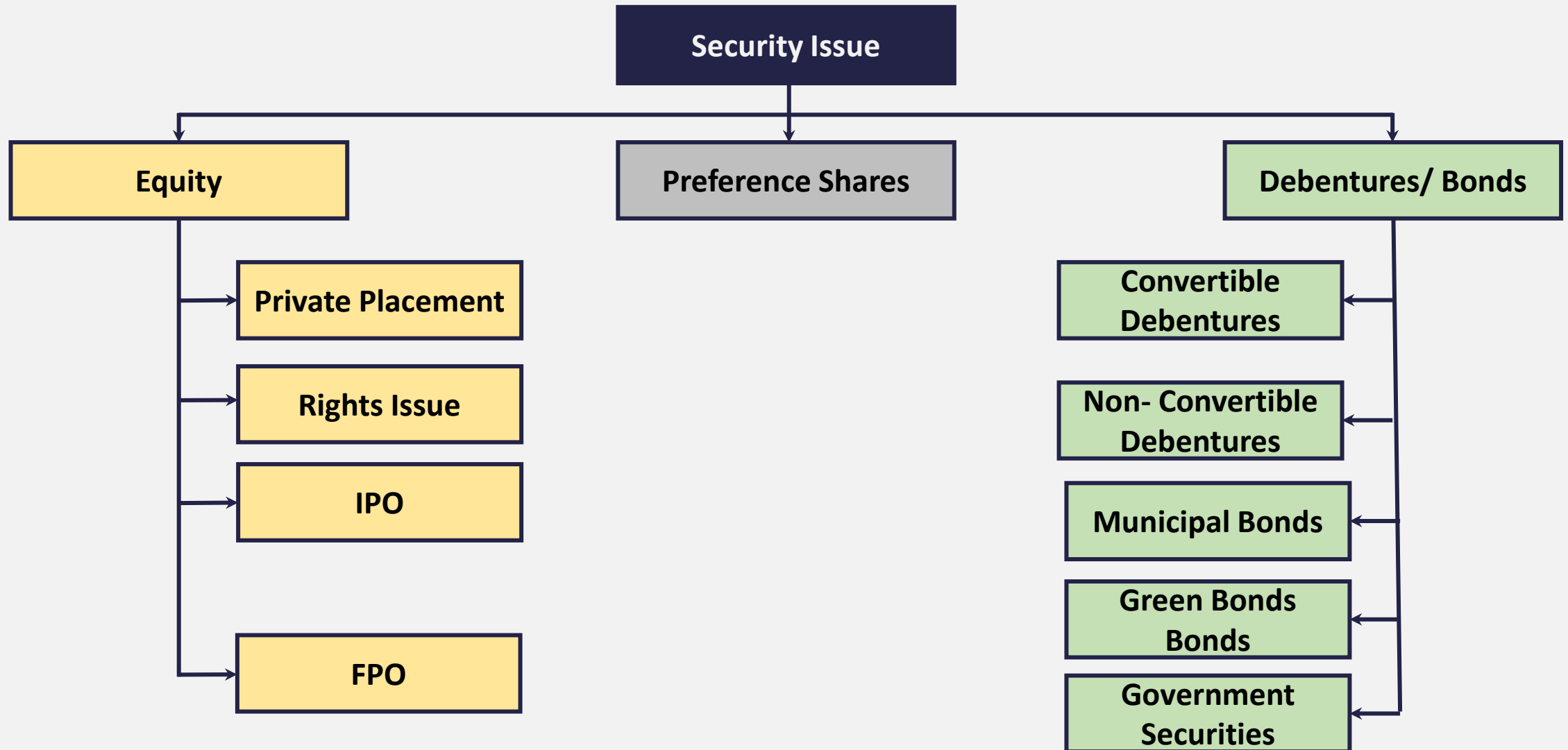


Listing of Non-Convertible Debentures

Nuances & Compliances

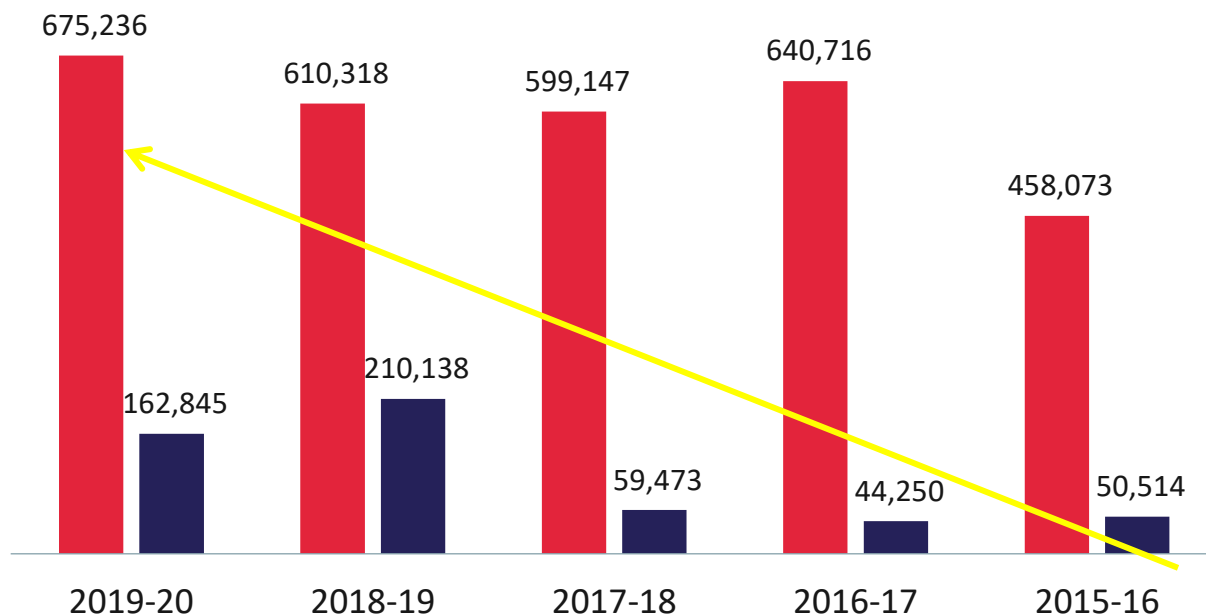


Various modes of Raising Funds



