



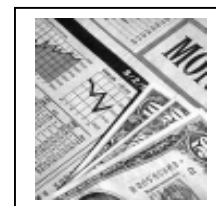
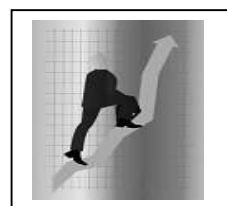
Takeover Panorama

(February Issue - Volume V)

(Insight)



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[Latest Update]



**JAGRAN PRAKSHAN LTD.
UNDER REGULATION 4(2) OF THE SEBI (SAST) REGULATIONS.**

Facts

- ✓ **Independent News & Media Investments Ltd.**, the acquirer who is a person acting in concert with the promoter group of the target company and is presently holding 20.80% of the equity shares of the target company. The acquirer with the promoter group of the target company collectively holds 80% of the paid up capital of the target company i.e. *M/s Jagran Prakshan Ltd.*
- ✓ **Application by Acquirer:** The acquirer was holding 26% of the equity shares of the target company prior to the public issue of the target company made in January 2006. The said offer had resulted into the reduction of acquirer's shareholding to 20.80%. Therefore, the acquirer desires to increase its shareholding in the target company by 1% to 3% by acquiring shares from the open market in the manner and mode as may be directed by Securities and Exchange Board of India without any contravention on the part of the target company for its continuous listing (the continuous listing requirement is 90%). Since, the post acquisition shareholding of acquirer shall increase to a level beyond 55%, the exemption is sought from the applicability of regulation 11(2) of the Takeover Regulations.
- ✓ The acquirer further stated that it desires to increase its shareholding by 1% to 3% from open market in the manner and mode as may be directed by SEBI. Further, the proposed acquisition shall not be detrimental to the interests of the investors (General Public).

Observation & Order

- ✓ **Takeover Panel Observations:** The holding of acquirer alongwith promoter group is 80%. In *terms of the proviso to regulation 11(2A) of the Takeover Regulations, if an acquirer (together with persons acting in concert with him) holds 55% or more but less than 90% of the shares or voting rights in a target company, is desirous of consolidating his holding, he can do it only by making a public announcement in accordance with the Takeover Regulations.*

- ✓ Further, he has to ensure that the public shareholding in the target company does not fall below the minimum level permitted by the listing agreement.
 - ✓ In the present case, the grant of exemption from complying with the provisions of the Takeover Regulations, as sought by the acquirer would enable it (together with the promoter group) to acquire shares of the target company beyond 55%, which is not permitted without making a public announcement in terms of the provisions of the Takeover Regulations.
 - ✓ **Order:** The Committee reviewing the panel's order supported the Takeover Panel Order that the acquirer has not stated any specific ground for the grant of exemption from making the public announcement under the provisions of Takeover regulations. The grounds specified in the application made by the acquirer are not convincing enough to grant exemption as sought by it and the said application is not in the interest of shareholders of the target company. *In view of the above facts and circumstances, the case is not fit for grant of exemption from complying with the provisions of the Takeover Regulations.*
-



ABBOTT INDIA LIMITED

UNDER REGULATION 4(2) OF THE SEBI (SAST) REGULATIONS, 1997

Facts

- ✓ Abbott Capital India Ltd. (hereinafter referred to as 'the acquirer') is the promoter of Abbott India Ltd (target company) and is presently holding 61.70% of the equity shares of the target company.
- ✓ The target company has announced its plan to buy-back its shares from the shareholders and due to the said buy-back offer, the voting rights of the acquirer would increase from 61.70% to 65.14%, in case of 100% response to the said buy-back offer and the acquire not offering to sell any shares held by it in the said proposed buy-back offer.
- ✓ Kotak Mahindra Capital Company Ltd., filed an application dated October 28, 2006 on behalf of the target company and the acquirer stating the following;

- The increase in the shareholding of the acquirer is incidental to the buyback proposal of the target company and is not a pro-active acquisition.
- The acquirer is already in control over the target company.
- The target company has accumulated free reserves as well as favourable liquidity and the proposed buyback is expected to contribute to the overall enhancement of the shareholders value resulting in an increase in the return on equity of the target company.
- The proposed buyback will provide an exit opportunity to institutional shareholders/large retail shareholders, which may otherwise not be available whilst at the same time safeguarding the interest of continuing shareholders.
- Even after buy-back of the equity shares by the target company, the voting rights of the acquirers shall remain maximum at the level of 65.14%, which meets with the requirements of the Listing Agreement with the stock exchanges where the shares of the target company are listed as the minimum public shareholding in target company shall remain at a level more than 25%.
- The price at which the buy-back is proposed is Rs. 650/- and is higher than the book value of Rs. 141.65 per share.

