

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	VODAFONE IDEA LIMITED
ACQUIRER	GOVERNMENT OF INDIA

Background

1. Vodafone Idea Limited (hereinafter referred to as "*Target Company / VIL*") was incorporated in 1995. The Target Company's registered office is at Suman Tower, Plot No. 18, Sector no. 11, Gandhinagar - 382011, Gujarat, India. The Target Company was listed on BSE and NSE on March 09, 2007. The VIL is engaged in providing telecommunication services. It offers services under two heads of Mobility services and Business (Enterprise) Solutions.
2. An Application dated March 30, 2025 (hereinafter referred to as "**Application**") seeking exemption from the applicability of Regulation 3(1) 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 Department of Investment and Public Asset Management

("DIPAM"), Ministry of Finance, Government of India ("GoI") (hereinafter referred to as "**Acquirer / Applicant**").

3. The submissions made by the Applicant in the Application are as under:
 - (a) The issued, subscribed and paid up Equity Share Capital of the Target Company is Rs. 7,13,93,03,50,010/- divided into 71,39,30,35,001 equity shares of Rs. 10/- each. The Target Company has a public shareholding of 61.20% and the remaining non-public shareholding of 38.80% is held by promoters and the promoter group.
 - (b) Telecom sector in India is facing several challenges and accordingly, the Government of India, announced the "Reforms and Support Package for Telecom Sector-Reg", dated September 15, 2021, providing certain relaxations in relation to payment of spectrum auction dues and Adjusted Gross Revenue ("AGR") dues ("**Telecom Relief Package, 2021**"), which was communicated to the telecom service providers ("TSPs") companies by the Department of Telecommunication, Ministry of Communications, Government of India ("**DoT**") vide letter dated October 14, 2021. The Telecom Relief Package, 2021 was announced to protect employment, promote healthy competition, protect interests of consumers, infuse liquidity, encourage investment and reduce regulatory burden on TSPs.
 - (c) In response to the Letter No. 1022/3/2018-WF (Pt II) dated October 14, 2021, issued by the DoT, the Target Company, as part of the Telecom Relief Package, 2021, vide Letter dated January 01, 2022, elected to opt for the following measures: (a) deferment of spectrum auction instalments due up to 4 years; (b) deferment of AGR related dues by 4 years; and (c) conversion of the full amount of interest related to

spectrum auction instalments and AGR dues into equity shares to be issued to the President of India (acting through and represented by DIPAM).

- (d) The GoI permitted TSPs to pay the due instalments by way of equity, before/after expiry of the moratorium/deferment period, consequent to a review of the prevailing situation, at the option of the GoI, as communicated by the DoT vide its Letter No. 1002/05/2024-LFP dated March 28, 2025.
- (e) The Target Company has vide Letters dated March 18, 2025, March 21, 2025, and March 28, 2025, expressed its inability to make payments towards Government dues which may also lead to GoI's current equity stake to be totally wiped out, and has therefore, submitted a proposal to the DoT requesting for further Government support by seeking approval for conversion of outstanding spectrum auction dues (including deferred dues) repayable after expiry of the moratorium period, for an amount equal to Rs. 3,69,50,00,00,000 ("**Outstanding Spectrum Auction Dues**") into equity shares of the Target Company.
- (f) Accordingly, and in furtherance of the above-mentioned public interest, the Government of India, vide Order No. 1002/05/2024/LFP dated March 29, 2025, has approved the conversion of the Outstanding Spectrum Auction Dues, subject to necessary clearances from SEBI, as applicable.
- (g) As described above, the Outstanding Spectrum Auction Dues owed by the Target Company are being converted to equity shares, pursuant to which the GoI shall acquire 36,95,00,00,000 equity shares of the Target Company (amounting to approximately 34.10% shareholding of the

Target Company on a post-acquisition basis). The GoI presently holds 16,13,31,84,899 equity shares in the Target Company (amounting to approximately 22.60% shareholding in the Target Company, on a pre-acquisition basis). Consequent to this acquisition of shares, the total number of shares held by the GoI (including the shares already held prior to this conversion) shall be 53,08,31,84,899 equity shares (amounting to approximately 48.99% shareholding in the Target Company, on a post-acquisition basis).

- (h) The proposed transaction involves issue of 36,95,00,00,000 equity shares of the Target Company to the GoI / Acquirer by way of order under Section 62(4) of the Companies Act, 2013.
- (i) The acquisition of the aforesaid shares of the Target Company by GoI would result in the cumulative shareholding of GoI in the Target Company exceeding twenty-five percent (25%) and consequently, in accordance with the provisions of the Takeover Regulations, 2011, shall require an open offer to be made to the public to acquire shares in the Target Company, in terms of the provisions of Regulation 3(1) of the Takeover Regulations, 2011.

Grounds for Seeking Exemption

- 4. The Applicant has sought exemption vide the Application on the following grounds:
 - (a) An open offer shall require additional investment for the acquisition of further equity shares by the GoI. Such a requirement renders the conversion of the outstanding dues to equity untenable as the purpose of this conversion shall be defeated, having a negative impact on the investors of the Target Company and the public at large. The sole intent

behind the conversion is in the larger public interest and to enable the Target Company, which is a major TSP, to continue servicing its customer base and increasing telecom penetration in India.

