



भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

DEPUTY GENERAL MANAGER
INTEGRATED SURVEILLANCE DEPARTMENT

SEBI/HO/ISD/ISD-PoD-2/P/OW/2023/0000042307/1

October 13, 2023

Mr Vikas Aggarwal
Company Secretary & Compliance Officer
Share India Securities Ltd.
A-15, Sector 64,
NOIDA,
Gautam Buddha Nagar - 201301

vikas_cs@shareindia.com

Sir,

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

Ref: Your letter dated August 16, 2023

1. In your letter under reference, you have, *inter alia*, stated the following:

Share India Securities Limited ("SISL") is a company incorporated under erstwhile provisions of Companies Act, 1956 and listed with BSE and NSE. The company is engaged in business of stock broking. The company came with a rights issue by way of issuance of equity shares of the face value 10/- each fully paid-up along with 17 detachable warrants each ('Rights Securities'). The allotment of shares in the issue was completed on 24.03.2023. The rights issue was also subscribed by the Designated Persons ("DPs") of the company.

Pursuant to the Letter of Offer dated February 28, 2023, the subscriber to the rights issue is entitled for 17 detachable warrants convertible into equity shares, having



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an exercise period of 18 months from the date of allotment, i.e., the warrant holder has right to convert his warrants into the equity shares anytime within a period of 18 months from the date of allotment. Both equity shares and warrants have separate ISINs and are freely tradeable in the market, thus classified as securities of the company.

2. You have sought guidance in the form of interpretive letter under the Securities and Exchange Board of India (Informal Guidance) Scheme, 2003 ("Informal Guidance Scheme") to the following queries:

2.1. SISL interprets that the act of conversion of warrants into equity shares forms part of the corporate action. Now if the DP converts his warrants into equity shares prior to passing of six months from the date of allotment, will this transaction be considered as contra trade?

2.2. If prior to passing of six months from the date of all allotment (pursuant to conversion of warrants into equity shares), the DP sells the equity shares in open market, will this transaction be considered as contra trade?

2.3. If post six months of allotment of rights issue, the DP sells his shares in the open market, complying with the provisions of the applicable laws and uses the sale proceeds to convert the warrants allotted into equity shares immediately. Will this transaction be considered as contra trade?

Our Comments

3. The submissions made in your letter have been considered and without necessarily agreeing with your analysis, our view on the queries raised in your letter are as under:

3.1. The conversion of warrants into equity shares is not a corporate action as it is not caused due to any action taken by the company. The conversion of warrants is a



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voluntary act by the warrant holder which can be done anytime within the exercise period. While the price for conversion of the warrant is fixed, the time of exercising the same is as per the discretion of the warrant holder. Therefore, exercise of warrants shall be deemed as acquisition of securities.

In light of the above, both transactions, i.e., allotment of shares under the rights issue and exercising of warrants shall be considered as acquisition of securities (akin to buy trades). Therefore, the exercise of warrants shall not be considered as contra-trade with respect to allotment of shares under the rights issue as both transactions are in the nature of acquisitions without any corresponding transaction of sale / disposal of securities.

3.2. The act of conversion of warrants to equity shares will be in the nature of an acquisition (akin to buy trades). Therefore, any sale transaction prior to passing of six months from the date of allotment of shares (pursuant to conversion of warrants into equity shares) shall attract the restriction of contra-trade.

3.3. The conversion of warrants into equity shares shall be considered as acquisition of shares. However, the said transaction is executed between the warrant holder and the company at a pre-determined price and at the option of the DP. Therefore, the conversion of warrants into equity shares prior to passing of six months from a previous sale transaction shall not attract the restriction of contra-trade in this case. However, any subsequent sale of equity shares post such conversion of warrants shall attract the restriction of contra-trade.

4. Further, vide your letter under reference, you have requested for confidentiality in respect of your letter and its contents. Accordingly, it has been decided that the letter issued to you in this matter will not be made public for a period of 90 days from the date of issuance of this letter.



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5. This above position is specific and based on the information furnished in your letter under reference. Different facts or conditions may entail a different interpretation. Further, this letter does not express the decision of the Board on the queries referred in your letter.
6. It may also be noted that the above views are expressed only with respect to the clarification sought in your letter under reference with respect to the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 and do not affect the requirements or applicability of any of the provisions of law, including the Securities and Exchange Board of India Act, 1992, and the rules, regulations, guidelines or circulars framed thereunder that are administered by the Securities and Exchange Board of India; or of the laws administered by any other authority.

Yours faithfully,


A Vijayan

