



SEBI penalized Tata Steel Ltd. for non-disclosures under Takeover Code on multiple occasions. SEBI interpreted Clause 35 of Listing Agreement vis-à-vis PIT Regulations

Case Details:

1. Case Name: In respect of Tata Steel Ltd. and in the matter of The Tin Plate Company of India Ltd.
2. Order passed by Mr. D Sura Reddy
3. Order dated December 7, 2017

Summary of facts and Analysis:

1. SEBI penalized Tata Steel Ltd. ('Acquirer') for failing to make requisite disclosures under SEBI's Prohibition of Insider Trading Regulations ('PIT Regulations') and Takeover Code on several occasions in acquiring the shares of Tin Plate Company of India Ltd. ('Target Co.').
2. SEBI noted the allotment of shares / fully convertible debentures on several occasions: (i) Allotment of 2,19,86,099 equity shares on Rights basis (increase in share holding from 30.82% to 42.88%), (ii) Allotment of 3,13,58,123 equity shares on Rights basis (increase in share holding to 59.44%), (iii) Open Offer of 1,46,53,470 shares (increase in shareholding to 73.44%), (iv) Increase in shareholding post amalgamation (increase in shareholding to 74.96%).
3. Target Co.'s contention that the requisite disclosures of shareholding pattern were made under Cl. 35 of Listing Agreement. SEBI rejected this contention and held that "Compliance of Clause 35 of the Listing Agreement cannot be a ground for non compliance of the provisions of the PIT

Regulations inasmuch as the pith and substance of the both the provisions of law are different and distinguishable. The applicability of one does not preclude the applicability of another".

4. SEBI observed that the specific obligation is cast upon the Acquirer to make the disclosures to Target Co. under PIT Regulations.
5. SEBI stated that even if certain disclosures were made by the Acquirer and Target Co. w.r.t. Rights Issue and FCDs, the same does not absolve the Acquirer from its statutory obligation to make timely disclosures of its shareholding in prescribed format under the relevant PIT Regulations.
6. SEBI observed that the quantifiable gain or unfair advantage accrued to the Acquirer or the extent of loss suffered by the investors as a result of the default cannot be computed, however noted that the defaults of the Acquirer were repetitive in nature.
7. SEBI stated that the PIT Regulations and Takeover Code seek to achieve fair treatment by, inter alia, mandating disclosure of timely and adequate information to enable investors to make an informed decision.
8. SEBI opined that "Correct and timely disclosures play an essential part of the proper functioning of the securities market and failure to do so results in depriving the investors from taking well informed decision".
9. SEBI stated that adherence to regulatory frame work is a sine qua non for the healthy growth and safety of the securities market.
10. SEBI penalized the Acquirer for failing to make the necessary disclosures within prescribed timelines as required under PIT Regulations.

