



# Voices on Reporting

Quarterly updates publication

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In this publication, we have summarised important updates relating to the quarter ended 30 June 2020 from the Securities and Exchange Board of India (SEBI), the Ministry of Corporate Affairs (MCA), the Institute of Chartered Accountants of India (ICAI) and the Reserve Bank of India (RBI).



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## Exposure draft of Ind AS 116 relating to COVID-19 rent concessions

Due to the impact of the COVID-19 pandemic on business conditions, many lessees are seeking rent concessions from lessors. Rent concessions may take the form of a one-off reduction in rent, a deferral of rent or a change in the nature of rent – e.g. fixed payments becoming variable. The accounting for lease modifications can be complex.



Considering above and to simplify accounting for rent concession, in May 2020, the International Accounting Standards Board (IASB) issued amendments to IFRS 16, *Leases* relating to rent concessions due to COVID-19. Considering the amendments introduced by IASB, ICAI also proposed similar amendments to Ind AS 116, *Leases*.

The exposure draft proposes a practical expedient where a lessee may elect not to assess whether a rent concession meets the conditions of lease modification and would account for the rent concession as if it were not a lease modification. Further, the amendments proposed do not apply for lessors; they continue to assess whether a rent concession granted as a result of the COVID-19 pandemic is a lease modification. The last date to provide comments ended on 30 June 2020.



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## Key takeaways from the proposed amendment are:

### Scope of the practical expedient

The proposed practical expedient would apply only if:

- The rent concession is a direct consequence of the COVID-19 pandemic
- The revised consideration for the lease substantially the same as, or less than, the consideration for the lease immediately preceding the change
- The rent concession affects only lease payments originally due on or before 30 June 2021
- No substantive changes to the other terms and conditions of the lease.

### Applying the practical expedient

If a lessee elects to apply the practical expedient, then it would:

- Apply the practical expedient consistently to similar contracts
- Account for the rent concession as if it were not a lease modification.

### Effective date

- The exposure draft proposes that the amendments would be effective from annual period beginning or after 1 April 2020.
- Earlier application would be permitted, including the financial statements not authorised for issue before the issuance of these amendments.

### Transition requirements

- An entity would apply the amendments retrospectively.
- An entity would adjust at the beginning of the annual reporting period in which it applies the amendments.

For detailed reading on key considerations relating to proposed amendment, refer KPMG IFRG Limited's publication, Leases – Rent concessions, Responding to the COVID-19 pandemic, June 2020.

*(Source: ICAI exposure draft Covid-19-Related Rent Concessions Amendment to Ind AS 116, Leases)*



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## Relaxations amid COVID-19

During the last quarter, the Ministry of Corporate Affairs (MCA) has provided a number of relaxations/exemptions to the companies in relation to various requirements of the Companies Act, 2013 (2013 Act). These relaxations have been listed below.

### 1. AGMs and EGMs

Section 96 of the 2013 Act requires every company (other than a one-person company) to hold Annual General Meeting (AGM) within a period of six months from the end of Financial Year (FY) and not later than 15 months from the date of last AGM. On the other hand, the Securities and Exchange Board of India (SEBI) (Listing Obligations and Disclosure Requirements) Regulation, 2015 requires top 100 listed companies to hold their AGMs within a period of five months from the date of closing of the FY.

In view of COVID-19 pandemic, recently MCA have provided following relaxations and clarifications for conducting AGM and Extraordinary General Meeting (EGM):

#### **Extension of timeline to hold AGMs by companies with year-end 31 December 2019**

The MCA through a circular dated 21 April 2020 has allowed companies whose FY (other than first FY) has ended on 31 December 2019 to hold

their AGMs within a period of nine months from the end of FY. i.e. up to 30 September 2020.

#### **Clarification on passing of ordinary and special resolutions**

The MCA through a circular dated 8 April 2020 permitted use of postal ballot or e-voting mechanism to help companies take all decisions of urgent nature requiring an approval of members (excluding items of ordinary business or business where any person has a right to be heard)) and without holding a general meeting which requires physical presence of members.

Further, companies are allowed to hold EGM, where unavoidable, through Video Conferencing (VC) or Other Audio-Visual Means (OAVM) facility by following prescribed procedure for conducting such a meeting on or before 30 September 2020.

Additionally, MCA through a circular dated 13 April 2020 clarified the manner and mode of issue of notices to the members to facilitate EGMs with e-voting facility or voting through registered e-mails, as the case may be.



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## AGM through VC or OAVM facility during the calendar year 2020

The 2013 Act does not contain any specific provision which allows conduct of general meeting of companies through VC or OAVM facility. However, following companies are mandatorily required to provide its members e-voting facility in a general meeting:

- Listed companies and
- Companies with at least 1,000 members.

Companies with less than 1,000 members are not required to provide e-voting facility. Additionally, the 2013 Act does not require certain class of companies to provide e-voting facility. They are as follows:

- A Nidhi or
- An enterprise or an institutional investor referred in SEBI (Issue of Capital and Disclosure Requirements) (ICDR) Regulations, 2009 and ICDR Regulations, 2018.

Considering the provisions of the 2013 Act and continuing restrictions on the movement of persons, MCA through its circular dated 5 May 2020 has allowed the companies to conduct their AGMs through VCs or OAVM during the calendar year 2020, subject to the fulfillment of the specified requirements. In addition to requirements mentioned in the circular dated 5 May 2020, for conducting AGMs, companies are also required to comply with the framework provided by MCA for conducting EGMs through its circulars issued on 8 April 2020 and 13 April 2020. The tables in the subsequent section summarise the requirements of MCA circulars.

Different procedures have been specified separately for following two categories of companies (explained in the subsequent section):

- **With e-voting facility:** The companies which are required to provide e-voting facility under the 2013 Act, or which have opted for such e-voting facility
- **Without e-voting facility:** The companies which are not required to provide e-voting facility. According to the circulars, companies (e.g. Nidhi and companies with less than 1,000 members) which are not required to provide e-voting facility, an AGM can be conducted through VC or OAVM facility by fulfilling following conditions:
  - A Nidhi should have email addresses of at least half of its total members and those members should hold shares of more than INR1,000 in face value or more than one per cent of the total paid-up share capital, whichever is less
  - Other companies having share capital should have email addresses of at least half of its total members and those members should represent not less than 75 per cent of such part of the paid-up share capital of the company as gives a right to vote at the meeting
  - Other companies not having share capital should have email addresses of at least half of its total members and those members should have the right to exercise not less than 75 per cent of the total voting power exercisable at the meeting.

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## Framework to conduct general meeting through VC or OAVM facility provided by MCA circular dated 8 April 2020

Requirement	With e-voting facility	Without e-voting facility
<b>Transcript and recording of AGMs</b>	AGMs wherever unavoidable may be held through VC or OAVM facility and the recorded transcript of the same should be maintained in safe custody by the company. In case of a public company, the recorded transcript of the meeting, as soon as possible, should also be made available on the website (if any) of the company.	'Companies without e-voting facility' would need to comply with same requirement as for 'companies with e-voting facility'.
<b>Involvement of independent director and auditor</b>	At least one independent director (where the company is required to appoint), and the auditor or his/her authorised representative, who is qualified to be an auditor should attend such meeting through VC or OAVM facility.	'Companies without e-voting facility' would need to comply with same requirement as for 'companies with e-voting facility'.
<b>Members at different time zones</b>	Convenience of different persons positioned in different time zones should be considered before scheduling the meeting.	'Companies without e-voting facility' would need to comply with same requirement as for 'companies with e-voting facility'.
<b>Quorum</b>	Attendance of members through VC or OAVM facility should be counted for the purpose of reckoning the quorum under Section 103 of the 2013 Act.	'Companies without e-voting facility' would need to comply with same requirement as for 'companies with e-voting facility'.
<b>Pre-requisites for VC or OAVM facility</b>	Meeting through VC or OAVM facility should allow two way teleconferencing or webex for the ease of participation of the members.  Additionally, the facility provided by the company should have the capacity to allow 1,000 members to participate on first come and first served basis.	Meeting through VC or OAVM facility should allow two way teleconferencing or webex for the ease of participation of the members. Additionally, the facility provided by the company should have the capacity to allow 500 members or all members of the company (whichever is lower) to participate on first come and first served basis.



