

K. Dhanakumar



SEBI/HO/IW/P/20110415/1712030206

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8th April 2011

The Deputy General Manager  
Corporation Finance Department  
Division of Corporate Restructuring  
Securities Exchange Board of India  
SEBI Bhawan, Plot No.C4-A.  
"G" Block, Bandra Kurla Complex  
Bandra (E), Mumbai - 400 051

Dear Sir/Madam

**Request for "Interpretive Letter" under SEBI (Informal Guidance) Scheme, 2003 (Scheme) regarding inter se transfer/acquisition of shares of Sri Arumuga Enterprise Limited (formerly New Horizon Leasing & Finance Limited) from promoter Sri.T.Rajkumar to Sri.K.Dhanakumar and Sri.T.K.Dhanashekar resulting in transfer of shares of Sri Arumuga Enterprise Limited (formerly New Horizon Leasing & Finance Limited) under Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 (SEBI Takeover Regulations")**

## 1. Background

- 1.1. Sri Arumuga Enterprise Limited (New Horizon Leasing & Finance Limited) (hereinafter referred to as "SAEL" is engaged in the business of textile related activities. The equity shares of SAEL are listed at Bombay Stock Exchange Limited. The present paid up share capital of SAEL is Rs.1,00,00,000 divided into 10,00,000 shares of Rs.10 each.
- 1.2. The current promoter of the Company is Sri.T.Rajkumar, who is holding 6,14,500 shares aggregating to 61.45% (entire promoter holdings) of the share capital acquired through Share Purchase Agreement dated 11th August 2008 entered into with erstwhile promoters and Open Offer dated 19th September 2008 issued pursuant to the Regulation 10 and 12 of Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997. The current shareholding pattern of SAEL is as under:

Ms. Arumuga

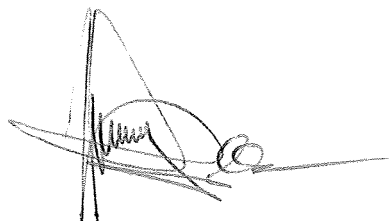
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Sl.No.	Category of Shareholder	No. of Shares	% of holding
	<b>Promoter</b>		
1.	Sri. T. Rajkumar	614,500	61.45
	<b>Non-Promoters</b>		
2.	Public	385,500	38.55
	<b>Total</b>	<b>1,000,000</b>	<b>100.00</b>

## 2. Proposal

- 2.1. It is proposed that 409,000 shares out of 614,500 shares of SAEL held by Sri. T.Rajkumar (hereinafter referred to as Transferor) be transferred equally to his brothers Sri. K.Dhanakumar and Sri. T.K.Dhanashekar (relatives within the meaning of Section 6 of the Companies Act, 1956) aggregating to 204,500 shares each (hereinafter collectively referred to as Transferees) at the existing market price.
- 2.2. The transferees do not hold any shares of SAEL as on date.
- 2.3. The Transferor has complied with the Regulations 6, 7 and 8 of the Chapter II of SEBI Takeover Regulations. The transferees have not acquired any shares of SAEL and there was no occasion for them to comply with the SEBI Take over Regulations.
- 2.4. The transfer of shares will not result in any change in control of SAEL. The transferees as brothers of Transferor will belong to the category of Promoter Group as per SEBI Takeover Regulations. The Shareholding pattern after the proposed transaction will be as under:

Sl. No.	Category of Shareholder	No. of Shares	% of holding
<b>1.</b>	<b>Promoter &amp; Promoter Group</b>		
	Sri. T. Rajkumar	205,500	20.55
	Sri. K. Dhanakumar	204,500	20.45
	Sri. T.K. Dhanashekar	204,500	20.45
<b>2.</b>	<b>Non-Promoters</b>		
	Public	385,500	38.55
	<b>Total</b>	<b>1,000,000</b>	<b>100.00</b>



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- 2.5. Sri. T.Rajkumar and K.Dhanakumar are Director of SAEL.
- 2.6. The aforesaid transfer of shares of SAEL by the transferees will exceed the threshold of 15% specified in Regulation 10 and may as such require the transferees to make public announcement under the said provisions. However, for the reasons stated below, we feel that pursuant to the transaction, since the transfer of shares of Target Company will be covered under 3(1)(e)(ii) of the SEBI Takeover Regulations, the transferees will not be required to make any public announcement under Regulation 10 as they will be exempted from the applicability of the said Regulation in terms of Regulation 3(1)(e)(ii) and for this purpose, this letter to SEBI with a request to give a informal guidance in the form of interpretive letter in this regard.

### 3. Our Understanding

- 3.1. Regulation 3(1)(e) of the SEBI Takeover Code, provides as under:


"3(1) Nothing contained in regulations 10, 11 and 12 of these regulations shall apply to:

(e) inter se transfer of shares amongst—

- (i) group coming within the definition of group as defined in the Monopolies and Restrictive Trade Practices Act, 1969 (54 of 1969) where persons constituting such group have been shown as group in the last published Annual Report of the target company;
- (ii) relatives within the meaning of section 6 of the Companies Act, 1956 (1 of 1956);
- (iii) (a) Qualifying Indian promoters] and foreign collaborators who are shareholders;

(b) qualifying promoters:

*Provided that the transferor(s) as well as the transferee(s) have been holding shares in the target company for a period of at least three years prior to the proposed acquisition.*



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3.2. The SEBI Takeover Regulations provide for exemption in case of *inter se* transfer of shares among relatives within the meaning of Section 6 of the Companies Act, 1956. Since the transferor and transferees are relatives as brothers, we understand that the proposed transfer of shares is exempted under SEBI Takeover Regulations. We further understand that the proviso to 3(1)(e)(iii) is applicable only to 3(1)(e)(iii) and not to 3(1)(e)(i) and 3(1)(e)(ii).

#### 4. Issues for consideration

In light of the above, we seek your views on the following:

- 4.1. Whether the proposed transfer of shares of SAEL would be exempt under Regulation 3(1)(e)(ii) of the SEBI Takeover Regulations.
- 4.2. Whether the proviso appearing in Regulation 3(1)(e)(iii) is applicable to Regulation 3(1)(e)(i) and Regulation 3(1)(e)(ii).
5. We enclose herewith a Demand Draft bearing No.102201 dated 7th April 2011 drawn on Axis Bank Limited for Rs.25,000/- in favour of Securities Exchange Board of India payable at Mumbai towards application fee.
6. Since the proposed transaction involves transfer of shares among relatives of promoters, we request that the subject matter and the contents of this letter seeking informal guidance in the form of interpretive letter may please be treated as Strictly confidential by SEBI for 90 days in terms of para 11(a) of the SEBI (informal Guidance) Scheme, 2003 as otherwise it may result in speculation in the market.

We request you to kindly let us know in case if you need any further information/clarification in this regard.

Thanking you  
Yours faithfully



K Dhanakumar