

March 29, 2017

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

**PCJ**  
Jeweller for generations



SEBI/IW/P/20170405/0000037301

**Sub: Request for Interpretative Letter under the Securities and Exchange Board of India (Informal Guidance) Scheme, 2003, as amended ("Informal Guidance Scheme")**

**Lock-in requirements applicable to pre-preferential allotment shareholding under Regulation 78(6) of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, as amended ("ICDR Regulations")**

**I. Facts**

1. PC Jeweller Limited (the "Company") is a public limited company incorporated under the laws of India with its registered office located at C-54 Preet Vihar, Vikas Marg, Delhi 110092. The equity shares of the Company are listed on the BSE Limited ("BSE") and the National Stock Exchange of India Limited.
2. The issued and paid-up share capital of the Company currently consists of 179,137,600 equity shares of face value of Rs.10/- each (the "Equity Shares") and 257,372,912 compulsorily convertible preference shares of Rs.10/- each (the "Preference Shares").
3. On May 24, 2016, the Company allotted 4,269,984 compulsorily convertible debentures with a face value of Rs.1,000/- each ("CCDs") to DVI Fund (Mauritius) Ltd ("DVI") by way of preferential allotment on a private placement basis in accordance with the provisions of Chapter VII of the ICDR Regulations. Certified copies of the board and shareholder resolutions approving the preferential issue are enclosed as **Annexure A**. A certified copy of the board resolution approving the allotment of CCDs is enclosed as **Annexure B**.
4. The CCDs are convertible into Equity Shares at the conversion price of Rs.380/- within 18 months from the date of allotment. The relevant date for determination of the price at which the CCDs will convert into Equity Shares was 30 days prior to the date of the shareholders' meeting to consider the preferential issue of CCDs (i.e., April 8, 2016). The CCDs are not listed on any stock exchange.
5. Prior to the preferential allotment of CCDs on May 24, 2016, DVI held 6,654,464 Equity Shares, constituting 3.72% of the then issued and paid-up capital of the Company ("Pre-Preferential Allotment Shareholding").
6. DVI is not a promoter of the Company and does not form a part of the promoter group of the Company.

**PC Jeweller Limited**



## II. Relevant Provisions of the ICDR Regulations

1. The relevant lock-in provisions applicable to the securities allotted on a preferential basis and the pre-preferential allotment shareholding as contained in Chapter VII of the ICDR Regulations are reproduced below:

### “Lock-in of specified securities.

78.

...

*(2) The specified securities allotted on preferential basis to persons other than promoter and promoter group and the equity shares allotted pursuant to exercise of options attached to warrants issued on preferential basis to such persons shall be locked in for a period of one year from the date of trading approval.*

...

*(6) The entire pre-preferential allotment shareholding of the allottees, if any, shall be locked-in from the relevant date upto a period of six months from the date of trading approval.*

...”

## III. Applicability of the Relevant Provisions

1. Regulations 78(2) and 78(6) of the ICDR Regulations refer to the “date of trading approval” as the reference date for determining the lock-in period. The CCDs allotted to DVI are not listed and as such, the concept of trading approval is not relevant for such unlisted securities. This has also been clarified by the SEBI as indicated below.
2. The SEBI has clarified in its interpretative letter dated September 12, 2016 issued to Kesoram Industries Limited under the Informal Guidance Scheme (the “KIL Informal Guidance”) that where the requirement of trading approval is not applicable to the convertible securities (i.e., the holder of the convertible securities does not intend to list the convertible securities within 18 months from the date of allotment), the lock-in period under Regulation 78(2) of the ICDR Regulations shall begin as soon as the convertible securities are allotted and expire one year thereafter. A copy of the KIL Informal Guidance is enclosed as Annexure C.
3. Accordingly, the lock-in period under Regulation 78(2) of the ICDR Regulations for the unlisted CCDs allotted to DVI on a preferential basis will commence on the date of allotment of the CCDs and expire one year thereafter.
4. Regulation 78(6) of the ICDR Regulations specifies that the lock-in for the pre-preferential allotment shareholding of an allottee will commence from the relevant date and end on the expiry of six months from the “date of trading approval”. The issue is the interpretation of the expiry of the lock-in period for such pre-preferential allotment shareholding when unlisted CCDs have been allotted.
5. We believe that in case of preferential allotment of unlisted convertible securities, it would be reasonable and logical to extend the principle adopted by the SEBI in the KIL Informal Guidance (as set out in paragraph 2 above) to the lock-in period under Regulation 78(6) of the ICDR Regulations for the pre-preferential allotment shareholding. Accordingly, applying the same principle as set out in the KIL Informal Guidance, the lock-in under Regulation 78(6) of the ICDR Regulations for the pre-preferential allotment shareholding will also apply until six months from the date of allotment of the convertible securities. This is on the same basis as given in the KIL Informal Guidance, i.e., there is no concept of a trading approval for CCDs that are not proposed to be listed. Therefore, we are of the view that the lock-in period under Regulation 78(6) of the ICDR Regulations for DVI’s Pre-Preferential Allotment Shareholding would commence from the relevant date (i.e., April 8, 2016) and expire six months from the date of allotment of CCDs (i.e., November 24, 2016).



