Background and Basics

Q1. What is a Zero Coupon Zero Principal (ZCZP) instrument and how does it relate to CSR?

A ZCZP instrument is a SEBI-regulated security issued by a Not for Profit Organisation (NPO) registered on the Social Stock Exchange (SSE) segment of a recognised stock exchange. It pays no periodic interest (zero coupon) and the principal is not returned to the investor (zero principal) — in effect, the investor's subscription amount is a donation deployed for social purposes, but structured as a listed security.

Rule 4A newly inserted by GSR 415(E) now allows companies to deploy part of their CSR spend by subscribing to ZCZP instruments — integrating capital market infrastructure into the CSR framework for the first time.

***Example: Tata Chemicals Ltd has a CSR obligation of ₹5 crore for FY 2025-26. It may now subscribe to ZCZP bonds issued by "Pratham Education Foundation" (registered on BSE's SSE segment) to the extent of ₹50 lakh (10% cap), and such subscription counts toward its CSR spend*.**

Ref: Rule 2(1)(ha), Rule 2(1)(l) and Rule 4A — GSR 415(E)

Definition

Q2. Who qualifies as the implementing agency — the "Not for Profit Organisation"?

The NPO must satisfy the definition in Regulation 292A(e) of SEBI (ICDR) Regulations, 2018 — broadly, a Section 8 company, a registered trust, or a registered society that is not for profit — and must be registered with the Social Stock Exchange segment of a recognised stock exchange (currently BSE SSE or NSE Emerge SSE). Mere registration as a trust or Section 8 company is insufficient; SSE registration is the gateway.

Example: "Akshaya Patra Foundation" is a Section 8 company registered on BSE's SSE segment. It qualifies as the NPO that may issue ZCZP instruments. A local trust not listed on any SSE does not qualify as an issuing entity under Rule 4A.

Ref: Rule 2(1)(ha) read with SEBI ICDR Reg. 292A(e)

Expenditure cap — the 10% limit (Cap Rule)

Q3. How is the 10% expenditure cap computed — on gross CSR obligation or net actual spend?

The proviso to Rule 4A(1) says the cap is 10% of "total Corporate Social Responsibility expenditure of such company for that financial year." This is total CSR expenditure actually incurred/committed for the year — not merely the 2% statutory obligation. If actual spend exceeds the obligation (carry-forward deployment, etc.), the 10% applies to actual spend.

Statutory CSR obligation ₹4.00 crore	Actual CSR spend (FY) ₹4.50 crore
10% cap base ₹4.50 crore (actual spend)	Max ZCZP subscription ₹45 lakh
Ref: Rule 4A(1) proviso	

Q4. Can a company subscribe to ZCZP instruments of multiple NPOs, subject to the 10% overall cap?

Yes. The cap is aggregate — 10% of total CSR spend across all ZCZP subscriptions that year. A company may split subscriptions across multiple SSE-registered NPOs provided the aggregate does not breach the 10% ceiling.

Example: Infosys Ltd has total CSR spend of ₹300 crore. It may subscribe ₹20 crore to Pratham's ZCZP bonds, ₹5 crore to iCall Foundation's ZCZP bonds, and ₹5 crore to a third NPO — totalling ₹30 crore (exactly 10%). Any further ZCZP subscription in the same FY would breach the cap and could not be counted as CSR expenditure.

Caution: the excess above 10% cannot be carried forward as CSR expenditure or treated as unspent CSR. It would simply be a donation outside the CSR framework.

Ref: Rule 4A(1) proviso

Q5. Does the ZCZP subscription count toward "ongoing project" or "other than ongoing project" in the CSR annual report?

Since the company subscribes to an instrument (not directly executing a project), and since Rule 4A(2) explicitly exempts the company from impact assessment, it is best classified as "CSR expenditure through implementing agency" under Rule 4. The project itself is executed by the NPO. For Form CSR-2 purposes, the subscription date and NPO details should be disclosed under the implementing agency column. Until MCA issues specific guidance on the annual report template, conservative practice is to show it separately.

Ref: Rule 4A(2) and (4); Form CSR-2

Project tenure — 3-year limit on NPOs (Tenure Rule)

Q6. The 3-year project tenure limit — does it apply to the company or the NPO?

Rule 4A(3)(a) imposes the obligation on the NPO (issuer), not the investing company. The NPO must not undertake a project of more than three succeeding financial years from the issue date of the ZCZP instrument. This is a listing/issuance-level constraint that SEBI and the SSE will monitor through the NPO's compliance disclosures.

Example: Pratham issues ZCZP bonds on 1 July 2025. Its project funded by those bonds must be completed by 31 March 2029 (i.e., within FY 2025-26, FY 2026-27, FY 2027-28 — three succeeding financial years from issue). A project earmarked for 4 years would be non-compliant.

Ref: Rule 4A(3)(a)

Q7. What if the ZCZP instrument is listed for only 1 year but the project is intended for 3 years?

