

**BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA
CORAM : PRASHANT SARAN, WHOLE TIME MEMBER**

ORDER

Under sections 11(1), 11(2)(j), 11(4) and 11B of the Securities and Exchange Board of India Act, 1992 read with section 12A of the Securities Contracts (Regulation) Act, 1956 in the matter of non-compliance with the requirement of minimum public shareholding by listed companies

In respect of Dalal Street Investments Limited

1. Securities and Exchange Board of India (hereinafter referred to as "SEBI") had passed an *interim order* dated June 04, 2013 (hereinafter referred to as "*the interim order*") with respect to 105 listed companies who did not comply with the Minimum Public Shareholding ("MPS") norms as stipulated under rules 19(2)(b) and 19A of the Securities Contracts (Regulation) Rules, 1957 (hereinafter referred to as "SCRR") within the due date i.e., June 03, 2013. The *interim order* was passed without prejudice to the right of SEBI to take any other action, against the non-compliant companies, their promoters and/or directors or issuing such directions in accordance with law. The *interim order* was to be treated as a show cause notice by those companies for action contemplated in *paragraph 18* thereof.

2. Dalal Street Investments Limited (hereinafter referred to as "the Company") is one such company against whom the *interim order* was passed. The equity shares of the Company are listed on the Bombay Stock Exchange Limited ("BSE").

3. The Company filed its replies to the *interim order* vide letters dated June 21, 2013 and July 30, 2013. An opportunity of personal hearing was afforded to the Company on August 26, 2013, when Mr. Pavan Kumar Sanwermal, Director of the Company and Mr. Narayan Parakh, Practising Company Secretary, appeared on behalf of the Company and made submissions. Written submissions were filed vide letter dated August 26, 2013. The representatives *inter alia* submitted that the Company had adopted the route of issue of equity shares on rights basis to non-promoters and that on July 20, 2013, the Company had allotted 90,074 equity shares to the

non-promoter shareholders of the Company. Pursuant to the same, the Company's promoters' shareholding was reduced to 57.12% and that the Company is now a 'clause 40A compliant company'. The representatives therefore requested SEBI to remove the name of the Company from the list of non-compliant companies and further requested to lift the restrictions imposed vide paragraph 17 of the *interim order* and not to take any other action contemplated in paragraph 18 thereof. The allotment of shares was done on July 20, 2013 whereas last date for compliance was June 03, 2013. The Company also made additional submissions vide letter dated September 02, 2013.

4. I have considered the submissions made by the Company and have perused the documents submitted by it and those on record. The Company has issued 90,074 equity shares to the non-promoter shareholders in the Rights Issue which had opened on June 26, 2013 and closed on July 10, 2013. As per the notice of BSE dated July 25, 2013, the aforesaid shares issued in the Rights Issue, which were allotted on July 20, 2013, were permitted to be listed on the BSE with effect from July 26, 2013. As per the shareholding pattern of the Company as on July 26, 2013, available on the website of the BSE, I note that the public shareholding in the Company is at 42.88%. Though the Company was under a three years' notice for achieving compliance with the MPS norms, I note that the Company has belatedly achieved compliance with rule 19A of the SCRR read with Clause 40A(i) of the Listing Agreement on July 20, 2013 (*the date of allotment of additional securities in the rights issue pursuant to which public shareholding had increased*).

5. I note from the documents submitted by the Company that it had proposed for a Rights Issue during December 2010. However, it not proceeded with as BSE did not permit the same as the promoter holding in the Company was more than 75%. Thereafter, vide letter dated May 24, 2011, the Company had sought permission for selling the shares of the promoters in the secondary market. The permission was granted subject till November 30, 2011. As the promoters were able to sell only 30 shares through the secondary market, permission was again requested and was granted by BSE till June 30, 2012. The said approval became inoperative in view of the amendments to Clause 40A which stipulated sale of shares held by promoters through the secondary market in terms of SEBI Circular dated February 01, 2012 (*this circular allowed the offer for sale of shares by promoters through a separate window provided by the stock exchanges*). The Company has not made any submissions with respect to further steps, if any, it had taken during the period November 2011 and March 2013 with respect to its compliance with the MPS norms. Thereafter, in the Extra-Ordinary General Meeting of the shareholders held on March 25, 2013,

the resolution regarding the allotment of equity shares on rights basis was passed. I also note that BSE, vide letter dated May 16, 2013 granted its in-principle approval for listing of equity shares proposed to be issued on rights basis, subject to the fulfilling of all formalities by the Company. As stated above, the shares issued on rights basis have been listed for trading on BSE.

6. In view of the foregoing, I find that the Company has delayed in complying with the MPS requirements stipulated under the SCRR and the Listing Agreement, even when it was under notice for three years for achieving such compliance. The Company is, therefore, warned for the same and is advised to ensure compliance with all the applicable laws and regulations administered by SEBI that govern its activities in the securities market. Considering the fact that the Company is now compliant with the stipulated minimum public shareholding level, I do not propose to initiate further action against the Company, its directors, promoters and promoter group, as contemplated in paragraph 18 of the *interim order*.

7. In view of the foregoing, I, in exercise of the powers conferred upon me under section 19 of the Securities and Exchange Board of India Act, 1992 read with sections 11(1), 11(2)(j), 11(4) and 11B thereof and section 12A of the Securities Contracts (Regulation) Act, 1956, hereby revoke the directions issued vide the *interim order* dated June 04, 2013 against the company, Dalal Street Investments Limited, its directors, promoters and promoter group, with immediate effect.

8. Copy of this Order shall be served on the stock exchanges and depositories for their information and action that may deem fit and necessary in this case.

PRASHANT SARAN
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA

Date : October 10, 2013

Place : Mumbai