WTM/SKM/CFD/ 35 /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	ACQUIRER
SANGHI INDUSTRIES LIMITED	RESOLUTE ENTERPRISES TRUST

Background

1. Sanghi Industries Limited (for convenience "***Target Company***") was incorporated under the Companies Act, 1956 on June 14, 1985. The Registered Office of the *Target Company* is at Sanghinagar, Hayatnagar Mandal, R R District, Telangana – 501511, Telangana, India. The shares of the *Target Company* were listed on the BSE Limited ("**BSE**") and National Stock Exchange of India Limited ("**NSE**") on August 02, 1994 and May 10, 1995 respectively.

2. An Application dated May 29, 2020 read with emails dated June 11, 2020, July 15, 2020, September 29, 2020, February 12, 2021, March 22, 2021, April 20, 2021, April 27, 2021, May 11, 2021 & May 27, 2021 (collectively referred to as "***Application***") seeking exemption from the applicability of regulations 3(2) and 5(1) read with regulation 4 of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 (for short "***Takeover Regulations, 2011***") in the matter of proposed acquisitions of shares and voting rights in the *Target Company* by Resolute Enterprises Trust (hereinafter referred to as "***Acquirer Trust / Proposed Acquirer***") was received by SEBI from Shri Alok Ravi Sanghi on behalf of the *Acquirer Trust*.

3. The exemption application was received along with several documents including the copy of the Trust Deed dated January 04, 2020 which was subsequently modified by supplementary Trust Deed dated May 22, 2021

4. Vide email dated Sep 29, 2020 the applicant had requested SEBI to put the application on hold, as the entity viz. Shri Ravi Sanghi HUF holding 3.13% equity shares of the *Target Company* intended to undertake partition of the HUF pursuant to which there would be factual changes in the exemption application, which would require updation. Subsequently, vide email dated Feb 12, 2021, it was informed that the proposed partition could not be undertaken, hence, the application may be taken up for processing.

5. Regulations 3(2), 4 and 5(1) of the *Takeover Regulations, 2011* states as under –

"***Substantial acquisition of shares or voting rights.***

3. *(1) …*

(2) No acquirer, who together with persons acting in concert with him, has acquired and holds in accordance with these regulations shares or voting rights in a target company entitling them to exercise twenty-five per cent or more of the voting rights in the target company but less than the maximum permissible non-public shareholding, shall acquire within any financial year additional shares or voting rights in such target company entitling them to exercise more than five per cent of the voting rights, unless the acquirer makes a public announcement of an open offer for acquiring shares of such target company in accordance with these regulations:

Provided that such acquirer shall not be entitled to acquire or enter into any agreement to acquire shares or voting rights exceeding such number of shares as would take the aggregate shareholding pursuant to the acquisition above the maximum permissible non-public shareholding.

Provided further that, acquisition pursuant to a resolution plan approved under section 31 of the Insolvency and Bankruptcy Code, 2016 [No. 31 of 2016] shall be exempt from the obligation under the proviso to the sub-regulation (2) of regulation 3.

Explanation. – For purposes of determining the quantum of acquisition of additional voting rights under this sub-regulation, –

(i) gross acquisitions alone shall be taken into account regardless of any intermittent fall in shareholding or voting rights whether owing to disposal of shares held or dilution of voting rights owing to fresh issue of shares by the target company.

(ii) in the case of acquisition of shares by way of issue of new shares by the target company or where the target company has made an issue of new shares in any given financial year, the difference between the pre-allotment and the post-allotment percentage voting rights shall be regarded as the quantum of additional acquisition.

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."

6. In the aforementioned *Application* and subsequent submissions, the following was, *inter alia,* stated:

a) The shareholding in the *Target Company* prior to the proposed acquisition is as under:

