

# SEBI LODR

## 3<sup>rd</sup> Amendment Regulations, 2024

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# About Us



- Vinod Kothari and Company, company secretaries, is a firm with more than 35 years of vintage
  - Based out of Kolkata, Mumbai, New Delhi and Bengaluru
- We are a team of qualified company secretaries, chartered accountants, lawyers and managers.

***Our Organization's Credo:***

***Focus on capabilities; opportunities follow***

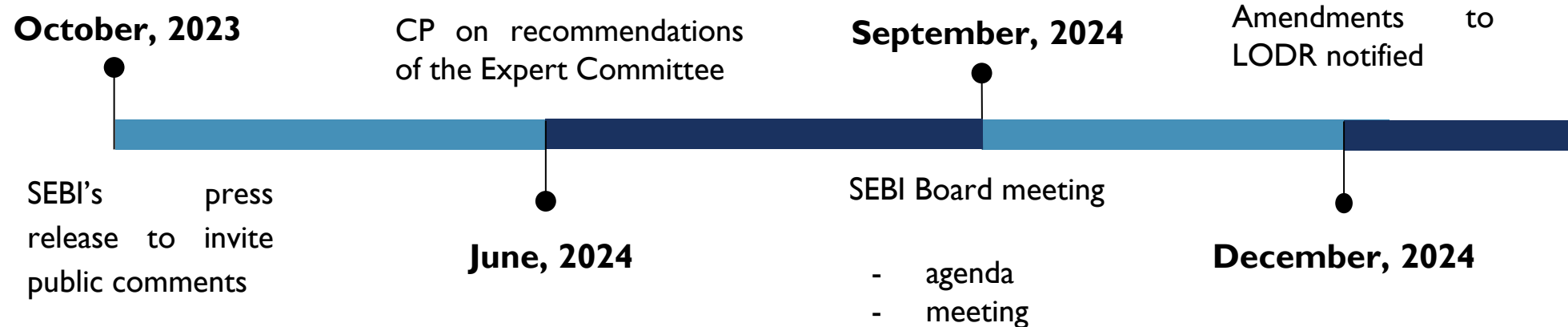
# Summary of the changes (1/2)

- Related Party Transactions
  - Definition of RPT - some specific exclusions
  - AC approval for RPTs
    - for remuneration and sitting fees
    - ratification of RPTs
    - omnibus approval for subsidiary's RPTs
  - Exemption from approval requirements
  - Exemption from disclosure requirements
- Disclosure of Material Events & Information
  - Increased timeline for disclosure in some cases
  - Higher threshold for disclosure of acquisition
  - Monetary thresholds for imposition of penalty
  - Aggregation of tax litigation
  - Clarificatory changes w.r.t. fraud by SMP, forensic audit, types of fundraising, etc.
  - Analyst or institutional investor meets
- Board, Committees, Compliance Officer, SMP related
  - Shareholders' approval for board appointments
  - Timeline to fill up vacancy in board committees
  - Strengthening the position of Compliance officer
  - Definition of SMP to include KMP
  - Obligations on promoter/ promoter group/ directors/ KMP to disclose information to listed entity
- Secretarial audit and Secretarial compliance report
- Filings and disclosures
  - Single filing system [Phase I Introduced by BSE & NSE]
  - Integration of periodic filings
    - Governance related, Financial related
  - System driven disclosure of certain filings
  - Website disclosures for information available on stock exchange website
  - Newspaper advertisements may give QR code/links

# Summary of the changes (2/2)

- Other amendments
  - Record date
    - Timeline for intimation, gap between two record dates
  - Schemes involving reduction of capital on account of writing off accumulated losses
    - Exemption from seeking NoC of stock exchange
  - Annual report
  - Compensation/profit sharing agreements surviving after listing
  - Additional information on website.
    - Diversity in the institution of IDs, meetings of IDs and Risk Management Committee.
      - Discretionary requirement.
  - Relaxations from certain compliance for companies coming out of IBC framework
- Framework for reclassification of promoter/ promoter group entities.
- Drafting changes: income to turnover/ year to financial year, aligning definition with ICDR.
- Changes for which suggestions being made to MCA

# Sequence of events



## Effective date of amendments:

- All (except as specified below) - 12th December, 2024 (date of publication in official gazette)
- For HVDLEs – amendments become mandatory from 1<sup>st</sup> April, 2025
- Amendments to Reg 13 (investor grievance) and Reg 27 (corporate governance report) - 31st December, 2024
- Amendments to Reg 24A (w.r.t. secretarial auditor and ASC Report) - 1st April, 2025

# Schedule of important changes and applicability date

<b>Topic of amendment</b>	<b>Applicability</b>
Related party transactions	12th December, 2024
Reg 30 disclosures and Schedule III changes	12th December, 2024
Board, committee, CO and SMP related changes	12th December, 2024
Website disclosures	12th December, 2024 (however, pending release of SEBI guidelines on certain aspects)
Secretarial auditor and ASC	1st April, 2025
Applicability of CG norms on small listed companies	12th December, 2024
Integrated filings w.r.t. investor grievance report and corporate governance report	31st December, 2024
HVDLEs	1 <sup>st</sup> April, 2025 (until then, on a comply or explain basis)



## **Related Party Transactions ('RPTs')**





# Prescriptive carve-outs from definition of RPT

- Reg 2(1)(zc) of LODR specifies the following exclusions from definition of RPT:
- issue of specified securities on preferential basis, subject to compliance with ICDR
  - Issue of non convertible securities is not excluded
- Corporate actions **by listed entity** that are uniformly applicable/ offered to all shareholders viz:
  - payment of dividend
  - subdivision or consolidation of securities
  - rights issue or bonus issue of securities
  - buy-back of securities
- acceptance of FD by banks/ NBFCs at the terms uniformly acceptable/offered to all shareholders/ public
  - subject to disclosure of the same as per Reg 23(9)

