

TAKEOVER PANORAMA

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INSIGHT

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LEGAL UPDATES

SAT order in the matter of Nirvana Holdings Private Limited

Facts:

1. This appeal is filed against the order of Whole Time Member to disinvest within a period of two months from the date of the order 1,34,905 shares constituting 1.17 per cent of the equity capital of the Heritage Foods (India) Limited (Target company) acquired in violation of regulation 11(1) of SEBI (SAST) Regulations, 1997 and transfer the profits, if any, arising out of such disinvestment to the Investor Protection Fund(s) of the concerned stock exchanges.
2. Nirvana Holdings Pvt. Ltd. (Appellant) is a private limited company having only two promoters/directors/shareholders namely, Mr. Nara Lokesh and Ms. Nara Bhuvaneshwari (collectively referred to as “Naras”) holding 50% each.
3. The two Naras in their individual capacity are also the promoters of the Target Company and they together hold 33.38% of the voting rights/share capital in the Target Company and the other 15 promoter hold 12.32% of the voting rights in that company. Thus, the total holding of the promoter group in the Target Company comes to 45.70% including that of the two Naras.
4. The appellant company acquired 9,161 shares of the Target Company on November 13, 2008 and another 7,02,260 shares on November 17, 2008 which together constitute 6.17% of the total equity capital of the Target Company. Since the two Naras in their individual capacity are promoters of the Target Company and they are also promoters of the appellant company holding 100 per cent of its share capital, the appellant company automatically becomes a part of the promoter group of the Target Company and thus, the above acquisition of 6.17% being in excess of 5% is in violation of regulation 11(1) of SEBI (SAST) Regulations, 1997 as the appellant had not made any public announcement in respect of the same.

The Acquirer Company will be treated as the part of the promoter group of the Target Company where the promoters of the Target Company holds 100% shares in the Acquirer Company.

Contention:

The appellant contended that when we acquired the shares of the Target Company, we were not acting in concert with either Mrs. Nara Bhuvaneshwari & Mr. N. Lokesh or the entities/persons constituting the “promoter group” of the Target Company. Our acquisitions of shares of the Target Company were independent of acquisitions/holdings of “promoter group” of the Target Company. Therefore, our shareholding of 6.17% cannot be added to the “promoter groups” shareholding of 45.7% in order to allege that promoter’s shareholding increased from 45.7% to 51.87% in the financial year 2008-2009. The appellant also submitted that we are open to disinvesting the shareholding of 1.17% which is allegedly in excess of 5% permissible creeping acquisition limit available to us for the financial year 2008-09.

Issues:

Whether the appellant should be treated as PACs with the Naras or with the other promoters of the Target Company and whether the above acquisition of 6.17% is in violation of Regulation 11(1) of the SEBI (SAST) Regulations, 1997?

Decision:

The Tribunal observed that considering the definition of promoter, the appellant automatically became a part of the promoter group by virtue of the shareholding of the two Naras in the Target Company. The appellant company is a part of the promoter group of the Target Company even without holding a single share.

Further, the two Naras control the appellant company and they are also its directing mind. No investment decision on behalf of the appellant company could be taken without their authority, knowledge, consent and approval. It is thus obvious that when the appellant company which is a body corporate acquired shares of the Target Company, it acted in concert with the two Naras in their individual capacity who are also the promoters of the Target Company and thus, the above acquisition of 6.17% being in excess of 5% allowable creeping acquisition limit is in violation of regulation 11(1) of SEBI (SAST) Regulations, 1997.

Therefore, the appeal is dismissed and the direction issued by the whole time member to divest the 1.17% shares is modified and the appellant is directed to make a public announcement to acquire the

shares of the Target Company in accordance with the provisions of the SEBI (SAST) Regulations, 1997.

However, the appellant has made an oral prayer that the operation of the direction issued by us be stayed for a period of four weeks to enable the appellant to file an appeal in the Supreme Court that is allowed.