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## Framework to conduct general meeting through VC or OAVM facility provided by MCA circular dated 8 April 2020 (cont.)

Requirement	With e-voting facility	Without e-voting facility
<b>Exemption from first come first served principle</b>	<p>Following are allowed to attend the meeting without the restriction of first come first served principle:</p> <ul style="list-style-type: none"> <li>• Large shareholders (i.e. shareholders holding 2 per cent or more shareholding);</li> <li>• Promoters</li> <li>• Institutional Investors</li> <li>• Directors</li> <li>• Key Managerial Personnel (KMP)</li> <li>• The chairpersons of the Audit Committee, Nomination and Remuneration Committee and Stakeholders Relationship Committee</li> <li>• Auditors, etc.</li> </ul>	<p>'Companies without e-voting facility' would need to comply with same requirement as for 'companies with e-voting facility'.</p>
<b>Chairperson of the meeting</b>	<p>Chairperson should be appointed for AGMs as per the manner specified in the Articles of a company. Where Articles of Association are silent on this topic then chairperson would be appointed in the following manner:</p> <ul style="list-style-type: none"> <li>• Where there are less than 50 members present at the meeting, the chairperson should be appointed in accordance with Section 104 of the 2013 Act;</li> <li>• In all other cases, the chairperson should be appointed by e-voting.</li> </ul>	<p>Chairperson should be appointed by poll through email.</p>

(Source: KPMG in India's analysis, 2020 based on MCA circular dated 8 April 2020)



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## Additional requirements to conduct general meeting through VC or OAVM facility, during the calendar year 2020 provided by MCA circular dated 5 May 2020

Requirement	With e-voting facility	Without e-voting facility
<b>Type of business to be transacted</b>	Only those items of special business, which are considered to be unavoidable by the Board, would be transacted in such meetings.	'Companies without e-voting facility' would need to comply with same requirement as for 'companies with e-voting facility'.
<b>Sending of financial statements by email</b>	In case of difficulty involved in dispatching of physical copies of the financial statements (including Board's report, Auditor's report or other documents required to be attached therewith), such statements should be sent only by email to the members, and to all other persons entitled to.	'Companies without e-voting facility' would need to comply with same requirement as for 'companies with e-voting facility'.
<b>Public notice before sending financial statements</b>	Public notice by way of an advertisement be published at least once in a vernacular newspaper and at least once in an English newspaper specifying the requisite information of the AGM to be conducted. Such as: <ul style="list-style-type: none"> <li>• Date and time of the AGM through VC or OAVM facility</li> <li>• Manner in which the persons who have not registered their email addresses with the company can get the same registered with the company</li> <li>• Manner in which the members can give their mandate to receive dividends directly in their bank accounts through Electronic Clearing Service (ECS).</li> </ul>	Not required

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## Additional requirements to conduct general meeting through VC or OAVM facility, during the calendar year 2020 provided by MCA circular dated 5 May 2020 (cont.)

Requirement	With e-voting facility	Without e-voting facility
<b>Obtaining email ids of shareholders</b>	Not required	Companies should take necessary steps to register the email addresses of all persons who have not registered their email addresses.
<b>Payment of dividend</b>	In case the company is unable to pay the dividend to any shareholder by the electronic mode, due to non-availability of the details of the bank account, the same should be paid after normalisation of the postal services, by dispatching the dividend warrant/cheque to such a shareholder by post.	Members should be allowed to give their mandate of receiving dividends directly in their bank accounts through ECS or any other means. In case, a company is unable to pay the dividend to any shareholder by the electronic mode, due to non-availability of the details of the bank account, the same should be paid after normalisation of the postal services, by dispatching the dividend warrant/cheque to such a shareholder by post.
<b>Company gets permission to hold AGM at registered office</b>	When a company gets permission to hold AGM at its registered office then it should additionally ensure following requirements: <ul style="list-style-type: none"> <li>• Provide the facility of VC or OAVM also, so as to allow other members of the company to participate in such a meeting</li> <li>• All members whether physically present or attending meeting through the facility of VC or OAVM should be considered for the purpose of quorum</li> <li>• All resolutions should be passed through the facility of e-voting system.</li> </ul>	Not required.

(Source: KPMG in India's analysis, 2020 based on MCA circular dated 5 May 2020)



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## Other considerations

The MCA also requires every company that conducts an AGM through VC or OAVM facility to ensure that all other compliances associated with the provisions relating to general meetings such as providing disclosures, inspection of related documents/registers by members, or authorisations for voting by bodies corporate, etc. as provided in the 2013 Act and the Articles of Association of the company are adhered through electronic mode.

## Application for extension of period of AGM

MCA circular also clarifies that the companies which are not covered by the circular, dated 21 April 2020 (regarding extension of date of AGM) and are also not able to conduct AGM through VC or OAVM facility may make an application for extension of AGM at a suitable point of time before the concerned Registrar of Companies (ROC) under Section 96 the 2013 Act.

## Key takeaways

- Enabling meetings through video-conferencing or means other than physical presence would help the companies to hold AGMs and EGMs and make critical decisions in due time. For effective participation, companies need to ensure that they are well equipped to conduct the AGM through VC or OAVM facility. Also, companies should ensure that the proceedings of the meeting are duly recorded, and adequate measures have been taken to safeguard the recorded transcript of the meeting.
- The companies enabling meetings through VC or OAVM facility, would have to comply with the manner and mode of issue of notices to the members as specified in MCA circular before convening a general meeting. If a company has sent notice for calling AGM before 8 April 2020 then such companies would be required to send fresh notices containing the revised information that the AGM would be conducted through VC or OAVM facility as per the requirements of the MCA circular dated 8 April 2020 and 13 April 2020.
- MCA has also relaxed the requirement of sending physical copies of vital reports like financial statements, the Board's report, the Auditor's report, etc. and these can be sent by email to persons who are entitled to receive such reports.
- MCA has provided an option to companies with 31 March 2020 year end which are unable to conduct their AGM through physical presence of members and also through VC or OAVM facility, can make an application to ROC for extension of the AGM timelines.

*(Source: MCA general circular no. 14/2020 dated 8 April 2020, general circular no.17/2020 dated 13 April 2020, general circular no. 20/2020 dated 5 May 2020, general circular no. 18/2020 dated 21 April 2020, general circular no. 22/2020 dated 15 June 2020 and KPMG in India's First Notes on AGMs through VC or OAVM facility and other regulatory relaxations dated 28 May 2020)*



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## 2. Board meeting through video conferencing or OAVM

Section 173(2) of the 2013 Act provides that the directors can participate in board of directors meetings in person, through video conferencing or OAVM in the prescribed manner. However, Rule 4 of the Companies (Meetings of Board and its Powers) Rules, 2014 (Board meeting Rules) specifies certain matters (such as those relating to approval of financial statements, board's report, prospectus, etc.) which cannot be considered in a meeting through video conferencing or OAVM i.e. participation of directors in person is mandatory to discuss the matters as prescribed in Rule 4.

On 24 June 2020, considering the provisions and continuing restrictions on the movement of persons, MCA extended the period for conducting board meeting through video conferencing or other audio-visual means upto 30 September 2020 (earlier allowed upto 30 June 2020) to discuss the matters specified in Rule 4 of the Board meeting Rules can be held through video conferencing or other audio-visual means.

However, companies are required to ensure compliance with the requirements specified for conducting meeting through video conferencing or other audio-visual means under Rule 3 of the Board meeting Rules.

