



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

General Manager

Corporation Finance Department
Division of Corporate Restructuring
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CFD/DCR1/OW/P/2019/14383/1
June 06, 2019

Karun Carpets Pvt. Ltd.

801-803, Tower-B,
Global Business Park, M.G. Road,
Gurugram-122002, Haryana

Kind Attention: Ms. Shalimi Chawla,

Dear Sir,

Sub: Request for informal guidance by way of “no action letter” under the SEBI (Informal Guidance) Scheme, 2003 with respect to Regulation 10(1)(d)(iii) of SEBI (SAST) Regulations, 2011 (“SAST”) in relation to the proposed merger of promoter group entities of Greaves Cotton Ltd.

1. This has reference to your letter dated April 02, 2019 and also your subsequent e-mail dated May 17, 2019 on the captioned subject
2. You have, *inter alia*, represented as under:
 - i. Karun Carpets Pvt. Ltd. (KCPL), DBH International Pvt. Ltd. (DBHI) and Bharat Starch Products Pvt. Ltd. (BSP) holds respectively 5.82%, 40.44% and 5.64% shares of Greaves Cotton Ltd. (GCL/ Target Company). All these companies are classified as ‘Promoter’ for over 3 years and their aggregate shareholding in Target Company is 51.90%.
 - ii. In KCPL, Mr. Karan Thapar holds 89% shares, Ms. Devika Thapar (d/o Mr. Karan Thapar) holds 4.56% shares and Mr. Karam Thapar (s/o Mr. Karan Thapar) holds 5.55% and remaining 0.89% are holds by DBHI.
 - iii. In DBHI, DBH Global Holdings Limited (DBHG) holds 48.34% shares and KCLP holds 49.85% shares and remaining 2.81% shares are held by Mr. Karan Thapar, Mr. Karam Thapar and BSP. Mr. Karan Thapar holds 100% shares of DBHG.
 - iv. In BPS, DBHI holds 60.14% shares and KCPL olds 39.86% shares.

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- v. In a nutshell, DBHI, BSP and KCPL and their shareholders are directly or indirectly promoters of GCL.
- vi. With a view to consolidate the entities so as to eliminate the cross-holdings and attain a leaner and efficient structure from long term perspective, it is proposed to amalgamate DBHI, BSP and DSH Investments Private Limited ["DSHIN"] [hereinafter collectively referred to as the "**Transferor Companies**" into KCPL (**Transferee Company**) through a Scheme of Amalgamation [hereinafter referred to as "**Scheme**"] u/s 230-232 of the Companies Act, 2013 read with applicable provisions of the Act.
- vii. It is also informed that the Scheme has been filed with the National Company law Tribunal, Chandigarh on March 27, 2019 and we are awaiting the hearing in the matter for obtaining directions for dispensing/convening of meetings of shareholders / creditors of the Transferor Companies and KCPL.
- viii. Pursuant to the Scheme, investment of DBHI of 40.44% shares in GCL and investment of BSP of 5.64% in GCL would get consolidated in KCPL and same will result in an increase in the investment of KCPL in GCL from 5.82% to 51.90%.
- ix. The entire consideration paid for the amalgamation would be discharged by KCPL by issue of its shares. No portion of the consideration would be discharged in the form of cash/cash equivalents. Hence, the first condition stands fulfilled.
- x. The shareholders holding 100% stake in KCPL, directly & indirectly, pre-merger, will continue to hold more than 33% stake, directly & indirectly post-merger. It is pertinent to mention that Mr. Karan Thapar and his family are the ultimate shareholders of the entire promoter & promoter group along with few nominal shareholders. Pursuant to cancellation of cross-holdings on account of merger, those individual shareholders along with DBHG [which is again 100% owned and controlled by Mr. Karan Thapar] becomes the direct shareholder of KCPL.
- xi. The entire consideration paid for the amalgamation would be discharged by KCPL by issue of its shares. No portion of the consideration would be discharged in the form of cash/cash equivalents. Hence, the first condition stands fulfilled.
- xii. The shareholders holding 100% stake in KCPL, directly & indirectly, pre-merger, will continue to hold more than 33% stake, directly & indirectly post-merger. It is pertinent to mention that Mr. Karan Thapar and his family are the ultimate shareholders of the entire promoter & promoter group along with few nominal shareholders. Pursuant to cancellation of cross-holdings on account of merger, those individual shareholders along with DBHG [which is again 100% owned and controlled by Mr. Karan Thapar] becomes the direct shareholder of KCPL.
- xiii. Hence, we understand that the present case of acquisition of shares by KCPL in GCL would squarely fall under the exemption provided under Regulations 10(1)(d)(iii) of the SAST Regulations.
- xiv. We understand that similar guidance has been given by your good office in the matter of Force Motors Limited and in the matter of Saldhar Investments and Trading Company Private Limited.



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3. In view of the above, you have sought a 'no action letter' with respect to confirmation that the transfer and vesting of shares transfer and vesting of shares of GCL, pursuant to the Scheme of BSP, DBHI and DBHIN into KCPL, would be exempt from open offer obligations by virtue of Regulation 10 [1][d][iii] of 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 SEBI 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 competent authority under any law or regulation, Indian or foreign, would be exempt only if the following conditions are complied –
- A. The component of cash and cash equivalent is less than 25% of the total consideration paid in 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. You have represented that the entire consideration for the said transaction would be discharged by way of issue of equity shares of Transferee Company to the shareholders of Transferor Companies and hence, there is no involvement of cash or cash equivalents in the aforementioned transactions.
- iii. From the application it is gathered that Mr. Karan Thapar along with family members have sole control over the KCPL, DBHI and BSP, which holds 51.90% of shares Target Company and there will be no change in the indirect control over the 51.90% shares of Target Company pursuant to the proposed amalgamation scheme. You have also represented that the Transferor Company-3, viz. DBHIN is also held indirectly by Mr. Karan Thapar through DBHI and KCPL. Further, you have also confirmed vide your e-mail dated May 17, 2019 that there shall be no change in control of Mr. Karan Thapar in Target Company pursuant to the Scheme of Amalgamation.
5. In view of the above, as represented by you, it appears that the aforementioned two conditions of Regulation 10(1)(d)(iii) (A) and (B) of the SEBI SAST Regulations, 2011 would be complied by the entities. Therefore, transfer and vesting of shares of the Target Company, Greaves Cotton Limited,



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by the Transferor Companies (DBHI, BSP and DBHIN) with the transferee company (KCPL) would be exempt 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 the NCLT and other conditions to be complied under Regulation 10 of the SEBI (SAST) Regulations, 2011.

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 SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 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.

Yours faithfully,


Rajesh Gujjar