

SEBI/CFD/DIL/DIP/29/2007/03/12
December 03, 2007

To All Registered Merchant Bankers / Stock Exchanges

Dear Sirs,

Sub: Amendments to SEBI (Disclosure and Investor Protection) Guidelines, 2000

- I. In order to facilitate development of a vibrant primary market for corporate bonds in India, it has been decided to amend certain provisions of the SEBI (Disclosure and Investor Protection) Guidelines, 2000. Accordingly, in exercise of the powers conferred under sub-section (1) of Section 11 of the Securities and Exchange Board of India Act, 1992, the SEBI (Disclosure and Investor Protection) Guidelines, 2000 have been amended.
- II. The full text of amendments is given in detail in **Annexure I** and in brief as under:
 1. *Requirement of Credit Rating:* For public/ rights issues of debt instruments, SEBI (Disclosure and Investor Protection) Guidelines, 2000 presently stipulate credit rating to be obtained from not less than two credit rating agencies. With a view to reduce the cost of issuance of debt instruments, it has now been decided that credit rating from one credit rating agency would be sufficient.
 2. *Below Investment Grade debt instruments:* SEBI (Disclosure and Investor Protection) Guidelines, 2000 currently require that the debt instruments issued through a public/rights issue shall be of at least investment grade. In a disclosure based regime, it should be left to the investor to decide whether or not to invest in a non-investment grade debt instrument. Given this, and in order to develop market for debt instruments, it has been decided to allow issuance of bonds which are below investment grade to the public to suit the risk/return appetite of investors.
 3. *Removal of Structural Restrictions:* Further, in order to afford issuers with desired flexibility in structuring of instruments to suit their requirements, it has been decided that structural restrictions currently placed on debt instruments such as those on maturity, put/call option on conversion, etc shall be removed.
- III. The amendments made vide this circular shall be applicable to all draft offer documents filed with SEBI on or after the date of the circular.

- IV. This circular is available on SEBI website at www.sebi.gov.in under the category “Legal Framework”. The entire text of the SEBI (Disclosure and Investor Protection) (DIP) Guidelines, 2000, including the amendments issued vide this circular, is available on the SEBI website under the categories “Legal Framework” and “Issues and Listing”.
- V. All registered merchant bankers are directed to ensure compliance with the applicable amendments made vide this circular.
- VI. All stock exchanges are advised to bring to the notice of all the listed companies, the amendments to norms on rating and removal of structural restrictions on debt instruments.

Yours faithfully,

Parag Basu

**CHAPTER II
ELIGIBILITY NORMS FOR COMPANIES ISSUING SECURITIES**

1. In clause 2.5.1A, for sub-clause (i), the following sub-clause shall be substituted, namely:-

“(i) credit rating is obtained from at least one credit rating agency registered with the Board and disclosed in the offer document;”

2. For clause 2.5.2, the following clause shall be substituted, namely:-

“2.5.2 Where credit ratings are obtained from more than one credit rating agencies, all the ratings, including the unaccepted ratings, shall be disclosed in the offer document.”

**CHAPTER VIII
OTHER ISSUE REQUIREMENTS**

3. In clause 8.2.1, for sub-clause (a), the following sub-clause shall be substituted, namely:-

“(a) a credit rating is obtained from at least one credit rating agency registered with the Board for the NCDS.”

**CHAPTER X
GUIDELINES FOR ISSUE OF DEBT INSTRUMENTS**

4. For clause 10.1.1, the following clause shall be substituted, namely:-

“10.1.1 No company shall make a public issue or rights issue of debt instruments (whether convertible or not), unless credit rating is obtained from at least one credit rating agency registered with the Board and disclosed in the offer document.”

5. For clause 10.1.3, the following clause shall be substituted, namely:-

“10.1.3 Where ratings are obtained from more than one credit rating agencies, all the ratings, including the unaccepted ratings, shall be disclosed in the offer document.”

6. Clause 10.6.5 and provisio thereto shall be omitted.

7. In clause 10.7.1.1, sub-clause (c), the following sub-clause shall be substituted, namely:-

“(c) Before roll over of any NCDs or non-convertible portion of the PCDs, at least one rating shall be obtained from a credit rating agency registered with the Board within a period of six months prior to the due date of redemption and communicated to the debenture holders before the roll over.”

8. Clause 10.8.1 shall be omitted.

9. Clause 10.8.2 shall be omitted.
