CHAPTER 23

Rollover of Non-Convertible Portions of Partly Convertible Debentures (PCDs)/Non-Convertible

Debentures (NCDs) By Company Not Being in Default The non-convertible portions of PCDs/NCDs issued by a listed company, the value of which exceeds Rs 50 lakh, can be rolled over without change in the interest rate subject to **(i)** Section 121 of the Companies Act and **(ii)** the following conditions, if the company is not in default: (i) passing of a resolution by postal ballot, having assent of at least 75 per cent of the debentures; (ii) redemption of debentures of all the dissenting holders, (iii) obtaining at least two credit ratings of a minimum investment grade within six months prior to the date of redemption and communicating to the debenture-holders before rollover, (iv) execution of fresh trust deed, and (v) creation of fresh security in respect of roll over debentures.

Rollover of NCDs/PCDs By a Listed Company Being in Default The non-convertible portion of PCDs/NCDs by listed companies exceeding Rs 50 lakh can be rolled over without change in the interest rate subject to Section 121 of the Companies Act and the following conditions, namely,
(a) a resolution by postal ballot, having assent of at least 75 per cent of the debenture-holders,
(b) along with the notice for passing the resolution, send to the debenture-holders auditor's certificate on the cash flow of the company with comments on its liquidity position, (c) redemption of debentures of all the dissenting debenture-holders, and (d) decision of the debenture trustee about the creation of fresh security and execution of fresh trust deed in respect debentures to be rolled over.

In the case of conversion of PCDs/FCDs into equity capital: (i) if the convertible portion of any instrument such as PCDs, FCDs and so on, issued by a listed company, value of which exceeds Rs 50 lakh, and whose conversion price was not fixed at the time of issue, holders of such instruments should be given a compulsory option of not converting into equity capital;
(ii) conversion should be done only in cases where instrument-holders have sent their positive consent and not on the basis of the non-receipt of their negative reply. Where issues are made and cap price with justification, thereon, is fixed beforehand with respect to any instruments, by the issuer and disclosed to the investor before issue, it would not be necessary to give the option to the instrument-holders for converting the instruments to equity capital within the cap price; (iii) in case where an option is to be given to such instrument-holders and any instrument holder does not exercise the option to convert the debentures into equity at a price determined in the general meeting of the shareholders, the company should redeem that part of the debenture at a price not less than its face value, within one month from the last date by which the option is to be exercised; (iv) the provision of the sub-clause (iii) above would not apply if such redemption is to be made in accordance with the terms of the issue originally stated.

The debenture trustes should submit a certificate of compliance with the above requirements relating to conversion and rollover to the merchant banker to be filed with the SEBI within 15 days of the closure of the rollover/conversion.

Companies may issue unsecured/subordinated debt instrument obligations (which are not public deposits as per the provisions of Section 58-A of the Companies Act/other notifications, guide-lines, circulars and so on issued by the RBI/DCA/other authorities) to be subscribed by QIBs/other investors who have given their positive consent for subscribing to them.

Other Requirements No company should issue fully convertible debentures (FCDs) having a conversion period of more than 36 months unless conversion is made optional with "put" and "call" option. If the conversion takes place at or after 18 months from the date of allotment, but before 36 months, any conversion, in part or whole, of the debenture should be optional and in the hands of the debenture-holders. However, issue of debenture cannot be made for acquisition of shares or providing loan to any group company. This requirement would not apply to the issue of fully convertible debentures providing conversion within a period of 18 months. The premium amount and time of conversion should be determined and disclosed by the issuer company. The interest rate for debentures can be freely determined by the issuer company.

Additional Disclosures in Respect of Debentures The offer document should contain:

(a) premium amount on conversion, time of conversion;
(b) in case of PCDs/NCDs, redemption amount, period of maturity, yield on redemption of the PCDs/NCDs;
(c) full information relating to the terms of offer or purchase, including the name(s) of the party offering to purchase, the *khokhas* (non-convertible portion of PCDs);
(d) the discount at which such an offer is made and the effective price for the investor as a result of such discount;
(e) the existing and future equity and long-term debt ratio;
(f) servicing behaviour on existing debentures, payment of due interest on due dates on term loans and debentures and
(g) a no objection certificate from a financial institution or banker for a second or *pari passu* charge being created in favour of the trustees to the proposed debenture issues has been obtained.

