

SECURITIES AND EXCHANGE BOARD OF INDIA

ORDER

In the matter of proposed acquisition of equity shares of Allahabad Bank - Application filed under Regulation 11(1) of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011

1. **Allahabad Bank** (hereinafter referred to as 'the **Target Company**' or 'the **Bank**') is a public sector bank, having its Registered/ Head Office at 2, Netaji Subhas Road, Kolkata- 700 001. The shares of the Bank are listed on the Bombay Stock Exchange Limited ('**BSE**') and the National Stock Exchange of India Limited ('**NSE**').
2. The Bank filed an application vide letter dated April 11, 2016, with the Securities and Exchange Board of India (hereinafter referred to as 'the **SEBI**'), on behalf of its promoter, the **Government of India** (hereinafter referred to as 'the **GoI**'), under Regulation 11(1) of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 (hereinafter referred to as 'the **Takeover Regulations**'), seeking exemption for the GoI from the applicability of Regulation 3(2) of the Takeover Regulations, in respect of the proposed acquisition of 10,92,29,064 equity shares by the GoI through a proposed preferential allotment by the Bank. In the aforesaid application, *inter alia*, the following submissions were made:
 - a. The GoI is holding 37,67,49,121 shares i.e. 61.38% of the paid-up capital of the Bank.
 - b. The GoI, as part of the project 'INDRADHANUSH PLAN', for revamp of the public sector banks had infused additional capital in the public sector banks including the Target Company. During the financial year 2015-16, the GoI had infused ₹283 crore in the Target Company and equity shares were allotted on preferential basis to GoI on September 30, 2015.
 - c. The GoI, through Ministry of Finance, had vide letter dated March 28, 2016, conveyed its decision to infuse capital funds to the tune of ₹690 crore in the Bank against allotment of equity on preferential basis in favour of the GoI. The Bank has received the said capital infusion funds i.e. ₹690 crore from the GoI on March 30, 2016 and the same is held as 'share application money' (received in advance).

- d. The Reserve Bank of India (hereinafter referred to as 'RBI') vide letter dated April 06, 2016, has permitted the Bank to treat the said capital infusion fund as a part of Common Equity Tier-1 (CET 1) Capital under Basel III norms as on March 31, 2016.
 - e. The Target Company has convened an Extraordinary General Meeting on May 04, 2016 for seeking approval of the shareholders to issue and allot upto 10,92,29,064 new equity shares of face value ₹10 each of Bank to GoI at an issue price of ₹63.17. As the GoI would be acquiring more than 5% shares of the Bank in a financial year, the GoI had asked the Target Company to take all necessary steps/ approvals.
 - f. As the entire issue is being made to the GoI, the major shareholder and promoter of the Bank, there would not be any change in control in the management of the Bank.
3. Thereafter, SEBI vide e-mail dated April 28, 2016, sought certain details/ clarification from the Target Company i.e. the quantum of acquisition by the GoI in September 2015 and whether the same has been taken into account while calculating the pre-promoter shareholding in terms of explanation to Regulation 3(2) of the Takeover Regulations. The Target Company vide its letter dated April 28, 2016, submitted the clarification/ response to the queries of SEBI.

It has also been said that the GoI, through Ministry of Finance, pursuant to the letter dated March 28, 2016, has remitted the capital infusion fund (i.e. of ₹690 crore) to the Bank on March 30, 2016, with advice that the capital infusion is for the financial year 2015-16. Further, as the prior approval of the shareholders for preferential issue is a pre-requisite in terms of the SEBI (Issue of Capital and Disclosure Requirements) Regulations 2009 (hereinafter referred to as 'ICDR Regulations'), the capital infusion fund received by the Bank from GoI on March 30, 2016 has been kept in Share Application account.

4. I have considered the application made by the Bank on behalf of the GoI, the documents enclosed thereto and the material available on record. The GoI (a shareholder of the Target Company under the category 'Promoter and Promoter Group'), which is the proposed Acquirer, presently holds 37,67,49,121 shares in the Bank, which constitutes 61.38% of the total number (i.e. 61,38,04,174 shares) of equity shares of the Bank.

