

SECURITIES AND EXCHANGE BOARD OF INDIA

ORDER

IN THE MATTER OF PROPOSED ACQUISITION OF SHARES OF GTN INDUSTRIES LIMITED—APPLICATION FILED UNDER REGULATION 4 (2) OF SECURITIES AND EXCHANGE BOARD OF INDIA (SUBSTANTIAL ACQUISITION OF SHARES AND TAKEOVERS) REGULATIONS, 1997

1.0 BACKGROUND

1.1 GTN Industries Limited (hereinafter referred to as the target company) is a company incorporated under the Companies Act, 1956, having its Registered Office at Chitkul Village, Patancheru Mandal, Medak District, Andhra Pradesh-502307. The equity shares of the target company are listed on the Bombay Stock Exchange Limited (hereinafter referred to as BSE) and the National Stock Exchange of India Limited (hereinafter referred to as NSE).

2.0 APPLICATION SEEKING EXEMPTION

2.1 GTN Engineering (India) Limited (hereinafter referred to as the acquirer) on its behalf and on behalf of the person acting in concert, JEL Finance & Investment Limited (hereinafter referred to as the PAC), vide letter dated January 12, 2010, filed an application under Regulation 4(2) read with Regulation 3(1)(l) of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 (hereinafter referred to as the Takeover Regulations) with Securities and Exchange Board of India (hereinafter referred to as SEBI). It has been stated in the application that the acquirer and the PAC were promoted by Mr. M. K. Patodia and Mrs. Anjana Patodia who are individual core promoters of the target company. In terms of the said application, the acquirer and

the PAC belonged to the promoter group of the target company and that they are holding 1,65,585 equity shares representing 1.43% of the total paid up capital of the target company. The promoter group of the target company holds shares representing 61.45% of the paid up capital in the target company.

2.2 It is further stated that the target company had incurred significant losses in the financial year 2008-09 and had opted for the Corporate Debt Restructuring (CDR) Scheme which was approved on June 25, 2009. It was also stated that as per the CDR Scheme, the promoters of the target company are required to bring their contribution of Rs.750 lakhs against which the target company proposes to issue 60,00,0000 equity shares of Rs.10/- each for cash at a premium of Rs.2.50/- per share on preferential allotment. It was also stated that the shareholders of the target company had approved the proposed preferential issue to the acquirer and PAC under Section 81(1A) of the Companies Act,1956, on January 5, 2010. It is stated that, pursuant to the proposed preferential allotment the shareholding of the acquirer and PAC in the target company would collectively increase from 1.43% to 34.47% and that of the promoter group would increase from 61.45 to 74.64%. Hence, the present application has been filed seeking exemption from the applicability of Regulation 11(2) of the Takeover Regulations *inter alia* on the following grounds:

- i. The acquirer and the PAC belong to the promoter group of the target company
- ii. The proposed acquisition of shares would not result in change in control and management of the target company.

2.3 The shareholding pattern of the target company (before and after the proposed allotment) as per the aforesaid application is as under:-

| Allottees | Pre - preferential allotment holding | | Proposed Allotment | Post - preferential allotment holding | |
|------------------|--------------------------------------|---|--------------------|---------------------------------------|---------------|
| | No. of shares | % | | No. of shares | No. of shares |
| PROMOTERS | | | | | |

| | | | | | |
|--|--------------------|-----------------|--------------------|---------------------|-----------------|
| GTN Engineering (India) Ltd (acquirer) | 1,65,585 | (1.43%) | 12,00,000 (6.35%) | 13,65,585 | (7.78%) |
| JEL Finance and Investments Ltd (PAC) | Nil | | 48,00,000 (27.37%) | 48,00,000 | (27.37%) |
| <u>Core promoter</u> | | | | | |
| Sr.M.K. Patodia | 30,98,817 | (26.85%) | | | |
| Smt.Anjana Patodia | 5,14,332 | (4.45%) | | | |
| Other promoters and PACs | 33,13,454 | (28.72%) | Nil | 33,13,454 | (18.89%) |
| Total promoter group holding | 70,92,1888 | (61.45%) | | 1,30,92,1888 | (74.64%) |
| NON-PROMOTERS | | | | | |
| FIs/ Banks | 1,98,230 | 1.72 | NIL | 1,98,230 | 1.13 |
| FIs/NRIs/OCBs | 17250 | 0.16 | NIL | 17,520 | 0.10 |
| Public | 42,32,440 | 36.67 | | 42,32,440 | 24.13 |
| Individual & others | 8385209 | 38.54 | | 8385209 | 20.20 |
| TOTAL | 1,15,40,378 | 100.000 | 60,00,000 | 1,75,40,378 | 100.000 |

