

Ref: DCS/AMAL/PS/24(f)/230/2013-14

September 6, 2013

The Company Secretary
Khoday India Limited
Brewery House 7th Mile,
Kanakpura Road, Bangalore,
Karnataka – 560 062.

Dear Sir

Sub: Observation letter regarding the Scheme of Arrangement involving Reorganization of Share Capital of Khoday India Limited (KIL).

We refer to your submissions of draft Scheme of Arrangement involving reduction of equity share capital of the company held by the shareholders other than Promoter/promoter Group under clause 24(f) of the Listing Agreement.

As required under SEBI Circular No.CIR/CFD/DIL/5/2013 & No.CIR/CFD/DIL/8/2013 dated February 4, 2013 & May 21, 2013 respectively, SEBI vide its letter dated August 30, 2013 has given the following comments on the draft scheme of arrangement:

- i. *It may be noted that quasi judicial proceedings are pending against KIL since an Interim Order has been passed by wholetime member, SEBI, under section 11(1), 11(2)(j) and 11B of SEBI Act, 1992 on June 4, 2013 for non-compliance with the requirement of minimum public shareholding.*
- ii. *The scheme provides for reduction of share capital to the extent of public shareholding only and the company has clearly mentioned its intention of consequential delisting from the Stock Exchanges after the scheme of reduction of capital gets implemented.*
- iii. *Therefore, the scheme of arrangement does not appear to be in the interest of the investors on the account of the following reasons:*
 - a) *any company desirous of delisting its equity shares has to obtain prior approval of the shareholders of the company by a special resolution passed thru the postal ballot after the disclosure of the all the material facts. However, similar provisions are not applicable in the case of the reduction of the capital. Thus the shareholders would be forced to exit without their consent.*
 - b) *As per the regulation 14(1) of the SEBI (Delisting of Equity Shares) Regulations, 2009 (hereinafter "Delisting Regulations"), in the process of the delisting, all the public shareholders are entitled to participate in the book-building process in the manner specified in the Schedule II of the Delisting Regulation, which leads to the fair price discovery. However, the price to be paid to the public shareholders thru the reduction of the capital may not be fair since there is no provisions of the price discovery mechanism. This might put to the public shareholders in the disadvantageous position since they might not be able to get the best price for existing the company.*

c) Thus, it appears that the company is trying to circumvent the delisting regulations thru the said scheme of arrangement.

In view of the above observations by SEBI, the Exchange is unable to grant its 'No-Objection' to the draft Scheme of Arrangement filed by the company.

Further you are advised to bring the contents of this letter to the notice of your shareholders, all relevant authorities, as deemed fit and also include the above observations in the filings to be made the Honorable High Court.

Yours faithfully,



Bhushan Mokashi
Asst. Gen. Manager



Bhuvana Sriram
Dy. Manager

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