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India

CAPITAL MARKETS

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This country-specific Q&A provides an overview of capital markets laws and regulations applicable in India.

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INDIA
CAPITAL MARKETS

1. Please briefly describe the regulatory framework and landscape of both equity and debt capital market in your jurisdiction, including the major regimes, regulators and authorities.

Issuance and listing of equity shares and debentures by Indian companies is governed by the Companies Act, 2013 (including rules made thereunder), regulations and circulars framed by the Securities and Exchanges Board of India ("**SEBI**"), requirements of stock exchanges, and applicable sector-specific regulations.

The SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 ("**ICDR Regulations**") are the principal SEBI regulations governing issuance and listing of equity shares by Indian companies, which, among others, provide for eligibility, disclosure and lock-in requirements, and publicity restrictions.

Further, the SEBI (Issue and Listing of Non-Convertible Securities) Regulations, 2021 ("**NCS Regulations**") are the principal SEBI regulations governing public issue and private placement of listed debentures, which, among others, provide for eligibility and disclosure requirements. The NCS Regulations are also supplemented by the SEBI operational circular which sets out the operational and procedural requirements for listed debentures.

The other key legislations/regulations governing the Indian equity and debt capital markets are the SEBI Act, 1992, the Securities Contracts (Regulation) Act, 1956 (and rules made thereunder), the Depositories Act, 1996 and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("**Listing Regulations**").

Key regulatory/statutory bodies involved are the SEBI, jurisdictional registrar of companies, stock exchanges and sector-specific regulators.

2. Please briefly describe the common exemptions for securities offerings without prospectus and/or regulatory registration in your market.

Issue of equity shares and debentures by Indian issuers on private placement basis does not require filing of prospectus with SEBI or registrar of companies, whereas, in case of public issue, filing of prospectus is mandatory.

Further, in terms of the Companies Act, 2013, no person will issue, circulate or distribute in India any prospectus offering for subscription in securities of a company incorporated outside India, unless before such action, a copy thereof has been delivered for registration to the registrar of companies in India.

3. Please describe the insider trading regulations and describe what a public company would generally do to prevent any violation of such regulations.

The SEBI (Prohibition of Insider Trading) Regulations, 2015 ("**PIT Regulations**") prohibit (i) communication or procurement of unpublished price sensitive information ("**UPSI**") except where such communication is in furtherance of legitimate purposes, performance of duties, discharge of legal obligations or due diligence exercise; (ii) trading when in possession of UPSI, except in specific circumstances such as exercise of stock options and trading pursuant to trading plan; (iii) contra-trade by designated persons of listed company, unless relaxed by compliance officer of the listed company.

The PIT Regulations also prescribe (i) disclosure-based regime wherein trading by certain persons (such as promoter, promoter group, designated person and director) is to be disclosed to the listed company and stock exchanges; and (ii) informant mechanism for an informant to report violation of insider trading laws directly to SEBI.

The PIT Regulations also prescribe certain compliance

requirements for listed entities which serve as preventive measures, such as requirement to (i) formulate code of conduct to regulate, monitor and report trading by designated persons and their immediate relatives; (ii) maintain structured digital database containing nature of UPSI, names of persons sharing and accessing UPSI; and (iii) establish institutional mechanism for prevention of insider trading. Non-compliance of the PIT Regulations triggers strict scrutiny from SEBI. Typically, Indian listed companies are encouraged to follow 'disclose, when in doubt' standards.

4. What are the key remedies available to shareholders of public companies / debt securities holders in your market?

Set forth below are the key remedies available to shareholders of public companies:

- **Voting rights**: Shareholders can express their dissent in resolutions for which shareholders' approval is required under the Companies Act, 2013 and the Listing Regulations, and in certain cases (meeting minimum numerical threshold) requisition meeting of shareholders.
- **Vigil mechanism**: A listed entity is required to devise an effective vigil mechanism/whistle blower policy enabling stakeholders to freely communicate their concerns about illegal or unethical practices.
- **SCORES and Investors Service Cell**: SCORES is an online platform designed to help the investors lodge their complaints, pertaining to securities market, online with SEBI, against the listed entities. Further, stock exchanges have also constituted Investor Service Cell facilitates for resolution of investors' complaints against the listed entities.
- **Remedies against oppression and mismanagement**: The Companies Act, 2013 empowers members of a company (meeting minimum numerical threshold) to make application to National Company Law Tribunal ("**NCLT**") for relief in case of oppression, mismanagement and acts that are prejudicial to the interests of the company or public interest. NCLT has been given wide powers to grant relief by passing orders to 'bring an end to the matters complained of'. In certain instances, such order can include granting damages or compensation and restraining a company from doing an act.
- **Winding up**: A company may be wound up by NCLT if the company has, by special resolution of shareholders, resolved that the company be wound up by NCLT

In case of debentures:

- the debenture-holders (through debenture trustee) may sue for recovery of principal and interest (including by way of sale of security where provided); and
- where any corporate debtor commits a default, the creditor may initiate corporate insolvency resolution process in respect of such corporate debtor.

