

**DEPUTY GENERAL MANAGER
CORPORATE FINANCE DEPARTMENT
DIVISION OF CORPORATE RESTRUCTURING**

February 1, 2008

CFD/DCR/TO/AG/ 116021/08

Shriram Ownership Trust
Mookambika Complex, NO - 4,
Lady Desika Road,
Mylapore,
Chennai - 600004

Dear Sirs,

Sub.:- Request for interpretative letter under the SEBI (Informal Guidance) Scheme, 2003- by Shriram Transport Finance Company Ltd. applicability of the provisions of SEBI (substantial Acquisition of shares and Takeover) Regulations, 1997 [Regulations].

- i. Please refer your letter dated August 23, 2007, seeking 'interpretive letter' under SEBI (Informal Guidance) scheme, 2003 and further correspondences exchanged in this regard.
- ii. In your letter under reference you have *inter alia* represented as follows:-
 - a. Shriram Transport Finance Company Limited (STFCL), the Target Company was incorporated on 30.06.1979. The company's registered office at 123, Angappa Naicken Street, Chennai 600001. The company is listed on the BSE, NSE and Madras Stock Exchange.
 - b. Shriram Holding (Madras) Pvt. Ltd (SHMPL) hold 44.68% in the Target Company. Shriram Financial Services Holdings Pvt. Ltd holds 49.99% in SHMPL .
 - c. Shriram Motor Finance (SMF) a partnership firm is holding 99.88% of the equity shares of SFSHPL and Shri R. Thyagarajan and Shri T. Jayaraman are equal partners of SMF. (Flag - A)
 - d. Shriram Ownership Trust (SOT) is a trust formed on 11.09.2006 for the welfare of the employees of Shriram Companies. The corpus fund of the trust as on 31.03.2007 as per last Audited Balance sheet is Rs. 50 crores. It was not holding any shares/voting rights in the Target Company directly at any time.

- e. It is proposed to induct SOT as a partner of the Shriram Motor Finance with 95% partnership and the balance 5% with Shri R. Thyagarajan. Hence it may be noted that there is no direct transfer of shares of the Target Company. There is no direct holding by the transferee and the transferor in the Target Company.
- f. Later vide letter dated 20.09.07, it was submitted that it is proposed to transfer 99.88% of equity shares of SFSHPL held by SMF to SOT.
- g. It is further submitted that
 - I. The above proposed transaction would be eligible for exemption under regulation 3(1)(e)(i) if the condition below are complied with:
 - II. The transferor/s and transferee/s must be belonging to a “group” as defined in Monopolies and Restrictive Trade Practices Act.
 - III. Such Group have been shown as group in the last audited Annual report of the Target Company (for financial year ended 31.03.2007).
 - IV. The transferor/s and transferee/s must have complied with disclosure requirement under Regulation 6, 7 & 8 as may be applicable.
- h. SOT, SMF, SFSHPL, SHMPL and the Target Company, all are classified as group as defined in the MRTP Act. Such group have been shown as group in the last audited Annual Report of the Target Company (for financial year ended 31.03.2007).
- i. SOT and SMF are not holding any shares/voting rights directly in the Target Company at any time and hence, the compliance with Chapter-II does not arise.
- j. The transferor and transferee fulfill all conditions subject to which the exemption under regulations 3(1)(e)(i).
- k. Later, it was submitted that vide letter dated 29.09.2007 that SOT would acquire 99.88% of equity shares of SESHPL held by SMF.
- iii. In the view of the above submission made by you have sought the interpretive letter on the issue whether the above mentioned acquisition of 99.88% shares of SFSHPL held by transferor to the transferee will be exempted from the applicability of the regulation 10,11&12 of the Takeover Regulations as the acquisition is claimed under regulation 3(1)(e)(i) of the Takeover Regulations.

- iv. We have considered the submissions made by you in your letter under reference and without necessarily agreeing with your analysis our views on the issue are as under:-
- a. As per Regulations 3(1)(e)(i) of takeover Regulation , an acquisition pursuant to interse transfer among group is eligible for exemption for applicability of the regulations 10,11& 12 of the Takeover Regulations.
 - i) The acquirer and transferor shall be “ Group” coming within the definition of “group” as defined in the MRTTP act 1969(54 of 1969)
 - ii) Persons constituting such group have been shown as group in the last published annual report of the Target Company.
 - iii) The transferor as well as the transferee ought to have complied with disclosure requirement under Regulation 6, 7 & 8 of the Regulation as may be applicable.
 - iv) Further, the acquirer (transferee) is also required to comply with following requirements :-
 - The acquirer should inform the stock exchanges atleast 4 working days in advance of the date of proposed acquisition in case of acquisition exceeding 5% of the voting share capital of the target company in terms of Regulation 3(3) of the Regulations.
 - The acquirer shall file a report with SEBI in the specified format within 21 days of the date of acquisition along with requisite fees prescribed, in terms of Regulations 3(4) and 3(5) of the Regulations.
 - b. As per condition stated at point 4a(i) & (ii) both the transferor and transferee are defined as “Group” as defined in the MRTTP Act. Further such group has been shown as Group in the last audited Annual Report of the Target Company.
 - c. As regards the point 4a(iii) the transferor and transferee does not directly hold any shares of the Target Company .Therefore transferor and transferee will be deemed to be complying with provision of Chapter II of the Takeover Regulation, if the promoter group, i.e. the person belonging to group and holding equity shares in Target Company directly, complies with the provisions of Chapter II of Takeover Regulations.
 - d. In the instant case the exemption under Regulation 3(1)(e)(i) may be available to the Transferee i.e. Shriram Ownership Trust if all other conditions as stated at para 4(a) above are complied with.

- v. This position is based on the representation made to the Division in your letter under reference. Different facts or conditions might require a different result. This letter does not express decision of the Board on the questions referred.
- vi. You may note that the above views are expressed only with respect to the clarification sought on SEBI (Substantial Acquisition and Takeovers) Regulations, 1997 and do not affect the applicability of any other law or requirement.

Yours faithfully

(SOMA MAJUMDER)