Private Placement (In cr.)

■ NCD/Bonds ■ Equity

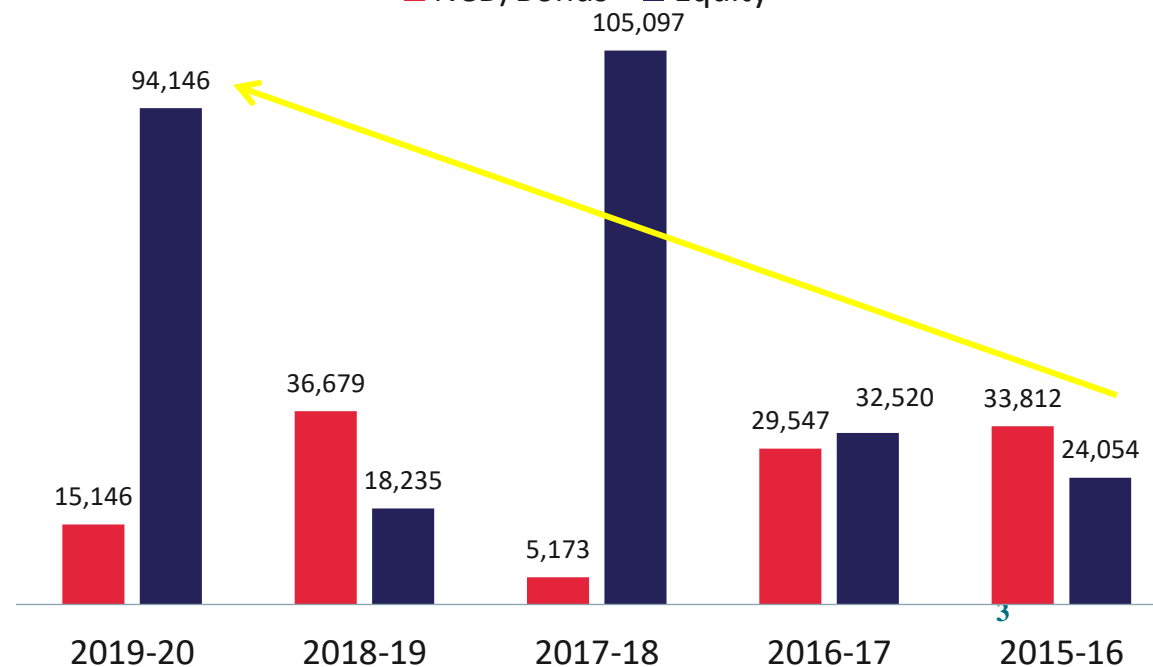


Source: www.sebi.gov.in

Fund Raising via NCD/ Bonds issue

Public Issue (In cr.)

