

- 7.1 Precautions to be taken by the Secretary while Corresponding with Debentureholders**
- 7.2 Circumstances under which a Secretary has to enter into correspondence with Debentureholders**
- 7.3 Specimen Letters**

## **INTRODUCTION :**

The capital of a company is raised by issuing shares or debentures to the public. The share capital is the owned capital while Debenture Capital is the borrowed capital of a company.

Debenture is an acknowledgement of a debt. Debenture capital is a borrowed capital of a company. Debentureholder is a creditor of the company. Compared to equity shares Debenture is considered as safe and secured capital. Debentures are issued for a specific period and it carries fixed rate of interest as a return on investment in debentures.

The Secretary has to communicate the decisions of the management and other information to the Debentureholders by conducting correspondence. He should be very cautious and careful while corresponding with debentureholders of the company.

Certificate of Debenture should be issued within a period of 6 months from the date of allotment of debentures.

A Company cannot issue debentures to more than 500 people without appointing a Debenture Trustee.

## **7.1 PRECAUTIONS TO BE TAKEN BY THE SECRETARY WHILE CORRESPONDING WITH DEBENTUREHOLDERS :**

The following precautions are to be kept in mind by the Secretary while corresponding with the debentureholders -

- 1. Politeness (Courtesy) :** Being the creditors, due respect should be given to the debentureholder in secretarial correspondence. The tone of language in the letter should be courteous. Rude and harsh language should be strictly avoided.
- 2. Prompt Response :** The Secretary should promptly reply and respond to the queries and complaints of the debentureholders without any delay.
- 3. Legal provisions :** The Secretary should follow the statutory provisions of the Companies Act, 2013 and other relevant laws while corresponding with debentureholders. Secretary should be cautious and careful while corresponding with debentureholders on legal matters.
- 4. Transparency :** To maintain greater transparency with debentureholders, it is necessary to disclose all correct and accurate information of the company, credit rating of the company, true and real facts of companies affairs, etc. in correspondence.

5. **Conciseness** : The letter to the debentureholders should be concise i.e. brief, short and to the point. Un-necessary and irrelevant information must be avoided.
6. **Precise Information** : The Secretary should provide precise and up to date information to the debentureholders. The information must be factual and true.
7. **Secrecy** : As a confidential officer of the company, secretary should not disclose any important and secret information related to the company while corresponding with debentureholders.
8. **Image and Goodwill of the company** : While corresponding with debentureholders, the Secretary should always try to maintain goodwill and create a good image of the company in the mind of debentureholders.

## 7.2 CIRCUMSTANCES UNDER WHICH A SECRETARY HAS TO ENTER INTO CORRESPONDENCE WITH DEBENTUREHOLDERS :

The following are the few circumstances under which the Secretary enters into correspondence with the debentureholders :

1. Informing the applicant about allotment of debentures.
2. Informing about Payment of Interest though :
  - a) Interest Warrant
  - b) Electronic Payment of Interest
3. Letter for conversion of debentures into equity shares.
4. Letter for redemption of debentures.

### 7.3 SPECIMEN LETTERS

- 1. Letter of Allotment of Debentures :** When a company allots debentures to the applicant, Letter of allotment of debentures is sent to the debentureholders. This letter of allotment is to be preserved by the debentureholder as he gets Debenture Certificate in exchange of this letter.

This letter contains the details of issue of debentures i.e : Number of debentures applied for, Number of debentures allotted, Distinctive numbers of debentures, Amount received, Types of debentures, Rate of Interest, Maturity date, etc.

#### **DISHA INDUSTRIES LIMITED**

Registered Office : 45/A, Maharaja complex, Panchvati Karanja Road,  
Nashik - 422 003.

CIN : L56002 MH 2000 PLC403633

Phone : 422-09645262

Fax : 422-69876500

Ref. No. D/DH/18/19-20

Website : [www.dishalimited.com](http://www.dishalimited.com)

E-mail : [disha5@gmail.com](mailto:disha5@gmail.com)

Date : 20<sup>th</sup> May, 2019.

