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Analysing developments impacting business

COVID 19: DEBT LISTED COMPANIES - SEBI RELAXES DISCLOSURE REQUIREMENTS

24 March 2020

Amidst the outbreak of COVID 19, the Securities and Exchange Board of India (SEBI) had previously extended the compliance timelines prescribed under Regulations 7(3) (Submission of compliance certificate signed by share transfer agent), 13(3) (Grievance Redressal Mechanism), 24A (Secretarial Audit), 27(2) (Corporate Governance Compliance Report), 31 (Shareholding pattern disclosure) and 33 (Financial Results) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (SEBI LODR Regulations) on 19 March 2020 (SEBI LODR Circular). In continuation of the same, the SEBI vide its circular (Ref: SEBI/HO/DDHS/ON/P/2020/41) dated 23 March 2020 (SEBI Circular) has provided certain relaxations to companies which have listed non-convertible debentures (NCDs), non-convertible redeemable preference shares (NCRPS), municipal debt securities (MDS) and commercial papers (CPs), with respect to compliance with the SEBI LODR and the SEBI (Issue and Listing of Debt Securities) Regulations, 2008 (SEBI ILDS).

The relaxations come into force with immediate effect.

Key Relaxations

Extension of timeline for issuance and filings for issuers who have listed /propose to list their NCDs, NCRPS and CPs

Public Issue of Debt: In accordance with the provisions of the SEBI ILDS and various circulars issued by the SEBI, companies proposing to make a public issue of debt securities are required to provide audited financials which are not older than 6 months from the date of the offer document. However, SEBI's circular dated 29 October 2013 allowed compliant listed entities (that have listed equity shares or debentures and in compliance with the listing agreement) to disclose unaudited financials with limited review report, instead of audited financials, for the stub period. The SEBI Circular has now extended this treatment to all companies proposing to make public issue of debt securities and has permitted them to disclose their audited financials as on September 30, 2019 for their proposed issuance on or before 31 May 2020, granting them a much-needed relaxation of 60 days.

Commercial Papers: Similarly, prospective issuers of CPs, are required to submit their latest audited financials that are not older than 6 months. An exemption has been granted to compliant listed entities (that have listed equity shares or debentures and in compliance with the SEBI LODR) by SEBI vide its circular dated 22 October 2019, whereby such issuers were permitted to file their unaudited financials with limited review for the stub period in the current financial year. The SEBI Circular has now

extended this relaxation to all prospective issuers of listed commercial papers. Hence, prospective issuers can disclose their audited financials as on 30 September 2019 for their proposed issuance(s) on or before 31 May 2020, granting them a much-needed relaxation of 60 days.

Prospective Issuers of NCRPS: With the objective of enabling prospective issuers of listed NCRPS, the SEBI Circular has relaxed the timeline for disclosure of audited financials in an offer document. The SEBI Circular provides that prospective issuers of listed NCRPS can disclose their audited financials as on 30 September 2019 for their proposed issuance(s) on or before 31 May 2020.

Extension of timeline for filings under SEBI (LODR) Regulation 2015

The SEBI Circular has extended has temporarily relaxed certain compliance requirements, applicable to debt listed companies, as specified under the SEBI LODR. The following relaxations have been granted:

No.	Regulation and associated filing	Filing	Relaxation w.r.t. the Half Year / Financial Year ending 31 March 2020
1.	Fund raising by issuance of Debt Securities by Large Entities: Initial Disclosure and Annual Disclosure (Ref: SEBI Circular HO/DDHS/CIR/P/2018/144 dated 26 November 2018)	<p><u>Frequency:</u> Annual</p> <p><u>Due within:</u> Initial Disclosure - within 30 days from the beginning of Financial year;</p> <p>Annual Disclosure - within 45 days from the end of Financial year</p>	<p>With respect to Initial disclosures, a relaxation period of 60 days has been provided, until 30 June 2020.</p> <p>With respect to Annual disclosures, a relaxation period of 45 days has been provided, until 30 June 2020.</p>
NCDs/ NCRPS			
2.	Financial Results: Regulation 52 (1) and (2) of the SEBI LODR	<p><u>Frequency:</u> Half yearly</p> <p><u>Due within:</u> (i) 45 days from the end of the Half Year; (ii) 60 days from the end of Financial Year for Annual Financial Results</p>	<p>With respect to half yearly financial statements, a relaxation period of 45 days has been provided, until 30 June 2020.</p> <p>With respect to annual financial statements, a relaxation period of 30 days has been provided, until 30 June 2020.</p>

3.	Common Obligations: Chapter III of the SEBI LODR	Timelines prescribed in the SEBI LODR Circular.	
CPs			
4.	Financial Results	<u>Frequency:</u> Half yearly <u>Due within:</u> (i) 45 days from the end of the Half Year; (ii) 60 days from the end of Financial Year for Annual Financial Results.	With respect to half yearly financial statements, a relaxation period of 45 days has been provided, until 30 June 2020. With respect to annual financial statements, a relaxation period of 30 days has been provided, until 30 June 2020.

Extension of timeline for filings prescribed for Issuers of Municipal Debt Securities

The SEBI Circular has extended has temporarily relaxed certain compliance filings as required under the SEBI (Issue and Listing of Municipal Debt Securities) Regulations 2015 (SEBI ILDM). The following relaxations have been granted:

No.	Regulation and associated filing	Filing	Relaxation w.r.t. the Half Year / Financial Year ending 31 March 2020
1.	Investor grievance report	<u>Frequency:</u> Half yearly <u>Due within:</u> Within 30 days from the end of the half year.	A relaxation period of 45 days has been provided, until 30 June 2020.
2.	Financial Results	<u>Frequency:</u> Half yearly <u>Due within:</u> Within 60 days from the end of the financial year for Annual Financial Results.	A relaxation period of 30 days has been provided, until 30 June 2020.
3.	Accounts maintained by issuers under SEBI ILDM	<u>Frequency:</u> Quarterly <u>Due within:</u> Within 45 days from the end of every quarter.	A relaxation period of 45 days has been provided, until 30 June 2020.

Comment

With COVID-19 being declared a pandemic, various companies have found themselves facing challenges with respect to their operations and disclosure compliance norms. Hence, the SEBI Circular comes as a much needed benefit to debt listed companies and companies proposing to issue debt securities. The SEBI Circular is in line with the SEBI LODR Circular released on 19 March 2020 and clearly attempts to provide flexibility to listed companies during these turbulent times. By providing relaxations to compliance with both the SEBI ILDS/ SEBI ILDM and the SEBI LODR, SEBI has attempted to encourage listing of new NCDS, NCRPS, CPs while ensuring existing listed companies are able to comply with their disclosure requirements. This move will not only help companies, but also provide much needed relief to their auditors.

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