■ NCD/Bonds ■ Equity



NCDs

Vs.



Equity

**Suitability:**

- Suitable for Listed as well as Unlisted Companies- Private or Public;
- Best suited for high fund requirement projects esp. Infrastructural Companies.



Sophisticated Investors: Banks and Institutional Investors can invest in NCDs



Liquidity: Listed NCDs provide Liquidity to the Investors, who can exit from through Stock Exchanges, rather than being mandatorily redeemed.



Tax Savings: Interest payable on NCDs is a tax deductible expense.



Less Compliances: The companies coming out with an NCD issue do not have to go through cumbersome compliances as in the case of equity related securities.



Enhanced Visibility: The Company by listing its securities on the stock exchanges, comes in the public domain which increases its visibility in the capital market.



Control Intact: While issuing NCDs there is no change in control of the company. The management of the remains intact. However, in case of equity related securities there are always chances of dilution of control.

Because of above mentioned factors, NCDs have caught the fancy in recent quarters & opportunities that this route presents going forward.

Legal Framework for Issuance of NCDs



Companies Act, 2013;



SEBI (Issue and listing of Debt Securities) Regulations, 2008;



Foreign Exchange Management (Debt Instruments) Regulations, 2019



SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Routes available for Listing of NCDs



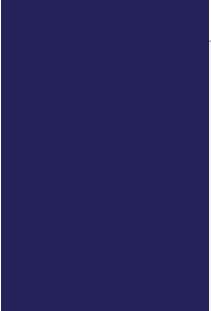
Public
Issue

Private
Placement

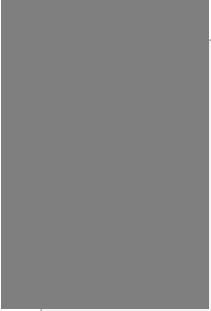
Why Listing?



