

SECURITIES AND EXCHANGE BOARD OF INDIA

ORDER

UNDER SECTION 11(1) AND SECTION 11(2)(h) OF THE SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 READ WITH REGULATION 11(5) OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (SUBSTANTIAL ACQUISITION OF SHARES AND TAKEOVERS) REGULATIONS, 2011.

IN THE MATTER OF PROPOSED ACQUISITION OF SHARES AND VOTING RIGHTS IN SHRIRAM PROPERTIES LIMITED.

TARGET COMPANY	Shriram Properties Limited
PROPOSED ACQUIRER	Mr. Murali Malayappan

Background

1. Shriram Properties Limited ("**Target Company**"/ "**SPL**") is a company incorporated under the provisions of Companies Act, 1956 on March 28, 2000. It has its registered office at Lakshmi Neela Rite Choice Chamber, 1st floor, New No. 9, Bazullah Road, T Nagar, Chennai - 600017. The equity shares of the Target Company are listed on the BSE Ltd. ("**BSE**") and the National Stock Exchange of India Ltd. ("**NSE**").
2. An application dated March 20, 2024 (hereinafter referred to as "**the Application**") seeking exemption from the applicability of regulations 3(1), 4 and 5(1) of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 ("**Takeover Regulations, 2011**") for the proposed indirect acquisition of shares in the Target Company was received from Mr. Murali Malayappan ("**Proposed Acquirer/ Acquirer/ Applicant**").
3. The Acquirer vide his Application has, *inter alia*, submitted the following:
 - (a) The Target Company is engaged in real estate construction, development and other related activities.
 - (b) The issued, subscribed and paid up equity share capital of the Target Company is Rs. 170,32,60,260/- divided into 17,03,26,026 equity shares of face value of Rs. 10/- each. The Target Company has a promoter and promoter group shareholding of 27.94% and public shareholding of 72.06%.
 - (c) The shareholding pattern of the Target Company is as follows:

S. No.	Name of shareholder	No. of shares	Percentage of Shareholding (%)
Promoter and Promoter group			
1.	Shriram Group Executives Welfare Trust ("SGEWT")	2,40,500	0.14
2.	Murali Malayappan	1,39,006	0.08
3.	Shriram Properties Holdings Private Limited	4,72,17,564	27.72
Total (A)		4,75,97,070	27.94
Public Shareholding			
4.	Other Public Shareholders	12,27,28,956	72.06
Total (B)		12,27,28,956	72.06
Total Shareholding (A+B)		17,03,26,026	100.00

- (d) One of the companies in the promoter and promoter group, Shriram Properties Holdings Private Limited ("SPHPL") having its registered office at Mookambika Complex, 4th Floor, No. 4, Lady Desika Road, Mylapore, Chennai - 600 004, was incorporated on May 13, 2010.
- (e) The object clause of SPHPL consists of many activities, however, as on date, the only business activity of SPHPL is investment in the Target Company.
- (f) SPHPL holds 4,72,17,564 equity shares of the Target Company constituting 27.72% of total share capital and control over the Target Company and out of this 3,39,24,805 shares are under Lock-in till December 2024, in terms of the provisions of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018.
- (g) The shareholding pattern of SPHPL is as follows:

S. No.	Name of shareholder	No. of shares	% Shareholding
1.	SGEWT	13,38,335	70.86
2.	SPL Builders Private Limited	1,20,000	6.35
3.	Murali Malayappan	3,83,970	20.33
4.	Shriram Chits Private Limited	23,198	1.23
5.	A. Vijayalakshmi C/O Mookambika Trust	23,198	1.23
6.	R. Shankar	1	0.00
Total		18,88,702	100.00

- (h) The Applicant intends to acquire 13,38,335 equity shares of SPHPL from SGEWT which represent 70.86% of the share capital of SPHPL, at an indicative price of Rs. 900/- per share.
- (i) The proposed acquisition is an *inter se* transfer of shares of SPHPL between two of its shareholders, both of whom are also part of the Promoter and Promoter Group of the Target Company.
- (j) The shareholding pattern of the SPHPL before and after the proposed acquisition would be as under:

