



भारतीय प्रतिभूति और विनिमय बोर्ड
Securities and Exchange Board of India

CONSULTATION PAPER

DEPARTMENT OF DEBT AND HYBRID SECURITIES – POD-1

Consultation paper on Review of the SEBI (Issue and Listing of Municipal Debt Securities) Regulations, 2015

May 13, 2026



भारतीय प्रतिभूति और विनिमय बोर्ड
Securities and Exchange Board of India

Timeline to Respond

Comments on the
Consultation paper may be
sent by June 03, 2026

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I. Objective and Background:

1. Municipal Corporations constitute a critical part of India's three-level governance system (viz. Union Government, State Governments, and Local Governments) and play a vital role in infrastructure development and efficient service delivery at the grass roots level. Due to ever-increasing urbanization, Municipal Corporations require a quantum rise in their spending to meet the infrastructure demand.
2. Municipal Corporations having own stable sources of revenues enjoy greater financial autonomy and stability, allowing them to strategically plan and implement urban development projects without relying heavily on grants from the upper government tiers. By augmenting their own source revenues, Municipal Corporations can ensure more stable and sustained revenues, which in turn enables efficacious service delivery and urban infrastructure development and reduces the financial burden on the Central and state governments.
3. SEBI notified the SEBI (Issue and Listing of Municipal Debt Securities) Regulations, 2015 ("**ILMDS Regulations**") in July 2015, thereby providing a framework for public issue of municipal debt securities and the listing and trading of such securities.
4. As on March 31, 2026, 22 Municipal Corporations have accessed capital market and raised INR 4540.34 crores through 31 issuances of municipal debt securities.
5. In view of the changes in the debt market ecosystem over the years and the feedback garnered from stakeholders during the interactions with them at outreach programs, it was decided to undertake a review of the ILMDS Regulations. Accordingly, a Working Group ("**WG**") was constituted in August, 2024.
6. Pursuant to the recommendations of the WG and deliberations in the Corporate Bonds and Securitization Advisory Committee (CoBoSAC) of SEBI, detailed

proposals for changes in the framework governing municipal debt securities are outlined in the ensuing paras of this consultation paper.

II. Re-financing as an objective for raising of funds:

1. Extant Regulatory Provision:

1.1. Currently, there is no specific provision in the ILMDS Regulations for re-financing as an object for raising of funds by municipalities.

2. Need for review:

2.1. While the extant framework does not restrict issuance of municipal debt securities for re-financing of existing loan/ debt, there are no provisions mandating specific disclosures required to be made in the offer document in respect of the same. Accordingly, certain disclosures in respect of the existing lenders and loan(s) that are being refinanced may be included in the offer document or placement memorandum since information on the same may be useful for the investors to assess the issuer's financial health, and liquidity risk.

3. Proposal:

3.1. In Schedule I of the ILMDS Regulations (in respect of the disclosures to be made in the draft offer document or placement memorandum), under paragraph 5 on "Objects of the Issue", the following "clause (i)" may be added:

"(i) If the project is re-financed, the following details may be provided in respect of the lenders and existing loan(s) that are being refinanced, as per the specified format:

- i. Type of existing loan*
- ii. Existing lenders*
- iii. Existing rate of interest*
- iv. Existing repayment schedule*
- v. Purpose of existing debt*
- vi. Past restructuring, if any, on the said project"*

Consultation 1: Re-financing as an objective for raising of funds

Is the proposal mentioned at Para 3 above appropriate and adequate?

III. Utilisation of issue proceeds towards working capital requirements:

1. Extant Regulatory Provision:

- 1.1. Regulation 18A of the ILMDS Regulations specifies certain provisions in respect of “Utilization of issue proceeds”.
- 1.2. However, there are no stipulations in the extant ILMDS Regulations with regard to utilisation of the issue proceeds towards working capital requirements of the project being financed through such issue.

2. Need for review:

- 2.1. While reviewing the proposal for re-financing as an objective for raising of funds by municipalities, CoBoSAC suggested that certain conditions may be specified with regard to utilisation of issue proceeds towards working capital requirements of the project being financed. The same would ensure that the proceeds of municipal debt securities are deployed efficiently and productively towards capital expenditure on the project, which constitutes the primary purpose for raising of funds.

3. Proposal:

- 3.1. Under Regulation 18A of the ILMDS Regulations in respect of “Utilization of issue proceeds”, after Regulation 18A (4), the following provisions/ conditions may be inserted:

(5) Not more than 25 per cent the of issue proceeds should be utilised towards working capital requirements of the project being financed.

(6) The issue proceeds should not be used for general purposes and must be specifically linked to the working capital requirements of the underlying projects being financed through such issuances.

(7) The offer document shall contain disclosure with regard to the percentage of issue proceeds proposed to be used towards the working capital component of project being financed.