Mr. Vijay Mittal

230, Dwarka Karanja Road,

Nashik - 422 036.

#### **Sub. : Allotment of Debentures**

Dear Sir,

In response to your application No. DI8013 dated 30th April, 2019, I am directed by the Board of Directors to inform you that, you have been allotted 100, **10% Non-convertible secured** debentures of ₹100/- each. The tenure of debentures is **5 years**.

These debentures are allotted to you as per the Board Resolution passed at the Board Meeting held on 16<sup>th</sup> May, 2019 and as per terms and conditions of Articles of Association of the company and Debenture Trust Deed.

The Details of Allotment of Debentures are as follows :

1	2	3	4		5
Folio No.	No. of Debentures Applied	No. of Debentures Allotted	Distinctive Numbers		Amount Received (₹)
			From	To	
D - 90	100	100	301	400	₹ 10,000

The Debenture Certificate is enclosed herewith.

Thanking you,

Yours faithfully,  
For Disha Industries Limited.

Sign.  
Mr. Avinash Natu  
Company Secretary

**Encl :-** Debenture Certificate

**2. Payment of Interest :** Debenture Capital is a Loan or borrowed capital of a company. Debentureholders are the creditors and get fixed rate of interest as a return on their investment in debentures. Interest is a debt. It does not depend upon profits.

Company pays interest through Interest Warrant sent along with this letter. This letter contains details such as No. of debentures, Distinctive numbers, Gross amount of interest payable, TDS deducted, Net amount of interest payable etc.

Board Resolution is required for the payment of interest on debentures.

The company pays interest through - a) Interest Warrant b) Electronically

**A. Interest Warrant :** Payment of Interest through Interest Warrant.

### **ROLTA INDIA LIMITED**

Registered Office : Rolta Tower, 'B' wing, Rolta Technology park,  
MIDC, Andheri (W), Mumbai - 400 053.

CIN : L74999 MH 1989 PLC052384

Phone : 022-26205555

Website : [www.roltalimited.com](http://www.roltalimited.com)

Fax : 022-10206431

E-mail : [rolta31@gmail.com](mailto:rolta31@gmail.com)

Ref. R/DH/07/19-20

Date : 10<sup>th</sup> June, 2019

Mrs. Diya Saluja

Aditi Appartment, M.G. Road,

Mira Road (E), Mumbai - 401 107.

#### **Sub. : Payment of interest on debentures.**

Dear Madam,

I am directed to inform you that, the Board of Directors has passed a resolution in the Board meeting held on 05<sup>th</sup> June, 2019 regarding payment of interest on your 100, 10% Non-convertible debentures of ₹ 100/- each.

The details of payment of interest payable to you are as follows :

1	2	3		4	5	6	7
Folio No.	No. of Debentures	Distinctive Numbers		Gross Amt. of Interest	T. D. S. (10% On Interest)	Net Amt. of Interest (₹)	Interest Warrant No.
		From	To				
C - 240	100	601	700	₹ 1,000	NIL	₹ 1,000	IW 9646

The Interest warrant is enclosed herewith. Please detach the Interest Warrant along the perforated line.

Thanking you,

Yours faithfully,  
For Rolta India Limited.

Sign.  
(Mrs. Simran Unecha)  
Company Secretary

**Encl :-** Interest Warrant

**B. Electronic Payment of Interest :** Payment through Electronic mode (ECS, NEFT etc.)

**BALAJI STEEL LTD.**

Registered Office : Sr. No. 78, Plot No. 48, Balaji Tower,  
Mall Road, Pune - 411 038.

CIN : L54430 MH 1999 PLC300477

Phone : 020-20106552

Fax : 020-30205441

Ref. B/DH/30/19-20

Website : www.balajisteelltd.com

E-mail : balaji30@gmail.com

Date : 12<sup>th</sup> March, 2019

Mrs. Amruta Dixit  
30/20, Left Bhusari Colony,  
Kothrud Depot,  
Pune - 411 038.

