

# **DELISTING DOSSIER**

A newsletter by Corporate Professionals  
Year I-Vol I-June 2012





## INSIGHT

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## PREFACE

**Dear Friends,**

**Greetings from [www.delisting.in](http://www.delisting.in)!!**

*We are delighted to present the 1<sup>st</sup> Issue of our new endeavor “**Delisting Dossier**” – a written document to keep you abreast of the facts, myths and misconceptions about Delistings.*

*These days, a lot is being written about the word called Delisting-its procedure, its pit falls, its implications and so on. So, we at [www.delisting.in](http://www.delisting.in) thought of bringing out a Paper on the subject, giving therein the Delistings that have taken place during the period, a knowledge section, a tip or any FAQs etc.*

*Initially, the frequency of this Dossier shall be Quarterly, which can be reviewed over a period of time. This Issue covers the happenings over of 5 months from January 12 till May 12. We hope that you, being an elite member of the Corporate World, would find the same to be useful.*

*We also welcome any feedback, suggestions or comments on the same. They will assist us in improvisations.*

*Looking forward to serving you better.*

*Thanking you,*

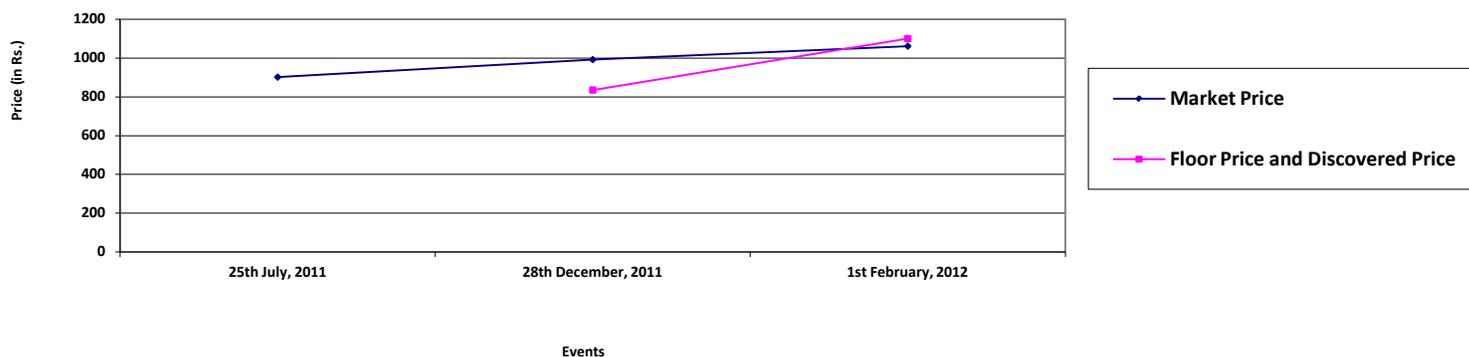
**Team [www.delisting.in](http://www.delisting.in)**

## SECTION I: SYNOPSIS OF DELISTING OFFERS

- **UTV Software Communication Limited- Delisted with effect from 16th March, 2012**

**UTV Software Communication Limited** on 25th July, 2011 notified BSE & NSE about the intention of one of the promoters of the company, The Walt Disney Company (Southeast Asia) Pte. Limited, to get the company delisted from all the exchanges. On the date of notification to the Exchanges, total shareholding of the Promoters and Promoters Group was 70.04% and the market price of the equity shares was Rs. 901.40 per share. The acquirer then came out with a public announcement on 28th December, 2011 for the acquisition of 12,215,776 equity shares representing 29.96% shareholding of the total capital of the company and announced the Floor Price of Rs. 835.03/- per share as against the market price of Rs. 991.80/- per share which depicts that the Floor Price was 15.80% lower than what the market was offering at that point of time. After analyzing the upward market trend and for making the offer successful, the promoters further announced an Indicative Price of Rs.1,000/- per share. On 1st February, 2012, the Company announced the success of the delisting offer with exit price of Rs. 1,100/- per share which was at a premium of 31.7% as compared to the floor price offered by the Company and 3.65% higher than the price at which the equity shares of the Company were traded on the Exchange on that day thereby making the delisting offer successful. After completion of all the formalities of the Exchanges, the company got delisted w.e.f. **16th March, 2012**.