(8) The above shall be applicable for both original issuance and refinancing.

Consultation 2 Utilisation of issue proceeds towards working capital requirements

Is the proposal mentioned at Para 3 above appropriate and adequate?

IV. Raising of funds by two or more municipalities through a Pooled finance vehicle

1. Extant Regulatory Provisions:

1.1. In terms of Regulation (I) of the ILMDS Regulations:

“..... any structure set up under the Pooled Finance Development Fund Scheme of the Government of India or a body corporate to whom the Companies Act, 2013 applies, which offers or proposes to offer municipal debt securities in accordance with these regulations shall also be deemed to be an issuer subject to condition that it is set up by the State Government(s) or Central Government for the purpose of raising funds for a person performing one or more functions entrusted under Article 243W of the Constitution of India.”

2. Need for review:

2.1. While the extant framework provides for an enabling provision for raising of funds by two or more municipalities through a pooled finance vehicle, there are no provisions mandating specific disclosures required to be made in the offer document in respect of the same. Further, certain operational aspects, viz. agreement between the pooled vehicle SPV (“issuer”) and the constituent municipalities and the escrow account mechanism, may also be specified for better clarity regarding the pooled finance arrangement and the repayment mechanism.

3. Proposal:

3.1. Schedule I of the ILMDS Regulations provides the format of disclosures to be made in the offer document and placement memorandum. A separate “Schedule IB” may be inserted, which may be applicable where the issuer is a Special Purpose Vehicle (SPV) set up for pool financing by constituent ULBs.

The proposed draft of Schedule IB, highlighting the proposed modifications in the requirements under Schedule I, is placed at **Annexure A**.

3.2. The constituent Municipalities shall enter into an agreement with the pooled finance vehicle (SPV) prior to fund raising and may be required to disclose the same in the offer document (as part of Schedule 1B). Further, the SPV may be formed as either a Trust or a Company. Enabling provisions to this effect may be inserted in the main body of the ILMDS Regulations.

3.3. SEBI Circular SEBI/HO/DDHS/CIR/P/134/2019 dated November 13, 2019, inter alia, specifies requirements related to the escrow payment mechanism for issuers of municipal debt securities. Para 4 of said Circular may be modified, to provide for a “two-step escrow account mechanism”, by inserting the following provisions:

“4.1.5. In case the listed entity is a pooled finance vehicle/ Special Purpose Vehicle (SPV) set up under the Pooled Finance Development Fund Scheme of the Government of India, the constituent municipalities are required to create all the above accounts and comply with the requirements specified for the same.

Further, the SPV/ pooled finance vehicle shall maintain an “Interest payment account” and a “Sinking fund account”, to which funds from the respective “Interest payment account” and “Sinking fund account” maintained by the constituent municipalities shall be transferred, as per the agreement between the SPV and the constituent municipalities. The SPV/ pooled finance vehicle shall throughout the tenure of the municipal debt securities maintain an amount equivalent to one year interest obligation in the Interest payment account.

3.4. Multiple forms of credit enhancement could be part of the pooled structure to provide greater protection to investors. These may include:

- i. Additional cash collateral

- ii. Program equity by the state government
- iii. Access to state finance commission devolutions to ULBs
- iv. Full or partial credit guarantee from a high rated development finance institution (DFI) or multilateral institution

3.5. The SPV shall obtain credit rating from a SEBI-registered Credit Rating Agency (CRA). The CRA shall, while rating the bond issued by the SPV, undertake a credit rating assessment of each constituent municipality in the pool.

Consultation 3: Raising of funds by two or more municipalities through a Pooled finance vehicle

Are the proposals mentioned at Para 3 above appropriate and adequate?

V. Alignment with certain provisions/ requirements under SEBI (Issue and Listing of Non-Convertible Securities) Regulations, 2021 (“NCS Regulations”)

1. Extant Regulatory Provisions:

1.1. The extant ILMDS Regulations do not contain following provisions/ incentives/ relaxations, which are specified in NCS Regulations:

- i. Requirements related to face value/ trading lot/ denomination for municipal debt securities
- ii. Permitting issuers to offer incentives in the form of additional interest or a discount to the issue price to certain categories of investors
- iii. Permitting electronic modes for making advertisements for public issues
- iv. Framework for issuance of “Environment, Social and Governance (ESG) debt securities” by municipalities
- v. Definition of “working day”

2. Need for review:

2.1. In order to encourage retail participation in municipal debt securities, there is a need to specify similar framework, as provided under the NCS Regulations, and also to provide greater clarity for municipal debt securities issued under ILMDS Regulations.

