



भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

General Manager
Corporation Finance Department
Division of Policy and Development
Tel. (Direct): 022 – 2644 9583
E-mail: yogitag@sebi.gov.in

SEBI/HO/CFD/PoD-2/OW/P/2022/49411/1

September 21, 2022

Karun Carpets Pvt. Ltd.
801-803, Tower-B, Global Business Park,
M.G. Road,
Gurugram 122 002, Haryana

Kind attention: Mr. Suresh Kumar Jain/Ms. Shalini Chawla

Sir/Madam,

Sub: Your request for Informal Guidance by way of "No-action Letter" under the SEBI (Informal Guidance) Scheme, 2003 in relation to Scheme of Amalgamation of promoter company of Greaves Cotton Ltd. ("Target Company") under SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 ("Takeover Regulations")

1. We refer to your letter dated August 01, 2022 seeking guidance by way of a no action letter under the SEBI (Informal Guidance) Scheme, 2003 ("Scheme").
2. In the letter under reference you have, *inter-alia*, stated as under-

a) Background-

- i. Karun Carpets Pvt. Ltd. ("KCPL") is classified as a promoter for more than 3 years of Greaves Cotton Ltd. and holds 12,86,14,955 (55.55%) equity shares.
- ii. Shareholders of KCPL comprises of the following-

Name of Shareholders	Relation	Current %age shareholding
Karan Thapar	-	57.53%
Karam Thapar	Son of Karan Thapar	3.63%
Devika Thapar	Daughter of Karan Thapar	2.91%
DBH Global Holdings Ltd. ("DBHG")	100% owned by Karan Thapar	35.93%
Others	-	0.01%
Total		100%

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 विनिमय बोर्ड
**Securities and Exchange
Board of India**

- iii. DBH Holdings (India) Pvt. Ltd. ("DHPL") is engaged in the investment activities and is a wholly owned subsidiary of KCPL.
- iv. Thus, KCPL, DBHG and DHPL are all directly or indirectly owned and controlled by Thapar Family, except nominal shareholding in KCPL.

b) Proposed Amalgamation

- v. Now, with a view to simplify and streamline the group structure, it is proposed to amalgamate KCPL into DHPL through a Scheme of Amalgamation under Section 230-232 of the Companies Act, 2013.
- vi. Once the scheme becomes effective, KCPL shall stand dissolved pursuant to proposed scheme and the entire balance sheet, including, without any limitation to all assets, liabilities and properties of KCPL shall get transferred to DHPL and the 55.55% stake held by KCPL in the Target Company shall get transferred to DHPL.
- vii. In consideration of amalgamation, DHPL will issue shares to the shareholders of KCPL based on a share swap ratio issued by an independent valuer.
- viii. Pursuant to the scheme, Thapar Family will continue to hold 99.99% shareholding in DHPL and there shall be no direct change in the percentage shareholding of promoter and promoter group in the Target Company.

c) Implications on Takeover Regulation

- ix. Under Regulation 10(1)(d)(iii) of Takeover Regulations, an acquisition pursuant to a scheme of amalgamation wherein the Target Company is not directly involved as a Transferor/Transferee Company would not trigger open offer obligations under Regulation 3, if
 - a. component of cash and cash equivalents in the consideration paid being less than 25% of the consideration paid under the scheme; and
 - b. Where after implementation of the scheme of arrangement, persons directly or indirectly holding at least 33% of the voting rights in the combined entity are the same as the persons who held the entire voting rights before the implementation of the scheme.
- x. In the application, it is stated that the proposed scheme would fulfil the aforesaid conditions as under-
 - a. The entire consideration would be discharged by DHPL by issue of its shares and thus there shall be no portion of the consideration that would be discharged in the form of cash/cash equivalents. Hence, the first condition shall stand fulfilled.
 - b. The shareholders holding 100% stake (and voting rights) in KCPL, directly and indirectly, pre-merger will continue to hold 100% stake (and voting rights) in DHPL, directly and indirectly post-merger and thus second condition stands fulfilled.
- xi. In view of the above, it has been stated that the acquisition of shares by DHPL in Target Company shall squarely fall under the exemption provided under Regulation 10(1)(d)(iii) of Takeover Regulations.



अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

3. In view of the above, you have sought a no-action letter on the following-

- a. Confirmation that the transfer and vesting of shares of the Target Company into DHPL, pursuant to the scheme of amalgamation of KCPL into DHPL, would be exempt from open offer obligations by virtue of Regulation 10(1)(d)(iii) of Takeover Regulations.
- b. Whether the Target Company will need to comply with the procedural compliances in terms of Regulation 29 of Takeover Regulations and under SEBI (Prohibition of Insider Trading) Regulations ("PIT Regulations").

4. We have considered the submissions made by you and without necessarily agreeing with your analysis, we are issuing no-action letter as under:

i. With respect to guidance sought under para 3(a)-

- a. *As per Regulation 10(1)(d)(iii) of Takeover Regulations, any acquisition pursuant to a scheme of arrangement not directly involving the target company as a transferor company or as a transferee company, or reconstruction not involving the target company's undertaking, including amalgamation, merger or demerger, pursuant to an order of a court or a tribunal or under any law or regulation, Indian or foreign, subject to,—*
 - i. *the component of cash and cash equivalents in the consideration paid being less than twenty-five per cent of the consideration paid under the scheme; and*
 - ii. *where after implementation of the scheme of arrangement, persons directly or indirectly holding at least thirty-three per cent of the voting rights in the combined entity are the same as the persons who held the entire voting rights before the implementation of the scheme.*
- b. On perusal of the facts provided by you, it is observed that the proposed scheme of amalgamation does not directly involve the Target Company as a transferor company or a transferee company.
- c. Further, you have confirmed that the entire consideration to be paid for amalgamation shall be discharged by issue of shares and thus there shall be no involvement of cash and cash equivalents.
- d. It is also gathered from your letter that the shareholders who are currently holding entire 100% shares and voting rights in KCPL, directly or indirectly, shall continue to hold entire 100% shares and voting rights in DHPL, directly or indirectly.
- e. In view of the aforesaid and based on your submissions that the conditions of Regulation 10(1)(d)(iii) of Takeover Regulations shall be complied with, the transfer and vesting of shares of the Target Company into DHPL, pursuant to the Scheme of Amalgamation of KCPL into DHPL, would be exempted from open offer obligations subject to the approval of the scheme of amalgamation by National Company Law Tribunal.

ii. With respect to guidance sought under para 3(b)-

- a. The exemption under the Takeover Regulations is provided only from making an open offer but not from the necessary disclosure requirements. Hence, the compliances provided inter-alia under Regulation 29 of the Takeover Regulations would be required to be complied with.



अनुवर्ती :
Continuation :

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

- b. Further, with respect to procedural requirement under PIT Regulations, the query does not mention the applicable legal provisions as required under clause 6 (iv) of the Scheme on which the guidance is sought.
5. Vide your letter dated August 01, 2022, you have requested for confidentiality in respect of your application. Accordingly, the no-action letter issued to you in this matter shall not be made public for a period of 90 days from the date of issuance of this letter.
6. The above position is based on the information furnished in your letter under reference. Different facts or condition might lead to a different result. Further, this letter does not express a decision of the Board on the question referred.
7. You may note that the above views are expressed only with respect to the clarification sought vide your letter under reference in relation to exemption provided for scheme of amalgamation under Regulation 10 of Takeover Regulations and procedural compliances under Takeover Regulations and PIT Regulations 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,


Yogita Jadhav