



CAPITAL MARKETS

N. A. SHAH BULLETIN

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Chartered Accountants

Amendments with respect to applicability of corporate governance and disclosure requirements for debt listed entities

SEBI has amended the LODR Regulations to extend certain provisions of corporate governance and disclosure requirements to entities which have listed their non-convertible securities:

1. Applicability

a. Enhanced disclosures requirement

All listed entities that have issued non-convertible securities shall comply with enhanced disclosures.

b. Corporate governance requirement

All listed entities that have outstanding listed non-convertible securities of INR 500 crores as on 31st March 2021 (High Value Debt Listed Entities).

- If such HVDLE is existing as on 31st March 2021 such requirement is applicable on a comply or explain basis till 31st March 2023 and mandatorily thereafter
- If such listed entity becomes HVDLE subsequently, such requirement shall apply within 6 months of becoming HVDLE.

2. Corporate Governance for HVDLEs

The following are the actionable for HVDLEs:

a. Changes in Board Composition

- Atleast one women director and not less than 50% of the board to be non-executive directors.
- Number of directors to be not less than six.

b. Committees

- Audit Committee, Nomination & Remuneration Committee, Stakeholders Relationship Committee and Risk management Committee to be constituted.

c. Corporate Governance requirements w.r.t subsidiary of listed entity

- Listed entity to list out its material subsidiary. Audit committee to review investments made by material subsidiary.
- Independent director on the board of listed entity to be on the board of such material subsidiary.

- d. Policies
 - o Related party policy, Whistleblower policy, risk management policy, policy on material subsidiary to be framed and approved by board.
- e. Website disclosures
 - o Disclosures like composition of board, notice of meeting of the board of directors where financial results shall be discussed, annual return, statements of deviation(s) or variation(s) to be made on website
- f. HVDLEs and its material unlisted subsidiaries incorporated in India to undertake secretarial audit.
- g. Half yearly disclosure on Related party transactions to be made.

3. Enhances disclosures for HVDLEs

- a. Prior intimations to stock exchange
 - o About the board meeting must be given wherein matters such as alteration in the nature of non-convertible securities, alteration in the date of interest/dividend/redemption, adoption of financial results are considered.
 - o About information having bearing on the performance of the listed entity or any price sensitive information within time prescribed by the board.
- b. Event based disclosures
 - o Fraud/defaults by listed entity or its promoter/KMP/director/employees or arrest of KMP or promoter.
 - o Change in directors, KMP or Auditor
 - o Detailed reasons for resignation of auditor;
 - o Proceedings of GMs of the listed entity

4. Financial Results

- SEBI has brought various amendments relating to preparation and submission of Financial Results. Some of the major changes are produced below:
 - o Listed entities are required to submit un-audited quarterly results to the stock exchanges, accompanied by limited review report issued by statutory auditor.
 - o The annual audited standalone and consolidated financial results for the financial year shall be submitted to the stock exchange(s) within sixty days from the end of the financial year along with the audit report.

- The listed entity shall also submit as part of its standalone or consolidated financial results for the half year, by way of a note, a statement of assets and liabilities and statement of cash flows as at the end of the half year.
- Further, it shall have to disclose certain financial ratios such as current ratio, Debtors Turnover, Inventory turnover ratio etc. in addition to ratios currently being disclosed in the quarterly/annual financial results.

5. Submission of Annual Report

- The listed entities are required to submit annual report to the stock exchange and the debenture trustee and publish the same on its website.

6. Disclosure of Asset Cover

- The listed entity shall disclose the asset cover available in case of non-convertible debt securities along with its financial results.

7. Intimation to Debenture Trustees

- Certificate from Statutory auditor regarding maintenance of 100% or higher asset cover shall be submitted to Debenture Trustee on a quarterly basis.
- The listed entity shall also disclose to the Debenture Trustee, all material events and/or information in so far as it relates to the interest, principal, issue and terms of non-convertible debt securities and related matters.

8. Dealing with unclaimed non-convertible securities and benefits accrued thereon

- The listed entity shall transfer the unclaimed amount to an escrow account if the money paid on redemption or interest/dividend on non-convertible securities is not claimed within 30 days of declaration. Amount remaining unclaimed in the escrow account will be transferred to IEPF after 7 years.

9. Other Amendments:

Particulars	Existing Provisions	New Provisions
Listed Entities to prepare and submit un-audited or audited financial results to recognised stock exchange(s)	On half yearly basis	On quarterly basis
Submission of certificate that it has made timely payment of interests or	within two days of the	within one working day of the

principal obligations or both in respect of the non-convertible securities.	interest/dividend/ principal becoming due	interest/dividend/ principal becoming due
Prior intimation to stock exchange of date of payment of interest/redemption amount on Non-convertible securities	11 working dates before such date	Not required
Submission of a statement indicating the utilization of issue proceeds of non-convertible securities	On a half yearly basis	within 45 days from the end of every quarter
Time limit to publish the financial results and disclosure statement, in at least one English national daily newspaper	Two calendar days of the conclusion of meeting of BOD	Two working days of the conclusion of meeting of BOD
Material modifications in the structure of Non-convertible securities	approval of majority holders of such class of securities.	approval of 3/4 th holders of by value of such class of securities.

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