3. Proposal:

3.1. Requirements related to face value/ trading lot for municipal debt securities:

3.1.1. Currently Regulation 22 of the ILMDS Regulations provides as under:

“The face value of municipal debt securities shall be disclosed in offer document or placement memorandum in the manner as specified by the Board.”

3.1.2. However, the ILMDS Regulations currently do not specify any amount with regard to the face value or trading lot for municipal debt securities.

3.1.3. In case of non-convertible securities issued under NCS Regulations, Chapter V of the “Master Circular for issue and listing of Non-convertible Securities, Securitised Debt Instruments, Security Receipts, Municipal Debt Securities and Commercial Paper dated October 15, 2025” (“NCS Master Circular”) (placed at **Annexure B**), inter alia, specifies requirements related to the face value of debt securities issued on private placement basis.

3.1.4. It is proposed to specify similar requirement in respect of face value and trading lot for municipal debt securities, by inserting the following para under “Chapter V - Denomination of issuance and trading of Non-convertible Securities” of the NCS Master Circular:

“3. Issuance and trading of municipal debt securities:

3.1 The face value of each municipal debt security issued on private placement basis shall be Rs. One Lakh or Rs. Ten Thousand, as deemed fit.

3.2 The municipal debt security issued at a face value of Rs. Ten Thousand shall have a fixed maturity and be without any structured obligations.

3.3 The trading lot of the listed municipal debt security issued on private placement basis, traded on a Stock Exchange, shall always be equal to the face value of such security.”

3.1.5. The extant Para 3 of Chapter V of the NCS Master Circular may be modified as under (insertions underlined, deletion in ~~strikethrough~~):

“3. 4. This chapter is not applicable for debt securities, municipal debt securities and non-convertible redeemable preference shares issued on a public issue basis.”

- 3.1.6. Accordingly, Chapter V may also make reference to Regulation 22 of the ILMDS Regulations and the heading of Chapter V may also mention “municipal debt securities”.

Consultation 4: Requirements related to face value/ trading lot/ denomination for municipal debt securities

Are the above proposals appropriate and adequate?

- 3.2. Permitting issuers to offer incentives in the form of additional interest or a discount to the issue price to certain categories of investors:

- 3.2.1. Currently, Regulation 22B of the ILMDS Regulations specifies the following in respect of payment of incentives:

“Prohibition on payment of incentives

22B. Any person connected with the issue shall not offer any incentive, whether direct or indirect, in any manner, whether in cash or kind or services or otherwise to any person for making an application in the issue, except for fees or commission for services rendered in relation to the issue.”

- 3.2.2. In order to encourage participation of certain categories of investors in debt securities, thereby providing a fillip to the number of public issuances in the debt market, the NCS Regulations were amended in January, 2026, to permit issuers to offer an incentive in the form of additional interest or a discount to the issue price to certain categories of investors, viz. senior citizens, women, serving and retired defence

personnel, widows and widowers of defence personnel and retail individual investors.

- 3.2.3. Accordingly, similar incentive may also be considered for municipal debt securities to encourage participation of retail investors by inserting the following proviso in Regulation 22B of the ILMDS Regulations:

“Provided that nothing contained in this regulation shall preclude the issuer from offering an incentive in the form of additional interest or a discount to the issue price to senior citizens, women, serving and retired defence personnel, widows and widowers of defence personnel, retail individual investors or any other category of investors as may be specified by the Board from time to time:

Provided further that such incentive shall be available only to the initial allottee but not in case the municipal debt securities are transferred/transmitted post allotment.”

Consultation 5: Permitting issuers to offer incentives in the form of additional interest or a discount to the issue price to certain categories of investors

Is the above proposal appropriate and adequate?

3.3. Permitting electronic modes for making advertisements for public issues

- 3.3.1. Regulation 9(1) of the ILMDS Regulations specifies that *“The issuer may make an advertisement in a national daily with wide circulation...”*.

- 3.3.2. Under NCS Regulations, issuers are permitted to make advertisement through electronic modes such as online newspapers or website of the issuer or the stock exchange. Accordingly, Regulation 9(1) of the ILMDS Regulations may be amended to provide as under (insertions underlined):

“The issuer shall make an advertisement through electronic modes such as online newspapers or website of the issuer or the stock exchange, or in a national daily with wide circulation, on or before the issue opening date and such advertisement shall, amongst other things, contain the disclosures as per Schedule IV.

Provided that issuers opting to advertise the public issue through electronic modes shall publish a notice in a national daily and regional daily newspaper with wide circulation, exhibiting a QR Code and link to the complete advertisement.”

Consultation 6: Permitting electronic modes for making advertisements for public issues

Is the above proposal appropriate and adequate?

