



General Manager
Corporation Finance Department
Division of Corporate Restructuring – II

भारतीय प्रतिभूति
और विनियम बोर्ड
Securities and Exchange
Board of India

CFD/DCR/TO/IG/EB/ 18083 / 11

June 06, 2011

Mr. Dhanakumar,

No.51, Appusamy Layout,
Red fields,
Coimbatore– 641045
Tamil Nadu
Phone: 0422-4227300

Sub: Request for "Interpretive Letter" under SEBI (Informal Guidance) Scheme, 2003 (Scheme) regarding inter-se transfer of shares of Sri Arumuga Enterprise Limited(SAEL) between promoter group entities under Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 (SEBI Takeover Regulations)"

1. This has reference to your letter dated April 8, 2011 on the captioned subject. In your letter under reference you have stated as under:
 - i. The current promoter of M/s Sri Arumuga Enterprise Limited (the target company), i.e Sri. T. Rajkumar is holding 6, 14, 500 shares aggregating to 61.45% of the share capital.
 - ii. It is proposed to transfer 409,000 shares out of 614,500 shares of the target company held by Mr. T. Rajkumar (transferor) equally to his brothers Mr. K. Dhanakumar and Mr. T.K. Dhanashekar (transferee). These entities, who are brothers of the promoter, are coming under the meaning of relatives defined under Section 6 of the Companies Act, 1956. Each will be transferred 204,500 shares at the existing market price.
 - iii. The transferees do not hold any shares of SAEL as on date. 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 hence the SEBI Take over Regulations is/was not applicable to them.
 - iv. The transfer of shares will not result in any change in shareholding of promoter group or control of SAEL. The Transferees, as brothers of Transferor will belong to the category of Promoter Group as per SEBI Takeover Regulations.
2. In this regard, you have sought interpretative guidance from SEBI on the following queries-
 - a. Whether the proposed transfer of shares of SAEL would be exempt under Regulation 3(1)(e)(ii) of the SEBI Takeover Regulations.
 - b. Whether the proviso appearing under Regulation 3(1)(e)(iii) is applicable to Regulation 3(1)(e)(i) and Regulation 3(1)(e)(ii).



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

As per regulation 3(1)(e)(ii) of the SEBI Takeover Regulations, an acquisition pursuant to inter se transfer of shares amongst relatives defined under Section 6 of the Companies Act, 1956 is eligible for exemption from the applicability of the regulations 10, 11 and 12 of the Takeover Regulations subject to the following conditions:-

- The transferor and transferee belong to "relatives" defined under Section 6 of the Companies Act, 1956.
- The transferor as well as the transferee has complied with disclosure requirements under regulation 6, 7 and 8 of Takeover Regulations, as may be applicable.
- The transferee (acquirer) should inform the stock exchanges atleast 4 working days in advance of the date of proposed acquisition exceeding 5% of the voting share capital of the Target Company in terms of Regulation 3(3) of the SEBI Takeover Regulations.
- The transferee (acquirer) shall file a report with SEBI in the specified format within 21 days of the date of acquisition along with requisite fees prescribed, in terms of Regulations 3(4) and 3(5) of the SEBI Takeover Regulations.

3.2 It is observed from the application that the transferor and transferee are brothers coming within the definition of "relatives" under Section 6 of the Companies Act, 1956. You have also confirmed that the transferor has duly complied with the provisions of Regulations 6, 7 and 8 of the SEBI Takeover Regulations, so far applicable to them. Further, the transferees have not acquired any shares of the Target Company and there was no occasion for it to comply with the SEBI Takeover Regulations.

3.3 As the transferor is proposing to transfer 40.90% stake in the Target Company to his brothers (transferees) who are coming under the definition of "relatives" in terms of Section 6 of the Companies Act, 1956, such a transfer shall be exempted from the application of Regulation 10, 11 and 12 under sub clause (ii) of clause 3(1)(e) of the SEBI Takeover Regulations.

3.4 As the proposed transaction is exempted under Regulation 3(1) (e) (ii), the applicability of Regulation 3(1) (e)(iii) need not be considered.



अनुवर्ती:
Continuation :

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- 3.5 With regard to the query stated in Para 3.3, the proviso appearing in Regulation 3(1)(e)(iii)(b) is applicable to Regulation under 3(1)(e)(iii) only and not Regulation 3(1)(e)(i) and 3(1)(e)(ii).
- 3.6 This position is based on the representation made to the Division in your letter under reference. Different facts or conditions might require a different result. This letter does not express decision of the Board on the questions referred.
- 3.7 Further, you have also sought confidentiality treatment in respect of your request for interpretive letter. Acceding to your request, it has been decided that the interpretive letter issued to you in this matter will not be available to the public for a period of 90 days from the date of issuance of the said letter.
- 3.8 You may note that the above views are expressed only with respect to the clarification sought on SEBI (Substantial Acquisition of Shares and Takeovers) regulations, 1997 and do not affect the applicability of any Act, Rules or Regulations, Guidelines and Circulars administered by SEBI or any other authority.

Yours faithfully,

SANTOSH KUMAR SHARMA