



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

CHIEF GENERAL MANAGER
CORPORATION FINANCE DEPARTMENT
DIVISION OF CORPORATE RESTRUCTURING
Tel. 022- 26449350, E-mail sundaresanvs@sebi.gov.in

CFD/DCR/TO/ 7197/12

March 27, 2012

Khaitan Electricals Limited
A-13, Co-Operative Industrial Estate,
Balanagar,
Hyderabad-500037

Kind Attention- Mr. P.S.Prabhakar, Chief Operating Officer

Dear Sir,

Sub.- Request for Informal Guidance under Securities and Exchange Board of India (Informal Guidance) Scheme, 2003.

1. This has reference to your letters dated January 30, 2012 requesting for interpretive letter under Securities and Exchange Board of India (Informal Guidance) Scheme, 2003.

Your submissions

2. You have represented as under;

- a. The paid up equity share capital of the company is Rs.11,50,00,000 comprising of 1,15,00,000 Equity Shares of Rs.10/- each.
- b. The Promoters of the company viz. Mr. Shree Krishna Khaitan, family members, relatives, associate companies are holding 60,12,166 equity shares, representing 52.28% of the total paid up capital of the company as 31.03.2011.
- c. The Promoters intend to acquire further 5% (575000 shares) of total share capital of the company under regulation 3(2) of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 (hereinafter referred as "Takeover Regulations") in the financial year 2011-12.
- d. Further, they are desirous of increasing their holding by further 5% shares (5,75,000) in each financial year 2012-13, 2013-14, 2014-15 in terms of the regulations without making any public announcement, by way of purchase from open market in normal segment on the Stock Exchanges.
- e. The said acquisitions shall also not be through bulk/block deal/negotiated deal or preferential allotment.

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अनुवर्ती:
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Clarification sought by you

3. In light of the above submissions, the applicant has sought interpretive guidance on the following:
- a. Can the promoters of the company acquire additional 5% (575000 shares during the financial year 2011-12 as per regulation 3(2) of the Takeover Regulations?
 - b. Can the promoters further acquire 5% additional shares as per regulation 3(2) of the Takeover Regulations in each financial year 2012-13, 2013-14 and 2014-15 till reaching the level of 75% of the share capital of the company?

Our Views

4. The regulation 3 (2) of the Takeover Regulations provides for exemption from making a public announcement subject to the following conditions:
- a. The shareholding of the Acquirer is between 25% of the total shares or voting rights of the company and the "maximum permissible non-public share holding limit".
 - b. Pursuant to the acquisition, the shareholding of the Acquirer should not breach the maximum public shareholding limit.
 - c. For calculating the acquisition limit of 5% of shares or voting rights, as specified under regulation 3(2) of the Takeover Regulations, only gross acquisitions shall be taken into account. Any intermittent fall in shareholding owing to disposal of shares by the acquirer or dilution of shareholding on account of fresh issue of share capital shall be ignored.
 - d. In case the acquisition has taken place by way of issue of new shares of the target company or where the target company has issued new shares during a financial year, the difference between the pre-allotment and post-allotment voting rights shall be taken in to account for calculating the acquisition limit under regulation 3(2) of the Takeover Regulations,
5. The Promoters of the company are currently holding 52.28% shares in the company, which is within the eligible limit as stated at point 4(a) above. Further, the promoters want to increase their shareholding by 5% in each of the financial year 2011-12, 2012-13, 2013-14 and 2014-15. The precise query of the applicant is whether

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Promoters of the company are allowed to acquire 5% of shares only once, or the facility to acquire 5% of shares is available for every financial year.

6. In this regard, it is clarified that the language "any financial year" mentioned in regulation 3(2) of the Takeover Regulations should be read as "every financial year". Therefore, the Promoters of the company are eligible to acquire upto 5% of shares of the company every financial year without attracting the obligation to make a public announcement as provided under regulations 3 (2) of Takeover Regulations, subject to the fulfillment of other conditions mentioned therein.
7. This position is based on the representation made to the Division in your letter. Different facts or conditions might require a different result. This letter does not express decision of the Board on the questions referred.
8. You may note that the above views are expressed by this Division only with respect to the clarifications sought on SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 and do not affect the applicability of any other law or requirements.

Yours faithfully,

V.S.Sundaresan