

SEBI
(Listing Obligations and
Disclosure Requirements)
Regulations, 2015
(LODR)



SEBI , LODR,2015

JK SHAH CLASSES

- In 2015, SEBI has revamped the listing agreement compliance requirement and replaced it with the new SEBI (Listing Obligation & Disclosure Requirements) Regulation, 2015 notified on September 2, 2015 which came into force from December 1, 2015.

OBJECTIVE OF REGULATION

- To align the listing agreement with the Companies Act, 2013.
- To consolidate the provisions of existing listing agreements for different segments.

APPLICABILITY

The LODR are applicable to a listed entity which has listed any of the following designated securities on RSE:

- ❖ Specified securities i.e. equity shares and convertible securities listed on main Board, or SME Exchange or institutional Trading Platform;
- ❖ Non-convertible Debt Securities, Non-convertible Redeemable Preference Shares, Perpetual Debt Instrument, Perpetual Non-cumulative Preference Shares;
- ❖ Indian depository receipts;
- ❖ Securitized Debt Instruments;
- ❖ Units issued by mutual funds;
- ❖ Other securities as may be specified by SEBI.

CATEGORIES OF OBLIGATIONS OF LISTED ENTITIES

1. Common Obligation which are applicable to all listed entities.
2. Obligation of Listed Entities whose specified securities are listed.
3. Obligation of Listed entities which has listed its
 - Non-convertible Debt Securities, OR
 - Non-convertible Redeemable Preference shares, OR
 - Both
1. Obligation of listed entities which has listed its Specified Securities and Nonconvertible Debt Securities or Non-convertible Redeemable Preference shares or Both.
2. Obligation of Listed entities which has listed its Indian Depository Receipts.
3. Obligation of Listed entities which has listed its debt instruments.
4. Obligation of Listed entities which has listed its Mutual Fund units.

COMPLIANCES UNDER SEBI (LODR) REGULATIONS, 2015

ONE TIME COMPLIANCES	
Reg 6(1)	A listed entity shall appoint a CS as the Compliance Officer
Reg 7(1)	The listed entity shall appoint a share transfer agent or shall have in house share transfer facility
Regulation 9	The listed entity shall appoint a share transfer agent or shall have an in house share transfer facility
Regulation 18	Constitution of Audit Committee
Regulation 19	Constitution of NRC
Regulation 20	Constitution of SRC
Regulation 21	Constitution of Risk Management Committee
Regulation 22	Constitution of Vigil Mechanism

QUARTERLY COMPLIANCES

Regulation	Particulars	Time limit
Reg 13(3)	Submission of Investor Grievance Statement A statement giving the no. of investor complaints <ul style="list-style-type: none"> ✓ pending at the beginning of the quarter, ✓ received during the quarter, ✓ disposed of during the quarter, and ✓ remaining unresolved at the end of the quarter 	Within 21 days from end of quarter
Reg 27	Submission of Corporate Governance Report Content: Quarterly Compliance report on Corporate Governance	Within 15 days from end of quarter
Reg 31(l)(b)	Submission of Share Holding Pattern Content: A statement showing holding of securities and shareholding pattern separately for each class of securities.	Within 21 days from end of quarter
Reg 33(3)	Submission of Financial Results and Consolidated Financial Results Content: Quarterly and year-to-date financial results and Consolidated Financial Results	Within 45 days from end of quarter

YEARLY COMPLIANCE

7(3)	Submission of Compliance Certificate Certificate duly signed by both the compliance officer of the listed entity and the authorised representative of the share transfer agent	Within 1 month of end of each half of the FY
40(9)	Certificate from PCS The listed entity shall ensure that the share transfer agent and/or the in-house share transfer facility, as the case may be, produces a certificate from a PCS Content: Certifying that all share certificates have been issued within 30 days of the date of lodgement for transfer.	Within 1 month of end of each half of the FY
40(10)	Submission of PCS Certificate The certificate received above in regulation 40(9) will be submitted by Listed Entity to RSE.	As soon as received by STA/In-house transfer facility
SEBI (LODR) (Amendment) Regulations, 2018	Submission of Consolidated RPT Listed entity to submit disclosures of related party transactions on a consolidated basis to SE.	Within 30 days from the date of publication of the standalone & consolidated financial results for the half-year

YEARLY COMPLIANCES

Regulation	Particulars	Time limit
Regulation 14	Payment of Annual fee Annual fee of SE where securities of the company are listed.	Within 30 days of the end of FY
Regulation 33(3)	Submission of Annual Audited Financial Results and Audit Report Content: Annual audited standalone financial results with audit report and Statement on Impact of Audit Qualifications Submitted by: Listed Entity Submitted to: RSE Special Note: The recent amendments relax the requirement of getting the financial results of the last quarter audited before submission and allows limited review of financial results of the last quarter.	Within 60 days from end of quarter

Regulation 34	Submission of Annual Report The listed entity shall submit the annual report to the SE.	<p>Annual reports filed till the Year ending 31st March 2018 - Within 21 WD of it being approved and adopted in the AGM</p> <p>Annual reports filed for the Year ending 31st March 2019 and thereafter - Not later than the day when annual return were dispatched to the shareholders</p>
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SEBI (LODR) (Amendment) Regulations, 2018,	Disclosures of key changes in financial indicators A. Details of significant changes (i.e., change of 25% or more as compared to the immediate PY) including: <ul style="list-style-type: none">✓ Debtors turnover✓ Inventory turnover✓ Interest coverage ratio✓ Current ratio✓ Debt equity ratio	To be disclosed in the Management Discussion and Analysis (MD&A) section of the annual report
Regulation	YEARLY COMPLIANCES Particulars	Time limit
SEBI (LODR) (Amendment) Regulations, 2018	Disclosures of subsidiary accounts Separate audited financial statements of each subsidiary of the listed entity should be uploaded	At least 21 days prior to the date of the AGM called to consider accounts of that FY

EVENT BASED COMPLIANCES

Regulation	Particulars	Time limit
7(5)	Appointment of Share Transfer Agent The listed entity shall intimate the appointment of Share Transfer Agent, to the stock exchange	Within 7 days of Agreement with RTA
28(1)	In-principal Approval The listed entity shall obtain In-principle approval from RSE	Prior making a fresh issue
29(1)(a) & 29(2)	Intimation of BM for approval of Financial Result Prior intimations of Board Meeting for approval of financial result viz. quarterly, half yearly or annual, to the stock exchange	At least 5 clear days in advance (excluding the date of the intimation and the date of the meeting)
29(3)	Intimation of BM Prior intimations of Board Meeting for alteration in nature of Securities to the SE	At least 11 clear days in advance (excluding the date of the intimation and the date of the meeting)

29(1)(b), (c), (d) (e), (f) & 29(2)	Intimation of BM Prior intimations of Board Meeting for Buyback, Voluntary delisting, Fund raising by way of FPO, Rights Issue, ADR, GDR, QIP, FCCB, Preferential issue, debt issue or any other method, Declaration/recommendation of dividend, issue of convertible securities carrying a right to subscribe to equity shares or the passing over of dividend, proposal for declaration of Bonus securities etc., to the stock exchange(s)	At least 2 clear days in advance (excluding the date of the intimation and the date of the meeting)
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Regulation	Particulars	Time limit
30(6)	Price Sensitive Information Disclosure of Price Sensitive Information to the SE	Not later than 24 hours
31(l)(a)	Statement of shareholding prior to listing of securities	1 day prior to listing
31(l)(c)	Statement of shareholding at the time of capital restructuring	Within 10 days of any change in capital structure exceeding 2% of the total PSC
37(2)	The listed entity shall file draft Scheme of Arrangement to the stock exchange	Prior approval before filing with Court
42(2)	The listed entity shall intimate the record date or date of closure of transfer books to all the stock exchange(s)	At least 7 clear WD in advance
Regulation 42(3)	The listed entity shall give notice to stock exchange(s) of Record date for declaring dividend and/or cash bonus	At least 5 clear WD in advance
44(3)	The listed entity shall submit to the stock exchange details regarding voting results by shareholders	Within 48 hours of conclusion of GM
45(3)	Change of name by Listed Entity	Prior approval

		of SE
SEB1 (LODR) (Amendment) Regulations, 2018	All credit ratings obtained for all its outstanding instruments	Updated immediately as and when there is any revision in any of the ratings
SEBI (LODR) (Amendment) Regulations, 2018	Disclosure of reasons for resignation of auditors The listed entity to disclose to the stock exchanges detailed reasons for resignation of auditors	As soon as possible but not later than 24 hours from the receipt from the auditors

