

FAQs on LODR amendment on ‘High Value’ debt listed entities

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Refer immediate actionables for September 30, 2021 at

<https://vinodkothari.com/2021/10/immediate-actionable-sebi-lodr/>

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Brief Introduction

The SEBI (Issue and Listing of Non-Convertible Securities) Regulations, 2021 ('NCS Regulations') were notified on August 9, 2021 and were made effective from August 16, 2021, resulted in the consolidation of SEBI (Issue and Listing of Debt Securities), 2008 and SEBI (Issue and Listing of Non-Convertible Redeemable Preference Shares) Regulations, 2013. The NCS Regulations have the effect of streamlining and easing certain compliance requirements of debt listed companies.

In the Board meeting held on August 6, 2021, SEBI had approved amendments in SEBI (Listing and Disclosure Requirements) Regulations, 2015 ('Listing Regulations')¹ with a view to improve transparency, rationalization and removing of redundant provisions so as to provide further robustness to the corporate bond market.

SEBI *vide* notification dated September 7, 2021, notified SEBI (Listing and Disclosure Requirements) (Fifth Amendment) Regulations, 2021 ('Amendment Regulations') effective from September 7, 2021. The amendments have the effect of extension of the provisions related to Corporate Governance ('CG') under the Listing Regulations to a specific class of debt listed companies falling under the threshold mentioned in the Amendment Regulations and certain other amendments to the provisions applicable to all entities that have listed non-convertible securities.

The following FAQs have been framed to understand the applicability and consequent actionables arising from the said extension of provisions. Additionally, we have also discussed the amendments made in Chapter V of Listing Regulations, as applicable to all entities with listed non-convertible securities.

Applicability of CG provisions

1. Which category of listed entities would be regarded as a high value debt listed entity?

A high value debt listed entity ('HVDLE') means an entity which has listed its non-convertible debt securities ('NCDs') and has the value of principal outstanding of listed NCDs of Rs. 500 crore and above.

NCDs as defined in NCS Regulations means non-convertible debt securities with a fixed maturity period which create or acknowledge indebtedness and includes debentures, bonds or any other security whether constituting a charge on the assets/ properties or not, but excludes

¹<https://www.sebi.gov.in/legal/regulations/sep-2015/securities-and-exchange-board-of-india-listing-obligations-and-disclosure-requirements-regulations-2015-last-amended-on-september-07-2021-37269.html>

security receipts, securitized debt instruments, money market instruments regulated by the Reserve Bank of India, and bonds issued by the Government or such other bodies as may be specified by the Board

2. Whether listed perpetual debt instruments ('PDI') should be considered while computing outstanding NCDs?

As per Reg. 2(1)(k) of the NCS Regulations, 'debt securities' means *"non-convertible debt securities with a fixed maturity period which create or acknowledge indebtedness and includes debentures, bonds or any other security whether constituting a charge on the assets/ properties or not, but excludes security receipts, securitized debt instruments, money market instruments regulated by the Reserve Bank of India, and bonds issued by the Government or such other bodies as may be specified by the Board"*

Perpetual debt instruments are not securities with fixed maturity period as the debt instruments are perpetual in nature and issued in accordance with RBI guidelines. Accordingly, while computing the outstanding principal value of listed NCDs, the listed PDIs will be excluded.

3. What will be the cut-off date for determining whether the entity is an HVDLE?

As per explanation (2) of Reg. 15(1A) of the Amendment Regulations, the HVDLE on the date of notification of the Amendment Regulations will be determined on the basis of the value of principal outstanding of listed debt securities as on March 31, 2021.

4. What is the timeline to comply with the CG provisions for the listed entities that are HVDLE as on the date of notification of the Amendment Regulations?

The Amendment Regulations are applicable from the date of publication in Official Gazette i.e. September 7, 2021. Thus, the listed entities which are determined as HVDLE will be required to comply with the CG provisions immediately to confirm compliance in the quarterly compliance report under Reg 27(1)(a) of the Listing Regulations.

However, as per second proviso to Reg. 15(1A) of the Amendment Regulations, the HVDLE have been given time till March 31, 2023 to comply with the provisions on 'comply or explain' basis, post which it will become mandatory. In view of the timeline of 18 months provided by SEBI to HVDLE, the stock exchanges may expect the companies to be compliant as on April 1, 2023.

5. What does ‘comply or explain’ mean?

As per explanation (3) of Reg. 15(1A) of the Amendment Regulations, ‘comply or explain’ means the entity shall endeavour to comply with the CG provisions and achieve full compliance by March 31, 2023. In case the entity is not able to achieve full compliance with the provisions, till such time i.e. March 31, 2023, it shall explain the reasons for such non-compliance or partial compliance and the steps initiated to achieve full compliance in the quarterly compliance report filed under Reg. 27(2)(a) of the Listing Regulations.

6. Will the CG provisions which are based on the market capitalisation be applicable to an HVDLE?

Market capitalisation is computed by multiplying the market share price with the total number of outstanding shares. The stock exchanges roll out a list of top 100, 500, 1000, 2000 listed entities annually based on the market capitalization.

Certain provisions under Chapter IV of the Listing Regulations are applicable only on the basis of market capitalisation. As the classification as HVDLE is based on value of principal outstanding, the provisions applicable based on market capitalization will not be applicable to HVDLE.

List of such CG related provisions that are not applicable to an HVDLE are tabled below:

Reg. No.	Requirement of the provision	Applicability
17(1)(a)	Appointment of atleast 1 woman ID	Top 1000
17(1)(c)	Board to comprise of atleast 6 directors	Top 2000
17(1B)	Separation of Chairperson and MD & NED Chairperson not related to the MD, w.e.f. April 1, 2022*	Top 500
17(2A)	Quorum of board meetings	Top 2000

**Note: SEBI vide notification² dated [March 22, 2022](https://egazette.nic.in/WriteReadData/2022/234379.pdf) has omitted regulation ‘17 (1B)’ and thereafter has added “ Clause D. Separate posts of Chairperson and the Managing Director or the Chief Executive Officer” in Schedule II Part E making the said compliance voluntary in nature*

² <https://egazette.nic.in/WriteReadData/2022/234379.pdf>

7. What are the various CG related provisions applicable to an HVDLE?

As per Reg. 15(1A) of the Amendment Regulations, Reg. 15 to Reg. 27 of Chapter IV of the Listing Regulations will become applicable to high value debt listed entity. The same are tabled below. However, it is to be noted that the provisions applicable on the basis of market capitalisation as referred to in [FAQ No. 6](#) above will not be applicable to an HVDLE.

Reg. No.	Deals with
17	Board of Directors
17A	Maximum number of directorships
18	Audit Committee
19	Nomination and Remuneration Committee
20	Stakeholders Relationship Committee
21	Risk Management Committee
22	Vigil Mechanism
23	Related Party Transactions
24	Corporate governance requirements with respect to subsidiary of listed entity
24A	Secretarial Audit and Secretarial Compliance Report
25	Obligations with respect to independent directors
26	Obligations with respect to employees including senior management, KMP, directors and promoters
27	Other corporate governance requirements

8. What is the timeline to comply with the CG related provisions for entities which subsequently become HVDLE?

If the debt listed entity subsequently becomes an HVDLE during the course of the year, it will be required to comply with the CG related provisions within 6 months from the date of such trigger.

9. Will the provisions continue to apply if the entity falls below the specified thresholds?

Yes, as per the newly inserted in Reg. 3 (3), if the listed entity becomes a HVDLE, it will be required to comply with the CG related provisions even if it falls below the specified thresholds.

However, if subsequently no NCD is listed, the entire Listing Regulations will cease to be applicable to such an entity as it will no longer remain a listed entity.

10. Whether the aforesaid amendment have any impact on listed entities whose outstanding listed debt securities is below Rs. 500 crore?

No. If the entity has listed its NCDs and the outstanding principal value as on March 31, 2021 is less than Rs. 500 crore, then the CG provisions i.e. Reg. 15 to Reg. 27 will not apply.

11. What will be the impact on HVDLE which are Real Estate Investment Trust ('REIT') or Infrastructure Investment Trust ('InvIT')?

If the REIT having listed its debt securities becomes an HVDLE, the Board of the Manager of such REIT will be required to comply with the CG provisions. Similarly, the InvIT has its debt securities listed and becomes an HVDLE, the Board of the Investment Manager of such InvIT will have to comply with the CG provisions.

12. What will be the status of an HVDLE under Companies Act, 2013?

As per Rule 2A of Companies (Specification of Definition Details) Rules, 2014 following class of companies are not regarded as listed companies under Companies Act, 2013 ('CA, 2013') namely:-

- (a) Public companies which have not listed their equity shares on a recognized stock exchange but have listed their –
 - (i) non-convertible debt securities issued on private placement basis in terms of SEBI (Issue and Listing of Debt Securities) Regulations, 2008 [*i.e. NCS Regulations*]; or
 - (ii) non-convertible redeemable preference shares issued on private placement basis in terms of SEBI (Issue and Listing of Non-Convertible Redeemable Preference Shares) Regulations, 2013 [*i.e. NCS Regulations*]; or
- (b) Private companies which have listed their non-convertible debt securities on private placement basis on a recognized stock exchange in terms of SEBI (Issue and Listing of Debt Securities) Regulations, 2008 [*i.e. NCS Regulations*].

Independent Directors (IDs)

13. What would be the impact on the HVDLE which was not mandated to appoint IDs under the CA, 2013?

Since, the CG provisions have been extended to debt listed entities that are HVDLE, every HVDLE which was not mandatorily required to appoint an ID under CA, 2013, will be required to appoint IDs to comply with the provisions of Listing Regulations with respect to board and committee composition. The manner and procedure for appointment of IDs, as prescribed in the Listing Regulations, will be required to be adhered to.

However, relaxation has been provided in case of body corporates that are governed under specific law and trusts which are required to appoint 'board of trustees'. In case of such body corporate and trusts, the NEDs and non-employee trustees on its Board respectively will be considered as IDs for the purpose of Listing Regulations.

14. What will be the impact on the HVDLEs which have appointed independent directors under CA, 2013?

In case of entities which at present have appointed IDs as per the provisions of CA, 2013, they would be required to obtain a fresh declaration basis revised criteria of independence in accordance with Reg. 16(1)(b) of the Listing Regulations.

15. In accordance with the explanation to Reg. 16(1)(b), whether the NEDs of HVDLE incorporated under CA, 2013 can be treated as IDs?

The explanation to Reg. 16(1)(b) provides a relaxation to body corporate which are mandated to constitute their board of directors in accordance with the law under which they are established (governing statutes) to consider their NEDs as IDs. CA, 2013 only provides for the requirement of minimum directors, nature of companies required to appoint managing directors, woman directors, independent directors etc and exemption therefrom.

The provisions does not prescribe a specific composition of Board which is sacrosanct and cannot be overridden. Therefore, the NEDs of HVDLE incorporated under CA, 2013 cannot be regarded as IDs.

Board composition

16. What are the actionables arising out of the Amendment Regulations with regard to composition of the Board of Directors?

