

In Re: Cravetex Limited

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Court : SEBI Securities and Exchange Board of India or Securities Appellate Tribunal SAT

Decided On : Sep-09-2003

Judge : A Batra

Appellant : In Re: Cravetex Limited

Judgement :

1.0 Proline Exports Pvt Ltd (hereinafter referred to as the "Acquirer") together with other promoters hold 75.22% shares in the equity share capital of Cravatex Limited (hereinafter referred to as the "Target company"). The shares of the Target company are listed on The Stock Exchange, Mumbai. The Acquirer propose to acquire 18, 225 equity shares amounting to 1.14% from a public shareholder of the Target company @ Rs. 32.92/- per share. The said shares are proposed to be acquired from Smt Shaila B Paranjape for the purpose of settling the loan of Rs. 6, 00, 000 taken by her late husband Shri Bhaskar L Paranjape from the acquirer. It is noted that Shri Bhaskar L Paranjapee was holding 18, 225 equity shares in the target company since July 16, 1999. The acquirer along with other promoters already hold 75.22% of the target company and as such the acquirer is required to make an open offer to acquire the said shares of the Target company in terms of sub-regulation (2) of regulation 11 of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 (hereinafter referred to as "Regulations").

2.0 The Acquirer made an application dated 08.07.2003 to Securities and Exchange Board of India (hereinafter referred to as SEBI) under sub-regulation (2)

of regulation 4 of the Regulations seeking exemption from making public announcement and complying with procedural formalities under the provisions of Chapter III of the Regulations.

3.0 In the aforesaid application, the Acquirer submitted, inter-alia, the following:

3.1 Late Shri Bhaskar L Paranjape had taken a loan of Rs. 6, 00, 000 from the acquirer company on April 2, 2002. Shri Paranjape was also the shareholder of the target company since July 16, 1999 holding 18, 225 equity shares. Shri Paranjape passed away on March 19, 2003 and his wife Mrs. Shaila B Paranjape expressed her inability to repay the said loan of Rs. 6 lacs in cash. As repayment of the said loan of Rs. 6 lacs Mrs. Shaila Paranjape offered to hand over to the acquirer 18, 225 equity shares of the target company which was owned by her deceased husband.

3.2 The acquirer submitted that the proposed acquisition is for the purpose of helping Smt Shaila B Paranjape to settle the loan taken by her late husband.

3.3 As the promoters already hold 75.22% of the total shares of the target company, such creeping acquisition of equity shares would attract the provisions of sub regulation (2) of regulation 11 of the Regulations if not exempted.

4.0 The said application was forwarded to the Takeover Panel on July 21, 2003 in terms of sub-regulation (4) of regulation 4 of the Regulations. The Takeover Panel vide its report dated July 24, 2003 has recommended, inter alia, as under: "The Acquirer is an associate concern of the target company. Both the acquirer and target company are under control of the same management. In the facts disclosed, the proposed acquisition of shares is by means of settlement in repayment of a loan of Rs. 6 lacs advanced by the Acquirer to the deceased Bhaskar Paranjape. It appears that even after the proposed acquisition, the total paid up equity share capital / voting rights of the target company will remain the same as it was before the proposed acquisition. The proposed transaction appears to be nothing but a repayment of loan in kind. Grant of exemption as sought in the circumstances is recommended".

5.0 I have taken into consideration the application dated July 8, 2003, the material available on record and the recommendations of Takeover Panel.

5.1 It is noted that while the Acquirer itself holds 1, 53, 195 shares (representing 11.86%), it together with other promoters hold 75.22% shares in the equity share capital of the Target company.

5.2 It is noted that the Acquirer is acquiring the shares only for the purpose of enabling Mrs. Shaila B Paranjpe to settle the loan taken by her late husband. The transaction is nothing but a repayment of loan in kind.

5.3 It is noted that the shares of the target company are infrequently traded . The price of the proposed acquisition works out to Rs 32.92 per share for acquisition of 18, 225 shares. The traded price of the share as on July 4, 2003 is Rs. 35.92 per share and the book value per share of the Target company is Rs 78.19 as on March 31, 2002.

6.0 Taking into consideration the above, the recommendations of the Takeover Panel and the interest of the public shareholders of the Target company, I, in exercise of the powers conferred upon me under Section 19 of the Securities and Exchange Board of India Act, 1992 read with sub-regulation (6) of regulation 4 of the Regulations, hereby grant exemption, to the Acquirer from complying with the provisions Chapter III of the Regulations with regard to the proposed acquisition of 18, 225 equity shares representing 1.41% shares of the Target company from the shareholder Smt. Shaila B. Paranjape.

6.1 The Acquirers are directed to complete the proposed acquisition within 30 days of the order and file a status report with the Board on the same within 15 days thereafter.

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