

General Manager
Corporation Finance Department
Policy and Development
Email: yogitaq@sebi.gov.in

No.: SEBI/HO/CFD/PoD2/OW/P/2022/62225/1

December 14, 2022

To

Sky Industries Limited
1101, Universal Majestic,
Ghatkopar Mankhurd Link Road,
Behind RBK International School,
Chembur (W), Mumbai, 400043

Sir,

Kind attention: Mr. Maikal Raorani (Whole Time Director and CFO)

Sub: Request for informal guidance by way of an interpretative letter under Securities and Exchange Board of India (Informal Guidance) Scheme, 2003 in connection with applicability of the corporate governance provisions of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended from time to time (“LODR Regulations” / “LODR”).

1. This is with reference to your letter dated October 28, 2022 (“**Application**”) seeking guidance by way of an interpretative letter under the SEBI (Informal Guidance) Scheme, 2003 (“**Scheme**”)
2. The facts of the matter as stated in your Application is summarized below:
 - i. Sky Industries Limited (“**Company**” / “**Applicant**”), is a company incorporated under the Companies Act, 1956 and listed on BSE Limited.
 - ii. As on March 31, 2022, paid-up equity share capital of the Company is ₹ 6.85 crore and net worth of the Company is ₹32.87 crore.
 - iii. In terms of SEBI Circular No. CIR/CFD/POLICY CELL/7/2014 dated September 15, 2014 the applicability of provisions relating to corporate governance as specified in clause 49 of the listing agreement were amended to add word “and” instead of the word “or” with an intention to cover only entities who cross both the thresholds i.e., paid up share capital exceeding Rs 10 crore and net worth exceeding Rs 25 crore.

- iv. That the aforesaid provision still continues under regulation 15(2) of the LODR Regulations and therefore, the corporate governance provisions of the said regulations apply to those entities whose paid-up capital exceeds ₹ 10 crore and net-worth exceeds ₹25 crore.
3. In view of the above, you have requested SEBI to provide “Informal guidance – interpretative letter” on the applicability of provisions of Regulations 17, 17A, 18, 19, 20, 21, 22, 23, 24, 24A, 25, 26, 27 and clauses (b) to (i) and (t) of sub-regulations (2) of regulation 26 and para C, D and E of Schedule V of the LODR Regulations to the Company.
4. In this regard, it may be noted that we have considered your submission in your letter under reference and without necessarily agreeing to your analysis, our views on the queries raised by you are provided in the paragraphs below.
5. On and from the date of commencement of the LODR Regulations, all circulars issued by SEBI on the provisions of the Listing Agreement stands rescinded. Therefore, as on date, the applicability of the corporate governance provisions of the LODR Regulations is governed by the provisions of regulation 15(2) of the LODR Regulations.
6. The text of regulation 15(2)(a) of the LODR Regulations is reproduced below:
“
(2) The compliance with the corporate governance provisions as specified in regulations 17, 17A, 18, 19, 20, 21, 22, 23, 24, 24A, 25, 26, 27 and clauses (b) to (i) and (t) of sub-regulation (2) of regulation 46 and para C, D and E of Schedule V shall not apply, in respect of

- (a) a listed entity having paid up equity share capital not exceeding rupees ten crore and net worth not exceeding rupees twenty five crore, as on the last day of the previous financial year:

Provided that where the provisions of regulations 17 to 27, clauses (b) to (i) and (t) of sub-regulation (2) of regulation 46 and para C, D and E of Schedule V become applicable to a listed entity at a later date, it shall ensure compliance with the same within six months from such date:

Provided further that once the above regulations become applicable to a listed entity, they shall continue to remain applicable till such time the equity share capital or the net-worth of such entity reduces and remains below the specified threshold for a period of three consecutive financial years.”

7. Upon plain reading of regulation 15(2) of the LODR Regulations, the compliance with the corporate governance provisions **shall not apply**, upon fulfilment of two conditions namely - (a) a listed entity having paid up equity share capital not exceeding rupees ten crore; and (b) net worth not exceeding rupees twenty-five crore, as on the last day of the previous financial year, which are used in the provision conjunctively and not disjunctively.
8. Therefore, in order to be exempt from the compliance of the corporate governance provisions, a listed entity would need to have a paid-up capital of less than ₹ 10 crore and a net worth not exceeding ₹ 25 crore. In the instant matter, as gathered from your Application, the paid-up equity share capital of the Company is ₹6.85 crore and the net worth of the company is ₹32.87 crore as on March 31, 2022.
9. As the net-worth of the Company is above ₹25 crore as on March 31, 2022, the provisions of regulations 17, 17A, 18, 19, 20, 21, 22, 23, 24, 24A, 25, 26, 27 and clauses (b) to (i) and (t) of sub-regulation of (2) of regulation 46 and para C, D and E of schedule V of LODR Regulations shall be applicable to the Company.
10. The above position is based on the facts and circumstances described by you in your application. Further, this letter does not express a decision of the Board on the questions referred.
11. You may also note that the above position is expressed only with respect to the guidance sought in your letter under reference in respect of the Regulation as referred above and does not affect the applicability of any other law or requirement of any other SEBI Regulation, Guidelines and Circulars administered by SEBI or the laws administered by any other authority.

Yours faithfully,

Yogita Jadhav