

CIRCULAR

HO/17/11/24(1)2025-DDHS-POD1/II/491/2025

December 18, 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;

Dear Madam/ Sir,

Subject: Modification in the conditions specified for reduction in denomination of debt securities

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 securities¹ and non-convertible redeemable preference shares² subject to certain conditions. Accordingly, amendments were made in Chapter V (*Denomination of issuance and trading of Non-Convertible Securities*) of the Master Circular no. SEBI/HO/DDHS/DDHS-PoD/P/CIR/2025/0000000137 dated October 15, 2025, (hereinafter referred as ‘NCS Master Circular’) issued by SEBI.

¹ “debt securities” means non-convertible debt securities with a fixed maturity period which create or acknowledge indebtedness and includes debentures, bonds or any other security whether constituting a charge on the assets/properties or not, but excludes security receipts, securitized debt instruments, money market instruments regulated by the Reserve Bank of India, and bonds issued by the Government or such other bodies as may be specified by the Board.

² “non-convertible redeemable preference share” means a preference share which is redeemable in accordance with the relevant provisions of the Companies Act, 2013 (18 of 2013) and does not include a preference share which is convertible into or exchangeable with equity shares of the issuer at a later date, at the option of the holder or not.

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 which carry zero coupon.
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 investors looking to diversify their portfolios.
4. In view of the above, Clause 1.3 of Chapter V of the NCS Master circular dated October 15, 2025 shall be partially 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 interest/ dividend bearing security paying coupon/ dividend at regular intervals with a fixed maturity without any structured obligations; or it shall be a zero coupon debt security with a fixed maturity, without any structured obligations³.

(ii) The following credit.....”

³ 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.”

5. Consequently, pursuant to the amendment proposed in para 4 above (paragraph is highlighted in bold and underlined for ease of reference), the issuer shall be eligible to issue debt security at a reduced face value which may be either interest bearing or zero interest bearing security.
6. All other provisions of the NCS Master Circular shall remain unchanged.
7. The provisions of this circular shall be applicable to all issues of debt securities, on private placement basis that are proposed to be listed from the date of issuance of this circular.
8. 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
9. 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 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.
10. This Circular is available at www.sebi.gov.in under the link “Legal → Circulars”.

Yours faithfully,

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