

# **Frequently Asked Questions on Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015**



**Corporate Laws & Corporate Governance Committee**  
**The Institute of Chartered Accountants of India**  
*(Set up by an Act of Parliament)*  
**New Delhi**

**Frequently Asked Questions  
on  
Securities and Exchange Board of India  
(Listing Obligations and Disclosure  
Requirements) Regulations, 2015**



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## Foreword

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Way back from 1996 in Indian history, the need for having a strong framework of good corporate governance has been kept on increasing due to the various irregularities occurring worldwide including in India. Following the importance various regulators have made the law so stringent that misuse of law may be minimised and Indian corporate governance can be set as an example of benchmark for the whole world.

One such step in this regard, is the issuance of SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015. These Regulations have been structured to provide ease of reference by consolidating into one single document across various types of securities listed on the Stock exchanges.

The provisions in Listing Regulations have been aligned with those of the Companies Act, 2013 and it has provided ease for reference as the related provisions have been aligned and provided at a common place.

The regulations start by providing broad principles (in line with IOSCO Principles) for periodic disclosures by listed entities and also have incorporated the principles for corporate governance (in line with OECD principles). These principles underlie specific requirements prescribed in different chapters of the Regulations. These principles would serve to guide the listed entities, in the event of the absence of specific requirements or ambiguity.

Over the years, many amendments and frequent changes have been made in the Regulations and to remain abreast with the developments, the Institute of Chartered Accountants of India (ICAI) through its Corporate Laws & Corporate Governance Committee (CL&CGC) has planned to bring out a publication on "Frequently Asked Questions on SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015" that will provide its members the detailed guidance on recent amendments and understanding of the Regulations.

I appreciate the Corporate Laws & Corporate Governance Committee (CL&CGC) in bringing this publication which is so useful for our members. I extend my sincere appreciation to CA. Chandrashekhar V. Chitale, Chairman, CA. Durgesh Kumar Kabra, Vice-Chairman and other members of the

Corporate Laws & Corporate Governance Committee to bring out this important publication at this point of time.

I am sure that the members and other interested readers would find the publication immensely useful.

**CA. Atul Kumar Gupta**  
President, ICAI

Date: 08<sup>th</sup> February, 2021

## Preface

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The Securities and Exchange Board of India (SEBI) issued SEBI (Listing Obligations and Disclosure Requirements) Regulations in the year 2015 to have a consolidated listing agreement.

This Listing regulations consolidated and streamlined the provisions of existing listing agreements for different segments of the capital market viz. Equity (including convertibles) issued by entities listed on the Main Board of the Stock Exchanges, Small and Medium Enterprises listed on SME Exchange and Institutional Trading Platform, Non-Convertible Debt Securities, Non-Convertible Redeemable Preference Shares, Indian Depository Receipts, Securitized Debt Instruments and Units issued by Mutual Fund Schemes, to enable transparency and fair disclosures.

To align the clauses of the listing agreement with the Companies act, 2013, necessary changes were brought out in the Regulations.

Frequent changes have been made by SEBI in the Regulations and therefore to facilitate the understanding and interpretation of law under the amended provisions of SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015, the Corporate Laws & Corporate Governance Committee has decided to bring out a publication: "Frequently Asked Questions on SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015".

The publication has been designed in a question and answer format to assist the members in understanding the intricacies of Regulations.

Our sincere thanks to CA. Atul Kumar Gupta, President ICAI and CA. Nihar Niranjana Jambusaria, Vice-President ICAI for their encouragement and support in bringing out the publication.

We commend the efforts made by the Secretary to the Committee CA Sarika Singhal and her team comprised of Ms Seema Jangid, CA. Deepa Agarwal and CA. Nikita Aggarwal for providing their technical and administrative support.

We sincerely believe that the members of the profession and other stakeholders will find the publication immensely useful.

**CA. Chandrashekhar Vasant Chitale**  
Chairman,  
Corporate Laws & Corporate  
Governance Committee, ICAI

**CA. Durgesh Kumar Kabra**  
Vice-Chairman,  
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Date: 05<sup>th</sup> February, 2021

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## Glossary

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<b>BOD</b>	Board of Director
<b>CEO</b>	Chief Executive Director
<b>CFO</b>	Chief Financial Officer
<b>SEBI</b>	Securities and Exchange Board of India
<b>LODR</b>	Listing Obligation and Disclosure Requirements
<b>SME</b>	Small and Medium Enterprises
<b>Board</b>	Securities and Exchange Board of India
<b>ICDR</b>	Issue of Capital and Disclosure Requirements
<b>KMP</b>	Key Managerial Personnel
<b>ICAI</b>	Institute of Chartered Accountants of India
<b>BRR</b>	Business Responsibility Report
<b>SR</b>	Special Resolution
<b>SR equity shares</b>	Special Right Equity Shares
<b>ROC</b>	Registrar of Companies
<b>NBFC</b>	Non-Banking Financial Companies
<b>RBI</b>	Reserve Bank of India
<b>NAV</b>	Net Asset Value

## Chapter-I

# Definitions

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**Q1. What do you mean by “Associate”?**

**A1.** As per regulation 2(1)(b) of the SEBI (LODR) Regulations, 2015, an associate shall mean an entity which is associate under sub-section (6) of section 2 of the Companies Act, 2013 or under the applicable accounting standard. Therefore, if the condition is met under either of the two, then such entity should be classified as an associate company.

**Q2. Will units issued by Mutual Fund, be considered as an associate?**

**A2.** The definition of “Associate” shall not be applicable for the units issued by mutual fund which are listed on a recognised stock exchange(s) for which the provisions of the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 shall be applicable.

**Q3. Which securities are classified as “Designated Securities”?**

**A3.** “Designated securities” are classified under the following:

- specified securities,
- non-convertible debt securities,
- non-convertible redeemable preference shares,
- perpetual debt instrument,
- perpetual non-cumulative preference shares,
- Indian depository receipts,
- securitised debt instruments,
- security receipts, units issued by mutual funds and
- any other securities as may be specified by the Board

**Q4. Whether only a company incorporated under Companies Act can be called as “Listed Entity”?**

**A4.** As per regulation 2(1)(p) “Listed entity” means an entity which has listed, on a recognised stock exchange(s), the designated securities

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issued by it or designated securities issued under schemes managed by it, in accordance with the listing agreement entered into between the entity and the recognised stock exchange(s).

Therefore, as per the definition any entity, whether a company or not listed on the stock exchange shall be covered under "Listed Entity"

### **Q5. What is meant by "Main Board"?**

**A5.** Main Board means a recognised stock exchange having nationwide trading terminals, other than SME Exchange.

### **Q6. What all items shall form part of net worth?**

**A6.** "Net worth" includes the aggregate value of the paid-up share capital and all reserves created out of the profits, securities premium account and debit or credit balance of profit and loss account, after deducting the aggregate value of the accumulated losses, deferred expenditure and miscellaneous expenditure not written off, as per the audited balance sheet, but does not include reserves created out of revaluation of assets, write-back of depreciation and amalgamation

### **Q7. Whether a mutual fund will be deemed to be a promoter, in case it holds 20% of the equity share capital of the issuer?**

**A7.** As per the second proviso to the clause (za) of sub-regulation (1) of regulation 2 of the SEBI (ICDR) Regulations, 2009, mutual fund shall not be deemed to be a promoter merely by virtue of the fact that ten percent or more of the equity share capital of the issuer is held by such person.

### **Q8. Who all are considered to be "Related Party" under SEBI (LODR) Regulations, 2015?**

**A8.** The following shall be considered as a "Related Party" under SEBI (LODR) Regulations, 2015;-

- Any person or entity covered under the sub-section (76) of section 2 of the Companies Act, 2013 or under the applicable accounting standards
- Any person or entity belonging to the promoter or promoter group of the listed entity and holding 20% or more of shareholding in the listed entity.

However, this definition is not applicable for the units issued by mutual funds which are listed on a recognised stock exchange(s).

**Q9. Whether an entity belonging to the promoter group of the listed entity shall be deemed to be a “related party”?**

**A9.** No, the entity belonging to the promoter group, shall not be deemed to be a related party except such person or entity belonging to the promoter or promoter group of the listed entity holds 20% or more of shareholding in the listed entity.

**Q10. Whether transfer of resources between a listed entity and a related party at arm length price shall be considered as related party transaction?**

**A10.** Any transfer of resources, services or obligations between a listed entity and a related party, regardless of whether a price is charged or not, shall be considered as related party transaction.

Further, a "transaction" with a related party shall be construed to include a single transaction or a group of transactions in a contract.

**Q11. Which securities are known as “specified securities”?**

**A11.** ‘Specified securities’ means ‘equity shares’ and ‘convertible securities’ as defined under clause (zj) of sub-regulation (1) of regulation 2 of the securities and Exchange Board of India (Issue of Capital and Disclosure requirements) Regulations, 2009

**Q12. To whom does the SEBI (LODR) Regulations, 2015 applies?**

**A12.** Unless otherwise provided, SEBI (LODR) Regulations, 2015 shall be applicable to the listed entity who has listed any of the following designated securities on recognised stock exchange(s):

- specified securities listed on main board or SME Exchange or institutional trading platform;
- non-convertible debt securities, non-convertible redeemable preference shares, perpetual debt instrument, perpetual non-cumulative preference shares;
- Indian depository receipts;
- securitised debt instruments;

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- security receipts;
- units issued by mutual funds;
- any other securities as may be specified by the Board.

### **Q13. What is the objective of SEBI (LODR) Regulations, 2015?**

**A13.** The SEBI (LODR) Regulations, 2015 was introduced with the objective to align the clauses of the listing agreement with the Companies Act, 2013 and secondly, to consolidate the conditions under different securities' listing agreements in one single regulation.

### **Q14. In case of any incongruity between the principles and the relevant regulations, which one shall prevail?**

**A14.** In case of any incongruity or ambiguity between the principles and the relevant regulations, principles as specified in Chapter II of the SEBI (LODR) Regulations, 2015 shall prevail.

### **Q15. What are the principles governing disclosures and obligations of a listed entity?**

**A15.** The listed entity which has listed securities shall make disclosures and abide by its obligations under these regulations, in accordance with the following principles:

- Information shall be prepared and disclosed in accordance with applicable standards of accounting and financial disclosure.
- The listed entity shall implement the prescribed accounting standards in letter and spirit in the preparation of financial statements taking into consideration the interest of all stakeholders and shall also ensure that the annual audit is conducted by an independent, competent and qualified auditor.
- The listed entity shall refrain from misrepresentation and ensure that the information provided to recognised stock exchange(s) and investors is not misleading.
- The listed entity shall provide adequate and timely information to recognised stock exchange(s) and investors.
- The listed entity shall ensure that disseminations made under provisions of these regulations and circulars made thereunder,

are adequate, accurate, explicit, timely and presented in a simple language.

- Channels for disseminating information shall provide for equal, timely and cost efficient access to relevant information by investors.
- The listed entity shall abide by all the provisions of the applicable laws including the securities laws and also such other guidelines as may be issued from time to time by the Board and the recognised stock exchange(s) in this regard and as may be applicable.
- The listed entity shall make the specified disclosures and follow its obligations in letter and spirit taking into consideration the interest of all stakeholders.
- Filings, reports, statements, documents and information which are event based or are filed periodically shall contain relevant information.
- Periodic filings, reports, statements, documents and information reports shall contain information that shall enable investors to track the performance of a listed entity over regular intervals of time and shall provide sufficient information to enable investors to assess the current status of a listed entity.

**Q16. What are the objectives of the principles, that a listed entity in listed securities shall comply with?**

**A16.** The objectives are as follows: -

- The rights of shareholders
- Timely information
- Equitable treatment
- Role of stakeholders in corporate governance
- Disclosure and transparency
- Responsibilities of the board of directors

**Q17. What are the rights of shareholders under SEBI (LODR), 2015?**

**FAQ on Securities and Exchange Board of India (LODR) Regulations, 2015**

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**A17.** The listed entity shall seek to protect and facilitate the exercise of the following rights of shareholders:

- right to participate in, and to be sufficiently informed of, decisions concerning fundamental corporate changes.
- opportunity to participate effectively and vote in general shareholder meetings.
- being informed of the rules, including voting procedures that govern general shareholder meetings.
- opportunity to ask questions to the board of directors, to place items on the agenda of general meetings, and to propose resolutions, subject to reasonable limitations.
- Effective shareholder participation in key corporate governance decisions, such as the nomination and election of members of board of directors.
- exercise of ownership rights by all shareholders, including institutional investors.
- adequate mechanism to address the grievances of the shareholders.
- protection of minority shareholders from abusive actions by, or in the interest of, controlling shareholders acting either directly or indirectly, and effective means of redress.

**Q18. Does listed entity provide adequate and timely information to shareholders?**

**A18.** Yes, the listed entity shall provide adequate and timely information to shareholders, including but not limited to the following:

- sufficient and timely information concerning the date, location and agenda of general meetings, as well as full and timely information regarding the issues to be discussed at the meeting.
- Capital structures and arrangements that enable certain shareholders to obtain a degree of control disproportionate to their equity ownership.
- rights attached to all series and classes of shares, which shall be disclosed to investors before they acquire shares.

**Q19. What is the role of stakeholders in corporate governance?**

**A19.** The listed entity shall recognise the rights of its stakeholders and encourage co-operation between listed entity and the stakeholders, in the following manner:

- The listed entity shall respect the rights of stakeholders that are established by law or through mutual agreements.
- Stakeholders shall have the opportunity to obtain effective redress for violation of their rights.
- Stakeholders shall have access to relevant, sufficient and reliable information on a timely and regular basis to enable them to participate in corporate governance process.
- The listed entity shall devise an effective whistle blower mechanism enabling stakeholders, including individual employees and their representative bodies, to freely communicate their concerns about illegal or unethical practices.

**Q20. Does listed entity ensure equitable treatment of all shareholders?**

**A20.** Yes, listed entity ensures equitable treatment of all shareholders, including minority and foreign shareholders, in the following manner:

- All shareholders of the same series of a class shall be treated equally.
- Effective shareholder participation in key corporate governance decisions, such as the nomination and election of members of board of directors, shall be facilitated.
- Exercise of voting rights by foreign shareholders shall be facilitated.
- The listed entity shall devise a framework to avoid insider trading and abusive self-dealing.
- Processes and procedures for general shareholder meetings shall allow for equitable treatment of all shareholders.
- Procedures of listed entity shall not make it unduly difficult or expensive to cast votes



## Chapter-II

# Common Obligations of Listed Entities

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**Q21. Who can be appointed as a Compliance officer in a listed entity and whether it is mandatory to appoint him?**

**A21.** It is mandatory to appoint a qualified company secretary as the Compliance Officer in a listed entity

**Q22. Whether a director of a listed company who is a qualified company secretary can be appointed as a compliance officer in the same listed company?**

**A22.** As per sub-regulation 1 of regulation 6 of SEBI (LODR) Regulations, 2015, a compliance officer shall be a qualified company secretary. There is no restriction prescribed under these regulations which prohibits the director of the listed company to act as a compliance officer of the listed entity.

