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आ. प्र. वि. बो. SEBI
आ / No 120163
दि Date AUG 2022

Date: 24.08.2022

Securities and Exchange Board of India
Corporate Finance Department Division of Issues and Listing - II
SEBI Bhavan, Plot No. C4-A, 'G Block' Bandra Kurla Complex
Bandra (East) Mumbai 400 051

Dear Sir/ Ma'am,

Sub: Request for interpretative letter under the Securities and Exchange Board of India (Informal Guidance) Scheme, 2003 ("Informal Guidance Scheme") in relation to the provisions of the Securities and Exchange of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021, as amended ("SEBI SBEB Regulations") and the Frequently Asked Questions on SEBI SBEB Regulations provided on the Securities and Exchange of India website ("FAQs").

We submit this application seeking informal guidance from the Securities and Exchange Board of India (**"SEBI"**) in the form of an interpretative letter under the Informal Guidance Scheme with respect to the provisions of the SEBI SBEB Regulations and its corresponding FAQs.

1. FACTUAL BACKGROUND

1.1 Kids Clinic India Limited (**"Company"**) is a public limited company incorporated under the Companies Act, 1956. The Company's corporate identification number is U85110KA2005PLC037953 and its registered office is located at No. 1533, 9th Main Jayanagar 3rd Block Bengaluru – 560 011 Karnataka, India. The Company has filed a Draft Red Herring Prospectus dated February 10, 2022with SEBI on February 11, 2022 and is proposing, subject to receipt of necessary approvals and market conditions, to list its equity shares on recognized stock exchanges in India pursuant to an initial public offering.

1.2 The Company is a leading brand in the super-speciality mother and baby-care space in India. It offers end-to-end coverage of all stages of the parenthood journey, beginning with fertility treatments, through maternity, neonatology and paediatrics, dedicated to the holistic well-being of mother and baby. The Company currently engages super specialist doctors, on a consultancy basis, to provide professional medical services for maternity, neonatology and paediatrics.

1.3 Acquity Labs Private Limited (**"Subsidiary"**) is a subsidiary of the Company. The principal business of the Subsidiary, *inter alia*, is to carry on the business of newborn screening, prenatal screening, vitamin D screening, newborn screening and to provide similar testings for other hospitals. As on the date, our Company holds 1,041 equity shares in the Subsidiary, aggregating to 51.00% of its total issued and paid-up share capital.

1.4 In order to optimise the business of the Company and the Subsidiary, it is proposed that the aforesaid doctors will be: (a) employed exclusively by the Subsidiary to provide their expert advisory in the field of pathology, within defined working hours; and (b) engaged by the Company, on a consultancy basis, to provide professional services to it for a certain number of hours, outside of their defined working hours for the Subsidiary (hereinafter **"Eligible Employees"**).

1.5 Hence, the Eligible Employees would exclusively be employed within, and provide services to, the group (i.e., the Company and its Subsidiary). They may separately carry on a private clinic practice/'evening clinics', outside their committed time of employment/engagement with the Subsidiary/Company as a group.

KIDS CLINIC INDIA LIMITED BENGALURU

1.6 The Company has adopted the KIDS Clinic India Private Limited Employee Stock Option Plan 2013 (the "**ESOP Plan 2013**"), as amended on February 1, 2022. The ESOP Plan 2013 is compliant with the SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 ("**SEBI SBEB Regulations**"). Pursuant to the ESOP Plan 2013, stock options may be granted to eligible "employees" as defined in the ESOP Plan 2013, i.e., *an employee as designated by the Company, who is exclusively working in India or outside India (including an employee working full-time or part-time or on contractual basis); or a director of the Company, whether a whole time director (as defined under relevant provisions of the Act) or not, including a non-executive director who is not a promoter or member of the promoter group, but at all times excluding an independent director of the Company; an employee as defined in clauses (i) or (ii) of a group company including Subsidiary or its associate company, in India or outside India, or of a Holding Company of the company; but shall not include an employee who is a promoter or a person belonging to the promoter group; or a director who either himself or through his relative or through any body corporate, directly or indirectly, holds more than ten percent of the outstanding equity shares of the Company.*

1.7 In light of the above, as part of their remuneration and to reward the value addition which will be made to business of the Subsidiary, it is proposed to offer to the doctors, who are Eligible Employees of the Subsidiary, employee stock options as per the ESOP Plan 2013.

