WTM/SKM/CFD/ 23 /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	**VADILAL INDUSTRIES LIMITED**
ACQUIRERS	**RAJESH GANDHI FAMILY TRUST**

Background

1. Vadilal Industries Limited (for convenience "***Target Company***") is a company incorporated under the Companies Act, 1956 and has its registered office at Vadilal House, Shrimali Society, Near Navrangpura Railway Crossing, Navrangpura, Ahmedabad - 380009. It was incorporated on April 28, 1982. The equity shares of the *Target Company* are listed on the BSE Ltd. (for short "**BSE**") and National Stock Exchange of India Ltd. (for short "**NSE**"). The *Target Company* is primarily engaged in in business of manufacturing and also marketing of Ice-cream, Frozen Desert, Other Milk and Milk Products and processed food products.

2. An Application dated May 29, 2020 and an addendum to the said Application dated December 16, 2020 (for convenience collectively referred to as "***Application***") seeking exemption from the applicability of regulations 5 and 3 read with regulation 4 of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 (for convenience "***Takeover Regulations, 2011***") in the matter of proposed direct and indirect acquisition of shares in the *Target Company* by Rajesh Gandhi Family Trust (for convenience "***Acquirer Trust / Proposed Acquirer/ Applicant***") as a result of the acquisition of equity shares of the *Target Company* by *Acquirer Trust* from promoters and promoter holding companies.

3. Regulation 3, 4 and 5 of the *Takeover Regulations, 2011* states as under –

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

***Reg. 3(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.

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.** 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."*

4. In the aforementioned *Application*, the following was, *inter alia,* stated:

(a) Details of Board of Directors of the *Target Company* are as follows:

Sr. No.	Name of the Director	Category
1	RAJESH R. GANDHI	Executive Director, MD
2	DEVANSHU L. GANDHI	Executive Director, MD
3	DEVAL D. GANDHI	Non-Executive - Non Independent Director
4	KALPIT R. GANDHI	Non-Executive - Non Independent Director
5	VIJAYKUMAR R. SHAH	Non-Executive - Independent Director, Chairperson
6	PREET P. SHAH	Non-Executive - Independent Director
7	SHAILY J DEDHIA	Non-Executive - Independent Director

(b) The Settlor, Trustees and beneficiaries of the aforementioned *Acquirer Trust* are as under –

Rajesh Gandhi Family Trust

Settlors	Initial Trustees	Beneficiaries	Relationship
Shri Arpit Kantilal Patel	Shri Rajeshbhai Ramchandra Gandhi Smt. Mamtaben Rajeshbhai Gandhi	Shri Rajeshbhai Ramchandra Gandhi Smt. Mamtaben Rajeshbhai Gandhi Shri Kalpit Rajeshbhai Gandhi	The Trustees and beneficiaries are immediate relatives /lineal descendants of the Promoter.

(c) The details of the proposed acquisition are as follows:

i. The proposed acquisition involves direct and indirect acquisition of shares by *Proposed Acquirer* from promoter and members of promoter group of the *Target Company*. Pursuant to acquisition of shares and voting rights by acquirer, the *Proposed Acquirer* along with other promoters and

promoter group will directly and indirectly have control over the *Target Company*. Present shareholding of *Target Company* is as follows:

Category of shareholder	**No. of shareholders**	**No. of fully paid up equity shares held**	**Shareholding as a % of total no. of shares**
Promoter & Promoter Group	20	46,52,156	64.72
Public	11,280	25,35,674	35.28
Total	**11,300**	**71,87,830**	**100**