**Q23. What are the responsibilities that are casted upon the compliance officer of the listed entity?**

**A23.** The compliance officer of the listed entity shall be responsible for:-

- ensuring conformity with the regulatory provisions applicable to the listed entity in letter and spirit.
- co-ordination with and reporting to the Board, recognised stock exchange(s) and depositories with respect to compliance with rules, regulations and other directives of these authorities in manner as specified from time to time.
- ensuring that the correct procedures have been followed that would result in the correctness, authenticity and comprehensiveness of the information, statements and reports filed by the listed entity under these regulations.
- monitoring email address of grievance redressal division as designated by the listed entity for the purpose of registering complaints by investors

## Common Obligations of Listed Entities

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**Q24. Is it necessary to appoint a share transfer agent by listed entity?**

**A24.** The listed entity shall appoint a share transfer agent or manage the share transfer facility in-house. However, in the case of in-house share transfer facility, as and when the total number of holders of securities of the listed entity exceeds one lakh, the listed entity shall either register with the Board as a category II share transfer agent or appoint Registrar to an issue and share transfer agent registered with the Board

**Q25. Who shall maintain the share transfer facility of the listed entity?**

**A25.** The share transfer facility of the listed entity is maintained either in house or by Registrar to an issue and share transfer agent registered with the Board.

**Q26. What are the legal formalities that are required to be followed, in case of any change or appointment of a new share transfer agent?**

**A26.** The legal formalities in case of any change or appointment of a new share transfer agent are as follows:

- The listed entity shall enter into a tripartite agreement between the existing share transfer agent, the new share transfer agent and the listed entity, in the manner as specified by the Board from time to time.
- The listed entity shall intimate such appointment, to the stock exchange(s) within seven days of entering into the agreement.
- The agreement referred to in point (i) above, shall be placed in the subsequent meeting of the board of directors

**Q27. What is the period for preservation of documents?**

**A27.** The listed entity shall preserve the documents after classifying them in atleast two categories which is approved by its board of directors, such as:

- Documents whose preservation shall be permanent in nature
- Documents with preservation period of not less than eight years after completion of the relevant transactions.

**Q28. Is there any other mode for preservation of documents under SEBI (LODR) Regulations, 2015?**

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**A28.** Yes, the documents under regulation 9 of the SEBI (LODR) Regulations, 2015 may also be preserved in electronic mode.

**Q29. What are the conditions to be followed by the listed entity under any scheme of arrangement?**

**A29.** The listed entity shall ensure that any scheme of arrangement /amalgamation /merger /reconstruction /reduction of capital etc. to be presented to any Court or Tribunal does not in any way violate, override or limit the provisions of securities laws or requirements of the stock exchange(s). However, the regulation shall not be applicable for the units issued by Mutual Fund which are listed on a recognised stock exchange(s).

**Q30. Can the listed entity use any of the electronic modes of payment facility?**

**A30.** The listed entity shall use any of the electronic mode of payment facility approved by the Reserve Bank of India, in the manner specified in Schedule I, for the payment of the following:

- dividends;
- interest;
- redemption or repayment amounts.

**Q31. Regulation 12 of the SEBI (LODR) Regulations, 2015 mandates for the payment of dividend/ interest/ redemption or repayment amount to be made through electronic mode only. What shall be done under the circumstances where electronic payment of dividend has failed?**

**A31.** Where it is not possible to use electronic mode of payment for paying the amount of dividend, the listed entity shall issue 'payable-at-par' warrants/ cheques for making payments.

Further, if the amount payable as dividend exceeds one thousand and five hundred rupees, the 'payable-at-par' warrants or cheques shall be sent by speed post.

**Q32. What is stated in Schedule I, "Terms of Securities" for Regulation 12?**

## **Common Obligations of Listed Entities**

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**A32.** The listed entity shall use the facility of electronic clearing services or real time gross settlement or national electronic funds transfer as follows:-

- the listed entity either directly [or through the depositories] or through their Registrar to an Issue and/or Share Transfer Agent, shall use electronic clearing services (local, regional or national), direct credit, real time gross settlement, national electronic funds transfer etc for making payment of dividend/interest on securities issued/ redemption or repayment amount.
- the listed entity or Share Transfer Agent shall maintain bank details of their investors as follows –
  - a) for investors holding securities in dematerialized mode, by seeking the same from the depositories.
  - b) for investors holding securities in physical mode, by updating bank details of the investors at their end.
- In cases where either the bank details such as Magnetic Ink Character Recognition, Indian Financial System Code, etc. that are required for making electronic payment are not available or the electronic payment instructions have failed or have been rejected by the bank, listed entity or share transfer agent shall issue 'payable-at-par' warrants/ cheques for making payments: Provided that the listed entity shall mandatorily print the bank account details of the investors on such payment instruments and in cases where the bank details of investors are not available, the listed entity shall mandatorily print the address of the investor on such payment instructions.

**Q33. What does the statement filed with the recognised stock exchange regarding redressal of investor grievances contains?**

**A33.** The statement regarding redressal of investor grievances shall contain the number of investor complaints pending at the beginning of the quarter, those received during the quarter, disposed of during the quarter and those remaining unresolved at the end of the quarter.

**Q34. What is the time period for submission of statement to the recognised stock exchange?**

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**A34.** The listed entity shall file the statement with the recognised stock exchange(s) on a quarterly basis, within twenty one days from the end of each quarter.

## Chapter-III

# Listed Entities which has listed its Specified Securities

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- Q35. Whether the provisions of Chapter IV of SEBI (LODR) Regulations, 2015 are also applicable to listed entity which has listed its specified securities on SME Exchange?**
- A35.** Yes, the provisions of Chapter IV of the SEBI (LODR) Regulations, 2015 are applicable to all listed entity which has listed its specified securities on any recognised stock exchange(s) either on the main board or on SME Exchange or on institutional trading platform.
- Q36. Regulation 15(2) of the SEBI (LODR) Regulations, 2015 exempts a listed entity having paid up equity share capital not exceeding Rs ten crore and net worth not exceeding rupees twenty five crore, as on the last day of the previous financial year, from compliance with certain corporate governance provisions, however where at a later date the provisions of the regulation becomes applicable to the listed entity then within what period of time it shall comply with the same?**
- A36.** Where the provisions of the regulation 15 of the SEBI (LODR) Regulations, 2015 become applicable to a listed entity at a later date, such listed entity shall comply with the requirements of those regulations within six months from the date on which the provisions became applicable to the listed entity.
- Q37. Whether the definition of Independent Director under the Companies Act, 2013 and SEBI (LODR) Regulations, 2015 is one and the same?**
- A37.** Definition of Independent Director is almost similar to that under the Companies Act, 2013. However, the following additional specific requirements under Regulations are as follows:
- He neither is nor was, the member of the promoter group of the listed entity

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- He shall neither himself, nor whose relative(s) shall be a material supplier, service provider or customer or a lessor or lessee of the listed entity
- He shall not be less than 21 years of age
- And he shall not be non-independent director of another company on the board of which any non-independent director of the listed entity is an independent director.

Apart from the additional requirements as stated above, the following requirement which was earlier similar under both the Regulation and the Companies Act, 2013 has been amended in Companies Act, 2013 w.e.f. 7<sup>th</sup> May 2018. Both of which may be referred below:

### **Under the Regulation:**

“none of whose relatives has or had pecuniary relationship or transaction with the listed entity, its holding, subsidiary or associate company, or their promoters, or directors, amounting to two per cent. or more of its gross turnover or total income or fifty lakh rupees or such higher amount as may be prescribed from time to time, whichever is lower, during the two immediately preceding financial years or during the current financial year”

### **Under Companies Act, 2013:**

“none of whose relatives—

- (i) is holding any security of or interest in the company, its holding, subsidiary or associate company during the two immediately preceding financial years or during the current financial year:

Provided that the relative may hold security or interest in the company of face value not exceeding fifty lakh rupees or two per cent. of the paid-up capital of the company, its holding, subsidiary or associate company or such higher sum as may be prescribed;

- (ii) is indebted to the company, its holding, subsidiary or associate company or their promoters, or directors, in excess of such amount as may be prescribed during the two immediately preceding financial years or during the current financial year;

### **Listed Entities which has listed its Specified Securities**

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- (iii) has given a guarantee or provided any security in connection with the indebtedness of any third person to the company, its holding, subsidiary or associate company or their promoters, or directors of such holding company, for such amount as may be prescribed during the two immediately preceding financial years or during the current financial year; or
- (iv) has any other pecuniary transaction or relationship with the company, or its subsidiary, or its holding or associate company amounting to two per cent. or more of its gross turnover or total income singly or in combination with the transactions referred to in sub-clause (i), (ii) or (iii)”

**Q38. While appointing an Independent Director whether the listed company shall follow the requirements under the Companies Act, 2013 or the Regulations?**

**A38.** The listed company shall follow the provisions of Chapter IV of SEBI (LODR) Regulations, 2015 which has listed its specified securities on any recognised stock exchange(s) either on the main board or on SME Exchange or on institutional trading platform:

**Q39. Who all are included in “Senior Management” under Chapter IV of SEBI (LODR) Regulations, 2015?**

**A39.** “Senior Management” shall mean officers/ personnel of the listed entity who are members of its core management team excluding board of directors and normally this shall comprise all members of management one level below the chief executive officer/ managing director/ whole time director/ manager (including chief executive officer/ manager, in case they are not part of the board) and shall specifically include company secretary and chief financial officer.

**Q40. What is the composition of board of directors for a listed entity?**

**A40.** The board of directors shall have an optimum combination of executive and nonexecutive directors with at least one woman director and not less than fifty per cent. of the board of directors shall comprise of non-executive directors.

**Q41. Is it mandatory to appoint a woman director shall be independent director?**



**FAQ on Securities and Exchange Board of India (LODR) Regulations, 2015**

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**A41.** Yes, the Board of directors of the top 500 listed entities shall have at least one independent woman director by April 1, 2019 and the Board of directors of the top 1000 listed entities shall have at least one independent woman director by April 1, 2020.

**Q42. What happens if a non-executive director is the chairperson of the board of directors?**

**A42.** If a non-executive director is the chairperson of the board of directors then at least one-third of the board of directors shall comprise of independent directors and where the listed entity does not have a regular non-executive chairperson, at least half of the board of directors shall comprise of independent directors.

However, if the regular non-executive chairperson is a promoter of the listed entity or is related to any promoter or person occupying management positions at the level of board of director or at one level below the board of directors, at least half of the board of directors of the listed entity shall consist of independent directors.

**Q43. Under what all circumstances the Board of Directors shall comprise of at least half of the BOD as independent directors?**

**A43.** As per Regulation 17, the BOD of a listed entity shall comprise of at least half of the BOD as independent directors under the following circumstances:

- Where the chairperson of the BOD of a listed entity is not a regular non-executive chairperson
- Where the regular non-executive chairperson is a promoter of the listed entity or is related to any promoter or person occupying management positions at the level of board of director or at one level below the board of directors
- Where the listed entity has outstanding SR equity shares

**Q44. Who shall act as the Chairperson of the board of listed entity?**

**A44.** With effect from April 1, 2022, the top 500 listed entities shall ensure that the Chairperson of the board of such listed entity shall –

- be a non-executive director;

### **Listed Entities which has listed its Specified Securities**

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- not be related to the Managing Director or the Chief Executive Officer as per the definition of the term “relative” defined under the Companies Act, 2013.

However, the same shall not be applicable to the listed entities which do not have any identifiable promoters as per the shareholding pattern filed with stock exchanges.

**Q45. Where a listed entity as per its market capitalization as at the end of the previous financial year is ranked under top 1000 listed entity, will it be sufficient if the listed entity has appointed a single woman independent director in the BOD or whether the entity has to appoint both the woman director and a woman independent director separately?**

**A45.** In such a circumstance where the listed entity has appointed a woman independent director on its Board, then it shall be sufficient and there is no requirement to appoint an additional woman independent director.

However, the entity may at its own discretion appoint more than one woman/ woman independent director.

**Q46. What is the minimum number of directors that are required in a listed company?**

**A46.** The listed company which is a public company, shall have Board of Director consisting of at least three individuals as directors as prescribed under Companies Act, 2013.

However, as per the Regulation, the board of directors of the top 1000 listed entities (with effect from April 1, 2019) and the top 2000 listed entities (with effect from April 1, 2020) shall comprise of not less than six directors.

**Q47. What shall be the content of the compliance certificate which is required to be furnished by the CEO and CFO to the BOD pursuant to the regulation 17(8) of SEBI (LODR) Regulations, 2015?**

**A47.** Part B of Schedule II requires the following compliance certificate to be furnished by CEO and CFO to the Board:

- They have reviewed financial statements and the cash flow statement for the year and that to the best of their knowledge and belief:

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- (a) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
  - (b) these statements together present a true and fair view of the listed entity's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- There are, to the best of their knowledge and belief, no transactions entered into by the listed entity during the year which are fraudulent, illegal or violative of the listed entity's code of conduct.
- They accept responsibility for establishing and maintaining internal controls for financial reporting and that they have evaluated the effectiveness of internal control systems of the listed entity pertaining to financial reporting and they have disclosed to the auditors and the audit committee, deficiencies in the design or operation of such internal controls, if any, of which they are aware and the steps they have taken or propose to take to rectify these deficiencies.
- They have indicated to the auditors and the Audit committee
  - (a) significant changes in internal control over financial reporting during the year;
  - (b) significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
  - (c) instances of significant fraud of which they have become aware and the involvement therein, if any, of the management or an employee having a significant role in the listed entity's internal control system over financial reporting.

**Q48. The listed entity has a non-executive director who has turned 76 years on 18<sup>th</sup> September' 2018. Whether the listed entity can continue the directorship of such a director without passing the SR, since the requirement to pass SR came at a later date i.e. on 1/4/2019?**

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**A48.** Regulation 17(1A), clearly states that no listed entity shall continue the directorship of any person as a non-executive director who has attained the age of seventy-five years unless a special resolution is passed to that effect, in which case the explanatory statement annexed to the notice for such motion shall indicate the justification for appointing such a person.

Therefore, to continue the directorship of such person the listed entity has to pass special resolution in this effect.

**Q49. Whether the requirement to appoint a “non-executive director who is not related to the Managing Director or the Chief Executive Officer” as the Chairperson of the board of directors of such listed entities which are covered under the top 500 listed entities w.e.f 1/4/2022, will be applicable to the listed entities which do not have any identifiable promoters as per the shareholding pattern filed with the stock exchanges?**

**A49.** The listed entities which do not have any identifiable promoters as per the shareholding pattern filed with stock exchanges shall not be required to ensure that the chairperson of the board is a non-executive director who is not related to the Managing Director or the Chief Executive Officer.

**Q50. What is the quorum for every meeting of the board of directors of a listed company?**

**A50.** The Regulations has prescribed that the quorum for every meeting of the board of directors of the top 1000 listed entities with effect from April 1, 2019 and of the top 2000 listed entities with effect from April 1, 2020 shall be one-third of its total strength or three directors, whichever is higher, including at least one independent director.

And for the listed companies which are not covered under the top 1000 or 2000 as the case may be, shall adhere to the requirements of the provisions of Companies Act, 2013. It is clarified that the participation of the directors by video conferencing or by other audio-visual means shall also be counted for the purposes of quorum, and the same clarification is provided under Companies Act, 2013 as well.

**Q51. Does fees or compensation paid to non-executive directors, requires approval?**

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**A51.** Yes, as per Regulation 17(6), the fees or compensation paid to non-executive directors, including independent directors, shall require approval of shareholders in general meeting.

