

Chapter 22

SEBI-LODR

[New Syllabus]

22.1 Applicability of the regulations [Regulation 3]

These regulations shall apply to the listed entity who has listed any of the following designated securities on recognized stock exchange(s):

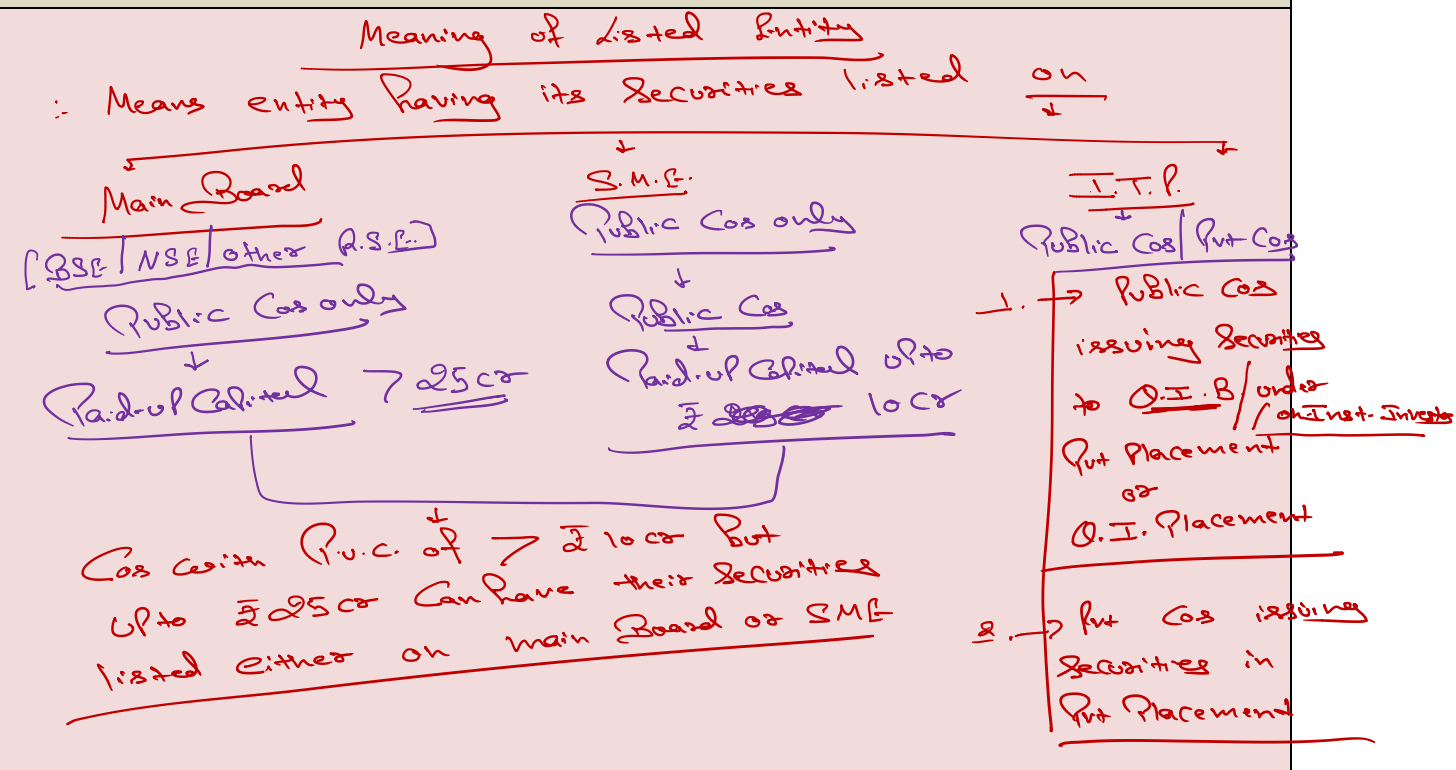
- (a) specified securities listed on main board or SME Exchange or institutional trading platform;
- (b) non-convertible debt securities, non-convertible redeemable preference shares, perpetual debt instrument, perpetual non-cumulative preference shares;
- (c) Indian depository receipts;
- (d) securitized debt instruments; (*-1)
- (e) units issued by mutual funds;
- (f) any other securities as may be specified by the Board.

