

AUDIT UPDATE

**SEBI Advisory on
Disclosure of
Covid 19 Impact**



SEBI ADVISORY ON DISCLOSURES OF COVID-19 IMPACT: A BRIEF

About the SEBI Circular

Securities and Exchange Board of India has issued Advisory on disclosure of material impact of COVID - 19 pandemic on listed entities under SEBI (Listing obligations and Disclosure Requirements) Regulations, 2015 vide circular SEBI/HO/CFD/CMD1/CIR/P/2020/84 dated May 20, 2020. This circular will come into force with immediate effect.

As per circular, entities have been 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.

Why is the need for circular?

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.

Disclosures to be made by a listed entities

A. Illustrative list of Disclosures*

- 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-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.
**The above list is only illustrative and not exhaustive.*

B. Other Considerations for disclosures

- Further, to have continuous information about the impact of CoVID-19 on operations, listed entities may provide regular updates, as and when there are material developments.
- Additionally, 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.
- When listed entities disclose material information related to the impact of CoVID-19, they should not resort to selective disclosures, keeping in mind the principles governing disclosures and obligations of a listed entity as prescribed in LODR Regulations, more specifically, having regard to the requirements of Regulation 4(2)(e) of the LODR on disclosure and transparency. 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.

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