

**SECURITIES AND EXCHANGE BOARD OF INDIA, MUMBAI**

**CORAM: DR. T. C. NAIR, WHOLE TIME MEMBER**

**ORDER**

**IN THE MATTER OF INCREASED SHAREHOLDING AND VOTING RIGHTS OF PROMOTERS OF TTK HEALTHCARE LIMITED – EXEMPTION APPLICATION FILED UNDER REGULATION 4 (2) OF SECURITIES AND EXCHANGE BOARD OF INDIA (SUBSTANTIAL ACQUISITION OF SHARES AND TAKEOVERS) REGULATIONS, 1997.**

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**WTMO/TCN/CFD/ 125/ JAN /2009**

**1.0 BACKGROUND**

- 1.1 M/s TTK Healthcare Limited (hereinafter referred to as the “target company”) is a company incorporated under the Companies Act, 1956 having its registered office at No. 6, Cathedral Road, Chennai, Tamilnadu, India 600 086.
- 1.2 The equity shares of the target company are listed on the Bombay Stock Exchange Ltd. (BSE) and the Madras Stock Exchange Ltd. (MSE).

**2.0 APPLICATION FOR EXEMPTION**

- 2.1 Vide letter dated September 17, 2008 the application under regulation 4(2) read with regulation 3(1)(I) of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 (hereinafter referred to as the ‘Takeover Regulations’) was filed on behalf of the promoters of the target company submitting inter alia the following.
- 2.2 It has been submitted that M/s T T Krishnamachari & Co., Mr. T T Jagannathan, Mr. T T Raghunathan, Mrs. Latha Jagannathan, Mrs. Bhanu Raghunathan, Mrs. Stina Vasu, Mrs. Shanthi Ranganathan, Mr. T T Mukund, Mr. T T Lakshman, Mr. T T Venkatesh, M/s TTK Tantex LTd., M/s TTK Prestige Ltd. (hereinafter collectively referred to as ‘the acquirers’) are the promoters of the target company and are presently holding 50,81,000 equity shares representing 62.65% of voting rights of the target company.

- 2.3 On July 25, 2008, the Board of Directors of the target company passed a resolution under section 77(A)(2)(b) of the Companies Act, 1956 approving the proposed buy-back from the shareholders of the target company, the fully paid up Equity Shares of the target Company of the face value of Rs. 10/- each up to a limit of 25% of the total paid-up capital and free reserves of the target company and not exceeding 25% of the total paid-up equity capital in a financial year at a maximum price of Rs.120 per equity share.
- 2.4 Consequently, the Board of Directors, in their meeting held on 25<sup>th</sup> July, 2008, proposed to seek the shareholders' approval by means of a Special Resolution through Postal Ballot and the notice of with respect to said resolution was dispatched on 14<sup>th</sup> August, 2008 to the shareholders of the target company.
- 2.5 The acquirers shall not sell any equity shares held by them in the proposed buy-back offer of the target company. In case of 100% response to the proposed buy-back offer of the target company, the voting rights of the acquirers would increase from 62.65% to 74.99%.
- 2.6 Since, the post buy-back shareholding of the acquirers may consequently trigger regulation 11(2) of the Takeover Regulations, the exemption has been sought by the acquirers under regulation 3(1)(I) read with regulation 4(2) of the Takeover Regulations, *inter alia*, on the following grounds:-
- (a) The acquirers are in control of the target company. There would be no change in control over the target company consequent to increase in voting rights pursuant to the proposed buy-back.
  - (b) There is no active acquisition of any equity shares of the target company by the acquirers. The proposed increase in voting rights of the acquirers would be incidental to the proposed buy-back offer of the target company.
  - (c) The acquirers are prohibited from selling their equity shares in terms of Regulation 15(b) of the SEBI (Buy-back) Regulations.
- 2.7 Vide letter dated September 25, 2008, the scrutinizer's report and the result of the postal ballot was filed with the Board on behalf of the acquirers.