Takeover Panel Order in the matter of Eon Electric Limited

Facts:

1. Mr. Pranav Kumar Ranade, VPM Industrial Services Corpn.LLP, Mr. V.P. Mahendru, Mr. Vivek Mahendru. Mrs. Bela Mahendru, Mr. Vinay Mahendru, Mrs. Ratna Mahendru, Mr. Vimal Mahendru, Mrs. Richa Mahendru, PKR Hitech Industrial Corpn. LLP, Mrs. Ameeta Ranade, Mr. Vikram Ranade, Mr. Prashant Ranade, P.K.Ranade (HUF) and Mr. Keshav Mahendru (Acquirers) belongs to promoter group of M/s Eon Electric Limited (Target Company) and hold 80,23,312 (44.97%) equity share in the Target Company.
2. On June 2011, the promoters of the target company have acquired 8,90,000 equity shares representing 4.99% of the enhanced paid up share capital of the target company by way of allotment of shares pursuant to conversion of warrants, thereby increasing their shareholding to 80,23,312 (44.97%) of the enhanced paid up share capital of the target company. The said acquisition was exempted under creeping acquisition of 5% limit available under regulation 11(1) of the SEBI (SAST) Regulations, 1997.
3. Now, the Target Company proposes to buy back a maximum of 17,84,162 equity shares representing 6.45% of the total paid up equity capital and free reserves of the company at a price not exceeding Rs. 130/- per equity share, from the open market through the stock exchanges. The proposed buy back would increase the shareholding of promoters from 44.97% to 49.97% i.e. an increase of 5% which would result into triggering Regulation 11(1) of the SEBI (SAST) Regulations, 1997.

Exemption granted to the Acquirers where the increase in shareholding of the Acquirers in the Target Company is pursuant to Buy Back of shares by the Target Company.

4. Accordingly, the present application is filed by the Acquirers seeking exemption from the applicability of Regulation 11(1) of SEBI (SAST) Regulations, 1997.

Grounds of Exemption:

1. There is no direct acquisition of shares and voting rights by the acquirers.
2. The public shareholding in the target company would be at a level more than what is specified in clause 40A of the Listing Agreement.
3. The price at which the buy-back is proposed is Rs. 130/- per share which is at a premium of Rs. 51.05/- per share and Rs. 50.85/- per share over the closing price at NSE and BSE respectively as on July 8, 2011.
4. The Target Company has accumulated free reserve and satisfactory liquidity.
5. The buy-back is being proposed by the Target Company to maximize returns to investors and enhance overall shareholder value by returning surplus cash to the shareholders.

Decision:

Considering all the above facts and circumstances of the case, SEBI granted exemption to the Acquirers from the requirement of making Open Offer under Regulation 11(1) of SEBI (SAST) Regulations, 1997 on the basis that the facts and statements given by the Acquirers are true and the acquirers will comply with the other provisions of SEBI (SAST) Regulations, 1997, Buy Back Regulations, Listing Agreement or any other law as may be applicable.

Adjudicating Officer/WTM Orders

Target Company	Noticee	Regulations	Penalty Imposed/ Decision Taken
Platinum Corporation Limited	Ashok Ambani	Regulation 10 of SEBI (SAST) Regulations, 1997	Matter disposed off as the Noticee is no more alive
Gobind Sugar Mills Ltd. and Zuari Industries Ltd	Akshay Poddar, Puja Poddar, Heritage Investments Ltd. Shradha Agarwala	Regulation 7(1) and 11 (2) of SEBI (SAST) Regulations, 1997 and Regulation 3(i) and 4 of	No penalty imposed as the allegations against the Noticees do not stand established.

Target Company	Noticee	Regulations	Penalty Imposed/ Decision Taken
	and Indrakshi Trading Company Pvt. Ltd.	SEBI (PIT) Regulations, 1992	
MTZ Polyfilms Limited	MTZ Industries Limited	Regulation 7(1) and 7(2) of SEBI (SAST) Regulations, 1997 and Regulation 13(3) and 13(5) of SEBI (PIT) Regulations, 1992	Rs. 3,00,000
Genus Commutrade Ltd	Rakesh Ramniklal Sheth	Regulation 10 of SEBI (SAST) Regulations, 1997	Rs. 25,00,000

Consent order in the matter of Tirupati Services Limited

Tirupati Services Limited (Applicant) has delayed by 3 months in furnishing the requisite disclosure under the provisions of Regulation 8(3) of the SEBI (SAST) Regulations, 1997 to the concerned stock exchange for the year 2006. Therefore, the Applicant had voluntarily filed the consent application on May 03, 2011 and vide letter dated June 29, 2011, proposed the revised consent terms to settle the non-compliance on the payment of Rs. 50,000 towards settlement charges. The terms as proposed by the applicant were placed before the High Power Advisory Committee (HPAC) and on the recommendation of HPAC, SEBI settle the above delay in compliance of the Applicant.

