



LODR - ALERT

N. A. SHAH **BULLETIN**

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Amendment to LODR Regulations

SEBI has made amendments in the Listing Obligations and Disclosure Requirements (LODR) Regulations. SEBI has accepted the propositions set by the committee constituted under the chairmanship of Mr. Uday Kotak which aims at making compliances and disclosures even more transparent. Overview of some of the key amendments are as follows:

a. Stakeholders relationship committee

SEBI has widened the scope of the stakeholders relationship committee which hitherto was limited to redressal of grievances of the shareholders, debenture holders etc. The scope has been enhanced to look into various other aspects of interests of stakeholders such as measures taken for effective exercise of voting rights, services related to R&T agent, review of various measures for reducing the quantum of unclaimed dividends etc.

b. Disclosures related to resignation of independent directors / auditors, related party

- i. Listed companies are now required to make disclosures for resignation of auditor/ independent director and mention the reasons thereof with the stock exchanges.
- ii. The related party transactions within 30 days of publication of half yearly results as also credit ratings obtained by the company are to be published on website in addition to being intimated to stock exchange.
- iii. "Promoters or promoter group" which hold more than 20% of the listed company will now be considered as related party.

c. Enhanced role of audit committee

- i. The role of the audit committee has been enhanced to include the review of utilization made by the subsidiary company out of loans and/ or advances /investment made by the holding company. The threshold will be applied in cases where the aggregate amount exceeds rupees 100 crore or 10% of the asset size of the subsidiary, whichever is lower & will include existing loans / advances / investments existing as on the date of coming into force of this provision.

d. Quarterly results and disclosures

- i. In case the company has subsidiaries it will be mandatory to publish quarterly consolidated financial statements with a condition that at least eighty percent of consolidated revenue, assets and profits should have been audited or reviewed.
- ii. In the last quarter of the financial year, if material adjustments have been made which relate to earlier period will have to be disclosed.
- iii. Cash flow statements are required to be made and disclosed as part of its standalone and consolidated financial results every six months.
- e. Secretarial report for material Indian subsidiaries auditor's role
 - i. Under the revised regulation, secretarial audit report of its material unlisted Indian companies is required to be annexed along with the annual report.
 - ii. SEBI has also amplified auditors responsibilities where by statutory auditor has to undertake limited review for all the subsidiary of the company whose accounts are consolidated with the company.
- f. Changes in respect of directors and directorship
 - i. Significant changes have been made in regard to directors. An Independent director will not be permitted to appoint an alternate director and after 1st October 2018, the alternate director will be deemed to vacate office.
 - ii. For appointment or continuance of any non executive director after such person has attained an age of 75 years or more will have to be approved by shareholders by way of special resolution. Currently as per Companies Act 2013, only appointment of executive directors who are above age of 70 years has to be with special resolution.
 - iii. SEBI has also mandated that in respect of top 500 listed entities, chairperson of the board shall be a non-executive director and should not be related to the Managing Director or the Chief Executive Officer.
 - iv. Further a person shall not be a director in more than 8 listed entities with effect from April 1, 2019 and in not more than 7 listed entities with effect from April 1, 2020. Currently person is allowed to serve as a director in 10 public companies.
 - v. At least one of the Independent director will have to be appointed on board of unlisted material subsidiary.
 - vi. The Board of Directors to list core skills/expertise/competencies required in the context of its business(es) and sector(s) for it to

function effectively and those actually available with the board and also name the directors possessing such skills.

g. Applicability

Though this notification is applicable from April 1, 2019, some items have immediate applicability, some amendments are effective from October 1, 2018 while a few others are applicable from April 2019 / 2020 based on market capitalisation criteria . Some of the key amendments are as follows:

Applicable to all entities	
With immediate effect	<ul style="list-style-type: none"> - Accounts to be disclosed in XBRL format to stock exchanges - Additional disclosures on board evaluation - Additional disclosure in the management, discussion and analysis section of the annual report
Oct 1, 2018	<ul style="list-style-type: none"> - Appointment of alternate director for independent director is not permitted - Annual report to be submitted to stock exchange and published on website before dispatching annual report to shareholders along AGM notice - Publish credit ratings for all its instruments on website and immediately update any revision in such credit ratings
April 2019	<ul style="list-style-type: none"> - Listed companies having subsidiaries will have to submit quarterly / year to date consolidated financial results. Earlier it was optional. - Mandatory disclosure of half yearly cashflows - Aggregate number of Directorships to be limited to 8 companies - Shareholders approval for royalty and brand payments related parties exceeding two percent of the consolidated turnover - Related party transaction to be disclosed on company website and to be intimated to stock exchanges within 30 days of publishing of half yearly statement - Related parties now permitted to cast negative vote - Secretarial Audit report of material unlisted companies to be annexed to the annual report

	<ul style="list-style-type: none"> - Limited review/ audit of atleast 80% of the consolidated revenue, assets and profits - List of core skills, competencies to be identified and disclosed by board of directors - Disclosure of reasons to be communicated to stock exchange for resignation of – Auditor within 24 hours & of an Independent Director within 7 days of resignation including confirmation that there are no other - Enhanced role of audit committee, stakeholders relationship committee, nomination and remuneration committee - Independent Director to provide annual declaration that he/she is not aware of any circumstances that could impact his/her ability to discharge his/her duties - Disclose by way of note aggregate effect of material adjustments made in the results of last quarter pertaining to earlier period - Recommendations of any committee of the board mandatorily required in a financial year not accepted by the board along with reasons
April 2020	<ul style="list-style-type: none"> - Aggregate number of Directorships to be limited to 7 companies - Identify names of directors who have core competencies identified by the company

Top 100 listed companies

April 2019	<ul style="list-style-type: none"> - Hold Annual General meeting within 5 months from end of financial year - One way live webcast of the proceeding of the AGM
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Top 500 listed companies

Oct 1, 2018	<ul style="list-style-type: none"> - Mandatory Directors insurance for Independent Director
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April 2019	<ul style="list-style-type: none"> - Atleast one woman independent director mandatory - Enhanced role of risk management committee
April 2020	<ul style="list-style-type: none"> - Chairperson to be a non-executive director and not related to MD or CEO

Top 1000 listed companies

April 2019	<ul style="list-style-type: none"> - Minimum 6 directors to be on board - Quorum for board meeting to be 1/3rd of total strength or three which ever is higher including atleast one independent director
April 2020	<ul style="list-style-type: none"> - Atleast one woman independent director mandatory

Conclusion

Amendments in the LODR regulations is primarily intended to establish a framework in various matters concerning corporate governance, disclosure and transparency, eligibility and role of independent directors, investor participation, accounting and audit related matters and is a welcome move as it will boost investors' confidence.

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