WTM/SKM/CFD/ 47/2021-22

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 COMPANIES	**1. VARDHMAN TEXTILES LIMITED**
	2. VARDHMAN HOLDINGS LIMITED
	3. VARDHMAN ACRYLICS LIMITED
	4. VARDHMAN SPECIAL STEELS LIMITED
ACQUIRERS	**SP OSWAL TRUST** **SHAKUN OSWAL TRUST**

Background

1. Vardhman Textiles Limited (for convenience "***Target Company 1 / VTL***") was incorporated on October 08, 1973 under the name Mahavir Spinning Mills Limited. The name of the *Target Company 1* was changed to Vardhman Textiles Limited on September 05, 2006. The registered address of the *Target Company 1* is situated at Chandigarh Road, Ludhiana, Punjab-141010. *Target Company 1* is engaged in the business of manufacturing cotton yarn, synthetic yarn and woven fabrics. The shares of the *Target Company 1* are listed on BSE since 1975 and on NSE since 2003.

2. Vardhman Holdings Limited (for convenience "***Target Company 2 / VHL***") was incorporated on December 27, 1962 as Non-Banking Financial Company under Section 45-IA if Reserve Bank of India Act, 1934. The registered address of the *Target Company 2* is situated at Vardhman Premises, Chandigarh Road, Ludhiana, Punjab-141010. *Target Company 2* is

principally engaged in investing activities. The shares of the *Target Company 2* are listed on BSE since 1972 and on NSE since 2003.

3. Vardhman Acrylics Limited (for convenience "***Target Company 3 / VAL"***) was incorporated on December 12, 1990 as a public limited company. The registered address of the *Target Company 3* is situated at Vardhman Premises, Chandigarh Road, Ludhiana, Punjab-141010. *Target Company 3* is engaged as manufacturer and supplier of Acrylic Fibre and Tow. The shares of the *Target Company 3* are listed on NSE since 2004.

4. Vardhman Special Steels Limited (for convenience "***Target Company 4 / VSSL"***) was incorporated on May 14, 2010 as a public limited company. The registered address of the *Target Company 4* is situated at Vardhman Premises, Chandigarh Road, Ludhiana, Punjab-141010. *Target Company 4* is engaged as manufacturer of billets, steel bars and bright bars of various categories of special and alloy steels. The shares of the *Target Company 4* are listed on BSE and NSE since 2012.

5. An Application dated February 12, 2021 (for convenience "***Application***") seeking exemption from the applicability of regulation 3, 4 and 5(1) of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 (for convenience "***Takeover Regulations, 2011***") in the matter of proposed acquisition of shares in the *Target Company 1* , *Target Company 2* , *Target Company 3* and *Target Company 4* (for convenience collectively referred to as "***Target Companies")*** was received by SEBI from SP Oswal (***Acquirer 1***) Trust and Shakun Oswal Trust (***Acquirer 2)*** (for convenience collectively referred to as "***Proposed Acquirers / Acquirer Trusts"***).

6. Vide the *Application* and subsequent submissions/clarifications, the *Proposed Acquirers* have submitted the following:

(a) The issued/subscribed/paid up capital of the *Target Company 1* is INR 57,51,87,600/-, being 5,75,18,760 equity shares of face value INR 10/- each. The public shareholding of the *Target Company 1* is 37.17%.

(b) The issued/subscribed/paid up capital of the *Target Company 2* is INR 3,19,15,360/, being 31,91,536 equity shares of face value INR 10/- each. The public shareholding of the *Target Company 2* is 25.10%.

(c) The issued/subscribed/paid up capital of the *Target Company 3* is INR 80,36,37,460/-, being 8,03,63,746 equity shares of face value INR 10/- each. The public shareholding of the *Target Company 3* is 25.03%.

(d) The issued/subscribed/paid up capital of the *Target Company 4* is INR 40,39,45,020/-, being 4,03,94,502 equity shares of face value INR 10/- each. The public shareholding of the *Target Company 4* is 40.22%.