6. If a contrary view is adopted that requires the lock-in for the pre-preferential allotment shareholding to continue until the date of the trading approval for the equity shares that arise from the conversion of the CCDs, such a view would unreasonably extend the lock-in period for DVI's Pre-Preferential Allotment Shareholding. The CCDs convert into equity shares within a maximum period of 18 months of the allotment of CCDs. Trading approval can only be sought after conversion of CCDs into equity shares. Based on the above interpretation, in the event that the conversion occurs at the end of the 18-month period, the lock-in for the Pre-Preferential Allotment Shareholding would continue for an additional six months after receipt of the trading approval for the equity shares arising on the conversion of the CCDs. This effectively means that the Pre-Preferential Allotment Shareholding will be locked-in from the relevant date until 24 months after the allotment of the CCDs (18 months for the conversion of the CCDs into equity shares and then an additional six months after receipt of trading approval for the equity shares arising on conversion of the CCDs). In other words, while the equity shares arising on conversion of the CCDs at the end of the 18-month period will be free from lock-in upon receipt of trading approval for such equity shares, the Pre-Preferential Allotment Shareholding would continue to be locked-in for a further period of six months.

#### IV. Guidance sought

At DVI's request, we seek guidance from the SEBI under the Informal Guidance Scheme on the interpretation of Regulation 78(6) of the ICDR Regulations to the lock-in period applicable to the pre-preferential allotment shareholding of DVI.

Specifically, we seek confirmation that with reference to the allotment of unlisted CCDs to DVI on a preferential basis, the lock-in period applicable to the pre-preferential allotment shareholding of DVI commences from the relevant date and ends on the expiry of six months from the date of allotment of the CCDs.

Pursuant to Paragraph 4 of the Informal Guidance Scheme, the Company, being a listed company, is eligible to request for informal guidance under the Informal Guidance Scheme. Also, since the issue relates to lock-in of the Company's Equity Shares, the Company is directly interested in seeking the above clarification.

In accordance with the applicable guidelines, a demand draft no.000994 dated 29.03.2017 drawn on HDFC Bank for Rs.25,000 towards fees payable for seeking an interpretative letter under the provisions of the Informal Guidance Scheme is enclosed with this application.

