

COVERAGE

⌘ Impact under various Acts

⌘ Listing Process

⌘ Post Listing Compliances

ACTS

✧ Companies Act, 2013

✧ SEBI (Issue & Listing of Debt Securities) Regulation, 2008

✧ SEBI (Debenture Trustees) Regulation, 1993

✧ SEBI (Listing obligations & Disclosure Requirements) Regulation, 2015

✧ RBI Regulations

IMPACT UNDER COMPANIES ACT, 2013

a). Listed Company

Sec 2(52)- **Listed Company** means a company which has any of its **securities** listed on any recognized stock exchange.

b). Deposits (Exempted)

Rule 2(1)(c)(ixa) amount raised by issue of **non-convertible debenture not constituting charge on the assets** of the company and **listed** on recognized stock exchange is as per regulations made by SEBI.

SECURITIES TO BE DEALT WITH IN STOCK EXCHANGE(Sec 40)

- a) Make an application to recognized stock exchange and obtain permission for listing.
- b) Prospectus shall state the name of stock exchange in which securities are dealt.
- c) Application Money shall be kept in separate bank account.
- d) Application money shall be utilized for:
 - i) the objects of the issue or
 - ii) refund of excess application money.

PAYMENT OF COMMISSION

Rule 13 (Section 40)

- ✧ Authorized by the Articles of Association.
- ✧ Paid from proceeds or profit of the company.
- ✧ Shall not exceed 5% of issue size.
- ✧ The prospectus shall disclose the name of underwriter, the rate and amount of commission payable and number of securities subscribed by the underwriter.

OFFER OR INVITATION FOR SUBSCRIPTION OF SECURITIES ON PRIVATE PLACEMENT

Sec 42

- ❧ Prepare and approve letter of offer in PAS-4.
- ❧ Details of persons to whom letter of offer is issued in PAS-5.
- ❧ File PAS-4 and PAS-5 in form GNL-2.
- ❧ Open separate Bank Account.
- ❧ Accept application money.
- ❧ Allot and file PAS-3.
- ❧ Utilize the fund for the objects mentioned in issue or for refund.

PRIVATE PLACEMENT

Rule 14(2)(a) (Section 42)

✧ Second Proviso of sub section 2 of Rule 14 states that in case of offer or invitation for non-convertible debentures, the company shall pass a previous **special resolution once in a year.**

DEBENTURES

Sec 71(4)

- ✧ Creation of Debenture Redemption Reserve (DRR) is not applicable to Non Banking Financial Companies (NBFC).

Sec 71(5)

- ✧ The company shall appoint Debenture Trustees before issuing a prospectus or making invitation to public or members exceeding five hundred for subscribing debentures.

Sec 71(10)

- ✧ Where the company fails to redeem the debentures or fails to pay interest, the Tribunal can direct the company to redeem the debentures and pay the principal and interest due.

Rule 18 (Section 71)

- ❧ *Sub Rule(1)(c)* - shall appoint a debenture trustee before the issue of prospectus and execute a Debenture Trust Deed within three months of closure of the issue or offer.
- ❧ *Sub Rule(1)(d) NBFC* can create charge or mortgage on any movable property.
- ❧ *Sub Rule(7) NBFC* Debenture Redemption Reserve is not applicable [Refer Sub Rule 7(b)(i)].

DIRECTORS


Sec 149(4)

- ✧ Every **listed public company** shall have at least one-third of the total number of directors as independent directors.
- ✧ Second Proviso of sub sec 1 of sec 149 read with Rule 3(i) - **every listed company** shall have at least **one** women director.

AUDIT COMMITTEE (AC)

Sec 177

- ⌘ *Sub sec(1)* - Every listed company shall have Audit Committee(AC).
- ⌘ *Sub sec(2)* shall constitute minimum three directors with majority of independent directors.
- ⌘ *Sub sec(4)* states the scope of audit committee:
 - a) Recommendation for appointment and remuneration of auditors.
 - b) Evaluation of internal financial controls and risk management systems.

- 
- c) Review and monitor the auditors independence and performance.
 - d) Examination of financial statements and auditors report.
 - e) Approval of transactions of the company with related parties.
 - f) Scrutiny of inter-corporate loans and investments.
 - g) Valuation of assets of the company.
 - i) Monitoring the use of funds raised through public offers.

Sub sec 8

✧ The Boards' Report shall disclose the composition of AC.

Sub sec 9

✧ **Every listed company** shall establish a vigil mechanism.

Sub sec 10

✧ The vigil mechanism shall provide for adequate safeguards against victimization of persons.

Proviso to sub sec 10

✧ Boards Report shall disclose details of establishment of such mechanism.

Establishment of vigil mechanism

RULE 7:

The audit committee shall oversee vigil mechanism.

Sub Rule 3

∞ The Board of Directors shall nominate a director to play the role of audit committee for vigil mechanism.

Sub Rule 4

∞ The vigil mechanism shall provide adequate safeguards against victimization of employees and directors.

Sub Rule 5

∞ Adequate safeguards and suitable action shall be taken against frivolous complaints.