3.4. Framework for issuance of “Environment, Social and Governance (ESG) debt securities” by municipalities:

3.4.1. In the recent years, several municipal corporations have issued green municipal debt securities, in terms of the framework provided under the NCS Regulations. NCS Regulations also provide the operational framework, inter-alia, covering initial and post issue disclosure by the issuer and appointment of an independent third party reviewer for issuance of other “ESG debt securities”, viz. social bonds, sustainability bonds and sustainability-linked bonds.

3.4.2. It is proposed that the framework for issuance of ESG debt securities, as provided under the NCS Regulations, may also be enabled under the ILMDS Regulations to facilitate the issuance of such securities by

municipalities. Accordingly, the following enabling provision may be inserted as Regulation 4F. in the ILMDS Regulations:

“Issuance of Environment, Social and Governance Debt Securities

An issuer desirous of issuing and listing of Environment, Social and Governance Debt Securities shall comply with the conditions as may be specified for such securities under SEBI (Issue and Listing of Non-Convertible Securities) Regulations, 2021 and circulars issued thereunder.”

Consultation 7: Framework for issuance of “Environment, Social and Governance (ESG) debt securities” by municipalities

Is the above proposal appropriate and adequate?

3.5. Definition of “working day”:

3.5.1. The following provisions under ILMDS Regulations specify timelines in terms of “working days”:

“Period of subscription

8. (1) *Except as otherwise provided in these regulations, public issue of municipal debt securities shall be kept open for at least three working days.*

(2) *The issuer may extend the bidding period disclosed in the offer document, in case of force majeure, banking strike or similar circumstances, for a minimum period of three working days.”*

3.5.2. However, the ILMDS Regulations do not specify the definition of “working day”. Therefore, the following definition of “working day”, as specified under the NCS Regulations, may also be inserted in ILMDS Regulations to provide greater clarity in respect of timelines specified in the ILMDS Regulations:

““working day” means all days on which commercial banks in the city, as specified in the offer document, are open for business;

Explanation:

For the purpose of this definition, in respect of -

(i) Announcement of bid /issue period:

working day shall mean all days, excluding Saturdays, Sundays and public holidays, on which commercial banks in the city as notified in the offer document are open for business;

(ii) the time period between the bid/ issue closing date and the listing of the non-convertible securities on the stock exchanges:

working day shall mean all trading days of the stock exchanges for non-convertible securities, excluding Saturdays, Sundays and bank holidays, as specified by the Board; “

Consultation 8: Definition of “working day

Is the above proposal appropriate and adequate?

VI. Public Comments

1. Considering the implications of the aforementioned matters on the market participants, public comments are invited on the above-detailed proposals. The comments/ suggestions should be submitted through the following mode latest by June 03, 2026, through the online web-based form at the following link:

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

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*

3.5.3. In case of any technical issue in submitting your comment through web based public comments form, you may contact the following through email with a subject: *"Issue in submitting comments on Consultation paper on Review of the SEBI (Issue and Listing of Municipal Debt Securities) Regulations, 2015 "*.

- a) Mr. Rohit Dubey, GM (rohitd@sebi.gov.in)
- b) Mr. Nishtha Tewari, AGM (nishthat@sebi.gov.in)
- c) Mr. Kartan Shivaraj, AGM (kartans@sebi.gov.in)

Issued on: May 13, 2026

Schedule IB of SEBI (ILMDS) Regulations

(Applicable in case of Special Purpose Vehicle, which is set up for the purpose of raising funds for a person for performing one or more functions entrusted under Article 243W of the Constitution of India)

DISCLOSURES IN THE OFFER DOCUMENT AND PLACEMENT MEMORANDUM

All disclosures specified under this schedule shall be made in the draft offer document or the preliminary placement memorandum or offer document or placement memorandum, as applicable.

1. Instructions:

- (a) All information shall be relevant and updated. The source and basis of all statements and claims shall be disclosed.
- (b) All blank spaces in the draft offer document/ preliminary placement memorandum shall be filled up with appropriate data before registering the offer document /placement memorandum, as applicable, with the Registrar of Companies or filing the same with the recognised stock exchanges.
- (c) Plain English shall be used to enable easy understanding of the contents. Technical terms, if any, used in explaining the business of the issuer shall be clarified in simple terms.
- (d) Wherever it is mentioned that details are given elsewhere in the document, the same shall be adequately cross-referenced by indicating the paragraph heading and page number.
- (e) There shall be no forward-looking statements that cannot be substantiated.
- (f) Consistency shall be ensured in the style of disclosures. If the first person is used, the same may be used throughout. All sentences that contain a combination of first and third persons may be avoided.
- (g) For presentation currency, only one standard financial unit shall be used.

2. Applicability:

An issuer making a public issue or private placement of municipal debt securities that are intended to be listed shall make the disclosures as specified in this Schedule.

