



भारतीय प्रतिभूति और विनिमय बोर्ड
Securities and Exchange Board of India

MASTER CIRCULAR

SEBI/HO/CFD/DIL1/CIR/P/2020/249

December 22, 2020

To,

All listed entities

All the recognized Stock Exchanges

Dear Sir / Madam,

Master Circular on (i) Scheme of Arrangement by Listed Entities and (ii) Relaxation under Sub-rule (7) of rule 19 of the Securities Contracts (Regulation) Rules, 1957

1. Securities and Exchange Board of India (SEBI), from time to time, has been issuing various circulars/directions which lay down the detailed requirements to be complied by listed entities while undertaking schemes of arrangements.
2. In order to enable the users to have access to the applicable circulars at one place, Master Circular in respect of schemes of arrangement has been prepared.
3. This Master Circular is a compilation of relevant and updated circulars issued by SEBI which deal with schemes of arrangement and which are operational as on date of this circular.
4. A list of SEBI circulars compiled in this Master Circular is given in Appendix at the end of this Master Circular.
5. In case of any inconsistency between the Master Circular and the applicable circulars, the content of the relevant circular shall prevail.
6. This circular is available on SEBI website at www.sebi.gov.in.

Yours faithfully

Yogita Jadhav
General Manager

Table of Contents

Particulars	Page No.
Preliminary	3
Part I	
Requirements before the Scheme of arrangement is submitted for sanction by the National Company Law Tribunal (NCLT)	4-11
A. Requirements to be fulfilled by Listed entity	12
B. Obligations of Stock Exchange(s)	12
C. Processing of the Draft Scheme by SEBI	12
Part II	
Application for relaxation under Sub-rule (7) of rule 19 of the Securities Contracts (Regulation) Rules, 1957	
A. Requirements to be fulfilled by Listed Entity for Listing of Equity Shares	13-16
B. Application by a listed entity for Listing of warrants offered along with Non-Convertible Debentures (NCDs)	17
C. Requirements to be fulfilled by Stock Exchange(s)	17
D. Processing of the Scheme by SEBI	17
Format for Auditor's Certificate	18-19
Format for Report on Complaints	20
Format of the Compliance Report to be submitted along with the draft scheme	21
Format for report on unpaid dues	22
Format for Computation of Fair Share Exchange Ratio	23
Format of the Compliance Report to be submitted along with the application for relaxation under Sub-rule (7) of rule 19 of the Securities Contracts (Regulation) Rules, 1957) if listing of Non-Convertible Redeemable Preference Shares (NCRPS) / Non-Convertible Debentures (NCDs) is envisaged through Scheme of Arrangement	24
Schedule I - List of Circulars	25

PRELIMINARY¹

1. SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred to as “listing regulations”) place obligations with respect to Scheme of Arrangement on Listed Entities and Stock Exchange(s) in Regulation 11, 37 and 94.
2. Regulation 11 of the listing regulations, inter-alia, provides that any scheme of arrangement / amalgamation / merger / reconstruction / reduction of capital etc. to be presented to any Court or Tribunal does not in any way violate, override or limit the provisions of securities laws or requirements of the Stock Exchanges. Regulation 37 of listing regulations provides that the listed entities desirous of undertaking scheme of arrangement or involved in a scheme of arrangement shall file the draft scheme with Stock Exchange(s) for obtaining Observation Letter or No-objection Letter, before filing such scheme with any court or Tribunal. Regulation 94 of the listing regulations requires Stock Exchanges to forward such draft schemes to SEBI in the manner prescribed by SEBI.
3. Sub-rule (7) of rule 19 of the Securities Contracts (Regulation) Rules, 1957 (hereinafter referred to as “the SCRR”) provides that Securities and Exchange Board of India (SEBI) may, at its own discretion or on the recommendation of a recognized Stock Exchange, waive or relax the strict enforcement of any or all of the requirements with respect to listing prescribed by these rules.
4. The Provisions of this circular shall not apply to schemes which solely provide for merger of a wholly owned subsidiary or its division with the parent company.² However, such draft schemes shall be filed with the Stock Exchanges for the purpose of disclosures and the Stock Exchanges shall disseminate the scheme documents on their websites.
5. The issuance of shares under schemes in case of allotment of shares only to a select group of shareholders or shareholders of unlisted companies pursuant to such schemes shall follow the pricing provisions of Chapter V of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended from time to time (hereinafter referred to as “the ICDR Regulations”). It is clarified that the ‘relevant date’ for the purpose of computing pricing shall be the date of Board meeting in which the scheme is approved.³
6. The listed entity shall pay a fee to SEBI at the rate of 0.1% of the paid-up share capital of the listed/ transferee / resulting company, whichever is higher, post sanction of the proposed scheme, subject to a cap of ₹ 5,00,000.

¹ SEBI Circular No. CFD/DIL3/CIR/2017/21 dated March 10, 2017

² SEBI Circular No. CFD/DIL3/CIR/2017/21 dated March 10, 2017

³ SEBI Circular No. CFD/DIL3/CIR/2017/26 dated March 23, 2017

PART - I⁴

Requirements before the Scheme of arrangement is submitted for sanction by the National Company Law Tribunal (NCLT)

A. Requirements to be fulfilled by Listed Entity

1. Designated Stock Exchange

- (a) Listed entities shall choose one of the Stock Exchanges having nationwide trading terminals as the designated Stock Exchange for the purpose of coordinating with SEBI.
- (b) For companies listed solely on regional Stock Exchange, wherein exemption from Rule 19(2) (b) of Securities Contracts (Regulation) Rules, 1957 is sought, the listed entity shall obtain in-principle approval for listing of equity shares on any Stock Exchange having nationwide trading terminals. In cases, wherein exemption from Rule 19(2)(b) of Securities Contracts (Regulation) Rules, 1957 is not sought by the listed entity, one of the Stock Exchanges having nationwide trading terminals shall provide a platform for dissemination of information of such Schemes and other documents required under this circular. For such purpose, Stock Exchanges having nationwide trading terminals may charge reasonable fees from such companies.

2. Submission of Documents⁵

The Listed entity shall submit the following documents to the Stock Exchanges:-

- (a) Draft Scheme of arrangement/ amalgamation/ merger/ reconstruction/ reduction of capital, etc.;
- (b) Valuation Report as per Para (4) below;
- (c) Report from the Audit Committee recommending the Draft Scheme, taking into consideration, *interalia*, the Valuation Report. The Valuation Report is required to be placed before the Audit Committee of the listed entity. The Audit Committee report shall also comment on the following:
 - Need for the merger/demerger/amalgamation/arrangement
 - Rationale of the scheme
 - Synergies of business of the entities involved in the scheme
 - Impact of the scheme on the shareholders.
 - Cost benefit analysis of the scheme.;
- (d) Fairness opinion by a SEBI Registered merchant banker on valuation of assets/shares done by the valuer for the listed entity and unlisted entity;

⁴ SEBI Circular No. CFD/DIL3/CIR/2017/21 dated March 10, 2017

⁵ SEBI Circular No. CFD/DIL3/CIR/2017/21 dated March 10, 2017, SEBI Circular No. CFD/DIL3/CIR/P/ 2018/2 dated January 3, 2018 and SEBI Circular No. SEBI/HO/CFD/DIL1/CIR/P/2020/215 dated November 3, 2020

- (e) Pre and post amalgamation shareholding pattern of unlisted entity;
 - (f) Audited financials of last 3 years (financials not being more than 6 months old) of unlisted entity;
 - (g) Auditor's Certificate as per Para (5) below;
 - (h) Detailed Compliance Report as per the format specified in Annexure III duly certified by the Company Secretary, Chief Financial Officer and the Managing Director, confirming compliance with various regulatory requirements specified for schemes of arrangement and all accounting standards.
 - (i) Report from the Committee of Independent Directors recommending the draft Scheme, taking into consideration, *interalia*, that the scheme is not detrimental to the shareholders of the listed entity.
- 2A. The valuation report referred to in Para 2(b) above and the Fairness opinion referred to in Para 2(d) above shall be provided by a Registered Valuer and Independent SEBI Registered Merchant Banker respectively. The Registered Valuer and the merchant banker referred herein shall not be treated as independent in case of existence of any material conflict of interest among themselves or with the company, including that of common directorships or partnerships.

3. Conditions for schemes of arrangement involving unlisted entities

In case of schemes of arrangement between listed and unlisted entities, the following conditions shall be satisfied:

- (a) The listed entity shall include the applicable information pertaining to the unlisted entity/ies involved in the scheme in the format specified for abridged prospectus as provided in Part E of Schedule VI of the ICDR Regulations, in the explanatory statement or notice or proposal accompanying resolution to be passed sent to the shareholders while seeking approval of the scheme.

The accuracy and adequacy of such disclosures shall be certified by a SEBI Registered Merchant Banker after following the due diligence process. Such disclosures shall also be submitted to the Stock Exchanges for uploading on their websites.
- (b) The percentage of shareholding of pre-scheme public shareholders of the listed entity and the Qualified Institutional Buyers (QIBs) of the unlisted entity, in the post scheme shareholding pattern of the "merged" company on a fully diluted basis shall not be less than 25%.⁶
- (c) Unlisted entities can be merged with a listed entity only if the listed entity is listed on a Stock Exchange having nationwide trading terminals.

⁶ SEBI Circular No. CFD/DIL3/CIR/P/2018/2 dated January 3, 2018

4. Valuation Report

- (a) All listed entities are required to submit a valuation report from a Registered Valuer.⁷

For the purpose of this clause, the Registered Valuer shall be a person, registered as a valuer, having such qualifications and experience and being a member of an organization recognized, as specified in Section 247 of the Companies Act, 2013 read with the applicable Rules issued thereunder.

- (b) However, Valuation Report is not required in cases where there is no change in the shareholding pattern of the listed entity / resultant company.

- (c) For the limited purpose of this Circular, 'change in the shareholding pattern' shall mean;

(i) change in the proportion of shareholding of any of the existing shareholders of the listed entity in the resultant company; or

(ii) new shareholder being allotted equity shares of the resultant company; or

(iii) existing shareholder exiting the company pursuant to the Scheme of Arrangement

- (d) Further, a few examples illustrating 'no change in shareholding pattern' are indicated below:

(i) In case a listed entity (say, "entity A") demerges a unit and makes it a separate company (say, "entity B");

1) if the shareholding of entity B is comprised only of the shareholders of entity A; and

2) if the shareholding pattern of entity B is the same as in entity A; and

3) every shareholder in entity B holds equity shares in the same proportion as held in entity A before the demerger

(ii) In case a wholly-owned-subsidiary (say, "entity X") of a listed entity is merged with its parent listed entity (say, "entity Y"), where the shareholders and the shareholding pattern of entity Y remains the same, it will be treated as 'no change in shareholding pattern'.

For the limited purpose of this Circular, 'resultant company' shall mean a company arising / remaining after the listed entity undertakes a Scheme of Arrangement.

5. Auditor's certificate

- (a) An auditors' certificate shall be filed to the effect that the accounting treatment contained in the scheme is in compliance with all the Accounting Standards specified by the Central Government under Section 133 of the Companies Act,

⁷ SEBI Circular No. SEBI/HO/CFD/DIL1/CIR/P/2020/215 dated November 3, 2020

2013 read with the rules framed thereunder or the Accounting Standards issued by ICAI, as applicable, and other generally accepted accounting principles.

Provided that in case of companies where the respective sectoral regulatory authorities have prescribed norms for accounting treatment of items in the financial statements contained in the scheme, the requirements of the regulatory authorities shall prevail.

Explanation – For this purpose, mere disclosure of deviations in accounting treatments as prescribed in the aforementioned Accounting Standards and other generally accepted Accounting Principles shall not be deemed as compliance with the above.

- (b) The standard format for auditors' certificate would be as per Annexure I.

6. Redressal of Complaints

- (a) The Listed entity shall submit to Stock Exchanges a 'Report on Complaints' which shall contain the details of complaints/comments received by it on the Draft Scheme from various sources (complaints/comments written directly to the listed entity or forwarded to it by the Stock Exchanges/SEBI) as per Annexure II of this Circular prior to obtaining Observation Letter from Stock Exchanges on Draft Scheme.
- (b) 'Report on Complaints' as mentioned above, shall be submitted by listed entity to the Stock Exchanges within 7 days of expiry of 21 days from the date of filing of Draft Scheme with Stock Exchanges and hosting the Draft Scheme along with documents specified under para (2) above on the websites of Stock Exchanges and the listed entity.

7. Unpaid Dues Report⁸

- (a) All listed entities shall ensure that all dues to, and/or fines/penalties imposed by SEBI, Stock Exchanges and the Depositories have been paid/settled before filing the draft scheme with the designated stock exchange.
- (b) In case of unpaid dues / fines / penalties, the listed entity shall submit to stock exchanges a 'Report on the Unpaid Dues' which shall contain the details of such unpaid dues in the format given in Annexure IV to this Circular, prior to obtaining Observation Letter from stock exchanges on the draft scheme.
- (c) The report on unpaid dues as mentioned above, shall be submitted by listed entity to the stock exchanges along with the draft scheme.

⁸ SEBI Circular No. SEBI/HO/CFD/DIL1/CIR/P/2019/192 dated September 12, 2019

- (d) Any misstatement or furnishing of false information with regard to the said information shall make the listed entity liable for punitive action as per the provisions of applicable laws and regulations.

8. Disclosure on the Website

- (a) Immediately upon filing of the Draft Scheme of arrangement with the Stock Exchanges, the listed entity shall disclose the Draft Scheme of arrangement and all the documents specified under para (2) above on its website.
- (b) Listed entity shall also disclose the Observation Letter of the Stock Exchanges on its website within 24 hours of receiving the same.

9. Explanatory Statement or notice or proposal accompanying resolution sent to shareholders for seeking approval of scheme

- (a) The Listed entity shall include the Observation Letter of the Stock Exchanges, in the explanatory statement or notice or proposal accompanying resolution to be passed sent to the shareholders seeking approval of the Scheme.
- (b) The listed entity shall ensure that in the explanatory statement or notice or proposal accompanying resolution to be passed, it shall disclose the pre and post-arrangement or amalgamation, expected capital structure and shareholding pattern, and the “fairness opinion” obtained from a merchant bankers on valuation of assets / shares done by the Registered Valuer⁹ for the listed entity and unlisted entity.
- (c) The Listed entity shall upload the ‘Report on Complaints’ as provided in Para 6 (b) and the ‘Compliance Report’ as provided in Para 2 (h) above, on the company’s website and websites of Stock Exchanges.

10. Approval of Shareholders to Scheme through e- Voting:

- (a) The Listed entities shall ensure that the Scheme of Arrangement submitted with the NCLT for sanction, provides for voting by public shareholders through e-voting, after disclosure of all material facts in the explanatory statement sent to the shareholders in relation to such resolution.
- (b) The Scheme of arrangement shall be acted upon only if the votes cast by the public shareholders in favour of the proposal are more than the number of votes cast by the public shareholders against it, in the following cases:
 - i. Where additional shares have been allotted to Promoter / Promoter Group, Related Parties of Promoter / Promoter Group, Associates of Promoter / Promoter Group, Subsidiary/(s) of Promoter / Promoter Group of the listed entity, or

⁹ SEBI Circular No. SEBI/HO/CFD/DIL1/CIR/P/2020/215 dated November 3, 2020

- ii. Where the Scheme of Arrangement involves the listed entity and any other entity involving Promoter / Promoter Group, Related Parties of Promoter / Promoter Group, Associates of Promoter / Promoter Group, Subsidiary/(s) of Promoter / Promoter Group.
- iii. Where the parent listed entity has acquired, either directly or indirectly, the equity shares of the subsidiary from any of the shareholders of the subsidiary who may be Promoter / Promoter Group, Related Parties of Promoter / Promoter Group, Associates of Promoter / Promoter Group, Subsidiary/(s) of Promoter / Promoter Group of the parent listed entity, and if that subsidiary is being merged with the parent listed entity under the Scheme.
- iv. Where the scheme involving merger of an unlisted entity results in reduction in the voting share of pre-scheme public shareholders of listed entity in the transferee / resulting company by more than 5% of the total capital of the merged entity;
- v. where the scheme involves transfer of whole or substantially the whole of the undertaking of the listed entity and the consideration for such transfer is not in the form of listed equity shares;

For the purpose of this clause, the expression “substantially the whole of the undertaking” in any financial year shall mean twenty per cent or more of value of the company in terms of consolidated net worth or consolidated total income during previous financial year as specified in Section 180(1)(a)(ii) of the Companies Act, 2013.¹⁰

For the purpose of this clause, the term 'public' shall carry the same meaning as defined under Rule 2 of Securities Contracts (Regulation) Rules, 1957.

- (c) For all other cases, the requirements stated at para (10) (b) above, i.e. approval only by public shareholders, shall not be applicable. In such cases, the listed entities shall furnish an undertaking certified by the auditor and duly approved by the Board of the company, clearly stating the reasons for non-applicability of para (10) (a) above.
- (d) The undertaking as referred to in Para (10) (c) above shall be displayed on the websites of Stock Exchanges and the listed entity along with other documents submitted, as stipulated under Para (2) above.
- (e) Any misstatement or furnishing of false information with regard to the said undertaking would be viewed seriously and liable for punitive action as per the provisions of applicable laws and regulations.

¹⁰ SEBI Circular No. SEBI/HO/CFD/DIL1/CIR/P/2020/215 dated November 3, 2020

11. Subsequent to filing the draft scheme with SEBI, no changes to the draft scheme, except those mandated by the regulators / authorities / tribunal shall be made without specific written consent of SEBI.

12. Additional conditions to be complied before the Scheme of arrangement is submitted for sanction by the National Company Law Tribunal (NCLT) if listing of Non-Convertible Redeemable Preference Shares (NCRPS) / Non-Convertible Debentures (NCDs) is envisaged through a Scheme of Arrangement¹¹

- A. A listed entity, which has listed its specified securities, may seek listing of NCRPS/NCDs issued pursuant to a scheme of arrangement provided that it has complied with the following provisions:-

(i) Eligibility for seeking listing of NCRPS/ NCDs

A listed entity which has listed its specified securities may seek listing of NCRPS/NCDs issued pursuant to a scheme of arrangement only in case where the listed entity is a part of such scheme of arrangement and such NCRPS/NCDs are issued to the holders of specified securities of such listed entity. Such scenarios may broadly include the following:

- (a) A listed entity, which has listed its specified securities, (demerged entity) demerges a unit and transfers the same to another entity (resultant entity), and the resultant entity issues NCRPS/NCDs to the holders of the specified securities of listed entity (i.e. demerged entity) as a consideration under the scheme of arrangement.
- (b) A listed entity, which has listed its specified securities, (amalgamating entity) is merged with another entity (amalgamated entity), and the amalgamated entity issues NCRPS/NCDs to the holders of the specified securities of listed entity (i.e. amalgamating entity) as a consideration under the scheme of arrangement.

It is clarified that only the NCRPS/NCDs issued to the holders of listed specified securities, vide the scheme of arrangement, would be eligible for seeking listing.

However, if the same series/class of NCRPS/NCDs are also allotted to other investors, other than the allotment done to the holders of listed specified securities as per the scheme of arrangement, then such NCRPS/NCDs would not be eligible for seeking listing.

(ii) Tenure/ Maturity:

The minimum tenure of the NCRPS/NCDs shall be one year.

(iii) Credit Rating:

The NCRPS/NCDs have been assigned minimum such credit rating, if any, specified for public issue of NCRPS under SEBI (Issue and Listing of Non-Convertible Redeemable

¹¹ SEBI Circular No. CIR/IMD/DF/50/2017 dated May 26, 2017

Preference Shares) Regulations, 2013 or for public issue of NCDs in terms of SEBI (Issue and Listing of Debt Securities) Regulations, 2008, as the case may be by a credit rating agency registered with the Board.

(iv) Valuation Report:

The Valuation Report, referred in Para (I)(A)(4) of this Circular shall also include valuation of the underlying NCRPS/ NCDs to be issued pursuant to the scheme of arrangement.

(v) Disclosures in the Scheme of Arrangement:

The following should be clearly disclosed in Draft Scheme of Arrangement:-

- (a) Face Value & Price
- (b) Dividend/Coupon: The terms of payment of dividends/Coupon including frequency etc
- (c) Credit Rating
- (d) Tenure/ Maturity
- (e) Redemption: The terms of redemption, amount, date, redemption premium/discount,, and early redemption scenarios, if any
- (f) Other embedded features (put option, call option, dates, notification times, etc.
- (g) Other terms of instruments (i.e. term sheet)
- (h) Any other information/details pertinent for the investors

(vi) Other Conditions which would be required to be followed are as under:

The listed entity shall further ensure compliance with the following:

- (a) The captioned issue of NCRPS/NCDs shall be in compliance with all the applicable provisions of the Companies Act, 2013 including the provisions related to creation and maintenance of Capital Redemption Reserve/Debt Redemption Reserve.
- (b) All such NCRPS/NCDs shall be issued in dematerialized form only.
- (c) In case of NCDs, the issuer has appointed/ shall appoint Debenture Trustee in compliance with SEBI (Issue and Listing of Debt Securities) Regulations, 2008 and Companies Act, 2013.
- (d) In case of NCDs, the issuer has created/ shall create an appropriate charge or security, wherever applicable, in compliance with SEBI (Issue and Listing of Debt Securities) Regulations, 2008 and Companies Act, 2013.
- (e) All the provisions of SEBI (Issue and Listing of Non-Convertible Redeemable Preference Shares) Regulations, 2013 and SEBI (Issue and Listing of Debt Securities) Regulations, 2008 have been/ shall be complied with except the provisions related to making a public issue, or making a private placement, or filing of offer document, etc.

B. Obligations of Stock Exchange(s)

1. The designated Stock Exchange, upon receipt of the Draft Scheme of Arrangement and documents referred to at para (A) (2) above shall forward the same to SEBI within three working days.
2. The 'Report on Complaints' shall be forwarded by the Stock Exchanges to SEBI before SEBI communicates its comments on the Draft Scheme to the Stock Exchanges. Such Report shall be submitted as per the format specified at Annexure II to this Circular.
3. The Stock Exchanges where the specified securities are listed / proposed to be listed shall also disclose on their websites the documents listed at para (A) (2) above immediately on receipt. It shall also disclose the Observation Letter on its website immediately upon issuance.
4. Stock Exchanges shall provide the 'No-Objection' letter to SEBI on the draft scheme; in co-ordination with each other. SEBI shall issue Comment letter upon receipt of "No-Objection' letter from Stock Exchanges having nationwide trading terminals. In other cases, SEBI shall issue Comment letter upon receipt of "No-Objection' letter from the Designated Stock Exchange.¹²
5. The 'Unpaid Dues Report' shall be forwarded by the Stock Exchanges to SEBI before SEBI communicates its comments on the Draft Scheme to the Stock Exchanges. Such report shall be submitted as per the format specified at Annexure IV.¹³

C. Processing of the Draft Scheme by SEBI¹⁴

1. Upon receipt of 'No-Objection' letter from the Stock Exchanges, SEBI shall provide its comments on the Draft Scheme of arrangement to the Stock Exchanges. While processing the Draft Scheme, SEBI may seek clarifications from any person relevant in this regard including the listed entity or the Stock Exchanges and may also seek an opinion from an Independent Chartered Accountant.
2. SEBI shall endeavour to provide its comments on the Draft Scheme to the stock exchanges within 30 days from the later of the following:
 - (a) date of receipt of satisfactory reply on clarifications, if any sought from the listed entity by SEBI; or
 - (b) date of receipt of opinion from Independent Chartered Accountant, if sought by SEBI; or
 - (c) date of receipt of 'No-Objection' letter from the Stock Exchanges.

¹² SEBI Circular No. SEBI/HO/CFD/DIL1/CIR/P/2020/215 dated November 3, 2020

¹³ SEBI Circular No. SEBI/HO/CFD/DIL1/CIR/P/2019/192 dated September 12, 2019

¹⁴ SEBI Circular No. CFD/DIL3/CIR/2017/21 dated March 10, 2017 and SEBI Circular No. SEBI/HO/CFD/DIL1/CIR/P/2020/215 dated November 3, 2020

- (d) date of receipt of copy of in-principle approval for listing of equity shares of the company seeking exemption from Rule 19(2)(b) of Securities Contracts (Regulation) Rules, 1957 on designated Stock Exchange, in case the listed entity is listed solely on regional Stock Exchange.
- 3. All complaints/comments received by SEBI on the Draft Scheme of arrangement shall be forwarded to the designated Stock Exchange, for necessary action and resolution by the listed entity.

PART-II¹⁵

Application for relaxation under Sub-rule (7) of rule 19 of the Securities Contracts (Regulation) Rules, 1957.

A. Requirements to be fulfilled by Listed Entity for Listing of Equity Shares

1. Eligibility conditions for companies seeking relaxation under sub-rule (7) of rule 19 of the Securities Contracts (Regulation) Rules, 1957

A listed issuer may submit the Draft Scheme of arrangement under sub-rule (7) of rule 19 of the Securities Contracts (Regulation) Rules, 1957, thereby seeking relaxation from the strict enforcement of clause (b) to sub-rule (2) of rule 19 thereof, for listing of its equity shares on a recognized Stock Exchange without making an initial public offer, if it satisfies the following conditions:

- (a) The equity shares sought to be listed are proposed to be allotted by the unlisted issuer (transferee entity) to the holders of securities of a listed entity (transferor entity) pursuant to a scheme of reconstruction or amalgamation (Scheme) sanctioned by NCLT under Section 230-234 of the Companies Act, 2013;
- (b) At least twenty five per cent of the post-scheme paid up share capital of the transferee entity shall comprise of shares allotted to the public shareholders in the transferor entity;

Provided that an entity which does not comply with the above requirement may satisfy the following conditions:

- i. The entity has a valuation in excess of Rs.1600 crore as per the valuation report;
- ii. The value of post-scheme shareholding of public shareholders of the listed entity in the transferee entity is not less than Rs.400 crore;
- iii. At least ten percent of the post-scheme paid up share capital of the transferee entity comprises of shares allotted to the public shareholders of the transferor entity; and, The entity shall increase the public shareholding to at least 25% within a period of one year from the date of

¹⁵ SEBI Circular No. CFD/DIL3/CIR/2017/21 dated March 10, 2017

listing of its securities and an undertaking to this effect is incorporated in the scheme.¹⁶

- (c) The transferee entity will not issue/ reissue any shares, not covered under the Draft Scheme of arrangement;
- (d) As on date of application, there are no outstanding warrants/ instruments/ agreements which give right to any person to take the equity shares in the transferee entity at any future date. If there are such instruments stipulated in the Draft Scheme, the percentage referred to in Para (b) above shall be computed after giving effect to the consequent increase of capital on account of compulsory conversions outstanding as well as on the assumption that the options outstanding, if any, to subscribe for additional capital will be exercised; and
- (e) The shares of the transferee entity issued in lieu of the locked-in shares of the transferor entity will be subject to lock-in for the remaining period.

2. Additional conditions for entities seeking relaxation under sub-rule (7) of rule 19 of the Securities Contracts (Regulation) Rules, 1957

Stock Exchanges shall ensure that, an unlisted issuer may make an application to the Board under sub-rule (7) of rule 19 of the SCRR, pursuant to Part II(A) of this Circular if it satisfies the following conditions:

- (a) Observation Letter or No Objection Letter has been issued by the Stock Exchanges to the Draft Scheme of arrangement;
- (b) The listing of the equity shares of the transferee entity is in terms of the Scheme sanctioned by the Hon'ble High Court / NCLT or its order whereby the Scheme of arrangement has been sanctioned;
- (c) The equity shares sought to be listed have been allotted by the unlisted issuer (transferee entity) to the holders of securities of a listed entity (transferor entity);
- (d) The names of the allottees have been entered as beneficial owners in the records of the depositories pursuant to the Scheme or share certificates have been dispatched to the allottees.

3. Additional conditions to be complied after the Scheme is sanctioned by the Hon'ble High Court / NCLT and at the time of making application for relaxation under Sub-rule (7) of rule 19 of the Securities Contracts (Regulation) Rules, 1957 if listing of Non-Convertible Redeemable Preference Shares (NCRPS) / Non-Convertible Debentures (NCDs) is envisaged through a Scheme of Arrangement¹⁷

¹⁶ SEBI Circular No. CFD/DIL3/CIR/2017/105 dated September 21, 2017

¹⁷ SEBI Circular No. CIR/IMD/DF/50/2017 dated May 26, 2017

The application for relaxation under Sub-rule (7) of rule 19 of SCRR for listing of NCRPS/ NCDs shall include a detailed Compliance Report as per the format specified in Annexure VI, duly certified by the Company Secretary and the Managing Director, confirming compliance of the Scheme of Arrangement with the provisions of SEBI Circular No. CIR/IMD/DF/50/2017 dated May 26, 2017 and SEBI Circular No. CFD/DIL3/CIR/2017/21 dated March 10, 2017, as amended from time to time and with various regulatory requirements specified for schemes of arrangement.

4. In case of a scheme involving merger of a listed company or its division into an unlisted entity, the entire pre scheme share capital of the unlisted issuer seeking listing shall be locked in as follows:
 - a) Shares held by Promoters up to the extent of twenty percent of the post-merger paid-up capital of the unlisted issuer, shall be locked-in for a period of three years from the date of listing of the shares of the unlisted issuer;
 - b) The remaining shares shall be locked-in for a period of one year from the date of listing of the shares of the unlisted issuer.
 - c) No additional lock-in shall be applicable if the post scheme shareholding pattern of the unlisted entity is exactly similar to the shareholding pattern of the listed entity.

Provided further that the shares locked-in under this clause may be pledged with any scheduled commercial bank or public financial institution as collateral security for loan granted by such bank or institution if pledge of shares is one of the terms of sanction of the loan;

Provided further that the shares locked-in under this clause may be transferred 'inter-se' among promoters in accordance with the conditions specified under Regulation 22 of ICDR Regulations.

Provided further that shares presently under lock-in as per the provisions of earlier circulars shall also be governed by the provisions of this clause¹⁸.

5. It shall be ensured that steps for listing of specified securities are completed and trading in securities commences within sixty¹⁹ days of receipt of the order of the Hon'ble High Court/NCLT, simultaneously on all the stock exchanges where the equity shares of the listed entity (or transfer entity) are/were listed. Before commencement of trading, the transferee entity in addition to disclosing the information in the form of an information document on the website of the stock exchange/s shall also give an advertisement in one English and one Hindi newspaper with nationwide circulation and one regional newspaper

¹⁸ SEBI Circular No. CFD/DIL3/CIR/P/2018/2 dated January 3, 2018

¹⁹ SEBI Circular No. CFD/DIL3/CIR/P/2018/2 dated January 3, 2018

with wide circulation at the place where the registered office of the transferee entity is situated, giving following details:”

- a. Name of the Company;
- b. Address of Registered Office and Corporate Office of Company;
- c. Details of change of name and/or object clause;
- d. Capital structure - pre and post scheme of amalgamation. This shall provide details of the authorized, issued, subscribed and paid up capital (Number of instruments, description, and aggregate nominal value);
- e. Shareholding pattern giving details of its promoter group shareholding, group companies - pre and post scheme of amalgamation;
- f. Names of its ten largest shareholders - number and percentage of shares held by each of them, their interest, if any;
- g. Name and details of Promoters - educational qualifications, experience, address;
- h. Name and details of Board of Directors (experience including current / past position held in other firms);
- i. Business Model / Business Overview and Strategy;
- j. Reason for the amalgamation;
- k. Restated Audited Financials for the previous three financial years prior to the date of listing;
- l. Latest restated audited financials along with notes to accounts and any audit qualifications. (Financial statements should not be later than six months prior to the date of listing);
- m. Change in accounting policies in the last three years and their effect on profits and reserves;
- n. Summary table of contingent liabilities as disclosed in the restated financial statements;
- o. Summary table of related party transactions in last 3 years as disclosed in the restated financial statements;
- p. Details of its other group companies including their capital structure and financial statements;
- q. Internal Risk Factors (Minimum 5 and Maximum 10);
- r. Outstanding litigations and defaults of the transferee entity, promoters, directors or any of the group companies;
- s. Regulatory Action, if any - disciplinary action taken by SEBI or Stock Exchanges against the Promoters in last 5 financial years;
- t. Brief details of outstanding criminal proceedings against the Promoters;
- u. Particulars of high, low and average prices of the shares of the listed transferor entity during the preceding three years;
- v. Any material development after the date of the balance sheet; and
- w. Such other information as may be specified by the Board from time to time.²⁰

²⁰ SEBI Circular No. SEBI/HO/CFD/DIL1/CIR/P/2020/215 dated November 3, 2020

B. Application by a listed entity for Listing of warrants Offered Along With Non-Convertible Debentures (NCDs):

A listed entity, desirous of listing of its warrants without making an initial public offer of warrants, may make an application to the Board under sub-Rule (7) of rule 19 of the SCRR seeking relaxation from strict enforcement of clause (b) to sub-rule (2) of rule 19 if it satisfies the following conditions:

- (a) warrants are issued as combined offering of NCDs and warrants through qualified institutions placement under Chapter VIII of the ICDR Regulations;
- (b) the issuer is in compliance with all the provisions of Chapter VIII of the ICDR Regulations; and
- (c) NCDs and warrants shall be traded in the minimum trade lot of one lakh rupees.

C. Requirements to be fulfilled by Stock Exchange(s)

- 1. The designated Stock Exchange shall forward the documents to the Board along with its recommendations on documents and recommendation, if applicable, on the application for granting exemption, under sub-rule (7) of rule 19 of SCRR.

D. Processing of the Scheme by SEBI

- 1. The Board may, while granting relaxation, if any, under sub-rule (7) of rule 19 of SCRR, stipulate any other conditions as may be deemed necessary in the interest of investors and securities market, under the facts and circumstances of the specific case.
- 2. SEBI shall endeavour to intimate its comments/approval, wherever applicable, to the designated Stock Exchange within 30 days of receipt of complete information, including the no-objection certificate from the Stock Exchange.

Format for Auditor's Certificate

To,

The Board of Directors,

.....

(Name and address of the Company)

We, the statutory auditors of *(name of the listed entity)*, (hereinafter referred to as "the Company"), have examined the proposed accounting treatment specified in clause *(specify clause number)* of the Draft Scheme of *(specify the type of Scheme)* between *(names of the companies/entities involved)* in terms of the provisions of section(s) *(specify the relevant section(s))* of the Companies Act, 1956/ Companies Act, 2013 with reference to its compliance with the applicable Accounting Standards notified under the Companies Act, 1956/ Companies Act, 2013 and Other Generally Accepted Accounting Principles.

The responsibility for the preparation of the Draft Scheme and its compliance with the relevant laws and regulations, including the applicable Accounting Standards as aforesaid, is that of the Board of Directors of the Companies involved. Our responsibility is to examine and report whether the Draft Scheme complies with the applicable Accounting Standards and Other Generally Accepted Accounting Principles. Nothing contained in this Certificate, nor anything said or done in the course of, or in connection with the services that are subject to this Certificate, will extend any duty of care that we may have in our capacity of the statutory auditors of any financial statements of the Company. We carried out our examination in accordance with the Guidance Note on Audit Reports and Certificates for Special Purposes, issued by the Institute of Chartered Accountants of India.

Based on our examination and according to the information and explanations given to us, we confirm that the accounting treatment contained in the aforesaid scheme is in compliance with SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and circulars issued thereunder and all the applicable Accounting Standards notified by the Central Government under the Companies Act, 1956/ Companies Act, 2013 and/or the accounting treatment in respect of *(specify the financial statement item(s))* as prescribed by *(name of the regulator)* vide its Notification *(details of*

the Notification) which prevail over the accounting treatment for the same as prescribed under the aforesaid Accounting Standards (wherever applicable), except the following:

??.....

??.....

This Certificate is issued at the request of the (*name of the Company*) pursuant to the requirements of circulars issued under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 for onward submission to the (*name of the Stock Exchange(s)*). This Certificate should not be used for any other purpose without our prior written consent.

For

.....

(*name of the Firm*)

Chartered Accountants

Firm Registration No.:

Signature

(Name of the member)

Designation (Partner or proprietor, as may be applicable):

Membership Number:

Place:

Date:

Format for Report on Complaints

Part A

Sr. No.	Particulars	Number
1	Number of complaints received directly	
2	Number of complaints forwarded by Stock Exchanges / SEBI	
3	Total Number of complaints/comments received (1+2)	
4	Number of complaints resolved	
5	Number of complaints pending	

Part B

Sr. No.	Name of complainant	Date of Complaint	Status (Resolved/pending)
1			
2			
3			

Format of the Compliance Report to be submitted along with the draft scheme

It is hereby certified that the draft scheme of arrangement involving (Name of the entities) does not, in any way violate, override or limit the provisions of securities laws or requirements of the Stock Exchange(s) and the same is in compliance with the applicable provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and this circular, including the following:

Sl.	Reference	Particulars
1	Regulations 17 to 27 of LODR Regulations	Corporate governance requirements
2	Regulation 11 of LODR Regulations	Compliance with securities laws
Requirements of this circular		
(a)	Para (I)(A)(2)	Submission of documents to Stock Exchanges
(b)	Para (I)(A)(2)	Conditions for schemes of arrangement involving unlisted entities
(c)	Para (I)(A)(4) (a)	Submission of Valuation Report
(d)	Para (I)(A)(5)	Auditors certificate regarding compliance with Accounting Standards
(e)	Para (I)(A)(9)	Provision of approval of public shareholders through e-voting

Company Secretary**Managing Director**

Certified that the transactions / accounting treatment provided in the draft scheme of arrangement involving (Name of the entities) are in compliance with all the Accounting Standards applicable to a listed entity.

Chief Financial Officer**Managing Director**

Format for report on unpaid dues

Sr. No.	Particulars	Details of dues/fine	Amount	Reason for non payment
1.	Pending Dues of SEBI			
2.	Pending Dues of Stock Exchanges			
3.	Pending Dues of Depositories			

Computation of Fair Share Exchange Ratio

Valuation Approach	XYZ Ltd		PQR Ltd	
	Value per Share	Weight	Value per Share	Weight
Asset Approach	x	a	y	d
Income Approach	x	b	y	e
Market Approach	x	c	y	f
Relative Value per Share	x		y	
Exchange Ratio (rounded off)			xx	

Annexure VI

Format of the Compliance Report to be submitted along with the application for relaxation under Sub-rule (7) of rule 19 of the Securities Contracts (Regulation) Rules, 1957) if listing of Non-Convertible Redeemable Preference Shares (NCRPS) / Non-Convertible Debentures (NCDs) is envisaged through a Scheme of Arrangement

It is hereby certified that the scheme of arrangement involving (Name of the entities) does not, in any way violate, override or limit the provisions of securities laws or requirements of the Stock Exchange(s) and the same is in compliance with the applicable provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, SEBI Circular No. CFD/DIL3/CIR/2017/21 dated March 10, 2017, and SEBI Circular No. CIR/IMD/DF/50/2017 dated May 26, 2017, as amended from time to time, including the following:

Sr. No.	Reference	Particulars	Whether complied (YES/NO)	Remarks (How complied)
1	Para 12(A)(i)	Eligibility for seeking listing of NCRPS/NCDs		
2	Para 12(A)(ii)	Tenure/Maturity		
3	Para 12(A)(iii)	Credit Rating		
4	Para 12(A)(iv)	Valuation Report		
5	Para 12(A)(v)	Disclosures in the Scheme of Arrangement		
6	Para 12(A)(vi)	Other Conditions		

Company Secretary

Managing Director

SCHEDULE I**LIST OF CIRCULARS/NOTIFICATIONS**

S. No.	Circular / Notification No. and Date	Subject
1	CFD/DIL3/CIR/2017/21 dated March 10, 2017	Schemes of Arrangement circular
2	CFD/DIL3/CIR/2017/26 dated March 23, 2017	Relevant date for computing pricing
3	CIR/IMD/DF/50/2017 dated May 26, 2017	Listing of Non-Convertible Redeemable Preference Shares (NCRPS) / Non-Convertible Debentures (NCDs) through a Scheme of Arrangement
4	CFD/DIL3/CIR/2017/105 dated September 21, 2017	Amendment to public shareholding requirement
5	CFD/DIL3/CIR/2018/2 January 03, 2018	Various further amendments
6	SEBI/HO/CFD/DIL1/CIR/P/2019/192 dated September 12, 2019	Unpaid Dues Report
7	SEBI/HO/CFD/DIL1/CIR/P/2020/215 dated November 3, 2020	Empowering the stock exchanges