2.4 Thereafter, the acquirer vide letter dated January 20, 2010 had also filed certain information, as sought by SEBI.

3.0 RECOMMENDATION OF THE TAKEOVER PANEL

3.1 The aforesaid application dated January 12, 2010 was forwarded to the Takeover Panel, by SEBI, in terms of Regulation 4(4) of the Takeover Regulations. The Takeover Panel vide report dated February 8, 2010, has recommended as under:

“It was observed by the panel that the Target Company has incurred substantial losses in the financial year 2008-09 and the proposed preferential allotment is pursuant to the CDR Scheme approved on 25/6/2009. The CDR Scheme has envisaged induction of additional funds to the extent of Rs.750 lakhs by the promoters by way of equity so as to improve the Target Company’s debt equity ratio. The proposal of preferential allotment of equity shares to the promoters pursuant to the CDR scheme was found to be in the interest of the shareholders and the Company in general. The Panel therefore recommended the

exemption from the applicability of the provisions of regulation 11(2) of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations.”

4.0 FINDINGS

4.1 I have considered the application for grant of exemption, the abovementioned recommendation of the Takeover Panel and other material available on record. I note that the preferential allotment of 60,00,000 shares is proposed to be made to the acquirer and the PAC, by the target company pursuant to the CDR scheme as decided by the CDR Empowered Group on June 25, 2009. Further, I note that the acquirer and the PAC are part of the promoter group of the target company and are currently holding 61.45% together with the other promoters of the target company. Pursuant to the proposed acquisition, the shareholding of the promoter group (including the acquirer and PAC) would increase to 74.64% of the enhanced equity capital of the target company. There would not be any change in control pursuant to the proposed preferential allotment as the promoter group including the acquirer and the PAC is already in control of the target company. I further note that the proposed allotment of shares has already been approved by the shareholders of the target company in their Extraordinary General Meeting held on January 5, 2010.

4.2 In view of the above, I agree with the recommendations of the Takeover Panel and consider the present case as a fit case for granting exemption from the requirements of Regulation 11(2) of the Takeover Regulations.

5.0 ORDER

5.1 In view of the above findings, I, in exercise of the powers conferred upon me under Section 19 of the Securities and Exchange Board of India Act, 1992 read with Regulation 4(6) of Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, hereby grant exemption to the acquirer, GTN Engineering (India) Limited and the person acting in concert,

JEL Finance & Investment Limited, from complying with the requirements of Regulation 11(2) of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 with regard to the proposed acquisition of 60,00,000 equity shares of face value Rs.10.00 /- each of the target company, namely GTN Industries Limited at Rs. 12.50/- per share, through preferential allotment.

5.2 The exemption is granted subject to the following conditions:

(a) The statements/averments made or facts/figures given in the application are true and correct to the best knowledge of the acquirer and the person acting in concert.

(b) The acquirer and the person acting in concert alongwith others in the promoter group of the target company, shall ensure compliance with the statements, disclosures and undertakings made in the application and subsequent letters.

(c) The proposed acquisition shall be in accordance with the relevant provisions of the Companies Act, 1956, the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations 2009, the Listing Agreement and other applicable laws.

5.3 This exemption shall not be construed as exemption from the requirements of any other provisions of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 (e.g. disclosure requirements under Chapter II), the Listing Agreement or any other law.

**DR. K. M. ABRAHAM
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA**

**PLACE: MUMBAI
DATE: MARCH 25, 2010**