The Listing Regulations provide for stricter provisions with regard to the composition of the Board as compared to the CA, 2013. In order to comply with the CG provisions of the Listing Regulations, the HVDLE will be required to re-constitute its Board in accordance with the Listing Regulations. The comparison between the provisions under Listing Regulations and CA, 2013 is provided below:

Provision under Listing Regulations	Provision under CA, 2013	Actionables
Not less than 50% to be NEDs	No such provision	HVDLE to comply with 50% NED requirement
Listed entity to have 1 woman director	Companies falling under Rule 3 of DIR Rules to appoint 1 woman director	If the HVDLE does not fall under Rule 3 of DIR Rules, it will be required to appoint at least 1 woman director
<ul style="list-style-type: none"> • If the chairperson is NED, atleast 1/3rd of the Board to comprise of IDs; • If the chairperson is ED, atleast 1/2 of the Board to comprise of IDs; • If the chairperson (NED) is promoter or related to promoter or person occupying management positions at Board level or one level below the Board - 1/2 of the Board to comprise of IDs 	<ul style="list-style-type: none"> • Listed company - 1/3rd to be IDs • Companies falling under Rule 4 of DIR Rules - 2 IDs 	HVDLE to check its existing composition and comply with the same accordingly.
If any of the NEDs have attained the age of 75 years, special resolution to be passed to continue with his appointment.	No such provision	If HVDLE has any NED whose age has exceeded 75 years, it will be required to pass a special resolution to continue his appointment.

17. Whether the HVDLE can appoint additional directors in order to comply with the provisions relating to Board composition? What compliances are to be ensured in such a case?

Yes, the HVDLE can appoint the additional directors in accordance with Listing Regulations to comply with the Board composition requirements. However, as per Reg 17(1C) of the Listing Regulations effective from January 01, 2022, such appointment will require approval of shareholders by way of special resolution within 3 months from date of appointment or next general meeting, whichever is earlier.

As the requirement has been notified beforehand, two interpretations are possible:

1. If three months from the date of appointment of additional director gets elapsed as on January 01, 2022, then the HVDLE will be required to regularise such appointment within 3 months from the date of Reg. 17(1c) coming into effect i.e. by March 31, 2022.
2. As the compliance requirement has been published beforehand, listed entities are expected to ensure compliance as on January 1, 2022 w.r.t. seeking shareholder's approval where 3 months from the date of appointment has already elapsed. Eg. Shareholder's approval for regularization of an additional director appointed as on September 30, 2021 should be completed by December 30, 2021.

HVDLE, however, have the option to comply or explain till March 31, 2023.

18. While appointing a director, what matters are required to be ensured by the HVDLE?

As per [BSE](#) and [NSE](#) circular dated June 20, 2018, the listed entity and its NRC is required to verify that the person considered for appointment is not debarred from holding the office of director pursuant to any order of SEBI or any other regulatory authority.

Further, while making corporate announcement for appointment of director, the listed entity is required to specifically affirm that the director being appointed is not debarred from holding the office of director pursuant to any order of SEBI or any other regulatory authority. As per BSE circular, if such confirmation is not included in the corporate announcement, it will be treated as inadequate submission and would be subject to action under the Listing Regulations.

Thus, while appointing a director, the HVDLE will be required to verify the DIN/ PAN details of such person to check if he is not debarred to hold office pursuant to any SEBI or any other regulatory order. Further, while intimating the stock exchange under reg. 51(2)

read with Schedule III, Part B, clause 18, the HVDLE will be required to include the fact that such person is not debarred from holding the office of a director.

Board Meeting and other Board compliances

19. What additional information is required to be placed before the Board in its meeting to be held post the Amendment Regulations?

Schedule II Part A of the Listing Regulations provides a list of minimum information to be placed before the Board of Directors as provided hereunder:

Sr. No.	Particulars	Whether covered under CA, 2013 or SS-1 for all companies?
1.	Annual operating plans and budgets and any updates	No
2.	Capital budgets and any updates	No
3.	Quarterly results for the listed entity and its operating divisions or business segments	No. Section 179 of CA, 2013 provides for annual financial statements to be placed before and approved by the board.
4.	Minutes of meetings of audit committee and other committees of the board of directors	Yes
5.	The information on recruitment and remuneration of senior officers just below the level of board of directors, including appointment or removal of Chief Financial Officer and the Company Secretary	Sec. 179 read with Sec 203 only provides for appointment and removal of CFO.
6.	Show cause, demand, prosecution notices and penalty notices, which are materially important	No
7.	Fatal or serious accidents, dangerous occurrences, any material effluent or pollution problems	No

Sr. No.	Particulars	Whether covered under CA, 2013 or SS-1 for all companies?
8.	Any material default in financial obligations to and by the listed entity, or substantial non-payment for goods sold by the listed entity	No
9.	Any issue, which involves possible public or product liability claims of substantial nature, including any judgement or order which, may have passed strictures on the conduct of the listed entity or taken an adverse view regarding another enterprise that may have negative implications on the listed entity	No
10.	Details of any joint venture or collaboration agreement	In terms of Sec 179 and Sec 186 (5) power to invest funds is a Board function.
11.	Transactions that involve substantial payment towards goodwill, brand equity, or intellectual property	Partly. As per SS-1, purchase of material tangible/intangible assets not in the ordinary course of business.
12.	Significant labour problems and their proposed solutions. Any significant development in Human Resources/Industrial Relations front like signing of wage agreement, implementation of Voluntary Retirement Scheme etc	No
13.	Sale of investments, subsidiaries, assets which are material in nature and not in normal course of business	Partly. As per SS-1, sale of material tangible/intangible assets not in the ordinary course of business. As per SS-1, sale of subsidiaries is required to be placed before the Board.
14.	Quarterly details of foreign exchange	No

Sr. No.	Particulars	Whether covered under CA, 2013 or SS-1 for all companies?
	exposures and the steps taken by management to limit the risks of adverse exchange rate movement, if material.	
15.	Non-compliance of any regulatory, statutory or listing requirements and shareholders service such as non-payment of dividend, delay in share transfer etc.	Partly. As per Section 205 (1) (a) this is to be placed before the Board.

A compliance certificate specifying the details prescribed under Schedule II Part B of the Listing Regulations, certified by the CEO & CFO will also be required to be placed before the Board along with the financial statements.

20. Which Codes and policies are required to be framed by the HVDLE pursuant to the Amendment Regulations?

The Board of directors will be required to frame the following codes and policies under the Listing Regulations:

Reg. No.	Codes/ policies to be framed
16(1)(c)	Policy for determining material subsidiaries
17(4)	Succession plan for appointment of Board of Director and senior management
17(7)	Code of conduct for Board of Directors and Senior Management
19 r.w. Schedule II, part D, Para A	Nomination and Remuneration Policy
19 r.w. Schedule II, part D, Para A	Policy on diversity of board of directors
21 r.w. Schedule II, part D, Para C	Risk Management Policy
22	Vigil mechanism/ whistle blower policy

Reg. No.	Codes/ policies to be framed
23 (1)	Policy on materiality of related party transactions and on dealing with related party transactions
51(3)	Archival Policy

21. Whether the HVDLE will be required to ensure compliance relating to the maximum number of directorships in case of its existing directors?

Yes. While, directorship held in entities that have equity shares listed are to be considered for the purpose of compliance with limits, the confirmation will be required to be obtained by HVDLE as it will be required to confirm compliance in the quarterly CG report filed with the stock exchange under Regulation 27.

Directorship held in HVDLE will not be considered for computing the limits unless it has its equity shares listed.

Remuneration related approvals

22. Whether HVDLE are required to seek fresh approval w.r.t remuneration paid to directors/ KMPs/ employee or promoters?

The approvals / requirements under Listing Regulations, applicable to listed entities, are in addition to the requirements of CA, 2013. Therefore, HVDLE will have to comply with the additional requirements specified in the Listing Regulations as follows:

3. Remuneration to Directors [Reg.17(6)]:

(a) All fees or compensation, if any, paid to NEDs, including IDs shall be recommended by the BoD and approved by the shareholders in general meeting which shall specify the limits for the maximum number of stock options that may be granted to NEDs, in any FY and in aggregate. However, shareholders' approval shall not be required for payment of sitting fees to NEDs, if made within the limits prescribed under CA, 2013.

In CA, 2013, Sections 196(4), 197(1) and 197(4) provide for the approvals required for payment of remuneration to the directors of the company.

(b) In case annual remuneration payable to a single NED exceeds 50% of the total annual remuneration payable to all NEDs, it shall be approved by the shareholders by special

resolution every year, in which such remuneration is payable, giving details of the remuneration thereof.

- (c) Independent directors shall not be entitled to any stock option.
- (d) Shareholders' approval by a special resolution in general meeting will be required for fees or compensation payable to Executive Directors (EDs) who are promoters or members of the promoter group, if-
 - (i) the annual remuneration payable to such ED exceeds Rs. 5 crore or 2.5% of the net profits of the listed entity, whichever is higher; or
 - (ii) 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.

Such approval shall be valid only till the expiry of the term of such director. The net profit, for this purpose, shall be calculated as per Section 198 of CA, 2013.

- 4. Reg.26(6) states that no employee including KMP or director or promoter of a listed entity shall enter into any agreement with regard to compensation or profit sharing, unless prior Board approval has been obtained along with approval from public shareholders by an ordinary resolution. All interested persons involved in such a transaction shall abstain from voting in the general meeting.

23. While computing the threshold of remuneration under Reg. 17(6)(ca) of the Listing Regulations, whether the sitting fees payable to the directors will be included?

No. As per Reg. 17 (6) (b) the requirement of obtaining approval of shareholders in general meeting is not applicable for 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. Therefore, the said amount should also be excluded while computing the annual remuneration.

The limits provided under Section 197 (1) of CA, 2013 also excludes the sitting fees paid in terms of Section 197 (5).

Board committees

24. What compliances are to be ensured by the HVDLE with regard to the statutory Board committees?

With the CG provisions relating to board committees now being applicable to debt listed entities determined as HVDLEs, the said entities will be required to form the statutory

committees specified under the Listing Regulations as discussed below. Requirement under CA, 2013 to mandatorily constitute these committees are as under:

Audit Committee	Nomination & Remuneration Committee	Stakeholders Relationship Committee
<ul style="list-style-type: none"> • Every listed public company; • Public companies having paid up share capital of Rs. 10 crore or more; • Public companies having turnover of Rs. 100 crore or more; • Public companies which have aggregate outstanding loans, debentures and deposits exceeding Rs. 50 crores. <p>However, following class of unlisted public companies are not required to form the said committees:</p> <ul style="list-style-type: none"> a. Joint venture; b. Wholly-owned subsidiary; c. Dormant company as per Sec. 455 of CA, 2013. 		<p>Companies with more than 1000 shareholders, debenture-holders, deposit-holders and any other security holders at any time during a financial year.</p>

Further, the regulations also provide for various compliances including the composition of committees, frequency of meetings to be held, quorum to be ensured, etc, which would be required to be adhered to. The below table details the actionables in case of an entity which has in place board committees in accordance with CA, 2013 and will now be required to comply with the CG provisions of the Listing Regulations.