Table I - Shareholding in the *Target Company* (Source: *Application*)			
	Name	**No. of shares**	**% Shareholding**
A.	**Promoter/ Promoter Group**		
1.	Sri Ram Sharan Sanghi[1]	1,87,000	0.07%
2.	Sri Ravi Sanghi	4,98,69,750	19.87%
3.	Sri Gireesh Sanghi	13,42,478	0.53%
4.	Smt. Kamala Rani Sanghi[2]	1,40,250	0.06%
5.	Smt. Anita Sanghi	10,20,200	0.41%
6.	Smt. Alka Sanghi	10,74,150	0.43%
7.	Ms. Ekta Sanghi	3,43,750	0.14%
8.	Ms. Aarti Sanghi	3,43,750	0.14%
9.	Sri Ravi Sanghi HUF	78,66,000	3.13%
10.	Sri Gireesh Sanghi HUF	78,66,000	3.13%
11.	Sri Aditya Sanghi	49,59,500	1.98%
12.	Sri Alok Sanghi	49,59,500	1.98%
13.	Sri Ashish Sanghi	26,39,500	1.05%
14.	Sri Gaurav Sanghi	26,39,500	1.05%
15.	SZF Private Limited	68,84,000	2.74%
16.	Sanghi Threads Private Limited	17,54,000	0.70%
17.	Sanghi Filaments Private Limited	22,87,500	0.91%
18.	Sanghi Poly Zips Private Limited	14,82,500	0.59%
19.	Sanghi Synthetics Private Limited	16,75,000	0.67%
20.	Alpha Zippers Private Limited	16,75,000	0.67%
21.	Fancy Zippers Private Limited	14,68,750	0.59%
22.	Balaji Zippers Private Limited	27,75,000	1.11%
23.	SKK Zippers Private Limited	35,75,000	1.42%
24.	Maruti Fastners Private Limited	14,68,750	0.59%
25.	Sanghi Polymers Private Limited	47,00,000	1.87%
26.	Samruddhi Investors Services Private Limited	6,15,33,791	24.52%
27.	Resolute Enterprises Trust	------	---------

[1] Sri Ram Sharan Sanghi has passed away. Necessary compliances shall be undertaken for transmission of shares held in the name of Sri Ram Sharan Sanghi.

[2] Smt. Kamala Rani Sanghi has passed away. Necessary compliances shall be undertaken for transmission of shares held in the name of Smt. Kamala Rani Sanghi.

	Total Promoter Holding	**17,65,30,619**	**70.33%**
B	**Public Shareholding**	**7,44,69,381**	**29.67%**
Total		**25,10,00,000**	**100%**

b) The *Acquirer Trust* proposes to acquire 5.11% shares of *Target Company* from the promoters as under:

Table II - Details of Proposed Direct Acquisition				
Name of acquirer	**Name of the Transferor**	**No. of shares proposed to be acquired**	**% of share capital**	**Remarks**
Resolute Enterprises Trust	Alok Sanghi	**49,59,500**	**1.98%**	Transferor is a trustee of the Acquirer Trust
	Ravi Sanghi HUF	**78,66,000**	**3.13%**	Ravi Sanghi who is karta of the Ravi Sanghi HUF is settlor of the *Acquirer Trust*
Total		**1,28,25,500**	**5.11%**	

c) The *Acquirer Trust* also proposes to acquire 24.75% equity shares of Sanghi Polymers Private Limited and 34% equity shares of Samruddhi Investors Services Private Limited from the promoter Shri Alok Ravi Sanghi as under:

Table III - Details of Proposed Indirect Acquisition				
Name of Acquirer	**Name of the Promoter Entity**	**No. of shares proposed to be acquired**	**% of share capital**	**Remarks**
Resolute Enterprises Trust	Sanghi Polymers Private Limited	2,47,500	24.75%	Transferor Shri Alok Ravi Sanghi is a trustee of the *Acquirer Trust*
	Samruddhi Investors Services Private Limited	3,40,000	34%	

d) The Settlor, Trustees and beneficiaries of the aforementioned *Acquirer Trust* are as under:

Table IV - Details of the *Acquirer Trust*			
Settlors	**Trustees**	**Beneficiaries**	**Relationship**
1. Ravi Sanghi	1. Alok Ravi Sanghi 2. Priyanka Alok Sanghi	1. Priyanka Alok Sanghi 2. Viraj Alok Sanghi 3. Advita Alok Sanghi	Priyanka Alok Sanghi is the spouse of Alok Ravi Sanghi and Viraj Alok Sanghi and Advita Alok Sanghi are their son and daughter.

e) The shareholding in the *Target Company* subsequent to the proposed Acquisition by Acquirer *Trust* will be as under:

