



भारतीय प्रतिभूति  
और विनिमय बोर्ड  
Securities and Exchange  
Board of India

Deputy General Manager  
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Division of Corporate Restructuring  
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SEBI/HO/CFD/DCR2/OW/P/2018/018525/1

Jun 29, 2018

JK Paper Ltd.  
Nehru House,  
4 Bahadur Shah Zafar Marg,  
New Delhi-110002  
India

Kind attention: Mr. Suresh Chander Gupta, Vice President & Company Secretary

Dear Sir,

Sub: Request for informal guidance in relation to welfare schemes for employees and applicability of SEBI (Share Based Employee Benefits) Regulations, 2014 (SBEB Regulations) to such schemes

1. This has reference to your letter dated May 7, 2018 and subsequent communication dated May 31, 2018 & June 1, 2018 on the captioned subject.
2. You have, *inter alia*, represented as under:-
  - i. A trust was set up by JK Paper Ltd. (the Applicant) on January 15, 2004 as a private trust in the name and style of JK Paper Employees Welfare Trust("Trust") for conferring certain welfare benefits to all its confirmed employees ( excluding Directors and Promoters of the Company).
  - ii. The Trust currently holds 98,28,655 equity shares of the Company constituting 5.6% of the equity share capital of the company. The shares of the company were acquired pursuant to
    - a. Sale of shares by certain financial institutions and banks, upon conversion of preference shares of the Company held by them
    - b. Open offer dated July 30, 2004
    - c. Rights issue through letter of offer dated July 15, 2011.
  - iii. The Trust independently runs and administers following welfare schemes for the benefit of its employees through the Trust:
    - a. Community Facility Assistance Scheme: Purpose of the scheme is to promote creation, running and maintenance of community facility and

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- provide support to community activities/events and fund education bodies or provide the facilities for disseminating education/arts/skills, for the benefits of employees of the Company viz;. recreation centre, temple and/or other place of workshop, dispensary/ health centre, club, schools etc.
- b. Medical Assistance Scheme: To provide assistance to meet extraordinary medical expenses for serious illness of employees and their family members
- c. Educational Scholarship Scheme: To encourage children of employees for pursuing higher studies or professional courses.
- d. Prize Scheme for Sports: To promote games / sports activities among employees.
- iv. The overall working of the above schemes is administered by different committees.
- v. Neither the Applicant nor the Trust in any manner, whatsoever, administers any welfare scheme that involves: any dealing in or subscribing to or purchasing securities of the Company; whether directly or indirectly. All the benefits under the welfare schemes are disbursed in the form of cash by the Trust by way of cheque from the bank account of the trust to the confirmed employees of the Applicant.
- vi. None of the schemes of the Trust provide for any sort of share based benefits to its employees and the benefits to be given to the confirmed employees of the Applicant, and the welfare scheme of the Trust are funded in its entirety from the earnings of the Trust earned from dividend income. Interest, yield or any other income of the Trust.
- vii. The trust neither implements and/or administers any scheme(s) to grant any shares or option of shares of JK Paper Ltd. to its employees nor implements any employee stock option/ stock purchase scheme, retirement benefit scheme and /or stock appreciation scheme. The Trust has not been providing any type of share based benefits in any manner to the employees of the Applicant.
- viii. The trust does not propose to acquire any further shares of the Companies.
3. In view of the above, you have sought guidance from SEBI on the following:
- (i) Whether the welfare schemes floated by the Trust fall within the purview of the SBEB Regulations?
- (ii) If the welfare schemes floated by the Trust fall within the purview of the SBEB Regulations, whether the Trust is required to make any amendments in the trust deed under the purview of the SBEB Regulations?



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- (iii) If the welfare schemes floated by the Trust fall within the purview of the SBEB Regulations, whether the Trust/the Company is required to make any changes in the disclosures to be made by the Trust/the Company under the purview of the SBEB Regulations and other applicable SEBI regulations?
4. We have considered the submissions made by you and without necessarily agreeing with your analysis, our views on the queries are as under:
- i. Regulation 1(4) of the SBEB Regulations specifies the applicability conditions of SBEB Regulations which are given below:-

*"1(4) The provisions of these regulations shall apply to any company whose shares are listed on a recognised stock exchange in India, and has a scheme:*

- (i) for direct or indirect benefit of employees; and*  
*(ii) involving dealing in or subscribing to or purchasing securities of the company, directly or indirectly; and*  
*(iii) satisfying, directly or indirectly, any one of the following conditions:*
- a. the scheme is set up by the company or any other company in its group;*  
*b. the scheme is funded or guaranteed by the company or any other company in its group;*  
*c. the scheme is controlled or managed by the company or any other company in its group."*

Regulation 2(1)(l) of SBEB Regulations stipulates that "general employee benefits scheme or GEBS" means any scheme of a company framed in accordance with these regulations, dealing in shares of the company or the shares of its listed holding company, for the purpose of employee welfare including healthcare benefits, hospital care or benefits, or benefits in the event of sickness, accident, disability, death or scholarship funds, or such other benefit as specified by such company;

5. The shares of the company are listed on National Stock Exchange and Bombay Stock Exchange. You have submitted that the Trust set up by you runs and administers welfare schemes for the benefit of the employees. The Trust currently holds 98,28,655 equity shares of the Company constituting 5.60% of the equity share capital of the company. Further, Para 3.6 of the Trust Deed submitted by you stipulates as under :

*"The Trust may, for generating a source of income/funds for conferring benefits on the Beneficiaries and to achieve the objects of the Trust, receives Securities of*



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*options in Securities, or make investments in any other entity, for generating funds for purposes for implementing the welfare schemes. The Trust shall use the returns from such Securities and investments held by the Trust to carry on activities under the Welfare Schemes..."*

Therefore, the welfare schemes run by the Trust involve dealing in securities of the company.

In view of above, all the eligibility criteria required for employee benefits scheme to be covered under SBEB Regulations are satisfied. Thus, the SBEB Regulations would apply to the welfare schemes floated by the Trust.

6. The queries at point no. 3(ii) and 3(iii) do not fall within the ambit of Securities and Exchange Board of India (Informal Guidance) Scheme, 2003. Hence, these queries are not being replied. However, since the SBEB Regulations would apply to the welfare schemes floated by the Trust, the applicant would be required to comply with all the provisions of the SBEB Regulations as applicable to it.
7. Further, your request for confidentiality for a period of 90 days has been acceded to.
8. 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 questions referred.
9. 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 SBEB Regulations 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,

  
**Rajesh Gujjar**