

Transaction Note — Acquisition of Hella Infra Market by Shalimar Paints (Share-Swap Route)

Subject: Issue of Shalimar Paints equity, as non-cash consideration, to acquire Hella Infra Market Limited, with the target retained as a subsidiary — structure, pro-forma and regulatory analysis

Route assumed: Preferential allotment / share swap under SEBI ICDR Chapter V read with Section 62(1)(c), Companies Act 2013. Not a Section 230–232 scheme of arrangement.

Status: Preliminary, for counsel's review. Figures are illustrative, built on the assumptions in Section 3; classifications (promoter / public / control / PAC) are open and subject to confirmation.

1. Purpose

This note sets out the proposed transaction on a share-swap basis, the resulting pro-forma shareholding, and the regulatory issues we have provisionally identified. We seek counsel's view on feasibility, the binding constraints, conditions/approvals, and sequencing. Our internal analysis is a working view only and is not a legal conclusion.

2. Parties and existing relationship

Acquirer: Shalimar Paints Limited ("Shalimar"), listed; ISIN INE849C01026; 83,711,178 shares outstanding (benpos as on 19 June 2026).

Target: Hella Infra Market Limited ("Hella" / "IM"), unlisted; 926,162,287 shares on a fully-diluted basis (cap table as on 31 March 2026).

Critical existing fact: Hella is already the promoter of Shalimar, holding approximately **52.85%** of Shalimar today. Shalimar's total promoter holding is 74.96%; public float is **25.04%**, i.e. at the regulatory floor. The transaction therefore involves the listed entity acquiring its own controlling promoter — a reverse / backdoor-type structure, and a related-party transaction.

3. Transaction structure and key assumptions

- **Mechanism:** Shalimar issues fresh equity to Hella's shareholders as consideration for their Hella shares (swap). Hella is **retained as a subsidiary** of Shalimar; the two entities are not amalgamated.
- **Illustrative valuations:** Shalimar market capitalisation ≈ ₹500 crore (≈ ₹59.73/share); Hella acquisition value ≈ ₹25,000 crore — a 50× value differential.
- **Resulting issuance:** ≈ 4.19 billion new Shalimar shares (swap ratio ≈ 4.52 Shalimar shares per Hella FDB share). Enlarged capital ≈ 4.27 billion shares.
- **Dilution:** Existing Shalimar holders fall to ≈ 1.96% of the enlarged entity; incoming Hella holders take ≈ 98.04%.

4. Pro-forma shareholding (illustrative)

Holder (post-deal)	% of enlarged	Likely class
Founders — Souvik P. Sengupta + Aaditya G. Sharda	19.99%	Promoter
Other promoter entities (Bizzaro, Silverline)	7.42%	Promoter group
ESOP pool	8.49%	Public (n-promoter)
Tiger Global (Internet Fund V)	19.67%	Investor
Accel India V (Mauritius)	14.41%	Investor
Nexus Ventures V	7.16%	Investor
Evolve group	5.69%	Investor
Sistema Asia	1.81%	Investor
Foundamental	1.72%	Investor
Other financial investors	0.92%	Investor
Other investors	10.74%	Investor
Legacy Shalimar public	0.49%	Public
Legacy Shalimar promoter group (excl. Hella)	0.43%	Promoter group
Hella residual cross-holding	1.04%	Sec 19 block
Promoter total (founders, founder entities & legacy promoter group)	27.84%	
Public total (investors + ESOP + legacy public)	71.10%	
Hella residual cross-holding (to be neutralised — Sec 19)	1.04%	

Read: On the base case that the financial investors remain public, promoter holding is $\approx 27.8\%$ and public $\approx 71.1\%$ — comfortably above the 25% minimum public shareholding floor, with no 75% ceiling issue. The float is *not* a binding constraint. The $\approx 1.04\%$ Hella residual cross-holding is addressed under Section 19 (5.1). The open offer is *arguably* avoidable (no single acquirer at 25%, investors not automatically PAC, and continuing founder control), subject to the conditions in 5.2 — making the cross-holding the principal hard constraint, with the open-offer position requiring counsel comfort.