Consent order in the matter of Ekam Leasing and Finance Co. Ltd.

Ekam Leasing and Finance Co. Ltd. (Applicant) failed to comply with the provisions of Regulation 8(3) of SEBI (SAST) Regulations, 1997 for the years 1998 to 2009 within time. Therefore, the applicant had voluntarily filed the consent application on February 14, 2011 and vide letter dated June 29, 2011, proposed the revised consent terms to settle the non-compliance on the payment of Rs. 5,60,000 towards settlement charges. The terms as proposed by the applicant were placed before High Power Advisory Committee (HPAC) and on the recommendation of HPAC, SEBI settle the above delay in compliance of the applicant.

Consent order in the matter of Marathwada Refractories Limited

Sri Sushil Pandurang Mantri (Applicant) has made an Open Offer to the shareholders of Marathwada Refractories Limited (Target Company) and after the public announcement acquired 10 shares and 29,700 shares of the Target Company through off market on November 30, 2010 and December 04, 2010 respectively. However, the disclosure with respect to the above acquisition of shares in terms of regulation 22 (17) of SEBI (SAST) Regulations, 1997 was not made in time.

Therefore, the applicant had voluntarily filed the consent application on January 20, 2011 and vide letter dated June 29, 2011, proposed the revised consent terms to settle the non-compliance on the payment of Rs. 50,000 towards settlement charges. The terms as proposed by the applicant were placed before High Power Advisory Committee (HPAC) and on the recommendation of HPAC, SEBI settle the above delay in compliance of the Applicant.

LATEST OPEN OFFERS

Name of the Target Company	Name of the Acquirers/PACs	Details of the offer	Reason of the offer	Concerned Parties
Gupta Carpets International Limited Regd. Office Amritsar Paid up capital Rs. 4.39 Crores Listed At BSE, DSE and LSE	Ajaz Farooqi	Offer to acquire 8,78,180 (20%) Equity Shares at a price of Rs. 2 per fully paid up share and Re. 1 per partly paid up share payable in cash.	Regulation 10 & 12 SPA to acquire 15,87,100 Equity (36.15%) Shares at a price of Re. 1 Per share.	Merchant Banker Corporate Professionals Capital Private Limited Registrar to the Offer Beetal Financial & Computer Services Private Limited

Name of the Target Company	Name of the Acquirers/PACs	Details of the offer	Reason of the offer	Concerned Parties
<p>Rhodia Specialty Chemicals India Limited</p> <p>Regd. Office Mumbai</p> <p>Paid up capital Rs 3.37 Crores</p> <p>Listed At BSE</p>	<p>Solvay Participations France S.A.S., Solvay S.A. and Solvay Finance France S.A.</p>	<p>Offer to acquire 6,75,120 (20%) Equity Shares at a price of Rs. 386.72 per share payable in cash.</p>	<p>Regulation 10 & 12</p> <p>Indirect acquisition of 72.93% shares of the Target Company pursuant to Global Offer.</p>	<p>Merchant Banker</p> <p>Morgan Stanley India Company Private Limited</p> <p>Registrar to the Offer</p> <p>Link Intime India Private Limited</p>
<p>Pitti Laminations Limited</p> <p>Regd. Office Hyderabad</p> <p>Paid up capital Rs. 13.49 crore</p> <p>Listed At NSE and BSE</p>	<p>Madhuri S Pitti, Pitti Electrical Equipment Private Limited along with Sharad B Pitti and Akshay S Pitti</p>	<p>Offer to acquire 26,98,340 (20%) Equity Shares at a price of Rs. 41 per fully paid up share payable in cash.</p>	<p>Regulation 11 (1)</p> <p>Preferential allotment of 40,50,000 Shares (30.02%) at a price of Rs. 39.15 Per share, thereby increasing the shareholding of the Acquirers along with PACs from 41.70% to 59.21%.</p>	<p>Merchant Banker</p> <p>BOB Capital Markets Limited</p> <p>Registrar to the Offer</p> <p>Bigshare Services Private Limited</p>
<p>Rabha Plastics Limited</p> <p>Regd. Office Jaipur</p>	<p>Kamlesh Bhanushali, Anand Gurnani and Sankool A. Shah</p>	<p>Offer to acquire 10,90,760 (20%) Equity Shares at a price of Rs. 4 per share payable in</p>	<p>Regulation 10 & 12</p> <p>SPA to acquire 27,84,500 (51.06%) equity shares at a</p>	<p>Merchant Banker</p> <p>Sobhagya Capital Options Limited</p>

