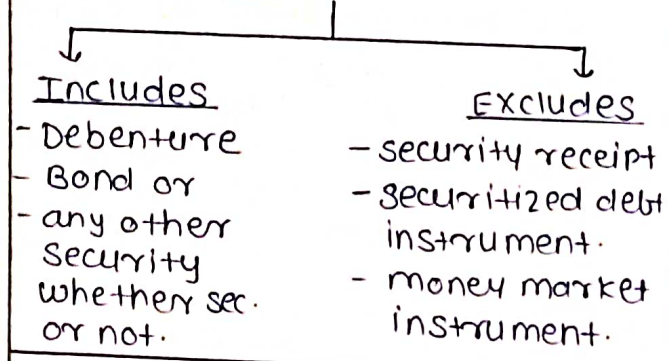


ch-10 Issue and Listing of Non-convertible Securities.

→ Definitions :-

→ Debt Security :-

• A non-convertible debt security with a fixed maturity period which creates or acknowledges indebtedness



→ Issuer.

- A company or
- A Body corporate or
- A Statutory corporation or.
- A multilateral Institution or
- A trust (Registered as board as a (REIT) or (InvIT)
- authorised to issue non-conv securities or commercial paper under relevant laws and seek to list its non-conv securities with any RSE

→ Non-convertible securities. :-

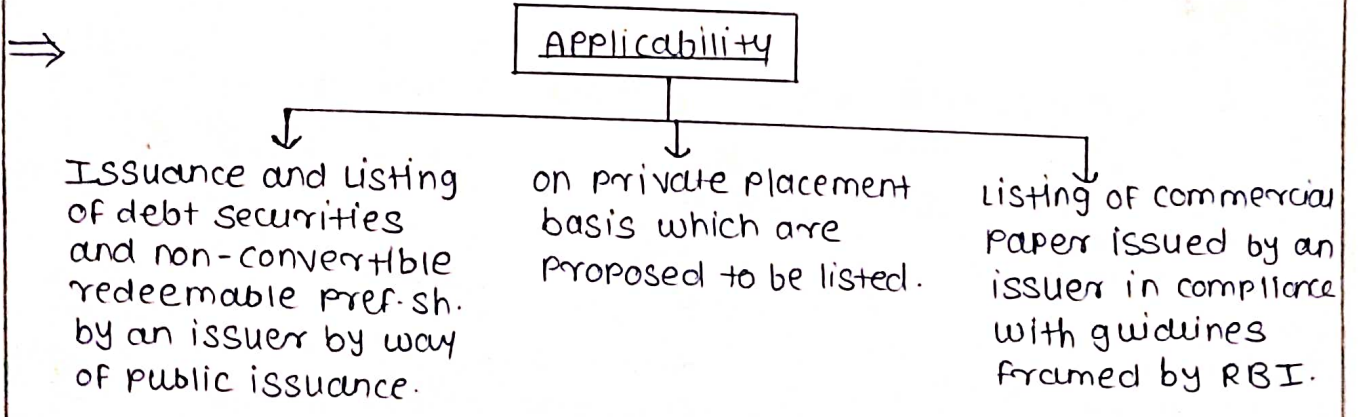
- Debt securities.
- Non convertible redeemable p.sh.
- Perpetual non cumulative p.sh.
- Perpetual debt instrument.
- any other sec. notified by SEBI

→ Perpetual debt instrument

- Issued in accordance with the guideline framed by the RBI.

→ Non-convertible redeemable Preference share

- A preference share which is redeemable in accordance with relevant provision of companies Act, 2013 → does not include preference share which is convt into or exchangeable with equity shares of the issuer



→ General condition and Eligibility criteria - [Reg. 4]

- This chapter shall apply to →
 - Debt securities and non-convertible pref.shares. issued by issuer by way of public issuance.
 - Non-convertible securities by an issuer on private placement basis.

⇒ Eligible Issuer - [Reg. 5]

1) The issuer shall not make an issue of non-convertible security if as on the date of filing DOD or OD:

→ I/P/PG/D → deb. from accessing capital market.

→ P/D (C) P/D (C) → debarred.

→ I/P/D - willful defaulter.

→ P/D → Fugitive eco. off.

→ (C) P/WTD (C) → willful def.

→ any fine / penalty levied by SEBI SE is pending to be paid by the issuer at the time of filing OD.

2) Issuer shall not make an public issue of non convt. sec. if the issuer is in default of payment of int. or repayment of principle amount for the period > 6m. at the time of filing DOD.

Reg-6 :- In principle approval

The issuer shall make an application for one or more RSE to obtain in principle approval for listing of its non-convertible securities.

Reg. 7 : Depositories.

The issuer shall enter into an agree. with depository for dematerializⁿ of non-convertible securities.

Reg. 8 :- Debenture Trustee.