Thanking you,

For and on behalf of PC Jeweller Limited

\_\_\_\_\_  
Name: Sanjeev Bhatia  
Title: CFO



Encl: As above

**COPY OF THE RESOLUTION PASSED IN THE MEETING OF THE BOARD OF DIRECTORS OF PC JEWELLER LIMITED HELD ON APRIL 6, 2016.**

“RESOLVED THAT pursuant to Sections 42 and 71 and other applicable provisions, if any, of the Companies Act, 2013 read with the Companies (Prospectus and Allotment of Securities) Rules, 2014, the Companies (Share Capital and Debentures) Rules, 2014 (including any statutory amendments or re-enactments thereof for the time being in force), the provisions of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 (the “ICDR Regulations”), Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the “Listing Regulations”), each as amended, any other applicable laws, rules and regulations and enabling provisions in the Memorandum and Articles of Association of the Company and the equity listing agreements entered into by the Company with BSE Limited (“BSE”) and National Stock Exchange of India Limited (“NSE”) and subject to necessary approvals / sanctions / permissions of appropriate statutory / regulatory authorities, if applicable, and subject to such conditions as may be prescribed by any of them while granting such approvals / sanctions, and which may be agreed to by the Board of Directors of the Company (hereinafter referred to as the “Board” which term shall be deemed to include any Committee(s), which the Board may have constituted or may constitute to exercise the powers conferred on the Board by this resolution), and subject to the approval of the Members of the Company, consent of the Board be and is hereby accorded to create, offer, issue and allot up to 42,70,000 (Forty Two Lac Seventy Thousand) Compulsorily Convertible Debentures (“CCDs”) having face value of INR 1,000 (Indian Rupees One Thousand Only) each, in one or more tranches, at par, for an aggregate amount of up to INR 427 crores (Indian Rupees Four Hundred Twenty Seven Crores Only) and on such terms and conditions as may be decided and deemed appropriate by the Board at the time of issue or allotment, by way of a preferential allotment on private placement basis to DVI Fund (Mauritius) Ltd (the “Proposed Allottee”) and to issue such number of equity shares as may be required to be issued upon conversion of the CCDs or as may be necessary in accordance with the terms of the offering.

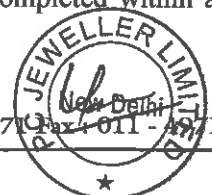
RESOLVED FURTHER THAT the CCDs shall (i) carry a coupon of 13% per annum, grossed up of all withholding taxes, payable on a quarterly basis, up to the date of conversion into equity shares of the Company and (ii) be converted into such number of equity shares of the Company arrived at by dividing the product of the face value of each CCD being converted and the number of CCDs being converted, by the higher of the (a) price determined in accordance with the ICDR Regulations; and (b) INR 380 (Indian Rupees Three Hundred Eighty Only).

RESOLVED FURTHER THAT the equity shares to be issued on conversion of the CCDs shall rank pari passu in all respects with the existing equity shares of the Company.

RESOLVED FURTHER THAT the relevant date, for determination of the price at which the CCDs convert into equity shares of the Company, shall be the date 30 (thirty) days prior to the date on which the meeting of Members is held to consider the proposed issuance of CCDs.

RESOLVED FURTHER THAT in accordance with the Regulation 74(1) of the ICDR Regulations the CCDs shall be allotted within a period of 15 (fifteen) days from the date of passing of the resolution by the Members, provided that where the said allotment is pending on account of pendency of any approval for such allotment by any regulatory authority, the allotment shall be completed within a period of 15 (fifteen) days from the date of such approval.

**PC Jeweller Limited**



RESOLVED FURTHER THAT in accordance with the Regulation 75 of the ICDR Regulations and terms of CCDs, the tenure of the CCDs shall not exceed 18 (eighteen) months from the date of their allotment.

RESOLVED FURTHER THAT the CCDs and the equity shares proposed to be allotted to the Proposed Allottee upon conversion of the CCDs, be listed on BSE and NSE, and that the Board be and is hereby authorised to make the necessary applications and to take all other steps as may be necessary for and in connection with the listing of the CCDs and the equity shares proposed to be allotted to the Proposed Allottee upon conversion of the CCDs and for the admission of such CCDs and the equity shares with the depositories, viz. National Securities Depository Limited ("NSDL") and Central Depository Services (India) Limited ("CDSL"), and for the credit of such CCDs and the equity shares allotted upon conversion of the CCDs to the demat account of the Proposed Allottee.

RESOLVED FURTHER THAT Shri Balram Garg (DIN: 00032083), Managing Director, Shri Ramesh Kumar Sharma (DIN: 01980542), Executive Director & C.O.O., Shri Sanjeev Bhatia, Chief Financial Officer and Shri Vijay Panwar, Company Secretary of the Company, be and are hereby severally authorised to do all such acts, deeds, matters and things as may be necessary or desirable for, or incidental to, the issuance of the CCDs and also for giving effect to this resolution, including finalising, signing and executing:

- (i) the investment agreement proposed to be entered into between the Proposed Allottee and the Company in connection with the issuance and allotment of the CCDs to the Proposed Allottee;
- (ii) the Private Placement Offer Letter required under Section 42 of the Companies Act, 2013;

draft(s) of which were placed at this meeting and initialled by the Chairman for identification, and such other agreements, deeds, declarations, undertakings, forms and other ancillary documents in relation to the above, as may be necessary, desirable and expedient to be agreed, signed and executed in connection with and pursuant to the aforesaid issuance of the CCDs and to make requisite intimations, filings and applications etc., if any, to all concerned statutory and regulatory authorities and departments.

