INTERIM RECOMMENDATIONS OF THE EXPERT COMMITTEE FOR FACILITATING EASE OF DOING BUSINESS AND HARMONIZATION OF THE PROVISIONS OF ICDR AND LODR REGULATIONS

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EXPERT COMMITTEE

The Expert Committee for facilitating ease of doing business and harmonization of the provisions of ICDR and LODR Regulations ("**Expert Committee**" or "**Committee**") was constituted by SEBI on August 24, 2023 under the Chairmanship of Shri S.K. Mohanty with the objective of facilitating ease of doing business for listed entities in India. The composition and terms of reference of the Expert Committee is given below:

Composition of Expert Committee

Sl. No.	Name	Capacity
1.	Shri. S. K. Mohanty Former Whole Time Member, SEBI	Chairman
2.	Shri. Rajesh Panwar Joint Director, Department of Economic Affairs (DEA), Ministry of Finance (MoF)	Member
3.	Shri N. K. Dua Joint Director, Ministry of Corporate Affairs (MCA)	Member
4.	Shri. Keki Mistry Non-Executive Director, HDFC Bank Ltd.	Member
5.	Shri. Sandip Bhagat Partner, S&R Associates	Member
6.	Shri. Ashish Kumar Chauhan Managing Director and Chief Executive Officer, NSE	Member
7.	Shri. Sundararaman Ramamurthy Managing Director and Chief Executive Officer, BSE	Member
8.	Shri. J N Gupta Managing Director, Stakeholders Empowerment Services	Member
9.	Shri. Amit Tandon Managing Director, Institutional Investor Advisory Services	Member
10.	Shri. Ritesh Tiwari Chief Financial Officer, Hindustan Unilever Ltd.	Member
11.	Ms. Geetika Anand Company Secretary, Hindalco Industries Ltd.	Member
12.	Shri. Makarand M. Joshi Partner, Makarand M. Joshi & Co.	Member
13.	Ms. Shailashri Bhaskar Practicing Company Secretary	Member

Sl. No.	Name	Capacity
14.	Dr. (Ms.) Kiran Rai Associate Professor, Maharashtra National Law University, Mumbai	Member
15.	Shri. Mahavir Lunawat Chairman, Association of Investment Bankers of India (AIBI)	Member
16.	Shri Arjun Mehra Member, Financial Markets Committee, Confederation of Indian Industry (CII)	Member
17.	Shri. Vijay Chandok Co-chair, Capital Markets Committee, Federation of Indian Chambers of Commerce & Industry (FICCI)	Member
18.	Shri. B Narasimhan Vice President, The Institute of Company Secretaries of India (ICSI)	Member
19.	Shri. Charanjot Singh Nanda Chairman, Committee on Financial Market & Investors' Protection, The Institute of Chartered Accountants of India (ICAI)	Member
20.	Shri. S V Murali Dhar Rao Executive Director, Corporation Finance Department, SEBI	Member
21.	Ms. Yogita Jadhav General Manager, Corporation Finance Department, SEBI	Member Secretary

Terms of reference of the Expert Committee

At the time of constitution, the Expert Committee was to advise SEBI on reviewing the LODR Regulations from the point of view of facilitating ease of doing business and harmonization of the provisions of ICDR and LODR Regulations. Subsequently, the scope was expanded and accordingly, the Committee shall advise SEBI on the following aspects:

a) Reviewing the existing requirements in the following regulations from the point of view of facilitating ease of doing business, bringing in clarity and reducing the overall compliance burden, including cost of compliance while effectively balancing investor protection and compliance with the applicable laws to build trust in the industry and to facilitate its development and growth:

   i. SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("**LODR Regulations**" or "**LODR**");

   ii. SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 ("**ICDR Regulations**" or "**ICDR**");

   iii. SEBI (Delisting of Equity Shares) Regulations, 2021 ("**Delisting Regulations**");

iv. SEBI (Buy-back of Securities) Regulations, 2018 ("**Buyback Regulations**");

v. SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 ("**SBEB Regulations**");

vi. SEBI (Merchant Bankers) Regulations, 1992;

vii. SEBI (Bankers to an Issue) Regulations, 1994

b) Harmonization of the requirements in the ICDR and LODR Regulations to ease the process of fund raising post-listing through a simplified document.

c) Facilitating standardization and integration of various filings under LODR Regulations.

d) Reviewing the corporate governance requirements under the LODR Regulations with an objective of instilling investor confidence and facilitating shareholder participation in the governance of listed entities, while ensuring ease of compliance.

e) Taking into account public comments / suggestions on the aforesaid regulations before making final recommendations to SEBI;

f) Any other matter, as the Committee deems fit.

Approach and interim recommendations

The Expert Committee resolved in its first meeting held on September 11, 2023 to constitute two working groups (i.e., Working Group 1 and Working Group 2) to deal with specific terms of reference and come back with recommendations to the Expert Committee.

The Securities and Exchange Board of India ("**SEBI**") pursuant to its press release dated October 4, 2023, invited suggestions from the public and regulated entities to simplify, ease and reduce the cost of compliance under various SEBI regulations, including the aforementioned regulations under the purview of the Expert Committee.

The Expert Committee received suggestions from its members and suggestions in response to the above mentioned press release from the public, industry bodies and professional institutes on various regulations.

While the Expert Committee is in the process of deliberating all the suggestions received and finalizing its recommendations, few recommendations pertaining to ease of doing business under the LODR & ICDR Regulations are set out in this Report. This Report is presented to SEBI for taking these interim recommendations forward.

The Expert Committee shall continue to deliberate other suggestions received and submit its final report to SEBI in due course.

CHAPTER I: RECOMMENDATIONS FOR FACILITATING EASE OF DOING BUSINESS UNDER THE LODR REGULATIONS

Set out below are recommendations of Expert Committee in relation to the LODR Regulations.

1. Applicability of the regulations on the basis of market capitalization

1.1. Existing provisions: In terms of regulation 3(2) of the LODR Regulations, the provisions which become applicable to a listed entity on the basis of market capitalization criteria (ranking) shall continue to apply even if the market capitalization of the listed entity falls and remains below the applicability threshold[1].

1.2. Suggestions received: The suggestions received were on the following lines:

a) Applicability of the regulations should not be based on a single day's market capitalization (currently calculated as on 31st March).
b) There should be a sunset clause to reduce the burden on companies whose market capitalization falls and continues to remain below the threshold.
c) In case a company is listed on multiple exchanges, the highest ranking in terms of market capitalization on any one of the exchanges should be considered for the purpose of applicability of the regulations.

1.3. Recommendations:

1.3.1. The following table lists down the provisions of LODR Regulations that are applicable to listed entities on the basis of market capitalization:

Sl. No.	Regulation	Requirement	Applicability by market capitalization
1.	Reg. 17(1)(a)	At least one Independent woman director in the Board of Directors	Top 1000
2.	Reg. 17(1)(c)	Not less than six directors in the Board of Directors	Top 2000
3.	Reg. 17(2A)	Quorum for board meeting – 1/3rd of its total strength or 3 directors, whichever is higher	Top 2000
4.	Reg. 21(5)	Risk Management Committee	Top 1000
5.	Reg. 25(10)	Directors and Officers insurance for all the independent directors	Top 1000
6.	Proviso to Reg. 30(11)	Rumour verification	Top 250
7.	Reg. 34(2)(f) *	Business Responsibility and Sustainability Report	Top 1000
8.	Reg. 43A	Dividend Distribution Policy	Top 1000
9.	Reg. 44(5)	AGM within 5 months from date of closing of financial year	Top 100
10.	Reg. 44(6)	One-way live webcast of proceedings of AGM	Top 100

[1] *For the purposes of this section, fall in market capitalization of a listed entity shall refer to fall in the ranking of such an entity. Applicability threshold shall mean the applicability of the provisions of LODR to listed entities based on the market-cap based ranking as specified in the relevant provisions of the LODR.*

** Glide path for applicability of BRSR Core which contains a limited set of Key Performance Indicators (KPIs) for which listed entities shall need to obtain reasonable assurance:*

a. *FY 23-24: top 150 listed entities*
b. *FY 24-25: top 250 listed entities*
c. *FY 25-26: top 500 listed entities*
d. *FY 26 -27: top 1000 listed entities*

1.3.2. Taking into consideration the aforesaid suggestions, the Committee recommends the following measures:

a) Average market capitalization:

i. Instead of calculating the ranking based on market capitalization of entities as on 31st March, it is recommended to consider 31st December as the cut-off date and determine the ranking on that date based on average market capitalization figures of listed entities during the preceding 6 months (July 1 to December 31).

ii. After determination of the ranking on 31st December, it is recommended to provide a time period of 3 months (or beginning of immediate next financial year, whichever is later) before the relevant provisions of the LODR Regulations (market capitalization based compliance requirements) become applicable to a listed entity for the first time or after an interim break period[2].

iii. As regards the time required for reporting of BRSR (or assurance under BRSR Core), it is recommended that every listed entity, to which reporting requirements become applicable for the first time on the basis of its ranking as on December 31st or after an interim break, shall be required to put in place systems and processes to capture the data to be reported within a period of 3 months from December 31st (or the beginning of the immediate next financial year, whichever is later) and thereafter a glide path of 1 year may be provided for BRSR reporting (or assurance under BRSR Core) in the Annual Report.