Bonds with no Maturity Date

SEBI

Note-1

Analysis



(* - D :- when bank transfer its debt obligation to 3rd party called SPV under SARFAYS II

22.2 Common Obligations of Listed Entities

[Regulation 5] - General obligation of compliance.

The listed entity shall ensure that key managerial personnel, directors, promoters or any other person dealing with the listed entity, complies with responsibilities or obligations, if any, assigned to them under these regulations.

[Regulation 6] - Compliance Officer and his Obligations.

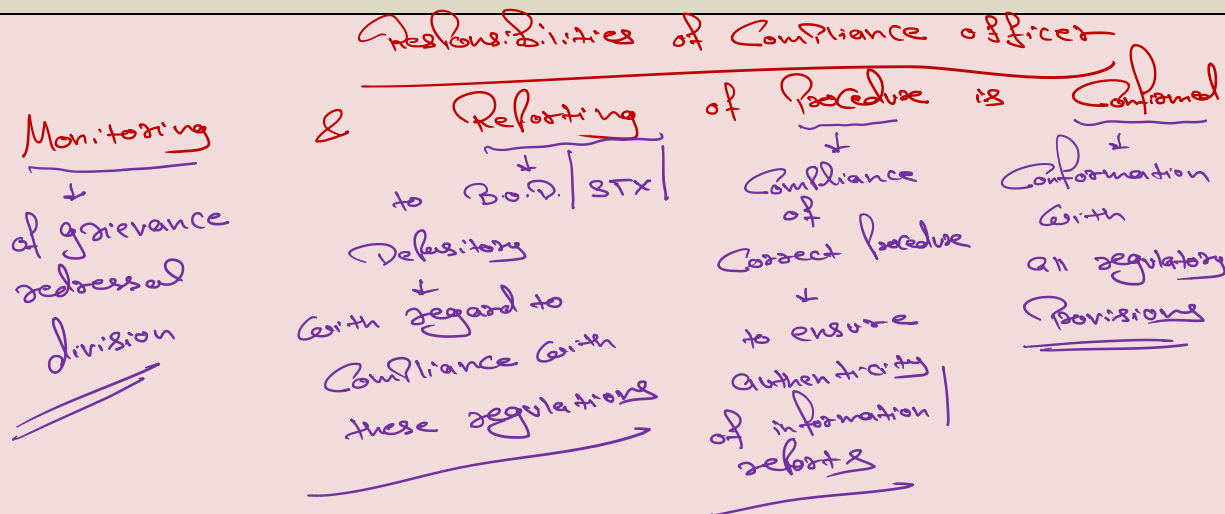
(1) A listed entity shall appoint a qualified company secretary as the compliance officer.

(2) The compliance officer of the listed entity shall be responsible for-

- (a) ensuring conformity with the regulatory provisions applicable to the listed entity.
- (b) 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.
- (c) ensuring that the correct procedures have been followed that would result in the correctness and authenticity of the information, statements and reports filed by the listed entity under these regulations.
- (d) monitoring email address of grievance redressal division as designated by the listed entity for the purpose of registering complaints by investors:

Note-2

Analysis



[Regulation 7] - Share Transfer Agent.

(i.e. outsource)

(1) The listed entity shall appoint a share transfer agent or manage the share transfer facility in-house:

Provided that, 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.

(if outsource)

(2) The listed entity shall ensure that all activities in relation to both physical and electronic share transfer facility are maintained either in house or by Registrar to an issue and share transfer agent registered with the Board.

(i.e. outsource)

(3) The listed entity shall submit a compliance certificate to the exchange, duly signed by both the compliance officer of the listed entity and the authorized representative of the share transfer agent, wherever applicable, within one month of end of each half of the financial year, certifying compliance with all requirements.

