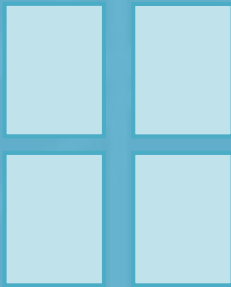


Takeover Panorama

A Monthly newsletter by Corporate Professionals
Year IV Vol. V – May 2010



Insight

Legal Update <ul style="list-style-type: none">- Adjudicating Officer Order in the matter of Star Leasing Limited- Adjudicating Officer Order in the matter of Blue Coast Hotels and Resorts Limited- Takeover Panel Order in the matter of Pacific Cotspin Limited- Takeover Panel Order in the matter of Arvind Remedies Limited- Takeover Panel Order in the matter of Expo Gas Containers Limited- Consent Orders	3
Latest Open Offers	12
Hint of the Month	13
Regular Section <ul style="list-style-type: none">- An analysis of Term Bulk Deal and Block Deal	14
Case Study <ul style="list-style-type: none">- An analysis of AT&T acquisition and sale in Tech Mahindra	17
Market Update	19
Our Team	20

Legal Update

Adjudicating Officer order in the matter of Star Leasing Limited

Facts:

1. SEBI received a draft letter of offer in respect of acquisition of shares of Star Leasing Limited (Target Company) by 3A Capital Services Limited and Mr. Rajan M Shah (Acquirers).
2. On examination of the letter of offer, it was observed that the promoters and directors of the Target Company namely, Mr. Mir Ahmad Ali Khan, Mr.

The disclosure under regulation 7(1A) of SEBI Takeover Regulations is required where the pre holding of the acquirer prior to the acquisition or sale is equal to or more than 55% of the paid up capital of the Target Company.

Hasnain Ali Khan, Mrs. Rasheeda Fatima and Mr. Mir Mehdi Ali Khan (Noticees) has failed to disclose within the stipulated time the off market sale by them of 37,250 shares (15.52%) on July 15, 2008, thereby, contravening the provision of Regulation 7(1A) of SEBI (SAST) Regulations, 1997.

3. Further, it was observed that the Noticees had acquired 78.92% shares of the Target Company from the old promoters vide SPA dated March 12, 2001 and accordingly made the open offer to the shareholders of the Target Company under which they had acquired 24,551 (10.23%) shares, as a result, there shareholding has increased to 89.15% of the paid up capital of the Target Company.
4. Accordingly a show cause notice was issued to the Noticees for the alleged violation of regulation 7(1A) of SEBI (SAST) Regulations, 1997.

Issue:

Whether the Noticees were required to make the disclosure under Regulation 7(1A) of the SEBI (SAST) Regulations, 1997 where the aggregate shareholding of the Noticees before the sale under consideration is more than 75% i.e. they were holding 89.15% of the Target Company?

Decision:

In terms of regulation 7(1A) of SEBI (SAST) Regulations, 1997 as existed at that time, any acquirer who have acquired the shares /voting rights of the Target Company under regulation 11(1) of the said

regulations are under an obligations to disclosed the purchase or sale aggregating 2% or more to the company as well as to the stock exchange. Thus, the acquisition under regulation 11(1) is a pre condition for the applicability of regulation 7(1A) of SEBI (SAST) Regulations, 1997. However, as in our case, the promoters are holding 89.15% shares in the Target Company which is outside the purview of regulation 11(1), therefore, no disclosure under regulation 7(1A) of the said regulations is necessitated and the matter is disposed off accordingly.

Adjudicating Officer order in the matter of Blue Coast Hotels and Resorts Limited

Facts:

1. SEBI conducted an investigation into irregularity in trading and dealing in the scrips of Blue Coast Hotels and Resorts Limited (BCHRL). Investigations revealed that Dombivli Nagari Sahakari Bank Ltd. (Noticee) has acquired shares/voting rights in the company without making the requisite disclosure under Regulation 7(1) read with 7(2) of SEBI (SAST) Regulations, 1997 and Regulation 13(1), 13(2) read with 13(5) of SEBI (PIT) Regulations, 1992. The transactions made by the bank in the scrips of Blue Coast Hotels and Resorts Limited are as under:

Where after the invocation of pledge, the shares are transferred in the name of bank, then the bank will be treated as acquirer for the purpose of SEBI Takeover Regulations and SEBI Insider Trading Regulations and accordingly will be required to give the disclosure as envisaged under regulation 7 and regulations 13 of the said regulations respectively.