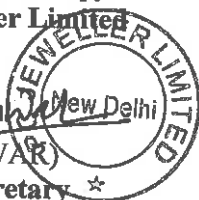
RESOLVED FURTHER THAT Shri Balram Garg, Managing Director, Shri Ramesh Kumar Sharma, Executive Director & C.O.O. and Shri Sanjeev Bhatia, Chief Financial Officer of the Company, be and are hereby severally authorised to make any alterations, amendments and changes to any of the aforesaid documents, as may be deemed expedient or necessary for this purpose.

RESOLVED FURTHER THAT the Common Seal of the Company, if required to be affixed on any of the aforesaid agreement, undertaking, deed or other document, the same be affixed in the presence of any one of the Director(s) of the Company, who shall also sign the same, for and on behalf of the Company.

RESOLVED FURTHER THAT any one of the Directors or the Company Secretary of the Company be and are hereby severally authorized to issue duly certified copies of this resolution, as and when required."

Certified to be true copy,  
For PC Jeweller Limited

  
(VIJAY PANWAR)  
Company Secretary



**COPY OF THE RESOLUTION PASSED IN THE EXTRA-ORDINARY GENERAL MEETING OF PC JEWELLER LIMITED HELD ON MAY 9, 2016.**

“RESOLVED THAT pursuant to Sections 42 and 71 and other applicable provisions, if any, of the Companies Act, 2013 read with the Companies (Prospectus and Allotment of Securities) Rules, 2014, the Companies (Share Capital and Debentures) Rules, 2014 (including any statutory amendments or re-enactments thereof for the time being in force), the provisions of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 (the “ICDR Regulations”), Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the “Listing Regulations”), each as amended, any other applicable laws, rules and regulations and enabling provisions in the Memorandum and Articles of Association of the Company and the equity listing agreements entered into by the Company with BSE Limited (“BSE”) and National Stock Exchange of India Limited (“NSE”) and subject to necessary approvals / sanctions / permissions of appropriate statutory / regulatory authorities, if applicable, and subject to such conditions as may be prescribed by any of them while granting such approvals / sanctions, and which may be agreed to by the Board of Directors of the Company (hereinafter referred to as the “Board” which term shall be deemed to include any Committee(s), which the Board may have constituted or may constitute to exercise the powers conferred on the Board by this resolution), consent of the Company be and is hereby accorded to the Board to create, offer, issue and allot up to 42,70,000 (Forty Two Lac Seventy Thousand) Compulsorily Convertible Debentures (“CCDs”) having face value of INR 1,000 (Indian Rupees One Thousand Only) each, in one or more tranches, at par, for an aggregate amount of up to INR 427 crores (Indian Rupees Four Hundred Twenty Seven Crores Only) and on such terms and conditions as may be decided and deemed appropriate by the Board at the time of issue or allotment, by way of a preferential allotment on private placement basis to DVI Fund (Mauritius) Ltd (the “Proposed Allottee”) and to issue such number of equity shares as may be required to be issued upon conversion of the CCDs allotted pursuant to this resolution or as may be necessary in accordance with the terms of the offering.

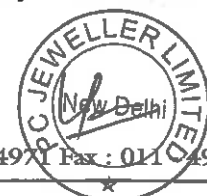
RESOLVED FURTHER THAT the CCDs shall (i) carry a coupon of 13% per annum, grossed up of all withholding taxes, payable on a quarterly basis, up to the date of conversion into equity shares of the Company and (ii) be converted into such number of equity shares of the Company arrived at by dividing the product of the face value of each CCD being converted and the number of CCDs being converted, by the higher of the (a) price determined in accordance with the ICDR Regulations; and (b) INR 380 (Indian Rupees Three Hundred Eighty Only).

RESOLVED FURTHER THAT the equity shares to be issued on conversion of the CCDs shall rank pari passu in all respects with the existing equity shares of the Company.

RESOLVED FURTHER THAT the relevant date, for determination of the price at which the CCDs convert into equity shares of the Company, shall be the date 30 (thirty) days prior to the date on which the meeting of Members is held to consider the proposed issuance of CCDs.

