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NEWS UPDATE

AMENDMENT TO THE "ISSUE OF FOREIGN CURRENCY CONVERTIBLE BONDS AND ORDINARY SHARES (THROUGH DEPOSITARY RECEIPT MECHANISM) SCHEME, 1993"

SOURCE: PRESS INFORMATION BUREAU, GOVERNMENT OF INDIA

A Scheme for issue of Foreign Currency Convertible Bonds and Ordinary Shares (Through Depositary Receipt Mechanism) Scheme was notified by the Government of India on 12th November, 1993. Revisions/modifications in the operative guidelines of the Scheme have been made from time to time.

In order to bring the ADR/GDR guidelines in alignment with SEBI's guidelines on domestic capital issues, it has been decided by the Government to incorporate the following changes to the GDR/ADR guidelines by amending the Foreign Currency Convertible Bonds and Ordinary Shares (Through Depositary Receipt Mechanism) Scheme:

A. For Listed Companies:

a) Eligibility of issuer:

An Indian Company, which is not eligible to raise funds from the Indian Capital Market including a company which has been restrained from accessing the securities market by the Securities and Exchange Board of India (SEBI) will not be eligible to issue (i) Foreign Currency Convertible Bonds and (ii) Ordinary Shares through Global Depositary Receipts under the Foreign Currency Convertible Bonds and Ordinary Shares (Through Depositary Receipt Mechanism) Scheme, 1993.

b) Eligibility of subscriber:

Erstwhile Overseas Corporate Bodies (OCBs) who are not eligible to invest in India through the portfolio route and entities prohibited to buy, sell or deal in securities by SEBI will not be eligible to subscribe to (i) Foreign Currency Convertible Bonds and (ii) Ordinary Shares through Global Depositary Receipts under the Foreign Currency Convertible Bonds and Ordinary Shares (Through Depositary Receipt Mechanism) Scheme, 1993.

c) Pricing:

The pricing of Global Depositary Receipt and Foreign Currency Convertible Bond issues should be made at a price not less than the higher of the following two averages:

- i. The average of the weekly high and low of the closing prices of the related shares quoted on the stock exchange during the six months preceding the relevant date;
- ii. The average of the weekly high and low of the closing prices of

the related shares quoted on a stock exchange during the two weeks preceding the relevant date.

The "relevant date" means the date thirty days prior to the date on which the meeting of the general body of shareholders is held, in terms of section 81 (IA) of the Companies Act, 1956, to consider the proposed issue.

d) Voting rights:

The voting rights shall be as per the provisions of the Companies Act, 1956 and in a manner in which restrictions on voting rights imposed on Global Depository Receipt issues shall be consistent with the Company Law provisions. RBI regulations regarding voting rights in the case of banking companies will continue to be applicable to all shareholders exercising voting rights.

B. For Unlisted Companies:

Unlisted companies, which have not yet accessed the Global Depository Receipt / Foreign Currency Convertible Bond route for raising capital in the international market would require prior or simultaneous listing in the domestic market, while seeking to issue (i) Foreign Currency Convertible Bonds and (ii) Ordinary Shares through Global Depository Receipts under the Foreign Currency Convertible Bonds and Ordinary Shares (Through Depository Receipt Mechanism) Scheme, 1993.

It is clarified that:

Unlisted companies, which have already issued Global Depository Receipts / Foreign Currency Convertible Bonds in the international market, would now require to list in the domestic market on making profit beginning financial year 2005-06 or within three years of such issue of Global Depository Receipts / Foreign Currency Convertible Bonds, whichever is earlier.