

In Re: Dlf Limited

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

Decided On : Sep-05-2008

Judge : K Abraham

Appellant : In Re: Dlf Limited

Judgement :

1.1 DLF Limited (hereinafter referred to as the target company) is a company incorporated under the Companies Act, 1956, having its registered office at DLF Shopping Mall, 3rd Floor, Arjun Marg, DLF City, Phase-I, Gurgaon 122002. The equity shares of the target company are listed on the National Stock Exchange of India Ltd. (NSE) and the Bombay Stock Exchange Ltd. (BSE) 1.2 Mr. Kushal Pal Singh, Mr. Rajiv Singh, Ms Pia Singh, Ms Renuka Talwar, Ms Indira K P Singh, Ms Kavita Singh, Macknion Estates Private Limited, Buland Consultants & Investments Private Limited, DLF Investments Private Limited, Haryana Electrical Udyog Private Limited, Kohinoor Real Estates Company, Madhur Housing and Development Company, Megha Estates Private Limited, Panchsheel Investment Company, Rajdhani Investments & Agencies Private Limited, Sidhant Housing and Development Company, Yashika Properties and Development Company, Vishal Foods and Investments Private Limited, Mallika Housing Company, Raisina Agencies & Investments Private Limited, Universal Management & Sales Private Limited, Renkon Agencies Private Limited, Lyndale Holdings Private Limited, Savitri Studs and Farming Company Private Limited, Jhandewalan Ancillaries and Investments Private Limited, Prem Traders & Investments Private Limited, Realest

Builders and Services Private Limited and Prem's Will Trust, belong to the promoter group of the target company and they collectively hold 88.16% of the outstanding equity share capital of the target company. The aforesaid persons/entities are hereinafter collectively referred to as the acquirers.

2.1 The target company announced its plan to buy-back its equity shares from its existing shareholders upto Rs. 1,100 crores (maximum offer size) at a price not exceeding Rs. 600/- per share in terms of the provisions of Sections 77A, 77AA of the Companies Act 1956 and the provisions of Securities and Exchange Board of India (Buy - Back of Securities) Regulations, 1998, subject to the appropriate approvals.

Due to the said buy-back offer, the voting rights of the acquirers would increase from the existing 88.16% to 89.32% of the outstanding equity share capital of the target company and the same would attract the provisions of Regulation 11(2) of Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, (hereinafter referred to as the Takeover Regulations).

2.2 The target company, vide letter dated July 14, 2008 (read with letter dated July 23, 2008) filed an application with Securities and Exchange Board of India (hereinafter referred to as SEBI) under regulation 4(2) read with Regulation 3(1) (I) of the Takeover Regulations seeking exemption from the applicability of the provisions of Chapter III thereof.

a) The acquirers belong to the promoters of the target company and hold 88.16% of its equity share capital.

b) The acquirers would not participate in the buy back offer of the target company. The increase in voting rights of the acquirers is incidental to the buy-back proposal of the target company.

Consequent to the buy back offer of the target company, the acquirers existing shareholding (1,503,043,120 shares) would remain the same. But, in terms of number of shares, would increase, in terms of outstanding equity share capital of

the target company (from 88.16% to 89.32%), assuming that all the maximum offer shares are bought back.

c) The proposed buy back would not result in the violation of the conditions of continuous listing specified in terms of Clause 40 A of the listing agreement entered into between the target company and the stock exchanges.

d) The maximum offer price of the proposed buy-back is Rs. 600/- per share. It is higher than the book value of Rs. 66.10/- per equity share of the target company as on March 31, 2008.

e) Pursuant to the proposed buy-back of equity shares by the target company, the public shareholding in the target company (even in case of 100% response), would be at a level adequate for meeting the continuous listing requirements under the listing agreement.

f) The acquirers do not intend to offer their shareholding in the buy back offer and that they would not transact in the equity shares of the target company till the closure of the buy back.

g) The buy back offer is expected to contribute to the overall enhancement of the shareholders value, resulting in an increase in the return on equity of the target company. The proposed buy back is expected to lead to reduction of outstanding equity shares, which might lead to increase in earnings per share, thereby creating long term shareholder value.

2.3 The shareholding pattern of the target company before and after the proposed buy back offer (as per the application) is as under: 3.1 The aforesaid application filed by the target company was forwarded by SEBI to the Takeover Panel in terms of Regulation 4 (4) of the Takeover Regulations. The Takeover Panel, vide report dated August 08, 2008 (received by SEBI on August 11, 2008) recommended the grant of exemption as sought by the acquirers.

4.1 I have carefully considered the application filed by the target company, the above mentioned recommendations of the Takeover Panel and other relevant materials available on record.

4.2 I note that the acquirers belong to the promoter group of the target company and collectively hold 88.16% of the outstanding equity share capital of the target company. The acquirers are also in control of the target company. I note that, even after the proposed buy back, the shareholding of the acquirers in terms of numbers would remain the same and that the increase in the shareholding (in terms of percentage) is only incidental to the proposed buy back plan of the target company.

The acquirers have undertaken that they would not participate in the buy back offer of the target company. I further note that, pursuant to the proposed buy back, there would not be any change in control over the target company, as the acquirers (part of the promoter group) are already in control over the target company. The maximum offer price of the proposed buy back (Rs. 600/- per share) is higher than the book value of Rs. 66.10/- per share of the target company as on March 31, 2008.

4.3 According to the target company, its buy back offer is expected to contribute to the overall enhancement of the shareholders value which would result in an increase in the return on equity of the target company. It is also stated that the buy back offer of the target company is expected to lead to the reduction of outstanding equity shares, which might lead to the increase in earnings per share. I note that, even after the proposed buy back, the public shareholding in the target company would be at a level more than what is required for meeting the requirements of continuous listing in terms of the listing agreement entered into between the target company and the stock exchanges where the shares of the target company are listed.

4.4 In view of the above facts and circumstances, I agree with the recommendations of the Takeover Panel and, consider the present case as a fit one to grant exemption to the acquirers from making a public announcement as required under Regulation 11(2) of the Takeover Regulations.

5.1 In view of the above findings, I, in exercise of the powers conferred upon me by virtue of Section 19 of the Securities and Exchange Board of India Act, 1992 read with Regulation 4(6) of Securities and Exchange Board of India (Substantial

Acquisition of Shares and Takeovers) Regulations, 1997, hereby grant exemption to the acquirers (promoter group), namely, Mr. Kushal Pal Singh, Mr. Rajiv Singh, Ms Pia Singh, Ms Renuka Talwar, Ms Indira K P Singh, Ms Kavita Singh, Macknion Estates Private Limited, Buland Consultants & Investments Private Limited, DLF Investments Private Limited, Haryana Electrical Udyog Private Limited, Kohinoor Real Estates Company, Madhur Housing and Development Company, Megha Estates Private Limited, Panchsheel Investment Company, Rajdhani Investments & Agencies Private Limited, Sidhant Housing and Development Company, Yashika Properties and Development Company, Vishal Foods and Investments Private Limited, Mallika Housing Company, Raisina Agencies & Investments Private Limited, Universal Management & Sales Private Limited, Renkon Agencies Private Limited, Lyndale Holdings Private Limited, Savitri Studs and Farming Company Private Limited, Jhandewalan Ancillaries and Investments Private Limited, Prem Traders & Investments Private Limited, Realest Builders and Services Private Limited and Prems Will Trust, from complying with the provisions of Regulation 11(2) of Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 with regard to the increase in their voting rights from 88.16% to 89.32% of the outstanding equity share capital of the target company, namely, DLF Limited, consequent to its proposed buy-back offer.

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