CORPORATE GOVERNANCE UNDER SEBI (LODR) REGULATIONS, 2015

- Corporate governance denotes the process, structure and relationship through which the BOD oversees what the management does. It is also about being answerable to different stakeholders. Corporate governance deals with laws, procedures, practices and implicit rules that determine a company's ability to take informed managerial decisions. The ICSI definition: Corporate Governance is the application of best management practices, compliance of law in true letter and spirit and adherence to ethical standards for effective management and distribution of wealth and discharge of social responsibility for sustainable development of all stakeholders.
- **Non-applicability-**

These provisions will not apply to the listed entity having:

PSC up-to Rs. 10 Cr., and

Net worth not up-to Rs. 25 Cr., as on the last day of the PY.

The listed entity which has listed its specified securities on the SME Exchange. 3. An entity undergoing Insolvency Resolution Process under IBC, 2016.

COMPOSITION OF BOARD OF DIRECTORS

Minimum number of directors;

SEBI (LODR) (Amendment) Regulations, 2018 propose to increase the minimum number of directors on the BOD to 6 instead of 3 on the BOD of the top 1000 listed entities by 1st April 2019 and for **the top 2000 listed entities by 1st April 2020.**

Women Director:

The Companies Act and SEBI (LODR) Regulations require **at-least one woman director** to be on the board of listed entities who may be either an independent or a non independent director

The SEBI (LODR) (Amendment) Regulations, 2018 require at least one independent woman director on the board of the **top 500 listed entities** by 1st April 2019 and for the **top 1000 listed entities by 1st April 2020.**

EXECUTIVE/NON-EXECUTIVE DIRECTOR

- The BOD of the company shall have an optimum combination of ED and NED with at least one woman director:
 - ✓ Not less than 50% of the BOD shall comprise of NED;
 - ✓ The number of independent directors would depend on whether the Chairman is ED or NED;
 - ✓ If the BOD has a Non-Executive Chairman, at least 1/3 of the BOD should comprise of independent directors;
 - ✓ If the Board has an Executive Chairman, at least 1/2 of BOD should comprise of independent directors.

Special Note: If the regular non-executive Chairman is a promoter of a listed company or is related to promoter or persons occupying management positions at the board level or at one level below the board, at least 50% of the BOD of the company should consist of independent directors.

- Appointment or Continuation of a person as a NED on attaining the age of 75 years will require shareholders' approval by a Special Resolution.

Limit on Directorship-

The Amendments restrict maximum directorships to 8 listed entities and 7 listed entities w.e.f. 1st April 2019 and 1st April 2020 respectively

Limit on appointment of independent Directors-

- A person shall not serve as an independent director in more than 7 listed companies; OR
- Any person who is serving as a WTD in any listed company shall serve as an independent director in not more than 3 listed companies.

QUORUM OF THE BOARD MEETING

- SEBI (LODR) (Amendment) Regulations, 2018 require the quorum for every meeting of the BOD of the listed entity to be 1/3rd of its total strength or 3 directors, (w.i.h), including at least 1 independent director.
- The participation of the directors by video conferencing or by other audio-visual means shall also be counted for the purposes of such quorum. The above amendment for top 1,000 listed entities shall come into effect from 1st April 2019 and for top 2,000 listed entities shall come into effect from 1st April 2020.

