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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, बांद्रा कुर्ला कॉम्प्लेक्स, बांद्रा (पूर्व), मुंबई - 400 051.
दूरभाष : 2644 9950 / 4045 9950 (आई.वो.आर.एस.), 2644 9000 / 4045 9000 फेक्स : 2644 9019 से 2644 9022 वेब : www.sebi.gov.in



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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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