(e) The Proposed Acquisition is as under:

i. As on the date of the *Application*, i.e. February 12, 2021, Devakar Investment and Trading Company Private Limited (for convenience "***Devakar***") and Adishwar Enterprises LLP (for convenience "***Adishwar***") are part of the promoter group of the *Target Companies*. Devakar and Adishwar are collectively referred to as ***Promoter Entities.***

ii. Further, Promoter Controlled entities viz. Santon Finance and Investment Company Limited, Flamingo Finance and Investment Company Limited, Ramaniya Finance and Investment Company Limited, Eastern Trading Co., Paras Syndicate, VTL Investments Limited, Mahavir Share Trust and Amber Syndicate (collectively referred to as "promoter controlled entities / "*PCEs*") are being controlled by *Devakar* and *Adishwar*.

iii. Further, all the *Target Companies* have interlinked shareholdings, i.e. one *Target Company* is the promoter of another *Target Company*. The shareholding of the promoter and promoter group and the bifurcation of shares held by *Devakar*, *Adishwar*, *PCEs* and other *Target Companies* in the *Target Companies* is as under:

TABLE: Shareholding of the *Target Companies* (as on the date of *Application*)				
Shareholding in %	***VTL***	***VHL***	***VAL***	***VSSL***
Devakar	10.84	34.29	3.23	5.48
Adishwar	17.94	32.86	NA	Nil
VTL	NA	NA	70.74	24.03
VAL	NA	NA	NA	NA
VHL	27.33	NA	0.91	12.83
VSSL	NA	NA	NA	NA
PCEs	4.63	3.65	0.09	3.76
Other Promoter shareholding other than mentioned above	2.09	4.10	0.00	13.68
A. Total Promoter/Promoter Group	**62.83**	**74.90**	**74.97**	**59.78**
B. Public	**37.17**	**25.10**	**25.03**	**40.22**
C. Total	**100**	**100**	**100**	**100**

iv. The shareholding of SP Oswal and Shakun Oswal in the *Target Companies*, directly and indirectly, is as under:

	Shareholding (%)	*VTL*	*VAL*	*VHL*	*VSSL*
SP Oswal	Direct	1.04	--	1.78	0.55
Shakun Oswal	Direct	0.24	--	0.60	0.13
SP Oswal and Shakun Oswal	Indirect*	60.74	70.80	74.97	46.09

* The indirect shareholding of SP Oswal in the Target Companies is through Devakar and Adishwar (which are ultimately controlled by SP Oswal and Shakun Oswal), PCEs and other Target Companies.

v. There is no direct transfer of shares of SP Oswal and Shakun Oswal to the *Acquirer Trusts*. The proposed acquisition involves transfer of upto 10,66,473 Class "A" equity shares and upto 10,600 Class "B" equity shares of *Devakar* (representing upto 55.82% of class 'A' Equity Share Capital and upto 46.49% of class 'B' Equity Share Capital) and upto 47.29% share in profits (hereinafter

referred to as ('Partnership Interest') of *Adishwar*, held by Mr. SP Oswal to SP Oswal Trust (*Acquirer 1*) for the long-term benefit of the beneficiaries of the trust.

vi. The proposed acquisition involves transfer of upto 2,72,653 Class "A[1]" equity shares and upto 400 Class "B" equity shares of *Devakar* (representing upto 14.27% of class 'A' Equity Share Capital and upto 1.75% of class 'B' Equity Share Capital) and upto 35.17% share in profits (hereinafter referred to as ('Partnership Interest') of *Adishwar* held by Mrs. Shakun Oswal to Shakun Oswal Trust (*Acquirer 2*) for the long-term benefit of the beneficiaries of the trust.

vii. SP Oswal, jointly with Mrs. Shakun Oswal (wife of Mr. SP Oswal) exercise control (as defined under Reg. 4 of *Takeover Regulations, 2011*) over Devakar and Adishwar.

viii. Since the aforesaid transaction (i.e. acquisition of shares of the *Devakar* and *Adishwar* by the *Acquirer Trusts*, which are currently held by SP Oswal and Shakun Oswal would result in an indirect acquisition of shares in the *Target Companies* by the *Acquirer Trusts (*through *Devakar, Adishwar* and *PCEs)*, the same would attract the applicability of regulation 3(1), 4 and 5 of the *Takeover Regulations, 2011*. Vide the *Application*, the *Acquirer Trusts* has sought exemption from SEBI in respect of the same.

ix. The proposed acquisition involves indirect acquisition of shares of the *Target Companies* by *Proposed Acquirers* from promoter and members of promoter group of the *Target Company*. Further, due to the fact that there is no direct acquisition in the *Target Companies*, the shareholding pattern of the *Target Companies* before and after the acquisition will be the same.

[1] Class "A" and "B" equity shares issued by *Devakar* are ordinary equity shares having voting rights (i.e. 1 equity share is equal to 1 vote). Class 'B' equity shares are entitled to dividend always at a rate higher than that of Class 'A' shares. Further, Class 'B' equity shares are not entitled to any participation in the residue after repayment of paid-up capital, in case of winding up of the *Devakar*.