RELATED PARTY TRANSACTION (RPT)

RULE 6(A) -

All RPTs shall require approval OR make omnibus approval for RTPs on satisfaction of following conditions:

(1) The AC shall specify the criteria for making omnibus approval:

- a) Maximum value of transaction which can be allowed in omnibus route in a year.
- b) Maximum value per transaction.
- c) Manner of disclosure made to audit committee at the time of seeking omnibus approval.
- d) Review of RTPs entered into by the company.
- e) Transactions which are not subject to omnibus approval by audit committee.

(2) The AC shall consider the following factors for making omnibus approval:

- a) Transactions to be repetitive in nature
- b) Justify the omnibus approval.

Sub Rule 4: The omnibus approval shall contain the following:

- ∞ Name of the related party.
- ∞ Nature and duration of transaction.
- ∞ Maximum amount of transaction that can be entered.
- ∞ The indicative base price or current contracted price and the formula for variation on price.
- ∞ Any other information relevant for audit committee to take decision on proposed transaction.

Sub Rule 5

- ∞ Omnibus approval shall be valid for a period not exceeding **one financial year**.

NOMINATION & REMUNERATION COMMITTEE(NRC)

Sec 178(1)

- ✧ Every listed company shall constitute the NRC.
- ✧ The NRC shall consist of three or more non-executive directors.
- ✧ Not less than one half shall be independent directors.
- ✧ The chairperson of the company may be member of the NRC but shall not chair the committee.

ROLE OF NRC

- a) Identify person who are qualified to become directors.
- b) Appoint directors or senior management in accordance to the criteria laid down.
- c) Recommend to the Board their appointment and removal.
- d) Carry out evaluation of every directors performance.
- e) The NRC shall formulate the criteria for determining qualifications, positive attributes and independence of the director.
- f) To recommend to the Board , a policy relating to the remuneration for the directors, Key managerial personnel and other employees and to comply with Sec 178(4) while formulating the remuneration policy.

[The policy shall be disclosed in Board Report]

DISCLOSURE IN DIRECTORS REPORT

Sec 134(3)(p)

✧ **Every listed company** - provide a statement indicating the manner in which formal annual evaluation has been made by the Board of its performance and that of its committees and individual directors.

Sec 197

✧ Disclosure on managerial remuneration as given under Rule 5 u/s 197 is given in Boards' Report [**Annexure 1**].

OTHER APPLICABLE SECTIONS

Sec 92

⌘ Annual Return certification by Practicing Company Secretary.

Sec 120

⌘ Maintenance and Inspection of documents in Electronic form(not mandatory).

Sec 134(3)(9)

⌘ Annual performance evaluation of Board.

Sec 135

⌘ Corporate Social Responsibility(CSR) is applicable to the company.

Sec 138

∞ Internal Audit.

Sec 139

∞ Rotation of Auditors.

Sec 203

∞ Appointment of Key Managerial Personnel.

Sec 204

∞ Secretarial Audit.



**SEBI (ISSUE AND LISTING OF
DEBT SECURITIES)
REGULATIONS, 2008**

The issuer shall make an application to stock exchange in terms of **Sec 40** of Companies Act, 2013.

Condition precedent to listing of debt securities:

- ✧ The issuer shall disclose details given in **schedule I [Annexure-2]**.
- ✧ The issuer shall comply with **Companies Act, 2013**.
- ✧ **Credit Rating** shall be obtained in respect of debt securities from at least one credit rating agency.
- ✧ The debt securities shall be listed in **Dematerialized form**.
- ✧ Listing can be done in more than one recognized stock exchange, however issuer shall choose one of them as designated stock exchange.
- ✧ Payment of fees , **clarifications and formats of Report** is as per Schedule V [**Annexure 3**].

FILING OF SHELF DISCLOSURE DOCUMENT

Rule 21A

- ✧ The filing of shelf disclosure document format provided in Schedule I - valid for 180 days.
- ✧ Beyond 180 days-an updated disclosure document.

ELECTRONIC BOOK MAINTAINANCE(EBM)

EBM is applicable to an issue size of Rs.500 crore or more in **financial year**.

The following issuer shall have an option to follow Electronic Book Mechanism(EBM) OR existing mechanism:

- I. Issues with single investor and where coupon rate are fixed. However arrangers acting as underwriters shall not be considered as single investor.
- II. Issue size shall be less than Rs.500 crore.

Electronic Book Provider(EBP):

✧ means Stock Exchanges.

Arranger :

✧ Means Merchant Bankers, RBI registered Primary Dealers (or) any other registered intermediaries.

Sub-arranger :

✧ Means any Broker registered with SEBI.

WORKING OF EBP:

A. Pre-Bid Procedure:

✧ Participants shall enroll with EBP.

✧ EBP shall provide the details of Qualified Institutional Buyers(QIB).

B. Bidding Procedure:

- ❧ Bidding shall be allowed in Bidding time window specified by issuer.
- ❧ Participants shall make multiple bids.
- ❧ Acknowledgement of the bids received shall be given.

