WTM/SKM/CFD/12/2021-22

SECURITIES AND EXCHANGE BOARD OF INDIA
ORDER

UNDER SECTION 11(1) AND SECTION 11(2)(h) OF THE SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 READ WITH REGULATION 11(5) OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (SUBSTANTIAL ACQUISITION OF SHARES AND TAKEOVERS) REGULATIONS, 2011.

IN THE MATTER OF PROPOSED ACQUISITION OF SHARES AND VOTING RIGHTS IN –

TARGET COMPANY	**KAVERI SEED COMPANY LIMITED**
ACQUIRERS	**1. MADHUSHREE PRIVATE TRUST**
	2. PAWAN PRIVATE TRUST

Background

1. Kaveri Seed Company (for convenience "***Target Company***") ia a company incorporated on 27th August 1986 as "Kaveri Seed Company Private Limited" under the Companies Act, 1956 with the Registration No. 6728 of 1986-87 and is promoted by Mr. Gundavaram Venkata Bhaskar Rao and Mrs. Gundavaram Vanaja Devi. The registered address of the company is 513 B, 5th Floor, Minerva Complex, S.D. Road, Secundrabad -500 003. Telangana, India. On November 7, 2006 the *Target Company* was converted into a public limited Company and a fresh certificate of incorporation was issued by the ROC in the name of "Kaveri Seed Company Limited". The *Target Company* is mainly into the business of production, processing and marketing of high quality hybrid seeds for different crops like cotton, corn, paddy, sunflower, grain sorghum, etc. and have recently forayed into micronutrients and bio-products. The *Target Company* produces non-hybrid seeds, primarily for paddy. The Equity Shares of the *Target Company* are presently listed on NSE and BSE.

2. An Application dated August 28, 2020 (for convenience "***Application***") seeking exemption from the applicability of regulations 3 and 4 of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 (for convenience "***Takeover Regulations, 2011***") in the matter of proposed direct of shares in the *Target Company* was received by SEBI from Madhushree Private Trust (for convenience "***Acquirer 1***") and Pawan Private Trust (for convenience "***Acquirer 2***") (together referred to as "***Acquirer Trusts / Proposed Acquirers / Applicant***").

3. Vide the *Application* and subsequent submissions/clarifications, the *Acquired Trusts* has submitted the following:

(a) The issued, subscribed and paid up Equity Share Capital of the *Target Company* is INR 12,06,58,266/- divided into 6,03,29,133 equity shares of INR 2/- each. *Target Company* has a public shareholding of 44.48% and the non-public shareholding of 55.52% is entirely held by the promoters and the promoter group. The shareholding in the *Target Company*, as on December 31, 2020 is as follows:

	Shareholding before the proposed acquisition	
	No. of Shares	% holding
Promoters and Promoter Group other than Proposed Acquirers	3,34,97,143	55.52
Proposed Acquirers	Nil	Nil
Public Shareholders	2,59,52,499	43.02
Non-public Non-Promoter shareholding	8,79,491	1.46
Total	6,03,29,133	100

(b) Venkata Bhaskar Rao Gundavaram (HUF) (for short "*Venkata HUF*"), a promoter of the *Target Company*, who currently holds 16.55 % equity shares in the *Target Company*, intends to gift/settle his entire shareholding in the *Target Company* to *Acquirer 1*. Further, Vanaja Devi Gundavaram (for short "*Vanaja*"), another promoter entity of the *Target Company* with a holding of 1,57,75,050 (22.84% of

the *Target Company*), intends to transfer 8,73,595 equity shares, 1.45% shares, of the *Target Company* to *Acquirer 1*. Further, *Acquirer 1* has been settled by G.V. Bhaskar Rao (for short "***GVBR***") (who is a promoter of the *Target Company* for the benefit of family members by registered trust deed dated October 17, 2019 (for convenience "***Trust Deed 1***"), which is proposed to be amended as per the draft amendment deed submitted to SEBI through email dated February 27, 2021. *GVBR* and *Vanaja* (spouse of *GVBR*) are the trustees of the *Acquirer 1.*

(c) *Vanaja* also intends to transfer 1,08,59,244 equity shares, i.e. 18% of the *Target Company* to *Acquirer 2* for the benefit of family members by registered trust deed dated October 17, 2019 (for convenience "***Trust Deed 2***"),

(d) Family members of *GVBR* consists of *GVBR* (Self), *Vanaja* (Spouse), Pawan Gundavaram (Son) and his lineal descendants and Madhushree Gundavaram (Daughter) and her lineal descendants.

