



भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

DEPUTY GENERAL MANAGER
INTEGRATED SURVEILLANCE DEPARTMENT

ISD/OW/2021/3285/1
February 08, 2021

KCP Limited
Ramakrishna Buildings, 2,
Dr. P. V. Cherian Crescent, Egmore,
Chennai 600 008

ATTN: Shri Y. Vijaykumar, Company Secretary and Compliance Officer, KCP Limited

Sir,

Sub: Request for an Interpretative Letter under the Securities and Exchange Board of India (Informal Guidance) Scheme, 2003

Ref.: Letter dated January 06, 2021 having ref. no. KCP/CS/RB/20-21/6121

1. In the context of your letter under reference seeking an interpretive letter under the Securities and Exchange Board of India (Informal Guidance) Scheme, 2003, the following have been noted:

1.1. The Liquidator of Jeypore Sugar Company Limited ("JSCL") has approached the Company Secretary & Compliance officer of KCP Limited ("KCPL") for clarification of sale of shares to promoter and CMD of KCPL during the closure of trading window in accordance with exemption provided in sub-regulation 3 of Regulation 4 as off market transfer and inter-se sale between insiders.

1.2. Both the companies' (JSCL and KCPL) managements are related to each other and form part of promoter group. The proposed share transaction is only about 0.22% of the share capital of KCPL. The promoters are presently holding 43.78% of shares KCPL and the proposed acquisition is not likely to make any major difference in the shareholding pattern of the company as it is only an inter-se transfer between the promoters.

सेबी भवन, प्लॉट सं. सी 4-ए, "जी" ब्लॉक, बांद्रा कुर्ला कॉम्प्लेक्स, बांद्रा (पूर्व), मुंबई - 400 051.

दूरभाष : 2644 9950 / 4045 9950 (आई.वी.आर. एस.), 2644 9000 / 4045 9000 फैक्स : 2644 9019 से 2644 9022 वेब : www.sebi.gov.in Page 1 of 5

SEBI Bhavan, Plot No. C4-A, "G" Block, Bandra Kurla Complex, Bandra (E), Mumbai - 400 051.

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- 1.3. JSCL is in liquidation and the Liquidator has initiated the sale procedure in November itself and the sale transaction was delayed due to procedural formalities.
- 1.4. The sale is as per the market price and both the parties have confirmed that they are well informed and they would not have any price sensitive information.
2. In view of the aforesaid, informal guidance has been sought in the form of an interpretative letter on the following queries:
- 2.1. Can Dr. V. L. Indira Dutt (Promoter and CMD of KCPL) acquire 2,78,370 shares from the Liquidator of JSCL at market price, during the closure of trading window as off-market sale as JSCL is also a promoter group company and both are considered as insiders and both of them have confirmed that there is no material information about the company and they are making a conscious and informed trade decision.
- 2.2. Can the compliance officer give clearance for sale of shares during the closing period of trading window?
- 2.3. Any other declarations/confirmations required to be obtained from the Liquidator of JSCL and promoter & CMD of KCPL for the sale.
3. Without necessarily agreeing with the analysis given in the letter under reference, the interpretation on the above queries is as under:
- 3.1. Regulation 4(1) read with Clause 4(3) of Schedule B of the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 ("PIT Regulations") states that:
- "4 (1) No insider shall trade in securities that are listed or proposed to be listed on a stock exchange when in possession of unpublished price sensitive information:*



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Provided that the insider may prove his innocence by demonstrating the circumstances including the following-

(i) the transaction is an off-market inter-se transfer between insiders who were in possession of the same unpublished price sensitive information without being in breach of regulation 3 and both parties had made a conscious and informed trade decision.....

Provided further that such off-market trades shall be reported by the insiders to the company within two working days. Every company shall notify the particulars of such trades to the stock exchange on which the securities are listed within two trading days from receipt of the disclosure or from becoming aware of such information.....”

Clause 4(3) of Schedule B of the SEBI PIT Regulations, 2015 states that:

“(3) The trading window restrictions mentioned in sub-clause(1) shall not apply in respect of –(a)transactions specified in clauses (i) to (iv) and (vi) of the proviso to sub-regulation (1) of regulation 4 and in respect of a pledge of shares for a bonafide purpose such as raising of funds, subject to pre-clearance by the compliance officer and compliance with the respective regulations made by the Board”

3.2. With respect to query at para 2.1:

3.2.1. It has been submitted that Dr. V. L. Indira Dutt (promoter and CMD of KCPL), agreed to buy/acquire shares (2,78,370 equity shares constituting 0.22% of the share capital) of KCPL from JSCL (JSCL being part of promoter group of KCPL) and that JSCL is under liquidation and that the said shares of KCPL were stated to have been released by the depository in favour of the Liquidator of JSCL.

3.2.2. The proposed off-market transfer of shares is taking place between promoter & CMD of KCPL and JSCL (acting through the Liquidator). It

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has been further submitted that both the parties are insiders having no material information and are making a conscious and informed trade decision and that the sale is as per market price. Both parties have confirmed that they are well informed, indicating no information asymmetry.

3.2.3. Since both Dr. V. L. Indira Dutt and JSCL are insiders in terms of Regulation 2 (1) (g) of PIT Regulations, the transaction referred hereinbefore would be covered under Regulation 4 (1) (i) of PIT Regulations amounting to inter-se transaction between insiders, who were/are in possession of the same information (indicating no information asymmetry) as long as it is not in breach of Regulation 3 of PIT Regulations. Further, this transaction would be exempted from the trading window restrictions as per clause 4(3) of Schedule B of the PIT Regulations.

3.2.4. Hence, promoter and CMD of KCPL may buy/acquire equity shares of KCPL from the Liquidator of JSCL subject to pre-clearance by the compliance officer of KCPL in terms of Regulation 4(1) read with Clause 4(3) of Schedule B and Regulation 3 of the PIT Regulations.

3.3. With respect to query at para 2.2 and 2.3:

3.3.1. In terms of Clause 4(3) of Schedule B of PIT Regulations, the proposed transaction would be exempted from trading window restrictions subject to pre-clearance by the compliance officer taking into account facts of the case. The compliance officer of KCPL may seek necessary declarations/confirmations from the parties including a confirmation that the proposed transaction is in compliance with the provisions of the Insolvency and Bankruptcy Code, 2016. The compliance officer of KCPL may also ensure compliance with the applicable reporting requirements under the PIT Regulations.



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4. This position is specific to the information furnished in the letter under reference. Different facts or conditions may entail different interpretation. Further, this letter does not contain any decision of the Board on the queries referred.
5. It may also be noted that the above views are expressed only with respect to the clarification sought in the letter under reference with respect to the PIT Regulations and do not affect the requirements/ or applicability of any of the provisions of the Securities and Exchange Board of India Act, 1992, or the rules or the regulations made thereunder that are administered by Securities and Exchange Board of India or by any other authority.

Yours faithfully,

