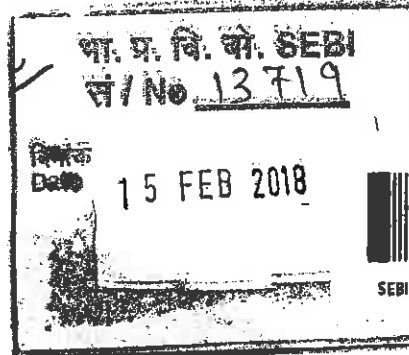


Date: 14 February 2018

To,
Chief General Manager,
Corporate Finance Department
Securities and Exchange Board of India
SEBI Bhavan, G Block,
Bandra Kurla Complex, Bandra (E),
Mumbai – 400051.



SEBI/IW/P/20180216/0000013719

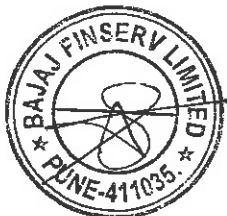
Dear Sir,

Ref.: Request for an Informal Guidance by way of an interpretative letter under the Securities and Exchange Board of India (Informal Guidance) Scheme, 2003 (the "Informal Guidance Scheme") in connection with applicability of SEBI (Issue of Capital & Disclosure Requirements) Regulations, 2009 ("ICDR Regulations") to Rights shares kept in abeyance.

This is to request an interpretative letter under paragraph 5(ii) of the Informal Guidance Scheme on the basis of submissions below:

1. Background:

- 1.1. Bajaj Finserv Limited (the "Company") had, through its first rights issue, issued equity shares of the face value of INR 5/- each on 16 May 2012 with an issue size of INR 940 Crores to its shareholders for which an In-Principle approval was received by the Company from National Stock Exchange of India Limited ("NSE") and BSE Limited ("BSE", along with NSE referred to as "Stock Exchanges") in July 2012.
- 1.2. The issue of total 14,468,351 rights issue equity shares ("Rights Issue Shares") was approved by the board committee at its meeting held on 29 August 2012.
- 1.3. In consultation with the merchant bankers and as specifically advised by the Stock Exchanges, the Company out of the total 14,468,351 Rights Issue Shares, had kept in abeyance 29,509 (0.20% of total issued shares) Rights Issue Shares, for reasons including shares being under legal disputes, transmission, held in demat suspense account etc. The email containing gist of discussions with BSE in October 2012 regarding shares kept in abeyance is enclosed as Annexure 1.
- 1.4. Accordingly, on 17 October 2012, the Company allotted net 14,438,842 Rights Issue Shares to the shareholders at INR 650/- per share (including INR 645/- as premium per share), keeping 29,509 Rights Issue Shares (0.20% of total issued shares) in abeyance. The Company also received an approval from the Stock Exchanges for listing the above allotted shares on the same date. Further, the Company also received a trading approval for the said allotted shares on 22 October 2012.
- 1.5. Thus, the original rights issue was completed in all respects including listing and trading thereof within 5 days from the date of allotment.



Bajaj Finserv Limited

Page 1 of 6

Corporate Office: 6th Floor, Bajaj Finserv Corporate Office, Off Pune-Ahmednagar Road,
Viman Nagar, Pune - 411 014, Maharashtra, India
Registered Office: Mumbai - Pune Road, Akurdi, Pune - 411 035, Maharashtra, India

Tel: +91 20 30405700
Fax: +91 20 30405792

www.bajajfinserv.in
Corporate ID No: L65923PN2007PLC130075

- 1.6. During the period 2014 to 2016, the Company issued and allotted the shares kept in abeyance at 3 instances (i.e. 2,832 Rights Issue Shares, 6,269 Rights Issue Shares and 327 Rights Issue Shares, respectively) to the eligible shareholders, after completing the necessary formalities and against payments received. These shares were also listed within the stipulated timeframe.
- 1.7. Similarly, during the period 2016 to 2017, a few more abeyance cases got resolved. Accordingly, the Board of Directors on 16 October 2017 allotted 3,317 [@ INR 650 per share (0.02% of the total issued shares)] Rights Issue Shares against payment of INR 21.56 lakh received from such shareholders. In the instant case, the shares kept in abeyance related to the following:
- 1.7.1. Transmission cases;
 - 1.7.2. Withheld case due to court cases, disputes etc.;
 - 1.7.3. Withheld for want of Surrender of Old Shares /Indemnity; and
 - 1.7.4. Shares lying in Demat Suspense Account.
- 1.8. There are currently 278 cases aggregating to 16,764 Rights Issue Shares which are still kept in abeyance.
- 1.9. The summary details of the rights issue made by the Company in 2012 is set out in a tabular form at **Annexure 2**.
- 1.10. The Company took several pro-active steps to ensure that the concerned shareholders are able to avail of the Rights Issue Shares although more than 5 years have elapsed since the original issue by sending communication to them year on year. The Rights Issue Shares price (including premium) was only INR 650/- per share, while the current market value is over INR 5000/- per share. The shareholders have expressed their full satisfaction about the investor-friendly efforts taken by the Company in this regard.
- 1.11. While making an application for listing of shares which were kept in abeyance, the Company has made the following observations: -
- 1.11.1. Each case is different and the set of documents which is to be submitted to the Stock Exchanges for listing and trading of the shares is also different and thus making the process unwieldy;
 - 1.11.2. The Stock Exchanges do not have a standard and uniform requirement for submission of the application (including the attachments) for listing of such abeyance cases;
 - 1.11.3. The Stock Exchanges have also recently modified the process for making application for listing and trading from physical to online mode for shares kept in abeyance;
 - 1.11.4. There are several other issues which makes the process long and tedious. For instance:
 - 1.11.4.1. Technical issues/glitches come up while submitting the documents, which are not the regular/routine kind;