## Changes pursuant to LODR 3rd Amendment:

- Uniformly offered **corporate actions** to be excluded, whether undertaken by listed entity or otherwise
  - Earlier only those 'undertaken by listed entity' were excl.
  - Now will cover other transactions like
    - corporate actions undertaken by subsidiaries
    - corporate actions received by listed entity, or subsi
- Acceptance of **CASA** by banks in compliance with RBI Directions/ other central bank in relevant jurisdiction
  - Earlier only FDs were excluded subject to disclosure
    - **Whether half-yearly disclosure required for CASA?**
  - Clarification that acceptance of deposits include payment of interest thereon
    - **Whether counterparty is required to consider the transaction as RPT and obtain approvals?**
    - *Exempting acceptance of deposits by banks from the definition of RPT implies that the transaction itself is being exempted. Hence, the counter related party is already exempted in treating such transaction as RPT. [SEBI agenda: Para 10.3.3. (iii)(d)]*
- **Retail purchases** (see next slide)
  - from any listed entity or its subsidiary
  - by its directors or its employees,
  - without establishing a business relationship and
  - at terms that are uniformly applicable / offered to all employees and directors.

# Exemptions w.r.t. retail purchases

## ■ Nature of transaction

- Retail purchases from any listed entity or subsidiary
  - Purchase include both purchase of goods and services
- without establishing a business relationship
- does not include purchases by listed entity/ subsidiary

## ■ Counterparty RP

- directors or employees
  - relatives of directors or employees, other individual RP and RP entities not covered
- *Companies may provide discounts for retail purchases to their directors and employees. However, such discounts may not be offered to relatives of the directors or KMPs. Hence, the proposed exemption is applicable to retail purchases at terms uniformly applicable/offered to all employees and directors. [SEBI agenda: Para 10.3.4. (iii)(a)]*

## ■ Terms of transaction

- as uniformly applicable/ offered to all employees and directors
  - to cover the discounts/ concessions that are usually offered by companies to their employees and directors for retail purchases

## ■ Meaning of “retail purchases”?

- *may vary from sector to sector hence not defined [SEBI agenda: Para 10.3.4. (iii)(b)]*
- generally speaking, would mean purchase through retail channels for personal use
- examples may include:
  - Purchasing a retail product from company owned outlets
  - Availing regular banking transaction from a branch of bank
  - Booking a room/ services from hotel reception etc
  - Ordering goods from company’s online shopping app

## ■ Meaning of “without establishing a business relationship”?

- not arising from or resulting into a relationship
- a one-off transaction

## ■ Whether a retail purchase made by relative of directors/ other individual RPs without creating any business relation be now covered by RPT provisions?

# Amendments w.r.t. approval requirements

## Omnibus approval for transactions of subsidiaries

- Reg 23(3) of LODR amended as:

*Audit committee may grant omnibus approval for related party transactions proposed to be entered into by the listed entity **or its subsidiary** subject to the following conditions*

XXX

- **Does that mean that all RPTs of subsidiaries to also require approval of HoldCo's AC through omnibus approval?**

- Currently only significant RPTs of subsidiaries require approval of HoldCo's AC [proviso to Reg 23(2)(c)]
- No change in the said provision, so limits on subsidiary's RPTs requiring approval continue to apply
- Present amendment allows an additional mechanism for approving recurring RPTs by AC of HoldCo

- Extracts from SEBI agenda [Para 12.2.2.(iii)]:

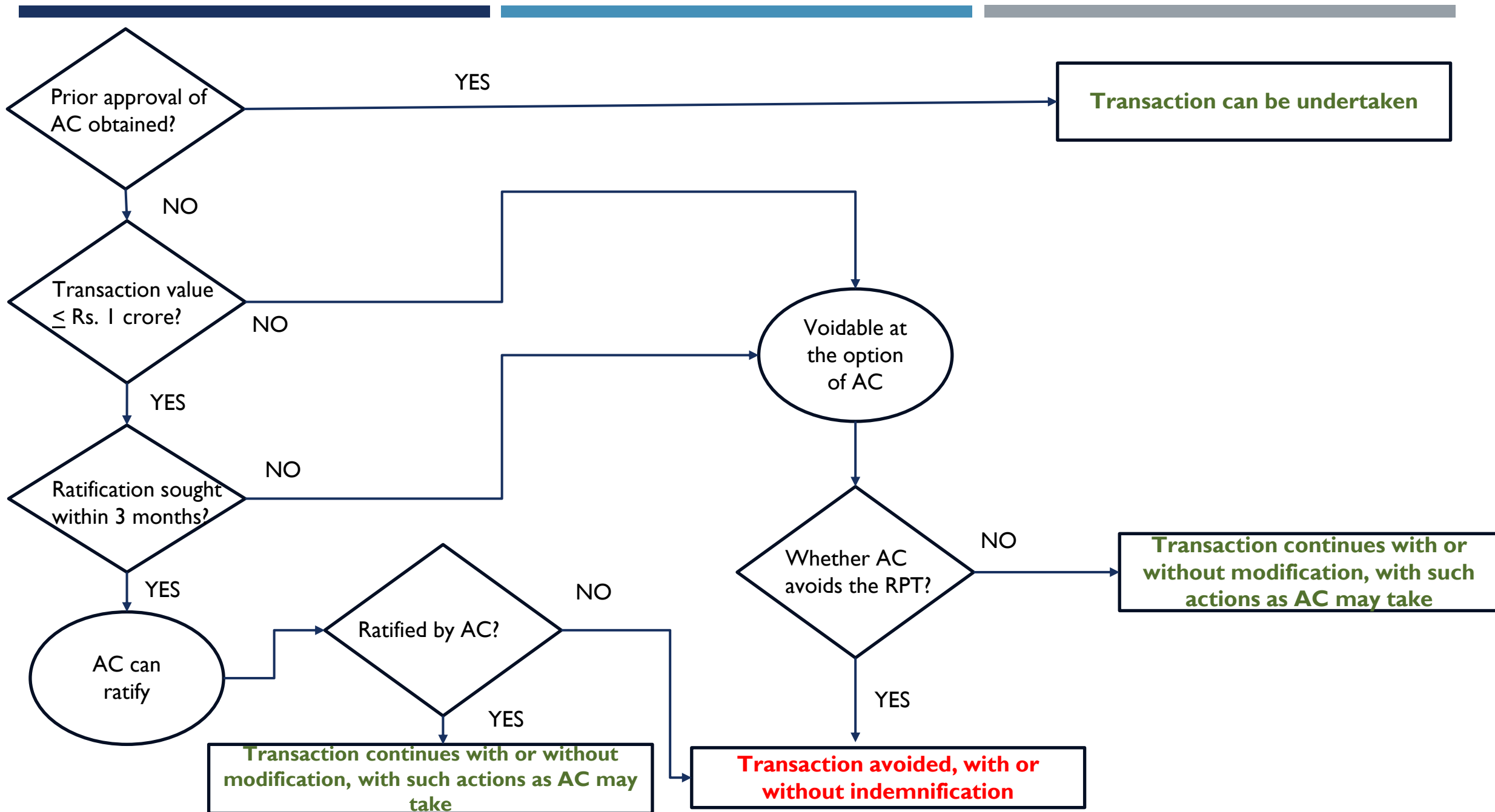
- (a) The provision of omnibus approval is an **additional voluntary option** available to the Company to get approval for recurring transactions from the Audit Committee. Hence, it is **made available for all subsidiaries, irrespective of whether material or not, and can be utilized wherever RPTs of subsidiaries are required to be approved by the Audit Committee of the listed entity.***
- (b) As stated above, there is **no additional burden being placed upon the Audit Committee.** Rather, **an additional mechanism shall be available for the Audit Committee for approving recurring RPTs by the subsidiaries.***