5. Key regulatory analysis — swap route

5.1 Cross-holding — Section 19, Companies Act 2013

Because Hella is **retained as a subsidiary**, Hella will hold its existing Shalimar shares — a **single consolidated block** of $\approx 52.85\%$ ($\approx 1.04\%$ of the enlarged entity post-dilution) — as a **subsidiary holding shares in its holding company**, squarely within Section 19. The dilution shrinks the block but does not cure it: Section 19 is a binary prohibition, not a threshold test.

Pre-acquisition carve-out (third proviso, clause (c)): Hella held the Shalimar shares before it became Shalimar's subsidiary, so the carve-out appears textually available. Two riders: (i) the further proviso permits voting only for shares held as legal representative/trustee — the (c) holding becomes **non-**

voting; and (ii) a deliberate parent ↔ subsidiary reversal engineered to fit the carve-out is likely to attract scrutiny. Counsel to confirm. Practical alternatives: cancel or divest the residual block.

Note: This issue is specific to the swap (subsidiary-retention) route. A Section 230–232 merger would dissolve Hella and cancel the cross-holding automatically, so Section 19 would not arise.

5.2 Open offer — SEBI SAST Regulations

Two independent triggers must be assessed: the **threshold limb** (Reg 3 — crossing 25% of voting rights) and the **control limb** (Reg 4 — acquisition of control, irrespective of percentage). On the proposed structure there is a coherent case that **neither limb is necessarily triggered**, as set out below. This is a fact- and documentation-specific position for counsel, not a certainty.

Threshold limb — no single acquirer at 25%, and no automatic aggregation. The largest incoming holder (Tiger / Internet Fund V) is ≈ 19.7%, and every other fund is below that. The incoming investors are **not automatically persons acting in concert (PAC)**: under SAST Reg 2(1)(q), concert requires a *common objective of acquiring shares or control* pursuant to an agreement or understanding — not mere co-investment in Hella or swapping in the same transaction. Independent funds, each holding for its own return, are not PAC with one another absent an inter-se arrangement. Aggregation applies only **intra-group** (a fund with its own sponsor/manager/trustees — e.g. the two Internet Fund vehicles, Evolve's three, Sistema's two, Fundamental's two), which does not lift any group above 25%. Deemed-PAC presumptions are rebuttable.

Control limb — continuing-control / no-change-of-control argument. The founders are already the ultimate beneficial owners of Hella, and Hella is already Shalimar's promoter. The founders therefore **already control Shalimar today** (indirectly, through Hella). Post-swap they would hold and control Shalimar directly, with their ≈ 27% promoter anchor intact. As the open offer exists to protect public shareholders *from a change of control*, an unchanged controlling person supports a no-trigger position under Reg 4 (or a clean Reg 11 exemption for the founders' leg as persons already in control).

Conditions for the no-open-offer position to hold: (i) no inter-se voting, joint-nomination or concerted-exit agreement among the funds (company-facing minority protections are acceptable; a bloc-voting pact among themselves is not); (ii) no single fund-group crossing 25% on a fully-diluted basis; (iii) the founders demonstrably retaining control (largest bloc, board and management), so the no-change-of-control line is sustainable; and (iv) ideally, SEBI comfort via informal guidance, given backdoor-listing optics.

Note on sizing and route: Where an offer is required, the Reg 8 price references Shalimar's own (low) market price, so absolute quantum may be modest relative to deal size. Separately, a Section 230–232 merger would be exempt from the open offer under Reg 10(1)(d)(ii); the preferential-swap route does not carry that automatic exemption, so the analysis above must stand on its own merits.

5.3 Minimum public shareholding — Rule 19A, SCRR

Satisfied on the base case (public ≈ 71.1%). The only path to an MPS issue is re-classification of investors into the promoter/PAC group (5.4).