Please refer to the **Annexure** (Table I) of this Report for illustration on the aforesaid recommendations.

Rationale: The market capitalization of a listed entity keeps fluctuating on a daily basis based on market dynamics and therefore, an average of market capitalization figures over a reasonable period of time (6 months in this case) would more accurately reflect the market size of the listed entity and consequently the ranking, vis-à-vis its peers.

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[2] Please see para 1.3.2(c) of the Report on the recommendations relating to sunset clause. Interim break period (or interim period) is the period between (a) cessation of applicability of relevant provisions as a result of the sunset clause and (b) the provisions becoming applicable again after change in the ranking of the listed entity triggering applicability of such provisions.

Further, a listed entity coming under the fold of reporting requirements will get sufficient time (3 months) to ensure compliance on its part with relevant provisions, when it becomes applicable for the first time as well as when it becomes applicable again after an interim break (because the market capitalization had fallen below the applicability threshold during the interim period).

It was also pointed out to the Committee that BRSR reporting would require listed entities to put in place systems and processes to capture the data to be reported. Therefore, a glide path of 1 year for compliance is being provided to every entity to which reporting requirements become applicable for the first time or after an interim break.

b) Highest ranking on the basis of market capitalization across Stock Exchanges:

i. In case a listed entity has specified securities listed on more than one recognized stock exchange, then the highest ranking in any one of the recognized stock exchange(s) shall be considered for the purpose of determining the applicability of market capitalization based provisions.

Rationale: This would resolve uncertainty around applicability of relevant provisions due to the fact that the ranking of a listed entity may vary across different stock exchanges (For example, an entity may be ranked 99 in one stock exchange and 105 at another stock exchange. As a result, there may be ambiguity as to whether the listed entity needs to comply with the provisions which are applicable to top 100 entities by market capitalization. In such circumstances, the highest ranking for the listed entity across stock exchanges (i.e., 99) would be taken into consideration for determining the applicability of the regulations).

c) Sunset clause for compliance with the provisions applicable on the basis of market capitalization:

i. If the market capitalization of a listed entity falls such that its ranking remains outside the applicability range for three consecutive years, then the listed entity need not comply with such provisions of the regulations that are not applicable to it due to its current ranking. (Please refer to the **Annexure** (Table II) of this Report for illustration on sunset clause).

ii. It is also clarified that such provisions would become applicable to the listed entity in future if its ranking or market capitalization changes resulting in the entity entering into the list of top 100/250/1000/2000, as the case may be, prepared by the Stock Exchanges on December 31 of any subsequent calendar year.

Illustration

Determination of ranking	Company X			Company Y		
	Rank	Applicability* (Yes / No)	For Financial Year	Rank	Applicability* (Yes / No)	For Financial Year
31/12/2023	995	Yes	2024-25	990	Yes	2024-25
31/12/2024	1020	Yes	2025-26	1002	Yes	2025-26
31/12/2025	1100	Yes	2026-27	1050	Yes	2026-27
31/12/2026	1150	No	2027-28	999	Yes	2027-28
31/12/2027	1090	No	2028-29	1040	Yes	2028-29
31/12/2028	980	Yes	2029-30	1100	Yes	2029-30
31/12/2029	960	Yes	2030-31	1060	No	2030-31

**** Applicability is from 1st April (i.e., beginning of the next financial year) and cessation is on 31st March (i.e., close of the financial year) assuming that the companies follow April – March financial year.***

For company 'X' – Provisions applicable to top 1000 listed entities are applicable from April 1, 2024 to March 31, 2027. The provisions would not be applicable after 31st March 2027 as the ranking of the company is beyond 1000 for 3 consecutive years and therefore the provisions are not applicable for FY 2027-28 and FY 2028-29. The provisions once again become applicable from April 1, 2029 as the company enters top 1000 in the ranking determined on December 31, 2028. It shall continue to remain applicable till such time the ranking of the entity changes and remains outside the threshold for 3 consecutive years.

For company 'Y' – Provisions applicable to top 1000 listed entities are applicable from April 1, 2024 and continues until March 31, 2030. The provisions shall not be applicable from FY 2030-31 (April 1, 2030) and thereafter, provided the entity continues to remain outside the applicability threshold.

Rationale: The Committee recognizes the costs associated with long-term compliance for listed entities whose market capitalization falls and continues to remain below the applicability threshold and yet such entities need to comply with the requirements on an on-going basis under the current regulatory requirements. Therefore, it is suggested to have a sunset clause of 3 consecutive years (during which the ranking of the entity remains outside the applicability threshold) after which the provisions shall not be applicable to such companies till they remain outside the applicability threshold. This is in line with the sunset clause of 3 years specified for the corporate governance provisions of the LODR Regulations and will facilitate ease of doing business for companies whose market capitalization has consistently fallen below the applicable thresholds.

1.4. Suggested text of the amendment: The suggested amendments to the LODR Regulations is given below:

Existing provisions	Suggested changes*
3(2) The provisions of these regulations which become applicable to listed entities on the basis of market capitalisation criteria shall continue to apply to such entities even if they fall below such thresholds.	*3(2) The applicability of the provisions of these regulations to a listed entity on the basis of market capitalization shall be determined as follows:* *a. Every recognized stock exchange shall prepare a list of entities, at the end of the calendar year i.e., 31st December, that have listed their specified securities ranking them based on the average market capitalization from 1st July to 31st December of that calendar year.* *b. The relevant provisions shall then become applicable to a listed entity that is required to comply with such requirements for the first time (or, if applicable, required to comply after any interim period) after a period of three months from December 31 (i.e., April 1) or the beginning of the immediate next financial year, whichever is later:* *Provided further that the listed entity shall put in place systems and processes for first time compliance (or, if applicable, required to comply after any interim period) with clause (f) of sub-regulation (2) of regulation 34 within a period of three months from December 31 (i.e., April 1) or the beginning of the immediate next financial year, whichever is later, and further disclose the Business Responsibility and Sustainability Report and / or assurance as per the Business Responsibility and Sustainability Report Core in the Annual Report prepared for the financial year in which systems and processes were put in place (or the due date for putting in place systems and processes).* *c. The listed entity shall continue to comply with relevant provisions that were applicable to it based on the market capitalization of previous year and continue(s) to remain applicable on the basis of the its rank in the list prepared by recognized stock exchanges as per clause (a) above.* *3(2A) The provisions of these regulations which become applicable to a listed entity ~~ies~~ on the basis of market capitalisation criteria shall continue to apply to such an entit~~ies~~y unless and until its ranking changes and results in the listed entity remaining outside the applicable threshold for a period of three consecutive years and the provisions shall cease to apply upon the end of the financial year or 31st March, whichever is later ~~even if they fall below such thresholds~~.*

**Corresponding changes to be made to other provisions of the LODR Regulations where determination of market capitalization has been provided for.*

**SEBI Circular dated July 12, 2023 on BRSR Core to be amended to clarify the determination of market capitalization for applicability of the framework for assurance and ESG disclosures for value chain.*

2. Limit of membership and chairmanship of committees for a director

2.1. Existing provisions: As per regulation 26(1) of the LODR, a director shall not be a member in more than 10 committees or act as chairperson of more than 5 committees across all listed entities. For the purpose of calculation, chairpersonship and membership of Audit Committee and the Stakeholders' Relationship Committee shall be considered across all public limited companies, including unlisted public companies, and positions in private limited companies, foreign companies, high value debt listed entities and section 8 companies shall be excluded.

2.2. Suggestions received: The suggestions received were as follows:

a) The count of maximum membership and chairmanship may be limited to only to equity listed entities and the positions at unlisted public companies should be excluded.
b) The stakeholders' relationship committee may be excluded from the regulation restricting committee positions for directors.

2.3. Recommendations: After taking into consideration the suggestions received, the Committee recommends the following changes to regulation 26(1) of the LODR:

a) Only equity listed entities to be considered for the purposes of regulation 26(1).
b) The membership and chairmanship of Audit Committee alone to be considered.
c) In view of the above, a director can be a member of maximum 7 Audit Committees in listed entities, in line with the maximum number of directorships permitted under regulation 17A, and therefore, the limit on membership of committees may be omitted from regulation 26(1). The limit of chairmanship of not more than 5 committees (which would now be chairmanship of maximum 5 Audit Committees at listed entities) across listed entities may continue.