POST BIDDING :

- ❧ All bids received shall be provided by EBP.
- ❧ Issuer has an option to accept or reject bids.
- ❧ Allotment shall be made in dematerialized form.

Notification and FAQ relating to **Electronic book mechanism** for issuance of debt securities on private placement basis is provided in [[Annexure-4](#)].

SEBI Notification on Filing of Forms PAS-4 and PAS-5

∞ SEBI Notification on Electronic Filing of Forms PAS-4 and PAS-5 in case of issuance of debt securities on private placement basis is provided in [[Annexure-5](#)].

SEBI (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATION, 2015

- Chapter III(Common Obligations of Listed Entities) is provided in [**Annexure-6**].



SEBI(LODR)Regulations, 2015

*Common Obligations Of Listed Entities
and
NCD Related Obligations*

SEBI(LODR)Regulations, 2015 Common Obligations Of Listed Entities

Regulation No	Particulars	Time Period
Reg6(1) &(2)	Company shall appoint Company Secretary as Compliance Officer.	Continuous Compliance.
Reg 7(1)	Company shall appoint Share Transfer Agent (RTA).	Continuous Compliance.
7(2) & (3)	Submission of compliance certificate with respect to transfer of Securities and appointment of RTA	Within 1 month of end of half year.
Reg 9	<p>Policy on Preservation of Documents can be done in two ways:</p> <p>a).Permanently Preserved. b).For not less than eight years. c).Preserve in e-mode.</p>	Continuous Compliance.

Reg 12

**a) Payment of Interest / redemption in e-mode by using method.
b) Payment through warrants and cheques can be sent through speed post.**

Event based

Reg 13(2)

**For redressal of investor grievances , the company shall register with:
a).SCORES
B).Any other electronic platform.**

Continuous Compliance

Reg 13(3)

Quarterly statements of investor complaint with Recognized Stock Exchange.

within 21 days of end of quarter.

NCD as per SEBI (Issue and Listing of Debt Securities) Regulations, 2008

Regulation No	Particulars	Time Period
Reg 50(1) & 60	Prior intimation for payment of interest to be made to stock exchange.	11 days before the payment of interest.
Reg 50(2) & (3)	Prior intimation to stock exchange to raise fresh non-convertible debentures.	2 working days in advance.
Reg 51(1) & (2)	Intimation to stock exchange in case of price sensitive information.	Event based
Reg 52(1)	Submission of half yearly un-audited or audited financial results.	Within 45 days from end of half year.

Reg 52(3)	Submission of Annual Audited FS along with Form A or Form B.	Within 60 days from end of financial year.
Reg 52(7)	In case of material deviation of proceeds of non convertible debentures, then company shall include a statement.	To be included in half yearly results.
Reg 52(8)	Publication of financial results in English National Daily.	Within 2 calendar days of conclusion of Board Meeting.
Reg 53	Disclosures in Annual Report.	Event based – in line with Companies Act, 2013.
Reg 54(1)	100% Asset cover to discharge the principal amount.	Continuous Compliance

Reg 54(2)	Intimation of security created against secured listed NCD with stock exchange.	Quarterly, Half-yearly and Annually.
Reg 55	Company shall get rating reviewed from Credit Rating Agency registered with SEBI.	Yearly.
Reg 56(1)(a)	Submission of Annual Report with Debenture Trustee.	Event based.
Reg 55(1)(b)	Copy of notice, resolution to be submitted with Debenture Trustees.	Event based.

Reg 55(1)(d)	Submit half yearly certificate for maintenance of 100% asset cover to Debenture Trustees.	Half-Yearly
Reg 57(1)	Submit certificate of payment of Principal and Interest to stock exchange.	Within 2 days of becoming due.
Reg 57(2)	Furnish undertaking to stock exchange for compliance of documents to Debenture Trustees.	Yearly
Reg 58(1)	Company to send Annual Report by email or hard copy.	Event based.
Reg 58(2) & (3)	Notice of meetings to NCD with proxy form.	Event based.

Reg 59	Prior approval of stock exchange for making material modification in the NCDs.	Event based.
Reg 61	No declaration of dividend in case of default in payment of interest.	Event based.
Reg 62(1)	Website disclosures include: Details of business, Copy of Annual Report, Contact details of officials, email address for grievance redressal, name of debenture trustee, compliance report, default by issuer, failure to create charge, reports and notices of NCDs.	Continuous Compliance.

Reg 62(2)

Issue of Press Release for above events.

Event based.

Reg 64(1)

In case of delisting of specified securities from stock exchange, provisions of chapter V to be followed.

Event based.

Reg 64(2)

In case of delisting of non-convertible debt securities and non-convertible redeemable preference shares, provisions of chapter IV to be followed.

Event based.

*SEBI has given Notification for calculating the
Number of days for Interest Payment*

∞ The method is provided in [**Annexure-7**].

RBI REGULATIONS

∞ Raising Money through Private Placement of Non-Convertible Debentures (NCDs) by NBFCs is provided in [[Annexure-8](#)].



Q & A



Thank
You