



भारतीय प्रतिभूति
और विनियम बोर्ड

Securities and Exchange
Board of India

General Manager
Corporate Finance Department
Division of Corporate Restructuring
Tel: 2644 9350

172284
CFD/DCR/IG/SS/17228/09

August 10, 2009

Ms Urvi A Piramal
61-A, Piramal House
Pochkhanawala Road,
Worli, Mumbai -400018

Dear Madam,

Sub: Request for "Interpretative Letter" under the SEBI (Informal Guidance) Scheme, 2003 and SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 {Takeover Regulations}- regarding Morarjee Textiles Limited.

1. Please refer your letter dated April 09, 2009 seeking "interpretative letter" under SEBI (Informal Guidance) Scheme, 2003 and subsequent clarification vide your letter dated June 15, 2009 in this regard.
2. In your letter and e-mail under reference, you have *inter alia* represented as follows:-
 - (a) Morarjee Textiles Limited (the 'Target Company') is engaged in the business of manufacturing of woven fabrics. The equity shares of Target Company are listed on Bombay Stock Exchange Limited and National Stock Exchange of India Limited. The present paid up share capital of the Target Company is 18,169,463 equity shares of Rs.10/- each.
 - (b) The Target Company is a part of the Ashok Piramal Group. The shares of the Target Company are held by the individuals and investment companies of the promoter group. The current promoter and promoter group shareholding of the Target Company is as under:



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Sr. No	Name of the Shareholder	No. of Shares	% of holdings
	Promoter		
1	Urvi A Piramal ('UAP')	24,783	0.14
	Promoter Group		
2	Rajeev A Piramal ('RAP')	8,261	0.05
3	Harshvardhan A Piramal ('HAP')	8,261	0.05
4	Nandan A Piramal ('NAP')	8,261	0.05
5	Jaydev Mody ('JM')	428	0.00
6	Kalpana Singhania ('KS')	5419	0.03
7	Topstar Mercantile Pvt. Ltd. ('Topstar')	2,361,716	13.00
8	Ashok Piramal Group textiles trust through its trustee Urvi A Piramal	62,84,687	34.59
9	Morarjee Goculdas Spg & Wvg Company Ltd Senior Employees Stock option Scheme(ESOP) through its trustee Urvi A Piramal, Mahesh Gupta & Shobhan Thakore	755,997	4.16

- (c) It is proposed that, the shares of Target Company held by Topstar and RAP (the transferors) be transferred to you ("UAP" "the transferee") at the existing market price.
- (d) UAP and RAP are the individual members of the promoter group and are holding shares in Target Company for a period in excess of three years.
- (e) Shares of Target Company have vested in Topstar pursuant to merger of Bigdeal Mercantile private Limited ('BMPL') into Topstar with effect from January 1, 2009. Shares of Target Company vested into BMPL pursuant to merger of PEL Holding Private Limited ('PEL') into BMPL with effect from October 1, 2007. BMPL acquired these shares through a series of merger of various investment holding companies, including PEL which was holding shares from April 1, 2005. All the companies were part of the promoter group and have been declared as promoter of Target Company in shareholding pattern filed with stock exchange pursuant to Clause 35 of the listing agreement.



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- (f) Both the transferors and transferee have complied with regulation 6, 7 and 8 of Chapter II of the Takeover Regulations.
- (g) The transfer of shares will not result in any change in control of the target company.
- (h) As per your understanding, the regulation 3(1)(e)(iii) of the Takeover Regulations, provides exemptions in respect of acquisition of shares by way of inter se transfer amongst qualifying promoters subject to fulfillment of a pre-condition that the transferor and transferee hold shares in the target company for a period in excess of three years. It is sufficient if the transferors and transferees collectively hold shares of the target company for a period in excess of three years (i.e. atleast one of the transferors and one of the transferees should hold shares in the target company for a period in excess of three years and it is not necessary for all the transferors and transferees to hold shares for a period in excess of three years).
- (i) Further the Takeover Regulations do not clearly specify/clarify calculation of the period of three years holding for the purpose of the proviso to regulation 3(1)(e)(iii) when shares had been acquired by the transferors through a Scheme of Amalgamation (Scheme) approved by High Court under section 391 and 394 of the Companies Act.
- (j) In case where the shares have been acquired through a Scheme, the period of holding of erstwhile entity should also be taken into consideration while calculating the period of three years holding. The above rational is drawn by a reference to the Income-Tax Act, 1961, wherein the provisions of Section 47(vii) state that any transfer of shares held by the shareholders in the amalgamating company shall not be treated as transfer. Further, the definition of Short term Capital Assets as defined under Section 2(42A)(c) of the Income tax Act, 1961, also stated that for the purpose of determining whether the asset is a short-term or long term assets, the period for which the shares were held by the amalgamating company should be considered.
- (k) Accordingly, for the purpose of computing the period holding of three years, period for which shares have been held by Topstar, the period of holding of shares by BMPL and PEL Holdings Pvt. Ltd., should be included.