Particulars	Before the proposed transaction		Proposed Transaction		After the proposed transaction	
	No. of Shares	% share holding	No. of Shares	% share holding	No. of Shares	% share holding
SGEWT	13,38,335	70.86	(13,38,335)	(70.86)	-	-
SPL Builders Private Limited	1,20,000	6.35	-	-	1,20,000	6.35
Murali Malayappan	3,83,970	20.33	13,38,335	70.86	17,22,305	91.19
Shriram Chits Private Limited	23,198	1.23	-	-	23,198	1.23
A. Vijayalakshmi C/O Mookambika Trust	23,198	1.23	-	-	23,198	1.23
R. Shankar	1	0.00	-	-	1	0.00
Total	18,88,702	100.00	-	-	18,88,702	100.00

4. The Applicant has, *inter alia*, provided the following grounds for seeking exemption from the applicability of regulations 3(1), 4 and 5(1) of the Takeover Regulations, 2011:
- (a) The transferor and transferee have been consistently disclosed as promoters of the Target Company in the shareholding pattern filed with the stock exchanges ever since the Target Company has been listed, i.e., since December 20, 2021. Further, even before the listing date, the transferor and transferee were promoters of Target Company and SPHPL and were also disclosed as promoters in terms of the filings under the Companies Act, 2013 since 2018. Further, the transferor and transferee were also disclosed as promoters of the Target Company in the application for in-principle listing approval filed by the Target Company with BSE

and NSE on April 19, 2021 and in subsequent filings in relation to the IPO. As such, the proposed acquisition complies in spirit with the requirement for an exemption under regulation 10(1)(a)(ii) in view of the aforementioned disclosures and the status of transferor and transferee as promoters for more than 3 years.

- (b) Further, the proposed transfer of shares is *inter se* between the promoters of Target Company at an indirect level. In the informal guidance issued to Vidli Restaurants Limited dated June 23, 2023, SEBI was of the view that general exemption under regulation 10(1)(a) in relation to *inter se* transfer of shares amongst qualifying persons would not be available in case of acquisition at an indirect level, and that SEBI may be approached for specific exemption under regulation 11(1) of Takeover Regulations, 2011. As the facts of the present case are similar to the facts in the matter of Vidli Restaurants Limited, this application for exemption has been filed under regulation 11(1) of Takeover Regulations, 2011.
 - (c) SGEWT previously invested in the securities of group companies of the Shriram group in various businesses including financial services, EPC business, IT/ITES Services, and the real estate sector. It is now proposed to divest the holding of SGEWT in SPHPL in favour of Mr. Murali Malayappan, the co-promoter of SPHPL and the Target Company.
 - (d) Subsequent to the proposed acquisition, aggregate shareholding of the promoter and promoter group in the Target Company would remain unchanged at 27.94%. Further, the proposed acquisition would not have any adverse impact on the Target Company or the wider securities market in India.
 - (e) The proposed acquisition would ensure continuity of ownership and control by the promoter group and would provide the desired stability to the Target Company.
 - (f) The proposed acquisition would not prejudice the interest of the public shareholders of the Target Company in any manner.
 - (g) There will be no change in the public shareholding of the Target Company, and the Target Company shall continue to be in compliance of the minimum public shareholding requirements prescribed under the Securities Contracts (Regulation) Rules, 1957.
5. The Application was forwarded to the Takeover Panel in terms of the proviso to regulation 11(5) of the Takeover Regulations, 2011. The Application was deliberated by the Takeover Panel in its meeting held on May 31, 2024. After deliberations, the Takeover Panel made the following observations:

“The Panel deliberated on the item and noted that in order to claim general exemption under Regulation 10 of SEBI(SAST) Regulations, 2011 both Transferor and Transferees should be shown as promoters in the shareholding pattern filed with the Stock Exchanges for at least 3 years. In the instant matter, Transferor and Transferees are not shown as promoters in the shareholding pattern filed the Stock Exchanges for a period of 3 years in the target company, as it got listed in December 20, 2021.