2.4. Rationale:

2.4.1. While the rationale for introducing a limit on committee positions was to ensure that directors give due importance and commitment to the meetings of the board and its committees, the Committee observed that inclusion of committee positions in unlisted companies restricted listed entities from utilizing expertise of its directors in their board committees.

2.4.2. Further, inclusion of Stakeholders Relationship Committee for calculating the overall limit under regulation 26(1) resulted in a situation where Independent Directors preferred not taking up membership in Stakeholders Relationship Committee to avoid breaching the overall limit. The data received from NSE shows that as on March 31, 2023, while top 500 listed entities had 1584 independent directors in audit committees, there were only 375 independent directors in the stakeholders' relationship committees. Therefore, the Committee recommends exclusion of stakeholders' relationship committee for calculating the

overall limit so that more and more independent directors take up positions at Stakeholders Relationship Committee.

2.4.3. In view of the above changes, there is a need to delete the overall membership limit (as a person can be a director of maximum 7 listed entities and hence can serve in maximum 7 Audit Committees only and therefore the existing limit of 10 would become redundant) under regulation 26(1).

2.5. Suggested text of the amendment: The suggested amendments to regulation 26(1) of the LODR Regulations is given below:

Existing provisions	Suggested changes*
26.(1) A director shall not be a member in more than ten committees or act as chairperson of more than five committees across all listed entities in which he /she is a director which shall be determined as follows: *(a) the limit of the committees on which a director may serve in all public limited companies, whether listed or not, shall be included and all other companies including private limited companies, foreign companies ,'high value debt listed entities' and companies under Section 8 of the Companies Act, 2013 shall be excluded;* *(b) for the purpose of determination of limit, chairpersonship and membership of the audit committee and the Stakeholders' Relationship Committee alone shall be considered*	*26.(1) A director shall not ~~be a member in more than ten seven committees or~~ act as chairperson of more than five Audit ~~c~~Committees across all listed entities that have listed their specified securities in which he /she is a director. ~~which shall .be determined as follows:.~~* *~~(a) the limit of the committees on which a director may serve in all public limited companies, whether listed or not, shall be included and all other companies including private limited companies, foreign companies ,'high value debt listed entities' and companies under Section 8 of the Companies Act, 2013 shall be excluded;~~* *~~(b) for the purpose of determination of limit, chairpersonship and membership of the audit committee and the Stakeholders' Relationship Committee alone shall be considered.~~*

**It is also proposed to amend the Explanation to regulation 17A of the LODR to ensure consistent usage of the term "specified securities" for the purposes of maximum number of directorship and committee positions at listed entities.*

3. Filling up of vacancies of Key Managerial Personnel

3.1. Existing provisions: Any vacancy in the office of Key Managerial Personnel of a listed entity has to be filled up at the earliest and in any case not later than 3 months from the date of such vacancy.

3.2. Suggestions received: The following suggestions were received from the stakeholders:

a) More time may be provided to fill up the vacancy of KMPs as it is difficult to find a replacement within 3 months.
b) The time involved in obtaining regulatory approvals for appointments need to be excluded from the timeline of 3 months.

3.3. Recommendations: The Committee recommends that the time limit for filling up of vacancy of key managerial personnel which involves obtaining approvals of regulatory or government or statutory authorities should be increased from 3 months to a maximum of 6 months under regulations 26A(1) & (2) of the LODR Regulations. However, the Committee also emphasizes that listed entities need to initiate the process for seeking such approvals at the earliest so as to ensure timely compliance.

3.4. Rationale:

3.4.1. The Committee does not agree with the suggestion to increase the timeline for filling up vacancies as the existing provisions in any case permit listed entities to fill up the positions on an interim basis after following due process. However, the Committee acknowledges that sometimes, the time taken for obtaining necessary regulatory/ government / statutory approvals for such appointments are beyond the control of the listed entity. Therefore, ideally, the time period between the date of making a complete application for such approvals and the date of receipt of approval needs to be excluded for the purposes of these regulations.

3.4.2. Yet, the Committee is cognizant of the fact that a blanket exclusion of time taken for approvals from the prescribed timelines would not be desirable, hence, there needs to be an outer timelimit for such an exemption so that compliance with the regulations does not become a casualty and detrimental to the interests of the listed entity and its shareholders. Therefore, the Committee suggests that an additional time of 3 months may be permitted to such listed entities that need to obtain such regulatory / government / statutory approvals as required under the existing laws. Thus, the timeline to fill up vacancies in the office of Key Managerial Personnel by such listed entities that are required to obtain regulatory / government / statutory approvals may be 6 months instead of 3 months as currently required under the LODR.

3.5. Suggested text of the amendment: The suggested amendments to regulations 26A(1) & (2) of the LODR Regulations is given below:

Existing provisions	Suggested changes
26A. (1) Any vacancy in the office of Chief Executive Officer, Managing Director, Whole Time Director or Manager shall be filled by the listed entity at the earliest and in any case not later than three months from the date of such vacancy: *Provided that the listed entity shall not fill such vacancy by appointing a person in interim capacity, unless such appointment is made in accordance with the laws applicable in case of a fresh appointment to such office and the obligations under such laws are made applicable to such person.* *(2) Any vacancy in the office of the Chief Financial Officer shall be filled by the listed entity at the earliest and in any case not later than three months from the date of such vacancy:* *Provided that the listed entity shall not fill such vacancy by appointing a person in interim capacity, unless such appointment is made in accordance with the laws applicable in case of a fresh appointment to such office and the obligations under such laws are made applicable to such person*	*26A. (1) Any vacancy in the office of Chief Executive Officer, Managing Director, Whole Time Director or Manager shall be filled by the listed entity at the earliest and in any case not later than three months from the date of such vacancy:* *Provided further that in case the listed entity is required to obtain approval of regulatory, government or statutory authorities to fill up vacancy in the office of Chief Executive Officer, Managing Director, Whole Time Director or Manager, then such vacancies shall be filled up by the listed entity at the earliest and in any case not later than six months from the date of vacancy.* *Provided that the listed entity shall not fill such vacancy by appointing a person in interim capacity, unless such appointment is made in accordance with the laws applicable in case of a fresh appointment to such office and the obligations under such laws are made applicable to such person.* *(2) Any vacancy in the office of the Chief Financial Officer shall be filled by the listed entity at the earliest and in any case not later than three months from the date of such vacancy:* *Provided further that in case the listed entity is required to obtain approval of regulatory, government or statutory authorities to fill up vacancy in the office of the Chief Financial Officer, then such a vacancy shall be filled up by the listed entity at the earliest and in any case not later than six months from the date of vacancy.* *Provided that the listed entity shall not fill such vacancy by appointing a person in interim capacity, unless such appointment is made in accordance with the laws applicable in case of a fresh appointment to such office and the obligations under such laws are made applicable to such person.*

4. Timeline for prior intimation of Board Meetings

4.1. Existing provisions: Regulation 29 of the LODR requires a listed entity to give prior intimation to stock exchanges about the meetings of its board of directors in which certain types of proposals are to be considered viz., financial results, buyback of securities, fund raising, alteration of nature of securities, date of payment of interest or redemption etc. The timeline for giving prior intimation varies from two working days to a maximum of 11 working days.

4.2. Suggestions received: The suggestions received were as follows:

a) To shorten the timeline for disclosure of prior intimation for board meetings which are to consider (i) financial results or (ii) any alteration in the nature / rights / privileges of securities or (iii) any alteration in the date of payment of interest or redemption of debentures or bonds, in order to align it with the requirements for debt securities.
b) Five days and 11 working days can be reduced to two working days as the markets have matured.
c) Borrowings / short-term borrowings (especially commercial papers) which do not involve issuance of any security may be excluded from the mandatory prior intimation requirements for fund raising.

4.3. Recommendations: The Committee recommends as follows:

a) For maintaining uniformity, the timeline for prior intimation of board meetings may be harmonized to two working days for all types of events enumerated in regulation 29.
b) Regulation 29(1)(d) may be modified to clarify that prior intimation would be required only for such type of fund-raising proposals that involve issue of securities and for determination of issue price. This would exclude borrowings / short-term borrowings which do not involve issuance of any securities.
c) Prior intimation may not be required for determination of issue price for funding raising done through qualified institutions placement in compliance with the ICDR Regulations.

4.4. Rationale:

4.4.1. The timeline for prior intimation for board meetings is different for the following events under regulation 29 viz.,
(i) 5 days for financial results and
(ii) 11 working days for
a. any alteration in the form or nature of any of its securities that are listed on the stock exchange or in the rights or privileges of the holders;
b. any alteration in the date on which, the interest on debentures or bonds, or the redemption amount of redeemable shares or of debentures or bonds, shall be payable.

4.4.2. The Committee noted that in terms of regulation 50(1) of the LODR Regulations (applicable to non-convertible securities), the timelines have already been fixed at 2 working days for the following events:

a) alteration in the form or nature of non-convertible securities that are listed on the stock exchange or in the rights or privileges of the holders thereof;
b) an alteration in the date of the interest/ dividend/ redemption payment of non-convertible securities;
c) financial results
d) any other matter affecting the rights or interests of holders of non-convertible securities.

