

SEBI ALLOWS EARLY REDEMPTION OF DEBT SECURITIES

The securities market regulator, Securities and Exchange Board of India (“SEBI”), on March 24, 2015 amended the SEBI (Issue and Listing of Debt Securities) Regulations, 2008 (“**Regulation**”). The Regulation has been amended with a view to provide for a right to recall or redeem the debt securities prior to maturity and also to provide for consolidation and reclassification of debt securities.

- **Right to recall or redeem prior to maturity:** An issuer making public issue of debt securities may, at its option, recall such securities prior to maturity date or may provide a right to all the investors or only to retail investors for redemption of such securities prior to maturity date, at their option. The issuer or investor may exercise such right with respect to all or a part of the debt securities issued or held by them respectively. The rights of issuer or the investors, as the case may be, can be exercised subject to the following conditions:
 - a) It shall be in accordance with the terms of issue and detailed disclosure in this regard is made in the offer document.
 - b) The partial exercise of such right shall be done on proportionate basis only.
 - c) Such right shall be exercisable only after expiry of twenty four months from the date of issue of such debt securities;
 - d) After the completion of the exercise of such right, the issuer shall submit a detailed report to the stock exchange for public dissemination.

- **Consolidation and re-issuance of debt securities:** An issuer may consolidate and re-issue the debt securities. The issuer has to adhere to the following conditions for consolidation and re-issuance of debt securities:
 - a) The Articles of Association authorizes such consolidation and re-issuance.
 - b) The issue is through private placement.
 - c) To obtain fresh credit rating for each re-issuance from a credit rating agency registered with SEBI and disclose it.
 - d) Such ratings shall be revalidated on a periodic basis and the change, if any, shall be disclosed.
 - e) Appropriate disclosures are made in the Term Sheet.

ARA LAW View

- SEBI has tried to make the redemption of the debt securities flexible depending upon the availability of funds with the issuer.
- Further, the option to consolidate and re-issue the debt securities may help in reducing pressure on the issuer companies, who face liquidity issues at the date of maturity.

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