



CIRCULAR

CIR/IMD/DF/18/2013

October 29, 2013

To

**All Recognized Stock Exchanges
All Registered Merchant Bankers**

Dear Sir/Madam,

Issues pertaining to primary issuance of debt securities

SEBI has been holding discussions with issuers and various other market participants regarding the issues concerning development of Corporate Bond Market. Based on the suggestions received in the aforesaid meetings, it has been decided to implement the following measures:

- I. Disclosure of Cash Flows:** SEBI vide circular no. SEBI/CBM/BOND/2/2007/13/04 dated April 13, 2007 specified that day count convention for calculation of interest payments for listed corporate debt securities (for all new issues of corporate bonds) shall be Actual/Actual. This is reiterated in the circular dated January 24, 2013 providing Guidelines for Setting up Dedicated Debt Segment. It has been pointed out by the market participants that the disclosures can further be improved, if cash flows concerning interest payment and redemption of debt securities are given by way of illustration in the offer document.

Considering the same, it has been decided that the cash flows emanating from the debt securities shall be mentioned in the Prospectus/Disclosure Document, by way of an illustration. Further, for the purpose of standardization and in line with the dated government securities, it has also been decided that if the coupon payment date of the debt securities, falls on a Sunday or a holiday the coupon payment shall be made on the next working day. If the maturity date of the debt securities, falls on a Sunday or a holiday, the redemption proceeds shall be paid on the previous working day. An illustration for guidance in this regard is prescribed in **Annexure A** to this circular.

- II. **Withdrawal of requirement to upload bids on date-time priority:** Vide circular dated July 27, 2012, SEBI has advised that in public issues of debt securities, where the issuer has signed agreement with multiple stock exchanges, the registrar shall ensure that allotment is done on date-time priority basis. However, SEBI is receipt of requests from market participants to relax the said requirement, stating the operational difficulties at present in making allotment on date time priority basis, such as time gap between receipt of application and upload, uploading of applications in lots, acknowledgement stamp and upload may not happen simultaneously, etc.

In this regard, it has been decided that the allotment in the public issue of debt securities should be made on the basis of date of upload of each application into the electronic book of the stock exchange. However, on the date of oversubscription, the allotments should be made to the applicants on proportionate basis.

- III. **Disclosure of unaudited financials with limited review report:** Presently, the companies proposing to make public issue of debt securities are required to give the audited financials in the offer document, which are not older than 6 months from the date of the prospectus, as per the disclosure requirements specified in SEBI (Issue and Listing of Debt Securities) Regulations read with Schedule II to the Companies Act, 1956. SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 enables listed issuers to disclose unaudited financials for stub period with limited review report in the offer document, in case of further public issues or rights issue of equities, where audited accounts as at such date are not available.

To avoid hardships to frequent debt issuers, it has been decided that listed issuers (who have already listed their equity shares or debentures) who are in compliance with the listing agreement, may disclose unaudited financials with limited review report in the offer document, as filed with the stock exchanges in accordance with the listing agreement, instead of audited financials, for the stub period, subject to making necessary disclosures in this regard in offer document including risk factors.

- IV. **Disclosure of contact details of Debenture Trustees in Annual Report:** It has been decided to amend the Listing Agreement for Debt Securities (as specified in **Annexure B**) by inserting a clause stating that the companies,



भारतीय प्रतिभूति और विनियम बोर्ड
Securities and Exchange Board of India

which have listed their debt securities, shall disclose the name of the debenture trustees with contact details in their annual report and as ongoing basis, on their website, to enable the investors to forward their grievances to the debenture trustees.

Applicability:

2. The provisions in Para I of this circular shall be applicable for the debt securities issued, in accordance with SEBI (Issue and Listing of Debt Securities) Regulations, 2008, on or after December 01, 2013. The provisions in Para II and III of this circular shall be applicable for the draft offer document for issuance of debt securities filed with the designated stock exchange on or after November 01, 2013. The provisions in Para IV shall be applicable from December 01, 2013 and all stock exchanges are advised to carry out the amendments in their Listing Agreement as per the **Annexure B** to this circular.
3. This circular is issued in exercise of powers conferred under Section 11(1) of the Securities and Exchange Board of India Act, 1992 to protect the interests of investors in securities and to promote the development of, and to regulate the securities markets.
4. This circular is available on SEBI website at www.sebi.gov.in.

Yours faithfully,

Barnali Mukherjee
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Encl: as above



Annexure- A

Illustration of Bond Cash Flows to be shown in Information Memorandum	
Company	XYZ Limited
Face Value (per security)	10,00,000.00
Issue Date/Date of Allotment	13-11-2013
Redemption	13-11-2018
Coupon Rate	8.95%
Frequency of the Interest Payment with specified dates	First Interest on 13.11.2014 and subsequently on 13th November every year till maturity
Day Count Convention	Actual / Actual

Cash Flows	Date	No. of days in Coupon Period	Amount (in Rupees)
1st Coupon	Thursday, 13 November 2014	365	89,500.00
2nd Coupon	Friday, 13 November 2015	365	89,500.00
3rd Coupon	Monday, 14 November 2016*	367	89,745.00
4th Coupon	Monday, 13 November 2017	364	89,255.00
5th Coupon	Tuesday, 13 November 2018	365	89,500.00
Principal	Tuesday 13 November 2018	365	10,00,000.00
Total			14,47,500.00



* F.Y. 2016 is a leap year and the coupon payment date is falling on a Sunday, therefore the coupon is paid on the following working day and has been calculated for 367 days.

(If the maturity date falls on a holiday, redemption and accrued interest are payable on the immediately previous working day).

Note: The interest payment should be rounded to nearest rupee as per FIMMDA 'Handbook on market practices'.

Annexure –B

Amendment to Simplified Debt Listing Agreement

After Clause 2, the following shall be inserted:

“Clause 2A: The issuer shall disclose the name of the debenture trustees with full contact details in their annual report and as ongoing basis, on their website”.
