

SECURITIES AND EXCHANGE BOARD OF INDIA

ORDER

IN THE MATTER OF PROPOSED ACQUISITION OF EQUITY SHARES OF JAGRAN PRAKSHAN LTD. – EXEMPTION APPLICATION FILED UNDER REGULATION 4(2) OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (SUBSTANTIAL ACQUISITION OF SHARES AND TAKEOVERS) REGULATIONS, 1997.

WTM/GA/CFD/127/2007

1.0 BACKGROUND

- 1.1 M/s Jagran Prakshan Ltd. (hereinafter referred to as 'the target company') is a company incorporated under the Companies Act, 1956, having its registered office at Jagran Building, 2, Sarvodaya Nagar, Kanpur -208005. The equity shares of the target company are listed on the National Stock Exchange of India Ltd. (NSE) and Bombay Stock Exchange Ltd. (BSE)
- 1.2 Independent News & Media Investments Ltd. (hereinafter referred to as the acquirer) are persons acting in concert with the promoter group of the target company and is presently holding 20.80% of the equity shares of the target company. The acquirer with the promoter group of the target company collectively holds 80% of the paid up capital of the target company.

2.0 APPLICATION FOR EXEMPTION

- 2.1 The acquirer was holding 26% of the equity shares of the target company prior to the public issue of the target company made in January 2006. The said offer had resulted into the reduction of acquirer's shareholding to 20.80%. Therefore, the acquirer desires to increase its shareholding in the target company by 1% to 3% by acquiring shares from the open market in the manner and mode as may be directed by Securities and Exchange Board of India (hereinafter referred to as SEBI) without any contravention on the part of the target company for its continuous listing.
- 2.2 Vide letter dated September 25, 2006, the acquirers filed an application with SEBI under regulation 4(2) read with regulation 3(1) (I) of Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 (hereinafter referred to as the Takeover Regulations). Since, the post acquisition shareholding of acquirer (together with the promoter group of the target company) shall increase to a level beyond 55%, the exemption is sought from the applicability of regulation 11(2) of the Takeover Regulations. The acquirer filed the said application inter alia on the following grounds:-
- i) it desires to increase its shareholding by 1% to 3% from open market in the manner and mode as may be directed by SEBI.
 - ii) the proposed acquisition shall not be detrimental to the interests of the investors (General Public).
- 2.3 The shareholding pattern of the target company before and after the proposed acquisition is as under:

Shareholders' category	Number of registered shareholders as on date of application	Shareholding		Shareholding	
		Before the acquisition	the proposed	After the proposed acquisition	
		Number of shares / total voting rights held	% of shares / total voting capital held	Number of shares / voting rights	% of shares / voting rights
Promoter	22	29715497	59.20	29715497	59.20
Acquirers(also acting in concert with the promoters)	1	10440580	20.80	i) if 1% acquisition is permissible : 10942531 ii) if 2% acquisition is permissible : 11444481 iii) if 3% acquisition is	21.80 22.80 23.80

				permissible : 11946433	
FIs/Banks	13	1175639	2.34	Will Depend	
FIIs/NRIs/OCBs	235	2006921	4.002		
Public	71847	6856460	13.658		
Total	72118	50195097	100.00	50195097	100.00

3.0 RECOMMENDATION OF THE TAKEOVER PANEL

- 3.1 The application filed by the acquirer was forwarded by SEBI to the Takeover Panel in terms of sub-regulation (4) of Regulation 4 of the Takeover Regulations. The Takeover Panel vide its report dated December 13, 2006 has recommended as under–

"Although it is claimed that the acquisition is not detrimental to the interests of the investors (General Public) the Committee after considering the pros and cons found that when there was a public issue in the recent past there was no reason for this application for exemption. The Committee was not convinced that this acquisition is for the benefit of the General Public and in the interest of the shareholders in general and Committee is of the view that it is only in the interest of applicant who wants to increase his holding from 1% to 3%.

The Committee after considering the facts of the case found that this is not a fit case for grant of exemption as claimed and recommended accordingly".

- 3.2 The copy of the recommendation of the Takeover Panel was forwarded to the acquirer by SEBI on January 08, 2007. SEBI had also granted an opportunity of hearing to the acquirer on January 19, 2007 to make its submissions. Dr. S.D Israni, Practicing Company Secretary represented the acquirer on the said date and made submissions before me on the lines of the aforesaid application filed by the acquirer.

4.0 FINDINGS

- 4.1 I have carefully considered the application filed by the acquirer, the aforesaid recommendations of the Takeover Panel, the submissions made by Dr. S.D Israni on behalf of the acquirer during the course of hearing and relevant materials available on record.
- 4.2 I observe that the acquirer was holding 26% of equity shares of the target company before the public issue of the target company made in the year 2006. The acquirer submitted that its holding was reduced to 20.80% of the total paid up capital of the target company in view of the aforesaid public issue. I note that the holding of acquirer alongwith promoter group is 80% and the minimum public shareholding requirement as per Listing Agreement is 10%. In terms of the proviso to regulation 11(2A) of the Takeover Regulations, if an acquirer (together with persons acting in concert with him) holds 55% or more but less than 90% of the shares or voting rights in a target company, is desirous of consolidating his holding, he can do it only by making a public announcement in accordance with the Takeover Regulations. Further, he has to ensure that the public shareholding in the target company does not fall below the minimum level permitted by the listing agreement.
- 4.3 I note that, in the present case, the grant of exemption from complying with the provisions of the Takeover Regulations, as sought by the acquirer would enable it (together with the promoter group) to acquire shares of the target company beyond 55%, which is not permitted without making a public announcement in terms of the provisions of the Takeover Regulations. The acquirer has not stated any specific ground (in the interest of shareholders of the target company) for the grant of exemption from making the public announcement under the provisions of Takeover regulations. The grounds specified in the application made by the acquirer are not convincing enough to grant exemption as sought by it and the said application is not in the interest of shareholders of the target company. In view of the above facts and circumstances, I do not find this as a fit case for the grant of exemption from complying with the provisions of the Takeover Regulations. Therefore, I agree with the recommendations made by the Takeover Panel.

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 SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, hereby dispose off the application dated September 25, 2006 filed by the acquirer, Independent News & Media Investments Ltd. in respect of its proposed acquisition of 1% to 3% of the equity shares of the target company, Jagran Prakashan Ltd. from open market.

G. ANANTHARAMAN
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA

Place: Mumbai

Date: 24-01-2007