The Madras Chamber of Commerce & Industry

Expert Committee on Company Law / Corporate Matters

Chairman: Dr. B. Ravi

Co-Chair: Mrs. B. Chandra

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ARTICLE: SIGNIFICANCE OF 'TIME' IN FINANCIAL PLANNING DECISIONS

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The intricacies of the concept of 'Time Value of Money', TVM in short, are not known to many though practiced by them in their day to day life while taking any decision involving finance. Money earned is either spent or saved and many a times decisions are taken rightly based on the present value of money but without the technical knowledge of time value. TVM is very critical for any decision involving lending or borrowing, selling or purchasing and investing or redeeming. This article aims at explaining in detail all the relevant aspects of TVM and how to take calculated decisions with the help of a few tables and formulae.

It is not necessary that one must recover all the moneys due to him then and there, so long as the time lag in collecting it and the value lost thereby is compensated suitably in money value. In other words, the value at which you are indifferent to receiving the money today or at any time later is TVM and such a decision between these two options is to be taken with the knowledge of **'discount rate'** and **'time line'**.

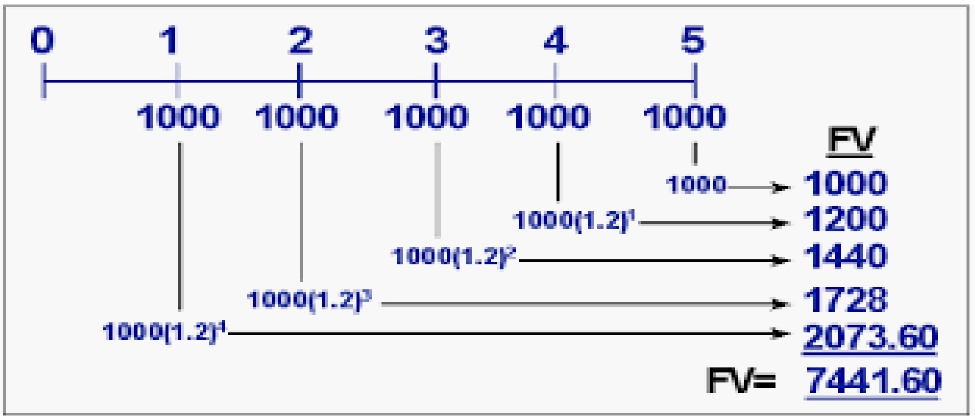
If the amount you decide to receive is rupees say, one lac fifteen thousand a year later as against rupees one lac now, then the 'Time Value' for the year (time line) is rupees fifteen thousand. After ascertaining the risk factors, by your receiving additional rupees fifteen thousand a year from today, you are indifferent to receiving either rupees one lac today or rupees one lac fifteen thousand a year from today. Here is the role of 'discount rate' for arriving at the right decision. How to arrive at the appropriate 'discount rate' is explained in this note.

Discounting the returns:

Suppose, you are given the following two options on how to receive your lottery money of rupees 5 Million, viz. Option 1 is to take Rs 5 Million right now and Option 2 is to get paid Rs 6 lac every year in the form of Annuity for the next 10 years ie Rs 6 Million in total. Option 2 may seem like the better bet because you get an additional Rs 1 Million, but the TVM theory says that since some of the money is paid to you in the future, it is relatively worth less. By figuring out how much option 2 is worth today by calculating the **'Present Value'** of all Future payments through a process called **'Discounting'**, you'll be able to make a comparison between the two options. If you Discount @ say 10% with the help of '**P**resent **V**alue **I**nterest **F**actor **A**nnuity' **(PVIFA)** table, the 2nd option is actually worth only Rs 36.87 lacs. Obviously, the first option is better. Further, if the Discount rate is higher and higher, the Present Value is obviously lesser and lesser. It is therefore, very important to choose the right 'timeline' and 'discount rate' for taking a correct decision. Let us understand 'Time line' and 'discount factor' for their proper application.

'Period of Time' and 'Point of Time':

The concept of 'Time Line' has to be understood for better understanding of TVM. Time Line explains the **'Period of Time'** and **'Point of Time'**.



where n=5, i=12%

- The 'time periods' may represent years, months, days or any length of time so long as each time period is the same length of time.
- While assessing cash flows for a given project, the 'Project Capital' and the 'Working Capital' invest ments at the beginning of the Project are the 'outflows' otherwise known as 'negative cash flows'.
- And the Operating, Financing and Investing related 'inflows' are the 'positive cash flows'.
- Cash flows occur at different points in time of a 'time line'.
- As may be seen from the 'time line' illustrated above, Cash flow at point '5' is already in Present Value terms and do not need any 'Discounting' or 'Compounding' for ascertaining the 'Time value of Money'.
- Portion of 'time line' between point '0' and point '1' is Period 1.
- Cash flow occurring at point '1' is cash flow at end of period '1' which needs discounting to compare with cash flow at 'point 0'.
- Similarly, value of 'Point 0' needs to be compounded to compare values at Point 1,2,3 and so on.
- Cash flows can occur at the beginning or end of each period.
- Cash flows occurring at end of Period 1 are same as that of beginning of Period 2 and so on.

Let us arrive at 'Net Present Value' through application of 'discount rate':

- **Let us assume that:**
  - A, B and C each invest in the first year Rs 10 crores on different Projects.
  - The 'discount rate' ie, the Weighted Average Cost of Capital (WACC) of the Project is 10% pa.
  - Life span of the project is 12 years.
  - A's yearly earnings (Earnings before Interest and After Tax) is Rs 1 crore. Total inflow therefore is Rs.12 crores during the life span of the Project.
  - B's yearly earnings is Rs 1.2 crores. Total inflow therefore Rs.14.4 crores.
  - C's yearly earnings is Rs 1.4 crores. Total inflow therefore Rs.16.8 crores.

Obviously C's earnings appear to be higher than that of A and B; and B's earnings higher than that of A. But, the Net Present Value (NPV) of the earnings after discounting the yearly inflow at say 10% at WACC shows that A's earnings is Rs 6.81 crores, B's earnings is Rs 8.18 crores and C's earnings is Rs 9.54 crores. In the given example, neither A nor B nor C has actually got his initial investment recovered in 12 years at 10% discounting. Even the break-even has not been reached by anyone. The 'pay-back' even for C at 10% discounting is closer to 10 years and 8 months. If WACC is higher than 10%, the Pay Back period works out to be still longer.