(4) ~~In case of any change or appointment of a new share transfer agent, 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:~~

(i.e. end of)

1-month

submit out of Cert. to SEBI

*C. Officer
- Ref. of S.T.A.
C. f. outsource*

Provided that in case the existing share transfer facility is managed in-house, the agreement referred above shall be entered into between the listed entity and the new share transfer agent.

(5) The listed entity shall intimate such appointment to the stock exchange(s) within seven days of entering into the agreement.

(6) The agreement shall be placed in the subsequent meeting of the board of directors:

Note-3

Analysis

1. Registrar to an issue

Person appointed to carry

Collection of application from investors in respect of Issue

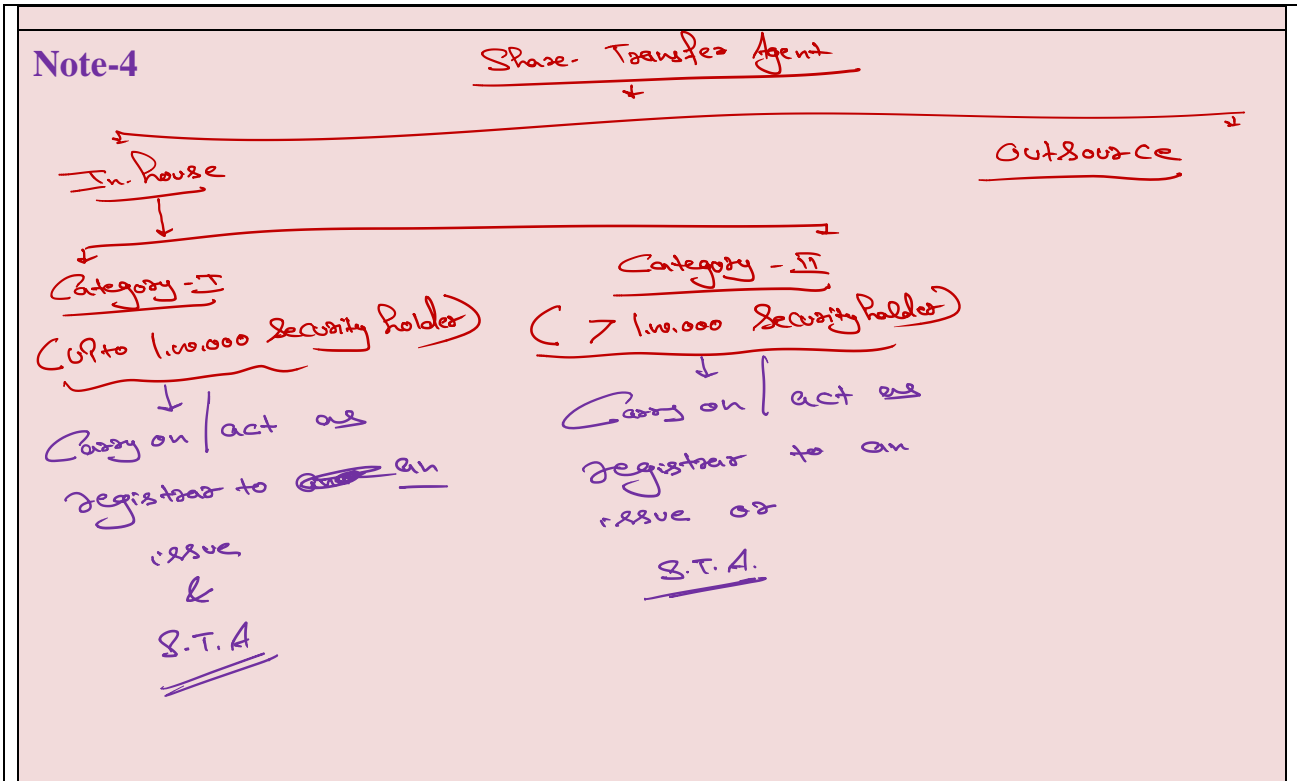
Keeping records of application & money received

Assisting Body- Corporate in allotment

2. Share Transfer Agent

A Person, who on behalf of Body- Corporate maintain records of security holder & deals with matters in relation to transfer of securities

where no. of holders of securities exceed 1,00,000, it represent a division/definit.