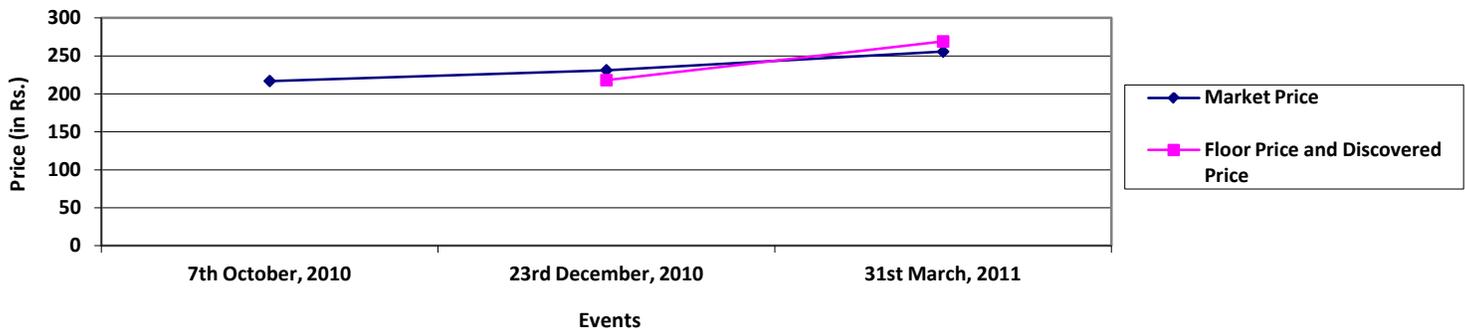
The comparative analysis of the price offered by the UTV Software Communication Limited for delisting and the market price of Equity Shares of the Company is illustrated below:



- **Nirma Limited- Delisted with effect from 28th March, 2012**

**Nirma Limited** on 7th October, 2010 notified BSE & NSE about the intention of the promoters of the company, Shri Karasanbhai K Patel, Smt. Shantaben K. Patel and Kulgam Holdings Private Limited, holding 77.17 % of the total price of the equity shares of the Company was Rs. 216.90 per share. The acquirer then came out with a public announcement for the acquisition of 36,326,352 equity shares representing 22.83% shareholding of the total capital of the company on 23rd December 2010 and announced the Floor Price of Rs. 218/- per share as against the market price of Rs. 231.10/- per share which depicts that the Floor Price was 5.67 % lower than what the market was offering at that point of time. The success of the offer was announced with discovered price of Rs. 269 per share which was 23.39% higher than the floor price offered by the Company. In this case, the Exchanges had approved the delisting with effect from 31st March 2011, however, some of the minority shareholders in the Company filed complaint with SEBI & Stock Exchanges, alleging that Promoters had acquired a large number of shares through persons acting in concert before the offer opened, and tendered them subsequently to make the offer successful. SEBI, accordingly, put it on hold. Now, after completion of all the formalities of the Exchanges, the company finally got delisted w.e.f. **28th March, 2012**.

