

THE MARKET CHRONICLE

~BY CATALYST

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CIRCULAR AND AMENDMENT ISSUED BY THE MARKET REGULATORS:-

Consultation paper on flexibility to Category I and II AIFs to create encumbrance on their holding of equity in infrastructure sector investee companies to facilitate raising of debt by such investee companies – dated, 2nd February 2024.

SEBI issued the above-captioned Consultation Paper dated 2nd February, key highlights of the same is as under:

- Pledging of assets by Category I and II AIFs is not envisaged under AIF Regulation, however, there is merit in considering allowing Category I and II AIFs to pledge their equity investments in infrastructure sector investee companies, in order to facilitate AIFs to invest in infrastructure sector and such companies to raise debt on their books.
- In view of the same, Category I and II AIFs may create encumbrance on equity of an investee company only for the purpose of borrowing by the said investee company, if the investee company is in the business of development, operation or management of projects in any of the infrastructure sub-sectors listed in the Harmonised Master List of Infrastructure issued by the Department of Economic Affairs, Ministry of Finance, Government of India, from time to time.

In this regard, please provide your comment which of the below two options should be made applicable:

Option 1: Schemes of Category I and II AIFs who have already on-boarded investors may create encumbrance on equity of investee companies, as described above, in case all such investors in the scheme of the AIF consent to it.

(OR)

Option 2: Schemes of Category I and II AIFs who have already on-boarded investors may create encumbrance on equity of investee companies, as described above, in case seventy-five percent of investors by value of their investment in the scheme of the AIF consent to it, and dissenting investors are dragged along.

For more details, please refer the attached SEBI consultation paper link and provide your comments latest by February 23, 2024.

Learn more: <https://www.sebi.gov.in/reports-and-statistics/reports/feb-2024/consultation-paper-on-flexibility-to-category-i-and-ii-aifs-to-create-encumbrance-on-their-holding-of-equity-in-infrastructure-sector-investee-companies-to-facilitate-raising-of-debt-by-such-investee-81047.html>

Revised Pricing Methodology for Institutional Placements of Privately Placed Infrastructure Investment Trust (InvIT) (Applicability: Immediate Effect) – dated, 8th February 2024.

SEBI has issued the above captioned Circular dated February 8, 2024, below are the key highlights of the same:

- InvIT Regulations permits subsequent unit issuances through institutional placement after the initial public offering and SEBI Master Circular outlines pricing guidelines for institutional placement, typically based on the average of weekly high and low closing prices of similar units.
- Following industry feedback and to facilitate ease of doing business, pricing guidelines has been revised and accordingly the floor price for institutional placement of privately placed InvITs shall be the Net Asset Value (NAV) per unit. Consequently, modifications have been made to the pricing for listed InvITs, allowing privately placed InvITs to undertake institutional placement based on the NAV of their assets.

For more details, please refer the attached SEBI circular link.

Learn more: <https://www.sebi.gov.in/legal/circulars/feb-2024/revised-pricing-methodology-for-institutional-placements-of-privately-placed-infrastructure-investment-trust-invit-81268.html>

IFSCA Circular on Reporting Norms for Capital Market Intermediaries – dated 8th February 2024.

IFSCA has issued the above captioned circular dated February 08, 2024, below are the key highlights of the same:

- CMI's are now mandated to submit quarterly reports to the Authority in specific formats accessible through the IFSCA's official website.
- These reports are to be submitted within 15 calendar days following the end of each quarter along with a signed undertaking in a scanned PDF format provided by IFSCA.
- Importantly, submissions are to be made via email to a dedicated address.

For more details, please refer the attached IFSCA circular paper Link

Learn more: <https://ifsc.gov.in/Viewer?Path=Document%2FLegal%2FReporting-norms-for-capital-market-intermediaries08022024050558.pdf&Title=Reporting%20Norms%20for%20%20Capital%20Market%20Intermediaries&Date=08%2F02%2F2024>

IFSCA Circular on Maintenance of net worth by Fund Management Entity – dated 16th February 2024.

IFSCA has issued the above captioned circular dated February 16, 2024, below are the key highlights of the same:

- The circular addresses the obligation of FMEs to maintain specified net worth levels at all times, as stipulated in regulation 8 of the IFSCA (Fund Management) Regulations, 2022.
- If the net worth of any FME falls below the specified threshold, the entity is restricted from launching new schemes, onboarding new clients, or undertaking new business activities permitted under the Fund Management Regulations until the net worth is restored to the required level.

For more details, please refer the attached IFSCA circular paper Link

Learn more: <https://ifsc.gov.in/Viewer?Path=Document%2FLegal%2Fmaintenance-of-net-worth-by-fund-management-entity16022024055813.pdf&Title=Maintenance%20of%20net%20worth%20by%20Fund%20Management%20Entity&Date=16%2F02%2F2024>

Centralization of certifications under Foreign Account Tax Compliance Act (FATCA) and Common Reporting Standard (CRS) at KYC Registration Agencies (KRAs) – dated, 20th February 2024.

