

**BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA
CORAM: DR. K. M. ABRAHAM, WHOLE TIME MEMBER
ORDER**

**IN THE MATTER OF PROPOSED ACQUISITION OF VOTING RIGHTS
OF DECCAN CHRONICLE HOLDINGS LIMITED–APPLICATION FILED
UNDER REGULATION 4(2) OF THE SECURITIES AND EXCHANGE
BOARD OF INDIA (SUBSTANTIAL ACQUISITION OF SHARES AND
TAKEOVERS) REGULATIONS, 1997.**

1.0 BACKGROUND

1.1 Deccan Chronicle Holdings Limited (hereinafter referred to as the target company) is a company incorporated under the Companies Act, 1956, having its registered office at 36, Sarojini Devi Road, Secunderabad- 500 003. The equity shares of the target company are listed on the National Stock Exchange of India Limited (hereinafter referred to as NSE) and Bombay Stock Exchange Limited (hereinafter referred to as BSE).

2.0 APPLICATION FOR GRANT OF EXEMPTION

2.1 Emkay Global Financial Services Limited and Centrum Capital Limited, vide a joint letter dated February 03, 2009 filed an application under Regulation 4(2) read with Regulation 3(1)(I) of Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 (hereinafter referred to as the Takeover Regulations) on behalf of Mr. T. Venkatram Reddy, Mr. T. Vinayak Ravi Reddy, Mr. P.K Iyer and Mrs. T. Urmila Reddy (hereinafter collectively

referred to as the acquirers). It has been submitted in the said application that the acquirers who are the promoters of the target company are holding 1,54,282,250 equity shares representing 63% of the voting rights of the target company, as on the date of the application.

2.2 It is further stated that at the meeting held on December 16, 2008, the Board of Directors of the target company passed a resolution under section 77A and 77B of the Companies Act, 1956, approving the proposal to buy-back a maximum of 3,50,00,000 fully paid up shares of the face value of Rs. 2/- at a maximum price not exceeding Rs. 100/- per share for an aggregate amount not exceeding Rs. 180 Crores. It is also stated that, a resolution through postal ballot has been passed by the shareholders of the target company on January 27, 2009 authorizing the proposed buy back. It has been informed that the target company would be doing proposed buy back from the open market. The acquirers vide their separate undertakings dated January 31, 2009 stated that they would not offer their shares in the proposed buy back and that they would not buy, sell or deal in the equity shares of the target company in the stock exchanges or otherwise during the period of buy back offer. Subsequently, vide a joint undertaking dated February 11, 2009, the acquirers stated that their collective shareholding pursuant to the proposed buy back shall not increase beyond 73.51% in the target company. According to the acquirers, the increase in the voting rights of the acquirers from 63% to 73.51% (assuming 100% response to the proposed buy back offer) is incidental to the buy-back proposal of the target company and the acquirers' existing shareholding i.e., 1,54,282,250 equity shares would remain the same. The clarification/information sought by SEBI with respect to the aforesaid application, was submitted by the acquirers, vide letters dated February 16, 2009 and March 05, 2009.

2.3 Since, the aforesaid proposed increase in the voting rights of the acquirers in target company consequently trigger regulation 11(2) of the Takeover Regulations, the exemption has been sought by the acquirers under Regulation 3(1)(I) read with Regulation 4(2) of the Takeover Regulations, *inter alia*, on the following grounds:-

- a) There would not be any change in control over the target company pursuant to the increase in shareholding of the acquirers.
- b) The increase in voting rights of the promoters is incidental to the buyback proposal of the target company and is not an active acquisition.
- c) Even after buy-back of the equity shares by the target company (in case of 100% response), the public shareholding in the target company will remain at a level more than 25%.