Shareholding of promoter and promoter group

Category of shareholder	**Nos. of shareholders**	**No. of fully paid up equity shares held**	**Shareholding as a % of total no. of shares**
VIRENDRA RAMCHANDRA GANDHI HUF	1	1,19,699	1.67
RAJESH R GANDHI HUF	1	62,411	0.87
VADILAL INTERNATIONAL PRIVATE LIMITED	1	28,09,704	39.09
VADILAL FINANCE COMPANY PRIVATE LIMITED	1	3,28,311	4.57
VERONICA CONSTRUCTIONS PRIVATE LIMITED	1	2,44,600	3.4
VADILAL MARKETING PRIVATE LIMITED	1	10,330	0.14
BYAD PACKAGING INDUSTRY PRIVATE LIMITED	1	10,137	0.14
AXILORD PRIVATE LIMITED	1	9,943	0.14
VADILAL ENTERPRISES LIMITED	1	150	0

RAJESH RAMCHANDRA GANDHI	1	2,27,721	3.17
DEVANSHU LAXMANBHAI GANDHI	1	3,45,691	4.81
VIRENDRA RAMCHANDRA GANDHI	1	1,58,634	2.21
MAMTA RAJESH GANDHI	1	1,22,251	1.7
ILA V GANDHI	1	1,07,931	1.5
DEVAL DEVANSHU GANDHI	1	59,266	0.82
JANMAJAY VIRENDRABHAI GANDHI	1	14,893	0.21
NITAALIASHEMALI PIYUSH SURATI	1	11,558	0.16
DHARINI KETAN KHAMBHATTA	1	811	0.01
KHEVNA RAJ RAMANLAL	1	811	0.01
NAVINCHANDRA CHIMANLAL MODI	1	7,304	0.1
Sub Total	**20**	**46,52,156**	**64.72**

Direct Acquisition:

ii. *Acquirer Trust* proposes to acquire shares of the *Target Company* on the stock exchange at prevailing market price and / or by way of gift directly from Rajeshbhai Ramchandra Gandhi, Smt. Mamtaben Rajeshbhai Gandhi, Rajeshbhai Ramchandra Gandhi HUF and Vadilal Marketing Private Limited.

Shareholders who are part of promoter and promoter group	**No. of equity shares being acquired**	**% of total paid up capital**
Rajesh R Gandhi HUF	62,411	0.87
Rajeshbhai Ramchandra Gandhi	2,27,721	3.17
Mamtaben Rajeshbhai Gandhi	1,22,251	1.70
Vadilal Marketing Private Limited	10,330	0.14
Total	**4,22,713**	**5.88**

Indirect Acquisition:

iii. *Acquirer Trust* proposes to acquire shares of the *Target Company* held by the members of Gandhi family in Veronica Constructions Private Limited, Vadilal Finance Company Private Limited and Vadilal International Private Limited (Collectively referred as – Promoter Holding Companies). *Acquirer Trust* would acquire shares of promoter holding companies as fair market price and / or by way of gift.

iv. Details of equity shares to be acquired by the *Acquirer Trust* in Veronica Constructions private limited from existing shareholders are as under:

Shareholders who are part of Promoter Holding Company	**No. of equity shares being acquired**	**% of total paid up capital**
Mamtaben Rajeshbhai Gandhi and Kalpit Rajeshbhai Gandhi	1539	15.39
Kalpit Rajeshbhai Gandhi	1500	15.00
Total	**3039**	**30.39**

v. Details of equity shares to be acquired by the *Acquirer Trust* in Vadilal Finance Company Private Limited from existing shareholders are as under:

Shareholders who are part of Promoter Holding Company	**No. of equity shares being acquired**	**% of total paid up capital**
Mamtaben Rajeshbhai Gandhi & Rajeshbhai Ramchandra Gandhi	1448	14.48
Rajeshbhai Ramchandra Gandhi HUF and Mamtaben Rajeshbhai Gandhi	80	0.80
Kalpit Rajeshbhai Gandhi and Rajeshbhai Ramchandra Gandhi	9	0.09
Mamtaben Rajeshbhai Gandhi	1500	15
Rajeshbhai Ramchandra Gandhi	78	0.78
Total	**3,115**	**31.15**

vi. Details of equity shares to be acquired by the *Acquirer Trust* in Vadilal International Private Limited from existing shareholders are as under:

