

**MANAGER
CORPORATION FINANCE DEPARTMENT
DIVISION OF CORPORATE RESTRUCTURING**

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Akzo Nobel N.V.,
C/o Alka Bharucha,
Partner,
Amarchand & Mangaldas & Suresh A. Shroff & Co.
Peninsula Chambers, Peninsula Corporate Park,
Ganpatrao Kadam Marg,
Lower Parel,
Mumbai – 400 013.

Madam,

Subject: Request for Interpretive letter under the Securities and Exchange Board of India (Informal Guidance) Scheme, 2003 in relation to the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 {the Takeover Regulations}

- 1.0 This has reference to your letter dated October 22, 2007 regarding the captioned subject.
- 2.0 You had represented as under;
 - 1) The applicant, Akzo Nobel N.V. (**Akzo Nobel**), is a company incorporated under the laws of The Netherlands and has its principal offices at Strawinskylaan 2555, 1077 ZZ Amsterdam P.O. Box 75730, 1070 AS Amsterdam.
 - 2) Akzo Nobel is engaged in the business of providing coatings and chemicals to customers across the globe with operating subsidiaries in more than 80 countries. Akzo Nobel is a Global Fortune 500 company and its shares are presently listed on Euronext Amsterdam and the NASDAQ. Akzo Nobel is a member of the Dow Jones Sustainability Index and the FTSE4 Good Index.
 - 3) Imperial Chemical Industries PLC (**ICI**) is a company incorporated under the laws of England and Wales (Registered Number: 00218019) with its registered office at 20 Manchester Square, London W1U 3AN having an authorized share capital

of £1,400,000,000 divided into 1,400,000,000 shares of £1 each, of which 1,195,688,221 shares were issued and fully paid up as at September 26, 2007.

- 4) ICI's shares are listed on the London Stock Exchange and it is a member of the FTSE100 Index, FTSE4 Good Index and the Dow Jones Sustainability Index.
- 5) ICI is one of the world's major coatings, adhesives, starch and synthetic polymers businesses, with its product portfolio including a wide range of industrial adhesives, specialty starches for the food industry, high performance polymers for personal care products, and coatings.
- 6) ICI carries on its business in various jurisdictions around the world and has a local presence in, amongst other places, India and Pakistan.
- 7) As at October 9, 2007, ICI owned approximately 52.96% of the equity share capital of its Indian subsidiary, ICI India Limited (**ICI India**), a company whose shares are listed on the Bombay Stock Exchange and the National Stock Exchange of India. ICI India has its registered office at Geetanjali Apartment, 1st Floor, 8-B, Middleton Street, Kolkata 700 071 and is engaged in the business of manufacturing and marketing paints, specialty chemicals, adhesives and starch.
- 8) Akzo Nobel is proposing to acquire the entire equity share capital of ICI (the **Acquisition**) by means of a scheme of arrangement of ICI (the **Scheme**) under Section 425 of the (English) Companies Act, 1985.
- 9) To this end, Akzo Nobel approached ICI on August 6, 2007 with an indicative proposal for acquiring the entire share capital of ICI.
- 10) On August 13, 2007, the Board of Directors of ICI and the Board of Management and Supervisory Board of Akzo Nobel announced that they had reached agreement on the terms of the proposed acquisition by Akzo Nobel of the entire issued and to be issued share capital of ICI.
- 11) The announcement also recorded that the Board of Directors of ICI had recommended that the shareholders of ICI vote in favour of the Scheme.
- 12) For the Scheme to be effective under English law, amongst other things, approval of the shareholders of ICI and the sanction of the High Court of Justice, Chancery Division (Companies Court) in England and Wales (the **English Court**) must be obtained.

- 13) On September 27, 2007, pursuant to an application made by ICI, the English Court passed an order convening the requisite meeting of ICI's shareholders.
 - 14) The court-convened meeting of the shareholders of ICI and an Extraordinary General Meeting of ICI are both scheduled to be held on November 6, 2007.
 - 15) Under the Scheme, shareholders of ICI may elect: (a) to have their shares cancelled, with the reserve arising from such cancellation being applied in paying up in full a number of new shares (which is equal to the number of shares cancelled) and such new shares being issued to Akzo Nobel, in consideration for which those shareholders will receive cash consideration; and/or (b) to transfer their shares to Akzo Nobel in consideration for which those shareholders will receive "loan notes" (a form of debt instrument) to be issued by Akzo Nobel.
 - 16) The Scheme is conditional on the satisfaction of certain conditions which must be fulfilled or, if permissible, waived on or before March 31, 2008 (unless such date is otherwise extended in accordance with the terms of the Scheme).
 - 17) The English Court's hearings to sanction the Scheme and to confirm the reduction of capital under the Scheme are expected to be held on December 17, 2007 and December 20, 2007 respectively.
 - 18)** Following the receipt of the orders of the English Court sanctioning the Scheme and confirming the reduction of capital under the Scheme, the Scheme will become effective upon delivery of office copies of such orders to the Registrar of Companies in England and Wales (the **ROC England**) and, in the case of the order relating to the reduction of capital, its registration by the ROC England.
 - 19)** Upon the Scheme becoming effective, ICI will become a wholly-owned subsidiary of Akzo Nobel, which will then indirectly acquire control over 20,776,213 shares representing approximately 52.96% of the issued and paid up equity share capital of ICI India (based on its existing equity share capital as at October 9, 2007).
- 3.0 In light of the above you had requested for an interpretive letter to the effect that regulation 10 & 12 of the Takeover Regulations would not apply to the proposed acquisition of control over ICI India & there would be no obligation on your part to make an open offer to shareholders of ICI India.

4.0 Without necessarily agreeing with your analysis, our views on the proposed transactions as mentioned in para 2.0 above in view of your submissions are as under -

- 1) Under Regulations 10 and 12 of the **Takeover Regulations**, no person can acquire, directly or indirectly, in excess of 15% of the equity share capital of a listed company, or otherwise acquire 'control' over a listed company, without making an open offer in accordance with the Takeover Regulations.
- 2) Under Regulation 14(4) of the Takeover Regulations, in the case of an indirect acquisition or change in control, the acquirer must make a public announcement within three months of the consummation of such acquisition or change in control of the parent company holding shares of, or control over, the listed company in India.
- 3) Regulation 3(1)(j)(ii) of the Takeover Regulations, however, provides that nothing contained in Regulations 10, 11 and 12 applies to the acquisition of shares and/or control over a listed company where such shares and or/ control is acquired "*... pursuant to a scheme of arrangement or reconstruction including amalgamation or merger or demerger under any law or regulation, Indian or foreign* [emphasis supplied]..."
- 4) In view of the aforesaid provision of the Takeover Regulations, the provisions of Regulations 10 and 12 shall not apply to the indirect acquisition of control over ICI India by Akzo Nobel and Akzo Nobel will not have any obligation to make an open offer to acquire shares of ICI India under the provisions of the Takeover Regulations, as the proposed acquisition of control is pursuant to a scheme of arrangement which may take place under section 425 of the UK Companies Act, 1985.

5.0 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.

6.0 Please note that this position is only with respect to applicability of Takeover Regulations and does not affect applicability of any law and other SEBI Regulations, Guidelines and circulars administered by SEBI or any other authority

Yours faithfully,

(AMIT KAPOOR)