



TAKEOVER PANORAMA (Vol XIII)

INSIGHT

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RECENT UPDATES

ELECTRO INVESTMENT PVT LTD.

Synopsis

Facts:

Electro Investment Private Ltd. ('the acquirer') is a part of the promoter group of the target company and currently holds 43.15% of the paid up capital of the target company. The acquirer has filed an application seeking exemption from the applicability of Regulation 10, 11(1) and 11(2) of the Takeover Regulations with respect to the proposed acquisition of 38, 20,344 equity shares of the target company by way of preferential allotment out of which 30, 00,000 shares of Rs.10/- have been acquired at a premium of Rs.33.02 per share and 8, 20,344 shares of Rs.10/- have been acquired at a premium of Rs.62.99 per share.

Grounds for seeking exemption:

1. The proposed acquisition is being made as a part of Corporate Debt Restructuring (CDR) mechanism to revive the business of the company from financial losses and payment of statutory dues, etc.
2. The proposed preferential allotment is being made in due compliance with all the applicable provisions of all the laws except the regulation 10, 11(1) and 11(2) of the Takeover Regulations from which an exemption has been sought through this application.

Decision:

On the basis of above facts and circumstances, SEBI held that there would not be any change in control pursuant to the proposed preferential allotment. Therefore SEBI granted exemption to the acquirer, namely Electro Investment Private Ltd. from complying with the provisions of Regulation 11(2) of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 with regard to the proposed preferential allotment.

Balaji Trading Enterprises Pvt Limited in the matter of acquisition of shares of Jumbo Bags Ltd

Synopsis

Facts:

Balaji Trading Enterprises Private Limited (“The acquirer”) belonged to the promoter group of the Target Company i.e. Jumbo Bag and holding (individually) 12, 72,200 (18.67%) equity shares of the target company. The promoter group (including the acquirer) is holding 38.30% of the total equity capital of the target company. The acquirer has proposed to acquire further shares of the target company by way of preferential allotment resulting in increasing the shareholding of the acquirer in the target company from 18.67% to 32.68% and increasing the shareholding of the promoter group from 38.30% to 46.04% of the total voting capital of the target company and such increase is more than the creeping limit of 5%. Therefore, the acquirer has sought an exemption from regulation 11(1) on the basis of following grounds:

Grounds for seeking exemption:

1. The target company required additional funds to meet its expansion activities over and above the credit facilities availed from Banks. Therefore, for this purpose, the acquirer as a part of promoter group has offered to provide the additional financial assistance required by the target company.
2. There would not be any acquisition of control of the target company by the acquirer.
3. The target company can no longer continue with its present business activity without increasing the plant capacity.
4. If the acquirer is forced to make an open offer then it would be forced to reconsider its decision as it has no intention to acquire the shares from the existing shareholders or to consolidate its position.

Decision

On the basis of above facts and circumstances, SEBI held that the proposed acquisition is in the interest of the target company. Therefore SEBI granted exemption to the acquirer, M/s Balaji Trading Enterprises Pvt. Ltd. from complying with the provisions of Regulation 11(1) of SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1997 with regard to the proposed preferential allotment of 20 lacs equity share warrants of Jumbo Bag Ltd. subject to the acquirer complying with the regulation 3(3) and 3(4).