Name of the Target Company	Name of the Acquirers/PACs	Details of the offer	Reason of the offer	Concerned Parties
<p>Paid up capital Rs 5.45 Crores</p> <p>Listed At BSE, JSE and ASE</p>		cash.	price of Rs. 4 Per share	<p>Registrar to the Offer Universal Capital Securities Private Limited</p>
<p>Safari Industries (India) Limited</p> <p>Regd. Office Mumbai</p> <p>Paid up capital Rs 2.99 Crores</p> <p>Listed At BSE</p>	Sudhir Jatia and Neeti Jatia	Offer to acquire 5,98,000 (20%) Equity Shares at a price of Rs. 170 per fully paid up share payable in cash.	<p>Regulation 10 and 12 Direct and Indirect acquisition of 16,90,801 Equity (56.55%) Shares of Target Company.</p>	<p>Merchant Banker JM Financial Consultants Private Limited</p> <p>Registrar to the Offer Link Intime India Private Limited</p>
<p>Everonn Education Limited</p> <p>Regd. Office Chennai</p> <p>Paid up capital Rs 19.19 Crore</p> <p>Listed At BSE and NSE</p>	Varkey Group Limited along with Sunny Varkey and Sherly Varkey	Offer to acquire 44,83,535 (20%) Equity Shares at a price of Rs. 528 per share payable in cash.	<p>Regulation 10 & 12 MOU to subscribe 26,18,120 Equity (12%) Shares on preferential basis at a price of Rs. 528 Per share, thereby increasing the shareholding of Acquirer along with PAC to 16.19%.</p>	<p>Merchant Banker ICICI Securities Limited</p> <p>Registrar to the Offer Karvy Computershare Private Limited</p>

Name of the Target Company	Name of the Acquirers/PACs	Details of the offer	Reason of the offer	Concerned Parties
<p>Bloom Dekor Limited</p> <p>Regd. Office North Gujarat</p> <p>Paid up capital Rs. 6 crores</p> <p>Listed At BSE</p>	<p>Dr. Sunil Gupta and Rupal Gupta</p>	<p>Offer to acquire 12,00,000 (20%) Equity Shares at a price of Rs. 15.75 per share payable in cash.</p>	<p>Regulation 11 (1)</p> <p>Market purchase of 13,80,127 (23%) Equity Shares through Bulk Deal at an average price of Rs.14.96/- thereby increasing the shareholding of the Acquirers to 43.61% and that of the promoter group to 52.65%.</p>	<p>Merchant Banker Vivro Financial Services Private Limited</p> <p>Registrar to the Offer Purva Sharegistry India Private Limited</p>
<p>Kohinoor Services Limited</p> <p>Regd. Office New Delhi</p> <p>Paid up capital Rs. 24.90 Lacs</p> <p>Listed At DSE</p>	<p>Karan Khanna</p>	<p>Offer to acquire 1,24,500 (50%) Equity Shares at a price of Rs. 20 per share payable in cash.</p>	<p>Regulation 10 & 12</p> <p>SPA to acquire 62,200 Equity (24.98%) Shares at a price of Rs. 20 Per share</p>	<p>Merchant Banker D & A Financial Services (P) Limited</p> <p>Registrar to the Offer Skyline Financial Services Private Limited</p>

HINT OF THE MONTH

In the event of any acquisition of shares of the Target Company by the acquirer or PACs during the period of 26 weeks after the tendering period at a price higher than the offer price, then the acquirer and PAC shall within 60 days from the date of such acquisition pay the difference between the highest acquisition price and the offer price to all the shareholders whose shares were accepted in the open offer except where the acquisition is through another open offer, Delisting of shares or open market purchase in the ordinary course on the stock exchange, not being negotiated acquisition of shares whether by way of bulk deals, block deals or in any other form.