Easy Exit to Investors



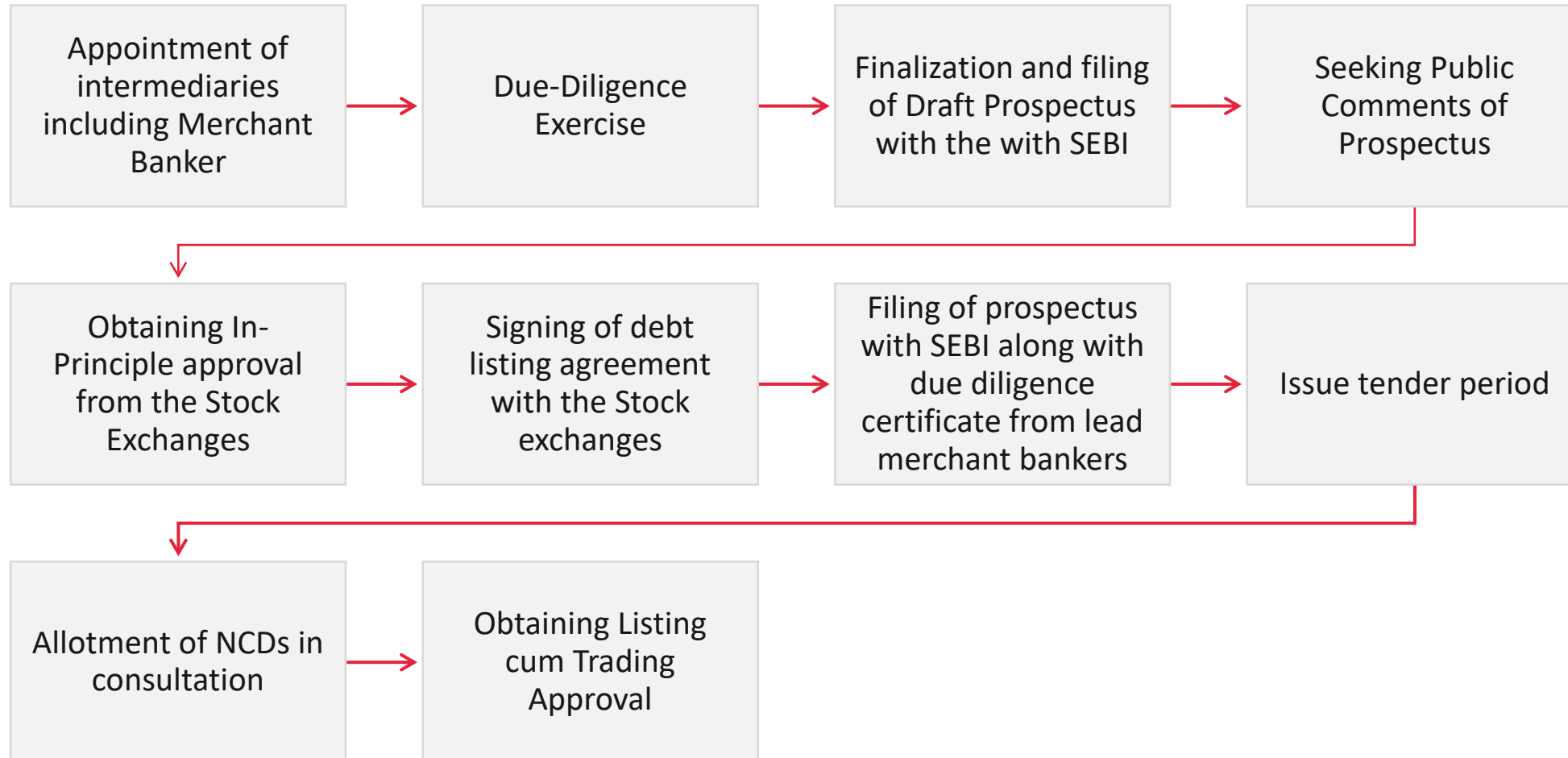
Un-interrupted funding to Corporates



Listed NCDs, even if
Unsecured, not treated as
deposits

Public Issue of NCDs

A public issue of NCDs/bonds is a means of raising funds by borrowing money from the public against an issue of marketable securities to meet certain business objectives.



Issuer is free to decide the min. subscription limit

Issuer Cannot issue NCDs for providing loan to or acquisition of shares of any person who is part of the same group.



Private Placement of Non-Convertible Debentures

Regulatory Regime under Companies Act, 2013

Section 42 read with Rule 14 of the Companies (Prospectus and Allotment of Securities) Rules, 2014

General provision for all types of issues whether debt or equity, to a selected group of persons

Section 71 read with Rule 18 of the Companies (Share Capital and Debentures) Rules, 2014

Issuance of Debentures and Creation of Debenture Redemption Reserve

Section of 180(1)(c) of Companies Act, 2013

Power of Board to borrow



General Rule for Private Placement

Prior Shareholders approval via Special Resolution (SR)

Issuance of NCDs → If SR is passed under Sec 180(1)(c)

If amount to be raised + Amount already borrowed

<

Paid up share capital + Free reserves + Securities Premium

No SR required
under Sec 42

Only BR under Sec 179(3) (c)
required

If amount to be raised + Amount already borrowed

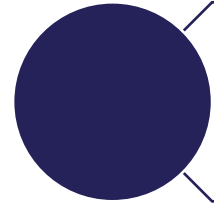
>

Paid up share capital + Free reserves + Securities
Premium

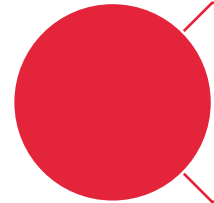
**Blanket Shareholders Approval can be
taken for all issuance in 1 FY.**



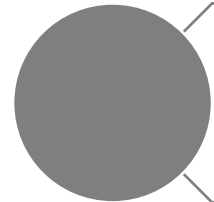
Approvals Required for Issue & Listing



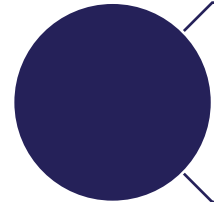
Board Approval under Sec 179



In-principle Listing Approval from Stock Exchanges



Shareholders Approval
(Not required under Sec 42)



Shareholders Approval
(Required under Sec 180(1)(C)