[Regulation 13] - Grievance Redressal Mechanism.

- (1) The listed entity shall ensure that adequate steps are taken for expeditious redressal of investor complaints.
- (2) The listed entity shall ensure that it is registered on the SCORES platform or such other electronic platform or system of the Board as shall be mandated from time to time, in order to handle investor complaints electronically in the manner specified by the Board.
- (3) The listed entity shall file with the recognised stock exchange(s) on a quarterly basis, within 21 days from the end of each quarter, a statement giving 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.
- (4) The statement as specified in sub-regulation (3) shall be placed, on quarterly basis, before the board of directors of the listed entity.

22.3 Prior Intimation of Board Meeting

Regulation 29

- (1) **Financial Results**- At least 5 days in advance, **excluding date of meeting and date of intimation.**
- (2) **Other Matters** -For following purposes intimation shall be required to be made at least 2 working days in advance, **excluding the date of the intimation and date of the meeting:** -
 1. Proposal for Voluntary Delisting by the listed entity from the stock exchange(s);
 2. 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.

3. 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
4. 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;
5. Proposal for Buyback of Securities.

Decision of Bonus Can be taken in B. Meeting if Quorum of disinterested director is Present U/S 174 (3)

(3) Prior Intimation

The listed entity shall give intimation to the stock exchange(s) at least 11 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. [e.g. Sub-division / Consolidation etc.]
- 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. [e.g. about any delay in Payment of interest on debentures]

Regulation 42(2): Record Date or Date of Closure of Transfer Books

A listed entity shall give notice to stock exchange(s) of record date specifying the purpose of the record date, at least 7 working days, **excluding the date of intimation and the record date.**

Regulation 42(3): Dividend

A listed entity shall recommend or declare all dividend and/or cash bonuses **at least 5 working days**, excluding the date of intimation and the record date ~~before the record date.~~

Regulation 46(3):- Website

Not a Prior Intimation rather it is just an intimation

A listed entity shall update any change in the content of its website **within 2 working days from the date of such change in content.**

22.4 Annual/Yearly Compliances

1. Regulation 33(3): Financial Results

Listed entity shall submit audited standalone financial results for the financial year, along with the audit report and either

- :- **Form A** (for audit report with unmodified opinion) or
- :- **Form B** (for audit report with modified opinion)

Un-qualified
Qualified

within 60 days from end of financial Year.

2. Regulation 34: Annual Report

The listed entity shall submit to the stock exchange and publish on its website-
(A) a copy of the annual report sent to the shareholders along with the notice of the annual general meeting not later than the day of commencement of dispatch to its shareholders;

(B) in the event of any changes to the annual report, the revised copy along with the details of and explanation for the changes shall be sent not later than 48 hours after the annual general meeting. [e.g. in case of adjournment of G.Meeting]

3. Regulation 36(2): Documents & Information to Shareholders:

A listed entity shall send annual report to the holders of securities **not less than 21 days** before the Annual General Meeting. [i.e. it shall be send along with notice of G.Meeting]

22.5 Committees

[Regulation 18] - Audit Committee.

(1) Every listed entity shall constitute a qualified and independent audit committee in accordance with the terms of reference, subject to the following:

- (a) The audit committee shall have minimum 3 directors as members. [e.g. = 1]
- (b) 2/3rd of the members of audit committee shall be independent directors. [e.g. = 1]
- (c) All members of audit committee shall be financially literate and at least 1 member shall have accounting or related financial management expertise.

Explanation (1).—For the purpose of this regulation, “financially literate” shall mean the ability to read and understand basic financial statements i.e. balance sheet, profit and loss account, and statement of cash flows.