(e) The Settlors, Trustees and beneficiaries of the aforementioned *Acquirer Trusts* are as under:

Acquirer 1: Madhushree Private Trust

Settlors	**Trustees**	**Beneficiaries**	**Relationship**
GVBR	*GVBR* and *Vanaja*	*Vanaja* (spouse), Madhushree Gundavaram (daughter), Mor Tal Gaba, Rahm Howard Gaba and any future children of Madhushree (grandchildren)	The Trustees and beneficiaries are immediate relatives /lineal descendants of the Promoter /Settlor. The Trustees are also promoters of the *Target Company*.

Acquirer 2: Pawan Private Trust

Settlors	Trustees	Beneficiaries	Relationship
GVBR	*GVBR* and *Vanaja*	*Vanaja* (Spouse) Pavan Gundavaram (Son) Any future children of Pavan Gundavaram (grandchildren)	The Trustees and beneficiaries are immediate relatives /lineal descendants of the Promoter /Settlor. The Trustees are also promoters of the *Target Company*.

4. Further, vide *Application* and subsequent communications, the *Applicant* provided following grounds for seeking exemption.

(a) The proposed acquisition is pursuant to an internal reorganization within the promoter family and is intended to streamline succession and promote welfare of the promoter family. This acquisition would not affect or prejudice the interests of the public shareholders of the *Target Company* in any manner. The transfer to the acquirers is for efficient succession planning and for holding the controlling interest in the *Target Company* in one entity rather than spreading the holding amongst different individuals which may not be in the best interest of the *Target Company* and its investors.

(b) The proposed acquisition would not result in change in control and management of the *Target Company*. The trustees of the *Acquirer Trusts* through whom control would be exercised over the assets of the Trusts, are also the members belonging to promoter and promoter group of *Target Company* in their personal capacity. The pre-acquisition shareholding and post-acquisition shareholding of promoter and members of the promoter group in the *Target Company* would remain the same.

(c) Only individual promoters or their immediate relatives or lineal descendants are trustees and beneficiaries of *Acquirer Trusts*.

(d) The *Acquirer Trusts* are private family trusts. The trustees and the ultimate beneficiaries are individuals from the promoter family. The structure in no way results in lack of transparency and does not in any way impact the interest of investors.

(e) The *Acquirer Trusts* undertake that no outsider other than family members and their descendants shall be part of the *Acquirer Trusts* and any change in the trustees or beneficiaries of the *Acquirer Trusts* resulting in change in ownership or control of the *Target Company* shall be in compliance with the *Target Company* and shall be adequately disclosed. The *Acquirer Trusts* have also submitted an undertaking to comply with the provisions of the SEBI Circular dated December 22, 2017 (SEBI/HO/CFD/DCR1/CIR/P/2017/131).

(f) The *Applicant* has undertaken to incorporate Points 1 to 10 of the aforesaid circular in the Trust Deeds and provided an undertaking to comply with Points 11 to 14 of the Trust Deed.

5. The *Acquirer Trusts*, vide the *Application* have confirmed compliance with the following Guidelines outlined in the Schedule to the SEBI Circular dated December 22, 2017 vide email dated March 09, 2021.

(a) The Trust is in substance, only a mirror image of the promoters' holdings and consequently, there is no change of ownership or control of the shares or voting rights in the target company.

(b) Only individual promoters or their immediate relatives or lineal descendants are Trustees and beneficiaries of the Acquirer Trusts.

(c) The beneficial interests of the beneficiaries of the Acquirer Trusts have not been and shall not in the future, be transferred, assigned or encumbered in any manner including by way of pledge / mortgage.

(d) In case of dissolution of the Trust, the assets will be distributed only to the beneficiaries of the trust or to their legal heirs;

(e) The Trustees will not be entitled to transfer or delegate any of their powers to any person other than one or more of themselves.