However, the requirement of obtaining approval of shareholders in general meeting shall not apply to payment of sitting fees to non-executive directors, if made within the limits prescribed under the Companies Act, 2013 for payment of sitting fees without approval of the Central Government.

**Q52. Whether non-executive directors are entitled to stock options?**

**A52.** The non-executive director other than independent director is entitled to stock options. The maximum number of stock options that may be granted to non-executive directors, in any financial year and in aggregate shall be approved by shareholders in general meeting.

**Q53. What is the provision w.r.t shareholder's approval on fees or compensation payable to the executive directors who are promoter or members of the promoter group?**

**A53.** The fees or compensation payable to executive directors who are promoters or members of the promoter group, shall be subject to the approval of the shareholders by special resolution in general meeting, if

- the annual remuneration payable to such executive director exceeds rupees 5 crore or 2.5 % of the net profits of the listed entity, whichever is higher; or
- where there is more than one such director, the aggregate annual remuneration to such directors exceeds 5 % of the net profits of the listed entity

The approval of the shareholders under this provision shall be valid only till the expiry of the term of such director

**Q54. What is the scope prescribed under SEBI (LODR) Regulations, 2015 for evaluation of Independent Director?**

**A54.** The evaluation of Independent Director shall include:

- Performance of the independent directors; and

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- fulfillment of the independence criteria as specified in the regulations and their independence from the management

The evaluation shall be done by the entire board of directors, however the directors who are subject to evaluation shall not participate.

**Q55. What is the maximum number of directorships in relation to Independent Director of a listed entity?**

**A55.** The maximum number of directorships in relation to Independent Director is as follows:

- a person shall not serve as an independent director in more than seven listed entities.
- any person who is serving as a whole-time director / managing director in any listed entity shall not serve as an independent director in
- than three listed entities.

The count for the number of listed entities on which a person is a director / independent director shall be only for those whose equity shares are listed on a stock exchange.

**Q56. What is the maximum number of directorships for directors other than Independent Director?**

**A56.** The maximum number of directorships, includes any alternate directorships (for directors other than Independent Director) that can be held by them at any point of time is as follows:

- A person shall not be a director in more than eight listed entities with effect from April 1, 2019 and
- In not more than seven listed entities with effect from April 1, 2020

The count for the number of listed entities on which a person is a director shall be only those whose equity shares are listed on a stock exchange

**Q57. What are the broad responsibilities of Board of Directors of a listed entity?**

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**A57.** The broad responsibilities of Board of Directors of a listed entity are as follows:

- The board of directors shall periodically review compliance reports pertaining to all laws applicable to the listed entity, prepared by the listed entity as well as steps taken by the listed entity to rectify instances of non-compliances.
- The board of directors of the listed entity shall satisfy itself that plans are in place for orderly succession for appointment to the board of directors and senior management.
- The board of directors shall lay down a code of conduct for all members of board of directors and senior management of the listed entity.
- The board of directors shall recommend all fees or compensation, if any, paid to non-executive directors, including independent directors.
- The board of directors shall be responsible for framing, implementing and monitoring the risk management plan for the listed entity.
- Each item of special business to be transacted at a general meeting shall also set forth clearly the recommendation of the board to the shareholders on each of the specific items.

**Q58. What shall be the composition of Audit Committee under the Regulations?**

**A58.** Every listed entity shall constitute a qualified and independent audit committee which shall have:

- Minimum three directors as members.
- Two-third of the members of the audit committee shall be Independent Directors and in case of a listed entity having outstanding SR equity shares, the audit committee shall only comprise of independent directors
- All members of audit committee shall be financially literate and at least one member shall have accounting or related financial management expertise

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- The chairperson of the audit committee shall be an independent director.
- The Company Secretary shall act as the secretary to the audit committee
- The finance director or head of the finance function, head of internal audit and a representative of the statutory auditor and any other such executives to be present at the meetings of the committee at the discretion of the Audit Committee.

**Q59. Whether it is mandatory for the chairman of the Audit Committee to be present at Annual General Meeting of the Listed Entity?**

**A59.** Yes, the Chairman of the Audit Committee shall be present at Annual General Meeting of the listed entity to answer shareholder queries.

**Q60. Whether quorum of an audit committee of a listed entity can be confirmed without the presence of independent director?**

**A60.** As per the Regulation, the quorum for the audit committee meeting shall either be two members or one third of the members of the audit committee, whichever is greater, with at least two independent directors  
Therefore, presence of at least two independent directors in an audit committee meeting is mandatory.

**Q61. What is the timeline for meetings of board of directors and audit committee of a listed entity?**

**A61.** The Board of Directors shall meet at least four times a year, with a maximum time gap of one hundred and twenty days between any two meetings. And exactly similar provision w.r.t meeting of audit committee is prescribed

**Q62. What is the role of the audit committee of a listed entity?**

**A62.** Some of the roles of the audit committee includes (Detailed roles may be referred in Part C of Schedule II):

- oversight of the listed entity's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;
- recommendation for appointment, remuneration and terms of appointment of auditors of the listed entity;



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- approval of payment to statutory auditors for any other services rendered by the statutory auditors;
- reviewing, with the management, the quarterly financial statements, the annual financial statements and auditor's report thereon before submission to the board for approval.
- reviewing and monitoring the auditor's independence and performance, and effectiveness of audit process;
- approval or any subsequent modification of transactions of the listed entity with related parties;
- scrutiny of inter-corporate loans and investments;
- valuation of undertakings or assets of the listed entity, wherever it is necessary;
- evaluation of internal financial controls and risk management systems;
- reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control system;
- to review the functioning of the whistle blower mechanism; etc.

**Q63. Which information is mandatorily required to be reviewed by audit committee of a listed entity?**

**A63.** The audit committee of a listed entity shall mandatorily review the following information:

- management discussion and analysis of financial condition and results of operations;
- statement of significant related party transactions (as defined by the audit committee), submitted by management;
- management letters / letters of internal control weaknesses issued by the statutory auditors;
- internal audit reports relating to internal control weaknesses; and
- the appointment, removal and terms of remuneration of the chief internal auditor shall be subject to review by the audit committee.
- statement of deviations:

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- quarterly statement of deviation(s) including report of monitoring agency, if applicable, submitted to stock exchange(s) in terms of Regulation 32(1).
- annual statement of funds utilized for purposes other than those stated in the offer document/prospectus/ notice in terms of Regulation 32(7)

**Q64. What are the various types of committee that are required to be formed under LODR Regulations?**

**A64.** The various types of committee that are required to be formed under LODR Regulations are as follows:

- Audit Committee
- Nomination and Remuneration Committee
- Stakeholders Relationship Committee
- Risk Management Committee

**Q65. Whether the chairperson of the listed entity who is a non-executive director can be nominated as the chairperson of the nomination and remuneration committee in the same listed entity?**

**A65.** Yes, because as per sub-regulation 2 of regulation 19, the chairperson of listed entity, whether executive or non-executive, may be appointed as a member of the Nomination and Remuneration Committee but shall not chair such Committee.

**Q66. Who shall be the members of the nomination and remuneration committee?**

**A66.** The Board of Directors shall constitute the nomination and remuneration committee as follows:

- the committee shall comprise of at least three directors
- all directors of the committee shall be non-executive directors; and
- at least fifty percent of the directors shall be independent directors and in case of a listed entity having outstanding SR equity shares, two thirds of the nomination and remuneration committee shall comprise of independent directors

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- the Chairperson of the nomination and remuneration committee shall be an independent director:

### **Q67. What is the role and purpose of formation of nomination and remuneration committee?**

**A67.** The nomination and remuneration committee is formed for the purpose of performing the following roles:

- formulation of the criteria for determining qualifications, positive attributes and independence of a director and recommend to the board of directors a policy relating to, the remuneration of the directors, key managerial personnel and other employees;
- formulation of criteria for evaluation of performance of independent directors and the board of directors;
- devising a policy on diversity of board of directors;
- identifying persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, and recommend to the board of directors their appointment and removal.
- whether to extend or continue the term of appointment of the independent director, on the basis of the report of performance evaluation of independent directors.
- recommend to the board, all remuneration, in whatever form, payable to senior management.

### **Q68. How many minimum numbers of meetings of nomination and remuneration committee shall be conducted in a year?**

**A68.** The nomination and remuneration committee shall meet at least once in a year

### **Q69. What is the quorum for a meeting of the nomination and remuneration committee?**

**A69.** The quorum is either two members or one third of the members of the committee, whichever is greater, including at least one independent director in attendance.

### **Q70. What shall be the composition of the Stakeholders Relationship Committee?**

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**A70.** The listed entity shall constitute a Stakeholders Relationship Committee to specifically look into various aspects of interest of shareholders, debenture holders and other security holders, and it shall be composed of at least three directors as members of the committee, with at least one being an independent director and in case of a listed entity having outstanding SR equity shares, at least two thirds of the members of the committee shall comprise of independent directors. The chairperson of this committee shall be a non-executive director.

**Q71. What roles shall be performed by Stakeholders Relationship Committee?**

**A71.** The Roles which shall be performed by the committee are as follows:

- Resolving the grievances of the security holders of the listed entity including complaints related to transfer/transmission of shares, non-receipt of annual report, non-receipt of declared dividends, issue of new/duplicate certificates, general meetings etc.
- Review of measures taken for effective exercise of voting rights by shareholders.
- Review of adherence to the service standards adopted by the listed entity in respect of various services being rendered by the Registrar & Share Transfer Agent.
- Review of the various measures and initiatives taken by the listed entity for reducing the quantum of unclaimed dividends and ensuring timely receipt of dividend warrants/annual reports/statutory notices by the shareholders of the company

**Q72. State the constitution of Risk Management Committee**

**A72.** The board of directors shall constitute a Risk Management Committee. The majority of members of Risk Management Committee shall consist of members of the board of directors and in case of a listed entity having outstanding SR equity shares, at least two thirds of the Risk Management Committee shall comprise of independent directors.

**Q73. How many minimum numbers of meetings of Risk Management Committee shall be conducted in a year?**

**A73.** The Risk Management Committee shall meet at least once in a year

**Q74. Whether the provision w.r.t risk management committee shall be applicable to every listed entity?**

**A74.** The provisions regarding risk management committee, as contained in regulation 21 shall be applicable to only top 500 listed entities determined on the basis of market capitalisation, as at the end of the immediate previous financial year.

**Q75. Who has the authority to define the roles and responsibility of the Risk Management Committee?**

**A75.** The board of directors shall define the role and responsibility of the Risk Management Committee and may delegate monitoring and reviewing of the risk management plan to the committee and such other functions as it may deem fit, however, such function shall specifically cover cyber security.

**Q76. Why is “vigil mechanism” formulated?**

**A76.** Vigil mechanism has been formulated by the listed entity for directors and employees to report genuine concerns.

**Q77. What is the purpose for formation of vigil mechanism?**

**A77.** The vigil mechanism shall provide for adequate safeguards against victimization of director(s) or employee(s) or any other person who avail the mechanism and also provide for direct access to the chairperson of the audit committee in appropriate or exceptional cases.

**Q78. How is it ensured that there are adequate safeguards against the victimization of director(s) or employee(s) in a listed entity?**

**A78.** To ensure that there are adequate safeguards against the victimization of director(s) or employee(s) in a listed entity, the listed entity shall formulate a vigil mechanism for directors and employees to report genuine concerns.

Further, it shall also provide for direct access to the chairperson of the audit committee in appropriate or exceptional cases.

**Q79. When shall a transaction with the related party be considered as ‘material’?**

**A79.** A transaction with a related party shall be considered material if the transaction(s) to be entered into individually or taken together with

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previous transactions during a financial year, exceeds ten percent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity.

Further, with effect from July 01, 2019, transaction involving payments made to a related party with respect to brand usage or royalty shall be considered material if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceed five percent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity

**Q80. What aspects should be covered in the policy w.r.t to related party transactions framed by listed entity?**

**A80.** The listed entity shall formulate a policy covering the following aspects:

- materiality of related party transactions,
- dealing with related party transactions

including clear threshold limits duly approved by the board of directors and such policy shall be reviewed by the board of directors at least once every three years and updated accordingly

**Q81. What is the provision relating to approval of related party transactions?**

**A81.** Regulation 23 requires that all related party transactions shall require prior approval of the audit committee. However, the audit committee may grant omnibus approval for related party transactions proposed to be entered into by the listed entity subject to the following conditions, namely

- the audit committee shall lay down the criteria for granting the omnibus approval in line with the policy on related party transactions of the listed entity and such approval shall be applicable in respect of transactions which are repetitive in nature
- the audit committee shall satisfy itself regarding the need for such omnibus approval and that such approval is in the interest of the listed entity

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- the omnibus approval shall specify the name(s) of the related party, nature of transaction, period of transaction, maximum amount of transactions that shall be entered into, the indicative base price / current contracted price and the formula for variation in the price if any; and such other conditions as the audit committee may deem fit:

However, where the need for related party transaction cannot be foreseen and aforesaid details are not available, audit committee may grant omnibus approval for such transactions subject to their value not exceeding rupees one crore per transaction. Moreover, where the related party transactions are classified as material, it shall also require approval of the shareholders through resolution and no related party shall vote to approve such resolutions whether the entity is a related party to the particular transaction or not.

**Q82. To whom does the provision relating to prior approval of audit committee and shareholder's approval on related party transactions does not apply?**

**A82.** The provision relating to prior approval of audit committee and shareholder's approval on related party transactions does not apply to:

- transactions entered into between two government companies,
- transactions entered into between a holding company and its wholly owned subsidiary whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval.

**Q83. What is the validity of omnibus approval of audit committee on related party transactions?**

**A83.** Omnibus approval of audit committee on related party transactions shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.

**Q84. What is the disclosure requirement in relation to related party transactions?**

**A84.** The listed entity shall disclose the related party transactions on a consolidated basis and, in the format specified in the relevant accounting standards for annual results to the stock exchanges within

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30 days from the date of publication of its standalone and consolidated financial results for the half year.

**Q85. Whether the corporate governance requirement relating to appointment of at least one independent director on the board of the directors of an unlisted material subsidiary of listed entity is applicable to only those incorporated in India?**

**A85.** Regulation 24 clearly prescribes that whether the unlisted material subsidiary is incorporated in India or not, the requirement with respect to appointment of at least one independent director on the board of the directors of an unlisted material subsidiary of listed entity shall be adhered to.

And for the purpose of this requirement “material subsidiary” shall mean a subsidiary, whose income or net worth exceeds twenty percent of the consolidated income or net worth respectively, of the listed entity and its subsidiaries in the immediately preceding accounting year.

**Q86. What are the provisions relating to corporate governance requirements with respect to unlisted subsidiary of listed entity?**

**A86.** The corporate governance requirements with respect to unlisted subsidiary of listed entity are as follows:

- The audit committee of the listed entity shall review the financial statements, in particular, the investments made by the unlisted subsidiary.
- The minutes of the meetings of the board of directors of the unlisted subsidiary shall be placed at the meeting of the board of directors of the listed entity.
- The management of the unlisted subsidiary shall periodically bring to the notice of the board of directors of the listed entity, a statement of all significant transactions and arrangements entered into by the unlisted subsidiary

**Q87. Where a listed entity has a listed subsidiary, which is itself a holding company, then upto what extent provisions of regulation 24 shall apply?**



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**A87.** Where a listed entity has a listed subsidiary, which is itself a holding company, the provisions of this regulation shall apply to the listed subsidiary in so far as its subsidiaries are concerned.

