



Is Raising Funds Enough? Not Really.

When a listed company raises funds through a public issue, rights issue, preferential issue, or Qualified Institutions Placement (QIP), the responsibility does not end with the receipt of funds.

Investors invest in a company by relying on the stated objects and intended purpose of the issue as disclosed in the offer document or explanatory statement. Based on these commitments, capital is deployed with the expectation that it will be used for specified business needs and growth plans.

SEBI, therefore, expects listed entities to ensure that the funds are utilized strictly for the purposes disclosed to investors.

What Does Regulation 32 Require?

Regulation 32 mandates listed entities to submit a **Statement of Deviation or Variation (SDV)** to the stock exchanges on a periodic basis, disclosing:

- ✓ Any deviation or variation in the utilization of issue proceeds from the objects stated in the offer document or explanatory statement
- ✓ A category-wise comparison between **projected utilization vs actual utilization** of funds (such as capital expenditure, working capital, marketing expenses, and other specified objects)

Continuous Disclosure Obligation

These disclosures are not one-time requirements. They must continue until:

- The entire proceeds are fully utilized; or
- The stated objects of the fund-raising exercise are fully achieved, whichever is earlier.

Role of the Audit Committee

Before submission to the stock exchanges, the Statement of Deviation/Variation must be:

- ✓ Reviewed by the Audit Committee
- ✓ examined for justification of deviations, if any

This ensures an additional layer of governance, oversight, and financial discipline.

Board Accountability

Any deviation or variation in the utilization of funds must also be:

- ✓ appropriately explained in the Board's Report forming part of the Annual Report

This reinforces accountability at the highest level of management.



Annual Auditor-Certified Statement

Where there is any deviation in utilization of issue proceeds from the stated objects, the company is required to:

- ✓ Prepare an annual statement certified by the Statutory Auditor
- ✓ Place the same before the Audit Committee
- ✓ continue this reporting until full utilization of the issue proceeds

Special Compliance – Preferential Issue & QIP (Regulation 32(7A))

When funds are raised through **Preferential Allotment or Qualified Institutions Placement (QIP)**, an additional obligation applies:

- ✓ Annual disclosure of fund utilization must continue in the Annual Report until full utilization of proceeds

This ensures long-term transparency even after the initial reporting cycle.

Compliance Timeline & Applicability

For Main Board Listed Entities:

- ✓ Statement of Deviation/Variation to be submitted **quarterly**
- ✓ Continued disclosure in Annual Report until full utilization of funds raised through Preferential Issue/QIP

For SME Listed Entities:

Regulation 32(8) provides a relaxation:

- “Quarterly” is to be read as “Half-Yearly”
- “Quarter” is to be read as “Half-Year”
- ✓ Accordingly, SME-listed entities submit Statement of Deviation/Variation on a **half-yearly basis**
- ✓ Annual disclosure continues until full utilization of proceeds

Integrated Filing with Financial Results

The Statement of Deviation/Variation forms part of an **integrated filing framework** and is submitted along with financial statements:

- ✓ Within **45 days from the end of each quarter** along with quarterly financial results
- ✓ Within **60 days from the end of the financial year** along with annual financial statements

This integrated approach ensures consolidated reporting of financial performance and fund utilization disclosures in a single submission.



Why is Regulation 32 Important?

Regulation 32 is not merely a compliance requirement—it is a **strong investor protection and governance mechanism**.

It enhances:

- Transparency in fund utilization
- Accountability of management and board
- Trust of investors in capital markets
- Discipline in deployment of public funds

Key Takeaway

Investors invest based on clearly stated business objectives. Regulation 32 ensures that companies remain accountable for every rupee raised and every rupee deployed.

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