



भारतीय प्रतिभूति  
और विनिमय बोर्ड  
Securities and Exchange  
Board of India

DEPUTY GENERAL MANAGER  
INTEGRATED SURVEILLANCE DEPARTMENT

SEBI/HO/ISD1/P/OW/2021/23511/1  
September 09, 2021

Shri Brahm Prakash Kumar  
Company Secretary & Compliance Officer  
KDDL Limited  
Kamla Centre, SCO 88-89, Sector 8-C,  
Chandigarh – 160 009

Sir,

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

1. This has reference to the letter dated July 16, 2021 seeking an interpretive letter under the Securities and Exchange Board of India (Informal Guidance) Scheme, 2003.
2. In the said letter, the following submissions have been made:
  - 2.1. The Company (KDDL Limited) had come out with a Rights Issue of 10,86,956 Equity Shares of Rs.10 each at an issue price of Rs.230 each and Issue closed on May 07, 2021. The allotment of shares in the issue was completed on May 17, 2021.
  - 2.2. Dream Digital Technology Private Limited, member of the Promoter Group of the Company (hereinafter referred to as '**Buyer**') holds 17,615 (0.14%) fully paid up equity shares as on date (July 16, 2021) in the Company. This includes 2000 shares allotted pursuant to rights issue on May 17, 2021.
  - 2.3. Mr. Pranav Shankar Saboo, member of the Promoter Group of the Company (hereinafter referred to as '**Seller**') holds 8,10,851 (6.37%) fully paid up equity shares as on date (July 16, 2021) in the Company. This includes 1,30,000 shares allotted pursuant to rights issue on May 17, 2021.
  - 2.4. The Buyer made the following transactions in the shares of the Company during last three years:

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

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Date	Buy qty.	Sale qty.	Remarks
23-10-18	1000	0	Market
24-10-18	2	0	Market
23-11-18	15094		Conversion of warrants into shares.
28-06-19	0	999	Market
24-06-19	0	1	Market
19-08-19	0	1000	Market
20-08-19	0	2150	Market
15-02-21	0	3640	Market
17-05-21	2000		Right Shares

- 2.5. Both Buyer and Seller are named in the shareholding pattern filed by the company for more than three years.
- 2.6. Buyer proposes to buy equity shares of the company from seller through an Inter se transfer of shares ("**Proposed transaction**") as per Regulation 10(1)(a)(ii) of the SAST Regulations, 2011.
3. In light of the aforesaid submissions, informal guidance has been sought in the form of an interpretative letter on the following queries:
- 3.1. Whether the proposed inter-se transfer of shares between Insiders (Buyer and Seller) within a period of six months post the allotment of shares under Rights Issue of the Company will violate provisions regarding contra trade of the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 ("**PIT Regulations**") and attract any penal provisions?
- 3.2. Whether the Buyer who had sold shares of the Company on 15th February, 2021 through market transaction, can buy shares from Seller through inter-se transfer within 6 months from the above sale of shares?
- 3.3. What will be the mode of such proposed transaction? Should it be off market or on market transaction?
- 3.4. Whether closure of trading window restrictions would be applicable to the said proposed transaction?
- 3.5. How should the price be calculated for such proposed transaction?
4. In the aforesaid letter, the transaction details of seller as given for buyer (refer para 2.4) and the number of shares proposed to transfer to buyer was not specified.
5. Without necessarily agreeing with the analysis given in the letter under reference, the interpretation on the above queries is as under:

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5.1. Regulation 4(1), clause 4(3) and clause 10 of Schedule B under Regulation 9 of PIT Regulations states that:

**“Regulation 4 (1) - 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:**

*Provided that the insider may prove his innocence by demonstrating the circumstances including the following-*

*(i) the transaction is an off-market inter-se transfer between insiders who were in possession of the same unpublished price sensitive information without being in breach of regulation 3 and both parties had made a conscious and informed trade decision.....*

*Provided further that such off-market trades shall be reported by the insiders to the company within two working days. Every company shall notify the particulars of such trades to the stock exchange on which the securities are listed within two trading days from receipt of the disclosure or from becoming aware of such information.....”*

**Clause 4(3) of Schedule B -**

*“(3) The trading window restrictions mentioned in sub-clause (1) shall not apply in respect of –*

*(a) transactions specified in clauses (i) to (iv) and (vi) of the proviso to sub-regulation (1) of regulation 4 and in respect of a pledge of shares for a bonafide purpose such as raising of funds, subject to pre-clearance by the compliance officer and compliance with the respective regulations made by the Board.....;*

**Clause 10 of Schedule B -**

*“10. The code of conduct shall specify the period, which in any event shall not be less than six months, within which a designated person who is permitted to trade shall not execute a contra trade. The compliance officer may be empowered to grant relaxation from strict application of such restriction for reasons to be recorded in writing provided that such relaxation does not violate these regulations. Should a contra trade be executed, inadvertently or otherwise, in violation of such a restriction, the profits from such trade shall be liable to be disgorged for remittance to the Board for credit to the Investor Protection and Education Fund administered by the Board under the Act.”*

**5.2. With respect to query at para 3.1:**

5.2.1. In the instant matter, the Buyer intends to acquire shares of the Company from the Seller and both parties are part of the Promoter group. Clause 10



of Schedule B under Regulation 9 of PIT Regulations places a restriction on contra trades, if the same is executed during a period not less than six months. Hence, the issue under consideration is whether the proposed transaction, i.e., the inter se transfer of shares from the Seller to the Buyer post the rights issue dated May 17, 2021, would amount to a contra trade.

- 5.2.2. As clarified in the comprehensive FAQs on PIT Regulations available on the website of the Securities and Exchange Board of India (“SEBI”) (FAQ no. 40), if the first trade is an acquisition by way of rights issue/FPO, then subsequent sale of shares before 6 months from date of acquisition would be considered as a contra trade.
- 5.2.3. It has been submitted by the Company in its letter that both the Buyer and Seller were allotted shares pursuant to Rights Issue on May 17, 2021(1st leg) and subsequent to which they are planning to execute the proposed transaction. Therefore, sell transaction (2nd leg) post acquisition through rights issue will attract contra trade restrictions, i.e. the Seller in this case will attract contra trade restrictions.
- 5.2.4. That being said, Clause 10 of Schedule B under Regulation 9 of PIT Regulations also provides an avenue for relaxation from the restriction on contra trades. It states that the compliance officer of a company may be empowered to grant a relaxation from strict application of such restriction for reasons to be recorded in writing provided that such relaxation does not violate these regulations.
- 5.2.5. Accordingly, the proposed transaction will attract the restriction on contra trade. However, the Compliance Officer of the Company may refer to the Company’s Code of Conduct framed under the PIT Regulations and act accordingly while ensuring the compliance with provisions of the PIT Regulations.

**5.3. With respect to query at para 3.2:**

- 5.3.1. As stated above, Clause 10 of Schedule B under Regulation 9 of PIT Regulations places a restriction on contra trades, if the same is executed during a period not less than six months. Further, as clarified by the FAQs on PIT Regulations (FAQ No. 43), these restrictions are applicable date wise.
- 5.3.2. It has been submitted by the Company in its letter that the Buyer had sold shares of the Company on 15th February, 2021 through a market transaction. In that scenario, the proposed inter-se transfer before the completion of 6 months from February 15, 2021 would attract contra trade

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restrictions in terms of the Code of Conduct framed by the Company under the PIT Regulations.

**5.4. With respect to query at para 3.4:**

5.4.1. Clause 4(3)(a) of Schedule B under Regulation 9 of PIT Regulations states the following:

*"The trading window restrictions mentioned in sub-clause (1) shall not apply in respect of –*

*(a) transactions specified in clauses (i) to (iv) and (vi) of the proviso to sub-regulation (1) of regulation 4 and in respect of a pledge of shares for a bonafide purpose such as raising of funds, subject to pre-clearance by the compliance officer and compliance with the respective regulations made by the Board;"*

5.4.2. In terms of clause 4(3) (a) of Schedule B under Regulation 9 of PIT Regulations, the proposed transaction would be exempted from trading window restrictions subject to pre-clearance by the Compliance Officer of the Company and compliance with the respective regulations made by SEBI. Specifically, the parties will have to ensure that the applicable conditions mentioned in the proviso to Regulation 4(1) are complied with to avail this exemption. The Compliance Officer of the Company may also ensure compliance with the applicable reporting requirements under PIT Regulations.

**5.5. With respect to query at para 3.3 and 3.5:**

5.5.1. Paragraph 8 of the SEBI (Informal Guidance) Scheme, 2003 *inter alia* states that SEBI does not respond to certain types of requests such as (i) requests which are general and those which do not completely and sufficiently describe the factual situation; or (ii) requests which involve hypothetical situations; or ... (iv) where the applicable legal provisions are not cited.

5.5.2. Considering that the Company has not provided the complete details of the proposed transaction (details of number/percentage of shares to be transferred, date of transfer, etc.) and the applicable legal provisions no reply is warranted with respect to these queries.

6. This position is specific to the information furnished in the letter under reference. Different facts or conditions may entail different interpretation. Further, this letter does not contain any decision of the Board on the queries referred.

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7. It may also be noted that the above views are expressed only with respect to the clarification sought in the letter under reference with respect to the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 and do not affect the requirements or applicability of any of the provisions of the Securities and Exchange Board of India Act, 1992, or the rules or the regulations made thereunder that are administered by SEBI or by any other authority.

Yours faithfully

  
S Prabhakar

