



CAPITAL MARKETS

N. A. SHAH BULLETIN

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EXECUTIVE SUMMARY

- Going forward, 25% of any fresh incremental borrowing by a large listed entity shall be through issuance of debt securities.
- Disclosure of reasons for delay in submission of financial results to the stock exchanges.
- SEBI in its drive for better corporate governance have amended the LODR Regulations, 2018 for re-classification of shareholders as promoter/public.

1. Fund raising by issuance of debt securities by large entities

As a step towards operationalizing the Union Budget 2018-19 announcement for mandating the corporates, to meet about one-fourth of their financing needs from the debt market, SEBI has issued detailed guidelines for the above:

- a. The framework shall come into effect from April 1, 2019 and from January 1, 2020 for the entities which follow calendar year as financial year.
- b. The framework shall be applicable for all listed entities (except for Scheduled Commercial Banks), which on the last day of a given financial year:
 - i. have their specified securities or debt securities or non-convertible redeemable preference shares listed on a recognized stock exchange.
 - ii. have an outstanding loan term borrowing of INR 100 crores or above with original maturity of more than 1 year and shall exclude an external commercial borrowing and inter-corporate borrowings between holding and subsidiary(ies).
 - iii. have a credit rating in regard to unsupported bank borrowing or plain vanilla bonds of an entity of "AA and above", in case of multiple ratings, highest of such ratings shall be considered.

A listed entity, fulfilling the criteria as specified above shall be considered as a "Large Corporate" ("LC").

- c. An LC shall not raise not less than 25% of its incremental borrowings, during the financial year subsequent to the financial year in which it is identified as an LC, by way of issuance of debt securities.

2. Reasons for delay in submission of financial results by listed entities

SEBI has recently issued a circular whereby a listed entity is required to disclose detailed reasons for any delay in submission of financial statements to the stock exchange within one working day of the due date for submission for the results or within one working day of the date on which decision (if any) for delayed submission was taken by the entity.

3. Key amendments in SEBI (Listing Obligations and Disclosure Requirements) Regulations

SEBI in its drive for better corporate governance have brought SEBI LODR (Sixth Amendment) Regulations, 2018 on November 16, 2018 has issued revision of provisions pertaining to re-classification of shareholders and several other changes, the following are some of the key amendments:

- a. The following definitions are added to bring in more clarity:
 - i. "promoter(s) seeking re-classification" shall mean all such promoters seeking reclassification of status as public.
 - ii. "persons related to the promoter(s) seeking reclassification" shall mean such persons as defined in sub clauses (ii), (iii) and (iv) of Regulation 2(1) of SEBI ICDR Regulations, 2018.
- b. Re-classification of the status of any person as a promoter or public shall be permitted by the stock exchange upon receipt of an application from the listed entity only, previously such application could be made by the concerned shareholder only.
- c. Procedure for reclassification of promoter / person belonging to the promoter group into public shall now be as follows:
 - i. The board of directors shall analyse the request received from promoter / person and place the same before shareholders in a general meeting for approval along with views of the board.
 - ii. There shall be a time gap of at least three months but not exceeding six months between board meeting and the shareholders meeting.
 - iii. Such reclassification shall be approved by the shareholders through an ordinary resolution.
- d. A listed entity shall be considered as 'listed entity with no promoters' if due to re-classification or otherwise, the entity does not have any promoters.

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