

Procedure followed for 'acquisition' of SBT flawed, say independent directors

Our Bureau

Key issues such as 'scheme of acquisition', swap ratio inserted as 'table items' leaving out any scope for constructive discussions



Thiruvananthapuram, September 15:

Thiruvananthapuram, September 15 Two independent directors of State Bank of Travancore (SBT) have alleged that procedures followed for its acquisition by State Bank of India (SBI) have been vitiated *ab initio*.

This is one good example of how an acquisition should not be done, according to Sajen Peter, Director and Chairman, Audit Committee of the Board, and MC Jacob, Director.

Due procedure has not been followed here, they told newsmen here in the context of admission of a writ petition against it by the High Court of Kerala. "We are presenting these facts before the public only in the interest of transparency, the need to uphold good governance practices and set standards of procedure.

"We would like to set the record straight in relation to the procedure so far followed. It is clarified that technically this is not a merger."

Recounting the boardroom drama, they said that on May 17, 2016, a meeting of the SBT board was urgently convened in Mumbai and a memorandum brought in as a 'table item'.

Board approval

It recommended approval of the board to 'enter into negotiations' with SBI for the acquisition of business, including its assets and liabilities.

"We understand that the same memorandum with only the names of the banks changed was placed before the boards of the other four associate banks."

The directors asked for details of the benefits of such mergers undertaken in the past, especially of State Bank of Saurashtra (SBS) and State Bank of Indore (SBI).

If these mergers had indeed been beneficial, then the business of the parent bank should have improved with the resultant synergy.

No reply was furnished for these observations.

On August 11, 2016, a memorandum was approved by circulation by the Executive Committee of the board authorising S Adikesavan, Chief General Manager, to represent SBT in negotiations with SBI.

The memorandum also said that the authorised person would finalise the draft scheme of acquisition with his counterpart from SBI, which will reflect the "conclusion of the negotiations".

"To our surprise, a meeting of the audit committee of the board and the board was convened in Mumbai on August 18. Important agenda like the swap ratio was brought in again as a 'table item.'"

Even the very important 'scheme of acquisition' was inserted as a 'table item' leaving out any scope for a prior reading, application of mind, constructive discussions and meaningful decision-making.

Recently, the authorised negotiator of SBT was transferred out abruptly and, at present, there is no negotiator authorised by the board, the directors said.

Details of the benefits of such mergers undertaken in the past, especially of State Bank of Saurashtra and State Bank of Indore were not provided, say the independent directors

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