Table - Shareholding in the *Target Company* (Source: *Application*)			
	Name	**No. of shares**	**% Shareholding**
	Promoter/ Promoter Group		
1.	Sri Ram SHaran Sanghi	1,87,000	0.07%
2.	Sri Ravi Sanghi	4,98,69,750	19.87%
3.	Gireesh Sanghi	13,42,478	0.53%
4.	Smt. Kamala Rani Sanghi	1,40,250	0.06%
5.	Smt. Anita Sanghi	10,20,200	0.41%
6.	Smt. Alka Sanghi	10,74,150	0.43%
7.	Ms. Ekta Sanghi	3,43,750	0.14%
8.	Ms. Aarti Sanghi	3,43,750	0.14%
9.	Sri Ravi Sanghi HUF	-	-
10.	Sri Gireesh Sanghi HUF	78,66,000	3.13%
11.	Sri Aditya Sanghi	49,59,500	1.98%
12.	Sri Alok Sanghi	-	-
13.	Sri Ashish Sanghi	26,39,500	1.05%
14.	Sri Gaurav Sanghi	26,39,500	1.05%
15.	SZF Private Limited	68,84,000	2.74%
16.	Sanghi Threads Private Limited	17,54,000	0.70%
17.	Sanghi Filaments Private Limited	22,87,500	0.91%
18.	Sanghi Poly Zips Private Limited	14,82,500	0.59%
19.	Sanghi Synthetics Private Limited	16,75,000	0.67%
20.	Alpha Zippers Private Limited	16,75,000	0.67%
21.	Fancy Zippers Private Limited	14,68,750	0.59%
22.	Balaji Zippers Private Limited	27,75,000	1.11%
23.	SKK Zippers Private Limited	35,75,000	1.42%
24.	Maruti Fastners Private Limited	14,68,750	0.59%
25.	Sanghi Polymers Private Limited	47,00,000	1.87%
26.	Samruddhi Investors Services Private Limited	6,15,33,791	24.52%
27.	Resolute Enterprises Trust	1,28,25,500	5.11%
	Total Promoter Holding	**17,65,30,619**	**70.33%**
B	**Public Shareholding**	**7,44,69,381**	**29.67%**
Total		**25,10,00,000**	**100%**

Grounds for seeking exemption

7. The following grounds have been cited by the *Acquirer Trust* while seeking the exemption from *Takeover Regulations, 2011:*

a) The proposed acquisition of shares of Target Company is undertaken to carry out an internal reorganization within the Promoter Family and is intended to streamline succession and promote welfare of Promoter Family. The proposed acquisition would

not affect or prejudice the interests of the public shareholders of the Target Company in any manner.

b) *The Acquirer Trust should fall within the definition of 'promoter group' under SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 as the trustees and ultimate beneficiaries of the Acquirer Trust are promoters and members of the promoter group family of the Target Company. Thus, the proposed acquisition would not result in any increase / decrease in the holding of the promoters or promoter group in the Target Company.*

c) *The proposed acquisition of shares by the Acquirer Trust would also not result in change in control and management of the Target Company. Mr. Alok Ravi Sanghi and Mrs. Priyanka Alok Sanghi (trustees of the Acquirer Trust) through whom control would be exercised over the assets of the Acquirer Trust, are also members belonging to promoter and promoter group of the Target Company in their individual capacity.*

d) *In any event, since the Acquirer Trust has been set up for the benefit of the members of Promoter Family, the trustees of the Acquirer Trust will exercise control only as part of Promoter Family. Therefore, regardless of whether the trustees exercise control in their individual capacity or as trustees, the Promoter Family would continue to be in control of Target Company to the extent of shares held by them.*

e) *There is no effective change in the exercise of voting power or in the control / management of the Target Company. Even where pre-acquisition shareholding pattern and post-acquisition shareholding pattern of promoter and members of the promoter group in the Target Company change, aggregate shareholding of the promoter and members of the promoter group in the Target Company would remain the same. Further, the change in the identity of persons exercising voting rights over the Promoter Holding Companies (being the promoter group of the Target Company) would only be between persons, who in their individual capacities, are persons belonging to promoter and promoter group of the Target Company.*

f) *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 as the*

pre-acquisition shareholding and post-acquisition shareholding of public in the Target Company would remain same.

