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

CFD/DIL/MISC/IG/SK/RA/27472/2010

November 24, 2010

Mr. S. Chandrasekar
Company Secretary,
Hatsun Agro product Limited,
5A, Vijayaraghava Road,
T.Nagar,
Chennai-600017

Dear Sir,

Sub: Request under Securities and Exchange Board of India (Informal Guidance) Scheme, 2003 regarding lock-in of equity shares allotted pursuant to conversion of convertible debentures issued on preferential basis under SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009

1.0 Please refer to your letter dated October 26, 2010 seeking interpretive letter under the SEBI (Informal Guidance) Scheme 2003.

2.0 In your letter under reference you have inter-alia represented as follows:

2.1. M/s Hatsun Agro Product Limited ("Company") is a Chennai based company, listed on BSE, engaged in manufacturing and marketing of liquid milk and ice cream. The company had issued 250 nos. of 6% Unsecured Compulsorily Convertible Debentures of Rs.10,00,000/- each, aggregating to Rs.25 Crores on Preferential basis, which was approved by the AGM of the company held on 05th August, 2009. These debentures were privately placed and are not listed in any stock exchange. The company has already complied with all the terms and conditions specified by SEBI and the Stock Exchange with regard to the preferential issue.



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2.2. As per the terms of the issue, the debentures shall be convertible into equity shares, after 01st October, 2010 but before 31st December, 2010. As per the terms of the issue and as stamped in the debenture certificates, the debentures are not transferable. Thus, these debentures have already suffered a lock-in period of more than one year, from the date of allotment (i.e. 22nd August, 2009).

3.0 You have sought SEBI's clarification with respect to the following:

The Convertible debentures issued by the company have already suffered a lock-in period of 1 year from the date of allotment (i.e. 22nd August, 2009) of the said debentures. Hence, in your view, as per Regulation 78 (3) of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 (hereinafter referred to as SEBI (ICDR) Regulations), the equity shares that will be issued on conversion of the aforesaid 6% Unsecured Compulsorily Convertible Debentures should not suffer any lock-in from the date of allotment as the convertible debentures have suffered a lock-in of more than a year. The company has sought SEBI's guidance in the matter.

4.0 Without necessarily agreeing with your analysis, our views on the issues are as under:

Pursuant to provisions of Regulation 78 (1) and 78 (2) of SEBI (ICDR) Regulations, convertible debentures issued by Hatsun Agro Product Limited on preferential basis to promoter or promoter group (if any) should be locked-in for a period of three years from the date of allotment and convertible debentures issued on preferential basis to persons other than promoter and promoter group should be locked in for a period of one year from the date of their allotment. However, as per Regulation 78 (3) of SEBI (ICDR) Regulations, the lock-in of equity shares, allotted pursuant to conversion of debentures issued on preferential basis, shall be reduced to the extent the convertible debentures have already been locked-in.

5.0 This position is based on the representation made to the division in your aforesaid letter under reference. Different facts or conditions might lead to different results. This letter does not express a decision of the Board on the question referred.



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6.0 Please note that the above position is expressed only with respect to the clarifications sought on the applicability of the provisions of SEBI (ICDR) Regulations as referred above and does not affect the applicability of any law and other SEBI Regulations, Guidelines and circulars administered by SEBI or the requirements of Listing Agreement.

Yours faithfully,

Sunil Kadam