



## **DISCLOSURE OF IMPACT OF COVID – 19 BY LISTED COMPANIES:**

The Securities and Exchange Board of India (SEBI), vide its circular dated May 20, 2020, has mandated listed companies to disclose the impact caused by COVID -19 to their businesses so that investors are in a position to understand and remain updated.

SEBI in its circular stated that regulations are there in SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations), requiring companies to make disclosure of events based on applicability of materiality and also guidelines issued by SEBI for making disclosures in cases of disruptions of operations due to natural calamity, force majeure and other events. For companies issued non-convertibles, information having a bearing on the performance/operation and events that shall affect payment of interest or dividend needs to disseminate information to the stock exchange.

SEBI has stated that many listed companies have made disclosure under Listing Regulations primarily intimating the shutdown of operations and resultant lockdown. Some listed companies provided information relating to actions taken towards sanitation, safety etc., Listed entities across the world have been making disclosures regarding the impact of the pandemic, including that on financial condition and results of operations, future operations, capital and financial resources, liquidity, assets, internal financial control over financial report etc., Only a few listed companies have disclosed the financial impact of COVID-19.



SEBI said that Listed companies should endeavour to ensure that all the investors have access to timely, adequate and updated information. Towards this end, entities are encouraged to evaluate the impact of the COVID-19 pandemic on their business, performance and financials both quantitatively and qualitatively to the extent possible and disseminate the same.

SEBI cautions listed companies not to make selective disclosures keeping in mind the principles governing disclosure and obligations prescribed under Listing Regulations, more specifically having regard to the requirements of Regulation 4 (2) (e) of the Listing Regulations.

Regulation 4 (2) (e) of the Listing Regulations is about Disclosure and Transparency which states as follows

The listed entity shall ensure timely and accurate disclosure on all material matters including the financial situation, performance, ownership, and governance of the listed entity, in the following manner:

- (i) Information shall be prepared and disclosed in accordance with the prescribed standards of accounting, financial and non-financial disclosure.
- (ii) Channels for disseminating information shall provide for equal, timely and cost-efficient access to relevant information by users.
- (iii) Minutes of the meeting shall be maintained explicitly recording dissenting opinions, if any.

Following is the illustrative list of information which a listed may consider disclosing subject to the application of materiality. This list is only illustrative and not exhaustive.

- Impact of the CoVID-19 pandemic on the business;
- Ability to maintain operations including the factories/units/office spaces functioning and closed down;
- Schedule, if any, for restarting the operations
- Steps taken to ensure smooth functioning of operations
- Estimation of the future impact of CoVID-19 on its operations
- Details of impact of CoVID-19 on listed entity's
  - capital and financial resources;
  - profitability;
  - liquidity position;
  - ability to service debt and other financing arrangements;
  - assets;
  - internal financial reporting and control;
  - supply chain;
  - demand for its products/services;
- Existing contracts/agreements where non-fulfilment of the obligations by any party will have significant impact on the listed entity's business;
- Other relevant material updates about the listed entity's business



It is also stated in the circular that listed companies may in order to provide continuous information about the impact of COVID-19 on operations, regular updates **may** be provided as and when there are material developments.

**APPROVAL OF BOARD OF DIRECTORS NECESSARY:**

There are certain events specified by SEBI to be disclosed by a listed entity without applying materiality and there are certain events to be disclosed based on certain criteria which are also specified. For these events, approval of Board of Directors is not necessary and disclosure to be made within the specified time.

In addition to above, there are certain events that can be considered material in the opinion of the board of directors for which a policy framed and approved by the board of directors and one or more Key managerial personnel authorised to ascertain the materiality of the event based on the policy and make the disclosure to the stock exchange.

With respect to disclosure about the Impact of COVID-19, as per the illustrative list suggested by SEBI to disseminate information, they may come under one or more events which are specified by SEBI for disclosure by a Listed as a party of regulation or as per the Policy of the company. However, it is suggested to be approved by the Board of Directors and make a disclosure.

**TIMELINE FOR MAKING DISCLOSURE:**

SEBI said that the circular shall come into force with immediate effect. The circular does not specify any time line for making the disclosure. However, dissemination of information to happen at the earliest so that the investors are made available, timely, adequate and updated information. In our opinion, this disclosure can be made as part of the Management Discussion and Analysis Report or as part of the Directors' Responsibility Statement.

**ADDITIONAL DISCLOSURE:**

SEBI has suggested that while submitting financial statements under Regulation 33 of the LODR, listed entities may specify/include the impact of the CoVID-19 pandemic on their financial statements, to the extent possible.

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