Intermediaries Involved

Debenture Trustee	<ul style="list-style-type: none">• Mandatory to Appoint• DT, Registered with SEBI for the purposes of a listed
Registrar and Transfer Agent	<ul style="list-style-type: none">• Listed NCDs can be issued in Demat only• RTA coordinates with Depositories
Arranger (In case E-Book mechanism)	<ul style="list-style-type: none">• Arranger includes merchant bankers, RBI registered primary dealers or any other registered intermediaries as notified by SEBI.• Enter & Upload bids on behalf of Investors
Credit Rating Agency	<ul style="list-style-type: none">• Mandatory to obtain Credit Rating• CRA, Registered with SEBI for the purposes of a listed
Electronic Book Provider	<ul style="list-style-type: none">• E-Book Platform provider• BSE and NSE

Transaction Documentation

Disclosure Document	<ul style="list-style-type: none">• Schedule 1 of SEBI Debt Regulations• PAS 4
Debenture Trustee Agreement	<ul style="list-style-type: none">• Accords for consent of the debenture trustee to act as the trustee• To be executed prior to the closure of the offer
Debenture Trust Deed	<ul style="list-style-type: none">• To be executed within 2 months from the allotment• it needs to be as near to as possible to the format set out in the Debenture Rules
Credit Rating Letter	<ul style="list-style-type: none">• Credit rating from SEBI registered agency• Disclosure Rating + Rationale
Depository Agreement	<ul style="list-style-type: none">• For Demat of NCDs (Tri-partite)
Listing Agreement	<ul style="list-style-type: none">• Where the NCDs are proposed to be listed

Electronic Book Mechanism for issuance of Debt Securities

EBM is a bidding mechanism for bond sales on a private placement basis on stock exchanges

Objective:

- Achieving better and transparent price discovery;
- Encouraging other asset classes to use EBP;

Key Highlights are:

- **Issue Size:** EBP compulsory for **issue size of=> Rs. 200 crore**; (EARLIER Limit was Rs. 500 cr);
- **Bidding:** Take place between 9 a.m. to 5 p.m. only, on the working days
- **Withdrawal of Issue:** Allowing withdrawal of the issue. However, subsequent to such withdrawal, the issuer shall not be allowed to access a EBP platform for a period of seven days from date of such withdrawal;
- **Participation:** Participants, prior to entering into the bidding process shall be required to enroll with EBP.

A black and white photograph showing the lower half of a person in a dark suit and highly polished, dark leather shoes. The person is walking on a dark, textured surface that resembles a chalkboard. White chalk lines have been drawn on the surface to create a series of steps, which the person is stepping on. The lighting is dramatic, highlighting the sheen of the shoes and the texture of the suit fabric.

Steps for Issuance and Listing of NCDs

Step I: Meeting up the Eligibility Criteria for Issuance and Listing of NCDs

Eligibility Criteria for Issuance of Debt Securities	Compliance under
<ul style="list-style-type: none"> • Obtaining Credit Rating from at least one credit rating agency registered with the Board 	<ul style="list-style-type: none"> • SEBI Debt Regulations • Companies Act
<ul style="list-style-type: none"> • There can be maximum 200 Investors in a FY 	<ul style="list-style-type: none"> • Companies Act
<ul style="list-style-type: none"> • Debt securities proposed to be listed must be in dematerialized form 	<ul style="list-style-type: none"> • SEBI Debt Regulations
<ul style="list-style-type: none"> • Prior Appointment of Debenture Trustee 	<ul style="list-style-type: none"> • Companies Act • SEBI Debt Regulations
<ul style="list-style-type: none"> • NCDs may be issued in denominations with a minimum of Rs.5 lakh (face value) and in multiples of Rs.1 lakh.- RBI Guidelines- RBI/2009-10/505 	<ul style="list-style-type: none"> • RBI Guidelines- RBI/2009-10/505
<ul style="list-style-type: none"> • Tenure: Maximum 10 years from the date of Issue Or Maximum 30 years from the date of Issue (for the companies engaged in setting up of infrastructure projects) 	<ul style="list-style-type: none"> • Companies Act

Cont....