(f) Any change in the trustees / beneficiaries and any change in ownership or control of shares or voting rights held by the Acquirer Trusts shall be disclosed within 2 days to the concerned stock exchanges with a copy endorsed to SEBI for its record.

(g) As far as the provisions of the SEBI Act and the regulations framed thereunder are concerned, the ownership or control of shares or voting rights will be treated as vesting not only with the Trustees but also indirectly with the beneficiaries.

(h) The liabilities and obligations of individual transferors under the SEBI Act, 1992 and the regulations framed thereunder will not change or get diluted due to transfer to the Acquirer Trusts.

(i) The Acquirer Trusts shall confirm, on an annual basis, that they are in compliance with the exemption order passed by SEBI. The said confirmation shall be furnished to the company which it shall disclose prominently as a note to the shareholding pattern filed for the quarter ending March 31 each year, under Regulation 31 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

(j) The Acquirer Trusts shall get their compliance status certified from an independent auditor annually and furnish the certificate to the Stock Exchanges for public disclosure with a copy endorsed to SEBI for its records.

(k) The proposed acquisitions are in accordance with the provisions of the Companies Act, 2013 and other applicable laws.

(l) The transferors are disclosed as promoters in the shareholding pattern filed with the Stock Exchanges for a period of at least 3 years prior to the proposed acquisition.

(m) There is no layering in terms of trustees / beneficiaries in case of the Acquirer Trusts.

(n) The Trust Deeds do not contain any limitation of liability of the trustees / beneficiaries in relation to the provisions of the SEBI Act, 1992 and all regulations framed thereunder.

Consideration

6. Before I proceed with my consideration, I find it appropriate to quote the relevant regulatory provisions of *Takeover Regulations*, 2011 for facility of reference:

Substantial acquisition of shares or voting rights.

> ***Reg. 3(1):*** *"No acquirer shall acquire shares or voting rights in a target company which taken together with shares or voting rights, if any, held by him and by persons acting in concert with him in such target company, entitle them to exercise twenty-five per cent or more of the voting rights in such target company unless the acquirer makes a public announcement of an open offer for acquiring shares of such target company in accordance with these regulations."*

Acquisition of control.

> ***Reg. 4****: "Irrespective of acquisition or holding of shares or voting rights in a target company, no acquirer shall acquire, directly or indirectly, control over such target company unless the acquirer makes a public announcement of an open offer for acquiring shares of such target company in accordance with these regulations."*

7. I have considered the *Application* submitted by the *Acquirer Trusts* and other material available on record. Without reiterating the facts as stated above, the following is noted:

(a) The *Application* submitted is in respect of the proposed direct acquisitions of shares and voting rights in the *Target Company* i.e. **Kaveri Seed Company Limited.** The proposed acquisitions as detailed above, which are to be made by the *Acquirer Trusts*, will attract the provisions of regulations 3(1) and 4 of the *Takeover Regulations, 2011*.

(b) Pursuant to the proposed acquisitions, the *Acquirer Trusts* would directly and indirectly hold the same number of shares in the *Target Company* as currently being directly held by the transferors who are part of the promoters and promoter group of the *Target Company*.

(c) The proposed acquisitions are in furtherance to an internal reorganization within the Promoter Family and are intended to streamline succession and promote welfare of Promoter Family. The proposed direct and indirect acquisitions would be non-commercial transactions which would not affect or prejudice the interests of the public shareholders of the *Target Company* in any manner.

(d) There will be no change in control of the *Target Company* pursuant to the proposed acquisition, as stipulated under the SEBI Circular dated December 22, 2017.

(e) The pre–acquisition and post–acquisition shareholding of the promoters and promoter group in the *Target Company* will remain the same.