RESOLVED FURTHER THAT in accordance with the Regulation 74(1) of the ICDR Regulations the CCDs shall be allotted within a period of 15 days from the date of passing of this resolution, provided that where the said allotment is pending on account of pendency of any approval for such allotment by any regulatory authority, the allotment shall be completed within a period of 15 days from the date of such approval.

PC Jeweller Limited




RESOLVED FURTHER THAT in accordance with the Regulation 75 of the ICDR Regulations and terms of CCDs, the tenure of the CCDs shall not exceed 18 (eighteen) months from the date of their allotment.

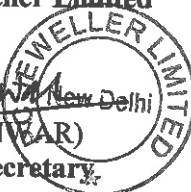
RESOLVED FURTHER THAT the CCDs and the equity shares proposed to be allotted to the Proposed Allottee upon conversion of the CCDs, be listed on BSE and NSE, and that the Board be and is hereby authorised to make the necessary applications and to take all other steps as may be necessary for and in connection with the listing of the CCDs and the equity shares proposed to be allotted to the Proposed Allottee upon conversion of the CCDs and for the admission of such CCDs and the equity shares with the depositories, viz. National Securities Depository Limited (“NSDL”) and Central Depository Services (India) Limited (“CDSL”), and for the credit of such CCDs and the equity shares allotted upon conversion of the CCDs to the demat account of the Proposed Allottee.

RESOLVED FURTHER THAT for the purpose of giving effect to the aforesaid resolution, the Board be and is hereby authorised to do all such acts, deeds, matters and things as it may, in its absolute discretion, deem necessary, proper or desirable for such purpose, including but not limited to execution of various deeds, documents, writings, agreements, and also to modify, accept and give effect to any modifications therein and the terms and conditions of the issue, as may be required by the statutory, regulatory and other appropriate authorities and to settle all queries or doubts that may arise in the proposed issue, without being required to seek any further consent or approval of the Members.

RESOLVED FURTHER THAT subject to applicable laws, the Board be and is hereby also authorized to delegate, all or any of the powers herein conferred, to any Director(s) or Officer(s) of the Company and to revoke and substitute such delegation from time to time, as deemed fit by the Board, to give effect to the aforesaid resolution.”

Certified to be true copy,  
For PC Jeweller Limited

  
(VIJAY PANWAR)  
Company Secretary



**COPY OF THE RESOLUTION PASSED IN THE MEETING OF THE BOARD OF DIRECTORS OF PC JEWELLER LIMITED HELD ON MAY 24, 2016.**


“RESOLVED THAT pursuant to Sections 42, 71 and other applicable provisions, if any, of the Companies Act, 2013 read with the Companies (Prospectus and Allotment of Securities) Rules, 2014 and the Companies (Share Capital and Debentures) Rules, 2014 (including any statutory amendments thereto or re-enactments thereof for the time being in force), Chapter VII of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 (hereinafter referred as “ICDR Regulations”) and any other applicable laws, rules, regulations, and enabling provisions in the Memorandum and Articles of Association of the Company and further pursuant to the resolutions passed by the Board of Directors at its meeting held on April 6, 2016 and the shareholders at the Extra-ordinary General Meeting of the Company held on May 9, 2016, 42,69,984 (Forty Two Lacs Sixty Nine Thousand Nine Hundred Eighty Four) Compulsorily Convertible Debentures having face value of INR 1,000 (Indian Rupees One Thousand Only) each (“CCDs”), bearing distinctive Nos. 1 to 42,69,984 (both inclusive), be and are hereby allotted at par for an aggregate amount of INR 426,99,84,000 (Indian Rupees Four Hundred Twenty Six Crores Ninety Nine Lacs And Eighty Four Thousand Only) by way of a preferential allotment on private placement basis to DVI Fund (Mauritius) Ltd.

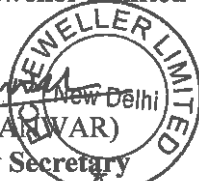
RESOLVED FURTHER THAT the CCDs be issued in demat form to DVI Fund (Mauritius) Ltd and shall be convertible into Equity Shares at a conversion price of INR 380 (i.e. price higher than the minimum issue price of INR 353.76 computed in terms of Chapter VII of the ICDR Regulations) within 18 months from the date of allotment as per the terms of the investment agreement dated April 18, 2016 (“Investment Agreement”) entered into between the Company and DVI Fund (Mauritius) Ltd.

