CAPITAL MARKETS

N. A. SHAH BULLETIN

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INDEX

EXECUTIVE SUMMARY

- SEBI has provided exemption with respect to investment decisions made by Investment Committee in case of an AIF subject to certain conditions.

- Under a Further Public Offer, the requirements of Minimum Promoter Contribution (MPC) and lock-in requirement of a listed entity done away with under certain cases.

- SEBI has amended the SEBI LODR Regulations to include some additional disclosures to be provided by a company in relation to a corporate insolvency resolution process to the stock exchanges.

- SEBI has extended the relaxations granted for sending physical notices, proxy forms and annual reports to shareholders up to 31st December 2021.

1. **Certain exemption to Investment Committee of AIFs**

   Currently the manager and the members of the Investment Committee of an AIF were responsible for the investment decisions and ensure that the investment decisions were in compliance with the regulatory provisions and terms of the placement memorandum.

   It is now provided that the above requirement shall be exempt wherein the capital commitment of each investor (other than Manager, Sponsor, employees or directors of the AIF or of the Manage) is INR 70 crore and a waiver is obtained from each investor.

2. **Amendments to ICDR Regulations**

   SEBI has proposed to do away with the Minimum Promoter Contribution (MPC) and lock-in requirements in case of a further public offer (FPO) and preferential issue as follows:

   a. <u>Non-applicability of MPC requirement</u>

      Previously, MPC requirement was not applicable in case the shares of the issuer are frequently traded for a period of at least 3 years immediately preceding the reference date and the issuer has a track record of dividend payment of at least 3 years. Now, the criteria of having track record of dividend payment is done away with however, the issuer should have redressed at least 95% of the complaints raised from its investors.

      Further, the issuer should be in compliance with the LODR Regulations for a minimum period of 3 years immediately preceding the record date. Further, the issuer shall be in compliance of composition of board of directors in any quarter during the previous 3 years or in case of non-compliance, should comply with the such requirement at the time of filing offer documents and disclose the facts of such non-compliance therein.

   b. <u>Non-applicability of lock-in requirement</u>

      Since the MPC requirement is done away with, SEBI has also deleted the provision for lock-in requirement. However, the regulations remain silent that even in absence of MPC, in the event the promoters subscribe to the issue, whether such shares shall be subject to lock-in requirement or not.

c. Lock-in requirements in case of preferential issue pursuant to any resolution of stressed assets or a resolution plan

In the event of preferential issue of equity shares pursuant to any resolution of stressed assets under resolution plan approved under IBC, 2016, the minimum public shareholding (MPS) falls below 10%, lock-in requirement shall not apply to such shares so that compliance with MPS can be met.

3. Relaxation in procedural matters

a. In view of the COVID-19 pandemic, SEBI had vide its circular dated 12th May 2020 granted certain relaxations in respect of sending physical copies of annual report and physical proxy forms to its shareholders up to 31st December 2020, SEBI has vide a circular dated 15th January 2021 further extended such relaxations up to 31st December 2021.

b. In case of rights issue opening up to 31st July 2020, SEBI has granted relaxation to send notices through postal or courier services in relation to the rights issue. Such relaxation was extended for all rights issue opening up to 31st December 2020. Now, SEBI has further extended the relaxations for any rights issue opening up to 31st December 2021.

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