**Q88. Which types of entities are mandatorily required to undertake Secretarial Audit?**

**A88.** Every listed entity and its material unlisted subsidiaries incorporated in India shall undertake secretarial audit and shall annex with its annual report, a secretarial audit report, given by a company secretary in practice.

**Q89. Can a person act as an alternate director for an Independent Director of a listed entity?**

**A89.** With effect from 1<sup>st</sup> October 2018, no person shall be appointed or continue as an alternate director for an independent director of a listed entity.

**Q90. What is the maximum tenure of independent directors of listed entities?**

**A90.** The maximum tenure of independent directors shall be in accordance with the Companies Act, 2013 and rules made thereunder.

**Q91. Within what period of time, the vacancy caused by the resignation or removal of Independent Director shall be filled?**

**A91.** The vacancy for the post of Independent Director caused by the removal or resignation of the independent director shall be filled by listed entity at the earliest but not later than the immediate next meeting of the board of directors or three months from the date of such vacancy, whichever is later.

However, where the listed entity fulfils the requirement of independent directors in its board of directors without filling the vacancy created by such resignation or removal, the requirement of replacement by a new independent director shall not apply.

**Q92. How many minimum numbers of meetings shall be held in a year by the independent directors of the listed entity?**

**A92.** The independent directors of the listed entity shall hold at least one meeting in a year, without the presence of non-independent directors

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and members of the management and all the independent directors shall strive to be present at such meeting

**Q93. Is there any provision relating to declaration of independence by an independent director of a listed entity?**

**A93.** Yes, the provision of regulation 25(8) deals with the same and states that every independent director shall, at the first meeting of the board in which he participates as a director and thereafter at the first meeting of the board in every financial year or whenever there is any change in the circumstances which may affect his status as an independent director, submit a declaration that he meets the criteria of independence as provided in clause (b) of sub-regulation (1) of regulation 16 and that he is not aware of any circumstance or situation, which exist or may be reasonably anticipated, that could impair or impact his ability to discharge his duties with an objective independent judgment and without any external influence

**Q94. Who shall determine the quantum of the Directors and Officers insurance (D & O insurance) that is to be undertaken by the top 500 listed entities?**

**A94.** The board of directors shall determine the quantum and risks for which the Directors and Officers insurance (D & O insurance) for all their independent directors is to be undertaken by the top 500 listed entities.

**Q95. What is the maximum limit of committees in which a director of a listed entity may serve?**

**A95.** 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 is a director

**Q96. Can a director become a member in more than ten committees?**

**A96.** 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 is a director which shall be determined as follows:

- 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,

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foreign companies and companies under Section 8 of the Companies Act, 2013 shall be excluded,

- for the purpose of determination of limit, chairpersonship and membership of the audit committee and the Stakeholders' Relationship Committee alone shall be considered.

**Q97. Is it necessary for the director to inform the listed entity in which he's a director, about his position in other listed entities?**

**A97.** Yes, every director shall inform the listed entity about the committee positions he or she occupies in other listed entities and notify changes as and when they take place.

**Q98. Is it necessary for the non-executive directors to disclose their shareholding in the listed entity?**

**A98.** Yes, as per regulation 26(4) states that the non-executive directors shall disclose their shareholding, held either by them or on a beneficial basis for any other persons in the listed entity in which they are proposed to be appointed as directors, in the notice to the general meeting called for appointment of such director.

**Q99. Whether an agreement entered into by an employee (K.M.P.) of the listed entity for himself or on behalf of any other person, with any shareholder with regard to compensation or profit sharing in connection with dealings in the securities of such listed entity, be considered as valid?**

**A99.** As per the Regulation 26(6), no employee including key managerial personnel or director or promoter of a listed entity shall enter into any agreement for himself or on behalf of any other person, with any shareholder or any other third party with regard to compensation or profit sharing in connection with dealings in the securities of such listed entity, unless prior approval for the same has been obtained from the Board of Directors as well as public shareholders by way of an ordinary resolution.

Therefore, if the agreement entered into by an employee (K.M.P.) of the listed entity as mentioned in the question, has accorded prior approval of the Board of Directors as well as public shareholders by way of an ordinary resolution, then it will be considered as valid otherwise not.

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**Q100. What is the prescribed timeline for submission of quarterly compliance report on corporate governance by the listed entity to the stock exchange(s)?**

**A100.** The quarterly compliance report on corporate governance shall be submitted by the listed entity to the recognised stock exchange(s) within fifteen days from close of the quarter in the format as specified by the Board from time to time and shall be signed either by the compliance officer or the chief executive officer of the listed entity.

The report shall also disclose the details of all material transactions with related parties.

**Q101. What are the various agenda of board meetings for which prior intimation has to be given to stock exchange by the listed entity?**

**A101.** 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:

- financial results viz. quarterly, half yearly, or annual, as the case may be;
- proposal for buyback of securities;
- proposal for voluntary delisting by the listed entity from the stock exchange(s);
- 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

Further, the 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.

- 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.

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- the proposal for declaration of bonus securities where such proposal is communicated to the board of directors of the listed entity as part of the agenda papers.

### **Q102. Which of the proposed agenda for the board meeting of listed entity requires prior intimation of at least eleven working days to the stock exchange?**

**A102.** 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:

- 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.
- 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.

### **Q103. What are the various categories related to disclosure of material events or information by a listed entity?**

**A103.** The various categories related to disclosure of material events or information by a listed entity are as follows:

- disclosures of any events or information which are material in the opinion of the board of directors of the listed company,
- disclosures of events which are specified in Para A of Part A of Schedule III and are deemed to be material events,
- disclosures of events which are specified in Para B of Part A of Schedule III upon satisfaction of application of guidelines of materiality as specified in sub regulation 4 of regulation 30.

### **Q104. Whether a listed entity is required to make any disclosure of material impact of COVID-19 pandemic to the stock exchange?**

**A104.** Various provisions under the LODR Regulations require listed entities to disclose material events which have a bearing on its performance / operations. These provisions are reiterated below:

- Regulation 30 (3) of the LODR read with clause 6 of Para B of Part A of Schedule III of LODR specifies that a listed entity

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shall make disclosures of events, such as “Disruption of operations of any one or more units or division of the listed entity due to natural calamity (earthquake, flood, fire etc.), force majeure or events such as strikes, lockouts etc., based on application of the guidelines for materiality”.

- Similarly, for non-convertibles, Regulation 51 (1) of the LODR requires prompt dissemination to the stock exchange(s) of all information having bearing on the performance/ operation of the listed entity, price sensitive information or any action that shall affect payment of interest or dividend. As per Clause 16 of Part B of Schedule III read with Regulation 51(2) of the LODR, a listed entity shall promptly inform to the stock exchange(s) of any other information having bearing on the operation/ performance of the listed entity.
- Further, SEBI vide circular no- SEBI/HO/CFD/CMD1/CIR/P/2020/84 dated May 20, 2020 has advised the listed entities on the disclosure of material impact of COVID-19 pandemic on listed entities and has additionally required, that while submitting financial statements under Regulation 33 of the LODR, listed entities may specify/include the impact of the CoVID-19 pandemic on their financial statements, to the extent possible.

**Q105. Whether a listed entity is permitted to use digital signature certifications for authentication / certification of filings / submissions made to Stock Exchanges?**

**A105.** Yes, the listed entity till 31<sup>st</sup> December, 2020 is permitted to use digital signature certifications for authentication / certification of filings/ submissions made to Stock Exchanges consequent to the operational challenges being faced in carrying out certification and authentication of documents in physical form due to COVID-19 pandemic.

**Q106. What are the criteria for determination of materiality of events or information that is to be disclosed by the listed entity?**

**A106.** The listed entity shall consider the following criteria for determination of materiality of events/ information:

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- the omission of an event or information, which is likely to result in discontinuity or alteration of event or information already available publicly; or
- the omission of an event or information is likely to result in significant market reaction if the said omission came to light at a later date;
- In case where the criteria specified above are not applicable, an event/information may be treated as being material if in the opinion of the board of directors of listed entity, the event / information is considered material.

**Q107. Within what period of time, the events specified in Part A of the Schedule III shall be disclosed to stock exchange(s)?**

**A107.** The listed entity shall first disclose to stock exchange(s) of all events, as specified in Part A of Schedule III, or information as soon as reasonably possible and not later than twenty-four hours from the occurrence of event or information.

However, in case the disclosure is made after twenty-four hours of occurrence of the event or information, the listed entity shall, provide explanation for delay along with such disclosures.

Nonetheless, disclosure with respect to events specified in sub-para 4 of Para A of Part A of Schedule III shall be made within thirty minutes of the conclusion of the board meeting.

**Q108. In case a fraud is committed by a KMP in a listed entity, whether the disclosure of this event to the stock exchange shall be subject to any guidelines of materiality or without applying any guidelines of materiality as specified in sub-regulation (4) of regulation (30)?**

**A108.** Any fraud/ defaults by promoter or key managerial personnel or by listed entity or arrest of key managerial personnel or promoter shall be disclosed to the stock exchange without applying any guidelines of materiality as specified in sub-regulation (4) of regulation (30), since this event is covered specifically under Para A of Part A of Schedule III which specifies events which shall be disclosed to the stock exchange without materiality guidelines.

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However, any fraud/ defaults etc. by directors (other than key managerial personnel) or employees of listed entity shall be disclosed subject to guidelines of materiality.

**Q109. Whether reasons for resignation of independent director are required to be disclosed to the stock exchange by the listed entity?**

**A109.** Para A of Part A of Schedule III, specifically states that in case of resignation of an independent director of the listed entity, the following disclosures shall be made to the stock exchanges by the listed entities, within seven days from the date of resignation:

- Detailed reasons for the resignation of independent directors as given by the said director shall be disclosed by the listed entities to the stock exchanges.
- Along with the detailed reasons, confirmation by the independent director that there are no other material reasons other than those provided.

**Q110. Whether all such events or information which has been disclosed to stock exchange(s) under regulation 30, shall be hosted on the website of the listed entity as well?**

**A110.** Yes, the listed entity shall disclose on its website all such events or information which has been disclosed to stock exchange(s) under regulation 30, and such disclosures shall be hosted on the website of the listed entity for a minimum period of five years and thereafter as per the archival policy of the listed entity, as disclosed on its website.

**Q111. Whether the listed entity is obligated to make disclosures in respect of event/ information which has occurred and may have a material effect, but which has not been indicated in Para A or B of Part A of Schedule III?**

**A111.** Yes, the listed entity is required to make adequate disclosures, in case where an event occurs or an information is available with the listed entity, which has not been indicated in Para A or B of Part A of Schedule III, but which may have material effect on it.

**Q112. What are the various timelines prescribed for the submission of statement showing securities and shareholding pattern to the stock exchange(s)?**



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**A112.** The various timelines prescribed for the submission of statement showing securities and shareholding pattern to the stock exchange(s) are as follows:

- statement showing holding of securities and shareholding pattern separately for each class of securities shall be filed one day prior to listing of its securities on the stock exchange(s)
- on a quarterly basis, within twenty one days from the end of each quarter; and,
- within ten days of any capital restructuring of the listed entity resulting in a change exceeding two per cent of the total paid-up share capital

However, in case of listed entities which have listed their specified securities on SME Exchange, the above statements shall be submitted on a half yearly basis within twenty one days from the end of each half year.

**Q113. Whether any promoter or member of the promoter group can hold shares in physical form?**

**A113.** No, as per regulation 31(2), the listed entity shall ensure that hundred percent of shareholding of promoter(s) and promoter group is in dematerialized form and the same is maintained on a continuous basis in the manner as specified by the Board.

**Q114. What does the term “promoter(s) seeking re-classification” mean?**

**A114.** Promoter(s) seeking re-classification” shall mean all such promoters/ persons belonging to the promoter group seeking re-classification of status as public.

**Q115. What are the procedures which are required to be followed to re-classify status of a promoter/ person belonging to promoter group to public?**

**A115.** Following procedures are required to be followed to re-classify status of a promoter/ person belonging to promoter group to public:

- the promoter(s) seeking re-classification shall make a request for re-classification to the listed entity which shall include rationale for seeking such re-classification and how the

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conditions specified in clause (b) of sub regulation 3 of regulation 31A are satisfied;

- the board of directors of the listed entity shall analyze the request and place the same before the shareholders in a general meeting for approval along with the views of the BOD on the request:

However, there shall be a time gap of at least three months but not exceeding six months between the date of board meeting and the shareholder's meeting considering the request of the promoter(s) seeking re-classification.

- the request of the promoter(s) seeking re-classification shall be approved in the general meeting by an ordinary resolution in which the promoter(s) seeking re-classification and persons related to the promoter(s) seeking re-classification shall not vote to approve such re-classification request
- and thereafter, an application for re-classification to the stock exchanges has to be made by the listed entity within thirty days from the date of approval by shareholders in general meeting

**Q116. What are the conditions that need to be satisfied before making an application for re-classification of status of a promoter/ person belonging to promoter group to public?**

**A116.** The promoter(s) seeking re-classification and persons related to the promoter(s) seeking re-classification shall ensure that it does not:

- together, hold more than ten percent of the total voting rights in the listed entity;
- exercise control over the affairs of the listed entity directly or indirectly;
- have any special rights with respect to the listed entity through formal or informal arrangements including through any shareholder agreements;
- be represented on the board of directors (including not having a nominee director) of the listed entity;
- act as a key managerial person in the listed entity;

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- be a 'wilful defaulter' as per the Reserve Bank of India Guidelines;
- be a fugitive economic offender.

**Q117. What are the conditions that the promoter(s) seeking re-classification, subsequent to re-classification as public, shall comply with?**

**A117.** The promoter(s) seeking re-classification, subsequent to re-classification as public, shall comply with the following conditions:

- he shall continue to comply with conditions mentioned at sub-clauses (i), (ii) and (iii) of clause (b) of sub-regulation 3 (as specified above in first three bullets of FAQ-116) at all times from the date of such re-classification failing which, he shall automatically be reclassified as promoter/ persons belonging to promoter group, as applicable;
- he shall comply with conditions mentioned at sub-clauses (iv) and (v) of clause (b) of sub-regulation 3 (as specified above in fourth and fifth bullet of FAQ-116) for a period of not less than three years from the date of such re-classification failing which, he shall automatically be reclassified as promoter/ persons belonging to promoter group, as applicable.

**Q118. Under what category the person will be classified who is recipient of shares upon transmission, succession, inheritance and gift of shares held by a promoter/ person belonging to the promoter group?**

**A118.** In case of transmission, succession, inheritance and gift of shares held by a promoter/ person belonging to the promoter group, immediately on such event, the recipient of such shares shall be classified as a promoter/ person belonging to the promoter group, as applicable.