{As substantiated from Regulation 8(10) of SEBI (SAST) Regulations, 2011}

REGULAR SECTION

SEBI Notifies SEBI (SAST) Regulations, 2011

Vide Notification dated September 23, 2011, Market watchdog SEBI has notified the much awaited New Takeover Regulations namely **SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011** (hereinafter referred to as “**SEBI (SAST) Regulations, 2011**”) replacing the **SEBI (SAST) Regulations, 1997**. The new Regulations shall come into force on the 30th day from the date of their publication in the Official Gazette i.e. w.e.f. October 22, 2011, any acquisition or sale of shares of Listed Company shall be governed by provisions of **SEBI (SAST) Regulations, 2011**.

Highlights of SEBI (SAST) Regulations, 2011:

1. Increase in Initial Threshold Limit from 15% to 25%.

The Initial Threshold limit provided for Open Offer obligations is increased from 15% to 25% of the voting rights of the Target Company. Since SEBI (SAST) Regulations, 2011 will be applicable from October 22, 2011, thus it's a last opportunity for all the Promoters holding less than 25% but equal to or more than 20% shares to come within the bracket of Creeping Acquisition. Otherwise even the existing Promoters of these Companies have to give offer to consolidate their holding.

2. Creeping Acquisition Limit raised from 15%-55% to 25%-75%:

Now there will be a single and clear creeping acquisition bracket. Every person holding 25% or more but up to 75% i.e. maximum permissible non-public holding shall be eligible for creeping acquisition of 5% in each financial year.

3. Open Offer Trigger Point based on Individual Holding:

Now the Individual Acquirer Shareholding shall also be considered for determining the Open Offer Trigger Points apart from consolidated promoter shareholding.

4. Increase in Offer Size from 20% to 26%.

The Offer Size is increased only up to 26% instead of TRAC Recommendation of 100%. It's a good move from the point of view of domestic acquirers on account of lack of proper bank funding options available in India.

5. New Provisions in case of increase in shareholding beyond the maximum permissible non-public shareholding due to Open Offer

- Obligation on the acquirer to bring down the non-public shareholding to the level specified and within the time permitted under Securities Contract (Regulation) Rules, 1957;
- Ineligibility to make a voluntary delisting offer under SEBI (Delisting of Equity Shares) Regulations, 2009, unless a period of twelve months has elapsed from the date of the completion of the offer period.

6. **Abolition of Non-compete fees.**

SEBI has accepted the TRAC Recommendation of scrapping the non-compete fee or control premium. Any amount paid to the Promoters/Sellers whether as consideration, non-compete fee or control premium or otherwise, shall be added in Offer Price and hence public shareholders shall be given offer at the highest of such prices.

7. **Definition of “Control” modified:**

A new definition of Control is introduced in SEBI (SAST) Regulations, 2011 which is similar to the one given in TRAC Report with an exception that the word **“Ability”** is removed. The definition is as under:

“Control” includes the right to appoint majority of the directors or to control the management or policy decisions exercisable by a person or persons acting individually or in concert, directly or indirectly, including by virtue of their shareholding or management rights or shareholders agreements or voting agreements or in any other manner:

Provided that a director or officer of a target company shall not be considered to be in control over such target company, merely by virtue of holding such position

8. **Change in Control**

Any change in control of the listed company shall be only through Open Offer. The exemption from Open Offer available in case of change in control without acquisition of substantial shares, through a special resolution by postal ballot process, has been withdrawn and now the only route available for change in management and control is through the Open Offer to the shareholders of the Target Company. This is in contrast with Regulation 12 of the SEBI (SAST) Regulations, 1997 which provides for the change in control through the special resolution passed by way of postal ballot.

9. **No Exemption in case of acquisition from other competing acquirer**

One of the important recommendations of the TRAC Report providing for exemption from Open Offer Obligations in respect of acquisition by the successful bidder from other competitive bidder has not been made part of the SEBI (SAST) Regulations, 2011.