5.4 Promoter / control / PAC classification — ICDR Reg 2(1)(oo), SAST Reg 2(1)(q)

Management's position is that only the two founders (and founder entities as promoter group) are promoters, with all financial investors as public. This is defensible and mainstream. The caveat is **concentration**: Tiger Global (≈ 19.7%) and Accel (≈ 14.4%) are large. If their shareholders'-agreement

rights (board seats, affirmative votes, vetoes) amount to control or acting-in-concert, SEBI/the exchanges may pull them — or a PAC sub-group — into promoter/PAC classification at the LODR Reg 28 / backdoor-listing review. That is the principal tail risk and a function of the SHA terms.

5.5 Preferential issue pricing, valuation and lock-in — ICDR Reg 164/164A, 166A, 167

Floor price is benchmarked to Shalimar's own (depressed) price, driving the very large share count. Requires a registered-valuer report on the non-cash consideration, special resolution, and lock-in under Reg 167. The frequently/infrequently-traded determination and the Reg 164A pricing options need to be worked through.

5.6 Reverse-acquisition accounting — Ind AS 103

Although Shalimar is the legal acquirer, Hella is likely the accounting acquirer. Consolidated financials would be presented as a continuation of Hella, with restated EPS/comparatives. To be confirmed with the auditors.

5.7 Taxation

As a swap (not a Section 47-exempt amalgamation), the swapping Hella shareholders likely have a taxable transfer (capital gains). Sections 50CA and 56(2)(x) anti-abuse valuation provisions to be assessed on both legs. This is a material commercial point versus the scheme route and should be modelled.

5.8 Backdoor-listing scrutiny — LODR Reg 28; PIT

The swap route avoids NCLT and the SEBI scheme circular, but loses their protections and may be examined as a reverse listing / circumvention of public-issue norms. In-principle and listing approvals under Reg 28 are required, with UPSI/PIT discipline throughout. Related-party-transaction governance (audit committee, Reg 23) applies given the existing Hella-Shalimar relationship.

5.9 FEMA / NDI Rules

Several Hella investors are non-resident (Tiger/Internet Fund V — Singapore; Accel — Mauritius; Fundamental — Germany; Sistema, Evolvence). The swap is governed by NDI Rule 9 — registered-valuer/merchant-banker pricing, sectoral caps, entry-route conditions, and FC-GPR/FC-TRS reporting.

5.10 Companies Act mechanics

Section 62(1)(c) and Section 42 private-placement procedure, registered valuer under Rule 13, board and special resolutions, and Section 188 / Reg 23 related-party approvals.

6. Approvals and voting eligibility

The transaction requires two distinct shareholder resolutions. Their electorates differ materially, because Hella is both the counterparty and Shalimar's existing promoter. "Interest" in the transaction is not the test for the RPT bar — related-party status is — so a disinterested related party (e.g. the Jindal promoter group) is still barred on that gate.

Resolution (basis)	Pass threshold	Barred from voting	Eligible electorate
Gate 1 — Preferential issue (special resolution,	≥ 75% of votes cast	Proposed allottees (Hella's incoming shareholders). The	Jindal promoter group (≈ 22%) + public (≈ 25%) — i.e. ≈

Resolution (basis)	Pass threshold	Barred from voting	Eligible electorate
s.62(1)(c) & s.42)		Hella block ($\approx 52.85\%$) is assumed barred / to recuse as the interested counterparty — to be confirmed by counsel.	47% of capital, if the Hella block is barred.
Gate 2 — RPT approval (ordinary, majority of minority, LODR Reg 23)	> 50% of votes cast by the eligible minority	All related parties — Hella ($\approx 52.85\%$) and the Jindal promoter group ($\approx 22\%$) — “whether or not a party” to the transaction, even if disinterested.	Public float only ($\approx 25\%$).

