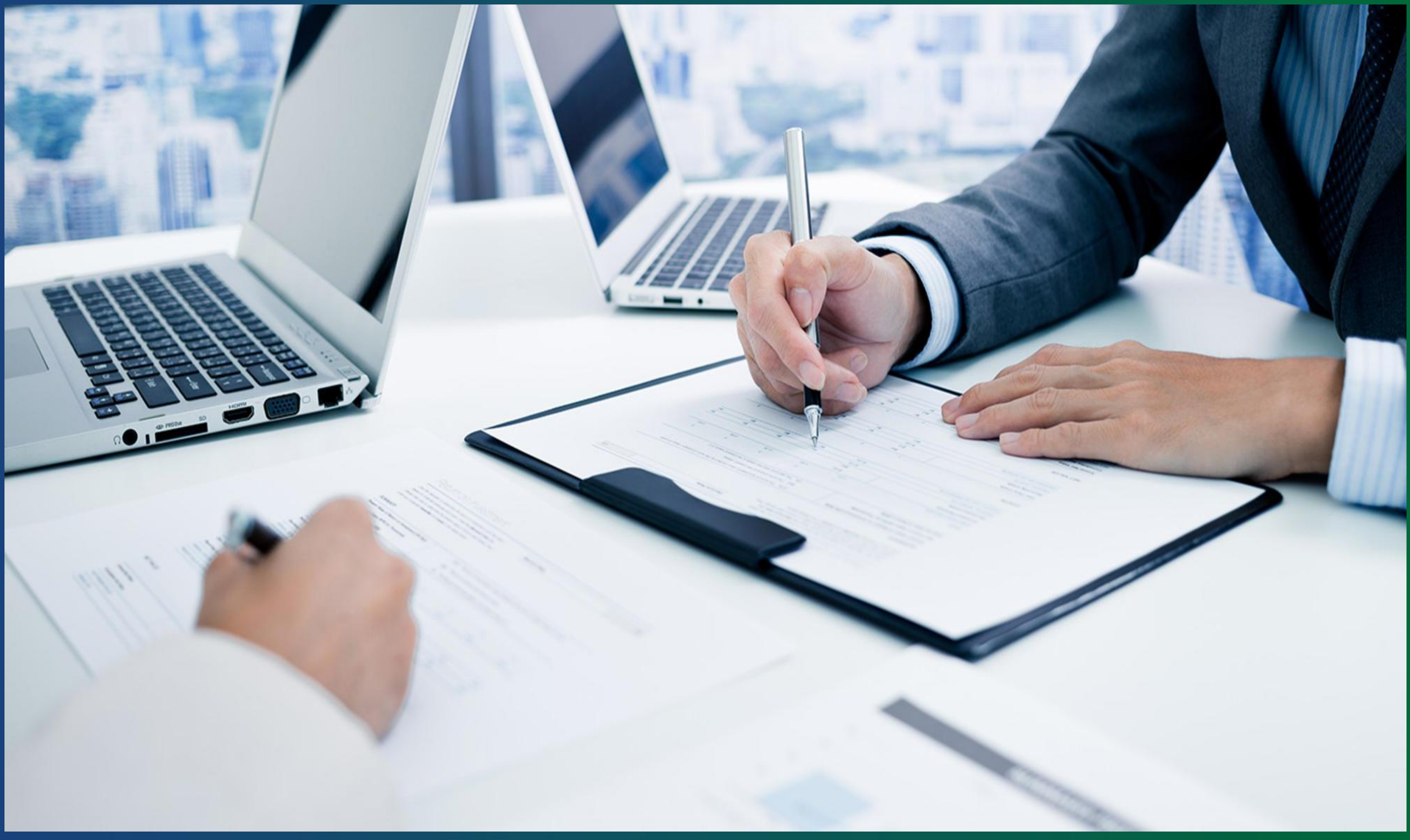
KREO CAPITAL PRIVATE LIMITED

SEBI REGISTERED – CATEGORY I - MERCHANT BANKER

NEWSLETTER – TWENTY-SEVENTH EDITION, 2020