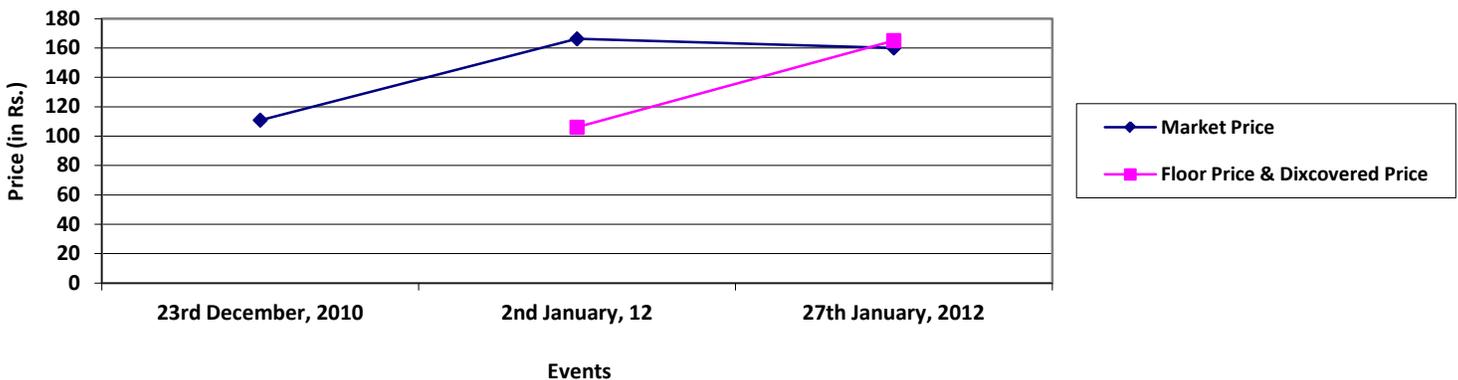
The comparative analysis of the price offered by the Nirma Limited for delisting and the market price of Equity Shares of the Company is illustrated below:



- Carol Info Services Limited- Delisted with effect from 19<sup>th</sup> March, 2012**

**Carol Info Services Limited** on 23rd December, 2010 notified BSE & NSE about the intention of one of the promoters of the company, Khorakiwala Holdings and Investments Private Limited, holding 63.73% of the total capital, to get the company delisted from all the exchanges. On the date of notification to the Exchanges, the market price of the equity shares of the Company was Rs. 110.85 per share. The acquirer then came out with a public announcement for the acquisition of 12,851,714 equity shares representing 36.27% shareholding of the total capital of the company on 2nd January, 2012 and announced the floor price of Rs. 106/- per share as against the market price of Rs. 166.20/- per share which depicts that the Floor Price was 36.22 % lower than what the market was offering at that point of time. On 27th January, 2012, the Company announced the success of the delisting offer with discovered price of Rs. 165 per share which was at a premium of 55.66% as compared to the floor price offered by the Company and 3.125% higher than the price at which the equity shares of the Company were traded on the Exchange on that day. After completion of all the formalities of the Exchanges, the company got delisted w.e.f. **19th March, 2012**.

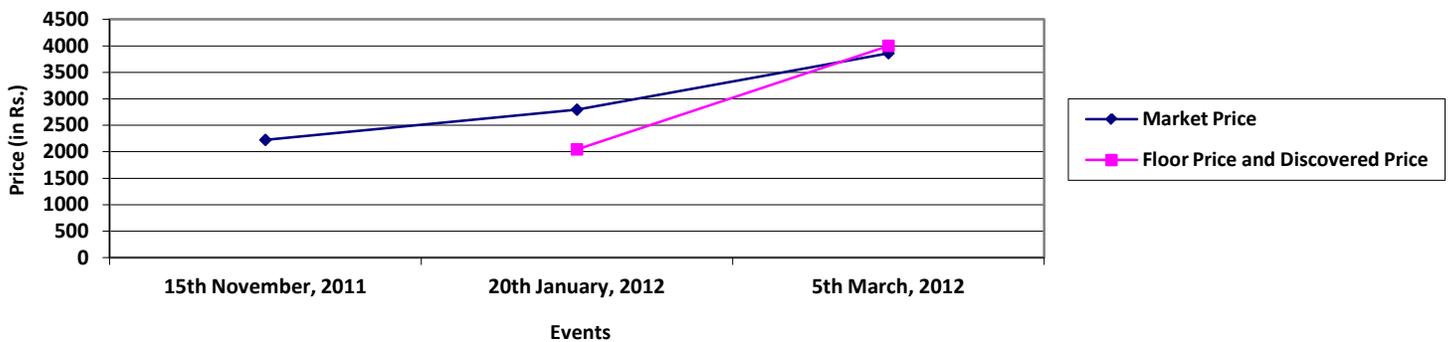
The comparative analysis of the price offered by Carol Info Services Limited for delisting and the market price of Equity Shares of the Company is illustrated below:



