

Dipen D Shah & Associates
CHARTERED ACCOUNTANTS



SEBI Circular



SEBI COMES OUT "STRICTER TIMELINE" FOR DISCLOSURE OF MATERIAL EVENTS

Capital markets regulator SEBI on 13th July 2023 came out with a "stricter timeline" for disclosure of material events or information by listed companies and introduced criteria for determining the materiality of events. The new framework will become effective from July 15, the Securities and Exchange Board of India (Sebi) said in a circular.

Under the framework, the regulator asked listed companies to disclose family settlement agreements, which can impact the management and control of such firms to stock exchanges. These agreements need to be disclosed within 12 hours in case a listed entity is a party and within 24 hours where the listed entity is not a party.

Further, for material events or information which emanate from the listed entity, including those related to acquisitions, Scheme of Arrangement, consolidation of shares, and buyback of securities, the timeline for disclosure by the entity has been reduced from 24 hours to 12 hours.



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In case of information that emanates from a decision taken in a meeting of the board of directors, the disclosure needs to be made within 30 minutes from the closure of such meeting.

Besides, the timelines have been fixed 24 hours from the occurrence of the event in case the information is not emanating from within the listed entity. This included a revision in rating, fraud or defaults by a listed entity, its promoter, directors; restructuring in relation to loans from banks, one time settlement with a bank and winding-up petition filed by any party / creditors.

With regard to criteria for determining the materiality of events, Sebi said that one of the criteria is the omission of an event, whose value or the expected impact in terms of value, exceeds the lower of 2 per cent of turnover, or 2 per cent of net worth as per the last audited consolidated financial statements or 5 per cent of the average of absolute value of profit or loss after tax, as per the last three audited consolidated financial statements of the listed entity.



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The regulator clarified that "average of absolute value of profit or loss is required to be considered by disregarding the 'sign' (positive or negative) that denotes such value as the said value is required only for determining the threshold for 'materiality' of the event and not for any commercial consideration".

If a listed entity does not have a track record of three years of financials, like in case of a demerged entity, the average may be taken for the number of years as may be available.

Sebi also came out with guidance on when information can be said to have occurred for disclosures under the LODR (Listing of Obligations and Disclosure Requirements) rules.



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In certain instances, the disclosure would depend upon the stage of discussion, negotiation or approval and in other instances where there is no such discussion, negotiation or approval required --in case of natural calamities, disruptions etc, Sebi noted..

Considering the price sensitivity involved, for events such as decision on declaration of dividends, Sebi said that disclosure would be made on receipt of approval of the event by the board of Directors, pending shareholder's nod.

In case in-principle approval or nod to explore (which is not final approval) is given by the company's board, the same would not require disclosure.

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THANK YOU



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