Explanation (2).—For the purpose of this regulation, a member shall be considered to have accounting or related financial management expertise if he or she possesses experience in finance or accounting, or requisite professional certification in accounting, or any other comparable experience or background which results in the individual’s financial sophistication, including being or having been a chief executive officer, chief financial officer or other senior officer with financial oversight responsibilities.

No need to 1800

- (d) The chairperson of the audit committee shall be an independent director and he shall be present at Annual general meeting to answer shareholder queries.
- (e) The Company Secretary shall act as the secretary to the audit committee.
- (f) The audit committee at its discretion shall invite 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:

Provided that occasionally the audit committee may meet without the presence of any executives of the listed entity.

Analysis

Reg. 18 :: Regulation = 18 along with Sec 177 & Sec 149(4) of C.A. 1, 2013

<u>Sec 177</u>	<u>Regulation = 18</u>
1) Every Public listed Co. to have Audit Committee	Every listed Co. to have Audit Committee
Thus even Pvt listed Co. shall have	A.C. in Place
2) To consist of Min. 3 directors	Same
I.D. in majority	I.D. = 2/3 rd (at least)

3] Conclusion-1 :- listed entity to have I.D. as per Regulation - 18

Conclusion-2 :- Even Pvt Ltd Co. , which are listed are required to have I.D. as per Regulation - 18

- (2) The listed entity shall conduct the meetings of the audit committee in the following manner:
- (a) The audit committee shall meet at least 4 times in a year and not more than 120 days shall elapse between two meetings.
 - (b) The quorum for audit committee meeting shall either be 2 members or $1/3^{\text{rd}}$ of the members of the audit committee, whichever is greater, with at least 2 independent directors.
 - (c) The audit committee shall have powers to investigate any activity within its terms of reference
- (3) The role of the audit committee and the information to be reviewed by the audit committee shall be as specified in Part C of Schedule II.

[Regulation 19] - Nomination and remuneration committee.

- (1) The board of directors shall constitute the nomination and remuneration committee as follows:
- (a) the committee shall comprise of atleast 3 directors ;

(b) all directors of the committee shall be non-executive directors; and

(c) at least 50% of the directors shall be independent directors.

(2) The Chairperson of the nomination and remuneration committee shall be an independent director:

Provided that the chairperson of the listed entity, whether executive or non-executive, may be appointed as a member of the Nomination and Remuneration Committee and shall not chair such Committee.

(2A) The quorum for a meeting of the nomination and remuneration committee shall be either two members or one third of the members of the committee, whichever is greater, including at least one independent director in attendance.

(3) The Chairperson of the nomination and remuneration committee may be present at the annual general meeting, to answer the shareholders' queries; however, it shall be up to the chairperson to decide who shall answer the queries.

(3A) The nomination and remuneration committee shall meet at least once in a year.

(4) The role of the nomination and remuneration committee shall be as specified as in Part D of the Schedule II.

Analysis

[Regulation 20] - Stakeholders Relationship Committee.

(1) 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.

(2) The chairperson of this committee shall be a non-executive director.

(2A) At least three directors, with at least one being an independent director, shall be members of the Committee.

(3) The Chairperson of the Stakeholders Relationship Committee shall be present at the annual general meetings to answer queries of the security holders.

(3A) The stakeholder's relationship committee shall meet at least once in a year.

(4) The role of the Stakeholders Relationship Committee shall be as specified as in Part D of the Schedule II.

[Regulation 21] - Risk Management Committee.

(1) The board of directors shall constitute a Risk Management Committee.

(2) The majority of members of Risk Management Committee shall consist of members of the board of directors.

(3) The Chairperson of the Risk management committee shall be a member of the board of directors and senior executives of the listed entity may be members of the committee.

(3A) The risk management committee shall meet at least once in a year.

(4) 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 *such function shall specifically cover cyber security.*

(5) The provisions of this regulation shall be applicable to *top 500 listed entities*, determined on the basis of market capitalization, as at the end of the immediate previous financial year.

[Regulation 22] - Vigil mechanism.

(1) The listed entity shall formulate a vigil mechanism for directors and employees to report genuine concerns.

