



भारतीय प्रतिभूति और विनियम बोर्ड
Securities and Exchange Board of India

CIRCULAR

SEBI/HO/CFD/DIL/CIR/P/2021/614

Aug 13, 2021

To

All Recognized Stock Exchanges
All Recognized Depositories
Issuer Companies
Merchant Bankers and Brokers registered with SEBI

Dear Sir / Madam,

Sub: Guidelines on issuance of non-convertible debt instruments along with warrants ('NCDs with Warrants') in terms of Chapter VI – Qualified Institutions Placement of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018.

1. Chapter VI of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018, ('ICDR Regulations, 2018') governs issuance of 'NCDs with Warrants' (hereinafter 'the issue'), through Qualified Institutions Placement (QIP). Regulation 179 of ICDR Regulations, 2018, *inter alia* provides that :
“(3) In a qualified institutions placement of non-convertible debt instrument along with warrants, an investor can subscribe to the combined offering of non-convertible debt instruments with warrants or to the individual securities, that is, either non- convertible debt instruments or warrants.”
2. The above framework under ICDR Regulations, 2018, permits the issue where NCDs and warrants offering can be attached to each other (stapled offer) or offered separately for subscription (segregated offer).
3. SEBI (Issue and Listing of Non-Convertible Securities) Regulations, 2021, governs issue and listing of non-convertible securities, on a recognized stock exchange and provides for Electronic Book Provider platform (EBP platform), offering efficient and transparent price discovery mechanism.
4. In this regard stakeholders were consulted through a SEBI consultation paper regarding 'NCDs with Warrants' as a product and on applicability of EBP platform mechanism on 'NCDs portion' of the issue.
5. Accordingly, in order to streamline procedure of issuance and applicability of EBP platform mechanism on the 'NCDs portion', the following has been decided and made applicable for issues wherein the size of NCDs portion is above threshold prescribed under SEBI (Issue and Listing of Non-Convertible Securities) Regulations, 2021, and Circulars issued there under:



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- 5.1. EBP platform mechanism shall be mandatory for 'NCDs portion' of the issue (for both stapled and segregated offer) and issuer shall be required to comply with the SEBI (Issue and Listing of Non-Convertible Securities) Regulations, 2021, and Circulars issued there under.
- 5.2. 'Warrants portion' of the issue shall be in terms of Chapter VI on Qualified Institutions Placement under ICDR Regulations, 2018.
- 5.3. Of the 'total issue size' of the issue, at least 40% size shall consist of 'Warrants portion'. It may be noted that 'total issue size' shall mean combined size of NCDs issue and the aggregate size of the warrants portion, including the conversion price of warrants.
- 5.4. The segregated offer of NCDs and stapled offer, both shall be exempted from the requirements as prescribed under the Regulations 175(3), 179(2) (a), 180(1), and 180(2) of the ICDR Regulations, 2018.
6. This circular shall be applicable for all issues of 'NCDs with Warrants' made under ICDR Regulations, 2018, on or after the date of this Circular.
7. Entities involved in the 'NCDs with Warrants' issue process are advised to ensure compliance with this circular.
8. This circular is issued in exercise of powers conferred by Section 11(1) read with Section 11A of the Securities and Exchange Board of India Act, 1992 read with Regulations 299 and 300 of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, to protect the interests of investors in securities and to promote the development of, and to regulate the securities market.
9. A copy of this circular is available on SEBI website at www.sebi.gov.in under the categories "Legal Framework/Circulars".

Yours faithfully,

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