

## Regulatory Update | Covid-19

### Relaxations announced by Securities and Exchange Board of India due to Covid-19 – Changes in Law

The Securities and Exchange Board of India (SEBI) has granted several reliefs / relaxations to ease the compliance burden on listed companies and other market intermediaries to enable them to cope with the unprecedented lockdown.

The measures announced by SEBI include relaxation from certain fund raising norms, relaxations from procedural requirements for rights issue, open offers and buy-backs etc.

The key measures announced by SEBI pertaining to changes in law are summarized hereunder:

#### Changes in Law

##### 1. SEBI Listing Regulations (LODR)

- Exemption from publication of newspaper advertisement for calling of board meeting for approving financial results, financial results etc. till 30 June 2020.
- Relaxation from dispatching physical copies of annual report for listed entities who conduct their AGMs during the calendar year 2020.
- Relaxation from dispatching proxy forms for listed entities who conduct their AGMs through VC / OAVM during the calendar year 2020.
- The listed entity shall endeavor to use the electronic transfer mode for payment of dividend to those shareholders whose email address is available with it. However, for those shareholders whose email address is not available, the listed entity can issue the dividend warrants or cheque, upon normalization of postal services.

##### 2. Relaxation in procedural matters for Open offer and Buy-back opening upto 31 July 2020:

- Letter of offer / tender offer can be sent electronically to the shareholders, subject to the following conditions:
  - The acquirer / company shall publish the letter of offer and tender form on its website, as well as on registrar, stock exchange and lead manager's website
  - The acquirer / company along with lead manager shall undertake all adequate steps to reach out to its shareholders through other means such as ordinary post or SMS or audio-visual advertisement on television or digital advertisement, etc.
  - The acquirer / company shall make an advertisement containing details regarding the dispatch of the letter of offer electronically and availability of such letter of offer along with the tender form on the website of the company, registrar and manager to the offer in the same newspapers in which (i) detailed public statement was published or (ii) public announcements was published

- The acquirer/ company may have the flexibility to publish the dispatch advertisement in additional newspapers, over and above those required under the respective regulations
- The acquirer/ company shall make use of advertisements in television channels, radio, internet etc. to disseminate information relating to the tendering process. Such advertisements can be in the form of crawlers/ tickers as well
- All the advertisement issued should also be made available on the website of the company, registrar, managers to the offer and stock exchange

### **3. Relaxation from certain provisions of SEBI ICDR**

- Validity of SEBI observation on public issues / rights issue extended by 6 months, where such observation expires any day between 1 March 2020 and 30 September 2020.
- For issues opening before 31 December 2020 – issuer can increase or decrease the fresh issue size by up to 50% of the estimated issue size without requiring to file fresh draft offer document with SEBI, subject to conditions.
- Relaxations for rights issue to be opened on or before 31 March 2021:
  - Fast-track rights issue:
    - The eligibility requirement of average market capitalisation of public shareholding of INR 2.50 billion has been reduced to INR 1 billion
    - The requirement related to period of listing of equity shares of the issuer for at least 3 years has been reduced to listing for 18 months only
    - The condition related to no audit qualifications on issuer's audited accounts has been replaced with the requirement to disclose the impact of audit qualifications on issuer's financials
  - Requirement of minimum subscription reduced to 75% of the offer size, subject to conditions.
  - The conditions prescribed in SEBI ICDR Regulations shall not apply in case of rights issue carrying an issue size of less than INR 250 million.
- Relaxation in procedural matters for rights issue opening upto 31 July 2020:
  - Rights issue related documents can be shared electronically with the shareholders. Issuer shall also publish the same on its website, as well as on registrar, stock exchange and lead manager's website
  - Rights issue related advertisement shall contain additional details as regards the manner in which the shareholders who have not been served notice electronically may apply. Issuer need to publish the advertisement on its website, as well as on registrar, stock exchange and lead manager's website
  - Shareholders holding shares in physical form shall be allowed to submit rights issue application subject to certain stipulated conditions
  - Issuer shall along with lead manager and registrar, institute an optional mechanism (non-cash mode only) to accept the applications of the shareholders subject to ensuring that no third party payments shall be allowed in respect of any application
  - The issuer along with lead manager shall create an FAQ, online dedicated investor helpdesk, and helpline to guide investors in gaining familiarity with the application process and resolve difficulties faced by investors on priority basis and shall be responsible for all investor complaints

- For offer documents filed until July 31, 2020, following relaxations have been granted:
  - Authentication/ certification/ Undertaking in respect of offer documents, may be done using digital signature certifications
  - The issuer along with lead manager shall provide procedure for inspection of material documents electronically

**Note:** In view of the above relaxation, MCA vide circular dated 11 May 2020 relaxed the requirement to dispatch notice to shareholders through registered post or speed post or courier for a listed company for rights issues opening upto 31 July 2020.

**Conclusion:**

The above temporary relaxations will aid the issuers for fund raising and provide much needed relief to the issuer / acquirers from compliance with strict procedural norms during these unprecedented times.



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