

No.: SEBI/HO/CFD/PoD2/OW/P/2022/62027/1

December 13, 2022

To

**TCM Limited**

House No. 28/2917, "Aiswarya",  
Ponneth Temple Road, Shanthi Nagar,  
Kadavanthra, Cochin – 682 020.

Sir,

*Kind attention: Mr. Gokul V Shenoy, Company Secretary and Compliance Officer*

**Sub: Request for Informal guidance by way of an interpretive letter under the provisions of SEBI (Informal Guidance) Scheme, 2003 ("Scheme") received from TCM Limited ("Applicant" / "Company")**

1. This is with reference to your Informal Guidance application dated October 12, 2022 ("**Application**") seeking guidance on applicability of corporate governance provisions as specified in the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("**LODR Regulations**") to the Company.
2. The following information is gathered from your Application:
  - a. The Company is listed on BSE and has been claiming exemption from applicability of the corporate governance provisions as specified in regulation 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 of the LODR Regulations since the beginning of notification of the LODR Regulations as the equity share capital was less than ₹10 crore and net worth was less than ₹25 crore.
  - b. As per the formula for computation of net worth of a company in terms of section 2(57) of the Companies Act, 2013 ("**Companies Act**"), the revaluation reserves are not required to be considered for calculating the net worth.

- c. Till the year ended March 31, 2021, the reserves (other than equity) included revaluation reserves to the tune of ₹60.78 crore arising from revaluation of land pursuant to the option adopted by the Company on transition to IND AS. This amount was excluded from the computation of net worth and thus, the net worth was less than ₹25 crore for all these years, and were eligible to claim exemption from applicability of the corporate governance provisions.
  - d. As per IND AS 101 – ‘First time adoption’, all the adjustments / impacts arising on transition to IND AS, including the revaluation of land was supposed to be accounted as an adjustment to retained earnings.
  - e. Therefore, during the financial year ended March 31, 2022, in order to comply with the requirements of IND AS 101 and correct the previous period error of classification of the revaluation impact under Other Equity, the said revaluation impact to the tune of ₹60.78 crore was reclassified and merged with the retained earnings of ₹-33.11 crore, resulting in the aggregated retained earnings increasing to ₹27.67 crore.
  - f. The current net worth, taking into account the equity capital and reserves, is ₹32.053 crore. This figure includes the revaluation impact of ₹60.78 crores. The net worth has crossed ₹25 crore threshold due to the accounting re-classification. Therefore, it is not a case of increase in net worth due to increase in retained earnings which happens in normal circumstances
3. In view of the above, you have sought guidance on the applicability of corporate governance provisions of the LODR Regulations to the Company under the aforesaid circumstances and whether the Company is eligible to claim exemptions from the provisions as availed till now.
4. In this regard, it may be noted that the corporate governance provisions of the LODR Regulations are not applicable to a listed entity only if the paid-up equity share capital and net-worth are less than ₹10 crore and ₹25 crore, respectively.
5. Based on your submissions and the information available in the Annual Report of the Company, the net worth, as calculated by including equity capital and other equity, is ₹32.053 crore. Even though the Company has stated that increase in net-worth is only on account of change in the accounting practice, the same is immaterial in the context of applicability of the provisions of the LODR Regulations.

6. As the net-worth of the Company is above the threshold for non-applicability of the corporate governance provisions of the LODR Regulations as specified in regulation 15(2)(a), 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 of the LODR Regulations are applicable to the Company.
7. 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.
8. 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**