

Government of India
Ministry of Finance
Department of Revenue
(CENTRAL BOARD OF DIRECT TAXES)

Notification No. 59 / 2015

New Delhi, the ^{6th} July, 2015.

SO.....(E): In exercise of the powers conferred by item (h) of sub-clause (iv) of clause (15) of section 10 of the Income-tax Act, 1961 (43 of 1961), the Central Government hereby authorises the entities mentioned in column (2) of the Table given below, to issue, tax-free, secured, redeemable, non-convertible bonds during the financial year 2015-16, aggregating to amounts mentioned in column (3) of the said table, subject to the conditions, namely :-

CONDITIONS

1. **Eligibility** - The following shall be eligible to subscribe to the bonds:-
 - (i) Retail Individual Investors (RIIs);
 - (ii) Qualified Institutional Buyers (QIBs);
 - (iii) corporates (including statutory corporations), trusts, partnership firms, Limited Liability Partnerships, co-operative banks, regional rural banks and other legal entities, subject to compliance with their respective Acts; and
 - (iv) High Networth Individuals (HNIs).
2. **Tenure of bonds** - The tenure of the bonds shall be for ten or fifteen or twenty years.
3. **Permanent Account Number** - It shall be mandatory for the subscribers to furnish their Permanent Account Number to the issuer of the bonds.
4. **Rate of interest** -
 - (i) There shall be a ceiling on the coupon rates based on the reference Government security (G-sec) rate;
 - (ii) the reference G-sec rate shall be the average of the base yield of G-sec for equivalent maturity reported by Fixed Income Money Market and Derivative Association of India (FIMMDA) on a daily basis (working day) prevailing for two weeks ending on the Friday immediately preceding the filing of the final prospectus with the Exchange or Registrar of Companies (ROC) in case of public issue and the Issue opening date in case of private placement;
 - (iii) the ceiling coupon rate for AAA rated issuers shall be the reference G-sec rate less fifty five basis points in case of RIIs and reference G-sec rate less eighty basis points in case of other investor segments referred to at (ii), (iii) & (iv) of paragraph 1 above;
 - (iv) in case the rating of the issuer entity is AA+, the ceiling rate shall be ten basis points above the ceiling rate for AAA rated entities [as given in clause(iii)];

(v) in case the rating of the issuer entity is AA or AA-, the ceiling rate shall be twenty basis points above the ceiling rate for AAA rated entities [as given in clause(iii)];

(vi) these ceiling rates shall apply for annual payment of interest and in case the schedule of interest payments is altered to semi-annual, the interest rates shall be reduced by fifteen basis points;

(vii) the higher rate of interest, applicable to RIIs, shall not be available in case the bonds are transferred by RIIs to non retail investors.

5. Issue expense and brokerage –

(i) In the case of private placement, the total issue expense shall not exceed 0.25 per cent of the issue size and in case of public issue it shall not exceed 0.65 per cent of the issue size;

(ii) the issue expense would include all expenses relating to the issue like brokerage, advertisement, printing, registration etc.

6. Public issue –

(i) At least seventy per cent of the aggregate amount of bonds issued by each entity shall be raised through public issue;

(ii) forty per cent of such public issue shall be earmarked for RIIs.

7. Private placement –

(i) While adopting the private placement route to issue the bonds, each entity shall adopt the book building approach as per regulation 11 of the Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008, wherein bids shall be sought on the coupon rate subject to a ceiling specified by the entity and the allotment shall be made at the price bid;

(ii) the bonds shall be paid for and issued at a premium with a fixed coupon, to facilitate trading of the instrument under a single International Securities Identification Number (ISIN) and the yield shall be computed based on the price quoted and allotment shall be done for best price (lowest yield) thereof;

(iii) the ceiling rate of the interest shall either be equal to or lower than the rate mentioned in paragraph 4 above;

(iv) while calling for bids, there shall be no limit on the number of arrangers who can bid for the issue.

8. Repayment of bonds –

- (i) The issuer entity shall submit a financing plan to the Ministry of Finance to demonstrate its ability to repay the borrowed funds on the repayment becoming due;
- (ii) the financing plan referred in sub-paragraph (i) shall be submitted to the Infra-Finance Section, Infrastructure Division, Department of Economic Affairs, Ministry of Finance, within three months of closure of the issue, duly supported by a resolution of the respective entity's Board of Directors.

9. Selection of merchant bankers –

- (i) Merchant bankers shall be selected through competitive bidding process with transparent pre-qualification criteria and the final selection shall be based on financial bids;
- (ii) the benefit under section 10 of the Income-tax Act, 1961(43 of 1961) shall be admissible only if the holder of such bonds registers his/ her or its name and the holding with the entity.
- (iii) the issue of bonds shall be made in compliance with the public issue requirements specified in the Companies Act, 2013 and Securities and Exchange Board of India (Issue and Listing of Debt Securities), Regulations, 2008, including inter-alia the filing of a prospectus with the Registrar of Companies, as applicable.

TABLE

Sl. No.	Entities	Allocated amount of bonds (₹ in crore)
(1)	(2)	(3)
1	National Highways Authority of India (NHAI)	24000
2	Indian Railways Finance Corporation (IRFC)	6000
3	Housing and Urban Development Corporation (HUDCO)	5000
4	Indian Renewable Energy Development Agency (IREDA)	2000
5	Power Finance Corporation Limited (PFC)	1000
6	Rural Electrification Corporation Limited (REC)	1000
7	NTPC Limited	1000

Explanation: - For the purposes of this notification, -

- (i) Qualified Institutional Buyers shall have the same meaning as assigned to them in the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000.
- (ii) Retail individual Investors means those individual investors, Hindu Undivided Family (through Karta), and Non Resident Indians (NRIs), on repatriation as well as non repatriation basis, applying for upto rupees ten lakhs in each issue and individual investors investing more than rupees ten lakhs shall be classified as High Net Worth Individuals.
- (iii) The bonds issued to NRIs shall be subject to the provisions of notification number FEMA 4/2000-RB, dated the 3rd May, 2000 and notification number FEMA 20/2000-RB dated the 3rd May, 2000, issued under clause (b) of sub-section (3) of sections 6 and 47 of the Foreign Exchange Management Act, 1999 (42 of 1999), as amended from time to time.
- (iv) The credit rating referred to in paragraph 4 of this notification shall mean the credit rating, as assigned by a credit rating agency which is approved by the Securities and Exchange Board of India as well as the Reserve Bank of India and where an entity has been rated differently by more than one rating agency, the lower of the two ratings shall be considered.

[F.No.178/ 27/2015-ITA-I]



(DEEPSHIKHA SHARMA)

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To

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