



भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

Amit Tandon
Deputy General Manager
Corporation Finance Department
E-mail: amitt@sebi.gov.in
Phone: 022-26449373

CFD/IG/AP/OW/20776/15
July 24, 2015

Saregama India Limited
33, Jessore Road, Dum Dum
Kolkata - 700 028

Kind attention: Mr. Tony Paul, Compliance Officer

Dear Sir,

Sub: Request for 'Interpretive Letter' under the SEBI (Informal Guidance) Scheme, 2003 ('Scheme') in relation to alignment of existing employee benefits scheme with SEBI (Share Based Employee Benefits) Regulations, 2014

1. This has reference to your letter dated January 30, 2015 and subsequent communications on the captioned subject.
2. You have, inter alia, represented as under:
 - i. As per the terms of employment of your managing director ("MD"), he is eligible to be granted two lakh shares or phantom options as per the company's policies. The applicant intends to issue 'phantom options' / 'share appreciation rights' ("MD benefits"), to the MD. Pursuant to such issuance, the MD would be entitled to the benefit of increase in the price of shares of the company from the date of grant of the MD benefits to the date of exercise of such instrument. The MD would be paid the differential amount due to appreciation in value of the shares from the date of grant till the date of exercise.
 - ii. Regulation 31(2)(b) of the SEBI (Share Based Employee Benefits) Regulations, 2014 ("SBEB Regulations") states that all listed companies having existing employee benefit schemes to which these regulations apply are required to comply with the regulations within one year of the same coming into effect.
 - iii. In the instant case, the MD was appointed on July 18, 2014 and joined office on October 27, 2014 which is one day prior to the date of notification of SBEB Regulations. At the time of MD's appointment, SEBI (ESOS and ESPS) Guidelines, 1999 were in force. MD benefits were not governed under the ESOS Guidelines, 1999.

Page 1 of 4

सेबी भवन, प्लॉट सं. सी 4-ए, "जी" ब्लॉक, बांद्रा कुर्ला कॉम्प्लेक्स, बांद्रा (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 :

भारतीय प्रतिभूति
और विनियम बोर्ड
**Securities and Exchange
Board of India**

3. In view of the above, you have sought an interpretive letter from SEBI on the following issues:
- Would the 'phantom options' / 'share appreciation rights' granted to the MD be governed by the SBEB Regulations?
 - If yes, whether there is any requirement for amending the Scheme to align it with SBEB Regulations, before the 'phantom options' / 'share appreciation rights' can be issued to the MD?
 - As the company has already taken approval of the shareholders for the Scheme vide its general meeting dated July 26, 2013, would the company be required to take another approval of the shareholders if the Scheme is required to be aligned with SBEB Regulations?
 - Whether a fresh SEBI in-principle approval be required for the Scheme, in case the same is amended?
 - Whether a fresh merchant banker's certificate be required for the amendment of the Scheme?
4. We have considered the submissions made by you and without necessarily agreeing with your analysis, our views on the issues are as under:
- Regulation 1(4) of the SBEB Regulations specifies the applicability conditions which are reproduced below for ease of reference:-
"1(4) The provisions of these regulations shall apply to any company whose shares are listed on a recognised stock exchange in India, and has a scheme:
 - (i) for direct or indirect benefit of employees; and*
 - (ii) involving dealing in or subscribing to or purchasing securities of the company, directly or indirectly; and*
 - (iii) satisfying, directly or indirectly, any one of the following conditions:*
 - a. the scheme is set up by the company or any other company in its group;*
 - b. the scheme is funded or guaranteed by the company or any other company in its group;*
 - c. the scheme is controlled or managed by the company or any other company in its group."*



अनुवर्ती:
Continuation :

भारतीय प्रतिभूति
और विनियम बोर्ड
**Securities and Exchange
Board of India**

- ii. As can be seen from the above, one of the applicability criteria for an employee benefit scheme to be covered under the SBEB Regulations is that the scheme should actually involve "dealing in or subscribing to or purchasing securities of the company directly or indirectly".
- iii. However, in the instant matter, you have submitted that the MD benefits scheme does not involve any actual dealing in, purchase or sale of equity shares of Saregama India Ltd. ("the company"). You have submitted a copy of the Stock Appreciation Rights Scheme 2014 formulated by the Nomination and Remuneration Committee of the Board of Directors of the company ("the NR Committee"). In the abovesaid Scheme document, there is no indication of dealing in or subscribing to or purchasing securities of the company directly or indirectly in terms of Regulation 1(4) of the SBEB Regulations. However, as per clause 5.3 of the Scheme document the NR Committee has been authorised in its "absolute discretion" to determine all the terms governing the Scheme, including any variation thereof. Clause 11 of the Scheme document also specifies that the NR Committee may change the terms and conditions of the Scheme or terminate it, subject to applicable laws.

Further as per clause 7.1 of the Scheme document, no fresh equity shares will be issued pursuant to exercise of the Stock Appreciation Rights ("SARs") by the employees. On an examination of the Scheme document, it is seen that the applicant's Scheme does not involve dealing in securities of the applicant directly or indirectly. Clause 7.2 makes the right over the SARs available to the employee exclusively by making SARs non-transferable except in the event of death of the Grantee, in which case the SARs are transferred to the legal heirs/nominee of the Grantee. Further no charge in the form of pledge/hypothecation/mortgage or otherwise can be created on the SARs. As per clause 7.3, no voting rights or dividends are contemplated for SAR Grantees. Thus, from your submissions it appears that the necessary pre-condition specified in regulation 1(4)(ii) for applicability of the Regulations is not met.

- iv. In view of the above, the SBEB Regulations shall not apply to the instant MD benefits scheme. As the said scheme is not covered under the SBEB Regulations, your other queries have become irrelevant.
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 questions 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 Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014

Val



अनुवर्ती:
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
**Securities and Exchange
Board of India**

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,

Amit Tandon