

SEBI FURTHER EASES COMPLIANCE NORMS AMIDST THE COVID-19 SITUATION

1. INTRODUCTION

In our news alert published last week, we had discussed some much-needed exemptions granted by the Securities and Exchange Board of India (“SEBI”) to listed companies grappling with the disruption caused by the outbreak of COVID 19. As the medical crisis escalates and markets continue to free-fall, regulators are being increasingly flexible with respect to compliance and reporting obligations. For instance, through notifications released yesterday, SEBI extended the timelines for *all* filing and compliance obligations of real estate investment trusts (“REITs”) and infrastructure investment trusts (“InvITs”) for the financial year ending as on March 31, by 1 month.¹

Further, in continuation to its circular dated March 19, 2020, SEBI has, by a circular dated March 23, 2020 (“Circular”) granted relaxations to entities which have listed (or, for certain matters, intend to list) non-convertible debentures (“NCDs”), non-convertible redeemable preference shares (“NCRPS”), municipal debt securities (“MDS”) and commercial papers (“CPs”).² We discuss below some of the key dispensations granted by SEBI through the Circular.

2. KEY RELAXATIONS

2.1 Extension of timeline for issuance and filings for issuers who propose to list NCDs/NCRPS/CPs

A company proposing to undertake a public issue of NCDs/NCRPS/CPs is required to include, in its offer document, audited financial statements which are not older than 6 months from the date of the offer document.³ However, existing equity and/or debt listed entities that are in compliance with the relevant listing agreements, can, in such offer document, disclose unaudited financials with limited review report (instead of audited financials) for the latest interim financial period.⁴

Accordingly, issuers proposing to list NCDs/NCRPS/CPs using audited financials as on and for the period ended as on September 30, 2019, would have been able to issue their prospectuses till March 31, 2020. The Circular extends this deadline till May 31, 2020.

2.2 Submission of financial results

Entities that have issued listed NCD/NCRPS/CPs are required to submit half yearly financial results within 45 days from the end of the half year, and annual financial statements within 60 days from the end of financial year.⁵

¹ SEBI circular no. SEBI/HO/DDHS/CIR/P/2020/42 dated March 23, 2020.

² SEBI circular no. SEBI/HO/DDHS/ON/P/2020/41 dated March 23, 2020.

³ SEBI circular no. CIR/IMD/DF/18/2013 dated October 29, 2013; SEBI/HO/DDHS/CIR/P/2019/115 dated October 22, 2019 and SEBI/HO/DDHS/CIR/P/2019/167 dated December 24, 2019.

⁴ *Ibid.*

⁵ Reg. 52(1) and (2) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Further, entities that have issued listed MDS are required to submit annual financial statements within 60 days from the end of financial year.⁶

For the half year/fiscal year ended as on March 31, 2020, the relevant reporting deadlines would, accordingly, have been May 15, 2020 (for half yearly financial results) and May 30, 2020 (for annual results). The Circular extends the deadline for each such submission till June 30, 2020.

2.1 Large corporate-initial disclosure and annual disclosure

A listed entity, identified as a 'large corporate', is required to make an initial disclosure (as regards its qualification as a large corporate) within 30 days from the beginning of a financial year, and annual disclosure (of incremental borrowings during the year) within 45 days from the end of financial year.⁷ For the financial year ended as on March 31, 2020, the timelines for such disclosure, accordingly, would have been April 30, 2020 (for initial disclosure) and May 15, 2020 (for annual disclosure). The Circular extends the deadlines for both submissions till June 30, 2020.

2.2 Submission of investor grievance and quarterly accounts report

An issuer of listed MDS under the Securities Exchange Board of India (Issue and Listing of Municipal Debt Securities) Regulations, 2015, is required to submit an investor grievance report within 30 working days from end of each half year and quarterly accounts within 45 days from the end of each quarter.⁸

For the quarter ended as on March 31, 2020, the relevant reporting deadline for both reports would have been May 15, 2020. The Circular extends the deadlines for submissions till June 30, 2020.

3. Conclusion

In the wake of SEBI's lifeline to equity listed entities last week, the Circular, as well as the extension of reporting timelines of REITs and InvITs are measures taken in line with the safety-net being offered by regulators all over the world to pacify turbulent markets and companies in the face of COVID-19 outbreak. The extensions granted by SEBI will bring much needed relief to the listed entities whose day-to-day functioning has been adversely impacted like never before, from the restrictions on travel, free movement of people and the doldrums in the world economy.

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⁶ Clause 2.1.2 of SEBI circular no. SEBI/HO/DDHS/CIR/P/134/2019 dated November 13, 2019.

⁷ Clause 4.1 of SEBI circular no. SEBI Circular HO/DDHS/CIR/P/2018/144 dated November 26, 2018). A "large corporate" is defined in this circular to mean a listed entity that, as of the last date of a financial year (a) specified securities (equity shares or convertibles), debt securities or non-convertible preference shares listed on a recognised stock exchange, (b) have outstanding long-term borrowing (original maturity of at least one year) except for external corporate borrowings and inter-corporate borrowings of INR 100 crore or higher; and (c) has credit rating of "AA" or above, with respect to unsupported bank borrowings, or plain vanilla bonds that have no structuring/ support built in.

⁸ Clause 2.3.3 of SEBI circular no. CIR/IMD/DF1/60/2017 dated June 19, 2017.

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