

MINIMUM FEE DISCLOSURE AND RATIONALE FOR LISTED DEBT SECURITIES

[In terms of SEBI Circular SEBI/ HO/ MIRSD/ DOS3/CIR/P/2019/68 dated May 27, 2019]

With a view to securing the interests of investors in listed debt securities, enhance transparency and to enable Debenture Trustees (DTs) to perform their duties effectively and promptly, SEBI vide its circular No. SEBI/HO/MIRSD/DOS3/CIR/P/2019/68 dated 27th May 2019 directed DTs to disclose the nature of compensation arrangement with its clients on their websites, including the minimum fee to be charged (in absolute terms or as a percentage of the issue size) and factors determining the same. The minimum fees to be charged as disclosed below:-

1. PUBLIC SECTOR UNDERTAKING ('PSU') ISSUERS

The minimum fee chargeable for public listed or privately placed listed debt securities [in absolute terms or percentage of the issue size] for PSU issuers shall be as follows: -

Issue Size	Initial Fee*		Annual Fee*	
	Secured	Unsecured	Secured	Unsecured
≤500 crs	Rs. 0.75 Lac	Rs. 0.60 Lac	Rs. 1.15 Lac	Rs. 0.75 Lac
> 500 crs - ≤ 1500 crs	0.0075%	0.0035%	0.010%	0.0055%
>1500 crs	Rs.11 Lac	Rs.5.50 Lac	Rs.15Lac	Rs.7.5 Lac

2. NON-PSU ISSUERS

The minimum fee chargeable for public listed or privately placed listed debt securities [in absolute terms or percentage of the issue size] by Non PSU Issuers shall be as follows:-

Issue Size	Initial Fee*		Annual Fee*	
	Secured	Unsecured	Secured	Unsecured
≤25 crs	Rs. 0.75 Lac	Rs. 0.60 Lac	Rs. 1 Lac	Rs. 1 Lac
>25 crs - ≤100 crs	Rs. 1 Lac	Rs. 0.75 Lac	Rs. 1.5 Lac	Rs. 1 Lac
> 100 crs - ≤ 1500 crs	0.01%	0.005%	0.015%	0.0075%
>1500 crs	Rs.15 Lac	Rs.7.50 Lac	Rs.22.50 Lac	Rs.11.25 Lac

** Additional fees, over and above the minimum fees is charged in case of multiple securities/ securities located across states or complex /structured transactions etc.,. Further, the expenses incurred for valuation, searches, due diligence, etc. arranged through external agencies shall also be charged separately.*

The pricing is calculated objectively by considering the work hours spent for the activities coupled with the obligations being performed for Debenture Trustee services. These activities are segregated as one-time activities and recurring activities and are linked for the purpose of calculation of fees as follows:

- a. **Acceptance/Initial fee**- Fees charged for undertaking due diligence to facilitate listing and fund raising
- b. **Annual fee** – Fees for undertaking monitoring and completing related disclosures on a periodic basis till the life of the transaction.

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The basis of fees determination originates from the manifold increase in the responsibility of the Debenture Trustee following the amendments in SEBI regulations relating to Debenture Trustee Regulations, SEBI ILDS Regulations (now SEBI NCS Regulations) and SEBI LODR Regulations respectively. The DTs are mandated to undertake independent assessment of assets offered as security, periodic monitoring and compliance of security created or assets on which charges are created with covenants or terms of the issue of listed debt securities incorporated in debenture trust deed. Further the enhanced roles and responsibilities were prescribed for the DTs by SEBI vide Circular SEBI/ HO/ MIRSD/ CRADT/ CIR/ P/ 2020/230 dated November 12, 2020.

The change in regulatory framework has increased obligations of DT to safeguard the interest of investors.

While determining the fees, we have considered following factors:

- a. Automation of processes for better monitoring of the transactions' covenants on an ongoing basis.
- b. Upgrading the ERP system to record and facilitate in monitoring the breach in covenants, delay/default in payment/security creation; enabling related system generated alerts to issuers, debenture holders, rating agencies, etc.
- c. Appointment of third-party consultants like lawyer, company secretary, valuer etc.
- d. Co-ordination with third party consultant for making the required information available, obtaining of draft reports, incorporation of our comments/ observations on the report and obtaining of final reports.
- e. Obtaining of required NOCs from existing charge holders.
- f. Obtaining of necessary approvals from respective authorities (viz. NHAI in case of road projects or MIDC in case of leasehold land etc).
- g. Issuance of Annexure A and Annexure B after collating the required reports, certificates, approvals etc.
- h. Co-ordination of stock exchanges in relation to the listing of instruments.
- i. Co-ordination with Legal Counsel for drafting of documents including security documents. Creation of security, Filing of charges with MCA and CERSAI.
- j. Periodical monitoring of covenants as stipulated by SEBI including monitoring of interest/ repayment, asset cover, valuation, encumbrances on security and other covenants, rating revision etc.
- k. Routine Operational matters viz., issuance of pari-passu/ NOCs for merger /acquisition, release of security, amendment to terms and conditions of the underlying instrument etc.,