

EID Parry Limited

TREASURY DEPARTMENT – COMMERCIAL PAPER PROCESS

Version:	3
Created on:	Aug - 21
Reviewed on:	Apr - 22
No of Pages:	12
Creator:	Senthil Kumar D
Authorizer:	Sridhar



Contents

1. Meaning of Commercial Paper	2
2. Objectives & Scope	2
3. Requisites for issuance of Commercial Paper	2
4. Parties Involved	3
5. Flow of CP	4
6. Detailed CP Process.....	6
7. Documents Involved.....	11
8. Accounting Entries	12

EID Parry Limited

TREASURY DEPARTMENT – COMMERCIAL PAPER PROCESS

Version:	
Created on:	
Reviewed on:	
No of Pages:	
Creator:	
Authorizer:	

1. Meaning of Commercial Paper

Commercial paper is a commonly used unsecured, short-term debt instrument issued by corporates. It is used for the financing of payroll, accounts payable, inventories and meeting other short-term liabilities. Commercial paper is usually issued at a discount from face value and reflects prevailing market interest rates. CPs are issued in the form of Usance Promissory Note (UPN) and it needs to be held in Demat mode only.

2. Objectives & Scope

Easy understanding of The Process of Commercial paper from Issuance, Accounting and repayment to Beneficiary in a step by step process.

3. Requisites for issuance of Commercial Paper

- a. All fund-based facility(ies) availed of from bank(s) and/or financial institutions should be classified as standard asset by the financing banks/institutions at the time of issue.
- b. Issuers who have defaulted on a CP shall not be allowed to access the CP market for six months from the date of repayment of the defaulted obligation.
- c. The amounts sought to be raised under the CP should be within the limits approved by Board of directors of the issuer or within the ceiling stipulated by Credit Rating Agency whichever is lower.
- d. CP can be issued for a period not less than 7 days and not exceeding one year from the date of issue.
- e. A CP shall be issued in the form of a promissory note and held in a dematerialized form through any of the depositories approved by and registered with SEBI.
- f. Minimum denomination for CP will be Rs.5 lac, and multiples thereof.
- g. Redemption date of a CP should be a Mumbai business day.

EID Parry Limited

TREASURY DEPARTMENT – COMMERCIAL PAPER PROCESS

Version:

Created on:

Reviewed on:

No of Pages:

Creator:

Authorizer:

4. Parties Involved

Issuer: Company which raises funds in the Financial market to meet its short term obligations. (EID)

Investor: Individuals, banking companies, other corporate bodies (registered or incorporated in India) and unincorporated bodies, non-resident Indians (NRIs) and foreign institutional investors (FIIs) who subscribes for the Commercial Paper. No person can invest in CPs issued by related parties either in the primary or secondary market.

IPA: Any scheduled bank can act as an IPA (Issuing and Paying Agent.) IPA should have an exclusive "CP Funds Account" for each issuer and "CP Securities Account" for the purpose of facilitating CP Buyback. (HDFC)

RTA: Registrar and Transfer agents (RTA) keep records of who owns a company's stocks and bonds and how those stocks and bonds are held. They primarily facilitate between the company and Depository. (CAMEO)

Depository: Depositories are institutions which hold your securities in electronic form in DEMAT account. Depositories are mainly responsible and accountable for safe-keeping of your securities and keep a record of all your trades. (CDSL/NSDL)

