



Deputy General Manager
Integrated Surveillance Department

भारतीय प्रतिभूति
और विनियम बोर्ड
Securities and Exchange
Board of India

SEBI/HO/ISD/OW/P/2019/31266/1
November 25, 2019

ARVIND LTD.
Naroda Road
Ahmedabad – 380025

Kind Attention: Shri Ramnik V Bhimani, Company Secretary

Dear Sir,

Sub: Request for Informal Guidance by way of an interpretative letter under Securities and Exchange Board of India (Informal Guidance) Scheme, 2003
Ref: Your letters and emails dated June 3, 2019, August 12, 2019, August 14, 2019 and September 25, 2019

1. This has reference to the captioned letters requesting guidance by way of an 'interpretative letter' under Securities and Exchange Board of India (Informal Guidance) Scheme, 2003 (the scheme).
2. In the said letter, it is, inter alia, stated as follows:
 - a. Arvind Limited is a company incorporated under the Indian Companies Act 1913, having its registered office at Naroda Road, Ahmedabad – 380025. The equity shares of Arvind Limited are listed on BSE and NSE.
 - b. One of the promoters (say Mr. P) of Arvind Ltd. is also one of the successors of Lalbhai family.
 - c. Over a period of time, due to inheritance, Mr. P has become the trustee in certain trusts where the shares of Arvind Ltd. are held under his PAN. He is also the executor of certain wills where he is required to distribute the proceeds of sale of shares of Arvind Ltd. to the legal heirs under the respective wills.
 - d. Mr. P, who is a promoter and director of Arvind Ltd., is holding shares of Arvind Ltd. under his PAN in the following capacity:
 - in his personal capacity as an individual,
 - in the capacity of trustee for the benefit of Mr. P's family
 - in the capacity of trustee for the benefit of the beneficiaries other than Mr. P's family and
 - in the capacity of executor for various wills.

Page 1 of 4

सेबी भवन, प्लॉट नं. सी 4-ए, "जी" ब्लॉक, बान्द्रा कुर्ला कॉम्प्लेक्स, बान्द्रा (पूर्व), मुंबई - 400 051
दूरभाष 2644 9950 / 4045 9950 (आई.बी.आर. एस.), 26449000 / 40459000 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), 26449000 / 40459000 Fax 2644 9019 to 2644 9022 Web www.sebi.gov.in



अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनियम बोर्ड

**Securities and Exchange
Board of India**

- e. Though these shares might be held in the same folio under the same PAN, since they are held for the benefit of different people and under different capacities, they will be accounted for under different entities and may be differentiated on the basis of utilization of their sale proceeds.
- f. On the basis of the provisions of Clause 10 of Schedule B to the SEBI (Prohibition of Insider Trading) Regulations, 2015 (hereinafter, referred to as the 'PIT Regulations') it has been contended that:
- restriction on contra trade is applicable only to "a Designated Person" per se and not to "Designated Persons" or "group of Designated Persons" which is in line with the interpretative letter issued by SEBI on April 12, 2018 in case of Star Cement Limited wherein, it was held that restrictions on contra trade as per clause 10 of Schedule B, does not apply to the "promoter group" per se. Such restrictions on contra trade apply individually to persons, including promoters, who are identified as 'Designated Persons';
 - the restriction is on a person and not on the group of persons of same category (i.e. restrictions is qua person falling under "promoter group" and not on the "entire promoter group"), where one person is holding shares of a listed company under different capacity, shares held by such person collectively under all the capacity should be looked at differently and should not tantamount to shares held by such person in his individual capacity;
 - where Mr. P is holding shares under different capacity, shares held under each capacity should be considered as shares held by separate Designated Person and the restriction of contra trade is for 'a designated person', such a restriction should not apply to Mr. P, holding shares in different capacities;
 - where shares are held under a trust not under the PAN of Mr. P but under the PAN of other trustee of the trust, the restriction of contra trade should not be applicable to Mr. P on sale or purchase of such shares since the shares are held by co-trustee and not by Mr. P.
3. In light of the above submissions, informal guidance was sought in the form of an 'Interpretive letter' in respect of the following:
- a. Whether Mr. P will be considered a designated person for the shares held by him under his personal capacity alone or for all the shares held under all the capacities.
- b. In case he is considered a designated person for all the capacities, i.e., individual, trustee and executor, will the restrictions of contra-trade provided in Clause 10 of





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनियम बोर्ड

**Securities and Exchange
Board of India**

- Schedule B of the PIT Regulations be applicable to all the shares held in all the capacities collectively or individually? For example, if Mr. P has sold shares in the capacity of executor of a will to distribute the assets to the legal heirs of the will, will he become barred from buying shares of Arvind Ltd. in his personal capacity?
- c. Whether the restrictions of contra-trade will be applicable to any shares held under a trust not under the PAN of Mr. P but under PAN of other trustees of the trust?
4. Without necessarily agreeing with the analysis given in the letters under reference, the interpretation on the above queries is as under:
- a. With respect to query 3 (a), it may be stated that regulation 9 (4) of the PIT Regulations, inter alia, specifies the persons to be identified as 'designated person' on the basis of role and function in the organization and the access that such role and function would provide to the unpublished price sensitive information (UPSI). The term 'designated person' is wide enough to include any person having such role and function in the organization which would provide access to UPSI to such person in the opinion of the board of directors after consultation with the compliance officer.
- b. Once the determination of 'designated person' is done as per the provisions of regulation 9 (4) of the PIT Regulations, the restrictions of contra-trade given in Clause 10 of Schedule B and Clause 8 of Schedule C of the PIT Regulations would be applicable to the designated person irrespective of the capacities in which such person holds shares in the company.
- c. It may also be noted that as per SEBI's Circular MRD/DoP/Cir-09/06 dated July 20, 2006 issued by MRD, a person holding shares in different capacities is required to hold such shares under the PAN of respective entity.
- d. Thus with respect to query 3 (a) and (b), it is stated that if Mr. P is specified as a 'designated person' by the board of directors of Arvind Limited, the restrictions of contra-trade would be applicable to all shares held under the PAN of Mr. P irrespective of the capacities in which Mr. P holds shares in the company.
- e. With respect to query 3(c), it is reiterated that restrictions of contra-trade given in Clause 10 of Schedule B and Clause 8 of Schedule C of the PIT Regulations will be applicable to shares held by any designated person. Thus, if a trustee holds shares under his own PAN, restrictions of contra-trade will be applicable if such trustee is a 'designated person' in terms of regulation 9 (4) of the PIT Regulations.



अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनियम बोर्ड

**Securities and Exchange
Board of India**

5. This position is specific to the information furnished in the letters under reference. Different facts or conditions may entail different interpretation. Further, this letter does not contain any decision of the Board on the question referred.
6. It may also be noted that the above views are expressed only with respect to the clarification sought in the letters under reference with respect to the PIT Regulations and do not affect the requirements/applicability of any other law framed under SEBI Act, 1992, including the Regulations, Guidelines, Circulars etc., that are administered by SEBI or of the laws administered by any other authority.

Yours faithfully,


 Amar Navlani