



# SEBI LODR (Amendments) Regulations, 2018 (as applicable to Pradeep Metals Ltd.)

6<sup>th</sup> February, 2019

Presented at the 207<sup>th</sup> Board Meeting of Pradeep Metals Ltd

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## Synopsis

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## Executive Summary

- The Securities Board of India (SEBI), based on the recommendations of Kotak Committee on Corporate Governance, introduced the SEBI LODR (Amendments) Regulations, 2018 (erstwhile SEBI LODR Regulations, 2015)
- New Regulations to be effective in 3 Stages : Oct. 1<sup>st</sup>, 2018 (Stage I), April 1<sup>st</sup>, 2019 (Stage II) & April 1<sup>st</sup>, 2020 (Stage III)
- The amendments aim to add transparency in the compliances and disclosures by listed entities. Broadly the 7 segments are:
  - i. Role of Board & its Composition
  - ii. Independent Directors (IDs)
  - iii. Committees of Board
  - iv. Monitoring Group Entities & Related Party Transactions
  - v. Accounting & Audit Matters
  - vi. Disclosures
  - vii. Investor Participation
- In this presentation, we will cover the key highlights of the provisions applicable to Pradeep Metals Ltd. and accomplishments

## Board of Directors

1st Oct. 2018 to 31<sup>st</sup> Mar. 2019

1<sup>st</sup> Apr. 2019

1<sup>st</sup> Apr. 2020

- ✓ Members approval by Special Resolution required for appointment/continuation of non-executive Directors on attaining 75 years of age

- ✓ Maximum number of Directorships to be held by a person to be brought down to **8**
- Disclosure of expertise/skills of Directors on the BoD to be made in Annual Report (Applicable to Annual Report of FY 2018-19)
- A person serving as WTD/MD in listed entity, can **be ID in max 3 Companies**

### Voluntarily PML has also ensured:

- ✓ Appointment of a Woman Independent Director on Board
- ✓ Minimum 6 Directors on Board
- ✓ Quorum higher of 1/3<sup>rd</sup> of total strength or 3 Directors

- ✓ Maximum number of Directorships to be held by a person to be brought down to **7**

## Independent Directors

1st Oct. 2018 to 31<sup>st</sup> Mar. 2019

1<sup>st</sup> Apr. 2019

1<sup>st</sup> Apr. 2020

- ✓ Eligibility Criteria for Independent Directors (**Excludes a person from Promoter Group**)
- ✓ **Board inter-locks** not permitted
- ✓ Prohibition on appointment of **Alternate Director in place of Independent** Directors

- **ID to submit declaration** (at first Board Meeting in which he/she participates as Director and at first meeting of every FY) stating that he/she **meets the eligibility criteria** and is not aware of any situation/circumstance which may exist or may be reasonably anticipated that could impact his/her ability to discharge the duties with an objective independent judgment & without any external influence
- Evaluation of Independent Directors to be carried out by entire Board
- Disclosure on **resignation of IDs** in Annual Report as well as to Stock Exchange
- Board to provide **confirmation regarding fulfillment of specified conditions by IDs** (reporting to be done for financial year ended 31<sup>st</sup> March, 2019)

## Committees of Board

1<sup>st</sup> Apr. 2019

### Audit Committee

- Additional responsibilities covered in the scope of Audit Committee : to review utilization of loans/ advance from/investment by holding Co. in its subsidiary, exceeding INR 100 Crs or 10% of asset size of subsidiary whichever is lower. (Threshold to include existing loans/investments as on April 1, 2019)
- ✓ At least 4 meetings of Audit Committee every year with max gap of 120 days between any 2 meetings

### Nomination & Remuneration Committee

- ✓ NRC to meet at least once in a year.
- ✓ Quorum of NRC to be either 2 members or 1/3<sup>rd</sup> of the members of Committee, whichever is greater, with at least one ID present
- NRC to recommend the remuneration payable to the senior management. (Senior Mgmt. would include all members of Mgmt. one level below CEO/MD/WTD/Manager, CS, CFO. Administrative staff to be excluded)

### Stakeholders Relationship Committee

- SRC to meet at least once in a year.
- ✓ Composition: At least 3 Directors with at least one being ID.
- Chairperson of SRC should be present at AGM
- Widened scope of operations such as review measures taken for effective exercise of voting rights by Members, review services of RTA, review measures taken by Company to reduce the quantum of unclaimed dividend etc.

## Subsidiaries

1st Oct. 2018 to 31<sup>st</sup> Mar. 2019

1<sup>st</sup> Apr. 2019

### Subsidiaries

- Secretarial Audit to be performed for every listed entity and its material unlisted subsidiary incorporated in India (Applicable with reporting from year ended 31<sup>st</sup> March, 2019)

### Subsidiaries

- Definition of Material Subsidiary has been revised to mean a subsidiary **whose income or net worth exceeds 10%** (existing 20%) of the consolidated income or net worth, respectively of the listed entity and its subsidiaries in the immediately preceding accounting year.
- ✓ At least **one ID** from the Board of listed entity to be **appointed** on the Board of an **unlisted ^material subsidiary** whether incorporated in India or abroad.

*(^For this purpose, material Subsidiary shall mean a Subsidiary whose income or networth exceeds 20% of the consolidated income or networth respectively, of the listed entity & its subsidiaries in immediate preceding accounting year)*

- Mgmt. of unlisted subsidiary **to present a statement of all #significant transactions & arrangements** entered into by all unlisted subsidiaries (at present its applicable only to material subsidiaries)

*(#Significant Transaction or arrangement means all individual transaction or arrangement that exceeds or is likely to exceed 10 % of the total revenues or total expenses or total assets or total liabilities, as the case may be, of the unlisted subsidiary for immediately preceding accounting year.)*

## Related Party Transactions

1st Oct. 2018 to 31<sup>st</sup> Mar. 2019

1<sup>st</sup> Apr. 2019

- **Half-yearly disclosure** of RPTs on a **consolidated basis** in prescribed format on website of listed entity **within 30 days of publication of half-yearly financial results** and to be submitted to Stock Exchange (applicable for half year ended 31<sup>st</sup> March, 2019)

- **Definition** of Related Parties would **include all promoters/promoter group entities holding 20% or above** in a listed entity.
- **All material RPTs would require an approval of the shareholders** through a resolution.
- Related Parties not to vote to approve such resolution whether the entity is related party to the particular transaction or not. However, such related **parties can cast negative vote.**
- Shareholders approval required for payment of remuneration to executive Promoter Directors/non-executive Directors exceeding the threshold
- Policy on materiality of RPTs & dealing with RPTs to state **a clear threshold limits** approved by Board- Policy **to be reviewed & updated at least once in every 3 years**



## General Disclosures

1st Oct. 2018 to 31<sup>st</sup> Mar. 2019

1<sup>st</sup> Apr. 2019

- ✓ Annual Report to be submitted to Stock Exchange and published on website of the Company before dispatching the same to Members (earlier it was to be sent to Stock Exchange within 21 days of AGM)
- ✓ Intimation of **Credit Ratings** for all the instruments to Stock Exchange and immediate update on revisions in any of such credit ratings
- ✓ **Financial Statements** to be disclosed in **XBRL** format to Exchanges
- ✓ **Searchable formats** of disclosures

- Disclosure of **Key Changes in Financial Indicators** (i.e. change of 25% or more as compared to immediately previous year in key financial ratios – Debtor Turnover, Inventory Turnover, Current ratio, Debt Equity ration etc) in MDA
- Disclosure wrt **Certificate by PCS** stating that no Director is a disqualified director
- Disclosure of Board **Committee recommendations not accepted** by the Board
- Disclosure of **subsidiary accounts** separately on website
- Disclosure to Stock Exchange on **long-term & medium term strategy** to be included in Management Discussion Analysis (MDA)
- Disclosure pertaining to Directors- CG report to include the names of listed entities where a person is a Director

## Accounting & Audit

1<sup>st</sup> Apr. 2019

- Disclosure of **consolidated financial results** now mandatory on a **quarterly basis**.
- Submission of **standalone & consolidated Cash flow statement** on a **half-yearly** basis now mandatory.
- Need to submit audited or limited reviewed financial results in respect of the last quarter along with results of the entire financial year (earlier audited financial results of the last quarter were required to be submitted)
- Any **material adjustments made in the results** of the last quarter which pertain to earlier periods would be disclosed by the Company as a note to financial results
- **Limited review of Subsidiary entities** by Statutory Auditors of parent listed entity
- **Total fees paid to an Auditor** and all entities on the network firms of which Auditor is a part needs to be disclosed in the Annual Report
- Disclosure to Stock Exchange of detailed reasons for **Auditors resignation within 24 hours** of resignation
- The explanatory statement in relation to appointment/re-appointment of Auditors to **cover the credentials of the Auditors** and proposed fees along with terms of engagement

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# Clientele

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