Observations & Order

- ✓ **Takeover Panel Observations:** The increase in shareholding of the acquirers is incidental to the buy back plan of the target company. There would not be any change in control over the target company as the acquirer is the promoters of the target company and has control over the target company. I also note that from the submission of the acquirers that, even in case of 100% response in the proposed buy-back offer and successful completion of the said buy-back, the public share holding in the target company would be at a level more than what is required for meeting the requirements of minimum public shareholding as per the listing agreements with the stock exchanges where the shares of the target company are listed.
- ✓ **Order:** *Considering the above, the present case as a fit case for granting exemption from making a public announcement as required under regulation 11(2) of the Takeover Regulations.*

ASHNOOR TEXTILE MILLS LTD
UNDER REGULATION 4(2) OF THE SEBI (SAST) REGULATIONS, 1997

Facts

- ✓ Mr. Suneel Gupta and Smt. Sangeeta Gupta (hereinafter referred to as 'the acquirers') are the promoters of the Ashnoor Textiles Limited (target company) and are holding 28.49% of the total paid up capital of the target company. The acquirers proposed to acquire 35,00,000 equity shares of the target company, through preferential allotment. Pursuant to the said proposed preferential allotment and the acquisition of shares of the target company, the shareholding of the acquirers would increase from 28.49% to 52.29% of the paid up capital of the target company.
- ✓ The acquirers in their application have inter alia made the following submissions: -
 - a) They are having control over the target company.
 - b) The target company had been incurring substantial losses for the last few years and to wipe off the said loss, the target company had filed a petition before the Hon'ble Punjab and Haryana High Court for the reduction of the capital by 30%.
 - c) That the target company had availed term loans and credit facilities from Industrial Development Bank of India (IDBI), Haryana Financial Corporation (HFC) and Bank of Maharashtra for business expansion.
 - d) That due to the adverse financial position, the target company was unable to repay its outstanding loans along with the interest to the lenders.
 - e) That the target company reached a settlement with HFC and Bank of Maharashtra in 2004.
 - f) That the target company had also approached IDBI for the One Time settlement (OTS) of the debt due to IDBI. In 2005, the target company submitted its final proposal for the OTS based upon which the IDBI had agreed to settle the outstanding loan amount at Rs.5.75 Cr to be paid in the 15 equal monthly installments by waiving off the principal of Rs.2 crores, 100% simple interest of Rs.926 cr and 100% FILD of Rs.12.55 cr. That in the proposal submitted by the target company, it has been committed that the funds for the settlement shall be brought in by the promoters and through their own sources. that in compliance of the said condition, the promoters are required to bring funds towards repayment of loan amount.

- g) The proposed exemption is driven by the objective of rehabilitation of the target company and the said rehabilitation shall help in reviving the interest of 20,000 shareholders of the target company.
- h) There is no change in control of the target company.

Observations & Order

- ✓ **Takeover Panel Observations:** The target company had suffered losses and that the proposed preferential allotment is for the purpose of improving the financial condition of the target company. The target company had availed loan and credits from IDBI, HFC and Bank of Maharashtra for its business expansion. However, due to certain financial losses, the target company was unable to pay off its debt, and therefore, it had reached a settlement with HFC and Bank of Maharashtra. It had also reached OTS with IDBI. The infusion of the funds by the acquirers is pursuant to the proposal submitted by the target company to IDBI. I also note that the intention of the acquirers to infuse funds from their own sources is for the revival of the target company and in the interest of 20,000 shareholders. of the target company.
- ✓ If the shares were not allotted to the promoters then it would result in failure of the OTS entered into between the target company with IDBI, thereby causing extreme financial burden on the target company and resulting in loss to the shareholders. The proposed allotment shall not, in any way, prejudice the interests of any shareholder or creditor of the target company and that there would not be any change in control over the target company after the proposed preferential allotment to acquirers who are promoters of the target company.
- ✓ **Order:** *The Panel granted the exemption to the acquirers Shri Suneel Gupta and Ms Sangeeta Gupta from complying with the provisions of Regulation 11(1) of Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeover) Regulations, 1997 with regard to the proposed preferential allotment of 35,00,000 equity shares of Ashnoor Textile Mills Ltd., subject to the condition that, the acquirers and the target company shall comply with the undertakings.*



