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DNL/CS/SEBI/IG/2017

October 6, 2017

To,  
General Manager  
Corporate Finance Department  
Securities & Exchange Board of India  
Plot No. C4-A, 'G' Block, Bandra Kurla Complex,  
Bandra (East), Mumbai - 400051



Sub: Request for informal guidance by way of interpretive letter under the provisions of SEBI (Informal Guidance) Scheme, 2003 ('Scheme').

**A. Background and Material Facts:**

Deepak Nitrite Limited ('Target Company') was incorporated on 6<sup>th</sup> June, 1970. Shri Chimanlal Mehta, Shri Deepak Mehta and Shri Ajay C. Mehta are Promoters of the Target Company. Deepak Nitrite Limited is listed on BSE Limited ('BSE') and National Stock Exchange of India Limited ('NSE').

The Shareholding of Promoters and Promoter Group as on date is as under:

Sl. No.	Name	No. of shares held	% of shareholding
1	Deepak Chimanlal Mehta	21236331	16.25
2	Stiffen Credits And Capital Pvt. Ltd	8379940	6.41
3	Checkpoint Credits And Capital Pvt. Ltd	7206050	5.51
4	Stepup Credits And Capital Pvt. Ltd.	6915580	5.29
5	Stigma Credits And Capital Pvt. Ltd.	6178100	4.73
6	Skyrose Finvest Pvt. Ltd.	3777356	2.89
7	Pranawa Leafin Pvt. Ltd.	2246000	1.72
8	Forex Leafin Pvt. Ltd.	2169780	1.66
9	Kantaben Chimanlal Mehta	970000	0.74
10	Sundown Finvest Pvt. Ltd.	812300	0.62
11	Ila Deepak Mehta	396010	0.30
12	Hardik Leafin Pvt. Ltd.	346000	0.26
13	Maulik Deepak Mehta	131300	0.10
14	Chimanlal Khimchand Mehta	78390	0.06
15	Meghav Deepak Mehta	47290	0.03
16	Chimanlal K Mehta*	8040	0.00

\* Held as Karta of HUF.

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Shri Deepak C. Mehta and Shri Ajay C. Mehta are sons of Shri Chimanlal K. Mehta. Shri Ajay C. Mehta does not hold any Equity Share in the Target Company and therefore his name is not reflected in list of Promoters & Promoter Group in the Shareholding Pattern being filed by the Target Company under the requirements of Listing Regulations. However, name of Shri Ajay C. Mehta is disclosed as Promoter in the earlier Offer Documents of the Target Company.

Smt. Kantaben C. Mehta, mother of Shri Deepak C. Mehta and Shri Ajay C. Mehta, holds 9,70,000 Equity Shares in the Target Company and is being shown under Promoter Group in the Shareholding Pattern filed by the Target Company with Stock Exchanges.

Smt. Kantaben C. Mehta has expressed her desire to gift 9,00,000 Equity Shares out of her total holding of 9,70,000 Equity Shares of the Target Company to her grandson, Shri Param Ajay Mehta (son of Shri Ajay C. Mehta) ('Proposed Transaction').

As Shri Param Ajay Mehta is not holding any Equity Share of the Target Company, his name is also not reflected list of Promoters & Promoter Group in the Shareholding Pattern of the Target Company. However, the fact remains that Shri Param Mehta is an immediate relative of Promoter of the Target Company, Shri Ajay C. Mehta.

## B. Relevant Legal Provisions:

### 1. Regulation 31A of the Listing Regulations:

(2) The stock exchange, specified in sub-regulation (1), shall allow modification or reclassification of the status of the shareholders, only upon receipt of a request from the concerned listed entity or the concerned shareholders along with all relevant evidence and on being satisfied with the compliance of conditions mentioned in this regulation.

(3) In case of entities listed on more than one stock exchange, the concerned stock exchanges shall jointly decide on the application of the entity/ shareholders, as specified in sub-regulation(2).

### 2. Regulation 10 (1) of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 ('Takeover Regulations')

The following acquisitions shall be exempt from the obligation to make an open offer under regulation 3 and regulation 4 subject to fulfillment of the conditions stipulated therefor,—

(a) acquisition pursuant to inter se transfer of shares amongst qualifying persons, being,—

- (i) immediate relatives;
- (ii) persons named as promoters in the shareholding pattern filed by the target company in terms of the listing agreement or these regulations for not less than three years prior to the proposed acquisition;
- (iii) a company, its subsidiaries, its holding company, other subsidiaries of such holding company, persons holding not less than fifty per cent of the equity shares of such company, other companies in which such persons hold not less than fifty per cent of the equity shares, and their subsidiaries subject to control over such qualifying persons being exclusively held by the same persons;
- (iv) persons acting in concert for not less than three years prior to the proposed acquisition, and disclosed as such pursuant to filings under the listing agreement;
- (v) shareholders of a target company who have been persons acting in concert for a period of not less than three years prior to the proposed acquisition and are disclosed as such pursuant to filings under the listing agreement, and any company in which the entire equity share capital is owned by such shareholders in the same proportion as their holdings in the target company without any differential entitlement to exercise voting rights in such company;

