

# JK PAPER LTD.

Nehru House, 4 Bahadur Shah Zafar Marg, New Delhi-110002



7th May, 2018

Executive Director  
Corporation Finance Department  
Division of Issue and Listing  
Securities and Exchange Board of India ("SEBI")  
SEBI Bhawan, C 4-A, G block  
Bandra Kurla Complex  
Bandra (East), Mumbai – 400051

**Subject: Request for informal guidance by way of an interpretative letter under Securities and Exchange Board of India ("SEBI") (Informal Guidance) Scheme, 2003 in connection with applicability of the SEBI (Share Based Employee Benefits) Regulations, 2014 ("SBEB Regulations")**

Dear Sir,

JK Paper Limited, a company incorporated under the Companies Act, 1956 on 4<sup>th</sup> day of July, 1960 having its registered office at P.O. Central Pulp Mills, Fort Songadh, District Tapi, Gujarat – 394660 (hereinafter referred to as "JKPL" or the "Company" or the "Settlor") is a public limited company, operating in the business of manufacture & sale of various types of papers, having its factories at Jaykaypur – 765017, Dist. Rayagada, Odisha and Fort Songadh – 394660, Dist. Tapi, Gujarat, submits this letter to seek an informal guidance in the form of an "interpretative letter" from the SEBI under the provisions of SEBI (Informal Guidance) Scheme, 2003 in connection with applicability of the SBEB Regulations.

**1. Background and material facts of the case are as below:**

1.1. The Company desirous of conferring certain welfare benefits, according to its welfare schemes to all its confirmed employees (excluding Directors and Promoters of the Company) through a trust established independently by way of independent and unrelated trustees on board of the said trust. In this regard, a Trust was setup by



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CIN L21010GJ1960PLC018099

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the Settlor on 15<sup>th</sup> January 2004 as a private trust in the name and style of JK Paper Employees Welfare Trust ("Trust").

- 1.2. The identification, implementation and monitoring of the welfare benefits for confirmed employees of the Company, is being done through existing and future welfare schemes floated by the Trust.
- 1.3. The Trust currently holds 98,28,655 equity shares of the Company constituting to 5.60% of equity share capital of the Company.
- 1.4 The shares of the Company that are currently held by the Trust have been primarily acquired by the Trust pursuant to: (a) sale of shares to the Trust by certain financial institutions and banks, upon conversion of preference shares of the Company held by them ("Acquisition"); (b) the open offer dated July 30, 2004, made by the Trust subsequent to the Acquisition in terms of Regulation 10 of the erstwhile SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 ("Open Offer") ; and (c) the Company making an issue on a rights basis to its equity shareholders through the letter of offer dated July 15, 2011 ("Rights Issue"). It is submitted that the Acquisition, Open Offer and the Rights Issue were made in compliance with applicable laws and were duly disclosed to and/or allowed by SEBI.
- 1.5 The Trust independently runs and administers following welfare schemes for the benefit of its employees through the Trust:

a. Community Facility Assistance Scheme for welfare of employees of JKPL:

Purpose of the Scheme

To promote creation, running and maintenance of community facility and provide support to community activities/events and fund education bodies or provide the facilities for disseminating education/arts/skills, for the benefit of employees of JKPL viz; Recreation center, temple and/or any other place of worship, dispensary/health center, club or association for sports, cultural and social activities, schools etc.



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### **b. Medical Assistance Scheme for welfare of employees of JKPL:**

#### **Purpose of the Scheme**

To provide assistance to meet extraordinary medical expenses for serious illness such as coronary surgery including bypass, kidney transplant, cancer, brain hemorrhage etc of the employees of JKPL and their family members.

### **c. Educational Scholarship Scheme for welfare of employees of JKPL:**

#### **Purpose of the Scheme**

To encourage children of the employees of JKPL for pursuing higher studies or professional courses.

### **d. Prize Scheme for Sports for welfare of employees of JKPL:**

#### **Purpose of the Scheme**

To promote games/sports activities amongst the employees of JKPL.

1.6 Pertaining to all the above detailed welfare schemes, there are different committees to administer the overall working of the said welfare schemes.

1.7 A confirmed employee of JKPL can avail benefit from aforesaid schemes by way of making an application under any of the above said welfare schemes for the purpose of availing the benefits under various welfare schemes.

1.8 It is submitted that neither the Trust nor the Company in any manner whatsoever, administers any welfare scheme that involves; any dealing in or subscribing to or purchasing securities of the Company; whether directly or indirectly. All the benefits under the welfare



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schemes are disbursed in the form of cash by the Trust by way of cheque from the bank account of the Trust to the confirmed employees of the Company.

1.9 None of the schemes of the Trust provide for any sort of share based benefits to its employees and the benefits to be given to the confirmed employees of the Company, and the welfare schemes of the Trust are funded in entirety from the earnings of the Trust earned from dividend income, interest, yield or any other income of the Trust.

1.10 Since the Trust does not implement and/ or administer any scheme(s) to grant any shares or option of shares of JKPL to its employees nor does it implement any employee stock option/ stock purchase scheme, retirement benefit scheme and/or stock appreciation scheme, each, as envisaged under the SBEB Regulations and the Trust has not been providing any type of share based benefits in any manner whatsoever to the employees of the Company, therefore, the employee welfare schemes of the Trust do not in any manner fall within the ambit of "scheme" as defined in Regulation 2(1) (zb) of the said Regulations. Accordingly, it prima facie appears that the Trust does not run any scheme falling under the ambit of a "scheme" which fulfills the criteria as laid down in Regulation 1(4) of the said Regulations and accordingly the SBEB Regulations appear to not have any applicability to schemes of the Trust and also to the Company in any manner.