# Ratification of RPTs by AC [Reg 23(2)(f) of LODR]

- Who can ratify?
  - Independent Directors who are members of Audit Committee
- By when?
  - within 3 months from date of RPT or next AC meeting, whichever is **earlier**
- Maximum value that can be ratified?
  - Rs. 1 crore for each party on aggregate for all ratified transactions in a FY
    - this will include transactions already ratified in the same FY
    - Such RPTs may already be covered by the OA limit of Rs. 1 crore per transaction for unforeseen transactions [proviso to Reg 23(3)(c)]
      - rendering ratification provisions infructuous
  - not being material RPT in terms of Reg 23(1)
    - being 10% of consolidated turnover of the listed entity, since absolute turnover threshold is not relevant
- Disclosures required?
  - Rationale for inability to seek prior approval for the RPT - before AC at the time of ratification
  - Details of ratification - in half-yearly RPT disclosure to SE
- Consequences of failure to seek ratification of AC?
  - Transaction becomes voidable at the option of AC
    - AC may choose to affirm even when conditions under Reg 23(2)(f) not satisfied
  - Indemnity by concerned directors to the listed entity for loss, if any
    - Concerned director would mean director who is RP to the counterparty RP or director who authorised the RPT without AC approval
- Similar provisions under CA [proviso to Section 177(4)(iv)/ 188(3)]

# Other exemptions w.r.t. RPT approvals and disclosures

- Exemption from approval and disclosure requirements
  - remuneration and sitting fees paid by LE or its subsidiary
    - is already subject to oversight by NRC and Board
    - further disclosed in CG report, annual return etc
  - to its director, KMP or senior management
    - except if part of promoter/ promoter group
  - and not a material RPT u/ r 23(1)
  - **Whether remuneration paid by listed entity to its employee for being director of subsidiary will be exempted?**
  - **Whether remuneration paid by listed entity to its KMP for services provided to subsidiary will be exempted?**
- Exemptions for 'government company' extended to 'public sector company'
  - defined under Rule 2(d) of Securities Contracts (Regulation) Rules, 1957
  - means a body corporate constituted by an Act of Parliament or any State Legislature and includes a government company
  - exemption is limited to PSC, subsidiary of PSC is not exempt unless WOS
- Transactions with Central/ State Govt in the nature of payment of statutory dues, statutory fees or statutory charges excluded
  - intent is to cover only transactions in the nature of statutory obligations
  - private contracts etc not excluded [SEBI Agenda: Para 13.3.2.(iii)]



# Actionables arising out of present amendment

- Revision in RPT Policy in light of existing amendments
  - Exclusions beyond the scope of Listing Regulations, if any, to be omitted
  - Amendments to indicate that significant RPTs of subsidiaries may be approved through omnibus approval
  - **By when should a company ensure amendment in RPT Policy?**
- Sensitisation of the Audit Committee w.r.t. the changes
- Identification of RPTs that may require ratification, and taking steps to ratify the same



## **Disclosures under Reg 30**





# Relaxation in timeline for disclosure of material events or information

## ■ Disclosure of board decisions based on meeting conclusion time

Time of conclusion	Timeline for disclosure
after normal trading hours* but more than 3 hours before the next session	within 3 hrs
any other case	within 30 mins

\*Normal trading hours mean time period for which the RSEs are open for trading for all investors (9.15 a.m. - 3.30 p.m.)

- *In case the board meeting is conducted after trading hours, additional time may be provided to the listed entities since the market will have sufficient time to absorb the information before beginning of the next trading hours. [SEBI Agenda: Para 15.2.1]*
- Changes with respect to timelines are proposed to be incorporated in Annexure II of the SEBI Circular dated July 13, 2023.