**Provided** that for purposes of availing of the exemption under this clause,—

- (i) If the shares of the target company are frequently traded, the acquisition price per share shall not be higher by more than twenty-five per cent of the volume-weighted average market price for a period of sixty trading days preceding the date of issuance of notice for the proposed inter se transfer under sub-regulation (5), as traded on the stock exchange where the maximum volume of trading in the shares of the target company are recorded during such period, and if the shares of the target company are infrequently traded, the acquisition price shall not be higher by more than twenty-five percent of the price determined in terms of clause (e) of sub-regulation (2) of regulation 8; and
- (ii) the transferor and the transferee shall have complied with applicable disclosure requirements set out in Chapter V.

**3. Regulation 2 (1)(za) of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 ('ICDR Regulations'):**

“promoter” includes:



- (i) the person or persons who are in control of the issuer;
- (ii) the person or persons who are instrumental in the formulation of a plan or programme pursuant to which specified securities are offered to public;
- (iii) the person or persons named in the offer document as promoters:

**Provided** that a director or officer of the issuer or a person, if acting as such merely in his professional capacity, shall not be deemed as a promoter:

**Provided further** that a financial institution, scheduled bank, foreign portfolio investor other than Category III foreign portfolio investor and mutual fund shall not be deemed to be a promoter merely by virtue of the fact that ten per cent. or more of the equity share capital of the issuer is held by such person;

**Provided further** that such financial institution, scheduled bank and 6[foreign portfolio investor other than Category III foreign portfolio investor] shall be treated as promoter for the subsidiaries or companies promoted by them or for the mutual fund sponsored by them;

#### 4. Regulation 2 (1)(zb) of the ICDR Regulations:

'promoter group' includes:

- (i) the promoter;
- (ii) an immediate relative of the promoter (i.e., any spouse of that person, or any parent, brother, sister or child of the person or of the spouse); and
- (iii) in case promoter is a body corporate:
  - (A) a subsidiary or holding company of such body corporate;
  - (B) any body corporate in which the promoter holds ten per cent. or more of the equity share capital or which holds ten per cent. or more of the equity share capital of the promoter;
  - (C) any body corporate in which a group of individuals or companies or combinations thereof which hold twenty per cent. or more of the equity share capital in that body corporate also holds twenty per cent. or more of the equity share capital of the issuer; and
- (iv) in case the promoter is an individual:



(A) any body corporate in which ten per cent. or more of the equity share capital is held by the promoter or an immediate relative of the promoter or a firm or Hindu Undivided Family in which the promoter or any one or more of his immediate relative is a member;

(B) any body corporate in which a body corporate as provided in (A) above holds ten per cent. or more, of the equity share capital;

(C) any Hindu Undivided Family or firm in which the aggregate shareholding of the promoter and his immediate relatives is equal to or more than ten per cent. of the total; and

(v) all persons whose shareholding is aggregated for the purpose of disclosing in the prospectus under the heading "shareholding of the promoter group":

**Provided** that a financial institution, scheduled bank, foreign portfolio investor other than Category III foreign portfolio investor and mutual fund shall not be deemed to be promoter group merely by virtue of the fact that ten per cent. or more of the equity share capital of the issuer is held by such person:

**Provided further** that such financial institution, scheduled bank and foreign portfolio investor other than Category III foreign portfolio investor shall be treated as promoter group for the subsidiaries or companies promoted by them or for the mutual fund sponsored by them;

#### 5. Rule 2 (d) of the Securities Contract (Regulations) Rules, 1957 ('SCRR'):

"public" means persons other than -

- (i) the promoter and promoter group;
- (ii) subsidiaries and associates of the company.

**Explanation:** For the purpose of this clause the words "promoter" and "promoter group" shall have the same meaning as assigned to them under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;

#### C. Query:

On the basis of the abovementioned background, material facts and relevant legal provisions, we request you to provide informal guidance by way of interpretive letter on following queries -



- (i) Whether the proposed transaction would be treated as 'modification or reclassification of the status of the Shareholders', as prescribed under Regulation 31A (2) of the Listing Regulations?
- (ii) Whether the Target Company is required to obtain permission of BSE and NSE as prescribed under Regulation 31A (2) of the Listing Regulations for the proposed transaction?
- (iii) Whether the proposed transaction falls under the General Exemptions provided under Regulation 10(1) of the Takeover Regulations?

**D. Fee:**

We enclose herewith a Demand Draft No.000215 dated 5<sup>th</sup> October, 2017 of ₹ 25,000, favouring 'Securities and Exchange Board of India' drawn on Axis Bank Limited towards fees for obtaining informal guidance as per requirement of the Scheme.

**E. Confidentiality of request:**

We request you to provide confidential treatment to the above request for a period of 90 days from the date of Department's response.

Thanking you,

Yours Faithfully,  
For Deepak Nitrite Limited

  
Arvind Bajpai  
Company Secretary



Encl.: As above.