BOARD COMMITTEES

- Mandatory Committees under SEBI (LODR) Regulations, 2015 are:
 - Audit Committee
 - Nomination and Remuneration Committee
 - Stakeholders Relationship Committee
 - Risk Management Committee



VARIOUS TYPES OF COMMITTEES UNDER SEBI (LODR) REGULATIONS, 2015

■ AUDIT COMMITTEE-

The constitution of Audit Committee is mandated under the Companies Act, 2013 and SEBI (LODR) Regulations, 2015.

Audit Committee Provisions in Companies Act Section 177 of the Companies Act, 2013

The following companies are required to constitute an Audit Committee:-

1. Every Listed Public Companies, or
2. Unlisted public companies having:
 - (a) PSC of Rs. 10 Cr. or more;
 - (b) T.O. of Rs. 100 Cr. or more;
 - (c) Aggregate, outstanding loans or borrowings or debentures or **deposits exceeding Rs. 50 Cr.** or more. Members: **Minimum 3 directors** with majority being Independent Directors.

ROLE OF AUDIT COMMITTEE:

- a) The recommendation for appointment, remuneration and terms of appointment of auditors;
- b) Review and monitor the auditors' independence and performance, and effectiveness of audit process;
- c) Examination of the financial statement and the auditors' report thereon; d) Approval or any subsequent modification of transactions of the company with related parties;
- d) Scrutiny of inter-corporate loans and investments;
- e) Valuation of undertakings or assets of the company, wherever it is necessary;
- f) Evaluation of internal financial controls and risk management systems;
- g) Monitoring the end use of funds raised through public offers and related matters
- h) Establishment of Internal Control Systems
- i) Investigation

DISCLOSURE IN BOARD'S REPORT

- Section 177(8) of the Act provides that the Board's report shall disclose:
 1. Composition of an Audit Committee.
 2. Where the Board had not accepted any recommendation of the Audit Committee, the same shall be disclosed in the report along with the reasons therefor.

- Establishments of Vigil Mechanism:

Every listed company and the companies belonging to the following class or classes shall establish a vigil mechanism for their directors and employees to report genuine concerns or grievances:-

1. The companies which accept deposits from the public;
2. The companies which have borrowed money from banks and public financial institutions in excess of Rs. 50 Cr.

AUDIT COMMITTEE PROVISIONS IN SEBI (LODR), 2015

[REGULATION 18]

- Members:
 - ✓ The Audit Committee shall have minimum 3 directors as members;
 - ✓ 2/3rd of the members of Audit Committee shall be independent directors;
 - ✓ All members of Audit Committee shall be financially literate and at least 1 member shall have accounting or related financial management expertise.

- Chairman: The Chairman of the Audit Committee shall be an Independent director and shall be present at AGM to answer shareholder's queries.
- Secretary: The Company Secretary shall act as the Secretary to the committee.

INVITEES:

- The Audit Committee may invite such of the executives, as it considers appropriate to be present at the meetings of the committee.
- The finance director, head of internal audit and a representative of the statutory auditor may be present as invitees for the meetings of the Audit Committee.

- Number of Meetings: At least 4 times in a year and the maximum gap between 2 meetings shall not exceed 120 days.
- Quorum: Either 2 members or 1/3rd of the members of Audit Committee whichever is greater subject to minimum of 2 independent members present in the meeting.

ADDITIONAL ROLE OF AUDIT COMMITTEE IN LODR:

- The role of the Audit Committee includes the following:
 - Oversight of company's financial reporting process & disclosure of financial information.
 - Recommending to the Board appointment, re-appointment and the replacement or removal of the statutory auditor and the fixation of audit fees.
 - Approval of payment to statutory auditors for any other services rendered.
 - Reviewing, with the management, the annual or quarterly financial statements before submission to the board for approval.
 - Reviewing, with the management, performance of statutory and internal auditors, and adequacy of the internal control systems.
 - Reviewing the adequacy of internal audit function.

