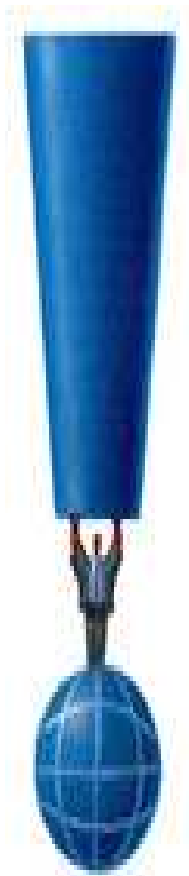


# TAKEOVER PANORAMA

(Corporate Professionals - An monthly update on Takeover Code)

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## REGULAR SECTION

I

### UNDERSTANDING SHARES UNDER SAST

#### Regulation 2(k) - Shares

*“Shares” means shares in the share capital of a company carrying voting rights and includes any security which would entitle the holder to receive shares with voting rights but shall not include preference shares;*

The ‘shares’ can be categorized in the following manner:

- i. Shares capital of a company carrying voting rights

The SEBI (SAST) Regulations, 1997 provides an inclusive definition for shares. Shares are considered to be the part of share capital of the Company. However, only that part of shares which provides for voting rights in the company are taken for the purpose of definition of shares. The voting rights are not been defined in the Takeover Code. The voting rights are the right to vote in the company’s policy decision

- ii. Includes any security which would entitle the holder to receive shares with voting rights

The definition also provide for any other kind of security which entitle the holder to get shares and also voting rights at a later date. That means the inclusion in the definition is with respect to those securities, which provide both shares and voting rights.

- iii. It excludes preference shares.

Further, if the security is convertible into preference share at a later date, then since there been no voting right, it would not be included in definition of share. The Takeover code does not take into account preference shares. Prior to SEBI (SAST) (Second Amendment) Regulations, 2002, preference share with voting rights were included.

#### View Points

*Whether preference shares which are entrusted with voting rights pursuant to section 87(2) (b) of the Companies Act, 1956 are to be considered for the purpose of Takeover code?*

As per the understanding of regulations, the preference shares shall be included in the purview of takeover

code when they get vested with the voting rights, as they will have the same implication as of equity shares in a company. Thus, the preference may be taken for the purpose of Takeover code provided they are vested with the voting rights.

*At what time the voting rights are to be considered - at the time of initial allotment or after conversion? If at the time of initial allotment, then what if they are not converted into equity shares?*

The voting rights on the warrants shall be considered on the date of conversion and not before that. But, a conservative view can be taken on the same & voting rights can be considered on the date of allotment of warrants only. In other words, the proposed acquisition of voting rights is to be considered as on date of allotment for calculating the threshold limit.

## ◆ RECENT UPDATES IN SAST

II

The SEBI has vide notification dated 21st August, 2006 has amended the provisions of SEBI (Substantial Acquisition of Shares & Takeover) Regulations, 1997:

SEBI vide this amendment has revised the fees to be payable to Board under the provisions of Takeover Code. The amendments have been underlined as below:

- i. **Regulation 3(5):** In respect of filing report under Regulation 3(4) for availing exemption, the fees of Rs 10,000 has been substituted for 25000.
- ii. **Regulation 4:** The fee of Rs 25000 has been substituted for Rs 100000 in respect of application for exemption under Regulation 4.
- iii. **Regulation 18:** The fee to be submitted to Board along with the letter of offer has been revised & now as follows;

Offer size	Fee (Rs.)
Less than or equal to one crore rupees	1,00,000
More than one crore rupees, but less than or equal to five crore rupees	2,00,000
More than five crore rupees, but less than or equal to ten crore rupees	3,00,000
More than ten crore rupees	0.5% of the offer size"