Time of conclusion*	Timeline for disclosure
6:00 AM	9:00 AM (within 3 hours)
6:15 AM	6:45 AM (within 30 min.)
3:30 PM	4:00 PM (within 30 min.)
3:45 PM	6:45 PM (within 3 hours)

\*From SEBI Agenda

- Non-tax litigation claims against listed entity [Sch. III. A.B.8]:
  - within 72 hours of receipt of notice, instead of 24 hrs
  - if all relevant information maintained in SDD as per PIT Regs
    - to provide additional time for assessment of materiality [Expert Committee recommendations: Para 15.4]
  - SDD entry is relevant only if the litigation is considered UPSI for PIT purposes

# Clarification w.r.t. aggregation of tax litigation for materiality assessment

- Tax litigation/ dispute is required to be disclosed under Sch. III.A.B.8. upon determination of materiality
- Relevant clause reads as:  
*Pendency of any litigation(s) or dispute(s) or the outcome thereof which may have an impact on the listed entity*
- Changes with respect to timelines are proposed to be incorporated in Annexure II of the SEBI [Circular](#) dated July 13, 2023.
- Relevant discussion in SEBI BM [[Para 17.2.2. \(iii\)](#)]
  - value for determining materiality of tax litigation = amount of tax payable assessed by the tax authorities
  - quarterly update w.r.t. tax litigation through Integrated Filing (Governance)
  - Tax litigations or disputes, the outcomes of which are likely to have a high correlation, should be cumulated for determining materiality
    - amendment to be notified through separate circular, awaited.

# Schedule III modified (1/2)

## ■ Revision in thresholds attracting disclosure for an acquisition

### ■ Meaning of acquisition

- acquiring control, whether directly or indirectly; or
- acquiring or agreement to acquire shares or voting rights in a company, whether existing or to be incorporated, whether directly or indirectly, such that
  - LE holds shares or voting rights of ~~5%~~ **20% or more** of the shares or voting rights in the said company; or
  - change in holding from the last disclosure exceeding ~~2%~~ **5%** or
  - the cost of acquisition exceeds threshold u/r 30(4)(i)(c)

### ■ Quarterly disclosure of the following:

- acquisition of shares/ voting rights  $\geq 5\%$  in unlisted company **and**
- change in holding  $> 2\%$  from last holding

- The details to be disclosed in relation to acquisition of a to be incorporated company will be specified in the SEBI Circular dated July 13, 2023.

- *Details specified for acquisition of a company may not all be relevant for a newly incorporated company.*

## ■ Clarification w.r.t. reporting of frauds or defaults

- Clarification that disclosure of fraud by SMP limited to instances **only in relation to the listed entity.**

## ■ Clarification w.r.t. forensic audit

- Explanation added to specify the types of forensic audits (as clarified by [SEBI's FAQ](#) in Nov, 2020)
  - initiated with the objective of detecting any misstatement in financial statements, mis-appropriation, siphoning or diversion of funds
  - does not include audit of matters such as product quality control practices, manufacturing practices, recruitment practices, supply chain process including procurement or other similar matters that would not require any revision to the financial statements disclosed by the listed entity

- Clarification w.r.t. inclusive list of means of fundraising to be disclosed as part of BM outcome

## Schedule III modified (2/2)

### ■ Monetary thresholds specified for disclosure of imposition of fine/ penalty

Imposed by	Monetary threshold for disclosure
Sectoral regulator or enforcement agency*	Rs. 1 lac or more
Other authority or judicial body	Rs. 10 lac or more

\*E.g. - RBI, SEBI, IRDA, PFRDA, TRAI, AMFI etc

- Rationale: *Penalties by sectoral regulators/ enforcement agencies pertain to the governance/ functioning of the company which may be crucial for investors and hence, should have a lower threshold for immediate disclosure. [SEBI [Agenda:18.2.1](#)]*
- Fine or penalty imposed lower than above, to be disclosed on a quarterly basis.

### ■ Fraud reporting for debt-listed entities [Sch. III.B.A.17]

*Fraud or defaults, in terms of paragraph 6 of clause A of Part-A of Schedule III, by a listed entity, its promoter, director, key managerial personnel, **senior management or subsidiary** or arrest of key managerial personnel, **senior management, promoter or director of the listed entity, whether occurred within India or abroad;***

# Updated timelines for disclosure of analyst/investor meet

Information to be disclosed	Disclosure on website & SE		Preservation of website disclosure	
	Prior to amendment	Post amendment	Prior to amendment	Post amendment
Schedule of investors' meet	2 working days in advance	Timelines remain same <b>Disclosure of names optional</b>	not specified	
Presentations for analysts or institutional investors meet, post earnings or quarterly calls	promptly	Prior to beginning of such event	5 years, thereafter, as per archival policy	
Audio Recordings	before next trading day or within 24 hours from the conclusion of the call, whichever is earlier.			Min 2 years- on website
Video Recordings (if any)	-Do-	within 48 hours from conclusion		Preservation - min 8 years [Reg 9(b)]
Transcript	5 working days of conclusion of call		Permanently	Min 5 years - on website Preservation - min 8 years [ Reg 9(b)]

# Website disclosures [Reg 46]

- Option to provide exact web-link of SE intimation instead of placing information separately on website
- Website disclosures to include:
  - Memorandum and Articles of Association
  - Brief profile of Board
    - incl. directorship & full-time positions in other bodies corporate
  - Employee Benefit Scheme Documents in terms of SBES Regs
    - excluding commercial secrets and information that may affect competitiveness
    - Redaction to be done with board approval and guidelines to be specified by SEBI
    - **What all documents w.r.t. EBS will be required to be disclosed on website?**
- **By when are the disclosures required to be hosted on the stock exchange?**

- Clarification w.r.t. disclosure of certain agreements [Reg 30A read with Sch. III.A.A.5A]

- disclosure to be given as per the requirement under Schedule III

*The listed entity shall disclose the number of agreements that subsist as on the date of notification of clause 5A to para A of part A of schedule III, their salient features, including the link to the webpage where the **complete** details of such agreements are available, in the Annual Report for the financial year 2022-23 or for the financial year 2023-24.*



**Board, Committees, Compliance officer and SMP related**



## Shareholders' approval for board appointments

## Committee composition and meetings

- **Prior approval** required for appointment/continuation of NEDs beyond 75 years [Reg 17(1A)]
  - extant regs do not specify a timeline
  - was earlier read with timelines under Reg 17(1C)
  - has been subject to various rulings in the past
- Shareholders' approval for board appointment [Reg 17(1C)]
  - Regs require approval within **earlier of 3** months of appointment or next general meeting
  - If subject to approval of regulatory, government or statutory authorities, time taken to receive such approvals excluded
  - not required for director nominated by financial sector regulator, Court or Tribunal
    - however, as per CA, appointment of every director requires shareholders' approval
- Filling of vacancy in committee position
  - in line with the existing requirements for board [Reg 17(1E)]
  - within 3 months from the date of vacancy
  - if by expiry of term: by the date of vacancy
  - not required if does not result into non-compliance
- Compliance with minimum no. of committee meetings
  - to be ensured on a **financial year** basis
  - maximum gap to be checked between two **consecutive** meetings