## 2. Relevant Provisions of SBEB Regulations:

2.1. The SBEB Regulations for covering share based payments were notified on 28<sup>th</sup> October, 2014.

2.2. As per Regulation 1(3)(iv) the provisions of these regulations are applicable to General Employees Benefits Schemes as well.

2.3. As per the Regulation 2(1)(l) "**general employee benefits scheme or GEBS**" means any scheme of a company framed in accordance with these regulations, dealing in shares of the company or the shares of its listed holding company, for the purpose of



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employee welfare including healthcare benefits, hospital care or benefits, or benefits in the event of sickness, accident, disability, death or scholarship funds, or such other benefit as specified by such company".

2.4. In terms of Regulation 2(1)(zb) "**scheme**" means a scheme of a company proposing to provide **share based benefits to its employees**, which may be implemented and administered directly by such company or through a trust, in accordance with these regulations.

2.5. As per Regulation 1 sub-regulation (4) of the SBEB Regulations, the provisions of these SBEB Regulations shall apply to any company whose shares are listed on a recognized 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.

### 3. Clarification Sought

Considering the above background and the relevant provisions of SBEB Regulations, we request you to please clarify/ advise us on the following concerns/queries:

A. As the welfare schemes floated by the Trust do not in any manner whatsoever extend/give/grant any share based benefits to any of the employee of the Company and "do not involve any dealing in or



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subscribing to or purchasing securities of the Company, directly or indirectly", the welfare schemes for employees floated by the Trust, do not fall within the purview of the SBEB Regulations.

- B. If not, whether the Trust is required to make any amendments in the trust deed under the purview of the SBEB Regulations?
- C. If not, whether the Trust/the Company is required to make any changes in the disclosures to be made by the Trust/the Company under the purview of the SBEB Regulations and other applicable SEBI regulations.

### 4. Request for confidential treatment :

The Company is of the view that if this informal guidance request letter or the informal guidance issued by your good office becomes available into public domain immediately, it may lead to adversely affecting the prices of scrip of the Company and may also give an invitation to unwanted acquirers who are keen to acquire the stock of the Company, therefore we request you to keep this letter and the informal guidance letter issued by you confidential for a maximum period of 90 days from the date of response from your office as permitted under the provisions of the SEBI (Informal Guidance) Scheme, 2003.

Additionally, a copy of the trust deed of the Trust as provided to the Company for seeking the present informal guidance is enclosed herewith and marked as **Annexure 1**, for records and reference.

As required under SEBI (Informal Guidance) Scheme, 2003 a bank draft bearing no. 259026, dated 3<sup>rd</sup> May 2018, for Rs. 25000/- drawn at Axis Bank Limited in favour of Securities and Exchange Board of India is enclosed herewith towards fees payable for seeking informal guidance in the captioned matter.

Should you have any clarification / additional information to seek, please feel free to contact the undersigned or our counsel at the below mentioned contact details:



## **JK PAPER LTD.**

- Mr. SURESH CHANDER GUPTA  
Vice President & Company Secretary  
JK Paper Limited  
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**For JK Paper Limited**



Suresh Chander Gupta  
Vice President & Company Secretary

Encls: as above



**ABHISHEK KOTHARI**

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**From:** S C Gupta <scgupta@jkm.com>  
**Sent:** 31/05/2018 1:35 PM  
**To:** ABHISHEK KOTHARI  
**Cc:** sumit.koc@gmail.com  
**Subject:** Clarifications on SEBI (Share Based Employee Benefits) Reg 2014

Mr. Abhishek Kothari  
Assistant Manager  
Securities and Exchange Board of India  
Mumbai

Sir,

**Subject: Request for informal guidance by way of an interpretative letter under Securities and Exchange Board of India ("SEBI") (Informal Guidance) Scheme, 2003 in connection with applicability of the SEBI (Share Based Employee Benefits) Regulations, 2014 ("SBEB Regulations") submitted vide our letter dt. 7<sup>th</sup> May 2018**

With reference to the telephonic discussion you had with the undersigned today regarding our letter dt. 7<sup>th</sup> May 2018 to SEBI seeking informal guidance on the captioned matter, as advised by you, we resubmit herewith the clarification sought as mentioned in para 3 of the abovesaid letter as below:

- (i) Whether the welfare schemes floated by the Trust fall within the purview of the SBEB Regulations?
- (ii) If the welfare schemes floated by the Trust fall within the purview of the SBEB Regulations, whether the Trust is required to make any amendments in the trust deed under the purview of the SBEB Regulations?
- (iii) If the welfare schemes floated by the Trust fall within the purview of the SBEB Regulations, whether the Trust/the Company is required to make any changes in the disclosures to be made by the Trust/the Company under the purview of the SBEB Regulations and other applicable SEBI regulations?

We shall be pleased to submit any other information/clarification sought for by you in this regard.

With Best Regards

**SURESH CHANDER GUPTA**  
Vice President & Company Secretary