



Question 7. Explain the guidelines of SEBI for creating Debenture Redemption Reserve.

Answer Securities and Exchange Board of India (SEBI) have provided some guidelines for redemption of debentures. The focal points of these guidelines are *

- (i) Every company shall create Debenture Redemption Reserve in case of issue of debenture redeemable after a period of more than 18 months from the date of issue.
- (ii) The creation of Debenture Redemption Reserve is obligatory only for non-convertible debentures and non-convertible portion of partly convertible debentures.
- (iii) A company shall create Debenture Redemption Reserve equivalent to at least 50% of the amount of debenture issue before starting the redemption of debenture.
- (iv) Withdrawal from Debenture Redemption Reserve is permissible only after 10% of the debenture liability has already been reduced by the company.

SEBI guidelines would not apply under the following situations:

- (i) Infrastructure company (a company wholly engaged in the business of developing, maintaining and operating infrastructure facilities), and
- (ii) A company issuing debentures with a maturity period of not more than 18 months.

***** END *****