EXHIBIT 23.3 CARE's Symbols

The symbols for long and medium-term instruments, including fixed deposits, certificates of deposits, structured obligations, debentures and bonds are common. The characteristics/debt management capacity of these instruments could cover a wide range of possible attributes, whereas rating is expressed only in a limited number of symbols (eight), CARE assigns **(±)** signs after the assigned rating, where necessary, to indicate the relative position within the band covered by the symbol. The suffixes **(FD/CD/SO/CCPs)** refer to different long-term and medium-term instruments, namely, fixed deposits, certificates of deposits, structured obligations and cumulative convertible preference shares respectively.

CARE AAA, CARE AAA (FD)/(CD)/(SO)/(CCPs) Instruments carrying this rating are considered to be of the best quality, carrying negligible investment risk. Debt service payments are protected by stable cash flows, with a good margin. While the underlying assumptions may change, such changes as can be visualised are most unlikely to impair the strong position of such instruments.

CARE AA, CARE AA (FD)/(CD)/(SO)/(CCPs) Instruments carrying this rating are judged to be of high quality by all standards. They are also classified as high investment grade. They are rated lower than CARE AAA securities because of somewhat lower margins of protection. Changes in assumptions may have a greater impact or the long-term risks may be somewhat larger. Overall, the difference with CARE AAA rated securities is marginal.

CARE A CARE A (FD)/(CD)/(SO)/(CCPs) Instruments carrying this rating are considered upper medium grade instruments and have many favourable investment attributes. Safety for principal and interest are considered adequate. Assumptions that do not materialise may have a greater impact as compared to the instruments rated higher.

CARE BBB, CARE BBB (FD)/(CD)/(SO)/(CCPs) Such instruments are considered to be of investment grade. They indicate sufficient safety for payment of interest and principal at the time of rating. However, adverse changes in assumptions are more likely to weaken the debt servicing capability compared to the higher rated instruments.

CARE BB CARE BB (FD)/(CD)/(SO)/(CCPs) Such instruments are considered to be speculative, with inadequate protection for interest and principal payments.

CARE B CARE B (FD)/(CD)/(SO)/(CCPs) Instruments with such rating are generally classified susceptible to default. While interest and principal payments are being met, adverse changes in business conditions are likely to lead to default.

CARE C CARE C (FD)/(CD)/(SO)/(CCPs) Such instruments carry high investment risk with likelihood of a default in the payment of interest and principal.

CARE D and CARE D (FD)/(CD)/(SO)/(CCPs) Such instruments are of the lowest category. They are either in default or are likely to be in default soon.

EXHIBIT 23.4 FITCH Symbols

FITCH classifies the long and medium-term instruments into nine grades as detailed as follows.

Rating	*Definition/Interpretation*
Ind AAA	Highest credit quality. Risk factors negligible
Ind AA+	High credit quality. Protection factors
Ind AA	strong. Risk modest but may vary slightly
Ind AA–	from time to time because of economic conditions
Ind A+	Protection factors are adequate. However,
Ind A	risk factors are more variable and greater
Ind A–	in periods of economic stress.
Ind BBB+	Protection factors considered sufficient for investment
Ind BBB	Variability in risk during economic cycles is greater than that of instruments rated higher
Ind BBB–	
Ind BB+	Below investment grade but deemed likely to meet obligations when due. Present or prospective fin-
Ind BB	ancial protection factors fluctuate according to industry conditions or company fortunes. Overall
Ind BB–	quality may move up or down frequently within this category.
Ind B+	Below investment grade and possessing risks that obligations will not be met when due. Financial

(*Contd.*)

Ind B	protection factors will fluctuate widely according to economic cycles, industry conditions and/or com-
Ind B-	pany fortunes. Potential exists for frequent changes in the rating within this category or into a higher or lower rating grade.
Ind CCC	Well below investment-grade securities. Considerable uncertainty exists in respect of a timely payment of principal and interest. Protection factors are narrow and risk can be substantial with unfavourable economic/industry conditions, and/or with unfavourable company developments.
Ind DD	Defaulted debt obligations. Issuer failed to meet scheduled principal and/or interest payments.

With a band of rating symbols (from **Ind AA** to **Ind B**), the signs **'+' (plus) or '–' (minus)** denoted relative position within the rating category.