



भारतीय प्रतिभूति  
और विनिमय बोर्ड  
Securities and Exchange  
Board of India

**Pradeep Ramakrishnan**  
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CFD/CMD/PR/31471/2017  
December 14, 2017

**Mr. Arvind Bajpai,**  
**Company Secretary,**  
**Deepak Nitrite Limited,**  
9/10, Kunj Society, Alkapuri,  
Vadodara- 390 007

Dear Sir,

**Sub: Request for Interpretative letter under Securities and Exchange Board of India (Informal Guidance) Scheme, 2003 ("Scheme") in the matter of Deepak Nitrite Limited ("Target company")**

1. This has reference to your letter dated October 06, 2017 seeking guidance by way of an interpretative letter under the Scheme.
2. You have, *inter alia*, represented as follows:
  - a. Deepak Nitrite Limited was incorporated on June 06, 1970. Shri Chimanlal Mehta, Shri Deepak Mehta and Shri Ajay C Mehta are promoters of the Company. The Target Company is listed on BSE Limited and NSE.
  - b. The shareholding of Promoters and Promoter Group as on October 06, 2017 is as under:

SI 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

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



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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 (As Karta of HUF)	8040	0.00

- c. 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 shares in the Target company and therefore his name is not reflected in the list of Promoters and Promoter Group in the shareholding pattern being files by the Target Company under the requirements of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations). However, the name of Shri Ajay C Mehta is disclosed as promoter in the earlier offer documents of the Target Company.
- d. 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 the Promoter Group in the shareholding pattern filed by the Target Company with the stock exchanges.
- e. 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 to her grandson, Shri Param Ajay Mehta(son of Shri Ajay C Mehta)( Proposed Transaction).
- f. Shri Param Ajay Mehta is not holding any equity share of the Target Company, his name is also not reflected in the list of Promoter and Promoter Group in the Shareholding pattern filed with the stock exchanges. However, the fact remains that Shri Param Mehta is an immediate relative of Promoter of the Target Company, Shri Ajay C Mehta.
3. On the basis of the above, you have sought interpretative letter from Securities and Exchange Board India (SEBI) with respect to the following issues:
- a. 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?

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- b. 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?
- c. Whether the proposed transaction falls under the General Exemptions provided under Regulation 10(1) of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 (Takeover Regulations).?
4. Without necessarily agreeing with your analysis given in your above mentioned letter, our interpretation on the above query is as under:
- i. Regarding the queries at 3 (a) and (b) above:
- a. Regulation 31A of the Listing Regulations deals with the disclosure of class of shareholders and conditions for Reclassification. Regulation 31A(2) stipulates that the stock exchanges 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.
- b. In this matter, it has been noticed that one of the promoter of the Company, Smt. Kantaben C Mehta who is holding 9,70,000 shares of the Company has expressed her desire to gift 9,00,000 shares to her grandson, Shri Param Ajay Mehta.
- c. The Target company vide email dated November 07, 2017 has confirmed that Smt. Kantaben C Mehta will continue to be shown in the promoters' category holding 70,000 shares after the proposed transaction. Further, Shri Param Ajay Mehta will also be shown in the promoter category of the Target company holding 9,00,000 shares after the proposed transaction.
- d. As mentioned above, since Shri Ajay Mehta is not holding any equity share of the Target Company, his name is also not reflected in the list of Promoter and Promoter Group in the Shareholding pattern filed with the stock exchanges under the requirements of the Listing Regulations. Further, it has been submitted by you that Shri Ajay Mehta was disclosed as promoter in the earlier offer documents of the target company. Shri Param Mehta is an immediate relative of promoter of the Target Company, Shri Ajay C Mehta. In view of the same, Shri Param Ajay Mehta would be considered as a member of the promoter group by virtue of Regulation 2(1) (zb) of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements), Regulations 2009 (ICDR Regulations).

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e. In view of above, the proposed transaction may not be treated as 'modification or reclassification of the status of the Shareholders', as there would be no reclassification or modification of the status of shareholders from promoter to public shareholder and vice versa after the proposed transaction as prescribed under Regulation 31A (2) of the Listing Regulations. Hence, the Company may not be required to obtain permission of BSE and NSE as prescribed under Regulation 31A (2) of the Listing Regulations for the proposed transaction.

ii. Regarding the query 3 (c) above :

A transaction between grandmother and a grandson is not exempted under Regulation 10(1) of SAST Regulations. However, on the basis of facts submitted, it is observed that since the holding of Shri Param Ajay Mehta individually will increase from 0 to 0.69% while the holding of the entire promoter group remains at 46.57% prior to and post the transaction. The proposed transaction would not trigger an open offer under Regulation 3. Further, as mentioned above, since Shri Param Ajay Mehta would be considered as a member of the promoter group by virtue of Regulation 2(1) (zb) of ICDR Regulations, the inclusion of Shri Param Ajay Mehta may not be considered as change in control and hence it shall not trigger open offer under Regulation 4 of the Takeover Regulations. Hence, the question of the proposed transaction falling under General Exemption provided under Regulation 10 (1) of Takeover Regulations, 2011 would not arise at this point of time.

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 question referred.
6. 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 Listing 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,

  
Pradeep Ramakrishnan