



CAPITAL MARKETS

# N. A. SHAH BULLETIN

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## EXECUTIVE SUMMARY

- High value debt listed entities are now required to make the disclosure of related party transaction.
- SEBI has introduced Special Situation Funds for Category I AIFs.
- SEBI has clarified w.r.t. timing of submission of NOC from the lending scheduled commercial banks, financial institutions and debenture trustee in Schemes of Arrangement by Listed Entities.

## **1. Related party disclosures by high value debt listed entities**

- SEBI has prescribed disclosure obligations in relation to related party transactions (RPTs) for listed entities with specified securities. The disclosure obligations include information to be reviewed by Audit Committee information to be reviewed by Shareholders and format of disclosure to stock exchange.
- SEBI has now proposed to extend such disclosure provisions to high value debt listed entities. High value debt listed entities are entities having an outstanding value of listed non-convertible debt securities of INR 500 Crores and above.

## **2. Special Situation Funds (SSF) as a sub-category under Category I AIFs**

- SEBI has introduced as Special Situation Funds as a sub-category under Category I AIFs which invest in "Special situation assets".
- An applicant may apply for registration as a SSF in accordance with the provisions of Chapter II of AIF Regulations.
- All provisions of AIF regulations shall apply to shall apply to the SSF except clauses (b) and (c) of regulation 10, clauses (a), (c) and (e) of sub-regulation (1) of regulation 15, clause (a) of sub-regulation (1) of regulation 16 of AIF regulations and the guidelines and circulars issued under these AIF regulations.
- Investment in special situation funds.
  - 1. Each scheme of a SSF shall have a corpus as specified by the SEBI.
  - 2. The SSF shall accept from an investor, an investment of such value as specified by the SEBI.
  - 3. The SSF shall not accept investments from any other AIF other than an SSF.
- Investment by special situation funds.
  - 1. SSF shall not invest in SSA only and may act as resolution applicant under IBC.



2. SSF shall not invest in its associates or in units of other AIF other than the units of SSF or in SSF managed or sponsored by its manager, sponsor or associates of its manager or sponsor.
  3. An investment by SSF in stressed loan acquired under clause 58 of the RBI (Transfer of Loan Exposures) Directions, 2021 shall be subject to lock-in period as specified by SEBI.
- The SEBI has specified the following:
    - (a) Each scheme of SSF shall have a corpus of at least INR 100 Crores.
    - (b) Minimum SSF investment value shall not less than INR 10 Crores from an investor. In case of an accredited investor, the SSF shall accept an investment of value not less than INR 5 Crores. If the investors are employees or directors of the SSF or employees or directors of the manager of the SSF, the minimum value of investment shall be INR 25 Lakhs.
    - (c) SSF intending to act as a resolution applicant under the IBC, 2016 and shall ensure compliance with the eligibility requirement provided thereunder.
  - If SSF acquired stressed loan in terms of Clause 58 of the Master Direction – Reserve Bank of India (Transfer of Loan Exposures) Directions, 2021 ('RBI Master Direction'), the SEBI has specified the following:
    - (a) The minimum lock-in period is six months. If recovery of the stressed loan from the borrower, lock-in period shall not be applicable.
    - (b) SSF acquiring stressed loans in terms of the RBI Master Direction shall comply with the same initial and continuous due diligence requirements for its investors, as those mandated by Reserve Bank of India for investors in Asset Reconstruction Companies.

### **3. Submission of NOC from the lenders for Scheme of Arrangement.**

- SEBI has clarified that listed entities undergoing a Scheme of Arrangement, should submit the NOC from lenders such as scheduled commercial banks, financial institutions and debenture trustee before the receipt of NOC from stock exchange.

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