

SECURITIES AND EXCHANGE BOARD OF INDIA

ORDER

**IN THE MATTER OF PROPOSED ACQUISITION OF SHARES OF KSB PUMPS LTD -
EXEMPTION FROM THE PROVISIONS OF CHAPTER III OF THE SEBI (SUBSTANTIAL
ACQUISITION OF SHARES AND TAKEOVERS) REGULATIONS, 1997**

WTMO/31/CFD/12/03

1.0 KSB Pumps Ltd (hereinafter referred to as "the target company") is stated to be a part of a worldwide group of business concerns known as the KSB Group. KSB Aktiengesellschaft, (hereinafter referred to as "the Acquirer") is stated to be the parent company of the KSB Group. 40.54% of the share capital of the target company is currently held by Canadian Kay Pump Ltd, another KSB Group Company which is a 100% subsidiary of PAB Pumpen Armaturenbetelngnengsgesellschaft GmbH (hereinafter referred to as PAB) which in turn is a subsidiary of the Acquirer. The Acquirer submitted an application dated October 15, 2003 for inter se transfer of the said 40.54% of the shareholding of the target company currently held by Canadian Kay Pump Ltd to the Acquirer. In respect of the said inter se transfer, vide the said application, the Acquirer sought exemption from complying with the provisions of regulations 10, 11 and 12 of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 (hereinafter referred to as "the said Regulations").

2.0 The Acquirer submitted that 40.54% of the Target company presently held by its subsidiary Canadian Kay Pump Ltd will be transferred within the Group in the following manner :-

Canadian Kay Pump Ltd which is a 100% subsidiary of PAB will be transferred to the Acquirer. Accordingly, Canadian Kay Pump Ltd will become a 100% subsidiary of the Acquirer. Later, Canadian Kay Pump Ltd will be voluntarily liquidated and wound up and all its assets including the said shareholding of 40.54% in the target company will be transferred to and shall vest in the Acquirer.

3.0 The Acquirer has submitted that the proposed transfer falls within the ambit of the exemption under Regulation 3(1)(e)(i) of the said Regulations which exempts inter se transfer of shares amongst a group within the definition of the Monopolies and Restrictive Trade Practices Act, 1969. The names of transferor and the transferee have been mentioned under related party disclosures in the last published annual report of the target company for the financial year 2002. However as the persons constituting such group have not been shown as group in the annual report of the target company, they are not eligible for exemption, and hence in respect of the proposed acquisition, the Acquirer sought exemption from the applicability of Regulation 10, 11 and 12 of the said Regulations. The Acquirer further submitted that there is no change in the control or management of the target company. Further, the categories / blocks of shareholders of the target company also remain the same before and after the proposed acquisition and the Acquirer is the parent company of the KSB Group of companies which include Canadian Kay Pump Ltd, PAB and the Target company

4.0 The said applications were forwarded to the Takeover Panel on October 29, 2003 in terms of sub-regulation (4) of regulation 4 of the said Regulations. The Takeover Panel has recommended, inter alia, as under:

“The facts disclosed in the application show that the intended acquisition is by transfer of the said equity shares inter-se within the KSB Group to the KSB AG and as such grant of exemption as sought is recommended subject to acquisition by transfer of the said equity shares from Canadian Kay Pump Ltd to KSB AG being effective on winding up of Canadian Kay Pump Ltd.” In view of the same, the Takeover Panel has recommended for grant of exemption as sought in the application.

5.0 I have taken into consideration the application dated October 15, 2003, further submissions made by the Acquirer vide letter dated October 23, 2003, the material available on record and the recommendations of Takeover Panel.

5.1 It is noted that the shares of the target company are listed on the Bombay Stock Exchange, National Stock Exchange and Pune Stock Exchange.

5.2 It is noted that acquisition is by transfer of 40.54% equity shares of the target company inter se within the KSB Group to the Acquirer which is stated to the parent company of the group.

5.3 It is noted that the modus operandi to be adopted for the acquisition of 40.54% shares of the target company by the Acquirer is to take place in two stages. Firstly, the entire share holding in Canadian Kay Pump Ltd, currently held by PAB Pumben will be transferred to the Acquirer. As a result of such proposed transfer, Canadian Kay Pump Ltd will become a 100% subsidiary of the Acquirer. Later, Canadian Kay Pump Ltd will be voluntarily liquidated and wound up and all its assets including the said shareholding of 40.54% in the Target company will be transferred to and shall vest in the Acquirer.

5.4 It is noted that as a result of the proposed transfer, there appears to be no change in control of the target company.

6.0 Taking into consideration the above, the recommendations of the Takeover Panel and the interest of the public shareholders of the Target company, I, in exercise of the powers conferred upon me under Section 19 of the Securities and Exchange Board of India Act, 1992 read with sub-regulation (6) of regulation 4 of the said Regulations, hereby grant exemption, to the Acquirer from complying with the provisions of Regulation 10, 11 and 12 of the said Regulations with regard to the proposed acquisition by way of inter se transfer of 40.54% shares of the target company in the manner described above.

7.0 The Acquirer is directed to complete the acquisition within a period of one year from the date of this order. The Acquirer is further directed that on completion of the acquisition, a report under Regulation 3(4) read with Regulation 3(5) of the said Regulations shall be filed with SEBI.

A.K.BATRA
MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA

Date: December 12, 2003

Place: Mumbai