DIAMOND POWER INFRASTRUCTURE LTD.
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25th March, 2016

To,

Deputy General Manager,
Dept. of Corporate Services,
BSE Limited,
P J Towers, Dalal Street,
Mumbai - 400 021

Deputy General Manager,
Dept. of Corporate Services,
National Stock Exchange of India Limited,
Exchange plaza, Bandra, Kurla Complex,
Bandra (East) Mumbai-400 051

Scrip Code: BSE: 522163 NSE: DIAPOWER

Sub.: Order under SEBI (Substantial Acquisition of Shares and Takeovers) Regulation, 2011.

Ref: ORDER No.WTM/PS/196/CFD-DCR/MAR/2016

Dear Sir,

With reference to above cited subject, we would like to inform to the exchanges that the Company's application dated 14th July, 2011 under Reg.11 of SEBI (SAST) Regulations, 2011 for availing the exemption under Regulation 3 of the SEBI (SAST) Regulation, 2011 has been considered positively by the Hon'ble Security Exchange Board of India vide its order No. WTM/PS/196/CFD-DCR/MAR/2016.

The said Order is enclosed, herewith, for the reference.
Please take note of the above and acknowledge the receipt of same.
Thanking You,

Yours faithfully,

For Diamond Power Infrastructure Limited
Diamond Power Infrastructure Limited

Amit Bhatnagar
Managing Director
Managing Director

Ref of SEBI Website:
http://www.sebi.gov.in/cms/sebi_data/attachdocs/1458733586863.pdf

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CIN:L31300GJ1992PLCO18198

SECURITIES AND EXCHANGE BOARD OF INDIA

ORDER

In the matter of proposed increase in promoters shareholding due to conversion of warrants (received against the unsecured loans) into equity shares of Diamond Power Infrastructure Limited – Application filed under Regulation 11(1) of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.

1. **Diamond Power Infrastructure Limited** (hereinafter referred to as 'the Target Company') is a company incorporated under the Companies Act, 1956, having its registered office at Phase II, Village- Vadavala, Taluka- Savli, District- Vadodara - 391520, Gujarat. The equity shares of the Target Company are listed on the BSE Limited (hereinafter referred to as 'BSE') and the National Stock Exchange Limited (hereinafter referred to as 'NSE').

2. Mr. Amit Bhatnagar (the applicant), a director of the Target Company, on behalf of the companies namely **Diamond Projects Limited and Diamond Power Transmission Private Limited** (both part of the promoter group of the Target Company) (hereinafter collectively referred to as '**Acquirers**') filed an application dated July 14, 2015 with the Securities and Exchange Board of India (hereinafter referred to as 'SEBI') under Regulation 11 of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 (hereinafter referred to as 'Takeover Regulations', seeking exemption from the applicability of the provisions of Regulation 3 of the Takeover Regulations, in respect of the increase in promoters' shareholding due to proposed conversion of financial assistance into warrants and later into equity shares. Such proposed conversion into equity shares will increase the shareholding of the promoter group of the Target Company (including the Acquirers) from 34.71% to 46.60%.

3. The applications dated July 14, 2011 and the subsequent communications dated August 04, 2015, August 18, 2015 and September 24, 2015, *inter alia* stated the following:

a. The Target Company was established in the year 1970 as a partnership firm and it got converted into a private limited company on August 26, 1992, with the name Diamond Cables Limited. The name was later changed to Diamond Power Infrastructure Limited with effect from October 20, 2007, by obtaining a fresh certificate of incorporation. The Target Company is a power infrastructure provider with presence across conductors, cables, transmission towers, etc. and sells its product under the brand name 'DICABS' and 'DIATRON'.

b. The Target Company in August 1993 had come out with an IPO of 30,00,000 equity shares of ₹10 each at par. The Target Company is listed on BSE and NSE and its shares are frequently traded.

c. As on the date of the application, the Acquirer namely Diamond Projects Limited was holding 18,68,673 equity shares of ₹10 each in the Target Company, constituting 3.46% of the total capital. There is no holding of Diamond Power Transmission Private Limited in the Target Company.

d. The Acquirers namely Diamond Projects Limited and Diamond Power Transmission Private Limited being the promoters of the Target Company have decided to infuse unsecured loan amounting to ₹33,07,00,000 each, aggregating to ₹66,14,00,000 as per the Restructuring Scheme approved by Joint Lenders Forum (hereinafter referred to as 'JLF') route. The Acquirers are getting such funds from the internal resources and partly from the promoters of respective companies.