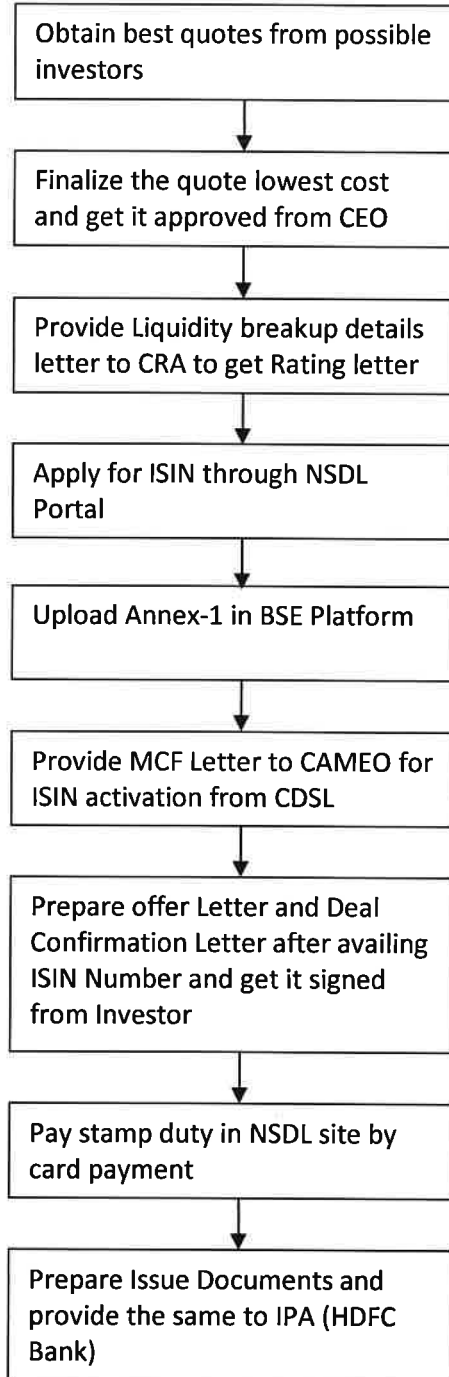
CRA: Credit Rating is the analysis of the possible credit risks associated with granting a financial instrument to an individual or a company. The rating is provided based on the creditworthiness and the credentials of an individual or a company. The creditworthiness of an individual or a company is decided based on the lending and borrowing transactions done in the past. Credit rating is determined after weighing the statements of liabilities and assets, and their ability to meet the debt obligations. (CRISIL)

EID Parry Limited

TREASURY DEPARTMENT – COMMERCIAL PAPER PROCESS

Version:	
Created on:	
Reviewed on:	
No of Pages:	
Creator:	
Authorizer:	

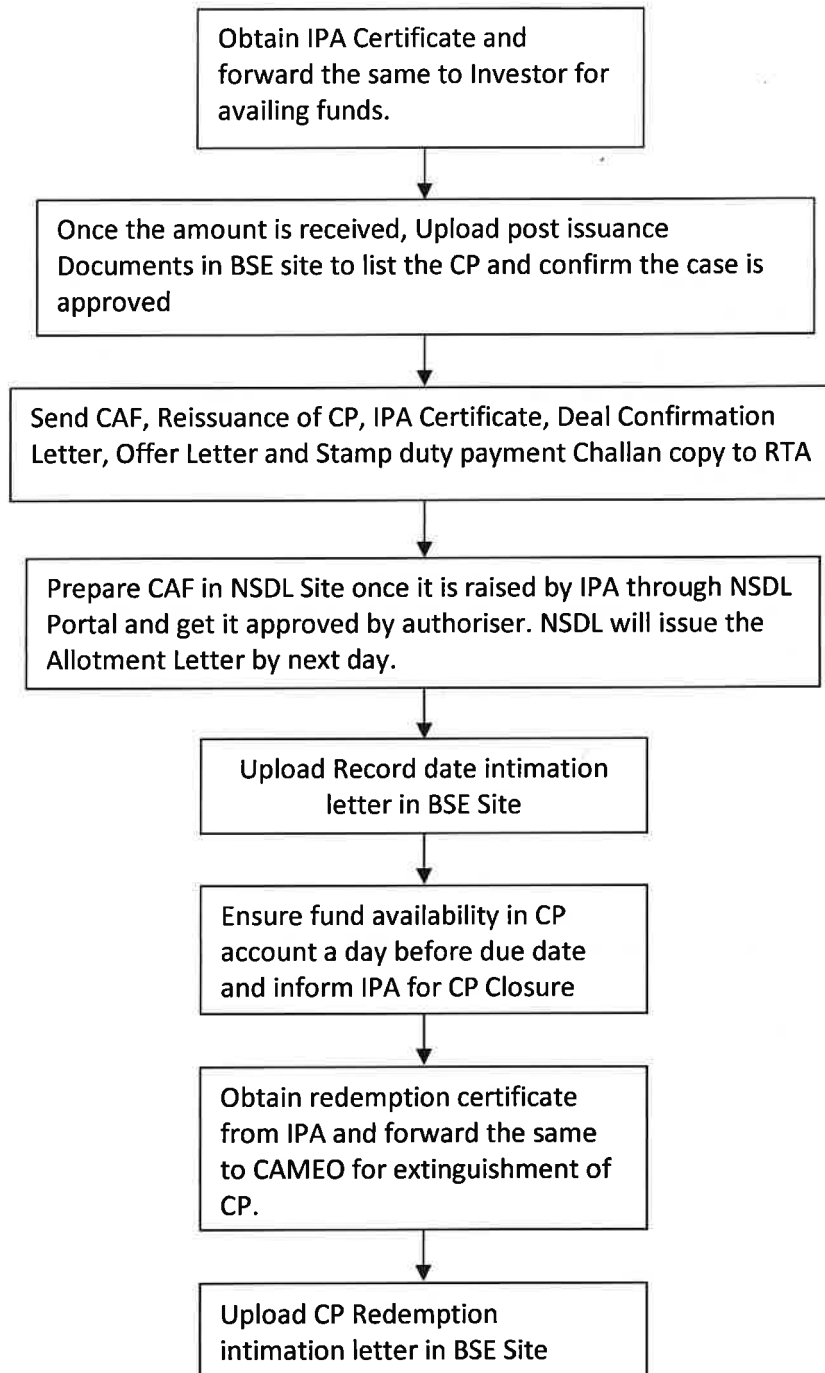
5. Flow of CP



EID Parry Limited

TREASURY DEPARTMENT – COMMERCIAL PAPER PROCESS

Version:	
Created on:	
Reviewed on:	
No of Pages:	
Creator:	
Authorizer:	



EID Parry Limited

TREASURY DEPARTMENT – COMMERCIAL PAPER PROCESS

Version:	
Created on:	
Reviewed on:	
No of Pages:	
Creator:	
Authorizer:	

6. Detailed CP Process

1. Obtain quotes from investors / Subscribers

- a) Mail Terms of Commercial paper (CP) to all investors / Subscribers (i.e, CP value, Tenor of CP, value date, maturity date etc.,)
- b) Request investors / Subscribers to provide best quotes for the proposed CP Issue
- c) Negotiate further with all the investors / Subscribers including L1 to take further mileage

2. CFO/Competent Authority approval as per BR

- a) Calculate the total cost involved for the CP. Compare it with the WCDL cost. Proceed further if the CP cost is less than WCDL or other ST funding option.
- b) Prepare a note and take approval from CEO for issuing Commercial paper & related expenses (Explain cost benefit analysis)

3. Revalidation of Credit rating by credit rating agency

- a) Fill Liquidity backup form.
- b) To be signed by any two authorized signatories' (i.e., CFO, AVP, CS, GMF)
- c) Scan and mail the liquidity back form to CRISIL for revalidation of credit rating
- d) Simultaneously courier the hard copy of Liquidity backup form to CRISIL
- e) **Hard copy of Revalidated credit rating by CRA is MUST – to be submitted to IPA**
- f) CRISIL will courier the hard copy of Revalidated credit rating letter through DHL courier and also mail the scan copy of the same
- g) Revalidated credit rating letter / Courier will be addressed to CFO

4. ISIN Activation in NSDL

- a) Login <https://eservices.nsdl.com/Auth/#/>
- b) Fill in Master Creation Form online in ISIN Tab
- c) Get it authorised by any two of the authorized signatories (i.e. CFO, CEO, CS, AVP, GMF)
- d) Once authorised it will move to NSDL for ISIN Activation
- e) Once NSDL activate the ISIN, it will issue NSDL – ISIN Activation letter mentioning ISIN number

EID Parry Limited

TREASURY DEPARTMENT – COMMERCIAL PAPER PROCESS

Version:

Created on:

Reviewed on:

No of Pages:

Creator:

Authorizer:

5. BSE Bond Platform

- a) Unique name to be given for every CP issue / Annexure 1 file, which may be combination of Company Name, rate of Interest, subscriber name, Month of issue, date of issue and Maturity etc., (E.g. EID FEB 5.80 25022020)
- b) Prepare Annexure – 1 (Letter head)
- c) List of Documents for Upload –
 1. CS signed Annexure-1,
 2. BR for CP Issuance,
 3. Certified true copy of Corporate Guarantee give if any,
 4. Last three years Balance Sheet, PL and Cash Flow.
- d) All Documents need to be sealed and signed by CS with certified true copy seal.
- e) Affix round seal of company All page of Annexures / Applications and it has to be signed by company secretary
- f) Scan the Annexure 1 in Machine readable form (Searchable PDF)
- g) Upload Annexure 1 in BSE bond Platform.
- h) URL for BSE Bond platform: <https://bond.bseindia.com>
- i) **USER ID: **** and PW: *******
- j) OTP will come to registered mobile No:
- k) Enter the OTP and navigate. Path – Admin – Disclosure document for CP