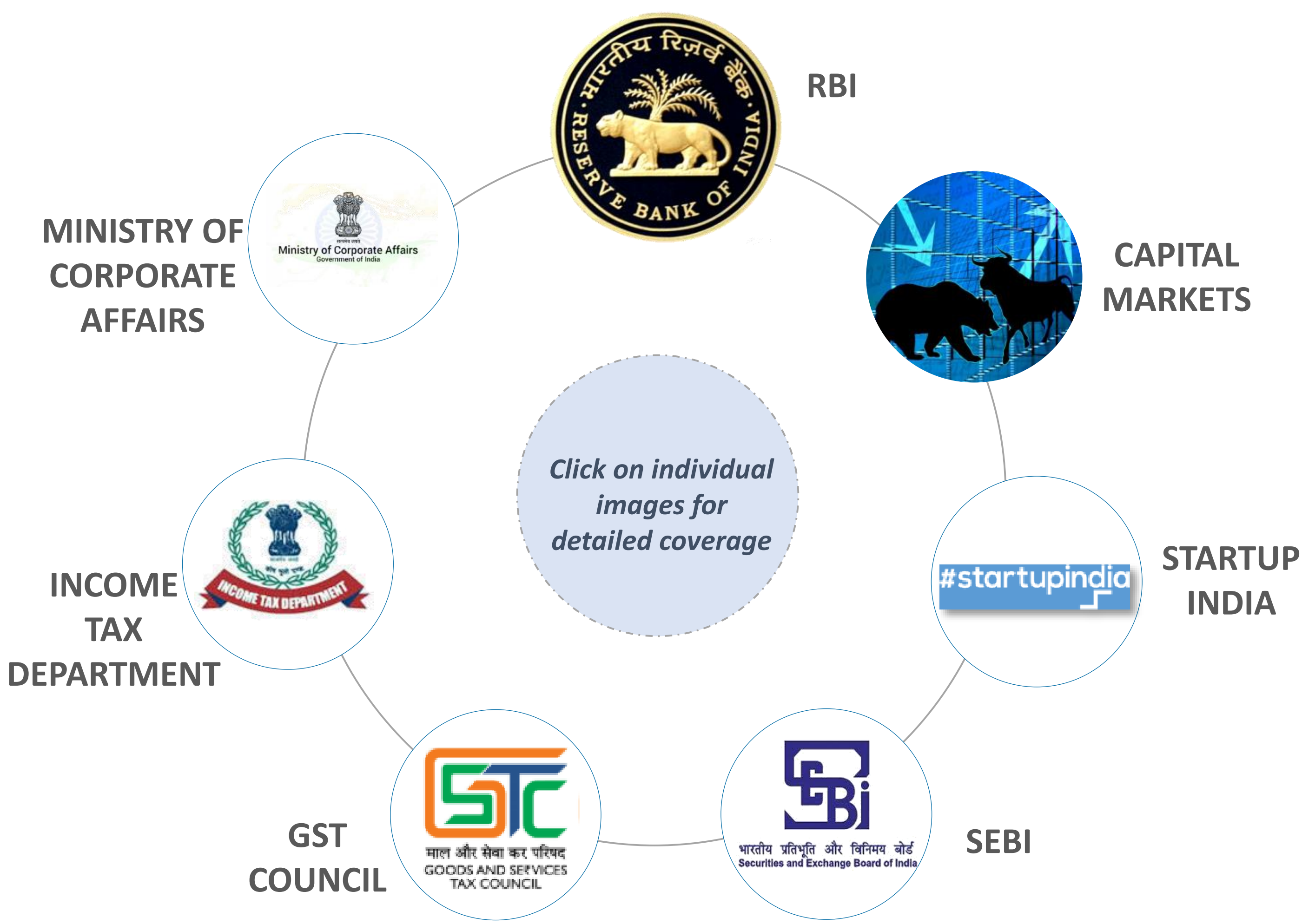
Tuesday, 3rd November , 2020

"An investment in knowledge yields the best return."