Power of compounding (the reverse of discounting):

The relevance of discounting can be better understood through understanding the 'power of compounding' with the help of an example.

- In 100 years, Rs 1000 @ 10% Simple Interest (SI) will become Rs.11,000/- applying the formula PV(1+rn). Whereas, during the same period of 100 years, the same amount of Rs 1000 @ 10% Compound Interest will become 1253 times higher and the compounded amount will be Rs. 137,80,612/, applying the formula PV(1+r)n

- Similar will be the effect of 'discounting'. That is the relevance of TVM.

Future Values for Annuity payments, otherwise commonly known as EMIs:

In day to day life, without even much worrying about how it works, everyone is committing to payments of equated installments over a future period at regular intervals and that is called 'Annuity', otherwise popularly known as 'Equated Monthly Installments' or EMIs. For eg. Premium payments of Life Insurance policies, Education Loan Payments, Car Loan Payments, Mortgage/Housing Loan Payments, Retirement Savings, Pension receipts etc. There are two types of Annuities viz. Payments or receipts occur at the end of each period, known as 'Ordinary Annuity' or also called as 'Deferred Annuity' and Payments or receipts occur at the beginning of each period, known as 'Annuity Due'.

- Formula for 'Annuity Due' is (1+r) times of 'Deferred Annuity'.

How to arrive at the Future values of Annuity payments?

The compounding of any periodical payment called annuity is calculated with the help of '**P**resent **V**alue **I**nterest **F**actor **A**nnuity' **(PVIFA)** table. For example, a yearly deposit of say Rs 30,000/- in Public Provident Fund account for 30 years at an interest rate of 8% per annum will compound to Rs 33,98,490 as FVA 8%, 30 = A (FVIFA 8%, 30y), where A is yearly Annuity Payment and in the FVIFA table for 30 years @8% for Rs.30,000/- annuity it is 30,000(113.283) which is Rs. 33,98,490. Likewise, for any future requirements at a given point of time and the estimated yearly interest on the investments, one can plan the periodical savings and investments for a future period.

On similar lines, if we have an idea of our future requirement after a timeline, the yearly annuity requirement can also be estimated. For example, if you want to buy a house after 5 years for Rs 20 lacs, how much should you save annually if your savings would earn a Compound Interest of 12% pa? As we know the exact requirement at the end of 5 years is Rs 20 lacs and also the yearly interest we would earn is 12% pa, the yearly savings can be calculated using the same **FVIFA** table as follows:

- when (FVIVA 12%, 5 years) = 6.353
- A (Yearly Savings) = 20 lacs / 6.353 = annuity of Rs 314,812 per annum.

How to calculate the return on investment?

A finance company advertises that it will pay Rs 8000 at the end of 6 years who deposit Rs 1000 for 6 years. What is the interest the company offers?

With the help of the same **FVIFA** table, as the factor for 6 years @ 12% is 8.118 and 11% is 7.913, by extrapolating the values you may get 11.43 as the interest rate for 6 years to get Rs 8000/- on investment of Rs 6000/-.

Similarly, any of the investment decisions can be taken with the help of the 'Future Value Interest Factor' table or 'Future Value Interest Factor Annuity' table, as the case may be.

There are instances where the Annuity is not constant but varying after a given period of time.

- For eg. If you save Rs.5,000 a year for 3 years, and Rs.7,000 a year for 7 years thereafter. What will the savings cumulate to at the end of 10 years, if interest rate is 8 percent?
  - Savings of Rs 5000 a year for 3 years and Rs 7000 a year for 7 years thereafter is equivalent to:
    - Savings of Rs 5000 a year for 10 years and Rs 2000 a year for 7 years thereafter (ie. from years 4 to 10).
  - Hence the savings will cumulate to:
  - 5000 * FVIFA (8%, 10 Yrs) + 2000 * FVIFA (8%, 7 Years)
  - (5000 * 14.487) + (2000 * 8.923) = Rs. 90,281

Can we do this sum another way?

- (5000 * FVIFA 8%, 3 yrs) * (FVIF 8%, 7 yrs) + (7000*FVIFA 8%, 7 yrs)

(** Pl note that the Annuity is for 3 years and that fixed amount is growing for next 7 years and hence first FVIFA table and then FVIF table, followed by another Annuity for 7 years)

= (5000 * 3.246) * 1.714 + (7000 * 8.923)

= (16230 * 1.714) + 62,461

= 27,818 + 62,461 + Rs. 90,279

How to fix the amortization schedule to meet the future obligations of a loan?

- Assume you borrow Rs.20 lacs @ 12 % interest per annum, repayable in 5 years period in equal annual instalments payable at the end of each of the next 5 years.
- How to ascertain the amortization schedule for each year towards principal and interest?
- Rs 20 lacs payable over 5 equal annual instalments is the outcome of 'Present Value Interest Factor Annuity' at 12% with a factor of 3.605.
- Therefore, the yearly annuity is 20 lacs divided by 3.605 ie Rs 554,785 per annum.
- In the present case, the '**P**resent **V**alue **I**nterest **F**actor **A**nnuity' **(PVIFA)** table has to be used as we need to find out the 'Present Value' of the known future equivalent.
- The Loan Amortisation schedule is as under:

Year	Year beginning Outstanding	EMI payments	Interest Portion	Principal Portion	Year end Outstanding
1	2000,000	554,785	240,000	314,785	1685,215
2	1685,215	554,785	202,226	352,559	1332,656
3	1332,656	554,785	159,919	394,866	937,790
4	937,790	554,785	112,535	442,250	495,540
5	495,540	554,785	59,245	495,540	0

Similarly with the help of PVIFA table, the **loan maturity period** can also be calculated if the loan amount, interest rate and EMI particulars are known.

Yearly withdrawals out of retirement deposits

It is always a common worry for the retiring persons to know how much they would be able to withdraw yearly if they deposit their lump sum retirement funds in a bank.