**Q119. What are the events that need to be disclosed to the stock exchange w.r.t events relating to promoter(s) seeking re-classification?**

**A119.** The following events shall deemed to be material events and shall be disclosed by the listed entity to the stock exchanges as soon as

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reasonably possible and not later than twenty four hours from the occurrence of the event:

- receipt of request for re-classification by the listed entity from the promoter(s) seeking re-classification;
- minutes of the board meeting considering such request which would include the views of the board on the request;
- submission of application for re-classification of status as promoter/public by the listed entity to the stock exchanges;
- decision of the stock exchanges on such application as communicated to the listed entity

**Q120. How long does the quarterly statement of deviation in use of proceeds from the objects stated in the offer document shall be continued to be filed to the stock exchange?**

**A120.** The quarterly statement(s) of deviations or variations shall be continued to be given till such time the issue proceeds have been fully utilised or the purpose for which these proceeds were raised has been achieved

**Q121. Whether the annual statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice shall be certified by the statutory auditor of the listed entity?**

**A121.** Yes, the annual statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice, shall be certified by the statutory auditors of the listed entity, and shall be placed before the audit committee till such time the full money raised through the issue has been fully utilized.

**Q122. Who is eligible to conduct limited review or annual audit of the financials of the listed entity?**

**A122.** Only an auditor who has subjected himself to the peer review process of Institute of Chartered Accountants of India and holds a valid certificate issued by the Peer Review Board of the ICAI shall be eligible to conduct limited review or annual audit of the financials of the listed entity.

**Q123. What disclosures are required to be made while preparing the financial statements in case the auditor has expressed any modified opinion in respect of audited financial results?**

**A123.** As per the requirements of part A of schedule IV, if the auditor has expressed any modified opinion(s) in respect of audited financial results, the listed entity shall disclose such modified opinion(s) and cumulative impact of the same on profit or loss, net worth, total assets, turnover/total income, earning per share, total expenditure, total liabilities or any other financial item(s) which may be impacted due to modified opinion(s), while publishing or submitting such results. The management of the listed entity has the option to explain its views on the audit qualifications and the same shall be included in the Statement on Impact of Audit Qualifications (for audit report with modified opinion).

With respect to audit qualifications where the impact of the qualification is not quantifiable, the management shall mandatorily make an estimate which the auditor shall review and report accordingly.

However, the management may be permitted to not provide estimate on matters like going concerns or sub-judice matters; in which case, the management shall provide the reasons and the auditor shall review the same and report accordingly.

**Q124. How shall the financial statements be prepared and submitted to the stock exchange in case the listed entity had not commenced commercial production or commercial operations during the reportable period?**

**A124.** If the listed entity had not commenced commercial production or commercial operations during the reportable period, the listed entity shall disclose the following details instead of submitting financial results:

- details of amount raised i.e. proceeds of any issue of shares or debentures made by the listed entity;
- the portions thereof which is utilized and that remaining unutilized;
- the details of investment made pending utilisation;
- brief description of the project which is pending completion;

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- status of the project and
- expected date of commencement of commercial production or commercial operations:

However, the details mentioned above shall be approved by the board of directors based on certification by the CEO and CFO.

**Q125. What is the period for filing financial statements of a listed entity with the stock exchange?**

**A125.** The listed entity shall submit the financial results in the following manner:

- Quarterly and year-to-date standalone financial results shall be submitted to the stock exchange within forty-five days of end of each quarter, other than the last quarter.
- In case the listed entity has subsidiaries, in addition to the above requirement, the listed entity shall submit quarterly/year-to-date consolidated financial results
- Annual audited standalone financial results for the financial year shall be submitted within sixty days from the end of the financial year along with the audit report and Statement on Impact of Audit Qualifications applicable only for audit report with modified opinion

Further, if such listed entity has subsidiaries, it shall, also submit annual audited consolidated financial results along with the audit report and Statement on Impact of Audit Qualifications applicable only for audit report with modified opinion

- The financials for the last quarter shall be submitted along with the results of the entire financial year.
- 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 as at the end of the half-year.
- The listed entity shall also submit as part of its standalone and consolidated financial results for the half year, by way of a note, statement of cash flows for the half-year.

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- The listed entity shall ensure that, for the purposes of quarterly consolidated financial results, at least eighty percent of each of the consolidated revenue, assets and profits, respectively, shall have been subject to audit or in case of unaudited results, subjected to limited review.
- The listed entity shall disclose, in the results for the last quarter in the financial year, by way of a note, the aggregate effect of material adjustments made in the results of that quarter which pertain to earlier periods.

However, SEBI vide its circular has allowed extension of time for submission of financial results for the quarter and the financial year ending 31st March 2020 due to the continuing impact of the COVID-19 pandemic to 31<sup>st</sup> July 2020. And for the quarter/half year/financial year ended 30th June 2020, the timeline for submission of financial results has been extended to 15th September, 2020.

### **Q126. Whether it is mandatory to submit the 'audited' financial statements of the last quarter to stock exchange?**

**A126.** The listed entity shall submit either audited or limited reviewed financial results of the last quarter along-with the results for the entire financial year.

However, the financials of the last quarter shall contain a note stating that the figures of last quarter are the balancing figures between audited figures in respect of the full financial year and the published year-to-date figures upto the third quarter of the current financial year.

It shall disclose, in the results for the last quarter in the financial year, by way of a note, the aggregate effect of material adjustments made in the results of that quarter which pertain to earlier periods

### **Q127. What is the provision w.r.t submission of financial statements by the entity which has listed its specified securities on SME Exchange?**

**A127.** The provisions w.r.t submission of financial statements, as applicable to entity which has listed its specified securities on main board, shall also apply to the entities which has listed its specified securities on SME Exchange, subject to the modification that any reference to

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“quarterly/quarter” in case of listed entity which has listed their specified securities on SME Exchange shall be respectively read as “half yearly/half year” and the requirement of submitting ‘year-to-date’ financial results shall not be applicable for a listed entity which has listed their specified securities on SME Exchange.

**Q128. How much percentage of the quarterly consolidated financial results shall be at least subject to limited review or audit?**

**A128.** The listed entity shall ensure that, for the purposes of quarterly consolidated financial results, at least eighty percent of each of the consolidated revenue, assets and profits, respectively, shall have been subject to audit or in case of unaudited results, subjected to limited review.

**Q129. To whom does the requirement of mandatory reporting of Business Responsibility Report in their Annual Report is applicable?**

**A129.** The SEBI (Listing Obligations and Disclosure Requirements) (Fifth Amendment) Regulations, 2019, w.e.f. 26.12.2019 has enhanced the requirement of mandatory reporting of BRR in Annual Report from top 500 listed entities to top 1000 listed entities based on market capitalization (calculated as on March 31 of every financial year). Therefore, the requirement of mandatory reporting of Business Responsibility Report in their Annual Report is applicable to the top 1000 listed entities.

**Q130. What is the timeframe within which the annual report of the listed entity shall be sent to its shareholders?**

**A130.** The listed entity shall send annual report referred to in sub-regulation (1) of regulation 36, to the holders of securities, not less than twenty-one days before the annual general meeting

**Q131. What shall be the content of the annual report of a listed entity?**

**A131.** The annual report of a listed entity shall contain the following documents/ information/ disclosures:

- audited financial statements i.e. balance sheets, profit and loss accounts etc and Statement on Impact of Audit Qualifications as stipulated in regulation 33(3)(d), if applicable



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- consolidated financial statements audited by its statutory auditors;
- cash flow statement presented only under the indirect method
- directors report;
- management discussion and analysis report - either as a part of director's report or addition thereto;
- for the top one thousand listed entities based on market capitalization (calculated as on March 31 of every financial year), business responsibility report describing the initiatives taken by them from an environmental, social and governance perspective, in the format as specified by the Board from time to time.
- related party disclosures as per accounting standard and schedule V of the SEBI (LODR) Regulations, 2015
- various disclosures in the section on the corporate governance of the annual report
- Declaration signed by the CEO stating that the members of BOD and senior management personnel have affirmed compliance with the code of conduct of board of directors and senior management.
- Compliance certificate from either the auditors or practicing company secretaries regarding compliance of conditions of corporate governance shall be annexed with the directors' report.
- Disclosures with respect to demat suspense account/ unclaimed suspense account
- Any other disclosures as specified in Companies Act, 2013.

**Q132. The disclosures made by the listed entity to the stock exchange shall be in which format?**

**A132.** The disclosures made by the listed entity to the stock exchanges, shall be in:

- XBRL format in accordance with the guidelines specified by the stock exchanges from time to time; and

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- a format that allows users to find relevant information easily through a searching tool, provided that the requirement to make disclosures in searchable formats shall not apply in case there is a statutory requirement to make such disclosures in formats which may not be searchable, such as copies of scanned documents

**Q133. Whether any approval from stock exchange is required before seeking an approval of scheme of arrangement before the court or tribunal?**

**A133.** Yes, before filing any scheme of arrangement with any Court or Tribunal, the listed entity shall obtain Observation Letter or No-objection letter from the stock exchange by filing the draft scheme of arrangement before it.

And the listed entity shall place the Observation letter or No-objection letter of the stock exchange(s) before the Court or Tribunal at the time of seeking approval of the scheme of arrangement.

The 'Observation Letter' or 'No-objection letter' of stock exchange(s) shall be valid till six months from the date of issuance, within which the draft scheme of arrangement shall be submitted to the Court or Tribunal.

**Q134. Whether the regulation 37 dealing with Draft Scheme of Arrangement & Scheme of Arrangement is applicable to the merger of a wholly owned subsidiary with its holding company?**

**A134.** No, nothing contained in regulation 37 shall apply to draft schemes which solely provide for merger of a wholly owned subsidiary with its holding company.

Further, such draft schemes shall be filed with the stock exchanges for the purpose of disclosures

**Q135. Which listed entities are exempt from complying with the requirements of minimum public shareholding as specified in regulation 38?**

**A135.** Entities listed on institutional trading platform without making a public issue, are not required to comply with the minimum public shareholding requirements as specified in regulation 38.

**Q136. What is the timeline within which the listed entity shall issue the certificates w.r.t subdivision of shares?**

**A136.** The listed entity shall issue certificates or receipts or advices, as applicable, of subdivision, split, consolidation, renewal, exchanges, endorsements, issuance of duplicates thereof or issuance of new certificates or receipts or advices, as applicable, in cases of loss or old decrepit or worn out certificates or receipts or advices, within a period of thirty days from the date of such lodgement.

**Q137. Where a listed entity has received an application for issuance of duplicate shares pursuant to loss of share certificates, in such a situation what are the disclosure required to be made to the stock exchange(s)?**

**A137.** The listed entity shall submit information regarding loss of share certificates and issue of the duplicate certificates, to the stock exchange within two days of its getting information.

**Q138. What procedures shall be followed by the listed entity; in case it has not received any response to the reminders sent to the allottee for the unclaimed shares?**

**A138.** Schedule VI prescribes that a listed entity shall comply with the following procedures in a situation where it has sent at least three reminders to the allottee of shares and still is in non-receipt of response to reminders:

- For shares in demat form, the unclaimed shares shall be credited to a demat suspense account with one of the Depository Participants, opened by the listed entity for this purpose
- For shares in physical form, the listed entity shall transfer all the shares into one folio in the name of "Unclaimed Suspense Account" and shall dematerialise the shares held in the Unclaimed Suspense Account with one of the Depository Participants.
- The listed entity shall maintain details of shareholding of each individual allottee whose shares are credited to such demat suspense account or unclaimed suspense account, as applicable.

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The demat suspense account or unclaimed suspense account, as applicable shall be held by the listed entity purely on behalf of the allottees who are entitled to the shares and the shares held in such suspense account shall not be transferred in any manner whatsoever except for the purpose of allotting the shares to the allottee as and when he/she approaches the listed entity

Provided that all such shares, in respect of which unpaid or unclaimed dividend has been transferred under Section 124 (5) of the Companies Act, 2013, shall also be transferred by the listed entity in accordance with Section 124 (6) of the Companies Act, 2013 and rules made thereunder.

**Q139. Whether an allottee of shares, whose shares has been transferred to the unclaimed suspense account by the listed entity upon non receipt of response to the reminders sent, can claim his entitlement of shares and opt for physical shares to be delivered?**

**A139.** Yes, as per schedule VI, the allottee of shares can claim his entitlement of shares and the listed entity shall after proper verification of the identity of the allottee shall either credit the shares lying in the Unclaimed Suspense Account, to the demat account of the allottee to the extent of the allottee's entitlement, or deliver the physical certificates after re-materialising the same, depending on what has been opted for by the allottee.

However, the rematerialising of the physical certificates shall be done only in case where the shares were originally issued in physical form.

**Q140. Whether securities of a listed entity can be transferred which are held in physical form?**

**A140.** Yes, the securities are to be held in the dematerialized form with a depository except in case of transmission or transposition of securities.

However, the Securities and Exchange Board of India (SEBI), vide Circular No. SEBI/HO/CFD/CMD1/CIR/P/2020/144 dated 31st July, 2020 has clarified that shareholders holding securities in physical form are allowed to tender shares in open offers, buy-backs through tender offer route and exit offers in case of voluntary or compulsory delisting. Such tendering shall be as per the provisions of respective regulations.

**Q141. What are the obligations of the delegated authority, in case BOD of a listed entity have delegated the power of transfer of securities to a committee or to compliance officer or to the registrar to an issue and/or share transfer agent(s)?**

**A141.** The obligations of the delegated authority are as follows:

- BOD and/or the delegated authority shall attend to the formalities pertaining to transfer of securities at least once in a fortnight:
- The delegated authority shall report on transfer of securities to the board of directors in each meeting.

**Q142. What is the timeline within which the application for share transfer shall be processed by the listed entity?**

**A142.** The timeline within which the application for share transfer shall be processed by the listed entity is:

- On receipt of proper documentation, the listed entity shall process the application within a period of fifteen days from the date of such receipt of request for transfer.
- transmission requests for securities held in dematerialized mode shall be processed within seven days, after receipt of the specified documents
- and transmission requests for securities held in physical mode shall be processed within twenty one days, after receipt of the specified documents.

**Q143. Whether any listed entity can decline to register any transfer of shares, on the ground of the transferor(s) being indebted to the listed entity on any account whatsoever?**

**A143.** No, the Regulation 40(6) clearly prescribes that the listed entity shall not decline to, register or acknowledge any transfer of shares, on the ground of the transferor(s) being either alone or jointly with any other person or persons indebted to the listed entity on any account whatsoever.

**Q144. What shall be the consequences, in case the listed entity has failed to effect transfer of securities or communicate to the transferee(s) any valid objection within fifteen days?**

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**A144.** In case the listed entity has not effected transfer of securities within fifteen days or where the listed entity has failed to communicate to the transferee(s) any valid objection to the transfer, within the stipulated time period of fifteen days, the listed entity shall compensate the aggrieved party for the opportunity losses caused during the period of the delay:

However, during the intervening period on account of delay in transfer above, the listed entity shall provide all benefits, which have accrued, to the holder of securities in terms of provisions of Section 126 of Companies Act, 2013, and Section 27 of the Securities Contracts (Regulation) Act, 1956:

**Q145. Whether PAN is required for registration of transfer of Securities?**

**A145.** Yes, for registration of transfer of securities, the transferee(s) as well as transferor(s) shall furnish a copy of their PAN card to the listed entity for registration of transfer of securities.

Where PAN card is not available i.e. in case of residents of Sikkim, the requirement of PAN Card may be substituted with Identity proof.

