

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 -

TARGET COMPANY	PEARL GLOBAL INDUSTRIES LIMITED
PROPOSED ACQUIRER	PULKIT SETH TRUST

BACKGROUND

1. Pearl Global Industries Limited (hereinafter referred to as "*Target Company*" / "*PGIL*") was incorporated on July 05, 1989 as under the Companies Act, 1956. The registered address of the company is C-17/1, Paschimi Marg, Vasant Vihar, New Delhi, Delhi- 110057. *PGIL* is a garment exporter, manufacturing from multiple sourcing regions within India and countries within South Asia. The product range includes knits, woven, and bottoms across men, women, and kids' wear segments. The Equity Shares of the *Target Company* are listed on BSE & NSE from February 15, 2007.
2. An Application dated October 06, 2021, read with letter dated February 10, 2022, (hereinafter referred to as "*Application*") seeking exemption from the applicability of regulations 3(1) and 4 of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 (hereinafter referred to as "*Takeover Regulations, 2011*") in the matter of

proposed direct acquisition of shares in the *Target Company* was received by SEBI from **Pulkit Seth Trust** (hereinafter referred to as “**Proposed Acquirer / Acquirer Trust / Applicant**”).

3. *Applicant* vide its *Application* and subsequent submissions/clarifications has submitted the following:

- (a) The issued, subscribed and paid up Equity Share Capital of the *Target Company* is INR 21,66,39,370/- divided into 2,16,63,937 equity shares of INR 10/- each. The *Target Company* has a public shareholding of 33.42% and the non-public shareholding of 66.58% is entirely held by the promoters and the promoter group. As on the date of *Application*, the shareholding pattern of PGIL is as follows:

S.No.	Name of shareholder	Percentage of Shareholding (%)
1.	Mr. Deepak Seth	13.21%
2.	Mrs. Payel Seth	20.37%
3.	Mr. Pulkit Seth	32.07%
4.	Mrs. Shifalli Seth	0.93%
5.	NIM International Commerce LLP	0.00
	Total Promoters' Shareholding	66.58%
6	Public Shareholding	33.42%
	Total Shareholding	100%

- (b) Mr. Pulkit Seth (hereinafter referred to as “*settlor / transferor*”) is desirous of making a settlement and pursuant to the same has decided to establish an irrevocable & determinate private trust being the Pulkit Seth Trust under the provisions of the Indian Trust Act, 1882. The Trustees and beneficiaries of the *Acquirer Trust* are the family members of the *transferor*.
- (c) The *transferor* is a part of the ‘Promoter and Promoter Group’ of the *Target Company* and currently holds 32.07% equity shares in the *Target Company*. Under

the proposed acquisition, he intends to transfer / contribute his entire shareholding in the *Target Company* to the *Acquirer Trust*.

- (d) The aforesaid transaction trigger regulation 3(1) and 4 of the *Takeover Regulations, 2011*.
- (e) The Settlor, Trustees and beneficiaries of the *Acquirer Trust* are as under:

Status	Name	Relationship
Settlor	Mr. Pulkit Seth	Son of Mr. Deepak Seth
Trustees	1. Mr. Deepak Seth	Father of Mr. Pulkit Seth
	2. Mrs. Payel Seth	Mother of Mr. Pulkit Seth & wife of Mr. Deepak Seth
	3. Sunil Pal Seth	Father of Mrs. Shifalli Seth
Beneficiaries	1. Mrs. Shifalli Seth	Wife of Mr. Pulkit Seth
	2. Ms. Sahana Seth	Daughter of Mr. Pulkit Seth and Mrs. Shifalli Seth
	3. Master Dheer Seth	Son of Mr. Pulkit Seth and Mrs. Shifalli Seth

4. Further, vide *Application* and subsequent communications, the *Applicant* has *inter-alia* provided following grounds for seeking exemption from the *Takeover Regulations, 2011*.