For example, on retirement if you get a lump sum amount of Rs 300,000 towards retirement benefits and decide to deposit the same for say, 10 years in a bank which pays 10% annual interest, how much can be withdrawn annually for a period of 10 years?

- 300,000 = A * PVIFA 10y, 10%
- 300,000 = A * 6.145
- A = 300,000 / 6.145 = Rs 48,820

  Same way, if any two variables given the third can be found out.

Equally important is to find out Present Value and Future Value of two annuities.

- 0--1--2--3--4--5--6--7--8--9--10--11--12--13--14--15--16--17--18--19
- A wants to save for his Son's college education of Rs 10 lacs per year from year 16 for 4 years, at the beginning of each year.
- The estimated interest rate is 8% pa for next 20 years.
- How much A has to deposit from now on in bank each year (end of each year) to meet this require ment from 16th year for 4 years.
- First to find out the PV at the beginning of 16th year :
  - 1000000 * PVIFA (4 years, 8%) = 1000000 * 3.312 = 3312,000
- Then to find out the annual deposit for 15 years:
  - FVIFA (15 years, 8%) is 27.152 X * 27.152 = 3312,000 ie.
  - X= 3312,000/27.152
  - ie. Rs.121,980 is the amount A has to deposit for 15 years.
- Given below is the table providing formulae for various requirements of 'compounding' and 'discounting' to calculate the 'Future Values' and 'Present Values' with the proper application of 'discount rates'.

When?	What?
FV of Single amount	PV * FVIF $(1+r)^n$
PV of Single amount	FV * PVIF $1 / (1+r)^n$
FV of Annuity	A * FVIFA $((1+r)^n - 1) / r$
PV of Annuity	A * PVIFA $(1 - 1/(1+r)^n) / r$
FV of Annuity due (period beginning)	(A * FVIFA)(1+r)
PV of Annuity due (-do)	(A * PVIFA)(1+r)
PV of Perpetuity	A * 1/r
PV of growing Perpetuity	A * 1/r-g
PV of growing Annuity	$A(1+g)((1-((1+g)^n/(1+r)^n))/r-g))$

Conclusion:

All decisions of investments, repayments, savings, spending, alternative investments are taken only after ascertaining the 'time value of money'. While the importance and relevance of 'time value of money' is already known to the readers, the article aims at giving a simple guidance and approach to calculate the 'time value' under different real life situations. Also the relevance of 'discounting' and 'compounding' is explained in the note for the 'period of time' and 'point of time'. The concept is very useful to determine the 'opportunity cost' while taking investment decisions under different situations.

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AN APPEAL

Dear Friends,

At the outset, I would like to thank the Corporate India for extending their wholehearted support in combating COVID-19. Your contribution towards this cause has been supplementing the efforts of the Government. However, this second COVID surge requires more coordinated and focused approach so as to provide immediate relief to the people of the country.

2. The current COVID 19 situation in India is worrisome, with active cases rapidly increasing and a large number of new cases being reported daily. In view of the rapidly rising cases, the existing bed capacity needs to be ramped up significantly. Various Central Ministries/ Departments/ PSUs have dedicated COVID hospitals and COVID beds since the beginning of this pandemic and have also committed to continue doing so. I would like to draw your attention to the excellent initiatives taken by DRDO and CISR in setting up temporary COVID Care facilities and makeshift hospitals. Taking this initiative further, this Ministry has issued a clarification vide General Circular No. 05/ 2021 dated 22nd April, 2021, wherein it has been clarified that spending for 'setting up COVID Care facilities and makeshift hospitals' is an eligible CSR activity.

3. On the similar lines, you may like to utilize the CSR funds to set up makeshift hospitals and temporary COVID Care facilities in consultation with the States. Further, in view of the ongoing work-from-home mode of working, you may have some vacant buildings at your disposal. You may like to consider converting these vacant office buildings to temporary COVID Care facilities with either isolation beds or a combination of isolation and oxygen beds to cater to rapidly increasing COVID caseload in many parts of the country, some of which may lie in your vicinity.

4. As you are the leader of a highly successful company, I would like to appeal to your company to come forward and supplement Government efforts in fulfilling the rising hospitalization needs in view of the second COVID surge. Your prompt and targeted efforts will certainly help in providing the much needed relief to the citizens during this difficult time.

5. I am quite hopeful that with our resolve to work together we would be able to tackle this unprecedented crisis in an efficient manner.

With kind regards,

Yours sincerely,
Rajesh Verma
Secretary
Ministry of Corporate Affairs.

1. Amendment to rule 11 of the Companies (Audit and Auditors) Rules 2014:

11 Other Matters to be Included in Auditors Report

The auditor's report shall also include their views and comments on the following matters, namely:-

(a) whether the company has disclosed the impact, if any, of pending litigations on its financial position in its financial statement;

(b) whether the company has made provision, as required under any law or accounting standards, for material foreseeable losses, if any, on long term contracts including derivative contracts;

(c) whether there has been any delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the company.

(d) Omitted

(e) (i) Whether the management has represented that, to the best of it's knowledge and belief, other than as disclosed in the notes to the accounts, no funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the company to or in any other person(s) or entity(ies), including foreign entities ("Intermediaries"), with the understanding, whether recorded in writing or otherwise, that the Intermediary shall, whether, directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the company ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries;

(ii) Whether the management has represented, that, to the best of it's knowledge and belief, other than as disclosed in the notes to the accounts, no funds have been received by the company from any person(s) or entity(ies), including foreign entities ("Funding Parties"), with the understanding, whether recorded in writing or otherwise, that the company shall, whether, directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries; and

(iii) Based on such audit procedures that the auditor has considered reasonable and appropriate in the circumstances, nothing has come to their notice that has caused them to believe that the representations under sub-clause (i) and (ii) contain any material mis-statement.

(f) Whether the dividend declared or paid during the year by the company is in compliance with section 123 of the Companies Act, 2013.

(g) Whether the company, **in respect of financial years commencing on or after the 1st April, 2022**, has used such accounting software for maintaining its books of account which has a feature of recording audit trail (edit log) facility and the same has been operated throughout the year for all transactions recorded in the software and the audit trail feature has not been tampered with and the audit trail has been preserved by the company as per the statutory requirements for record retention.

