



19th August, 2019

Executive Director
Corporate Finance Department
Securities and Exchange Board of India ("SEBI")
SEBI Bhavan, C 4-A, G Block,
Bandra Kurla Complex,
Bandra East,
Mumbai – 400051

Subject: Request for Informal Guidance in form of an Interpretative Letter under the SEBI (Informal Guidance) Scheme, 2003

Re: Applicability of SEBI (Share Based Employee Benefits) Regulations, 2014 ("SBEB Regulations")

Dear Sir,

JSW Steel Limited ('JSW Steel') is a public limited company incorporated under the Companies Act, 1956 on 15th March 1994, having its registered office at JSW Centre, Bandra Kurla Complex, Bandra East, Mumbai – 400051 and is listed on the National Stock Exchange of India Limited and BSE Limited. JSW Steel is engaged in the business of manufacture and sale of iron and steel products and has interests in various businesses operating through its subsidiaries, joint venture companies, associates and has transactions with other related party entities (JSW Group).

Some of the entities in JSW Group are desirous of granting cash based Stock Appreciation Rights (SARs) linked to the shares of JSW Steel to certain identified employees of the JSW Group.

By this letter, JSW Steel seeks informal guidance on behalf of its joint venture companies and other related party entities which form an integral part of the JSW Group, in the form of an Interpretative Letter from the Securities Exchange Board of India ("SEBI") under the SEBI (Informal Guidance) Scheme, 2003 on the applicability of SEBI (Share Based Employee Benefits) Regulations, 2014.

A. Background and material Facts

1. JSW Group, comprises of various subsidiaries, joint venture companies, associates and other related party entities which form an integral part of the JSW Group and have contributed significantly to the growth of JSW Steel. In order to retain talented human resources and recognize the efforts of the employees of these entities (Joint Ventures - as per Annexure A and Promoter controlled entities – as per Annexure B) in JSW Group (hereinafter referred to as JSW Entities). JSW Entities are desirous of granting cash based SARs linked to the shares of JSW Steel, to certain identified employees, through a Trust established by the JSW Entities, which shall be managed by professional trustees appointed by the JSW Entities.





The mechanism for the implementation of the Proposed Scheme is given below:

- a. Each of the JSW Entities will formulate a cash-based Stock Appreciation Scheme ('Scheme') for its employees. Each unit of SAR will derive its value from one equity share of JSW Steel.
 - b. The Scheme will be implemented through a discretionary trust ('Trust') to be settled by JSW Entities. The Trust will be managed by professional trustees appointed by JSW Entity.
 - c. At the time of grant of SARs, the Trust will acquire requisite number of shares of JSW Steel through secondary market purchase by procuring interest bearing loan from the JSW Entity.
 - d. On the date of redemption/settlement of SARs, the Trust will sell the requisite number shares of JSW Steel representing the relevant SARs.
 - e. The difference between, the market price of equity shares of JSW Steel on the date of redemption of SAR and the exercise price of SAR (net of taxes) will be distributed to the employees.
 - f. The Trust will utilize the balance funds to repay the loan and interest thereon to JSW Entity.
 - g. Upon closure of the Scheme, the Trust will terminate.
2. It is submitted that, none of the Proposed Schemes will be implemented or administered by JSW Steel or its subsidiaries.
 3. It is further submitted that compliance with relevant Insider Trading regulations shall be ensured.

B. Relevant Provisions of SBEB Regulations

1. As per Regulation 1(3) of the SBEB Regulations, the provisions of these regulations are applicable to Stock appreciation rights schemes.
2. As per Regulation 1(4) of the SBEB Regulations, the provisions of these regulations shall apply to any company whose shares are listed on a recognized stock exchange in India, and has a scheme:
 - (i) *For direct or indirect benefit of employees; and*
 - (ii) Involving dealing in or subscribing to or purchasing securities of the company, directly or indirectly; and
 - (iii) Satisfying, directly or indirectly, any one of the following conditions:
 - a. the scheme is set up by the company or any other company in its group;
 - b. the scheme is funded or guaranteed by the company or any other company in its group;
 - c. the scheme is controlled or managed by the company or any other company in its group;
3. In terms of Regulation 2(1)(f), employee means
 - (i) a permanent employee of the company who has been working in India or outside India; or
 - (ii) a director of the company, whether a whole time director or not but excluding an independent director; or
 - (iii) an employee as defined in clause (i) or (ii) of a subsidiary, in India or outside India, or of a holding company of the company but does not include—
 - a. an employee who is a promoter or a person belonging to the promoter group; or
 - b. a director who either himself or through his relative or through any body corporate, directly or indirectly, holds more than ten per cent of the outstanding equity shares of the company



4. In terms of Regulation 2(1)(o), group means
Two or more companies which, directly or indirectly, are in a position to,
 - (i) exercise twenty-six per cent. or more of the voting rights in the other company; or
 - (ii) appoint more than fifty per cent. of the members of the board of directors in the other company; or
 - (iii) control the management or affairs of the other company;
5. Based on above, it appears that the SBEB Regulations apply to schemes set up by either the listed entity or its group entity for the benefit of employees of the listed company or the employees of its holding or subsidiary companies.
6. In the Proposed Scheme, the SAR Scheme is being set up by:
 - a. Case A – Joint Ventures (Group entity as per definition of Regulation 2(1)(o)) for the benefit of employees of the Joint Venture and not for the benefit of employees of JSW Steel or its subsidiaries.
 - b. Case B – Promoter controlled entities (Not a Group Entity as per definition of Regulation 2(1)(o)) for the benefit of employees of the Promoter controlled entities and not for the benefit of employees of JSW Steel or its subsidiaries.
7. Thus, in both cases the SARs are granted not for the benefit of employees of JSW Steel or its subsidiaries and thus, does not fall within the ambit of SBEB Regulations.

C. Clarifications Sought

In respect of the above Proposed Scheme, JSW Steel seeks informal guidance in the form of interpretative letter from SEBI on

1. Whether the Scheme under Case A falls under the purview of SBEB Regulations, and if not, whether there is a prohibition under any SEBI Regulations in executing such a Scheme.
2. Whether the Scheme under Case B falls under the purview of SBEB Regulations and if not, whether there is a prohibition under any SEBI Regulations in executing such a Scheme.

D. Confidentiality of Request

In view of sensitivity of information with regards to employees and stockholders, we request confidentiality of the request and informal guidance for the maximum period of 90 days.

As required, a pay order (Instrument No: 044181 dated: 16.08.2019 drawn on ICICI Bank, BKC Branch, Mumbai) of INR 25,000 (Indian Rupees Twenty Five Thousand Only) in favour of SEBI is enclosed herewith towards fees for Informal Guidance.

In case of further clarifications and additional information required, our contact details are as under:

Name : Lancy Varghese
Designation : Company Secretary
Email : lancy.varghese@jsw.in
Contact Number : 022 42865112





We request you to kindly issue an interpretative letter as requested, in respect of queries stated in Para- C.

For **JSW Steel Limited**

A handwritten signature in blue ink, appearing to read 'Lancy Varghese', with a stylized flourish at the end.

Lancy Varghese
Company Secretary





Enclosures:

Annexure A

Name of JSW Entity	Relation with JSW Steel
JSW MI Steel Service Center Pvt. Ltd.	Joint Venture with 49% stake of JSW Steel.
Vijayanagar Minerals Pvt. Ltd.	Joint Venture with 40% stake of JSW Steel.

Annexure B

Name of JSW Entity	Relation with JSW Steel
JSW Global Business Solutions Limited	Common Promoter control
JSW Techno Projects Management Limited	Common Promoter control
South West Mining Limited	Common Promoter control
JSW Paints Pvt. Ltd.	Common Promoter control
JSW Projects Limited	Common Promoter control
JSW Foundation	Common Promoter control
JSW Realty & Infrastructure Pvt. Ltd.	Common Promoter control
Windsor Residency Pvt. Ltd.	Common Promoter control
JSW Sports Pvt. Ltd.	Common Promoter control
JSW Bengaluru Football Club Pvt. Ltd.	Common Promoter control
JSW Ventures	Common Promoter control
JSW IP Holdings Private Limited	Common Promoter control

