



Deputy General Manager  
Integrated Surveillance Department

SEBI/HO/ISD/OW/2025/20748/1  
August 04, 2025

Welspun Corp Limited  
Welspun City, Village Versamedi,  
Taluka Anjar  
District Kutch,  
Gujarat- 370110

Kind Attention: Mr. Kamal Rathi, Company Secretary & Compliance Officer

Sir,

**Sub: Request for interpretive letter under the Securities and Exchange Board of India (Informal Guidance) Scheme, 2003**

**Ref: Your letter dated June 05, 2025**

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

- 1.1. Pursuant to the company's Employee Stock Option Scheme 2005 ('ESOS'), Mr. Vipul Mathur, Managing Director and CEO ('MD') of the company, was granted Stock Options from time to time.
- 1.2. On June 12, 2024, the MD availed a loan from a Non-Banking Financial Company (NBFC) to exercise the Stock Options for 5,25,000 equity shares at an exercise price of Rs. 100 each and created a pledge over the said equity shares allotted upon the exercise, in the favour of the said NBFC.
- 1.3. The MD further availed a loan from the same NBFC on June 02, 2025, to exercise the Stock Options for 8,72,500 equity shares at an exercise price of Rs. 100 each and created a pledge over the said equity shares allotted upon the exercise, in favour of the said NBFC.
- 1.4. MD has expressed his intent to release the pledge created over 5,25,000 equity shares (created on June 12, 2024) and subsequently sell these shares in the open market and utilize part of the proceeds to repay the loan availed for the purpose of exercising the stock options. The trading window is open now and the MD does not possess any Unpublished Price Sensitive Information.
- 1.5. The proposed transaction (release/ revocation of pledge and sale of shares) would be undertaken only upon obtaining pre-clearance from the Compliance Officer, in accordance with the Company's Code of Conduct framed under the



Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 ('PIT Regulations').

2. In view of the above, you have sought guidance in the form of an interpretive letter under the Securities and Exchange Board of India (Informal Guidance) Scheme, 2003 from SEBI on the following queries:

2.1. **Query 1:** *Whether the revocation/ release of the pledge on 5,25,000 equity shares allotted/ acquired through exercise of Stock Options under the company's ESOS in June 2024 would be treated as a "trade" under the PIT Regulations.*

2.2. **Query 2:** *Whether such revocation would be construed as a "contra trade" against creation of pledge on June 02, 2025 under the provisions of the PIT Regulations, considering that the creation of pledge is deemed to be a trade as per SEBI's FAQs on the PIT Regulations.*

2.3. **Query 3:** *If the revocation of pledge is not considered as a contra trade, whether the subsequent sale of 5,25,000 equity shares, which were allotted through exercise of Stock Options under the company's ESOS in June 2024, in the open market, immediately after the revocation of pledge, would be considered as a contra trade against revocation/ release of pledged shares to be obtained.*

2.4. **Query 4:** *If the revocation of pledge and subsequent sale being intended to repay the loan taken for exercising such options, can the compliance officer under the proviso to Regulation 4(1) of the PIT Regulations, grant pre-clearance for the revocation of pledge and subsequent sale of 5,25,000 shares, by treating it as a bona fide transaction and not violative of the 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. Regulation 2(1)(I) and Clause 6 of Schedule B read with Regulation 9(1) of PIT Regulations states that:

**Regulation 2(1)(I)-** "trading" means and includes subscribing, redeeming, switching, buying, selling, dealing, or agreeing to subscribe, redeem, switch, buy, sell, deal in any securities, and "trade" shall be construed accordingly;

*NOTE: Under the parliamentary mandate, since the Section 12A (e) and Section 15G of the Act employs the term 'dealing in securities', it is intended to widely define the term "trading" to include dealing. Such a construction is intended to curb the activities based on unpublished price sensitive information which are strictly not buying, selling or subscribing, such as pledging etc when in possession of unpublished price sensitive information.*

**Clause 6 of the Schedule B r/w Regulation 9 (1)-** When the trading window is open, trading by designated persons shall be subject to pre-clearance by the compliance officer, if the value of the proposed trades is above such thresholds as the board of directors may stipulate.

### **3.2. With respect to Query 1:**

3.2.1. Reference may be made to the Comprehensive FAQs on PIT Regulations dated December 31, 2024 which states as follows:

1. Question: Whether creation of pledge, invocation of pledge and revocation of pledge can be deemed as trading?

*Answer: Trading as defined under Regulation 2(1)(I) means and includes subscribing, buying, selling, dealing, or agreeing to subscribe, buy, sell, deal in any securities, and "trade" shall be construed accordingly. The term trading is widely defined to include dealing in securities and intended to curb the activities based on unpublished price sensitive information (UPSI) which are strictly not buying, selling or subscribing, such as pledging etc. Hence, trading would include creation/invocation/revocation of pledge.*

3.2.2. Therefore, while pledge or un-pledge of shares are strictly not buying, selling or subscribing of shares, but are considered as 'dealing' in securities and thus the same falls under the ambit of 'trading' as per regulation 2(1)(I) of PIT Regulations. Hence, the release/ revocation of pledge on 5,25,000 equity shares (acquired through exercise of stock options by the MD) would be treated as a 'trade' under the PIT Regulations.

**3.3. With respect to Query 2:**

3.3.1. Pledge and un-pledge/ revocation of shares are 'opposite trades'. However, in case of creation of pledge/ revocation, the beneficial ownership does not change until the pledge is invoked. Therefore, revocation of pledge within six months of creation of pledge of shares shall not trigger contra trade restrictions under PIT Regulations.

3.3.2. In view of the same, the proposed transaction of revocation of the pledge on 5,25,000 equity shares created on June 12, 2024, within six months of creation of pledge on 8,72, 500 shares on June 02, 2025, would not attract contra trade restrictions, provided the MD proves that the transaction is bonafide and subject to grant of pre-clearance by the compliance officer as per Clause 6 of Schedule B read with regulation 9(1) of PIT Regulations and compliance with other provisions of the PIT Regulations.

**3.4. With respect to Query 3:**

3.4.1. Sale of shares allotted through exercise of ESOPs, immediately after revocation of pledge thereon, would not attract contra trade restrictions subject to MD proving that it is bonafide and subject to grant of pre-clearance by the compliance officer as per Clause 6 of Schedule B read with regulation 9(1) of PIT Regulations and compliance with other provisions of the PIT Regulations.

**3.5. With respect to Query 4:**

3.5.1. In the instant matter, the MD intends to sell the shares allotted to him under ESOP (within six months of revocation of pledge) and utilize part of the sale proceeds to repay the loan availed by him where such loan has been secured by pledging the shares so allotted.

3.5.2. However, it may be noted from the application that:

- i. MD is not in possession of UPSI; and
- ii. The trading window is open (i.e. UPSI is prima facie not in existence)

As there is prima facie no UPSI, regulation 4(1) of PIT Regulations may not apply to this transaction. Therefore, the question of applicability of and defence provided in regulation 4(1) would not arise.

3.5.3. The said sale of shares shall be subject to grant of pre-clearance by the compliance officer as per Clause 6 of Schedule B read with regulation 9(1) of PIT Regulations and compliance with other provisions of the PIT Regulations.

3.5.4. In view of the above, the compliance officer may take a suitable view in accordance with the provisions of the Securities and Exchange Board of India Act, 1992 and PIT Regulations.

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