In case of mismatch in PAN card details as well as difference in maiden name and current name, in case of married women, of the holder(s) of securities, the listed entity may collect the PAN card as submitted by the transferee(s) or transferor(s) as the case maybe: Provided that this shall be subject to the listed entity verifying the veracity of the claim of such transferee(s) or transferor(s) by collecting sufficient documentary evidence in support of the identity of the transferee(s) or transferor(s).

**Q146. What is the provision w.r.t certification from practicing company secretary relating to share transfer etc.?**

**A146.** The share transfer agent and/or the in-house share transfer facility, as the case may be, shall produce a certificate from a practicing company secretary within one month of the end of each half of the financial year, certifying that all certificates have been issued within thirty days of the date of lodgement for transfer, sub-division, consolidation, renewal, exchange or endorsement of calls/allotment monies.

And the listed entity shall ensure that the certificate as mentioned above is filed with the stock exchange(s) simultaneously.

**Q147. Whether a listed entity can issue shares with inferior rights as to dividend vis-à-vis the rights on equity shares that are already listed?**

**A147.** Regulation 41(3) specifically states that the listed entity shall not issue shares in any manner that may confer on any person; superior or inferior rights as to dividend vis-à-vis the rights on equity shares that are already listed.

**Q148. Whether a listed entity can issue shares with superior rights as to voting vis-à-vis the rights on equity shares that are already listed?**

**A148.** SEBI (Listing Obligations and Disclosure Requirements) (Fourth Amendment) Regulations, 2019 w.e.f. 29.7.2019, has substituted the earlier provision of regulation 41(3) and states that the listed entity shall not issue shares in any manner that may confer on any person; “inferior rights” as to voting vis-à-vis the rights on equity shares that are already listed. Therefore, it has been allowed to issue shares with superior voting rights.

However, it clearly specifies that listed entity having SR equity shares issued to its promoters/ founders, may issue SR equity shares to its SR shareholders only through a bonus, split or rights issue in accordance with the provisions of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 and the Companies Act, 2013

**Q149. In what respects SR equity shares are different from the ordinary equity shares?**

**A149.** The SR equity shares shall be treated at par with the ordinary equity shares in every respect, including dividends, except in the case of voting on resolutions.

**Q150. Whether the SR shareholders of a listed entity (whose equity shares are listed on a recognised stock exchange) can hold shareholding of 25% through SR shares and 50% through ordinary equity shares?**

**A150.** As per regulation 41A(2), the total voting rights of SR shareholders (including ordinary shares) in the issuer upon listing, pursuant to an initial public offer, shall not at any point of time exceed seventy four per cent.

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Henceforth, the SR shareholder cannot hold shareholding of 25% through SR shares and 50% through ordinary equity shares as specified in the question above.

**Q151. What are the situations under which the voting rights of the SR shareholders shall be treated as similar to ordinary shares?**

**A151.** The SR equity shares shall be treated as ordinary equity shares in terms of voting rights (i.e. one SR share shall only have one vote) in the following circumstances -

- appointment or removal of independent directors and/or auditor;
- where a promoter is willingly transferring control to another entity;
- related party transactions in terms of these regulations involving an SR shareholder;
- voluntary winding up of the listed entity;
- changes to the Articles of Association or Memorandum of Association of the listed entity, except any change affecting the SR equity share;
- initiation of a voluntary resolution process under the Insolvency Code;
- utilization of funds for purposes other than business;
- substantial value transaction based on materiality threshold as specified under these regulations;
- passing of special resolution in respect of delisting or buy-back of shares; and
- other circumstances or subject matter as may be specified by the Board, from time to time

**Q152. What are the circumstances under which the SR equity shares shall be converted into equity shares having voting rights same as that of ordinary shares?**

**A152.** The SR equity shares shall be converted into equity shares having voting rights same as that of ordinary shares on the fifth anniversary of listing of ordinary shares of the listed entity. However, the SR equity



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shares may be valid for upto an additional five years, after a resolution to that effect has been passed, where the SR shareholders have not been permitted to vote

Moreover, the SR equity shares shall be compulsorily converted into equity shares having voting rights same as that of ordinary shares on the occurrence of any of the following events -

- demise of the promoter(s) or founder holding such shares;
- SR shareholder resigns from the executive position in the listed entity;
- merger or acquisition of the listed entity having SR shareholder/s, where the control would no longer remain with the SR shareholder/s;
- SR equity shares are sold by an SR shareholder who continues to hold such shares after the lock-in period but prior to the lapse of validity of such SR equity shares.

**Q153. What are the purposes for which a listed entity shall intimate the record date?**

**A153.** The listed entity shall intimate the record date for the following events to all the stock exchange(s) where it is listed or where stock derivatives are available on the stock of the listed entity or where listed entity's stock form part of an index on which derivatives are available:

- declaration of dividend;
- issue of right or bonus shares;
- issue of shares for conversion of debentures or any other convertible security;
- shares arising out of rights attached to debentures or any other convertible security
- corporate actions like mergers, de-mergers, splits, etc.
- such other purposes as may be specified by the stock exchange(s).

**Q154. What is the timeframe within which the record date shall be intimated to the stock exchange by the listed entity?**

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**A154.** The listed entity shall give notice in advance of atleast seven working days (excluding the date of intimation and the record date) to stock exchange(s) of record date specifying the purpose of the record date.

However, in case of rights issues, the listed entity shall give notice in advance of atleast three working days (excluding the date of intimation and the record date).

**Q155. Whether dividend can be recommended or declare before three working days (excluding the date of intimation and the record date) of the record date fixed for the purpose?**

**A155.** No, as per regulation 42(3), the listed entity shall recommend or declare all dividend and/or cash bonuses at least five working days (excluding the date of intimation and the record date) before the record date fixed for that purpose.

**Q156. Whether all the listed entities are obliged to disclose their dividend distribution policy in their annual report?**

**A156.** The top five hundred listed entities based on market capitalization (calculated as on March 31 of every financial year) shall formulate a dividend distribution policy which shall be disclosed in their annual reports and on their websites.

The listed entities other than top five hundred listed entities based on market capitalization may disclose their dividend distribution policies on a voluntary basis in their annual reports and on their websites.

**Q157. What parameters shall be covered in the dividend distribution policy?**

**A157.** The dividend distribution policy shall include the following parameters:

- the circumstances under which the shareholders of the listed entities may or may not expect dividend;
- the financial parameters that shall be considered while declaring dividend;
- internal and external factors that shall be considered for declaration of dividend;
- policy as to how the retained earnings shall be utilized; and

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- parameters that shall be adopted with regard to various classes of shares:

### **Q158. Whether it is mandatory for the listed entity to provide the facility of remote e-voting facility to its shareholders?**

**A158.** Yes, the listed entity shall provide the facility of remote e-voting facility to its shareholders, in respect of all shareholders' resolutions

### **Q159. What is the timeline within which the voting results of the general meeting of shareholders shall be submitted to the stock exchange?**

**A159.** The listed entity shall submit to the stock exchange, within forty eight hours of conclusion of its General Meeting, details regarding the voting results in the format specified by the Board.

### **Q160. What are the special provisions that are applicable to the top 100 listed entities w.r.t shareholder's meetings?**

**A160.** The special provisions that are applicable to the top 100 listed entities w.r.t shareholder's meetings are as follows:

- The top 100 listed entities by market capitalization, determined as on March 31st of every financial year, shall hold their annual general meetings within a period of five months from the date of closing of the financial year.
- The top 100 listed entities determined on the basis of market capitalisation, as at the end of the immediate previous financial year shall provide one-way live webcast of the proceedings of the annual general meetings

### **Q161. Whether a listed entity is allowed to change its name?**

**A161.** Yes, the listed entity is allowed to change its name subject to compliance with the following conditions:

- A time period of at least one year has elapsed from the last name change;
- At least fifty percent. of the total revenue in the preceding one year period has been accounted for by the new activity suggested by the new name; or

### **Listed Entities which has listed its Specified Securities**

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- The amount invested in the new activity/project is at least fifty percent. of the assets of the listed entity

However, if any listed entity has changed its activities which are not reflected in its name, it shall change its name in line with its activities within a period of six months from the change of activities in compliance of provisions as applicable to change of name prescribed under Companies Act, 2013.

#### **Q162. What are the various approvals that are required for change of name of listed entity?**

**A162.** Following approvals are required for change of name of listed entity:

- On satisfaction of conditions prescribed for change of name of listed entity (as specified above in FAQ-160), the listed entity shall file an application for name availability with ROC.
- On receipt of confirmation regarding name availability from ROC, before filing the request for change of name with the ROC in terms of provisions laid down in Companies Act, 2013 and rules made thereunder, the listed entity shall seek approval from Stock Exchange by submitting a certificate from chartered accountant stating compliance with conditions for change of name as stated in regulation 45(1).

#### **Q163. What are the requirements, in case listed entity has changed its name suggesting any new line of business?**

**A163.** If the listed entity has changed its name suggesting any new line of business, it shall disclose the net sales or income, expenditure and net profit or loss after tax figures pertaining to the said new line of business separately in the financial results and shall continue to make such disclosures for the three years succeeding the date of change in name.

The tax expense shall be allocated between the said new line of business and other business of the listed entity in the ratio of the respective figures of net profit before tax, subject to any exemption, deduction or concession available under the tax laws.

#### **Q164. What information shall be disseminated by the listed entity on its website?**

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**A164.** The listed entity shall disseminate the following information under a separate section on its website:

- details of its business;
- terms and conditions of appointment of independent directors;
- composition of various committees of board of directors;
- code of conduct of board of directors and senior management personnel;
- details of establishment of vigil mechanism/ Whistle Blower policy;
- criteria of making payments to non-executive directors , if the same has not been disclosed in annual report;
- policy on dealing with related party transactions;
- policy for determining 'material' subsidiaries;
- details of familiarization programmes imparted to independent directors including the following details:-
  - number of programmes attended by independent directors (during the year and on a cumulative basis till date),
  - number of hours spent by independent directors in such programmes (during the year and on cumulative basis till date), and
  - other relevant details
- the email address for grievance redressal and other relevant details;
- contact information of the designated officials of the listed entity who are responsible for assisting and handling investor grievances;
- financial information including:
  - notice of meeting of the board of directors where financial results shall be discussed;

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- financial results, on conclusion of the meeting of the board of directors where the financial results were approved;
- complete copy of the annual report including balance sheet, profit and loss account, directors report, corporate governance report etc;
- shareholding pattern;
- details of agreements entered into with the media companies and/or their associates, etc;
- schedule of analyst or institutional investor meet and presentations made by the listed entity to analysts or institutional investors simultaneously with submission to stock exchange;
- new name and the old name of the listed entity for a continuous period of one year, from the date of the last name change;
- items in sub-regulation (1) of regulation 47 .
- all credit ratings obtained by the entity for all its outstanding instruments, updated immediately as and when there is any revision in any of the ratings.
- separate audited financial statements of each subsidiary of the listed entity in respect of a relevant financial year, uploaded at least 21 days prior to the date of the annual general meeting which has been called to inter alia consider accounts of that financial year.

**Q165. Whether reference to the link of the website of listed entity and stock exchange(s), are also required to be given in the newspaper while publishing the information as specified in regulation 47(1)?**

**A165.** Yes, the listed entity shall give a reference to link of the website of listed entity and stock exchange(s), where further details are available at the time of publishing the information as specified in regulation 47(1).

**Q166. Whether it will be suffice, if the listed entity publishes the information as stated in regulation 47(1) in only an English language national daily newspaper circulating in the whole or substantially the whole of India?**

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**A166.** The information at regulation 47(1) shall be published in at least one English language national daily newspaper circulating in the whole or substantially the whole of India & in one daily newspaper published in the language of the region, where the registered office of the listed entity is situated.

Therefore publishing the information in only an English daily newspaper will not be sufficient.

**Q167. What shall be the duty of auditor with respect to audit qualifications where the impact of the qualification is not quantifiable?**

**A167.** The management shall mandatorily make an estimate which the auditor shall review and report accordingly.

Further, the management may be permitted to not provide estimate on matters like going concerns or sub-judice matters; in which case, the management shall provide the reasons and the auditor shall review the same and report accordingly.

**Q168. What disclosures are required to be made by the listed entity had not commenced commercial production or commercial operations during the reportable period?**

**A168.** If the listed entity had not commenced commercial production or commercial operations during the reportable period, the listed entity shall, instead of submitting financial results, disclose the following details:

- details of amount raised i.e. proceeds of any issue of shares or debentures made by the listed entity;
- the portions thereof which is utilized and that remaining unutilized;
- the details of investment made pending utilisation ;
- brief description of the project which is pending completion;
- status of the project and
- expected date of commencement of commercial production or commercial operations.

### **Listed Entities which has listed its Specified Securities**

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The details mentioned above shall be approved by the board of directors based on certification by the chief executive officer and chief financial officer.

**Q169. What kind of disclosures a listed entity shall make in respect of dividends paid or recommended for the year, including interim dividends?**

**A169.** The listed entity shall disclose the following in respect of dividends paid or recommended for the year, including interim dividends :

- amount of dividend distributed or proposed for distribution per share; the amounts in respect of different classes of shares shall be distinguished and the nominal values of shares shall also be indicated;
- where dividend is paid or proposed to be paid pro-rata for shares allotted during the year, the date of allotment and number of shares allotted, pro-rata amount of dividend per share and the aggregate amount of dividend paid or proposed to be paid on pro-rata basis.

**Q170. In case of Segment Report which provisions are required to be followed by a listed entity?**

**A170.** In case of segment reporting, the listed entity shall ensure it is done in accordance with AS-17 or Indian Accounting Standard 108 as applicable, specified in Section 133 of the Companies Act, 2013 read with relevant rules framed thereunder or by the Institute of Chartered Accountants of India, whichever is applicable

**Q171. What is the responsibility for review by the Qualified Audit Report Review Committee?**

**A171.** The qualified audit report review committee shall be constituted by the board comprising of representatives from Institute of Chartered Accountants of India, stock exchange(s), Ministry of Corporate Affairs etc.

The qualified audit report review committee shall review the cases received from the stock exchange(s) and guide the Board in processing the annual audit reports with modified opinion(s).



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After analyzing the modified opinion(s) in audit reports, qualified audit report review committee may make the following recommendations:

- If qualified audit report review committee is of the view that the impact of modified opinion is not significant, it may recommend rectification of such modified opinion in the subsequent financial year;
- If qualified audit report review committee is of the view that the impact of modified opinion is significant and the explanation given by the listed entity concerned in Form B is unsatisfactory, the case may be referred to the Financial Reporting Review Board of Institute of Chartered Accountants of India, for their opinion on whether the modified opinion is justified.
- Based on the opinion of the financial reporting review board, qualified audit report review committee may recommend the following:
  - (i) If Financial Reporting Review Board opines that modified opinion is justified, qualified audit report review committee may recommend submission of revised pro-forma financial results, incorporating the effect of the modified opinion, to the stock exchange(s) in the manner as specified in para (E) below.
  - (ii) If financial reporting review board is of the view that modified opinion is not justified, Institute of Chartered Accountants of India may take up the matter appropriately with the statutory auditor of the listed entity.
- If a modified opinion is not quantifiable, qualified audit report review committee may recommend rectification of such modified opinion in the subsequent financial year.