The listing tenure and project tenure are distinct. The 3-year cap is on project duration from issue date. The listing may expire earlier. Upon termination of listing — regardless of when it occurs — Rule 4A(3)(b) requires the NPO to transfer any unspent amount to a Schedule VII fund and submit a compliance report to SEBI. Companies should conduct due diligence on the NPO's intended project timeline before subscribing.

Example: iCall Foundation issues ZCZP bonds listed for 18 months. The listing terminates in December 2026. Any unspent subscription proceeds as of that date must be transferred to PM CARES or another

Schedule VII fund, and a compliance report filed with SEBI. The company-subscriber need not take any separate action — the obligation is on the NPO.

Ref: Rule 4A(3)(b)

Implementing agency obligations & Rule 4 applicability

Q8. Which provisions of Rule 4 apply to ZCZP-based CSR implementation and which are excluded?

Rule 4A(4) makes Rule 4 applicable to ZCZP CSR — except sub-rules (5) and (6). The excluded sub-rules relate to: (5) the requirement for a registered legal entity as implementing agency with a 3-year track record, and (6) the requirement for a written agreement between company and implementing agency. These are carved out because the SSE registration framework substitutes for these safeguards.

Rule 4 provisions that apply	Rule 4 provisions excluded
Sub-rules (1)–(4), (7) onwards — board oversight, annual action plan, etc.	Sub-rule (5): 3-year track record Sub-rule (6): CSR agreement requirement
Ref: Rule 4A(4) read with Rule 4(5) and Rule 4(6)	

Implementing agency

Q9. Is a separate CSR agreement required between the company and the NPO for ZCZP subscriptions?

No. Rule 4(6) — which mandates a written agreement with a CSR implementing agency — is explicitly excluded by Rule 4A(4). The subscription agreement for the ZCZP instrument (governed by SEBI's SSE framework) substitutes for the CSR agreement requirement. However, companies are advised to retain subscription documents and SEBI/SSE disclosures by the NPO as part of their CSR records for audit purposes.

Ref: Rule 4A(4) excluding Rule 4(6)

Impact assessment

Q10. Is the company exempt from impact assessment for ZCZP-funded projects?

Yes — Rule 4A(2) grants a blanket exemption from impact assessment for any project funded through a ZCZP instrument. This is significant because Rule 7(3) of the CSR Rules otherwise mandates third-party impact assessment for projects with CSR spend of ₹1 crore or more. The SEBI disclosure framework for SSE-listed instruments is treated as a functional substitute for company-level impact assessment.

Example: Wipro Ltd subscribes ₹2 crore to a ZCZP instrument (within its 10% cap) for a mid-day meal project run by Akshaya Patra. Despite the project value exceeding ₹1 crore, Wipro is fully exempt from commissioning a third-party impact assessment for this specific project — saving compliance cost and time. The obligation to file impact-related compliance rests with Akshaya Patra vis-à-vis SEBI.

Ref: Rule 4A(2) and Rule 7(3)

Compliance & disclosures

Q11. What does the NPO (implementing entity) need to do upon termination of the listing?

Under Rule 4A(3)(b), upon listing termination the NPO must: (i) transfer any unspent amount to a fund listed in Schedule VII of the Companies Act, 2013 (e.g., PM CARES, Swachh Bharat Kosh, Clean Ganga Fund), and (ii) file a compliance report with SEBI. There is no separate unspent CSR account obligation on the company — unlike Rule 7(2) scenarios — because the NPO bears the residual obligation.

Example: GiveIndia Foundation raises ₹10 crore through ZCZP bonds. At listing termination, ₹1.2 crore remains unspent. GiveIndia must transfer ₹1.2 crore to PM CARES (or any other Schedule VII fund) and submit the compliance report to SEBI. The company-subscribers are relieved of any further obligation regarding this unspent amount.

Ref: Rule 4A(3)(b) read with Schedule VII, Companies Act, 2013

Practical checklist

Q12. What should a Company Secretary verify before the Board approves ZCZP-route CSR spend?

The CS should verify the following before recommending board approval:

1. SSE registration: Confirm NPO is listed on BSE SSE or NSE SSE and ZCZP instrument is a recognised security

2. 10% cap check: Compute 10% of projected total CSR spend for the FY; ensure subscription stays within limit

3. Project tenure: NPO's disclosed project timeline must not exceed 3 financial years from ZCZP issue date

4. Schedule VII alignment: Confirm NPO's project falls under an activity listed in Schedule VII

5. Board resolution: Include ZCZP subscription in annual action plan and obtain specific board approval

6. Form CSR-2: Disclose ZCZP subscription details in annual CSR report — await MCA template update

Ref: Rules 4, 4A and 5 of CSR Rules 2014 as amended

Based on GSR 415(E) dated 27 May 2026 — Companies (CSR Policy) Amendment Rules, 2026.