e. The proposed Acquirers will acquire the shares on conversion of unsecured loan into warrants and later on the same will be converted into equity shares ranking *parri passu* with existing equity shares of the Company as per the terms of 'restructuring scheme' and not by way of acquisition from the existing shareholders. The proposed acquisition of 1,20,25,454 equity shares of the Target Company (at the price of ₹55 each) by the Acquirers will constitute 18.21% of the total (post issue) paid up capital of the Target Company.

f. Initially the bankers and the financial institutions had decided for CDR route of restructuring of the debts of the Target Company. In such case, SEBI would have exempted the Acquirers from the obligation of the open offer. As CDR approval would take long time for completion and hence, non-CDR restructuring under JLF route was decided for expedite implementation of restructuring package. Accordingly, the lenders had decided to drop the decision of CDR route of restructuring and proceeded with the JLF route.

g. The Restructuring Scheme was approved in principal by the lenders on March 11, 2015 which was approved by the Independent Evaluation Committee on May 05, 2015.

4. According to the Acquirers, the promoters and promoter group of the Target Company are already holding more than 25% shares of the Target Company. The proposed acquisition (by way of conversion of warrants) would increase the shareholding of the promoters and promoter group from 34.71% to 46.60% by more than 5% in a financial year, thus triggering Regulation 3 of the Takeover Regulations. The application has been made in respect of the said acquisitions in the Target Company, seeking exemption from making an open offer in terms of the Regulation 3 of the Takeover Regulations, on the following grounds:

a. The Target Company is a public limited company with paid up capital of ₹54,00,04,950 comprising of 21,083 shareholders. It has a total net-worth of ₹843.64 crores and has made a good name in the competitive market in India and also outside India. The Target Company has prestigious firms/ companies viz. Power Grid, GEB, Ashoka Bilcon, Tamil Nadu Electricity Board, L&T, IOCL, etc. as its customers. It has good order book position and in order to meet with the same, heavy financial investment in infrastructure and assets is required. The Target Company has already availed financial facilities worth ₹2,858.91 crores, from its bankers and financial institutions and is in need of more funds.

b. The Target Company had made proposal to various banks to work in consortium with the Bank of India as lead banker to give it the financial assistance.

c. Certain banks and financial institutions while looking to the future prospects of the Target Company have approved a restructuring scheme on May 29, 2015 under the JLF route. One of the prime conditions for such financial assistance is that the promoters and promoters' group will have to bring in their contribution worth ₹66.14 crores, in the Target Company. Such contribution of promoters shall be in the form of unsecured loan to the Target Company, which will be converted into warrants. The warrants again within the period of 18 months will be converted into equity shares of the Target Company. With such proposed conversion, the promoters will acquire shares worth ₹66.14 crores of the Target Company.

- **d.** The promoters of the Target Company are already holding 34.71% shares. Further, the acquisition of shares worth ₹66.14 crores by the promoters would increase the shareholding of the promoters and promoter group from 34.71% to 46.60%, which is in excess of the threshold limit stipulated under Regulation 3(2) of the Takeover Regulations.
- **e.** The promoters are pouring in their personal funds in the form of loan to the Target Company for its betterment and revival. The acquisition of the shares upon conversion is not upon the volition of the Acquirer/ promoters but upon happening of an event which is beyond their control. The same is as per the 'Final Rehabilitation Scheme' approved by JLF and on the basis of the same 'Master Restructuring Agreement' was executed on May 29, 2015. Hence, in case obligation of open offer is imposed on the promoters then the same will be an additional cost. The cost of compliance of open offer shall be huge and the same will involve lot of time at each stage.
- **f.** The proposed Acquirers i.e. Diamond Projects Limited and Diamond Power Transmission Pvt. Limited are part of the promoters' group companies promoted by Mr. S.N. Bhatnagar, Mr. Amit Bhatnagar and Mr. Sumit Bhatnagar
- **g.** In case the Target Company is not given the financial assistance by bankers and the financial institutions than there is scope that the Company may go into closure and it will leave many workers jobless.
- **h.** The Target Company has many orders, in case these are met, the same shall make it functional and profitable. Once it becomes profitable, the interest of shareholders shall also be served as they will be rewarded, in turn of their investment in shares.
- **i.** Pursuant to the proposed conversion of warrants into equity shares of the Target Company, the Acquirers shall not be acquiring in excess of the maximum limit prescribed and the public shareholding would still be in compliance with the minimum public shareholding requirement and the Acquirers will not be having absolute control over the Target Company.
- **j.** The Acquirers along with the application for exemption under Regulation 11 of Takeover Regulations have also made another application under Regulation 72(2) of SEBI (Issue of Capital and Disclosure Requirements) Regulations 2009 (hereinafter

referred to as 'ICDR Regulations'). Regulation 72(2) of ICDR Regulation restricts the issuer/ Target Company from making preferential issue of securities to any person who has sold any equity shares of issuer/ target Company during the six months preceding the relevant date. In this regard, it has been stated that 75,55,874 equity shares of the promoter group {i.e. 13,87,461 equity shares of Diamond Projects Limited and 61,68,413 equity shares of Madhuri Finserve Pvt. Limited (earlier known as Diamond Tele Cabs Pvt. Limited)} were under lien with IFCI Limited. For recovery of its dues, IFCI Limited had sold 72,101 equity shares of the Target Company, held by Diamond Projects Limited. The sale transaction of such shares was carried out on February 13, 2015 and on February 16, 2015. The Acquirers presumes that the relevant date for consideration shall be within period of six months of the sale transaction and the Acquirer is required to apply for exemption under Regulation 72(2) of ICDR Regulations.

k. Acquirer being promoter of company only has the interest that the company functions and that good order book position can be met with and that the company becomes profitable and dividend paying company.

5. The Target Company vide its letter dated September 24, 2015 has submitted a certificate from the Chartered Accountant confirming the infusion of ₹41.15 crore towards part of the restructuring agreement. Vide another letter dated January 21, 2016, it has been submitted that the promoters of the Target Company have already brought the agreed amount of contribution in the form of unsecured loan which needs to be converted into equity shares of the Target Company, as per the terms of the restructuring scheme, subject to the approval of SEBI. Vide this letter, it was also stated that as per the scheme a pledge is to be created on the present and future share holdings of the promoters. In view of the same, the shares proposed to be allotted against the equity contributions of the promoters would also be liable for pledge. Further, it has been stated that the lenders are insisting the Target Company, to speed up the matter on priority basis or otherwise by reason of the non-fulfilment of one of the primary conditions (i.e. to create pledge on the new shares which is to be allotted against the promoters contribution), the bankers may degrade their account to Non-Performing Assets.

6. The application of the proposed Acquirers was referred to a panel of Experts (hereinafter referred to as 'the Panel') to make recommendation thereon, in terms of the proviso to Regulation 11(5) of the Takeover Regulation. After examination of the facts and circumstances stated in the application, the Panel, recommended as under:

> "*… the JLF mechanism has been instituted by RBI to address financial stress in companies and it is akin to CDR. It was also observed that the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 ('Takeover Regulations') specifically provides general exemption from the requirement of making open offer for acquisitions pursuant to CDR scheme. The same exemption is currently not available for the JLF mechanism. It was also noted that JLF has been recently introduced by RBI in the year 2014. Further, the current market price of the shares of the company is approximately ₹40 whereas the conversion price applicable for the promoter group is more than ₹50 and hence, the promoter group is not acquiring shares at a price lower than the current market price. In view of the same, the Panel recommended the exemption as sought by the applicant.*"

7. I have considered the application, the report of the Panel and the material available on record. It has been said that the infusion of funds by the promoter group and restructuring of loans by the Banks/ financial institutions would assist the Target Company. I note that the proposed conversion of warrants into equity shares is in pursuance of a restructuring scheme approved by JLF. The said acquisition of the shares would result in the increase of the shareholding of the promoters and promoter group from 34.71% to 46.60%. The Acquirers have proposed to acquire 18.21% shares by way of conversion of warrants. The shareholding of the proposed Acquirers (part of promoter group) in the Target Company before and after the proposed conversion into equity shares, as brought out in the application, is mentioned below:

Promoters and Promoter group	**Before proposed acquisition**		**After proposed acquisition**	
	Shares	**% of share capital**	**Shares**	**% of share capital**
Promoters other than Acquirers	1,68,76,675	31.25	1,68,76,675	25.55
Diamond Power Transmission Pvt. Limited	**0**	**0**	**60,12,727**	**9.11**
Diamond Projects Limited	**18,68,673**	**3.46**	**78,81,400**	**11.94**
Total	**1,87,45,348**	**34.71**	**3,07,70,802**	**46.60**

The shareholding pattern of the Target Company (before and after the proposed acquisition) will be as under:

