

National Stock Exchange Of India Limited

Ref No: NSE/CML/2019/22

September 27, 2019

The Company Secretary
All Listed Companies

Dear Sir / Madam,

Subject: Guidance note on Reason for Encumbrance

1. As per regulation 28(3) “any covenant, transaction, condition or arrangement in the nature of encumbrance, by whatever name called, whether executed directly or indirectly” whether it includes encumbrance created by promoter of holding company on holding company shares being an indirect encumbrance on shares of target company.

Ans. *The entity has to decide whether this indirect pledge is creating any restriction on the free and marketable title to shares, by whatever name called,* whether executed directly or indirectly. The scope of encumbrance has been provided in Regulation 28(3). It includes encumbrances executed directly or indirectly.

2. Does it include name of the companies or entities with whom promoter entered into the agreement?

Ans. Yes, it includes disclosure of all entities in the agreement relating to creation of encumbrance.

3. For calculating value, promoters has to take closing price of stock exchange – National Stock Exchange of India Ltd (NSE) or Bombay Stock Exchange Ltd (BSE)?

Ans. The promoter may take the value based on closing price on either National Stock Exchange of India Ltd (NSE) or Bombay Stock Exchange Ltd (BSE).

4. Can one promoter provide disclosure on behalf of other promoters?

Ans. Yes, one promoter can provide disclosure on behalf of the promoter group.

5. If value of shares decreases there is additional pledge of shares created by promoter, where as the date of agreement remains the same?

Ans. If there is additional pledge of shares and the total encumbrance of shares is beyond the limit provided in the circular, the disclosure on reasons for encumbrance in the format provided at Annexure II has to be disclosed.

6. Additional encumbrance created to meet the asset cover over and above 50 % or 20% as per which he had already filed the necessary disclosures.

Ans. In terms of the circular *“Such disclosures will be warranted on every occasion, when the extent of encumbrance (having already breached the above threshold limits) increases further from the prevailing levels”.*

7. Are PACs required to make disclosure for creation of pledge under regulation 31 done by them only and not with promoter.

Ans. The circular is applicable for encumbrances by promoter along with persons acting in concert (PAC) with him.

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On basis of above, Companies are requested to circulate the FAQ and intimate the Promoters to provide the aforesaid disclosure on the following email id - takeover@nse.co.in

The Hard copies for the same will not be accepted by the Exchange and will not be treat as compliance. In case of any further queries, kindly contact 18002660058

This is for your information please.

Yours faithfully,
For National Stock Exchange of India Limited

Lokesh Bhandari
Senior Manager