

KALYANI STEELS

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KSL:SEC:

February 15, 2013

BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street,
Fort, Mumbai - 400 001

National Stock Exchange of India Limited
Exchange Plaza,
Bandra Kurla Complex, Bandra (E)
Mumbai - 400 051

Scrip Code : 500235

Scrip Symbol : KSL

Pune Stock Exchange Ltd.
Shivleela Chambers,
752, Sadashiv Peth,
R.B. Kumthekar Marg,
Pune - 411 030

Dear Sirs,

Re: Circular dated 17th January, 2013 issued by the Securities & Exchange Board of India ("SEBI") in connection with amendment to the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and related amendments to the Listing Agreement.

1. We refer to the captioned circular ("Circular") issued by SEBI, *inter-alia*, requiring listed companies to furnish particulars of employee benefit schemes dealing in the securities of the companies which are not in accordance with the SEBI ESOP Guidelines.
2. In connection with the above, we wish to state that Kalyani Steels Limited ("KSL") has settled six trusts by the name of "KSL Senior Executives Welfare and Share Option Trust - I to VI" ("Trusts"). While the Trusts had been formed by the Company, no specific scheme has been formally approved by the Board of Directors of KSL. The Trusts were settled by KSL with an initial corpus of Rs.1,000/- each, vide Trust Deeds executed on December 30, 1988 ("Trust Deeds"). The objective of each of these Trusts is, *inter alia*, to implement, execute and administer the objectives as laid down in the respective Trust Deeds. The trustees of the Trusts are Mr.B.N. Kalyani, Mr.S.M. Kheny and Mr.C.G. Patankar. ("Trustees").
3. The Trusts, *inter-alia*, provide for welfare benefits to be extended to KSL's senior executives and their families such as providing medical facilities, educational facilities, provision of a residential accommodation and other measures which in the general sense be classified as welfare measures.
4. The Trusts also contemplate granting of stock options to eligible beneficiaries i.e. senior executives. As per the provisions of the Trust Deeds, the Trustees are authorized to grant stock options to the beneficiaries in terms of the provisions of the Trust Deeds.
5. As on the date of this letter, the Trusts collectively hold 225,000 equity shares of Rs.5/- each fully paid-up of KSL, constituting 0.515% of the paid-up share capital of KSL. These equity shares were allotted to the Trusts pursuant to an approval of the shareholders of KSL granted at an Fourteenth Adjourned Annual General Meeting of the shareholders of KSL held on December 27, 1988. In addition to the shares directly held



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- by the Trusts in KSL, in accordance with the provisions of the Trust Deeds, 470,990 equity shares are also held by the Trusts through their respective wholly-owned asset / investment holding companies ("Trust Companies") constituting 1.079% of the paid-up share capital of KSL.
6. The Trusts or Trust Companies have never acquired or sold any shares of KSL from the secondary market. KSL believes that the Trust and Trust Companies are therefore outside the scope of Annexure II of the Circular.
 7. The Trusts have been specifically formed for the welfare of the senior executives of the Company. Since inception, the Trusts and Trust Companies have spent their entire income earned in the form of dividend on the shares, held by them in meeting their administrative expenses and re-payment of outstanding loans of KSL. Although the Trust Deeds specifically contemplate granting of stock options to the beneficiaries, the Trustees have not granted any stock options to the beneficiaries since its inception.
 8. The existing Shares of KSL held by the Trusts and Trust Companies are proposed to be used by the Trusts to extend welfare benefits to the senior executives of KSL without granting of stock options. In other words, although the Trust Deeds contemplate granting stock options to senior executives, it is proposed that the Trusts will not be granting any stock options to senior executives in respect of the Shares of KSL under the present Deeds. Subject to approvals, necessary amendments to this effect will be made to the Trust Deeds within the period as may be stipulated by SEBI in this regard. Upon such amendments coming into effect, the Trusts will cease to be one which contemplates granting of stock options in respect of shares of KSL. As such, there would be no requirement to align the Trusts with the provisions of the SEBI ESOP Guidelines since the Trust Deeds will no longer even contemplate granting employee stock options.
 9. Moreover, as stated above, the Trusts and Trust Companies have never acquired or sold shares of KSL in the secondary market. In light of the requirements of the Circular, it is proposed that subject to necessary approvals, the Trust Deeds will also be amended to include a restriction on the Trustees from acquiring shares of KSL from the secondary market.
 10. In the circumstances, since it is proposed that the Trusts have not and will not grant stock options under the Trust Deeds and as the Trusts have never acquired shares of KSL from the secondary market, KSL believes that the Trusts are outside the scope of Annexure II of the Circular.
 11. We hope the details furnished with this letter meet with the requirements of SEBI under the Circular.

Thanking you,

Yours faithfully,
For KALYANI STEELS LIMITED



MRS.D.R. PURANIK
COMPANY SECRETARY
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