Category	**Before proposed acquisition**		**After proposed acquisition**	
	Shares	**% of share capital**	**Shares**	**% of share capital**
Promoter & promoter group	**1,87,45,348**	**34.71**	**3,07,70,802**	**46.60**

FIs/ Bank	48,865	0.09	48,865	0.07
FIIs/ NRIs/OCBs	1,67,80,773	31.07	1,67,80,773	25.41
Public	1,84,25,509	34.13	1,84,25,509	27.92
Total	**5,40,00,495**	**100**	**6,60,25,949**	**100**

8. I note that the Acquirers are admittedly part of the promoter group. Pursuant to the proposed transaction, the shareholding of the promoters and promoter group would increase from 34.71% to 46.60%. The said increase from 34.71% to 46.60% is beyond 5%, thereby triggering Regulation 3(2) of the Takeover Regulations.

9. I note that the Panel has also observed that the JLF mechanism instituted by Reserve Bank of India is akin to CDR. And that the Takeover Regulations specifically provides general exemption from the requirements of making open offer for acquisition of shares pursuant to the CDR scheme. The Panel has also observed that the promoter group is not acquiring the shares at a lower price than the current market price and recommended the exemption as sought by the applicant.

10. I note that restructuring scheme of the Company is already approved by JLF on May 29, 2015. The Reserve Bank of India in its circular on 'Strategic Debt Restructuring Scheme' dated June 08, 2015 has stated that JLF must incorporate an option to convert the loan into shares in the Company. The relevant portion of the said circular is as under:

> "… *JLF/Corporate Debt Restructuring Cell (CDR) may consider the following options when a loan is restructured:*
> - *Possibility of transferring equity of the company by promoters to the lenders to compensate for their sacrifices;*
> - *Promoters infusing more equity into their companies;*
> - *Transfer of the promoters' holdings to a security trustee or an escrow arrangement till turnaround of company. This will enable a change in management control, should lenders favour it.*
>
> …"

The proposed acquisition of shares by conversion of warrants is in line with the circular of Reserve Bank of India. Further, I note that the special resolution for issuing equity warrants on preferential basis to the promoters of the Company and option to lenders to convert the loans into equity shares was passed on August 03, 2015, with 99.98% votes in favour. It is also noted that the proposed acquisition at ₹55 per share (as noted in the application) is reasonably higher than the present market price of the scrip i.e. ₹25.10 as on March 22, 2016, the same does not give any unfair advantage to the promoters.

Further, it is noted that the proposed acquisition would not result in any change of control of the management of the Target Company. Pursuant to the proposed acquisition of shares, the Target Company will continue to be in compliance with the Minimum Public Shareholding requirements. I also note that the proposed acquisition would not affect or prejudice the interests of the public shareholders of the Target Company, in any manner.

11. In view of the above, I agree with the observations and recommendations of the Panel and consider it to be a fit case for granting exemption from the requirements of Regulation 3(2) of the Takeover Regulations.

12. In view of the foregoing, I, in exercise of the powers conferred under Section 19 of the Securities and Exchange Board of India Act, 1992 read with Regulation 11(5) of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, hereby grant exemption to the proposed Acquirers namely Diamond Projects Limited and Diamond Power Transmission Private Limited from complying with the requirements of Regulation 3(2) of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 with respect to its proposed acquisition of 1,20,25,424 shares (i.e. 18.21%) of the Target Company, **Diamond Power Infrastructure Limited** by way of conversion of warrants, subject to the following conditions:

a. The proposed acquisition shall be in accordance with the relevant provisions of the Companies Act, 2013 and other applicable laws.

b. On completion of transaction, the Acquirers shall file a report with SEBI in the manner provided in the Takeover Regulations, within a period of 21 days from the date of such acquisition.

c. The statements/ averments made or facts/ figures given in the application and in the subsequent correspondence by the Acquirers are true and correct to their best knowledge.

d. The Acquirers/ Target Company shall ensure compliance with the statements, disclosures and undertakings made in the application and in their subsequent correspondence.

13. The exemption granted above is limited to the requirements of making open offer under Regulation 3(2) of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 and shall not be construed as exemption from the disclosure requirements under Chapter V of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, the compliance with the SEBI (Prohibition of Insider Trading) Regulations, 2015, the Listing Agreement/ the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 or any other applicable Acts, Rules and Regulations.

14. Accordingly, the application dated July 14, 2015 filed by Mr. Amit Bhatnagar on behalf of Diamond Projects Limited and Diamond Power Transmission Private Limited is disposed off.

Date: March 23rd, 2016
Place: Mumbai

PRASHANT SARAN
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA