

**BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA**

SETTLEMENT ORDER

(Application Nos. 3728/2018 and 3738/2018)

On the applications submitted by

GMM Pfaudler Limited and Pfaudler Inc.

In the matter of GMM Pfaudler Limited

Settlement Order No: EAD/SR/SJ/SO/12-13/2018-2019

1. A department (**OD**) of Securities and Exchange Board of India (hereinafter referred to as **SEBI**) while examining the letter of offer filed by Pfaudler US Inc., Pfaudler Holding S.a.r.l and Pfaudler Inc., in April 2015, to acquire 25% of GMM Pfaudler Limited (hereinafter referred to as '**Noticee 1 / applicant 1 / Target Company**') observed certain non-compliances with regard to SEBI (Substantial Acquisition of shares and takeovers) Regulations, 2011 (hereinafter referred to as '**SAST Regulations, 2011**'). The non-compliances observed by OD were with regard to the letter of offer filed in April 08, 2013 by National Oilwell Varco Inc along with persons acting in concert (PACs) i.e. Pfaudler Inc. (hereinafter referred to as '**Noticee 2 / applicant 2**') to acquire shares in Target Company. OD observed that as per April 2013 post offer report, the formalities with regard to the open offer were completed on May 21, 2013. The promoters' shareholding in Target Company stood at 76.66% which indicates that the public shareholding was not atleast 25% as prescribed under the provision of rule 19A of the Securities Contracts (Regulation) Rules, 1957 (hereinafter referred to as '**SCRR, 1957**'). The promoters' shareholding of 76.66% in Target Company was also reflected in the June 2013 quarterly shareholding pattern of the Target Company.
2. To ensure compliance of Minimum Public Shareholding (MPS), the Noticee 2 made the Offer for Sale of 2,42,472 shares (i.e 1.66% shareholding) to bring down the promoters' shareholding to 75% and the said Offer for Sale was completed on

December 16, 2014. Therefore, it was alleged that the non-public shareholding was not brought down to 75% within the permitted time i.e. May 20, 2014. Therefore, it was alleged that:

- i. the Noticee 1 failed to maintain the MPS of 25% and therefore violated Clause 40A of Listing Agreement read with rule 19A of SCRR, 1957 and section 21 of Securities Contracts (Regulation) Act, 1956 (hereinafter referred to as '**SCRA, 1956**')
 - ii. the Noticee 2 along with other PACs failed to bring down the non-public shareholding to 75% within the time line i.e. by May 20, 2014 and there was delay in compliance of MPS requirement of 209 days. Therefore, the Noticee 2 violated Regulation 7(4) of SAST Regulations, 2011.
3. In view of the above, SEBI initiated adjudication proceedings against the Noticees 1 and 2 to inquire into and adjudge under section 23E of SCRA, 1956 and section 15HB of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as '**SEBI Act, 1992**') respectively for the alleged violations of the provisions of Clause 40A of the Listing Agreement read with Section 21 of SCRA and Rule 19A of SCRR, 1957 by Noticee 1 and regulation 7(4) of SAST Regulations, 2011 by the Noticee 2. The undersigned was appointed as the Adjudicating Officer under section 15-I of the SEBI Act, 1992, section 23-I of SCRA, 1956, rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) and rule 3 of Securities Contracts (Regulation) (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 2005 for the said alleged violations by the Noticees 1 and 2 and the same was communicated to the undersigned vide communique dated September 12, 2017.
4. In this regard, a Show Cause Notice dated January 30, 2018 (hereinafter referred to as **SCN**) and supplementary show cause notice dated April 24, 2018 were issued to the Noticees 1 and 2 by the undersigned. It was alleged in the SCN that the Noticee 1 failed to maintain the MPS of 25% and therefore violated Clause 40A of Listing Agreement read with rule 19A of SCRR, 1957 and section 21 of SCRA, 1956

and Noticee 2 failed to bring down the promoters' shareholding to 75% and there was delay of 209 days in compliance of MPS requirement and therefore violated Regulation 7(4) of SAST Regulations, 2011.

5. While the Adjudication Proceedings were in progress, the Noticees 1 and 2 submitted a consent application vide letters dated November 16, 2018 and November 21, 2018 respectively and an undertakings in the format prescribed by SEBI for settlement of the matter in terms of SEBI (Settlement of Administrative and Civil Proceedings) Regulations, 2014 (hereinafter referred to as '**Settlement Regulations, 2014**'). It is noted that the Noticees 1 and 2 in their undertaking submitted along with settlement applications have inter alia stated that "I neither admit nor deny the findings of fact and conclusions of law' which may be part of settlement of the order".
6. Pursuant to submitting the above mentioned Consent Applications, the authorized representatives (**AR**) of the Noticees 1 and 2 attended a meeting with the Internal Committee on Consent in the month of December, 2018. During the aforesaid meeting, the settlement terms of Rs. 6,97,661/- (Rupees Six Lakh Ninty Seven Thousand Six Hundred and Sixty One Only) calculated as per the Settlement Regulations, 2014 were communicated to the Noticees 1 and 2. The AR of the Noticees vide letter dated January 08, 2019 proposed payment of Rs. 6,98,000/- (Rupees Six Lakhs Ninty Eight Thousand Only) towards settlement of regulatory proceedings in relation to the facts contained in the SCN without admitting or denying any violation on the part of the applicant.
7. The settlement terms were placed before the High Powered Advisory Committee on Consent (hereinafter referred to as '**HPAC**') on January 30, 2019. The HPAC, after considering the facts and circumstances of the case, settlement terms offered by the Noticees and the materials made available before it by SEBI, recommended that the aforesaid adjudication proceedings initiated against the Noticees may be settled on payment of Rs. 6,97,661/- (Rupees Six Lakh Ninty Seven Thousand and Six Hundred and Sixty One Only). The Panel of Whole Time Members of SEBI

approved the said recommendation of HPAC on March 11, 2019 and the same was communicated to the Noticees 1 and 2 vide e-mail dated March 13, 2019.

8. The AR of the Noticees 1 and 2 vide letter dated March 15, 2019 has remitted a sum Rs. 6,97,661/- (Rupees Six Lakh Ninty Seven Thousand and Six Hundred and Sixty One Only) towards the settlement charges through Demand Draft No. 482576 dated March 15, 2019 drawn on HDFC Bank.
9. In view of the above, in terms of regulation 15(1) of the Settlement Regulations, 2014, it is hereby ordered that this settlement order disposes off the aforesaid adjudication proceedings initiated against the Noticees 1 and 2 viz. GMM Pfaudler Limited and Pfaudler Inc. respectively vide SCN dated January 30, 2018 and supplementary SCN dated April 24, 2018.
10. This order is without prejudice to the right of SEBI to take enforcement actions including restoring or initiating the proceedings in respect to which the settlement order is passed against the applicant, if :
 - a. any representations made by the applicant in the settlement proceedings is subsequently found to be untrue; or
 - b. the applicant breaches any of the clauses /conditions of undertakings/ waivers filed during the current settlement proceedings.
11. This settlement order is passed on the **20th day of March, 2019** and shall come into force with immediate effect.
12. In terms of regulation 17 of the Settlement Regulations, 2014, a copy of this order is being sent to the Noticees 1 and 2 viz. GMM Pfaudler Limited and Pfaudler Inc. respectively and also to the Securities and Exchange Board of India.

Place: Mumbai
Date: March 20, 2019

SANGEETA RATHOD
ADJUDICATING OFFICER