2. LEGAL FRAMEWORK

2.1 Under Regulation 2(1)(i) of the SEBI SBEB Regulations, the term "employee" has been defined to mean and include "*an employee as designated by the company, who is exclusively working in India or outside India; or (ii) a director of the company, whether a whole time director or not, including a non-executive director who is not a promoter or member of the promoter group, but excluding an independent director; or (iii) an employee as defined in sub-clauses (i) or (ii), of a group company including subsidiary or its associate company, in India or outside India, or of a holding company of the company...*"

2.2 Pursuant to the FAQs published by the SEBI for simplistic clarifications/ guidance on the SEBI SBEB Regulations, it has been clarified that the term 'employees' includes contractual employees who are exclusively engaged by a company or its group company:

"*5. Whether contractual employees are eligible to receive benefits under Share Based Employee Benefits schemes? Yes, contractual employees are also eligible to receive benefits under the Share Based Employee Benefits schemes provided they are designated as employees by their employers and are exclusively working with such company or its group company including subsidiary or its associate company or its holding company*".

2.3 It is our understanding that the SEBI SBEB Regulations will become applicable to our Company, once it has achieved listing of its equity shares on a recognized stock exchange in India, and accordingly it will then be permissible, as per the SEBI SBEB Regulations, for the Company to grant stock options to the doctors who are proposed to be engaged as Eligible Employees with with the Subsidiary/Company as a group.

3. REQUEST FOR INTERPRETATIVE LETTER

In light of the above submission and the relevant legal framework cited above, we most humbly request you to issue an informal guidance by way of an interpretative letter under paragraph 5 (ii) of the Informal Guidance Scheme on the below:

KIDS CLINIC INDIA LIMITED BENGALURU

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3.1 *Upon listing of the Company, will it be permissible, as per the SEBI SBEB Regulations, for stock options to be granted under the ESOP Plan 2013 to the doctors who are proposed to be engaged as Eligible Employees.*

4. COMPLIANCE WITH PARAGRAPH 6 AND 11 OF THE INFORMAL GUIDANCE SCHEME

4.1 In accordance with paragraph 6 of the Informal Guidance Scheme, this request for informal guidance is accompanied with a demand draft number [•] for Rs. 29,500 (*inclusive of 18% GST*) dated [•] in favour of the Securities and Exchange Board of India drawn on [•] payable at Mumbai towards fees for informal guidance.

4.2 As mentioned above, we have filed our draft red herring prospectus dated February 10, 2022, with SEBI on February 11, 2022. However, we are yet to file a red herring prospectus with the Registrar of Companies, Karnataka at Bangalore and with SEBI. In light of the foregoing, we humbly request that our letter seeking informal guidance be given confidential treatment in accordance with paragraph 11 of the Informal Guidance Scheme.

4.3 All material facts, circumstances and legal provisions which in our opinion are relevant for the purposes of determination of this request are stated herein.

We shall be pleased to furnish any additional information as may be required in support of this application. Any request for further information may be addressed to:

Madhusudhan P Company Secretary and Compliance Officer Indiqube Sigma, No.3/B Koramangala Industrial Layout 3rd Block Koramangala, Bengaluru-560034 Karnataka, India **Tel:** + 91 80 4646 1236 **E-mail:** cs@cloudninecare.com	**Ms. Manjari Tyagi** Shardul Amarchand Mangaldas & Co. Amarchand Towers, 216 Okhla Industrial Estate, Phase III, New Delhi - 110 020, India Tel: (+91) 11 4985 9960 Email: manjari.tyagi@amsshardul.com

Thanking you, Sincerely,

For Kids Clinic India Limited

Authorized Signatory
Madhusudhan P
Company Secretary and Compliance Officer