Based on the recommendations of qualified audit report review committee and/or the opinion of Financial Reporting Review Board, the Board may direct the listed entity concerned to rectify its modified opinion and/or submit the revised pro-forma financial results in the manner specified in sub-para (3) of para (B). D.

The Board may, at any stage, in the interest of investors, take any other necessary action as it deems fit.

## Chapter-IV

# Listing of Non-Convertible Debt Securities or Non-Convertible Redeemable Preference Shares or Both

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**Q172.** Whether the provisions of chapter V of SEBI (LODR), 2015 is applicable to the “perpetual debt instrument” and “perpetual non-cumulative preference share” listed by banks?

**A172.** Yes, the provisions of the chapter shall be applicable to “perpetual debt instrument” and “perpetual non-cumulative preference share” listed by banks.

**Q173.** Does the listed entity need to give prior intimation for redeemable shares or of debentures and bonds that are payable?

**A173.** Yes, the listed entity shall give prior intimation to the stock exchange(s) at least eleven working days before the date on and from which the interest on debentures and bonds, and redemption amount of redeemable shares or of debentures and bonds shall be payable.

**Q174.** What shall be done, if the listed entity has the intention to raise funds through new non-convertible debt securities or non-convertible redeemable preference share?

**A174.** When the listed entity has the intention to raise funds through new non-convertible debt securities or non-convertible redeemable preference share, the listed entity shall intimate the stock exchange(s), its intention to raise funds through new non-convertible debt securities or non-convertible redeemable preference shares it proposes to list either through a public issue or on private placement basis, prior to issuance of such securities.

Further, such intimation may be given prior to the meeting of board of directors wherein the proposal to raise funds through new non-convertible debt securities or nonconvertible redeemable preference shares shall be considered.

**Q175. Shall stock exchange be intimated for declaration of issue of non-convertible debt securities?**

**A175.** Yes, the listed entity shall intimate to the stock exchange(s), at least two working days in advance, excluding the date of the intimation and date of the meeting, regarding the meeting of the board of directors, at which the recommendation or declaration of issue of non-convertible debt securities or any other matter affecting the rights or interests of holders of non-convertible debt securities or non-convertible redeemable preference shares is proposed to be considered.

**Q176. What is the provision w.r.t disclosure of information having bearing on performance/operation of listed entity and/or price sensitive information?**

**A176.** The listed entity shall promptly inform the stock exchange(s) of all information having bearing on the performance/operation of the listed entity, price sensitive information or any action that shall affect payment of interest or dividend of non-convertible preference shares or redemption of non-convertible debt securities or redeemable preference shares.

The expression 'promptly inform', shall imply that the stock exchange must be informed as soon as practically possible and without any delay and that the information shall be given first to the stock exchange(s) before providing the same to any third party.

**Q177. What is the periodicity for filing of financial statements with the stock exchange?**

**A177.** The listed entity shall prepare and submit un-audited or audited financial results on a half yearly basis in the format as specified by the Board within forty five days from the end of the half year to the recognised stock exchange(s).

Further, entities which have listed their equity shares and debt securities, a copy of the financial results submitted to stock exchanges shall be provided to Debenture Trustees on the same day the information is submitted to stock exchanges.

**Q178. What are the conditions to be followed for preparation, approval, authentication and publication of annual and half-yearly financial result by the listed entities?**

## **Listing of Non-Convertible Debt Securities or Non-Convertible...**

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**A178.** The following requirements needs to be fulfilled:

- Un-audited financial results shall be accompanied by limited review report prepared by the statutory auditors of the listed entity or in case of public sector undertakings, by any practising Chartered Accountant, in the format as specified by the Board: Provided that if the listed entity intimates in advance to the stock exchange(s) that it shall submit to the stock exchange(s) its annual audited results within sixty days from the end of the financial year, un-audited financial results for the last half year accompanied by limited review report by the auditors need not be submitted to stock exchange(s).
- Half-yearly results shall be taken on record by the board of directors and signed by the managing director / executive director.
- The audited results for the year shall be submitted to the recognised stock exchange(s) in the same format as is applicable for half-yearly financial results. (d)If the listed entity opts to submit un-audited financial results for the last half year accompanied by limited review report by the auditors, it shall also submit audited financial results for the entire financial year, as soon as they are approved by the board of directors.
- Modified opinion(s) in audit reports that have a bearing on the interest payment/ dividend payment pertaining to non-convertible redeemable debentures/ redemption or principal repayment capacity of the listed entity shall be appropriately and adequately addressed by the board of directors while publishing the accounts for the said period.

However, SEBI vide its circular has extended the last date for submission of half yearly and/or annual financial results for the period ending March 31, 2020 for entities that have listed NCDs, NCRPS', CPs, MDS' to July 31, 2020.

**Q179. Who shall undertake the limited review of the half yearly financial statements of the listed entity?**

**A179.** The limited review of the half year financial statements of the listed entity shall be undertaken by the statutory auditor of the listed entity.

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However, in case of public sector undertakings, it can be undertaken by any practicing Chartered Accountant.

### **Q180. What are the disclosures required for submission of half yearly/ annual financial statements for line items?**

**A180.** The listed entity, while submitting half yearly / annual financial results, shall disclose the following line items along with the financial results:

- credit rating and change in credit rating (if any);
- asset cover available, in case of non-convertible debt securities;
- debt-equity ratio;
- previous due date for the payment of interest/ dividend for non-convertible redeemable preference shares/ repayment of principal of non-convertible preference shares /non-convertible debt securities and whether the same has been paid or not; and,
- next due date for the payment of interest/ dividend of non-convertible preference shares /principal along with the amount of interest/ dividend of non-convertible preference shares payable and the redemption amount;
- debt service coverage ratio;
- interest service coverage ratio;
- outstanding redeemable preference shares (quantity and value);
- capital redemption reserve/debenture redemption reserve;
- net worth;
- net profit after tax;
- earnings per share:

Further, the requirement of disclosures of debt service coverage ratio, asset cover and interest service coverage ratio shall not be applicable for banks or NBFCs registered with the Reserve Bank of India. Also, the requirement of this sub- regulation shall not be applicable in case of unsecured debt instruments issued by regulated financial sector entities eligible for meeting capital requirements as specified by respective regulators.

### **Listing of Non-Convertible Debt Securities or Non-Convertible...**

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**Q181. What shall be done after submission of information for line items as mentioned above?**

**A181.** The listed entity shall within seven working days from the date of submission of the information with respect to line item as referred to in the point above, submit to stock exchange(s), a certificate signed by debenture trustee that it has taken note of the contents.

**Q182. What are the additional disclosures required where the listed entity has listed its non-convertible redeemable preference shares?**

**A182.** The listed entity which has listed its non-convertible redeemable preference shares shall make the following additional disclosures as notes to financials:

- profit for the half year and cumulative profit for the year;
- free reserve as on the end of half year;
- securities premium account balance (if redemption of redeemable preference share is to be done at a premium, such premium may be appropriated from securities premium account):  
Further such disclosure on securities premium account balance may be provided only in the year in which non-convertible redeemable preference shares are due for redemption;
- track record of dividend payment on non-convertible redeemable preference shares: Provided that in case the dividend has been deferred at any time, then the actual date of payment shall be disclosed
- breach of any covenants under the terms of the non-convertible redeemable preference shares:  
Further, in case a listed entity is planning a fresh issuance of shares whose end use is servicing of the non-convertible redeemable preference shares (whether dividend or principle redemption), then the same shall be disclosed whenever the listed entity decided on such issuances.

**Q183. Whether the financial statements are required to be published in a daily national newspaper?**

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**A183.** Yes, the listed entity shall, within two calendar days of the conclusion of the meeting of the board of directors, publish the financial results and statement referred to in sub-regulation (4), in at least one English national daily newspaper circulating in the whole or substantially the whole of India.

**Q184. What are the disclosures required for annual report of a listed entity?**

**A184.** The annual report of the listed entity shall contain disclosures as specified in Companies Act, 2013 along with the following:-

- audited financial statements i.e. balance sheets, profit and loss accounts etc [, and Statement on Impact of Audit Qualifications as stipulated in regulation 52(3)(a), if applicable;
- Cash flow statement presented only under the indirect method as prescribed in Accounting Standard-3 Indian Accounting Standard 7, mandated under Section 133 of the Companies Act, 2013 read with relevant rules framed thereunder or by the Institute of Chartered Accountants of India, whichever is applicable;
- Auditors report;
- Directors report;
- Name of the debenture trustees with full contact details ;
- Related party disclosures as specified in Para A of Schedule V

**Q185. What is the minimum asset cover prescribed for discharge of listed non-convertible debt securities?**

**A185.** In respect of its listed non-convertible debt securities, the listed entity shall maintain hundred per cent. asset cover or asset cover as per the terms of offer document/ Information Memorandum and/or Debenture Trust Deed, sufficient to discharge the principal amount at all times for the non-convertible debt securities issued

**Q186. Within what interval of time, the credit rating obtained with respect to non-convertible debt securities shall be reviewed?**

### **Listing of Non-Convertible Debt Securities or Non-Convertible...**

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**A186.** Each rating obtained by the listed entity with respect to non-convertible debt securities shall be reviewed at least once a year by a credit rating agency registered by the Board

**Q187. What are the documents that need to be intimated to the Debenture Trustee?**

**A187.** The listed entity shall forward the following to the debenture trustee promptly:-

- a copy of the annual report at the same time as it is issued along with a copy of certificate from the listed entity's auditors in respect of utilisation of funds during the implementation period of the project for which the funds have been raised.

However, in the case of debentures or preference shares issued for financing working capital or general corporate purposes or for capital raising purposes the copy of the auditor's certificate may be submitted at the end of each financial year till the funds have been fully utilised or the purpose for which these funds were intended has been achieved.

- a copy of all notices, resolutions and circulars relating to-
  - (i) new issue of non-convertible debt securities at the same time as they are sent to shareholders/ holders of non-convertible debt securities;
  - (ii) the meetings of holders of non-convertible debt securities at the same time as they are sent to the holders of non-convertible debt securities or advertised in the media including those relating to proceedings of the meetings;
- intimations regarding :
  - (i) any revision in the rating;
  - (ii) any default in timely payment of interest or redemption or both in respect of the non-convertible debt securities;
  - (iii) failure to create charge on the assets
  - (iv) all covenants of the issue (including side letters, accelerated payment clause, etc)



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- a half-yearly certificate regarding maintenance of hundred percent. asset cover or asset cover as per the terms of Offer Document/ Information Memorandum and/or Trust Deed, including compliance with all the covenants, in respect of listed non-convertible debt securities, by the statutory auditor, along with the half yearly financial results.

Provided that submission of such half yearly certificates is not applicable where bonds are secured by a Government guarantee.

**Q188. Whether the documents and intimations which are required to be forwarded to the debenture trustee pursuant to the provisions of regulation 56 be sent in electronic form?**

**A188.** Yes, the listed entity may, subject to the consent of debenture trustee, send the information stipulated in sub-regulation (1) of regulation 56 in electronic form/fax.

**Q189. What are the other submissions that are required to be made to stock exchange under this chapter V of the SEBI (LODR), 2015?**

**A189.** The other submissions that are required to be made to stock exchange under this chapter are as follows:

- The listed entity shall submit a certificate to the stock exchange within two days of the interest or principal or both becoming due that it has made timely payment of interests or principal obligations or both in respect of the non-convertible debt securities.
- The listed entity shall provide an undertaking to the stock exchange(s) on annual basis stating that all documents and intimations required to be submitted to Debenture Trustees in terms of Trust Deed and Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 have been complied with.

**Q190. Whether a listed entity is obliged to send a hard copy of the full annual report to the holder of non-convertible preference shares, where it has already sent the soft copy of full annual report to the aforesaid holder?**

### **Listing of Non-Convertible Debt Securities or Non-Convertible...**

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**A190.** As per Regulation 58(1)(c), if the holder(s) of the non-convertible debt securities and/or non-convertible preference share, request for the hard copy of the full annual report, then the listed entity is obliged to deliver the same.

**Q191. What shall be the procedure w.r.t approval for making material modification in the structure of the debenture in terms of coupon, conversion, redemption, or otherwise, where the non-convertible debt securities are listed?**

**A191.** The listed entity shall make material modification in the structure of the debenture in terms of coupon, conversion, redemption, or otherwise, only after obtaining the prior approval in the following order:

- approval of the board of directors and the debenture trustee in case of non-convertible debt securities and
- after complying with the provisions of Companies Act, 2013 including approval of the consent of requisite majority of holders of that class of securities, and
- thereafter approval of the stock exchange(s) shall be accorded.

On the similar grounds, prior approval shall be accorded in case of any material modification in the structure of the non-convertible redeemable preference shares in terms of dividend of non-convertible preference shares payable, conversion, redemption, or otherwise, where the non-convertible redeemable preference shares are listed.

**Q192. Whether the listed entity can declare or distribute any dividend wherein it has defaulted in payment of interest on debt securities or redemption thereof or in creation of security as per the terms of the issue of debt securities?**

**A192.** No, the listed entity shall not declare or distribute any dividend wherein it has defaulted in payment of interest on debt securities or redemption thereof or in creation of security as per the terms of the issue of debt securities

**Q193. Can the listed entity forfeit any unclaimed interest/ dividend on the non- convertible debt securities and non-convertible redeemable preference shares?**

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**A193.** The listed entity shall not forfeit unclaimed interest/dividend and such unclaimed interest/dividend shall be transferred to the 'Investor Education and Protection Fund' set up as per Section 125 of the Companies Act, 2013

**Q194. What shall be the contents of the website of the listed entity which has listed its non-convertible debt securities or non-convertible redeemable preference shares or both?**

**A194.** The listed entity shall maintain a functional website containing the following information about the listed entity:

- details of its business;
- financial information including complete copy of the annual report including balance sheet, profit and loss account, directors report etc.;
- contact information of the designated officials of the listed entity who are responsible for assisting and handling investor grievances;
- email address for grievance redressal and other relevant details;
- name of the debenture trustees with full contact details;
- the information, report, notices, call letters, circulars, proceedings, etc. concerning non-convertible redeemable preference shares or non-convertible debt securities;
- all information and reports including compliance reports filed by the listed entity;
- information with respect to the following events:
  - default by issuer to pay interest on or redemption amount;
  - failure to create a charge on the assets;
  - revision of rating assigned to the non-convertible debt securities

## Chapter-V

# Listing of Specified Securities and either Non-Convertible Debt Securities or Non-Convertible Redeemable Preference Shares or Both

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**Q195.** Which of the provisions shall be applicable in case of entities which has listed its specified securities and either non-convertible debt securities or non-convertible redeemable preference shares or both?

**A195.** The list of provisions which shall be applicable in case entities which has listed its specified securities and either non-convertible debt securities or non-convertible redeemable preference shares or both are as follows:

- They shall be bound by the provisions in Chapter IV of the SEBI (LODR) Regulations, 2015.
- The listed entity shall additionally comply with the following regulations in Chapter V:
  - regulation 50(2),(3)
  - regulation 51
  - regulation 52(3), (4), (5) and (6)
  - regulation 53
  - regulation 54
  - regulation 55
  - regulation 56
  - regulation 57
  - regulation 58
  - regulation 59

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- regulation 60
- regulation 61

**Q196. Whether a listed entity which has submitted any information to the stock exchange(s) in compliance with the disclosure requirements under Chapter IV of the regulations, need to re-submit any such information under the provisions of Chapter V of these regulations?**

**A196.** No, a listed entity which has submitted any information to the stock exchange(s) in compliance with the disclosure requirements under Chapter IV of the regulations, need not re-submit any such information under the provisions of Chapter V of these regulations.