6. ISIN Activation in CDSL

- a) Fill Master Creation Form (MCF)
- b) **Mention ISIN number allotted by NSDL in MCF of CDSL**
- c) Take print out in company letter head
- d) Obtain signature from any one authorized person (i.e. CFO, CEO, CS, AVP T&A, GMF, AVP P&S)
- e) Scan the MCF and mailed to CAMEO & CDSL
- f) Once CDSL activate the ISIN, it will issue CDSL – ISIN Activation letter

7. Raise SSN to meet the expenses of issue of CP

- a) BSE Listing fees: Rs.10,000 plus GST 18% for up to Rs.200 Crore CP, TDS 10% on base value of Rs.10,000 to be deducted (i.e., TDS = Rs.1,000) before remittance of fees in favour of BSE listing centre. - Pay through NEFT once ISIN Number Received. The Payment Ref No need to be mentioned in BSE Site while listing CP.
- b) SEBI Listing Fees INR 5,000 without GST per issuance
- c) Special Processing fees of Rs.2,950/ (Inclusive of GST) for corporate action in NSDL
- d) CDSL listing fees of Rs.10,000 (Yearly)

EID Parry Limited

TREASURY DEPARTMENT – COMMERCIAL PAPER PROCESS

Version:	
Created on:	
Reviewed on:	
No of Pages:	
Creator:	
Authorizer:	

8. Offer Letter and Deal Confirmation Letter

- a) Prepare Offer letter and Deal confirmation letter. Get it signed by two of the EID authorized person (i.e. CFO, CEO, CS, AVP T&A, GMF, AVP P&S)
- b) Mail the scan copy of signed Offer letter (all the 3 Pages) and deal confirmation letter to the Investor/Subscriber and obtain Investor accepted scan copy of deal confirmation letter. (Seal of the Investor is must).
- c) **Take the printout of Deal confirmation letter signed by the subscriber and once again take seal and sign of two of the authorized persons of EID.**

9. E Stamp Payment through NSDL

- a) Make online payment for stamp charges through NSDL.
- b) Go to NSDL Stamp Charges web page. (https://www.nsdl.co.in/stampduty_calculator.php)
- c) Select Type as "Issuer"
- d) Select Type of Corporate action as "CP Allotment"
- e) Fill in Qty and Face value. CP Value and Stamp Chgs will be calculated automatically.
- f) After fill-in all details select pay Stamp duty. The screen will move to next page.
- g) Select "You are a Issuer"
- h) Fill in the Issuer ID as "614A" and select "click here". Issuer name will be automatically taken as EID by the system.
- i) Fill-in phone No, Email ID and amount and select make payment.
- j) Make the payment and take a screenshot of payment paid.

10. Preparation and submission of Issue documents to IPA

- a) Prepare below mentioned issue documents and get it signed by authorised signatories (All in Letter head).
 - i. Covering Letter, Deal Confirmation Letter and Offer Letter.
 - ii. Declarations
 - iii. DPN (in Bond Sheet) to be affixed with two revenue stamps and Get it signed by authorised signatories
- b) Submit above documents to IPA along with Original Credit Rating Letter and Subscriber accepted Deal confirmation letter.
- c) Need to Ensure that all documents given to IPA at least one day before the value date /Funding date.

11. Obtain IPA Certificate to enable Funding from Investor

- a) Follow up with IPA for any correction in Documents.
- b) Once all is through, Obtain IPA certificate from IPA (Soft Copy)
- c) Forward the IPA certificate to Investor for enabling the fund transfer.
- d) Check the CP account in HDFC bank statement and ensure that fund has been received before 12.00 PM of the value date (Because listing process to be completed before 3.00 PM of the same of the day).

