



# Setting up makeshift hospitals and temporary COVID care facilities notified as CSR activity | SEBI relaxation on rights issue opening upto September 30, 2021

INSIGHTS

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Following important changes have been introduced by MCA and SEBI:

- Spending CSR funds for 'setting up makeshift hospitals and temporary COVID care facilities', notified as an eligible CSR activity;
- SEBI extends relaxation in relation to rights issue opening upto September 30, 2021.

Below is the analysis of the changes:

## A. Spending CSR funds for 'setting up makeshift hospitals and temporary COVID care facilities', notified as an eligible CSR activity

In continuation of its earlier MCA General Circular dated March 23, 2020 which clarified that spending of corporate social responsibility (CSR) funds for COVID-19 is an eligible CSR activity, MCA has now further clarified that spending of CSR funds for 'setting up makeshift hospitals and temporary COVID care facilities' will also be considered as an eligible CSR activity under Item (i) and (xii) of Schedule VII of the Companies Act, 2013 relating to promoting health care including preventive health care and sanitization and disaster management including relief, rehabilitation and reconstruction activities. As per the circular, the companies may undertake the aforesaid activities in consultation with the State Governments subject to fulfilment of the applicable rules and circulars. The clarification is a welcome move and will hold a significance importance considering the second COVID wave.

This has been clarified by General Circular No. 05/2021 dated April 22, 2021 ([available here](#)).

## B. SEBI extends relaxation in relation to rights issue opening upto September 30, 2021

As you are aware, SEBI had granted one-time relaxation from strict enforcement of certain provisions of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 (**ICDR Regulations**), pertaining to rights issue opening upto March 31, 2021 (available [here](#), [here](#) and [here](#)). One of such relaxations provided for an optional mechanism to ASBA for participation in rights issue, and required the issuer, lead manager(s), registrar, and other recognized intermediaries, to institute an optional mechanism (non-cash mode only) to accept the applications of the shareholders subject to ensuring that no third party payments shall be allowed in respect of any application.

SEBI has now extended the aforesaid relaxation for rights issues opening upto **September 30, 2021** provided the issuer along with the lead manager(s) continues to comply with the following conditions provided under the erstwhile circulars:

- The mechanism(s) shall only be an additional option and not a replacement of the existing process. As far as possible, attempts will be made to adhere to the existing prescribed framework.
- The mechanism(s) shall be transparent, robust and have adequate checks and balances. It should aim at facilitating subscription in an efficient manner without imposing any additional costs on investors. The issuer along with lead manager(s), and registrar shall satisfy themselves about the transparency, fairness and integrity of such mechanism.
- An FAQ, online dedicated investor helpdesk, and helpline shall be created by the issuer company along with lead manager(s) to guide investors in gaining familiarity with the application process and resolve difficulties faced by investors on priority basis.
- The issuer along with lead manager(s), registrar, and other recognized intermediaries (as incorporated in the mechanism) shall be responsible for all investor complaints.

In addition to the aforesaid, the lead manager(s), registrar and other recognized intermediaries will also be required to ensure the following:

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

Aforementioned relaxations have been granted vide SEBI Circular dated April 22, 2021 ([available here](#)).

Regards

**Team ELP**

We trust you will find this an interesting read. For any queries or comments on this update, please feel free to contact us at [insights@elp-in.com](mailto:insights@elp-in.com)

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