SEBI has issued enclosed Circular dated February 20, 2024, below mentioned are the key highlights of the same:

- Reporting financial institution (RFI) shall obtain a self-certification from the client, as part of the account opening documentation, to determine the client's residence for tax purpose.
- Since the regulators are required to issue guidelines for maintaining the information by the RFI, for ease of doing business and compliance reporting, it is decided that the RFI intermediaries, shall upload the FATCA and CRS certifications obtained from the clients onto the system of KRAs with effect from July 01, 2024.
- The existing certifications obtained from clients prior to July 01, 2024, shall be uploaded by the intermediaries onto the systems of KRAs within a period of 90 days of implementation of this circular.
- The onus of obtaining and reporting the FATCA and CRS certification and related compliances shall lie with the respective intermediaries. The intermediary shall confirm the reasonableness of such certification and shall update the self-certification, as and when, there is a change reported by the client.
- The KRAs shall develop their systems/mechanism, in co-ordination with each other and shall follow uniform internal guidelines/standards, in consultation with SEBI.

For more details, please refer the attached consultation paper Link

Learn more: <https://www.sebi.gov.in/legal/circulars/feb-2024/centralization-of-certifications-under-foreign-account-tax-compliance-act-fatca-and-common-reporting-standard-crs-at-kyc-registration-agencies-kras-81583.html>

KNOWLEDGE SHARING!

Did you know? Although Family enterprises have to deal with succession planning, the idea of open discussion about the passing of an elder and the division of family wealth is considered a societal and cultural taboo. Furthermore, resulting into the unawareness & misconception about What exactly is estate & succession planning and myths/ facts concerning it. Thus, to help you with the same our Family offices team is here with a guide (FAQ) to family estate and succession planning!! Read more about it...

A Guide to Family Estate and Succession Planning:

~ Penned by Advocate. Ms. Neha Rai Mathur : SVP – Family Office Services Division.

The simplest of things that an estate planning lawyer worries about is when he or she hears any of these:

1. I am too young to have an estate plan!
2. My estate isn't big enough to warrant an estate plan!

3. I'm going to wait until I have a family to have an estate plan!
4. I only have one child, so there won't be a fight over my estate!
5. I don't plan on going anywhere anytime soon! I don't want to think about death!
6. Estate planning is expensive and a lot of work!

Estate planning has little to do with age, and people die at all ages. Estate planning is not just for the asset holder but also for the people you leave behind and who you love the most. A good estate plan addresses various issues, like listing down your assets and how your beneficiaries will receive them all at once or in annual portions, only after meeting a condition. Who will administer your estate, who will take care of you when you can't take care of yourself, and more, what if your child is a minor when he/she inherits your estate? Is there a guardian nominated for the minor?

Question: What is estate and succession planning? What is included in the estate?

If you own anything, you have an estate! An individual generally owns bank accounts, mutual funds, savings for retirement in EPF, PPF, and NPS, business holdings, a residential home, rental income from your property, jewellery, personal belongings like expensive watches, paintings, art, and artefacts, other investments, life insurance, etc. Estate planning involves looking at your unique family needs and circumstances, listing down assets and your wishes against each of your assets, providing for the protection of your family members from legal nuisances, avoiding any expensive probate, and securing beneficiaries and assets.

Question: What happens if there is no estate plan?

Nominations are only for convenience, and only legal heirs are entitled to inherit the assets of the deceased. When an individual passes away without writing a will, personal succession laws govern the succession of estate and these forced heirship rules differ for males and females. To state the law for the Hindus, for a male Hindu, on intestate demise, his estate devolves upon his Class I heirs being his mother, his wife, and his children in equal proportion, while in the case of a female Hindu, her Class I heirs are her husband and children.

Further to add to the ordeal of the family of the deceased court intervention may be needed to distribute the assets, all of which may disrupt family harmony while relations are cordial.

Question: What are the methods of estate planning?

Firstly, writing a Will – As per the Indian Succession Act, a will is defined as a legal declaration of the intention of a testator concerning his property, which he wishes to be carried into effect after his or her death. Your wishes regarding the bequest are taken care of, and it is ensured that there is no dispute about who inherits the wealth after death. Avoid complications related to intestate succession.

Secondly, settling a Private Family Trust – As per the Indian Trust Act, a trust is an obligation annexed to the ownership of property with the trustee and arising out of confidence reposed in and accepted by the owner or trustee, or declared and accepted by him, for the benefit of the beneficiary, A trust can be set up to protect or preserve the assets and for intergenerational wealth transfer, welfare and maintenance of family members, or ring-fencing of assets.

A trust is a separate entity used as one of the major estate planning tools used for the management and transmission of the settlor's property with minimum interference from the court in the event of the settlor's death or incapacity of the settlor.

- Safeguard the interests of family members, including the maintenance of members with special needs.
- Avoid family disputes.
- Protect assets from the creditor's claims.
- Manage estate tax exposures and avoid probate costs.
- Under the trust, conditions can be attached, such as attainment of age or fulfilment of settler wishes.