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- Scrutiny of inter-corporate loans and investments.
 - Valuation of undertakings or assets of the listed entity, wherever it is necessary.
 - Evaluation of internal financial controls and risk management systems.
 - Discussion with internal auditors of any significant findings and follow up.
 - Discussion with statutory auditors before the audit commences, about the nature and scope of audit.
 - Review of utilization of loans/advances/investment by the holding company in the subsidiary exceeding Rs. 100 crore or 10% of the asset size of the subsidiary, whichever is lower. (**Effective from: 1st April 2019**)

- **Compliance:** A listed entity is required to comply both with the Companies Act, 2013 as well as SEBI (LODR) Regulations, 2015. Whereas, other entities who need to constitute Audit Committee will comply with Companies Act, 2013
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NOMINATION AND REMUNERATION COMMITTEE

- The NRC helps the BOD relating to the appointment of the members of the BOD. This Committee finalizes the conditions of employment and remuneration of senior management, and to management's and personnel's remuneration and incentive schemes.
- NRC provisions in Companies Act [Section 178 of the Companies Act, 2013]

Constitution of NRC:

The following companies are required to constitute a Nomination Committee:

1. Every listed Public Companies, or
2. Unlisted public companies having:
 - a) PSC of Rs. 10 Cr or more;
 - b) T.O of Rs. 100 Cr or more;
 - c) aggregate, outstanding loans or borrowings or debentures or deposits exceeding Rs. 50 Cr or more.

- **Members:** NRC committee shall consist of 3 or more NED out of which not less than 1/2 shall be independent directors.
- Formulation of Policy: The NRC shall consider the following while formulating the policy :-
 - a) the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate directors of the quality required to run the company successfully;
 - b) relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and
 - c) remuneration to directors, KMP and senior management involves a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the company and its goals.

ROLE & RESPONSIBILITIES OF NOMINATION AND REMUNERATION COMMITTEE

- a. Identifying the persons who are qualified to become Directors and who may be appointed in senior management;
- b. Recommend to the BOD the appointment and removal of any director;
- c. Specify the manner for effective Evaluation of Board, Director's Committees performance;
- d. Formulation of the parameters for determining qualifications, positive attributes and independence of a Director, and
- e. Recommend a policy relating to the remuneration for the Directors, KMP and other employees.

NRC PROVISIONS IN SEBI (LODR), 2015 [REGULATION 19]

- **Members:** The company shall set up a NRC which shall comprise at least 3 directors, all of whom shall be NED and at least 1/2 shall be independent.
- **Chairman:** The Chairman of the committee shall be an independent director. The Chairman of the NRC shall present at the AGM and answer the shareholders' queries in this regard.

ADDITIONAL ROLE UNDER LODR:

- Formulation of criteria for evolution of performance of Independent director and the BOD.
- Devising a policy on diversity of BOD.
- To extend or continue the terms of appointment of Independent Director.
- The role of the NRC of the board of a listed entity will also include recommendations made to the BOD on all the payments made, in whatsoever form, to the senior management.

Meeting: NRC is required to meet at least once in a year.

Quorum: Either 2 members or 1 /3rd of the members of the committee, whichever is greater, including at least one independent director in attendance.

STAKEHOLDERS RELATIONSHIP COMMITTEE (SRC)

- SRC provisions under Companies Act, 2013 [Section 178(5)]
- **Constitution:** A company has to constitute a SRC where such company has more than 1000 shareholders, debenture-holders, deposit-holders and any other security holders at any time during a FY.
- **Chairperson:** The Chairperson of a SRC shall be a non-executive director or other member of the BOD.
- **SRC provisions under SEBI (LODR), 2015 [Regulation 20]** The listed entity shall constitute a SRC to specifically look into the mechanism of redressal of grievances of shareholders, debenture holders and other security holders.
- **Members:** The company shall set up an SRC which shall comprise at least 3 directors, at-least one of whom shall be independent.
- **Chairperson:** The Chairperson of this committee shall be a NED.
- **Meeting:** Members of the SRC shall meet at-least once in a year.

ADDITIONAL ROLE OF SRC UNDER LODR

- Resolving the grievances of the security holders of the listed entity including complaints related to transfer/transmission of shares, non-receipt of annual report, non-receipt of declared dividends, issue of new/duplicate certificates, general meetings, etc.
- Review of measures taken for effective exercise of voting rights by the shareholders.
- Review of adherence to the service standards adopted by the listed entity in respect of various services being rendered by the Registrar & Share Transfer Agent.
- Review of the various measures and initiatives taken by the listed entity for reducing the quantum of unclaimed dividends.
- Ensuring timely receipt of dividend warrants/Annual Reports/statutory notices by the shareholders of the company.