(Those marked with green where inserted by the Companies (Audit and Auditors) Amendment Rules, 2021 which shall come into force from 1st April 2021 - G.S.R. 206(E).— dated 24.03.2021)

(Those marked with red where inserted by the Companies (Audit and Auditors) Second Amendment Rules, 2021 which shall come into force from 1st April 2021 - G.S.R. 248(E) dated 01.04.2021)

2. Amendment to Companies(Accounts) Rules 2014.

A) Rule 3 Manner of Books of Account to be Kept in Electronic Mode

(1) The books of account and other relevant books and papers maintained in electronic mode shall remain accessible in India so as to be usable for subsequent reference.

Provided that for the financial year commencing on or after the **1st day of April, 2022** ~~(1st April 2021)~~,every company which uses accounting software for maintaining its books of account, shall use only such accounting software which has a feature of recording audit trail of each and every transaction, creating an edit log of each change made in books of account along with the date when such changes were made and ensuring that the audit trail cannot be disabled.

(2) The books of account and other relevant books and papers referred to in sub-rule (1) shall be retained completely in the format in which they were originally generated, sent or received, or in a format which shall present accurately the information generated, sent or received and the information contained in the electronic records shall remain complete and unaltered.

(3) The information received from branch offices shall not be altered and shall be kept in a manner where it shall depict what was originally received from the branches.

(4) The information in the electronic record of the document shall be capable of being displayed in a legible form.

(5) There shall be a proper system for storage, retrieval, display or printout of the electronic records as the Audit Committee, if any, or the Board may deem appropriate and such records shall not be disposed of or rendered unusable, unless permitted by law:

Provided that the back-up of the books of account and other books and papers of the company maintained in electronic mode, including at a place outside India, if any, shall be kept in servers physically located in India on a periodic basis.

(6) The company shall intimate to the Registrar on an annual basis at the time of filing of financial statement-

(a) the name of the service provider;

(b) the internet protocol address of service provider;

(c) the location of the service provider (wherever applicable);

(d) where the books of account and other books and papers are maintained on cloud, such address as provided by the service provider.

Explanation.- For the purposes of this rule, the expression "electronic mode" includes "electronic form" as defined in clause (r) of sub-section (1) of section 2 of Information Technology Act, 2000 (21 of 2000) and also includes an electronic record as defined in clause (t) of sub-section (1) of section 2 of the Information Technology Act, 2000 (21 of 2000) and "books of account " shall have the meaning assigned to it under the Act.

(Those marked with green where inserted by the Companies (Accounts) Amendment Rules, 2021 which shall come into force from 1st April 2021 - G.S.R. 205(E).— dated 24.03.2021)

(Those marked with red where inserted by the Companies (Accounts) Second Amendment Rules, 2021 which shall come into force from 1st April 2021 - G.S.R. 247(E) dated 01.04.2021)

B) Rule 8 Matters to be Included in Board's Report

(1) The Board's Report shall be prepared based on the stand alone financial statements of the company and shall report on the highlights of performance of subsidiaries, associates and joint venture companies and their contribution to the overall performance of the company during the period under report.

(2) The Report of the Board shall contain the particulars of contracts or arrangements with related parties referred to in sub-section (1) of section 188 in the Form AOC-2.

(3) The report of the Board shall contain the following information and details, namely:-

(A) Conservation of energy-

(i) the steps taken or impact on conservation of energy;

(ii) the steps taken by the company for utilising alternate sources of energy;

(iii) the capital investment on energy conservation equipments ;

(B) Technology absorption-

(i) the efforts made towards technology absorption;

(ii) the benefits derived like product improvement, cost reduction, product development or import substitution;

(iii) in case of imported technology (imported during the last three years reckoned from the beginning of the financial year)

(a) the details of technology imported;

(b) the year of import;

(c) whether the technology been fully absorbed;

(d) if not fully absorbed, areas where absorption has not taken place, and the reasons thereof; and

(iv) the expenditure incurred on Research and Development.

(C) Foreign exchange earnings and Outgo-
The Foreign Exchange earned in terms of actual inflows during the year and the Foreign Exchange outgo during the year in terms of actual outflows.
Provided that the requirement of furnishing information and details under this sub-rule shall not apply to a government company engaged in producing defence equipment.

(4) Every listed company and every other public company having a paid up share capital of twenty five crore rupees or more calculated at the end of the preceding financial year shall include, in the report by its Board of directors, a statement indicating the manner in which formal annual evaluation has been made by the Board of its own performance and that of its committees and individual directors.

(5) In addition to the information and details specified in sub-rule (4), the report of the Board shall also contain -

(i) the financial summary or highlights;

(ii) the change in the nature of business, if any;

(iii) the details of directors or key managerial personnel who were appointed or have resigned during the year;

(iiia) a statement regarding opinion of the Board with regard to integrity, expertise and experience (including the proficiency) of the independent directors appointed during the year".

Explanation.-For the purposes of this clause, the expression "proficiency" means the proficiency of the independent director as ascertained from the online proficiency self-assessment test conducted by the institute notified under sub-section (1) of section 150.

(iv) the names of companies which have become or ceased to be its Subsidiaries, joint ventures or associate companies during the year;

(v) the details relating to deposits, covered under Chapter V of the Act,-

(a) accepted during the year;

(b) remained unpaid or unclaimed as at the end of the year;

(c) whether there has been any default in repayment of deposits or payment of interest thereon during the year and if so, number of such cases and the total amount involved-

(i) at the beginning of the year;

(ii) maximum during the year;

(iii) at the end of the year;

(vi) the details of deposits which are not in compliance with the requirements of Chapter V of the Act;

(vii) the details of significant and material orders passed by the regulators or courts or tribunals impacting the going concern status and company's operations in future;

(viii) the details in respect of adequacy of internal financial controls with reference to the Financial Statements.

(ix) a disclosure, as to whether maintenance of cost records as specified by the Central Government under sub-section (1) of section 148 of the Companies Act, 2013, is required by the Company and accordingly such accounts and records are made and maintained,

(x) a statement that the company has complied with provisions relating to the constitution of Internal Complaints Committee under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 [14 of 2013]

(xi) the details of application made or any proceeding pending under the Insolvency and Bankruptcy Code, 2016 (31 of 2016) during the year along with their status as at the end of the financial year.

(xii) the details of difference between amount of the valuation done at the time of one time settlement and the valuation done while taking loan from the Banks or Financial Institutions along with the reasons thereof.]

(6) This rule shall not apply to One Person Company or Small Company.

(Those marked with green where inserted by the Companies (Accounts) Amendment Rules, 2021 which shall come into force from 1st April 2021 - G.S.R. 205(E) dated 24.03.2021)

3. MINISTRY OF LAW AND JUSTICE (Legislative Department) New Delhi, the 4th April, 2021 THE INSOLVENCY AND BANKRUPTCY CODE (AMENDMENT) ORDINANCE, 2021 NO. 3 OF 2021 Promulgated by the President in the Seventy-second Year of the Republic of India. **An Ordinance further to amend the Insolvency and Bankruptcy Code, 2016** (Please read the details from the Ordinance available in the MCA portal.)

4. MCA vide General Circular No 5/2021 dated 22.04.2021 has issued clarification on spending of CSR funds for setting up makeshift hospitals and temporary COVID Care facilities. MCA has clarified that spending of CSR funds for :setting up makeshift hospitals and temporary COVID Care Facilities" is an eligible CSR activity under item nos. (i) and XII of Schedule VII of the Companies Act 2013 relating to promotion of health care, including preventive health care, and, disaster management respectively.

The Companies may undertake the aforesaid facilities in consultation with State Governments subject to fulfilment of Companies (CSR Policy) Rules 2014 and the circulars related to CSR issued by the Ministry from time to time.

NOTIFICATIONS ISSUED BY SEBI:

1. SEBI/HO/IMD/IMD-1 DOF2/P/CIR/2021/0548 vide notification dated April 06, 2021 - Setting up of Limited Purpose Clearing Corporation (LPCC) by Asset Management Companies (AMCs) of Mutual Funds

SEBI Circular No. SEBI/HO/IMD/DF2/CIR/P/2021/17 dated February 2, 2021 prescribed the modalities for contribution of AMCs towards share capital of LPCC. In this regard, it was prescribed, inter alia, that the contribution from AMCs shall be in proportion to the Average AUM of open ended debt oriented mutual fund schemes (excluding overnight, gilt fund and gilt fund with 10-year constant duration but including conservative hybrid schemes) managed by them for the Financial Year (FY) 2019-20.

In consideration of the representation received from AMFI, **paragraph 4 of SEBI Circular No. SEBI/HO/IMD/DF2/CIR/P/2021/17 dated February 2, 2021 has been modified to the effect that the contribution of AMCs shall be based on Average AUM of debt oriented schemes, as detailed above, for the Financial Year (FY) 2020-21.**

All other terms and conditions as stated in SEBI circular dated February 2, 2021 shall remain the same

2. SEBI/HO/IMD/IMD-I/DOF6/CIR/2021/549 vide notification dated April 07, 2021 to provide ease of compliance, it has been decided to review and rationalize the existing regulatory reporting requirements by AIFs.

All AIFs shall submit report on their activity as an AIF to SEBI on quarterly basis within 10 calendar days from the end of each quarter in the revised formats as specified in **Annexure I**. Further, Category III AIFs shall also submit report on leverage undertaken, on quarterly basis in the revised formats as specified in **Annexure II**. AIFs shall submit these reports online through SEBI intermediary Portal.

The modified reporting requirements, as mentioned at paragraph 2 of this Circular, shall be applicable for quarter ending December 31, 2021 onwards.

Further, in partial modification to paragraph 3 of Circular No. CIR/IMD/DF/16/2014 dated July 18, 2014, any changes in terms of private placement memorandum and in the documents of the fund/scheme shall be intimated to investors and SEBI on a consolidated basis, within 1 month of the end of each financial year. Such intimation shall specifically mention the changes carried-out in the private placement memorandum and the documents of the fund/scheme, along with the relevant pages of revised sections/clauses. **This paragraph of notification shall come into force immediately.**

PR No.16/2021 SEBI cautions investors against impersonation. It has come to the notice of the Securities and Exchange Board of India (SEBI) that unscrupulous elements are cheating investors / public using the name of SEBI. These fraudsters are reported to have sent emails impersonating employees of SEBI / posing as officials / posing as official communication channels of SEBI and offer to help investors to resolve their complaints. Often, investors are made to part with money in the name of processing fee, other fees, etc. SEBI cautions investors against such impersonations and further advises as under:

Beware of emails / any other communication impersonating employees of SEBI and refrain from responding to such emails / communication. The only official and genuine website of SEBI, where an investor can file his/her complaint is https://scores.gov.in and members of public are advised to be careful and not get misled by fake websites with similar addresses, fake logos / similar looking domains and email ids, etc.

Inform the local police or cybercrime authority about such frauds immediately. Investors may also note that SEBI does not seek money or fees in any form for resolution of complaints. Investors / public are advised to exercise caution and not fall prey to fraudulent emails/communication in the name of SEBI or its officials. **Mumbai April 12, 2021.**

SEBI vide Circular NO SEBI/HO/CDMRD/DMP/P/CIR/2021/551 dated April 16, 2021 has issued Guidelines for warehousing norms for agricultural/agri-processed goods and non-agricultural goods (only base/ industrial metals) underlying a commodity derivatives contract having the feature of physical delivery

a) 7. (1) Initial Disclosures.

(a). Every promoter, member of the promoter group, key managerial personnel and director of every company whose securities are listed on any recognised stock exchange shall disclose his holding of securities of the company as on the date of these regulations taking effect, to the company within thirty days of these regulations taking effect.

SEBI VIDE ITS NOTIFICATION No. SEBI/LAD.NRO/GN/2021/17 DATED 26.04.2021 HAS DELETED THE ABOVE REGULATION – 7(1)(A) OF SECURITIES AND EXCHANGE BOARD OF INDIA (PROHIBITION OF INSIDER TRADING) REGULATIONS, 2021.

b) SEBI VIDE ITS NOTIFICATION NO SEBI/LAD-NRO/GN/2021/16 DATED 26.04.2021 HAS AMENDED THE SECURITIES AND EXCHANGE BOARD OF INDIA (PORTFOLIO MANAGERS) REGULATIONS, 2021 AS FOLLOWS:

In regulation 11 after clause (a) and before clause (b) the following clause shall be inserted, namely,-

"(aa) the portfolio manager shall obtain prior approval of the Board in case of change in control in such manner as may be specified by the Board.

SEBI VIDE SEBI/HO/CFD/DIL2/CIR/P/2021/552 DATED April 22, 2021: HAS ISSUED Relaxations relating to procedural matters –Issues and Listing.

1. SEBI vide Circular no. SEBI/HO/CFD/DIL2/CIR/P/2020/78 dated May 6, 2020, granted one time relaxations from strict enforcement of certain regulations of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018, pertaining to Rights Issue opening upto July 31, 2020.

2. Based on the representations received from the market participants, the validity of these relaxations was further extended for Rights Issues opening up to December 31, 2020, vide SEBI Circular No. SEBI/HO/CFD/DIL1/CIR/P/2020/136 dated July 24, 2020.

3. The relaxation mentioned in point (iv) of the SEBI Circular No. SEBI/HO/CFD/DIL2/CIR/P/2020/78 dated May 6, 2020, was further extended for Rights Issues opening up to March 31, 2021, vide SEBI Circular No. SEBI/HO/CFD/DIL1/CIR/P/2021/13 dated January 19, 2021.

4. To ease and facilitate investors, the relaxation mentioned in point (iv) of the SEBI Circular No. SEBI/HO/CFD/DIL2/CIR/P/2020/78 dated May 6, 2020, is further extended and shall be applicable for Rights Issues opening up to September 30, 2021, provided that the issuer along with the Lead Manager(s) shall continue to comply with point (v) of the SEBI Circular No. SEBI/HO/CFD/DIL2/CIR/P/2020/78 dated May 06, 2020.

5. In respect to mechanism and compliance requirements at point (iv) and (v) of the SEBI Circular No. SEBI/HO/CFD/DIL2/CIR/P/2020/78 dated May 6, 2020, the issuer along with Lead Manager(s), Registrar, and other recognized intermediaries (as incorporated in the mechanism) shall also ensure the following:

   a. Refund for un-allotted / partial allotted application shall be completed on or before T+1 day (T: Basis of allotment day).

   b. Registrar to the issue, shall ensure that all data with respect to refund instructions is error free to avoid any technical rejections.

Further, in case of any technical rejection of refund instruction, same shall be addressed promptly.

SEBI VIDE CIRCULAR NO SEBI/ HO/ MIRSD/ MIRSD_CRADT/ P/ CIR/ 2021/ 554 DATED April 27, 2021 HAS ISSUED - Standardizing and Strengthening Policies on Provisional Rating by Credit Rating Agencies (CRAs) for Debt Instruments.

SEBI, vide circular numbered SEBI/HO/MIRSD/MIRSD4/CIR/P/2016/119 dated November 1, 2016, had advised Credit Rating Agencies to frame detailed policy on provisional ratings.

2. In order to strengthen and standardize the policies on provisional rating, subsequent to consultation with various stakeholders, including credit rating agencies, it has been decided to prescribe as under:

2.1 Rating Symbol: All Provisional Ratings (‘long term’ or ‘short term’) for debt instruments shall be prefixed as ‘Provisional’ before the rating symbol in all communications viz. rating letter, press release / rating rationale, etc.

2.2 Standardized Term: A rating shall be considered as provisional, and not final, when it is contingent upon occurrence following steps or execution of following documents, as applicable:

a) execution of letter of comfort, corporate guarantee, or other forms of explicit third-party support;

b) execution of documents such as debenture trust deed / debenture trustee agreement, legal agree ments / opinions, representations and warranties, final term sheet;

c) assignment of loan pools or finalisation of cash flow escrow arrangements;

d) setting up of debt service reserve account;

e) opening of escrow account; or

f) For a proposed Real Estate Investment Trust (REIT) or Infrastructure Investment Trust (InvIT), pending formation of a trust - only after receipt of SEBI Registration.

However, the process of obtaining rating may commence at the stage of the sponsor filing with SEBI for the registration of the Trust, subject to declaration from the sponsor to this effect being submitted to the credit rating agency.

In no case shall a rating, including provisional rating, be assigned by a credit rating agency for an issuer/ client evaluating strategic decisions, such as funding mix for a project, acquisition, debt restructuring, scenario-analysis in loan refinancing, etc.

2.3 Validity period:

a) The provisional rating shall be converted into a final rating within 90 days from the date of issuance of the debt instrument. The final rating assigned after end of 90 days shall be consistent with the available documents or completed steps, as applicable.

b) An extension of 90 days may be granted on a case-to-case basis by the CRA’s rating committee(s), in accordance with the policy framed by the credit rating agency in this regard.

c) No CRA shall assign any provisional rating to a debt instrument upon the expiry of 180 days from the date of its issuance.

2.4.Disclosures in the press release / rating rationale: In addition to the disclosures already made by Credit Rating Agencies, the following disclosures shall be included in press release / rating rationale while assigning provisional ratings:

a) pending steps/ documentation considered while assigning provisional rating.

b) risks associated with the provisional nature of the credit rating, including risk factors that are present in the absence of completed documentation / steps.

c) rating that would have been assigned in absence of the pending steps/ documentation considered while assigning provisional rating. In cases where the absence of said steps/ documentation would not result in any rating being assigned by the CRA (for instance, in case of provisional rating for REIT/ InvIT – pending formation of trust), the CRA shall specify the same in the press release.

d) While assigning provisional rating to a debt instrument proposed to be issued, the press release shall specify that in case the debt instrument is subsequently issued, the provisional rating would have to be converted into final rating as per the validity period prescribed at Para 2.3 above.

e) While assigning provisional rating to an issued debt instrument, the press release shall specify the rating and timeline implications as per the validity period prescribed at Para 2.3 above.

f) Furthermore, in case of provisional ratings for cases mentioned in Para 2.2(f) above, the following disclosures shall also be required, wherever applicable:

i. the broad details of the assets that are proposed to be held by the REIT/ InvIT, the proposed capital structure, etc.

ii. the rating rationale should disclose that the CRA has taken an undertaking from the sponsor stating that the key assumptions (relating to the assets, capital structure, etc.) are in consonance with the details filed by the sponsor with SEBI.

iii. In case of change in provisional rating due to change in aforesaid key assumptions, the press release shall state that the rating by the CRA is based on a declaration from the issuer that similar changes have been made in the filing with SEBI.

2.5.Unaccepted provisional rating: In case the provisional rating assigned is not accepted by the issuer (or sponsor, in case of REITs/InvITs), then in the "nonaccepted ratings" published by credit rating agencies on their website the following supplementary disclosures shall be provided:

a) the details of the steps taken for assigning the provisional rating. For instance, in case of REITs/ InvITs, such disclosure shall contain the broad details of the assets to be housed under the Trust, the proposed capital structure, etc.

b) the rating referred to in Para 2.4 (c), viz. rating that would have been assigned in absence of the said steps/ documentation.

SEBI VIDE CIRCULAR NO SEBI/HO/IMD/IMD-I/DOF5/P/CIR/2021/553 DATED April 28, 2021 - Alignment of interest of Key Employees of Asset Management Companies (AMCs) with the Unitholders of the Mutual Fund Schemes. (Please read the circular for details)

The provisions of this circular shall be applicable with effect from July 01, 2021.

SEBI VIDE CIRCULAR NO SEBI/HO/IMD/IMD-II DOF3/P/CIR/2021/555 dated April 29, 2021 provides for Disclosure of the following only w.r.t schemes which are subscribed by the investor: a. risk-o-meter of the scheme and the benchmark along with the performance disclosure of the scheme vis-à-vis benchmark and b. Details of the portfolio. **This circular shall be applicable with effect from June 1, 2021.**

A) SEBI Circular No. SEBI/HO/CFD/CMD1/P/CIR/2021/556 dated April 29, 2021
Relaxation from compliance with certain provisions of the SEBI (Listing Obligations Disclosure Requirements) Regulations, 2015 due to the CoVID-19 pandemic

1. following relaxations from compliance with certain provisions of the LODR Regulations:

Sl. No	Regulation	Requirement	Due date	Extended deadline for the quarter / half year / year ending March 31, 2021
1.	Regulation 24A read with circular No. CIR/CFD/CMD1/27/2019 dated February 8, 2019 relating to Annual Secretarial Compliance report	Sixty days from end of the financial year	May 30, 2021	June 30, 2021
2.	Regulation 33 (3) - Quarterly financial results / Annual audited financial results	Forty-five days from end of the quarter / Sixty days from end of the financial year	May 15, 2021 / May 30, 2021	June 30, 2021
3.	Regulation 32 (1) read with SEBI circular No. CIR/CFD/CMD1/162/2019 dated December 24, 2019 on Statement of deviation or variation in use of funds	Along with the financial results (within 45 days of end of each quarter / 60 days from end of the financial year)	May 15, 2021 / May 30, 2021	June 30, 2021

Listed entities are permitted to use digital signature certifications for authentication, certification of filings/-submissions made to the stock exchanges under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 for all filings until December 31, 2021.

B.SEBI Circular No. SEBI/HO/DDHS/DDHS_Div1/P/CIR/2021/557 dated April 29, 2021

Relaxation from compliance with certain provisions of the SEBI (Listing Obligations Disclosure Requirements) Regulations, 2015 / other applicable circulars due to the CoVID-19 pandemic.

Sl. No	Regulation	Requirement	Due date	Extended deadline for the quarter / half year / year ending March 31, 2021
	For entities that have listed their debt securities under the SEBI (Issue and Listing of Debt Securities) Regulations, 2008, SEBI (Issue and Listing of Non-convertible Redeemable Preference Shares Regulations, 2013, and SEBI (Public Offer and Listing of Securitised Debt Instruments) Regulations, 2008			
1.	Regulation 52 (1) - Half-yearly financial results Regulation 52 (2) - Annual audited financial results	Forty-five days from end of the quarter / Sixty days from end of the financial year	May 15, 2021 / May 30, 2021	June 30, 2021
Sl. No	Regulation	Requirement	Due date	Extended deadline for the quarter / half year / year ending March 31, 2021
2.	Regulation 52 (7) read with SEBI circular no. SEBI/HO/DDHS/08/2020 dated January 17, 2020 on Statement of deviation or variation in use of funds	Along with the financial results (within 45 days of end of each quarter 60 days from end of the financial year)	May 15, 2021 / May 30 2021,	June 30, 2021
	For entities that have listed their bonds under the SEBI (Issue and Listing of Municipal Bonds) Regulations, 2015			
3.	Requirements as per circular no. SEBI/HO/DDHS/CIR/P/134/2019 dated November 13, 2019 Annual audited financial results	Sixty days from end of the financial year	May 30, 2021	June 30, 2021
	For entities that have listed Commercial Paper			
4.	Requirements as per SEBI/HO/DDHS/DDHS/CIR/P/2019/115 dated October 22, 2019 Half Yearly financial results Annual audited financial results	Forty-five days from end of the Half Year / Sixty days from end of the financial year	May 15, 2021 / May 30, 2021	June 30, 2021

Listed entities are permitted to use digital signature certifications for authentication/ certification of filings/submissions made to the stock exchanges under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 for all filings until December 31, 2021. Entities that have listed their municipal bonds may also opt to use digitally signed documents for making filings with Stock Exchanges in terms of SEBI circulars CIR/IMD/DF1/60/2017 dated June 19, 2017 and SEBI/HO/DDHS/CIR/P/134/2019 dated November 13, 2019. Entities that have listed Commercial Paper may also opt to use digitally signed documents for making filings with Stock Exchanges in terms of SEBI circular no. SEBI/HO/DDHS/DDHS/CIR/P/2019/115 dated October 22, 2019.

