

REF: Business Line dt. 12.07.07

Gammon Infrastructure scales down its equity stake offer

Also to issue FCCBs worth another 10%

The move comes after an interim order by SAT directing SEBI to process GIPL's draft red herring prospectus expeditiously

Gammon Infrastructure Projects Ltd (GIPL), a subsidiary of Gammon India and a listed construction company, has revised its proposed equity stake offer downwards to 10 per cent from the 20 per cent earlier considered by the company in a draft prospectus for an initial public offering.

It said GIPL would also issue FCCBs worth another 10 per cent. The move comes after an interim order by the Securities Appellate Tribunal, directing the Securities Exchange Board of India (SEBI) to process GIPL's draft red herring prospectus expeditiously. On March 23, 2007, SAT had admitted the appeal of GIPL and had passed the interim order. The GIPL appealed against SEBI's order of December 21, 2006.

Shareholding

The market regulator had banned Gammon India, GIPL and the promoters from accessing capital market after the SEBI had concluded that one of them had allegedly used the company funds to increase his shareholding in the company.

GIPL two years ago had shed 12.5 per cent of its stake in favour of Ochziff, a US registered fund. The SEBI had also banned Reliance Silicones (RSL), reportedly owned by Mr Ajitabh Bachchan, from the capital market for a year for helping the specific promoter in alleged routing Gammon funds to his private companies to subscribe to a company's rights issue in 2001.

Rights Issue

The SEBI whole time member, Mr G. Anantharaman, in his order had said: "The whole sequence in the arrangement smacks of a make belief to disguise part funding of the rights issue as a business transaction."

The regulator had discovered that Gammon India gave RSL Rs 50 lakh, which it transferred to two newly opened bank accounts of Devyani Estate and Properties and Nikhita Estate Developers, firms owned by one of promoter family members. "The whole scheme of transactions was crafted to enable the promoter associated entities of Gammon to subscribe to its rights issue using company funds," the SEBI had concluded.