Reg. No.	Provisions under Listing Regulations	Provisions under CA, 2013	Actionables
Audit Committee			
18(1) - Composition	<ul style="list-style-type: none"> a. Minimum 3 members b. Atleast 2/3rds to be IDs c. All members to be financially literate with atleast 1 member having accounting or 	<ul style="list-style-type: none"> a. Minimum 3 directors b. Majority to be IDs c. Majority of members to have ability to read and understand 	<ul style="list-style-type: none"> • Number of IDs in the committee to be increased as specified under Listing Regulations. • Further, the Chairperson should be

Reg. No.	Provisions under Listing Regulations	Provisions under CA, 2013	Actionables
	related financial management expertise d. Chairperson to be an ID	financial statements	an ID
Reg. 18(2) - Meetings and quorum	Atleast 4 times a year with a gap of not more than 120 days between the meetings Quorum to be 1/3rd or 2 whichever is higher, with atleast 2 IDs	No such specification	The entity will be required to ensure that the audit committee meets atleast 4 times in a year with the requisite quorum
Reg. 18(3) - Role of the Committee	As per Sch. II Part C	As per Section 177 (4) of the CA, 2013	The terms of reference of the committee will be required to be amended to include the additional role as stated under the Listing Regulations.
Nomination and Remuneration Committee			
Reg. 19 (1) & (2) - Composition	a. Minimum 3 directors; b. All directors to be NEDs c. Atleast 2/3rd to be IDs (w.e.f. Jan 1, 2022. Until then 50%) d. Chairperson to be an ID e. Chairperson of the Company not to Chair the Committee	a. Minium 3 members, who shall be NEDs b. Not less than one half to be IDs c. Chairperson of the Company not to Chair the Committee	The entity will be required to ensure that the Chairperson of the committee is an ID and that 2/3rd of the committee comprises of IDs w.e.f. Jan 1, 2022

Reg. No.	Provisions under Listing Regulations	Provisions under CA, 2013	Actionables
Reg. 19(2A) (3A) - Meetings and quorum	Atleast once a year. Quorum to be 1/3rd or 2 whichever is greater, with atleast 1 ID	No such specification	The entity will be required to ensure that the committee meets atleast once a year with the requisite quorum
Reg. 19(4) - Role of the Committee	As per Sch. II Part D	As per Section 178(2), (3), (4)	The terms of reference of the committee will be required to be amended to include the additional role as stated under the Listing Regulations
Stakeholders Relationship Committee			
Reg. 20(2), (2A)	a. Atleast 3 directors, with atleast 1 ID b. Chairperson to be NED	a. Number of members as determined by the board b. Chairperson to be NED	Committee to be constituted irrespective of the applicability under CA, 2013. In case already formed, composition to be aligned with the Listing Regulations
Reg. 20(3A) - Meetings	Atleast once a year	No such specification	The entity will be required to ensure that the committee meets atleast once a year
Reg. 20(4) - Role of the Committee	As per Sch. II Part D	As per Section 178(6)	The terms of reference of the committee will be required to be amended to include the additional role as stated under the Listing Regulations
Risk Management Committee			

Reg. No.	Provisions under Listing Regulations	Provisions under CA, 2013	Actionables
Reg. 21(2), (3) - Composition	a. Minimum 3 members b. Majority to be board members, with atleast 1 ID c. Chairperson to be board member	No specifications	The entity will be required to formulate the committee in line with the composition requirements specified under Listing Regulations
Reg. 21(3A), (3B), (3C)	Atleast twice a year with a gap of not more than 180 days between meetings Quorum to be 1/3rd or 2, whichever is higher, including atleast one board member		The entity will be required to ensure that the committee meets atleast twice a year with the requisite quorum
Reg. 21(4)	As determined by the board including the specifications under Sch. II Part D		The terms of reference of the committee will be required to be formed as stated under the Listing Regulations

25. Does HVDLE need to constitute SRC even if the number of debenture holders is less than 1000?

Unlike CA, 2013, the Listing Regulations mandate all listed entities to constitute SRC irrespective of number of shareholders and debenture holders. Thus, the HVDLE will be required to constitute SRC even if the debenture holders are less than 1000 in number.

26. Whether the composition requirement in case of companies having outstanding SR equity shares will apply in case of HVDLE with unlisted equity shares?

‘SR equity shares’ have been defined under the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018, as *‘equity shares of an issuer having superior voting rights compared to all other equity shares issued by that issuer’*. The provisions of Listing Regulations which are specifically pertaining to outstanding SR equity shares will only be

applicable to entities having its equity shares listed on the stock exchanges. Thus, in case of an HVDLE which has not listed its equity shares, the said provisions including composition requirements will not be applicable.

27. What are the additional roles that the Audit Committee is required to discharge under Listing Regulations as compared to CA, 2013?

Reg. No.	Provisions under Listing Regulations	Whether provided under CA, 2013?
Sch.II Part C Para A (1)	Oversight of the financial reporting process and financial disclosures to ensure their correctness, sufficiency and credibility.	No
(2)	Recommendation for appointment, remuneration and terms of appointment of auditor.	Yes, section 177(4)(i).
(3)	Approval of payment to statutory auditors for any services rendered by them.	Partially. Sec 144 provides for approval of AC for services rendered.
(4)	Review of the annual financial statements and auditor's report before submitting it to the board for approval, with particular reference to matters included in: <ol style="list-style-type: none"> 1. Directors Responsibility Statement 2. Changes, if any, in accounting policies and practices and reasons for the same 3. Major accounting entries involving estimates based on the judgement of the management 4. Significant adjustments in financial statements arising out of audit findings 5. Compliance with legal requirements relating to financial statements 6. Disclosure of RPTs 7. Modified opinion in draft audit report. 	Partially covered under section 177(4)(iii) which requires examination of the financial statement and the auditors' report by the AC.
(5)	Quarterly review of financial statements along with the management before submission to the Board for approval.	No.

Reg. No.	Provisions under Listing Regulations	Whether provided under CA, 2013?
(6)	Review of utilisation of funds raised through an issue for purposes other than those stated in offer document and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the board to take up steps in this matter.	Partially covered under section 177(4)(viii) which provides that AC shall monitor the end use of funds raised through public offers and related matters.
(7)	Review and monitor auditors independence and performance along with effectiveness of the audit process.	Yes, section 177(4)(ii).
(8)	Approval of RPTs and their subsequent modification.	Yes, section 177(4)(iv).
(9)	Scrutiny of inter-corporate loans and investment.	Yes, section 177(4)(v).
(10)	Valuation of undertakings or assets of the listed entity, wherever it is necessary.	Yes, section 177(4)(vi).
(11)	Evaluation of internal financial controls and risk management system.	Yes, section 177(4)(vii).
(12)	Review with the management the performance of statutory and internal auditors, adequacy of the internal control systems.	Yes, section 177 (4) (ii) & 177 (5).
(13)	Review of adequacy of internal audit function including structure of the department, staffing, seniority, etc.	Partially. As per rule 13 (2) of AOC Rules AC s responsible for formulating the scope, functioning, periodicity and methodology for conducting the internal audit.
(14)	Discuss with the internal auditor any significant findings and follow up on the same.	Yes, section 177(5).
(15)	Review the findings of any internal investigations	Yes, section 177(5).

Reg. No.	Provisions under Listing Regulations	Whether provided under CA, 2013?
	by the internal auditors into suspected frauds or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.	
(16)	Prior to audit commencement, discuss with statutory auditors the nature and scope of audit as well as post audit discussion to ascertain any area of concern.	Yes, section 177(5).
(17)	To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.	No
(18)	Review the function of whistle blower policy.	Yes, section 177(9) r.w. Rule 7 of MBP Rules.
(19)	Approval of appointment of CFO after assessing the qualifications, experience and background, etc. of the candidate.	No
(21)	Review the utilization of loans and/or advances from/ investment by the holding company in the subsidiary exceeding rupees 100 crore or 10% of the asset size of the subsidiary, whichever is lower including existing loans /advances / investments existing as on the date of coming into force of this provision.	No
(22)	<p>Consider and comment on rationale, cost-benefits and impact of schemes involving merger, demerger, amalgamation etc., on the listed entity and its shareholders.</p> <p>Additionally, as per SEBI circular dated November 03, 2020 the valuation report for such schemes shall be placed before the AC and it shall also comment on the need for the scheme and the</p>	No

Reg. No.	Provisions under Listing Regulations	Whether provided under CA, 2013?
	synergies of business entities involved.	
Sch.II Part C Para B	Review of: 1. Management discussion and analysis of financial condition and results of operations 2. Statement of significant RPTs submitted by the management 3. Management letters/Letters of internal control weaknesses issued by auditor 4. Internal audit report relating to internal control weakness 5. Appointment, removal and terms of remuneration of the chief internal auditor.	Few covered under Section 177 (5), Rule 13 (2) of AOC Rules.

Further, as per section 143(12) r.w. rule 13 of Audit and Auditors Rules, the AC shall also be responsible for overseeing the frauds reported by the statutory auditor to the AC and in case where the fraud amounts to more than 1 crore, the AC shall provide their comments/reply to the observations within 45 days from receiving such information from the statutory auditors.

28. What are the additional roles that the Nomination and Remuneration Committee is required to discharge under Listing Regulations as compared to CA, 2013?

Reg. No.	Provisions under Listing Regulations	Whether provided under CA, 2013?
Sch.II Part D Para A (1)	Formulate the criteria for determining qualifications, positive attributes and independence of a director	Yes, Sec.178(3).
(1)	Recommend to the Board, a remuneration policy for directors, KMP and other employees	Yes, Sec.178(3).
(1A)	For appointment of an ID: - evaluate the Board's skills and experience; and - prepare a description of the role and capabilities required for an ID.	No.
(2)	Formulate a criteria for performance evaluation of	Sec.178(2) - Specify the

Reg. No.	Provisions under Listing Regulations	Whether provided under CA, 2013?
	the Board and IDs.	manner for effective performance evaluation of the Board, its committees and individual directors.
(3)	Formulate a policy on Board's diversity	No.
(4)	Identify persons and recommend to the Board, their appointment on or removal from the Board / senior management as per Company's criteria.	Yes, Sec.178(2).
(5)	Recommend whether to extend or continue the term of IDs based on their performance evaluation report.	Yes. Section 178 (2) read with Schedule IV.
(6)	Recommend the remuneration payable to senior management	Sch.V Part II Section II: Approve the remuneration payable to a managerial person in case the Company has no profits or its profits are inadequate.

29. What are the additional roles that the Stakeholders Relationship Committee is required to discharge under Listing Regulations as compared to CA, 2013?

Reg. No.	Provisions under Listing Regulations	Whether provided under CA, 2013?
Sch.II Part D Para B (1)	Resolve grievances of security holders including complaints w.r.t share transfer and new/duplicate certificates, non-receipt of annual report / dividend, general meetings etc.	Yes, Sec. 178(6).
(2)	Review of measures taken for effective exercise of voting rights by shareholders.	No.

Reg. No.	Provisions under Listing Regulations	Whether provided under CA, 2013?
(3)	Review of services rendered by Registrar & Share Transfer Agent and ensure that they adhere to Company's service standards.	No.
(4)	Review of the Company's initiatives for reducing unclaimed dividends and timely receipt of dividend warrants / annual reports / notices by the shareholders.	No.

The role of SRC, as detailed above, majorly deals with grievances and issues relating to shareholders. HVDLEs may have a large number of NCD holders in place of shareholders, and hence the role of SRC in HVDLEs may have to be suitably modified to address one of the key stakeholders in HVDLEs i.e. NCD holders.

30. Whether the existing directors of HVDLE will be required to revisit the limit on membership and chairmanship held in?

Yes. As per Reg. 26(1) of the Listing Regulations, a director of a listed entity cannot be a member in more than 10 committees or act as chairperson of more than 5 committees across all listed entities in which he is a director. Chairpersonship and membership of only the audit committee and Stakeholders' Relationship Committee will be considered

For the purpose of computation of the above limits -

- (a) all public companies, whether listed or not, will be included;
- (b) all other companies including private companies, foreign companies and section 8 companies and HVDLEs will be excluded.

If the existing director holds membership or chairmanship beyond the prescribed limit, he will be required to resign from such positions to ensure compliance with Reg. 26(1) of the Listing Regulations.

31. If a director is a member of the Audit Committee or Stakeholders Relationship Committee of an unlisted public company which is also a HVDLE, will it be considered for the purpose of computation of limit u/r reg. 26(1) of the Listing Regulations?

Yes. The provisions clearly stipulate inclusion of public companies while ascertaining the limits. Accordingly, HVDLE will be excluded only if the same is not a public company.