**Sub. : Payment of Interest on Debentures  
Electronically through ECS or NEFT.**

Dear Madam,

I am instructed by the Board of Directors to convey to you that, the Board has passed a resolution in the Board meeting held on 10<sup>th</sup> March, 2019 finalizing to pay interest @ 10% on Redeemable Debentures of ₹ 100/- each for the year ending 31st March, 2019.

Your company has complied with all the provisions relating to payment of interest on debentures.

Details of Interest payable to you are as follows :

1	2	3		4	5	6
Register No. `	No. of Debentures	Distinctive Numbers		Gross Amt. of Interest (₹)	T. D. S. (10%)	Net Amt. of Interest (₹)
		From	To			
C - 440	100	601	700	₹ 1,000	NIL	₹ 1,000

Interest will be paid by electronic transfer i.e. by crediting the said interest to your bank account, as per details provided by you to the company.

Thanking you,

Yours faithfully,  
For Balaji Steel Ltd.

Sign.  
(Mr. Nikhil Dixit)  
Company Secretary

**3. Conversion of Debentures :** Convertible Debentures are the debentures which are converted into equity shares on the expiry of specified period and at a specified rate mentioned in the terms of issue. After receiving Letter of Option, the secretary sends letter informing the debentureholders that the debentures are converted into equity shares. It also states that the share certificate will be issued to them in due course or it may be sent along with this letter.

Company has to get approval of shareholders by passing special resolution at the Extra Ordinary General Meeting for conversion of debentures into equity shares. After receiving the approval, the company sends letter of conversion of debentures to debentureholder.

### KRISHNA ELECTRONICS LIMITED

Registered Office : 10, Krishna sadan, Shivaji Chowk,

Solapur - 413 001.

CIN : L53888 MH 1987 PLC042262

Phone : 024-97463402

Fax : 024-96429201

Ref. K/DH/31/19-20

Website : [www.krishnaelectronicsLtd.com](http://www.krishnaelectronicsLtd.com)

E-mail : [krishna30@gmail.com](mailto:krishna30@gmail.com)

Date : 5<sup>th</sup> June, 2019

Mr. Mahesh Malpani  
20, Balaji Complex,  
Laxmi Road,  
Solapur - 413 018.

#### Sub. : Conversion of Debentures into Equity Shares

Dear Sir,

I am directed to inform you that in accordance with the terms decided at the time of issue of 1,00,000, 10% fully convertible debentures, the debentures are due for conversion.

In accordance with the above, a Special Resolution was passed by the shareholders in the Extra - Ordinary General Meeting held on 25<sup>th</sup> May, 2019 for approval of conversion of debentures into equity shares in the ratio of 2 : 1. As per your Letter of Option you have been allotted 50 Equity shares in lieu of 100 Debentures.

Details of your holding after conversion are as follows :

1	2	3	4		5
Folio No.	No. of Debentures held	No. of Equity Shares Issued	Distinctive Numbers		Share Certificate No.
			From	To	
465	100	50	501	550	2219

Duly signed and executed share certificate is enclosed herewith.

Debenture Certificate will be null and void w.e.f. 25<sup>th</sup> May, 2019.

Thanking you,

Yours faithfully,  
For Krishna Electronics Ltd.

Sign.  
(Mr. Nitin Saraf)  
Company Secretary

**Encl :-** Share Certificate



**4. Redemption of Debentures :** Letter of Redemption of debentures is issued to the debentureholders whose debentures are to be redeemed after the specified period.

A Debenture Redemption Reserve Fund (DRRF) is created by the company for the purpose of redemption of debentures.

Debenture Redemption form is sent along with this letter. This form and necessary documents have to be submitted by the debentureholders to the company, for further procedure of redemption.

This letter informs the debentureholders that their debentures have become due for redemption.

**SWASTIK MARBLE LIMITED**

Registered Office : 30/C, Aachal Towers, Swastik Bhavan, Camp,  
Pune - 411 001.

CIN : L34508 MH 2011 PLC311299

Phone : 020-23467011

Fax : 020-23466022

Ref. S/DH/13/19-20

Website : [www.swastikmarbleltd.com](http://www.swastikmarbleltd.com)

E-mail : [swastik30@gmail.com](mailto:swastik30@gmail.com)

Date : 10<sup>th</sup> October, 2019

Mrs. Asmita Malpani  
25, Narayan Peth,  
Amruta Apartment,  
Pune - 411 030.

