

# UPDATES ON RECENT CHANGES IN LODR & PROVISIONS OF COMPANIES ACT, 2013



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# KEY AMENDMENTS IN LODR

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Listing Obligations And Disclosure Requirements (LODR) – Applicable to Listed Companies:

## With effect from 1<sup>st</sup> April, 2019:

- Mandatory publishing of CONSOLIDATED FINANCIAL RESULTS ON QUARTERLY BASIS.
- Cash flow statements are required to be submitted for the half-year (on standalone & consolidated basis).
- Listed entity shall submit to exchange within 30 days from the publication of its half yearly results, disclosure of related party transactions on a consolidated basis and also publish it on it website.

# KEY AMENDMENTS IN LODR

- In quarterly consolidated financial results, **at least eighty percent of each of the consolidated revenue, assets and profits, respectively, shall have been subject to audit or in case of unaudited results, subjected to limited review.**
- The statutory auditor of a listed entity shall undertake a limited review of the audit of all the entities/ companies whose accounts are to be consolidated with the listed entity.
- In the results for the last quarter of the FY, a disclosure should be given by way of a note, which states the aggregate effect of material adjustments made in the results of that quarter which pertain to earlier periods.
- Corporate governance report (of FY 19-20) should disclose **total fees for all services paid by the listed entity and its subsidiaries, on a consolidated basis, to the statutory auditor and all entities in the network firm/network entity of which the statutory auditor is a part.**

# KEY AMENDMENTS IN LODR

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- Notice being sent to shareholders for an annual general meeting, where the statutory auditor is proposed to be appointed / re-appointed shall include :
  - (a) Proposed fees payable to the statutory auditor along with terms of appointment **and in case of a new auditor, any material change in the fee payable to such auditor from that paid to the outgoing auditor along with the rationale for such change;**
  - (b) Basis of recommendation for appointment including the details in relation to and credentials of the statutory auditor(s) proposed to be appointed.
  
- All credit ratings obtained by the entity for all its outstanding instruments, update it immediately as and when there is any revision in any of the ratings (w. e. f. 1<sup>st</sup> October, 2018).
  
- Mandatory quantification of audit qualification – exception for going concern or sub-judice matters.

# KEY AMENDMENTS IN LODR

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- Audit committee should review the utilization of loans and / or advances from / investment by the holding Company in the subsidiary exceeding Rs. 100 crores or 10% of the asset size of the subsidiary, whichever is lower including existing loans / advances / investments.
- Disclosures made by the entity on its website shall be in a user friendly searchable format (w. e. f. 9<sup>th</sup> May, 2018).
- A person is excluded from the definition of independent director (w.e.f. 1<sup>st</sup> Oct. 2018) :  
“A person who is not a non-independent director of another company on the board of which any non-independent director of the listed entity is an independent director”.

# KEY AMENDMENTS IN LODR

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- Detailed reasons for resignation of an independent director should be given, within 7 days of his resignation.
- Detailed reasons for resignation of auditor should be given within 24 hours of receipt of such reasons from auditor.
- All listed and its material unlisted subsidiaries incorporated in India are required to have the secretarial audit (w.e.f. 31<sup>st</sup> March, 2019).
- In annual financial statement, disclosures should be given of transactions of the listed entity with any person or entity belonging to the promoter/promoter group **which hold(s) 10% or more shareholding in the listed entity.**

# KEY AMENDMENTS IN COMPANIES ACT, 2013

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➤ These amendments came into effect from 3<sup>rd</sup> January, 2018:

➤ **Changes in key definitions:**

1. Holding Company – it can be a Company or a Body Corporate.
2. Subsidiary Company – in place of total (equity + preference) share capital now it will be total voting power (i.e. equity).
3. Associate Company – Control of atleast 20 % of voting power.
4. Net worth
5. Turnover
6. Debenturee
7. Key managerial personnel



# KEY AMENDMENTS IN COMPANIES ACT, 2013

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## ➤ Related Party Transactions:

1. Change in the definition of Related Party – now includes Body Corporate.
  2. Voting rights.
  3. Pre approval of RPT – Audit Committee.
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- Posting of financial statement of subsidiary company on the website of listed Company. Not applicable to subsidiaries of unlisted companies.
  - Re-opening of accounts on Court's or Tribunal's orders – Eight Years.

# KEY AMENDMENTS IN COMPANIES ACT, 2013

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- Beneficial interest in shares is defined.
- CEO has to sign the financial statement.
- Reporting on Internal Financial Control – Auditor's responsibility will be limited to financial statements. They are not required to report on business controls.
- The auditor of a Parent Company will have a right of access to the accounts and records of the associate and joint venture also.
- No requirement for annual ratification of auditor's appointment at the AGM.

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