

SECURITIES AND EXCHANGE BOARD OF INDIA

ORDER

UNDER SECTIONS 11(1), 11(2)(j), 11(4) AND 11B OF THE SEBI ACT 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 RMG ALLOY STEEL LIMITED [EARLIER KNOWN AS REMI METALS GUJARAT LIMITED].

BACKGROUND –

1. RMG Alloy Steel Limited (“**RMG Alloy**”) [earlier known as Remi Metals Gujarat Limited] is a listed company, which was incorporated under the Companies Act, 1956. The shares of RMG Alloy are listed on BSE Limited (“**BSE**”).

AD-INTERIM EX PARTE ORDER DATED JUNE 4, 2013 –

2. Vide an Order dated June 4, 2013 (“**Interim Order**”), SEBI issued the following directions *inter alia* against RMG Alloy and its Directors, Promoters and Promoter Group, on the basis of details furnished by BSE, for having failed to meet the minimum public shareholding requirement by June 3, 2013, –

“17. Hence, in exercise of the powers conferred upon me by virtue of Section 19 and under Sections 11(1), 11(2)(j), 11(4) and 11B of the Securities and Exchange Board of India Act, 1992 (“**SEBI Act**”) read with Section 12A of Securities Contracts (Regulation) Act, 1956 (“**SCRA**”), pending passing of the final order in these cases, I hereby:

- a. Direct freezing of voting rights and corporate benefits like dividend, rights, bonus shares, split, etc. with respect to the excess of proportionate promoter/promoter group shareholding in the above mentioned non-compliant companies, till such time these companies comply with minimum public shareholding requirement.

i. ...

ii. ...

- b. *Prohibit the promoter/promoter group and directors of these non-compliant companies from buying, selling or otherwise dealing in securities of their respective companies, either directly or indirectly, in any manner whatsoever, except for the purpose of complying with minimum public shareholding requirement till such time these companies comply with the minimum public shareholding requirement.*
 - c. *Restrain the shareholders forming part of the promoter/promoter group in the non-complaint companies from holding any new position as a director in any listed company, till such time these companies comply with the minimum public shareholding requirement.*
 - d. *Restrain the directors of non-compliant companies from holding any new position as a director in any listed company, till such time these companies comply with the minimum public shareholding requirement.*
- ...

ORDER DATED OCTOBER 14, 2013 –

3. Thereafter, RMG Alloy filed an Appeal against the Interim Order, before the Hon'ble Securities Appellate Tribunal (“**SAT**”) (Appeal No. 149 of 2013). The Hon'ble SAT vide its Order dated September 17, 2013, directed SEBI to treat the Appeal Memorandum as the Company's representation and to dispose of the same within a period of one month from the date of its Order.
4. During the personal hearing held before SEBI on September 24, 2013, RMG Alloy *inter alia* submitted –
 - a. The Company was declared a ‘Sick Industrial Company’ on August 10, 1999 by the Board for Industrial and Financial Reconstruction (“**BIFR**”), pursuant to which a Scheme for rehabilitation was approved on October 18, 2002 under Section 18 of the Sick Industrial Companies (Special Provisions) Act, 1985 (“**SICA**”).
 - b. The Scheme was modified by BIFR from time to time, by Orders passed on September 23, 2008; May 18, 2010 and November 22, 2010 and also by the Order dated February 13, 2009 of the Appellate Authority for Industrial and Financial Reconstruction (“**AAIFR**”).
 - c. The modified *Scheme* specifically allowed the Promoter Group to collectively hold shares in excess of 75% of the share capital of the Company and required the Company to obtain specific permission from the BIFR before diluting such shareholding for the purpose of meeting regulatory Guidelines.