- 1.11.4.2. Absence of guidance on procedure for listing of shares which were previously held in abeyance;
- 1.11.4.3. Size of legal documents may be large and thus is difficult to upload on the system;
- 1.11.4.4. During the process of listing, the staff of the Registrar and Share Transfer Agents, Depositories, Stock Exchanges need and take extra time to review and approve the documents which are not in ordinary course.
- 1.12. In view of the above, the application for listing of such abeyance shares allotted on 16 October 2017 was done in 30 days and 29 days, respectively for BSE and NSE. The Company made the application to the Stock Exchanges being under the impression that the ICDR Regulations do not apply in cases where an application is made for listing of shares which were kept in abeyance and become due for allotment only upon resolution of the dispute.
- 1.13. The NSE and BSE vide their emails dated 6 December 2017 and 7 December 2017, respectively levied a fine on the Company (copies enclosed as **Annexure 3**), in terms of Regulation 108(2) of ICDR Regulations read with SEBI circular dated 15 June 2017, (copy enclosed as **Annexure 4**) for an alleged delay in submission of its application for listing of these 3,317 shares beyond the prescribed period 20 days after allotment. The NSE and BSE levied the aforesaid fine unilaterally and without giving any opportunity to the Company to make a representation of its case. The representations made by the Company were also not taken into consideration (the copies of the representations enclosed as **Annexure 5**).
- 1.14. In order to protect the interest of the shareholders, the Company paid the fine under protest to the Stock Exchanges on 22 December 2017 to get the final listing and trading approvals from the Stock Exchanges. Only upon payment of the fine, the Company received the final listing and trading approvals from NSE and BSE both on 22 December 2017 (with effect from 26 December 2017).
- 1.15. In terms of Regulation 112 of ICDR Regulations, SEBI has power to issue clarifications on application or interpretation of the ICDR Regulations through guidance notes or circulars. Thus, the Company request SEBI to issue a clarification on the queries set out in this letter in the present facts.

2. Application under the Scheme

- 2.1. The Informal Guidance Scheme permits any listed company to make a request for informal guidance. The Company, being a listed company, whose equity Shares are listed on the Stock Exchanges, is making this request for informal guidance under paragraph 4 of the Informal Guidance Scheme.

3. Request for Interpretative Letter

- 3.1. In light of the above, the Company respectfully request for an interpretative letter on applicability of ICDR Regulations in the present case.



Applicability of ICDR Regulations

- 3.2. Regulation 3 of ICDR Regulations on the applicability of ICDR Regulations, *inter alia*, provides as under:

"3. Unless otherwise provided, these regulations shall apply to the following:

(a) a public issue;

(b) a rights issue, where the aggregate value of specified securities offered is fifty lakh rupees or more;

(c) a preferential issue;

(d) an issue of bonus shares by a listed issuer,

(e) a qualified institutions placement by a listed issuer,

(f) an issue of Indian Depository Receipts

Provided that the provisions of these regulations shall not apply to issue of securities under clause (b), (d) and (e) of sub-regulation (1) of regulation 9 of Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011." (emphasis supplied)

- 3.3. In our view, Regulation 3(b) of ICDR Regulations is applicable to a rights issue where the aggregate value of specified securities offered is INR 50 lakh or more. Given that separate listing applications are being made for every tranche of allotment, the ICDR Regulations is only applicable when the value of specified securities for each tranche of allotment exceeds INR 50 lakh. In the present case, the listing application was made for issue of rights shares kept in abeyance of the value of INR 21.56 lakh only. Thus, the ICDR Regulations do not apply in present case.

Application of Regulation 108

- 3.4. As stated above, the Stock Exchanges have imposed a fine on the Company for alleged violation of Regulation 108 of the ICDR (reproduced herein):

"108. (1) The issuer or the issuing company, as the case may be, shall complete the prelisting formalities within the time lines specified by the Board from time to time.

(2) The issuer or the issuing company, as the case may be, shall, make an application for listing, within twenty days from the date of allotment, to one or more recognized stock exchange(s) along with the documents specified by stock exchange(s) from time to time.

(3) In case of delay in making application for listing beyond twenty days from the date of allotment, the issuer or the issuing company, as the case may be, shall pay penal interest to allottees for each day of delay at the rate of at least ten per cent per annum from the expiry of thirty days from date of allotment till the listing of such securities to the allottees.