REVATHI EQUIPMENT LTD UNDER REGULATION 4(2) OF THE SEBI (SAST) REGULATIONS, 1997

Facts

- ✓ Utkal Investments Ltd. and Renaissance Asset Management Company Pvt. Ltd. (hereinafter referred to as 'the acquirers') are the promoters of the Revathi Equipment Ltd (target company) and are holding 60.87% of the equity shares of the target company.
- ✓ The target company has announced its plan to buy-back its shares from the shareholders and due to the said buy-back offer, the voting rights of the acquirer would increase from 60.87% to 63.71% in case of 100% response to the said buy-back offer and the acquire not offering to sell any shares held by it in the said proposed buy-back offer.
- ✓ The acquirers filed an application stating the following;
 - The increase in the shareholding of the acquirer is incidental to the buyback proposal of the target company and is not a pro-active acquisition.
 - The acquirer is already in control over the target company.
 - The buy back is being proposed by Revathi Equipment Ltd. to maximize returns to investors and enhance overall shareholder value by returning surplus cash to the shareholders in an investor friendly manner.
 - The proposed buy back is expected to lead to reduction of outstanding equity shares, which may lead to increase in earnings per share and return on equity of the Revathi in future, thereby creating long term shareholder value for the continuing shareholders.
 - The price at which the buy-back is proposed is Rs. 700/- and is higher than the book value of Rs. 312.07 per share.

Observations & Order

- ✓ **Takeover Panel Observations:** The increase in shareholding of the acquirers is incidental to the buy back plan of the target company. There would not be any change in control over the target company as the acquirer is the promoters of the target company and has control over the target company. I also note that from the submission of the acquirers that, even in case of 100% response in the proposed buy-back offer and successful completion of the said buy-back, the public share holding in the target company would be at a level more than what is required for meeting the requirements of minimum public shareholding as per the listing agreements with the stock exchanges where the shares of the target company are listed.

- ✓ *Order: Considering the above, the present case as a fit case for granting exemption from making a public announcement as required under regulation 11(2) of the Takeover Regulations.*

NATCO PHARMA LTD
UNDER REGULATION 4(2) OF THE SEBI (SAST) REGULATIONS, 1997

Facts

- ✓ Shri V. C. Nannapaneni, Smt. Durga Devi Nannapaneni, Shri Rajeev Nannapaneni, Smt. Neelima Sita Nannapaneni, Timecap Pharma Labs Pvt Ltd. and Natsoft Information Systems Pvt. Ltd. (hereinafter referred to as 'the acquirers') belong to the promoter group of Natco Pharma Limited (the target company). The acquirers together with the persons acting in concert are holding 62.28% of the equity shares of the target company.
- ✓ The target company has announced its plan to buy-back its shares from the shareholders and due to the said buy-back offer, the voting rights of the acquirer would increase from 62.28% to 63.37% in case of 100% response to the said buy-back offer and the acquirer not offering to sell any shares held by it in the said proposed buy-back offer.
- ✓ The acquirers filed an application stating the following;
 - The increase in the shareholding of the acquirer is incidental to the buyback proposal of the target company and is not a pro-active acquisition.
 - The acquirer is already in control over the target company.
 - The proposed buy back is expected to lead to reduction of outstanding equity shares which may lead to increase in earnings per share and thereby creating long term share holder value.
 - The price at which the buy-back is proposed is Rs. 150/-
 - Even after buy-back of the equity shares by the target company (incase of 100% response), the public share holding in the target company would be at a level more than which require for meeting the requirements of the listing agreement.

Observations & Order

- ✓ **Takeover Panel Observations:** The increase in shareholding of the acquirers is incidental to the buy back plan of the target company. There would not be any change in control over the target company as the acquirer is the promoters of the target company and has control over the target company. I also note that from the submission of the acquirers that, even in case of 100% response in the proposed buy-back offer and successful completion of the said buy-back, the public share holding in the target company would be at a level more than what is required for meeting the requirements of minimum public shareholding as per the listing agreements with the stock exchanges where the shares of the target company are listed.
- ✓ **Order:** *Considering the above, the present case as a fit case for granting exemption from making a public announcement as required under regulation 11(2) of the Takeover Regulations.*

[HINT OF THE MONTH]



Increase in Promoters' Shareholding because of buy-back of shares by Company is exempt from the provisions of SEBI (Substantial Acquisition of Shares & Takeover) Regulations, 1997. However, the promoters have to seek exemption from Takeover Panel in the same regard.