The issuer shall appoint a debenture trustee in case of an issue of debt securities.

Reg. 9 : Registrar to an Issue.

The issuer shall appoint a registrar to an issue registered with SEBI which has established connectivity with all the depositories.

Reg. 10 - Credit Rating

The issuer shall obtain credit rating from at least one credit rating agency which shall be disclose in offer doc.

Reg. 11 - creation of Recovery exp Fund :-

The issuer shall create recovery expense fund with the designated stock exchange by depositing such amount and in such form & manner as may be specified.

Reg. 12 - Electronic Issuance

an issuer proposing to issue non-convertible securities through the on-line system of SE.

Reg. 13 - Regulatory fees :-

while filing the DOD with the SE forward a soft copy of DOD to SEBI for its records along with regulatory fees as specified in regulation.

Reg. 15 - Right to recall or redeem prior to the maturity

→ Issuer can keep the right to recall (prior to maturity) or give this right to call for redemption (prior to maturity) to investor / RI

→ Recall - as per the terms of the issue and disclosures in offer document.

→ Issuer [redeem all the security or redeem partially

→ Recall - Never be within 1 year from issue.

→ Recall - Notice. - to all eligible holder and deb. trustee
 - when - 21 days prior to exercise period.
 - SE - disseminate
 → NP [E NP R NP

→ Recall complete

- Report to SE
- Inform to DT
- Inform to depository

Reg. 16 - DRR / CRR

The issuer shall create Debenture Redemption Reserve in accordance with the relevant provision of the Companies Act, 2013

Reg. 17 - International securities Identification number

An issuer issuing non-convertible securities shall comply with the conditions relating to the issue of international securities identification number, as may be specified by SEBI

Reg. 18 - Trust Deed.

- The issuer shall execute the trust deed within prescribed time.
- If not executed within the prescribed time then issuer shall pay, extra int. of 2% over and above the coupon rate.

Trust deed shall contain

- matters provided in sec. 71 of Companies Act 2013 and Companies (Share capital and deb) rules 2014.
- T.D. in two parts
 - Part A - Statutory / std. info.
 - Part B - Specific
- shall contain such other particulars as prescribed by SEBI.
- Bank details from which int and principle shall be paid.

Trust deed shall not contain

- any clause providing for :-
 - Limiting / ext : obligation of DT / I
 - Limiting / waiving - applicability of any reg. by SEBI
 - Indemnifying the DT or I

Reg. 22 - where the issuer has defaulted in payment of int. or redⁿ of debt security or creation of debt security in accordance with terms of the offer doc. → any distribution of dividend require prior approval of debenture trustee.

Reg. 23 - obligation of the Issuer ③

- The issuer shall treat all applicant in a fair and equitable manner.
- The issuer shall not employ any device, scheme or artifice to defraud.
- The issuer shall apply for securities SEBI (SCORES) authentication.
- Issuer shall provide all required info / doc. to the Lead manager, for conducting the due diligence.
- The secured debt securities are secured by 100% security cover or higher security cover.

Reg. 24 - obligation of Deb-trustee

- Power for protecting the int. of holders of debt security
- Right to appoint a nominee director.
- Supervise the implementation of the conditions regarding creation of security, creation of recovery exp fund, and DRR.
- Monitor the security cover in relation to secured debt sec.

ch-III. Public issue and listing of debt Sec. & Non-conv. redem. P. sh. 4

⇒ conditions for public issue

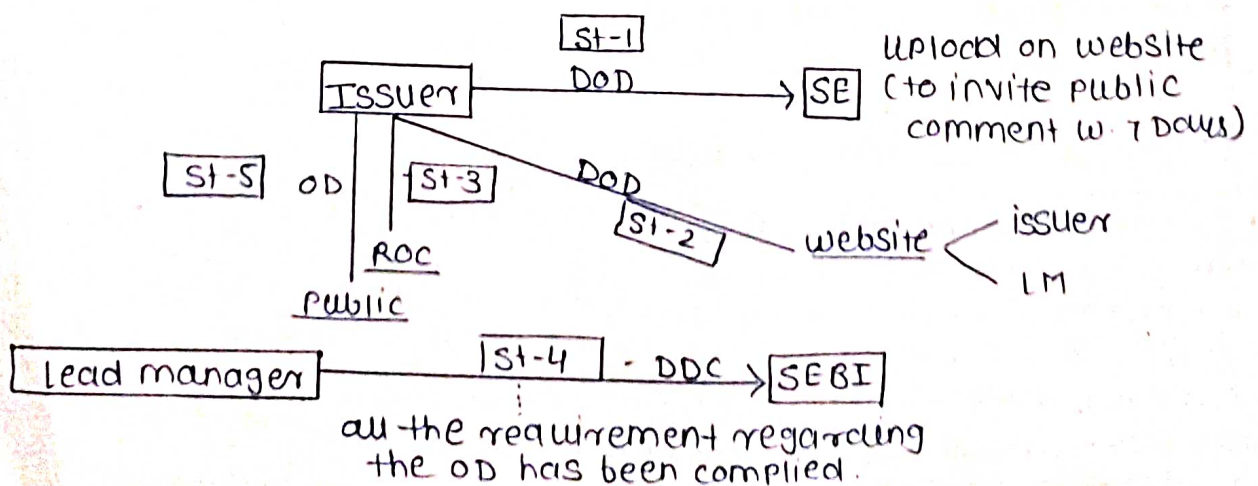
- ① The issuer shall appoint one or more Merchant Banker.
- ② where there is only one lead manager, it shall not be an associate of the issuer. However in case the lead manager is an associate of the issuer it shall be disclose.
- ③ Its role shall be limited to marketing of the issue. not issue any due diligence certificate.
- ④ The issuer shall not make a public issue of debt security and non convertible redeemable pref. shares for providing loan to or acquisition of shares of any entity who is part of P I P G companies.
- ⑤ NBFC / HB HFC / PFI → shall not apply.