# Compliance Officer's organisational position strengthened

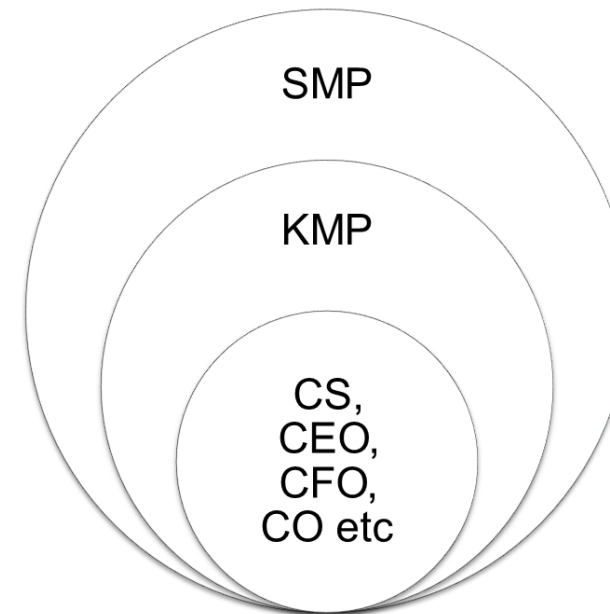
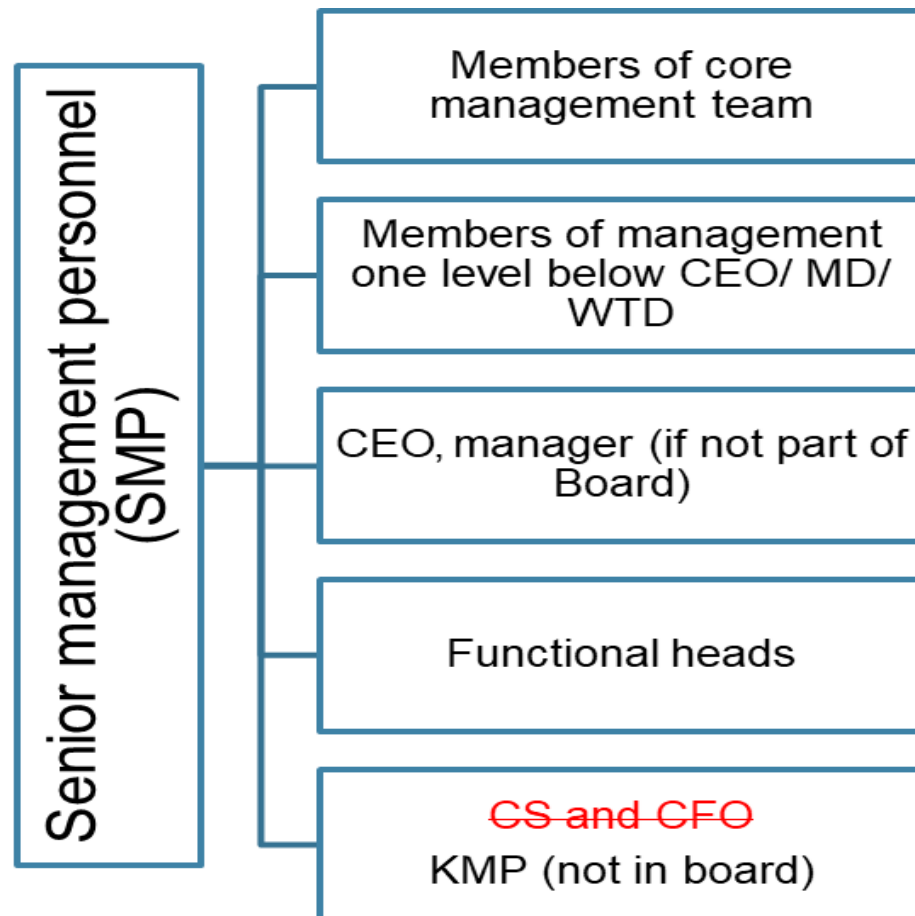


- Compliance Officer shall be [Reg 6]
  - a qualified Company Secretary
  - an officer in whole time employment
  - not more than one level below BOD
  - designated as KMP
- Rationale for such change [Expert Committee: Para 30.2]:
  - (a) The current placement of compliance officer often two level below BOD
  - (b) Need to strengthen his/her role for effective discharge of statutory duties
- Can compliance officer report to CEO? SEBI says yes, leaves it to listed companies to decide, subject to regulatory compliance.

CS + Compliance Officer + KMP + Senior Management = **CXO?**

# Changes in SMP definition

- Definition amended to include all KMPs who are not holding board positions



# Provisions pertaining to SMPs

## Obligations of LE

- Intimating change in SMPs to the stock exchange
  - In case of resignation, along with the letter.
- Disclosure of particulars of SMPs to be given in Annual Report [Clause 5B of CG Report under Schedule V]
  - including changes thereto
- Intimation u/r 30 in the event of
  - Fraud/ default by/ arrest of SMP [clause 6 of Para A of Part A of Sch III]
    - default that has an impact on the listed entity
  - Change in SMP [clause 7 of Para A of Part A of Sch III]
  - Resignation of SMP [clause 7C of Para A of Part A of Sch III]
  - Announcement/ communication through social media intermediaries or mainstream media by SMPs [clause 18 of Para A of Part A of Sch III]

## Obligations of SMPs

- Act with operational transparency while also maintaining confidentiality of information [Reg 4(2)(f)]
- Adhere to code of conduct and affirm compliance on an annual basis [Reg 26(3)]
- disclose all material, commercial and financial transactions in which they have personal interest and which may lead to potential conflict of interest with the listed entity at large [Reg 26(5)]
- Other obligation arising as relevant employee under Reg. 30
- Disclosure requirements under Para A of Schedule III
  - Fraud, default, arrest
  - Resignation letter
  - Actions initiated or taken, order passed under Para A (19)
  - Actions taken, order passed under Para A (20)
- Obligations as a Designated Person under PIT Regs

# Obligations to disclose relevant information

- Obligation on
  - Directors,
  - KMP,
  - Promoters,
  - Members of promoter group and
  - Other persons dealing with the listed entity
    - may include strategic investors, auditors etc
- to disclose relevant information to the listed entity
  - to enable the listed entity to comply with applicable laws.