In view of the above, panel suggested that additional information may be sought from the applicant regarding urgent requirement of funds for undertaking the proposed transaction before completion of period of 3 years and deferred the matter to next Panel Meeting.”

6. Thus, SEBI vide emails dated June 04, 2024 and July 15, 2024, *inter alia*, sought the rationale for the proposed transfer of shares by SGEWT before completion of the aforementioned period of 3 years and the reasons for the immediate requirement of funds by SGEWT.
7. The Applicant vide emails dated June 15, 2024 and August 14, 2024 furnished the reasons for immediate requirement of funds and additional grounds for seeking exemption.
8. Accordingly, the reasons for immediate requirement of funds and the grounds for seeking exemption as submitted by the Applicant were placed before the Takeover Panel during its meeting dated November 14, 2024. After deliberations, the Takeover Panel, *inter alia*, made the following observations:

“The Earlier Panel had sought additional information in their meeting dated May 31, 2024 regarding urgent requirement of funds for undertaking the proposed transaction before completion of period of 3 years.

Accordingly, information was sought and current Panel was apprised that the reasons for urgent requirement of funds as submitted by the Acquirer (Mr. Murali Malayappan) are as under:

1. *To make payment to some beneficiaries to meet their immediate needs and carrying out welfare activities for the Trust beneficiaries;*
2. *Shriram Group Executives Welfare Trust (SGWET) has investments in multiple projects of Shriram Group. Pursuant to Shriram Group’s focus on the Financial Services Business, SGEWT has been in the process of divesting*

investments in non-core business areas and is investing the same in financial services;

3. *Shriram Group have recently committed to investing in the new Asset Reconstruction Business, it needs to raise further capital for infusion into the Wealth Management business. A substantial part of this capital raising is expected to come from SGEWT apart from group companies*

The Panel was also informed that Shriram group has already received in-principle approval from Reserve Bank of India for setting up of Asset Reconstruction Business.

...

It was also discussed that every such application may be decided on case-to-case basis, based on the grounds seeking exemption and applicant justifying the rationale for seeking exemption from open offer even before completing 3 years as promoter.

Pursuant to deliberations, the Panel after considering the facts of the matter, merits of the case i.e. grounds for urgent requirement of funds meriting exemption; receipt of in-principle approval from RBI for such business; and compliance with all the applicable laws and other conditions, if any, the panel recommended grant of exemption in the instant matter." (underline supplied)

Consideration

9. Before I proceed with my consideration, I deem it fit to draw reference to the provisions of regulations 3(1), 4 and 5(1) of the Takeover Regulations, 2011, which state as under:

"Substantial acquisition of shares or voting rights.

3. (1) No acquirer shall acquire shares or voting rights in a target company which taken together with shares or voting rights, if any, held by him and by persons acting in concert with him in such target company, entitle them to exercise twenty-five per cent or more of the voting rights in such target company unless the acquirer makes a public announcement of an open offer for acquiring shares of such target company in accordance with these regulations.

Acquisition of control.

4. Irrespective of acquisition or holding of shares or voting rights in a target company, no acquirer shall acquire, directly or indirectly, control over such target company unless the acquirer makes a public announcement of an open offer for acquiring shares of such target company in accordance with these regulations.

Indirect acquisition of shares or control.

5. (1) For the purposes of regulation 3 and regulation 4, acquisition of shares or voting rights in, or control over, any company or other entity, that would enable any person and persons acting in concert with him to exercise or direct the exercise of such percentage of voting rights in, or control over, a target company, the acquisition of which would otherwise attract the obligation to make a public announcement of an open offer for acquiring shares under these regulations, shall be considered as an indirect acquisition of shares or voting rights in, or control over the target company.”

