

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:1748
ANSWERED ON:23.03.2012
GDR RULES QUESTION
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Will the Minister of FINANCE be pleased to state:

- (a) whether the Securities and Exchange Board of India (SEBI) has banned some Global Depository Receipt (GDR) issuers in the recent past;
- (b) if so, the details thereof alongwith names of such companies and reasons therefor;
- (c) whether the Government proposes to modify the GDR rules in near future; and
- (d) if so, the details thereof and time by which these are likely to be finalised?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI NAMO NARAIN MEENA)

(a): Yes Sir.

(b): SEBI vide its interim Order dated September 21, 2011 banned the following seven (7) Global Depository Receipts ("GDR") issuers from issuing equity shares or any other instrument convertible into equity shares or alter their capital structure in any manner:

1. Asahi Infrastructure & Projects Ltd
2. IKF Technologies Ltd.
3. Avon Corporation Limited
4. K Sera Sera Ltd
5. CAT Technologies Ltd
6. Maars Software International Ltd
7. Cals Refineries Ltd.

SEBI examined the GDRs of the abovementioned seven companies. Examination of all cases except Cals Refineries Ltd., revealed that:-

- i. A common merchant banker managed the GDRs of all the above companies.
- ii. The original subscribers to these GDRs were same set of entities, one of whom was found to be having connection with merchant banker to the GDRs.
- iii. Same set of FIs acquired these GDRs in overseas market and then sold it in Indian market. One of these FIs was also found to be having connection with the merchant banker to the GDRs.
- iv. Most of the shares sold by the FIs, post conversion of GDRs, were purchased by Indian entities connected to the merchant banker to the GDRs.
- v. The financials of the companies mentioned above was not found to be sufficient enough for the subscribers to subscribe such large sized GDR issue.
- vi. Prima facie, it appeared that the issuance of GDRs was not done with the genuine intention of raising capital from overseas market but was done with the connivance of the merchant banker who managed the complete process on behalf of the companies.

Examination of the GDR in the case of Cals Refineries Ltd. (Cals) revealed that:

- i. The company issued large sized GDR in overseas market compared to its existing equity base.
 - ii. A select group of FIIs acquired the GDRs of Cals in overseas market and then sold it in Indian market.
 - iii. Prima facie, it appeared that the issuance of GDR was not done with the genuine intention of raising capital from overseas market.
- (c): Revision and modification of existing rules/policies is a continuous and dynamic process.
- (d) The Government and the regulators maintain a constant vigil on market developments and necessary modifications in existing policies are inter-alia made based on the feedback received from stakeholder consultations.