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CFD/PoD/OW/2025/475/1  
February 12, 2025

**E-Land Apparel Limited**  
16/2B, Sri Vinayaka Indl. Estate,  
Singasandra, Near Dakshin Honda Showroom,  
Hosur Road, Bengaluru 560068  
Karnataka, India

Dear Sir,

**Sub: Request for informal guidance by way of interpretive letter under the SEBI (Informal Guidance) Scheme, 2003 by E-Land Apparel Limited in relation to Regulation 163(3), 164 and 165 of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018.**

1. This has reference to your letter dated December 17, 2024 and emails dated December 30, 2024 and January 03, 2025 in the captioned subject.
2. You have, inter alia, represented as under:
  - 2.1. E-Land Apparel Limited (the "Target Company") is a public limited Company. The Company is engaged inter-alia in the business of manufacture and sale of garments.
  - 2.2. The ordinary equity shares of the Company are listed at BSE Limited.
  - 2.3. ELAL is a subsidiary of E-Land Asia Holdings Pte Ltd ("E-Land Singapore"). E-Land Singapore holds 3,15,98,094 equity shares which constitutes approximately 65.84% of the total paid-up capital. The remaining 34.16% of equity shares of ELAL are held by the public.
  - 2.4. ELAL had entered into a long-term export supply agreement (the "Agreement") with E-Land Singapore on April 19, 2016 to supply apparel and readymade garments to E-Land Singapore for a period of 10 years, which was later extended to the financial year ending March 31, 2030.



Regulation 165 of the SEBI ICDR Regulations prescribes the aspects to be considered for valuation of shares by an independent registered valuer.

3. In view of the above, you have sought interpretive guidance from SEBI on the following issue:
  - 3.1 that the proposed issue of equity Share against the export advance payable to the proposed allottee will not fall under the purview of the Regulation 163(3) of the SEBI ICDR Regulations, which is specific to preferential issue of shares.
  - 3.2 that the proposed issue price which would be at a significant premium will be in compliance with the Regulation 164 and Regulation 165 of the SEBI ICDR Regulations, as applicable.
4. In this regard, it may be noted that we have considered the submissions made by you, in your letter reference and emails and without necessarily agreeing with your analysis, our views on the queries raised by you are as under:

**Query 1:** *“That the proposed issue of equity Share against the export advance payable to the proposed allottee will not fall under the purview of the Regulation 163(3) of the SEBI ICDR Regulations, which is specific to preferential issue of shares.”*

- 4.1 While Regulation 163(3) allows for issuance of specified securities on a preferential basis for consideration other than cash, the first proviso thereto qualifies that 'consideration other than cash' shall comprise only swap of shares pursuant to a valuation report by an independent registered valuer. In the transaction proposed in the instant matter, preferential issue is against outstanding liability in respect of advance/cash already received by you/Target Company. Hence, the proposed issue of equity share against the export advance payable by you to E-Land Singapore will not fall under the purview of Regulation 163(3) of the ICDR Regulations.



2.5. ELAL had received an advance of USD 45 Million (equivalent to INR 289 crores as recorded in the books) from E-Land Singapore as per the agreement in various tranches between June, 2016 and January, 2018. Against such advance, the Company have supplied only very small part of the agreed products, and the obligation against the remaining USD 44.89 Million is not fulfilled till date due to continued losses.

2.6. As ELAL would not be in a position to fulfil the export obligation, the outstanding advance received would be repayable back to E-Land Singapore as a liability or a payable in the books of accounts.

2.7. ELAL is not in a position to make supplies to E-Land Singapore and does not have sufficient funds to repay the export advance to E-Land Singapore.

2.8. ELAL proposes to restructure the said outstanding liability by issuance of equity share on preferential basis to E-Land Singapore (the “proposed allottee”) (amounting to USD 44.89 Million) at a face value of INR 10/- per share along with premium. E-land Singapore is agreeable to acquire one (1) share on a preferential basis, which would mean that the issuance of the share against the outstanding liability would be on a significant premium, in accordance with Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 (“**ICDR Regulations**”), provisions of Companies Act, 2013 and other applicable laws, subject to the approval of the shareholders of the Company.

2.9. The Proposed Transaction will involve the issue of new equity Share of the ELAL to the proposed allottee on preferential basis in consideration of the outstanding liability payable (i.e. export advance repayable on non-fulfillment of export obligations). The Proposed Transaction would be in lieu of cash payable to offset the monetary obligations owed to the proposed allottee and therefore, would be considered to be a ‘for cash consideration’.

2.10. In relation to the issuance of the share at a significant premium, Regulation 164(1) of the SEBI ICDR Regulations prescribe a floor price for the issuance of shares by way of preferential issue where shares are frequently traded and such price should not be lower than the price computed in accordance with the said Regulation. In case of infrequently traded shares

**Query 2:** “The proposed issue price which would be at a significant premium will be in compliance with the Regulation 164 and Regulation 165 of the SEBI ICDR Regulations, as applicable”

- 4.2 The responses furnished by you in respect of the aforesaid query are general in nature and do not clearly explain compulsions to issue only a single share to E-Land Singapore at a significant premium of USD 44.89 million. Thus, the request does not completely and sufficiently explain the factual situation in sufficient manner so as to explain the issuance of a single share at such a significant premium.
- 4.3 Therefore, since paragraph 8(i) of the Informal Guidance Scheme, 2003 provides that SEBI may not respond to requests which are general and do not completely and sufficiently describe the factual situation. Accordingly, query no. 2 raised by you is not being responded to.
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 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 queries raised in your letter under reference with respect to the ICDR 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,

  
Yogita Jadhav