FUND RAISING BY ISSUANCE OF DEBT SECURITIES

With regard to operationalize the Union Budget announcement for 2018-19, requiring the Securities and Exchange Board of India to consider mandating, beginning with large entities, to meet about one-fourth of their financing needs from the debt market, SEBI has issued a circular vide SEBI/HO/DDHS/CIR/P/2018/144 dated November 26, 2018 providing for fund raising by issuance of debt securities by large entities.

A. Applicability of Framework

1. The framework will become applicable from –
   - April 01, 2019 – for the entities following April-March as their Financial Year
   - January 01, 2020 – for the entities which follow calendar year as their Financial Year

2. Except for Scheduled Commercial Banks, the said framework shall be applicable for all listed entities who, as on last day of their Financial Year :
   - have their specified securities or debt securities or non-convertible redeemable preference share, listed on a recognised stock exchange(s) in terms of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015; and
   - have an outstanding long term borrowing of Rs. 100 crores or above, and
   - have a credit rating of "AA and above".

B. Framework

A listed entity, fulfilling the above mentioned criteria specified will be considered as a Large Corporate. During the Financial Year subsequent to the Financial Year in which it is identified as a Large Corporate, the Large Corporate must raise not less than 25% of its incremental borrowings, by way of issuance of debt securities, as defined under SEBI (Issue and Listing of Debt Securities) Regulations, 2008.

For an entity identified as a Large Corporate, the requirement of meeting the incremental borrowing norms will be as follows:

- For Financial Year 2020 and 2021- on an annual basis.

In case a Large Corporate is unable to comply with the above requirement, it shall provide an explanation for such shortfall to the Stock Exchanges as per point C.

- From Financial Year 2022 – over a block of two years.

If at the end of two years, there is a shortfall in the requisite borrowing (i.e. the actual borrowing through debt securities is less than 25% of the incremental borrowings), a monetary penalty/fine of 0.2% of the shortfall in the borrowed amount will be levied.

C. Disclosure requirements for Large Entities

A listed entity, identified as a Large Corporate under this framework, must make the following disclosures to the stock exchanges, where its security(ies) are listed:

- Within 30 days from the beginning of the Financial Year, disclose the fact that they are identified as a Large Corporate, in the format as provided at **Annexure A.**
- Within 45 days of the end of the FY, the details of the incremental borrowings done during the Financial Year, in the formats as provided at **Annexure B1 and B2**.
- The details of the framework and disclosure requirements as mentioned above, have been demonstrated in **Annexure C.**

Further, the disclosures:

- shall be certified both by the Company Secretary and the Chief Financial Officer of the Large Corporate; and
- shall form part of audited annual financial results of the entity.

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Suggestions may be send to rupesh@cacsindia.com

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Annexure A

Format of the Initial Disclosure to be made by an entity identified as a Large Corporate
(To be submitted to the Stock Exchange(s) within 30 days from the beginning of the FY)

Sr. No.	Particulars	Details
1	Name of the company	
2	CIN	
3	Outstanding borrowing of company as on 31st March/ 31st December, as applicable (in Rs cr)	
4	Highest Credit Rating During the previous FY along with name of the Credit Rating Agency	
5	Name of Stock Exchange# in which the fine shall be paid, in case of shortfall in the required borrowing under the framework	

We confirm that we are a Large Corporate as per the applicability criteria given under the SEBI circular SEBI/HO/DDHS/CIR/P/2018/144 dated November 26, 2018.

(Signature)
Name of the Company Secretary
Designation
Contact Details

(Signature)
Name of the Chief Financial Officer
Designation
Contact Details

Date - dd/mm/yyyy

- In terms para of 3.2(ii) of the circular, beginning F.Y 2022, in the event of shortfall in the mandatory borrowing through debt securities, a fine of 0.2% of the shortfall shall be levied by Stock Exchanges at the end of the two-year block period. Therefore, an entity identified as LC shall provide, in its initial disclosure for a financial year, the name of Stock Exchange to which it would pay the fine in case of shortfall in the mandatory borrowing through debt markets.

Annexure B1

Format of the Annual Disclosure to be made by an entity identified as a LC
(To be submitted to the Stock Exchange(s) within 45 days of the end of the FY)
(Applicable for FY 2020 and 2021)

1. Name of the Company:
2. CIN:
3. Report filed for FY:
4. Details of the borrowings (all figures in Rs crore):

S.No.	Particulars	Details
i.	Incremental borrowing done in FY **(a)**	
ii.	Mandatory borrowing to be done through issuance of debt securities **(b) = (25% of a)**	
iii.	Actual borrowings done through debt securities in FY **(c)**	
iv.	Shortfall in the mandatory borrowing through debt securities, if any **(d) = (b) - (c)** **{If the calculated value is zero or negative, write "nil"}**	
v.	Reasons for short fall, if any, in mandatory borrowings through debt securities	

(Signature)
Name of the Company Secretary
Designation
Contact Details

(Signature)
Name of the Chief Financial Officer
Designation
Contact Details

Date - dd/mm/yyyy

Annexure B2

Format of the Annual Disclosure to be made by an entity identified as a LC[$]
(To be submitted to the Stock Exchange(s) within 45 days of the end of the FY)
(Applicable from FY 2022 onwards)

