

# Business Standard

## Sebi begins action in NDTV ownership case

Action is for not having made a public announcement in 2009 of a 'change of control' of the company

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The Securities and Exchange Board of India (Sebi) has initiated proceedings against Gurgaon-based Vishvapradhan Commercial, for not having made a public announcement in 2009 of a 'change of control' in television company *NDTV*.

The markets regulator told the Delhi High Court last week that proceedings had been approved under the Sebi takeover regulations and relevant provisions of the Sebi Act. The show cause notice is yet to be issued.

This was in response to a petition from Delhi-based Quantum Securities, a minority shareholder of *NDTV* after the court directed Sebi on November 28 to file a status report. After taking the affidavit on record, judge Sanjeev Sachdeva posted the matter to January 17.

*Business Standard* had reported earlier that the regulator had said the change of control issue was under examination, in an August 22 status report. In an affidavit dated December 15, Sebi has said that after due examination, proceedings against Vishvapradhan had been approved on September 6, for "violation of Regulation 12, read with Regulation 14, of the SAST Regulations, 1997". The affidavit referred to proceedings under sections 11(1), 11 (4) and 11B of the Sebi Act, and Regulations 44 and 45 of SAST (Substantial Acquisition of Shares and Takeover) Regulations, 1997.

These will be read along with corresponding regulations 32 and 35 of the new 2011 takeover code.

In the 1997 regulations, in force at that time, "Irrespective of whether or not there has been any acquisition of shares or voting rights in a company, no acquirer shall acquire control over the target company, unless such person makes a public announcement to acquire shares and acquires such shares in accordance with the regulations."

The Sebi powers under regulation 44, cited, include "directing the person concerned, who has failed to make a public offer or delayed the making of a public offer in terms of these regulations, to pay to the shareholders, whose shares have been accepted in the public offer made after the delay, the consideration amount along with interest at the rate not less than the applicable rate of interest payable by banks on fixed deposits."

The transaction under the Sebi probe concerns a loan agreement of July 2009. Under which, Rs 403.85 crore was lent interest-free to RRPR Holding, a promoter group entity of *NDTV*. RRPR, fully owned by senior journalists Prannoy Roy and Radhika Roy, has a 29.18 per cent stake in *NDTV* and is its largest shareholder.

Under the terms, Vishvapradhan had the option to convert the debentures issued as part of the loan agreement into equity shares, amounting to 99.99 per cent of the fully divested equity share capital of RRPR Holdings.

An e-mail to the *NDTV* spokesperson on Thursday, besides calls, text messages and subsequent e-mail reminders marked to the Roys, did not elicit a response.

In April, responding to Business Standard for a report on an income tax notice of transactions, including the Vishvapradhan loan, an RRPR representative had said, "The transactions carried out by RRPR, both with VCPL and its shareholders, are valid and legal transactions, entered into within the four corners of the law. Further, the promoters of [NDTV](#) continue to exercise control over the affairs of *NDTV*, which they have been exercising independently and without interference by any third party, in the best interests of all the stakeholders of *NDTV*."

As on July 21, 2009, *NDTV* shares closed at a price of Rs 127.2 a piece. This Friday, they did so at Rs 69.95.

The ownership of Vishvapradhan has changed several times since the transaction. According to the annual return of August 2009, Ashwin Khasgiwala and Atul Tandon were directors of this company. Subhgami Trading and Vishvamukh Trading, two [companies](#) based in the Shreeram Mills office in Worli, Mumbai, where Vishvapradhan was also based then, held 50 per cent each in Vishvapradhan, as on the date of the loan agreement.

On August 29, 2009, Subhgami and Vishvamukh sold their shares to Shinano Retail and Teesta Retail, based in Dhobi Talao, Mumbai.

After changing hands a couple of times, the ownership of Vishvapradhan is now with a Gurgaon-based company called Nextwave Televentures. Vishvapradhan and Nextwave shared a common mail ID. An e-mail sent on Wednesday did not elicit a response.

According to its FY16 balance sheet, Vishvapradhan remained a Rs 1 lakh capital company but has shifted its registered office to Gurgaon. It continued to hold the important figure of Rs 403.85 crore on both sides of its balance sheet. On the assets side, it had long-term advances of Rs 403.85 crore.

“The company had given an interest-free convertible loan amounting to Rs 4,038,500,000 for a period of 10 years from the draw-down date. The lender has an option to convert either part or all of the loan into equity shares at par at any time before the maturity date.” These are broadly the terms between VCPL and RRPR.

On the liabilities side, it showed long-term borrowings of Rs 403.85 crore. However, the terms were slightly different, as it said the conversion price would be fixed on the fair value.

Explaining the entry, a note to the accounts said, “The company has issued 403,85,000 zero-coupon fully convertible debentures of Rs 100 each, to be converted at the option of the holder, into such number of equity shares, based on higher of fair value (to be determined by independent valuer) or face value of equity shares.”

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