10. Frequently Traded Shares

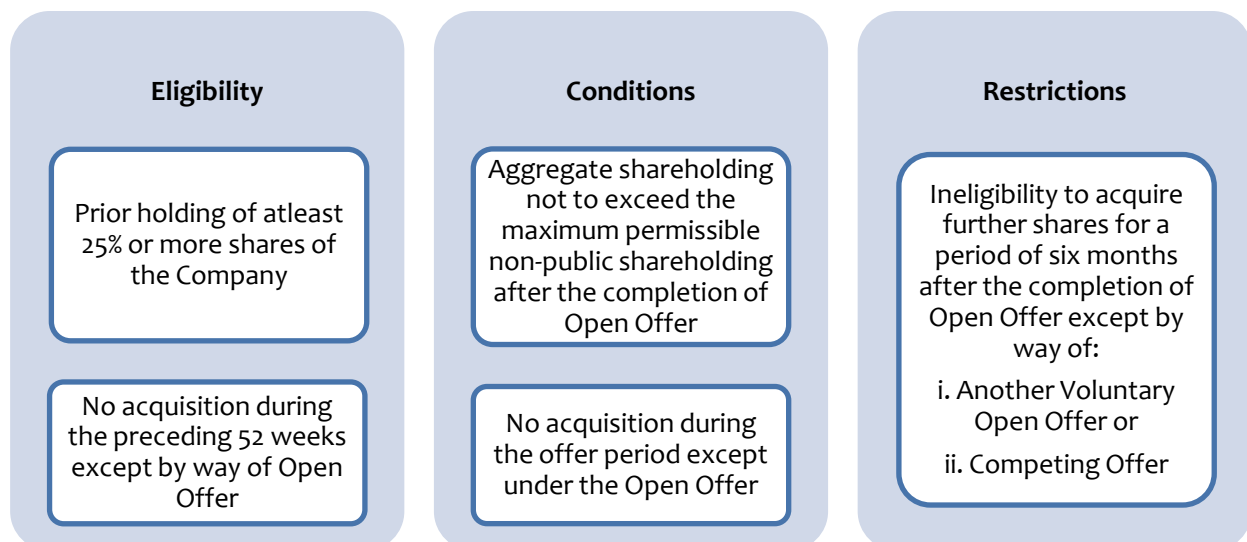
For determining the frequency of trading in shares, the trading turnover during the 12 months preceding the month in which the Public Announcement is made will be considered. Further, the volume of trading for frequently traded company increase from 5% to 10% to have a more realistic picture.

11. New Definitions Introduced

- **“Enterprise Value”** means the value calculated as market capitalization of a company plus debt, minority interest and preferred shares, minus total cash and cash equivalents.
- **“Volume weighted average market price”** means the product of the number of equity shares traded on a stock exchange and the price of each equity share divided by the total number of equity shares traded on the stock exchange.
- **“Volume weighted average price”** means the product of the number of equity shares bought and price of each such equity share divided by the total number of equity shares bought.
- **“Weighted average number of total shares”** means the number of shares at the beginning of a period, adjusted for shares cancelled, bought back or issued during the aforesaid period, multiplied by a time-weighting factor.

12. Detailed provisions for Voluntary Open Offer

The concept of voluntary open offer has been separately dealt in the SEBI (SAST) Regulations, 2011. It provides the eligibility criteria's, conditions and restrictions for the same.



In case of voluntary open offer, the offer size may be of 10% or more of the voting rights at the will of the Acquirer.

13. Detailed provisions relating to Indirect Acquisition:

The New Regulations prescribes detailed provisions relating to Indirect Acquisitions which is a welcome move as there was quite confusion. The New Regulations define the situations which will be deemed as Indirect Acquisition.

14. Recommendation on the Open Offer by the Board of Target Company

A recommendation on the offer by the Board of Target Company has been made mandatory and such recommendations shall be published at least two working days before the commencement of the tendering period in the same newspapers where the public announcement of the open offer was published, and simultaneously, a copy of the same shall be sent to SEBI, Stock Exchange and Manager to the Offer.

15. New Exemptions Introduced

- **Acquisition of shares pursuant to scheme of Corporate Debt Restructuring subject to certain conditions**
 - No change in control
 - Shareholders' approval by way of Special Resolution passed by Postal Ballot.

