



भारतीय प्रतिभूति  
और विनियम बोर्ड  
Securities and Exchange  
Board of India

Deputy General Manager  
Corporation Finance Department  
Policy Cell  
Tel.:2644 9373  
Email: amitt@sebi.gov.in

3997

CFD/PC/IG/.../OW/2015  
February 05, 2015

M/s. Sequent Scientific Limited  
Star I, Bilekahalli,  
Bannerghatta Road  
Bangalore-500076

Dear Sir,

**Sub: Request for "Interpretative Letter" under the SEBI (Informal Guidance) Scheme, 2003 {Scheme} by Mr Preetham Hebbar in the matter of M/s. Sequent Scientific Limited {Target Company} under SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 {Takeover Regulations}.**

1. This has reference to your letters dated October 30, 2014 and December 08, 2014 requesting for Interpretative letter under Securities and Exchange Board of India (Informal Guidance) Scheme, 2003.
2. You have, *inter alia*, represented as follows-
  - (i) The target company is a public limited company whose shares are listed on Bombay Stock Exchange Limited and the promoter holding of the company constitutes 65.35% of the paid up equity share capital of the company at the beginning of the financial year.
  - (ii) The promoters hold 7,400,000 convertible warrants which will entitle them to receive 1 equity share against each warrant held by them. Some of the entities belonging to the promoter group converted 24,00,000 warrants into shares which increased the promoter shareholding by 3.68%.
  - (iii) Mr Arun Kumar, one of the promoters holds 19.87% of the equity share capital of the company and he proposes to gift shares constituting 2.30% (letter dated October 30, 2014 proposed 2.49% but subsequently vide letter dated December 08, 2014 was reduced to 2.30%) of equity share capital of the company to an immediate relative.
3. In view of the above, you have sought interpretative letter from SEBI on the following :-

Page 1 of 3

सेबी भवन, प्लॉट सं. सी 4-ए, "जी" ब्लॉक, बांद्रा कुर्ला कॉम्प्लेक्स, बांद्रा (पूर्व), मुंबई - 400 051.  
दूरभाष : 2644 9950 / 4045 9950 (आई.वी.आर. एस.), 2644 9000 / 4045 9000 फैक्स : 2644 9019 से 2644 9022 वेब : www.sebi.gov.in

SEBI Bhavan, Plot No. C4-A, "G" Block, Bandra Kurla Complex, Bandra (E), Mumbai - 400 051.  
Tel.: 2644 9950 / 4045 9950 (IVRS), 2644 9000 / 4045 9000 Fax : 2644 9019 to 2644 9022 Web : www.sebi.gov.in



अनुवर्ती :  
Continuation :

भारतीय प्रतिभूति  
और विनियम बोर्ड  
**Securities and Exchange  
Board of India**

- (a) Applicability of Regulation 3(2) of Takeover Regulations, with specific reference to explanation (i) of regulation 3(2) to the proposed gift of shares.
- (b) Whether 2.30% of equity shares proposed to be transferred by way of gift will be considered for the purpose of calculating creeping acquisition limit of 5% under regulation 3(2) of Takeover Regulations.
- (c) If the answer to above question is yes, whether the promoters can comply with disclosure / filing requirements prescribed under regulation 10(5), 10(6) and 10(7) of Takeover regulations for the proposed gift of shares so that 2.30% proposed to be transferred by way of inter-se is excluded for the purpose of creeping acquisition limit of 5% under regulation 3(2) of Takeover Regulations.
4. We have considered the submission made by you in your letters under reference and without necessarily agreeing with your analysis, our views on the issues are as under:
- a. Regulation 3(2) of Takeover Regulations would be applicable if the promoter group crosses the creeping acquisition limit of 5% in a financial year. In terms of explanation (i) to Regulation 3(2) of Takeover Regulations, while calculating the limit of 5% of shares, the gross acquisitions alone will be taken into account regardless of intermittent fall in shareholding or voting rights as provided thereunder.
- b. In the instant case, some of the entities belonging to the promoter and promoter group have converted warrants into equity shares owing to which the promoter holding increased from 65.35% (as on March 31, 2014) to 69.03% (as on December 02, 2014), i.e. 3.68%. Further, another entity belonging to the promoter group intends to transfer a part of his shareholding amounting to 2.30% as a gift to an immediate relative.
- c. As a result of the aforesaid transfer of 2.30%, the gross acquisition of the shares by the promoter group would exceed 5% and hence, they would attract the provisions of regulation 3(2) read with regulation 3(3) of Takeover Regulations.
- d. However, the aforesaid transaction of 2.30% is between the immediate relatives and qualifies for exemption under regulation 10(1)(a)(i) of Takeover Regulations subject to fulfillment of pre-conditions specified therein. In



अनुवर्ती :  
Continuation :

**भारतीय प्रतिभूति  
और विनिमय बोर्ड  
Securities and Exchange  
Board of India**

addition, the disclosure requirements prescribed under regulation 10(5), 10(6) and 10(7) of Takeover Regulations would also be mandatory

5. The above position is based on the information furnished in your letter under reference. Different facts or conditions might lead to a different result. Further, this letter does not express a decision of the Board on the questions referred.
6. Vide your letter dated October 30, 2014, you have requested for confidentiality in respect of your interpretative letter. Acceding to your request, it has been decided that the interpretative letter issued to you in this matter will not be made public for a period of 90 days from the date of issuance of this letter.
7. You may also note that the above views are expressed only with respect to the clarification sought in your letter under reference with respect to Securities and Exchange Board of India (Substantial Acquisition of Shares & Takeovers) Regulations, 2011 and do not affect the applicability of any other law or requirements of any other SEBI Regulations, Guidelines and circulars administered by SEBI or of the laws administered by any other authority.

Yours faithfully,

  
Amit Tandon