4.4.3. Further, the Committee understands that the objective of having a prior intimation is to ensure that shareholders are aware about impending material events, especially relating to rights / privileges of shareholders and to provide sufficient time to the markets to absorb such information.

4.4.4. Given that in today's age and time of technological advancement, information reaches shareholders fast and the markets also absorb it quickly. Therefore, two working days is reasonable enough for shareholders and investors to be aware of such events; for the markets to absorb and to react to such events while simultaneously providing flexibility to companies to schedule board meetings at a short notice.

4.4.5. The Committee also noted that while the intention of regulation 29(1)(d) is to require prior intimation of board meetings convened to consider only those types of fund raisings which involve issue of securities, it was pointed out by Stock Exchanges that there is lack of clarity in the market about the expression "any other method" included in the aforesaid clause. As a result, there has been a flood of disclosures relating to different types of fund raising activities, many of which do not involve issue of securities. Therefore, the Committee has suggested modifications to Regulation 29(1)(d).

4.4.6. As far as raising funds through qualified institutions placement (QIP) is concerned, it was brought to the Committee's notice that the requirement of prior intimation for the board meeting scheduled to determine the issue price of QIP requires companies to keep the QIP open for more number of days which otherwise may not have been required as there is no minimum period (for keeping the QIP open) specified in ICDR Regulations. Generally, QIP allotment is made to institutional investors who prefer to close deals within a very short period of time.

4.4.7. As regulation 29(1) requires two working days' prior intimation for board meetings, excluding the date of intimation and the date of meeting, for determination of issue price, companies either have to keep the QIP open for additional 3 working days (assuming the intimation is given on the day of opening of QIP, which is the market practice) or determine the issue price 3 working days after closure of the bidding (assuming the QIP is closed on the date of intimation and the Board can determine the price on the 3rd working day from the date of intimation).

Illustration

Company	Date of Board Meeting to open the issue	Issue opening date	Issue Closing date	Date of intimation under Reg.29(2) for fixation of issue Price	Date of Fixation of issue price
ABC	29/11/2023	29/11/2023	04/12/2023	29/11/2023	04/12/2023
XYZ	21/11/2023	21/11/2023	24/11/2023	21/11/2023	24/11/2023

4.4.8. It may be noted that the floor price for QIP is already based on the formula specified in ICDR and therefore, separate intimation of a board meeting for determining the issue price in a QIP may not be relevant for the markets. Therefore, the Committee was of the view that prior intimation for board meeting convened to determine issue price of a QIP is only a procedural requirement and may be done away with, as the regulations already prescribe the formula for calculation of floor price for such allotments.

4.5. Suggested text of the amendment: The suggested amendments to regulation 29 of the LODR Regulations is given below:

Existing provisions	Suggested changes
(1) The listed entity shall give prior intimation to stock exchange about the meeting of the board of directors in which any of the following proposals is due to be considered: (a) financial results viz. quarterly, half yearly, or annual, as the case may be; (b) proposal for buyback of securities; (c) proposal for voluntary delisting by the listed entity from the stock exchange(s); (d) fund raising by way of further public offer, rights issue, American Depository Receipts/Global Depository Receipts/Foreign Currency Convertible Bonds, qualified institutions placement, debt issue, preferential issue or any other method and for determination of issue price: Provided that intimation shall also be given in case of any annual general meeting or extraordinary general meeting or postal ballot that is proposed to be held for obtaining shareholder approval for further fund raising indicating type of issuance. (e) declaration/ recommendation of dividend, issue of convertible securities including convertible debentures or of debentures carrying a right to subscribe to equity shares or the passing over of dividend.	(1) The listed entity shall give prior intimation of at least two working days in advance, excluding the date of the intimation and date of the meeting, to stock exchange about the meeting of the board of directors in which any of the following proposals is due to be considered: (a) financial results viz. quarterly, half yearly, or annual, as the case may be; (b) proposal for buyback of securities; (c) proposal for voluntary delisting by the listed entity from the stock exchange(s); (d) fund raising by way of issue of securities (excluding security receipts, securitized debt instruments or money market instruments regulated by the Reserve Bank of India), through further public offer, rights issue, American Depository Receipts/Global Depository Receipts/Foreign Currency Convertible Bonds, qualified institutions placement, debt issue, preferential issue or any other method and for determination of issue price: Provided that intimation shall also be given in case of any annual general meeting or extraordinary general meeting or postal ballot that is proposed to be held for obtaining shareholder approval for further fund raising indicating type of issuance.

(f) the proposal for declaration of bonus securities	Provided further that intimation for determination of issue price in a qualified institutions placement is not required if such placement is done in accordance with the provisions of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018. (e) declaration/ recommendation of dividend, issue of convertible securities including convertible debentures or of debentures carrying a right to subscribe to equity shares or the passing over of dividend. (f) the proposal for declaration of bonus securities (g) any alteration in the form or nature of any of its securities that are listed on the stock exchange or in the rights or privileges of the holders thereof; (h) any alteration in the date on which, the interest on debentures or bonds, or the redemption amount of redeemable shares or of debentures or bonds, shall be payable.
(2) The intimation required under sub-regulation (1), shall be given at least two working days in advance, excluding the date of the intimation and date of the meeting: Provided that intimation regarding item specified in clause (a) of sub-regulation (1), to be discussed at the meeting of board of directors shall be given at least five days in advance (excluding the date of the intimation and date of the meeting), and such intimation shall include the date of such meeting of board of directors.	(2) The intimation required under sub-regulation (1), ~~shall be given at least two working days in advance, excluding the date of the intimation and date of the meeting:~~ ~~Provided that intimation regarding item specified in clause (a) of sub-regulation (1), to be discussed at the meeting of board of directors shall be given at least five days in advance (excluding the date of the intimation and date of the meeting), and such intimation~~ shall ~~include~~ mention the date of such meeting of board of directors.
(3) The listed entity shall give intimation to the stock exchange(s) at least eleven working days before any of the following proposal is placed before the board of directors - (a) any alteration in the form or nature of any of its securities that are listed on the stock exchange or in the rights or privileges of the holders thereof. (b) any alteration in the date on which, the interest on debentures or bonds, or the redemption amount of redeemable shares or of debentures or bonds, shall be payable.	~~(3) The listed entity shall give intimation to the stock exchange(s) at least eleven working days before any of the following proposal is placed before the board of directors -~~ ~~(a) any alteration in the form or nature of any of its securities that are listed on the stock exchange or in the rights or privileges of the holders thereof.~~ ~~(b) any alteration in the date on which, the interest on debentures or bonds, or the redemption amount of redeemable shares or of debentures or bonds, shall be payable~~

5. Gap between meetings of the Risk Management Committee

5.1. Existing provisions: The Risk Management Committee (currently mandatory for top 1000 listed entities) shall meet twice a year and the meetings shall be conducted in such a manner that on a continuous basis not more than one hundred and eighty days shall elapse between any two consecutive meetings.

5.2. Suggestions received: The requirement that the gap between two meetings shall not be more than 180 days is eventually causing listed entities to hold more than 2 meetings in a year in certain scenarios. [For example, a listed entity holding the meeting of RMC on 1st January 2023 and the next meeting on 1st July 2023 has to necessarily hold another meeting on 29th December 2023 in order to ensure that the gap between two consecutive meetings is not more than 180 days. In this case, the listed entity has to conduct 3 meetings in a year as against the regulatory requirement of 2 meetings in a year]. Therefore, it may be modified to 2 meetings in a financial year or to be held on a half-yearly basis.

5.3. Recommendations: The Committee recommends that the maximum gap between the meetings of risk management committee may be increased to 210 days.

5.4. Rationale: The intention of the regulations is to have atleast 2 meetings in a year and the maximum gap requirements were introduced to ensure that the committee meets once in every 6 months. However, in view of the challenges faced by listed entities, the Committee recommends that the maximum gap between the meetings of risk management committee may be increased to 210 days i.e., 7 months' time instead of existing 6 months.

5.5. Suggested text of the amendment: The suggested amendments to regulation 21(3C) is given below:

Existing provisions	Suggested changes
"(3C) The meetings of the risk management committee shall be conducted in such a manner that on a continuous basis not more than one hundred and eighty days shall elapse between any two consecutive meetings."	*"(3C) The meetings of the risk management committee shall be conducted in such a manner that on a continuous basis not more than ~~one hundred and eighty~~ two hundred and ten days shall elapse between any two consecutive meetings."*

CHAPTER II: RECOMMENDATIONS FOR FACILITATING EASE OF DOING BUSINESS UNDER THE ICDR REGULATIONS

Set out below are recommendations of Expert Committee in relation to the ICDR Regulations.

