



भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

DEPUTY GENERAL MANAGER
INTEGRATED SURVEILLANCE DEPARTMENT

ISD/OW/2022/16109/1
April 13, 2022

Deepak Nitrite Limited (DNL)
Aaditya - I, Chhani Road,
Vadodara – 390 024

ATTN: Shri Arvind Bajpai, Company Secretary

Sir,

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

Ref: Letter dated February 11, 2022 having ref. DNL/CS/SEBI/IG/2022

1. This has reference to the letter dated February 11, 2022 seeking an interpretive letter under the Securities and Exchange Board of India (Informal Guidance) Scheme, 2003.
2. In the said letter, the following submissions have been made:
 - 2.1. The Board of Directors of the Company have announced a QIP issue of Equity Shares of DNL upto Rs.2,000 Crores ('QIP') vide their Meeting held on December 22, 2021. The Shareholders of the Company have approved the QIP by way of Special Resolution passed through Postal Ballot on January 27, 2022.
 - 2.2. The Board of Directors of the Company at their meeting held on January 24, 2022, have approved Unaudited Financial Results ('UFR') of the Company for the Quarter and Nine months' period ended December 31, 2021. The said UFR have been submitted to Stock Exchanges on January 24, 2022 within prescribed time limit.
 - 2.3. As per its regular practice, the Company has submitted Investor Communication w.r.t. UFR on January 24, 2022 and has held an Investor Conference call on January 27, 2022 to discuss the performance of the Company and UFR. The transcript of the said Concall has been placed on the website of the Company i. e. www.godeepak.com.
 - 2.4. As regards QIP, it will be launched at an appropriate time as may be decided by the Board of Directors or any Committee thereof duly authorized in that behalf. The



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सेबी भवन, प्लॉट सं. सी 4-ए, "जी" ब्लॉक, बांद्रा-कुर्ला कॉम्प्लेक्स, बांद्रा (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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Issue Price of the QIP shall be determined as prescribed under the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 ('ICD Regulations').

- 2.5. The Promoters / Promoter Group entities wishes to purchase Equity Shares of the Company from open market in compliance with the Code of Conduct of the Company on Prohibition of Insider Trading.
3. In light of the aforesaid submissions, informal guidance has been sought in the form of an interpretative letter on the following queries:
- 3.1. *Whether pending QIP issue, its pricing and probable impact on Share Capital of the Company, which is not yet known and shall be determined as per ICD Regulations, be considered as Unpublished Price Sensitive Information?*
- 3.2. *In view of the above, whether individual Promoters which include the Chairman & Managing Director and Executive Director & CEO of the Company or any member of the promoter group can purchase shares of the Company from open market during the pendency of QIP?*
4. Without necessarily agreeing with the analysis given in the letter under reference, the interpretation on the above queries is as under:
- 4.1. Relevant regulations of the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 ("**PIT Regulations**") are as follows:

Definitions.

Regulation 2 (1)

(d) "connected person" means, -

(i) *any person who is or has during the six months prior to the concerned act been associated with a company, directly or indirectly, in any capacity including by reason of frequent communication with its officers or by being in any contractual, fiduciary or employment relationship or by being a director, officer or an employee of the company or holds any position including a professional or business relationship between himself and the company whether temporary or permanent, that allows such person, directly or indirectly, access to unpublished price sensitive information or is reasonably expected to allow such access.*





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(g) "insider" means any person who is:

i) a connected person; or

ii) in possession of or having access to unpublished price sensitive information;

...

(n) "unpublished price sensitive information" means any information, relating to a company or its securities, directly or indirectly, that is not generally available which upon becoming generally available, is likely to materially affect the price of the securities and shall, ordinarily including but not restricted to, information relating to the following: –

(i) financial results;

(ii) dividends;

(iii) change in capital structure;

(iv) mergers, de-mergers, acquisitions, delistings, disposals and expansion of business and such other transactions;

(v) changes in key managerial personnel.