- *Alfa Laval (India) Limited- Delisted with effect from 19<sup>th</sup> April, 2012*

**Alfa Laval (India) Limited** on 15th November, 2011 notified BSE & NSE about the intention of one of the promoters of the company, Alfa Laval Corporate AB, Sweden, holding 88.77% of the total capital, to get the company delisted from all the exchanges. On the date of notification to the Exchanges, the market price of the equity shares of the Company was Rs. 2223.95 per share. The acquirer then came out with a public announcement for the acquisition of 2,040,202 equity shares representing 11.23% shareholding of the total capital of the company on 20th January, 2012 and announced the Floor Price of Rs. 2,045 per share as against the market price of Rs. 2794.20/- per share which depicts that the floor price was 26.8% lower than what the market was offering at that point of time. On 5th March, 2012, the Company announced the success of delisting offer with discovered price of Rs. 4000 per share which was at a premium of 95.60% as compared to the Floor Price offered by the Company and 3.65% higher than the price at which the equity shares of the Company were traded on the Exchange on that day. After completion of all the formalities of the Exchanges, the company got delisted w.e.f. **19th April, 2012**.

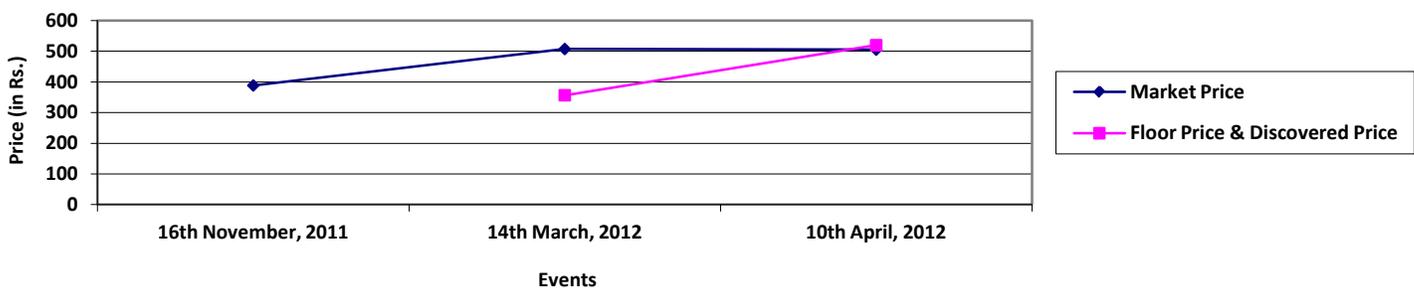
The comparative analysis of the price offered by the Alfa Laval (India) Limited for delisting and the market price of Equity Shares of the Company is illustrated below:



- **Patni Computer Systems Limited- Delisting with effect from 28th May, 2012**

**Patni Computer Systems Limited** on 16th November, 2011 notified BSE & NSE about the intention of one of the promoters of the Company, Pan-Asia iGATE Solutions and iGATE Global Solutions Limited, holding 80.74% of the total capital, to get the company delisted from all the exchanges. On the date of notification to the Exchanges, the market price of the equity shares of the Company was Rs. 388.85 per share. On 14th March, 2012, the acquirer then came out with a public announcement for the delisting of the company and announced floor price of Rs. 356.74/- per share as against the market price of Rs. 507.45/- per share which depicts that the Floor Price determined in accordance with the Delisting Regulations was 29.70% lower than what the market was offering at that point of time. The success of the offer was announced on 10th April, 2012 with discovered price of Rs. 520/- per share which was at a premium of 45.76% as compared to the floor price offered by the Company and 2.94% higher than the price at which the equity shares of the Company were traded on the Exchange on that day. After completion of all the formalities of the exchanges, the company got delisted w.e.f. **28th May, 2012**.