Related Party Transactions (RPTs)

32. Whether the RPT framework under Listing Regulations is the same as CA, 2013?

While there are similarities in case of certain provisions, the framework is not completely aligned with each other, as indicated in the table below:

Parameter	Requirement under Listing Regulations	Requirement under CA, 2013	Actionables
Scope of Related Party	As per Reg. 2(1)(zb), related party comprises of those defined under Section 2(76) and applicable accounting standards (AS-18/ IND-AS 24). Further, any person belonging to promoter or promoter group and holding 20% or more shareholding in the listed entity is deemed to be a related party.	Defined under section 2(76)	The entity will ensure that for the purpose of approval of RPTs, the approval of the Audit Committee and shareholders will also be required for 'related parties' as defined under the AS-18 / Ind AS-24, as the case may be.
Scope of RPT	As per Reg. 2(1)(zc), related party transaction means a transfer of resources, services or obligations between a listed entity and a related party, regardless of whether a price is charged.	Scope of related parties is covered under two provisions, i.e., section 177 and section 188. As per section 177, any type of transaction with a related party is subject to approval of the Audit Committee whereas section 188 defines a list of transactions with related parties that also require prior approval of the Board.	While ascertaining the requirement of shareholder's approval under Reg. 23, the definition of RPT under Listing Regulations to be considered.

Parameter	Requirement under Listing Regulations	Requirement under CA, 2013	Actionables
Hierarchy of approvals	<p>a. Audit Committee (w.e.f. Jan. 01, 2022, only those members of Audit Committee who are IDs, shall approve RPTs)</p> <p>b. Shareholders (Material RPTs as per Reg. 23)</p>	<p>a. Audit Committee</p> <p>For transactions covered under section 188 and which are neither in ordinary course of business nor on arm's length basis, further approvals shall also be taken:</p> <p>b. Board of Directors</p> <p>c. Shareholders (In case value of transaction exceeds materiality threshold under Rule 15 of MBP Rules)</p>	<p>Prior approval from the Audit Committee to be ensured in the manner provided in LODR.</p> <p>Shareholder's approval under LODR to be obtained in case of material RPTs.</p>
Omnibus approval - authority, validity	<p>The Audit Committee has the authority to grant omnibus approval to the transactions which are repetitive in nature. The criteria for granting omnibus approval should be in line with the RPT policy. Such approval is valid only for 1 year after which fresh approval is required.</p>	<p>The Audit Committee can grant omnibus approval to the repetitive RPTs. The Committee is required to frame the criteria for omnibus approval after obtaining Board's approval. Such criteria should include the matters specified in Rule 6A of MBP Rules. The approval is valid for 1 financial year after which fresh approval is required.</p>	<p>No actionable.</p>
Review of transactions under omnibus approval	<p>The Audit Committee is required to review the RPTs undertaken pursuant to omnibus approval on quarterly basis.</p>	<p>The Audit Committee is required to review the RPTs undertaken pursuant to omnibus approval at such intervals as it deems fit.</p>	<p>RPTs undertaken pursuant to omnibus approval will be required to be placed before the Audit Committee frequently</p>

Parameter	Requirement under Listing Regulations	Requirement under CA, 2013	Actionables
			on quarterly basis.
Transactions for which omnibus approval cannot be granted	There are no such prescribed transactions.	As per Rule 6A of MBP Rules, omnibus approval cannot be granted for transactions in respect of selling or disposing of the undertaking of the company.	No actionable.
Carve out for transactions in ordinary course and undertaken on arm's length basis	No carve out under the Listing Regulations. If the value of transaction exceeds the limits specified under Reg. 23(1), it will require approval of shareholders.	Transactions which are in ordinary course and on arm's length basis will not require approval of Board or shareholders.	If the value of RPT is exceeding the limits under Reg. 23(1) of the Listing Regulations, the listed entity will require shareholders' approval irrespective of the fact that the transaction is in ordinary course of business and on arm's length basis.
Threshold for Material RPT	As per Reg. 23(1), - a. Transactions > 10% of annual consolidated turnover b. Brand usage or royalty transactions > 5% of annual consolidated turnover are considered as Material RPTs.	RPTs exceeding the threshold limits as prescribed under Rule 15 of MBP Rules, are considered as Material RPTs.	The entity will have to ensure that in case any RPT is exceeding the limits under the Listing Regulations, the approval of shareholders is taken irrespective of whether the transaction is on ordinary course and on arm's length basis.
Need for	Prior approval of	a. Prior approval of	No actionable.

Parameter	Requirement under Listing Regulations	Requirement under CA, 2013	Actionables
prior approval of shareholders	shareholders not required.	shareholders is required for material RPTs. b. If a transaction is entered into without approval, the same will require ratification by shareholders within 3 months from the date of transaction.	
Voting by related parties	No related party can vote to approve any RPT whether such entity is a party to the transaction or not.	Related party cannot vote to approve any RPT if it is a party to the transaction. However, if 90% or more of the members are relatives or related parties of promoters, such restriction will not apply.	Carve out provided under section 188 is not provided under the Listing Regulations. SEBI needs to clarify this.
Policy on Material RPTs	Policy on Material RPTs is required under reg. 23(1)	No such requirement	The entity will be required to frame the Policy on Material RPTs.
Exemption to government companies	Pursuant to Regulation 23(5)(a), transactions between 2 government companies are exempt.	Pursuant to MCA Circular dated June 05, 2015 ³ , following transactions are exempt: a. Transactions between 2 government companies b. Transaction by an unlisted government company, with approval of the Ministry in charge.	Since, no carve out is given to category 'b.' companies under the Listing Regulations, the entity will have to ensure that it takes relevant approvals under the Listing Regulations.

³ https://indiacorplaw.in/wp-content/uploads/2015/06/Exemptions_to_govt_companies_05062015.pdf

Parameter	Requirement under Listing Regulations	Requirement under CA, 2013	Actionables
Exemption in case of transaction with WOS	As per Regulation 23(5), there is an exemption from the approval of- Audit Committee and Shareholders (For Material RPTs)	As per 5th proviso to section 188(1), there is a carve out from approval of shareholders for transactions between holding company and WOS.	Since, Listing Regulations are more liberal, therefore, no action needs to be taken.
Disclosure of RPT	Half-yearly disclosures to be given to the stock exchange(s) under reg. 23(9) of the Listing Regulations.	Disclosure in the Board's Report in the form AOC-2	The entity will have to submit the half-yearly disclosures to the stock exchange(s) simultaneously with the financials under reg. 23(9).

33. Reg. 23(1) of the Listing Regulations requires formulation of policy on materiality of RPTs and on dealing on RPTs. Does the listed entity need to frame a separate policy on 'materiality of RPTs' and 'on dealing with RPTs'?

No, the listed entity is required to frame only **one** policy which will include the materiality criteria and the procedure on seeking RPT approval.

34. If a company has listed its equity shares as well as debt securities, the outstanding value of which exceeds Rs. 500 crore making it a HVDLE, what will be the timeline to submit the RPT disclosures under Reg. 23 (9)?

Reg. 23(9) of the Listing regulations requires equity listed companies to submit the RPT disclosures within 30 days from the date of publication of standalone and consolidated financial results for the half year. The newly inserted proviso to Reg. 23(9) requires HVDLE to submit the RPT disclosures along with the financial results.

Thus, if a company is an equity listed company as well as HVDLE, it will be required to submit the RPT disclosures along with the financial results as the provision for HVDLE is stricter than that for equity listed company, unless clarified by SEBI.

Corporate governance requirements w.r.t. Subsidiaries

35. What does the term ‘material subsidiary’ mean?

As per Reg. 16 (1) (c) of the Listing Regulations, the term ‘material subsidiary’ means a subsidiary, whose income or net worth exceeds 10% of the consolidated income or net worth respectively, of the listed entity and its subsidiaries in the immediately preceding accounting year.

However, for the purposes of Reg. 24 (1) mandating appointment of ID of the parent company on the board of material unlisted subsidiary, the term has been defined with a higher threshold i.e.- 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 (‘super material subsidiary’).

36. What compliances are to be ensured with respect to subsidiaries of HVDLE?

Compliances w.r.t. subsidiaries of a listed entity are provided under Reg. 16 (1) (c), Reg.24 & 24A of the Listing Regulations. Accordingly, the HVDLE will be required to comply with the following w.r.t. various kinds of subsidiary.

A. Compliances w.r.t. unlisted super material subsidiary

At least one ID of the HVDLE shall be a director on the BoD of an unlisted super material subsidiary, whether incorporated in India or not.

B. Compliances w.r.t. unlisted subsidiary

- (a) The Audit Committee of HVDLE shall review the financial statements, in particular, the investments made by the unlisted subsidiary.
- (b) The minutes of the Board meetings of the unlisted subsidiary shall be placed at the Board meeting of the HVDLE.
- (c) A statement of all significant transactions and arrangements entered into by the unlisted subsidiary shall be periodically brought to the notice of the BoD of HVDLE by the management of the unlisted subsidiary.

As per Listing Regulations, “*significant transaction or arrangement*” shall mean any individual transaction or arrangement that exceeds or is likely to exceed 10% of the total

revenues or total expenses or total assets or total liabilities, as the case may be, of the unlisted subsidiary for the immediately preceding accounting year.

Accordingly, significant transaction or arrangement will mean such transaction or arrangement resulting in:

- (i) Earning of an income that exceeds 10% of total income of the unlisted subsidiary for the immediately preceding accounting year;
- (ii) Incurring of an expense that exceeds 10% of total expenses of the unlisted subsidiary for the immediately preceding accounting year;
- (iii) Acquisition or disposal of assets that exceeds 10% of total assets of the unlisted subsidiary for the immediately preceding accounting year;
- (iv) Booking or reduction of liability that exceeds 10% of total liabilities of the unlisted subsidiary for the immediately preceding accounting year

C. Compliances w.r.t. material subsidiary

- (a) The HVDLE is required to formulate policy for determining material subsidiaries as required in the Explanation to Reg. 16(1)(c).
- (b) The HVDLE cannot dispose off shares in its material subsidiary, where such disposal results in reduction of its aggregate shareholding (held on its own or together with subsidiaries) to less than 50% or giving up control over the subsidiary. It can do so only after seeking shareholder's approval by way of special resolution. The requirement of approval will not apply where the 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 1 day of the resolution plan being approved
- (c) The HVDLE cannot sell, dispose or lease the assets of the material subsidiary amounting to more than 20% of the assets on an aggregate basis during a FY unless prior approval of shareholders is obtained by way of special resolution. The requirement of approval will not apply where 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 1 day of the resolution plan being approved.

D. Compliances w.r.t. material unlisted subsidiary

The HVDLE is required to ensure that a material unlisted subsidiary undertakes secretarial audit. Further, the secretarial audit report is required to be annexed with the annual report of the listed entity.

It may also be noted that where the HVDLE has a listed subsidiary which itself is either an equity listed entity or an HVDLE and which is itself a holding company, the aforesaid provisions shall apply to such listed subsidiary in so far as its subsidiaries are concerned.