**Sub. : Redemption of Debentures.**

Dear Madam,

This is to inform you that 100000, 10% Non-convertible Debentures issued in May, 2014 are due for redemption on 12<sup>th</sup> November, 2019. According to the Board Resolution No. 3462, passed at the Board Meeting held on 8<sup>th</sup> October, 2019, Debentures shall be redeemed out of 'Debenture Redemption Reserve Fund' of the company.

Please arrange to submit enclosed 'Debenture Redemption Form' along with the original Debenture Certificate to the company, on or before 3<sup>rd</sup> November, 2019.

On completion of the above formalities, the redemption amount will be credited to your bank account.

You are requested to provide us your Bank Account details.

Thanking you,

Yours faithfully,  
For Swastik Marble Limited,

Sign.  
(Mrs. Usha Surti)  
Company Secretary

**Encl :-** Debenture Redemption Form



## SUMMARY

- Debenture is a borrowed capital of the company. Debentureholder is creditor of the company. They receive interest as return on investment. They have less risk as they get back their capital prior to shareholders in case of winding up of the company. Debentures may be secured by creating a charge over the assets of the company.
- The Secretary has to correspond with debentureholders under special circumstances, such as - Allotment of debentures, payment of interest through Interest Warrant or electronically, conversion of debentures into equity shares, redemption of debentures etc.
- Various points like politeness, prompt response, compliance with the legal provisions, transparency, conciseness etc. to be considered by the Secretary while corresponding with the debentureholders.

## EXERCISE

**Q.1 A) Select the correct answer from the options given below and rewrite the statements.**

1. Debenture capital is a ..... capital of a company.  
a) borrowed                                      b) owned                                      c) permanent
2. Debentureholders are ..... of the company.  
a) Owners                                      b) Creditors                                      c) Debtors
3. Borrowed Capital is provided to the company by .....  
a) Equity shareholder                      b) Debentureholder                      c) Preference shareholder
4. Interest on Registered Debentures is given through .....  
a) Interest coupons                      b) Interest warrant                      c) Refund order
5. .... are the creditors of the company.  
a) Shareholders                      b) Debentureholders                      c) Directors
6. Bearer Debentureholders get interest through .....  
a) Interest Warrants                      b) Refund orders                      c) Interest coupons
7. Return of income on debentures is ..... at fixed rate.  
a) Dividend                      b) Loan                      c) Interest
8. .... is an acknowledgement of debt issued by the company under common seal.  
a) Debentures                      b) Shares                      c) Reserve
9. Debentures repayable after a certain period are ..... debentures.  
a) Convertible                      b) Registered                      c) Redeemable
10. The rate of interest payable on debentures is .....  
a) uncertain                      b) floating                      c) fixed





11. Debentureholders receive ..... certificate from the company.  
a) Share                                      b) Bond                                      c) Debenture
12. Interest warrants are sent to ..... of the company.  
a) Shareholders                              b) Debentureholders                      c) Owners

**B) Match the pairs.**

Group 'A'		Group 'B'	
a)	Debentureholder	1)	Borrowed Capital
b)	Interest on Registered Debentures	2)	Interest coupons
c)	Convertible Debentures	3)	Evidence of Loan
d)	Debenture Certificate	4)	Safe and secured investment
e)	Investment in Debentures	5)	Interest warrant
f)	Redeemable Debentures	6)	Conversion into Debentures
g)	Debentures	7)	Risky investment
		8)	Evidence of shares
		9)	Creditor
		10)	Conversion into equity shares
		11)	Redeemed after fixed period
		12)	Redeemed at winding up of company
		13)	Owner
		14)	Owned Capital

**C) Write a word or a term or a phrase which can substitute each of the following statements.**

1. Return on investment in debentures.
2. Documentary evidence of holding the debentures.
3. Status of debentureholders.
4. Debentures which can be converted into equity shares.
5. The person who purchases debentures of the company.
6. An acknowledgement of debt issued by the company under its common seal.
7. Debentures whose details are mentioned in the Register of debentureholders.