Nature of information	Person responsible	Related compliance
Any change in the nature of interest of director	Director	Updation of Related Party list
Any agreement entered w.r.t. listed entity of a nature referred to in Clause 5A of Sch. III.A.A.	Promoter, promoter group etc	SE intimation under Reg 30
Profit-sharing arrangement w.r.t. securities of the listed entity	Strategic investor	Shareholder approval u/r 26(6)
Gift of shares of the listed company by promoter	Promoter	Re-classification into promoter as per Reg 31A(6)



## **Secretarial Audit related**



# Secretarial Auditors put in same pedestal as Statutory Auditors (w.e.f. 1.4.25)

- Applicability on
  - listed entity and material unlisted subsidiaries incorporated in India
- Manner of appointment/ re-appointment
  - board to recommend
  - shareholder to approve in AGM
    - expl. statement to contain disclosures as per Reg 36(5)
      - proposed fees, terms of appointment, and rationale for any material change, if any
      - Reasons of recommendation including credentials
- Tenure of secretarial auditor
  - 1 term of 5 years - individual auditor
  - 2 terms of 5 years each - for a PCS firm
  - association before effective date not to be counted
- Cooling off period of 5 years
  - also applicable to a firm having common partners from other firm whose tenure expired in immediately preceding FY
- Removal of secretarial auditor
  - with approval of shareholders in AGM
  - **Does this mean that sec auditor cannot be removed during a FY through an EGM/ postal ballot?**
- Casual vacancy by resignation, death or disqualification
  - To be filled by the BoD within three months
  - Auditor so appointed to hold office till next AGM
- Eligibility criteria
  - Peer Reviewed CS
  - not incurred disqualifications as specified by SEBI
    - final text awaited, however recommendations by Expert Committee in line with Sec 141 of CA (see next slide)
  - Firm may be appointed
    - if majority of partners are eligible
    - only peer reviewed partners authorised to act & sign
- Other services from secretarial auditors
  - as approved by board of directors
  - not to include services specified by SEBI (see next slide)
- ASC Report to be signed by PCS eligible as aforesaid
  - w.e.f. 1st April, 2025
- Actionable for LE:
  - Identify sec auditor to be appointed
  - Take shareholder approval in next AGM

# Disqualifications of sec auditor

Draft circular prescribes following disqualifications for sec auditors in line with those of stat auditors [Sec 141]:

- body corporate, other than LLP
- an officer or employee of LE, including his partner/employee
- person/his relative/ partner holding in LE or its group
  - holding security or interest of FV **not\*** exceeding Rs 1 lac
    - For stat auditors, complete bar on holding of securities except in case of relative upto 1 lac FV
  - indebtedness **not\*** exceeding Rs. 5 lacs
  - given guarantee/ security **not\*** exceeding Rs. 1 lac  
(\*seemingly a typo error)
- Business relationship with LE or its group, except:
  - professional services as permitted under CA, and other Acts
  - transactions in ordinary course and at arm's length price, to the auditor as customer by companies in airline, telecom, hospitals, hotel, other similar businesses
- relative is a director or is in employment as director or KMP of the company

- Person holding position as sec auditor for 15 or more companies
  - For stat auditors, limit is more than 20 cos
  - certain companies are not included for computing limits
- Person convicted of fraud within last 10 years
- Person providing prohibited services directly or indirectly (see next slide)

# Prohibition on rendering of certain services by secretarial auditors

- Internal Audit
- Design and implementation of any compliance management system or system process of compliances, information system, policy framework
  - for stat auditors, design and implementation of any financial information system
- Investment advisory services
- Investment banking services
- Rendering of outsourced compliance management, record keeping & maintenance services
  - for stat auditors, outsourced financial services
- Management services
- Other services u/s 144, not prohibited for secretarial auditor
  - accounting and bookkeeping services
  - actuarial services



## Provisions w.r.t. statutory auditor v/s secretarial auditor for listed companies (1/2)

<b>Particulars</b>	<b>Statutory auditor</b>	<b>Secretarial auditor</b>
Recommendation by	Audit Committee and Board	
Appointment by	Shareholders in AGM	
Tenure	For individual - 1 term of 5 consecutive years For firm - 2 terms of 5 consecutive years	
Cooling-off	5 years	
Re-appointment	Firm may be re-appointed for 1 more term upon completion of 1 term	
Remuneration by	Shareholders, or in the manner approved by shareholders [S. 142] Disclosures to be made in expl. statement: (a) Proposed fees payable along with terms of appointment (b) Any material change in fee payable from that paid to outgoing auditor, with rationale	Not specified in Reg 24A, however, following information to be disclosed in expl. statement: (a) Proposed fees payable along with terms of appointment (b) Any material change in fee payable from that paid to outgoing auditor, with rationale

## Provisions w.r.t. statutory auditor v/s secretarial auditor for listed companies (2/2)

Particulars	Statutory auditor	Secretarial auditor
Removal of auditor	Special resolution from shareholders Approval from Central Govt (RD) [Sec 140]	approval of shareholders in AGM
Resignation by auditor	Possible, notice to be filed with ROC	Possible
Casual vacancy can be filled by	Board - within 30 days of vacancy, however, to be ratified by shareholders within 3 months in case of resignation	Board - within 3 months
Peer review	Mandatory	
Disqualifications	See <a href="#">Slide</a> on disqualifications	
Availing non-audit services	with AC approval [Sec 144]	with board approval
Prohibited services	See <a href="#">Slide</a> on prohibited services	