Secretarial Audit

37. Whether the provisions of secretarial audit will be applicable to the HDVLE?

Requirement under Listing Regulations	Requirement under CA, 2013	Actionables
<p>All listed entities shall undertake secretarial audit for itself as well as its material unlisted subsidiaries incorporated in India and disclose it in the annual report</p>	<p>Following companies shall annex a secretarial audit report to its Board's report:</p> <ul style="list-style-type: none"> • All listed companies • Public companies having <ul style="list-style-type: none"> ○ paid-up capital of 50 crore or more; or ○ turnover of 250 crore or more • Every company having outstanding borrowings from banks or PFIs of 100 crore or more. <p><i>(Note: Pursuant to Companies (Amendment) Act, 2020, effective January 22, 2021, following companies which have listed NCDs on private placement basis shall not be classified as listed companies w.e.f. April 1, 2021:</i></p> <ul style="list-style-type: none"> • <i>public companies which have not listed their equity shares.</i> • <i>private companies.</i>) 	<p>If the HVDLE was not required to undertake secretarial audit as per Section 204 of CA, 2013, it shall now be applicable pursuant to Reg.24A.</p> <p>Additionally, it shall also be required to undertake secretarial audit for its material unlisted subsidiaries and disclose such reports in its annual report from FY 2021-22 and onwards</p>
<p>Submit a secretarial compliance report to stock exchanges,</p>	<p>Not in CA, 2013.</p>	<p>HVDLE will be required to submit a secretarial compliance report within</p>

Requirement under Listing Regulations	Requirement under CA, 2013	Actionables
within 60 days from end of FY.		60 days from the end of FY 2021-22 and onwards in accordance with the format specified in SEBI Circular dated February 8, 2019 as confirmed by BSE and NSE circular dated October 01, 2021.

38. If the HVDLE has not complied with the CG provisions till March 31, 2023, what will be stated in the secretarial audit report?

If the HVDLE has not complied with the CG provisions for FY ended 2021-22 the secretarial auditor will not qualify the secretarial audit report as the CG provisions are applicable on ‘comply or explain’ basis till March 31, 2023.

The secretarial auditor will be required to assess if the listed entity provided the explanation in the reporting made to the stock exchanges on the steps proposed to be taken to ensure compliance, as that is a mandatory requirement. In case the same is not done, the said fact will be required to be qualified.

However, for the report for FY 2022-23 the auditor will have to mention about the pending compliances as on March 31, 2023 as it will become mandatory w.e.f. April 1, 2023.

D&O Insurance

39. Whether the HVDLE will be required to undertake D & O insurance for its directors?

D & O insurance is not mandated under CA, 2013. As per Schedule IV to CA, 2013 the letter of appointment furnished to the ID is required to include provision on D & O insurance, if any.

Pursuant to the Amendment Regulations, The HVDLE will be required to undertake D & O insurance for its independent directors. It is to be noted that the Schedule IV to the CA, 2013 i.e. Code for IDs also provides for undertaking D & O insurance for the IDs. Thus, this provision will be required to be complied with those HVDLE will be required to appoint IDs pursuant to the Amendment Regulations.

40. Who will decide the amount of insurance to be undertaken for IDs?

The Board will be required to decide upon the amount of insurance and the risks to be covered under such insurance.

Website related

41. What additional details are required to be disclosed on the website by HVDLE?

The requirements of Reg. 46 are not applicable to HVDLE. It needs to comply with requirements under Reg. 62 (1A).

Requirement under Listing Regulations [Reg.62(1A)]	Requirement under CA, 2013	Actionables
Composition of Board committees	Composition of CSR Committee [Rule 9 of Companies (Corporate Social Responsibility Policy) Rules, 2014]	Composition of all committees of the Board will have to be disclosed on HVDLE's website.
Terms and conditions of appointment of ID	Yes, as per Sch.IV to CA, 2013.	HVDLEs were already required to disclose the terms and conditions for ID appointments. Actionable will arise only in case of HVDLE that will now be required to appoint IDs.
Code of conduct of BoD and senior management personnel	Not in CA, 2013.	HVDLEs will have to formulate the code of conduct and disclose the same on its website.
Details of establishment of vigil mechanism / whistle blower policy	Yes, as per Section 177 of CA, 2013.	Actionable will arise only if HVDLEs were not earlier required under CA, 2013.
Criteria of making payments to NED, if not disclosed in annual report	As per Sec. 178, the company is required to disclose the policy for remuneration to directors, KMPs	Actionable will arise only if HVDLEs were not earlier required under CA, 2013.

Requirement under Listing Regulations [Reg.62(1A)]	Requirement under CA, 2013	Actionables
	and senior management.	
Secretarial compliance report as per Reg.24A(2)	Not in CA, 2013.	In addition to submitting the secretarial compliance report to SE, HVDLE will also be required to upload the same on its website.
Policy on dealing with RPTs	Not in CA, 2013.	HVDLE will have to disclose on the website, policy on dealing with RPTs.
Policy for determining 'material' subsidiaries	Not in CA, 2013.	HVDLE will have to frame and disclose on the website, its policy for determining 'material' subsidiaries.
Details of familiarization programmes imparted to IDs including: number of programmes attended (during the year and on a cumulative basis); number of hours spent by IDs (during the year and on cumulative basis till date); other relevant details.	Not in CA, 2013.	HVDLE will have to disclose the details w.r.t. familiarization programmes which it will now have to impart to its IDs pursuant to the Amendment Regulation.

Reporting of compliance with CG provisions

42. Whether an existing HVDLE is required to submit a quarterly compliance report on CG? If yes, then from which quarter?

While the CG provisions become mandatory from April 01, 2023, the quarterly compliance report on CG is required to be filed from quarter ending September 30, 2021 as the provisions have become applicable on 'comply or explain' basis.

43. Is there any format prescribed for reporting compliance with CG provisions?

SEBI circular dated [May 31, 2021](#) provides the format of the CG compliance report which is divided into four annexures as described below:

Annexure I –on quarterly basis;

Annexure II –at the end of the financial year (for the whole of financial year);

Annexure III –at the end of 6 months from the close of financial year;

Annexure IV – on a half yearly basis.

SEBI, *vide* communication dated September 23, 2021, directed the stock exchanges to prescribe the format of CG compliance report for HVDLE. Accordingly, [BSE](#) and [NSE](#), *vide* circular dated October 01, 2021, prescribed that HVDLE will be required to submit only **Annexure I** of the CG compliance report on a quarterly basis to the stock exchanges. The contents of Annexure I is discussed in [FAQ No. 44](#).

44. Which matters are required to be confirmed on a quarterly basis?

As per SEBI circular dated [May 31, 2021](#), following matters are required to be confirmed in the quarterly compliance report on CG for all four quarters:

I. Composition of Board of Directors

A. Name

B. PAN and DIN (*PAN of any director would not be displayed on the website of Stock Exchange*)

C. Category (Chairperson / Executive / Non-Executive / independent / Nominee)

D. Initial date of appointment

E. Date of re-appointment

F. Date of cessation

G. Tenure (only for Independent Director)

H. Date of birth

I. No. of directorship in listed entities including this listed entity

J. No. of independent directorship in listed entities including this listed entity

K. No. of memberships in Audit Committee / SRC including this listed entity

L. No. of post of chairmanship in Audit Committee / SRC including this listed entity

II. Composition of Committees

A. Name of Committee

1. Audit Committee

2. Nomination & Remuneration Committee

3. Risk Management Committee (if applicable)

- 4. Stakeholders Relationship Committee
- B. Whether Regular chairperson appointed
- C. Name of Committee members
- D. Category (Chairperson / Executive / Non-Executive / independent / Nominee)
- E. Date of appointment
- F. Date of cessation

III. Meeting of Board of Directors

- A. Date(s) of Meeting (if any) in the previous quarter
- B. Date(s) of Meeting (if any) in the relevant quarter
- C. Whether requirement of Quorum met (to be filled for current quarter only)
- D. Number of Directors present (to be filled for current quarter only)
- E. Number of Independent Directors present (to be filled for current quarter only)
- F. Max. gap between any two consecutive meetings

IV. Meeting of Committees

- A. Date(s) of Meeting of the committee in the relevant quarter
- B. Whether requirement of Quorum met (to be filled for current quarter only)
- C. Number of Independent Directors present (to be filled for current quarter only)
- D. Max. gap between any two consecutive meetings

V. Related Party Transactions

- A. Compliance status (Yes/No/NA):
- B. Whether prior approval of audit committee obtained
- C. Whether shareholder approval obtained for material RPT
- D. Whether details of RPT entered into pursuant to omnibus approval have been reviewed by the Audit Committee

VI. Affirmations that -

- A. The composition and the meeting of the Board and committees is in terms of the Listing Regulations,
- B. The composition of the following committees is in terms of Listing Regulations
 - 1. Audit Committee
 - 2. Nomination & Remuneration Committee
 - 3. Stakeholders Relationship Committee.
 - 4. Risk management committee (as applicable)
- C. The committee members have been made aware of their powers, role and responsibilities under the Listing Regulations.
- D. The meetings of the board of directors and the above committees have been conducted in the manner as specified in Listing Regulations.

- E. The report and/or the report submitted in the previous quarter has been placed before the Board of Directors.

45. What will be the consequences if HVDLE does not comply with any of the CG provisions? How will HVDLE explain such non-compliance?

As per explanation (3) of Reg. 15(1A) of the Amendment Regulations, the HVDLE is required to comply with the CG provisions on ‘comply or explain’ basis till March 31, 2023 and thereafter on mandatory basis. Thus, till March 31, 2023, if the HVDLE does not comply with the CG provisions, it will be required to explain the reasons for such non-compliance or partial compliance as well as the steps taken to achieve full compliance in the quarterly compliance report.

Thereafter, any non-compliance will attract penal provisions as provided in SEBI Circular dated [January 22, 2020](#).

45A. Since the compliance with corporate governance provisions is on ‘comply or explain’ basis upto March 31, 2023, whether the filing of the quarterly compliance report can be considered to be non-mandatory upto the said period?

[NSE Circular](#) dated September 30, 2021, issued pursuant to SEBI letter dated September 23, 2021, states that Annexure I of the format of quarterly report on corporate governance prescribed vide SEBI Circular dated May 31, 2021, issued in this regard will be applicable to HVDLEs for the purpose of compliance. Accordingly, HVDLEs are required to submit the said annexure within the prescribed timelines.

Applicability of Chapter V of the Listing Regulations

46. Provisions of Chapter V of the Listing Regulations are applicable to which kind of entities?

As per Reg. 49(1) of the Listing Regulations, the provisions of Chapter V will apply to the listed entity which has listed its non-convertible securities (‘NCS’) on the recognised stock exchange in accordance with the SEBI (Issue and Listing of NCS) Regulations, 2021 (‘NCS Regulations’).

As per Reg. 2(1)(x) of the NCS Regulations, the term ‘NCS’ means “*debt securities, non-convertible redeemable preference shares, perpetual non-cumulative preference shares, perpetual debt instruments and any other securities as specified by the Board.*”

47. Will this chapter apply only to HVDLE or all debt listed entities?

Pursuant to Reg. 49(1), the provisions of this chapter will apply to all the listed entities which have listed their NCS irrespective of the size or outstanding principal value of the securities. Thus, it will apply to HVDLE as well as other listed entities which have listed their NCS on the stock exchange.

48. Whether the provisions of this chapter are applicable for entities which have listed their Commercial Papers ('CPs')?

The provisions of Chapter V of the Listing Regulations are applicable to those entities that have listed their non-convertible securities as per NCS Regulations. CP is a 'promissory note' and does not fall under the definition of non-convertible securities under the NCS Regulations.

Thus, if the entity has listed its CPs on the stock exchanges, it is mandated to comply with the SEBI Circular dated [October 22, 2019](#) (now forming part of Chapter XVII of Operational Circular for issue and listing of Non-convertible Securities, Securitised Debt Instruments, Security Receipts, Municipal Debt Securities and Commercial Paper dated August 10, 2021).

However, in case stock exchange provides for submission of information along with the information submitted for NCS, the same will be required to be adhered to by the listed entities.

48A. Are HVDLEs required to disclose all the information prescribed under Chapter V of the Listing Regulations?

