

DRAFT CIRCULAR FOR PUBLIC COMMENTS

Modification in the conditions specified for reduction in denomination of debt securities and non-convertible redeemable preference shares

1. OBJECTIVE:

- 1.1. SEBI, vide circular SEBI/HO/DDHS/DDHS-PoD-1/P/CIR/2024/94 dated July 03, 2024, has provided for issuance of debt securities and non-convertible redeemable preference shares at reduced face value of Rs. Ten Thousand subject to certain conditions. One of such conditions is that the securities shall be interest/dividend bearing.
- 1.2. Based on the feedback received from market participants, it is observed that this stipulation excludes those debt securities or non-convertible redeemable preference share which carry zero coupon/dividend.
- 1.3. Accordingly, this consultation paper is issued to solicit comments/ views/ suggestions from the public on the proposal of including debt security or non-convertible redeemable preference share carrying zero interest/dividend, as an eligible security for issuance at reduced face value. This proposal shall facilitate the issuers to issue such debt securities or non-convertible redeemable preference share which carry zero interest/dividend, at face value of Rs Ten Thousand.
- 1.4. In view of the same, the draft circular titled "*Modification in the conditions specified for reduction in denomination of debt securities and non-convertible redeemable preference shares*" is placed at **Annexure - A**.

2. PUBLIC COMMENTS

- 2.1. Public comments are invited on the draft circular annexed to this consultation paper. The comments/ suggestions should be submitted latest by **August 21, 2025**, through the online web-based form which can be accessed using the following link:

<https://www.sebi.gov.in/sebiweb/publiccommentv2/PublicCommentAction.do?doPublicComments=yes>

2.2. The instructions to submit comments on the consultation paper are as under:

1. *Before initiating the process, please read the instructions given on top left of the web form as “Instructions”.*
2. *Select the consultation paper you want to comment upon from the dropdown under the tab – “Consultation Paper” after entering the requisite information in the form.*
3. *All fields in the form are mandatory.*
4. *Email ID and phone number cannot be used more than once for providing comments on a particular consultation paper.*
5. *If you represent any organization other than the types mentioned under dropdown in “Organization Type”, please select “Others” and mention the type, which suits you best. Similarly, if you do not represent any organization, you may select “Others” and mention “Not Applicable” in the text box.*
6. *There will be a dropdown of Proposals in the form. Please select the proposals one- by-one and for each of the proposal, please record your level of agreement with the selected proposal. Please note that submission of agreement level is mandatory.*

7. If you want to provide your comments for the selected proposal, please select “Yes” from the dropdown under “**Do you want to comment on the proposal**” and use the text boxes provided for the same.
8. After recording your response to the proposal, click on “Submit” button. System will save your response to the selected proposal and prompt you to record your response for the next proposal. Please follow this procedure for all the proposals given in the dropdown.
9. If you do not want to react on any proposal, please select that proposal from the dropdown and click on “**Skip this proposal**” and move to the next proposal.
10. After recording your response to all the proposals, you may see your draft response to all of proposals by clicking on “**Check your response before submitting**” just before submitting response to the last proposal in the dropdown. A pdf copy of the response can also be downloaded from the link given in right bottom of the web page.
11. The final comments shall be submitted only after recording your response on all of the proposals in the consultation paper

2.3. In case of any technical issue in submitting your comment through the web based public comments form, you may contact the following through email with the subject: **“Modification in the conditions specified for reduction in denomination of debt securities and non-convertible redeemable preference shares.”**

- a) Rohit Dubey (Mr.), GM (rohitd@sebi.gov.in)
- b) Rinki Goswami (Ms.), Manager (rinkig@sebi.gov.in)
- c) Kiran Dhembre (Ms.), Manager (kirand@sebi.gov.in)

Issued on: August 01, 2025

DRAFT CIRCULAR

SEBI/HO/DDHS/DDHS-PoD-1/P/CIR/2025/XXX

xxx, 2025

To,

**Issuers who have listed and/ or propose to list non-convertible securities;
Recognized Stock Exchanges
Registered Depositories
Registered Credit Rating Agencies, Debenture Trustees, Merchant Bankers,
Registrars to an Issue and Share Transfer Agents, Bankers to an Issue;**