- d. Though the Company's Promoters disposed of 50,86,298 shares (4.69%) between July–November 2010, they were unable to dispose of any additional shares due to circumstances beyond their control. The Company therefore filed a Miscellaneous Application before the BIFR and sought an extension of the period from 3 years to 5 years to reduce the Promoter Group's shareholding.
- e. The BIFR by its Order dated March 23, 2012, permitted the Promoters of the Company to offload their shares within 5 years from February 7, 2009 i.e. by February 7, 2014.
- f. In terms of Section 32 of the SICA, the provisions of the said Act, Rules or *Schemes* made there under shall have overriding effect on other laws except the Foreign Exchange Management Act, 1999 and the Urban Land (Ceiling and Regulation) Act, 1976. Such overriding powers were not available under the SEBI Act and therefore, RMG Alloy requested that the directions imposed vide the *Interim Order* be vacated at the earliest.

ORDER DATED OCTOBER 14, 2013 –

5. After considering the aforementioned submissions, SEBI vide an Order dated October 14, 2013, vacated the *Interim Order*. However, SEBI directed that the aforesaid *Interim Order* shall immediately be revived (*without the need for passing of a separate order*) against RMG Alloy, its Directors, Promoters and the Promoter Group, if–
 - (i) *The promoter shareholding in the Company is not reduced to 75% or less within February 6, 2014 being the end of the period till which the Hon'ble BIFR had given exemption; and*
 - (ii) *The Company fails to increase its public shareholding to the minimum 25% as stipulated under Rule 19A of the SCRR, within the said time frame (i.e. on or before February 6, 2014)."*

MODIFICATION ORDER DATED MARCH 3, 2014 –

6. Thereafter, RMG Alloy vide an e–mail dated February 21, 2014, informed SEBI that it had approached the Hon'ble BIFR through a Misc. Application seeking extension of a further 2 years from February 6, 2014, for disposal of shares in order to reduce the shareholding of Promoters/Co-Promoters/Strategic Investors upto 75% of shareholding. Further, it informed SEBI that the Hon'ble BIFR in the hearing held on January 16, 2014 had granted extension of time of 2 years i.e. till February 6, 2016, to the Promoters/Co-Promoters/Strategic Investors of RMG Alloy for diluting their shareholding in the Company to 75% or below.

7. Upon a consideration of the aforementioned e-mail dated February 21, 2014, SEBI modified the Order dated October 14, 2013 vide an Order dated March 3, 2014 (“**Modification Order**”), to the extent that the directions issued vide the *Interim Order* shall immediately be revived (*without the need for passing of a separate order*) against RMG Alloy, its Directors, Promoters and the Promoter Group, if–
- (i) *The promoter shareholding in the Company is not reduced to 75% or less within February 6, 2016 being the end of the period till which the Hon’ble BIFR had given exemption as per its Order dated January 16, 2014; and*
 - (ii) *The Company fails to increase its public shareholding to the minimum 25% as stipulated under Rule 19A of the SCRR, within the said time frame (i.e. on or before February 6, 2016). ”*
8. During the intervening period, RMG Alloy vide a letter dated November 2, 2017, had requested SEBI’s approval for employing the method of allotment of shares to the lender banks under Strategic Debt Restructuring (“**SDR**”) Scheme of the Reserve Bank of India (“**RBI**”) to comply with the requirement of minimum public shareholding. The approval was granted by SEBI on December 19, 2017. However, subsequently, RMG Alloy informed SEBI that the RBI had discontinued the extant SDR Scheme on February 12, 2018. Accordingly, the aforesaid transaction under SDR schemes could not be completed by RMG Alloy.
9. Thereafter, vide a letter dated March 1, 2018, RMG Alloy had requested SEBI’s approval for employing the method of preferential allotment of shares and warrants convertible into equity shares to third party investors (i.e. public shareholders) and Welspun Steel Limited (a Promoter) to comply with the requirement of minimum public shareholding. SEBI did not grant its approval to the aforesaid request made by RMG Alloy and the same was communicated to the Company vide SEBI letter dated April 3, 2018.
10. Subsequently, vide a letter dated April 20, 2018, RMG Alloy *inter alia* informed SEBI as under –
- 1. *“... As the trading volume of shares on the stock exchange had improved significantly in the last few weeks, it made OFS feasible to achieve minimum public shareholding. A constituent of Promoters i.e. Widescreen Holdings Private Limited made OFS for 12,791,980 equity shares through the stock exchange mechanism on April 17, 2018 and April 18, 2018 and has successfully sold entire quantity of shares offered. Therefore, the Company has achieved minimum public shareholding at 25% in accordance with the mechanism permitted under Clause (iii) of Annexure to the SEBI Circular dated 22nd February, 2018.”*