SEBI CIRCULAR NO. SEBI/HO/MIRSD/RTAMB/P/CIR/2021/558 DATED April 29, 2021

Addendum to SEBI Circular on "Relaxation in adherence to prescribed timelines issued by SEBI due to Covid 19" dated April 13, 2020

1. EBI had issued Circular No. SEBI/HO/MIRSD/RTAMB/CIR/P/2020/59 dated April 13, 2020 wherein "Relaxations in adherence to prescribed timelines" for carrying out various shareholder requests and for other regulatory filings were granted to RTAs in view of the Covid-19 pandemic.
2. The Annexure to the aforementioned Circular listed out 12 specific items wherein such relaxation in prescribed timelines were granted. It has been now decided to add, 'Processing of the demat requests', to this list and accordingly the list of 13 items that are eligible for relief stand revised as follows;

Sl.No.	Particulars
1	Processing of Remat Requests
2	Processing of Transmission Requests
3	Processing of request for Issue of Duplicate Share Certificates
4	Processing of Requests for Name Deletion / Name Change / Transposition / Pending Share Transfers (Re-lodgement cases in the case of share transfers)
5	Processing of Requests for Consolidation / Split / Replacement of Share Certificates / Amalgamation of Folios
6	Handling Investor Correspondence / Grievances / SCORES complaint
7	Submission of Half Yearly Report to SEBI pursuant to Circular No. CIR/MIRSD/7/2012 dated July 5, 2012
8	Compulsory Internal Audit of RTAs by CA / CS / CMA holding Certificate of Practice and Certified Information Systems Auditor (CISA) / Diploma Information Systems Auditor (DISA) pursuant to Circular dated April 20, 2018, issued by SEBI
9	Submission of Audit Report by CISA / CISM qualified or equivalent auditor by QRTAs to SEBI along with comments of the Board pursuant to Circular dated September 8, 2017 issued by SEBI on Cyber Security and Cyber Security Resilience framework for QRTAs
10	Submission of Compliance Report by QRTAs duly reviewed by the Board of Directors of the QRTA to SEBI on Enhanced monitoring of QRTAs pursuant to Circular dated August 10, 2018 issued by SEBI
11	Regulation 74(5) of the SEBI (D & P) Regulations, 2018 w.r.t. Verification and mutilation of share certificate
12	Regulation 76 of the Securities and Exchange Board of India (Depositories and Participants) Regulations, 2018 w.r.t. audit of reconciliation of share capital
13	Processing of the demat requests

Relaxation is hereby being given to intermediaries / market participants w.r.t. compliance with the prescribed timelines which has been extended to July 31, 2021 in view of the Covid-19 situation. The aforesaid relaxation shall be applicable for items No. 1-13.

Additionally, regarding the half-yearly Internal Audit Report (IAR) to be submitted by RTAs within 45 days from the closure of the half year as mandated by NSDL Circular No. NSDL/CIR/II/19/2016 dated November 7, 2016 and CDSL Circular No. CDSL/AUDIT/RTA/1205 dated July 12, 2016; it has now been decided that the timeline of May 15, 2021 for submission of IAR by RTAs for half year ended March 31, 2021 has been extended to July 31, 2021 in view of the Covid-19 situation.

SEBI CIRUCLAR NO SEBI/HO/MIRSD/DOP/P/CIR/2021/559 DATED April 29, 2021

Relaxation in timelines for compliance with regulatory requirements.

In view of the prevailing situation due to Covid-19 pandemic and representation received from the Association of National Exchanges Members of India (ANMI), Stock Exchanges and Depositories, it has been decided to extend the timelines for compliance with the following regulatory requirements by the Trading Members / Clearing Members / Depository Participants / KYC Registration Agencies, as under:

S. No.	Compliance	Extended timeline / Period of exclusion
1.	Maintaining call recordings of orders / instructions received from clients.	Till June 30, 2021
2.	KYC application form and supporting documents of the clients to be uploaded on system of KRA within 10 working days.	Till June 30, 2021, documents may be uploaded on to the system of KRA within 15 working days. *A 30-day time period is provided to SEBI Registered Intermediary after June 30, 2021 to clear the backlog
3.	Issue of Annual Global Statement to clients.	Till June 30, 2021. *Relaxation is provided only if the client has requested for a physical statement.
4.	Submission of Internal Audit Report for HYE March-2021	Till July 31, 2021
5.	Net worth certificate in Margin Trading for CM Segment for HYE March 31, 2021	Till July 31, 2021
6.	Net worth certificate for all members for HYE March 2021.	Till July 31, 2021
7.	Reporting of Risk based supervision	Till July 31, 2021
8.	Risk Assessment Template	Till July 31, 2021
9.	Reporting for Artificial Intelligence (AI) and Machine Learning (ML) applications	Till July 31, 2021
10.	Client Funding Reporting	Till June 30, 2021
11.	Submission of System Audit Report for the period ended March 2021	Till July 31, 2021
12.	Submission of Cyber Security & Cyber Resilience Audit Report for the period ended March 2021	Till July 31, 2021
13.	To operate the trading terminals from designated alternate locations.	Till June 30, 2021
14.	Compliance certificate for Margin Trading for CM Segment for HY ended March 31, 2021	Till July 31, 2021
15.	System Audit /Cyber Audit Report – Algo / Type III Members for the period ended March 31, 2021	Till July 31, 2021
16.	Action taken/follow-on audit report for System Audit /Cyber Audit Report for 2019-20	Till July 31, 2021

Relaxation in time period for certain activities carried out by Depository Participant:

S. No.	Compliance	Extended timeline / Period of exclusion
1.	BO Grievances Report	Till May 31, 2021 for the month of April 2021 and till June 30, 2021, for the month of May 2021.
2.	Redressal of investor grievances	During period from April 01, 2021 to June 30, 2021 timeline permitted for redressal of grievances extended to 30 days.
3.	Closure of demat account	During period from April 01, 2021 to June 30, 2021 may be excluded in timelines of 30 days provided no charges shall be levied for the period after receipt of closure request.
4.	Processing of the demat requests	During period from April 01, 2021 to July 31, 2021 timeline of 15 days