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Unnati ZCZP Bonds

Why in news?

Social stock exchange sees 1st listing with Unnati Foundation 1st entity in December 2023.

What are Social Stock Exchanges (SSE)?

- A **separate segment of the existing Stock Exchange** that can help social enterprise's to raise funds from public through the stock exchange mechanism.
- It will act as a medium between Social Enterprises and fund providers.
- SEBI had permitted social enterprises registered on these exchanges to raise funds through zero coupon zero principal bonds (ZCZP) in 2022.

What is a ZCZP instruments?

- **ZCZP** - Zero Coupon Zero Principle are financial instrument that are included in the list of **securities under Securities Contracts (Regulation) Act, 1956**.
- They do **not give any interest**, and investors will **not get any money back** on the maturity of the bond.

Debt Security (Bond)	ZCZP instrument
It is like a loan.	It is not a loan but a donation.
It makes interest payments and the principal when the bond matures.	It doesn't makes interest payments and the principal on maturity.

- **Eligibility criteria for issuance** - **Only by NPO** that are registered with Social Stock Exchange (SSE).
- ZCZP can only be issued for a specific project with specific tenure.
- The project must fall under the list of eligible activities under SEBI (ICDR) Regulations, 2018.
- **Issuance** - They are issued **through private placement or public issuance**.
 - Minimum issue size - Rs. 50 Lakh (originally Rs.1 crore)
 - Minimum application size - Rs.10, 000 (originally Rs.2 lakh)
 - Minimum subscription required - 75% of the funds proposed
- **Trade** - They shall be issued in **dematerialized form only**.
- They are **not available for trading in the secondary market**, but they can be transferred to legal heirs.
- **Maturity** - It will mature when the project for which they are raised terminate, or 12 months from the date of allotment.

What is Unnati ZCZP Bonds?

- **Issuer - SGBS Unnati Foundation, an NPO** formed in November 2011.
 - **Unnati** - Vocational training program for underprivileged and unemployed youth in the age group of 18 to 25 years.
 - **UNXT** - 1 month training programme for final year students at government colleges.
 - **Sugam** - A grassroot entrepreneurship accelerator helping non-urban youth to develop scalable businesses.
- **Need of funds** -To **train up to 10,000 graduating youth** from government colleges in Uttar Pradesh, Madhya Pradesh, Karnataka, Andhra Pradesh and Tamil Nadu to help them secure employment.
 - The youth will be trained for 165 hours (classroom learning and self-learning content on a mobile application).
 - Cost per head for training would be ₹2,000 per youth.
- **Specifics** - It is a **public issue** with face value of ₹1 each of ₹2 crore that will be **listed on the NSE**.

*Unnati ZCZP bond is the **1st such listing on SSE segment in India.***

- This listing will be displayed along with other such future bond issuances on the social stock exchange page on the NSE website.
- It **raised Rs 1.8 crore from 4 investors** and include brokerage firm Zerodha and National Bank for Agriculture and Rural Development (NABARD).

What are the benefits of these ZCZP instruments?

- There are obviously **no pecuniary benefits** from these instruments as it is akin to a donation made to a charity.
- **Greater transparency** - The end use of the funds can also be **monitored** since the enterprises have to **disclose details of money utilised and balance** amount remaining to exchanges.
- **Visibility to the social enterprises** - It helps them to approach the public at regular intervals if they can show good outcomes.

Quick Facts

- **Social enterprises** - Enterprise that are engaging in the activity of creating positive social impact and that meets primacy of their social intent.
 - Not-for-profit organization
 - For profit social enterprise

References

1. [The Hindu Business Line| Unnati ZCZP Bonds](#)
2. [NSE Archives| Zero Coupon Zero Principle Instrument](#)



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