

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:7899
ANSWERED ON:17.05.2002
TAKEOVER OF COMPANIES QUESTION
DR. KIRIT SOMAIYA

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government have taken note of spurge into backdoor takeover by Various corporates;
- (b) if so, whether ACe, L& T, Madhusudan Oil are similar type of cases;
- (c) if so, whether the Government have received some representations from Mps/ Association;
- (d) if so, the details thereof; and
- (e) the action taken by Government in this regard ?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI GINGEE N. RAMACHANDRAN)

(a) The market regulator, the Securities & Exchange Board of India (SEBI) has taken appropriate action from time to time whenever backdoor takeovers of listed companies were noticed.

(b) SEBI has intimated that in case of L&T and ACe (target companies) shares aggregating to less than 15%. i.e. the threshold limit under regulation 10 of the SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1997, were acquired by Grasim and Ambuja Cements India Ltd. (acquirers) respectively. Pursuant to this acquisition, though representatives of the acquirers were appointed on the Boards of the target companies, this did not result in change in control of the target companies. Thus, in both cases, there was no contravention of regulation 10 and regulation 12 of the Takeover regulation by the acquirers.

In case of Madhusudan Oils and Refractories Ltd. acquisition through preferential allotment to Duravati AG, Germany, it was proposed in pursuance of a resolution passed under Section 81 (a) of the Companies Act, 1956. According to SEBI in terms of Reg. 3(1)(c) of the Takeover Regulations, the provisions contained in regulation 10, 11 and 12 of the regulations shall apply to acquisition through such a preferential allotment.

However, it is understood that the extraordinary general meeting called on 26.2.2002 for the purpose of considering the preferential allotment has since been postponed.

(c) Yes, Sir.

(d) The representations/letters received alleged, inter alia, violation of the SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1997; violation of the Companies Act, 1956; the passive role played by financial institutions etc.

(e) The matter was examined in consultation with the authorities concerned and the information received/action taken thereon was conveyed in response to the letters/representations received.