

## Allow buyback of NCDs from retail investors, Srei Infra tells RBI, SEBI

Published on September 17, 2019

Srei Infrastructure Finance has urged the Securities and Exchange Board of India (SEBI) and the Reserve Bank of India (RBI) to allow buyback of its non-convertible debentures from retail investors.

The move to buy back, on tap, the NCDs from retail investors will offer a simple exit route and make them more popular among retail investors, the company said in a letter written to both RBI and SEBI on Tuesday.

“At Srei we would be happy to on tap buy back our NCDs from retail investors, as it would prevent interested parties from gaming the system at the expense of investors, and offer investors a simple exit route, which would make the NCDs more popular among retail investors,” Hemant Kanoria, Chairman, Srei Infrastructure, said in his letter.

Srei Infrastructure has raised close to ₹2,148 crore in Srei Infrastructure Finance and ₹2,167 crore in Srei Equipment Finance since the time it started issuing NCDs through public issues in 2012.

### Rating downgrade

Brickwork Ratings had, on September 10, downgraded the ratings for the non-convertible debentures, perpetual debt instrument, and commercial paper programme of Srei Infrastructure aggregating to ₹5,327.07 crore.

“The rating of Srei Infrastructure has been downgraded, considering the decreasing asset base, weak asset quality due to weak credit profile of the portfolio, significant decrease in profitability in Q1 FY20 due to increasing interest cost and higher provisions, declining capital adequacy ratio, continued high gearing against an expectation of significant reduction in gearing through capital infusion and liquidity stress faced by the NBFC sector, affecting the borrowing capacity of the company,” the agency said in its rating rationale.

Brickwork Ratings had also downgraded the ratings for the non-convertible debentures, perpetual debt instrument and commercial paper programme aggregating to ₹6,230 crore of Srei Equipment Finance on September 10.

According to market sources, the company was apprehensive that a section of market operators has been misleading retail investors to sell their existing NCDs at deep discount, and, in turn, purchasing the same in the secondary market, thereby pocketing the gains. This might have prompted Srei to approach the market regulators, sources said.

It is to be noted that the market regulator usually does not discriminate between different sets of investors in the case of buyback of shares.

In April-May this year, Srei raised about ₹106 crore through NCDs, with coupon rates of up to 10.75 per cent.