FINDINGS –

11. I have considered the submissions made by RMG Alloy vide letter dated April 20, 2018 along with all relevant material available on record.
12. Vide Notifications dated June 4, 2010 and August 9, 2010, the Ministry of Finance amended the SCRR including Rule 19A to provide for minimum and continuous public shareholding requirements in listed companies as it was felt that a dispersed shareholding structure was essential for the sustenance of a continuous market for listed securities, to provide liquidity to the investors and to discover fair prices. The aforementioned Notifications mandated all listed companies (other than PSUs) to have minimum public shareholding of 25%. Further, in listed companies where the public shareholding was less than 25%, such companies were mandated to raise the same to the minimum of 25% by June 3, 2013.
13. The shareholding pattern of RMG Alloy as obtained from the BSE website as on the following dates is reproduced below –
 - (i) **March 31, 2016** i.e. Quarter subsequent to the expiry of the extension of time granted by the Hon'ble BIFR for disposal of shares of RMG Alloy in order to reduce the shareholding of Promoters/Co-Promoters/Strategic Investors upto 75% of shareholding and
 - (ii) **April 19, 2018** i.e. date of purported compliance with minimum public shareholding requirement by RMG Alloy since shareholding pattern was filed with BSE on that date.

SHAREHOLDING PATTERN OF RMG ALLOY			
	DATE	PROMOTER GROUP SHAREHOLDING IN %	PUBLIC SHAREHOLDING IN %
1.	31.03.2016	87.26	12.74
2.	19.04.2018#	75.00	25.00
#As on 31.03.2018, the Public shareholding stood at 13.20% while the Promoter and Promoter Group shareholding was at 86.80% (Source – BSE website).			

14. From the preceding paragraph, it is observed that RMG Alloy is now compliant with the requirement of minimum public shareholding as stipulated under Rule 19A of the SCRR with effect from April 19, 2018 i.e. when the public shareholding in the Company increased to 25%. Vide an e-mail dated April 26, 2018, BSE also confirmed to SEBI that RMG Alloy achieved minimum public shareholding compliance on April 19, 2018. I note that though RMG Alloy

ensured compliance with minimum public shareholding requirement, it is with a delay of more than 2 years and 2 months i.e. from February 6, 2016 till April 19, 2018. In this context, it is understood that SEBI has initiated appropriate action in accordance with law for the delayed compliance.

15. Considering the fact that the Promoter and Promoter Group's shareholding in RMG Alloy has been brought at 75% thereby ensuring minimum public shareholding at 25%, I am of the considered view that the directions issued against RMG Alloy, its Promoters/Promoter Group along with its Directors, vide the *Interim Order* read with the Order dated October 14, 2013 and the *Modification Order*, need not be continued.

ORDER –

16. In view of the above, I, in exercise of the powers conferred on me under Sections 11(1), 11(2)(j), 11(4) and 11B of the SEBI Act read with Section 12A of the Securities Contracts (Regulation) Act, 1956, hereby revoke the directions issued vide *Interim Order* dated June 4, 2013 read with the Order dated October 14, 2013 and the *Modification Order* dated March 3, 2014, against RMG Alloy, its Promoters/Promoter Group along with its Directors with immediate effect.
17. This Order shall come into force with immediate effect.
18. A copy of this Order shall be served on the recognized Stock Exchanges and Depositories for their information and necessary action.

Place: Mumbai
Date: September 6, 2018

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