



General Manager
Integrated Surveillance Department

ISD/OW/2025/13949/1

May 23, 2025

ISK Advisors Private Limited
5 Laxmi Society
B/h. Sasuji Dining Hall, Off C.G. Road
Ahmedabad- 380006

Kind Attention: Mr. Ronak I. Kadri, Director & Compliance Officer

Sir,

Sub: Request for interpretive letter under the Securities and Exchange Board of India (Informal Guidance) Scheme, 2003

Ref: Your letter dated March 19, 2025

1. In your letter under reference, you have *inter alia* represented as follows:

1.1. ISK Advisors Private Limited ('the applicant') is registered with SEBI as a Category-I Merchant Banker and is an 'Intermediary' as per Section 12 of the SEBI Act, 1992. It carries out management of public issues of securities, underwriting with respect to public issue, corporate advisory and other activities as permitted by the Securities and Exchange Board of India (Merchant Banker) Regulations, 1992 ('MB Regulations').

1.2. ISK Equities Private Limited ('IEPL') is a SEBI registered Stock Broker since January 06, 2025. It is a wholly owned subsidiary company of the applicant.

1.3. The applicant proposes to acquire equity shares of certain companies whose public issues it had managed. Applicant has not rendered any professional services and was not connected to the said companies after their listing on the Stock Exchanges.

1.4. Further, IEPL also proposes to acquire equity shares of a company (i.e. Rajesh Power Services Limited, listed on Stock Exchange on December 02, 2024), whose public issue was managed by the applicant.



- 1.5. As per Regulation 26 of MB Regulations and provisions of Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 (**'PIT Regulations'**), the applicant and / or IEPL are allowed to acquire securities of any body corporate whose public issue was managed by the applicant, on the basis that the applicant no longer falls within the ambit of 'connected persons' of the said body corporates and also does not possess any unpublished price sensitive information obtained by it during the course of its professional assignments.
2. In view of the above, you have sought guidance in the form of an interpretive letter under the Securities and Exchange Board of India (Informal Guidance) Scheme, 2003 (**"Informal Guidance Scheme"**) from SEBI on the following queries:
- 2.1. **Query 1:** *Is our understanding correct in terms of Regulation 26 of SEBI (Merchant Banker) Regulations, 1992, that a Merchant Banker can acquire the shares of body corporate of which public issue was managed by Merchant Banker, if it is neither a connected person nor has any Unpublished Price Sensitive Information at the time of acquisition of shares?*
- 2.2. **Query 2:** *Can ISK Equities Pvt. Ltd. acquire the shares of body corporates whose issues were handled by the applicant but for which IEPL was/ is not a market maker?*
- 2.3. **Query 3:** *Can ISK Equities Pvt. Ltd. acquire shares of Rajesh Power Services Ltd. when not appointed as market maker?*
3. We have considered the submissions made by you in your letter and without necessarily agreeing with your analysis, our view on the queries raised in your letter are as under:
- 3.1. Regulation 2(1)(d)(i), 2(1)(g), 4(1), Regulation 9 (1) of PIT Regulations and Regulation 26 and 27 of MB Regulations states that:

Regulation 2(1)(d)(i)- "connected person" means,-

- (i) *any person who is or has been, during the six months prior to the concerned act, associated with a company, in any capacity, directly or indirectly, including by reason of frequent communication with its officers or by being in any contractual, fiduciary or employment relationship or by being*

a director, officer or an employee of the company or holds any position including a professional or business relationship, whether temporary or permanent, with the company, that allows such a person, directly or indirectly, access to unpublished price sensitive information or is reasonably expected to allow such access.

Regulation 2(1)(g)- "insider" means any person who is:

- i) a connected person; or
- ii) in possession of or having access to unpublished price sensitive information
....."

Regulation 4(1)- No insider shall trade in securities that are listed or proposed to be listed on a stock exchange when in possession of unpublished price sensitive information:

Explanation –When a person who has traded in securities has been in possession of unpublished price sensitive information, his trades would be presumed to have been motivated by the knowledge and awareness of such information in his possession.
.....

Regulation 9(1)- The board of directors of every listed company and the board of directors or head(s) of the organisation of every intermediary shall ensure that the chief executive officer or managing director shall formulate a code of conduct with their approval to regulate, monitor and report trading by its designated persons and immediate relatives of designated persons towards achieving compliance with these regulations, adopting the minimum standards set out in Schedule B (in case of a listed company) and Schedule C (in case of an intermediary) to these regulations, without diluting the provisions of these regulations in any manner.

