

MARKET CHATTER: SEBI MODERATES APPROACH

A direct, price-based trigger for verifying market rumours rather than asking for responses on events will address some of the issues of subjectivity



ILLUSTRATION: BINAY SINHA

DEVANGSHU DATTA
New Delhi, 3 January

■ "The Exchange has sought clarification from Bharat Heavy Electricals Limited with respect to recent news item captioned 'BHEL surges 6 per cent on buzz of winning ₹19,422 crore order from NLC India'. The response from the Company is attached."

■ "The Exchange has sought clarification from Vodafone Idea Limited with respect to recent news item captioned 'Elon's Starlink tie-up talks in market pumps Vodafone Idea to the skies in India'."

These notices are typical examples from the "Market Rumours" section of the NSE website (nseindia.com). They illustrate the way the market rumour verification system works in practice, even though it is not mandatory yet.

The stock exchanges highlight pertinent news items and rumours, match these to the price movements in the relevant stocks, and ask companies for clarifications. Under the Securities and Exchange Board of India's (Sebi's) Listing Obligations and Disclosure Requirements (LODR) Regulations, 2015, the companies will have to mandatorily respond within 24 hours to clarify the situation once the system comes into effect in a phased manner

from February. The exchanges will then post their response on the website. (In the examples cited above, Vodafone Idea responded within the stipulated time frame.)

In theory, this verification mechanism offers investors a degree of protection from being fooled by rumours, and it enables them to react by buying or selling the stock in response to the clarifications. In practice, however, Sebi's regulations about verification of market rumours and disclosures of material events are couched in such a way that companies may struggle to comply.

The volume of news and rumours about listed companies is huge. And, Sebi's current definition of a "material event" that triggers this disclosure or clarification process is broad — many would even say, unnecessarily broad.

The regulator has now released a consultation paper, which proposes to change the trigger for disclosures and rumour verification. This was in response to suggestions by the Industry Standards Forum (ISF), an

association formed last year at Sebi's behest. It involves the Confederation of Indian Industry (CII), the Federation of Indian Chambers of Commerce & Industry (Ficci), the Associated Chambers of Commerce & Industry of India (Assocham) and the stock exchanges. ISF is handling the rumour verification requirement as a pilot project.

The key to understanding mandatory disclosures under LODR is Section 30, which has multiple clauses listing situations where a company must respond with a disclosure.

These are in addition to "normal" disclosures, wherein a listed company must present timely audited accounts as well as transcripts of conference calls with analysts, management guidance about future plans, minutes of annual general meetings (AGMs), board decisions, etc.

Sebi introduced the concept of rumour verification in mid-2023. The first provision to LODR's Regulation 30(11) — the rumour

verification requirement — calls on listed entities to verify and confirm, deny or clarify market rumours that are reported in the mainstream media.

The rumour verification requirement becomes applicable to the top 100 listed entities from February 1, 2024, and to the top 250 listed entities from August 1, 2024, according to a Sebi circular dated September 30, 2023.

How it was imagined

When it was conceptualised, the trigger for verification included "material events".

The proposed regulations said companies must mandatorily disclose events or information whose value, or expected impact in terms of value, exceeded:

- 2 per cent of the turnover, as per the last audited consolidated financial statements;
- 2 per cent of the net worth, as per the last audited consolidated financial statements (except where the net worth is negative);
- or 5 per cent of the average of the absolute value of profit or loss after tax, as per the last three audited

consolidated financial statements.

Listed entities were also required to make disclosures of material events or information "as soon as reasonably possible". This was no later than 30 minutes from the closure of a board meeting; within 12 hours from the occurrence of an event if it emanated from within the listed entity; or 24 hours from the occurrence of an event or information if it did not emanate from within the listed entity.

There was some degree of subjectivity in that the company had to make a judgement call whether a given event or information would have a quantifiable impact that Sebi would consider material. There was also more to the disclosure mandate, and some of this walked into grey territory.