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(l) In view of the above, you have sought interpretive letter as to whether the proposed transfer of shares of the Target Company would be exempt under regulation 3(1)(e)(iii) of the Takeover Regulations?"

3. We have considered the submissions made by you in your letter under reference and without necessarily agreeing with your analysis our views on the issue are as under:-

(a) As per regulation 3(1)(e)(iii)(b) of the Takeover Regulations, an acquisition pursuant to inter se transfer of shares amongst 'qualifying promoters' is eligible for exemption from the applicability of the regulations 10, 11, 12 of the Regulations subject to the following conditions-

(i) The transferors and transferees are 'qualifying promoters' in terms of the explanation to regulation 3(1) (e) (iii) of the Regulations.

(ii) The transferees (acquirer) collectively as well as the transferors collectively have been holding the shares in the target company for a period of at least three (3) years prior to the date of acquisition.

(iii) The provisions of Chapter II of the Takeover Regulations have been complied with within the specified time-limit by the transferors and the transferees both.

(iv) The *inter se* transfer of shares should not be at a price exceeding 25% of the price determined in terms of regulations 20(4) and 20(5) of the Takeover Regulations.

(b) In addition to the requirements mentioned at above paragraph 3(a); in terms of regulation 3(3) of the Takeover Regulations, the transferee (acquirer) shall inform the stock exchanges at least 4 working days in advance of the date of proposed acquisition, if acquisition exceeding 5% of the voting share capital of the Target Company. Further, the transferee (acquirer) shall file a report with SEBI in terms of regulations 3(4) and 3(5).



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- (c) In terms of Explanation to regulation 3 (1) (e) (iii) of the Takeover Regulations 'qualifying promoter' means any person who is directly or indirectly in control of the Target Company or any person named as promoter in any document for offer of securities to the public or to the existing shareholders; or in the shareholding pattern disclosed by the target company under the provisions of the Listing Agreement, whichever is later.
- (d) In view of the representation made by you in your request that (i) the transferee and the transferors both are part of promoter group of the Target Company and (ii) there will not be any change in control in the Target Company consequent to the proposed acquisition, the transferees and transferors are 'qualifying promoters'. You have also confirmed compliance of the conditions regarding disclosures required in terms of Chapter II of the Takeover Regulations by the transferors and the transferee and that the price of shares will also be in conformity and compliance with the condition regarding price as stated in paragraph 3(a) above.
- (e) As regard the condition stated at pt 3(a)(ii) above, it may be stated that the said condition is deemed to be fulfilled if the transferees collectively and the transferors collectively are holding shares in the Target Company for the last three years prior to the date of the proposed acquisition, even though some of the members of the qualifying promoter group (transferees or transferors) are not holding shares in target company for the last three years prior to the proposed acquisition.
- (f) In the instant case, one of the transferors viz. RAP is holding shares in the target company for a period of three years. The other transferor namely, Topstar has acquired shares in the Target Company w.e.f. January 01, 2009 pursuant to a Scheme approved by the Bombay High Court by its order dated December 12, 2008. Since both the transferors (RAP and Topstar) collectively and the transferee (UAP) had been holding shares in the Target Company for the three years, the proposed *inter se* transfer of shares of the Target Company from RAP and Topstar to UAP, would be exempt under regulation 3(1)(e)(iii)(b) of the Takeover Regulations if all other conditions as stated in para. 3(a) are fulfilled and the acquirer (transferee) also complies with regulations 3(3) and 3(4) of the Takeover Regulations.



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4. The above position is based on the representation made to the Division in your letter and e-mail under reference. Different facts or conditions might call for a different advice. This letter does not express the decision of the Board on the questions referred.
5. Please note that this position is only with respect to applicability of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 and does not affect the applicability of any law and other SEBI Regulations, Guidelines and circulars administered by SEBI or any other authority.

Yours faithfully,


Neelam Bhardwaj