- a. 7,00,000 (10.68%) shares were pledged with the Noticee by 3 promoters of the company towards a short term loan of Rs 300 lakhs and subsequently the pledged was invoked and the shares were transferred to the Demat account of Noticee on April 27, 2003.
- b. Similarly 1,50,000 (2.28%) shares were pledged with the Noticee towards a short term loan of Rs 325 lakhs to Morepen Laboratories Limited (MLL) and subsequently the pledged was invoked and the shares were transferred to the Demat account of Noticee on May 12, 2003 out of which the bank sold 500 shares in the market.
- c. In March 2005, BCHRL repaid the short term loan and the Noticee transferred back 5,50,000 (8.39%) shares to the original holder.

2. Accordingly a show cause notice was issued to the Noticee to which the following submissions are made:

- a. 8,50,000 shares of the company were held by the bank as collateral security for the loans granted by the bank to BCHRL and Morepen Laboratories Limited (MLL)
- b. The bank has not adjusted the value of shares against the loan amount from borrowers at time of transfer of shares and no amount is shown as consideration at time of retransfer of shares.
- c. The company has made disclosure to the Stock Exchange in the distribution schedule of the quarterly report about our holdings in Banks, Financial Institutions category.
- d. The Noticee has relied on the order of SAT in the matter of Kensington Investment Ltd. vs. SEBI and VLS Finance Ltd. vs. AO, SEBI.

Issue:

Whether the Bank/Financial Institution is required to make disclosure under the SEBI (SAST) Regulations, 1997 and SEBI (PIT) Regulations, 1992 where the increase in shareholding is pursuant to the invocation of the shares pledged with the bank?

Decision:

Adjudicating Officer held that after the invocation of pledge, the shares were transferred in the Demat account of Noticee and their names were entered as beneficial owner and they were entitled to the voting rights attached to the shares. Therefore, the Noticee is the acquirer and holder of the shares and is required to make the necessary disclosure under Regulation 7(1) read with 7(2) of SEBI (SAST) Regulations, 1997 and Regulation 13(1), 13(2) read with 13(5) of SEBI (PIT) Regulations, 1992. Further, considering the SAT order in the matter of Milan Mahindra Securities Pvt. Ltd. Vs. SEBI which states that *“the purpose of these disclosures is to bring about the transparency in the transactions and assist the regulator to effectively monitor the transactions in the market”*, AO imposed a penalty of Rs 1,00,000 on the Noticee.

Takeover Panel Order in the matter of Pacific Cotspin Limited

Facts:

1. Mr Prakash Chandra Mehra and Mr. Ashok Mehra (Acquires) belongs to the promoter group of the Pacific Cotspin Limited (Target company) and presently holds 44,52,732 equity shares representing 18.063% of the paid up capital and 17.80% of the voting rights of the Target Company.

2. As per the Corporate Debt Restructuring package, the existing preference share capital of Rs 11.42 crore were to be converted into equity and the promoters were to bring Rs 2.78 crore as equity representing 36% of the expanded capital in the following manner:

SEBI granted the exemption from the applicability of regulation 11(1) of SEBI Takeover Regulations where the increase in shareholding is pursuant to the CDR package.

- i. Conversion of 11,42,440 Non cumulative Redeemable Preference Shares of Rs. 100 each into 1,14,24,400 equity shares of Rs 10 each constituting 29.40% of the expanded capital and 29.13% of the voting capital of the company allotted to the promoters.
 - ii. 27,80,000 equity shares of Rs 10 each constituting 7.15% of the expanded capital of the company to be allotted to the acquirers on preferential basis
3. Pursuant to allotment of equity shares as per the CDR package, the shareholding of the promoter group (including acquirers) will increase from 18.07% to 48.02% of the equity share capital and 17.81% to 47.59% of the voting rights of the Target Company.
4. Therefore, the acquirers has filed the present application seeking exemption from the applicability of Regulations 11(1) of SEBI (SAST) Regulations, 1997 on the following grounds:

Grounds of Exemption:

1. Increase in shareholding is due to the CDR package.
2. Approval of the shareholders is already obtained.
3. No change in control.
4. Minimum public shareholding will be maintained.

