



CIRCULAR

CIR/IMD/DF/50/2017

May 26, 2017

To

**All Listed Entities who have listed their equity and convertibles
All the Recognized Stock Exchanges**

Dear Sir/ Madam,

Sub: Listing of Non-Convertible Redeemable Preference Shares (NCRPS) / Non-Convertible Debentures (NCDs) through a Scheme of Arrangement

- (1) SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred to as "listing regulations") place obligations with respect to Scheme of Arrangement on Listed Entities and Stock Exchange(s) in Regulation 11, 37 and 94.
- (2) Sub-rule (7) of rule 19 of the Securities Contracts (Regulation) Rules, 1957 (hereinafter referred to as "the SCRR") gives power to Securities and Exchange Board of India (SEBI) to relax provision of Rule 19 at its discretion and accordingly SEBI Circular No. CFD/DIL3/CIR/2017/21 dated March 10, 2017 laid down the detailed requirement to be complied with by listed entities while undertaking schemes of arrangement for listing of Equity or Warrants pursuant to the Scheme.
- (3) Such corporate restructuring may result in issuance of NCRPS or NCDs, in lieu of specified securities (specified securities as defined in the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009). However it is observed that the abovementioned SEBI Circular does not cover guidance for listing of such NCRPS/NCDs. The same is being addressed in this circular.
- (4) In cases where NCRPS/NCDs are issued, in lieu of specified securities, vide a scheme of arrangement; and where such NCRPS/NCDs are proposed to be listed on recognized Stock Exchanges, the listed entity shall additionally comply with the requirements stated at Paragraph 5 below, in addition to compliance with SEBI Circular No. CFD/DIL3/CIR/2017/21 dated March 10, 2017, as amended from time to time.



(5) The additional compliances for the cases referred to at Paragraph 4 above are as under:

(A) Additional conditions to be complied before the Scheme of arrangement is submitted for sanction by the National Company Law Tribunal (NCLT)

A listed entity, which has listed its specified securities, may seek listing of NCRPS/NCDs issued pursuant to a scheme of arrangement provided that it has complied with the following provisions :-

(i) **Eligibility for seeking listing of NCRPS/ NCDs**

A listed entity which has listed its specified securities may seek listing of NCRPS/NCDs issued pursuant to a scheme of arrangement only in case where the listed entity is a part of such scheme of arrangement and such NCRPS/NCDs are issued to the holders of specified securities of such listed entity. Such scenarios may broadly include the following:

- (a) A listed entity, which has listed its specified securities, (demerged entity) demerges a unit and transfers the same to another entity (resultant entity), and the resultant entity issues NCRPS/NCDs to the holders of the specified securities of listed entity (i.e. demerged entity) as a consideration under the scheme of arrangement.
- (b) A listed entity, which has listed its specified securities, (amalgamating entity) is merged with another entity (amalgamated entity), and the amalgamated entity issues NCRPS/NCDs to the holders of the specified securities of listed entity (i.e. amalgamating entity) as a consideration under the scheme of arrangement.

It is clarified that only the NCRPS/NCDs issued to the holders of listed specified securities, vide the scheme of arrangement, would be eligible for seeking listing.

However, if the same series/class of NCRPS/NCDs are also allotted to other investors, other than the allotment done to the holders of listed specified securities as per the scheme of arrangement, then such NCRPS/NCDs would not be eligible for seeking listing.

(ii) **Tenure/ Maturity:**

The minimum tenure of the NCRPS/NCDs shall be one year.



(iii) **Credit Rating:**

The NCRPS/NCDs have been assigned minimum such credit rating, if any, specified for public issue of NCRPS under SEBI (Issue and Listing of Non-Convertible Redeemable Preference Shares) Regulations, 2013 or for public issue of NCDs in terms of SEBI (Issue and Listing of Debt Securities) Regulations, 2008, as the case may be by a credit rating agency registered with the Board.

(iv) **Valuation Report:**

The Valuation Report, referred in Para (I)(A)(4) of Annexure I of SEBI Circular No. CFD/DIL3/CIR/2017/21 dated March 10, 2017, shall also include valuation of the underlying NCRPS/ NCDs to be issued pursuant to the scheme of arrangement.

(v) **Disclosures in the Scheme of Arrangement:**

The following should be clearly disclosed in Draft Scheme of Arrangement:-

- (a) Face Value & Price
- (b) Dividend/Coupon: The terms of payment of dividends/Coupon including frequency etc
- (c) Credit Rating
- (d) Tenure/ Maturity
- (e) Redemption: The terms of redemption, amount, date, redemption premium/discount,, and early redemption scenarios, if any
- (f) Other embedded features (put option, call option, dates, notification times, etc)
- (g) Other terms of instruments (i.e. term sheet)
- (h) Any other information/details pertinent for the investors

(vi) **Other Conditions which would be required to be followed are as under:**

The listed entity shall further ensure compliance with the following:

- (a) The captioned issue of NCRPS/NCDs shall be in compliance with all the applicable provisions of the Companies Act, 2013 including the provisions related to creation and maintenance of Capital Redemption Reserve/Debenture Redemption Reserve.



- (b) All such NCRPS/NCDs shall be issued in dematerialised form only.
- (c) In case of NCDs, the issuer has appointed/ shall appoint Debenture Trustee in compliance with SEBI (Issue and Listing of Debt Securities) Regulations, 2008 and Companies Act, 2013.
- (d) In case of NCDs, the issuer has created/ shall create an appropriate charge or security, wherever applicable, in compliance with SEBI (Issue and Listing of Debt Securities) Regulations, 2008 and Companies Act, 2013.
- (e) All the provisions of SEBI (Issue and Listing of Non-Convertible Redeemable Preference Shares) Regulations, 2013 and SEBI (Issue and Listing of Debt Securities) Regulations, 2008 have been/ shall be complied with except the provisions related to making a public issue, or making a private placement, or filing of offer document, etc.

(B) Additional conditions to be complied after the Scheme is sanctioned by the Hon'ble High Court / NCLT and at the time of making application for relaxation under Sub-rule (7) of rule 19 of the Securities Contracts (Regulation) Rules, 1957

The application for relaxation under Sub-rule (7) of rule 19 of SCRR for listing of NCRPS/ NCDs shall include a detailed Compliance Report as per the format specified in Annexure I, duly certified by the Company Secretary and the Managing Director, confirming compliance of the Scheme of Arrangement with the provisions of this Circular, SEBI Circular No. CFD/DIL3/CIR/2017/21 dated March 10, 2017, as amended from time to time and with various regulatory requirements specified for schemes of arrangement.

- (6) **Applicability:** The captioned circular shall be applicable for all the draft schemes filed with the Stock Exchanges after the date of this circular.
- (7) The Schemes shall be governed by the requirements specified in Listing Regulations and any other Regulation/ Law connected therewith and as revised from time to time. The Board may, while granting relaxation, if any, under sub-rule (7) of rule 19 of SCRR, stipulate any other conditions as may be deemed necessary in the interest of investors and securities market, under the facts and circumstances of the specific case.
- (8) The Stock Exchanges are advised to bring the provisions of this circular to the notice of Listed Entities and also to disseminate the same on its website.



भारतीय प्रतिभूति और विनिमय बोर्ड
Securities and Exchange Board of India

(9) This circular is issued under Regulations 11, 37 & 94 read with Regulation 101(2) of listing regulations and Rule 19(7) of SCRR, 1957.

Yours faithfully,

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Annexure I

Format of the Compliance Report to be submitted along with the application for relaxation under Sub-rule (7) of rule 19 of the Securities Contracts (Regulation) Rules, 1957

It is hereby certified that the scheme of arrangement involving (Name of the entities) does not, in any way violate, override or limit the provisions of securities laws or requirements of the Stock Exchange(s) and the same is in compliance with the applicable provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, SEBI Circular No. CFD/DIL3/CIR/2017/21 dated March 10, 2017, as amended from time to time and this circular, including the following:

Sl No.	Reference	Particulars	Whether Complied (Yes/ No)	Remarks (How Complied)
(1)	Para (5)(A)(i)	Eligibility for seeking listing of NCRPS/ NCDs		
(2)	Para (5)(A)(ii)	Tenure/ Maturity		
(3)	Para (5)(A)(iii)	Credit Rating		
(4)	Para (5)(A)(iv)	Valuation Report:		
(5)	Para (5)(A)(v)	Disclosures in the Scheme of Arrangement		
(6)	Para (5)(A)(vi)	Other Conditions		

Company Secretary

Managing Director