## Chapter-VI

# Listed Entities which has listed its Indian Depository Receipts

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**Q197. What is IDR?**

**A197.** IDR means “Indian Depository Receipts” as defined under Rule 13 of the Companies (Registration of Foreign Companies) Rules, 2014.

**Q198. What is a “Depository Agreement”?**

**A198.** “Depository Agreement” means an agreement between the listed entity and the domestic depository

**Q199. Who is defined as “Security Holder” under this chapter?**

**A199.** Security holder” shall mean holder of the security or equity shares of the listed entity in the home country.

**Q200. The correspondences filed with the stock exchange(s) and those sent to the IDR Holders shall be in which language?**

**A200.** All the correspondences which are filed with the stock exchange(s) and those sent to the IDR Holders shall be in English.

**Q201. Who shall have the jurisdiction in the event of any dispute, between the listed entity either with the stock exchange or any investor, concerning the India Depository Receipts offered or subscribed or bought in India?**

**A201.** The competent Courts, Tribunals and regulatory authorities in India shall have jurisdiction in the event of any dispute, either with the stock exchange or any investor, concerning the India Depository Receipts offered or subscribed or bought in India.

**Q202. What all events and information need to be disclosed by the listed entity which has listed its IDR to the stock exchange(s)?**

**A202.** All events which are material, all information which is price sensitive and/or have bearing on performance/operation of the listed entity shall be promptly informed to the stock exchange(s) by the listed entity.

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The listed entity shall make the disclosures as specified in Part C of Schedule III.

**Q203. Whether stock exchange is required to be intimated about the change in compliance officer or auditor of the listed entity which has listed its IDR?**

**A203.** Yes, the listed entity shall promptly inform to the stock exchange any change in compliance officer/ auditors/ managing director/ board of director/ the registrar to an issue and/or share transfer agent, domestic depository or the overseas custodian bank.

**Q204. Is there any provision with respect to preparation and disclosures of financial results of the listed entity which has listed its IDR?**

**A204.** Yes, the regulation 70(2) deals with the same and states that the listed entity shall comply with the requirements with respect to preparation and disclosures in financial results as specified in Part B of Schedule IV.

**Q205. What is the periodicity for disclosing the financial results of the listed entity which has listed its IDR to the stock exchange?**

**A205.** Financial results of the listed entity which has listed its IDR, may be given on annual, half yearly and/or quarterly basis, as required under the requirements of the home country.

**Q206. Whether it is mandatory for the listed entity which has listed its IDR to prepare and disclose the financial results in accordance with Indian GAAP?**

**A206.** Part B of Schedule IV specifies that the listed entity listed entity may prepare and disclose its financial results in accordance with Indian GAAP or International Financial Reporting Standards IFRS or US GAAP.

In case the listed entity prepares and discloses the financial results as per US GAAP, a reconciliation statement vis-a-vis Indian GAAP and summary of significant differences between the Indian GAAP and US GAAP has to be annexed.

However, if financial results are prepared in accordance with IFRS, then listed entity shall annex only the summary of significant differences between the Indian GAAP and IFRS.

## **Listed Entities which has listed its Indian Depository Receipts**

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**Q207. Who shall conduct the audit or limited review of the financials of the listed entity which has listed its IDR?**

**A207.** In case the listed entity prepares and discloses the financial results as per Indian GAAP, the listed entity shall ensure that the annual, half yearly and/or quarterly results, as required under the laws, rules or regulations of home country, shall be audited or subject to limited review by a Chartered Accountant in accordance with Auditing and Assurance Standards

Also, in case the listed entity prepares and discloses the financial results as per US GAAP or IFRS, the listed entity shall ensure that the annual, half yearly and/or quarterly results, as required under the laws, rules or regulations of home country shall be audited or subject to limited review by professional accountant or certified public accountant in accordance with the International Standards on Auditing. The auditor's report shall also be prepared in accordance with the International Standards on Auditing.

**Q208. In what currency shall the financial information of the listed entity (whose IDR are listed) be disclosed to the stock exchange?**

**A208.** The listed entity whose IDR are listed shall make disclosures of its financial information in its functional currency/ reporting currency/ national currency and the reporting currency shall be restricted to Sterling Pound/ Euro/ Yen/ US Dollar.

The listed entity shall also provide convenient translation into Indian Rupees of the latest year's/ periods statements (as the case may be) of consolidated profit and losses, assets and liabilities and cash flows, at the closing rate of exchange, as at the date on which the financial information is presented.

**Q209. When shall the financial statements and annual report be submitted to the stock exchange by a listed entity which has listed its IDR?**

**A209.** The listed entity shall file periodical financial results with the stock exchange in such manner and within such time and to the extent that it is required to file as per the listing requirements of the home country.



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Further, it shall submit to stock exchange an annual report at the same time as it is disclosed to the security holder in its home country or in other jurisdictions where such securities are listed

**Q210. What shall be the content of the annual report of the listed entity which has listed its IDR?**

**A210.** The annual report of the listed entity which has listed its IDR shall contain the following:

- Report of board of directors;
- Balance Sheet;
- Profit and Loss Account;
- Auditors Report;
- All periodical and special reports( if applicable);
- Any such other report which is required to be sent to security holders annually

**Q211. What documents are required to be filed by the listed entity (which has listed its IDR) to stock exchange other than the financial statement and the annual report?**

**A211.** Documents and information other than the financial statement and the annual report which are required to be filed by the listed entity (which has listed its IDR) to stock exchange are as follows:

- Indian Depository Receipt holding pattern shall be filed on a quarterly basis within fifteen days of end of the quarter in the format specified by the Board
- Details w.r.t Shareholding Pattern & Pre and post arrangement share holding pattern and Capital Structure in case of any corporate restructuring like mergers / amalgamations shall be filed with the stock exchange(s), as per the disclosure requirements of the listing authority or stock exchange in its home country or any other jurisdiction where the securities of the listed entity are listed.
- A comparative analysis of the corporate governance provisions that are applicable in its home country and in the other jurisdictions in which its equity shares are listed along with the

### **Listed Entities which has listed its Indian Depository Receipts**

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compliance of the same vis-à-vis the corporate governance requirements applicable under regulation 17 to regulation 27, to other listed entities shall also be submitted to the stock exchange(s).

**Q212. What are the documents and information that a listed entity is required to forward to its IDR Holders?**

**A212.** The listed entity shall disclose/send the following documents to IDR Holders, at the same time and to the extent that it discloses to security holders in its home country or in other jurisdictions where its securities are listed:

- Soft copies of the annual report to all the IDR holders who have registered their email address(es) for the purpose
- Hard copy of the annual report to those IDR holders who request for the same either through domestic depository or Compliance Officer
- the pre and post arrangement capital structure and share holding pattern in case of any corporate restructuring like mergers / amalgamations and other schemes.

**Q213. In which newspaper the listed entity is required to publish the periodical financial results and notices given to its IDR Holders?**

**A213.** The listed entity is required to publish the periodical financial results and notices given to its IDR Holders in at least one English national daily newspaper circulating in the whole or substantially the whole of India and in one Hindi national daily newspaper in India.

**Q214. What is the provision w.r.t timeframe within which the dividend shall be payable to the IDR holder?**

**A214.** The dividend shall be payable as per the timeframe applicable in the home country of the listed entity or other jurisdictions where its securities are listed, whichever is earlier, so as to reach the IDR Holders on or before the date fixed for payment of dividend to holders of its equity share or other securities.

**Q215. Whether a listed entity is empowered to forfeit unclaimed dividends on the IDRs?**

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**A215.** The listed entity shall not forfeit unclaimed dividends before the claim becomes barred by law in the home country of the listed entity, as may be applicable, and that such forfeiture, when effected, shall be annulled in appropriate cases

**Q216. What shall be the structure of the underlying shares of IDRs?**

**A216.** The underlying shares of IDRs shall rank pari-passu with the existing shares of the same class and the fact of having different classes of shares based on different criteria, if any, shall be disclosed by the listed entity in the annual report.

**Q217. Whether the listed entity is mandatorily required to fix the record date for the purpose of payment of dividends or distribution of any other corporate benefits to IDR Holders?**

**A217.** Where the listed entity is required so to do in its home country or other jurisdictions where its securities may be listed, shall fix the record date for the purpose of payment of dividends or distribution of any other corporate benefits to IDR Holders.

Further, it shall give notice in advance of at least four working days to the recognised stock exchange(s) of record date specifying the purpose of the record date.

**Q218. What are the circumstances under which Indian Depository Receipts can be delisted?**

**A218.** The IDR can be delisted under the following circumstances

- Voluntarily- if the listed entity decides to delist IDR, it can make an application for delisting the same
- Mandatorily- in case underlying equity shares are delisted, the listed entity shall delist and cancel the IDR.

## Chapter-VII

# Listed Entities which has listed its Securitized Debt Instruments

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**Q219. To whom does the provision of the chapter “obligations of listed entities which has listed its securitized debt” applies?**

**A219.** The provisions of this chapter shall apply to Special Purpose Distinct Entity issuing securitized debt instruments and trustees of Special Purpose Distinct Entity shall ensure compliance with each of the provisions of these regulations

**Q220. The expressions such as “asset pool”, “clean up call option” etc. which are used in this chapter shall derive its meaning from which of the regulations?**

**A220.** The expressions "asset pool", "clean up call option", "credit enhancement", "debt or receivables", "investor", "liquidity provider", "obligor", "originator", "regulated activity", "scheme", "securitization", "securitized debt instrument", "servicer", "special purpose distinct entity", "sponsor" and "trustee" shall have the same meaning as assigned to them under Securities and Exchange Board of India (Issue and Listing of Securitized Debt Instruments and Security Receipts) Regulations, 2008

**Q221. What information shall be provided to the Investors of securitized debt instruments by the listed entity?**

**A221.** The listed entity shall provide either by itself or through the servicer, loan level information without disclosing particulars of individual borrower to its investors and it shall also provide information regarding revision in rating as a result of credit rating done periodically in terms of regulation 84 to its investors.

**Q222. Whose approvals are required in case of material modification to the structure of the securitized debt instruments in terms of coupon, conversion, redemption, or otherwise?**

**FAQ on Securities and Exchange Board of India (LODR) Regulations, 2015**

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**A222.** Material modification shall be made to the structure of the securitized debt instruments in terms of coupon, conversion, redemption, or otherwise only after prior approval of the recognised stock exchange(s) where the securitized debt instruments are listed and the listed entity shall make an application to the recognised stock exchange(s) only after the approval by Trustees.

**Q223. What is the provision w.r.t unclaimed interest and principal on the securitised debt instrument?**

**A223.** The provision relating to unclaimed interest and principal on the securitised debt instrument states that the listed entity shall not forfeit unclaimed interest and principal and such unclaimed interest and principal shall be, after a period of seven years, transferred to the Investor Protection and Education Fund established under the Securities and Exchange Board of India (Investor Protection and Education Fund) Regulations, 2009

**Q224. What is the timeframe within which the notice for record date for payment of interest and payment of redemption or repayment amount on the securitised debt instrument shall be given to stock exchange?**

**A224.** The listed entity shall give notice in advance of at least seven working days (excluding the date of intimation and the record date) to the recognised stock exchange(s) of the record date or of as many days as the Stock Exchange may agree to or require specifying the purpose of the record date

## Chapter-VIII

# Listed Entities which has listed its Security Receipts

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**Q225. What shall be done in a situation where the disclosure of events or information, as specified in Part E of Schedule III, is made after twenty-four hours of occurrence of the event or information to the stock exchange by the listed entity which has listed its security receipts?**

**A225.** In case, where the disclosure of events or information, as specified in Part E of Schedule III, is made after twenty four hours of occurrence of the event or information, the listed entity shall, along with such disclosures provide explanation for the delay.

**Q226. What information is required to be disclosed on the website of the listed entity which has listed its security receipts?**

**A226.** The listed entity is required to disclose on its website or on the website of the sponsor all such events or information which has been disclosed to stock exchange(s), and such disclosures shall be hosted on the website of the listed entity for a minimum period of five years and thereafter as per the archival policy of the listed entity, as disclosed on its website.

**Q227. What is the periodicity for conducting valuation of security receipts that are listed on the stock exchange?**

**A227.** An issuer whose security receipts are listed on a stock exchange shall ensure that the listed security receipts are valued at the end of each quarter i.e. as on March 31, June 30, September 30 and December 31 of every year.

**Q228. Who is eligible to conduct the valuation of the listed security receipts?**

**A228.** The valuation of the listed security receipts shall be conducted by an independent valuer.

**Q229. What is the due date for declaration of net asset value (NAV) of security receipts to the stock exchange?**

**A229.** The net asset value calculated on the basis of independent valuation shall be declared by the asset reconstruction company within fifteen days of the end of the quarter.

**Q230. Whether the issuer of security receipts shall in addition to the NAV disclosure as per the valuation conducted by independent valuer, shall also adhere to the RBI guidelines w.r.t obtaining credit rating and declaration of NAV?**

**A230.** Yes, the issuer shall also comply with the extant Reserve Bank of India requirement of obtaining credit rating of security receipts at half yearly interval and declaration of the net asset value thereafter and/or any other requirement as prescribed by the Reserve Bank of India from time to time.

**Q231. Where in those quarters in a year, where both external valuation and credit rating are required to be disclosed, the issuer shall disclose which of the two values?**

**A231.** Proviso to Regulation 87C (2) states that in those two quarters in a year, where both external valuation and credit rating are required, issuer shall disclose lower of the two calculated Net Asset Value.

**Q232. Whether security receipts which are listed on recognised stock exchange are freely transferable to anyone?**

**A232.** Any security receipt issued would be transferable only in favour of qualified buyers in terms of Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002.

**Q233. Whether the 'date of intimation' is required to be included while calculating the timeline for submission of notice of record date to the stock exchange by listed entities which have listed its security receipts?**

**A233.** No, date of intimation and the record date shall be excluded while calculating the period of at least seven working days for notice of record date to the stock exchange by listed entities which have listed its security receipts.

## Chapter-IX

# Listed Entity which has listed its Mutual Fund Units

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**Q234. To whom does the provision of chapter IX of the SEBI (LODR), 2015 applies?**

**A234.** The provisions of this chapter shall apply to the asset management company managing the mutual fund scheme whose units are listed on the recognised stock exchange(s).

**Q235. What are the various documents and information that are required to be submitted by the listed entity which has listed its mutual fund, to the stock exchange?**

**A235.** The various documents and information that are required to be submitted by the listed entity which has listed its mutual fund, to the stock exchange are as follows:

- The information relating to daily Net Asset Value, monthly portfolio, half yearly portfolio of those schemes whose units are listed on the recognised stock exchange(s) in the format as specified under Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 and directions issued there under.
- movement in unit capital of those schemes whose units are listed on the recognised stock exchange(s)
- rating of the scheme whose units are listed on the recognised stock exchange(s) and any changes in the rating thereof (wherever applicable);
- imposition of penalties and material litigations against the listed entity and Mutual Fund;
- any prohibitory orders restraining the listed entity from transferring units registered in the name of the unit holders.