RECENT OPEN OFFERS

Name of Target Company	Name of Acquirer	Offer Details	Reason for the offer	Concerned Parties Details
<p>Polytex India Limited</p> <p>Regd. Office Mumbai</p> <p>Paid Capital Rs. 1,50,00,000/-</p> <p>Listed At BSE</p>	<p>Shri Arvind Mulji Kariya, Smt Jigna Arvind Kariya, Shri Paresh Mulji Kariya and Smt Sadhana Paresh Kariya</p>	<p>Offer to acquire upto 5,10,000 (34%) fully paid-up Equity Shares of Rs.10/- each, at a price of Rs.10/- per share payable in cash.</p>	<p>Regulation 10 & 12</p> <p>SPA dated 22nd Sept. 2007 to acquire 4,05,000 (26%) equity shares of Rs. 10/- each at a fixed price of Rs.8.00 per share payable in cash, increasing their shareholding from 13.33% to 40.33% of the total paid up capital of PIL.</p>	<p>Merchant Banker to the offer</p> <p>VC Corporate Advisors Pvt. Ltd.</p> <p>Registrar to the offer</p> <p>Maheshwari Datamatics Private Limited.</p>
<p>Poddar Infrastructure Limited</p> <p>Regd. Office Mumbai</p> <p>Paid Capital Rs. 500 Lacs</p> <p>Listed At BSE</p>	<p>Mr. Rajendra S. Shah & Mr. Mitul J. Shah</p>	<p>Offer to acquire upto 60,000 Equity shares constituting 20% of the voting capital of Target Company at a price of Rs. 80 per share.</p>	<p>Regulation 10 & 12</p> <p>SPA to acquire in aggregate 143000 fully paid Equity shares being 47.67% of the voting capital of Target company at a price of Rs. 80 per share.</p>	<p>Merchant Banker to the offer</p> <p>Ashika Capital Ltd</p> <p>Registrar to the offer</p> <p>Sharepro Services India Pvt Ltd.</p>
<p>Malar Hospitals Limited</p> <p>Regd. Office Chennai</p> <p>Paid Capital Rs.13,92,75,930</p>	<p>International Hospital Limited, Oscar Investments Limited, Fortis Healthcare Limited and Fortis Healthcare</p>	<p>Offer for acquisition of upto 37,18,852 (20%) fully paid-up equity shares of Rs. 10 each of MHL from the existing</p>	<p>Regulation 10 & 12</p> <p>Share Subscription and Share Purchase Agreement to acquire</p>	<p>Merchant Banker to the offer</p> <p>Ashika Capital Ltd</p> <p>Registrar to the offer</p> <p>Intime</p>

<p>Listed At BSE, MSE and ASE</p>	<p>Holdings Limited</p>	<p>shareholders of MHL, at a price of Rs. 30 per share payable in cash.</p>	<p>46,66,666 new Shares (25.10% of the Fully Expanded Voting Equity Capital) on a preferential basis and acquisition of 39,00,000 existing Shares (28%) by IHL from the Sellers at a price of Rs.30 per Share.</p>	<p>Spectrum Registry Ltd</p>
<p>Commitment Capital Services Limited</p> <p>Regd. Office New Delhi Paid Capital Rs 320.13 Lacs Listed At BSE</p>	<p>Srecko Indhan Limited, Nandanvan Commercial (P) Limited and Mr. PVV Satyanarayana</p>	<p>Offer to acquire 640260 (20.00 %) equity shares of Rs. 10/- each at a price of Rs. 18.00 per share and interest amount of Rs.0.05 calculated @ 10% p.a. for a period of one day from 04.12.2007, payable in cash.</p>	<p>Regulation 10 & 12</p> <p>Acquisition of 1281872 (40.04%) equity shares of Commitment Capital Services Limited at an aggregate price of Rs 17.11 per share from the Open Market on September 06, 2007</p>	<p>Merchant Banker to the offer Chartered Capital & Investment Ltd</p> <p>Registrar to the offer Beetal Financial & Computer Services Pvt. Ltd.</p>
<p>Olympic Oil Industries Limited</p> <p>Regd. Office Mumbai Paid Capital Rs. 24.50 lacs Listed At BSE</p>	<p>Mr. Vijay Patil, Mr. Mukund Patil & Mr. Tushar Patil</p>	<p>Offer to acquire by tender upto 49,000 (20%) fully paid equity shares of Rs. 10 each of OOIL, at a price of Rs. 6/- per fully paid up equity share payable in cash.</p>	<p>Regulation 10 & 12</p> <p>SPA to acquire 52350 (21.37%) fully paid up equity shares of Rs. 10/- each, at a price of Rs 5.50 per share.</p>	<p>Merchant Banker to the offer Aryaman Financial Services Ltd</p> <p>Registrar to the offer Sharex Dynamic (india) Pvt. Ltd</p>
<p>Systematix Corporate Services Limited</p>	<p>Superstar Exports Private Limited</p>	<p>Offer to acquire upto 40,18,800</p>	<p>Regulation 10</p>	<p>Merchant Banker to the offer</p>

Regd. Office Madhya Pradesh Paid Capital Rs. 857.57 Lakhs Listed At BSE & MPSE		(20%) equity shares of Rs. 10/- each, at a price of Rs. 30/- per share payable in cash. However, the partly paid-up equity shares are proposed to be acquired at a price of Rs. 25/- per share.	Acquisition of 98,21,200 shares by way of preferential allotment increasing the shareholding of acquirers from 2,00,151 shares constituting 2.36% the voting capital to 1,00,21,351 shares constituting 49.87%.	Ashika Capital Ltd Registrar to the offer Cameo Corporate Services Limited
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HINT OF THE MONTH

TIMING & PRICING OF PUBLIC OFFER IN CASE OF PREFERENTIAL ALLOTMENT OF SHARES

TIMING OF PUBLIC ANNOUNCEMENT

The public announcement in case of preferential allotment of shares can be given at any of the following instance:

- a. At the time when Board of directors considers the item of preferential allotment in their meeting. (**ON INTENTION**)
- b. At the actual allotment of shares after obtaining the shareholders approval under Section 81(1A) and after obtaining in-principle approval from stock exchange(s). (**ON ACQUISITION**)

PRICING OF PUBLIC ANNOUNCEMENT

In case of frequently traded shares of Target Company, the pricing for open offer is taken considering the date of Board meeting where the preferential allotment was first considered.