A key clause read: "Agreements to which persons such as shareholders, promoters, promoter group entities, related parties, directors, KMPs and employees of a listed entity or of its holding, subsidiary and associate company are parties are disclosable if they directly, indirectly, actually or potentially: (i) impact the management or control of the listed entity."

Moreover such disclosures were mandatory even if the company itself was not a party to the agreements.

This could be interpreted to mean that, for example, will made by large shareholders or any intra-family succession arrangements in the case of family-promoted corporations (which many Indian businesses are) should immediately be disclosed by the company.

What would happen if, say, the will of a hale and hearty promoter was put into the public domain decades before that person was likely to retire

Yet, that would imply massive breach of privacy and could result in unnecessary — and significant — share price swings. What would happen if, say, the will of a hale and hearty promoter was put into the public domain decades

before that person was likely to retire, or pass away?

One analyst pointed out, tongue-in-cheek, that it could also be stretched to mean "Page 3" gossip becoming a trigger if, say, two prominent members of business families are rumoured to have a romantic relationship.

Should companies really be forced to disclose such possible "events" or respond in rumour-

The challenges

Sebi's proposal also involves complexity when it is quantified. For instance, how does one define a "material price movement" for this purpose?

The paper suggests it be benchmarked in percentage terms to movements in the major market index.

For example, if the Nifty is more than 1 per cent up above its closing levels of the previous session at 9.30 am, the material percentage move in a stock priced at less than ₹100 should be taken as a gain of 5 per cent or more. For shares priced at above ₹200, a swing of plus 3 per cent or more would be considered material. Similarly, for an index drop of minus 1 per cent, a stock priced at less than ₹100 would have to drop more than 5 per cent for it to be considered significant.

The top 200 stocks (largecaps) are available in the F&O segment and prices are allowed to swing without limit in either direction. But lower market-cap stocks may behave differently compared to the largecaps and they are placed in a restricted band. As the system is broadened to cover stocks, which have lower market-cap, the measurement bands may have to be tweaked, or the benchmark index may have to be changed. For example, the NSE-500 may be a better benchmark for a midcap or smallcap stock.

There are further complications in cases where, for example, rumours of a

potential merger, an open offer, a stake sale or the spinoff of a subsidiary are involved.

Let's say, the rumour of an open offer is verified — the price will swing as investors focus on the stock. Since an open offer price is defined by the average prices of the prior 60 trading days, the verification itself will inevitably change the open offer price. Hence Sebi has also introduced the concept of an "Unaffected Price" (the price before the rumour is verified) to cater to such situations.

This means alterations in the way merger, open offer and stake sale processes work, with implications for the government's disinvestment programme, as well as for private enterprise.

There's a further point to be considered in terms of business confidentiality. Understandably, corporations attempt to maintain confidentiality when such negotiations are in progress. This is even true when, for example, a corporation is head-hunting for a new CEO or CXO.

Equally understandably, there are always rumours in the market about such negotiations. If a listed company is forced to respond to such rumours before a deal is signed, that will again inevitably affect share prices. And, a cursory reading of the text of the LODR and suggested changes indicates that a "no comment" response might not be legally acceptable.

This presents further food for thought.

verification mode to such situations? Also, how would this really be enforced in practice? Understandably, India Inc was unhappy with this LODR.

What changes

Sebi's new paper suggests an important shift in the trigger for rumour verification.

Instead of material "events", the rumour verification process would

now be triggered by changes in price or "material price movements", as the paper defines it.

What this means is that companies would need to verify rumours only if the share price moves significantly.

Price swing as a trigger makes more sense than material events since price is the key variable when it comes to the market value of a listed concern.