3. General information:

- (a) Name and address of the head office and other offices of the issuer
- (b) Registered and corporate office of the issuer, if applicable
- (c) Details of Mayor / Deputy Mayor including date of appointment, etc.
- (d) Details of Commissioner/ Deputy Commissioner including date of appointment, etc.
- (e) Details of the members of the Committee and Bond issue Committee approving the project/ various Standing Committees relating to Taxation / Finance /Accounts/ Audit/ Infrastructure in Issue/ project of the Issuer the following format:-

Name and Designation	Date of Appointment or Resignation	Member of the Committee since (in case of resignation)	Remarks

- (f) Name, designation, address and DIN of each member of the board of directors of the issuer if the issuer is a company.
- (g) Name, address, telephone number and email address of the compliance officer of the issuer
- (h) Complete Details of the Official In-charge of dealing with investor Grievances related to the Municipal debt securities, his/her address, phone number, email ID, etc.
- (i) Chief Accounts and Finance Officer or equivalent of the Issuer
- (j) Arrangers, if any, of the instrument
- (k) Debenture trustee of the issue
- (l) Registrar to an issue
- (m) Credit Rating Agency (-ies) of the issue and
- (n) Auditors of the Issuer
- (o) Names, addresses, telephone numbers, contact person, website addresses and e-mail addresses of the lead manager(s), registrars to the issue, bankers to the issue, brokers to the issue and syndicate member(s); alongwith URL of SEBI website listing out the details of self-certified syndicate banks, registrar to the issue and depository participants, etc., if applicable.
- (p) Names, addresses, telephone numbers and e-mail addresses of the Company Secretary, legal advisor, underwriters and bankers to the issuer.
- (q) Names of the debenture trustee(s) shall be mentioned with a statement to the effect that the debenture trustee(s) has given his consent to the Issuer for his appointment. This also needs to be mentioned in all subsequent communications sent to the holders of debt securities.
- (r) Investor grievances redressal mechanisms

4. About the issuer and Capital structure of the issuer:

- (a) The constitution document
- (b) Details of the capital structure of the issuer, if applicable.
- (c) Details of the management structure of the issuer.
- (d) Shareholding pattern of the issuer along with top 10 shareholders of the issuer, if applicable.
- (e) Resolution authorizing the borrowing of the Issuer and each constituent Municipality and the Issuer along with the ~~and~~ list of authorized signatories of the Issuer.
- (f) Details of necessary Resolution(s) for the allotment of municipal debt securities
- (g) Memorandum and Articles of Association in case the issuer is a body corporate incorporated under Companies Act, 2013, if applicable
- (h) Details of any Reorganization or Reconstruction of management in the last 1 year of the issuer.

- ~~(i) Details of all the project undertaken or proposed in terms of cost and means of financing~~
- (j) Capital structure relating to projects for which funds are proposed to be mobilized
- (k) Capital grant for the proposed project and the amount received in this regard
- (l) Details of State Finance Commission Grant on annual basis

5. Objects of the issue:

- (a) The proceeds of the proposed issue shall be clearly earmarked for a defined project or a set of projects along with the location of the project and plant and machinery, technology, process, etc.;
- (b) Where the issuer proposes to undertake more than one activity or project, such as diversification, modernization, or expansion, etc., the total project cost activity-wise or project wise, as the case may be.
- (c) Where the issuer is implementing the project in a phased manner, the cost of each phase, including the phase, if any, which has already been implemented, shall be separately given.
- (d) An investment plan for the project components as well as phases thereof as well as financing thereof as approved by the local authority or the agency as the case may be
- (e) Schedule of implementation of the project
- (f) Benchmarks for commencement and completion of the project including milestone dates for all components of the project
- (g) Details and status of the regulatory approval (if required)

(h) Expenses of the Issue:

Expenses of the issue along with a break up for each item of expense, including details of the fees payable to/for separately as under (in terms of amount, as a percentage of total issue expenses and as a percentage of total issue size):

- (a) Lead manager(s) fees including underwriting commission
- (b) Brokerage, selling commission and upload fees
- (c) Registrars to the issue
- (d) Legal Advisors
- (e) Advertising and marketing expenses
- (f) Regulators including stock exchanges
- (g) Printing and distribution of issue stationary
- (h) Others, if any (to be specified).

6. Tax Benefits:

Any special tax benefits (under direct and indirect tax laws) for the issuer and its investors

7. Issue specific Information:

- (a) Issue/instrument specific regulations - relevant details (Relevant Act, RBI guidelines, etc.).