2.8 The shareholding pattern of the target company before and after the proposed acquisition is as following:-

| <b>Category</b>                                                                                                          | <b>No. of shares held</b> | <b>% holding pre-buy-back</b> | <b>No. of shares held post buy-back</b> | <b>%holding post-buy-back</b> |
|--------------------------------------------------------------------------------------------------------------------------|---------------------------|-------------------------------|-----------------------------------------|-------------------------------|
| <b>Promoter's holding</b>                                                                                                | 5081000                   | 62.65                         | 5081000                                 | 74.99                         |
| <b>Non-Promoters Holding</b>                                                                                             |                           |                               |                                         |                               |
| <b>Institutional Investors</b>                                                                                           |                           |                               | <b>1694710</b>                          | <b>25.01</b>                  |
| Mutual Funds                                                                                                             | 936                       | 0.01                          |                                         |                               |
| UTI                                                                                                                      | 5436                      | 0.06                          |                                         |                               |
| Banks                                                                                                                    | 716                       | 0.01                          |                                         |                               |
| Financial Institutions, Insurance Companies (Central/State Govt. Institutions/Non-Govt. Institutions)                    | 3764                      | 0.05                          |                                         |                               |
| Foreign Institutional Investors                                                                                          | 145873                    | 1.80                          |                                         |                               |
| <b>Sub-Total</b>                                                                                                         | <b>156725</b>             | <b>1.93</b>                   |                                         |                               |
| <b>Others</b>                                                                                                            |                           |                               |                                         |                               |
| Private Corporate Bodies                                                                                                 | <b>255183</b>             | <b>3.14</b>                   |                                         |                               |
| Indian Public                                                                                                            | 2575016                   | 31.75                         |                                         |                               |
| NRIs/OCBs                                                                                                                | 42023                     | 0.52                          |                                         |                               |
| Others **                                                                                                                | 467                       | 0.01                          |                                         |                               |
| <b>Sub-Total</b>                                                                                                         | <b>2872689</b>            | <b>35.42</b>                  |                                         |                               |
| <b>Total Non-Promoters Holding</b>                                                                                       | <b>3029414</b>            | <b>37.35</b>                  |                                         |                               |
| <b>GRAND TOTAL</b>                                                                                                       | <b>8110414</b>            | <b>100.00</b>                 | <b>6775710</b>                          | <b>100.00</b>                 |
| ** "Others" represents the Shareholdings of the Independent/Professional Director who are not in control of the Company. |                           |                               |                                         |                               |

### **3.0 CONSIDERATION OF THE APPLICATION BY THE TAKEOVER PANEL**

- 3.1 The aforesaid application was forwarded by SEBI to the Takeover Panel in terms of sub-regulation (4) of Regulation 4 of the Takeover Regulations on October 01, 2008. The Takeover Panel vide its report dated October 6, 2008 observed that-

*“Considering the fact that the proposal for buy-back has been approved by the shareholders through postal ballot and the public shareholding even after the buy-back will remain above 25%, the panel found the proposal as favourable to the public shareholders and recommended the exemption to the Acquirer and PACs accordingly.”*

### **4.0 FINDINGS**

- 4.1 I have carefully considered the application dated September 17, 2008, the recommendations of the Takeover Panel and other relevant materials available on record.
- 4.2 I observe that in case of 100% response to the proposed buy-back offer, the shareholding and voting rights of the acquirers (who are also a part of the promoter group) would increase from 62.65% to 74.99%. The said increase in shareholding and voting rights is incidental to the corporate action of buy-back by the target company. Further, the proposed buy-back would not result in change in control over the target company as the acquirers belong to the promoter group of the target company and have control over it.
- 4.3 The minimum public shareholding requirement specified in Clause 40A of the Listing Agreement will not be breached by the said increase in shareholding and voting rights of the promoters. Thus, public shareholding will be maintained at above 25% limit on a continuous basis.

## **5.0 ORDER**

- 5.1 In view of the above findings, I, in exercise of the powers conferred upon me by virtue of section 19 of the Securities and Exchange Board of India Act, 1992 read with sub - regulation (6) of regulation 4 of Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, hereby grant exemption to the acquirers from complying with the provisions of Regulation 11(2) of SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1997 with respect to the increase in percentage shareholding and voting rights consequent upon the proposed buy-back of equity shares by the target company.
- 5.2 The exemption is granted subject to the condition that the acquirers shall ensure compliance with the statements, disclosures and undertakings made in the application and that the proposed buy-back of equity shares shall be in accordance with the Companies Act, 1956, the SEBI (Buy-back of Securities) Regulations, 1998, the Listing Agreement and other applicable laws.
- 5.3 This exemption shall not be construed as exemption from requirements of any other provisions of the Takeover Regulations (e.g. disclosure requirements under Chapter II), the Listing Agreement or any other law.

**Date : 09.01.2008**

**T. C. NAIR**

**Place : Mumbai**

**WHOLE TIME MEMBER  
SECURITIES AND EXCHANGE BOARD OF INDIA**