In the ever changing and dynamic Capital Market Environment, staying updated with the latest happenings is the need of the hour.

Keeping up to date with laws & notifications is time consuming and legislation itself is complex. However, it is of vital importance that businesses stay up to date on regulations in their sector to keep pace with best practices.

This is our series of knowledge sharing initiative towards sharing regulations and updates on corporate laws.



BROAD ECONOMIC HIGHLIGHTS

RBI keeps rates unchanged at 4%, says GDP to contract by 9.5% this fiscal

Shapoorji Pallonji group to file settlement terms on Tata Sons exit with SC

Everything you need to know about the new moratorium interest relief facility

Saudi Arabia signs MoUs with IBM, Alibaba and Huawei on AI

London Stock Exchange in talks with Indian tech firms to list overseas

Indian companies may get nod to list in 7 countries

Harley makes India comeback, inks distribution agreement with Hero MotoCorp

Indian economy on verge of slow recovery as worst is over: PHDCCI

CAPITAL MARKETS

Powered by Reliance deals, M&As up 6% in Q3 at $21.6 bn

IRFC files IPO papers with Sebi; raises issue size

RailTel Corporation files draft papers with Sebi for Rs 700 crore IPO

Gland Pharma gets Sebi's go-ahead to float IPO

Jack Ma's Ant seeks to raise $35 billion in biggest-ever IPO

Tata Group to invest Rs 5,000 crore in plant that will manufacture components for Apple

Amazon urges SEBI not to approve Future Retail-Reliance Retail deal

Flipkart to invest Rs 1,500 crore in Aditya Birla Fashion & Retail

SEBI

ISSUERS OF LISTED DEBT SECURITIES TO CREATE "RECOVERY EXPENSE FUND"

Key Highlights

- The issuer proposing to list debt securities shall deposit an amount equal to 0.01% of the Issue size subject to maximum of Rs. 25 lakhs per issuer to wards REF with the 'Designated Stock Exchange', as identified and disclosed in its Offer Document/ Information Memorandum.
- In the event of default, the Debenture Trustee shall obtain the consent of holders of debt securities for enforcement of security and shall inform the same to the Designated Stock Exchange. The Designated Stock Exchange shall release the amount lying in the REF to the Debenture Trustee /Lead Debenture Trustee within 5 working days of receipt of such intimation.
- The provisions of this circular shall come into force w.e.f. January 01, 2021

(Click here for more details)

STANDARDIZATION OF TIMELINE FOR LISTING OF SECURITIES ON A PRIVATE PLACEMENT BASIS

Key Highlights

- SEBI has decided to stipulate timelines for securities issued on Private Placement basis.
- The due dates in relation to details of activities has been mentioned in the circular.
- In order to facilitate re-issuances of new debt securities in an existing ISIN, Depositories are advised to allot such new debt securities under a new temporary ISIN which shall be kept frozen. Upon receipt of listing approval from Stock Exchange(s) for such new debt securities, the debt securities credited in the new temporary ISIN shall be debited and the same shall be credited in the pre-existing ISIN of the existing debt securities, before they become available for trading.

(Click here for more details)

SEBI

ISSUANCE, LISTING AND TRADING OF PNCPS, IPDIS

Key Highlights

- Perpetual Non-Cumulative Preference Shares (PNCPS') and Innovative Perpetual Debt Instruments (IPDIs)/ Perpetual Debt Instruments (PDIs) (commonly referred to as AT 1 instruments) are essentially non-equity regulatory instruments, forming part of a bank's capital, governed by Reserve Bank of India (RBI) guidelines and issued under the issuance and listing framework given under Chapter VI of the SEBI (Issue and Listing of Non-Convertible Redeemable Preference Shares) Regulations, 2013 ("NCRPS Regulations ").
- These instruments have certain unique features which, inter-alia, grant the issuer (i.e. banks, in consultation with RBI) a discretion in terms of writing down the principal /interest, to skip interest payments etc.

(Click here for more details)

REVIEW OF DIVIDEND OPTIONS(S) IN CASE OF MUTUAL FUND SCHEMES

Key Highlights

- The regulatory requirements, inter-alia, mandates that when units are sold, and sale price (NAV) is higher than face value of the unit, a portion of sale price that represents realized gains shall be credited to an Equalization Reserve Account and which can be used to pay dividend.
- There is a need to clearly communicate to the investor that ,under dividend option of a Mutual Fund Scheme, certain portion of his capital (Equalization Reserve) can be distributed as dividend
- Offer documents shall clearly disclose that the amounts can be distributed out of investors capital (Equalization Reserve), which is part of sale price that represents realized gains. Further, AMCs shall ensure that the said disclosure is made to investors at the time of subscription of such options/plans.

(Click here for more details)

STARTUP INDIA

#startupindia

CENTER LAUNCHES 'STARTUP INDIA SHOWCASE' FOR STARTUP DISCOVERY IN THE COUNTRY

Key Highlights

- Center launches an online startup discovery platform named Startup India Showcase to display the details of the finest and most promising Indian startups.
- The Department for Promotion of Industry and Internal trade (DPIIT) launches an online discovery platform 'Startup Indian Showcase' to display the details of the finest and most promising Indian startups of the country.
- The platform 'Startup India Showcase' will be used to display the details of the Indian startups from various sectors such as Fintech, Edtech, IT, Enterprise, Healthcare, etc. It will also showcase high-tech, innovative products by Indian startups.
- The platform will give a big push toward innovation and growth in the Indian startup ecosystem.

(Click here for more details)

DIGITAL MEDIA, NEWS AGGREGATORS, AGENCIES NEED TO COMPLY WITH 26% FDI CAP

Key Highlights

- News aggregators, news agencies which supply information to digital media firms and companies uploading news and current affairs on websites will have to comply with the 26 per cent foreign investment cap, the government said.
- These companies "would be required to align their FDI to the 26 per cent level with the approval of the central government, within one year from the date of issue of this clarification", the Department for Promotion of Industry and Internal Trade (DPIIT) said.
- "After due consultations, it is clarified (that) the decision of permitting 26 per cent FDI through government route would apply" to certain categories of Indian entities, registered or located in India

(Click here for more details)

RBI

EXTENSION FOR SUBMISSION OF RETURNS UNDER SEC 31 OF BANKING REGULATION ACT, 1949

Key Highlights

- All UCBs shall ensure submission of the aforesaid returns to RBI on or before December 31, 2020.
- Since the Banking Regulation (Amendment) Act, 2020 has not been notified for the State Co-operative Banks and Central Co-operative Banks as yet, they are required to furnish three copies of accounts and balance as returns to the Reserve Bank and the National Bank (NABARD), as per Section 31 read with Section 56 (t) of BR Act, within six months from the end of the period to which they refer, i.e., by September 30, 2020 for the financial year 2019-20
- Accordingly, all State Co-operative Banks and Central Co-operative Banks shall ensure submission of the aforesaid returns to the Reserve Bank and NABARD on or before December 31, 2020.

(Click here for more details)

INDIVIDUAL HOUSING LOANS- RATIONALISATION OF RISK WEIGHTS

Key Highlights

- In terms of circular No. DBR.BP.BC.No.72/08.12.015/2016-17 dated June 7, 2017, the capital charge for claims secured by residential property falling under the category of individual housing loans is assigned differential risk weights based on the size of the loan as well as the loan to value ratio (LTV).
- As a countercyclical measure, it has been decided to rationalise the risk weights, irrespective of the amount. The risk weights for all new housing loans to be sanctioned on or after the date of this circular and upto March 31, 2022 shall be as under:

LTV Ratio (%)	Risk Weight (%)
≤ 80	35
> 80 and ≤ 90	50

- The requirement of standard asset provision of 0.25% shall continue to apply on all such loans.