Decision:

On the basis of above facts and circumstances of the case, SEBI granted the exemption to the acquirer and PAC from the applicability of Regulation 11(1) of SEBI (SAST) Regulations, 1997 with respect to the acquisition of 1,42,04,400 equity shares constituting 36.55% of the expanded capital of the Target Company subject to the acquirer complying with the other provisions of SEBI Takeover Regulations, Buy Back Regulations, Listing Agreement or any other law as may be applicable.

Facts:

1. Dr. Arvind Kumar B Shah (HUF) (Acquirer) form part of the promoter group of Arvind Remedies Limited (Target Company) and Narit Tradecom Pvt. Ltd. (Acquirer) has been named as “promoter associate company” in the Target Company. Further Dr. Arvind Kumar B Shah (HUF) holds 39,26,755 shares constituting 1.51% of the paid up capital of the Target Company and along with other promoters and PAC holds 25.32% of the total paid up capital of the Target Company.

SEBI denied the exemption from the applicability of regulation 11(1) of SEBI Takeover Regulations for the increase in shareholding pursuant to the preferential allotment where the option of right issue is available.

2. Now the acquirers wants to acquire 15,55,90,000 equity shares by way of preferential allotment which will increase the shareholding of Acquirer to 32.26% in the Target Company and that of the promoter group from 25.32% to 45.91%, thereby, resulting into triggering Regulation 10 and 11(1) of SEBI (SAST) Regulations, 1997.

3. Therefore, the acquirers has filed the present application seeking exemption under Regulation 3(1)(I) of SEBI (SAST) Regulations, 1997 from the applicability of Regulations 10 and 11(1) on the following grounds:

Grounds of exemption:

1. The proposed subscription by the Acquirers is with the overall objective of infusing funds into the Target Company for meeting its urgent financial needs for financing the new project.
2. No change in control.
3. Due to the urgent need, there is no other viable option but to infuse funds by making the preferential allotment to promoter group/public body corporate.
4. The acquisition would not be detrimental to the interest of public shareholders.
5. The approval of shareholders has been obtained for the preferential allotment through postal ballot.
6. The object of the allotment is to infuse funds into the Target Company to further scale up its operation and also consolidate its position in the industry.
7. Further, the right issue was not feasible as there may be a short fall of the required funds. Considering the chances of meeting full subscription at 1:1 ratio, the total money to be received at Rs.1.39 per

share will be Rs.36 crores against the total requirement of Rs.50 crores and there will be a short fall of Rs. 14 crores to be filled by an alternative source to meet the requirements.

Decision:

From the shareholders resolution, SEBI noted that Aryaman Commerce Private Limited (new investor) would also be allotted 6,66,60,000 equity shares (13.82%) of the Target Company on preferential basis, in addition to the preferential allotment of 15,55,90,000 shares. Further it is observed that through right issue an amount of Rs 36 crore could be raised, if resorted to and by issuing the shares on right basis, all the shareholders of the Target Company would get an equal opportunity in the fund raising exercise by the Target Company for the new project. Moreover if the portion of right issue remains unsubscribed, the promoters/acquirers could subscribe to the unsubscribed portion without triggering the SEBI (SAST) Regulations, 1997.

Further the acquisition of shares through preferential allotment is not automatically exempted from the applicability of the Takeover Regulations and the objective in this case is not a fit case to make it eligible for grant of exemption. Furthermore at present the public shareholding of Target Company is 74% and in respect of proposed acquisition a large number of shareholders would be denied of the exit opportunity. Therefore considering all the facts and circumstances of the case, SEBI rejected the exemption to the acquirers from the applicability of Regulation 10 and 11(1) of the SEBI (SAST) Regulations, 1997.