...

Communication or procurement of unpublished price sensitive information

Regulation 3

(1) - No insider shall communicate, provide, or allow access to any unpublished price sensitive information, relating to a company or securities listed or proposed to be listed, to any person including other insiders except where such communication is in furtherance of legitimate purposes, performance of duties or discharge of legal obligations.

...

(2) No person shall procure from or cause the communication by any insider of unpublished price sensitive information, relating to a company or securities listed or proposed to be listed, except in furtherance of legitimate purposes, performance of duties or discharge of legal obligations.





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...
Trading when in possession of unpublished price sensitive information.

Regulation 4 (1) - No insider shall trade in securities that are listed or proposed to be listed on a stock exchange when in possession of unpublished price sensitive information:

...
Trading Plans.

Regulation 5

(1) - An insider shall be entitled to formulate a trading plan and present it to the compliance office for approval and public disclosure pursuant to which trades may be carried out on his behalf in accordance with such plan.

...
4.2. With respect to query at para 3.1:

4.2.1. In your letter, you have sought whether the pending QIP issue upto Rs. 2,000 crores, its pricing and probable impact on Share Capital of the Company, be considered as Unpublished Price Sensitive Information (“**UPSI**”).

4.2.2. It is noted that the QIP issue will increase the capital of the company and in turn lead to a “change in capital structure” of the company. Change in capital structure of the Company is *per se* UPSI as per Regulation 2 (1) (n) of PIT Regulations.

4.2.3. Accordingly, the pending QIP issue, its pricing and probable impact on Share Capital of the Company, is a UPSI.

4.3. With respect to query at para 3.2:

4.3.1. In your letter, you have sought whether individual promoters which include the Chairman & Managing Director and Executive Director & CEO of the company or any member of the promoter group can purchase shares of the Company from open market during pendency of QIP.

4.3.2. As per regulation 2(1) (g), “insider” means a “connected person” or a person “in possession of or having access to unpublished price sensitive information”. Regulation 2(1) (d) provides that a “connected person” means any person who is or has during the six months prior to the concerned act been associated with the company, directly or indirectly, in any capacity or by being a director, officer or an employee of the company holds any position that allows such person, directly or indirectly, access to UPSI or is reasonably expected to allow such





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access. Therefore, the Chairman & Managing Director and Executive Director & CEO of the Company are “connected persons” and thereby deemed to be “insiders”. Further, based on facts and circumstances of each case, a member of the Promoter Group may be deemed to be “connected person” or may be in possession of UPSI or may have access to UPSI. Hence, such members of the Promoter Group may also be covered under the definition of “insider”.

4.3.3. Regulation 3 of PIT Regulations *inter alia* prohibits the communication or procurement of UPSI to any person including other insiders except where such communication is used for legitimate purposes and for performance of duties or discharge of legal obligations. Further, regulation 4(1) of the PIT Regulations *inter alia* states that no insider shall trade in securities that are listed or proposed to be listed on a stock exchange when in possession of the UPSI.

4.3.4. It may be noted that proviso to regulation 4(1) of the PIT Regulations provides the circumstances which an insider may demonstrate to prove his innocence; which *inter alia* includes a trading plan set up in accordance with regulation 5 of the PIT Regulations. Regulation 5 of the PIT Regulations provides an option to persons who may be perpetually in possession of UPSI, to trade by formulating a trading plan in compliance with the procedure mentioned in the regulation.

5. This position is specific to the information furnished in the letter under reference. Any difference in facts or conditions may entail different interpretation. Further, this letter does not contain any decision of the Board on the queries referred.
6. It may also be noted that the above views are expressed only with respect to the clarification sought in the letter under reference with respect to the PIT Regulations and do not affect the requirements or applicability of any of the provisions of the Securities and Exchange Board of India Act, 1992, or the rules or the regulations made thereunder that are administered by the Securities and Exchange Board of India or by any other authority.

Yours faithfully,

S Prabhakar

