



CAPITAL MARKETS

N. A. SHAH BULLETIN

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EXECUTIVE SUMMARY

- In light of the recent developments arising due to the COVID-19 pandemic and lockdown measures, SEBI has notified relaxations for procedural matters under various regulations for takeovers and buyback, rights issues and listing.
- SEBI has provided relaxations for compliance with the Minimum Public Shareholding (MPS) Requirement in the event the deadline to comply with MPS falls between the period from March 1, 2020 to August 31, 2020.

1. Relaxation from compliance under various regulations

Due to the spread of the COVID 19 virus, further temporary relaxations in compliance requirements has been provided by SEBI as follows:

a. Buyback and Takeover regulations

One time relaxation are granted for service of the letter of offer and/or tender form by electronic transmission, subject to following conditions, the entity shall:

- i. Publish letter of offer on its website / stock exchange / manager to offer
- ii. Undertake adequate steps to reach out to its shareholders
- iii. Make an advertisement containing details of electronic dispatch of letter of offer in newspaper, television channels, radio, internet, etc.

b. Listing Obligation and Disclosure Requirements (LODR) Regulations

i. To align the SEBI LODR Regulations”) with the relaxation issued by Ministry of Corporate Affairs for conducting annual general meetings (AGMs), extra-ordinary general meeting through video conferencing or other audio visual means, these relaxations were extended to the year of 2020, SEBI has relaxed the following provisions relating to LODR Regulations:

- Requirement of sending physical copies of annual report to shareholders who have not registered their email addresses and to those shareholders, who request for the same, respectively.
- Requirement of sending proxy forms for AGMs through electronic mode.
- Issuance of ‘payable at par’ warrants or cheques in case it is not possible to use electronic modes of payment (cases where email IDs are available listed entities shall endeavor to obtain their bank account details and use the electronic modes of payment).

- ii. Publication of advertisements in newspapers, are exempted for all events scheduled till June 30, 2020.
 - iii. In view of the challenges faced by the listed entities being banks/insurance companies in preparing consolidated financial results because of different accounting standards being followed by companies belonging to same group, such listed entities shall continue report standalone financial results and shall submit consolidated financial results on a voluntary basis (in the event consolidated financials are not submitted, they shall give reasons for the same).
- c. Issue of Capital and Disclosure Requirements (ICDR) Regulations

SEBI has provided certain relaxations in terms of the procedures to be followed for raising of capital through rights issue under ICDR Regulations:

- i. Relaxation in mode of dispatch of offer documents
All listed entities shall dispatch the letter of offer by way of electronic modes, further the entity shall publish the same on the website of the company, the registrar, the stock exchanges and the lead manager. Failure to adhere to modes of dispatch through registered post or speed post or courier services due to prevailing Covid-19 related conditions will not be treated as non-compliance during the said period.
- ii. Relaxation in mode of advertisement of offer documents
Currently, the listed entity is mandated to issue an advertisement in newspaper with the offer details. Now, the entity shall provide mechanism for application by such shareholders who have not been served notice electronically also in the advertisement. The advertisement should be made available on the website of the company, the registrar, the stock exchanges and the lead manager.
- iii. Relaxation for application where shares are held in physical form
In case if the shares are held in physical form, the shareholders shall provide the demat account details up to two days prior to closure of the issue. SEBI has granted relaxation that such shareholders who have not been able to provide demat account details to the issuer, they shall be allowed to submit the application provided a mechanism is devised

by the issuer/registrar for such category of shareholders, however they are not allowed to renounce their rights.

iv. Relaxation for mode of making application

If the eligible shareholders cannot apply through the ASBA facility, an eligible shareholder may apply through an alternative non cash mechanism instituted by the issuer along with the lead manager to the issue. It shall be ensured that such alternative mechanism of application do not allow third party payments.

v. Relaxation in authentication

The relaxations provided above are for the rights issue opening up to July 31, 2020. In respect of offer documents filed until July 31, 2020, SEBI has decided to allow the usage of the digital signature for authentication/certification/undertaking.

2. Relaxation from applicability of Minimum Public Shareholding ('MPS') requirements

- a. The promoters of a listed entity are required to, within three years from the date of listing, bring down promoter holding to 75 per cent. In the event, promoter holding goes past 75%, because of acquisitions such as open offer, promoters get one more year to bring down the holding in compliance with MPS requirement.
- b. SEBI lays down the procedure to be followed by the recognized stock exchanges and depositories with respect to MPS non-compliant listed entities, their promoters and directors, including levy of fines, freeze of promoter holding etc.
- c. Considering various requests received by listed entities considering current market conditions, SEBI has issued relaxation to listed entities to comply with the MPS requirement in the event the deadline to comply falls between the period from March 1, 2020 to August 31, 2020.

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