Takeover Panel Order in the matter of Expo Gas Containers Limited

Facts:

1. Jawad Trading Company Private Limited (Acquirer) belongs to the promoter and promoter group of Expo Gas Containers Limited (Target Company) and currently does not hold any shares in the Target Company. However with the other promoters, acquirer holds 21.42% of the total paid up capital of the Target Company.
2. Now the Acquirer proposes to acquire 1,12,50,000 equity shares of the Target Company by way of

SEBI granted the exemption from the open offer obligations for the increase in shareholding pursuant to the conversion of warrants where the warrants were allotted to the acquirer to Honor the OTS and exemption would be in the interest of the shareholders.

conversion of 45,00,000 warrants into equity shares on preferential allotment basis at a price of Rs 14.15, which would increase the shareholding of Acquirer from 21.42% to 67.86%, thereby triggering Regulation 11(1) and (2) of SEBI (SAST) Regulations, 1997.

3. Therefore, the acquirers has filed the present application seeking exemption from the applicability of Regulations 11(1) and 11(2) of SEBI (SAST) Regulations, 1997 on the following grounds:

Grounds for exemption:

1. The company was making heavy losses from 2002 onwards and has availed finance from IDBI and UBI. Due to non payment, cases were filed against the company in Debt Recovery Tribunal (DRT). Therefore the company has finally negotiated with IDBI and UBI for a One Time Settlement (OTS) and accordingly settles its dues.
2. To honor the OTS, the Target Company has allotted warrants of Rs 4,50,00,000 to the Acquirer. In compliance of the requirement the acquirer brought Rs 1,12,50,000 being 25% of the total amount payable.
3. Subsequently the Target Company undertook restructuring exercise whereby the equity shares of the company was reduced by Rs 4,67,18,400 and such amount along with the amount lying in shares premium account was used to wiping out the accumulated losses.
4. The exemption would be in the interest of the Target Company and its minority shareholders.
5. No change in control

Decision:

On the basis of above facts and circumstances of the case, SEBI granted the exemption to the acquirer from the applicability of Regulation 11(1) and 11(2) with respect to the proposed acquisition of 1,12,50,000 equity shares by way of conversion of warrants into shares subject to the acquirer complying with the other provisions of SEBI Takeover Regulations, Buy Back Regulations, Listing Agreement or any other law as may be applicable.

Consent Order in the matter of Wires & Fabriks (S.A) Limited

Adjudicating Proceedings were initiated against Wires & Fabriks (S.A) Limited (Noticee) for alleged violation of the provisions of Regulation 8(3) of SEBI (SAST) Regulations, 1997. Pending the adjudication proceedings, on February 19, 2010, the Noticee have filed the consent application for the settlement of above violation and proposed to pay a sum of Rs 1,80,000 as settlement charges. The terms as proposed by the notices were placed before High Power Advisory Committee (HPAC) and on the recommendation of HPAC, SEBI disposes of said proceedings against the Noticee.

Consent Order in the matter of Venture Business Advisors Pvt. Limited

Adjudicating Proceedings were initiated against Venture Business Advisors Pvt. Limited (Noticee) for alleged violation of the provisions of Regulation 3(3) and 3(4) of SEBI (SAST) Regulations, 1997. Pending the adjudication proceedings, on March 4, 2010, the Noticee have filed the consent application for the settlement of above violation and proposed to pay a sum of Rs 3,00,000 towards settlement charges. The terms as proposed by the notices were placed before High Power Advisory Committee (HPAC) and on the recommendation of HPAC, SEBI settle the above non compliance and disposes of said proceedings against the Noticee.

Consent Order in the matter of Prism Informatics Limited

Prism Informatics Limited (Applicant) has delayed in complying with the disclosure requirement under Regulation 8(3) of SEBI (SAST) Regulations, 1997 for the years 2006 and 2007. Therefore, vide letter dated February 19, 2010, the applicant has voluntary filed the consent application for the settlement of enforcement action that may be initiated by SEBI. The High Powered Advisory Committee after considering that the there has been no major change in the shareholding of the applicant has recommended the case for settlement on payment of Rs.2,00,000 towards consent terms. On the recommendation of HPAC, SEBI settle the above non compliance of the applicant.