- (b) The detailed rating rationale (s) adopted (not older than one year on the date of opening of the issue)/ credit rating letter issued (not older than one month on the date of opening of the issue) by the rating agencies shall be disclosed. Names of all the credit rating agencies from which credit rating including unaccepted rating has been obtained.
- (c) Credit Enhancement Mechanisms if any, with complete details, if any.
- (d) Names of all the recognised stock exchanges where the debt securities are proposed to be listed clearly indicating the designated stock exchange.
- (e) Additional interest to be paid, above the Coupon Rate, in case of default in payment of Interest and/or principal redemption on the due dates
- (f) Penal interest payable by the issuer in case of delay in listing of debt securities from the deemed date of allotment
- (g) Debenture Redemption Reserve and such other reserve creation - relevant regulations as applicable.
- (h) Application process
- (i) Procedure for deciding and adjusting payment dates (in response to days when payment cannot be made due to any reason such as sudden bank holiday.
- (j) 'Terms of payments' and procedure and time schedule for allotment and issue certificates/demat credit
- (k) How to apply, availability of application forms and letter of offer and mode of payment.
- (l) Change in terms and conditions of municipal debt securities issued in past 5 years (i.e. change in coupon, maturity, call/put option etc.)
- (m) Procedure and time schedule for allotment and issue of municipal debt securities.
- (n) Details of escrow payment mechanism for the repayment of the interest/principal.

8. Financial Information

I. Following details as per the financial statements for past 3 years in tabular format:

- (a) Abridged Balance Sheet, Income and Expenditure and Receipts and Payments Accounts of the Issuer for the last three financial years with major heads.
Provided Issuers who are desirous of issuing debt securities on private placement basis and who are in existence for less than three years may disclose financial statements mentioned above for such period of existence.
- (b) Link and Quick Response(QR) code to the web page of the Issuer where the Abridged Balance Sheet, Income and Expenditure and Receipts and Payments Accounts of the constituent Municipalities and Issuer can be accessed should be given.
- (c) ~~Copy of~~ Link and Quick Response (QR) code to the web page of the Issuer where budget documents for the previous three years containing actual financial performance and/or revised estimates along with the details of related party transactions of the constituent Municipalities can be accessed should be given.
- (d) Financial Parameters of the constituent Municipalities and the Issuer of the last (three) years, separately:

Key Financial Figures	FY	FY	FY
Revenue income			

Revenue expenditure (Excl. Interest)			
Operating revenue Surplus			
Interest expense			
Principal repayment (outside sinking Fund)			
Contribution to Sinking fund			
Revenue surplus			
Capital income			
Capital expense			
Capital surplus			
Overall surplus			
Deposits and Advances (net)			
Initial Cash / Bank balance			
Change in Cash / Bank balance			
Final Cash / Bank balance			
Loan repayment from sinking fund			
Initial Sinking fund balance			
Change in sinking fund			
Final sinking fund balance			
Total debt			
Ratio of Total Expenditure /Total Revenue			
Cash surplus / total revenue			
Ratio of Debt Service / Total Revenue			

Provided Issuers who are desirous of issuing debt securities on private placement basis and who are in existence for less than three years may disclose financial statements mentioned above for such period of existence.

II. Details of top five revenue sources for the previous three years of the constituent Municipalities:

Revenue Receipt type	Actual	Actual	Actual
	FY	FY	FY
XYZ 1			
XYZ 2			
XYZ 3			
XYZ 4			
XYZ 5			

III. Details of property tax collection of the constituent Municipalities:

Particulars	Demand Raised			Collections			Overall Collecti on ratio	Current Collectio n ratio
	Arrear s	Current	Total	Curren t	Arre ar	Total		
FY								
FY								
FY								

IV. Status of reforms with respect to e-governance, cost recovery on water supply, Solid Waste Management (SWM), property tax, double entry accounting and others, as specified by Central Government and authorities concerned

V. Borrowings of the Issuer and constituent Municipalities

- a. Details of borrowings, as on the latest quarter end:-
b. Details of Secured Loan Facilities:-

Lender's Name	Type of Facility	Amt Sanctioned	Principal Amt outstanding	Repayment Date / Schedule	Security

- c. Details of Unsecured Loan Facilities:-

Lender's Name	Type of Facility	Amt Sanctioned	Principal Amt outstanding	Repayment Date / Schedule

- d. Details of NCDs/Bonds: -

Debenture/ Bond Series	Tenor/ Period of Maturity	Coupon	Amount	Date of Allotment	Redemption Date/ Schedule	Credit Rating	Secured/ Unsecured	Security

- e. List of the Top ten Debenture Holders (as on)

Sr. No.	Name of Debenture Holders	Amount

Note: Top ten holders' (in value terms, on cumulative basis for all outstanding debentures issues) details should be provided.

