



"Park Plaza", 71, Park Street, Kolkata 700 016
Phone : +91 33 4029 7000, Fax : +91 33 2229 5693
E-mail : mail@balasorealloys.com
Website : www.balasorealloys.com
CIN : L27101OR1984PLC001354

B.N.S. (Encl: DD)

12
A16
27/12

Agm (NS) 2/1/17

REF: BAL/SEC/2016
24th December, 2016

To,

Corporate Finance Department

Division of Issues and Listing

Securities & Exchange Board of India,

'SEBI Bavan', Plot C4-A, G Block,

Bandra Kurla Complex, Bandra (E)

Mumbai - 400051



SEBI/IW/P/20161228/0000117809

Agm (NS)

Sub: Request for interpretive letter under SEBI (Informal Guidance) Scheme 2003, as amended (the "SEBI Scheme") in relation to Regulation 78(6) of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 ["SEBI (ICDR) Regulations, 2009"]

Dear Sir/Madam,

1. This is a request for an interpretative letter under clause 5(ii) of SEBI Scheme on the basis of the factual background and details provided hereinbelow in this letter.
2. **Factual Background:**
 - a. Balasore Alloys Limited is a Company incorporated under the provision of Companies Act, 1956 having registered office at Balgopalpur, Balasore, Odisha-756020 (hereinafter referred as "the Company").





- b. The Company is listed at BSE Limited (Code - 513142) and Calcutta Stock Exchange Limited (Code- 10019059).
- c. The Shareholding Pattern of the Company segregating the holdings Promoter & Promoter Group and Public holdings of the Company are as under:

SI No	Particular	No of Shares	% of total shares
1	Promoter & Promoter Group	4,45,35,816	56.45
2	Public	3,43,54,595	43.55
	TOTAL	7,88,90,411	100.00

- d. The Promoter and Promoters Group of the Company holds 56.45% of the total shares aggregating to 4,45,35,816 equity shares. The detail status quo of these Promoters' shares 4,45,35,816 are as under:

SI No	Particular	No of Shares	% of total shares
1	Shares Pledged	1,46,04,790	18.51
2	Shares locked-in *	1,46,00,000	18.51
3	Free Shares	1,53,31,026	19.43
	TOTAL	4,45,35,816	56.45





- *66,00,000 Shares are locked-in till 15.04.2017 and 80,00,000 Shares are locked-in till 30.10.2019 pursuant to the SEBI (ICDR) Regulations, 2009 on issuance of preferential allotment to the Promoters Group. The detail of the above is enclosed as per **Annexure – 1**.
- e. On 31st March, 2016 the Company allotted 80,00,000 Equity Shares to the Promoter Group Company on preferential basis pursuant to conversion of equivalent number of Warrants. In this regard Listing Application was filed with BSE Limited and the Calcutta Stock Exchange Ltd. Subsequently, BSE Limited has given Trading approval vide its letter dated 6th October, 2016. The same is enclosed as per **Annexure – 2**.
- f. The Board in its meeting held on 15th March, 2016 had accorded its approval to issue 2,30,00,000 Convertible Warrants on preferential basis to its Promoters/ Promoter Group Companies and the Shareholders has granted its approval to the said issue of Convertible Warrants on Preferential Basis on 26th September, 2016 through Postal Ballot. A certified copy of resolution passed by the shareholders along with copy of Notice of Postal Ballot is enclosed as per **Annexure – 3**.
- g. The Company made an application for in-principle approval for issue 2,30,00,000 Convertible Warrants on preferential basis to the Stock Exchange. The requisite in-principle approval has been obtained from BSE Limited vide its letter dated 20th October, 2016 enclosed as per **Annexure – 4**.
- h. Pursuant to regulation 74 of SEBI (ICDR) Regulations, 2009 2,30,00,000 Convertible Warrants were allotted by the Company to the Promoter Group Companies on 3rd November, 2016 upon receipt of an amount equivalent to 25% of the consideration determined in terms of regulation 76 of the SEBI (ICDR) Regulation, 2009.





Out of 2,30,00,000 Convertible Warrants allotted, 1,00,00,000 Warrants shall be convertible into Equity Shares in the Financial Year 2016-17 and the remaining 1,30,00,000 Warrants shall be converted into Equity Shares in the Financial Year 2017-18.

3. Legal Framework:

a. Regulation 72(2) of the SEBI (ICDR) Regulation, 2009 provides that:

“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.”

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. Regulation 78 of SEBI (ICDR) Regulation, 2009 states that:

- (1) The specified securities allotted on preferential basis to promoter or promoter group and the equity shares allotted pursuant to exercise of options attached to warrants issued on preferential basis to promoter or promoter group, **shall be locked-in for a period of three years from date of trading approval** granted for the specified securities or equity shares allotted pursuant to exercise of the option attached to warrant, as the case may be.

Provided that not more than twenty per cent. of the total capital of the issuer shall be locked-in for three years from the date of trading approval:

Provided further that equity shares allotted in excess of the twenty per cent. shall be locked-in for one year from the date of trading approval pursuant to exercise of options or otherwise, as the case may be.





- (2) The specified securities allotted on preferential basis to persons other than promoter and promoter group and the equity shares allotted pursuant to exercise of options attached to warrants issued on preferential basis to such persons shall be locked in for a period of one year from the date of trading approval.
- (3) The lock-in of equity shares allotted pursuant to conversion of convertible securities other than warrants, issued on preferential basis shall be reduced to the extent the convertible securities have already been locked-in.
- (4) The equity shares issued on preferential basis pursuant to a scheme of corporate debt restructuring as per the Corporate Debt Restructuring framework specified by the Reserve Bank of India shall be locked-in for a period of one year from the trading approval:
Provided that partly paid up equity shares, if any, shall be locked-in from the date of [trading approval] and the lock-in shall end on the expiry of one year from the date when such equity shares become fully paid up.
- (5) If the amount payable by the allottee, in case of re-calculation of price under sub-regulation (3) of regulation 76 is not paid till the expiry of lock-in period, the equity shares shall continue to be locked in till such amount is paid by the allottee.
- (6) **The entire pre-preferential allotment shareholding of the allottees, if any, shall be locked-in from the relevant date upto a period of six months from the date of trading approval.**

c. Application under the SEBI Scheme

The paragraph 4 of SEBI Scheme permits the following persons to make a request for informal guidance:





- (i) any intermediary registered with the Board under section 12 of the SEBI Act;
- (ii) any listed company;
- (iii) any company which intends to get any of its securities listed and which has filed either a listing application with any stock exchange or a draft offer document with the board or the Central Listing Authority;
- (iv) any mutual fund trustee company or asset management company;
- (v) any acquirer or prospective acquirer under the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.

Balasore Alloys Limited, being a listed company is eligible to apply for informal guidance under the SEBI Scheme.

4. Interpretive Letter sought on:

In reference to the factual background as explained in Point no. 2, the following relevant facts may please be reiterated:

- 1] Trading Approval accorded by BSE Limited vide its letter dated 06.10.2016 for 80,00,000 Equity Shares to Promoter Group Companies.
- 2] 2,30,00,000 Convertible Warrants were allotted by the company to the Promoter Group Companies on 3rd November, 2016 which shall be converted into Equity Shares in due course as – (a) 1,00,00,000 Warrants shall be convertible into Equity Shares in the Financial Year 2016-17 and (b) the remaining 1,30,00,000 Warrants shall be converted into Equity Shares in the Financial Year 2017-18.





Considering the facts as explained above,

(a) whether the Promoters / Promoter Group Companies of Balasore Alloys Limited, who are not allottees of the 80,00,000 Equity shares are under any restriction to transfer or sell their holding of free equity shares as enumerated in Point 2(d) above i.e. 1,53,31,026 equity shares ?

(b) whether the expression "pre-preferential shareholding of allottees" used in Regulation 78(6) refers only to the shareholding of the "allottees" or also to the entire shareholding of the "promoter group" when all or some of such allottees are part of the Promoter group.

(c) whether the "Explanation" mentioned in regulation 72(2) should also be applicable to Regulation 78(6)?

5. **Compliance with Paragraph 6 of the SEBI Scheme:** In accordance with Paragraph 6 of the SEBI Scheme, this request for an interpretative letter is addressed to the Corporate Finance Department and is accompanied with a Demand Draft bearing No. 600760 dated 19th December, 2016 for Rs. 25,000 (Rupees Twenty Five Thousand only) drawn on State Bank of Hyderabad, Lansdowne Branch. Further all material facts, circumstances and legal provisions which in our opinion are relevant for the purpose of determination of this request, are stated herein.





We would appreciate receiving the interpretative letter sought at your earliest convenience. For any assistance/clarification, we request you to kindly contact the person named below:

Mr. Trilochan Sharma

President & Company Secretary

Contact No: 9831298290

Email id: trilochan.sharma@balasorealloys.com

Thanking You,

For Balasore Alloys Ltd

Trilochan Sharma

President & Company Secretary

Encl: as above