Consent Order in the matter of Hari Machines Limited

Mridu Hari Dalmia has filed the voluntary consent application on his behalf and behalf of Mridu Hari Dalmia Parivar Trust, Smt. Padma Dalmia and Shri R H Dalmia, Himalayan Natural Products Limited, Kabirdas Investments Ltd. and Raghu Hari Dalmia Parivar Trust (Applicants) for their failure to file the report under Regulation 3(3) of SEBI (SAST) Regulations, 1997 with the Stock Exchange and also file a report with SEBI under Regulation 3(4) of the said regulations within the stipulated time for the:

- i. Inter se transfer of 8,600 shares of Marathwada Refractories Limited from Utkal Investment Ltd. to Kabirdas Investments Ltd. on 16.02.2000, and
- ii. Inter se transfer of 2,24,950 shares of Marathwada Refractories Limited from Capital Ideas Limited, Sh. A H Dalmia, Abhishek Dalmia, Usha Dalmia and Chaitanya Dalmia collectively held by them to Mridu Hari Dalmia Parivar Trust, Smt. Padma Dalmia, Himalayan Natural Products Limited and Shri R H Dalmia on 28.02.2000 and 1.03.2000.
- iii. The applicants has also filed delayed Report under Regulation 3(4) of SEBI (SAST) Regulations, 1997 for the inter se transfer of 2000 shares of Marathwada Refractories Limited from Anuradha Dalmia to Raghu Hari Dalmia Parivar Trust on 31.10.2000

Therefore, vide letter dated September 31, 2009, the applicants have voluntary filed the consent application for the settlement of enforcement action that may be initiated by SEBI. The High Powered Advisory Committee recommended the case for the settlement on the payment of Rs 3,40,000 towards the settlement charges. On the recommendation of HPAC, SEBI settle the above non compliances of the applicants.

Consent Order in the matter of Hari Machines Limited

Mridu Hari Dalmia has filed the voluntary consent application on his behalf and behalf of Mridu Hari Dalmia Parivar Trust, Smt. Padma Dalmia and Shri R H Dalmia (Applicants) apprehending that SEBI would initiate enforcement actions for their failure to file the statutory report under Regulation 3(3) and 3(4) of SEBI (SAST) Regulations, 1997 for the year 2000 with SEBI within the prescribed time for

- i. Inter se transfer of 6,950 shares of Hari Machines Limited from Utkal Investment Ltd. to Mridu Hari Dalmia Parivar Trust and Smt. Padma Dalmia on January 7, 2000, and
- ii. Inter se transfer of 45,000 shares of Hari Machines Limited from Capital Ideas Limited, Sh. A H Dalmia, Abhishek Dalmia and Chaitanya Dalmia collectively held by them to Mridu Hari Dalmia Parivar Trust, Smt. Padma Dalmia and Shri R H Dalmia on February 28, 2000 and March 1, 2000.

Therefore, vide letter dated September 31, 2009, the applicants have voluntary filed the consent application for the settlement of enforcement action that may be initiated by SEBI. The High Powered Advisory Committee recommended the case for the settlement on the payment of Rs 2,50,000 towards the settlement charges. On the recommendation of HPAC, SEBI settle the above non compliances of the applicants.

