Equity Listing Agreement - Amendments

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Securities and Exchange Board of India ("**SEBI**") has vide its circular dated December 16, 2010 introduced amendments to the Equity Listing Agreement ("**Listing Agreement**"). These amendments pertain to continuous disclosure requirements under the Listing Agreement and the minimum public shareholding norms that the listed companies are required to comply with.

Key amendments made to the Listing Agreement have been highlighted below:

- **Procedure for dealing with unclaimed shares (Clause 5A)**
  As regards the shares that remain unclaimed, the existing clause 5A of the Listing Agreement deals with the practical difficulties of the listed entities that have issued shares in electronic mode only. SEBI has now inserted a provision that prescribes the procedure to be followed in respect of unclaimed shares issued in physical form. Clause 5A has been amended so as to address the difficulties faced by the companies that had in the past issued shares in physical mode and where share certificates may have remained unclaimed by the shareholders due to insufficient/incorrect information or for any other reason.

- **Corporate announcement of dividends (Clause 20)**
  Clause 20 of the Listing Agreement mandates the listed companies to intimate the stock exchange of the outcome of the board meeting held to consider payment of dividends or buyback. In order to enable investors to manage their cash flows/securities efficiently and to enhance the transparency of the process, SEBI has made it mandatory for companies to also inform the stock exchange regarding the date on which dividend would be paid. This provision shall be applicable for all board meetings convened for this purpose on or after January 1, 2011.

- **Corporate announcement for issuance of bonus shares (Clause 22)**
  Clause 22 of the Listing Agreement mandates companies to intimate the stock exchange within 15 minutes of the closure of the Board meeting, the particulars of the decisions taken with respect to increase of capital by issue of bonus shares, re-issue of forfeited shares/securities or any other alterations of capital. SEBI has now amended clause 22 to say that the intimation under clause 22 shall also contain the date on which such bonus shares would be credited/dispatched.

- **Disclosure relating to shareholding pattern (Clause 35)**
  Clause 35 of the Listing Agreement requires companies to file the details of their shareholding pattern with stock exchanges on a quarterly basis within 21 days of the end of each quarter. Pursuant to recent amendments, the reporting requirements shall also include the following:

  > Entities are now required to disclose their shareholding pattern one day prior to the listing of their securities on the stock exchange. The stock exchanges are required to disseminate these details before commencement of trading in the said securities. This amendment has been effected so as to ensure more accurate public dissemination of shareholding pattern.

> In case of capital restructuring by listed entities that result in a change of +/-2% of the total paid-up share capital, the entities shall now file their revised shareholding pattern with stock exchanges within 10 days from the date on which such change in shareholding pattern takes place.

> As regards the details of shares held by custodians and shares against which depositary receipts have been issued, which are presently required to be disclosed in Table (I) (a) of clause 35, the same are now required to be further segregated so as to specifically include shares pertaining to the 'promoter/promoter group' and to the 'public'. Table (I) (a) prescribed in clause 35 has been amended to this effect. This reporting requirement has been introduced to ensure a holistic and clearer picture of the promoter and promoter group holding.

- **Compliance with the minimum shareholding requirements under Securities Contracts (Regulation) Rules, 1957 (SCRR) (Clause 40A)**
  On June 4, 2010, the Ministry of Finance had notified amendments to SCRR, whereby the threshold for non-promoter public shareholding for all listed companies was raised from 10% to 25%. This amendment also prescribed that the existing listed companies having less than 25% shareholding by public shall have to reach the minimum cap of 25% by an annual addition of not less than 5% to public shareholding. However, vide notification dated August 9, 2010, there was a further amendment to SCRR, whereby the requirement of 25% public shareholding was reduced to 10% for public sector enterprises and flexibility was provided to all the listed companies to attain the 25% (10% for public sector enterprises) within three years without any annual floor.
  Recent amendment to clause 40A of the Listing Agreement aims at bringing it in conformity with the requirements of minimum public shareholding under the SCRR. Clause 40A now prescribes the following methods to raise the public shareholding to the required level:
  1. Issuance of shares to public through prospectus; or
  2. Offer for sale of shares held by promoters to the public through prospectus; or
  3. Sale of shares held by promoters through the secondary market (for adopting this method, the company shall take prior approval of the specified stock exchange, which may impose such conditions as it may deem fit).

- **Disclosure regarding agreements with media companies (Clause 53)**
  SEBI has introduced a new clause to the Listing Agreement that requires disclosure of agreements entered into between the listed entities and the media companies. As per clause 53, the listed entities are required to disclose details of such agreements on their websites and also notify the concerned stock exchange.
  This new clause appears to be a result of press release dated August 27, 2010 issued by SEBI, where SEBI had highlighted that it had taken up with the Press Council of India (PCI) its concerns on practice of many media groups entering into agreements with companies. Such agreements, according to SEBI, entail a company giving stake in it (shares, warrants, bonds etc.) in return for media coverage through advertisements, news reports, advertorials etc. in the print or electronic media. As per the suggestions of SEBI, PCI had issued guidelines for media companies that required media companies to disclose the details of the stake held by such media companies in various companies.

- **Maintenance of websites by the listed entities (Clause 54)**
  A new clause has been introduced to the Listing Agreement that requires listed entities to maintain a functional website, which shall contain basic information about

the relevant entity, details of all statutory filings as well as the agreements entered into with media companies.

These amendments to the Listing Agreement will definitely bring greater transparency and promote effective regulatory monitoring of the listed companies, which will serve the objective of making investors better informed.