EID Parry Limited

TREASURY DEPARTMENT – COMMERCIAL PAPER PROCESS

Version:	
Created on:	
Reviewed on:	
No of Pages:	
Creator:	
Authorizer:	

12. Preparation of Corporate Action Form

- a) Once HDFC initiates IPA Certificate in online. NSDL initiates CAF in NSDL Portal
- b) Login <https://eservices.nsd.com/Auth/#/>
- c) Prepare Corporate Action Form in NSDL site under Commercial Paper Tab
- d) Get it authorised by any two of the authorized signatories (i.e. CFO, CEO, CS, AVP, GMF)
- e) Once authorised it will move to CAMEO for completion
- f) Ensure Corporate action has been completed by CAMEO
- g) For a backup purpose Forward IPA certificate to R&T Agent - CAMEO along with CAF, Reissuance of CP, signed copy of Offer letter, Deal confirmation letter, Stamp duty payment copy and Investor Particulars in excel.

13. Listing of CP in BSE listing Centre

- a) Once fund is received, Before 3.00 PM on the same day (i.e., Value date), CP should be listed in the BSE listing Centre.
- b) List of Documents to be prepared.
 1. Annex-1
 2. Listing Agreement / Information about the Company and Securities
 3. Copy of CP Borrowing Power Board Resolution
 4. Copy of Shareholders resolution authorizing the issuer to borrow through issuance of CPs
 5. List of Investors Letter
 6. Copy of Credit Rating Letter
 7. Scores ID Letter
 8. Copy of Deal Confirmation Letter
 9. Record Date Letter, Fraudulent Declaration, BSE Annex I Declaration, ISIN Activation Letter of CDSL & NSDL and Payment made details.
- c) All Copy documents i.e., Board resolutions, CRA Letter, Deal Confirmation Letter, NSDL & CDSL ISIN Activation letter, to be certified by Company secretary.
- d) Affix round seal of company All page of Annexures / Applications and it has to be signed by company secretary.
- e) Scan the Documents in Machine Readable Format (PDF).
- f) Go to URL : <https://listing.bseindia.com>
- g) USER ID: *** and PW: ****
- h) OTP will come to registered mobile No:
- i) Enter the OTP and navigate to Path – Listing Module – Issue type – Commercial paper, Sub process – Commercial paper. Submit

14. On CP Redemption

- a) Ensure the Fund is available in HDFC CP bank Account One day before due date and Inform IPA to appropriate the fund on due date.
- b) Once the fund is deducted by IPA follow up with them to Collect CP Redemption certificate on the same day.
- c) Send the copy of CP redemption certificate to RTA (CAMEO) for CP extinguishment.
- d) Get a confirmation from RTA that the CP has been extinguished.
- e) Intimate the same to BSE through Corporate announcement tab.

EID Parry Limited

TREASURY DEPARTMENT – COMMERCIAL PAPER PROCESS

Version:	
Created on:	
Reviewed on:	
No of Pages:	
Creator:	
Authorizer:	

EID Parry Limited

TREASURY DEPARTMENT – COMMERCIAL PAPER PROCESS

Version:	
Created on:	
Reviewed on:	
No of Pages:	
Creator:	
Authorizer:	

7. Documents Involved

Pre-requisites:

1. For CRA Revalidation of Credit rating - **Liquidity Backup Letter**
2. MCF Form for CDSL for ISIN Activation
3. Issue Documents – Offer Letter, Deal Confirmation, Declarations and DPN.
4. Annexure 1 for CP Listing – **Pre Issuance**

On Issuance

Kindly add Hyperlink for below related file here

1. CAF & Reissuance of CP
2. BSE Listing Documents
3. CP Redemption Documents

Certificates from III party:

1. CRA Rating Letter
2. ISIN Activation Letter
3. IPA Certificate
4. NSDL Allotment Letter
5. CP Redemption Certificate

EID Parry Limited

TREASURY DEPARTMENT – COMMERCIAL PAPER PROCESS

Version:	
Created on:	
Reviewed on:	
No of Pages:	
Creator:	
Authorizer:	

8. Accounting Entries

Its general scheme of entry, pls modify, if we are using any other options.

On CP Availing:

HDFC Bank CP Account A/c Dr	XXXX	
Unsecured Commercial Paper Cr		XXXX

Interest Cost:

Prepaid A/c Dr	XXXX	
Unsecured Commercial Paper Cr		XXXX

On CP Repayment:

Unsecured Commercial Paper Dr	XXXX	
HDFC Bank CP Account A/c Cr		XXXX

Interest Cost:

Interest Charges Dr	XXXX	
Prepaid A/c Cr		XXXX