RESOLVED FURTHER THAT the CCD certificates, if required, for the purposes of dematerialisation and/or payment of stamp duty be signed by Shri Padam Chand Gupta (DIN: 00032794), Chairman and Shri Balram Garg (DIN: 00032083), Managing Director of the Company and the same be counter signed by Shri Vijay Panwar, Company Secretary of the Company, and the Common Seal of the Company, if required, be affixed thereon in the presence of anyone of the above said directors of the Company.

RESOLVED FURTHER THAT Shri Ramesh Kumar Sharma (DIN: 01980542), Executive Director & Chief Operating Officer, Shri Sanjeev Bhatia, Chief Financial Officer and Shri Vijay Panwar, Company Secretary of the Company be and are hereby severally authorised to take such actions as may be required to effect ‘closing’ under the Investment Agreement and to make all intimations, filings and applications to all concerned statutory and regulatory authorities and departments, person or persons, if and to the extent necessary and to provide certified true copies of the resolution to such persons, as may be required, in connection with the aforesaid transaction and/or to give effect to this resolution.”

Certified to be true copy,  
For PC Jeweller Limited

  
(VIJAY PANWAR)  
Company Secretary



**PC Jeweller Limited**





Annexure C

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भारतीय प्रतिभूति  
और विनियम बोर्ड  
Securities and Exchange  
Board of India

Pradeep Ramakrishnan  
Deputy General Manager  
Corporation Finance Department  
Division of Issues and Listing-2  
Phone: +91-22 26449000 (Extn: 9246)  
Fax: +91-22 26449022

CFD/DIL-2/OW/PR/25629/2016  
September 12, 2016

M/s. Kesoram Industries Limited  
9/1 R. N. Mukherjee Road  
Kolkata- 700 001

Dear Sir,

**Sub: Interpretative letter of opinion under SEBI (Informal Guidance) Scheme, 2003 in the matter of M/s Kesoram Industries Limited**

1. This has reference to your letter dated July 10, 2016 seeking guidance by way of an interpretative letter under the Scheme.
2. You have, *inter alia*, represented as follows:
  - a. M/s Kesoram Industries Limited is a public limited company incorporated under the laws of India with its registered office located at 81 Floor, Birla Building, 9/1 R.N. Mukherjee Road Kolkata 700 001, West Bengal. The equity shares of the Company are listed on the BSE Limited, the National Stock Exchange of India Limited and the Calcutta Stock Exchange Limited.
  - b. The issued and paid-up share capital of the Company currently consists of 117,268,650 Equity Shares of face value of Rs. 10 each (the "Equity Shares") and 750,000 optionally convertible redeemable preference shares of face value of Rs. 100 each ("OCRPS").
  - c. On March 31, 2016, the Company allotted 750,000 OCRPS to IndusInd Bank Limited ("IndusInd Bank") on a preferential basis in accordance with the provisions of Chapter VII of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, as amended (the "ICDR Regulations").
  - d. IndusInd Bank is a banking company listed on the stock exchanges, is not a promoter of the Company and does not form a part of the promoter group of the Company.
  - e. The OCRPS were allotted at a price of Rs. 1,200 per OCRPS (including securities premium of Rs. 1,100 per OCRPS) for an aggregate consideration of Rs. 90 crore. Each OCRPS is either convertible into 10 Equity Shares at Rs. 120 per Equity Share at the option of IndusInd Bank within a time frame not exceeding 18 months from the date of allotment or subject to redemption by the Company at the end of such time frame in such manner and on such terms and conditions as agreed between the Company and IndusInd. Subject to applicable law, the OCRPS and the Equity Shares arising from the conversion of the OCRPS are freely transferable. The OCRPS are not listed on any stock exchange.