RISK MANAGEMENT COMMITTEE [REQUIRED ONLY U/R 21 OF (LODR)]

- The top 500 listed entities, determined on the basis of market capitalisation, shall lay down the procedures about the risk assessment and minimization procedures:
 - a. The Board is responsible for framing, implementing and monitoring the risk management plan.
 - b. The company shall also constitute a RMC. The Board shall define the roles and responsibilities of the RMC.

VIGIL MECHANISM [REGULATION 22]

- The listed entity shall formulate a vigil mechanism for directors and employees to report genuine concerns and provide for adequate safeguards against victimization of directors or employees or any other person who avail the mechanism.

RELATED PARTY TRANSACTION [REGULATION 23]

- DEFINITION OF RELATED PARTY [Regulation 2(1)(zb)] "Related Party means a related party as defined u/s 2(76) Companies Act, 2013 or under the applicable AS."
- **Deemed Related Party-** Related Party includes any person or entity belonging to the promoter or promoter group of the listed entity and holding 20% or more of shareholding in the listed entity shall be deemed to be a related party.
- **Definition of Related Party Transaction [Regulation 2(1)(zc)]** A transfer of resources services or obligations between a listed entity and a related party, regardless of whether a price is charged or not whether in single or multiple transactions." Note: Related party transaction definition is wide in LODR as compared to Companies Act, 2013.

Policy on materiality of related party transactions	The listed entity shall formulate a policy on materiality of related party transactions and on dealing with related party transactions.
When will a transaction with a related party be material?	A transaction with a related party shall be considered material if the transaction(s) whether individually or taken together with previous transactions during a financial year, exceeds 10% of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity.
Approval of Related Party Transactions	<pre>graph TD; A[Related Party Transaction (RPT)] --> B[Audit Committee Approval]; A --> C[Shareholder's Approval]; B --> D[All RPT transaction need audit committee approval]; C --> E[Material RPT transaction need shareholder approval]</pre>

Approval of Audit Committee: All RPT shall require prior approval of the Audit Committee.

Approval of Shareholders: All material RPT shall require approval of the shareholders through resolution.

Note: Approval of shareholders will not be required for resolution plan approved u/s 31 of IBC, 2016 if such plan was disclosed to SE within 1 day of such plan.

Exceptions

The approval of Audit Committee and shareholders shall not be required in the following cases:-

- ✓ transactions between 2 government companies.
- ✓ transactions entered into between a holding company and its WOS.

Omnibus Approval of Audit Committee	<p>Audit Committee may grant omnibus approval for RPT if certain conditions are satisfied</p> <p>Note: Where conditions are not satisfied, Audit Committee may grant omnibus approval for value not exceeding Rs. 1 Cr per transaction.</p> <p>Quarterly review of RPT entered by omnibus approval.</p>
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■ MISCELLANEOUS-

Secretarial Audit As per SEBI (LODR) (Amendment) Regulations, 2018, from the year ending 31st March 2019, every listed entity and its material unlisted Indian subsidiaries is required to annex with its annual report, a secretarial audit report given by a PCS.



ANNUAL GENERAL MEETING



Reduction in Time limit for prescribed Companies

Top 100 listed entities are required to hold their AGM within 5 months from the date of closing of the FY, instead of 6 months.

Webcast of proceedings of the meeting

Top 100 listed entities are required to provide one way live webcast of the proceedings of the AGM.

IN-PRINCIPAL APPROVAL



- The listed entity, before issuing securities, shall obtain an 'in-principle' approval from RSE in the following manner:-
 - Where the securities are listed only on RSE having NTT, from all such SE;
 - Where the securities are not listed on any RSE having NTT, from all the SE in which the securities of the issuer are proposed to be listed;
 - Where the securities are listed on RSE having NTT as well as on the RSE not having NTT, from all RSE having NTT.