



भारतीय प्रतिभूति
और विनियम बोर्ड
Securities and Exchange
Board of India

General Manager
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SEBI/HO/CFD/PoD-2/OW/P/2022/53220/1

October 19, 2022

Kids Clinic India Ltd.
Indiqube Sigma, No. 3/B,
Koramangala Industrial Layout,
3rd Block, Koramangala,
Bengaluru-560034,
Karnataka, India

Kind attention: Mr. Madhusudhan P (Company Secretary and Compliance Officer)

Sir,

Sub: Your request for Informal Guidance by way of “Interpretative Letter” under the SEBI (Informal Guidance) Scheme, 2003 in relation to the provisions of the SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 and the FAQ on SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021

1. We refer to your letter dated August 24, 2022 seeking guidance by way of an interpretative letter under the SEBI (Informal Guidance) Scheme, 2003 (“Scheme”).

2. In the letter under reference you have, *inter-alia*, stated as under-

a) Background-

- i. Kids Clinic India Ltd. (“**Company**”) is a public limited company incorporated under the Companies Act, 1956. The Company has filed a Draft Red Herring Prospectus dated February 10, 2022 with SEBI with an intention to list its equity shares on recognized stock exchange.
- ii. The Company currently engages super specialist doctors, on a consultancy basis, to provide professional medical services for maternity, neonatology and paediatrics.
- iii. Acquity Labs Private Ltd. (“**Subsidiary**”) is a subsidiary of the company. As on date, Company holds 1,041 equity shares (51%) in the subsidiary.

सेबी भवन, प्लॉट सं. सी 4-ए, "जी" ब्लॉक, बान्द्रा-कुर्ला कॉम्प्लेक्स, बान्द्रा (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



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- iv. In order to optimize the business of the company and the subsidiary, it is proposed that aforesaid doctors will be-
- Employed exclusively by the subsidiary to provide their expert advisory in the field of pathology, within defined working hours; and
 - Engaged by the company, on a consultancy basis, to provide professional services to it for certain number of hours, outside of their defined working hours for the subsidiary.
 - It has been stated that the eligible employees would exclusively be employed within, and provide services to the group (i.e. the company and its subsidiary)
- v. However, these doctors may separately carry on a private clinic practice/ 'evening clinics', outside their committed time of employment/engagement with the subsidiary/company as a group.
- vi. The company has adopted the KIDS Clinic India Pvt. Ltd. Employee Stock Option Plan 2013 ("**ESOP Plan 2013**"). The ESOP Plan 2013 is compliant with the SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 ("**SBEB & SE Regulations**")
- vii. 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 (ii) 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 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; 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.*
- viii. 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.



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b) Legal Framework

- ix. Under Regulation 2(1)(i) of the SBEB & SE 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..."**
- x. Further, in FAQ on SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021, it has been clarified that the term 'employees' includes contractual employees who are exclusively engaged by a company or its group company.
- xi. As per company's understanding, once the company is listed, it will then be permissible for the company to grant stock options to the doctors who are proposed to be engaged as Eligible Employees with the Subsidiary/Company as a group.

Clarification Sought

3. In view of the above, you have sought an interpretative letter on the following-
- i. Upon listing of the Company, will it be permissible, as per the SEBI SBEB & SE 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. We have considered the submissions made by you and without necessarily agreeing with your analysis, we are issuing interpretative letter as under:
- i. Regulation 2(1)(i)(i) of the Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021, inter alia defines an 'employee' as a person who is designated as an employee by the company, who is exclusively working in India or outside India. As per regulation 2(1)(i)(iii), a person who is designated as an employee by the company/its***



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group/ subsidiary/associate companies is also eligible for stock option under the said Regulations.

- ii. In the instant matter, as submitted by you, the doctors would be employed exclusively by the subsidiary and provide services to the group (i.e., the company and its subsidiary) and there shall be no employer-employee relationship with any other entity or company outside the group. Therefore, the said employees would be eligible for grant of share based employee benefits under the Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 if designated as exclusively employed with the subsidiary.
5. Vide your letter dated August 24, 2022, you have requested for confidentiality in respect of your application. Accordingly, the interpretative letter issued to you in this matter shall not be made public for a period of 90 days from the date of issuance of this letter.
6. The above position is based on the information furnished in your letter under reference different facts or condition might lead to a different result. Further, this letter does not express a decision of the Board on the question referred.
7. You may note that the above views are expressed only with respect to the clarification sought vide your letter under reference and do not affect the applicability of any other law or requirements of any other SEBI Regulations, Guidelines and circulars administered by SEBI or of the laws administered by any other authority.

Yours faithfully,


Yogita Jadhav