(Click here for more details)

RBI

RBI CANCELS CERTIFICATE OF REGISTRATION OF SEVEN NBFCS

Key Highlights

- The Reserve Bank of India (RBI) has cancelled the certificate of registration of seven non-banking finance companies. These include Malpani Financial Services Private Limited, Vishav Dealer Private Limited, U K Fin Services Limited, Prabhat (India) Limited, Compusta Securities Private Limited, Harshant Investments Private Limited and Sajjan Commercial Enterprises Ltd.
- These companies shall not transact the business of a non-banking financial institution.
- NBFCs are engaged in various lending activities and mainly source money from banks and money markets. These firms lend to real estate companies and also give gold and housing loans, among other products.

(Click here for more details)

GOVERNMENT ALLOWS EXPORTS UNDER NEW SCHEME TO BOOST API PRODUCTION

Key Highlights

- The government has tweaked the newly proposed production-linked incentive (PLI) scheme for bulk drugs to extend the incentives to exports of the products and ease other norms such as minimum investment threshold.
- The pharmaceuticals department (DoP) announced amendments to PLI scheme for promotion of domestic manufacturing of critical key starting materials (KSMs), drug intermediates (DIs) and active pharmaceutical ingredients (APIs) in India and PLI scheme for promoting domestic manufacturing of medical devices based on suggestions and inputs from the pharmaceutical and medical device industry.
- Aimed at reducing dependence on China for APIs and KSM, the scheme for bulk drugs was initially meant to cater to only the domestic demand.

(Click here for more details)

MINISTRY OF CORPORATE AFFAIRS

RELAXATION FROM RESIDENCY REQUIREMENT OF 182 DAYS

Key Highlights

- Special measures have been taken under Companies Act, 2013 and Limited Liability Partnership Act, 2008 in view of COVID-19 outbreak

- In continuation to General Circular No. 11/2020 dated March 21, 2020, keeping in view the requests received from various stakeholders seeking relaxation from the residency requirement of 182 days in a year and after due examination, it is hereby clarified that non-compliance of minimum residency in India for a period of at least 182 days in a year, by at least one director in every company, under section 149 of the Companies Act, 2013 shall not be treated as non-compliance for the financial year 2020-21 also.

- The circular has been issued n October 20, 2020.

(Click here for more details)

SC TRANSFERS TO ITSELF PLEAS CHALLENGING IBC LAW ON PERSONAL GUARANTORS

Key Highlights

- The Supreme Court (SC) has decided to transfer a batch of petitions challenging the Insolvency and Bankruptcy Code (IBC) provisions relating to personal guarantee to itself from various high courts (HCs).

- A three-judge Bench comprising Justices L Nageswara Rao, Hemant Gupta, and Ajay Rastogi has directed the HCs to not entertain any further writ petitions on this issue.

- The top court said that considering the importance of the issues raised in the writ petitions which need finality of judicial determination at the earliest, it is just and proper that the writ petitions are transferred from the HCs to this court.

(Click here for more details)

INCOME TAX DEPARTMENT

EXTENSION OF DUE DATE OF FURNISHING OF INCOME TAX RETURNS AND AUDIT REPORTS

Key Highlights

- The Government issued a Notification on 24th June, 2020 under the Ordinance which, inter alia, extended the due date for all Income Tax Returns for the FY 2019-20 (AY 2020-21) to 30th November, 2020. Hence, the returns of income which were required to be filed by 31st July, 2020 and 31st October, 2020 are required to be filed by 30th November, 2020..
- The due date for furnishing of Income Tax Returns for the taxpayers (including their partners) who are required to get their accounts audited [for whom the due date (i.e. before the extension by the said notification) as per the Act is 31st October, 2020] has been extended to 31st January, 2021.
- The due date for furnishing of Income Tax Returns for the taxpayers who are required to furnish report in respect of international/specified domestic transactions has been extended to 31st January, 2021.