Step I: Meeting up the Eligibility Criteria for Issuance and Listing of NCDs

Issuer	NSE Listing Criteria
CORPORATES (PUBLIC LIMITED COMPANIES & PRIVATE LIMITED COMPANIES)	<ul style="list-style-type: none">• Paid-up capital of Rs.10 crores; or <ul style="list-style-type: none">• Market capitalization of Rs.25 crores• (In case of unlisted companies Networth more than Rs.25 crores)• Credit Rating
INFRASTRUCTURE COMPANIES: [TAX EXEMPTION AND RECOGNITION AS INFRASTRUCTURE COMPANY UNDER RELATED STATUTES/REGULATIONS]	<ul style="list-style-type: none">• Credit Rating• Qualifies for listing under the respective Acts, Rules or Regulations under which the securities are issued
MANDATORY SCORES REGISTRATION	

Step II: Board Meeting to consider & approve the following:



- Raising of funds through NCDs
- Applying to CDSL and NSDL for obtaining Demat Connectivity
- Obtaining Credit Rating
- Appointment of Debenture Trustee
- Approval for Draft Disclosure Document

Step III: Generation of ISIN for NCDs (Separate ISIN for different redemption dates)



Step IV: Application for In Principle Approval to Stock Exchanges, as per Regulation 20 of the SEBI Debt Regulations



~~**Step V: Taking Shareholders Approval by way of passing of Special Resolution in terms of Section 42 & 71 of Companies Act, 2013**~~



Step VI: Obtaining Final Credit rating from the Credit Rating Agency

Step VII: Allotment of NCDs



Step VIII: Executing Corporate Action for Admission of NCDs



Step IX: Filing of Listing cum Trading Approval with the Stock Exchanges



Step X: Execution of Debenture Trust Deed



POST LISTING OF NCDs

COMPLIANCE WITH SEBI LISTING REGULATIONS, 2015

Compliance under Listing Regulations, 2015



**NCD + Equity
is listed**

**Only NCD is
listed**

Chapter III: Common Obligations

Chapter IV: Equity Chapter
(Applies in Full)

Chapter V: Debt Chapter
(To the extent disclosure not given in
Chapter IV)

**SEBI cir. dated 26.11.2018: Mandatory
Debt funding**

Chapter III: Common Obligations

Chapter IV: Not Application

Chapter V: Debt Chapter
(Applies in Full)

**SEBI cir. dated 26.11.2018: Mandatory
Debt funding**

SEBI circular dated 26-11-2018

ISSUANCE OF DEBT SECURITIES

MANDATORY BORROWINGS BY LARGE LISTED CORPORATES

APPLICABLE TO “LARGE CORPORATE”

The “Large Corporate (LC)” means any listed entity, which fulfills all the criteria, as mentioned below, as on the end of FY i.e, as on March 31, / December 31, of previous financial year:

CRITERIA I	Equity Shares/ Debenture/ Preference Share of the entity are listed on the stock exchange(s) in terms of Listing Regulations, 2015; and
CRITERIA II	Long Term Borrowing \geq Rs. 100 crores; and
CRITERIA III	Credit Rating of “AA and above” assigned by an unsupervised bank borrowing or plain vanilla bonds



MINIMUM DEBT FUNDING

MINIMUM DEBT FUNDING

Minimum 25% of the long terms borrowings during the current FY (Incremental borrowings) are to be raised by way of issuance of Debt Securities

"Incremental borrowings" have been defined as any borrowing done **during a particular FY**, of original **maturity of more than 1 year**, irrespective of whether such borrowing is for refinancing/repayment of existing debt or otherwise and shall exclude external commercial borrowings and inter-corporate borrowings between a parent and subsidiary(ies).



NCDs Compliance Check- Chapter V of LODR

Regulation	Compliance	Timeline
Regulation 50 (1)	Intimation for Payment of Interest or/ and Redemption amount	Atleast 11 working days before
Regulation 50 (2)	Intimation for declaration or recommendation of NCDS	Atleast 2 Clear WD before the date of meeting
Regulation 52	Half Yearly/ Annual Results+Statement of Deviations	45/ 60 days
Regulation 54	Maintenance 100% of Asset Cover or as mentioned in Disclosure Doc.	At all times
Regulation 55	Review of Credit Rating	at least once a year
Regulation 56	Furnishing document to DT (including Stat. Auditor certificate for Asset Cover)	Event based (Auditor Cert. half yearly)
Regulation 57	Certificate to stock exch. for timely payment of Interest or Principal	Within 2 days from the due date
Regulation 60	Record Date intimation for payment of Interest/ principal	Atleast 7 WD prior

THANK YOU