

DISCLOSURE OF MATERIAL IMPACT OF COVID-19 PANDEMIC ON LISTED ENTITIES

The COVID-19 pandemic and the consequent lockdown restrictions imposed by national governments has impacted businesses not only in India but all over the world. Corporates have gone under many changes during this pandemic including shut down the operations, decline in production and revenue etc.

Since, Government of India on March 14th, 2020 declared COVID-19 as a “notified disaster” therefore SEBI has issued an advisory vide its circular SEBI/HO/CFD/CMD1/CIR/P/2020/84 dated May 20, 2020 to all listed entities to disclose all the material events which have a bearing on its performance / operations in case of any natural calamity under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“LODR”) which can be as follows:

1. Disclosure pursuant to Regulation 30(3) of the LODR read with in Clause 6 Para B of Part A of Schedule III of LODR in respect of the disruption in operations of any one or more units or division of the listed entity due to natural calamity (earthquake, flood, fire etc.), force majeure or events such as strikes, lockouts etc.
2. Considering the pandemic situation and in order to keep the investors and other stakeholder updated, entities are advised and encouraged to evaluate the impact of the COVID-19 pandemic on their business, performance and financials, both qualitatively and quantitatively, to the extent possible and disseminate the same as well as the other information subject to the application of materiality such as:
 - Impact of the CoVID-19 pandemic on the business;
 - expected quantum of loss;
 - whether loss covered by insurance or not including amount;
 - estimated impact on the production/operations in case of lockdown;
 - factory/unit where the lockdown takes place.
 - 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-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

Further listed entities may provide more regular updates, as and when there are material developments, subject to materiality.

3. It is advisable that the information must be communicated to stakeholders on the continual basis till complete normalcy is restored and to take up the same in the ensuing Board Meetings of the Company.
4. Additionally, while submitting financial statements under Regulation 33 of the LODR, listed entities must specify/include the impact of the COVID-19 pandemic on their financial statements, to the extent possible.
5. Depending on circumstances peculiar to a listed entity and on account of passage of time, the listed entity shall revisit, refresh, or update its previous disclosures.

For detailed Circular please refer the below mentioned link:-

https://www.sebi.gov.in/legal/circulars/may-2020/advisory-on-disclosure-of-material-impact-of-covid-19-pandemic-on-listed-entities-under-sebi-listing-obligations-and-disclosure-requirements-regulations-2015_46688.html

Suggestions may be sent to rupesh@cacsindia.com

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