Shareholders who are part of Promoter Holding Company	**No. of equity shares being acquired**	**% of total paid up capital**
Mamataben Rajeshbhai Gandhi	1790	1.19
Rajeshbhai Ramchandra Gandhi & Mamtaben Rajeshbhai Gandhi	47,027	31.36
Kalpit Rajeshbhai Gandhi and Rajeshbhai Ramchandra Gandhi	4	0.00
Rajeshbhai Ramchandra Gandhi	1131	0.75
Rajeshbhai Ramchandra Gandhi and Smt. Gira N Shah	5	0.00
Rajeshbhai Ramchandra Gandhi	43	0.03
Total	**50,000**	**33.33**

vii. There would be no alteration in total equity share capital of the *Target Company* as a result of aforementioned acquisition. The shareholding pattern of the *Target Company* before and after the proposed acquisition will be as under:

Shareholders' category	**Before the proposed acquisition**		**After the proposed acquisition**	
	Number of equity shares / total voting rights held	**% of equity shares / total voting capital held**	**Number of equity shares / total voting rights held**	**% of equity shares / total voting capital held**
Promoter and Promoter Group other than Acquirer				
Rajesh R Gandhi HUF	62,411	0.87	-	-
RAJESHBHAI RAMCHANDRA GANDHI	2,27,721	3.17	-	-
Mamtaben Rajeshbhai Gandhi	1,22,251	1.70	-	-
Virendrabhai Ramchandra Gandhi HUF	1,19,699	1.67	1,19,699	1.67
Virendrabhai Ramchandra Gandhi	1,58,634	2.21	1,58,634	2.21

Ilaben Virendrabhai Gandhi	1,07,931	1.50	1,07,931	1.50
Janmajay Virendrabhai Gandhi	14,893	0.21	14,893	0.21
Devanshubhai Laxmanbhai Gandhi	3,45,691	4.81	3,45,691	4.81
Devalben Devanshubhai Gandhi	59,266	0.82	59,266	0.82
Nitaaliashemali Piyushbhai Surali	11,558	0.16	11,558	0.16
Navinchandra Chimanlal Modi	7,304	0.10	7,304	0.10
Dhariniben Ketanbhai Khambatta	811	0.01	811	0.01
Khevnaben Rajbhai Shah	811	0.01	811	0.01
Vadilal International PrivateLimited	28,09,704	39.09	28,09,704	39.09
Vadilal Finance Company Private Limited	3,28,311	4.57	3,28,311	4.57
Veronica Constructions Private Limited	2,44,600	3.40	2,44,600	3.40
Vadilal Marketing Private Limited	10,330	0.14	-	-
Byad Packaging Industry Private Limited	10,137	0.14	10,137	0.14
Vortex Ice-cream Private Limited (now Axilrod Private Limited)	9,943	0.14	9,943	0.14
Vadilal Enterprises Limited	150	0.00	150	0.00
Acquirer and PAC				
Rajesh Gandhi Family Trust			4,22,713	5.88
Total Promoter and Promoter Group	**46,52,156**	**64.72**	**46,52,156**	**64.72**
Public Shareholding	25,35,674	35.28	25,35,674	35.28
Grand Total	**71,87,830**	**100**	**71,87,830**	**100**

viii. The *Acquirer Trust* do not hold any equity shares in the *Target Company*. Pursuant to the aforesaid acquisition of shares by *Acquirer Trust*, the *Acquirer Trust* (through its representative trustees Rajeshbhai Ramchandra Gandhi and Mamtaben Rajeshbhai Gandhi) along with other promoters and members of promoter group shall directly and indirectly gain control over the *Target Company*. The aggregate shareholding of the promoter and promoter group in the *Target Company* before and after the proposed acquisition shall remain the same.

