

Debentures

- Definition 2(30)**
 - Debenture stock
 - Bond
 - Other inst. evidencing debt
- Exclude:**
 - Instrument in chp III-0 of RBI Act. (Derivative)
 - CG + RBI may prescribe
- Basics**
 - Debenture may be issued with option to **convert** wholly/partly on redemption
 - issue of such convertible debenture requires **SR**
 - No voting rights for DT.
- Issue of Secured Debentures**
 - Tenure:** ≤ 10 years
 - Exception:** > 10 years but ≤ 30 :
 - Infra cos. (LST/BIIS)
 - Infra finance cos. (IFFL)
 - NBFC - infra debt fund
 - Any co. - CG, RBI, NHB } permission
 - Charge:**
 - properties of **CASH** & Asset
 - value sufficient for repayment of P+I
 - Appoint D.Trustee before prospectus / letter of offer.
 - Enter into debenture trust deed within 60 days of allotment of debentures (or within 3m of issue of shares)
 - create charge on:
 - movable property of CASH or
 - immovable property.
- Appointment of debenture trustee**
 - Name of DT to be stated in all docs.
 - written consent
 - Eligibility:** Disqualified if:
 - Holder shares - [C] Beneficially
 - Promoter/director/employee - [CASH]
 - Entitled to money from [C] except DT's remuneration
 - Indebted to [CASH + SOH]
 - Furnished Guarantee w.r.t Principal debts
 - pecuniary relationship [C] \geq lower of - 2% of gross TTD or total income
 - solatiks or higher amt prescribed. [CG + last 2 FY]
 - Relative of Promoter/director/employee \rightarrow [Comp]
 - casual vacancy - BoD
 - Resignation \rightarrow only be filed with written consent of majority of DT
 - Removal \rightarrow 3/4th in value of DT
- Debenture Redemption Reserve (DRR)**
 - create DRR
 - Invest or deposit sum
 - on or before 30th April each year, invest $\geq 15\%$ of amt of debenture maturing during the year ending 31st march of next year.
 - Investment (deposit) not to fall below 15% of amount maturing on 31st march of that year
 - Use only for redemption
 - Deposit:
 - scheduled bank, free of charge
 - Unencumbered CG/SG securities
 - Unencumbered securities - Indian Trust Act
 - Unencumbered Bonds - Indian Trust Act
 - Deposited amount \rightarrow Use ONLY for redemption of debenture.
- Meeting of Debenture holders**
 - Requisition in writing by DT holding 1/10th value
 - Event \rightarrow Breach/Default \rightarrow As per DT affects interest of DT.