(f) The shareholding pattern of the *Target Company* before the transaction is as under:

Category of Shareholder	No. of fully paid-up equity shares	Shareholding percentage %
Promoter & Promoter Group	33497143	55.52
1. Venkata HUF	9985649	16.55
2. GVBR	5358530	8.88
3. Vanaja	14090157	23.36
4. Pawan Gundavaram	2228876	3.69
5. Vamsheedhar Chennamaneni	976587	1.62
6. Mithun Chand Chennamaneni	857344	1.42
Public	25952499	43.02
Non Promoter - Non Public	879491	1.46
Total	**60329133**	**100%**

(g) The shareholding pattern of the *Target Company* after the proposed transaction would be as under:

Category of Shareholder	No. of fully paid-up equity shares	Shareholding percentage
Promoter & Promoter Group	33497143	55.52
1. Madhushree Private Trust (*Acquirer 1*)	10859244	18
2. Pawan Private Trust (*Acquirer 2)*	10859244	18
3. GVBR	5358530	8.88
4. Vanaja	2357318	3.91
5. Pawan Gundavaram	2228876	3.69

6. Vamsheedhar Chennamaneni	976587	1.62
7. Mithun Chand Chennamaneni	857344	1.42
Public	25952499	43.02
Non Promoter - Non Public	879491	1.46
Total	**60329133**	**100**

(h) There will also be no change in the public shareholding of the *Target Company*.

(i) The *Target Company* shall continue to be in compliance with the Minimum Public Shareholding requirements under the Securities Contracts Regulation Rules, 1957 and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

(j) The *Acquirer Trusts* have confirmed that they are in compliance with the Guidelines outlined in the Schedule to the SEBI Circular dated December 22, 2017, as reproduced at paragraph 5 above. Further, they have undertaken to carry out amendments in the Trust Deeds for compliance of the Guidelines outlined in the Schedule to the SEBI Circular dated December 22, 2017.

8. Considering the aforementioned, I am of the view that exemption as sought for in the *Application* (read with further submissions) may be granted to the *Proposed Acquirers*, subject to certain conditions as ordered herein below.

Order

9. I, in exercise of the powers conferred upon me under Section 19 read with Section 11(1) and Section 11(2)(h) of the SEBI Act, 1992 and Regulation 11(5) of the *Takeover Regulations*, 2011 hereby grant exemption to the Proposed Acquirers, viz. **Madhushree Private Trust and Pawan Private Trust**, from complying with the requirements of regulations 3(1) and 4 of the *Takeover Regulations, 2011* with respect to the proposed direct

acquisitions in the Target Company, viz. **Kaveri Seed Company Limited**, by way of proposed transactions as mentioned in the *Application*.

10. The exemption so granted is subject to the following conditions:

(a) The proposed acquisitions shall be in accordance with the relevant provisions of the Companies Act, 2013 and other applicable laws.

(b) Prior to the proposed acquisitions, the Trust Deeds shall be amended as per the undertakings mentioned at paragraph 7 above.

(c) On completion of the proposed acquisitions, the Proposed Acquirers shall file a report with SEBI within a period of 21 days from the date of such acquisition, as provided in the *Takeover Regulations, 2011*.

(d) The statements / averments made or facts and figures mentioned in the *Application* and other submissions by the *Proposed Acquirers* are true and correct.

(e) The *Proposed Acquirers* shall ensure compliance with the statements, disclosures and undertakings made in the *Application*. The *Proposed Acquirers* shall also ensure compliance with the provisions of the SEBI Circular dated December 22, 2017.

(f) The *Proposed Acquirers* shall also ensure that the covenants in the Trust Deeds are not contrary to the above conditions and undertaking provided by the transferor. In such case, the Trust Deeds shall be suitably modified and expeditiously reported to SEBI.

11. The exemption granted above is limited to the requirements of making open offer under the *Takeover Regulations, 2011* and shall not be construed as exemption from the disclosure requirements under Chapter V of the aforesaid Regulations; compliance with the SEBI (Prohibition of Insider Trading) Regulations, 2015, Listing Agreement / SEBI

(Listing Obligations and Disclosure Requirements) Regulations, 2015 or any other applicable Acts, Rules and Regulations.

12. The *Application* dated August 28, 2020 read with subsequent submissions, filed by Pawan Private Trust and Madhushree Private Trust, are accordingly disposed of.

-Sd-

Place: Mumbai **S.K. MOHANTY**

Date: April 19, 2021 **WHOLE TIME MEMBER**

SECURITIES AND EXCHANGE BOARD OF INDIA