



**DEPUTY GENERAL MANAGER
INTEGRATED SURVEILLANCE DEPARTMENT**

SEBI/HO/ISD/ISD-PoD-2/P/ON/2024/25620/1

August 09, 2024

The Company Secretary & Compliance Officer
Glenmark Life Sciences Limited
4th Floor, OIA House,
470, Cardinal Gracious Road,
Andheri (East), Mumbai- 400099
Email: Rudolf.Corriea@glenmarklifesciences.com

Kind attention: Mr. Rudolf Corriea

Sir,

Sub: Request for no action letter under the Securities and Exchange Board of India (Informal Guidance) Scheme, 2003

Ref: Your letter dated June 03, 2024

1. In your letter under reference, you have *inter alia* represented as follows:

- 1.1. Glenmark Life Sciences Limited ('GLS/ the applicant/ the company'), is a public limited company, whose equity shares were listed on the stock exchanges from August 6, 2021.
- 1.2. Pursuant to a share purchase agreement ('SPA') dated September 21, 2023 ('agreement date'), Nirma Limited ('acquirer') agreed to acquire 9,18,95,379 shares of GLS (75% of equity share capital of GLS), from Glenmark Pharmaceuticals Limited ('seller').
- 1.3. As a consequence of the agreement for substantial acquisition of shares, voting rights and control, over GLS, by the acquirer, a mandatory open offer was made by the acquirer in compliance with the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 ('SAST Regulations'). The purchase price for the underlying transaction under the SPA as well as the open offer price was fixed and determined on the agreement date.

- 1.4. Vide exchange disclosures dated March 06, 2024 and March 12, 2024 ('**acquisition date**'), the applicant disclosed that 6,73,89,944 equity shares of the applicant (55% of paid up share capital) and 2,45,05,435 equity shares of the applicant (20% of its paid up share capital) were transferred to the acquirer, respectively. Consequently, the acquirer was designated as a new promoter of GLS.
- 1.5. As on March 31, 2024, the aggregate shareholding of the promoters and promoter group in GLS is 82.85%. As per rule 19A of the Securities Contracts (Regulation) Rules, 1957, the time period for meeting the Minimum Public Shareholding requirement ends on August 5, 2024. Therefore, the acquirer, as an existing majority shareholder and promoter of the applicant, is proposing to undertake to sell a part of its stake in the applicant through an offer for sale ('**OFS**'), in order to comply with the Minimum Public Shareholding requirement ('**proposed sale**').
- 1.6. The purchase price for the underlying transaction under the SPA as well as the open offer price was fixed and determined on the agreement date. Therefore, the relevant date for the purpose of computation of six months with regard to contra trade restriction for proposed sale via OFS by the acquirer, should be the agreement date and not the acquisition date.
- 1.7. Clause 10 of Schedule B of Securities and Exchange Board of India (Prohibition of Insider Trading Regulations), 2015 ('**PIT Regulations**') allows for relaxation of contra trade restrictions if such a relaxation does not violate the PIT Regulations.
- 1.8. FAQ no. 39 of the comprehensive FAQs on PIT Regulations clarifies that "any disposal of securities by way of buy-back, open offer.....would not attract restriction of contra trade, provided the initial transaction of acquisition was completed in accordance with PIT Regulations".