Question: What are the various trust structures that can be set up?

Depending on the needs and objectives of the family, a suitable trust structure can be set up to meet any of the below-mentioned purposes:

1. Succession Planning Vehicle
2. Especially Abled Person
3. Ring Fencing of Assets
4. Protection and Guardianship of Children During Divorce.

Question: What are the advantages of a corporate trustee over an individual trustee?

- A corporation is a perpetual entity. Since the company cannot "die," it continues to function as a trustee and provides a long-term, hassle-free solution.
- An arm's length relationship can be established as a corporate trustee works for various families.
- An established corporation works based on its SOP to ensure smooth administration of estates, end-use monitoring, physical verifications, providing periodic MIS, and regular audits.
- A professional corporate body has diverse experience dealing with numerous HNI families and managing their private family trust successfully.

To put things in perspective, any family owning assets must ensure that an estate plan is in place, which means the assets are listed systematically, the nominations are done correctly, a simple will is written to provide for bequeathal of assets, guardianship for minors is provided for and in case there are complications in the family dynamics or to ring-fence family assets or provide for incapacitation or a child with special needs set up a suitable trust structure. Professional help should be sought in such cases to streamline the entire family succession and estate planning exercise. It is just like going to a cardiologist for heart problems and not to the general physician to get treatment for heart ailment.

OUR QUARTERLY DEAL HIGHLIGHTS OF DEBENTURE TRUSTEE!

Following are a few structured transaction highlights/ key deals handled by us in the last few months:

- **Phillips Carbon Black Limited (PCBL):** Phillips Carbon Black Limited (PCBL), part of RP - Sanjiv Goenka Group, raised funds from DBS Bank to part-finance its proposed acquisition of Aqua pharm Chemicals. PCBL Ltd has raised INR 700 crore listed secured bonds for five-year, offering 8.79% payable annually. The proceeds from the bonds was used to subscribe to the optionally convertible debentures issued by Advaya Chemicals Industries Ltd.
- **Data Infrastructure Trust:** Data Infrastructure Trust ("Data InvIT"), registered as an infrastructure investment trust ("InvIT") under the Securities and Exchange Board of India (Infrastructure Investment Trusts) Regulations, 2014 and sponsored by Brookfield Asset Management has issued listed, rated, unsecured as per Companies Act, 2013, redeemable, non-convertible debentures for an aggregate amount of INR 315 Crores on a private placement basis to a mutual fund ("Investors"). This is the maiden listed bond issuance by Data InvIT. The InvIT holds special purpose vehicles which are engaged in the business of setting up and maintaining passive tower infrastructure and related assets and providing passive tower infrastructure services and shared telecom infrastructure provider.
- **GMR Airports Ltd:** GMR Airports Ltd, managing aviation hubs in Delhi, Hyderabad and North Goa has raised INR 5000 Crores through listed, unsecured as per Companies Act, 2013, rated redeemable, non-convertible debentures in tranches to refinance old debt.
- **Arka Fincap Ltd:** Arka Fincap Ltd, part of the Kirloskar Group, primarily engaged in providing structured secured term financing solutions to corporates, real estate and urban infra financing, loans to SMEs & MSMEs and personal finance loans to borrowers in India has raised funds through public issue of secured, rated, listed, redeemable non-convertible debentures of face value of INR 1,000 each for an amount of INR 15,000 lakh – Base Issue Size – with an option to retain oversubscription up to an amount of INR 15,000 lakh – Green Shoe Option – amounting to INR 30,000 lakh. The Lead Managers to the Issue are JM Financial Limited and Nuvama Wealth Management Limited.

HIGHLIGHTS OF THE MONTH:

Security Trustee deals:

Sectors	No. of Transaction	Facility Amount (Cr.)
Infrastructure Sector	1	500
Renewable Sector	25	5975.39
NBFC	8	2884.4
Others	13	4664.65
Grand Total	47	14024.44

Debenture Trustee deals:

Sector	No. of Transaction	Facility Amount (Cr.)
NBFC	46	4963
Real estate & Infrastructure	12	3873.5
Manufacturing	4	1406
Renewable Energy Sector	3	1025
Banking & Finance	4	1800
Others	8	1759
Grand Total	77	14826.5

Securitization deals:

Asset Class	No. of Deals	Pool Size (Cr.)
Business Loans Receivables	3	254
Education Institution Loans Receivables	2	48
Home Loan Receivables	3	890
Loan Against Property Receivables	4	187
Microfinance Loans Receivables	17	1,432
Personal Loans Receivables	5	637
Trade Receivables	1	51
Vehicle Loans Receivables	2	878
Grand Total	37	4377

Other deals:

Category	No. of Deals	Issue Size in Crores
AIF (Domestic)	5	2890
AIF (GIFT City)	2	250
ESOP/EBT	1	50
Grand Total	8	3190

Thanks and Regards,
Editorial team of Catalyst.

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