(2) 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.

[Regulation 23] - Related party transactions.

(1) The listed entity shall formulate a policy on materiality of related party transactions and on dealing with related party transactions

Explanation. -A transaction with a related party shall be considered material if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, *exceeds 10% of the annual consolidated turnover of the listed entity* as per the last audited financial statements of the listed entity.

(2) All related party transactions shall require prior approval of the audit committee.

(3) 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-

(a) 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;

(b) 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;

(c) the omnibus approval shall specify:

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

Provided that 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 1 crore per transaction.

(d) the audit committee shall review, atleast on a quarterly basis, the details of related party transactions entered into by the listed entity pursuant to each of the omnibus approvals given.

(e) Such omnibus approvals shall be valid for a period not exceeding 1 year and shall require fresh approvals after the expiry of every year:

(4) All material related party transactions shall require approval of the shareholders through resolution and the related parties shall abstain from voting on such resolutions whether the entity is a related party to the particular transaction or not.

(5) The provisions of sub-regulations (2), (3) and (4) shall not be applicable in the following cases:

- (a) transactions entered into between two government companies;
- (b) 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.

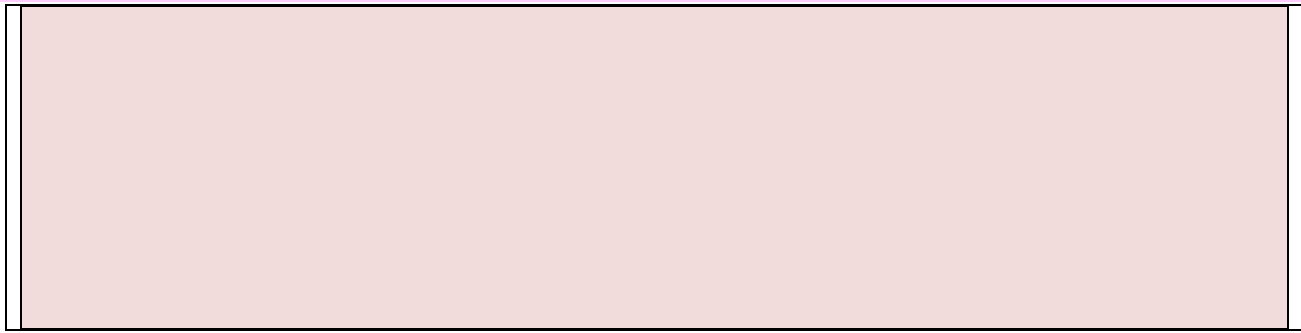
Explanation. - "Government Company(ies)" means Government company as defined in sub-section (45) of section 2 of the Companies Act, 2013.

(6) The provisions of this regulation shall be applicable to all prospective transactions.

(7) For the purpose of this regulation, all entities falling under the definition of related parties shall abstain from voting irrespective of whether the entity is a party to the particular transaction or not.

(8) All existing material related party contracts or arrangements entered into prior to the date of notification of these regulations and which may continue beyond such date shall be placed for approval of the shareholders in the first General Meeting subsequent to notification of these regulations.

Analysis



22.6 Corporate governance requirements with respect to subsidiary of listed entity. [Regulation 24]

(1) At least one independent director on the board of directors of the listed entity shall be a director on the board of directors of an unlisted material subsidiary, whether incorporated in India or not.

Explanation- For the purposes of this provision, the term “material subsidiary” shall mean a subsidiary, whose income or net worth exceeds 20% of the consolidated income or net worth respectively, of the listed entity and its subsidiaries in the immediately preceding accounting year.”

Analysis		
Note-5		
Note No	A Limited is a listed company having	
	B Limited	B Ltd/C Ltd/D Ltd
6		

7		
8		
9		

(2) The audit committee of the listed entity shall also review the financial statements, in particular, the investments made by the unlisted subsidiary.

(3) 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.

(4) 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.

