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

CFD/DIL-2/OW/PR/25591/2016
September 12, 2016

M/s. KJMC Financial Services Limited
168, Atlanta, 16th floor, Nariman Point
Mumbai-400021
Tel: 022-40945500

Dear Sir,

Sub: Request for Interpretative letter under the Securities and Exchange Board of India (Informal Guidance) Scheme, 2003 regarding interpretation of Regulation 72(2) of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009

1. This has reference to your letter dated July 22, 2016 seeking guidance by way of an interpretative letter under the Securities and Exchange Board of India (Informal Guidance) Scheme, 2003.
2. You have, *inter alia*, represented as follows:
 - a. KJMC Financial Services Limited is a company incorporated under the Companies Act, 1956 having its registered office at Mumbai. The equity shares of the applicant are listed on Bombay Stock Exchange ("BSE Limited").
 - b. The paid-up share capital of the Company as on the date is Rs. 4,78,57,400 consisting of 44,85,740 Equity Shares of face value of Rs. 10 each fully paid up (the "Equity Shares") and 30,000 0% Compulsorily Convertible Preference Shares ("CCPS") of face value of Rs. 100 each ("OCRPS") fully paid up.
 - c. Promoters of the Company hold 67.03% of the equity share capital and entire CCPS.
 - d. During April 2016, promoter of the Company executed inter-se transfer of equity shares by way of gift from Mr. Inderchand Jain to his wife Mrs. Chanddevi Jain.
 - e. There has been no change in promoter holding pursuant to the above inter-se transfer by way of gift without any considerations between immediate relative and necessary reporting relating to SEBI (SAST) Regulations, 2011 and SEBI (Prohibition of Insider Trading) Regulations, 2015, have been complied with for aforesaid transfers.
 - f. As per section 4 of the Sales of Goods Act, 1930, "Sales" means "the property in the goods transferred from the seller to the buyer for a price." In our case there is no price involved, hence as per your understanding this transaction is not a "sale", and therefore it will not attract

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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



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regulation 72(2) of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009.

3. On the basis of the above, you have sought interpretative letter from SEBI as to whether the inter-se transfer by way of gift as stated above will be considered as "sale" as envisaged in the regulation 72(2) of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, [SEBI (ICDR) Regulations, 2009], thereby making the promoter(s) and promoter group ineligible for allotment of specified securities on preferential basis.
4. Without necessarily agreeing with your analysis given in your above mentioned letter, our interpretation on the above query is as under:
 - a. Regulation 72 of the SEBI (ICDR) Regulations, 2009 deals with conditions of preferential issue. In this regard, regulation 72(2) is reproduced as under:

" (2) 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.]"
 - b. In view of the above referred regulation, if any person belonging to promoter(s) or the promoter group in the issuer company has sold his equity shares 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.
 - c. In this regard, attention is drawn to para 4.3 of the Informal Guidance Letter No. CFD/DIL/MISC/IG/SK/RA/4016/2012 dated February 14, 2012 issued by SEBI in the matter of *M/s Strides Arcolab Limited*, which states as under:

"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 preceding 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"

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- d. In the instant case, it has been noted that Mr. Inderchand Jain has transferred 10,08,354 equity shares (22.48%) of the Company by way of gift to his wife.
- e. Having regard to the provisions of the regulation 72(2) of the SEBI (ICDR) Regulations, it is felt that the primary intention of the regulation was not with respect to "consideration" but with "change in ownership of equity shares".
4. We have considered the submissions made by you in your letter under reference. Without necessarily agreeing with your analysis, our view is that the inter-se transfer by way of gift will be considered as "sale" as envisaged in the regulation 72(2) of the SEBI (ICDR) Regulations, 2009 thereby making the promoter(s) and promoter group ineligible for allotment of specified securities on preferential basis.
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 question 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 the SEBI (ICDR) Regulations, 2009 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,

Pradeep Ramakrishnan