No. As per the afore-mentioned NSE Circular dated September 30, 202, only Part C (disclosures in corporate governance report as part of annual report), D (Declaration by CEO on compliance of the management and directors with the code of conduct) and E (Compliance certificate by auditors or practising Company Secretary of corporate governance compliance) of Schedule V are applicable to HVDLEs. Accordingly, only the said disclosures are required to be made by HVDLEs in their annual report.

Intimations to the stock exchange

Prior intimation

49. What are the additional matters for which prior intimation will be required to be made to the stock exchange?

The erstwhile provisions of Listing Regulations provided for prior intimation to the stock exchange in following cases:

- (a) 11 days prior to the due date for payment of interest or redemption amount on debentures or bonds. *This requirement has been done away with w.e.f. September 7, 2021.*
- (b) 2 working days prior to the board meeting at which the issue of NCDs or any other matter affecting the rights or interest of NCD holders was proposed to be considered. *The list has been expanded to include few additional points as stated in the table below:*

The listed entity will now be required to file prior intimation in case of the following additional matters and as per the timeline prescribed below:

Sr. No.	Particulars	Timeline of filing prior intimation
1	Alteration in the form, nature of NCSs that are listed on the stock exchanges or in the rights or privileges of the holders	Atleast 2 working days prior to the board meeting, excluding the date of intimation and date of meeting
2	Alteration in the date of interest/dividend/redemption payment of NCSs	
3	Quarterly or half yearly financial results	
4	AGM/EGM proposed to be held for obtaining shareholder approval for following: (a) financial results viz. quarterly or annual, as the case may be; (b) fundraising by way of issuance of non- convertible securities	On commencement of dispatch of notices of the meetings
5	Meeting of NCS holders for approving the proposal affecting their rights or interests	

50. Whether Reg. 50 is equivalent to Reg. 29 of Chapter IV of the Listing Regulations?

The amended Reg. 50 of the Listing Regulations, applicable to an entity which has listed its NCSs, is similar to Reg. 29 which is applicable to entities which have listed their specified

securities on the stock exchanges. However, the specified intimations to be filed have been tailored as suitable to an NCS listed entity. Therefore, as per Reg. 63, the requirement under Reg. 50 is applicable to an equity listed entity as well.

Intimation of material events

51. Pursuant to the amendment in Schedule III, part B of the Listing Regulations, what additional information is required to be disclosed to the stock exchange?

Few of the insertions are extension of disclosure requirements under Reg. 30 read with Schedule III, part A to debt listed entities. As per the Amended Schedule III, part B of the Listing Regulations, following additional information is required to be disclosed to the stock exchange within 24 hours of occurrence of event:

Clause No.	Disclosure requirements
16	<p>Outcome of Board meeting held to consider: the decision w.r.t. fundraising proposed to be undertaken by way of NCS; financial results</p> <p><i>To be disclosed Within 30 minutes of closure of board meeting;</i></p> <p><i>Where the board meeting is held for more than 1 day, the financial results will be disclosed within 30 minutes of the end of the meeting for the day on which it was considered</i></p>
17	<p>Fraud/ defaults by promoter or KMP or director or employees of listed entity or by listed entity or arrest of KMP or promoter;</p>
18	<p>Change in directors, KMP (MD, CEO, CFO, CS etc.), Auditor and Compliance Officer;</p>
19	<p>in case of resignation of the auditor, detailed reasons for resignation of auditor</p>
20	<p>Resolution plan/ restructuring in relation to loans/ borrowings from banks/ financial institutions including the following details:</p> <ol style="list-style-type: none"> a. Decision to initiate resolution of loans/ borrowings; b. Signing of Inter-Creditors Agreement (ICA) by lenders; c. Finalization of Resolution Plan; d. Implementation of Resolution Plan;

Clause No.	Disclosure requirements
	e. Salient features, not involving commercial secrets, of the resolution/restructuring plan as decided by lenders
21	One-time settlement with a bank
22	Winding-up petition filed by any party / creditors
23	Proceedings of AGM and EGM
24	Events in relation to the Corporate Insolvency Resolution Process (CIRP) of a listed corporate debtor under the Insolvency Code
25	Change in terms of issue or redemption or exercising of call/ put options
26	Change in covenants or breach of covenants under the terms of NCS
27	Forfeiture of unclaimed interest or dividend or principal amount
28	Change in the Debenture Trustee or Credit Rating Agency or Registrar and Share Transfer Agent
29	Comfort/guarantee or any credit enhancement provided by the listed entity to a third party
30	Any other information/change that: shall affect the rights and obligations of the holders of NCS; and is not in the public domain but necessary to enable the holders of NCS to comprehend the true position and to avoid the creation of a false market in such listed securities.

Particulars to be disclosed within each of the aforesaid items, as provided in SEBI Circular of [September 9, 2015](#) has not been issued by SEBI for debt listed entities.

52. What is the timeline prescribed to intimate the price sensitive information to the stock exchange?

The price sensitive information as discussed above, is required to be submitted promptly to the stock exchanges. As per the amended provisions, prompt intimation has now been

expressly stated as soon as possible and not exceeding 24 hours from the date of occurrence of the event. The said timeline is aligned with the timeline prescribed under Reg. 30 in case of entities which have listed their specified securities.

53. Whether the listed entity can intimate the stock exchange about price sensitive information after 24 hours of occurrence of event?

While the provision states for a prompt intimation not exceeding a period of 24 hours from the date of occurrence of the event, the listed entity may file the said intimation after the specified timeline along with explanation for the delay in filing.

54. Is it mandatory to disclose the events prescribed under Reg. 51 on the website of the listed entity? What is the timeline specified for such disclosure?

Yes. The newly inserted sub-regulation (3) under Regulation 53, states that all events and information which have been intimated to stock exchanges under the aforementioned regulation will be required to be hosted on the entity's website. Further, these disclosures are to be retained on the website for a minimum period of 5 years and thereafter as per the archival policy of the listed entity.

It is to be noted that, in case the entity does not have an archival policy in place, it would be required to frame the same in order to specifically state the details and timeline of website disclosures to be maintained.

55. Whether the disclosure made on the website of the listed entity is required to be hosted permanently?

No. As stated above, the disclosures made under Reg. 51 to the stock exchanges will be required to be hosted on the website for a minimum period of 5 years, post which they may be retained as per the archival policy of the listed entity.

56. Whether the archival policy is same as the policy for preservation of documents required to be framed under Reg. 9 of the Listing Regulations?

Reg. 9 of the Listing Regulations provides for the policy pertaining to preservation of documents and records which are required to be maintained as specified under various applicable statutes, which may be maintained in physical or electronic form. The said policy classifies documents as per the time for which they are to be preserved by the entity, i.e. permanently or up to a period of 8 years whether physically or in electronic form.

Whereas, the web archival policy as now prescribed under Reg. 51 pertains to the disclosures hosted on the website of the entity, which includes the information filed pursuant to Reg. 51 and as well as other website disclosures prescribed under Chapter V and specifically stated under the newly inserted Reg. 62(1A), which has been discussed further.

57. What is the meaning of the term ‘default’? Is it similar to the term ‘default’ defined in the SEBI circular dated November 21, 2019?

As per explanation (2) to Reg. 49(1) of the Amendment Regulations ‘default’ means non-payment of interest/dividend or principal amount in full on the pre-agreed date and is required to be recognized at the first instance of delay in servicing of any interest/dividend or principal amount.

SEBI circular dated November 21, 2019, which dealt with disclosures by listed entities of defaults on payment of interest/ repayment of principal amount on loans from banks / financial institutions and unlisted debt securities defined the term ‘default’ as follows::

“Default’ shall mean non-payment of the interest or principal amount in full on the date when the debt has become due and payable (‘pre-agreed payment date’).

Provided that for revolving facilities like cash credit, an entity would be considered to be in ‘default’ if the outstanding balance remains continuously in excess of the sanctioned limit or drawing power, whichever is lower, for more than 30 days.”

The definition prescribed in the Amendment Regulations is in the context of NCDs while the one defined in SEBI Circular includes instances of default in case of loans including in case of cash credit facility.

58. In relation to Clause 17 of Para A of Part B of Schedule III, whether every fraud is required to be disclosed by a debt listed company?

Clause 17 of Para A of Part B of Schedule III to LODR provides following:

A. *The listed entity shall promptly inform the stock exchange(s) of all information which shall have bearing on performance/operation of the listed entity or is price sensitive or shall affect payment of interest or dividend or redemption payment of non-convertible securities including:*

17. fraud/defaults by promoter or key managerial personnel or director or employees of listed entity or by listed entity or arrest of key managerial personnel or promoter;

Here, the intent is not to mandate disclosure of every fraud/ defaults by employees. The disclosure will be governed by the prelim criteria for disclosure i.e. the information should have bearing on performance/operation of the listed entity or should be price sensitive or like to affect payment of interest or dividend or redemption payment of non-convertible securities.

Fraud by employees is very common in case of companies, especially financial sector entities and there is a framework prescribed by RBI for monitoring and reporting of frauds. However, every fraud by employee, even if of a very small amount, cannot be regarded as a material information. This is also evident from parallel requirement in case of equity listed entities where frauds/ defaults by promoters and KMP is a deemed material event (i.e. forming part of Para A (6) of Part A of Schedule III) and frauds/ defaults by directors (other than key managerial personnel) or employees of listed entity is required to be disclosed upon application of the guidelines for materiality (i.e. forming part of Para B (9) of Part A of Schedule III).

Therefore, debt listed entities should ascertain the impact of the fraud on the operations or its ability to pay interest or redemption and accordingly, disclose.

Intimation of interest and principal payments

59. What information is required to be submitted to the stock exchange regarding the payment of interest or dividend or principal amount of NCS? What is the timeline prescribed for the same?

As per Reg. 57 of the Listing Regulations, the listed entity will be required to submit following information to the stock exchange:

Reg. No.	Information to be submitted	Timeline for submission
57(1)	Certificate regarding status of payment in case of NCS	Within 1 working day of interest/ dividend/ principal becoming due. To be ensured for every payments made after September 7, 2021.
57(4)	Details of NCS for which interest/ dividend/ principal obligations will be payable during the quarter	Within 5 working days prior to the beginning of the quarter. To be ensured for quarter

Reg. No.	Information to be submitted	Timeline for submission
		commencing from October 1, 2021
57(5)	Certificate confirming payment of interest/ dividend/ principal obligations which were due in that quarter Details of unpaid interest/ dividend/ principal obligations at the end of the quarter	Within 7 working days from the end of the quarter. To be ensured for the quarter ending September 30, 2021.

60. If Company's annual interest payment is due in the first week of Q3 of FY22, certificate of payment confirmation will be given in Q4, but is the Company also required to give details of unpaid interest in Q3?

Yes. In terms of Reg. 57 (5), the listed entity shall within seven working days from the end of the quarter, is required to provide the details of all unpaid interest/dividend/principal obligations in relation to non-convertible securities at the end of the quarter. Even in the amounts may pertain to prior period, if unpaid, the detail is required to be given at the end of each quarter.

Financial results

61. Whether the listed entity is required to prepare and submit financial results on a quarterly basis or half yearly basis? What is the timeline prescribed for the same?

In accordance with the amended provisions of Reg. 52, the NCS listed entity will be required to submit unaudited or audited quarterly and year-to-date financial results *on a quarterly basis* to the stock exchanges in the format to be prescribed in this regard.

The quarterly financial results will be submitted within 45 days from the end of the quarter, except for the last quarter, which pertains to the annual financial results, to be submitted within 60 days from the end of the financial year.

As the requirement becomes effective from quarter ending September 30, 2021, SEBI vide [Circular dated October 5, 2021](#) has prescribed the revised format for NCS listed entities.