Madam/ Sir,

Subject: Modification in the conditions specified for reduction in denomination of debt securities and non-convertible redeemable preference shares

(Modification to Clause 3.2 of SEBI circular SEBI/HO/DDHS/DDHS-PoD-1/P/CIR/2024/94 dated July 03, 2024)

1. SEBI, vide circular SEBI/HO/DDHS/DDHS-PoD-1/P/CIR/2024/94 dated July 03, 2024 (hereinafter referred as "said circular"), has provided for reduction in denomination of debt securities and non-convertible redeemable preference shares subject to certain conditions. Accordingly, amendments were made vide said circular in Chapter V (*Denomination of issuance and trading of Non-convertible Securities*) of the Master Circular no. SEBI/HO/DDHS/PoD1/P/CIR/2024/54 dated May 22, 2024, (hereinafter referred as 'NCS Master Circular') issued by SEBI.
2. The said circular provided for reduced face value of Rs. Ten Thousand for debt security or non-convertible redeemable preference share without any structured obligation subject to certain conditions. One of such conditions is that the securities shall be interest/dividend bearing. However, this stipulation excludes those debt

securities or non-convertible redeemable preference share which carry zero coupon/dividend.

3. Market participants have expressed that zero coupon bearing debt securities are instruments that do not carry periodic interest but are generally issued at a discount and redeemed at par. Investors realize returns through the difference between the discounted issue price and the face value received at maturity. This structure effectively results in compounded returns, as the investment grows over time without interim pay-outs. Such structure makes these instruments attractive to non-institutional investors looking to diversify their portfolios.
4. In view of the above, Clause 3.2 of the said SEBI circular dated July 03, 2024 shall be partly modified as under

1.3 The Issuer may issue debt security or non-convertible redeemable preference share on private placement basis at a face value of Rs. Ten Thousand,

(i) Subject to the following conditions:

a) The issuer shall appoint

.....

b) Such debt security or non-convertible redeemable preference share shall be with a fixed maturity, without any structured obligations and shall either be (i) interest/ dividend bearing security paying coupon/ dividend at regular intervals or (ii) no interest/ dividend bearing security¹.

(ii) The following credit.....

....

5. Consequently, pursuant to the amendment proposed in para 4 above (paragraph is underlined for ease of reference), the issuer shall be eligible to issue debt security or

¹ Earlier the provision reads as under:

"Such debt security or non-convertible redeemable preference share shall be interest/ dividend bearing security paying coupon/ dividend at regular intervals with a fixed maturity without any structured obligations."

non-convertible redeemable preference share at a reduced face value which may be either interest/dividend bearing or zero interest/dividend bearing.

6. All other provisions of the SEBI circular dated July 03, 2024 shall remain unchanged.
7. In view of the modifications mentioned above, Chapter V of the NCS Master circular shall be modified accordingly.
8. The provisions of this circular shall be applicable to all issues of debt securities and non-convertible redeemable preference shares, on private placement basis that are proposed to be listed from the date of issuance of this circular.
9. The Stock Exchanges, Clearing Corporations and Depositories are directed to:
 - a. take necessary steps and put in place necessary systems for the implementation of the above;
 - b. make necessary amendments to the relevant bye-laws, rules and regulations, wherever applicable, for the implementation of the above; and
 - c. bring the provisions of this circular to the notice of market participants and also disseminate the same on their website
10. The Circular is issued in exercise of the powers conferred under Section 11(1) of the Securities and Exchange Board of India Act, 1992 read with Regulation 55 (1) of the SEBI (Issue and Listing of Non-convertible Securities) Regulations, 2021 to protect the interest of investors in securities and to promote the development of, and to regulate the securities market.
11. This Circular is available at www.sebi.gov.in under the link "Legal → Circulars".

Yours faithfully,

XXXXXX