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# URVI A. PIRAMAL

61-A, Piramal House, Pochkhanawala Road, Worli, MUMBAI – 400 018.

09.04.2009

The Deputy General Manager  
Division of Corporate Restructuring,  
Corporation Finance Department,  
Securities and Exchange Board of India  
Plot No.C4-A, 'G' Block,  
Bandra Kurla Complex, Bandra (East),  
Mumbai 400051



Dear Sir,

**Sub: Request for "Interpretive Letter" under SEBI (Informal Guidance) Scheme, 2003 (Scheme) regarding inter se transfer/acquisition of shares of Morarjee Textiles Limited from promoters namely Topstar Mercantile Private Limited and Mr. Rajeev A Piramal to Mrs. Urvi A Piramal resulting in transfer of shares of Morarjee Textiles Limited under Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 ("SEBI Takeover Regulations").**

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## 1. Background

1.1 Morarjee Textiles Limited (hereinafter referred to as 'Target Company' or 'MTL'), is engaged in the business of manufacturing of woven fabrics. The equity shares of MTL are listed on Bombay Stock Exchange Limited and National Stock Exchange of India Limited. The present paid-up Equity share capital of MTL is 18,169,463 equity shares of Rs.10 each.

The Target Company is 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 MTL is as under:

| Sr. No | Name of the Shareholder                                                                                                                                 | Number of shares | % of holdin g |
|--------|---------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|---------------|
|        | <b>PROMOTER</b>                                                                                                                                         |                  |               |
| 1      | Urvi A Piramal ('UAP')                                                                                                                                  | 24,783           | 0.14          |
|        | <b>PROMOTER GROUP</b>                                                                                                                                   |                  |               |
| 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 trustees Urvi A Piramal, Mahesh Gupta & Shobhan Thakore | 755,997          | 4.16          |

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- 1.2 UAP and RAP, individual members of the promoter group are holding shares in MTL for a period in excess of three years.
- 1.3 Shares of MTL have vested in Topstar pursuant to merger of Bigdeal Mercantile Private Limited ('BMPL') into Topstar with effect from January 1, 2009. Shares of MTL vested into BMPL pursuant to merger of PEL Holdings Private Limited ('PEL') into BMPL with effect from October 1, 2007. BMPL acquired these shares through a series of mergers of various investment holding companies, including PEL Holdings Pvt Ltd., which was holding shares from April 1, 2005. All the companies were part of the Promoter Group and have been declared as Promoter of MTL in the shareholding pattern filed with the stock exchanges pursuant to Clause 35 of the listing agreement

## 2. Proposal

- 2.1. It is proposed that the shares of MTL held by Topstar and RAP (hereinafter collectively referred to as Transferors) be transferred *inter se* to UAP (hereinafter referred to as Transferee) at the existing market price.
- 2.2. Both the Transferors and Transferee have complied with the Regulation 6, Regulations 7 and 8 of the Chapter II of SEBI Takeover Regulations.
- 2.3. The transfer of shares will not result in any change in control of the Target Company.

## 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).....  
 (ii).....  
 (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 Target Company for a period of at least three years prior to proposed acquisition"
- 3.2. The SEBI Takeover Regulations provide for exemption in case of *inter se* transfer of shares subject to the condition that the transferors and the transferee hold shares in the Target Company for a period in excess of three years. We further understand that, it is sufficient if the Transferors and Transferee collectively hold shares of the Target Company for a period in excess of three years (i.e. atleast one of the transferor and one of the transferee 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).

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- 3.3. Further the SEBI 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) when shares are acquired through a Scheme of Amalgamation.
- 3.4. We understand that in case where the shares have been acquired through a Scheme of Arrangement, the period of holding of the erstwhile entity should also be taken into consideration while calculating the period of three years holding. The above rationale 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 shareholder in the amalgamating company shall not be treated as transfer. Further, the definition of Short Term Capital Asset as defined under Section 2(42A)(c) of the Income-tax Act, 1961, also states that for the purpose of determining whether the asset is a short-term or long-term asset, the period for which the shares were held by the amalgamating company should also be considered.
- 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

#### **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 MTL would be exempt under Regulation 3(1)(e) of the SEBI Takeover Regulations.
5. We enclose herewith a pay order bearing no. 8316 dated 08.04.2009 drawn on HDFC Bank Limited for Rs.25,000/- towards application fee.
6. Since the proposed transaction involves transfer of shares of the Target Company amongst the promoters, which is a listed company, we request your good office to treat this "Interpretive Letter" strictly confidential upto 90 days, the specified period of time mentioned in Para 11 of the Scheme as otherwise it may result in speculation in the market. Further, it would be in the interest of investors at large that such information is not put up in public domain.

Please let us know if you require any further details/information in this regard.

Thanking you,

Yours faithfully,

  
**Urvi A Piramal**  
**Proposed acquirer of shares of**  
**Morarjee Textiles Limited**

Encl: as above