The comparative analysis of the price offered by the Patni Computer Systems Limited for delisting and the market price of Equity Shares of the Company is illustrated below:



## OUR ANALYSIS

1. As per MoF Circulars, all listed companies are required to bring their promoter group shareholding to 75% by June, 2013 under clause 40A of the Listing Agreement. As per the above depicted trend of delisting, in 3 out of the aforesaid 5 Companies, promoter and promoters group shareholding was more than 75%. Can it be inferred that in all these cases, the promoters did not want to dilute their shareholding to below 75% to comply clause 40A, therefore, they opted for delisting from the stock exchanges?
2. Further in all the delisting offers, the final Exit Price is, on an average, 50% higher than the Floor Price offered by the Acquirer(s) at the time of Public Announcement.

## **SECTION II: DELISTING OF COMPANIES PURSUANT TO THE SCHEME OF AMALGAMATION**

The following companies have also been delisted from the Exchanges pursuant to the scheme of Amalgamation:

<b><i>Name of the Company Delisted</i></b>	<b><i>Company with which the Delisted Company amalgamated</i></b>	<b><i>Delisting Date</i></b>
Millennium Beer Industries Limited	United Breweries Limited	23rd January, 2012
Shri Vaani Sugars & Industries Limited	Karnataka Breweries & Distilleries Pvt. Ltd	23rd January, 2012
Metrochem Industries Limited	Global Boards Limited	15th March, 2012
Grabal Alok Impex Limited	Alok Industries Limited	26 <sup>th</sup> April, 2012
Zuari Forex Limited	Phoenix Township limited	26 <sup>th</sup> April, 2012

## **SECTION III: DELISTING OFFER IN THE MONTH OF JUNE 2012**

***For Saint-Gobain Sekurit India Limited***

***By***

***Saint-Gobain Glass India Limited***

### ***Details of Offer***

<b><i>Activity</i></b>	<b><i>Details</i></b>
Date of Public Announcement	21 <sup>st</sup> May, 2012
Offer size	12966764 Equity Share
Floor Price	Rs. 29.49/- Per Equity Share
Indicative Price	Rs. ` 31/- Per Equity Share
Date Of Opening Of Offer	Tuesday, June 5, 2012
Date of Closing of offer	Monday, June 11, 2012
Announcement of Discovered Price/ Exit Price and the Acquirer's Acceptance/ Non-Acceptance	Thursday, June 21, 2012
Present holding of the Acquirer	85.77%
Objective of the Acquirer	The objective of the Acquirer in making the offer is to provide exit opportunity to the Public Shareholders.

## SECTION IV: LEGAL UPDATES

**SEBI Clarification in the matter of Ambattur Enterprises Limited (Formerly Known as T & R Welding Products (India) Limited, a Company listed at MSE and falling within the ambit of “small company”**

### Facts:

**Ambattur Enterprises Limited** a company listed at Madras Stock Exchange filed an appeal with SAT against the SEBI order of rejecting the Exemption Application filed by the Company claiming exemption from provisions of Regulations 8(1)(b), 27(3)(d) of SEBI (Delisting of Equity Shares) Regulations, 2009.

Hon’ble SAT set aside the impugned order passed by the Board and remitted the case to the Board for passing a fresh order in accordance with law giving reasons in support of its conclusions.

### Company filed Exemption Application on the following grounds:

1. NIL trading activity since 1995 at MSE (the only Exchange where the Company is listed).
2. Inability of the promoters to off load their shareholding to comply with the requirement of Clause 40A of the listing agreement.
3. The public shareholders held 17.66% of the capital being only 32 in number.
4. Majority of the public shareholders were non – traceable.
5. The company further submitted that Tamil Nadu Industrial Corporation being the largest public shareholder holding 15.79% shares of the total capital would not be in a position to participate in the delisting process and it would neither agree nor disagree to the proposal of delisting.
6. The company also contended for the provisions of Regulation 25 of the SEBI (Delisting of Equity Shares) Regulations, 2009 read in context with Sections 11(1), 11A, 11B, and 30 of the SEBI Act, 1992 which empowers SEBI for such **measures** to protect the interest of investors and **exemptions** from the regulations under the Delisting Regulations that has become impossible to be complied with.