The format prescribed provides for preparation in the format prescribed in Schedule III to CA, 2013 and provide figures for following period:

- Current 3 months ended (dd/mm/yyyy) (Audited/ Unaudited)
- Preceding 3 months ended (dd/mm/yyyy) (Audited/ Unaudited)
- Corresponding 3 months ended previous year (dd/mm/yyyy) (Audited/ Unaudited)
- Year to date figures for current period ended (dd/mm/yyyy) (Audited/ Unaudited)
- Year to date figures for previous period ended (dd/mm/yyyy) (Audited/ Unaudited)
- Previous year ended (dd/mm/yyyy) - (Audited/ Unaudited)

Entities with listed equity will continue to follow the format prescribed under Reg. 33 *vide* SEBI circular dated July 05, 2016.

62. Is there any kind of relaxation for results to be submitted for quarter ending September 30, 2021?

Yes. The same has been stated below:

- Current 3 months ended (dd/mm/yyyy) (Audited/ Unaudited)
 - Mandatory
- Preceding 3 months ended (dd/mm/yyyy) (Audited/ Unaudited)
 - Not applicable in case the listed entity does not have corresponding quarterly financial results for June, 2021
- Corresponding 3 months ended previous year (dd/mm/yyyy) (Audited/ Unaudited)
 - Not applicable in case the listed entity does not have corresponding quarterly financial results for September, 2020
 - Further, not applicable in case the listed entity does not have corresponding quarterly financial results for December, 2020 at the time of submitting for quarter ending December 31, 2021.
 - Further, not applicable in case the listed entity does not have corresponding quarterly financial results for March 31, 2021 at the time of submitting for quarter ending March 31, 2022.
- Year to date figures for current period ended (dd/mm/yyyy) (Audited/ Unaudited)
- Year to date figures for previous period ended (dd/mm/yyyy) (Audited/ Unaudited)
 - Not applicable in case the listed entity does not have corresponding figures for 9 months ending December 31, 2020.

63. Whether NCS listed entity is required to submit consolidated financial results?

In terms of Reg. 52 (1) (d), consolidated financial results are required to be submitted for the financial year. However, in case of quarterly financial results, only standalone is required to be submitted.

64. For the quarter and half year ended September 2021, whether the companies will be required to prepare financial results on a half yearly basis or quarterly basis?

The amended provisions state that the audited or unaudited financial results are to be submitted on a quarterly as well as year-to-date basis. Therefore, for the period ending September 2021, the entity will be required to prepare and submit the financial results for the quarter ended on September 30, 2021 as well as the figures pertaining to the half year ended on September 30, 2021 being year to date figures.

The half yearly financial results will also be accompanied by a statement of assets and liabilities and statement of cash flows as at the end of the half year.

65. What is the format for Statement of assets and liabilities?

SEBI vide [Circular dated October 5, 2021](#) has prescribed the format for the same.

Particulars	As at (Current half year end/ year end date) dd/mm/yyyy	As at (Previous year end date) dd/mm/yyyy
	Audited/ Unaudited	Audited/ Unaudited
		<ul style="list-style-type: none"> Not applicable in case listed entity does not have corresponding statement of assets and liabilities for the half year ended September 2020.
Contents: items mentioned in the format of Balance sheet (excluding notes and detailed sub-classification) as prescribed in Schedule III of the Companies Act, 2013.		

66. What is the format for Statement of cash flows?

SEBI vide [Circular dated October 5, 2021](#) has prescribed the format for the same.

Particulars	As at (Current half year end/ year end date) dd/mm/yyyy	As at (Corresponding half year end /Previous year end date) dd/mm/yyyy
	Audited/ Unaudited	Audited/ Unaudited
		<ul style="list-style-type: none"> Not applicable in case listed entity does not have

		corresponding cash flow statement for the half year ended September 2020.
Contents: The Statement of Cash Flows shall be prepared 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.		

67. Which report is required to be submitted in case of audited or unaudited financial results?

The unaudited financial results will be accompanied by a limited review report prepared by the statutory auditor of the listed entity, whereas, the annual audited financial results will be submitted along with the audit report.

68. Whether there exists a carve out for government companies with listed NCS?

In case of government companies the audit will be conducted by the Comptroller and Auditor General of India ('CAG'). The limited review report in case of unaudited quarterly results will be issued by a practicing Chartered Accountant. Further, in case of audited financial results, additional compliance in the form of a 2-step process has been prescribed under the amended provisions which states as follows:

Step 1: First level of audit to be conducted by the auditor appointed by the CAG and the said results would be submitted to the stock exchanges within 60 days from the end of the financial year.

Step 2: CAG shall thereafter undertake an audit of the listed entity and the financial results will be submitted to the stock exchanges within 9 months from the end of the financial year.

69. What if there is a delay in submission of financial results?

As per SEBI Circular dated October 5, 2021 in case of non-submission/ delayed submission of financial results within the timelines prescribed under regulation 52 of the Listing Regulations, the listed entity is required to disclose detailed reasons for such non-submission/ delay to the stock exchanges within one working day of the due date of submission of the financial results.

In case the decision to delay the results was taken by the listed entity prior to the due date, the listed entity is required to disclose detailed reasons for such delay to the stock exchanges within one working day of such decision.

The information is also required to be disclosed on the website of the listed entity.

70. What line items are required to be disclosed in the financial results?

Reg. 52 prescribes specific line items to be disclosed along with the financial results. The amended regulations have introduced certain changes in the said list of items which can be seen as follows:

Line items prescribed under erstwhile provisions	Additional line items to be disclosed as per amended provisions
c. Debt-equity ratio	m. Current ratio
f. Debt service coverage ratio	n. Long term debt to working capital
g. Interest service coverage ratio	o. Bad debts to account receivable ratio
h. Outstanding redeemable preference shares (quantity and value)	p. Current liability ratio
i. Capital redemption reserve/debenture redemption reserve	q. Total debts to total assets
j. Net worth	r. Debtors turnover
k. Net profit after tax	s. Inventory turnover
l. Earnings per share	t. Operating margin
	u. Net profit margin
	v. Sector specific equivalent ratios, as applicable.

71. Are there any exemptions from disclosure of certain line items?

Banks, RBI registered NBFCs and HFCs are not required to provide disclosure of the debt service coverage ratio and interest service coverage ratio

72. Whether the listed entity is required to submit the certificate of debenture trustee to the stock exchange for the half year ended September 2021?

No. The requirement of submitting a certificate to the stock exchanges that the debenture trustee has taken note of the contents of the line items disclosed as per Reg. 52(4), has now been done away with.

73. What compliances are required to be ensured while preparing and submitting the financial results?

With the amended provisions and additional compliances introduced, the listed entity will be required to adhere to the following with respect to submission of financial results:

Sr. No.	Compliance	Timeline
1.	Closure of trading window as per PIT Regulations, 2015	From the end of every quarter till 48 hours after the declaration of financial results
2.	Prior intimation to stock exchange for the Board meeting convened for approval of financial results	At least two working days excluding the date of intimation and the date of the meeting of the meeting of the board of directors
3.	Disclose the outcome of the meeting of board of directors to the stock exchanges held to consider financial results.	Within 30 minutes of the closure of the meeting.
4.	Submit the additional disclosures w.r.t. to the line items to be disclosed including intimation under Reg. 23 (9), if applicable.	While submitting the financial results.
5.	The disclosure made to the stock exchange along with the notice of the board meeting and the financial results to be hosted on the website of the listed entity.	Notice to be uploaded upon intimating to SE. Results, on the conclusion of the meeting of the board of directors where the financial results were approved
6.	Publish the financial results and	Within 2 working days of the conclusion

Sr. No.	Compliance	Timeline
	statement referred to in sub-regulation (4) i.e. additional line items, in at least one English national daily newspaper circulating in the whole or substantially the whole of India.	of the board meeting. Format: As per Annex – 1 of Circular dated October 5, 2021 .

Utilisation of proceeds of issue

74. What matter is required to be disclosed in the utilisation certificate? What is the timeline to submit the same to the stock exchange? Is there any format prescribed for the same?

Listed entities will now be required to submit a statement indicating the utilization of proceeds of NCSs issued, until the said proceeds have been fully utilized or the purpose for which these proceeds were raised has been achieved.

The said statement is to be submitted on a quarterly basis within 45 days from the end of every quarter. At present there is no prescribed format for the said certificate.

75. Whether the utilisation certificate is required to be submitted with the financials/ linked with the financials?

As per Reg. 52(7) of the Listing Regulations, the listed entity is required to submit the utilisation certificate within 45 days from the end of every quarter. The same is required to be submitted independently and need not be submitted with the financials or linked with the financials. The said was the erstwhile requirement.

76. Whether the requirement of submission of utilisation certificate is applicable for all the NCDs issued in the previous quarter or all the existing ISINs as well?

Reg. 52(7) of the Listing Regulations states that “the listed entity shall within 45 days from the end of every quarter submit to the stock exchange, a statement indicating the utilization of issue proceeds of non-convertible securities, *which 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.*”

The submission of utilisation certificate is not restricted to the use of proceeds of NCDs issued in the previous quarter but to all the NCDs issued till the date of submission of certificate and whose proceeds are not yet fully utilised or the purpose for which such NCDs were issued are not yet achieved.

77. How and when can the listed entity confirm that the funds have been utilised in providing loans to the customers?

Where the listed entity specified the end use as ‘general corporate purpose’ or ‘regular business requirements’ which do not indicate a specific end use, in that case the amount can be said to be utilized the day the said amount is transferred from the separate bank account (required in terms of Section 42 of CA, 2013) to the regular bank account of the listed entity.

78. Whether the statement of material deviation is required to be accompanied with the utilisation certificate? Is there any format prescribed for the same?

Yes. In case of any material deviation in the use of proceeds raised through issue of NCSs, the same would be required to be mentioned in the statement indicating utilization of proceeds raised as required to be submitted on a quarterly basis, in the format to be prescribed by SEBI in this regard, along with the comments of the Audit Committee.

The format prescribed *vide* [SEBI Circular dated January 17, 2020](#) refers to erstwhile requirement of submission on half yearly basis and is required to be aligned with the present amendment.

79. Whether the listed entity needs to submit the statement under Reg. 52(7A) even if there is no material deviation in the use of proceeds of issue?

Yes, the listed entity will be required to submit a NIL statement under Reg. 52(7A) if there is no material deviation in the use of proceeds of issue as the provisions requiring submission of statement of utilization and statement of material deviation are two separate requirements and are not interconnected.

80. Whether the statement of material deviation is required to be submitted with the financials/ linked with the financials?

The requirement of submission of material deviation arises when there is any deviation in the use of proceeds of issue from that mentioned in the offer document. The erstwhile Reg. 52(7) required submission of statement of material deviation along with the half-yearly financial results. However, the newly inserted Reg. 52(7A) does not expressly provide submission of

such statement along with the financial results. Thus, the listed entity may submit the same to the stock exchange separately along with the utilisation certificate under Reg. 52(7) of the Listing Regulations.

Annual Report

81. What matters are required to be disclosed in the Annual Report?

As per the existing provisions of the Listing Regulations, following information is required to be disclosed in the Annual Report:

- (a) audited financial statements i.e. balance sheets, profit and loss accounts etc, and Statement on Impact of Audit Qualifications, if applicable;
- (b) 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;
- (c) auditors report;
- (d) directors report;
- (e) name of the debenture trustees with full contact details;
- (f) related party disclosures as specified in Para A of Schedule V.

82. Whether the listed entity, which has listed its NCS, is required to prepare the Corporate Governance report as per Schedule V to Listing Regulations?

