Disclosure of material impact of Covid 19 on Listed entities under SEBI (LODR) 2015

Reason:

1. Lockdown and disruption is unforeseen and beyond the control of the entities.
2. Such even can lead to distortions in the market due to gaps in information available about the operations of a listed entity.

Purpose:

1. It is important for a listed entity to ensure that to ensure that all the available information about the Impact of these events on the Company and
2. It is operations is communicated in timely and cogent manner to its investors and stakeholders.

Provisions in which listed entities already required to disclose the material events in which have bearing on its performance and operations:

Regulation 30 of LODR

a. Specifies that a listed entity shall make disclosure of events specified in Para B of Part A of Schedule III of LODR, based on application of the guidelines of materiality.

b. Clause 6 of Para B of Part A of Schedule III of LODR specifies events such as-

- Disruption of operation of any one or more units or divisions of the listed entity due to any natural calamity.
- Force Majeure
- Events such as Strike,
- Lock outs etc.

That shall be disclosed upon application of the Guidelines for materiality referred in Regulation 30(4).

SEBI Circular CIR/CFD/CMD/4/2015 dated 09.09.2015

Provided further guidance to listed entity on the disclosures as mentioned above.

Annexure I to the circular, specifically provides the details to be disclosed in case of-

1. Disruptions of Operations due to natural Calamity,
2. Force Majeure,
3. Other Events

Regulations 51(1) of LODR

1. As per the regulation it requires prompt dissemination to the Stock Exchanges of all information having bearing on the performance/operation of the listed entity.
2. Price Sensitive Information or
3. any action that shall affect payment of Interest or dividend
4. As per the Clause 16 of Part B of Schedule III read with regulation 51(2) of the LODR , a listed entity shall promptly inform to the stock exchange(s) or any other information having bearing on the operation/performance of the listed entity.

Facts of Advisory

It is observed that many listed entities have made disclosures under LODR Regulations, primarily intimating shutdown of operations owing to the pandemic and resultant lockdowns. Some listed entities have provided information relating to actions taken towards sanitation, safety etc.; the number of entities that have disclosed the financial impact, however, is small.

1. Listed entity all around the world are making disclosures regarding-
   - the impact of the pandemic,
   - financial Conditions,
   - result of operations,
   - Future Operations,
   - Capital and Financial Resources
   - Liquidity,
   - Assets,
   - Internal Finance Control,
   - Demands for Products and Services, etc

   Regulators have encouraged timely reporting as well as complete and accurate disclosures of the Impact, as far as possible.

2. Listed entity should endeavor to ensure that all investors have access to timely, adequate and updated information.

   An illustrative list of information that listed entities may consider disclosing-

   - Impact of Covid-19 pandemic on the business
   - Ability to maintain operations including the factories/ Unit/Office space functioning and close down;
   - Schedule, if any, for restarting the operations;
   - Step taken for smooth functioning of the 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 serve debt and other financial arrangement
- Assets
- Internal finance reporting and control
- Supply Chain
- Demand for its products and Services

- Existing contracts/agreements where non fulfillment 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.

3. Disclosures in the Financial Statements

While submitting financial statements under Regulation 33 of the LODR, listed entity may specify/include the impact of the Covid-19 Epidemic on their financial statements, to the extent possible.

4. Transparent Disclosure:

a. When listed entities disclose material information related to the impact of Covid-19, they should not resort to the selective disclosures , keeping in mind the principles governing disclosures and obligations of the listed entity as prescribed in LODR Regulations

b. More specifically having regards to the requirement of Regulation 4(2)(e) of LODR on disclosure and Transparency