6. Inclusion of equity shares received on conversion or exchange of fully paid-up Compulsory Convertible Securities and depository receipts for the purpose of Minimum Promoters' Contribution

6.1. Existing provisions:

6.1.1. Regulation 14 of the ICDR requires promoters of a company to contribute 20% of the post-offer paid-up equity share capital, on a fully-diluted basis, towards the minimum promoters' contribution.

6.1.2. Currently, under Regulation 15 of the ICDR, equity shares that were acquired pursuant to the conversion of convertible securities in the preceding one year prior to the filing of the draft red herring prospectus ("**DRHP**") are not eligible for the minimum promoters' contribution.

6.1.3. Regulation 8 of the ICDR permits an offer for sale of equity shares arising out of the conversion of fully paid-up compulsorily convertible securities including depository receipts that have been held for a period of at least one year prior to the filing of the DRHP. The rationale is that the capital had been in existence and held for a period of at least one year prior to the filing of the DRHP.

6.2. Suggestion from stakeholders: In line with the aforesaid rationale, it was suggested that equity shares acquired pursuant to the conversion of convertible securities that have been held for a period of at least one year prior to the date of filing the DRHP should also be eligible for minimum promoters' contribution.

6.3. Recommendations: Equity shares arising pursuant to the conversion of fully paid-up, compulsorily convertible securities that have been held for a period of at least one year prior to the filing of the DRHP should be eligible for minimum promoters' contribution. This is based on the above rationale that the capital (i.e., the convertible securities) had been in existence and held for a period of at least one year prior to the filing of the DRHP. The compulsorily convertible securities should be converted into equity shares prior to the filing of the red herring prospectus.

6.4. Suggested text of the amendment:

Current ICDR provision	Proposed amendments to the ICDR
Regulation 15 – Securities ineligible for minimum promoters' contribution (1) For the computation of minimum promoters' contribution, the following specified securities shall not be eligible:	**Regulation 15 – Securities ineligible for minimum promoters' contribution** (1) For the computation of minimum promoters' contribution, the following specified securities shall not be eligible:

Current ICDR provision	Proposed amendments to the ICDR
(a) specified securities acquired during the preceding three years, if these are: (i) acquired for consideration other than cash and revaluation of assets or capitalisation of intangible assets is involved in such transaction; or (ii) resulting from a bonus issue by utilisation of revaluation reserves or unrealised profits of the issuer or from bonus issue against equity shares which are ineligible for minimum promoters' contribution;	(a) specified securities acquired during the preceding three years, if these are: (i) acquired for consideration other than cash and revaluation of assets or capitalisation of intangible assets is involved in such transaction; or (ii) resulting from a bonus issue by utilisation of revaluation reserves or unrealised profits of the issuer or from bonus issue against equity shares which are ineligible for minimum promoters' contribution;
(b) specified securities acquired by the promoters and alternative investment funds or foreign venture capital investors or scheduled commercial banks or public financial institutions or insurance companies registered with Insurance Regulatory and Development Authority of India, during the preceding one year at a price lower than the price at which specified securities are being offered to the public in the initial public offer: Provided that nothing contained in this clause shall apply: (i) if the promoters and alternative investment funds or foreign venture capital investors or scheduled commercial banks or public financial institutions or insurance companies registered with Insurance Regulatory and Development Authority of India, as applicable, pay to the issuer the difference between the price at which the specified securities are offered in the initial public offer and the price at which the specified securities had been acquired; (ii) if such specified securities are acquired in terms of the scheme under sections 230 to 234 of the Companies Act, 2013, as approved by a High Court or a tribunal or the Central Government, as applicable, by the promoters in lieu of business and invested capital that had been in existence for a period of more than one year prior to such approval; (iii) to an initial public offer by a government company, statutory authority or corporation or any special purpose vehicle set up by any of them, which is engaged in the infrastructure sector;	(b) specified securities acquired by the promoters and alternative investment funds or foreign venture capital investors or scheduled commercial banks or public financial institutions or insurance companies registered with Insurance Regulatory and Development Authority of India, during the preceding one year at a price lower than the price at which specified securities are being offered to the public in the initial public offer: Provided that nothing contained in this clause shall apply: (i) if the promoters and alternative investment funds or foreign venture capital investors or scheduled commercial banks or public financial institutions or insurance companies registered with Insurance Regulatory and Development Authority of India, as applicable, pay to the issuer the difference between the price at which the specified securities are offered in the initial public offer and the price at which the specified securities had been acquired; (ii) if such specified securities are acquired in terms of the scheme under sections 230 to 234 of the Companies Act, 2013, as approved by a High Court or a tribunal or the Central Government, as applicable, by the promoters in lieu of business and invested capital that had been in existence for a period of more than one year prior to such approval; (iii) to an initial public offer by a government company, statutory authority or corporation or any special purpose vehicle set up by any of them, which is engaged in the infrastructure sector; or (iv) to equity shares arising from the conversion or exchange of fully paid-up compulsorily convertible
(c) specified securities allotted to the promoters and alternative investment	

Current ICDR provision	Proposed amendments to the ICDR
funds or foreign venture capital investors or scheduled commercial banks or public financial institutions or insurance companies registered with Insurance Regulatory and Development Authority of India during the preceding one year at a price less than the issue price, against funds brought in by them during that period, in case of an issuer formed by conversion of one or more partnership firms or limited liability partnerships, where the partners of the erstwhile partnership firms or limited liability partnerships are the promoters of the issuer and there is no change in the management: Provided that specified securities, allotted to the promoters against the capital existing in such firms for a period of more than one year on a continuous basis, shall be eligible;	securities, including depository receipts, that have been held by the promoters and alternative investment funds or foreign venture capital investors or scheduled commercial banks or public financial institutions or insurance companies registered with Insurance Regulatory and Development Authority of India, as applicable, for a period of at least one year prior to the filing of the draft offer document and such fully paid-up compulsorily convertible securities are converted or exchanged into equity shares prior to the filing of the offer document (i.e., red herring prospectus in case of a book built issue and prospectus in case of a fixed price issue), provided full disclosures of the terms of conversion or exchange are made in the draft offer document;
(d) specified securities pledged with any creditor.	(c) specified securities allotted to the promoters and alternative investment funds or foreign venture capital investors or scheduled commercial banks or public financial institutions or insurance companies registered with Insurance Regulatory and Development Authority of India during the preceding one year at a price less than the issue price, against funds brought in by them during that period, in case of an issuer formed by conversion of one or more partnership firms or limited liability partnerships, where the partners of the erstwhile partnership firms or limited liability partnerships are the promoters of the issuer and there is no change in the management: Provided that specified securities, allotted to the promoters against the capital existing in such firms for a period of more than one year on a continuous basis, shall be eligible; (d) specified securities pledged with any creditor.
(2) Specified securities referred to in clauses (a) and (c) of sub-regulation (1) shall be eligible for the computation of promoters' contribution if such securities are acquired pursuant to a scheme which has been approved by a High Court approved by a tribunal or the Central Government under sections 230 to 234 of the Companies Act, 2013.	(2) Specified securities referred to in clauses (a) and (c) of sub-regulation (1) shall be eligible for the computation of promoters' contribution if such securities are acquired pursuant to a scheme which has been approved by a High Court approved by a tribunal or the Central Government under sections 230 to 234 of the Companies Act, 2013.

7. Non-individual shareholders to be permitted to contribute towards minimum promoters' contribution without being identified as a promoter

7.1. Existing provisions: Regulation 14 of the ICDR requires promoters of a company to contribute 20% of the post-offer paid-up equity share capital, on a fully-diluted basis, as the minimum promoters' contribution. If the post-offer paid-up equity share capital, on a fully-diluted basis, of the promoter is less than 20%, only specified categories of QIB shareholders, namely, alternative investment funds, foreign venture capital investors, scheduled commercial banks, public financial institutions or insurance companies registered with Insurance Regulatory and Development Authority of India, are permitted to contribute equity shares held by them to meet the shortfall in the minimum promoters' contribution, subject to a maximum of 10%, without being identified as a promoter.

7.2. Suggestion from stakeholders: It was suggested that any public non-individual shareholder who would continue to hold at least 5% of the post-offer equity share capital should be permitted to meet the shortfall in the minimum promoters' contribution.

7.3. Recommendation:

7.3.1. It was observed that companies promoted by entrepreneurs often have several rounds of funding prior to listing of their equity shares on the stock exchanges. In such situations, the promoters' holding may fall short of the minimum promoter contribution i.e., 20% of the post-offer equity share capital. While the ICDR permits certain categories of investors to contribute equity shares held by them towards the shortfall, further flexibility could be provided.

7.3.2. Accordingly, it was recommended that any non-individual shareholder that would hold 5% or more of the post-offer equity share capital should be permitted to contribute towards the shortfall in minimum promoters' contribution, subject to the existing maximum of 10%, without being identified as a promoter. Such equity shares that would be contributed towards the shortfall in minimum promoters' contribution should be eligible under Regulation 15.