⇒ Issuance of Green debt securities :-

→ means a debt security falling under any of the following categories

- Renewable and sustainable energy including wind, solar, bioenergy, other sources of energy which use clean technology.
- clean transportation including mass / public transportation.
- Sustainable water management including clean / or drinking water, water recycling.
- climate change adaption.
- energy efficiency including efficient and green building
- sustainable waste mgmt. including recycling, waste to energy efficient disposal of waste.
- sustainable land use including sustainable forestry & agriculture afforestation.
- Biodiversity conservation, or
- category as may be specified by SEBI

Reg.-27 - Filing of DOD



Disclosures in the offer document.	→ offer doc. shall contain <u>all material true, fair and adequate disclosure</u> which are necessary for the subscribers to take an informed decision.
Mode of disclosure of DoD.	→ od shall be <u>displayed on the website</u> of stock exchange issuer and lead manager which shall be available in pdf format.
Advertisement for public issue	→ 1 <u>Hindi National Daily newspaper</u> . → 1 <u>Regional Daily newspaper</u> with wide circulation at the place where registered office of the co. is situated on or before op. issue.
Prohibition on payment of incentives	→ A person connected with the issue <u>shall not offer any incentives, whether direct or indirect, whether in cash or in kind</u> . except → <u>fees or commission for services rendered in relation to the issue</u> .
Abridged Prospectus & appn form	→ I/LM ensure that every application form and the <u>abridged prospectus</u> shall not contain is in the format shall not contain matters which are extraneous to the contents of offer document.
price discovery and book bld.	→ The issue of debt security and non-convertible redeemable pref. shares may be at <u>fixed price and fixed coupon</u> or the issuer may determine through <u>book building process</u>
Minimum subscription	→ <u>For public issue</u> = shall <u>not be less than 75% of base issue size</u> or as may be specified by SEBI. → <u>In event of non receipt of min sub</u> = all blocked appn shall be unblocked in <u>8 days</u> from closure of issue.
Allotment of securities and payment of interest.	→ allotment of securities offered to public shall be made within such timeline as may be specified by SEBI. → If not ⇒ issuer shall undertake to pay <u>int 15% p.a to I.</u>
underwriting	→ may be underwritten by eligible intermediaries either in full or in part and in such case adequate disclosure regarding underwriting agreement shall be <u>disclosed</u> . in od.
Mandatory listing of public issue	→ The issuer shall <u>make an application</u> for listing to <u>stock exchange</u> .

⇒ Listing of private placement of debt securities and non-convertible preference share [Ch-IV]

- Listing Application - The issuer shall forward the listing appn along with the disclosure as per the Reg. to the SE within such days as may be specified by SEBI.
- Allotment of sec. - The issuer shall ensure that allotment of debt securities and non-convertible redem. pref. sh. issued on private placement basis and credit to the dematerialised acc. of invest.

⇒ Issuance and listing of perpetual debt instruments, perpetual non-cumulative shares and similar instruments [Ch-V]

→ General conditions :-

- an issuer may issue all these securities in compliance with the guidelines issued by RBI or any other relevant laws applicable to them.
- Issuer permitted by RBI to issue perpetual debt instrument, perpetual non-cumulative pref. share and instruments of similar nature forming part of non-equity regulatory capital may list such instruments after complying all conditions.

⇒ Listing of commercial paper [Ch-VI]

- Shall comply with the conditions as may be specified by SEBI
- Designated stock exchange shall collect regulatory fee in the regulations from an issuer of C.P. at the time of their listing.
- The issuer shall apply for SEBI (SCORES) authentication in the format specified by board.