- f. Details of Commercial Paper:- The total Face Value of Commercial Papers Outstanding as on the latest quarter end to be provided and its breakup in following table:-

Maturity Date	Amount Outstanding

- g. Details of Rest of Borrowings
h. Details of any outstanding borrowings and debt securities issued for consideration other than cash, whether in whole or part, at a premium or discount, or in pursuance of an option;

VI. Sufficient revenue generation and resources for timely servicing and redemption

VII. Estimated Scenarios of Asset Liability Mis-matches, efforts intended to resolve the same.

9. Legal and Other Information:

a. Pending litigations and material developments:

Pending Litigations involving the issuer/ its directors/ promoters/ subsidiaries/ constituent Municipalities:

- (i) All criminal proceedings;
- (ii) All actions by regulatory and statutory authorities;
- (iii) Disciplinary action including penalty imposed by SEBI or stock exchanges against the promoters during the previous five financial years including outstanding action;
- (iv) Claims related to direct and indirect taxes, in a consolidated manner, giving the number of cases and total amount;
- (v) Other pending litigation - As per the policy of materiality defined by the Board of Directors of the Issuer and disclosed in the offer document/placement memorandum.

b. Outstanding dues to creditors:

- (i) Based on the policy on materiality defined by the Board of Directors of the Issuer, details of creditors which include the consolidated number of creditors and the aggregate amount involved of the Issuer and constituent Municipalities shall be disclosed, on the website of the Issuer with a web link and Quick Response(QR) code thereto;
 - (ii) Consolidated information on outstanding dues to micro, small and medium enterprises, separately giving details of number of cases and amount involved shall be disclosed, on the website of the Issuer with a web link and Quick Response(QR) code thereto;
 - (iii) Complete details about outstanding dues to material creditors along with the name and amount involved for each such material creditor shall be disclosed, on the website of the company with a web link and Quick Response(QR) code thereto.
- c. If any of the above mentioned litigation, material developments or dues to creditors etc., arise after the filing the draft offer document/ preliminary placement memorandum, the facts shall be appropriately incorporated in the offer document/placement memorandum. In case there are no such cases, a distinct negative statement is required to be made in this regard in the offer document/ placement memorandum.
- d. Material developments since the date of the last balance sheet shall be incorporated separately in the offer document or placement memorandum.
- e. Statement containing particulars of dates of, and parties to all material contracts and agreements:
Provided that a recognized stock exchange may call for such further particulars or documents as it deems appropriate
- f. Any material event/ development or change having implications on the financials/credit quality (e.g. any material regulatory proceedings against the Issuer, resulting in material liabilities, restructuring event etc) at the time of the issue which may affect the issue or the investor's decision to invest/ continue to

invest in the municipal debt securities.

- g. Details of non-payment of statutory dues of the Issuer and constituent Municipalities, if any.
- h. Details of all default/s and/or delay in payments of interest and principal of any kind of term loans, debt securities and other financial instrument issued by the Issuer, in the past 3 years.

10. Government approvals:

- a. Investment approvals, letter of intent or industrial license from Gol, RBI, etc., as applicable and declaration of the Central Government, Reserve Bank of India or any regulatory authority about the non-responsibility for financial soundness or correctness of the statements;
- b. All Government and other approvals which are material and necessary for carrying on the business and operations of the issuer and material subsidiaries.

11. Undertaking by the issuer:

The following undertaking by the issuer shall be given:

- (a) that it shall submit the documents disclosed in the offer document or placement memorandum to the Debenture Trustee in electronic form (soft copy)
- (b) that the complaints received in respect of the issue shall be attended to by the issuer expeditiously and satisfactorily;
- (c) that all steps for completion of the necessary formalities for listing and commencement of trading at all stock exchanges where the securities are to be listed are taken within the period specified by the Board;
- (d) Declaration signed by the Mayor and Commissioner of the constituent Municipalities stating that the offer document/placement memorandum contains true, fair and adequate information to enable investors to make a well informed decision regarding their investment in the proposed issue.
- (e) Declaration signed by the Director(s) of the Issuer, if it is a body corporate to which the Companies Act, 2013 applies, stating that offer document/placement memorandum contains true, fair and adequate information to enable investors to make a well informed decision making regarding their investment in the proposed issue.
- (f) a statement to be given by the Board of the Issuer or Standing Committee thereof that all monies received out of the issue shall be transferred to a separate bank account.
- (g) the details of all utilized and unutilised monies out of the monies collected in the previous issue made by way of public offer shall be disclosed and continued to be disclosed in the balance sheet till the time any part of the proceeds of such previous issue remains unutilized indicating the purpose for which such monies have been utilized and the securities or other forms of financial assets in which such unutilized monies have been invested

12. Documents to be submitted

- (a) Copy of the resolution authorizing the borrowing and list of authorized signatories.
- (b) Copy of the Trust deed.
- (c) Documents that have been executed or shall be executed in relation to the issue

13. Risk factors:

- (a) Risk factors shall be printed in a clear readable font (of minimum point ten size).
- (b) Risk factors shall be classified as those which are specific to the project and internal to the issuer and constituent Municipalities and those which are external and beyond the control of the issuer

and constituent Municipalities.

