CIRCULAR

SEBI/HO/DDHS/CIR/P/2018/144 November 26, 2018

To
All Listed Entities (whose specified securities or debt securities or NCRPS are listed on SEBI recognized Stock Exchanges)

Dear Sir / Madam,

Sub: Fund raising by issuance of Debt Securities by Large Entities

1. With a view to operationalising the Union Budget announcement for 2018-19, which, inter-alia, stated "SEBI will also consider mandating, beginning with large entities, to meet about one-fourth of their financing needs from the debt market", SEBI came out with a discussion paper on July 20, 2018. Based on feedback received on the discussion paper and wider consultation with market participants including entities, the detailed guidelines for operationalising the above budget announcement are given below.

2. **Applicability of Framework**

   2.1. For the entities following April-March as their financial year, the framework shall come into effect from April 01, 2019 and for the entities which follow calendar year as their financial year, the framework shall become applicable from January 01, 2020.

   Explanation: The term 'Financial Year' (FY) here would imply April- March or January-December, as may be followed by an entity. Thus, FY 2020 shall mean April 01, 2019 - March 31, 2020 or January 01, 2020 - December 31, 2020, as the case may be.

   2.2. The framework shall be applicable for all listed entities (except for Scheduled Commercial Banks), which as on last day of the FY (i.e. March 31 or December 31):

i. 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

ii. have an outstanding long term borrowing of Rs 100 crores or above, where outstanding long-term borrowings shall mean any outstanding borrowing with original maturity of more than 1 year and shall exclude external commercial borrowings and inter-corporate borrowings between a parent and subsidiary(ies); and

iii. have a credit rating of "AA and above", where credit rating shall be of the unsupported bank borrowing or plain vanilla bonds of an entity, which have no structuring/ support built in; and in case, where an issuer has multiple ratings from multiple rating agencies, highest of such rating shall be considered for the purpose of applicability of this framework.

3. **Framework**

3.1. A listed entity, fulfilling the criteria as specified at para 2.2 above, shall be considered as a “Large Corporate” (LC) and such a LC shall raise not less than 25% of its incremental borrowings, during the financial year subsequent to the financial year in which it is identified as a LC, by way of issuance of debt securities, as defined under SEBI (Issue and Listing of Debt Securities) Regulations, 2008 (hereinafter "ILDS Regulations").

Explanation: For the purposes of this circular, the expression "incremental borrowings" shall mean any borrowing done during a particular financial year, of original maturity of more than 1 year, irrespective of whether such borrowing is for refinancing/repayment of existing debt or otherwise and shall exclude external commercial borrowings and inter-corporate borrowings between a parent and subsidiary(ies).

3.2. For an entity identified as a LC, the following shall be applicable:

i. For FY 2020 and 2021, the requirement of meeting the incremental borrowing norms shall be applicable on an annual basis. Accordingly, a listed entity identified as a LC on last day of FY 2019 and FY 2020, shall comply with the requirement as laid down under para 3.1, by last day of FY 2020 and FY 2021, respectively.

Provided that in case where a LC is unable to comply with the above requirement, it shall provide an explanation for such shortfall to the Stock Exchanges, in the manner as prescribed at para 4.

ii. From FY 2022, the requirement of mandatory incremental borrowing by a LC in a FY will need to be met over a contiguous block of two years. Accordingly, a listed entity identified as a LC, as on last day of FY "T-1", shall have to fulfil the requirement of incremental borrowing for FY "T", over FY "T" and "T+1".

However, if at the end of two years i.e. last day of FY "T+1", there is a shortfall in the requisite borrowing (i.e. the actual borrowing through debt securities is less than 25% of the incremental borrowings for FY "T"), a monetary penalty/fine of 0.2% of the shortfall in the borrowed amount shall be levied and the same shall be paid to the Stock Exchange(s).

4. **Disclosure requirements for large entities**

4.1. A listed entity, identified as a LC under the instant framework, shall make the following disclosures to the stock exchanges, where its security(ies) are listed:

i. Within 30 days from the beginning of the FY, disclose the fact that they are identified as a LC, in the format as provided at **Annexure A.**

ii. Within 45 days of the end of the FY, the details of the incremental borrowings done during the FY, in the formats as provided at **Annexure B1 and B2.**

4.2. The disclosures made in terms of para 4.1 shall be certified both by the Company Secretary and the Chief Financial Officer, of the LC.

4.3. Further, the disclosures made in terms of para 4.1 shall also form part of audited annual financial results of the entity.

4.4. The details of the framework as mentioned under para 3 and disclosure requirements as mentioned under para 4.1, are illustrated in **Annexure C**.

5. **Responsibilities of Stock Exchanges**

5.1. The Stock Exchange(s) shall collate the information about the LC, disclosed on their platform, and shall submit the same to the Board within 14 days of the last date of submission of annual financial results.

5.2. In the event of a short fall in the requisite borrowing, the Stock Exchanges shall collect the fine as mentioned at para 3.2(ii). The fine so collected shall be remitted by the stock exchanges to SEBI IPEF fund within 10 days from the end of the month in which the fine was collected.

6. This Circular is issued in exercise of powers conferred under Section 11(1) of the Securities and Exchange Board of India Act, 1992 read with regulation 101(2) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

7. This Circular is available on SEBI website at www.sebi.gov.in under the categories "Legal Framework" and under the drop down "Corp Debt Market".

Yours faithfully,

Richa G. Agarwal
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Department of Debt and Hybrid Securities
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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	01st April –31st March

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

Current FY	**2020**	**2021**
Outstanding borrowing as on March 31st 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