**D) State whether the following statements are true or false.**

1. Debentureholders get regular dividend.
2. Debenture is a loan capital of the company.
3. Convertible Debentures can be converted into equity shares.
4. Interest on debentures is paid notwithstanding the volume of profit.
5. Debentureholders enjoy full membership rights of the company.
6. Dividend warrants are used to pay interest to the debentureholders.
7. All types of debentures are eligible for conversion into equity shares.
8. Debentures are never redeemed by the company.
9. Debentureholders are the owners of the company.
10. Debentures are always fully paid-up.

**E) Find the odd one.**

1. Depository, Interest, Dividend
2. Interest warrant, Dividend Warrant, Demat
3. Debentureholder, Shareholder, Dematerialisation
4. Debentureholder, Shareholder, SEBI

**F) Complete the sentences.**

1. Debentureholder is a ..... of the company.
2. Company issues ..... certificate to the debentureholder after allotment of debentures.
3. Debentureholder gets ..... at fixed rate as a return or income.
4. In case of Registered Debentures, Interest ..... are used to pay interest.
5. The ..... has to correspond with debentureholders on important occasions.
6. The person who purchases the debentures of a company is called .....
7. Interest does not depend upon ..... of the company.
8. Company cannot issue debentures with ..... rights.
9. Debenture certificate should be issued within a period of ..... months, from the date of allotment of debentures.
10. A company cannot issue debentures to more than 500 people without appointing a .....
11. The power to issue debentures has been vested with the .....

**G) Select the correct option from the bracket.**

Group 'A'		Group 'B'	
a)	Return on Debentures	1)	.....
b)	Debenture certificate	2)	.....
c)	.....	3)	Debentureholders
d)	.....	4)	Debenture
e)	.....	5)	Power to issue debentures

( Debt capital, Board of Directors, Creditors, Issued within 6 months, Interest )

**H) Answer in one sentence.**

1. Who is debentureholder ?
2. What is the income of debentureholder ?
3. What is debenture ?
4. What is convertible debentures ?
5. Who takes decision to allot the debentures ?
6. Which form is enclosed alongwith the letter of redemption of debentures ?
7. Which certificate will be issued after allotment of debentures ?

**I) Correct the underlined word/s and rewrite the following sentences.**

1. The person who purchases debentures of the company is called shareholder.
2. Debentureholders get regular dividend at fixed rate.
3. A Share Certificate must be issued after allotment of debentures.
4. A Debenture Redemption Reserve Fund is created by the company for the redemption of Shares.
5. A Demat Request Form is sent alongwith the letter of Redemption of Debentures.
6. A company must issue Debenture Certificate within 8 months of allotment of debentures.

**J) Arrange in proper order.**

1. a) Board Resolution  
b) Allotment of Debentures  
c) Board meeting
2. a) Interest warrant  
b) Allotment of Debentures  
c) Board meeting



**Q.2 Explain the following terms/concepts.**

1. Debentures
2. Debentureholder
3. Interest on Debentures
4. Redemption of debentures
5. Conversion of Debentures
6. Interest warrant
7. Conciseness
8. Precise information
9. Courtesy
10. Debenture certificate

**Q.3 Answer in brief.**

1. Which are the precautions to be taken by the Secretary while corresponding with debentureholders ?
2. What are the circumstances under which correspondence can be made with debentureholders ?

**Q.4 Justify the following statements.**

1. The company secretary should take certain precautions while corresponding with debentureholders.
2. There are certain circumstances when a secretary has to correspond with debentureholders.

**Q.5 Attempt the following.**

1. Draft a letter of allotment to debentureholder.
2. Write a letter to the debentureholder regarding payment of interest through Interest Warrant.
3. Draft a letter to debentureholder informing him about redemption of debentures.
4. Write a letter to debentureholder informing him about conversion of debentures into equity shares.
5. Write a letter to the debentureholder regarding payment of interest electronically.