Latest Open Offer



S.no	Target Company	Acquirer	Details of offer (No of shares & %)	Reason for offer	Intermediary
1.	<p>B.A.G. FILMS LTD</p> <ul style="list-style-type: none"> ❑ Regd office: New Delhi ❑ Paid up Equity Capital: Rs. 120.17 million divided into 60,085,090 Shares. ❑ Listing Status: DSE, BSE & NSE 	Mr. Sameer Gehlaut	18,067,018 fully paid-up Equity shares of Rs. 2/- each representing 20% of the paid-up equity share	<p><u>Triggerred Regulation</u></p> <p>Regulation 10 &12</p> <p>Allotment of 20,250,000 Shares in favour of the Acquirer on preferential allotment basis at a price of Rs. 13 per Share constituting 25.21% of paid up capital of the Company.</p>	<p>Manager</p> <p>Citigroup Global Markets India Private Limited</p> <p>Registrar</p> <p>Mondkar Computers Pvt. Ltd.</p>
2.	<p>Scana Color (India) Limited,</p> <ul style="list-style-type: none"> ❑ Regd office: Mumbai ❑ Paid up Equity Capital: Rs. 3.00 crores divided into 30,00,000 equity shares of Rs. 10/- each. ❑ Listing Status: ASE, BSE & HSE 	Mr. Rajesh G. Mehta and Mrs. Bhavna Rajesh Mehta	6,00,000 Equity shares representing 20% of the voting capital at the rate of Rs 4.50/-.	<p><u>Triggerred Regulation</u></p> <p>Regulation 10 &12</p> <p>The Agreement dated 19.01.2007 is for purchase of 6,88,600 equity shares fully Paid up for cash at a price of Rs. 2/- per share.</p>	<p>Manager</p> <p>Aryaman Financial Services Ltd.</p> <p>Registrar</p> <p>System Support Services</p>

3.	Ishwar Bhuvan Hotels Limited,	ANS Constructions Ltd & Smt Sangita P Bansal.	18,50,000 Equity shares representing 33.38% of the voting capital at the rate of Rs 4.50/-.	<u>Triggerred Regulation</u>	Manager
	<input type="checkbox"/> Regd office: Vadodara <input type="checkbox"/> Paid up Equity Capital: Rs. 554.26 lacs divided into 5542600 equity shares of Rs. 10/- each. <input type="checkbox"/> Listing Status: ASE, BSE & VSE			Regulation 10 &12	Fedex Securities Ltd. Registrar Bigshare Services Private Limited

Corrigendum and Post Offer Public Announcement		
1.	Fulford (India) Limited	Change of Schedule to the offer because of awaited SEBI approval to the offer
2.	iflex Solutions Ltd.	Change of Registrar to the offer from Intime Spectrum Registry Limited to Mondkar Computers Pvt. Limited,
3.	eWeb Univ Ltd	The acquirers have acquired nil shares in to the public offer. Therefore, the acquirers are holding 70%, which they have acquired from promoters through SPA.
4.	SAARC Net Limited	The acquirers are holding 51.79%, which they have acquired pursuant to SPA & open offer.

Thought of the Month:
“One’s mind, once stretched by a new idea never regains its original dimensions”

{ REGULAR SECTION }



{ INTER SE TRANSFER AMONGST PROMOTERS }

{Regulation - 3(1)(e)}

Inter se transfer of shares amongst—

- (a) Qualifying Indian promoters and foreign collaborators who are shareholders*
- (b) Qualifying Promoters*

Acquisition of shares through inter se transfer amongst qualifying promoters is exempt from the provisions of Regulation 10, 11 & 12 that is to say acquisition through inter se transfer is not subject to open offer if it complies with the following formalities

- ❑ The inter se transfer should be between & amongst the qualifying promoters.
- ❑ The transferor(s) as well as the transferee(s) have been holding shares in the target company for a period of at least three years prior to the proposed acquisition. It would be sufficient that parties to the transactions are holding shares as shareholders and not as promoters.
- ❑ The benefit of exemption will be available subject to such transferor(s) and transferee(s) having complied with regulation 6, regulation 7 and regulation 8
- ❑ In case the proposed transaction exceeds **5% of the voting share capital of the company**, the acquirers have to, for the intimation of public, notify the details of the proposed transaction at least 4 working days in advance of the date of the proposed transaction to the stock exchanges where the shares of the Company are listed.
[Regulation 3(3)]