While the Listing Regulations including the Amendment Regulations do not mandate the listed entities which have listed their NCS to prepare the Corporate Governance report, Reg. 62 provides that the listed entity is required to display the annual report including the corporate governance report on the website of the company. Further, the quarterly compliance report under Reg. 27 of the Listing Regulations requires confirmation that the corporate governance report forms part of the Annual Report.

In this regard, in accordance with the directions issued by SEBI, [BSE](#) and [NSE](#), *vide* circular dated October 01, 2021, stated that the listed entity will be required to provide the Corporate Governance report as per Part C of Schedule V of the Listing Regulations.

Further, the listed entity will also be required to obtain and disclose in its Annual Report –

- Declaration by Chief Executive Officer stating that the board of directors and senior management have affirmed compliance with the code of conduct in Part D of Schedule V of the Listing Regulations.

- Compliance certificate from auditor or practicing company secretary regarding compliance of conditions of corporate governance in Part E of Schedule V of the Listing Regulations.

83. Whom should the listed entity submit the annual report to? What is the timeline to submit the same?

The listed entity should submit the annual report to the following:

Particulars	Recipients of Annual Report	Timeline to submit
Original Annual Report	Shareholders, stock exchange, debenture trustee including display on the website	Not later than the date of commencement of dispatch of notice to the shareholders (timeline to dispatch the notice shall be in terms of section 101 of the Companies Act, 2013)
Revised Annual Report along with details and explanation for changes	Stock exchange, debenture trustee including display on the website	Not later than 48 hours after the AGM

84. Whether the amendments will have any impact on the Annual report sent or to be sent for the FY ended 2020-21?

No, the amendment will not have any impact on the Annual Report sent or to be sent for the FY ended 2020-21 as the provisions of the Amendment Regulations are applicable prospectively from September 07, 2021 and the Annual report which is already prepared and dispatched, pertains to FY 2020-21.

Asset cover

85. What is the impact of the Amendment Regulations on the maintenance of asset cover?

As per Reg. 54 of the Listing Regulations, the listed entity is required to maintain the 100% asset cover or the asset cover as per the terms of offer document/ Information memorandum and/ or Debenture Trust Deed. The asset cover should be sufficient to discharge the principal amount at all times for the NCS issued.

The Amendment Regulations state that if a higher asset cover is specified in the offer document/ Information memorandum and/ or Debenture Trust Deed the same will be required to be maintained by the listed entity.

The amendment is clarificatory in nature.

86. Whether asset cover is required to be disclosed along with the financial results?

Yes, in terms of Reg. 54 (3), the asset cover available in case of NCDs is required to be disclosed along with the financial results, in the format specified by SEBI. The format is pending to be prescribed by SEBI.

Debenture Trustee

87. What additional information is required to be submitted to the debenture trustee?

Following information is required to be submitted to the debenture trustee in addition to the existing requirement:

- (a) Half-yearly certificate regarding maintenance of asset cover in terms of Reg. 54 of the Listing Regulations, in the format to be prescribed by SEBI.
- (b) All material information as disclosed under Reg. 51 to the stock exchange, so far as it relates to the interest, principal, issue and terms of NCS, credit rating, creation of charges, notices, resolutions, meetings of holders of NCS etc.

Modification in structure of NCS

88. What kind of modification made in the structure of NCS is regarded as material modification?

Subject to the requisite approval specified in Reg. 59 of the Listing Regulations, following modification can be made to the structure of NCS:

- (a) In case of NCDs - modification in terms of coupon, redemption, etc.
- (b) In case of NCRPS - modification in terms of interest, redemption, etc.

89. Whether any approval is required to be taken for modifying the structure of NCS?

As per Reg. 59(2) of the Listing Regulations, approval of the following authorities would be required in order to modify the structure of NCS:

- (a) Board of Directors

- (b) Debenture Trustees (in case of NCDs)
- (c) Written consent of holders of that class of securities representing 3/4th in value holders of NCDs or NCRPS in value. (Earlier, the requirement was to take consent of requisite majority after complying with the provisions of CA, 2013.) The listed entity will be required to provide the remote e-voting facility for obtaining such consent.
- (d) Stock exchange.

Once the above approvals are received, the listed entity can modify the structure of NCS in terms of Reg. 59(1) of the Listing Regulations.

90. Whether the requirement to seek consent from security holders holding 3/4th in value exists under CA, 2013?

Rule 18 of SHA Rules provides for consent of debenture holders in following manner:

- In case of resignation of the debenture trustee, the vacancy is required to be filled with the written consent of the majority of the debenture holders.
- A debenture trustee may be removed from office before the expiry of his term only if it is approved by the holders of not less than three fourth in value of the debentures outstanding, at their meeting.

Section 48 (1) of CA, 2013 provides for consent of the class of shareholders for variation of rights by way of the consent in writing of the holders of not less than three-fourths of the issued shares of that class or by means of a special resolution passed at a separate meeting of the holders of the issued shares of that class.

The amendment in LODR is likely to result in practical difficulty in seeking consent especially in cases where the holders are broad based. The option of passing a special resolution in a meeting is more feasible.

Dealing with unclaimed NCS and benefits accrued thereon

91. What is the new provision of Reg. 61A dealing with? Is it an entirely new provision?

The provision is not a new insertion as Reg. 61(2) of the Listing Regulations provided for transferring the unclaimed interest/ dividend to the IEPF.

The newly inserted Reg. 61A of the Listing Regulations requires that in case the interest/ dividend or the redemption amount of the NCS remains unclaimed for a specified period of time, the listed entity will be required to transfer the same in the escrow account. After the

expiry of 7 years, it will be required to be transferred to the Investor Education and Protection Fund ('IEPF') set up in accordance with section 125 of the Companies Act, 2013.

92. What is the timeline prescribed under Reg. 61A with regard to transferring the interest/ dividend and redemption amount to IEPF? Is it in line with the requirement specified in CA, 2013?

As per Reg. 61A of the Listing Regulations, the listed entity will be required to comply with the following timeline in order to transfer the unclaimed interest/ dividend/ redemption amount to the IEPF:

Particulars	Timeline under Listing Regulations
Due date of payment of interest/ dividend/ redemption amount	X day
Payment of interest/ dividend/ redemption amount to the NCS holders	Within X+30 days
Where interest/ dividend/ redemption amount is not claimed within 30 days from due date of payment, then transfer unclaimed amount to the escrow account	Within X+30+7 days
Transfer remaining unclaimed amount in the escrow account to IEPF	X + 7 Years

Amounts remaining unclaimed as on September 7, 2021 are required to be transferred to escrow account within 30 days **i.e. by October 7, 2021.**

As per section 125 of CA, 2013 read with Rule 3(3) of the IEPF (Accounting, Audit, Transfer and Refund) Rules, 2016 the unclaimed interest can be transferred to the IEPF along with the matured debentures and not separately. Further, the amount relating to matured debentures is required to be transferred after the period of 7 years from the due date of transfer as illustrated above.

The newly inserted provisions of the Listing Regulations do not prescribe a timeline in case of transfer to IEPF, rather a reference to CA, 2013 has been provided. Accordingly, the amount will be required to be transferred as per the timeline specified under CA, 2013 as mentioned herein.

93. Whether separate escrow accounts is required to be opened year wise or ISIN wise?

Regulation 61A (2) does not mandate opening of separate accounts. The requirement is to merely transfer the unclaimed amounts to an escrow account. Therefore, companies may have a single escrow account for depositing all unclaimed or unpaid interest/ redemption amount outstanding for a period of less than seven years. Entities may track due dates for completion of seven years in order to transfer the amount to IEPF.

94. Is there any requirement of filing IEPF forms with regard to the unclaimed amounts?

Yes, the listed entity which has any unclaimed interest/ dividend/ redemption amount will be required to file necessary forms under IEPF in accordance with the Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016.

Kindly refer to our [FAQs on IEPF](#) for details regarding IEPF forms to be filed by the listed entity.

95. Whether the NCS holder can claim the interest/ dividend or principal amount from IEPF? What is the timeline or procedure to claim the amount transferred to IEPF?

The holder of NCS can claim the interest/ dividend or principal amount from IEPF and there is no timeline prescribed to claim such amount. The NCS holder will be required to follow the procedure laid down in Rule 7 of the Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 to claim such an amount.

Kindly refer to our [FAQs on IEPF](#) for details regarding the procedure to claim the amounts from IEPF.

Website disclosures

96. What information is required to be disclosed on the website of the listed entity?

Existing (HVDLE as well as other NCS listed entities)	Additional (HVDLE as well as other NCS listed entities)	Only for HVDLE
Details of its business;	Composition of the Board	Composition of the various committees of the board of directors;
Financial information including	notice of meeting of the board of	Terms and conditions of

Existing (HVDLE as well as other NCS listed entities)	Additional (HVDLE as well as other NCS listed entities)	Only for HVDLE
complete copy of the annual report including balance sheet, profit and loss account, directors report etc;	directors where financial results shall be discussed; financial results, on the 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;	appointment of independent directors;
Contact information of the designated officials of the listed entity who are responsible for assisting and handling investor grievances;	All credit ratings obtained by the entity for all its listed NCS, updated immediately upon any revision in the ratings;	Code of conduct of the board of directors and senior management personnel;
Email address for grievance redressal and other relevant details;	Statements of deviations or variations as specified in reg. 52(7) and (7A)	Details of establishment of vigil mechanism/ whistle blower policy;
Name of the debenture trustees with full contact details;	Annual return as provided under section 92 of the Companies Act, 2013 and the rules made thereunder.	Criteria of making payments to NEDs, if the same has not been disclosed in the annual report;
The information, report, notices, call letters, circulars, proceedings, etc concerning NCS		Secretarial compliance report as per Reg. 24A(2)
All information and reports including compliance reports filed by the listed entity;		Policy on dealing with related party transactions;
Information with respect to the following:		Policy for determining 'material' subsidiaries;

Existing (HVDLE as well as other NCS listed entities)	Additional (HVDLE as well as other NCS listed entities)	Only for HVDLE
(i) default by issuer to pay interest or redemption amount; (ii) failure to create a charge on the assets;		
		Details of familiarization programmes imparted to IDs including following details:- (i) no. of programmes attended by the IDs (during the year and on a cumulative basis till date), (ii) no. of hours spent by the IDs in such programmes (during the year and on cumulative basis till date), and (iii) other relevant details.

Miscellaneous

97. If an entity has listed its specified securities as well as NCS, which provisions of law shall be applicable to it?

The entity which has listed its specified securities as well as NCS will be required to comply with the entire provision of Chapter IV i.e. provisions applicable to listed entities which have listed their specified securities. In addition to Chapter IV, it will be required to comply with the following provision of Chapter V i.e. provisions applicable to listed entities which have listed their NCS:

Reg. No.	Dealing with
50	Intimation to the stock exchange (earlier such listed entity was required to comply with only Reg. 50(2) and (3) of the Listing Regulations)

Reg. No.	Dealing with
51	Disclosure of information having bearing on performance/operation of listed entity and/or price sensitive information
52(3), (4), (6) and (7)	52(3) - Statement on Impact of Audit Qualifications 52(4) - Disclosure of line items 52(6) - Disclosure in case of NCRPS 52(7) - Statement of utilization of proceeds of issue
53	Annual Report
54	Asset cover
55	Credit rating
56	Documents and intimation to Debenture Trustees
57	Intimations/ other submissions to stock exchange
58	Documents and information to holders of NCS
59	Structure of NCS
60	Record date
61	Terms of NCS
62	Website (earlier such listed entity was not required to comply with the website disclosure requirements as the same was covered under Reg. 46 of Chapter IV of the Listing Regulations)