NOTICE

We, BHARTI JESHING SHAH (PAN ALVPS4225K) and RAMESHCHANDRA JESINGBHAI SHAH (PAN AAIPS6974R) are jointly holding 308 number of shares under Folio no. ESC0004394 in ESCORTS KUBOTA LIMITED having its registered office at 15/5, Mathura Road, Faridabad, Haryana - 121003 in Folio ESC0004394 bearing Share Certificate Numbers 90014438 to 90014450 with Distinctive Numbers from 456751-456775, 1203671-1203675, 1412190-1412197, 1868845-1868851, 2234252-2234260, 2756707-2756719, 3130312-3130325, 3737869-3737908, 5597928-5597977, 5597978-5597999, 8869467-8869516, 8869517-8869566, 8869567-8869581. We hereby give notice that the said Share Certificate(s) are lost and we have applied to the Company for issue of duplicate Share Certificates with Face Value Rs.10/- The public is hereby warned against purchasing or dealing in anyway with the said Share Certificates. The Company may issue duplicate Share Certificates if no objection is received by the Company within 30 days of the publication of this advertisement, after which no claim will be entertained by the Company in that behalf.

**Bharti Jeshing Shah
Rameshchandra
Jesinghbhai Shah
Folio No: ESC0004394**

Place: Mumbai, Date: 04-01-2024

GOVERNMENT OF TAMILNADU
PUBLIC WORKS DEPARTMENT
BUILDINGS (C&M) CIRCLE, CHEPAUK, CHENNAI-5
e-TENDER NOTICE No.43BCM/2023-24/ DATED:02.01.2024.
FORM OF CONTRACT: LUMP SUM /Two Cover System

For and on behalf of the Governor of Tamil Nadu, e-tenders are invited from the eligible registered contractors by the Superintending Engineer, PWD., Buildings (C & M) Circle, Chepauk, Chennai-5 for the following work:-

Sl. No.	Name of work and EMD	Approximate value of work	Period	Eligible Class
1.	Two Cover System Construction of five storeyed building in the Old Law College campus inside the Madras High Court premises for accommodating the Criminal and Original Side Court Halls, Judge's Chambers, Sections / Offices and Record Rooms. E.M.D: Rs.18,30,000/-	Rs.3640.00 Lakhs	18 Months	Class IA

7. For Tender documents, visit <https://tntenders.in> 2. Last Date and Time for submission of tender documents: 02.02.2024 upto 03.00 PM. 3. Date and Time of opening of the e-tender: 02.02.2024 at 04.00 PM
Superintending Engineer, PWD., Buildings (C&M) Circle, Chepauk, Chennai-5.
DIPR/25/Tender/2024

Chemcon Speciality Chemicals Limited
CIN: L24231GJ1988PLC011652
Regd. Office: Block No. 355, Manjusar Kunpad Road, Village: Manjusar, Taluka: Savli, Vadodara - 391775.
Tel: 0265 - 2981195 | Website: www.cscpl.com | Email: investor.relations@cscpl.com

NOTICE OF POSTAL BALLOT

Members are hereby informed that the provisions of Sections 108, 110 and other applicable provisions, if any, of the Companies Act, 2013, as amended ("the Act") read with Rules 20 and 22 of the Companies (Management and Administration) Rules, 2014, as amended ("the Rules"), General Circular Nos. 14/2020 dated 8th April, 2020, 17/2020 dated 13th April, 2020 and subsequent circulars issued in this regard by the Ministry of Corporate Affairs ("MCA"), the latest being 09/2023 dated 25th September, 2023 (collectively referred to as "MCA Circulars"), Secretarial Standard on General Meetings ("SS-2") issued by the Institute of Company Secretaries of India, and any other applicable law, rules and regulations (including any statutory modification(s) or re-enactment(s) thereof, for the time being in force), the Company has on Tuesday, 2nd January, 2024, sent to the Members, who have registered their e-mail IDs with Depository Participant(s) or with the Company, the Notice of Postal Ballot dated 16th December, 2023, together with an Explanatory Statement pursuant to Section 102 of the Act, vide an e-mail through National Securities Depository Limited ("NSDL"). Through the said Notice approval of Members of the Company is sought for:

1. Appointment of Mr. Pankaj Amritlal Shah (DIN: 10417855) as an Independent Director.
2. Appointment of Mr. Lalit Ramniklal Mehta (DIN: 00903743) as an Independent Director.