*(Source: MCA notification dated 23 June 2020)*

## 3. Creation of deposit repayment reserve

The MCA through a circular dated 19 June 2020 has further extended the timeline for compliance with the requirement of creating deposit repayment reserve of 20 per cent of deposits maturing during the financial year 2020-21 as required under Section 73(2) of the 2013 Act up to 30 September 2020 (earlier to be complied up to 30 June 2020).

Additionally, the requirement to invest or deposit at least 15 per cent of the amount of debentures maturing in specified methods of investments or deposits as prescribed under Rule 18 of the Companies (Share Capital and Debentures) Rules, 2014 can be complied up to 30 September 2020 (earlier to be complied by 30 June 2020).

*(Source: MCA general circular no. 24/2020 dated 19 June 2020)*

## 4. Enrolment in the data bank of independent directors

Every individual who has been appointed as an independent director in a company as on 1 December 2019 can apply online to the Indian Institute of Corporate Affairs (institute) up to 30 September 2020 (earlier up to 30 June 2020) for inclusion of his/her name in the data bank maintained by the institute.

*(Source: MCA notification dated 23 June 2020)*



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## 5. Scheme for relaxation of time for filing forms related to creation or modification of charges under the 2013 Act

### Background

Section 77 of the 2013 Act requires every company creating a charge within or outside India, on its property or assets or any of its undertakings, to register the particulars of the charge with the Registrar of Companies (ROC) within 30 days of the date of creation or modification of charge along with the prescribed fee.

In case a company fails to register the charge within the period of 30 days, then as per Section 78 of the 2013 Act, the person in whose favour the charge is created may apply to the ROC for registration of the charge along with the instrument created for the charge within the overall timelines for filing of required form under Section 77 of the 2013 Act.

### New development

The MCA through a circular dated 17 June 2020 introduced a 'Scheme for relaxation of time for filing forms related to creation or modification of charges under the Companies Act, 2013' (the scheme) for the purpose of condoning the delay in filing certain forms related to creation/modification of charges.

Key features of the scheme are as follows:

- **Forms covered:** The scheme is applicable in respect of filing of Form No. CHG-1 and Form No. CHG-9 by a company or a charge holder.
- **Permissible delay:** As per the scheme:
  - a. Date of creation/modification of charge is before 1 March 2020, but the timeline for filing such form had not expired under Section 77 of the 2013 Act as on 1 March 2020: The period beginning from 1 March 2020 and ending on 30 September 2020 would be excluded for the purpose of counting the number of days under Section 77 or Section 78 of the 2013 Act.
  - b. Date of creation/modification of charge is between 1 March 2020 to 30 September 2020: The period beginning from the date of creation/modification of charge to 30 September 2020 would be excluded for the purpose of counting of days under Section 77 or Section 78 of the 2013 Act.

Accordingly, if the form is not filed within such period, the first day after 29 February 2020 would be reckoned as 1 October 2020 for the purpose of counting the number of days within which the form is required to be filed under Section 77 or Section 78 of the 2013 Act.



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- **Ineligibility:** The scheme will not apply in following cases:
  - a. The forms i.e. CHG-1 and G-9 had already been filed before 17 June 2020 (i.e. the date of issue of this circular).
  - b. The timeline for filing the form has already expired under Section 77 or Section 78 of the 2013 Act prior to 1 March 2020.
  - c. The timeline for filing the form expires at a future date, despite exclusion of the time provided above.
  - d. Filing of Form CHG-4 for satisfaction of charges.

*(Source: MCA general circular no.23/2020 dated 17 June 2020)*



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## Amendments to Schedule VII to the Companies Act, 2013

The MCA through a notification dated 26 May 2020 has amended Schedule VII to the 2013 Act. As per the amendment, contribution to Prime Minister's Citizen Assistance and Relief in Emergency Situations Fund (PM CARES Fund) is an eligible Corporate Social Responsibility (CSR) activity which can be included by companies in their CSR policies. The notification has been made effective from 28 March 2020.

Additionally, effective 24 June 2020, measures for the benefit of Central Armed Police Forces (CAPF) and Central Para Military Forces (CPMF) veterans, and their dependents including widows would be considered eligible CSR activities.

*(Source: MCA notification no. G.S.R. 313(E) dated 26 May 2020 and notification no. G.S.R. 399(E) dated 23 June 2020)*





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## SEBI's advisory on disclosure of material impact of COVID-19 by listed companies

On 20 May 2020, SEBI issued an advisory and encouraged listed companies to evaluate the impact of the COVID-19 pandemic on their business, performance and financial results, both qualitatively and quantitatively, to the extent possible and disseminate the same. This is in line with the international practices.

As per SEBI, disruptions caused by COVID-19 may lead to distortions in market due to gaps in information available about the operations of the listed company. Therefore, it is imperative that all information available about the impact of the pandemic on the company and its operations should be communicated in a timely and cogent manner to its investors and stakeholders.

Following are some of the key points from the SEBI advisory:

**Information to be disclosed – an illustrative list:** The circular provides an illustrative list of information that listed companies may consider while disclosing the impact of COVID-19 subject to the application of materiality. Those are as follows:

- Impact on COVID-19 pandemic on the business
- Ability to maintain operations including the factories/units/office spaces functioning and closed down
- Schedule, if any, for restarting the operations

- Steps taken to ensure smooth functioning of operations
- Estimation of the future impact of COVID-19 on its operations
- Details of impact of COVID-19 on a listed company:
  - Capital and financial resources
  - Profitability
  - Liquidity position
  - Ability to service debt and other financing arrangements
  - Assets
  - Internal financial reporting and control
  - Supply chain
  - Demand for its products/services
- Existing contracts/agreements where non-fulfilment of the obligations by any party will have significant impact on a listed company's business
- Other relevant material updates about a listed company's business.



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**No selective disclosures:** SEBI requires listed companies not to resort to selective disclosures while disclosing material information relating to the impact of COVID-19 and ensure compliance with the requirements of Regulation 4(2)(e) of the Listing Regulations.

**Disclosure in financial statements:** Listed companies may include the impact of the COVID-19 on their financial statements, to the extent possible.

**Update information regularly:** Companies need to regularly update the information provided regarding the impact of COVID-19 as and when there are material developments.

## Key takeaways

- SEBI's advisory reiterates the need for providing adequate and timely information to the stakeholders about the impact of the pandemic on a listed company's operations and performance.
- Given the current economic situation, it is clear that outlook of the companies is likely to be impacted with respect to capital and financial resources, profitability, liquidity position, ability to service debt and other financing arrangements, assets, internal financial reporting and control, supply chain and demand for its products/services. However, the extent of impact cannot be predicted with great accuracy as various factors are involved that are beyond a company's control and knowledge and impact would vary sector to sector. Therefore, companies would need to build scenarios for short-term, medium-term and long-term business plan, their expectations and explain their judgements and estimates to their stakeholders. Further, they should continuously update the scenarios as new information or evidence becomes available and communicate any material changes to the previously reported matters, including changes in their overall expectations or outlook. They should explain how the company is responding to evolving events and uncertainties.
- Listed companies in India should aim to provide adequate disclosures regarding the material impact of COVID-19 on their performance and business operations as it would enable investors to assess the impact of the pandemic on the financial results of the listed company and make appropriate decisions.

*(Source: SEBI circular no. SEBI/HO/CFD/CMD1/CIR/P/2020/84 dated 20 May 2020 and KPMG in India's First Notes: SEBI's advisory on disclosure of material impact of COVID-19 by listed companies dated 5 June 2020)*



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## SEBI relaxations

During the last quarter, SEBI has provided a number of relaxations/exemptions to the companies in relation to various requirements specified under SEBI regulations. These relaxations have been listed below.

### 1. Extension of timeline for filing financial results for the period ended 31 March 2020

In March 2020, SEBI extended the timelines for various filings to be submitted by the listed companies for the quarter and year ended 31 March 2020 which includes extension of due date of filing of quarterly,

half yearly and annual results by listed companies (both equity and debt listed entities) up to 30 June 2020.