7.4. Suggested text of the amendment:

Current ICDR provision	Proposed amendments to the ICDR
Regulation 14 – Minimum promoters' contribution (1) The promoters of the issuer shall hold at least twenty per cent. of the post-issue capital: Provided that in case the post-issue shareholding of the promoters is less than twenty per cent., alternative investment funds or foreign venture capital investors or scheduled commercial banks or public financial institutions or insurance companies	**Regulation 14 – Minimum promoters' contribution** (1) The promoters of the issuer shall hold at least twenty per cent. of the post-issue capital: Provided that in case the post-issue shareholding of the promoters is less than twenty per cent., alternative investment funds or foreign venture capital investors or scheduled commercial banks or public

Current ICDR provision	Proposed amendments to the ICDR
registered with Insurance Regulatory and Development Authority of India may contribute to meet the shortfall in minimum contribution as specified for the promoters, subject to a maximum of ten per cent. of the post-issue capital without being identified as promoter(s). …	financial institutions or insurance companies registered with Insurance Regulatory and Development Authority of India or any non-individual public shareholder holding at least five per cent. of the post-issue capital, may contribute to meet the shortfall in minimum contribution as specified for the promoters, subject to a maximum of ten per cent. of the post-issue capital without being identified as promoter(s). …

7.5. The following amendments will also be required to Regulation 15 (in addition to the amendment proposed pursuant to para 6.4 above):

Current ICDR provision	Proposed amendments to the ICDR
Regulation 15 – Securities ineligible for minimum promoters' contribution (1) For the computation of minimum promoters' contribution, the following specified securities shall not be eligible: (a) specified securities acquired during the preceding three years, if these are: (i) acquired for consideration other than cash and revaluation of assets or capitalisation of intangible assets is involved in such transaction; or (ii) resulting from a bonus issue by utilisation of revaluation reserves or unrealised profits of the issuer or from bonus issue against equity shares which are ineligible for minimum promoters' contribution; (b) specified securities acquired by the promoters and alternative investment funds or foreign venture capital investors or scheduled commercial banks or public financial institutions or insurance companies registered with Insurance Regulatory and Development Authority of India, during the preceding one year at a price lower than the price at which specified securities are being offered to the public in the initial public offer: Provided that nothing contained in this clause shall apply: (i) if the promoters and alternative investment funds or foreign venture capital investors or scheduled commercial banks or public financial institutions or insurance companies	**Regulation 15 – Securities ineligible for minimum promoters' contribution** (1) For the computation of minimum promoters' contribution, the following specified securities shall not be eligible: (a) specified securities acquired during the preceding three years, if these are: (i) acquired for consideration other than cash and revaluation of assets or capitalisation of intangible assets is involved in such transaction; or (ii) resulting from a bonus issue by utilisation of revaluation reserves or unrealised profits of the issuer or from bonus issue against equity shares which are ineligible for minimum promoters' contribution; (b) specified securities acquired by the promoters and alternative investment funds or foreign venture capital investors or scheduled commercial banks or public financial institutions or insurance companies registered with Insurance Regulatory and Development Authority of India or any non-individual public shareholder holding at least five per cent. of the post-issue capital, during the preceding one year at a price lower than the price at which specified securities are being offered to the public in the initial public offer: Provided that nothing contained in this clause shall apply: (i) if the promoters and alternative investment funds or foreign venture

Current ICDR provision	Proposed amendments to the ICDR
registered with Insurance Regulatory and Development Authority of India, as applicable, pay to the issuer the difference between the price at which the specified securities are offered in the initial public offer and the price at which the specified securities had been acquired; (ii) if such specified securities are acquired in terms of the scheme under sections 230 to 234 of the Companies Act, 2013, as approved by a High Court or a tribunal or the Central Government, as applicable, by the promoters in lieu of business and invested capital that had been in existence for a period of more than one year prior to such approval; (iii) to an initial public offer by a government company, statutory authority or corporation or any special purpose vehicle set up by any of them, which is engaged in the infrastructure sector; (c) specified securities allotted to the promoters and alternative investment funds or foreign venture capital investors or scheduled commercial banks or public financial institutions or insurance companies registered with Insurance Regulatory and Development Authority of India during the preceding one year at a price less than the issue price, against funds brought in by them during that period, in case of an issuer formed by conversion of one or more partnership firms or limited liability partnerships, where the partners of the erstwhile partnership firms or limited liability partnerships are the promoters of the issuer and there is no change in the management: Provided that specified securities, allotted to the promoters against the capital existing in such firms for a period of more than one year on a continuous basis, shall be eligible; (d) specified securities pledged with any creditor. (2) Specified securities referred to in clauses (a) and (c) of sub-regulation (1) shall be eligible for the computation of promoters' contribution if such securities are acquired pursuant to a scheme which has been approved by a High Court approved by a tribunal or the Central Government under	capital investors or scheduled commercial banks or public financial institutions or insurance companies registered with Insurance Regulatory and Development Authority of India or any non-individual public shareholder holding at least five per cent. of the post-issue capital, as applicable, pay to the issuer the difference between the price at which the specified securities are offered in the initial public offer and the price at which the specified securities had been acquired; (ii) if such specified securities are acquired in terms of the scheme under sections 230 to 234 of the Companies Act, 2013, as approved by a High Court or a tribunal or the Central Government, as applicable, by the promoters in lieu of business and invested capital that had been in existence for a period of more than one year prior to such approval; (iii) to an initial public offer by a government company, statutory authority or corporation or any special purpose vehicle set up by any of them, which is engaged in the infrastructure sector; or (iv) equity shares arising from the conversion or exchange of fully paid-up compulsorily convertible securities, including depository receipts, that have been held by the promoters and alternative investment funds or foreign venture capital investors or scheduled commercial banks or public financial institutions or insurance companies registered with Insurance Regulatory and Development Authority of India or any non-individual public shareholder holding at least five per cent. of the post-issue capital, as applicable, for a period of at least one year prior to the filing of the draft offer document and such fully paid-up compulsorily convertible securities are converted or exchanged into equity shares prior to the filing of the offer document (i.e., red herring prospectus in case of a book built issue and prospectus in case of a fixed price issue), provided full disclosures of the terms of conversion or exchange are made in the draft offer document.

Current ICDR provision	Proposed amendments to the ICDR
sections 230 to 234 of the Companies Act, 2013.	(c) specified securities allotted to the promoters and alternative investment funds or foreign venture capital investors or scheduled commercial banks or public financial institutions or insurance companies registered with Insurance Regulatory and Development Authority of India or any non-individual public shareholder holding at least five per cent. of the post-issue capital, as applicable, during the preceding one year at a price less than the issue price, against funds brought in by them during that period, in case of an issuer formed by conversion of one or more partnership firms or limited liability partnerships, where the partners of the erstwhile partnership firms or limited liability partnerships are the promoters of the issuer and there is no change in the management: Provided that specified securities, allotted to the promoters against the capital existing in such firms for a period of more than one year on a continuous basis, shall be eligible; (d) specified securities pledged with any creditor. (2) Specified securities referred to in clauses (a) and (c) of sub-regulation (1) shall be eligible for the computation of promoters' contribution if such securities are acquired pursuant to a scheme which has been approved by a High Court approved by a tribunal or the Central Government under sections 230 to 234 of the Companies Act, 2013.

7.6. It was noted that similar amendments will be required to Regulations 16, 113, 114, 115, 236, 237, 238 and 292 of the ICDR.

8. Thresholds for increase or decrease in issue size triggering re-filing of draft offer documents

8.1. Existing provisions: Currently, paragraph (1) of Schedule XVI of the ICDR prescribes certain changes that would require a fresh filing of a draft offer document.

Under Schedule XVI, the following changes require fresh filing of a draft offer document:

(i) in case of a fresh issue: any increase or decrease in the estimated issue size by more than 20% of the estimated issue size;
(ii) in case of an offer for sale: any increase or decrease in either the number of shares offered for sale or the estimated issue size, by more than 50%.

For an initial public offer comprising both a fresh issue and an offer for sale, the respective limits above will be applicable.

8.2. Suggestions from stakeholders: The suggestions were the following:

(i) Clarify the term "*estimated issue size*" in a fresh issue, in the context of the approximate size of the initial public offering disclosed to the SEBI in the cover letter filed along with the DRHP.

(ii) Consider that the increase or decrease in the size of the offer for sale should be based on only one of the following criteria (and not both), as disclosed in the DRHP: (a) estimated issue size; or (b) the number of securities.

(iii) Consider increasing the limit for a change in the size of the offer for sale from 50% to 100%.

(iv) Consider increasing the limit for a change in the size of the fresh issue from 20% to a higher number (such as 35%).