(f) The Settlors, Trustees and beneficiaries of the aforementioned Acquirer Trusts are as under-

Details of Acquirer	Name of Settlor	Name of Trustees	Name of Beneficiaries	Relationship with Settlor
SP Oswal Trust	SP Oswal	1. SP Oswal	A. Shakun Oswal	Spouse
		2. Shakun Oswal	B. Suchita Jain	Daughter
			C. Soumya Jain	Grand Daughter
			D. Sagarika Jain	Grand Daughter
Shakun Oswal Trust	Shakun Oswal	1. SP Oswal	A. SP Oswal	Spouse
		2. Shakun Oswal	B. Suchita Jain	Daughter
			C. Soumya Jain	Grand Daughter
			D. Sagarika Jain	Grand Daughter

7. Further, vide *Application* and subsequent communications, the *Acquirer Trusts* have provided following grounds for seeking exemption:

(a) The *Acquirer Trusts* are set up by the Promoters of the *Target Companies* and would fall within the definition of the 'Promoter Group' under the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 ("ICDR Regulations") as the present Trustees and beneficiaries of the *Acquirer Trusts* are the family members of the Promoters and their lineal descendants.

(b) The proposed transfer of shares is a non-commercial transaction without any monetary consideration which will not prejudice the interest of the public shareholders of the *Target Companies*.

(c) The proposed transfer of shares of the *Target Companies* is not to any third party but to Private Family Trusts, whose Trustees and beneficiaries are the family members of the individual Promoters and their lineal descendants.

(d) The proposed gift / contribution of equity shares (Class-A & B) of *Devakar* and Profit Sharing Ratio (PSR) of *Adishwar* in SP Oswal Trust and Mrs. Shakun Oswal Trust does not in any way result in a change in control of management of the *Target Companies*.

(e) There will be no change in the overall promoter shareholding of the *Target Companies* pursuant to the proposed transfer of shares to the *Acquirer Trusts*.

(f) The Trust Deed is in compliance with the SEBI circular SEBI/HO/CFD/DCR1/CIR/P/2017/131 dated December 22, 2017.

8. The Acquirer Trusts, vide the Application and subsequent submissions have confirmed compliance with the following Guidelines outlined in the Schedule to the SEBI Circular dated December 22, 2017:

(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, 1992 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 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

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

Substantial acquisition of shares or voting rights

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

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.

Indirect acquisition of shares or control.

5. (1) For the purposes of regulation 3 and regulation 4, acquisition of shares or voting rights in, or control over, any company or other entity, that would enable any person and persons acting in concert with him to exercise or direct the exercise of such percentage of voting rights in, or control over, a target company, the acquisition of which would otherwise attract the obligation to make a public announcement of an open offer for acquiring shares under these regulations, shall be considered as an indirect acquisition of shares or voting rights in, or control over the target company.

10. 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 acquisitions of shares and voting rights in the *Target Companies* i.e. Vardhman Textiles Limited, Vardhman Holdings Limited, Vardhman Acrylics Limited and Vardhman Special Steels Limited. The proposed acquisitions as detailed above, which are to be made by the *Acquirer Trusts*, will attract the provisions of regulation 3(1), 4 and 5(1) of the *Takeover Regulations, 2011*.

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

(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 indirect acquisitions would be non-commercial transactions which would not affect or prejudice the interests of the public shareholders of the *Target Companies* in any manner.

(d) There will be no change in control of the *Target Companies* 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 *Target Companies* will remain the same as the proposed transaction is indirect acquisition.

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

(g) The *Target Companies* 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.

(h) 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 8 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.

11. 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

12. 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. **SP Oswal Trust and Shakun Oswal Trust** from complying with the requirements of regulations 3, 4 and

5(1) of the *Takeover Regulations, 2011* with respect to the proposed indirect acquisitions in the *Target Companies*, viz. **Vardhman Textiles Limited, Vardhman Holdings Limited, Vardhman Acrylics Limited, and Vardhman Special Steels Limited**, by way of proposed transactions as mentioned in the *Application*.

13. 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 para 10(h) 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.

14. 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.

15. The Application dated February 12, 2021 read with other submissions filed by SP Oswal Trust and Shakun Oswal Trust, is accordingly disposed of.

-Sd-

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

Date: August 27, 2021 **WHOLE TIME MEMBER**

SECURITIES AND EXCHANGE BOARD OF INDIA