

Consultation paper on 'Interim Recommendations of the Expert Committee on Amendments in ICDR and LODR Regulations'

## **Chapter I**

# Recommendations for facilitating ease of doing business under the LODR Regulations



## APPLICABILITY OF THE REGULATIONS BASED ON MARKET CAPITALIZATION

SI. No.	Regulation	Requirement	Applicability by market capitalization	
1.	Reg. 17(1)(a)	At least one Independent woman director in the Board of Directors	Top 1000	
2.	Reg. 17(1)(c)	Not less than six directors in the Board of Directors	Top 2000	
3.	Reg. 17(2A)	Quorum for board meeting – 1/3 <sup>rd</sup> of its total strength or 3 directors, whichever is higher	Top 2000	
4.	Reg. 21(5)	Risk Management Committee	Top 1000	
5.	Reg. 25(10)	Directors and Officers insurance for all the independent directors	Top 1000	
6.	Proviso to Reg. 30(11)	Rumour verification	Top 250	
7.	Reg. 34(2)(f) *	Business Responsibility and Sustainability Report	Top 1000	
8.	Reg. 43A	Dividend Distribution Policy	Top 1000	
9.	Reg. 44(5)	AGM within 5 months from date of closing of financial year	Top 100	
10.	Reg. 44(6)	One-way live webcast of proceedings of AGM	Top 100	





## APPLICABILITY OF THE REGULATIONS BASED ON MARKET CAPITALIZATION

### **Proposed Changes:**

- Introduction of average market capitalization calculation using data from July 1 to December 31.
- Implementation of a three-month grace period or the beginning of the immediate next financial year before regulations become applicable.



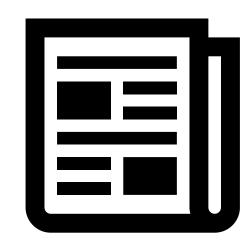




## APPLICABILITY OF THE REGULATIONS BASED ON MARKET CAPITALIZATION

### **Proposed Changes:**

- Highest ranking across stock exchanges considered for entities listed on multiple exchanges.
- Inclusion of a sunset clause: If market capitalization remains below the threshold for three consecutive years, compliance with certain provisions may not be mandatory.







## APPLICABILITY OF THE REGULATIONS BASED ON MARKET CAPITALIZATION

#### Illustration

Determination		Company X			Company Y	
of ranking	Rank	Applicability* (Yes / No)	For Financial Year	Rank	Applicability* (Yes / No)	For Financial Year
31/12/2023	995	Yes	2024-25	990	Yes	2024-25
31/12/2024	1020	Yes	2025-26	1002	Yes	2025-26
31/12/2025	1100	Yes	2026-27	1050	Yes	2026-27
31/12/2026	1150	No	2027-28	999	Yes	2027-28
31/12/2027	1090	No	2028-29	1040	Yes	2028-29
31/12/2028	980	Yes	2029-30	1100	Yes	2029-30
31/12/2029	960	Yes	2030-31	1060	No	2030-31

<sup>\*</sup> Applicability is from 1<sup>st</sup> April (i.e., beginning of the next financial year) and cessation is on 31<sup>st</sup> March (i.e., close of the financial year) assuming that the companies follow April – March financial year.





## **APPLICABILITY OF THE REGULATIONS BASED ON MARKET CAPITALIZATION**

### **Consultation Proposal:**

Do you support the proposed shift to average market capitalization over a 6-month period instead of a single day for determining compliance rankings?







## LIMIT OF MEMBERSHIP AND CHAIRMANSHIP OF COMMITTEES FOR A DIRECTOR

### **Proposed Changes:**

- Consideration of only equity listed entities for calculating the maximum membership and chairmanship.
- The membership and chairmanship of Audit Committee alone to be considered.







## LIMIT OF MEMBERSHIP AND CHAIRMANSHIP OF COMMITTEES FOR A DIRECTOR

### **Proposed Changes:**

 Overall, Directors in listed entities can hold a maximum of 7 Audit Committee memberships, aligning with the overall limit of directorships set by regulation 17A. The restriction on committee memberships specified in regulation 26(1) can be omitted.







### **Consultation Proposal:**

Do you agree with the proposal to consider only equity listed entities for calculating the maximum membership and chairmanship limits for directors?







### FILLING UP OF VACANCIES OF KEY MANAGERIAL PERSONNEL

### **Proposed Changes:**

- Extension of the time limit for filling up KMP vacancies involving regulatory or government approvals from 3 to 6 months.
- Emphasis on initiating the approval process at the earliest.







### FILLING UP OF VACANCIES OF KEY MANAGERIAL PERSONNEL

### **Consultation Proposal:**

Should the time limit for filling up vacancies of Key Managerial Personnel be extended to a maximum of 6 months, considering regulatory approval timelines?