- 1.9. The initial transaction being the acquisition of shares by the acquirer under the SPA and the open offer, was undertaken in compliance with applicable law including provisions of PIT Regulations and SAST Regulations. The proposed sale via OFS is being proposed to be undertaken by the acquirer in order to comply with a regulatory obligation of meeting the Minimum Public Shareholding requirements ("**MPS requirement**"). Such compliance requirement was disclosed publicly in the open offer documents. Therefore, the proposed sale, even if carried out within 6 months of the acquisition date, would not attract contra trade restriction.
- 1.10. Further, proviso to regulation 4 of the PIT Regulations recognizes a transaction that is carried out pursuant to a statutory or regulatory obligation to carry out a bona fide transaction, as a valid defence to insider trading. Even in terms of impact, this will not result in any information asymmetry or undue benefit accruing to the acquirer as such information is already publicly available.
- 1.11. The applicant's time period for compliance with MPS requirement ends on August 5, 2024, not allowing the proposed sale (due to attraction of the contra trade restrictions) may render the applicant in violation of the applicable laws including the MPS Requirements.
2. In view of the above, you have sought guidance in the form of a no-action letter under the Securities and Exchange Board of India (Informal Guidance) Scheme, 2003 ("**Informal Guidance Scheme**") from SEBI on the following queries:
- 2.1. **Query 1:** *Whether the relevant date for the purpose of computation of 6 months (in relation to the contra trade restriction as per Para 10 of Schedule B under Regulation 9(1) of PIT Regulations) is the date on which the shares have been agreed to be acquired?*
- 2.2. **Query 2:** *If the commencement date for the purpose of computation of 6 months contra trade restriction is the acquisition date, whether the proposed sale by the acquirer (which is necessary for compliance with MPS*



requirements) is in accordance with the PIT Regulations and in particular, contra trade restrictions.

3. We have considered the submissions made by you in your letter and without necessarily agreeing with your analysis, our view on the queries raised in your letter are as under:

3.1. With respect to Query 1:

Nirma Limited was designated as the promoter of GLS on March 06, 2024, therefore, it shall be specified as the designated person ('DP') of GLS w.e.f March 06, 2024, as per Regulation 9(4) of PIT Regulations. As a result, the Minimum Standards for Code of Conduct for Listed Companies to Regulate, Monitor and Report trading by DPs as provided in Schedule B read with regulation 9(1) of PIT Regulations, will apply on Nirma Limited. Accordingly, the contra trade restrictions as provided in the Code of Conduct of the Applicant would be applicable to the acquirer from March 06, 2024. As per the disclosure made by the company to the stock exchanges, the last leg of the transaction i.e. acquisition/ purchase of 20% of issued and paid up share capital of GLS, by Nirma Limited was completed on March 12, 2024. Therefore, the relevant date for the purpose of computation of six months in relation to the contra trade restriction would be March 12, 2024. Any subsequent sale of shares of GLS, by Nirma Limited within six months of March 12, 2024, will attract contra trade restrictions.

3.2. With respect to Query 2:

In terms of regulation 4(1) of PIT Regulations, 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. However, proviso (iii) to regulation 4(1) of PIT Regulations makes available a defence to an insider, when in possession of unpublished price sensitive information, that is carried out pursuant to statutory or regulatory obligation. The acquisition of shares by the acquirer was pursuant to SPA dated September 21, 2023 entered between the acquirer, the seller and GLS. In this regard, it is pertinent to mention that the

requirement for increasing the public shareholding commenced from the date of listing and GLS was under an obligation to comply with MPS requirement from the same date. Hence, irrespective of entering into the SPA, GLS was under an obligation to meet the minimum public shareholding requirement. Thus, there appears to be no new statutory or regulatory requirement arising out of the said transaction/ change of promoter. Accordingly, the same does not appear to be covered by the proviso to regulation 4(1) of PIT Regulations and contra trade restrictions shall apply to the proposed sale by the acquirer.

Further, as neither PIT Regulations nor the comprehensive FAQs on PIT Regulations, exempts disposal of securities through offer for sale from contra trade restrictions, the clarification given in the FAQ no. 39 is not applicable to the acquirer.

4. Vide your letter under reference, you have requested for confidentiality in respect of your letter and its content. Accordingly, it has been decided that the letter issued to you in this matter will not be made public for a period of 90 days from the date of issuance of this letter.
5. The above position is specific and based on the information furnished in your letter under reference. Different facts or conditions may entail a different interpretation. Further, this letter does not express the decision of the Board on the queries referred in your letter.
6. It may also be noted that the above views are expressed only with respect to the clarification sought in your letter under reference with respect to the PIT Regulations and do not affect the requirements or applicability of any of the provisions of law including the Securities and Exchange Board of India Act, 1992 and the Rules, Regulations, Guidelines or Circulars framed thereunder that are administered by the Securities and Exchange Board of India or of the laws administered by any other authority.

Yours faithfully,



A Vijayan