Explanation. -For the purpose of this regulation, the term “significant transaction or arrangement” shall mean any individual transaction or arrangement that exceeds or is likely to exceed ten percent of the total revenues or total expenses or total assets or total liabilities, as the case may be, of the unlisted material subsidiary for the immediately preceding accounting year.

(5) A listed entity shall not dispose of shares in its material subsidiary resulting in reduction of its shareholding (either on its own or together with other subsidiaries) to less than fifty percent or cease the exercise of control over the subsidiary without passing a special resolution in its General Meeting except in cases where such divestment is made under a scheme of arrangement duly approved by a Court/Tribunal *or under a resolution plan duly approved under section 31 of the Insolvency Code and such an event is disclosed to the recognized stock exchanges within one day of the resolution plan being approved*

Analysis

Note-10

(6) Selling, disposing and leasing of assets amounting to more than twenty percent of the assets of the material subsidiary on an aggregate basis during a financial year shall require prior approval of shareholders by way of special resolution, unless the sale/disposal/lease is made under a scheme of arrangement duly approved by

a Court/Tribunal *or under a resolution plan duly approved under section 31 of the Insolvency Code and such an event is disclosed to the recognized stock exchanges within one day of the resolution plan being approved"*

Analysis

Note-11

(7) 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.

Analysis

Note-12

22.7 Quarterly Compliances– Listed Entity

1. Regulation 13(3):- Grievance Redressal Mechanism

The listed entity shall file with the recognized stock exchange(s) on a quarterly basis, **within 21 days from the end of each quarter**, a statement giving

- 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.

2. Regulation 27(2):- Other Corporate Governance Requirements

A listed entity shall submit quarterly compliance report on corporate governance in the format as specified by the Board from time to time to the recognized stock exchange(s), **Within 15 days from close of quarter.**

3. Regulation 31(1): Holding of Specified Securities and Shareholding Pattern.

A listed entity shall submit a statement showing holding of securities and shareholding pattern separately for each class of securities :-

- (a) *One day prior to listing of its securities on the stock exchange(s);*
- (b) *On a quarterly basis, within 21 days from the end of each quarter; and,*
- (c) *Within 10 days of any capital restructuring of the listed entity resulting in a change exceeding 2 % per cent of the total paid-up share capital.*

4. Regulation 33(3): Financial Results

The listed entity shall submit quarterly and year-to-date standalone financial results to the stock exchange within 45 days of end of each quarter, other than the last quarter.

5. Regulation 32(1): Statement of Deviation(S) Or Variation(S)

A listed entity shall submit to the stock exchange the following statement(s) on a quarterly basis for public issue, rights issue, preferential issue etc. , -

- (a) indicating deviations, if any, in the use of proceeds from the objects stated in the offer document or explanatory statement to the notice for the general meeting, as applicable;
- (b) indicating category wise variation (capital expenditure, sales and marketing, working capital etc.) between projected utilization of funds made by it in its offer document or explanatory statement to the notice for the general meeting, as applicable and the actual utilization of funds.

22.8 Role of Compliance Officer

1. To ensure listed Company confirms with regulatory provisions in letter and spirit.
2. To Co-ordination with Board and Stock Exchange
3. To submit Report to Board and Stock Exchange.
4. To Monitor email id for grievance redressal.
5. To Determining materiality of information to be reported to stock exchange.
6. To Report to Board about compliance.
7. To provide guidance to director about their Duties.
8. To assist board in conduct of affairs of the Company.
9. To Assist and Advice board in complying with CG and best practices.
10. To Facilitate meeting / represent company etc

22.9 Corporate Governance

Approval for related party transactions through a resolution

All existing material related party contracts / arrangements to be placed for approval of the shareholders in first General Meeting subsequent to notification of these Regulations.

Compliance Report on Corporate Governance

The following reports are submitted to Stock Exchange: -

1. ***Quarterly Compliance Report*** – to be submitted within 15 days from end of quarter
2. ***Compliance Report to be submitted*** within 6 months from the end of financial year – may be submitted along with second quarter report.
3. ***Annual Compliance Report.***