- (b) An open offer may result in the acquisition of further equity shares of the Target Company by the GoI which will result in cash outflow by the Government and may also result in GoI's shareholding in the Target Company potentially exceeding fifty percent (50%) and consequently, may entail acquisition of "control" in respect of the Target Company, which is not the intent of the GoI with respect to this conversion.
- (c) Moreover, at present, pursuant to this acquisition, the GoI has no intent to participate in the management or the board of directors of the Target Company and there is going to be no change in control of the Target Company. Further, such shareholding of the GoI shall be classified as 'public shareholding'.
- (d) Under Regulation 10(1)(i) of Takeover Regulations, 2011, exemption is provided from the obligation to make an open offer under Regulation 3 of Takeover Regulations, 2011 in case of acquisition of shares pursuant to conversion of debt as part of a debt restructuring plan implemented in accordance with the guidelines specified by the Reserve Bank of India. In this case, GoI is a creditor of VIL and VIL is not able to meet its obligations to GoI. Thus, issuance of equity shares by VIL to GoI shall amount to conversion of dues payable by VIL to GoI which shall be akin to conversion of debt into equity between a debtor and a creditor.
- (e) The Target Company, being a large listed company with numerous investors who have invested in the Target Company, is now facing a dire financial crunch which poses a significant risk to such investors. The

Government of India shall, through conversion of these dues into equity shares, provide crucial support to the Target Company, significantly improving the Target Company's financial health which shall consequently result in protection of the interests of investors and the security market.

- (f) SEBI has vide order dated May 25, 2022, previously granted an exemption from the open offer stipulations in terms of Regulation 3(1) of the Takeover Regulations, 2011 in the matter of direct acquisition of 33.44% shareholding and voting rights by the GoI in the Target Company pursuant to the Telecom Relief Package, 2021 offered to telecom service providers.

Consideration

- 5. I have considered the Application submitted by the Applicant and other material available on record. Before I proceed further, I deem fit to draw reference to the provisions of Regulation 3(1) of 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.”

- 6. Without reiterating the facts as stated above, I note the following:
 - (a) The proposed acquisition by the GoI in the instant case is intended to provide relief, in public interest, by easing liquidity and cash flow to the

TSP. GoI has permitted TSPs to pay the due instalments by way of equity, before/after expiry of the moratorium/deferment period, consequent to a review of the prevailing situation, at the option of the GoI, as communicated by the DoT vide its Letter No. 1002/05/2024-LFP dated March 28, 2025.

- (b) VIL has opted for the conversion of outstanding spectrum auction dues (including deferred dues) repayable after expiry of the moratorium period, for an amount equal to Rs. 36950,00,00,000/- (Rupees Thirty Six Thousand Nine Hundred and Fifty Crore Only) into equity shares. The equity shares shall be issued to GoI on preferential basis through issuance of an order under Section 62(4) of the Companies Act, 2013.
- (c) Pursuant to the above transaction, the shareholding of GoI in VIL shall increase from 22.60% to 48.99%. Such increase in shareholding of the GoI would trigger an open offer obligation under Regulation 3(1) of Takeover Regulations, 2011. The pre-acquisition and post-acquisition Shareholding in VIL is tabulated below:

Particulars	Shareholding before the proposed acquisition		Proposed Transaction		Shareholding after the proposed acquisition	
	No. of shares	% holding	No. of shares allotted on preferential basis	% holding	No. of shares	% holding
A. Promoter and Promoter Group						
Promoters & Promoter Group other than Acquirer	27,70,27,78,543	38.80	-	-	27,70,27,78,543	25.57
B. Public Shareholders						
Acquirer and PAC – GOI	16,13,31,84,899	22.60	36,95,00,00,000	34.10	53,08,31,84,899	48.99
Other Public shareholders	27,55,70,71,559	38.60	-	-	27,55,70,71,559	25.44
Total	71,39,30,35,001	100.00	36,95,00,00,000	34.10	1,08,34,30,35,001	100.00

- (d) The acquisition of shareholding by GoI in VIL is proposed with the sole intent of protecting the larger public interest. Moreover, at present, GoI has no intent to participate in the management or the Board of VIL and there shall be no change in control of VIL. Further, such holding of GoI shall be classified as Public Shareholding.
- (e) In terms of Regulation 10(1)(i) of the Takeover Regulations, 2011, acquisition of shares by lenders pursuant to conversion of their debt as part of a debt restructuring scheme implemented in accordance with the guidelines of Reserve Bank of India is exempt from the obligation to make an open offer. In my view, it shall be appropriate to treat the conversion of VIL's Outstanding Spectrum Auction Dues (including deferred dues) repayable after the expiry of the moratorium period, into equity shares to be issued to GoI, at par with a debt restructuring scheme as envisaged under Regulation 10(1)(i) of Takeover Regulations, 2011.
- (f) In view of the special circumstances of this matter, public policy and public interest involved in the entire transaction and taking into cognizance various steps taken by GoI to ease liquidity and cash flow to the TSPs as well as to help various banks having substantial exposure to the Telecom sector, I note that the proposed acquisition of shares by GoI merits consideration. Considering the fact that a substantial sum of money is due to be paid to the GoI by VIL, which may place a potential burden on the financials of VIL, and also that an open offer obligation on the part of GoI involves huge sums of cash outflow (from GoI), I find that it would be appropriate to grant exemption to the Acquirer from

open offer requirements as laid down in Regulation 3(1) of the Takeover Regulations, 2011.

Order

7. 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 Acquirer, i.e., the Government of India, from complying with the requirements of Regulation 3(1) of the Takeover Regulations, 2011 with respect to the proposed direct acquisition of equity shares in the Target Company, viz., **Vodafone Idea Limited**, by way of the proposed transaction as mentioned in the Application.
8. 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 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 Acquirer are true and correct.
9. 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.

10. The Application dated March 30, 2025 read with other submissions, filed by the Applicant, is accordingly disposed of.

PLACE: MUMBAI

DATE: APRIL 03, 2025

ASHWANI BHATIA

WHOLE TIME MEMBER

SECURITIES AND EXCHANGE BOARD OF INDIA