### Grounds of the Exemption Application

- Regulation 8(1)(b) – the condition requiring prior approval of 2/3<sup>rd</sup> majority of the public shareholders through postal ballot.
- Regulation 27(3)(a) – appointment of Merchant Banker for determining the exit price.
- Regulation 27(3)(d) – at least 90% of the public shareholders give their positive consent in writing to delisting proposal as well as to the exit price.

7. On the above stated grounds, the Company represented before the Board that, it would be impossible for the company to comply with the requirement of prior approval of 2/3<sup>rd</sup> majority approval of the public shareholder through Postal Ballot and to obtain 90% positive consent from the public shareholders.

### Issue:

Whether SEBI has power to exempt a Company from the provisions of SEBI (Delisting of Equity Shares) Regulations, 2009?

### Contentions put forth by SEBI

1. The Board reasoned the company for misplaced reliance on the provisions of Section 11(1), 11A, 11B and 30 of the SEBI Act, 1992 by putting the **test for such measures which is the 'investors interest', 'promotion and development of the securities market'** and also Regulation 25 of SEBI (Delisting of Equity Shares) Regulations, 2009 which **provides for the power of the Board to issue clarifications.**
2. The Board also contended that there are no provisions under SCRA, SCRR, SEBI Act, or the Delisting Regulations, which allow the Company to file exemption application or which grant the exemption from the requirements and conditions of delisting under the Delisting Regulations.
3. SEBI also contended that allowing company's contention that the single largest public shareholder of the company will not participate in the passing of resolution by requisite majority, would defeat the objective and spirit of the conditions laid down in the Delisting Regulations, as voting in favor of delisting and giving positive consent in respect of delisting is the prerogative of a public shareholder and SEBI cannot dilute the same by granting exemption, because the public shareholder is traceable and available but not willing to participate.

### SEBI's Grounds of Rejection:

- Misplaced reliance on the provisions of Section 11(1), 11A, 11B and 30 of the SEBI Act, 1992 and Regulation 25 of SEBI (Delisting of Equity Shares) Regulations, 2009 which empowers SEBI to issue clarifications.
- Misplaced reliance on the provisions to file exemption application under SCRA, SCRR, SEBI Act or the Delisting Regulations.
- SEBI also referred to the judgement by Hon'ble SAT in Trichy Distilleries and Chemicals Limited, wherein SAT laid down that 90%cent of the shareholders in number must agree and give their positive consent rather than 90% of the public shareholders in value." For details visit [http://www.delisting.in/sat\\_order.html](http://www.delisting.in/sat_order.html)

### Decision

In view of the above contentions, the request made by Ambattur Enterprises Limited seeking exemption from the provisions of the SEBI (Delisting of Equity Shares) Regulations, 2009 in respect of its proposed voluntary delisting offer could not be acceded and the application was accordingly disposed off.

## SECTION V: RIGHTS OF THE REMAINING SHAREHOLDERS

Once a Company is delisted, the shareholders who tender their shares get the exit, but the remaining shareholders i.e. who did not tender/ missed the Public Announcements, can no more trade in their Equity Shares at the stock exchanges. However, the law makers have taken full care of this fact and as per Regulation 21 of the Delisting Regulations, a last opportunity has been given to them, that they can surrender their shares to the promoters of the respective companies within a period of 1 year from the Delisting date at the same exit price determined in accordance with Regulation 15 of the Delisting Regulations.

As per **Regulation 15**, the final offer price shall be determined in accordance with Book-Building Process i.e the price at which maximum number of equity shares is tendered by the public shareholders.

As per **Regulation 21(1)**, the remaining public shareholders of the Company may tender their shares upto a period of atleast one year from the date of delisting and the promoters shall accept the shares tendered at the same final price at which the earlier acceptance of shares was made.

## OUR TEAM

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