

## PREVENTION OF INSIDER TRADING - FAQs

### BACKGROUND/WHY REGULATIONS ON INSIDER TRADING?

Insider trading means dealing in securities of a company based on unpublished price sensitive information by persons who could be privy to such information, and use it to secure a price advantage, as compared to general investors. Such dealing erodes the investors' confidence in the integrity of management and is unhealthy for the capital markets. With an aim to guard the interests of general investors, the Securities Exchange Board of India (SEBI) had formulated the SEBI (Prohibition of Insider Trading) Regulations, 1992.

On January 15, 2015, the SEBI has notified SEBI (Prohibition of Insider Trading) Regulations, 2015 (hereinafter referred to as 'the Regulations') to replace the earlier framework of SEBI (Prohibition of Insider Trading) Regulations, 1992 which are in place for the past two-decades.

These Regulations came into force effective May 15, 2015 and were made applicable to all Listed Companies. It is mandatory in terms of the Regulations for every listed company to adopt a Code of Conduct for Prevention of Insider Trading for its Directors, Officers, Key Managerial Personnel (KMP), Employees and other Connected Persons as also a Code of Fair Disclosure Practices. Accordingly, the Company has formulated a code of conduct for prevention of insider trading in its securities (the 'Code').

*(Please click on question number for answer).*

- [Q1.](#) What is Insider Trading?
- [Q2.](#) What is meant by 'Unpublished Price Sensitive Information' (UPSI)?
- [Q3.](#) What is the Code of Insider Trading? Who is an Insider as per this Code? To whom is the Code applicable?
- [Q4.](#) Who can amend this Code or its Provisions?
- [Q5.](#) What are the responsibilities of the Company and its Employees under the Code?
- [Q6.](#) Who is a Compliance Officer? And what are his duties?
- [Q7.](#) Can Insiders/Designated Persons trade in the Securities of the Company?

- [Q8.](#) What is a Trading Plan? Who is required to formulate such a Plan?
- [Q9.](#) Are there any prohibitions/restrictions imposed on Designated Persons for dealing in the Company's securities?
- [Q10.](#) What is pre-clearance and when it is required? What is threshold limit and how it is calculated?
- [Q11.](#) For how long would the pre-clearance be valid?
- [Q12.](#) Can Compliance Officer reject the request for pre-clearance?
- [Q13.](#) Is there any confirmation required from the Designated Person after acting upon Pre-Clearance taken?
- [Q14.](#) What is meant by 'Trading Window'? What is Closure of Trading Window?
- [Q15.](#) When Trading Window is normally kept closed?
- [Q16.](#) Is there any exception available under this Code for dealing in securities during the 'Closure of Trading Window'?
- [Q17.](#) What is 'Initial Disclosure'? When it is required to be given?
- [Q18.](#) What is 'Continual Disclosure'? When it is required to be given?
- [Q19.](#) Does Company is under an obligation to give disclosures to any Statutory Authority? And when?
- [Q20.](#) What are the effects / outcome of Non-Compliance of Code by the Insiders/Designated Persons and the Company?
- [Q21.](#) What are the measures to be taken for prevention of Insider Trading?

A1. “Insider Trading” means and includes subscribing, buying, selling, dealing, or agreeing to subscribe, buy, sell, deal in any securities, by an Insider in any manner in the Company’s securities on the basis of confidential information i.e. “unpublished price sensitive information (UPSI)” used to make profit or avoid loss in the transactions in securities of the Company, before such information is in the public domain.

What is meant by Securities?

“Securities” means any of the following instruments issued, or to be issued or created, or to be created, for the benefit of the Company:

- a. shares, scrips, stocks, bonds, debentures, debenture stock or other marketable securities of like nature of the Company.
- b. rights or interests in the above.
- c. such other instrument recognized as securities and issued by the Company from time to time.

At present equity shares of the Company, being the only instrument from above, are treated as securities for the purpose of the Code.

A2. “Unpublished Price Sensitive Information” (UPSI) means any information which relates to the following matters or is of concern, directly or indirectly, to the Company, and is not generally known or published by the Company, but which if published or known, is likely to materially affect the price of securities of the Company:

- (i) Periodical financial results of the Company (quarterly, half-yearly and annual).
- (ii) Intended declarations of dividend (interim and final).
- (iii) Changes in Capital Structure like issue of securities by way of rights/ bonus etc. or buy-back of securities.
- (iv) Any major expansion plans or execution of new projects.
- (v) Acquisition, Amalgamation, mergers, de-merger, delisting or takeovers.
- (vi) Disposal of the whole or substantial part of the Company’s business.
- (vii) Change in Key Managerial Personnel
- (viii) Order book / major orders<sup>1</sup> received by the Company.
- (ix) Any significant changes in nature of business, policies, plans or operations of the Company.

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<sup>1</sup> exceeding 5% of the audited Sales Income of the Company during the preceding financial year.

A3. Code is a set of rules and regulations which is required to be followed by the Company and 'Insider'. The Board of Directors of the Company has adopted a Code of Conduct for Prevention of Insider Trading.

"Insider" means a person who is or was either a Director or a Designated Person of the Company, or Connected Person with whom the Company has, directly or indirectly, a professional or business relationship, because of which he may reasonably be expected to have access to or be in the possession of Unpublished Price Sensitive Information and such person shall be considered as insider for a period of six (6) months after his ceasing to have any aforesaid relationship with the Company.

At present this Code is applicable to the following Insiders/Designated Persons:-

- (a) Directors
- (b) Chairperson and Managing Director and their Secretariat Office
- (c) Executive Council Members
- (d) All employees in Grade M1, M2A and M2
- (e) Relevant employees located at Corporate Office, at Thermax House
- (f) Designated employees of material subsidiary
- (g) All Divisional Finance Controllers
- (h) Retainer/Consultant having access to Unpublished Price Sensitive Information
- (i) Directors, Chief Executive Officers (CEOs)/Chief Operating Officer, Chief Financial Officer (CFO)/Finance Controllers and Key Managerial Personnel (KMPs), if any, of the domestic subsidiaries/joint ventures of the Company.
- (j) Auditors
- (k) Intermediaries (CEO and up to two level below CEO of such intermediaries)
- (l) Bankers
- (m) Person holding information pursuant to the legitimate purpose
- (n) Any other employee, as may be designated from time to time, for the purpose of this Code, by the Compliance Officer in consultation with the Managing Director of the Company.

[A4.](#) The Board of Directors of the Company is empowered to amend this Code as and when it deems appropriate.

- A5. To adhere to the adopted Code and diligently abide by the laid down rules and procedures.

A6. “Compliance Officer” is an employee designated by the Board of the Company who shall be responsible for compliance, implementation of policies & procedures under the Code. At present the Company Secretary of the Company is designated as ‘Compliance Officer’.

The Compliance Officer shall be responsible to monitor adherence to the Code of the Company and Regulations, submit report to the Managing Director wrt approval/rejection of pre-clearance request, maintenance of records, non-compliance or violation of the Code by the Insider and implementation of the Code.



A7. Yes, Insiders/Designated Person can trade in the securities of the Company subject to the provisions of the Code. Trading in the securities of the Company is permitted upto a prescribed threshold limit, without seeking pre-clearance from the Compliance Officer. However, dealing in securities of the Company beyond threshold limit pre-clearance from the Compliance Officer would be a pre-requisite.

A8. Since Designated Persons who are perpetually in possession of UPSI cannot be rendered incapable of trading in securities throughout the year, a Designated Persons will be permitted to formulate in advance a trading plan to effect trade at a subsequent date.

Trading plan is required to be framed by such Designated Persons who are at all times in possession of UPSI and the plan is required to be reviewed, approved and monitor implementation. A trading plan, once approved, has to be adhered to.

A9. Designated Persons and their Immediate Relatives are prohibited at all times from directly or indirectly communicating, procuring, allowing access to UPSI to any person (including a body corporate or other insiders) except where such communication is in furtherance of legitimate purposes, performance of duties or discharge of legal obligations.

Insider trading at any time by an Designated Person or his/her Immediate Relatives on the basis of UPSI is prohibited.

As per the guidelines of SEBI and the Code adopted by the Company, Designated Person who buy or sell any number of securities of the Company shall not enter into an opposite transaction i.e. sell or buy any number of shares during the next 6 months from the date of last transaction.

However, in case, sale of securities is necessitated by personal emergency, the holding period may be waived by the Compliance Officer after recording in writing his/her reasons in this regard.

The Designated Person shall also make a disclosure for any derivative (future & options) transactions in the shares of the company, provided such trading in derivatives of shares of the Company is permitted under any law for the time being in force.

[A10](#). Pre-clearance is a prior approval required to be obtained by Designated Person from the Compliance Officer and should be taken before dealing in the securities of the Company.

The form prescribed for obtaining pre-clearance is 'Enclosure 1 & 2' prescribed under the Code. The same however need to be generated and submitted on-line through self service module of the software.

Presently, the threshold limit is 250 shares in a calendar quarter. It is calculated on cumulative basis separately for buying / selling Company's shares during any calendar quarter, if any, given by an Insider to the Company. It means, an Insider can deal in the shares of the Company upto 249 shares in aggregate in a calendar quarter either in single or in multiple transaction(s).

[A11](#). Pre-clearance shall remain valid for 7 calendar days (one week) from the date of clearance given or the date sought in by the insider or till the period from which Trading Window is declared as closed by the Compliance Officer, whichever is earlier.

[A12](#). Yes, Compliance Officer can reject the request for pre-clearance, if there are reasons to believe that the Insider is in possession of UPSI.

[A13](#). Yes, the Designated Person is required to submit confirmation of transaction in the format prescribed by the Code, even if it is a 'NIL' declaration

[A14](#). The Compliance Officer shall specify a trading period, termed as “Trading Window”, permitting trading in the Company’s securities. Generally, the Company announces a specific period during which trading in the Company’s securities is restricted and this is called as “Closure of Trading Window”. During this period Designated Persons and their Immediate Relatives shall not be permitted to trade in the Company’s securities.

When Trading Window is not closed, it is deemed to be OPEN for trading, subject to compliance with the Code and the limit of quantity/ value of shares as specified in the Code.



A15. It is normally kept closed during the following events/ occasions:-

1. Approval of the financial results by the Board of Directors
2. Declaration of dividends (Interim or Final)
3. Issue of securities or buy back of securities

[A16](#). Yes, for compelling reasons the Chairperson and/or the Managing Director may at their discretion permit the sale of Securities.

[A17](#). Disclosure regarding holding of securities of the Company

- a) at the first time after the Code becomes applicable; or
- b) at the time of joining the Company

is called initial disclosure.

The initial disclosure as mentioned in a) above, shall be made by the Designated Person in Form-A, as prescribed by the Code, within 30 days from the effective date of the regulations.

AND

Designated Person and their Immediate Relatives shall notify the Company the details of securities held by him / her and their Immediate Relatives within 7 days of becoming a Promoter/Director/KMP/designated persons of the company in Form-B prescribed by the Code.

[A18.](#) Where securities are traded by every Promoter/ Director /KMP /Designated Persons of the Company in excess of Rs. 10,00,000/- (Rupees ten lac only) in a single/multiple transaction(s) during any calendar quarter, a disclosure would have to be made by such persons, which is called as 'Continual Disclosure'.

The Continual Disclosure is to be made in Form-C as prescribed by the Code, within two trading days from such transaction(s).

The Form C needs to be generated and submitted online through self service module software.

[A19.](#) Yes, the Company, within 2 trading days of receipt of such disclosures in Form C, from the Promoter/ Director /KMP /Designated Persons of the Company, shall disclose to all Stock Exchanges on which the Company's shares are listed.  
Hence, it is critical for insiders/ designated persons to inform change in shareholding to the Company forthwith.

[A20](#). Any designated Employee/Director/Officer who trades in securities or communicates any information for trading in securities in contravention of the provisions of the Code may be penalized and appropriate action may be taken by the Company. Following actions may be taken against the Insider/Designated Persons, in case of violation of the provisions of the Code:

- Issue letter of warning stating that consequence of contravention / non-adherence would result in dismissal from services.
- Freezing future corporate benefits, increments / promotions
- Suspension from service
- Any other suitable action, to facilitate the implementation of the spirit of the Code.

SEBI may also take similar penal actions prescribed under the SEBI Act, 1992 which includes:

- a) maximum penalty of Rs. 25 crore or three times the amount of profits made out of such Insider Trading, whichever is higher.
- b) imprisonment for a maximum period of ten years or with a fine which may extend to Rs. 25 crore, or with both.
- c) under Regulation 11, SEBI can also pass appropriate orders against Insider who are found indulging in insider trading.

[A21.](#) The following measures are to be taken by Insiders for prevention of insider trading:

- Adherence to the Code for Prevention of Insider Trading.
- Limited access to the confidential information.
- Introduction of implementing systems of login and Password.
- Providing information on 'need to know' basis.
- Prevention of misuse of 'price sensitive information'.