

Corpsec Hotline

April 22, 2003

AMENDMENT TO THE PUBLIC COMPANIES (TERMS OF ISSUE OF DEBENTURES AND RAISING LOANS WITH OPTION TO CONVERT SUCH DEBENTURES OR LOANS INTO SHARES) RULES, 1977

The Central Government amended the Public Companies (Terms of issue of Debentures and raising Loans with Option to convert such Debentures or Loans into Shares) Rules, 1977 ("Rules") vide notification number G.S.R. 275(E) dated April 1, 2003 ("Amendment") to increase the scope of these Rules. Under Section 81(3)(a) of the Companies Act, 1956 ("Act"), a company is required to obtain the prior approval of the Central Government in order to convert outstanding debentures or loans into shares. However, the Rules exempts companies from the Central Government approval requirement if it fulfils certain requirements such as the debentures or loans are raised either through private subscription or through the issue of a prospectus to the public or if a public financial institution either underwrites or subscribes to such debentures or the raising of loans, as the case may be etc. The Amendment now extends this exemption from the requirements of seeking a prior Central Government approval for conversion to loans or debentures that are underwritten by, subscribed to or sanctioned by scheduled banks. The Amendment goes on to define a scheduled bank as a bank, which is included in the Second Schedule to the Reserve Bank of India Act, 1934 but excluding co-operative, regional rural and foreign banks. However, no financial institution or scheduled bank may convert debentures or loans into shares unless, the company concerned has defaulted in the redemption or repayment of such debentures of loans and the company has been given notice of at least 30 days prior to the intended date of conversion of the debentures or loans into shares.

DISCLAIMER

The contents of this hotline should not be construed as legal opinion. View detailed disclaimer.

This Hotline provides general information existing at the time of preparation. The Hotline is intended as a news update and Nishith Desai Associates neither assumes nor accepts any responsibility for any loss arising to any person acting or refraining from acting as a result of any material contained in this Hotline. It is recommended that professional advice be taken based on the specific facts and circumstances. This Hotline does not substitute the need to refer to the original pronouncements.

This is not a Spam mail. You have received this mail because you have either requested for it or someone must have suggested your name. Since India has no anti-spamming law, we refer to the US directive, which states that a mail cannot be considered Spam if it contains the sender's contact information, which this mail does. In case this mail doesn't concern you, please unsubscribe from mailing list.

Research Papers

New Age of Franchising

June 20, 2025

Life Sciences 2025

June 11, 2025

The Tour d'Horizon of Data Law Implications of Digital Twins

May 29, 2025

Research Articles

2025 Watchlist: Life Sciences Sector India

April 04, 2025

Re-Evaluating Press Note 3 Of 2020: Should India's Land Borders Still Define Foreign Investment Boundaries?

February 04, 2025

INDIA 2025: The Emerging Powerhouse for Private Equity and M&A Deals

January 15, 2025

Audio

CCI's Deal Value Test

February 22, 2025

Securities Market Regulator's Continued Quest Against "Unfiltered" Financial Advice

December 18, 2024

Digital Lending - Part 1 - What's New with NBFC P2Ps

November 19, 2024

NDA Connect

Connect with us at events, conferences and seminars.

NDA Hotline

Click here to view Hotline archives.

Video

Reimagining CSR: From Grant Giving to Blended Finance & Outcome Based Funding

June 16, 2025

Courts vs Bankruptcy code: The
JSW-Bhushan Saga

June 04, 2025

Vyapak Desai speaking on the
danger of deepfakes | Legally
Speaking with Tarun Nangia |
NewsX

April 01, 2025