On 24 June 2020, SEBI further extended the timeline for submission of financial results under Regulation 33 and Regulation 52 of the Listing Regulation for submission of quarterly/half yearly and/or annual financial results for the period ending 31 March 2020 by one month (i.e. upto 31 July 2020) from the previous timeline of 30 June 2020.

The following chart depicts the extension of timelines of filing of financial results for listed entities:

Regulation/circular	Timeline for quarter/half-year/year ended 31 March 2020		
	Timeline as per Listing Regulation	Existing timeline	Revised or further extended timeline
<b>Applicable to companies with listed specified securities (i.e. equity shares and convertible shares)</b>			
<b>Regulation 33:</b> Filing of financial results in the following manner:			
<i>Quarterly results other than last quarter:</i> Within 45 days from the end of each quarter	15 May 2020	30 June 2020	31 July 2020
<i>Annual results with last quarter results:</i> Within 60 days from the end of financial year	15 May 2020	30 June 2020	31 July 2020



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Regulation/circular	Timeline for quarter/half-year/year ended 31 March 2020		
	Timeline as per Listing Regulation	Existing timeline	Revised or further extended timeline
<b>Applicable to companies with listed Non-Convertible Debentures (NCDs), Non-Convertible Redeemable Preference Shares (NCRPS) and Commercial Papers (CPs)</b>			
<b>Regulation 52 and SEBI circular on listing of CPs:</b> Filing of financial results in the following manner:			
<i>Half-yearly results: Within 45 days from the end of the half-year</i>	15 May 2020	30 June 2020	31 July 2020
<i>Annual results: Within 60 days from the end of financial year</i>	15 May 2020	30 June 2020	31 July 2020

## Key takeaways

The extended relaxation relating to filings of financial results by the listed companies would be beneficial for companies facing challenges in finalising their financial statements due to disruptions caused by the extension of lockdown e.g. listed entities facing challenges in consolidating financial results of the subsidiaries that are in a containment zone.

However, companies should also consider the forthcoming timeline of finalising the first quarter ended 30 June 2020 financial results, while using this extended time period and should plan the process effectively of finalising financial results of year ended 31 March 2020 and first quarter results.

(Source: SEBI circular no. SEBI/HO/CFD/CMD1/CIR/P/2020/106 dated 24 June 2020)



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## 2. Maximum time gap between two board/audit committee meetings

Regulation 17(2) of the Listing Regulations requires every company to hold minimum four meetings of its board of directors every year with a gap of at least 120 days between two consecutive meetings. Additionally, Regulation 18(2) of the Listing Regulations requires an audit committee of a listed company to meet at least four times in a year with a gap of at least 120 days between two meetings. In March 2020, SEBI exempted board of directors and audit committee of listed companies from observing the maximum stipulated time gap between two meetings (i.e. 120 days) for the meetings held or proposed to be held between the period 1 December 2019 and 30 June 2020.

### Relaxation

Recently on 26 June 2020, SEBI has further extended the relaxation with respect of observing maximum time gap of 120 days between two board/audit committee meetings of listed entities till 31 July 2020 from the previous timeline of 30 June 2020. However, the board of directors and audit committees should ensure that they meet at least four times a year, as stipulated under Regulation 17(2) and Regulation 18(2) of the Listing Regulations.

*(Source: SEBI circular no. SEBI/HO/CFD/CMD1/CIR/P/2020/110 dated 26 June 2020)*

## 3. Requirement to publish quarterly consolidated financial results

Regulation 33(3)(b) of the Listing Regulations requires listed companies with subsidiaries to mandatorily submit quarterly/year-to-date consolidated financial results.

### Relaxation

- a. Listed companies which are banking and/or insurance companies or have subsidiaries which are banking and/or insurance companies may submit their consolidated financial results for the quarter ending 30 June 2020 on a voluntary basis. However, they shall continue to submit the standalone financial results as required under Regulation 33(3) (a) of the Listing Regulations.
- b. If the above-mentioned listed companies choose to publish only standalone financial results and not consolidated financial results, they should give reasons for the same.

*Source: SEBI circular no. SEBI/HO/CFD/CMD1/CIR/P/2020/79 dated 12 May 2020*



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## 4. Extension of timeline to hold AGMs

Regulation 44(5) of the Listing Regulation requires top 100 listed entities (based on market capitalisation) to hold their AGMs within a period of five months from the date of closing of the financial year.

### Relaxation

SEBI has also allowed top 100 listed companies by market capitalisation whose FY ended on 31 December 2019 to hold their AGMs within a period of nine months from the closure of the FY (i.e. by 30 September 2020). Additionally, SEBI extended the timeline to hold AGMs by listed companies with year-end 31 March 2020 by one month i.e. 30 September 2020 (earlier due date was 31 August 2020).

*(Source: SEBI circular no. SEBI/HO/CFD/CMD1/CIR/P/2020/71 dated 23 April 2020)*

## 5. Requirement of sending physical copies of annual report to shareholders

Regulations 36 and Regulation 58 of the Listing Regulations requires listed companies to send their annual reports to the shareholders in the following manner:

- a. Soft copy of full annual report to shareholders who have registered their email address(es)
- b. Hard copy of statement containing salient features of all the documents, as prescribed in Section 136 of the 2013 Act to the shareholders who have not registered their email addresses and

- c. Hard copies of full annual reports to those shareholders, who request for the same.

### Relaxation

SEBI has exempted listed companies who conduct their AGMs during the calendar year 2020 i.e. till 31 December 2020, from sending hard copies of annual reports/statement of salient features to their members.

*(Source: SEBI circular no. SEBI/HO/CFD/CMD1/CIR/P/2020/79 dated 12 May 2020)*

## 6. Prior intimation to stock exchanges about board meetings

Regulation 29(2) of the Listing Regulations requires equity listed companies to give prior intimation to stock exchange about the meeting of its board of directors in the following manner:

- For meeting held to consider financial results (quarterly, half yearly, or annual): At least five days before the meeting (excluding the date of the intimation and date of the meeting)
- For meeting held for other purposes: At least two working days.

### Relaxation

For board meetings held up to 31 July 2020 prior intimation to stock exchange has to be given within two working days to consider any matter as specified in Regulation 29(2) of the Listing Regulations.

*(Source: SEBI circular no. SEBI/HO/CFD/CMD1/CIR/P/2020/63 dated 17 April 2020)*



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## 7. Requirement to comply with MPS

Regulation 38 of the Listing Regulations requires a listed company to comply with the Minimum Public Shareholding (MPS) requirements specified in Rule 19(2) and 19A of the Securities Contracts (Regulation) Rules, 1957. Further, SEBI circular dated 10 October 2017 lays down the procedures to be followed by the recognised stock exchanges/depositories with respect to MPS non-compliant listed companies, their promoters and directors, including levy of fines, freeze of promoter holding, etc.

### Relaxation

SEBI has granted relaxation from applicability of SEBI circular dated 10 October 2017 for listed companies for whom the deadline to comply with MPS requirements falls between the period from 1 March 2020 to 31 August 2020. Accordingly, recognised stock exchanges have been advised not to take any penal action as envisaged in the 10 October 2017 circular against such companies in case of non-compliance during the said period.

Penal actions, if any, initiated by stock exchanges from 1 March 2020 till date for non-compliance of MPS requirements by such listed companies may be withdrawn.

*(Source: SEBI circular SEBI/HO/CFD/CMD1/CIR/P/2020/81 dated 14 May 2020)*

## 8. Intimation to stock exchanges regarding loss of share certificates and issue of the duplicate certificates

Regulation 39(3) of the Listing Regulations requires equity listed companies to submit information regarding loss of share certificates and issue of duplicate certificates, to the stock exchange within two days of receiving information. In case a company fails to ensure compliance with the above requirement, then it is liable to penal provisions in accordance with the SEBI circular dated 3 May 2018.

### Relaxation

Any delay beyond the stipulated time (two days) for intimations to be made between 1 March 2020 to 31 May 2020 will not attract penal provisions as provided under SEBI circular dated 3 May 2018.

*(Source: SEBI circular no. SEBI/HO/CFD/CMD1/CIR/P/2020/63 dated 17 April 2020)*

## 9. Use of digital signatures

It has been clarified that authentication/certification of any filing/submission made to stock exchanges under the Listing Regulations may be done using digital signature certifications until 30 June 2020.

*(Source: SEBI circular no. SEBI/HO/CFD/CMD1/CIR/P/2020/63 dated 17 April 2020)*



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## 10. Publication of advertisements

Listed companies are exempt from publication of advertisements (including financial results) in newspapers as required under Regulation 47 and Regulation 52(8) of the Listing Regulations for all events scheduled till 30 June 2020.

*(Source: SEBI circular no. SEBI/HO/CFD/CMD1/CIR/P/2020/79 dated 12 May 2020)*

## 11. Annual Secretarial Compliance (ASC)

Regulation 24A of the Listing Regulation requires every listed entity to undertake secretarial audit and annex with its annual report, a secretarial audit report or Annual Secretarial Compliance (ASC) report, given by a company secretary in practice. SEBI has extended the timeline for filing of ASC for the year 2019-2020 up to 31 July 2020 (earlier up to 30 June 2020).

## 12. Rights issue

SEBI through its circular dated 21 April 2020 provided following relaxations for rights issues that open on or before 31 March 2021:

- **Fast track rights issuance:** The eligibility requirement of average market capitalisation of public shareholding has been reduced from INR250 crore to INR100 crore. The requirement related to period of listing of equity shares of the issuer for at least three years has been reduced to listing for 18 months. Also, the condition that there

should be no audit qualification on an issuer's audited accounts has been replaced with the requirement to disclose the impact of audit qualifications on the issuer's financials.

- **Minimum subscription:** The minimum subscription threshold requirement for a rights issue has been reduced from existing 90 per cent to 75 per cent of the offer size, subject to certain conditions.
- **Threshold for not filing draft letter of offer with SEBI:** Listed entities raising funds up to INR25 crore in a rights issue will not be required to file draft offer document.

Additionally, SEBI through its circular dated 6 May 2020, provided following relaxations relating to procedural matters for rights issue opening upto 31 July 2020:

- **Requirement of sending physical copy of abridged letter of offer:** Due to prevailing COVID-19 related conditions, failure to adhere to the requirement of Regulation 77(2) of the ICDR Regulations relating to dispatch copy of an abridged letter of offer through registered post, speed post, courier service or by electronics transmission to all existing shareholders at least three days before the date of opening of the issue, by the issuer would not be treated as a non-compliance.

Further, the issuer should take necessary steps to reach out to the shareholders through other modes such as SMS, television or digital advertisement.



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- **Dematerialised Rights Entitlements (REs):** The physical shareholders who have not been able to open a demat account or are unable to communicate their demat details to issuer/registrar for credit of REs within specified time, are allowed to submit their application subject to the specified conditions.
- **Digital certifications:** Authentication/certification/undertaking(s) in respect of all offer documents filed up to 31 July 2020 may be done using digital signature certifications. The issuer along with lead manager(s) should provide procedure for inspection of material documents electronically.

*(Source: SEBI press release no. PR No.23/2020 dated 21 April 2020 and SEBI circular no. SEBI/HO/CFD/DIL2/CIR/P/2020/78 dated 6 May 2020)*

### 13. Fast-track Further Public Offer (FPO)

SEBI through a circular dated 9 June 2020 has granted temporary relaxations to listed companies from the eligibility conditions related to FPO. The key relaxations are as follows:

- **Market capitalisation:** The eligibility requirement of average market capitalisation of public shareholding has been reduced from INR1,000 crore to INR500 crore.
- **Impact of audit qualifications:** The impact of audit qualifications, if any and where quantifiable, on the audited accounts of an issuer in respect of those financial years for which such accounts are disclosed, need to be appropriately disclosed and accounts accordingly restated, in the offer documents.

For the qualifications wherein impact on the financials cannot be ascertained the same should be disclosed appropriately in the offer documents.

- **Violation of securities law:** It should be ensured that the issuer/promoter/promoter group/director of the issuer has fulfilled the settlement terms or adhered to directions of the settlement order(s) in cases where it has settled any alleged violation of securities laws through the consent or settlement mechanism with SEBI.

The above relaxations are applicable to FPOs (other than issuance of warrants) that open on or before 31 March 2021.

*(Source: SEBI circular no. SEBI/HO/CFD/CIR/CFD/DIL/85/2020 dated 9 June 2020)*

### 14. Issuance of debt securities

The companies proposing to make public issue of Non-Convertible Debentures (NCDs)/Non-Convertible Redeemable Preference Share (NCRPS)/Commercial Papers (CPs) are required to submit their latest audited financials which should not be older than six months along with the offer document. However, they are allowed to file unaudited financials with limited review report for the stub period.



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## Relaxation

SEBI has decided to grant following relaxation in timelines to listed companies who intend to list their NCDs/ NCRPS/CPs:

Particulars	Available audited financials	Date of issuance	Revised or further extended timeline
Cut-off date for issuance of NCDs/NCRPS/CPs	As on 30 September 2019	On or before 31 March 2020	On or before 30 June 2020 (earlier 31 May 2020)

(Source: SEBI circular no. SEBI/HO/DDHS/CIR/P/2020/098 dated 8 June 2020)

## 15. Flexibility on issue size

An issuer whose offer document is pending receipt of SEBI observation, would be permitted to increase or decrease the fresh issue size by up to 50 per cent of the estimated issue size (instead of the present limit of 20 per cent) without the requirement to file fresh draft offer document with SEBI. The relaxation would be applicable for all offer documents pending receipt of SEBI observations up to 31 December 2020.

(Source: SEBI press release no. PR No.23/2020 dated 21 April 2020)

## 16. Validity of SEBI observations

The validity of SEBI observations on all public issues/rights issues has been extended by six months from the date of expiry for issuers whose observation has expired/shall expire between 1 March 2020 and 30 September 2020.

(Source: SEBI press release no. PR No.23/2020 dated 21 April 2020)

## 17. Qualified Institution Placement (QIP) issues

As per Regulation 172(3) of SEBI ICDR Regulations, listed entities have to adhere to a six months' cooling off period between two successive QIP issues.

### Relaxation

With an aim to support the raising of capital by listed entities, SEBI on 16 June 2020 issued ICDR (Amendment) Regulations, 2020 to grant relaxation to an issuer company from this requirement of six months' cooling off period between two successive QIP issues. As per the amended regulation, an issuer company can make a subsequent QIP on the expiry of two weeks from the date of the prior QIP issue.

(Source: SEBI notification no. SEBI/LAD-NRO/GN/2020/17 dated 16 June 2020)



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## 18. Pricing in preferential issue of shares by companies with stressed assets

Eligible listed companies with stressed assets<sup>1</sup> can determine pricing of their preferential allotments at not less than the average of the weekly high and low of the volume weighted average prices of the related equity shares during the two weeks preceding the relevant date. Eligible listed companies are also required to comply with prescribed conditions which, inter alia, includes:

- The preference issue should be made to a person not part of the promoter/promoter group as on the date of the board meeting to consider the preferential issue.
- Proposed use of proceeds of such preferential issue should be disclosed. The proceeds should not be used for any repayment of loans taken from promoters/promoter group/group companies.
- Monitoring agency will be appointed for monitoring end-use of the proceeds of such a preferential issue. The proceeds of the issue will also be monitored by the audit committee till its utilisation.

The amendment are effective from 22 June 2020.

*(Source: SEBI notification no. SEBI/LAD-NRO /GN/2020/18 dated 22 June 2020)*

## 19. Takeover Regulations

On 16 June 2020, SEBI introduced amendments to the SEBI Takeover (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 (Takeover Regulations) to ease norms relating to raising of additional capital by listed entities. The amendments related to the following:

### Substantial acquisition of shares or voting rights

Regulation 3(2) of the Takeover Regulations provides the threshold limits for acquisition of shares or voting rights, beyond which an obligation to make an open offer is triggered. An acquirer who (along with persons acting in concert with him/her, if any) holds 25 per cent or more but less than the maximum permissible non-public shareholding (i.e. 75 per cent) in a target company, can acquire additional shares in the target company as would entitle him/her to exercise more than five per cent of the voting rights in any financial year, only after making an open offer<sup>2</sup> to the existing shareholders of the target company.

1. Listed company which satisfies any two out of the following three conditions would be considered as stressed:
  - Any listed company that has made disclosure of defaults on payment of interest/repayment of principal amount on loans from banks/financial institutions/systemically important non deposit taking NBFCs/deposit taking NBFCs and/or listed or unlisted debt securities and such default is continuing for a period of at least 90 calendar days after occurrence of such default.
  - Existence of inter-creditor agreement in terms of RBI (Prudential Framework for Resolution of Stressed Assets) Directions 2019 dated 7 June 2019.
  - Downgrading of credit rating of the financial instruments (listed or unlisted), credit instruments/borrowings (listed or unlisted) of the listed company to 'D'.
2. An open offer is an offer made by the acquirer to the shareholders of the target company inviting them to tender their shares in the target company at a particular price. The primary purpose of an open offer is to provide an exit option to the shareholders of the target company on account of the change in control or substantial acquisition of shares, occurring in the target company



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## Relaxation

On 16 June 2020, SEBI issued Takeover (Amendment) Regulations, 2020 to provide relaxation relating to threshold limits for acquisition of shares or voting rights for initiating an open offer. The amendment permits a promoter to acquire (pursuant to preferential issue of equity shares by the target company) shares beyond five per cent but upto 10 per cent of the voting rights in the target company for the financial year 2020-21.

## Voluntary open offer

Regulation 6(1) of the Takeover Regulations provides that a voluntary offer cannot be made if the acquirer or persons acting in concert with him/her have acquired any shares of the target company in the preceding 52 weeks from the date of voluntary offer. The acquirer is prohibited from acquiring any shares during the offer period other than those acquired in the open offer. The acquirer is also not entitled to acquire any shares for a period of 6 months, after completion of open offer except pursuant to another voluntary open offer.

## Relaxation

SEBI has also relaxed a restriction on acquirers that make a voluntary open offer relating to shares acquired in the preceding 52 weeks upto 31 March 2021.

## Preferential issue exempted from open offer:

Allottees of preferential issue in listed companies with stressed assets will be exempted from making an open offer if the acquisition is beyond the prescribed threshold or if the open offer is warranted due to change in control, in terms of Regulation 3(1) and 4 of the Takeover Regulations. The amendment is effective from 22 June 2020.

*(Source: SEBI notification no. SEBI/LAD-NRO/GN/2020/14 dated 16 June 2020 and notification no. SEBI/LAD-NRO /GN/ 2020/19 dated 22 June 2020)*

## 20. Buy-back Regulations

Currently, Regulation 24(i)(f) of the SEBI (Buy-back of Securities) Regulations, 2018 (Buy-back Regulations) restrict companies from raising further capital for a period of one year from the expiry of buyback period, except in discharge of their subsisting obligations. In order to enable relatively quicker access to capital, SEBI has decided to temporarily relax the abovementioned period of restriction from one year to six months.

The relaxation is applicable up to 31 December 2020.

*(Source: SEBI circular no. SEBI/HO/CFD/DCR2/CIR/P/2020/69 dated 23 April 2020)*



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## RBI extends timeline for moratorium on term loans/working capital facility and resolution timelines for stressed assets

### Background

The Reserve Bank of India (RBI) through a notification dated 27 March 2020 permitted lending institutions<sup>3</sup> to grant a moratorium of three months on payment of all installments<sup>4</sup> falling due between 1 March 2020 to 31 May 2020.

Additionally, the lending institutions were permitted to defer the recovery of interest applied on cash credit/overdraft facilities (CC/OD) during the period from 1 March 2020 to 31 May 2020.

### New development

The RBI through a notification dated 23 May 2020, extended the above-mentioned moratorium by another three months in the following manner:

- **Term loans:** Lending institutions are permitted to grant a moratorium from 1 June 2020 to 31 August 2020 on payment of all instalments in respect of term loans (including agricultural term loans, retail and crop loans). Accordingly, the repayment schedule for such loans as also the residual tenor, will be shifted across the board. Interest will continue to accrue on the outstanding portion of the term loans during the moratorium period.
- **Working capital facilities sanctioned in the form of cash credit/overdraft:** Lending institutions are permitted to defer the recovery of interest applied in respect of all such facilities during the period from 1 June 2020 up to 31 August 2020.

The lending institutions are permitted, at their discretion, to convert the accumulated interest for the deferment period up to 31 August 2020

into a Funded Interest Term Loan (FITL) to be repayable before 31 March 2021.

Further, as a one-time measure, lending institutions may recalculate the 'drawing power' by reducing the margin up to 31 August 2020. However, in all such cases where such a temporary enhancement in drawing power is considered, the margins are required to be restored to the original levels by 31 March 2021 and/or review the working capital sanctioned limits up to 31 March 2021.

- **Extension of resolution timeline:** Resolution timelines under the Prudential Framework on Resolution of Stressed Assets: The RBI has extended the timeline for resolution under the Prudential Framework on resolution of stressed assets in the following manner:
  - *Accounts which were within the review period as on 1 March 2020:* The period from 1 March 2020 to 31 August 2020 (earlier 1 March 2020 to 31 May 2020) would be excluded from the calculation of the 30-day timeline for the review period.
  - *Accounts where the review period was over, but the 180-day resolution period had not expired as on 1 March 2020:* The timeline for resolution would get extended by 180 days (earlier 90 days) from the date on which the 180-day period was originally set to expire. Consequently, the requirement of making additional provisions as per the prudential framework would be triggered when the extended resolution period expires.

(Source: RBI notification no. RBI/2019-20/244 and notification no. RBI/2019-20/245 dated 23 May 2020)

3. Lending institutions includes all commercial banks (including regional rural banks, small finance banks and local area banks), co-operative banks, All-India Financial Institutions, and Non-Banking Financial Companies (NBFCs) (including housing finance companies).
4. Instalments include principal and/or interest components, bullet repayments, Equated Monthly Instalments (EMIs) and credit card dues



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## RBI extends timeline for submission of regulatory returns

RBI through a notification dated 29 April 2020 extended the timeline for submission of various regulatory returns by scheduled commercial banks (including regional rural banks and small finance banks), payments banks, local area banks, All India Financial Institutions (AIFIs) and co-operative banks, in view of the disruptions on account of COVID-19 pandemic.

Accordingly, all regulatory returns required to be submitted by the above-mentioned entities to the Department of Regulation of RBI up to 30 June 2020 can be submitted with a delay of 30 days from the due date.

The timeline has not been extended for submission of statutory returns prescribed under the Banking Regulation Act 1949, RBI Act 1934 or any other Act (for instance, returns related to cash reserve ratio/statutory reserve ratio).

*(Source: RBI notification no. RBI/2019-20/228 dated 29 April 2020)*

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## Reporting relating to GAAR and GST in tax audit report deferred till 31 March 2021

On 24 April 2020, the Central Board of Direct Taxes (CBDT) through its circular has deferred the reporting under clause 30C (disclosure regarding General Anti-Avoidance Rules (GAAR)) and clause 44 (break-up of total expenditure between Goods and Services Tax (GST) registered vendors and unregistered vendors) of the Tax Audit Report till 31 March 2021. The decision has been made in view of the difficulties being faced in implementation of the reporting requirements due to the pandemic.

*(Source: CBDT circular no. 10/2020 dated 24 April 2020)*

## ICAI advisory for companies relating to CSR provisions under the 2013 Act

As per Section 135 of the 2013 Act, a company may undertake CSR activities in the following ways:

- CSR activities itself or
- CSR activities through a third party being trust/society or a company established under Section 8 of the 2013 Act/Non-Government Organisation (NGO).

### New development

The Institute of Chartered Accountants of India (ICAI) through an advisory dated 29 May 2020 advised all companies that undertake CSR activity through a third party/NGO to obtain an Independent Practitioner's Report on utilisation of CSR funds from the auditor/Chartered Accountant (CA) in practice of the third party/NGO, to whom the funds are given by the company for implementing CSR activity. The advisory also stipulates the draft format of Independent Practitioner's Report on utilisation of CSR funds.

*(Source: ICAI advisory dated 29 May 2020)*





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## Economic reforms announced by government

In order to mitigate the impact of the COVID-19 on Indian economy, the Government of India (GOI) have announced several reforms for various sectors as part of 'Atmanirbhar Bharat' stimulus package in five tranches.

The stimulus package includes several measures to provide relief and credit support for the business in view of COVID-19 outbreak and other reforms such as measures for providing employment, support to businesses especially Micro Small and Medium Enterprise (MSMEs), efforts to strengthen Non-Banking Finance Institutions (NBFCs), Housing Finance Companies (HFCs), Micro Finance Sector, including measures to make environment conducive for ease of doing business for corporates in India.

The table below provides a brief outline of the five tranches of the stimulus package rolled out by GOI:

Sr. No.	Date of announcement	Brief overview of the stimulus package
Tranche 1	13 May 2020	The package focussed at following areas: <ul style="list-style-type: none"> <li>• Alleviating the distress around the MSME sector and protecting jobs</li> <li>• Addressing the liquidity problems of NBFCs</li> <li>• Disallowance of global tenders upto INR200 crore</li> <li>• Support to Power Distribution Companies (DISCOMs), Real estate sector, Employee Provident Fund (EPF) contribution and several tax measures.</li> </ul>
Tranche 2	14 May 2020	The package focussed at following areas: <ul style="list-style-type: none"> <li>• Direct support to farmers and rural economy</li> <li>• Measures to support migrants, urban poor</li> <li>• Introduction of labour codes and national floor wage rate for benefit of workers</li> </ul>
Tranche 3	15 May 2020	The package focussed at the agriculture and its allied services
Tranche 4	16 May 2020	The package focussed at the structural reforms for growth across sectors such as coal, minerals, defence, aviation, power, space, atomic energy, etc.



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Sr. No.	Date of announcement	Brief overview of the stimulus package
Tranche 5	17 May 2020	<p>The package focussed at following areas:</p> <ul style="list-style-type: none"> <li>• Health related measures for COVID-19 containment</li> <li>• Reforming governance for ease of doing business</li> <li>• Corporate law measures</li> <li>• Public sector enterprise policy</li> <li>• Supporting state governments, etc.</li> </ul>

## Overview of the recommendations

Following are some of the key recommendation of the stimulus package relevant for Indian companies from the perspective of ease of doing of doing business and other corporate reforms.

**Decriminalisation of defaults under the 2013 Act:** The government proposed following amendments to the 2013 Act relating to decriminalisation of offences:

- Decriminalisation of various violations involving minor technical and procedural defaults such as shortcomings in Corporate Social Responsibility (CSR) reporting, inadequacies in board’s report, filing defaults, delay in holding Annual General Meeting (AGM), etc.
- Recategorising majority of the compoundable offences sections to Internal Adjudication Mechanism (IAM) and powers of Regional Director (RD) for compounding enhanced. It is proposed that 58 sections relating to offences to be dealt with under IAM as compared to 18 sections earlier.
- Omitting seven compoundable offences and recommending five offences to be dealt with an alternative framework

## Other amendments proposed under the 2013 Act

- Allow direct listing of securities by Indian companies in permissible foreign jurisdictions.
- Empower central government to exclude certain class of companies from the definition of ‘listed company’, mainly for listing of debt securities i.e. private companies which list Non-Convertible Debentures (NCDs) on stock exchanges not to be regarded as listed companies.
- Incorporate a new chapter in the 2013 Act relating to producer companies, which was earlier part of the Companies Act, 1956.
- Power to set up additional or specialised benches for National Company Law Appellate Tribunal (NCLAT).
- Extend applicability of Section 446B relating to lesser penalties for small companies and one person companies, to all provisions of the 2013 Act which attract monetary penalties and also extend the same benefit to producer companies and start-ups.

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**IBC related measures:** The government has also announced special measures relating to the Insolvency and Bankruptcy Code, 2016 (IBC). These measures are as follows:

- Minimum threshold to initiate insolvency proceedings has been raised to INR1 crore from current threshold of INR1 lakh
- Special insolvency resolution framework for MSMEs under Section 240A of the IBC to be notified soon.
- No fresh initiation of insolvency proceedings up to one year, depending upon the COVID-19 pandemic situation.
- Empowering Central Government to exclude COVID-19 related debt from the definition of 'default' under the IBC for the purpose of triggering insolvency proceedings.

**Other measures**

*New definition of MSME*

- Definition of MSME proposed to be revised by raising the investment limit. An additional criterion of turnover would also be introduced. Additionally, the distinction between manufacturing and service sector would be eliminated.

The Ministry of Micro, Small and Medium Enterprises through a notification dated 1 June 2020 has notified the following revised criteria for classification of Micro, Small and Medium Enterprises (MSME):

Existing MSME classification			
Criteria: Investment in plant and machinery or equipment			
Classification	Micro	Small	Medium
Manufacturing Enterprises	Investment < INR25 lakh	Investment < INR5 crore	Investment < INR10 crore

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## Revised MSME classification

### Composite criteria: Investment and annual turnover

Classification	Micro	Small	Medium
Manufacturing and Service Enterprises	Investment < INR1 crore and Turnover < INR5 crore	Investment < INR10 crore and Turnover < INR50 crore	Investment < INR50 crore and Turnover < INR250 crore

(Source: Ministry of MSME notification no. S.O. 1702(E) dated 1 June 2020)

This notification is effective from 1 July 2020.

Additionally, other measures for MSMEs are also proposed such as promotion of e-market linkage for MSMEs to be promoted to act as replacement for trade fairs and exhibitions.

#### EPF contribution reduced for employers and employees

- Government to continue to contribute towards EPF on behalf of select businesses for another three months till August 2020
- Statutory PF contribution of both employer and employee reduced to 10 per cent each from existing 12 per cent each for all establishments covered by EPFO for the months of May, June and July 2020.

#### Tax measures

- Rates of TDS for non-salaried specified payments and of TCS for specified receipts reduced by 25 per cent of existing rates are applicable till 31 March 2021.

- Payment contract, professional fees, interest, dividend, commission, brokerage, etc. eligible for this reduced rate of TDS.
- Last date for filing income tax returns extended from 31 July and 31 October to 30 November 2020. Due date for tax audits extended from 30 September to 31 October 2020.
- Immediate processing of pending refunds to charitable trusts and non-corporate businesses and professions.
- Date of assessments that were originally scheduled to get barred on 30 September 2020, extended to 31 December 2020, those getting barred on 31 March 2021 extended to 30 September 2021.
- Vivaad se Vishwas scheme deadline extended to 31 December 2020 from 30 June earlier.

**Updates relating to Ind AS**

**Updates relating to the Companies Act, 2013**

**Updates relating to SEBI Regulations**

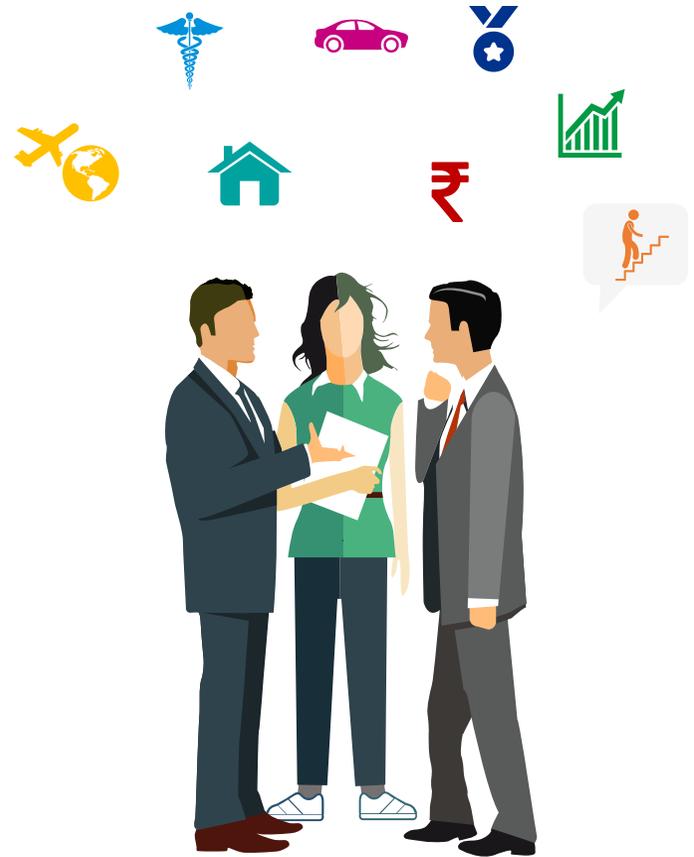
**Other updates**

Extension for moratorium	Extension of regulatory returns by RBI	GAAR and GST in tax audit deferred	ICAI advisory on CSR	<b>Economic reforms announced by government</b>	ICAI publications
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**Labour Codes**

- Universalisation of right of minimum wages and statutory concept of national floor wage introduced
- Fixation of minimum wages simplified, leading to reduced number of rates of minimum wages and better compliance.
- Provision of gratuity for fixed term employment on completion of one year service as against current requirement of five years.

*(Source: Press release issued by Ministry of Finance dated 13 May 2020, 14 May 2020, 15 May 2020, 16 May 2020 and 17 May 2020 and Ministry of MSME notification no. S.O. 1702(E) dated 1 June 2020)*



 Updates relating to Ind AS

 Updates relating to the Companies Act, 2013

 Updates relating to SEBI Regulations

 Other updates

Extension for moratorium

Extension of regulatory returns by RBI

GAAR and GST in tax audit deferred

ICAI advisory on CSR

Economic reforms announced by government

**ICAI publications**

## ICAI publications

### Publications issued by ICAI during the quarter ended 30 June 2020

Publications	Description
COVID-19 FAQs on Ind AS	The guidance highlight specific requirements of certain accounting standards that may need special attention while preparing and reporting financial information for the year ended 31 March 2020.
Going Concern - Key Considerations for Auditors amid COVID-19	This guidance focusses on the implications of the COVID-19 pandemic for the auditor's work related to going concern. The guidance includes specific FAQs to deal with the various situations in the current environment and addresses key questions or inquiries an auditor should consider due to COVID-19.
Physical Inventory Verification – Key audit considerations amid COVID-19	The COVID-19 outbreak could create several potential challenges for management of an entity to conduct physical inventory counting and for the auditors to attend these counts. The advisory highlights the auditors consideration in scenarios of difficulty in conducting physical inventory counting by the management and for the auditors to attend these counts. Also, it discusses the use of alternative audit procedures where it is impracticable for auditors to attend physical inventory counting and implications for the auditor's report.
Auditor's Reporting - Key audit considerations amid COVID-19	The publication discusses the potential impact of COVID-19 on auditor's report, reporting under CARO 2016 and impact on reporting on internal financial controls with reference to financial statements.
Subsequent Events - Key audit considerations amid COVID-19	The publication highlights key areas of focus for auditors due to COVID-19 when undertaking procedures relating to subsequent events in accordance with the Standards on Auditing (SAs).

*(ICAI notification dated 6 May 2020, 10 May 2020, 13 May 2020, 17 May 2020, 23 May 2020)*

 Updates relating to Ind AS

 Updates relating to the Companies Act, 2013

 Updates relating to SEBI Regulations

 Other updates

Extension for moratorium	Extension of regulatory returns by RBI	GAAR and GST in tax audit deferred	ICAI advisory on CSR	Economic reforms announced by government	<b>ICAI publications</b>
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## Expert Advisory Committee (EAC) opinions issued by ICAI during the quarter ended 30 June 2020

Topic	Month
Provision for disputed tax cases under Ind AS	April 2020
Accounting for surcharge on delayed payment under Ind AS	May 2020
Presentation of Gain or Loss on account of Mark to Market Valuation of the Derivative Contracts resulting from Movements in Exchange Rates and Interest Rates of the Underlying Currencies under Ind AS	June 2020

*(Source: The Chartered Accountant – ICAI Journal for the month of April, May and June 2020)*

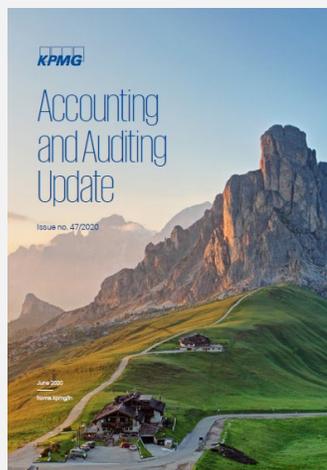


### Accounting and Auditing Update: Issue no. 47/2020

As the impact of the pandemic (COVID-19) continues to evolve, it presents significant challenges for the companies across sectors. Stringent preventive and restrictive measures to contain the pandemic have led to supply chain disruption, reduction in demand for goods, non-availability of personnel, reduced sales and profits, to name a few. In the wake of uncertainty being posed by the pandemic, it becomes imperative for companies to provide timely and adequate information to investors and various stakeholders about the impact of COVID-19 on their business operations, performance, financial position and future prospects.

These disclosures could form part of the company's financial statements, board's report, management's discussion and analysis section of the annual report and disclosures to stock exchange(s) as part of material events.

Various regulators in the form of advisories/guidance have also urged companies to communicate all information available about the impact of the pandemic on the company along with management responses including measures taken to mitigate them in a cogent manner. In this edition of Accounting and Auditing Update (AAU), we cast our lens on some of the key areas to be considered by companies while disclosing the impact of the pandemic within or outside financial statements.



### First Notes Guidance on subsequent events owing to COVID-19

Financial statements of companies may be affected by certain events that occur after the date of the financial statements but before they are approved by the board of directors of the company for issue, commonly referred as 'subsequent events'

Due to coronavirus (COVID-19) pandemic and the uncertainty that it has unleashed, it has become more important than before that management and auditors of companies are vigilant to subsequent events and provide appropriate adjustment or disclosure for these events in order to enhance the quality of financial reporting.

Recently, the Institute of Chartered Accountants of India (ICAI) and the International Accounting and Auditing Standards Board (IAASB) have issued guidance on 'subsequent events' arising on account of COVID-19. The guidance specifies management considerations while assessing events occurring after the date of financial statements along with auditor's responsibilities.

In this issue of First Notes, we cast our lens on the matters relevant for management while evaluating subsequent events arising as a result of the pandemic as highlighted in the guidance.





**KPMG** josh

**IT SHOWS**

IN OUR ABILITY TO TRIUMPH OVER  
ANYTHING IN OUR SPIRIT OF  
UNDYING ENTHUSIASM OUR DRIVE  
TO ACHIEVE THE EXTRAORDINARY  
UNMOVED BY FEAR OR CONSTRAINT  
WE'RE DRIVEN BY JOSH AND IT  
SHOWS

# KPMG in India contacts:



**Sai Venkateshwaran**  
**Partner Assurance and**  
**Head CFO Advisory**  
T: +91 20 3090 2020  
E: saiv@kpmg.com

**Ruchi Rastogi**  
**Partner**  
**Assurance**  
T: +91 124 334 5205  
E: ruchirastogi@kpmg.com

[home.kpmg/in](https://home.kpmg/in)

Feedback/queries can be sent to  
[aaupdate@kpmg.com](mailto:aaupdate@kpmg.com)

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