Regulation 26 of MB Regulations- No merchant banker or any of its directors, partner or manager or principal officer shall either on their respective accounts or through their associates or relatives, enter into any transaction in securities of bodies corporate on the basis of unpublished price sensitive information obtained by them during the course of any professional assignment either from the clients or otherwise.

Regulation 27 of MB Regulations- A merchant banker shall submit to the Board complete particulars of the transaction for acquisition of securities of a body corporate whose issue is managed by that merchant banker, within fifteen days from the date of entering into such a transaction:
.....

3.2. With respect to Query 1:

3.2.1. Regulation 26 of the MB Regulations prohibits a merchant banker from entering into any transaction in securities of bodies corporate on the basis of Unpublished Price Sensitive Information ('UPSI') obtained by it during the course of any professional assignment either from the clients or otherwise.

3.2.2. Regulation 27 of MB Regulations requires a merchant banker to submit to the board the complete particulars of transaction for acquisition of securities of bodies-corporate whose public issue is managed by it, within 15 days of such transaction.

3.2.3. In terms of Regulation 2(1)(d)(i) of PIT Regulations, the applicant shall also be considered a connected person in respect of bodies corporate whose public issues were managed by the applicant during the last six months before the intended purchase, thereby qualifying as an insider in terms of regulation 2(1)(g) of PIT Regulations.

3.2.4. Regulation 4(1) of PIT Regulations prohibits an insider from trading in securities that are listed or proposed to be listed on a stock exchange, when in possession of unpublished price sensitive information. Further, as per explanation to Regulation 4(1) of PIT Regulations, trades executed by a person when he has been in possession of UPSI, would be presumed to have been motivated by the knowledge of such UPSI in his possession.

3.2.5. In the backdrop of this legal position, following may be noted in the instant case:

- i. Considering that the applicant was associated with the company at serial no. 1 of Annexure-A to the letter dated March 19, 2025 viz., Rajesh Power Services Ltd. in the capacity of a merchant banker during the six months prior to the proposed acquisition of shares, the applicant continues to be a "connected person" in terms of regulation 2(1)(d) of PIT Regulations. Therefore, in terms of Regulation 26 of MB

Regulations read with Regulation 2(1)(d) of PIT Regulations, the applicant is prohibited from acquiring securities of the body corporate listed at serial no. 1.

- ii. Considering that more than six months have elapsed from the date of listing with respect to shares of body corporate listed at serial no. 2 to 9 in the Annexure-A of the letter dated March 19, 2025, the applicant may acquire the shares if the applicant is not a connected person in terms of regulation 2(1)(d) of PIT regulations nor has any UPSI at the time of acquisition of shares of such body corporate.

3.2.6. Further, in case the applicant undertakes the acquisition of securities of the body corporate whose public issue is managed by it, the applicant would be required to submit to the Board the particulars of the said acquisition of the securities in accordance with regulation 27 of MB Regulations.

3.3. With respect to Query 2 and 3:

3.3.1. As per your submission, IEPL is a wholly owned subsidiary of ISK Advisors Private Limited. In terms of clause (b) of regulation 2(1)(d)(ii) of PIT Regulations, a subsidiary company of a connected person is also deemed to be connected person unless the contrary is established. Thus, IEPL being a subsidiary of the applicant is also deemed to be a connected person of the bodies-corporate whose public issues were managed by the applicant. Consequently, IEPL shall also be subject to the same trading restrictions as are applicable to the applicant.

3.3.2. Further, Regulation 26 of the MB Regulations prohibits a merchant banker from executing transactions on its account or through its associates, in the securities of bodies corporate on the basis of UPSI obtained during the course of any professional assignment either from the clients or otherwise.

3.3.3. In view of the above, the provisions of PIT Regulations and MB Regulations, as applicable to the applicant with regard to acquisition of shares of bodies

corporate whose public issues were handled by the applicant, shall also be applicable to IEPL.

4. Vide your letter under reference, you have requested for confidentiality in respect of your letter and its content. Accordingly, it has been decided that the letter issued to you in this matter will not be made public for a period of 90 days from the date of issuance of this letter.
5. The above position is specific and based on the information furnished in your letter under reference. Different facts or conditions may entail a different interpretation. Further, this letter does not express the decision of the Board on the queries referred in your letter.
6. It may also be noted that the above views are expressed only with respect to the clarification sought in your letter under reference with respect to the PIT Regulations and MB Regulations and do not affect the requirements or applicability of any of the provisions of law including the Securities and Exchange Board of India Act, 1992 and the Rules, Regulations, Guidelines or Circulars framed thereunder that are administered by the Securities and Exchange Board of India or of the laws administered by any other authority.

Yours faithfully,


Versha Agarwal