## **Other Amendments**



# Exemption from applicability of CG Norms for Small LEs

- CG requirements [Reg 16 to 27] do not apply for Small LEs -
  - paid up equity capital and net worth not exceed 10 Cr and 25 Cr respectively.
  - Twin-test window for qualifying exemption
- Proviso to Reg. 15(2) used the term “or” which caused confusion implying that -
  - once CG norms applies on LE;
  - exemption available if either its capital or net worth remains below the threshold for 3 consecutive years.
  - *Inserted via LODR 2nd Amendment Reg 2021*
- SEBI was firm in its approach and intent, except the **drafting issue**.
  - IG issued to *Sky Industries* clarified both conditions must be fulfilled.
  - Guidance by NSE, clarified the same w.r.t. RPT provisions.
- SAT took a contrary view in *Remsons Industries Limited vs NSE & Others*.
  - Based on *sententia legis* (legislative intent) over the *litera legis* (literal text),
- The drafting issue in the proviso now rectified
  - the term “or” replaced with “and”, aligning it with the Regulation text.
- Carve out for Small LEs basis SAT ruling not available henceforth.
- Actionable: Being immediately applicable, companies currently availing exemption to revisit the applicability and ensure necessary compliance

See an [article on the SAT ruling here](#)

# Record date (Reg. 42 and Reg. 60)

Regulation	Equity		Debt	
	Existing	New	Existing	New
Fixing of record date (RD)	-	-		At 15 days before the payment. (to align with newly inserted reg 23(7) in ILNCS Regs)
Advance intimation for RD (except scheme of arrangements)	At least 7 working days (WD)	At least 3 WD	At least 7 WD	At least 3 WD
Timeline to recommend/declare dividend/ cash bonus before RD	At least 5 WD	Omitted	-	-
Gap between two RD (except for scheme of arrangements)	At least 30 days	At least 5 days	-	-
In case of rights issue	At least 3 WD	At least 3 WD	-	-
Closure of transfer books in case of physical shares	LE to announce dates of closure of transfer of books	Omitted	-	-

# Miscellaneous amendments (1/3)

- Provision w.r.t integrated filings introduced in Reg 10(IA) *to reduce the number of filings, fragmentation and duplication of information.* [SEBI agenda: para 2.1.1]
  - SEBI to specify format and timeline
- Definition of 'material subsidiary' u/r 16(1)(c) & Explanation to Reg. 24(1) aligned with ICDR
  - to be identified basis **turnover** and net-worth criteria instead of income and net-worth. [SEBI agenda: para 5.2.2]
- Following to form part of Integrated Filing (Governance):
  - Investor grievance statement u/r 13
  - Corporate governance report u/r 27
- Following discretionary requirements u/r 27(1) r/w Part E of Schedule II introduced:
  - Listed entities ranking from 1,001 to 2,000 may appoint at least one woman ID and may constitute RMC
  - At least 2 meetings of IDs without the presence of non-IDs and management for top 2000 listed entities.
- The Board of Directors must provide a rationale for each special business recommendation in the explanatory statement u/r 17(11).
- New sub-reg (4) added in reg. 50 to provide that disclosures by debt-listed entities will be made in XBRL format as per the guidelines specified by the stock exchanges.

# Miscellaneous amendments (2/3)

- Due to prohibition on transfer of shares in physical mode and negligible physical holding, following has been done away with:
  - provisions related to physical transfer of shares in reg. 40, the certification u/r 40(9) and subsequent disclosure to stock exchange u/r 40(10) has been done away with.
  - separate disclosure requirement u/r 39(3) on loss of physical share certificates.
- Changes in financial results submitted u/r 52
  - Reg. 52(2)(b) amended to align with the Reg. 33(2)(a), financial results are required to be approved by the Board instead of being taken on record
  - Reg. 52(2)(ba) inserted to align with the Reg. 33(2)(b), financial results are required to be signed by Chairperson/MD or WTD or authorized director, instead of MD or executive director.
- The listed entity must provide a letter with the web link and path to access the full Annual Report to shareholders who have not registered their email ids instead of sending of hard copies of financials and annual reports u/r 36(1)(b) [SEBI agenda: para 6.1.1].
  - Rule 11(c) of the Companies (Accounts) Rules mandates the physical dispatch of financial statements to unregistered or physical shareholders, Hence, a representation by ICSI will be made to the MCA requesting relaxation of this requirement.
  - SEBI has already granted relaxation from reg. 36(1)(b) and reg. 44(4) till 30 Sept, 2025.
- Proviso added to reg. 44(4) to clarify that the requirement of sending proxy forms to shareholders for attending meetings through VC/OAVM is not applicable.

# Miscellaneous amendments (3/3)

- Relaxation in financial disclosure and advertisement requirements for listed entities u/r 47 [SEBI agenda: para 5 of annexure III]
  - The requirement for LEs to publish detailed financial results in newspaper has been made optional. Instead, a small box advertisement with the QR code and web link to the page with full financial results will be required to be published for the benefit of the investors.
  - The requirement to publish advertisements of notices given to shareholders, along with simultaneous submission to stock exchange has been done away.