The Board has appointed Mr. Chirag Vinodbhai Rathod, (Membership No A54460 and C.P. No. 20186), Practising Company Secretary, as the scrutinizer (the "Scrutinizer") for conducting the Postal Ballot / e-voting process in a fair and transparent manner.

The above-mentioned businesses are to be transacted by postal ballot through voting by electronic means. Members are requested to provide their assent or dissent through remote e-voting only. The Company has availed the services of National Securities Depository Limited ("NSDL") for facilitating e-voting to enable the Shareholders to cast their votes electronically. The detailed procedure for e-voting is enumerated in the Notes to the Postal Ballot Notice. The remote e-voting period shall commence at 9.00 a.m. (IST) on Friday, 5th January, 2024 and shall end at 5.00 p.m. (IST) on Saturday, 3rd February, 2024. The e-voting facility will be disabled by NSDL immediately thereafter and will not be allowed beyond the said date and time.

In line with the MCA Circulars, the Postal Ballot Notice is being sent only through electronic mode to Members whose names appear in the Register of Members of the Company or in the Register of Beneficial Owners maintained by the Depositories as on Friday, 29th December, 2023 (the "cut-off date") and whose e-mail addresses are registered with the Company / Depositories.

The voting rights of Members shall be reckoned as on Friday, 29th December, 2023 which is the 'cut-off date'. A person who is not a member as on the 'cut-off date' should treat the Notice of Postal Ballot for information purpose only. The copy of the Postal Ballot Notice is available on the Company's website at www.cscpl.com, websites of the Stock Exchanges i.e. BSE Limited and National Stock Exchange of India Limited at www.bseindia.com and www.nseindia.com respectively, and on the website of National Securities Depository Limited ("NSDL") at www.evoting.nsdl.com. Members who do not receive the Postal Ballot Notice may download it from the above-mentioned websites.

The Members, whose email address is not registered with the Company or with their respective Depository Participant/s, and who wish to receive all the communications sent by the Company, from time to time, can get their email address registered by following the steps as given below:

- a. For Members holding shares in physical form - please send scan copy of a signed request letter mentioning your name, folio number, complete address, email address to be registered along with scanned share certificate (front and back), self-attested scanned copy of the PAN and self-attested scanned copy of address proof, by email to the Company's email address at: investor.relations@cscpl.com.
- b. For the Members holding shares in demat form: please update your email address through your respective Depository Participant/s.

In case of any queries, you may refer the Frequently Asked Questions (FAQs) for Shareholders and e-voting user manual for Shareholders available at the download section of www.evoting.nsdl.com or call on: 022 - 4886 7000 and 022 - 2499 7000 or send a request to Ms. Pallavi Mhatre at evoting@nsdl.co.in.

The result of the e-voting by Postal Ballot will be announced not later than 48 hours from the conclusion of e-voting and will also be displayed on the Company's website www.cscpl.com, on the website of NSDL www.evoting.nsdl.com and communicated to the stock exchanges.

For Chemcon Speciality Chemicals Limited
Sd/-
Shahilkumar Kapatel
Company Secretary & Compliance Officer
M. No.: A52211

Place: Vadodara
Date: 3-01-2024

#BSMorningShow

In focus

Can RBI slam the brakes on PV sales growth?

Today's Special

Does India need a climate change resilience authority?

Market Insight

Which sectors will be on FPIs' radar in 2024?

BEST BUSINESS PROGRAMME (GOLD)
at afaqs! 'The Future of News' Awards

Business Standard MORNING SHOW
Mon - Fri | 8am

Get the answers in today's episode
Visit mybs.in/MorningShow or scan this code to watch.

businessstandard | bsindia | business.standard | business-standard.com

The ALL-NEW Business Standard App
Making Devices Smart, Insight Out.

Download now from bit.ly/BS_app

Business Standard Insight Out