- (a) The proposed acquisition of equity shares of *PGIL* is not by any third party but by the *Acquirer Trust* which is a family trust administered by the family members of the settlor.
- (b) The Settlor, Trustees and Beneficiaries of the *Acquirer Trust* are all relatives and/or part of the 'Promoter and Promoter Group' of the *Target Company*.
- (c) The sole and exclusive beneficiaries of the *Acquirer Trust* are the *transferor's*, spouse and his legitimate lineal descendants only and no person outside Seth Family is a beneficiary.

- (d) The beneficiaries of the *Acquirer Trust* are not entitled to transfer their beneficial ownership interest in the *Acquirer Trust* property to any person outside the Seth Family.
- (e) The trustees of the *Acquirer Trust* forms part of the 'Promoter and Promoter Group' of *PGIL*. Pursuant to the proposed acquisition, the *Acquirer Trust* will form part of the 'Promoter and Promoter Group' of *PGIL* as well.
- (f) The proposed transfer will not alter the board of directors of the *Target Company*.
- (g) Further, there will be reduction in the shareholding of *transferor* to nil in the *PGIL* due to proposed transfer.
- (h) Post-acquisition of equity shares by the *Acquirer Trust*, the trustees will hold equity shares for and on behalf of the *Acquirer Trust*.
- (i) There is no change of control over *PGIL* as even after completion of the proposed transaction, the member of Pulkit Seth Family will continue to exercise control over *PGIL* through the *Acquirer Trust*.
- (j) Such acquisition is non-commercial in nature as the objective is to contribute / gift the shares held by the *transferor* in *PGIL* to his family trust and the same will not prejudice the interests of the public shareholders of *PGIL* in any manner as there is no change in control or management of *PGIL* pursuant to the proposed acquisition by the *Acquirer Trust*.

CONSIDERATION

5. Before I proceed with my consideration, I find it appropriate to quote the relevant regulatory provisions of *Takeover Regulations, 2011*, for facility of reference:

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.

6. I have considered the *Application* submitted by the *Acquirer Trust* and other material available on record. Without reiterating the facts as stated above, the following is noted:

- (a) The *Application* submitted is in respect of the proposed direct acquisition of shares and voting rights in the *Target Company* i.e. **Pearl Global Industries Limited**. The proposed acquisition as detailed above, which is to be made by the *Acquirer Trust*, will attract the provisions of regulations 3(1) and 4 of the *Takeover Regulations 2011*.
- (b) Pursuant to the proposed acquisition, the *Acquirer Trust* would directly hold the same number of shares in the *Target Company* as currently being directly held by the *transferor* who is part of the promoter and promoter group of the *Target Company*.
- (c) The proposed acquisition is intended to provide a suitable structure for an orderly and systematic succession plan for next generations and to *inter-alia* provide income, welfare, expenses and other contingencies of the members of Pulkit Seth Family as may be required from time to time. The proposed direct acquisition would be non-commercial transaction which would not affect or prejudice the interests of the public shareholders of the *Target Company* in any manner

- (d) There will be no change in control of the *Target Company* pursuant to the proposed acquisition, as stipulated under the SEBI Circular dated December 22, 2017.
- (e) The pre-acquisition and post-acquisition shareholding of the promoter and promoter group in the *Target Company* will remain the same. The shareholding pattern is produced below for reference:

Particulars	Shareholding before the proposed acquisition		Proposed transaction		After the proposed acquisition	
	No. of shares	% holding	No. of shares	% holding	No. of shares	% holding
Promoters & Promoter group other than Acquirer(s)						
Mrs. Payel Seth	44,13,635	20.37	-	-	44,13,635	20.37
Mr. Deepak Seth	28,62,145	13.21	-	-	28,62,145	13.21
Mrs. Shifalli seth	2,01,478	0.93	-	-	2,01,478	0.93
NIM International Commerce LLP	30	0.00	-	-	30	0.00
Acquirer / Transferor						
Mr. Pulkit Seth	64,97,621	32.07	-64,97,621	32.07	-	-
Pulkit Seth Trust	-	-	+64,97,621	32.07	64,97,621	32.07
Public						
Public Shareholding	72,39,028	33.42	-	-	72,39,028	33.42
Total	2,16,63,937	100.00	-	-	2,16,63,937	100.00

- (f) There will also be no change in the public shareholding of the *Target Company*.
- (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 Trusts vide letter dated February 10, 2022 has also provided the following undertaking:

“Pulkit Seth Trust undertakes and confirms that Pulkit Seth Trust & the concerned trust deed are in compliance with the Guidelines outlined in the Schedule to the SEBI Circular dated December 22, 2017 and will always remain in compliance with the aforesaid Guidelines.”