(4) In the event of non-receipt of listing permission from the stock exchange(s) by the issuer or the issuing company, as the case may be, or withdrawal of Observation Letter issued by the Board, wherever applicable, the securities shall not be eligible for listing and the issuer or the issuing company, as the case may be, shall be liable to refund the subscription monies, if any, to the respective allottees immediately along with interest at the rate of ten per cent. per annum from the date of allotment."



- 3.5. Regulation 108 in Chapter XI of the ICDR Regulations was inserted by the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 with effect from 1 December 2015. There is no provision under Chapter XI of the ICDR Regulation to suggest that it operates retrospectively. Thus, in cases of issuances made before 1 December 2015, Chapter XI of the ICDR Regulations will not apply.
- 3.6. Without prejudice to what is stated in paragraph 3.3 above, in our view, Chapter XI of the ICDR Regulations does not apply in our case since the original rights issue was made by the Company in the year 2012. Thus, the stipulations under Regulation 108 read with SEBI circular dated 15 June 2017 will only apply to any rights issuance after 1 December 2015 (i.e. the insertion of Chapter XI in the ICDR Regulations).

Application of Regulation 108 in special cases

- 3.7. In the present case, whilst the issue was made in 2012, the allotment of certain Rights Issue Shares was kept in abeyance as the same were under dispute. As stated above, the allotment of shares under dispute was kept in abeyance under the advisement of the Stock Exchanges. Upon resolution of the dispute, the shares kept in abeyance were allotted to the rightful shareholder and subsequently an application was made for listing of such shares. Given that the listing application for shares (which were previously kept in abeyance) was not in the ordinary course, the Company faced several hurdles (more particularly set out in paragraph 1.11). Accordingly, in our view the stringent requirements under Regulation 108 of ICDR Regulations cannot be complied with by the Company.
- 3.8. The language in Chapter XI of the ICDR Regulations does not suggest that it would apply to special cases such as situations where the shares were kept in abeyance (as also orally advised by the Stock Exchanges).
- 3.9. In view of the above, we are of the view that in special cases (like in the present case) Regulation 108 of the ICDR Regulations will not apply.

Mitigating Factors while Imposing Fine

- 3.10. As stated by us in paragraph 1.13 above, the Stock Exchanges unilaterally imposed a penalty upon the Company without giving an opportunity to make appropriate representations. In fact, a post facto representation made by the Company to explain our scenario was not considered by the Stock Exchanges.
- 3.11. The Company and other companies belonging to the same group have an unblemished track record. The Company has in place appropriate systems to ensure high level of compliance and impeccable corporate governance. The Company has no investor complaints with regard to the rights issue of 2012. In fact, one of the shareholders specifically condoned the delay and waived the payment of any interest (copy enclosed as Annexure 5). This only demonstrates the Company's objective of welfare of its shareholders. Even assuming that the Company is in breach of Regulation 108 of ICDR Regulation, the Company's conduct should be considered before imposing a penalty in the present case. The fact that the shareholders have not suffered in any manner by the alleged technical delay which was beyond the control of our Company should also be considered as a mitigating factor before imposing a penalty.



4. Queries

- 4.1. Whether the ICDR Regulations read with SEBI circular dated 15 June 2017 apply in case of a rights issue of shares kept in abeyance when the allotment of shares in a tranche is less than INR 50 lakh of the value of the specified securities?
- 4.2. Whether Regulation 108 of ICDR Regulation applies to cases where the rights issue took place prior to Chapter XI coming into effect?
- 4.3. Whether Regulation 108 of ICDR Regulation applies to special cases where the rights issue took place prior to Chapter XI coming into effect but the shares were not allotted due to the same being under dispute and were kept in abeyance based on guidance provided by the Stock Exchanges?
- 4.4. Whether mitigating circumstances such as conduct of the Company should be considered by the Stock Exchanges before imposing a penalty for violation of Regulation 108 of the ICDR Regulation?

5. Request for Confidentiality

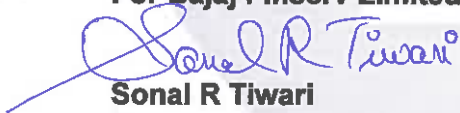
- 5.1. In accordance with paragraph 11 of the Informal Guidance Scheme, we request that this letter and its contents be kept confidential for the maximum period possible, i.e. until 90 days after the response to this letter has been tendered.

6. Compliance with Paragraph 6 of the Scheme

- 6.1. In accordance with paragraph 6 of the Informal Guidance Scheme, this request for informal guidance is accompanied with a demand draft no. 244884 for INR 25,000/- (Rupees Twenty-Five Thousand Only) dated 7 February 2018 drawn on Citibank N.A. payable at Mumbai.
- 6.2. All material facts, circumstances and legal provisions which in our opinion are relevant for the purposes of determination of this request are stated herein.

You are kindly requested to send us an interpretive letter on our above-mentioned queries.

Thanking You,
Yours sincerely,
For Bajaj Finserv Limited



Sonal R Tiwari
Company Secretary
Mobile: 98905 00576