Grounds for seeking exemption

5. The following grounds have been cited by the *Applicant* while seeking the exemption from *Takeover Regulations, 2011*:

(a) ***Consolidate control and achieve succession planning objectives***- *The proposed acquisition of shares of Target Company is undertaken to carry out an internal reorganization within promoter family and is intended to streamline succession and promote welfare of promoter family.*

(b) ***Non-prejudicial to the interest of public shareholders***- *The proposed acquisition will not prejudice the interest of the public shareholders of the Target Company in any manner.*

(c) ***No change in the control and management of the Target Company***- *The acquisition would also not result in change in control or management of Target Company. Rajeshbhai Ramchandra Gandhi and Mamtaben Rajeshbhai Gandhi (trustees) through whom control would be exercised over assets of trust. The promoter family would continue to be in control of Target Company to the extent of shares held by them. There is no change in aggregate shareholding of promoter and members of promoter group in Target Company.*

(d) *The acquirer trusts should fall within definition of 'promoter group' under SEBI (ICDR) regulations as trustees and ultimate beneficiaries of the Acquirer are promoters and members of promoter group family of Target Company. Thus, proposed acquisition*

would not result in any increase/decrease in holding of promoters or promoter group in Target Company.

(e) ***No change in the public shareholding****- Target Company shall continue to be in compliance with minimum public shareholding requirements under SCRR, 1957 and SEBI (LODR) Regulations as pre acquisition and post-acquisition shareholding of public in Target Company would remain same.*

(f) ***Proposed Acquisition imparts comfort and stability to public shareholders****- Given the objectives for the settlement of the Trusts, it would be in fact incentivize the persons in control and management of the Target Company to continue to remain vested with the control of the Target Company for a longer period of time and the public shareholders of the Target Company are likely to benefit pursuant to the acquisition of shares by the Acquirer Trusts. It is submitted that a trust by its very nature is difficult to unwind, and it is submitted that the Trust provides for unified structure for the assets of the family, thereby making transfer of shares of the Target Company even more difficult than it currently is, and this will also prevent any erosion of promoter holding in the Target Company.*

6. The *Acquirer Trust*, vide the *Application* read with subsequent submissions, have confirmed 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 promoter's 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.

(c) The beneficial interest of the beneficiaries of the *Acquirer Trust* has 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 *Acquirer Trust*, the assets will be distributed only to the beneficiaries of the *Acquirer 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 Trust* 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 transferor under the SEBI Act, 1992 and the regulations framed thereunder will not change or get diluted due to transfer 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 *Target 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 transferor is disclosed as promoter 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 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

7. I have considered the *Application* submitted by the *Acquirer Trust* 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 and indirect acquisition of shares and voting rights in the *Target Company* i.e. **Vadilal Industries Limited**. The proposed acquisition as detailed above, which is to be made by the *Acquirer Trust*, will attract the provisions of regulations 5 and 3 (2) read with regulation 4 of the *Takeover Regulations, 2011*.

(b) 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.

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

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

(e) 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.

(f) The *Acquirer Trust* has confirmed that it is in compliance with the Guidelines outlined in the Schedule to the SEBI Circular dated December 22, 2017 (as mentioned at paragraph 6 above).

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 Acquirer*, 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 Acquirer*, viz. **Rajesh Gandhi Family Trust** from complying with the requirements of regulations 5 and 3 (2) read with regulation 4 of the *Takeover Regulations, 2011* with respect to the proposed direct and indirect acquisition in the *Target Company*, viz. **Vadilal Industries Limited**, by way of proposed transaction as mentioned in the *Application*.

10. The exemption so granted is subject to 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 *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.

(e) The *Proposed Acquirer* shall also ensure that the covenants in the Trust Deed are not contrary to the above conditions and undertaking provided by the transferor. In such case, the Trust Deed 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 May 29, 2020 and addendum dated December 16, 2020 read with other submissions, filed by the *Applicant*, are accordingly disposed of.

-Sd-

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

Date: May 24, 2021 **WHOLE TIME MEMBER**

SECURITIES AND EXCHANGE BOARD OF INDIA