The RPT resolution (Gate 2) is the binding gate. Only the $\approx 25\%$ public float votes, and it passes on a simple majority of the votes cast — there is no minimum-turnout / quorum proportion of the float. In capital terms the “yes” needed is therefore turnout-dependent: $\approx 12.5\%$ of total capital if the entire float votes, and proportionately less if turnout is lower (e.g. $\approx 7.5\%$ if only $\approx 15\%$ of capital votes). Institutional and proxy-adviser (IiAS, SES) sentiment and the fairness/valuation narrative are decisive here.

The preferential-issue resolution (Gate 1) needs $\geq 75\%$ of votes cast. With the Jindals ($\approx 22\%$, not allottees) eligible and supportive, it is robust even against significant public opposition; if the Hella block is barred, the resolution leans on the Jindal vote. A reclassification of the Jindals to public before the vote would not change Gate 1 (they are eligible either way as non-allottees) but would, if it removed their related-party status, make them eligible on Gate 2.

7. Questions for counsel

1. On the indicative cap table and a customary PE-style SHA, are the financial investors (or any subset) public, or promoter/PAC of Shalimar? What SHA terms would tip the classification?
2. Is the Section 19(1)(c) pre-acquisition carve-out available for the residual cross-holding on a deliberately reversed parent/subsidiary structure, and what are the voting and disclosure consequences? Is cancellation/divestment preferable?
3. Open offer: assess both the threshold limb (no single acquirer at 25%; investors not automatically PAC absent an inter-se arrangement; intra-group aggregation only) and the control limb (continuing founder control / no change of control, given founders are already Hella's UBO and Hella is already Shalimar's promoter). Can a no-trigger position be sustained, or is a Reg 11 exemption preferable? What documentation is required?
4. Overall feasibility and key risks of the swap-with-subsidiary-retention route versus a Section 230–232 scheme (tax, timeline, SEBI scrutiny, open offer, cross-holding).
5. Preferential pricing mechanics under ICDR Reg 164/164A given Shalimar's trading profile; valuation and lock-in requirements.
6. Optimal sequencing of approvals (board, RPT/audit committee, shareholders, registered valuer, exchanges/SEBI in-principle, open offer, allotment) and the critical-path long-poles.

7. **Voting eligibility across the two approval gates.** (a) Preferential-issue special resolution (s.62(1) (c)/s.42, $\geq 75\%$ of votes cast): only proposed allottees are barred. Since the allottees are Hella's shareholders (founders, funds, ESOP) and not Hella the company, is the Hella block ($\approx 52.85\%$) nonetheless barred or required to recuse as the interested counterparty whose own shares are the subject of the issuance, or is it eligible to vote? Please set out the rationale. (b) RPT resolution (LODR Reg 23, majority of minority): confirm that Hella and the Jindal promoter group ($\approx 22\%$) are barred as related parties — "whether or not a party to the transaction" — notwithstanding that the Jindals are disinterested, and that only the $\approx 25\%$ public float votes. (c) Would reclassification of the Jindals to public before the vote change their eligibility on either gate? (d) Is any part of the $\approx 25\%$ "public" itself a related party of Shalimar or connected to the incoming Hella investors, and therefore also barred from the minority vote?

8. Information available on request

- Hella shareholders' agreement and investor rights letters (for control / PAC mapping).
- Security-holder-level Hella cap table and residency profile (for FEMA).
- Shalimar trading data (frequently/infrequently-traded determination and floor price).
- Latest financials of both entities and the proposed valuation basis / swap ratio.
- Confirmation of the go-forward classification of the legacy Shalimar promoter group.

Figures are illustrative, derived from the stated ₹500 cr / ₹25,000 cr assumptions and the attached shareholding data; they will move with the final valuation and swap ratio. We are happy to walk through the pro-forma and the SHA on a call.

Annexure 1 — Indicative precedents

Indian precedents in which a listed company issued fresh equity, by way of preferential allotment, as non-cash (share-swap) consideration to acquire an unlisted company that then became its subsidiary. These support the mechanism and the related-party / continuing-control treatment; note the caveat below on scale.

Transaction (year)	What happened	Relevance to this transaction
Maruti Suzuki India / Suzuki Motor Gujarat (2023)	MSIL (listed) issued ≈ 1.23 crore equity shares to Suzuki Motor Corporation (SMC) on a preferential basis, at ₹10,420.85/share (≈ ₹12,841 cr), as consideration to acquire 100% of SMG (unlisted), which became a wholly-owned subsidiary. SMC's stake rose 56.4% → 58.28%.	Related-party preferential swap; target becomes subsidiary; approved as an RPT by majority of minority (≈ 98% in favour); SMC already controlled MSIL, so no fresh open offer — the continuing-control logic.
RHI Magnesita India / Dalmia OCL (2023)	RHI Magnesita India (listed) issued 2.7 crore new shares to Dalmia Bharat Refractories (DBRL) under a share swap agreement, at ₹632.50/share (≈ ₹1,708 cr), to acquire 100% of Dalmia OCL (unlisted), which became a 100% subsidiary. DBRL ended ≈ 14.4%; promoter stake fell 70.2% → 60.1%.	Preferential-allotment swap to acquire 100% of an unlisted company → subsidiary; incoming holder kept sub-25% (no open offer); swap taxable in seller's hands but tax ≈ nil on an offsetting cost base — illustrates the swap-tax point.

Caveat on scale. Both precedents establish the mechanism — a preferential-allotment swap under which an unlisted target becomes a subsidiary, with the incoming holder kept below 25% (or already in control), so no open offer arose. In neither did control of the listed entity shift on the scale implied by the present ₹25,000 cr-into-₹500 cr structure. Swaps at true reverse-takeover scale have generally been implemented through a Section 230–232 scheme of arrangement (for the tax-neutrality and open-offer-exemption reasons noted in the body). These precedents therefore support the building blocks of the swap route, not the extent of the dilution / control change contemplated here.

Precedent details are drawn from public disclosures and are indicative; counsel to verify applicability to the specific facts.

Annexure 2 — Indicative step-by-step process

Indicative execution sequence for the share-swap (preferential allotment) route, with Hella retained as a subsidiary. Sequencing and specific filings to be confirmed with counsel, the merchant banker and the auditors; several workstreams run in parallel.

Step	Phase / workstream	Action
	A. Preparatory / diligence (pre-signing)	
1	Advisers	Appoint legal counsel, SEBI-registered merchant banker, registered / IBBI valuer, and tax adviser; set up the working group.
2	Perimeter & SHA	Confirm the swap perimeter (all Hella shareholders participating) and obtain the Hella SHA and investor rights letters for the control / PAC determination.
3	Diligence & classification	Legal due diligence and classification opinion — promoter / public status of each holder, PAC analysis, and the open-offer position (Reg 3 threshold and Reg 4 control), including the continuing-control argument.
4	Valuation	Registered-valuer report on Hella (non-cash consideration) and swap ratio; merchant-banker pricing of Shalimar under ICDR Reg 164/164A (frequently / infrequently-traded determination).
5	FEMA	FEMA pricing check for non-resident Hella shareholders (NDI Rule 9); confirm sectoral cap / entry-route conditions.
	B. Structuring decisions	
6	Cross-holding	Resolve the Section 19 cross-holding treatment — carve-out (non-voting), cancellation, or divestment of Hella's residual holding in Shalimar — and document the chosen path.
7	Open offer	Confirm the open-offer position with the merchant banker; if a no-trigger position is taken, prepare the supporting rationale and consider a SEBI informal-guidance application.
8	MPS	Confirm minimum public shareholding is satisfied on completion (no restoration expected on the base case).
	C. Documentation & approvals	
9	Definitive agreements	Negotiate and sign the share swap / subscription agreement and revised SHA; obtain required consents (lenders, existing investors, contractual).
10	Board	Shalimar Board approves the preferential issue, valuation and swap ratio, explanatory statement, and convenes the general meeting.
11	Audit committee (RPT)	Audit-committee approval of the transaction as a related-party transaction (existing Hella-Shalimar relationship), LODR Reg 23.

Step	Phase / workstream	Action
12	Shareholders	Special resolution under Section 62(1)(c) and Section 42, and LODR Reg 23 majority-of-minority approval for the RPT.
	D. Filings & listing	
13	In-principle approval	Stock-exchange in-principle approval for the preferential issue under LODR Reg 28; ongoing UPSI / PIT discipline throughout.
14	Open offer / exemption	If an offer is required: public announcement, detailed public statement, draft letter of offer to SEBI, and completion per the SAST timeline. If a no-trigger / exemption position is taken, complete the corresponding SEBI process instead.
15	Companies Act filings	File the Section 42 private-placement return (PAS-3) and other requisite Companies Act forms.
	E. Completion	
16	Allotment	Receive consideration (Hella shares) and allot new Shalimar shares to Hella shareholders; update the register of members.
17	Demat / lock-in / FEMA	Credit shares to demat; apply ICDR Reg 167 lock-in; file FC-GPR for non-resident allottees.
18	Listing & disclosure	Listing-and-trading approval for the new shares; file post-issue shareholding pattern; update promoter / public classification with the exchanges.
19	Cross-holding & accounting	Give effect to the chosen cross-holding treatment; reflect reverse-acquisition accounting under Ind AS 103 in the consolidated financials.

This sequence is indicative and route-specific (preferential-allotment swap). A Section 230–232 scheme would follow a materially different, NCLT-driven sequence.

Annexure 3 — Shareholding sensitivity to Hella valuation

Illustrative post-deal shareholding of Shalimar at Hella valuations of ₹10,000 / ₹15,000 / ₹20,000 crore, with Shalimar's market capitalisation fixed at ₹500 crore and on the everyone-swaps structure. As the Hella valuation rises, more new Shalimar shares are issued, so the incoming Hella holders move closer to their Hella percentages and the existing Shalimar block (including the cross-holding) is diluted further.

Holder (post-deal)	@ ₹10,000 cr	@ ₹15,000 cr	@ ₹20,000 cr
Founders — Souvik + Aaditya	19.42%	19.74%	19.90%
Other promoter entities (Bizzaro, Silverline)	7.20%	7.32%	7.38%
ESOP pool	8.25%	8.38%	8.45%
Tiger Global (Internet Fund V)	19.11%	19.42%	19.58%
Accel India V (Mauritius)	14.00%	14.23%	14.34%
Nexus Ventures V	6.96%	7.07%	7.13%
Evolve group	5.52%	5.61%	5.66%
Sistema	1.76%	1.78%	1.80%
Foundamental	1.67%	1.70%	1.71%
Other financial investors	0.90%	0.91%	0.92%
Other investors	10.44%	10.61%	10.69%
Legacy Shalimar public	1.19%	0.81%	0.61%
Legacy Shalimar promoter group (excl. Hella)	1.05%	0.71%	0.54%
Hella residual cross-holding (Sec 19)	2.52%	1.70%	1.29%
Promoter total	27.68%	27.77%	27.82%
Public total	69.80%	70.53%	70.90%
Hella cross-holding (to be neutralised — Sec 19)	2.52%	1.70%	1.29%

Read: Across the entire ₹10,000–₹20,000 crore range, promoter holding stays ≈ 27.7–27.8% and public ≈ 70–71% — comfortably above the 25% MPS floor throughout. No single incoming holder approaches 25% (Tiger peaks at ≈ 19.6% at ₹20,000 cr and is lower at smaller valuations), so the threshold limb of the open offer is not engaged at any of these valuations. The Hella residual cross-holding falls from ≈ 2.52% to ≈ 1.29% as the valuation rises, but remains a Section 19 item to be neutralised at every level.

Figures are illustrative and assume the everyone-swaps structure with Shalimar fixed at ₹500 cr; they move with the final valuation and swap ratio.