2.4 The shareholding pattern of the target company (as given in the application) before and after the proposed buy back (assuming 100% response) is as under:

Shareholders Category	No. of registered Shareholders as on 03.02.2008	Before the Proposed Acquisition		After the Proposed Acquisition	
		No of Shares/ total voting rights held	% of Shares/ total voting rights held	No of Shares/ total voting rights held	% of Shares/ total voting rights held
Promoters (Acquirers)	4	154,282,250	63.00	154,282,250	73.51
FIs/ Banks, MFs	26	24,415,966	9.97	55,595,295	26.49
FIIIs/ NRIs/ OCBs	287	41,747,369	17.05		
Public	29023	24,431,960	9.98		

Total	29340	244,877,545	100	209,877,545	100
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3.0 RECOMMENDATION OF THE TAKEOVER PANEL –

3.1 The aforesaid application was forwarded by SEBI to the Takeover Panel in terms of Regulation 4(4) of the Takeover Regulations. The Takeover Panel, vide its report dated March 25, 2009, has recommended as under–

“Considering the fact that the public shareholding even after buy-back will be more than 25%, the panel found the proposal to be in the interest of public shareholders as it will enhance the overall shareholders value and provide exit option for those who desire to exit from the company. The panel recommended exemption to the Acquirers from the applicability of regulation 11(2) subject to the target company complying with the relevant provisions of the Companies Act, 1956, SEBI Regulations and Listing Agreement”.

4.0 FINDINGS

4.1 I have carefully considered the application for grant of exemption, the abovementioned recommendations of the Takeover Panel and other relevant material available on record.

4.2 I note that, though, pursuant to the proposed buy back of the target company, the shareholding and voting rights of the acquirers in the target company would increase from 63% to 73.51% (of the outstanding equity share capital), the number of shares held by them would remain same at 15,42,82,250 even after the said buy back. The increase in shareholding and voting rights of the acquirers is incidental to the buy-back offer of the

target company. I note that the proposed buy back offer would not result in change in control over the target company, as the acquirers (promoters) are already in control over the target company. The acquirers have also undertaken that they would not offer shares in the proposed buy back of the target company. As per the application, even after the buy back (even in case of 100% response), the public shareholding in the target company would be at a level more than what is required for meeting the conditions for continuous listing. Thus, the minimum public shareholding requirement specified in Clause 40A of the Listing Agreement would not be breached by the said increase in shareholding of the acquirers.

4.3 I also find that the proposed buy back will be done through open market in terms of Securities and Exchange Board of India (Buy Back of Securities) Regulations 1998 and the promoters have undertaken not to participate in the proposed buy back offer. Therefore, the increase in the acquirers' shareholding and voting rights in the target company would be only incidental to the proposed buy-back by the target company.

4.4 Taking into account all the facts and circumstances as mentioned above, I agree with the recommendations of the Takeover Panel. I am of the opinion that this is a fit case for grant of exemption, from the applicability of Regulation 11(2) of the Takeover Regulations with respect to the increase in percentage shareholding and voting rights consequent upon the proposed buy-back of equity shares by the target company.

5.0 ORDER

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 Mr. T. Venkatram Reddy, Mr. T. Vinayak Ravi Reddy, Mr. P.K Iyer and Mrs. T. Urmila Reddy 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 respect to their increase in percentage shareholding and voting rights consequent upon the proposed buy-back of equity shares by the target company, Deccan Chronicle Holdings Limited.

5.2 The exemption is granted on the basis of the facts and averments made in the application and in subsequent letters filed by the acquirers and the same is subject to the condition that the acquirers shall ensure compliance with the statements, disclosures and undertakings made in the application and letters and that the proposed buy-back of equity shares shall be in accordance with the Companies Act, 1956, the Securities and Exchange Board of India (Buy-Back of Securities) Regulations, 1998, the Listing Agreement and other applicable laws.

5.3 This exemption shall not be construed as exemption from requirements of any other provisions of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 (e.g. disclosure requirements under Chapter II), the Listing Agreement or any other law.

DR. K M ABRAHAM
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA

Place : Mumbai

Date : July 20, 2009