- ❑ The acquirer is further required to file a report within 21 days of the date of acquisition to the Securities & Exchange Board of India (SEBI) giving all details in respect of acquisitions. Though the regulation specifies a limit of 15% or more of the voting rights in a company but the limit is of no use as the persons who have already crossed the limit of 15% seek the exemption under the said regulation 3. Further the compliance under regulation 3(4) is not a one-time compliance. The acquirer has to file a report within 21 days of the date of acquisition every time he claims exemption under this regulation. **[Regulation 3(4)]**
- ❑ The acquirer has to along with the report under regulation 3(4) deposit fees of Rs 25,000/- to the Board either by a Banker cheque or demand draft in favour of Securities & Exchange Board of India. **[Regulation 3(5)]**
- ❑ In case of warrants or any other security convertible into equity shares at a later date, Regulation 3(3), 3(4) & 3(5) has to be complied with reference to the date of actual conversion into shares. In other words, the acquirer has to at least 4 working days in advance of the date of conversion of warrants/ any other security convertible into equity shares, notify the details to the stock exchanges as required under regulation 3(3).
- ❑ The acquirer and seller have to comply with Regulation 6, 7 & 8, as the regulation does not relieve the acquirer from complying with disclosure requirements.
- ❑ The additional condition for the purpose of inter se transfer between promoters is that the price for executing transaction is not exceeding 25% of the price determined under Regulation 20(4) & (5). The exemption will not be available if the price at which the inter -se transfer has been executed, is greater than 25% of the price as determined u/r regulation 20 i.e. for frequently and infrequently traded shares.

(CASE STUDY)



(News Item about Acquisition of Corus)



The stage looks all set for the steel industry's second-largest M&A deal as reports about Tata Steel's possible takeover bid for Corus pick up momentum. Corus is much larger than Tata Steel, both in volumes and sales figures. Globally, it's ranked ninth in terms of volume. Tata Steel, in comparison, is ranked 58.

In steel, as in any other business, profitability is the name of the game. Tata Steel's profitability ranks among the best in the industry. It posted comparatively good numbers for the year ended March '06. Consolidated sales grew at 26% to Rs 20,244 crore. Operating margins were a robust 31% in fiscal '06. Consolidated profits for the year stood at Rs 3,721 crore, an increase of 4%. It bought NatSteel in '04 for Rs 1,313 crore and Millennium Steel for Rs 675 crore in '05.

Corus is clearly struggling. In '05, the company saw turnover increase by roughly 9% to £10.1bn, but profit rose merely by 2% to touch £451m. Operating margins stood at 6.7% for the year. It has recently sold off its downstream aluminium business as well as its joint venture for steel making in Portugal, in order to restore some health to its balance sheet.

The current share price of Corus is at £4.69/share. That puts the market cap of the company at £6bn or Rs 52,000 crore roughly. Tata Steel and Tata Sons together are expected to make the acquisition. The acquisition of a 33% stake in Glaceau by Tata Tea also saw Tata Sons chip in with an equity contribution. Another option could be the setting up of an SPV that could raise funds from international markets to fund the acquisition.

It's self-evident that Tata Steel and Corus would make a good fit together. Tata Steel has good quality captive sources for its raw materials and has nearly 5m tonnes (mt) of capacity and less than 0.5 mt of value-added steel capacity. Corus' steel-making capacity, by contrast, stands at 18 mt. It has no captive sources for raw materials, but has significant capacities in value-added steel. While for Tata Steel flat products form 69% of its production with long products forming the rest 31%, Corus has flat products accounting for 42% of its total production and a significant 31% coming from its distribution and building systems division that is a value-added segment.

A key objective for Tata Steel in this acquisition would be gaining finishing expertise in European markets, where it can export semi-finished steel from its plants in India. It could also shift part of the steel-making capacities to India, where it is already planning a massive expansion.

It has taken enabling permission from shareholders to raise Rs 6,500 crore through equity and Rs 20,000 crore as debt. Part of these funds will come by way of preferential allotment of shares and warrants to the promoter company.

From its FY06 balance sheet, a picture of a healthy steel company emerges. On a total balance sheet (consolidated) size of Rs 16,177 crore, it has a debt to equity of just 0.3:1, and it can raise up to Rs 17,000 crore without breaching the 2:1 debt to equity limit. However, it will need funds for its own massive expansion plans. The Corus acquisition, if it goes through, will necessitate additional fund raising, as a consequence.

(Source: Economic times)



THE INDIA INC DEAL

- The Tatas are going to take over world's 8th largest steelmaker in the biggest ever deal made by Corporate India.
- Deal valued at about \$8 billion
- Corus 5 times bigger than Tata
- India's biggest multi billion-dollar overseas corporate deal
- Deal to lift Tata from 65th to 5th in the global rankings
- The Tata-Corus combo is set to be the worlds 5th largest steel producer.

(INTERMEDIARY SEARCH)



S.No	Particulars	Contact details
1.	SBI CAPITAL MARKETS LTD	202, Maker Tower E, Cuffe Parade Mumbai
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