10. I have considered the Application submitted by the Acquirer, the recommendation of the Takeover Panel and other material available on record. Without reiterating the facts as stated above, the following are noted:

- (a) The Application submitted is in respect of the proposed indirect acquisition of shares and voting rights in the Target Company.
- (b) Pursuant to the proposed acquisition, the promoter and promoter group would continue to hold 27.94% shares in the Target Company.
- (c) The proposed acquisition as detailed above, which is to be undertaken by the Acquirer, will attract the provisions of regulations 3(1), 4 and 5(1) of the Takeover Regulations, 2011.
- (d) The shareholding pattern of the Target Company before and after the proposed acquisition would be as under:

Particulars	Before the proposed transaction		Proposed Transaction		After the proposed transaction	
	No. of Shares	% share holding	No. of Shares	% share holding	No. of Shares	% share holding
Promoter and Promoter Group						
SGEWT	2,40,500	0.14	-	-	2,40,500	0.14
Murali Malayappan	1,39,006	0.08	-	-	1,39,006	0.08
SPHPL	4,72,17,564	27.72	-	-	4,72,17,564	27.72
Total (A)	4,75,97,070 *	27.94	-	-	4,75,97,070	27.94
Public (B)	12,27,55,837 *	72.06	-	-	12,27,55,837	72.06
Total (A+B)	17,03,52,907 *	100.00	-	-	17,03,52,907	100.00

* As per the latest shareholding pattern (Sep 2024) of Target Company available on BSE website

- (e) The proposed indirect acquisition would not affect or prejudice the interests of the public shareholders of the Target Company in any manner.
- (f) There will be no change in control of the Target Company pursuant to the proposed acquisition.
- (g) The Target Company shall continue to be in compliance with the minimum public shareholding requirements under the Securities Contracts (Regulation) Rules, 1957 and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.
- (h) The Takeover Panel recommended to grant exemption to the Proposed Acquirer in the instant matter.

Order

11. I, in exercise of the powers conferred upon me under section 19 read with section 11(1) and section 11(2)(h) of the SEBI Act, 1992 and regulation 11(5) of the Takeover Regulations, 2011, hereby grant exemption to the Proposed Acquirer, viz., Mr. Murali Malayappan from complying with the requirements of regulations 3(1), 4 and 5(1) of the Takeover Regulations, 2011 with respect to the proposed indirect acquisition in the Target Company, viz., Shriram Properties Limited, by way of the proposed transaction as mentioned in the Application.
12. The exemption so granted is subject to the following conditions:
 - (a) The proposed acquisition shall be in accordance with the relevant provisions of the Companies Act, 2013 and other applicable laws.
 - (b) On completion of the proposed acquisition, the Proposed Acquirer shall file a report with SEBI within a period of 21 days from the date of such acquisition, as provided in the Takeover Regulations, 2011.
 - (c) The statements/ averments made or facts and figures mentioned in the Application and other submissions by the Proposed Acquirer are true and correct.
 - (d) The Proposed Acquirer shall ensure compliance with the statements, disclosures and undertakings made in the Application.
 - (e) The exemption is granted without prejudice to the applicability of any approvals to be obtained under any laws, rules or regulations for the time being in force.

13. The exemption granted above is limited to the requirements of making open offer under the Takeover Regulations, 2011 and shall not be construed as exemption from the disclosure requirements under Chapter V of the aforesaid Regulations and compliance with the SEBI (Prohibition of Insider Trading) Regulations, 2015, Listing Agreement/ SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 or any other applicable Acts, Rules and Regulations.
14. The exemption granted in this Order from making an open offer in respect of the proposed acquisition shall remain valid for a period of one year from the date of this Order and the Applicant shall complete the implementation of the proposed acquisition within such period, failing which the granted exemption shall lapse and cease to exist.
15. The Application dated March 20, 2024 filed by the Applicant is accordingly disposed of.

Place: MUMBAI

Date: DECEMBER 02, 2024

ASHWANI BHATIA
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA