



CIRCULAR

CIR/CFD/DIL/1/2010

April 05, 2010

To

All Stock Exchanges

Dear Sir/Madam,

Sub: Listing Conditions-Amendments to the Equity Listing Agreement

1. As part of a review of the extant policies of disclosure requirements for listed entities and also to bring more transparency and efficiency in the governance of listed entities it has been decided to specify certain listing conditions so to amend the Equity Listing Agreement.
2. The full text of amendments to be effected in the Equity Listing Agreement is given at **Annexure** and the brief of the said listing conditions are as under:-

(a) Requirement of auditors' certificate for accounting treatment under schemes of arrangement- Amendment to clause 24

- (i) It has been observed that in some of the recent schemes of amalgamation / merger / reconstruction, etc. (schemes) of certain listed entities submitted to the Hon'ble High Court for approval, there are included details of the accounting treatment to be given to various items in the process of amalgamation/merger/reconstruction etc. If this accounting treatment is not in accordance with the accounting standards specified under section 211(3C) of the Companies Act, 1956, the resultant financial statements of the entity concerned will not be in conformity with the accounting standards.
- (ii) In view of the above, it has been decided that while submitting the scheme of amalgamation / merger / reconstruction, etc. (schemes) to the stock exchanges under clause 24(f) of the Equity Listing Agreement, the listed entities shall also submit to the concerned stock exchange, an auditors' certificate to the effect that the accounting treatment contained in such schemes is in compliance with all the applicable Accounting Standards.

(b) Timelines for submission and publication of financial results by listed entities- Amendment to clause 41(I)(c),(d)(e) and 41(VI)(b)

- (i) With a view to streamline the submission of financial results by listed entities by making it uniform and to reduce the timeline for submission of the same to the stock exchanges, it has been decided that listed entities shall disclose, on stand-alone or consolidated basis, their quarterly (audited or un-audited with limited review), financial results within 45 days of the end of every quarter.

- (ii) Also, audited annual results on stand-alone as well as consolidated basis, shall be disclosed within 60 days from the end of the financial year for those entities which opt to submit their annual audited results in lieu of the last quarter unaudited financial results with limited review.
- (iii) With regard to publication of consolidated financial results alone, the following, viz., (a) *Turnover* (b) *Profit before tax* and (c) *Profit after tax* on a stand-alone basis shall also be published.

(c) Voluntary adoption of International Financial Reporting Standards (IFRS) by listed entities having subsidiaries - Insertion of Clause 41(l) (g)

- (i) Various regulatory authorities are working on arriving at a roadmap for implementation of IFRS in India and on the steps to be taken for convergence of the Indian Accounting Standards with IFRS by April 01, 2011.
- (ii) In order to familiarize listed entities with the IFRS requirements within the aforesaid timeline, it has been decided to provide an option for listed entities having subsidiaries to submit their consolidated financial results either in accordance with the accounting standards specified in section 211(3C) of the Companies Act, 1956, or in accordance with IFRS.
- (iii) where the figures for the current period are as per IFRS and the figures for the corresponding previous period are as per the notified Accounting Standards, a reconciliation shall be provided in respect of significant differences between the figures as disclosed as per IFRS and the figures as they would have been if the notified Accounting Standards were adopted.
- (iv) Submission of stand-alone financial results to the stock exchanges shall continue to be in accordance with the Indian GAAP.

(d) Requirement of a valid peer review certificate for statutory auditors- Insertion of Clause 41(1) (h)

- (i) The Institute of Chartered Accountants of India (ICAI / Institute) has specified a peer review mechanism to ensure that the quality of services rendered by the members of the Institute is maintained and enhanced on a continuous basis. Firms of chartered accountants (proprietary as well as partnership) and members of the Institute practising individually are required to undergo the peer review process.
- (ii) It has been decided that in respect of all listed entities, limited review/statutory audit reports submitted to the concerned stock exchanges shall be given only by those auditors who have subjected themselves to the peer review process of ICAI and who hold a valid certificate issued by the 'Peer Review Board' of the said Institute.

(e) Interim disclosure of Balance Sheet items by listed entities- Insertion of clause 41(V) (h) and Annexure IX

- (i) Presently, shareholders have access to the statement of assets and liabilities of the listed entity and its solvency position only on an annual basis. In the wake of the recent global financial crisis, the issue of solvency has come to the forefront from the shareholders' perspective.



- (ii) With a view to have more frequent disclosure of the asset-liability position of entities, it has been decided that listed entities shall disclose within forty-five days from the end of the half-year, as a note to their half-yearly financial results, a statement of assets and liabilities in the specified format.

(f) Modification in formats of limited review report and statutory auditor's report - Amendment to Annexures V, VI, VII and VIII to clause 41

- (i) Clause 41 of the Listing Agreement provides for periodical disclosure of financial results by listed entities. Annexures V, VI, VII and VIII to the said Clause provides, *inter-alia*, the formats for submission of limited review reports by the statutory auditors and the formats for reports by the statutory auditors wherein an unqualified opinion on the financial results is expressed.

The aforesaid formats are hereby modified to make it clear that disclosures pertaining to details of public shareholding and promoters' shareholding, including details of pledged/encumbered shares of promoters/promoter group, contained in the format have been traced from disclosures made by the management.

(g) Approval of appointment of 'CFO' by the Audit Committee- Insertion of Clause 49(II)(D)(12A)

In order to ensure that the CFO has adequate accounting and financial management expertise to review and certify the financial statements as required under Clause 49 of the Listing Agreement, it has been decided that the appointment of the CFO is approved by the Audit Committee before finalization of the same by the management. The Audit Committee, while approving the appointment, shall assess the qualifications, experience & background etc. of the candidate.

3. The above listing conditions are specified in exercise of the powers conferred under Section 11 read with Section 11A of the Securities and Exchange Board of India Act, 1992. The said listing conditions should form part of the existing Listing Agreement of the stock exchange. A text of amendments in the Listing Agreement is enclosed as **Annexure**.

4. Applicability

- (i) The provisions of para. 2 (a) above shall be applicable to all schemes of arrangement / amalgamation / merger / reconstruction / reduction of capital of listed entities that are being filed before the Hon'ble Courts/Tribunals on or after the date of this circular.
- (ii) The provisions of paras. 2 (b), (c), (e) and (g) shall be applicable with immediate effect.
- (iii) The provisions of para 2 (d) above shall be applicable to all financial statements submitted by listed entities to the stock exchanges after appointment of auditors for accounting periods commencing on or after April 01, 2010.



भारतीय प्रतिभूति और विनिमय बोर्ड
Securities and Exchange Board of India

5. All stock exchanges are advised to ensure compliance with this circular and carry out the amendments in their Listing Agreement as per the Annexure to this circular.
6. This circular is available on SEBI website at www.sebi.gov.in under the categories "Legal Framework" and "Issues and Listing".

Yours faithfully,

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Encl: as above



Amendments to Listing Agreement

1. In clause 24 of the Equity Listing Agreement, after sub-clause (h), the following sub-clause shall be inserted,-

“(i) The company agrees that, while filing for approval any draft Scheme of amalgamation / merger / reconstruction, etc. with the stock exchange under sub-clause (f), it shall also file an auditors’ certificate to the effect that the accounting treatment contained in the scheme is in compliance with all the Accounting Standards specified by the Central Government in Section 211(3C) of the Companies Act, 1956.

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 provided in para 42 of AS-14 shall not be deemed as compliance with the above”.

2. In clause 41,

(i) in sub-clause(l),

(a) in item (c); for the words “one month” and for the words “two months”, wherever they appear the words “forty-five days” shall be substituted;

(b) in item (d), for the words “one month”, “ two months”, wherever they appear, the words “forty-five days” and for the words “three months”, wherever they appear, the words “sixty days” shall be substituted;

(c) in item (e)(i), for the words “one month” and for words “two months”, wherever they appear, the words “forty-five days” shall be substituted;

(d) in item (e)(ii), after the words “to the stock exchange” the words “within sixty days from the end of the financial year” shall be inserted;

(e) after item (e), the following item shall be inserted:-

“(ea) As a part of its audited or unaudited financial results for the half-year, the company shall also submit by way of a note, a statement of assets and liabilities as at the end of the half-year.

(eaa) However, when a company opts to submit un-audited financial results for the last quarter of the financial year, it shall, submit a statement of assets and liabilities as at the end of the financial year only along with the audited financial results for the entire financial year, as soon as they are approved by the Board.



- (f) after item (f), the following items shall be inserted, namely:-
“(g) In case the company has subsidiaries and it opts to submit consolidated financial results as mentioned at (e) above, it may submit the consolidated financials as per the International Financial Reporting Standards (IFRS) notified by the International Accounting Standards Board.
- (h) The company shall ensure that the limited review/audit reports submitted to the stock exchanges on a quarterly/annual basis shall be given only by an auditor who has subjected himself to the peer review process of Institute of Chartered Accountants of India (ICAI) and holds a valid certificate issued by the Peer Review Board of the ICAI.”*
- (ii) in sub-clause (V), after item (g), the following item shall be inserted, namely:-
“(h) Disclosure of Balance Sheet items as per items (ea) shall be in the format specified in Annexure IX drawn from Schedule VI of the Companies Act, or its equivalent formats in other statutes, as applicable.”
- (iii) in sub-clause (VI), in item (b), for the words *“only consolidated financial results”*, the words *“consolidated financial results alongwith the following items on a stand-alone basis, as a foot note:- (a) Turnover (b) Profit before tax (c) Profit after tax”*, shall be substituted;
- (iv) in sub-clause (VI) item (b), after para (iii), the following sub-para (iv) shall be inserted, namely:-
“(iv) Companies that are required to prepare consolidated financial results for the first time at the end of a financial year shall exercise the option mentioned at (b) above in respect of the quarter during the financial year in which they first acquire the subsidiary.”
- (v) in Annexure V, after the words *“for the period ended.....”* the words *“except for the disclosures regarding ‘Public Shareholding’ and ‘Promoter and Promoter Group Shareholding’ which have been traced from disclosures made by the management and have not been audited by us”* shall be inserted;
- (vi) in Annexure VI, after the words *“for the period ended.....”* the words *“except for the disclosures regarding ‘Public Shareholding’ and ‘Promoter and Promoter Group Shareholding’ which have been traced from disclosures made by the management and have not been audited by us”* shall be inserted;
- (vii) in Annexure VII(both parts), after the words *“pursuant to the requirement of clause 41 of the Listing Agreement”* the words *“except for the disclosures regarding ‘Public Shareholding’ and ‘Promoter and Promoter Group Shareholding’ which have been traced from disclosures made by the management and have not been audited by us”* shall be inserted;



(viii) in Annexure VIII(both parts), after the words “pursuant to the requirement of clause 41 of the Listing Agreement” the words “except for the disclosures regarding ‘Public Shareholding’ and ‘Promoter and Promoter Group Shareholding’ which have been traced from disclosures made by the management and have not been audited by us” shall be inserted;

(ix) after Annexure VIII, the following Annexure shall be inserted:-

“Annexure IX

(Rs. in lakhs)

| Particulars | 6 months ended (dd/mm/yyyy) | Corresponding 6 months ended in the previous year (dd/mm/yyyy) |
|--|--------------------------------|--|
| | Audited/ Unaudited | Audited/ Unaudited |
| SHAREHOLDERS’ FUNDS: | | |
| (a) Capital | | |
| (b) Reserves and Surplus | | |
| LOAN FUNDS | | |
| FIXED ASSETS | | |
| INVESTMENTS | | |
| CURRENT ASSETS, LOANS AND ADVANCES | | |
| (a) Inventories | | |
| (b) Sundry Debtors | | |
| (c) Cash and Bank balances | | |
| (d) Other current assets | | |
| (e) Loans and Advances | | |
| Less: Current Liabilities and Provisions | | |
| (a) Liabilities | | |
| (b) Provisions | | |
| MISCELLANEOUS EXPENDITURE (NOT WRITTEN OFF OR ADJUSTED) | | |
| PROFIT AND LOSS ACCOUNT | | |
| TOTAL | | |



3. In clause 49, sub-clause II, para D, after item 12, the following shall be inserted:-

“12A. Approval of appointment of CFO (i.e., the whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience & background, etc. of the candidate.”