PRICING UNDER REGULATION 20 OF TAKEOVER CODE

Regulation 20 of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 contains the provisions regulating the pricing of an offer by listing out certain parameters which shall be considered for determining the fair price of an offer at which the exit opportunity is to be provided. The price arrived at as per these provisions is the minimum price specified and the acquirer cannot acquire the shares below this price in any case. Under the SEBI Takeover Regulations, no exemption has been provided from the compliance of this provision i.e. for paying the lesser price than the price determined under regulation 20 to the shareholders.

This article is aimed at analyzing the provisions of regulation 20 thereby facilitating an acquirer to determine the exact offer price in due compliance with the provisions of SEBI Takeover Regulations.

Step I - Determination of frequently or infrequently traded shares:

The first step for calculating the minimum offer price is to determine whether the shares of the company are frequently traded or infrequently traded as the procedure for calculating the offer price is dissimilar in both the cases.

As per the explanation to regulation 20(5), the shares of a target company shall be deemed to be infrequently traded if the total trading turnover of the shares of Target Company during the six months preceding the month in which the public announcement is made converted into annualized turnover is less than five per cent of the total listed shares of that company during that period.

E.g. the acquirer has to make a public announcement of offer in the month of October. The total listed capital of the company is, say, 100,000 equity shares. Now

the shares of the company will be deemed to be infrequently traded if the total trading turnover of the company during the period from 1st April to 30th September (six months preceding the month of public announcement) converted into annualized turnover (i.e. the total trading turnover during the preceding six months multiplied by two.) is less than 5000 Equity shares (i.e. 5% of the total listed shares.)

Conversely, if the total annualized trading turnover is more than 5% of the total listed shares, then the shares of the target company shall be deemed to be frequently traded.

Note: In case the company has issued any further shares during that period, then weighted average number of listed shares shall be taken that is number of shares shall be weighted according to the number of days for which the shares have remain listed.

Step II - Determination of Minimum offer price in case of frequently traded shares:

Criteria I - The price at which the acquirer has acquired the shares, as a result of which this offer is required to be given. E.g. where the shares have been acquired pursuant to an agreement - the negotiated price under that agreement, in case of acquisition by way of preferential allotment- the price at which the shares have been allotted, and in case of acquisition of shares from the market - the average market price, shall be the price which shall be considered for determining the minimum offer price.

Criteria II - Where the acquirer has acquired any shares of the target company, from any source whatsoever, during the twenty-six week preceding the date of public announcement, the highest price paid for them shall be considered for determining the minimum offer price.

Criteria III - the average of the weekly high and low of the closing prices of the shares of the target company as quoted on the stock exchange where the shares of the company are most frequently traded i.e. on the stock exchange where the highest

turnover has been recorded, during the twenty-six weeks preceding the date of public announcement, or

the average of the **daily** high and low of the prices of the shares as quoted on the stock exchange where the shares of the company are most frequently traded during the two weeks preceding the date of public announcement, **whichever is higher**, shall be considered for determining the minimum offer price.

However, in case of acquisition of shares by way of firm allotment in a public issue or preferential allotment, the price under criteria III shall be calculated with reference to the date of the board resolution which authorized the firm allotment or preferential allotment.

The **minimum** offer price shall be the **highest** price determined under the above three criterion. It may be noted that such highest price shall be minimum price for the offer; the acquirer can pay even a higher price to the shareholders.

Step III - Determination of Minimum offer price in case of infrequently traded shares:

Criteria I & II - Criteria I & II shall be same as in case of frequently traded shares.

Criteria III - **Unlike** the closing price on the stock exchange as in case of frequently traded shares, in case of infrequently traded shares, the following parameters shall be considered for determining the minimum offer price:

1. Networth,
2. Book value of the shares of the target company,
3. Earning per share,
4. Price earning multiple *vis-à-vis* the industry average

The reason behind this is that in case of infrequently traded; the stock exchange price does not reflect the true picture of the state of affairs of the company. Therefore the

above parameters shall be taken into consideration for determining the minimum offer price as they will evaluate the true state of affairs of the company.

Other Considerations:

1. Acquisition of further shares after the public announcement:

If the acquirer acquires further shares of the Target Company at a price higher than the price determined as per the **step II or III**, after the date of public announcement and before the date of payment of consideration for the shares offered under the offer, such higher price shall be deemed to be the minimum offer price.

2. Payment in respect of non-compete agreement:

Where the acquirer has paid any price in respect of non-compete agreement with the seller in **excess of 25% of the offer price**, such excess price shall be added to the price determined as per the **step II or III** and such higher price shall be deemed to be the minimum offer price.

3. Offer price for partly-paid shares:

In case of partly-paid shares, the price determined as per the **step II or III** shall be reduced from the amount if any due towards calls-in-arrears or calls remaining unpaid together with interest.

4. Offer price in case of indirect acquisition of shares:

In case of indirect acquisition of shares or control, the offer price shall be determined as per the **step II or III** with reference to the date of the public announcement for the parent company and the date of the public announcement for acquisition of shares of the target company, **whichever is higher**.

MARKET UPDATE

Zenotech acquisition by Ranbaxy

Ranbaxy Laboratories manufactures and markets pharmaceutical dosage forms (for human health care), animal health care products, bulk drugs and intermediates, diagnostics, laboratory chemicals and reagents. It is the largest exporter of bulk drugs and pharmaceutical dosage forms in India. The company has manufacturing operations in eight countries with a ground presence in 49 countries, and its products are available in over 125 countries.

Zenotech has received three Indian approvals for oncology biopharmaceuticals i.e. GCSF (granulocyte colony stimulating factor), GM-CSF (granulocyte macrophage colony stimulating factor) and IL-2 (interleukin-2). It has a pipeline of further seven biopharmaceutical products in different stages, all developed in-house. It has state-of-the-art manufacturing facilities in Hyderabad, India, while its R&D facilities are in Hyderabad and New Jersey, USA.

The Deal:

On October 3, 2007, the Ranbaxy already holding 6.94% shares of the Zenotech Laboratories Limited has entered into an SPA with its promoters to acquire a total of 78,78,906 Equity shares constituting 27.35% shares of the total capital of Zenotech at a price of Rs. 160 per share and share subscription agreement to acquire a total of 54,89,536 equity shares at a price of Rs. 160 per share, thereby increasing its holding to 1,53,68,442 constituting 44.59% of the total capital of the Zenotech.

About the Offer:

Pursuant to the above acquisition, the acquirer has trigger regulation 10 & 12 of the Takeover regulations. Therefore, Ranbaxy Laboratories Limited has given an open offer to the shareholders of Zenotech to acquire upto 68,93,000 equity shares representing 20% of the Expanded Equity capital at a price of Rs. 160 per share payable in cash.

For the purpose of this offer, Ranbaxy has appointed Rabo India Securities as Manager to the Offer and Karvy Computershare Private Limited as registrar to the offer.

Post Offer Status:

Post offer, the existing promoter group of Zenotech will have a 25% stake in its expanded equity capital. On the other side, the Ranbaxy Laboratories Limited will hold 64.59% assuming full acceptance to the offer. Jayaram Chigurupati shall continue as the managing director.

From the CEO:

About this deal, Mr. Malvinder Mohan Singh, CEO and MD, Ranbaxy, said, “The increasing importance of Biologics in the Global Pharmaceutical industry and the opening up of the generic Biologics in the regulated markets makes it opportune for Ranbaxy to enhance its presence in this area. Specialty injectables, that include oncology products, constitute an attractive segment that underpins our strategic intent. Having worked with Zenotech for almost two years, we believe that this investment and partnership provides a strong platform for us to leverage these opportunities.

Future Plans: (Source: [www. Myiris.com](http://www.Myiris.com))

Ranbaxy Laboratories plans to set up a joint venture (JV) in China to manufacture active pharmaceutical ingredients (APIs) used in drug manufacturing. Currently majority of the APIs produced by Ranbaxy were used for internal consumption and now The Company is talking to two-three large API manufacturers from China and also evaluating various other options.

INTERMEDIARY SEARCH

<i>S.no</i>	<i>Name of Merchant Banker</i>	<i>Contact Details</i>
1.	SPA MERCHANT BANKERS LIMITED	25, C BLOCK, COMMUNITY CENTRE, JANAKPURI NEW DELHI Ph No: 011-25517371
2.	CENTRUM CAPITAL LIMITED	BOMBAY MUTUAL BLDG., 2ND FLOOR, DR. D.N. ROAD, FORT, MUMBAI Ph No: 22023838

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