7. The *Acquirer Trust*, vide the *Application* has confirmed compliance with the following Guidelines outlined in the Schedule to the SEBI Circular dated December 22, 2017:

- (a) The Trust is in substance, only a mirror image of the promoters’ holdings and consequently, there is no change of ownership or control of the shares or voting rights in the target company.
- (b) Only individual promoters or their immediate relatives or lineal descendants are Trustees and beneficiaries of the Trust.
- (c) The beneficial interest of the beneficiaries of the Trust has not been and shall not in the future, be transferred, assigned or encumbered in any manner including by way of pledge / mortgage.
- (d) In case of dissolution of the Trust, the assets will be distributed only to the beneficiaries of the trust or to their legal heirs;
- (e) The Trustees will not be entitled to transfer or delegate any of their powers to any person other than one or more of themselves.

- (f) Any change in the trustees / beneficiaries and any change in ownership or control of shares or voting rights held by the Trust shall be disclosed within 2 days to the concerned stock exchanges with a copy endorsed to SEBI for its record.
- (g) As far as the provisions of the SEBI Act, 1992 and the regulations framed thereunder are concerned, the ownership or control of shares or voting rights will be treated as vesting not only with the Trustees but also indirectly with the beneficiaries.
- (h) The liabilities and obligations of individual transferors under the SEBI Act, 1992 and the regulations framed thereunder will not change or get diluted due to transfers to the Trust.
- (i) The Trust shall confirm, on an annual basis, that they are in compliance with the exemption order passed by SEBI. The said confirmation shall be furnished to the company which it shall disclose prominently as a note to the shareholding pattern filed for the quarter ending March 31 each year, under Regulation 31 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.
- (j) The Trust shall get their compliance status certified from an independent auditor annually and furnish the certificate to the Stock Exchanges for public disclosure with a copy endorsed to SEBI for its records.
- (k) The proposed acquisition is in accordance with the provisions of the Companies Act, 2013 and other applicable laws.
- (l) The transferor is disclosed as promoter in the shareholding pattern filed with the Stock Exchanges for a period of at least 3 years prior to the proposed acquisition.
- (m) There is no layering in terms of trustees / beneficiaries in case of the Trust.

- (n) The Trust Deed Agreement does not contain any limitation of liability of the trustees / beneficiaries in relation to the provisions of the SEBI Act, 1992 and all regulations framed thereunder.

8. Considering the aforementioned, I am of the view that exemption as sought for in the *Application* (read with further submissions) may be granted to the *Proposed Acquirer*, subject to certain conditions as ordered herein below.

ORDER

9. 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. **Pulkit Seth Trust** from complying with the requirements of regulation 3(1) read with regulation 4 of the *Takeover Regulations 2011* with respect to the proposed direct acquisition in the *Target Company*, viz. **Pearl Global Industries Limited**, by way of proposed transaction as mentioned in the *Application*.

10. The exemption so granted is subject to the following conditions:

- (a) The proposed acquisitions 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*. The *Proposed Acquirer* shall also

ensure compliance with the provisions of the SEBI Circular dated December 22, 2017.

- (e) The *Proposed Acquirer* shall also ensure that the covenants in the Trust Deeds are not contrary to the above conditions and undertaking provided by the transferor. In such case, the Trust Deeds shall be suitably modified and expeditiously reported to SEBI.

11. 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; 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.

12. The *Application* dated October 06, 2021 read with other submissions, filed by **Pulkit Seth Trust**, is accordingly disposed of.

-Sd-

Place: Mumbai

Date: April 29, 2022

S. K. MOHANTY

WHOLE TIME MEMBER

SECURITIES AND EXCHANGE BOARD OF INDIA