



Reverse Takeover-RTO



- ▶ **Reverse Takeover or Reverse Merger represent a legitimate good technique to take private companies to public without undergoing the process of IPO(Initial Public offer).**
- ▶ **In traditional route the company gets listed on stock exchanges through IPO route.**
- ▶ **The traditional IPO route is time consuming, lot of compliances to be full filled and lot of paperwork. The success depends on market conditions.**
- ▶ **For small companies, the IPO market is not there, therefore the alternative route is, this technique which is in existence for many years in USA.**

How It Works



- ▶ **Management of the private company intending to go to the public, identifies a public shell which is currently listed on BSE.**
- ▶ **Due diligence will be carried out by the professionals.**
- ▶ **Both Companies promoters will negotiate the consideration payable to the public share holders.**
- ▶ **The consideration depends on the valuation of the company. Usually the company shall be a shell without any Assets or Liabilities.**
- ▶ **The consideration will be paid by Cash ,Equity or both.**
- ▶ **The Acquirers thereafter appoints Merchant Banker to get the open offer document approved by SEBI.**

How It Works



- ▶ **Once the statutory formalities are completed, the original promoters and Directors of Public Company are replaced with the new management.**
- ▶ **The Private company becomes a Subsidiary to the Public Company.**
- ▶ **The shares of promoters of private company unlocked with the Public company shares.**

Advantages and Disadvantages



ADVANTAGES

- ▶ Quickly completed. 4 to 6 Months time.
- ▶ Existence of a Shareholder Base.
- ▶ Immediate Trading of Shares.
- ▶ Ability to use stock to attract Key Managerial Personnel.(ESOPS)
- ▶ Ability to use stock to acquire businesses.
- ▶ Ability to use stock to access investors and capital markets.
- ▶ Unlock the value of shares of private company.
- ▶ Liquidity to shareholders --- By sale or Financing.
- ▶ Long term and Short term capital gain benefits.

DISADVANTAGES

- ▶ Immediate cash cost.
- ▶ Not a capital raising transaction.
- ▶ Undisclosed liabilities/litigations if any.



Thank You!