

CIRCULAR

SEBI/HO/CFD/DCR1/CIR/P/2019/90

August 07, 2019

To,

All recognised stock exchanges

Dear Sir/ Madam,

Sub: Disclosure of reasons for encumbrance by promoter of listed companies

1. The format for disclosure under Regulation 31(1) of Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 (Takeover Regulations) has been prescribed by SEBI vide circular No. CIR/CFD/POLICYCELL/3/2015 dated August 05, 2015.
2. In order to bring greater transparency regarding reasons for encumbrance, particularly when significant shareholding by promoter along with persons acting in him (PACs) is encumbered, it has been decided to prescribe additional disclosure requirements under Regulation 31(1) read with Regulation 28(3) of Takeover Regulations, as follows, -
 - i. The promoter of every listed company shall specifically disclose detailed reasons for encumbrance if the combined encumbrance by the promoter along with PACs with him equals or exceeds:
 - a) 50% of their shareholding in the company; or
 - b) 20% of the total share capital of the company,in the format provided at Annexure – II of this circular, within two working days from the creation of such encumbrance. Such disclosures will be warranted on every occasion, when the extent of encumbrance (having already breached the above threshold limits) increases further from the prevailing levels.
 - ii. The disclosure in Annexure – II shall be in addition to the disclosure of Annexure - I provided vide circular No. CIR/CFD/POLICYCELL/3/2015 dated August 05, 2015.

- iii. If the existing combined encumbrance by the promoter along with PACs with him is either 50% or more of their shareholding in the company or 20% or more of the total share capital of the company as on September 30, 2019, he shall specifically make first disclosure on detailed reasons for encumbrance in the format provided at Annexure - II, by October 04, 2019;
 - iv. The disclosure on reasons for encumbrance in the format provided at Annexure- A shall be made to, -
 - a) every stock exchange where the shares of the company are listed; and
 - b) the listed company;
 - v. The recognised stock exchanges shall maintain and separately disseminate the list of such companies along with details of encumbrance and reasons for encumbrance, on their websites promptly; and
 - vi. The listed companies shall disclose the contents of Annexure – II on their websites within two working days of receipt of such disclosure.
3. The provisions of this circular shall come into effect from October 01, 2019.
 4. The recognised stock exchanges are directed to:
 - i. bring the provisions of this circular to the notice of the listed companies and their promoters and also disseminate the same on their website; and
 - ii. communicate to SEBI the status of implementation of the provisions of this circular through monthly development report.
 5. This circular is issued in exercise of the powers conferred under Section 11(1) of the Securities and Exchange Board of India Act, 1992 and to protect the interests of the investors in securities markets.
 6. This circular is available on SEBI website at www.sebi.gov.in at “Legal → Circulars”.

Yours faithfully,

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Annexure - II

Format for disclosure of reasons for encumbrance

(In addition to Annexure - I prescribed by way of circular dated August 05, 2015)

Name of listed company	
Name of the recognised stock exchanges where the shares of the company are listed	
Name of the promoter(s) / PACs whose shares have been encumbered	
Total promoter shareholding in the listed company	No. of shares – % of total share capital -
Encumbered shares as a % of promoter shareholding	
Whether encumbered share is 50% or more of promoter shareholding	YES / NO
Whether encumbered share is 20% or more of total share capital	YES / NO

Details of all the existing events/ agreements pertaining to encumbrance

		Encumbrance 1 (Date of creation of encumbrance: _____)	Encumbrance 2 (Add columns for each event/ agreement)
Type of encumbrance (pledge, lien, negative lien, non-disposal undertaking etc. or any other covenant, transaction, condition or arrangement in the nature of encumbrance)			
No. and % of shares encumbered		No. of shares: % of total share capital:	
Specific details about the encumbrance	Name of the entity in whose favour shares encumbered (X)		
	Whether the entity X is a scheduled commercial bank, public financial institution, NBFC or housing finance company? If No, provide the nature of the business of the entity.	YES/ NO	
	Names of all other entities in the agreement	Listed company and its group companies (if any) – 1. 2. ... Other entities (if any) – 1. 2. ...	
	Whether the encumbrance is relating to any debt instruments viz. debenture, commercial paper, certificate of deposit etc.? If yes, provide details about the instrument, including credit rating	YES / NO If yes, 1. Name of the issuer 2. Details of the debt instrument	

		<p>3. Whether the debt instrument is listed on stock exchanges?</p> <p>4. Credit Rating of the debt instrument</p> <p>5. ISIN of the instrument</p>	
Security Cover / Asset Cover	Value of shares on the date of event / agreement (A)		
	Amount involved (against which shares have been encumbered) (B)		
	Ratio of A / B		
End use of money	<p>Borrowed amount to be utilized for what purpose –</p> <p>(a) Personal use by promoters and PACs</p> <p>(b) For the benefit of listed company</p> <p>Provide details including amount, purpose of raising money by listed company, schedule for utilization of amount, repayment schedule etc.</p> <p>(a) Any other reason (please specify)</p>		

Signature of Authorised Signatory:

Place:

Date: