



**CAPITAL MARKETS**

# N. A. SHAH **BULLETIN**

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 **N. A. SHAH ASSOCIATES LLP**  
Chartered Accountants



INDEX

EXECUTIVE SUMMARY .....	3
1. Investments by portfolio manager , alternative investment funds and mutual funds operating in International Financial Services Centre (IFSC).....	4
2. Listing of Non-Convertible Redeemable Preference Shares (NCRPS) / Non-Convertible Debentures (NCD) through a scheme of arrangement. ....	4
3. Disclosures required for issue and listing of Green Debt Securities .....	5

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## EXECUTIVE SUMMARY

- SEBI has clarified that portfolio manager, alternative investment funds and mutual funds operating in International Financial Services Centre can invest in permitted securities through the foreign portfolio investor route subject to guidelines issued by RBI or the Government.
- SEBI has issued framework for listing of Non-Convertible Redeemable Preference Shares (NCRPS) or Non-Convertible Debentures (NCD) issued by a listed entity pursuant to scheme of arrangement.
- SEBI has issued disclosure norms for governing the issuance and listing of Green Debt Securities.

**1. Investments by portfolio manager, alternative investment funds and mutual funds operating in International Financial Services Centre (IFSC)**

Portfolio manager, alternative investment funds and mutual funds, operating in IFSC are permitted to invest in permitted securities subject to conditions or guidelines issued by RBI or the Government.

- a. Securities which are listed in IFSC.
- b. Securities issued by companies incorporated in IFSC.
- c. Securities issued by companies incorporated in India or companies belonging to foreign jurisdiction.

It is clarified that such investment in India shall be made through the foreign portfolio investor route.

**2. Listing of Non-Convertible Redeemable Preference Shares (NCRPS) / Non-Convertible Debentures (NCD) issued under scheme of arrangement by listed entity.**

SEBI has issued framework for listing of NCRPS / NCD issued by a listed entity pursuant to a National Company Law Tribunal (NCLT) approved scheme of arrangement. The circular shall be applicable for all the draft schemes filled with the stock exchanges after 26<sup>th</sup> May, 2017.

For listing of the NCRPS/NCD on a recognized stock exchange, the following conditions would have to be complied with by the listed entity:

- a. The transferor entity (i.e. the amalgamating company or the demerged company) should be a listed entity.
- b. NCRPS/NCD, as the case may be issued only to the holders of the listed specified securities of the transferor entity. NCRPS/NCD issued to the investors other than the holders of the specified securities of the listed entity shall not be eligible to be listed.
- c. The minimum tenure of the NCRPS/NCD shall be one year
- d. Minimum credit rating as prescribed should be procured for issue of the NCRPS/NCD
- e. The following shall be disclosed in the Scheme of Arrangement
  - i. Face value & issue price
  - ii. Dividend/ coupon
  - iii. Credit Rating
  - iv. Tenure/ Maturity
  - v. Terms of redemption
  - vi. Other embedded features like put option, call option, etc.)



- vii. Other terms of instruments
- viii. Any other information/details pertinent for investors
- f. The Valuation Report as required under existing SEBI Guidelines for issue of shares, to also include the valuation of NCRPS/NCD.
- g. NCRPS/NCD should be issued as per the provisions of the Companies Act, 2013

Issue of NCRPS/NCDs should be in compliance with 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, except for provisions relating to public issue, or private placement, or filing of offer document, etc.

### **3. Disclosures required for issue and listing of Green Debt Securities**

SEBI has issued a circular setting out disclosure norms for governing the issuance and listing of Green Debt Securities. The broad framework of the guidelines are as follows:

- A debt security shall be considered 'Green' or as 'Green Debt Securities' if the funds raised from the issue of such securities are to be utilised broadly for following projects –
  - i. Renewable and sustainable energy
  - ii. Clean transportation
  - iii. Sustainable water management
  - iv. Climate change adaptation
  - v. Energy efficiency
  - vi. Sustainable waste management
  - vii. Sustainable land use
  - viii. Biodiversity conservation
- The issuer shall disclose in the offer document:
  - i. Statement on environmental objectives
  - ii. Process followed by issuer to determine if project fits within eligible green project categories and the criteria making the project eligible for using the Green Debt Securities proceeds.
  - iii. details of the system/procedures to be employed for tracking the deployment of the proceeds of the issue.
  - iv. Details of the project.
  - v. Issuer may appoint third party reviewer/certifier. Such appointment is optional, however any such appointment shall be disclosed in the offer document.
- An issuer who has listed its Green Debt Securities shall provide following disclosures on a periodic basis:

- a. Along with half yearly and annual financial results:
  - i. Utilisation of the proceeds of the issue. Verified by an external auditor.
  - ii. Details of unutilised proceeds.
- b. Along with an annual report:
  - i. List of projects to which proceeds of Green Debt Securities have been allocated
  - ii. Qualitative performance indicators
  - iii. Methods and the key underlying assumptions used in preparation of the performance indicators and metrics;
- An issuer of Green Debt Securities shall:
  - a. Maintain a decision making process to determine the continuing eligibility of the project or assets.
  - b. Ensure that all project(s) and/or asset(s) funded by the proceeds of Green Debt Securities, meet the documented objectives of Green Debt Securities.
  - c. Utilise the proceeds only for the stated purpose, as disclosed in the offer document.
- An issuer of Green Debt Securities, if following any globally accepted standard for the issuance of Green Debt Securities including measurement of the environmental impact, identification of the project and/or assets, utilisation of proceeds, etc., shall disclose the same in the offer document/disclosure document and/or in continuous disclosures.

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