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

SEBI Bhavan, Plot No. C4-A, "G" Block, Bandra Kurla Complex, Bandra (E), Mumbai - 400 051.  
Tel.: 2644 9950 / 4045 9950 (IVRS), 2644 9000 / 4045 9000 Fax : 2644 9019 to 2644 9022 Web : www.sebi.gov.in



अनुवर्ती :  
Continuation :

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भारतीय प्रतिभूति  
और विनिमय बोर्ड  
Securities and Exchange  
Board of India

3. On the basis of the above, you have sought interpretative letter from SEBI with respect to the following issues:
- Whether the lock-in period applicable to the unlisted OCRPS commences from the date of allotment of the OCRPS and ends one year thereafter?
  - Whether the OCRPS can be transferred before completion of the one year period referred to in (a) above if they have not been converted into Equity Shares?
  - Whether the Equity Shares arising from the conversion of the OCRPS prior to the expiry of the lock-in period shall be subject to lock-in only for the remaining part of the one-year period referred to in (a) above; and
  - Whether the Equity Shares arising from the conversion of the OCRPS after the expiry of the one-year period referred to in (a) above will be subject to any additional lock-in restrictions.
4. Without necessarily agreeing with your analysis given in your above mentioned letter, our view on the issues mentioned at para 3 above are given as under:
- Query 1 (mentioned at para 3(a) above):

With regards to your first query, the following provision of the ICDR Regulations may be applicable:

Regulation 2(1)(zj) of the ICDR Regulations defines *specific securities* as "equity shares and convertible securities."

Regulation 2(1)(k) of the ICDR Regulations defines *convertible security* as "a security which is convertible into or exchangeable with equity shares of the issuer at a later date, with or without the option of the holder of the security and includes convertible debt instrument and convertible preference shares."

Regulation 78(2) of the ICDR Regulations mandates that "the specified securities allotted on preferential basis to persons other than promoter and promoter group and the equity shares allotted pursuant to exercise of options attached to warrants issued on preferential basis to such persons shall be locked in for a period of one year from the date of trading approval."

Explanation 2 of Regulation 78 of the ICDR Regulations explains *trading approval* as "the latest date when trading approval has been granted by all the recognised stock exchanges where the equity shares of the issuer are listed, for specified securities allotted as per the provisions of this Chapter."

Regulation 78(2) of the ICDR Regulations provides that the OCRPS shall be locked-in for a period of one year from the date of trading approval. However, where the requirement of trading approval is not applicable to the convertible securities (i.e., where the holder of the OCRPS do not intend to list the OCRPS within 18 months from the date of allotment), lock-in period shall begin as soon as OCRPS are allotted. Thus, the lock-in period applicable to the unlisted OCRPS commences from the date of allotment of the OCRPS and ends one year thereafter.

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अनुवर्ती :  
Continuation :

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भारतीय प्रातभूत  
और विनिमय बोर्ड  
Securities and Exchange  
Board of India

b. Query 2 (mentioned at para 3(b) above)

No, the OCRPS cannot be transferred before completion of the one-year period referred to in Query 1 above if they have not been converted into Equity Shares.

c. Query 3 (mentioned at para 3(c) above):

With regards to your third query, the following provision of the ICDR Regulations may be applicable:

Regulation 78(3) of the ICDR Regulations mandates that *"the lock-in of equity shares allotted pursuant to conversion of convertible securities other than warrants, issued on preferential basis shall be reduced to the extent the convertible securities have already been locked-in."*

In terms of Regulation 78(3), the Equity Shares arising from the conversion of the OCRPS prior to the expiry of the lock-in period shall be locked-in for the remaining part of the one-year period.

d. Query 4 (mentioned at para 3(d) above):

With regards to your fourth query, the following provision of the ICDR Regulations may be applicable:

Regulation 79(2) of the ICDR Regulations mandates that *"the specified securities allotted on preferential basis shall not be transferred by the allottee till trading approval is granted for such securities by all the recognised stock exchanges where the equity shares of the issuer are listed."*

In terms of Regulation 79(2), the Equity Shares arising from the conversion of the OCRPS after expiry of the one-year period shall not be transferred by the allottee till trading approval is granted by all the recognized stock exchanges where the Equity Shares of the Company is listed.

5. The above position is based on the information furnished in your letter under reference. Different facts or conditions might lead to a different result. Further, this letter does not express a decision of the Board on the question referred.
6. You may also note that the above views are expressed only with respect to the clarification sought in your letter under reference with respect to ICDR Regulations, 2009 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,

  
Pradeep Ramakrishnan