5. I note from the letter dated March 28, 2016 (i.e. letter from the Ministry of Finance, GoI to the Target Company) that the GoI has decided to infuse capital to the tune of ₹690 crore in the Target Company, by way of preferential allotment of equity in favour of the GoI. The Target Company has submitted that pursuant to the said decision of the GoI, the Bank has received ₹690 crore and has held the same as Share Application money. I note that an Extra-Ordinary General Meeting of the shareholders of the Bank was convened on May 04, 2016 and the resolution to create, offer, issue and allot upto 10,92,29,064 equity shares of face value of ₹10 each for cash at an Issue Price of ₹63.17 in favour of GoI was approved subject to regulatory approvals.

The proposed allotment of 10,92,29,064 equity shares of the Target Company to the GoI would increase the shareholding of the GoI (in the Target Company) by around 5.83%. This resultant increase in the shareholding/ voting rights of the GoI would mandate an open offer under the provisions of Regulation 3(2) of the Takeover Regulations, unless the same is exempted under Regulation 11 of the Takeover Regulations. Accordingly, the Target Company on behalf of GoI, has sought exemption from the applicability of the said regulation.

6. In the application, the following points were put forth as justification by the Bank for seeking exemption on behalf of the GoI from SEBI:
- a. GoI desires that all public sector banks should be adequately capitalized to keep a safe buffer over and above the minimum norms of Basel III.
 - b. RBI has permitted the Bank to treat the capital infusion fund as a part of Common Equity Tier-1 (CET 1) Capital under Basel III norms as on March 31, 2016.
7. The issue price for the proposed allotment has been fixed at ₹63.17 per equity share of ₹10 each. I have perused the shareholding pattern of the Target Company as available on the BSE website for the quarter ended March 2016 and note that the Promoter & Promoter group (GoI) presently hold 61.38% of the equity capital in the Target Company. The proposed allotment of 10,92,29,064 equity shares of the Target Company to the GoI would increase the shareholding of GoI to 67.21%.
8. In this regard, I note that such additional capital will help the Bank to keep a safe buffer over and above the minimum norms of Basel III and would give additional

leverage to raise further equity capital at a later date as and when the need arises. I note that the capital adequacy of the Bank is a requirement to protect its small customers as well as the public shareholders who have invested in its equity. Further, there would be no change in the management control in the Target Company.

9. Considering the proposed allotment of equity to the GoI in the light of the reasons stated by the Target Company and the observations made above, I am of the considered view that this is a fit case to grant exemption under Regulation 11(1) of the Takeover Regulations to the GoI from the obligation to make an open offer as stipulated under Regulation 3(2) of the Takeover Regulations with respect to its proposed increase of shares/ voting rights of around 5.83% in the Target Company, pursuant to the proposed preferential issue and allotment of 10,92,29,064 equity shares by the Target Company to the GoI.
10. 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 Regulation 11(5) of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, hereby grant exemption to the proposed Acquirer, the Government of India, from complying with the requirements of Regulation 3(2) of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, with respect to its proposed acquisition of 10,92,29,064 equity shares of Allahabad Bank by way of preferential allotment. The above exemption is granted subject to the following conditions, in the interest of investors and the securities market:
 - a. The proposed acquisition shall be in accordance with the relevant provisions of the Companies Act, 1956, the Companies Act, 2013, the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970, the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009, the Listing Agreement, the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and all other applicable laws.
 - b. The GoI/ Target Company shall ensure compliance with the statements, disclosures and undertakings made in the application and in subsequent correspondence.
 - c. The exemption is only limited to the requirements of making open offer under Regulation 3(2) of the Takeover Regulations and shall not extend to other obligations

(e.g. disclosure requirements under Chapter V of the said Takeover Regulations, Listing Agreement/ Regulations or any other law) of the GoI/ Target Company.

11. Accordingly, the application filed by Allahabad Bank vide letter dated April 11, 2016 on behalf of the Government of India is disposed off.

Date : May 12th, 2016
Place : Mumbai

PRASHANT SARAN
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA