

DANJALI TRADING AND INVESTMENTS PRIVATE LIMITED

[CIN: U65990MH1979PTC021049]

Regd. Office : 3-A, Barodawala Mansion, 81 Dr. Annie Besant Road
Worli, Mumbai - 400 018

Tel.: 2493 8887, 4362 5500 Fax No. 2497 4886

Email: admin@danienterprises.co.in

Date: 11th September, 2015

To,
Legal Affairs Department,
The Securities and Exchange Board of India
Plot No. C4-A, 'G' Block,
Bandra Kurla Complex, Bandra (East)
Mumbai - 400 051.

भा. प्र. वि. बो. SEBI

सं/No 52925

दिनांक

Date

11 SEP 2015



SEBI/IW/P/20150921/0000052925

Dear Sir,

Sub: Request for Informal Guidance by way of a 'No-Action Letter' under the provisions of Securities and Exchange Board of India (Informal Guidance) Scheme, 2003, in connection with Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015.

1. *Background and Nature of activities of Geetanjali Trading and Investments Private Limited ("GTIPL" or "HoldCo") and its wholly owned subsidiaries (i) Smiti Holding and Trading Company Private Limited ("Smiti" or "Sub.1") and (ii) Isis Holding and Trading Company Private Limited ("Isis" or "Sub.2"):*

GTIPL was incorporated on 22nd February, 1979 under the Companies Act, 1956. It received its Certificate of Registration from the Reserve Bank of India as a Non-Banking Financial Company on 2nd March, 1998. GTIPL belongs to the "Promoter and Promoter Group" of Asian Paints Limited ("APL") and holds 5.14% of the paid-up equity share capital of APL. Equity shares of APL are listed on BSE Limited and National Stock Exchange of India Limited. GTIPL has two wholly owned subsidiaries viz. (i) Smiti and (ii) Isis. Together with its two wholly-owned subsidiaries viz., Smiti and Isis, GTIPL holds 16.29% of the paid-up equity share capital of APL. These entities along with other entities and individuals form part of the promoter and promoter group of APL. The aggregate shareholding of the promoter and promoter group in APL is 52.79%.

The shareholders of GTIPL are as follows:

Name of the Shareholder	No. of Shares held	Nominal Value per share	Total Amount of Equity Shares	% of Shareholding
		(₹)	(₹)	
Mr. Ashwin S. Dani	4,69,045	10	46,90,450	32.99
Mrs. Ina A. Dani	4,69,045	10	46,90,450	32.99
Mr. Jala A. Dani	2,39,734	10	23,97,340	16.86
Mr. Malav A. Dani	2,43,750	10	24,37,500	17.15

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Hitech Specialities Solutions Limited	8	10	80	0
Mr. Bhupendra P. Dusara (Nominee of Hitech Specialities Solutions Limited)	1	10	10	0
Mr. Jatin R. Shah (Nominee of Hitech Specialities Solutions Limited)	1	10	10	0
Total	14,21,584		1,42,15,840	100.00

GTIPL has been borrowing from financial institutions on an on-going basis. Generally, the borrowing is in the form of term loans, with tenor of 2 to 3 years.

The outstanding debt of GTIPL is INR 1,036.43 crore as on July 31, 2015 and is due for maturity as per the below mentioned schedule:

Name of the Lenders	Amount Outstanding (₹ in Crores)			Maturity Due in
	Principal	Accrued Interest	Total Outstanding	
Lender A	300.00			Feb 2017
	175.00			June 2017
Total	475.00	38.07	513.07	
Lender B	25.00			Feb 2017
	40.00			June 2017
Total	65.00	4.34	69.34	
Lender C	100.00	7.43	107.43	Feb 2017
Lender D	130.00	8.06	138.06	June 2017
Lender E	10.00	0.47	10.47	Feb 2017
Lender F	82.50	1.73	84.23	Nov 2015
Lender G	100.00	13.83	113.83	Feb 2017
Total Amount Outstanding			1,036.43	

The amount borrowed is secured by pledging the shares of APL in favour of the lenders. At the end of the tenure of the term loans, they are either rolled over with the same lender or shifted to other lenders, taking into consideration the commercial aspect of the term loans.

Earlier (i.e., before May 15, 2015) at the time of maturity of the loan, activities like pledging and de-pledging were allowed to be undertaken by GTIPL as per the obligations mandated under the loan agreements. Such loan agreements were executed by GTIPL prior to SEBI notifying the SEBI (Prohibition of Insider Trading) Regulations, 2015 ("SEBI PIT Regulations").

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2. Background and Nature of activities of Smiti and Isis:

The wholly owned subsidiaries of GTIPL viz., Smiti and Isis have similar business activities due to the fact that their prime objective is to hold investments in APL. Sub.1 and Sub.2 were incorporated on 8th May, 2012 and 26th February, 2011 respectively, under the Companies Act, 1956. Both subsidiaries form part of the "Promoter and Promoter Group" of APL.

The shareholders of Sub.1 are as follows:

Name of the Shareholder	No. of Shares held	Nominal Value per share (₹)	Total Amount of Equity Shares (₹)	% of Shareholding
GTIPL	2,049,999	10	20,499,990	100.00
Mrs. Ina A. Dani (Nominee of GTIPL)	1	10	10	0.00
Total	2,050,000		20,500,000	100.00

The shareholders of Sub.2 are as follows:

Name of the Shareholder	No. of Shares held	Nominal Value per share (₹)	Total Amount of Equity Shares (₹)	% of Shareholding
GTIPL	2,049,999	10	20,499,990	100.00
Mrs. Ina A. Dani (Nominee of GTIPL)	1	10	10	0.00
Total	2,050,000		20,500,000	100.00

Similar to HoldCo, Sub.1 and Sub.2 have been borrowing from financial institutions in the form of term loans, with tenor of 2 to 3 years.

The outstanding debt of Sub.1 and Sub.2 is INR 548.66 crore and INR 467.27 crore respectively as on July 31, 2015 and is due for maturity as per the below mentioned schedule:

Name of the Lenders	Amount Outstanding (₹ in crores) as on July 31, 2015		Maturity due in
	Sub.1	Sub.2	
Lender A	33.32	-	May 2016
Lender B	10.66	-	May 2017

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Lender C	10.47	-	April 2017
Lender D	219.17	-	Nov 2016
Lender E	237.13	-	Dec 2015
Lender F	37.91	-	Dec 2015
Lender X	-	96.90	Oct 2015 to Dec 2015
Lender Y	-	291.62	Nov 2015 to April 2017
Lender Z	-	78.75	May 2016
Total Amount Outstanding	548.66	467.27	

The amount borrowed is secured by pledging the shares of APL in favour of the lenders. At the end of the tenure of the term loans, the term loans are either rolled over with the same lender or shifted to other lenders, taking into consideration the commercial aspect of the term loans.

Earlier (i.e., before May 15, 2015) at the time of maturity of the loan, activities like pledging and de-pledging were allowed to be undertaken by Sub.1 and Sub.2 as per the obligations mandated under the loan agreements. Such loan agreements were executed by Sub.1 and Sub.2 prior to SEBI PIT Regulations being notified.

3. Change in scenario post SEBI PIT Regulations:

As per SEBI PIT Regulations, which became effective from May 15, 2015, pledging falls within the purview of the term "trading":

Regulation 2(1)(i) of SEBI PIT Regulations states as follows:

"trading" means and includes subscribing, buying, selling, dealing, or agreeing to subscribe, buy, sell, deal in any securities, and "trade" shall be construed accordingly;

NOTE: Under the parliamentary mandate, since the Section 12A (e) and Section 15G of the Act employs the term 'dealing in securities', it is intended to widely define the term "trading" to include dealing. Such a construction is intended to curb the activities based on unpublished price sensitive information which are strictly not buying, selling or subscribing, such as pledging etc. when in possession of unpublished price sensitive information.

Since the HoldCo, Sub.1 and Sub.2 are part of the promoter/promoter group of APL, these entities are perpetually in possession of Unpublished Price Sensitive Information ("UPSI") relating to APL.

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By way of a Guidance Note dated August 24, 2015 on SEBI PIT Regulations ("SEBI Guidance Note"), SEBI has clarified the position on pledging and de-pledging of shares by answering specific questions.

The relevant extract of the SEBI Guidance Note is reproduced below:

PLEDGE:

6. (a) Whether SEBI's Intent is to prohibit creation of pledge or invocation of pledge for enforcement of security while in possession of UPSI?

(b) Whether creation of pledge or invocation of pledge is allowed when trading window is closed?

Guidance: Yes. However, the pledgor or pledgee may demonstrate that the creation of pledge or invocation of pledge was bona fide and prove their innocence under proviso to sub-regulation (1) of regulation 4 of the Regulations.

In view of the above, we hereby wish to obtain an informal guidance in the form of "no-action letter" in relation to the following proposed action by GTIPL, Isis and Smitl:

1. At the time of maturity or put/call option of the term loans (including accrued interest thereon) HoldCo / Sub.1 / Sub.2 would have to pledge and de-pledge APL shares in favour of the concerned lenders as per the mandate under the loan agreements. This will result in pledging and simultaneously de-pledging of APL shares within a period of 6 months resulting in a "contra trade" in terms of clause 10 of schedule B of SEBI PIT Regulations, and while in possession of UPSI relating to APL. Please refer to the Annexure for the relevant extract on put/call option of term loans under Loan against Securities Agreement.
2. Similar to the above, if the same transaction as mentioned in point no.1 takes place when the trading period of APL is closed (i.e., maturity or put/call falling in a quiet period), HoldCo / Sub.1 / Sub.2 would have to pledge and de-pledge APL shares in favour of the concerned lenders (as per the mandate under the loan agreements.)
3. In case of a margin call being triggered by the pledgee/lender under a term loan during the period when the trading period of APL is open or closed, HoldCo / Sub.1 / Sub.2 will have to pledge further shares of APL in favour of the lender, as it is obligated to do so in terms of the respective loan agreements while in possession of UPSI relating to APL, and such further pledge of shares may be during the period of six months during which a "contra trade" is prevented. Please refer to the Annexure for the relevant extract on margin call being triggered under a term loan under Loan against Securities Agreement.

We also request you to give us an opportunity of personally being heard on the said matter through our authorized representative.

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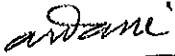
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We request you to kindly provide a confidential treatment to this communication in terms of clause 11 of SEBI (Informal Guidance) Scheme, 2003.

For Geetanjali Trading and Investments Private Limited, Smiti Holding and Trading Company Private Limited and Isis Holding and Trading Company Private Limited

xx
(F) 

Ashwin S. Dani

Director

DIN: 00009126

Encl.: D. D. No. 685253 for Rs.25,000/- dated 10th September, 2015 payable at Mumbai in favour of Securities and Exchange Board of India.

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ANNEXURE

1. Extract of the Loan against Securities Agreement entered into between the Lender and the Borrower;

Put/Call option: At the end of 12 months and 24 months with a 30 days' notice period.

2. Extract of the Loan against Securities Agreement entered into between the Lender and the Borrower;

Margin Top-up In shares / Cash: At 1.60 times, margin based on previous day's closing price. If the security value, at any time, falls below Rs. 2,08,00,00,000/- or 1.60 times of loan outstanding, the Borrower will give a top-up in cash or shares of Asian Paints Ltd as specified by the lender from time to time for the shortfall within one (1) day. Top up for accrued premium will be done on a quarterly basis.