



भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

DEPUTY GENERAL MANAGER
DEPARTMENT OF DEBT AND HYBRID SECURITIES
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SEBI/HO/DDHS/OW/P/2019/12860/1
May 22, 2019

Ritu Arora
Company Secretary & Compliance Officer
IRCON International Limited
C-4, District Centre, Saket
New Delhi-110017

Dear Madam,

Subject: Request for informal guidance by way of an interpretive letter under the SEBI (Informal Guidance) Scheme, 2003 in connection to SEBI Circular No. SEBI/HO/DDHS/CIR/P/2018/144 on "Fund raising of debt securities by Large Corporates"

1. This has reference to your letter dated April 16, 2019 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. IRCON is a government company under the Ministry of Railways, with 89.18% shareholding of Central Government.
 - b. IRCON had entered into a Memorandum of Understanding (MoU) on March 26, 2018 with Rail Land Development Authority (RLDA) for transfer of leasehold rights to IRCON for commercial development on the land measuring of 4.3 hectare at Bandra East, Mumbai against upfront payment of lease premium.
 - c. With respect to same, IRCON has borrowed an amount of Rs. 3200 crore as loan from Indian Railway Finance Corporation Limited (IRFC) having tenor of 5 years and 15 days. Further, there is no other long term loan obtained by IRCON.
 - d. In order to pay upfront lease premium, a tripartite loan agreement has been entered between IRCON, IRFC and RLDA on March 28, 2018. As per the agreement, IRCON is not required to create charge on its properties or receivables or other assets or otherwise provide any security or other guarantee in relation to the provision of the loan.

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- e. RLDA has agreed to pay to IRCON such amounts as may be required by IRCON for debt servicing obligation as and when due under the above mentioned loan agreement. Further, Ministry of railways has also agreed to provide corresponding amounts to RLDA.
- f. In this regard, the borrowing from IRFC is not rated. However, IRCON was assigned a CARE AAA rating by CARE Rating Limited for long term non-fund based credit facilities and an A1+ rating for short term non-fund based credit facilities in 2008-09. These ratings are re-affirmed in an annual surveillance review by CARE in December 2018.

3. Queries

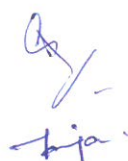
In light of the above submissions, you have requested us to issue an "Interpretive letter" under paragraph 5 of the Informal Guidance Scheme, 2003, on the following:

- a. As per your submission, the initial disclosure and framework under SEBI Circular No. SEBI/HO/DDHS/CIR/P/2018/144 dated November 26, 2018 is not applicable to you, as all the three conditions mentioned in para 2.2 of the said Circular have to be complied, and IRCON is not satisfying the condition mentioned in para 2.2.(iii) as the borrowings from IRFC is not rated. You have sought informal guidance on this matter.
- b. Further, IRCON has suggested such loans, where government remits funds for servicing loan (i.e. under express or implied sovereign guarantee), should be excluded from aforesaid SEBI Circular

4. Our comments

The submissions made in your letter has been considered and without necessarily agreeing with your analysis, our view on the issues raised in your letter are as under:

- a. SEBI Circular No. SEBI/HO/DDHS/CIR/P/2018/144 dated November 26, 2018 is applicable to all the listed entities that satisfy all the three conditions mentioned in Clause 2.2 of the Circular.
- b. The requirements mentioned in the Clause 2.2(ii) and Clause 2.2(iii) of the SEBI Circular are two distinct requirements therefore, are to be fulfilled independently. Thus, the credit rating as envisaged under Clause 2.2(iii) is not necessarily restricted to the rating of the borrowings covered under the Clause 2.2(ii) of the SEBI circular and may include rating assigned to the entity for raising any unsupported bank borrowings or plain vanilla bonds.





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- c. In the instant case, IRCON has a credit rating 'AAA' that is assigned by CARE Ratings Limited in 2008-09 and has been re-affirmed in December, 2018 for raising funds in terms of long term non-fund based credit facilities. Therefore, though the instant borrowing, which is the only long term loan of IRCON, is not rated, still IRCON satisfies Clause 2.2. (iii) of the Circular and hence the subject Circular is applicable to them.
- d. The above position is based on the information furnished in your 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.
- e. You may note that the above views are expressed only with respect to the clarifications sought in your letter under reference with respect to the Circular No. SEBI/HO/DDHS/CIR/P/2018/144 dated November 26, 2018 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,

Pramila Sridhar