Latest Open Offers

Name of the Target Company	Name of the Acquirer and PAC	Details of the offer	Reason of the offer	Concerned Parties
<p>Techtran Polylenses Limited</p> <p>Regd. Office Hyderabad</p> <p>Paid up capital Rs. 1297 lacs</p> <p>Listed At BSE & HSE</p>	<p>Credence Infrastructure Limited</p>	<p>Offer to acquire 25,94,000 (20%) Equity Shares at a price of Rs. 15.60 per share payable in cash.</p>	<p>Regulation 10 & 12</p> <p>SSA to acquire 20,00,000 equity shares and SPA to acquire 22,27,000 shares aggregating the shareholding of the acquirer to 32.59% of the post preferential post issue equity capital of the Target Company</p>	<p>Merchant Banker Saffron Capital Advisors Private Limited</p> <p>Registrar to the Offer Bigshare Services Private Limited</p>
<p>Chamak Holdings Limited</p> <p>Regd. Office Delhi</p> <p>Paid up capital Rs. 29.50 lacs</p> <p>Listed At DSE</p>	<p>Subhash Chander Kathuria and Anubhav Kathuria</p>	<p>Offer to acquire 49,000 (20%) Equity Shares at a price of Rs. 5 per share payable in cash.</p>	<p>Regulation 10 & 12</p> <p>SPA to acquire 1,81,000 (73.88%) equity shares of the Target Company at a price of Rs.5 per share.</p>	<p>Merchant Banker D &A Financial Services (P) Limited</p> <p>Registrar to the Offer Beetel Financial & Computer Services Pvt. Limited</p>
<p>Howard Hotels Limited</p>	<p>Nirankar Nath Mittal, Nirvikar</p>	<p>Offer to acquire 18,22,640 (20%)</p>	<p>Regulation 10 & 11</p>	<p>Merchant Banker SPA Merchant</p>

Regd. Office New Delhi Paid up capital Rs. 7.31 Crore Listed At BSE, UPSE & DSE	Nath Mittal, Brij Lata Mittal, Mittal Fragrances Private Limited and Rishi Real Estate India Private Limited along with PAC	Equity Shares at a price of Rs. 13.20 per share payable in cash.	Conversion of warrants into shares and inclusion in promoter group thereby increasing the shareholding from 14.53% to 42.17%.	Bankers Limited Registrar to the Offer Link Intime India Pvt. Ltd.
---	---	---	---	---

Hint of the Month

Acquisition of shares by a merchant banker or nominated investor in the process of market making and subscription by the nominated investor to the unsubscribed portion of issue, in terms of Chapter XA of the Securities and Exchange Board of India (ICDR) Regulations, 2009 is exempt from the applicability of 10, 11 and 12 of SEBI (SAST) Regulations, 1997 provided that the acquisition of securities in the process of market making or subscription to the unsubscribed portion of issue does not results in change in control over the target company, directly or indirectly.

(As substantiated from regulation 3(1)(f)(vii) of SEBI (SAST) Regulations, 1997-inserted on April 13, 2010)

Regular Section

An analysis of Term Bulk Deal and Block deal

Bulk Deal

Definition:

A “bulk” deal constituted of “all transactions in a scrip (on an exchange) where total quantity of shares bought/sold is more than 0.5% of the number of equity shares of the company listed on the exchange”. Thus the quantitative limit of 0.5% could be reached through one or more transactions executed during the day in the normal market segment.

It is to be noted that if the transaction executed by a person on a single day aggregates to 0.5% but it is routed through different brokers, then no disclosure in respect of such deal is required to be given by brokers although it is a bulk deal because disclosure is required to be given where the transaction executed with one broker amounts to 0.5%.

Separate Window:

There is no requirement of separate trading window for the execution of the Bulk Deal.

Price:

There is no price restriction at which such bulk deal can be executed.

Relationship between the parties:

In bulk deal, the parties between whom the trade is executed are generally not known to each other.

Impact on the current market price:

The price at which bulk deal is executed is reflected in the current market price.

Duties of Brokers:

The brokers shall immediately upon the execution of the trade, disclose to the stock exchange the name of the scrip, name of the client, quantity of shares bought/sold and the traded price.

Duties of the Stock Exchange:

The Stock Exchange shall publish the intraday bulk deals as disclosed to it by the brokers at the end of the trading day for the information of the general public.

Block Deal

To execute the large trade in single transaction as distinguished from bulk deal as explained above, there felt a need to create a separate trading window. Therefore, SEBI made the separate guidelines for the execution of such large trade and permitted the stock exchanges to create a separate trading window.

Definition:

A trade, with a **minimum quantity of 5,00,000 shares or minimum value of Rs.5 crore** executed through a single transaction on this **Separate Window** of the stock exchange will constitute a “block deal”.

Execution time allowed for trading on this window:

Such separate trading window will remain open for a limited period of 35 minutes from the beginning of trading hours i.e. the trading window shall remain open from 9.55 am to 10.30 am.

