



Raj Kumar Das
Deputy General Manager
Corporation Finance Department
Division of Policy and Development-1
Phone: +91-22 26449000 (Extn.: 9253)
Email: rajkd@@sebi.gov.in

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May 16, 2024

Jagatjit Industries Limited
4th Floor, Bhandari House 91,
Nehru Place,
New Delhi- 110019

Dear Sir,

Sub: Request for informal guidance by way of interpretive letter under the SEBI (Informal Guidance) Scheme, 2003 by Jagatjit Industries Limited in relation to Regulation 41A of SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015.

1. This has reference to your letter dated February 26, 2024 and email dated March 19, 2024 on the captioned subject.
2. You have, inter alia, represented as under:
 - 2.1. Jagatjit Industries Limited (the "Company") is a public limited Company. The Company is engaged inter-alia in the business of alcoholic beverages, malted milk food products, malt extracts, extra neutral alcohol and real estate etc.
 - 2.2. The ordinary equity shares of the Company are listed at BSE Limited.
 - 2.3. During the year 2004, pursuant to the provisions of Section 86 of the then Companies Act, 1956, JIL with the approval of the shareholders issued and allotted 25,00,000 equity shares carrying differential rights as to dividend and voting i.e. Nil dividend and Twenty voting rights per share (DVR Shares) of Rs. 10/- each at a premium of Rs. 20/- per share as preferential allotment, to one of the promoter companies viz. M/s. LPJ Holdings Private Limited.

- 2.4. As these shares were of a different class, these are not listed on the Stock Exchange.
- 2.5. The Hon'ble Company Law Board (CLB) vide its order dated 12th March, 2009 in the matter of Anand Pershad Jaiswal and Ors. V. Jagatjit Industries Limited and Ors. upheld the validity of issue and allotment of the said DVR equity shares. Accordingly, the said DVR shares form part of the total share capital of the Company.
- 2.6. The Acquirer (LPJ Holdings Private Limited) along with the persons acting in concert made the Open Offer to the Public in due compliance of the SEBI (SAST) Regulations, 1997.
- 2.7. Section 43 (a) (ii) of the Companies Act, 2013 ("Companies Act") allows a company limited by shares to issue DVRs as part of its share capital. Further, Rule 4(3) of the Companies (Share Capital and Debentures) Rules, 2014 states "that the Company shall not convert its existing equity share capital with voting rights into equity share capital carrying differential voting rights and vice versa".
- 2.8. SEBI vide its circular dated July 21, 2009 restrained the issuer companies for issue of shares in any manner which may confer on any person, superior rights as to voting or dividends vis-à-vis the rights on equity shares that are already listed. The net effect of this circular resulted in companies being prohibited from issuing superior voting rights or lower voting rights with higher dividends as compared to ordinary equity shares that were already listed. Thus, as a result of the abovementioned circular, Indian companies who opted for issuance of shares with DVRs did so by issuing bonus shares with lower voting rights but carrying the same dividend rights as ordinary shares.

- 2.9. On March 20, 2019, SEBI released a consultation paper (“Consultation Paper”) on the issuance of DVRs proposing to regulate issuance of DVRs under two broad heads, namely, (i) issuance by companies whose equity shares are already listed on stock exchanges, and (ii) issuance by companies with equity shares not hitherto listed but proposed to be offered to the public, especially for new technology firms which have asset light models, with little or no need for debt financing.
- 2.10. However, the framework finally approved by SEBI only provides for the issuance of DVRs by companies with unlisted equity shares and the proposals for issuance of DVRs by companies whose equity shares are already listed on stock exchanges were omitted.
- 2.11. Vide Notification dated 29th July, 2019, SEBI notified the SEBI (LODR) (Fourth Amendment) Regulations, 2019 pertaining to outstanding SR equity shares i.e. equity shares having superior voting rights compared to all other equity shares issued by an Issuer.
3. In view of the above, you have sought interpretive guidance from SEBI on the following issue:
- 3.1 Whether the existing DVR shares of our Company Jagatjit Industries Limited shall continue to retain their distinct characteristics of differential voting rights or they will be treated as ordinary equity shares at par with the other equity shares of the Company.
- 3.2 Whether the Company is required to comply with the conditions prescribed in Regulation 41A of SEBI LODR and compliance, if any is required to be made by the Company.

4. In this regard, it may be noted that we have considered the submissions made by you, in your letter reference and email and without necessarily agreeing with your analysis, our views on the query raised by you is as under
- 4.1 Based on evolution of regulatory framework, it is observed that prior to July 21, 2009, a listed company was permitted from issuing differential right equity shares to promoters and/ or public
- 4.2 Pursuant to SEBI circular dated July 21, 2009 fresh issuances of "superior" rights equity shares were disallowed. The circular did not highlight treatment of superior right equity shares already issued by issuers
- 4.3 In 2019, SEBI introduced SR equity shares framework. The framework enabled an issuer company which has offered SR equity shares to its promoters/ founders to undertake an IPO of ordinary shares subject to certain conditions. Further, SCRR was also amended to ensure that such SR equity shares which were issued to promoter/ founder are listed along with listing of ordinary shares being offered to public. The SR framework did not deal with superior right equity shares already issued by listed issuers
- 4.4 Explanation (as amended by the Companies (Share Capital and Debentures) Amendment Rules, 2014 w.e.f. June 18, 2014 provided to the Rule 4 clarifies that equity shares with differential rights issued by any company under the provisions of the Companies Act, 1956 and the rules made thereunder, shall continue to be regulated under such provisions and rules.
- 4.5 In view of above, it is noted that Regulation 41A of the LODR Regulations is not applicable to JIL (applicant company).



5. The above position is based on the information furnished in your letter under reference and subsequent email in the matter. Different facts or conditions might lead to a different result. This letter expresses the Department's view on enforcement action only and does not express a decision of the Board on the questions referred.

6. You may also note that the above views are expressed only with respect to the clarifications sought in your letter under reference with respect to the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 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 sincerely,



Raj Kumar Das