



May 11, 2011

The General Manager,  
Corporate Finance Division,  
Securities and Exchange Board of India,  
SEBI Bhavan, Plot C4-A, G Block,  
Bandra Kurla Complex, Bandra ( East)  
MUMBAI -400051

Dear Sir,

**Request for " No-action letter" under the Securities Exchange Board of India (SEBI – Informal Guidance Scheme 2003) regarding administration of an Employee Stock option plan of the company as per the SEBI (ESOP and ESOS) Guidelines, 1999 as amended from time to time and SEBI ( Prevention of Insider Trading) Regulations 1992.**

1. We have implemented an Employees Stock Option Plan for our employees. We have also formed an Employee Trust to administer such Plans. The Plans as well as Trust formation have been approved by the shareholders in the formats as prescribed by the guidelines.
2. With the intention of helping our employees, we propose to implement the "cashless exercise" as permitted under the clause 11.2 (b) of SEBI (ESOP and ESOS) guidelines, 1999 using the Trust route. The said exercise shall enure to the benefit of 'Employees' as defined under the Guidelines issued by you from time to time and shall not be applicable to the founders / promoters of the Company. The proposed route is as follows:
3. After the grant of Options to employees and prior to their vesting, the Company will allot shares to the Trust, funded by a loan from the Company or otherwise. These shares will then be listed on the stock exchange. On the exercise date, if the employee chooses to do a cashless exercise, he will authorize the Trust to sell the required number of shares to pay for the exercise price (and applicable taxes). The Trust will sell the required number of shares and pay the amount due to the company (exercise price plus the applicable tax) and transfer the balance shares to the employee. If the employee so decides he may also instruct the Trust to sell all the exercised shares and remit the net proceeds (instead of shares) to him.
4. We believe that this process is within the framework of cashless exercise as laid down in clause 11.2(b) of the SEBI (ESOP and ESOS) guidelines 1999.



5. The Trustees of the Trust are the Promoters of the Company. Based on the previous Informal guidance given by your office, we understand that in the given case the activities of the Trust will attract the provisions of the SEBI (Prevention of Insider Trading) Regulations 1992, particularly regulation 12 and 13 and clause 4.2 of Schedule I (under Regulation 12 (1). With reference to the FAQs on Insider Trading hosted n your website, we understand restrictions of trading under clause 4.2 of the Regulations is intended for secondary market purchase and not for primary issue as is contemplated in our process.
6. As such we believe that while the provisions of regulation 12 and 13 with reference to the disclosures and restriction on trading outside the trading window will apply to the Trust, it will be free to transfer the shares to the employees and seek fresh shares from the company within a period of 30 days stipulated in clause 4.2 of Schedule I under regulation 12(1). We would like to mention here that the shares issued by the company to the Trust will not be under IPO and the activities of the Trust in terms of seeking primary shares from the company, selling some or all of them in the market and transferring the balance to the employees would be an on-going process. The company does not intend to restrict the timing of exercise of options by employees barring the black-out periods which apply to insiders.
7. We request you to issue us a "No-action letter" confirming if our understanding as laid out in para 4 and para 6 above is correct and that the process as defined in para 3 above is in compliance with the provisions of SEBI (ESOP and ESOS) guidelines, 1999. A demand draft for Rs 25,000 towards the fees for the informal guidance is enclosed.

Thanking you,

Yours sincerely

**For KPIT Cummins Infosystems Limited**

**Anil Patwardhan  
Vice President - Finance**