



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

महा प्रबंधक (General Manager)  
निगम वित्त विभाग (Corporation Finance Department)  
निगम पुनर्संरचना प्रभाग (Division of Corporate Restructuring – 2)  
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**By Speed Post AD**

SEBI/HO/CFD/DCR-2/OW/P/2020/ 22534 /1  
December 22, 2020

**Eastern Credit Capital Pvt. Ltd.  
Ramkrishna Chambers  
72, Shakespeare Sarani,  
Kolkata – 700 017  
West Bengal, India**

**Kind attention: Mr. Mitesh Gandhi (Director)**

Dear Sir,

**Sub विषय: Request for informal guidance by way of an 'no action letter' under the SEBI (Informal Guidance) Scheme, 2003 In relation to the proposed merger of promoter / promoter group companies of Ramkrishna Forgings Limited , in connection with the provisions of Regulation 10(1)(d)(iii) of SEBI (SAST) Regulations, 2011**

1. This has reference to you letter dated October 09, 2020 (received through email dated November 02, 2020), seeking informal guidance by way of "No action letter" under the SEBI (Informal Guidance) Scheme, 2003 and subsequent submission made in the meeting held on November 20, 2020 through video conferencing on the captioned subject.
2. In your communication under reference, you have, inter-alia represented as follows:

**Facts and Background**

2.1 Ramkrishna Forgings Limited ("RFL"), was incorporated on Nov 12, 1981 to carry on the business of Ferrous Forgings. The equity shares of RFL is listed on BSE Limited and the National Stock Exchange of India Limited.

2.2 As per the current shareholding pattern of RFL as on 30<sup>th</sup> June, 2020 Promoters & Promoter Group hold 45.48% and rest is held by Public.





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2.3 As per the shareholding pattern of Promoters and Promoters Group there are certain companies which hold shares in RFL. The details of the shareholding as on 30<sup>th</sup> June, 2020 as such and their disclosure as part of the promoter group are:

- 2.3.1 Eastern Credit Capital Private Limited ("Eastern" or "Transferee Company") owns 56,18,500 equity shares representing 17.42% of the total paid-up equity capital of RFL<sup>1</sup> and is classified as a "Promoter" / "promoter group" for over 3 years. The shareholders of Eastern includes the Jalan Family (as defined herein below), Northeast Infra Properties Pvt. Ltd. ("Northeast" or "Transferor Company-1") and Riddhi Portfolio Private Limited ("Riddhi" or "Transferor Company-2"). However, it may be noted that 100% of the shares of Northeast is held by Eastern, which is the promoter/promoter group of RFL.
- 2.3.2 Riddhi owns 74,82,724 equity shares representing 23.20% of the total paid-up equity capital of RFL and is classified as a "Promoter" / "promoter group" for over 3 years.
- 2.3.3 Ramkrishna Rail & Infrastructure Private Limited ("RR IPL") is also classified as part of the promoter group. 51.18% of the paid-up equity share capital of RR IPL is held by Jalan Family directly and indirectly (Riddhi owns 24.63% of RR IPL). After giving effect to the Composite Scheme of Arrangement and Amalgamation approved by the Hon'ble NCLT vide its order dated 12 December 2019 ("Composite Scheme of Arrangement and Amalgamation"), 13,00,000 equity shares representing 4.03% equity shares of RFL owned by Eastern would stand transferred to and vested in RRIP .
- 2.3.4 The shareholders of Eastern, Riddhi and Northeast involved in the proposed restructuring are also promoters of RFL. The shareholding summary of Eastern, Riddhi and Northeast as on 31st August, 2020 is as under:
- 2.3.5 On perusal of the shareholding pattern of the companies hereinabove, it can be seen that Jalan Family (as defined herein below) controls 100% of equity shareholding of Eastern, Riddhi and Northeast directly and indirectly through inter-se holdings.



<sup>1</sup> Of the 56,18,500 equity shares held by Eastern in RFL, 13,00,000 equity shares in RFL would stand transferred to and vested in RR IPL pursuant to the Composite Scheme of Arrangement and Amalgamation approved by the Hon'ble NCLT vide its order dated 12 December 2019.



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2.4 As evident from Schedule A, Eastern and Riddhi collectively owns 36.59% representing 11,801,224 equity shares of RFL<sup>2</sup> and is classified as part of the promoter/promoter group of RFL for more than 3 years. The details of their holding for last 3 years is set out in Schedule B.

2.5 RRIPL would own 4.03% representing 13,00,000 equity shares of RFL and is classified as part of the promoter/promoter group of RFL in terms of the Composite Scheme of Arrangement and Amalgamation as per details provided in para 1.3 above.

2.6 It is clarified that the remaining promoter holding (as evident from Schedule A) representing 4.85% of the equity capital of RFL is directly held by Naresh Jalan and his family members as set out in Schedule C who are promoters/promoter groups (hereinafter referred to as "the Jalan Family"). The Jalan Family are classified as Promoter/promoter group of RFL since IPO in 2004.

**PROPOSED CONSOLIDATION**

2.7 With a view to consolidate the holdings and streamline the promoter holding company structure, it is proposed to amalgamate Riddhi and Northeast into Eastern through a Scheme of Amalgamation which would require approval of the National Company Law Tribunal, Kolkata Bench, Kolkata ("NCLT").

