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CFD/DIL/MISC/IG/SK/RA/4016/2012
February 14, 2012

Mr. Badree Komandur
EVP- Finance and Company Secretary,
Strides Arcolab Limited,
201, Devavrata Sector,
Section 17, Vashi,
Navi Mumbai- 400073

Dear Sir,

Sub: Request under Securities and Exchange Board of India (Informal Guidance) Scheme, 2003- M/s Strides Arcolab Limited

1.0 Please refer to your letter dated November 14, 2011 seeking interpretive letter under the SEBI (Informal Guidance) Scheme 2003.

2.0 In your letter under reference you have inter alia represented as follows:

2.1. M/s Strides Arcolab Limited. ("company") is a company listed on BSE and NSE and is engaged in the manufacture and sale of pharmaceutical products. The paid-up capital of the Company as on date is Rs.58,801,710 consisting of 58,380,171 equity shares of Rs.10 each fully paid and out of those shares 28.42% (comprising 16,594,285 equity shares of Rs.10 each) are held by promoters and promoter group. On November 10, 2011, the Board of directors of the company has approved the issue of convertible warrants to the Promoter group subject to the applicable regulations and the company is in the process of convening an EGM to seek shareholders' approval for the same.

2.2. During October 20 and 21, 2011, promoter group entities have executed certain inter-se transfer of shares in terms of Regulation 3 (1) (e) of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 ("SEBI (SAST) Regulations"). Details of the same are as follows:

S.No.	Transferor	Transferee	No. of Shares
1	Agnus Holdings Private Limited	Pronomz Ventures LLP	1,15,90,000
2	Agnus Holdings Private Limited	Agnus Capital LLP	20,000
3	Chayadeep Venture Private Limited	Pronomz Ventures LLP	10,75,000
			1,26,85,000

- 2.3. There has been no change in promoter holding pursuant to the above inter-se transfers and necessary reporting relating to SEBI (SAST) Regulations and SEBI (Prohibition of Insider Trading) Regulations, 1992 have been complied with for aforesaid transfers.

3.0 Query:

Based on the above facts, you have sought guidance as to whether the inter-se transfer as stated above, will be considered as “sale” as envisaged in Regulation 72 (2) of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 (“SEBI (ICDR) Regulations, 2009”) read with the explanation given thereunder, thereby making the promoters ineligible to subscribe to preferential allotment of specified Securities.

4.0 Our comments:

- 4.1. Regulation 72 (2) of SEBI (ICDR) Regulations, 2009 reads as follows:

“The issuer shall not make preferential issue of specified securities to any person who has sold any equity shares of the issuer during the six months preceding the relevant date:

Provided that in respect of the preferential issue of equity shares and compulsorily convertible debt instruments, whether fully or partly, the Board may grant relaxation from the requirements of this sub-regulation, if the Board has granted relaxation in terms of regulation 29A of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 to such preferential allotment.

Explanation: *Where any person belonging to promoter(s) or the promoter group has sold his equity shares in the issuer during the six months preceding the relevant date, the promoter(s) and promoter group shall be ineligible for allotment of specified securities on preferential basis.”*

- 4.2. Thus, as per Regulation 72 (2) of SEBI (ICDR) Regulations, 2009, issuer should not make preferential issue of specified securities to any person who has sold any equity shares of the issuer, during the six months preceding the relevant date”. An explanation to the said sub-regulation states that where any person belonging to promoter(s) or the promoter group has sold his equity shares in the issuer during the six months preceding the relevant date, all the promoter(s) and promoter group shall become ineligible for allotment of specified securities on preferential basis.
- 4.3. The said regulation and its explanation do not differentiate between inter-se transfers made to entities within promoter group and sales made to others. Hence, the term “any person who has sold any equity shares of the issuer” shall also include any person who has made inter-se transfers within the Promoter group. Thus, as per the extant Regulations, if there is any inter-se transfer among the promoter group entities in the preceeding six months, then all the persons/entities forming part of “promoter(s) and promoter group” shall become ineligible for allotment of specified securities on preferential basis.

5.0 This position is based on the representation made to the division in your aforesaid letter under reference. Different facts or conditions might require different results. This letter does not express a decision of the Board on the question referred.

6.0 Please note that the above position is expressed only with respect to the clarifications sought on the applicability of the SEBI (ICDR) Regulations as referred above and does not affect the applicability of any other SEBI Regulations, Guidelines and circulars administered by SEBI or the requirements of Listing Agreement or any other law.

Yours faithfully,

Sunil Kadam