## LATEST OPEN OFFERS

Letter of offers filed during the month of September

S.No	Target Company	Acquirer	Reason for offer	Merchant Banker	Registrar.
1.	EXDON TRADING COMPANY LIMITED	Mr. Ashok Kumar Shah Mr. Mansukhbhai Vagasia	The acquirer has entered into SPA with promoters to acquire 62.86% of share capital.	Ashika Capital Limited	Purva Sharegistry India Private Limited
2.	VISION CORPORATION LIMITED	Morries Trading Private Limited Mr. Ashok Kumar Mishra Mrs. Punyam Mishra	The acquirer has entered into SPA with promoters to acquire 24.31% of share Capital.	Ashika Capital Limited	Adroit Corporate Services Pvt. Ltd.
3.	DEVAKI HOSPITALS LTD	Mr. A.N.Radhakrishnan (Main Acquirer)  Mr. R.Gomathi (PAC) Mrs. D.Meenakshi Ammal (PAC)	The acquirer has entered into SPA with promoters to acquire 24.33% of share Capital.	Indbank	Cameo Coporate Services Ltd
4.	SONPAL CEMENT AND INFRASTRUCTURE LIMITED	Mr. L. Ravinder Reddy	The acquirer has entered into a SPA to acquire 1152900 equity shares aggregating 29.32% of equity share capital.	Ashika Capital Limited	Venture Capital and Corporate Investments Limited
5.	KRITI INDUSTRIES (INDIA) LIMITED	Kriti Corporate Services Private Limited (The Acquirer form part of the Promoters group of the Target Company)	On 9 <sup>th</sup> September 2006, the Target company made the preferential allotment of 1325000 equity shares constituting 21.37% of paid up equity capital. By this acquisition, the Acquirer hold in aggregate 24,92,100 number of equity shares representing	Chartered Capital & Investment limited	Beetal Financial & computer Services (p) ltd.

			40.19 % of the Post preferential paid-up equity share, and the aggregate holding of the Promoter group increased from 3078584 shares representing 63.14% (Pre Preferential Issue) to 4403584 representing 71.02% (Post Preferential Issue) of the paid-up share capital		
6.	<b>YASHRAJ SECURITIES LIMITED</b>	Mr. Kashyap Mehta, Shri Atul Shamji Bharani, Shri Vishram Sawant & Parshwa Fintrade Consultant Pvt Limited.	The acquirers have entered into a MOU to acquire the control over the company. The present holding of the acquirers is 13.90% .	Fedex Securities Limited	Bigshare Services Private Limited
7.	<b>INNOVA HEALTH SYSTEMS LIMITED</b>	Mr. PVRRLN Prasad & Mr. P. Koteswara Rao	The Acquirers have entered into a Share Purchase Agreement (SPA) with the Promoter Group to acquire from them 13,90,000 representing aggregating 27.493% of the Subscribed Equity Share Capital	CIL Securities Limited	CIL Securities Limited



## CHECKLIST

IV

### TIME LINE FOR PUBLIC OFFER

S.No	Activity Details	Time taken from the date of Public Announcement
1.	Public announcement	0
2.	Filing of draft offer Document	14
3.	Specified date for determining name of shareholders to whom the letter of offer should be sent.	30
4.	Receipt of the Letter of Offer {proposed to be changed to 'despatch of Letter of Offer'}	45
5.	Opening of the issue	55
6.	Date for revising offer price	Upto 7 days prior to closure of offer.
7.	Last day for Withdrawl of shares	3 working days prior to closure of offer.
8.	Closure of the issue	20 days including the date of opening of the offer
9.	Date by which acceptance/ rejection is to be intimated	Within 15 days of closure of offer.
10.	Payment of Consideration	Within 15 days from the date of closure of the offer.
11.	Final report from Merchant Banker	Within 45 days from the date of closure of offer.
12.	Lat day for competitive bid	Within 21 days of the public announcement of the first offer.



## ◆ INTERMEDIARY SEARCH

V

S.No	Particulars	Contact details
1.	ENAM Financial Consultants Pvt Ltd.	809, Dalamal Towers, Nariman Point Mumbai 400021 Phone: 56381800, Fax: 22846824 Website: <a href="http://www.enam.com">www.enam.com</a>
2.	Kotak Mahindra Capital Co Ltd	Bakhtawar, 3 <sup>rd</sup> Floor, 229, Nariman Point, Mumbai 400021 Phone: 56341100, Fax: 22826632.
3.	SBI Capital Markets Ltd	202, Maker Tower-e, Cuffe Parade, Mumbai 400005 Phone: 22189166, 22189167 Fax: 22188332



## HELPFUL HINTS

VI

### Calculation on Expanded Capital

Existing Capital of Company: 1,00,000 shares  
Maximum Allowable Limit: 14.99%

The normal way of calculation is  $100000 \times 14.99\% = 14,990$   
The right way of calculation is  $100000 \times 14.99/85.01\% = 17633$   
The difference —  $17633 - 14990 = 2643$

Pls contact for any kind of clarification:  
Preeti Arora  
Associate (Takeover Department)  
[preeti@indiacp.com](mailto:preeti@indiacp.com)