### TIMELINE FOR PRIOR INTIMATION OF BOARD MEETINGS

### **Proposed Changes:**

- Harmonization of the prior intimation timeline to two working days for all types of events specified in regulation 29.
- Clarification in regulation 29(1)(d) that prior intimation is only required for fund-raising proposals involving the issuance of securities.
- Exclusion of prior intimation for determining the issue price in qualified institutions placement (QIP).







## TIMELINE FOR PRIOR INTIMATION OF BOARD MEETINGS

### **Consultation Proposal:**

Do you support the harmonization of the timeline for prior intimation of board meetings to two working days for all events specified in regulation 29?







## TIMELINE FOR PRIOR INTIMATION OF BOARD MEETINGS

### **Consultation Proposal:**

Do you agree with the proposal to exclude certain fundraising proposals from the mandatory prior intimation requirements?







## GAP BETWEEN MEETINGS OF THE RISK MANAGEMENT COMMITTEE

### **Proposed Changes:**

Recommendation to increase the maximum gap between Risk Management Committee meetings from 180 days to 210 days.





## GAP BETWEEN MEETINGS OF THE RISK MANAGEMENT COMMITTEE

### **Consultation Proposal:**

Should the maximum gap between meetings of the Risk Management Committee be extended to 210 days to provide more flexibility?





## **Chapter II**

# Recommendations for facilitating ease of doing business under the ICDR Regulations





### MINIMUM PROMOTERS' CONTRIBUTION

#### **Current Provision:**

Existing regulations require promoters to contribute 20% of post-offer paid-up equity share capital.

#### **Proposed Changes:**

Equity shares from the conversion of convertible securities held for at least one year prior to the filing of the DRHP should be eligible for minimum promoters' contribution.







## MINIMUM PROMOTERS' CONTRIBUTION

### **Consultation Proposal:**

Do you agree with the proposed inclusion of equity shares from the conversion of fully paid-up, compulsorily convertible securities in the minimum promoters' contribution if held for at least one year prior to the filing of the DRHP?







### NON-INDIVIDUAL SHAREHOLDERS

#### **Current Provision:**

Current regulations allow specific categories of QIB shareholders to contribute equity shares to meet the shortfall in minimum promoters' contribution.

### **Proposed Changes:**

Proposal to permit any non-individual shareholder holding 5% or more of the post-offer equity share capital to contribute towards the shortfall without being identified as a promoter.







### **Consultation Proposal:**

Should any non-individual shareholder holding 5% or more of the post-offer equity share capital be permitted to contribute towards the shortfall in minimum promoters' contribution, subject to a maximum of 10%, without being identified as a promoter?







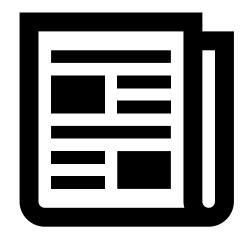
### THRESHOLDS FOR CHANGES IN ISSUE SIZE

#### **Current Provision:**

Existing provisions set limits for changes in the estimated issue size for a fresh issue or offer for sale that trigger the re-filing of draft offer documents.

#### **Proposed Changes:**

Stakeholders suggest clarifying the term "estimated issue size" and considering changes in the offer for sale size based on either the estimated issue size or the number of shares, but not both.







### THRESHOLDS FOR CHANGES IN ISSUE SIZE

### **Proposed Changes:**

Recommendations include clarifying the measurement of the estimated size of the issue, providing flexibility in determining offer for sale size, and not considering changes in offer size beyond 50%.







### **Consultation Proposal:**

Do you support the proposed clarification that the "estimated size of the issue" for a fresh issue should be based on the Rupee value, and the offer for sale size can be based on either the estimated issue size or the number of shares, as disclosed in the DRHP?







### **Consultation Proposal:**

Should the limit for changes in the size of the offer for sale remain at +(-) 50% based on whichever criteria has been disclosed in the DRHP, or should it be increased to +(-) 100%?



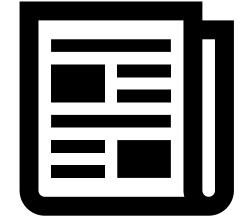




### FLEXIBILITY IN EXTENDING BID/OFFER CLOSING DATE

#### **Current Provision:**

Current regulations allow a minimum three-day extension of the bidding period in case of force majeure events.



### **Proposed Changes:**

Stakeholders propose reducing the minimum extension period to one working day in such circumstances.





## FLEXIBILITY IN EXTENDING BID/OFFER CLOSING DATE

### **Proposed Changes:**

Recommendations include allowing issuer companies to extend the issue period by one working day in case of force majeure events, banking strikes, or similar circumstances.







### **Consultation Proposal:**

Do you agree with the proposal to permit issuer companies to extend the issue period by one working day in case of force majeure events, banking strikes, or similar circumstances instead of the current minimum of three working days?





