock Exchange has reviewed the Scheme under the applicable SEBI framework and specifies any observations or conditions before the Scheme is presented to the NCLT.

Q9. Can a Scheme be filed with the NCLT without obtaining the Observation Letter?

No. For listed entities covered by Regulation 37, the Observation Letter from the Stock Exchange(s) is required before filing the Scheme with the NCLT.

Q10. Why is Regulation 37 important for investors?

It introduces an additional layer of regulatory review, promotes fair treatment of shareholders, enhances transparency, and helps ensure that restructuring transactions comply with securities laws.

Quick Snapshot

Particular	Summary
Applicable to	Listed Companies undertaking Schemes of Arrangement
Governing Law	Regulation 37 of SEBI (LODR) Regulations, 2015
Final Approving Authority	National Company Law Tribunal (NCLT)
Regulatory Review	Stock Exchange(s) and SEBI (through the applicable framework)
Merchant Banker's Role	Fairness Opinion on Valuation Report (where applicable)
Objective	Protect shareholders and ensure transparent corporate restructuring

This document is a general reference guide on Regulation 37 of the SEBI (LODR) Regulations, 2015 and does not constitute legal or investment advice. Please refer to the SEBI Master Circular on Schemes of Arrangement and consult a qualified professional for specific transactions.