- **Increase in shareholding pursuant to buy back by Target Company**
 - Where pursuant to buy back, the shareholding increases beyond 25%, then such an increase in exempt from Open Offer obligation provided that such shareholder reduces his shareholding below 25% within 90 days of such increase;
 - Where the prior holding of the shareholder is between 25-75% and pursuant to buy back, there is an increase of more than 5% in the shareholding of such shareholder, then such an increase is exempt from Open Offer obligation subject to the following:
 - Approval of shareholders by way of postal ballot, in case of shareholder resolution and such shareholder has not voted in favour of resolution;

- In case of Board Resolution, such shareholder in the capacity of director has not voted;
- No change in control.

16. **Revision in SEBI fees to be given while submitting the draft letter of offer.**

17. **New Formats Introduced for PA, LOO, and Disclosures, Exemptions, Recommendation on the Open Offer by the Board of Directors and so on.**



CASE STUDY

An Analysis of Takeover Open Offer for Rhodia Specialty Chemicals India Limited

About Rhodia Specialty Chemicals India Limited (Target Company)

Rhodia Group is a world leader in the development and production of specialty chemicals. Rhodia Specialty Chemicals India Limited is engaged in Rhodia's Novecare business, serving markets in home & personal care, industrial formulations, paints and coatings as well as oilfield chemicals. It operates a plant at Roha, producing surfactants for the home care, personal care and agrochemical markets. The Company is certified by Bureau Veritas for its QMS System (ISO 9001-2000). The shares of the Company are listed as BSE.

About Solvay Participations France S.A.S. (Acquirer)

The Acquirer belongs to the Solvay Group. Solvay is an international industrial Group active in Chemistry. The Acquirer is registered in the commercial and companies register of Paris. Its corporate purpose, in France and outside France, is to acquire an interest, directly or indirectly, in any real estate, industrial, commercial or financial transaction related to the chemical products and plastic materials industry.

About Solvay S.A. (PAC/Solvay)

Incorporated under the laws of Belgium, Solvay is one of the world leaders in chemicals with its business divided into two sectors namely chemicals and plastics. The shares of Solvay are listed for trading on NYSE Euronext Brussels.

About Solvay Finance France S.A. (PAC/Solvay Finance)

Solvay Finance also belongs to the Solvay Group and was incorporated under the laws of France. Solvay Finance has two principal businesses: holding 100% of the shares of the Acquirer; and a centralizing company for the financial needs of the French companies and, as the case may be, the non-French companies of the Solvay group.

(Solvay and Solvay Finance collectively known as the Persons Acting in Concert / PACs)

Backdrop of the Deal

I. Framework Agreement and Global Offer

On April 3, 2011, the Acquirer, the PACs and Rhodia S.A. (Rhodia), signed a Framework Agreement specifying the terms of a business combination of Solvay and Rhodia and consequently, in accordance with the General Regulation of the French Autorité des marchés financiers (**AMF**), on April 4, 2011, Solvay offered (**Global Offer**) to the shareholders of Rhodia, and to holders of all of the bonds convertible into and/or exchangeable for newly issued or existing shares (**OCEANE**) issued by Rhodia, to purchase the securities held by them, as mentioned below, according to the terms and conditions set out in the offer document for the Global Offer:

- a) all of the issued and outstanding ordinary shares of Rhodia (including shares represented by American Depositary Shares (**ADS**)),
- b) the shares which may be issued as a result of the conversion of the OCEANE,
- c) shares which may be issued as a result of the exercise of the warrants issued by Rhodia and held by the Company Mutual Fund “Zukunft 2006”,
- d) shares which may be issued as a result of the exercise of the Rhodia warrants granted to employees of Rhodia or its subsidiaries (options) and
- e) the possible payment in shares of the 2010 Dividend or, to the knowledge of Solvay, a maximum of 120,694,373 shares of Rhodia at March 31, 2011.
- f) the OCEANE issued by Rhodia and admitted for trading on the NYSE Euronext Paris market.

Pursuant to the above mentioned Global Offer to the shareholders of Rhodia, on September 7, 2011 the Acquirer and the PACs, among themselves, acquired:

- i) 100,164,286 ordinary shares and voting rights of Rhodia from the shareholders of Rhodia representing, representing 94.16% of the outstanding ordinary share capital and voting rights of Rhodia, and

ii) 12,063,999 OCEANEs representing 97.51% of the outstanding OCEANEs.

