

Private Placement of Non-Convertible Debentures (NCDs) by NBFCs

The Reserve Bank of India ('RBI') vide circular dated February 20, 2015 amended the guidelines on private placement of NCDs (maturity more than 1 year) by Non Banking Financial Company (NBFCs) in light of the provisions of the Companies Act, 2013 and rules issued therein. The Guidelines on Private Placement of NCDs (maturity more than 1 year) by NBFCs are as follows:

1. Minimum subscription price per investor shall be INR 20,000.
2. NBFCs can issue NCDs on the private placement basis under the following categories:
 - (a) Investor with maximum subscription of less than Rs. 1 crore; and
 - (b) Investor with minimum subscription of Rs. 1 crore and above.
3. These guidelines are not applicable to tax exempt bonds offered by NBFCs
4. There will be a limit of 200 subscribers for every financial year, NCDs with a maximum subscription of less than Rs. 1 crore can be issued to a maximum of 200 subscriber per financial year and such subscription has to be fully secured.
5. No limit on the number of subscribers in respect of issuances with a minimum subscription of Rs. 1 crore and above. The option to create security in favour of subscribers will be with the issuers.
6. NBFC cannot extend loans against the security of its own debentures (issued either by way of private placement or public issue).

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