(Click here for more details)

NOTIFICATION IS RESPECT OF WHOLESALE TRADING

Key Highlights

- The price at which the international transaction or specified domestic transaction has actually been undertaken does not exceed one per cent. of the latter in respect of wholesale trading and three per cent. of the latter in all other cases, the price at which the international transaction or specified domestic transaction has actually been undertaken shall be deemed to be the arm's length price for assessment year 2020-2021.
- For the purposes of this notification, “wholesale trading” means an international transaction or specified domestic transaction of trading in goods, which fulfils the following conditions, namely:-

  i. purchase cost of finished goods is eighty per cent. or more of the total cost pertaining to such trading activities

(Click here for more details)

GST COUNCIL

BLOCKING OF E-WAY BILL GENERATION FACILITY FOR TAXPAYERS WITH AATO OVER RS 5 CR AFTER 15TH OCTOBER, 2020

Key Highlights

- In terms of Rule 138 E (b) of the CGST Rules, 2017, the E Way Bill generation facility of a person is liable to be restricted, in case the person fails to file their GSTR-3B returns, for a consecutive period of two months or more.
- As you might be aware that the GST Council in its last meeting has decided that this provision will be made applicable for the taxpayers whose Aggregate Annual Turn Over (AATO, PAN based) is more than Rs 5 Crores.
- Thus, if the GSTIN associated with the respective PAN (with AATO over Rs 5 Cr.) has failed to file their GSTR-3B Return for 02 or more tax periods, up to the month of tax period of August, 2020, their EWB generation facility will be blocked on the EWB Portal.

(Click here for more details)

FILING NIL FORM CMP-08 STATEMENT THROUGH SMS ON GST PORTAL

Key Highlights

- A Composition taxpayer may now file NIL statement in Form GST CMP-08 for a quarter, through an SMS, apart from filing it through online mode, on GST Portal.
- To file NIL Form GST CMP-08 through SMS, the taxpayer must fulfil following conditions:

  a. Taxpayer must be registered as composition taxable person (by filing Form GST REG-01) or the taxpayer might have opted for composition levy (by filing Form GST CMP-02).

  b. Taxpayer must have filed all the applicable statement(s) in Form GST CMP-08 for the previous quarter(s).

  c. Authorized signatory and his/ her phone number must be registered on the GST Portal.

  d. There must not be any data in save stage, in online version of Form GST CMP-08, on the GST Portal.

(Click here for more details)

KREO CAPITAL PRIVATE LIMITED

MERCHANT BANKING | CORPORATE ADVISORY | WEALTH MANAGEMENT | LENDING SOLUTIONS

ABOUT OUR CORPORATE ADVISORY SERVICES

Our corporate advisory division works with a wide range of clients including young, cutting-edge start-ups and established market leaders. We advise our clients on mergers and acquisitions, private equity funding, divestments, corporate restructuring, valuation of shares as per SEBI guidelines, company law and secretarial advisory.

Our advice is built from a rigorous and up-to-date understanding of the market, coupled with clients financial vision. This means we only offer solutions that work best for our clients.

ABOUT KREO CAPITAL

Kreo Capital is a boutique financial service company with Mid Market focus, offering integrated financial advice and services. Promoted by professionals with rich experience in financial and capital markets, Kreo Capital is a financial expert for all growth oriented companies.

Team Kreo is committed to long term relationships and has a proficient and skilled work force invested in its clients and their business. Our services enable our clients to access Capital Markets, Corporate Finance Advisory, Wealth Management Advisory, Mergers and Acquisition Advisory, ESOP & Valuation Advisory, Equity/Debt Placements and Restructuring.

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