Price at which trade can be executed

The price at which the orders may be placed in this window should not exceed $\pm 1\%$ from the ruling market price/previous day closing price, as applicable.

Other condition:

Every trade executed in this window must result in delivery and shall not be squared off or reversed.

Relationship between the parties:

Buyers and Sellers between whom the block deal is executed generally know each other. This kind of trading window is used for inter se transfer through the stock exchange

Impact on the current market price:

Since block deal can be executed on the separate trading window specially open for it, therefore, price at which such block deal takes place does not have any impact on the current market price.

Duties of the stock exchange with respect to such Block deal transaction:

1. The stock exchanges shall disseminate the information on block deals such as the name of the scrip, name of the client, quantity of shares bought/sold, traded price, etc to the general public on the same day, after the market hours.
2. The stock exchanges shall ensure that all appropriate trading and settlement practices as well as surveillance and risk containment measures, etc., as presently applicable to the normal trading segment are made applicable and implemented in respect of the proposed special window also.

Securities Transaction Tax-Applicable for both Bulk as well as Block Deal:

Sr.No.	Taxable securities transaction	New rates from 01.06.2006	Payable by
A	B	C	D
1.	Purchase of an equity share in a company or a unit of an equity oriented fund, where – (a) the transaction of such purchase is entered into in a recognised stock exchange; and (b) the contract for the purchase of such share or unit is settled by the actual delivery or transfer of such share or unit.	0.125 per cent.	Purchaser.
2.	Sale of an equity share in a company or a unit of an equity oriented fund, where – (a) the transaction of such sale is entered into in a recognised stock exchange; and (b) the contract for the sale of such share or unit is settled by the actual delivery or transfer of such share or unit.	0.125 per cent.	Seller.
3.	Sale of an equity share in a company or a unit of an equity oriented fund, where – (a) the transaction of such sale is entered into in	0.025 per cent.	Seller.

	<p>a recognised stock exchange; and</p> <p>(b) the contract for the sale of such share or unit is settled otherwise than by the actual delivery or transfer of such share or unit.</p>		
--	---	--	--

Case Study

An analysis of AT&T acquisition and sale in Tech Mahindra

About Tech Mahindra Limited

Tech Mahindra is a global systems integrator and business transformation consulting firm focused on the communications industry. With its core strength in providing Telecom Solutions, Tech Mahindra provides a wide variety of services ranging from IT Strategy and Consulting to Systems Integration, Application Development & Maintenance, BPO, Infrastructure Management, Security Consulting, Network Transformation Solutions & Services, Value Added Services and Product Engineering.

Tech Mahindra is BS25999 certified which is a British Standards Institution (BSI) standard in the field of Business Continuity Management (BCM). Tech Mahindra is also ISO 9001:2008 certified and is assessed at SEI-CMMI Level 5. Tech Mahindra has also been awarded the **ISO 20000-1** (IT Service Management Standard) and ISO 27001 (Security Management Standard) certification for its development centers across **India** and **UK**. Tech Mahindra is certified at PCMM Level 5 for its people-care practices and is the third company in the world to have been appraised for SSE-CMM Level 3.

A change of “Satyam” to “Mahindra Satyam”

After the Satyam scandal of 2008-09, Tech Mahindra bid for Satyam Computer Services, and emerged as a top bidder with an offer of Rs 59 a share for a 31 per cent stake in the company, beating a strong rival Larsen & Toubro. Following the results of Satyam Bid in favour of Tech Mahindra on June 21, 2009 Satyam Computer Services Limited, unveiled its new brand identity, “**Mahindra Satyam.**” This strategic move paves the way for the emergence of a robust brand, which draws from the core values of the Mahindra Group and the inherent strength of the Satyam brand.

About AT&T Inc.

In 1984, through an agreement between the former AT&T and the U.S. Department of Justice, AT&T agreed to divest itself of its local telephone operations but retain its long distance, R&D and manufacturing arms. From this arrangement, SBC Communications Inc. (formerly known as Southwestern Bell Corp.) was born. In 2005, SBC Communications Inc. acquired AT&T Corp., creating the new AT&T. With the merger of AT&T and BellSouth in 2006, and the consolidated ownership of Cingular Wireless and YP.COM, AT&T is positioned to lead our industry in one of its most significant transformations since the invention of the telephone more than 130 years ago.

Deal between Tech Mahindra and A T & T

In May 2005, Tech Mahindra and A T & T have signed an agreement which gave the option to AT&T to purchase the shares of Tech Mahindra if it met certain revenue targets. This transaction has been disclosed by Tech Mahindra in its IPO. Had AT&T chosen not to exercise the options, they would have expired in July 2010.

On March 22, 2010, AT&T has acquired about 98.7 lakhs shares representing 8.07% stake in Tech Mahindra from its promoters in return for giving the company a certain amount of business over a period. The company has purchased the shares in an off market transaction valuing Tech Mahindra at more than Rs 10,000 crore. However, it will not get a representation on Tech Mahindra Board.

Tech M has followed the practice of giving cash or equity stake in return for large contracts, especially with its largest client, British Telecom. There is no fresh issue of capital and therefore, no equity dilution. The shares were held by Mahindra BT Mauritius and AT&T had options against these shares.

Sale to LIC

Out of 98.7 lakhs purchased by Tech Mahindra in the Month of March itself, the company has sold 13 lakhs shares earlier in April. On April 28, 2010, AT&T exited Tech Mahindra by divesting its remaining 7.03% stake in Tech Mahindra, thereby, realizing \$154 million (Rs 656 crore) from the sale. India' largest life Insurance firm, Life Insurance Corporation of India comes out to be the major buyer of the sale. There were 2 block deals of 4.3mn shares on each exchange. After the acquisition LIC stake in Tech M has increased to 12.75%. LIC also holds 4.43% stake in Mahindra Satyam. As per the experts the sale deal will not have any material impact on business relationship between the two players.

Market Updates

❖ NYSE Euronext to sell its stake in NSE

NYSE Euronext has exited National Stock Exchange of India (NSE) by selling its entire 5% stake in the exchange to Temasek, a Singapore state investor for more than \$ 150 million. The transaction has received the necessary regulatory approvals. NYSE had bought the 5% stake in NSE for about \$115 Mn in 2007, which has valued NSE at about \$2.3 billion.

❖ Ananta Capital to raise \$150 million

Ananta Capital is planning to raise \$150 million for its two funds - a pledge fund focused on private equity deals and an equity fund committed to stake acquisitions in publicly-traded companies. Further, the fund has also received an assurance of \$20 Million from LPs, High Networth Individuals (HNI) and financial institutions.

❖ Aavishkaar made investment in G.V Meditech

Aavishkaar India Micro Venture Capital Fund has invested an undisclosed sum for significant minority stake in G.V. Meditech Pvt. Ltd., a New Delhi based healthcare service provider. The company desires to use the funds for its growth in other semi urban and rural areas.

❖ Cemex may buy Penna Cements

Cemex has been looking to enter into India and may acquire Penna Cements or come in as a strategic investor for the company. In Penna Cement, promoters hold 100% stake and were talking to few companies for strategic investment.

Our Team

Neha Pruthi

Assistant Manager

neha@indiacp.com

Ruchi Hans

Associate

ruchi@indiacp.com

Priyanka Gupta

Analyst

Priyanka@indiacp.com

Visit us at



A Venture of



D- 28, South Extn. Part I New Delhi – 110049

T: 40622200 F: 91.40622201

E: info@takeovercode.com

OUR GAMUT OF SERVICES:-

Investment Banking | Corporate Restructuring | Stock Exchange Services | Securities Laws & Capital Market Advisory | Corporate Compliances & Due Diligence | Global Business Setup | Corporate Taxation | Forex & Overseas Transactions | Corporate Finance.

Disclaimer:

This paper is a copyright of Corporate Professionals (India) Pvt. Ltd. The entire contents of this paper have been developed on the basis of latest prevailing SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1997 in India. The author and the company expressly disclaim all and any liability to any person who has read this paper, or otherwise, in respect of anything, and of consequences of anything done, or omitted to be done by any such person in reliance upon the contents of this paper.