

Chapter - 10

Issue and Listing of Non-convertible Securities

* NRS Regulation -

The NRS regulation provides ~~the~~ the listing of following securities -

- 1 Debt security
- 2 Non-convertible redeemable preference shares
- 3 Perpetual debt instrument
- 4 Perpetual non-cumulative preference shares
- 5 Commercial paper

This all are also treated as Non-convertible securities.

Eligible issuer

- 1) The following person's are eligible to issue the non-convertible securities -
 - a) The issuer, any promoter, promoter group or director as debarred from accessing the market.
 - b) Any promoter or director of debarred co. are also the promoter or director of issuer co.

Promoter or director of co. is wilful defaulter or is fugitive economic offender.

Any fine or penalties are levied by SEBI on such co.

However, the restriction will not apply when -

- a) Appointed as a director by virtue of nomination by debenture trustee.
 - b) The period of debarment is over.
 - c) Private placement of non-convertible securities.
- 2) If the issuer has done any default in payment of int. or repayment in period of six months then, he shall not make a public issue.
- The issuer shall make application to one or more stock exchange for in-principle approval
 - Shall enter into agreement with depository for dematerialization.
 - shall appoint a debenture trustee and registrar to issue, registered with SEBI. Lead manager cannot act as a Registrar to Issue
 - obtain credit rating from atleast one credit rating agency.
 - Issue securities through on-line system.
 - The issuer shall record the regulatory fees in offer document while submitting to SEBI.

* Right to recall or redeem prior to maturity

- An issuer have the right -
- to recall securities prior to maturity date
 - Redemption of debt securities prior to maturity.

A detailed disclosure shall made in offer document including the date from which right is exercisable, period of exercise and redemption amount.

No such right is exercisable before the expiry of one year ~~at~~ from date of issue.

Issuer shall send notice to eligible holders & debenture trustee 21 day prior the date of exercise of right.

* After the completion, issuer shall -

- Submit report to stock exchange
- inform debenture trustee
- inform depositories.

The issuer shall maintain debenture redemption reserve or capital redemption reserve.

An issuer, shall comply with conditions related to issue of "International Securities Identification Number." specified by SEBI

The issuer of debenture trustee shall execute a trust deed. If issuer fails to execute the trust deed within a specified period then issuer shall pay interest @ 2% per annum

The trust deed shall contain -

- i Part A - statutory info. pertaining to debt iss
- ii Part B - details specific to particular debt iss

Trading of Non-convertible Securities -

- The trade of Non-convertible securities on listed stock exchange shall be cleared through clearing corporation of stock exchange.
- Trade of such securities which are traded over the counter, such trade shall be reported to a RSE.

Obligation of Issuer -

- a) Issuer shall treat all applicants in a fair and equitable manner.
- b) Issuer shall not employ device, scheme to defraud.
- c) Apply for SCORES authentication.
- d) In public issue, shall provide all required information for conducting due diligence.
- e) Ensure that the secured debt securities are secured 100% by security cover.

* Obligation of Debenture Trustee -

- a) The debenture trustee shall be vested with requisite powers to protect the interest of holder and a right to appoint a nominee director on Board.
- b) Shall supervise the implementation of conditions.
- c) Shall monitor the security cover.

* Conditions for public issue ✓

- a) Issuer shall appoint one or more merchant banker as lead manager.
- b) The obligation of each lead manager shall be disclosed in the offer document.
- c) The lead manager shall not be associated with issuer. If the lead manager is associated then its role shall be limited to marketing of issue.
- d) The issuer shall not make a public issue for providing loan to any entity who is a part of promoter or promoter group.
- e) When the issuer is NBFC this restriction shall not apply.

* Issuance of green debt securities -

For issuing & listing of green debt security following condition shall be followed -

Green debt securities are issued to raise fund

that are to be utilised for-

- i renewable and sustainable energy
- ii Clean transportation
- iii Sustainable water management
- iv Climate change adaptation
- v Biodiversity conservation etc.

Filing of draft offer document -

- 1 Issuer shall not make a public issue unless a draft offer document been filed with Stock exchange.
- 2 It should made public on official website for public comments for 7 working days.
- 3 Also displayed on website of issuer & manager.
- 4 Lead manager shall ensure that draft offer document contain all information of compliance officer
- 5 All the comments received shall be addressed ~~properly~~ properly.
- 6 File a due diligence certificate to SEBI.
- 7 Offer document contain all true & fair info.
- 8 Offer document shall be available on official website.
- 9 Make advertisement in English & regional news paper.
- 10 The price of securities shall be determined through book building process.
- 11 Min. subscription for public issue shall not be less than 75%.
- 12 If securities are not issued on time, the issuer shall pay int. at rate of 15% per annum to investor.

Underwritten by eligible intermediary.

The debenture trustee shall furnish a due diligence certificate to SEBI at the time of issue.

Due Diligence certificate

Secured debt

Unsecured debt

Format as specified
in Schedule IV
of regulation

Format as specified in
Schedule IV A of
regulation.

* Listing of Commercial Paper -

- a) Issuer shall comply with conditions specified by SEBI.
- b) Designated stock exchange shall collect regulatory fees.
- c) Issuer apply for SCORES.