



CIRCULAR

SEBI/HO/CFD/DIL1/CIR/P/2020/215

November 3, 2020

To

All Listed Entities who have listed their equity and convertibles
All the Nationwide Stock Exchanges

Dear Sir/Madam,

Sub: Schemes of Arrangement by Listed Entities and (ii) Relaxation under Sub-rule (7) of Rule 19 of the Securities Contracts (Regulation) Rules, 1957

1. SEBI Circular No. CFD/DIL3/CIR/2017/21 dated March 10, 2017 has laid down the framework for Schemes of Arrangement by listed entities and relaxation under Rule 19(7) of the Securities Contracts (Regulation) Rules, 1957.
2. **Empowering the stock exchanges:** It has been decided to further streamline the processing of draft schemes filed with the stock exchanges, and make certain amendments to the aforesaid Circular dated March 10, 2017, as provided in the Annexure to this Circular. These amendments are aimed at ensuring that the recognized stock exchanges refer draft schemes to SEBI only upon being fully convinced that the listed entity is in compliance with SEBI Act, Rules, Regulations and circulars issued thereunder.
3. **Applicability of this Circular:** This Circular shall be applicable for all the schemes filed with the stock exchanges after November 17, 2020.

The amendment indicated at Para 7 of the Annexure shall be applicable for all listed entities seeking listing and/or trading approval from the stock exchanges after November 3, 2020.

4. The recognized stock exchanges are directed to bring the provisions of this circular to the notice of the listed companies and also to disseminate the same on their website.
5. This circular is issued in exercise of powers conferred by Section 11(1) of the Securities and Exchange Board of India Act, 1992 and Regulations 11, 37 and 94 read with Regulation 101(2) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Rule 19(7) of Securities Contracts (Regulation) Rules, 1957 to protect the interests of investors in securities and to promote the development of, and to regulate the securities market.
6. A copy of this circular is available on SEBI website at www.sebi.gov.in under the categories "Legal Framework/Circulars".

Yours faithfully,

Yogita Jadhav
General Manager
yogitag@sebi.gov.in

Amendment to Annexure 1 of Circular No.CFD/DIL3/CIR/2018/2 dated March 10, 2017 ('the circular')

1. Amendment to Para I A(2)

Para 2(c) of the Circular stands revised as follows:

Report from the Audit Committee recommending the Draft Scheme, taking into consideration, interalia, the Valuation Report. The Valuation Report is required to be placed before the Audit Committee of the listed entity. The Audit Committee report shall also comment on the following:

- *Need for the merger/demerger/amalgamation/arrangement*
- *Rationale of the scheme*
- *Synergies of business of the entities involved in the scheme*
- *Impact of the scheme on the shareholders.*
- *Cost benefit analysis of the scheme.*

2. Insertion of Para I A(2)(i)

Following para shall be inserted in Para I A(2), Sr. No. (i)

(i) Report from the Committee of Independent Directors recommending the draft Scheme, taking into consideration, interalia, that the scheme is not detrimental to the shareholders of the listed entity.

3. Amendment to Para 4

Para 4(a) of the Circular shall be replaced with the following:

(a) "All listed entities are required to submit a valuation report from a Registered Valuer."

For the purpose of this clause, the Registered Valuer shall be a person, registered as a valuer, having such qualifications and experience and being a member of an organization recognized, as specified in Section 247 of the Companies Act, 2013 read with the applicable Rules issued thereunder.

4. Amendment to Para 9(b)(v)

The explanation to Para 9(b)(v) of the Circular stands revised as follows:

For the purpose of this clause, the expression "substantially the whole of the undertaking" in any financial year shall mean twenty percent or more of value of the company in terms of consolidated net worth or consolidated total income

during previous financial year as specified in Section 180(1)(a)(ii) of the Companies Act, 2013.

For the purpose of this clause, the term 'public' shall carry the same meaning as defined under Rule 2 of Securities Contracts (Regulation) Rules, 1957.

5. Amendment to Para B(4)

Para B(4) of Annexure 1 shall be replaced with the following:

"4. Stock Exchanges shall provide the 'No-Objection' letter to SEBI on the draft scheme; in co-ordination with each other. SEBI shall issue Comment letter upon receipt of "No-Objection' letter from Stock Exchanges having nationwide trading terminals. In other cases, SEBI shall issue Comment letter upon receipt of "No-Objection' letter from the Designated Stock Exchange.

6. Amendment to Para C(1) and Para C(2c)

The words 'Observation letter or' in Para C(1) and Para C(2c) stand deleted.

7. Amendment to Para III(A)(5)

Para III(A)(5) of Annexure 1 stands revised as under:

"5. It shall be ensured that steps for listing of specified securities are completed and trading in securities commences within sixty days of receipt of the order of the Hon'ble High Court/NCLT, simultaneously on all the stock exchanges where the equity shares of the listed entity (or transfer entity) are/were listed. Before commencement of trading, the transferee entity in addition to disclosing the information in the form of an information document on the website of the stock exchange/s shall also give an advertisement in one English and one Hindi newspaper with nationwide circulation and one regional newspaper with wide circulation at the place where the registered office of the transferee entity is situated, giving following details:"

- a. Name of the Company;
- b. Address of Registered Office and Corporate Office of Company;
- c. Details of change of name and/or object clause;
- d. Capital structure - pre and post scheme of amalgamation. This shall provide details of the authorized, issued, subscribed and paid up capital (Number of instruments, description, and aggregate nominal value);
- e. Shareholding pattern giving details of its promoter group shareholding, group companies - pre and post scheme of amalgamation;
- f. Names of its ten largest shareholders - number and percentage of shares held by each of them, their interest, if any;
- g. Name and details of Promoters - educational qualifications, experience, address;

- h. Name and details of Board of Directors (experience including current / past position held in other firms);
- i. Business Model / Business Overview and Strategy;
- j. Reason for the amalgamation;
- k. Restated Audited Financials for the previous three financial years prior to the date of listing;
- l. Latest restated audited financials along with notes to accounts and any audit qualifications. (Financial statements should not be later than six months prior to the date of listing);
- m. Change in accounting policies in the last three years and their effect on profits and reserves;
- n. Summary table of contingent liabilities as disclosed in the restated financial statements;
- o. Summary table of related party transactions in last 3 years as disclosed in the restated financial statements;
- p. Details of its other group companies including their capital structure and financial statements;
- q. Internal Risk Factors (Minimum 5 and Maximum 10);
- r. Outstanding litigations and defaults of the transferee entity, promoters, directors or any of the group companies;
- s. Regulatory Action, if any - disciplinary action taken by SEBI or Stock Exchanges against the Promoters in last 5 financial years;
- t. Brief details of outstanding criminal proceedings against the Promoters;
- u. Particulars of high, low and average prices of the shares of the listed transferor entity during the preceding three years;
- v. Any material development after the date of the balance sheet; and
- w. Such other information as may be specified by the Board from time to time.

8. Deletion of Para III(B)

Para III B of Annexure I to the circular shall stand repealed.
