



भारतीय प्रतिभूति  
और विनिमय बोर्ड  
*Securities and Exchange  
Board of India*

DEPUTY GENERAL MANAGER  
DEPARTMENT OF DEBT AND HYBRID SECURITIES  
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DDHS/OW/30626/ 2017  
December 07, 2017

**Shri Shailesh Gopal Puranik**  
**Managing Director**  
Puranik Buildcon Private Limited  
Puraniks One, Kanchan Pushp,  
Near Suraj Water Park  
Ghodbunder Road, Kavesar,  
Thane (W)-400615.

Dear Sir,

**Subject: Request for informal guidance by way of an interpretive letter under the SEBI (Informal Guidance) Scheme, 2003**

1. This has reference to your letter dated September 29, 2017 wherein you have sought informal guidance by way of an "Interpretive letter" from SEBI under paragraph 5(ii) of the SEBI (Informal Guidance) Scheme, 2003.
2. In your letter under reference, you have inter-alia represented the following:
  - a) The company was incorporated on April 30, 2007 under the provisions of the Companies Act, 1956 and is engaged in the real estate business;
  - b) On April 26, 2016, the company had issued and allotted secured, redeemable, non-convertible debentures to a registered foreign portfolio investor ("FPI"), which is being solely held by them. The said NCDs are listed on BSE on May 4, 2016.
  - c) At the time of issuance of the NCDs in terms of the SEBI Foreign Portfolio Investors) Regulations, 2014 ("SEBI FPI Regulations") and Regulation 5(4) read with Schedule 5 of the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2000 (the "FEMA Regulations") issued by the Reserve Bank of India ("RBI") (the SEBI FPI Regulations and the FEMA Regulations reoffered collectively as the "Relevant Regulations"), a foreign portfolio investor was permitted to invest in, *inter alia*, listed debentures;
  - d) After the allotment of the NCDs, the Relevant Regulations were amended to permit FPIs to invest in unlisted non-convertible debentures ("unlisted NCDs") issued by Indian companies, subject to certain conditions prescribed therein including such unlisted non-convertible debentures being subject to a minimum residual maturity of three years and end use-restrictions on investment in real estate business, capital market and purchase of land.

सेबी भवन, प्लॉट सं. सी 4-ए, "जी" ब्लॉक, बांद्रा कुर्ला कॉम्प्लेक्स, बांद्रा (पूर्व), मुंबई - 400 051.

दूरभाष : 2644 9950 / 4045 9950 (आई.वी.आर. एस.), 2644 9000 / 4045 9000 फैक्स : 2644 9019 से 2644 9022 वेब : [www.sebi.gov.in](http://www.sebi.gov.in)



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**3. Queries**

In light of the above submissions, you have requested us to issue an "Interpretive letter" under paragraph 5 of the Informal Guidance Scheme on the following:

- i. *Whether, pursuant to the aforesaid amendments, the company is permitted to de-list from the relevant stock exchanges, the existing listed NCDs that had been subscribed to by an FPI, prior to the date of the amendments coming into effect; and*
- ii. *Whether, pursuant to such delisting, the said FPI is permitted to hold such de-listed NCDs, subject to compliance with the terms of the aforesaid amendments.*

**4. Our comments**

We have considered the submissions made by you in your letter under reference. Without necessarily agreeing to your analysis, our views on the queries raised by you are as under:

- i. One of the main objects of allowing delisting of securities is to provide exit option to the existing shareholders. There is no prohibition per se against delisting of debt securities. However, in the instant case, you have also sought whether, pursuant to such delisting, the FPI can hold the unlisted NCDs subject to the relevant Amendments.
- ii. In this regard, it may be noted that pursuant to the Relevant Amendments and the subsequent RBI Circular dated November 17, 2016 and SEBI Circular February 28, 2017, the FPIs are permitted (in addition to the list of debt instruments already allowed as per the relevant provisions of the FEMA Regulations and FPI Regulations) to invest in "unlisted corporate debt securities in the form of non-convertible debentures/bonds issued by public or private Indian companies subject to the guidelines issued by the Ministry of Corporate Affairs, Government of India from time to time and also subject to minimum residual maturity of three years and end use-restriction on investment in real estate business, capital market and purchase of land".
- iii. Therefore, it may be noted that FPIs are allowed to invest in *unlisted NCDs* subject to the end use restriction on investment in real estate business, capital market and purchase of land. However, in the instant case, as represented by you, the said NCDs were issued to the FPI on April 26, 2016. You have also stated that the company is engaged in real estate business. Hence, it can be reasonably assumed that the proceeds of the said issue of NCDs might have been utilized by you for the real estate business.
- iv. In view of this, the FPI cannot be permitted to hold the NCDs after the same is delisted as the FPIs are restricted from utilizing the proceeds of the investment for real estate purposes as specified in the aforesaid Relevant Amendments.
- v. Vide your aforesaid letter, you have requested for confidentiality in respect of your application. Accordingly, it has been decided that the interpretive letter issued to you in this matter will not be made public for a period of 90 days from the date of issuance of this letter.



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- vi. This position is based on the representation made in your aforesaid letter under reference. Different facts or conditions might require different results. Further, this letter does not express a decision of the Board on the question referred.
- vii. You may also note that the above position/view is expressed only with respect to the clarifications sought in your letter under reference with respect to the Circulars and Regulations as referred above and does not affect the applicability of any other law or requirements of any other SEBI Regulations, Guidelines and Circulars administered by SEBI or the laws administered by any other authority.

Yours faithfully,

**Richa G. Agarwal**