# Promoter reclassification



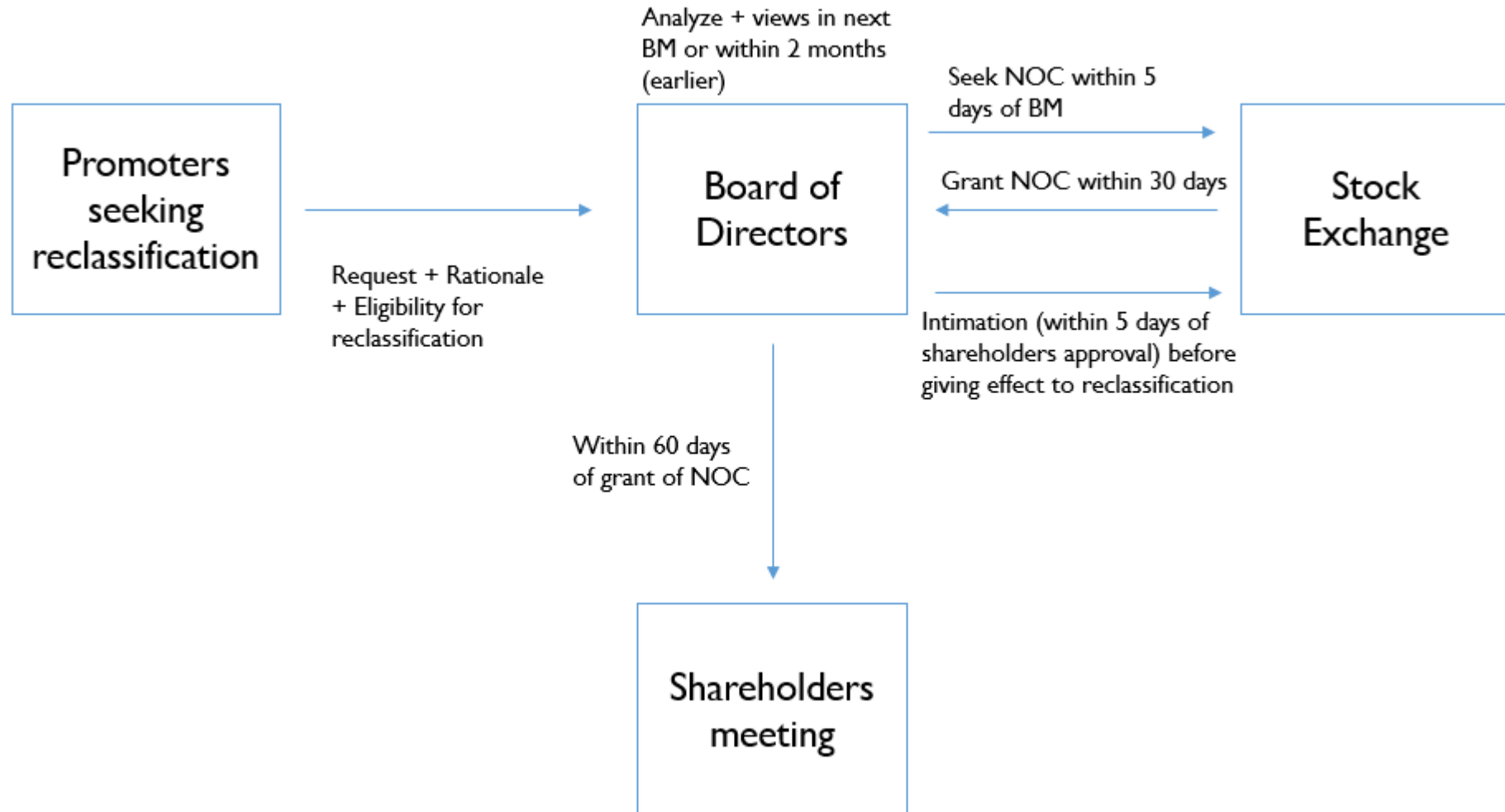
# Stricter timelines for approving promoter reclassification

- Board of directors to analyse the reclassification request and give their views within 2 months:
  - earlier timeline - 3 months;
  - board to give recommendations on the reclassification and not approve/ reject the same;
  - reasons for disagreement (if any) to also be placed before the shareholders
- Application seeking NOC of SEs - within 5 days of consideration by the board:
  - requirement changed from approval of SE to NOC
  - earlier approval had to be sought *after* shareholder approval;
  - this lead to instances of defects being observed in applications received at the final stage
  - SE to grant NOC within 30 days (excluding time taken by LE to respond to SE queries)
    - **Does this mean a deemed NOC of SE in case no communication made for 30 days post receipt of application last set of clarifications?**
  - in case of change in facts & circumstance after receipt of NOC - approval of SE to be sought
- Shareholder approval to be obtained within 60 days of NOC
  - earlier timeline - 1 month to 3 months from board meeting
  - ordinary resolution in which promoters seeking reclassification and related persons to not vote
- Intimate SE and give effect to reclassification
  - within 5 days of obtaining shareholders approval
- Disclosures to be made to SEs:
  - Outcome of BM held for considering reclassification
    - earlier requirement - minutes of the BM
    - view of the board to also be disclosed
    - disclosure within 24 hrs of conclusion of BM
  - Submission of application seeking NOC from SE:
    - disclosure within 24 hrs of occurrence of event
  - Approval of shareholders for promoter reclassification:
    - disclosure within 2 working days of obtaining approval
  - Public shareholder seeking re-classification as promoter to disclose intention for reclassification in the letter of offer

# Relaxation from compliances under reg. 31A

- Where reclassification is of the promoter of an entity for which resolution plan is approved
  - exemption from compliance with reg. 31A(3), (4) & (8) if, in addition to the existing conditions:
    - Resolution plan was disclosed to SE within 24 hours along with the fact that the promoter would cease to be a part of the promoter/promoter group (new requirement)
- Where promoter reclassification is pursuant to open offer /scheme of arrangement:
  - exemption from reg. 31A(3)(a) dealing with the procedure of reclassification and Reg. 31A(8) dealing with disclosure requirements, if in addition to the existing conditions:
    - compliance with Reg 31A(3)(b) and (c)
    - Disclosure of reclassification is done to the SE within 24 hours of completion of open offer/ scheme of arrangement
- Meaning of 'completion of open offer' inserted:
  - the date of actual transfer of shares from the promoter seeking reclassification to the new acquirer, or
  - the date on which the new acquirer takes control of the listed entity,
  - whichever is later.
- Meaning of 'completion of scheme of arrangement' inserted:
  - date on which shares are credited to all eligible shareholders of the listed entity or the transferee entity or the resulting entity in terms of the approved scheme.

# Process flow



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