As a result of such acquisition, the Acquirer and the PACs acquired control of, and Solvay became the holding company of Rhodia.

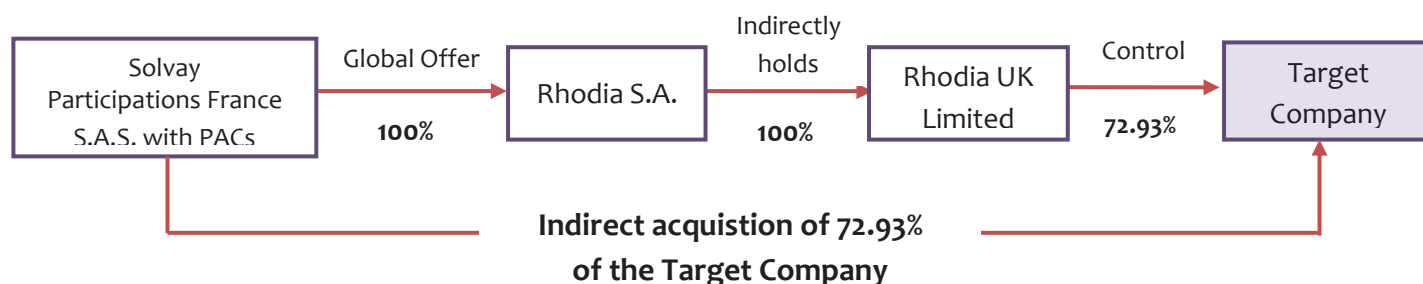
In pursuance of the Global Offer, Solvay has filed a demand for the execution of the procedure for a squeeze out of the Rhodia shares and the OCEANEs that were not tendered. Accordingly, on September 13, 2011, the AMF has published a notice relating to the date of implementation of the squeeze-out, i.e. September 16, 2011 on which date the amount of the indemnification for the shares and the OCEANEs subject to the squeeze-out was paid and transferred on a dedicated technical cash account opened for that purpose in the books of BNP Paribas Securities Services, in charge of the indemnification process within the squeeze-out.

II. Indirect acquisition of shares and control of Target Company

Rhodia indirectly holds 100% of the outstanding share capital of Rhodia UK Limited and is thus the holding company of Rhodia UK. Rhodia UK, in turn, holds 2,461,974 fully paid up equity shares of the Target Company representing 72.93% of the issued, subscribed and paid-up equity share capital of the Target Company and is therefore the holding company of, and in control of, the Target Company.

Thus, as a result of completion of global offer, on September 07, 2011, the Acquirer, along with the PACs, has indirectly acquired 72.93% stake in, and control of, the Target Company that has resulted into triggering Regulation 10 and 12 of SEBI (SAST) Regulations, 1997.

Deal Structure



Takeover Open Offer

Pursuant to above indirect acquisition of shares, the Acquirer along with PACs had made an Open Offer to the shareholders of the Target Company to acquire 675,120 equity shares representing 20% of the issued, subscribed and paid up capital at a price of Rs 386.72 per share payable in cash.



MARKET UPDATE

Acquisition of 26% stake in Scrabble Entertainment by UFO Moviez

UFO Moviez India Limited (UFO), a pioneer in the Digital Cinema space in India, has raised his stake in Scrabble Entertainment to 52% by acquiring another 26% shares. As result of the said acquisition by UFO, the shareholding of Manmohan Shetty, the founder of Scrabble Entertainment, has fallen down to 21%.

Acquisition of EBS by Ogone Payment Services

Ogone Payment Services has acquired E-Billing Solutions Private Limited (EBS), a Mumbai based payment service provider. Ogone Payment Services is one of the leading European service providers specialised in the processing of online payments. Post acquisition, EBS will continue to operate under its same management and will also continue the same name and brand in the Indian market.

Acquisition of Majority Stake in Hi-Rel Electronics by Hitachi

Hitachi has acquired majority stake in Hi-Rel Electronics Private Limited, an Ahmedabad based electronics components manufacturer. Post acquisition, the name of the Hi-Rel will be change to Hitachi Hi-Rel Power Electronics Pvt. Ltd.

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