g) *Trustees are representative of the Acquirer Trust and accordingly all regulations can therefore be enforced on the trustees in their individual capacity. Accordingly, there shall be no difficulty as regards enforceability of the provisions of SEBI Act and the regulations framed thereunder if the shares of Target Company are held by the trustees for the benefit of the beneficiaries of the Acquirer Trust.*

h) *The Acquirer Trust is a private family trust, settled as a discretionary trust, for the benefit of the members of the promoter group. The trustees and ultimate beneficiaries are individuals from the Promoter Family and persons belonging to the category 'promoter and members of promoter group'. The structure in no way results in lack of transparency and does not in any way impact the interest of investors.*

i) *The acquisition of shares and voting rights of the Target Company and Promoter Holding Companies holding shares in the Target Company by the Acquirer Trust is for efficient succession planning and for holding the controlling interest in the Target Company ultimately in one entity rather than spreading the holding amongst different individuals.*

8. The *Acquirer Trust*, vide emails dated June 11, 2020 and April 27, 2021 confirmed its compliance with the following Guidelines outlined in the Schedule to the SEBI Circular dated December 22, 2017 –

a) The *Acquirer 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 Trust*.

c) The beneficial interest of the beneficiaries of the *Acquirer Trust* has not been and will 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 *Acquirer 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 *Acquirer Trust* shall be disclosed within two 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 transfers to the *Acquirer Trust*.

i) The *Acquirer Trust* shall confirm, on an annual basis, that it is 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 Trust* shall get its 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 acquisition is 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 three years prior to the transfer (except for holding on account of inheritance).

m) There is no layering in terms of trustees / beneficiaries in case of *Acquirer Trust*.

n) The Trust Deed does 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. I have considered the *Application* submitted by the *Proposed Acquirer* and other materials 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 Company* i.e. Sanghi Industries Limited. The proposed Acquisitions as detailed at paragraphs 6(b) and 6(c) of this Order, which are to be made by the *Proposed Acquirer*, will attract the provisions of regulations 3(2) and 5(1) read with regulation 4 of the *Takeover Regulations, 2011*.

b) Pursuant to the proposed acquisitions, *Proposed Acquirer* shall directly acquire 5.11% shares and indirectly acquire 26.39% shares and along with promoter group, will hold an aggregate of 70.33% of the paid up equity capital in the *Target Company*.

c) 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.

d) The pre–acquisition and post–acquisition shareholding of the Promoter(s) and Promoter(s) group in the *Target Company* will remain the same.

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

f) 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.

g) The *Proposed Acquirer* has also confirmed that it is in compliance with the Guidelines outlined in the Schedule to the SEBI Circular dated December 22, 2017.

10. Considering the aforementioned, I am of the view that exemption as sought for in the *Application* may be granted to the *Proposed Acquirer*, subject to certain conditions as ordered herein below.

Order

11. I, in exercise of the powers conferred upon me under Section 19 read with Section 11(1) and Section 11(2)(h) of the Securities and Exchange Board of India Act, 1992 ("**SEBI Act**") and regulation 11(5) of the *Takeover Regulations, 2011* hereby grant exemption to the *Proposed Acquirer* from complying with the requirements of regulations 3(2) and 5(1) read with regulation 4 of the *Takeover Regulations 2011* with respect to the proposed acquisitions in the *Target Company*, viz. **Sanghi Industries Limited**, by way of proposed transactions as mentioned in the *Application*.

12. The exemption so granted is subject to the following conditions and this exemption shall be revoked in case of non-compliance of one or more of the following conditions:

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

b) On completion of the proposed acquisition, the *Proposed Acquirer* 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*.

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

d) The beneficial interest of the beneficiaries of the *Acquirer Trust* will not in the future, be transferred, assigned or encumbered in any manner including by way of pledge/mortgage.

e) The *Acquirer Trust* shall be an irrevocable Trust and a specific reference thereon shall be incorporated in the Trust Deed.

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

g) The *Proposed Acquirer* shall also ensure that the covenants in the Trust Deed are not contrary to the above conditions and the undertaking provided by it. In such case, the Trust Deed shall be suitably modified and expeditiously reported to SEBI.

13. 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.

14. The Application dated May 29, 2020 filed by Alok Ravi Sanghi on behalf of the *Proposed Acquirer* read with various subsequent submissions, is accordingly disposed of.

-Sd-

Place: Mumbai **S.K. Mohanty**

Date: June 22, 2021 **WHOLE TIME MEMBER**

SECURITIES AND EXCHANGE BOARD OF INDIA