2.8 The key elements of the Scheme, are as follows:

2.8.1 Riddhi and Northeast would be amalgamated into Eastern with effect from 1 April 2020, Appointed Date.

2.8.2 In consideration of the amalgamation of Northeast into Eastern, Eastern will not issue any shares to the shareholders of Northeast as whole of the equity capital of Northeast is held by Eastern

2.8.3 In consideration of the amalgamation of Riddhi into Eastern, Eastern will issue shares to the shareholders of Riddhi, other than shares held by Eastern in Riddhi which shall stand cancelled as per the proposed Scheme of Amalgamation

2.8.4 Eastern will issue equity shares to the Jalan Family who hold the balance equity shares of Riddhi



2.8.5 The equity shares held by Riddhi (43.74%) and Northeast (33.69%) in Eastern also stand cancelled pursuant to the amalgamation.

<sup>2</sup> After giving effect to the Composite Scheme of Arrangement and Amalgamation, pursuant to which 13,00,000 equity shares held by Eastern in RFL would stand transferred to and vested in RRIPL.



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**2.9 Accordingly:**

- 2.9.1 Pursuant to the Scheme of Amalgamation, Eastern's shareholding in RFL will increase from 13.39% (after giving effect to the Composite Scheme of Arrangement and Amalgamation) to 36.59%, as the shares held by Riddhi (23.20%) in RFL will stand transferred to and vested in Eastern.
- 2.9.2 Shareholders of Riddhi, other than Eastern, would receive shares of Eastern and thereby increasing the direct holding of Jalan Family in Eastern from 22.57% to 100%.
- 2.9.3 As a consequence of the proposed amalgamation, there will be no change in the control or economic beneficial ownership of Eastern.
- 2.9.4 Accordingly, there would be no change in control, beneficial ownership or total shareholding of the promoter/promoter group in RFL post the Scheme of Amalgamation becoming effective.

**IMPLICATIONS OF SCHEME OF AMALGAMATION OF PROMOTER GROUP COMPANIES UNDER SAST REGULATION**

2.10 With regard to implication of scheme, you have *inter alia* stated as below:

- (i) the entire consideration for the amalgamation would be discharged by Eastern by issue of its shares. No portion of the consideration would be discharged in the form of cash/cash equivalents.
- (ii) Post-merger, the Jalan Family which directly / indirectly was holding the entire voting rights of Eastern pre-merger will continue to hold 33% stake in Eastern post-merger. Hence, the second condition also stands fulfilled.
- (iii) Pursuant to the proposed amalgamation, there will not be any consequential change in control of Ramkrishna Forgings Limited.

2.11 You have further *inter alia* stated that, In view of the facts as submitted above and considering the conditions set out in Regulation 10(1)(d)(iii) of SAST Regulations would be complied with, the acquisition of shares by Eastern pursuant to the proposed amalgamation will be exempted from the requirements to make an open offer in pursuance to the exemption provided in Regulation 10(1)(d)(iii) of the SAST Regulations.

**Guidance sought**

3. In view of the above, you have sought a no action letter confirming that the transfer and vesting of the shares of Ramkrishna Forgings Limited, RFL in Eastern resulting





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in increase in shareholding of Eastern in RFL from 13.39%<sup>3</sup> to 36.59% pursuant to the proposed scheme of amalgamation of promoter/promoter group companies, as explained above, will be exempted from the open offer obligation by virtue of Regulation 10(1)(d)(iii) of the SAST Regulations.

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

- (i) As per Regulation 10(1)(d)(iii) of the SAST Regulations, 2011, 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, would be exempt only if the following conditions are complied with-
- A. 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
- B. 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.
- (ii) On perusal of the facts represented by you, it is observed that the proposed scheme does not directly involve the Target Company as a Transferor Company or as a Transferee Company.
- (iii) You have also represented that the entire consideration for the said transaction would be discharged by way of issue of equity shares and there would not be involvement of cash or cash equivalents in the aforementioned transactions.
- (iv) From the application it is gathered that the entire 100% shareholding of Transferor Company and Transferee Companies are held by Jalan Family. Thus, Jalan family ultimately controls both Transferor Companies and Transferee Company. Post implementation of the scheme, the 23.20% shares held by Riddhi in Target Company will stand transferred to Eastern increasing its shareholding in the

<sup>3</sup> Ramkrishna Rall & Infrastructure Private Limited would hold 13,00,000 equity shares in RFL and accordingly the holding of Eastern in RFL would stand reduced from 17.42% to 13.39%.



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Promoter capacity in Target Company from 13.39% to 36.59%.  
Further, Jalan family would continue to hold 100% shares i.e. more than 33% in Eastern (the combined entity).

5. In view of the above, as represented by you, it appears that the aforementioned conditions of Regulation 10(1)(d)(iii) of the SAST Regulations would be fulfilled by the entities. Therefore, amalgamation of the Transferor Company with the Transferee Company i.e. Eastern would be exempted from the open offer obligations by virtue of Regulation 10(1)(d)(iii) of SAST Regulations subject to the approval of the Scheme of Amalgamation by NCLT and other conditions being fulfilled under Regulation 10 of the SAST Regulations.
6. Vide your aforesaid letter, you have requested for confidentiality in respect of your application. Accordingly, it has been decided that the no action 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. 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.
8. 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 the SEBI (Substantial Acquisition of Shares and Takeover) Regulation, 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.

भवदीय / Yours Sincerely,

अचल सिंह / Achal Singh