1. Name of the Company:
2. CIN:
3. Report filed for FY: **T**
4. Details of the Current block (all figures in Rs crore):

S.No.	Particulars	Details
i.	2-year block period (Specify financial years)	**(T), (T+1)**
ii.	Incremental borrowing done in FY (T) **(a)**	
iii.	Mandatory borrowing to be done through debt securities in FY (T) **(b) = (25% of a)**	
iv.	Actual borrowing done through debt securities in FY (T) **(c)**	
v.	Shortfall in the borrowing through debt securities, if any, for FY (T-1) carried forward to FY (T). **(d)**	
vi.	Quantum of (d), which has been met from (c) **(e)**	
vii.	Shortfall, if any, in the mandatory borrowing through debt securities for FY (T) {after adjusting for any shortfall in borrowing for FY (T-1) which was carried forward to FY (T)} **(f)= (b)-[(c)-(e)]** **{If the calculated value is zero or negative, write "nil"}**	

5. Details of penalty to be paid, if any, in respect to previous block (all figures in Rs crore):

S. No.	Particulars	Details
i.	2-year Block period (Specify financial years)	**(T-1) ,(T)**

ii.	Amount of fine to be paid for the block, if applicable **Fine = 0.2% of {(d)-(e)}#**	

(Signature)
Name of the Company Secretary
Designation
Contact Details

(Signature)
Name of the Chief Financial Officer
Designation
Contact Details

Date - dd/mm/yyyy

$ - In cases, where an entity is not categorised as LC for FY (T), however was LC for FY (T-1), and there was a shortfall in the mandatory bond borrowing for FY (T-1), which was carried forward to FY (T), the disclosures as prescribed in this annexure shall be made by the entity for FY (T).

#- (d) and (e) are same as mentioned at 4(v) and 4(vi) of this annexure.

Annexure - C

The illustration given below is only for the purpose of demonstration and shall not be construed in any other manner.

Company Name	XYZ
Credit Rating of unsupported bank borrowing or plain vanilla bonds	AA or equivalent
Security Listed	Equity shares and/or debt securities and/or NCRPS
Financial Year format	01^{st} April –31^{st} March

<u>For FY 2020 and 2021 (all figures in Rs crore)</u>

Current FY	**2020**	**2021**
Outstanding borrowing as on March 31^{st} of previous FY	1000	1200
Whether framework applicable?	Yes	Yes
Incremental Borrowing in the current FY **(a)**	400	500
Mandatory borrowing through debt securities in the current FY **(b) = 25% of (a)**	100	125
Actual borrowings done through debt securities in the current FY **(c)**	80	150
Shortfall in mandatory borrowing through debt securities, if any, for the current FY **(d)= (b)-(c)**	20	-
Compliance Status	Shortfall, hence explanation to be provided.	Complied with the requirement of 25% borrowing through issuance of debt securities.

From FY 2022 onwards (all figures in Rs. Cr)

Current FY	**2022**	**2023**	**2024**	**2025**
Outstanding borrowing as on March 31st of previous FY	800	400	80	120
Whether framework is applicable for current FY?	Yes	Yes	No	Yes
Incremental Borrowing in the current FY **(a)**	400	200	40	100
Mandatory borrowing through debt securities in the current FY **(b) = 25% of (a)**	100	50	Not Applicable	25
Block for compliance of the mandatory borrowing through debt securities	FY 2022 and FY 2023	FY 2023 and FY 2024	Not Applicable	FY 2025 and FY 2026
Actual borrowings done through debt securities in the current FY **(c)**	50	75	10	25
Shortfall of previous FY {for first year of the previous block} carried forward to current FY **(d)**	-	50	25	Nil
Quantum of (d), which has been met from (c) **(e)**	-	50	10	Nil
Shortfall, if any, in the mandatory borrowing through debt securities for the current FY {after adjusting for any shortfall in borrowing	50	25	Not Applicable	Nil

for previous FY, carried forward to current FY} **(f)= (b)-[(c)-(e)]**				
Fine, to be paid {in case the shortfall of previous FY, if any, is not adjusted completely against the debt securities borrowings of current FY} **0.2% of [(d)-(e)]**	Nil	Nil	0.2% of Rs 15 crore = Rs 3 lakhs	Nil
Compliance Status	**For previous block** - NA **For current block** - Shortfall of Rs 50 crore carried forward to FY 2023	**For previous block** - Rs. 50cr of borrowing shortfall for FY 2022 adjusted towards debt market borrowings of FY 2023. Complied **For current block** - Shortfall of Rs. 25 crore carried forward to FY 2024	**For previous block** - Rs. 10 cr of borrowing shortfall for FY 2023 adjusted towards debt market borrowings of FY 2024. Thus, remains a borrowing shortfall of Rs. 15 crore for FY 2023. Thus, fine of Rs. 3 lakh to be paid by XYZ. **For current block** - Framework not applicable.	**For previous block-** Framework not applicable. **For current block -** Complied with by the end of first year