

Circular No. 04/2013

No. 11/02/2012-CL-V (A)
Government of India
Ministry of Corporate Affairs

5th floor, 'A' Wing, Shastri Bhavan,
Dr. R.P. Road, New Delhi.
Dated: 11.02.2013

To

All Regional Directors
All Registrars of Companies
All Chambers of Commerce
The Reserve Bank of India
The Securities and Exchange Board of India

Subject: Debenture Redemption Reserve (DRR)- Clarification.

Sir,

The requirements with regard to 'adequacy' of debenture redemption reserve (DRR) have been clarified by this Ministry vide General Circular No. 9/2002 dated 18/04/2002.

2. The matter with regard to need for review of limits indicated in such Circular has been examined by this Ministry in consultation with various stakeholders including relevant regulators. Keeping in view such consultations and the need for development of corporate bonds/debentures, it has been decided to clarify on adequacy of DRR and other related matters as under:-

(i) No DRR is required for debentures issued by All India Financial Institutions (AIFIs) regulated by Reserve Bank of India and Banking Companies for both public as well as privately placed debentures. For other Financial Institutions (FIs) within the meaning of Section 4A of the Companies Act, 1956, DRR will be as applicable to NBFCs registered with RBI.



(ii) For NBFCs registered with the RBI under Section 45-IA of the RBI (Amendment) Act, 1997, 'the adequacy' of DRR will be 25% of the value of debentures issued through public issue as per present SEBI (Issue and Listing of Debt Securities) Regulations, 2008, and no DRR is required in the case of privately placed debentures.

(iii) For other companies including manufacturing and infrastructure companies, the adequacy of DRR will be 25% of the value of debentures issued through public issue as per present SEBI (Issue and Listing of Debt Securities), Regulations 2008 *and also 25% DRR is required in the case of privately placed debentures by listed companies. For unlisted companies issuing debentures on private placement basis, the DRR will be 25% of the value of debentures.*

(iv) Every company required to create/maintain DRR shall before the 30th day of April of each year, deposit or invest, as the case may be, a sum which shall not be less than fifteen percent of the amount of its debentures maturing during the year ending on the 31st day of March next following in any one or more of the following methods, namely:

(a) in deposits with any scheduled bank, free from charge or lien;

(b) in unencumbered securities of the Central Government or of any State Government;

(c) in unencumbered securities mentioned in clauses (a) to (d) and (ee) of section 20 of the Indian Trusts Act, 1882;

(d) in unencumbered bonds issued by any other company which is notified under clause (f) of section 20 of the Indian Trusts Act, 1882;



(v) The amount deposited or invested, as the case may be, above shall not be utilized for any purpose other than for the repayment of debentures maturing during the year referred to above, provided that the amount remaining deposited or invested, as the case may be, shall not at any time fall below 15 per cent of the amount of debentures maturing during the 31st day of March of that year.

Yours faithfully



(Sanjay Shorey)
Joint Director
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