In addition to the above, the stakeholders may take actions under any contractual arrangement with the company.

5. Please describe the expected outlook in fund raising activities (equity and debt) in your market in 2023.

While in the first half of 2023, the public issue market has been tepid, with the resilient economy in light of the macroeconomic conditions, outlook of fundraising activities (whether equity or debt) is expected to recover and stabilize. Debt capital markets is also expected to gain momentum in the latter half of 2023 on account of policy change that resulted in indexation benefits for gains from debt mutual funds being no longer available to investors. Investors may now prefer directly investing in debt issues of various issuers than investing through debt mutual funds.

6. What are the essential requirements for listing a company in the main stock exchange(s) in your market? Please describe the simplified regime (if any) for company seeking a dual-listing in your market.

The key eligibility requirements for listing of equity shares by Indian companies, as prescribed by SEBI are as follows:

a. the issuer, its promoters, promoter group or directors or selling shareholders are not debarred from accessing the capital market by SEBI;
b. the promoters or directors of the issuer are not a promoter or director of any other company which is debarred from accessing

the capital market by SEBI;
c. the issuer or its promoters or directors is not a wilful defaulter or a fraudulent borrower; and
d. the promoters or directors of the issuer are not fugitive economic offenders.

While past financial performance of an issuer is not an eligibility requirement *per se*, certain financial parameters such as net tangible assets, operating profit and net worth are required to be assessed in determining the extent to which the issuer is required to offer its equity shares in public issue to various categories of investors (such as qualified institutional buyers, non-institutional investors and retail individual investors). In addition to this, stock exchanges have provided main-board listing requirements, including minimum paid-up share capital and minimum market capitalization.

At present, Indian companies can access the international capital markets of foreign jurisdictions through American depositary receipts and global depositary receipts. The issue of depositary receipts ("**DRs**") by an Indian company is primarily regulated by the Companies Act, 2013 (and the rules made thereunder), the Depository Receipts Scheme, 2014 and SEBI circulars, which permit Indian companies to issue DRs in accordance with the prescribed procedural requirements thereunder without any regulatory approval. Equity shares and debt securities of Indian company, which are listed on recognized stock exchanges in India, can be underlying securities of such DRs.

Indian companies can list their debt securities on foreign stock exchanges through foreign currency bonds, masala bonds, foreign currency convertible bonds and foreign currency exchangeable bonds. Such issuance is primarily governed by the regulations and master directions framed under the Foreign Exchange Management Act, 1999 (including master direction on external commercial borrowings), the Companies Act, 2013 (to limited extent) and security specific scheme framed by ministry/regulator.

Listing of Indian depositary receipts ("**IDR**") in India by foreign companies is primarily governed by the Companies Act, 2013 (and rules made thereunder) and regulations framed by SEBI. The ICDR Regulations are the principal regulations made by SEBI, which provide for detailed governing aspects of the issue of IDR, including eligibility and disclosure requirements, and publicity restrictions. The IDR issuance has been negligible in India with only issuance being IDR issue by Standard Chartered plc in 2010.

7. Are weighted voting rights in listed companies allowed in your market? What special rights are allowed to be reserved (if any) to certain shareholders after a company goes public?

Weighted voting rights in listed companies in India are permitted to a limited extent. A listed entity is not permitted to issue shares in any manner that may confer on any person, superior or inferior rights as to dividend *vis-à-vis* rights on already-listed equity shares or inferior voting rights *vis-à-vis* rights on already-listed equity shares. However, a listed entity having 'SR equity shares' issued to its promoters/founders, may issue SR equity shares to its SR shareholders only through a bonus, split or rights issue. 'SR equity shares' mean the equity shares of an issuer having superior voting rights compared to its other equity shares. Further, the rules under the Companies Act, 2013 provide that the voting power in respect of shares with differential rights will not exceed 74% of total voting power including voting power in respect of equity shares with differential rights.

During initial public offer by an Indian company, as practice, none of the special rights available to the shareholders (except for right to nominate director on the board of the issuer and information rights) are permitted to survive post listing and such special rights are required to cease to exist on or before the allotment to public shareholders in such public offer. Surviving special rights are subject to post-listing shareholders' approval by way of special resolution. However, such practice is currently under scrutiny by SEBI and continuously evolving.

Further, post listing, while a listed company may permit additional special rights, pursuant to recent amendments to the Listing Regulations in 2023, any special right granted to shareholders will be subject to shareholders' approval by way of special resolution once in every five years. However, such shareholders' approval is not required in certain lending /subscription arrangements.

8. Is listing of SPAC allowed in your market? If so, please briefly describe the relevant regulations for SPAC listing.

Listing of SPAC is permitted to limited extent in India. The International Financial Services Centre Authority ("**IFSCA**") has issued the IFSCA (Issuance and Listing of Securities) Regulations, 2021 which provide a regulatory framework for SPACs IPO and listing within its jurisdiction, which include eligibility criteria for sponsors,

disclosure requirements, lock-in for sponsor, minimum issue size, minimum subscription and completion of business combination within three years.

9. Please describe the potential prospectus liabilities in your market.

The Companies Act, 2013 provides for the following prospectus liabilities:

- **Criminal liability for misstatements**: Every person who authorizes the issue of offer document (namely the directors of the issuer) will have criminal liability for misstatements in the prospectus.
- **Civil liability for misstatements**: The issuer, promoters, directors and every person who has consented to be named as an expert in the offer document will have civil liability for any misstatements in the prospectus.

Further, under the SEBI Act, 1992 and regulations made thereunder (particularly, the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003), based on specific facts, SEBI has been given wide powers to take actions such as (i) suspending trading; (ii) restraining persons from accessing securities market or dealing in securities; (iii) impounding proceeds or securities in respect of transaction in violation; and (iv) direction to dispose-off assets or securities forming part of transaction in violation.

10. Please describe the key minority shareholder protection mechanisms in your market.

Please refer to Question 4 above

11. What are the common types of transactions involving public companies that would require regulatory scrutiny and/or disclosure?

Set out below are the select transactions involving Indian listed companies that require SEBI's scrutiny and disclosure:

- Raising of funds from public such as public issue and rights issue, and by way of certain other methods such as qualified institutions placement and preferential issue;
- Acquisition of substantial voting rights or controlling interest in Indian listed company;
- Scheme of arrangement, merger and amalgamation.

In addition to the above, transactions may attract scrutiny of sector-specific regulators (such Competition Commission of India, the Reserve Bank of India and the Insurance Regulatory and Development Authority of India).

The Listing Regulations prescribe principle-based disclosure regime pursuant to which listed entities are required to disclose material event/information. Certain events are deemed to be material such as (i) acquisition, scheme of arrangement, sale of undertaking; (ii) issuance, split and consolidation and buyback of securities; (iii) transfer restrictions on securities; (iv) outcome of board meetings considering dividends, financial results, voluntary delisting; (v) binding agreements (such as shareholders' agreement, joint venture agreements, agreements with media companies); (vi) fraud/defaults by listed entity and its management; (vii) change in directors, senior management, auditor, compliance officer, etc.; (viii) restructuring of borrowings; (ix) winding-up petition and corporate insolvency resolution process; (x) investors meet; (xi) recordings and transcripts of earnings calls; (xii) certain regulatory/statutory actions.

Additionally, listed entities are required to disclose quarterly financial results (limited reviewed or audited), and quarterly shareholding pattern and various compliance reports on periodic basis.

12. Please describe the scope of related parties and introduce any special regulatory approval and disclosure mechanism in place for related parties' transactions.

Related party transactions ("**RPT**") are primarily regulated by the Companies Act, 2013, the Listing Regulations and applicable accounting standards. The Listing Regulations are the principal SEBI regulations providing for (i) definitions of 'related party' and 'related party transactions'; (ii) thresholds for materiality of RPT; and (iii) process for audit committee to approve RPT. Listed entities are required to disclose RPT every six months.

'Related party', among others, include any person holding equity shares of 10% or more in the listed entity either directly or on a beneficial interest basis. Further, RPT means transaction involving transfer of resources, services or obligations between: (i) listed entity or its

subsidiary on one hand and related party of listed entity or its subsidiary on the other hand; or (ii) listed entity or its subsidiary on one hand, and any other person on the other hand, the purpose and effect of which is to benefit a related party of listed entity or its subsidiary.

For entering into RPT, regulatory approval is not required *per se*. However, all RPTs require prior approval of audit committee of the listed entity and material RPTs (crossing certain numerical threshold) require prior shareholders' approval.

Further, under the Companies Act, 2013, approval of board and shareholders (in case of certain numerical thresholds) is required for RPTs by a company which are not in the ordinary course of business or on arm's length.

13. What are the key continuing obligations of a substantial shareholder and controlling shareholder of a listed company?

Set out below are the key continuing obligations of a substantial shareholder and controlling shareholder categorized as promoter of a listed company, under the SEBI regulations:

- **Disclosure based regime**: Promoters are required to disclose to stock exchanges details of trading in securities of listed entity crossing specified thresholds. Notably, promoters are not permitted to undertake contra-trade, unless relaxed by compliance officer. Further, promoters are required to inform the listed entity about the agreements (which, directly or indirectly impact the management or control of listed entity or impose any restriction or create any liability upon listed entity) to which such a listed entity is not a party.
- **Lock-in**: Pursuant to initial public offer by a company, its promoter is required to hold at least 20% shareholding on post-offer basis which will be locked-in for eighteen months or three years subject to certain conditions. Promoters' shareholding in excess of 20% will be locked-in for six months or one year subject to certain conditions. Further, promoters are commercially expected to provide lock-in of shares when listed entity accesses equity capital markets.
- **Exit offers**: The promoters, or shareholders in control of an issuer, are required to provide exit offer, among others, (i) to dissenting shareholders, in case of change in objects or variation in terms of contract related to objects referred to in the offer document for listing of equity shares; (ii) to public shareholders in case equity shares of the listed company are compulsorily delisted.
- **Minimum public shareholding**: SEBI regulations mandate a listed company to maintain minimum public float of 25%. Should this requirement be violated, the shareholding of promoters may be frozen and promoters may be restricted from holding new directorships in other listed entities.
- Additionally, promoters may incur civil and criminal liability, as applicable, for misstatements in the prospectus.

14. What corporate actions or transactions require shareholders' approval?

Set out below are the key actions/transactions which require shareholders' approval under the Companies Act, 2013 and the SEBI regulations:

- Appointment of directors, auditors;
- Issue of securities (other than rights issue and certain other cases);
- Remuneration of directors crossing specified thresholds;
- Material related party transactions;
- Investment and borrowings by the company crossing specified thresholds;
- Amendment to charter documents;
- Scheme of arrangement, merger and amalgamation;
- Sale, lease or disposal of undertaking;
- Special rights granted to shareholders of listed entity;
- Agreements with regard to compensation/profit sharing in connection with dealings in securities of the listed entity;
- Winding up by tribunal.

15. Under what circumstances a mandatory tender offer would be triggered? Is there any exemption commonly relied upon?

In terms of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 ("**Takeover Code**"), a public announcement for open offer is required to be made by an acquirer if:

a. **25% Trigger**: the acquirer's shareholding or voting rights in a target company, which when taken together with shares or voting rights held by 'persons acting in concert' ("**PAC**")

with such acquirer would entitle them to collectively exercise 25% or more of the voting rights in such target company;

b. **Creeping Trigger**: the acquirer (together with PAC) holding shares or voting rights entitling them to exercise 25% or more of the voting rights in the target company, acquires more than 5% of the voting rights of such target company within any financial year;
c. **Control Trigger**: Acquisition of 'control' (directly or indirectly) over the target company.

The Takeover Code prescribes certain general exemptions in respect of acquisitions which are exempt from making an open offer (subject to applicable conditions), such as: (i) acquisition pursuant to *inter se* transfer of shares amongst qualifying persons; (ii) acquisition pursuant to a scheme; (iii) acquisition pursuant to resolution plan under the bankruptcy code; (iv) acquisition pursuant to SEBI delisting regulations; (v) acquisition by way of transmission, succession or inheritance; (vi) acquisition by lenders pursuant to conversion of debt as part of debt restructuring; (vii) increase in voting rights pursuant to buy-back or rights issue of shares. Additionally, on case-to-case basis, SEBI may grant exemption from obligation to make an open offer.

16. Are public companies required to engage any independent directors? What are the specific requirements for a director to be considered as "independent"?

Under the Listing Regulations, Indian companies with listed equity shares are required to appoint independent directors in the following manner:

- **One-third of the board**: Where the chairperson of board of directors is a non-executive director (who is not a promoter, related to promoter or person occupying management position), at least one-third of the board is required to comprise of independent directors;
- **Half of the board**: Where the listed entity does not have a regular non-executive chairperson, at least half of the board is required to comprise of independent directors. Further, where the listed company has outstanding SR equity shares, at least half of the board is required to comprise of independent directors.
- **One independent woman director**: The board of directors of the top 1,000 listed entities (determined based on market capitalization at the end of previous financial year) is required to have at least one independent woman director.

The Companies Act, 2013 and the Listing Regulations prescribe specific independence criteria for an independent director, among others, relating to (i) relation with promoter or director of the listed entity, its holding, subsidiary or associate company; (ii) material pecuniary relationship with the listed entity, its holding, subsidiary or associate company; (iii) relations of relatives of independent director with listed entity, its holding, subsidiary or associate company.

17. What financial statements are required for a public equity offering? When do financial statements go stale? Under what accounting standards do the financial statements have to be prepared?

Under the ICDR Regulations, in case of public issue of equity shares:

- **Audited restated consolidated financial statements ("CFS")**: Audited restated CFS prepared in accordance with Indian Accounting Standards or IGAAP, as applicable, for the latest three financial years and stub period (if applicable) are required to be disclosed in the draft/offer document.
- **Proforma financial statements**: The issuer is required to disclose proforma financial statements for last completed financial year and stub period (if applicable), certified by the statutory auditor or peer reviewed chartered accountants, of subsidiaries or businesses material to the CFS where the issuer or its subsidiaries have made an acquisition/divestment after the latest period for which financial information is disclosed in the draft/offer document but before the filing of such offer document.
- **Standalone financials on website**: Audited standalone financial statements of the issuer and its material subsidiaries for last three financial years are required to be made available on the website of the issuer.

The audited restated CFS go stale if such financial statements are older than six months from the date of

the draft/offer document.

18. Please describe the key environmental, social, and governance (ESG) and sustainability requirements in your market. What are they key recent changes or potential changes?

SEBI has adopted a disclosure and assurance-based regime in relation to ESG and sustainability requirements for listed entities. Certain recent developments include (i) disclosure of business responsibility and sustainability report on the environmental, social and governance disclosures in annual report; (ii) obtaining assurance of the Business Responsibility and Sustainability Report Core in the manner specified by SEBI, by top 1,000 listed entities. Remaining listed entities may comply with these requirements on a voluntary basis. Further, in July 2023, SEBI has introduced framework for ESG rating providers, which include registration of ESG rating providers, eligibility criteria, code of conduct, transparency, governance and prevention of conflict of interest, rating process and monitoring.

Recently, pursuant to amendment to ICDR Regulations, SEBI has prescribed framework for a separate segment of recognized stock exchanges (*i.e.*, social stock exchange) to register not-for-profit organizations and listing of their securities. Other key aspects of such amendment include eligibility conditions, raising of funds by social enterprise (including for-profit enterprise), procedure for issue of zero coupon zero principal instruments.

19. What are the typical offering structures for issuing debt securities in your jurisdiction? Does the holding company issue debt securities directly or indirectly (by setting up a SPV)? What are the main purposes for issuing debt securities indirectly?

In India, debt securities can be issued either on a private placement basis or by way of a public offering. Further, there is no restriction on holding companies issuing debt securities directly. Debt securities are primarily issued by financial services sector companies for onward lending and other working capital requirements. Non-financial services sector entities issue debt securities primarily for refinancing their existing debt.

20. Are trust structures adopted for issuing debt securities in your jurisdiction? What are the typical trustee's duties and obligations under the trust structure after the offering?

It is not mandatory for an issuer to be a trust in order to issue debt securities. Accordingly, trust structures are not specifically adopted for issuing debentures. However, in case of issue and listing of debt securities, the issuer is required to appoint a debenture trustee.

The regulations and circulars made by SEBI and the Companies Act, 2013 prescribe certain specific duties and obligations of debenture trustee, including:

- debenture trustee will be vested with requisite powers for protecting the interest of debt security holders, including right to appoint a nominee director on the board of the issuer;
- supervising the implementation of conditions regarding creation of security, creation of recovery expense fund and debenture redemption reserve, as applicable;
- monitoring the security cover in relation to secured debentures;
- taking steps to protect the interests of debt security holders and redress their grievances;
- where the debenture trustee concludes that assets are (or likely to become) insufficient to discharge the principal amount as and when it becomes due, the debenture trustee may file a petition before NCLT.

21. What are the typical credit enhancement measure (guarantee, letter of credit or keep-well deed) for issuing debt securities? Please describe the factors when considering which credit enhancement structure to adopt.

A common form of credit enhancement is an unconditional and irrevocable guarantee from a higher-rated entity covering the issuer's debt obligations. Other forms of credit enhancement measures for debentures, bonds and other capital market instruments include co-obligor structures, pledge of shares or other assets, letter of comfort, standby letter of credit, payment waterfall/escrow, or debt service reserve account (DSRA), with full guarantee or DSRA replenishment guarantee from a third party and shortfall undertaking. Credit-enhanced debt structures are common in both financial and non-financial sectors.

The type of credit enhancement facility is chosen by the issuer after considering costs and market placement factors including the ability to obtain a higher credit rating on the basis of chosen credit enhancement.

22. What are the typical restrictive covenants in the debt securities' terms and conditions, if any, and the purposes of such restrictive covenants? What are the future development trends of such restrictive covenants in your jurisdiction?

Set out below are the typical restrictive covenants in issuances of debt securities:

- Material alterations to charter documents, which are prejudicial to the interests of debt security holders;
- Voluntarily winding-up or liquidation or dissolution of affairs of issuer or initiation of corporate insolvency resolution process;
- Merger, consolidation, reorganization, scheme or arrangement, which may have material adverse effect on interests of debt security-holders;
- Undertaking any compromise with creditors or shareholders;
- Compliance with financial covenants;
- Minimum shareholding requirement for promoters;
- Restriction on offering same security for availing further indebtedness etc.

The restrictive covenants are included in transaction documents to ensure that the issuer does not undertake corporate actions that will have a negative impact on the debt security holders or their ability to recover their outstanding dues relating to the debt securities. Restrictive covenants for debt issues are fairly evolved and are being customized basis market placement factors.

23. In general, who is responsible for any profit/income/withholding taxes related to the payment of debt securities' interests in your jurisdiction?

The issuer is responsible to deduct tax at specified rate in relation to interest income on debentures paid to an Indian resident before releasing the interest amount to the resident debt security holder under the Income-tax Act, 1961.

24. What are the main listing requirements for listing debt securities in your jurisdiction? What are the continuing obligations of the issuer after the listing?

In terms of NCS Regulations, no issuer will make a public issue of debt securities if as on the date of draft/offer document:

- the issuer, its promoters, promoter group or directors are debarred from accessing the securities market or dealing in securities by the SEBI;
- the promoters or directors of the issuer are a promoter or director of another company which is debarred from accessing the securities market or dealing in securities by the SEBI;
- the issuer or its promoters or directors is a wilful defaulter;
- the promoters or whole-time directors of the issuer are a promoter or whole-time director of another company which is a wilful defaulter;
- the promoters or directors of the issuer are fugitive economic offenders;
- any fine or penalties levied by the SEBI/stock exchanges is pending to be paid by the issuer at the time of filing the offer document; or
- the issuer is in default of payment of interest or repayment of principal amount in respect of debt securities, for a period of more than six months.

Additionally, the issuer is required to enter into an arrangement with a depository for dematerialization of the debt securities; and obtain credit rating from at least one credit rating agency.

The Listing Regulations prescribe disclosure-based regime. Set out below are the key requirements in case of listed debentures:

- Disclosure of information having bearing on performance/operation of listed entity or price sensitive information;
- Disclosure of audited or limited reviewed quarterly standalone financial results, and annual audited standalone and consolidated financial statements;
- Maintenance and disclosure of 100% or higher security cover;
- Submission of documents and intimation to debenture trustee;
- Prior stock exchanges' approval to make material modifications to the structure of

debentures in terms of coupon, redemption, or otherwise;
- Obtaining no-objection letter in case of scheme of arrangement;
- restriction to declare/distribute dividend wherein listed entity has defaulted in payment of interest, redemption or creation of security;
- Annual review of credit rating by SEBI registered credit rating agency; and
- maintenance of functional website with specific disclosures.

Additionally, corporate governance requirements applicable to company with listed equity shares also apply to 'high value debt listed entity' on a 'comply or explain' basis until March 31, 2024 and on a mandatory basis thereafter. 'High value debt listed entity' means an entity that has listed its non-convertible debt securities and outstanding value of which is Rupees five billion.

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