

**Continuous disclosures and compliances by listed entities under SEBI (Issue and Listing of Municipal Debt Securities) Regulations, 2015:**

These norms are multifaceted and are likely to bode well for all the listed entities which are seeking to raise resources to fund growth.

The SEBI (Issue and Listing of Municipal Debt Securities) Regulations, 2015 prescribed disclosure to be made by issuers making public issues of debt securities or seeking listing of municipal debt securities issued on private placement basis to the Stock Exchange. SEBI vide Circular No. CIR/IMD/DF1/60/2017 dated June 19, 2017, had specified continuous disclosures and compliance by issuers of debt securities under ILDM Regulations.

The Securities and Exchange Board of India (SEBI) on November 13, 2019, has decided to revise the timelines for submission of annual and half-yearly financial results, structure payment mechanism through escrow accounts, etc.

These norms are to be followed by the entities whose municipal debt securities are listed or are proposed to be listed on the recognized stock exchanges. "Disclosure of Financial Information" has been substituted,

Amendments have been made in the following areas

- a) Half Yearly Unaudited Financial Results
- b) Annual Audited Financial Results
- c) Preparation and Submission of Financial Results
- d) Annual Report
- e) Credit rating

**Disclosure of Key Financial Information/conditions:**

While disclosing its financial information to the Stock Exchange(s), listed entities shall comply with the following key disclosures and adhere to certain key conditions as below.

- a. **Half yearly Unaudited Results** -Debt equity ratio, debt service coverage ratio, interest service coverage ratio should be disclosed in the results along with comparative financial information of preceding/corresponding half year. The same shall be filed within 45 days of the end of the first half of the year/year end.
- b. **Annual audited Financial Results**- The annual report shall contain the following:
  - (a) Balance sheet,
  - (b) Income and expenditure account,
  - (c) Statement of cash flows,
  - (d) Receipts and payments accounts,
  - (e) Notes to Account,
  - (f) Financial performance indicators
  - (g) Auditor's report,
  - (h) Municipal commissioner's report on the Annual Financial Statements and the qualifications and comments made in the report of the auditor; and,
  - (i) Standing committee's action taken report on the qualifications and comments made in the Report of the Auditor and the Report of the Municipal commissioner."

- c. **First level Audit report/ Final annual audited financial results (Applicable if entity is audited by CAG)** to be filed Within 60 days from the end of the financial year.
- d. **Status of interest and principal payments on borrowings-** The listed entities shall submit a certificate to the stock exchange(s) intimating the status of payment of interest or principal or both within five working days of the same becoming due in respect of municipal debt securities
- e. **Credit rating;-**
- a) Every credit rating shall be reviewed at least once a year, by a registered credit rating agency.
  - b) In the event of credit rating being downgraded by two or more notches below the rating assigned at the time of issue, the listed entities shall disclose the reasons for downgrade in rating and the steps, if any, it intends to take to recover the rating.
  - c) Any change in credit rating shall be promptly disseminated on the Stock exchange(s) where such securities are listed
- f. **Compliances/conditions-** Further compliances such as maintenance of separate escrow accounts for multiple obligations such as Interest, sinking funds /conditions for investment of interim proceeds and requirement to file a report on utilisation of the funds on projects and status of project implementation needs to be adhered to.

With these norms, the municipal debt securities which have already been issued or are planning to raise funds from the markets will be better prepared compared to those which have not. However, the stringent norms laid down will challenge them to be more transparent in their accounting process. These norms will help in reducing the opacity in the financial information of the entities and will bring in transparency and discipline in the financial results reporting by the entities.

For other details refer circular **SEBI/HO/DDHS/CIR/P/134/2019 November 13, 2019.**