8.3. Recommendation:

8.3.1. The "*estimated size of the issue*" for a fresh issue is based on the Rupee value of the size of the issue, as disclosed in either the DRHP or the cover letter filed with the SEBI at the time of filing the DRHP. It can be clarified that size of the issue will be measured in Rupee terms.

8.3.2. In order to provide ease of doing business and to provide greater flexibility, the offer for sale size can be based on either the estimated issue size (in Rupee value) or the number of shares, as disclosed in the DRHP, and not on both criteria.

Illustration: Presently, in terms of ICDR provisions, an issuer is required to make a fresh filing of the draft offer document when there is a change in the offer for sale (OFS) by more than 50%, based on both criteria i.e. either the number of shares offered for sale or the estimated issue size of the OFS.

Now let us assume an issue where the issuer has disclosed in the DRHP that the selling shareholder intends to make an OFS of 1 crore equity shares. In this case, let us assume that the issuer has paid fees expecting an issue size (involving only an OFS) of Rs. 1,000 crore (1 crore shares x Rs. 1000 share). The issue size in rupee terms is not disclosed in DRHP. Now, if there is a scenario where due to change in market conditions, the valuation of the shares reduces from Rs.1000 to Rs. 700 and the issuer / selling shareholder also wants to reduce the number of shares by 30% (i.e., to 70 lakh shares), the issue size in rupee terms reduces to Rs 490 crore. Thus the issuer is then technically not able to comply with the relevant ICDR provision as issue size reduces by 51% in Rupee terms due to reduction in OFS size by 30% in terms of no. of shares. The following table illustrates change in issue size due to change in valuation and reduction in OFS size (in terms of no. of shares):

	Original Issue Size	**Revised Issue Size**
Valuation of each share (A)	Rs 1000	Rs 700
No. of shares being offered (Issue size in terms of Shares) (B)	1 Crore	70 lakh
Issue size in terms of Rs. (A*B)	1000 Crores	490 Crores
Difference (in terms of no. of shares being offered)	NA	30%
Difference (in terms of issue of size in Rs.)	NA	51%

Therefore, the proposal is to apply +(-) 50% change in OFS based on whichever criteria (i.e., issue size in number of shares or issue size in rupees) has been disclosed in DRHP.

8.3.3. The committee also deliberated permitting change in size of the offer for sale from 50% to 100% as well as allowing addition to the list of selling shareholders. In this regard, there are two aspects that were pertinent to be examined. First, the impact of such change to prospective investors. Second, additional due-diligence and regulatory review. Addition of selling shareholders or increasing offer for sale at the stage of red herring prospectus would result in very little time for an investor to assimilate additional facts in order to make an informed decision. Further, additional due-diligence required to be carried out by Merchant Bankers would also introduce implementation challenges. Thus, it was decided that proposal of permitting change in size of the offer for sale from 50% to 100% as well as allowing addition to the list of selling shareholders may not be considered.

8.3.4. On the suggestion to consider increasing the changes permitted to the fresh issue size from the existing limit of 20%, it is viewed that given the fact that the objects of the offering are likely to get impacted, this suggestion needs to be further deliberated and hence, no changes are being proposed at this stage.

8.4. Suggested text of the amendment:

Current ICDR provision	Proposed amendments to the ICDR
Schedule XVI (1): Changes which require fresh filing of the draft offer document with the Board, along with fees: If changes are made in the offer document with respect to any of the following, the issuer shall file fresh draft offer document with the Board in terms of applicable provisions of these regulations, along with the fees as specified Schedule III: (a) Change in promoter of the issuer. (b) Change in more than half of the board of directors of the issuer. (c) Change in main object clause of the issuer. (d) Any addition to objects of the issue resulting in an increase in the estimated issue size or estimated means of finance by more than twenty per cent. (e) If there are grounds to believe that there is an exacerbation of risk on account of deletion of an object resulting in a decrease in issue size by more than twenty per cent (f) Any Increase or Decrease: (i) In case of a fresh issue: any increase or decrease in estimated issue size by more than twenty per cent. of the estimated issue size; or (ii) In case of an offer for sale: any increase or decrease in either the number of shares offered for sale or the estimated issue size, by more than fifty per cent.; or (iii) In case of an issue comprising of both fresh issue and offer for sale: the respective limits as above shall apply. (g) Any increase in estimated deployment in any of the objects of the issue by more than twenty per cent. Changes which may result in non-compliance with the provisions of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 and the lead manager(s) or issuer do not intend to seek relaxation under regulation 303 of the said regulations.	**Schedule XVI (1): Changes which require fresh filing of the draft offer document with the Board, along with fees:** If changes are made in the offer document with respect to any of the following, the issuer shall file fresh draft offer document with the Board in terms of applicable provisions of these regulations, along with the fees as specified Schedule III: (a) Change in promoter of the issuer. (b) Change in more than half of the board of directors of the issuer. (c) Change in main object clause of the issuer. (d) Any addition to objects of the issue resulting in an increase in the estimated issue size or estimated means of finance by more than twenty per cent. (e) If there are grounds to believe that there is an exacerbation of risk on account of deletion of an object resulting in a decrease in issue size by more than twenty per cent (f) Any Increase or Decrease: (i) In case of a fresh issue: any increase or decrease in estimated issue size (in Rupee value) by more than twenty per cent. ~~of the estimated issue size~~; or (ii) In case of an offer for sale: any increase or decrease in either the number of shares offered for sale or the estimated issue size (in Rupee value), whichever is disclosed in the draft offer document, by more than fifty per cent.; or (iii) In case of an issue comprising of both fresh issue and offer for sale: the respective limits as above shall apply. (g) Any increase in estimated deployment in any of the objects of the issue by more than twenty per cent. Changes which may result in non-compliance with the provisions of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 and the lead manager(s) or issuer do not intend to seek relaxation under regulation 303 of the said regulations.

8.5. It was noted that similar amendments would be required to paragraph (1) of Schedule XVI-A for a pre-filed draft offer document.

9. Flexibility to extend the bid/offer closing date on account of force majeure events

9.1. Existing provisions: Currently, the ICDR permits issuer companies to, for reasons recorded in writing, extend the bidding period disclosed in the offer document for a minimum period of three working days in case of any force majeure events, banking strike or similar circumstances.

9.2. Suggestion from stakeholders: It was suggested that the minimum period for extension should be reduced to one working day in case of any force majeure events, banking strike or similar circumstances.

9.3. Recommendation: ICDR also mandates that bidding period shall be extended for a minimum period of three working days in case there is a revision in the price band. The rationale in such cases is to allow investors absorb the information regarding new price band and make informed decision. However, in case of force majeure/ banking strike, there is no change in price band. Mandating extension of bidding period by minimum three working days in such scenarios would result in locking substantial funds for additional time. Thus, it may not be a fit scenario to mandate extension by minimum three working days in force majeure events/ banking strike. Accordingly, it is recommended that Issuer companies should be permitted to extend the issue period, depending on the circumstances, by one working day in case of force majeure events, banking strike or similar circumstances.

9.4. Suggested text of the amendment:

Current ICDR provision	Proposed amendments to the ICDR
Regulation 46 – Period of subscription (1) Except as otherwise provided in these regulations, an initial public offer shall be kept open for at least three working days and not more than ten working days. (2) In case of a revision in the price band, the issuer shall extend the bidding (issue) period disclosed in the red herring prospectus, for a minimum period of three working days, subject to the provisions of sub-regulation (1). (3) In case of force majeure, banking strike or similar circumstances, the issuer may, for reasons to be recorded in writing, extend the bidding (issue) period disclosed in the red herring prospectus (in case of a book built issue) or the issue period disclosed in the prospectus (in case of a fixed price issue), for a minimum period of three working days, subject to the provisions of sub-regulation (1).	**Regulation 46 – Period of subscription** (1) Except as otherwise provided in these regulations, an initial public offer shall be kept open for at least three working days and not more than ten working days. (2) In case of a revision in the price band, the issuer shall extend the bidding (issue) period disclosed in the red herring prospectus, for a minimum period of three working days, subject to the provisions of sub-regulation (1). (3) In case of force majeure, banking strike or similar circumstances, the issuer may, for reasons to be recorded in writing, extend the bidding (issue) period disclosed in the red herring prospectus (in case of a book built issue) or the issue period disclosed in the prospectus (in case of a fixed price issue), for a minimum period of ~~three~~ one working day~~s~~, subject to the provisions of sub-regulation (1).

9.5. It was noted that similar amendments would be required to other provisions of the ICDR, including Regulation 142, 203, 266 and paragraph (9) of Schedule XII.

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Annexure – Illustration on recommendations relating to first time applicability of different provisions of the LODR Regulations and the proposed sunset clause

The illustrative table given below indicates the date of applicability of different provisions of the LODR Regulations (market capitalization based compliance requirements based on the average market capitalization **ranking as on 31st December, 2024**) for the first time for companies having different financial years:

TABLE I

Sl. No.	Regulation	Requirement	Applicability by market capitalization	First time compliance requirements to begin from (based on average market capitalization ranking as on December 31, 2024)			
				Companies with April-March as financial year	Companies with July – June as financial year	Companies with October – September as financial year	Companies with January – December as financial year
1.	Reg. 17(1)(c)	Not less than six directors in the Board of Directors	Top 2000	01/04/2025	01/07/2025	01/10/2025	01/04/2025
2.	Reg. 17(2A)	Quorum for board meeting – 1/3rd of its total strength or 3 directors, whichever is higher	Top 2000	01/04/2025	01/07/2025	01/10/2025	01/04/2025
3.	Reg. 17(1)(a)	At least one Independent woman director in the Board of Directors	Top 1000	01/04/2025	01/07/2025	01/10/2025	01/04/2025
4.	Reg. 21(5)	Risk Management Committee	Top 1000	01/04/2025	01/07/2025	01/10/2025	01/04/2025
5.	Reg. 25(10)	Directors and Officers insurance for all the independent directors	Top 1000	01/04/2025	01/07/2025	01/10/2025	01/04/2025
6.	Reg. 34(2)(f)	Business Responsibility and Sustainability Report	Top 1000	Within 01/04/2025 (For systems and process) Annual Report of FY 2025-26 for BRSR	Within 01/07/2025 (For systems and process) Annual Report of FY 2025-26 for	Within 01/10/2025 (For systems and process) Annual Report of FY 2025-26 for	Within 01/04/2025 (For systems and process) Annual Report of FY 2025 for BRSR reporting

Sl. No.	Regulation	Requirement	Applicability by market capitalization	First time compliance requirements to begin from (based on average market capitalization ranking as on December 31, 2024)			
				Companies with April-March as financial year	Companies with July – June as financial year	Companies with October – September as financial year	Companies with January – December as financial year
				reporting (prepared after March 31, 2026)	BRSR reporting (prepared after June 30, 2026)	BRSR reporting (prepared after September 30, 2026)	(prepared after December 31, 2025)
7.	Reg. 43A	Dividend Distribution Policy	Top 1000	01/04/2025	01/07/2025	01/10/2025	01/04/2025
8.	Proviso to Reg. 30(11)	Rumour verification	Top 250	01/04/2025	01/07/2025	01/10/2025	01/04/2025
9.	Reg. 44(5)	AGM within 5 months from date of closing of financial year	Top 100	For AGM of FY 2024-25 (to be held on or before August 31, 2025)	For AGM of FY 2024-25 (to be held on or before November 30, 2025)	For AGM of FY 2024-25 (to be held on or before February 28, 2026)	For AGM of FY 2024 (to be held on or before May 31, 2025)
10.	Reg. 44(6)	One-way live webcast of proceedings of AGM	Top 100	For AGM of FY 2024-25 (to be held on or before August 31, 2025)	For AGM of FY 2024-25 (to be held on or before November 30, 2025)	For AGM of FY 2024-25 (to be held on or before February 28, 2026)	For AGM of FY 2024 (to be held on or before May 31, 2025)

After the provisions become applicable for the first time based on the ranking as on 31st December 2024, let us assume that the companies never featured in the top 100/250/1000/2000 for the next 3 consecutive years i.e., 31st December 2025, 31st December 2026, 31st December 2027. Therefore, the proposed sunset clause would help the companies as relevant provisions would cease to be applicable upon the end of the financial year or 31st March, whichever is later. The date of first-time applicability (based on the table above) and the date of cessation of relevant provisions (based on the assumption discussed above) is tabulated below (**Table II**):

TABLE II

Sl. No.	Regulation	Requirement	Applicability by market capitalization	Compliance period for relevant provisions based on first time applicability (ranking as on 31st December 2024) and sunset clause (as the companies remain outside the applicability threshold as on 31st December of 2025, 2026 and 2027)			
				Companies with April-March as financial year	Companies with July – June as financial year	Companies with October – September as financial year	Companies with January – December as financial year
1.	Reg. 17(1)(c)	Not less than six directors in the Board of Directors	Top 2000	01/04/2025 To **31/03/2028**	01/07/2025 To **30/06/2028**	01/10/2025 To **30/09/2028**	01/04/2025 To **31/03/2028**
2.	Reg. 17(2A)	Quorum for board meeting – 1/3rd of its total strength or 3 directors, whichever is higher	Top 2000	01/04/2025 To **31/03/2028**	01/07/2025 To **30/06/2028**	01/10/2025 To **30/09/2028**	01/04/2025 To **31/03/2028**
3.	Reg. 17(1)(a)	At least one Independent woman director in the Board of Directors	Top 1000	01/04/2025 To **31/03/2028**	01/07/2025 To **30/06/2028**	01/10/2025 To **30/09/2028**	01/04/2025 To **31/03/2028**
4.	Reg. 21(5)	Risk Management Committee	Top 1000	01/04/2025 To **31/03/2028**	01/07/2025 To **30/06/2028**	01/10/2025 To **30/09/2028**	01/04/2025 To **31/03/2028**
5.	Reg. 25(10)	Directors and Officers insurance for all the independent directors	Top 1000	01/04/2025 To **31/03/2028**	01/07/2025 To **30/06/2028**	01/10/2025 To **30/09/2028**	01/04/2025 To **31/03/2028**

Sl. No.	Regulation	Requirement	Applicability by market capitalization	Compliance period for relevant provisions based on first time applicability (ranking as on 31st December 2024) and sunset clause (as the companies remain outside the applicability threshold as on 31st December of 2025, 2026 and 2027)			
				Companies with April-March as financial year	**Companies with July – June as financial year**	**Companies with October – September as financial year**	**Companies with January – December as financial year**
6.	Reg. 34(2)(f)	Business Responsibility and Sustainability Report	Top 1000	Within 01/04/2025 (For systems and process) Annual Report of FY 2025-26 for BRSR reporting (prepared after March 31, 2026) **BRSR to be reported in Annual Report of FY 2026-27 and FY 2027-28**	Within 01/07/2025 (For systems and process) Annual Report of FY 2025-26 for BRSR reporting (prepared after June 30, 2026) **BRSR to be reported in Annual Report of FY 2026-27 and FY 2027-28**	Within 01/10/2025 (For systems and process) Annual Report of FY 2025-26 for BRSR reporting (prepared after September 30, 2026) **BRSR to be reported in Annual Report of FY 2026-27 and FY 2027-28**	Within 01/04/2025 (For systems and process) Annual Report of FY 2025 for BRSR reporting (prepared after December 31, 2025) **BRSR to be reported in Annual Report of FY 2026 and FY 2027**
7.	Reg. 43A	Dividend Distribution Policy	Top 1000	01/04/2025 To **31/03/2028**	01/07/2025 To **30/06/2028**	01/10/2025 To **30/09/2028**	01/04/2025 To **31/03/2028**
8.	Proviso to Reg. 30(11)	Rumour verification	Top 250	01/04/2025 To **31/03/2028**	01/07/2025 To **30/06/2028**	01/10/2025 To **30/09/2028**	01/04/2025 To **31/03/2028**

Sl. No.	Regulation	Requirement	Applicability by market capitalization	Compliance period for relevant provisions based on first time applicability (ranking as on 31st December 2024) and sunset clause (as the companies remain outside the applicability threshold as on 31st December of 2025, 2026 and 2027)			
				Companies with April-March as financial year	Companies with July – June as financial year	Companies with October – September as financial year	Companies with January – December as financial year
9.	Reg. 44(5)	AGM within 5 months from date of closing of financial year	Top 100	For AGM of FY 2024-25 (to be held on or before August 31, 2025) **Applicable for AGM of FY 2025-26 and FY 2026-27**	For AGM of FY 2024-25 (to be held on or before November 30, 2025) **Applicable for AGM of FY 2025-26 and FY 2026-27**	For AGM of FY 2024-25 (to be held on or before February 28, 2026) **Applicable for AGM of FY 2025-26 and FY 2026-27**	For AGM of FY 2024 (to be held on or before May 31, 2025) **Applicable for AGM of FY 2025 and FY 2026**
10.	Reg. 44(6)	One-way live webcast of proceedings of AGM	Top 100	For AGM of FY 2024-25 (to be held on or before August 31, 2025) **Applicable for AGM of FY 2025-26 and FY 2026-27**	For AGM of FY 2024-25 (to be held on or before November 30, 2025) **Applicable for AGM of FY 2025-26 and FY 2026-27**	For AGM of FY 2024-25 (to be held on or before February 28, 2026) **Applicable for AGM of FY 2025-26 and FY 2026-27**	For AGM of FY 2024 (to be held on or before May 31, 2025) **Applicable for AGM of FY 2025 and FY 2026**

*The dates and the words in **red** indicate the date from which the provisions would cease to apply or the period upto which the provisions would remain applicate to a listed entity.*