- (c) Risk factors shall be determined on the basis of their materiality. In doing so, the following shall be considered:
- i. Some risks may not be material individually but may be material when considered collectively.
 - ii. Some risks may have an impact which is qualitative though not quantitative.
 - iii. Some risks may not be material at present but may have a material impact in the future.
- (d) Each risk factor shall appear in the following manner:
- i. The risk as envisaged by the issuer and constituent Municipalities.
 - ii. Proposals, if any, to address the risk.
- (e) Comprehensive Disclosure regarding the Risk Factors, including project risks, operational risks, credit risks, liquidity risks, etc.
- (f) Management perception of risk factors specific to the project.

Chapter V – Denomination of issuance and trading of Non-convertible Securities

[See [Regulation 50\(4\)](#) and [Clause 3.2\(f\)](#) of Schedule I SEBI NCS Regulations, 2021]

1. Issuance of non-convertible securities:

1.1. The face value of each debt security or non-convertible redeemable preference share issued on private placement basis shall be Rs. One lakh **except as provided in Clause 1.3 below.**⁵

Provided that with respect to a shelf placement memorandum which is valid as on January 1, 2023, the issuer thereof shall have the option while raising funds through tranche placement memorandum, to keep the face value at Rs. Ten lakhs or Rs. One Lakh as he may deem fit. Necessary addendum shall be issued by such issuer to the shelf placement memorandum.

1.2. The face value of each security mentioned under [Chapter V](#) of SEBI NCS Regulations, 2021 and [Chapter XIII](#) of this Master circular shall be Rs. One crore.

1.3.⁶The 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 at least one Merchant Banker.

Provided that the role, responsibilities and obligations of the Merchant Banker(s) shall be same as they would be in case of public issue of debt security or non-convertible redeemable preference share.

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.

ii) The following credit enhancements shall be permitted in the aforesaid securities:

a) Guaranteed bonds;

b) Partially guaranteed bonds;

c) Standby Letter of credit (SBLC) backed securities;

d) Debt backed by pledge of shares or other assets;

e) Guaranteed Pooled bond issuance (PBI), not through a trust;

⁵Substituted with the Issuance of Circular dated July 03, 2024. Prior to its substitution, clause 1.1 read as under:

"The face value of each debt security or non-convertible redeemable preference share Issued on private placement basis shall be Rs. One lakh"

⁶ The provision came into effect from July 03, 2024

- f) Obligor/ Co-obligor structures or cross default guarantee structures; and
 - g) Debt backed by Payment Waterfall /Escrow, or DSRA etc., but with Full Guarantee or DSRA Replenishment Guarantee from a third party.
- iii) In respect of the credit enhancements specified above, Credit Rating Agencies (CRAs) shall verify the documentation related to the specified support considerations to ensure the following:
- a) The support is unconditional, irrevocable, and legally enforceable till all the obligations of the security has been paid to the investors.
 - b) The support provider has a lower probability of default on a continuous basis, compared with the issuer, till the time such instruments are outstanding.
- iv) With respect to a shelf placement memorandum or General Information Document (GID) which is valid as on the 'effective date of the circular', the issuer may raise funds through tranche placement memorandum or Key Information Document at a face value at Rs. Ten Thousand provided at least one Merchant Banker is appointed to carry out due diligence in respect of such issuances. Necessary addendum shall be issued by such issuer to the shelf placement memorandum or General Information Document, as applicable.⁷

2. Trading of non-convertible securities:

2.1 [deleted]

2.2 [deleted]

2.3 Trading lot of listed debt security issued on private placement basis, non-convertible redeemable preference share issued on private placement basis, listed security mentioned under [Chapter V](#) of SEBI (Issue and Listing of Non-Convertible Securities) Regulations, 2021 and [Chapter XIII](#) of the Master circular dated May 22, 2024, traded on a Stock Exchange or OTC basis shall always be equal to face value.⁸

3. This chapter is not applicable for debt securities and non-convertible redeemable preference shares issued on a public issue basis.

⁷ Inserted with the Issuance of Circular dated July 03, 2024

⁸ Revised provisions are applicable from July 03, 2024. Prior to deletion of clause 2.1, clause 2.2 and substitution of clause 2.3 the same read as under:

2.1. The face value of a listed debt security or non-convertible redeemable preference share Issued on private placement basis traded on a stock exchange or OTC basis shall be Rs. One lakh¹¹.

2.2. The face value of a listed security mentioned under Chapter V of SEBI NCS Regulations, 2021 and Chapter 13 of this operational circular traded on a stock exchange or OTC basis shall be Rs. One crore.

2.3. The trading lot shall always be equal to face value.