

# Verification of Market Rumour by listed entities & other related amendments

Vinod Kothari and Vinita Nair  
Vinod Kothari and Company

Kolkata:

1006-1009, Krishna Building  
224 AJC Bose Road  
Kolkata – 700 017  
Phone: 033 2281 3742/7715  
Email:  
corplaw@vinodkothari.com

New Delhi:

Ras Vilas, 501 & 501A, Salcon  
Rasvilas, District Centre, Saket,  
New Delhi - 110017  
Phone: 011 6551 5340  
Email: delhi@vinodkothari.com

Mumbai:

403-406, Shreyas Chambers  
175, D N Road, Fort  
Mumbai  
Phone: 022 2261 4021/ 62370959  
Email: mumbai@vinodkothari.com

Bengaluru:

Rent A Desk  
4, Union Street, Infantry Rd,  
Shivaji Nagar  
Bengaluru- 560001  
Phone: 033 2281 3742  
Email: corplaw@vinodkothari.com

Reach us on social media:



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- Vinod Kothari and Company, company secretaries, is a firm with more than 35 years of vintage
  - Based out of Kolkata, Mumbai, New Delhi and Bengaluru
- We are a team of qualified company secretaries, chartered accountants, lawyers and managers.

***Our Organization's Credo:***

***Focus on capabilities; opportunities follow***

# Outline

- Summary view of the amendments
- Regulatory trajectory of events on mandatory rumour verification requirement
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- Post rumour implications
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- Other LODR amendments
  - applicability for market cap based provisions
  - Harmonisation/relaxation in corporate governance norms

# Amendments notified to all major SEBI regulations (1/2)

## LODR Amendment Regulations, 2024

### ■ effective from 17th May, 2024

- uniform timelines for **prior intimation of board meeting**
  - **reduced to 2 clear working days** for all events
- Pre-intimation to **include date of board meeting**
- Pre-intimation for **fundraising to be given only in case of issuance of securities** (not required SRs, SDIs, money market instruments reg by RBI)
- increased timeline for **filling vacancy in office of KMP**
  - 3 months under the extant regulations
  - extended to **6 months if regulatory, government or statutory approval is required**
- maximum gap between **two consecutive meetings of RMC**
  - increased to **210 days** from existing 180 days

- **Revised framework for verification of market rumours** wef 17th May
  - link to **material price movement (MPM)** instead of material events under Reg 30
  - reporting **within 24 hours from MPM trigger** instead of reporting in mainstream media
  - **unaffected price to be computed for corporate actions** upon confirmation of M&A event within 24 hrs
  - to be read with **ISF note, SE and SEBI circulars**
- **Obligation on promoter, director, KMP and SMP to provide timely response** to Company to enable timely verification of market rumours
- **Amendments to applicability of market cap (MCap) based provisions**
  - applicable from **31st December, 2024**
  - list to be generated on the basis of **average MCap for last 6 months ending 31st December**
  - compliance to be ensured **within 3 months from trigger or beginning of next FY** - whichever is later
  - for BRSR - systems to be placed basis year of applicability, reporting to be made in succeeding FY
  - **Sunset clause: non-applicability for 3 consecutive FYs** result in discontinuation of mandatory applicable

## Amendments notified to all major SEBI regulations (2/2)

- Cross-referencing to SEBI's framework on unaffected price computation for corporate actions
  - amendments notified in ICDR Amendment Regulations, 2024
  - **Buyback Amendment Regulations, 2024**
  - **SAST Amendment Regulations, 2024**
    - effective from 17th May, 2024

### PIT Amendment Regulations, 2024 (effective from 17th May, 2024)

- definition of “generally available information” amended
  - to **exclude** *unverified event or information reported in print or electronic media*



# Revised framework on mandatory rumour verification



# Regulatory trajectory on mandatory rumour verification requirement

**CP dated 12<sup>th</sup> Nov, 2022**

Proposal for mandating verification of market rumours for the first time



**Board meeting dated 29<sup>th</sup> March, 2023**

Proposal approved by SEBI



**LODR 2<sup>nd</sup> Amendment Regulations, 2023 notified on 14<sup>th</sup> June, 2023**

Applicability notified, top 100 LEs – w.e.f. 1<sup>st</sup> Oct, 23, top 250 – w.e.f. 1<sup>st</sup> Apr, 24



**SEBI Circular dated 30<sup>th</sup> Sep, 2023**

Extension of timeline, top 100 LEs – w.e.f. 1<sup>st</sup> Feb, 24, top 250 – w.e.f. 1<sup>st</sup> Aug, 24



**CP dated 28<sup>th</sup> Dec, 2023**

Proposed changes to rumour verification requirements



**SEBI Circular dated 25<sup>th</sup> Jan, 2024**

Extension of timeline, top 100 LEs – w.e.f. 1<sup>st</sup> Jun, 24, top 250 – w.e.f. 1<sup>st</sup> Dec, 24

**Board meeting dated 15<sup>th</sup> March, 2024**

Proposal approved by SEBI



**LODR Amendment Regulations, 2024 notified on 17<sup>th</sup> May, 2024**

Amended provisions notified, applicable with immediate effect



**SEBI Circular dated 21<sup>st</sup> May, 2024**

Recognition to standard note to be issued by Industry Standard Forum (ISF)



**Industry Standard Note by ISF dated 21<sup>st</sup> May, 2024**

SOP for compliance with rumour verification requirement



**SE Circular dated 21<sup>st</sup> May, 2024**

Procedure for determination of material price movement



**SEBI Circular dated 21<sup>st</sup> May, 2024**

Framework for computation of unaffected price movement

## Entities impacted

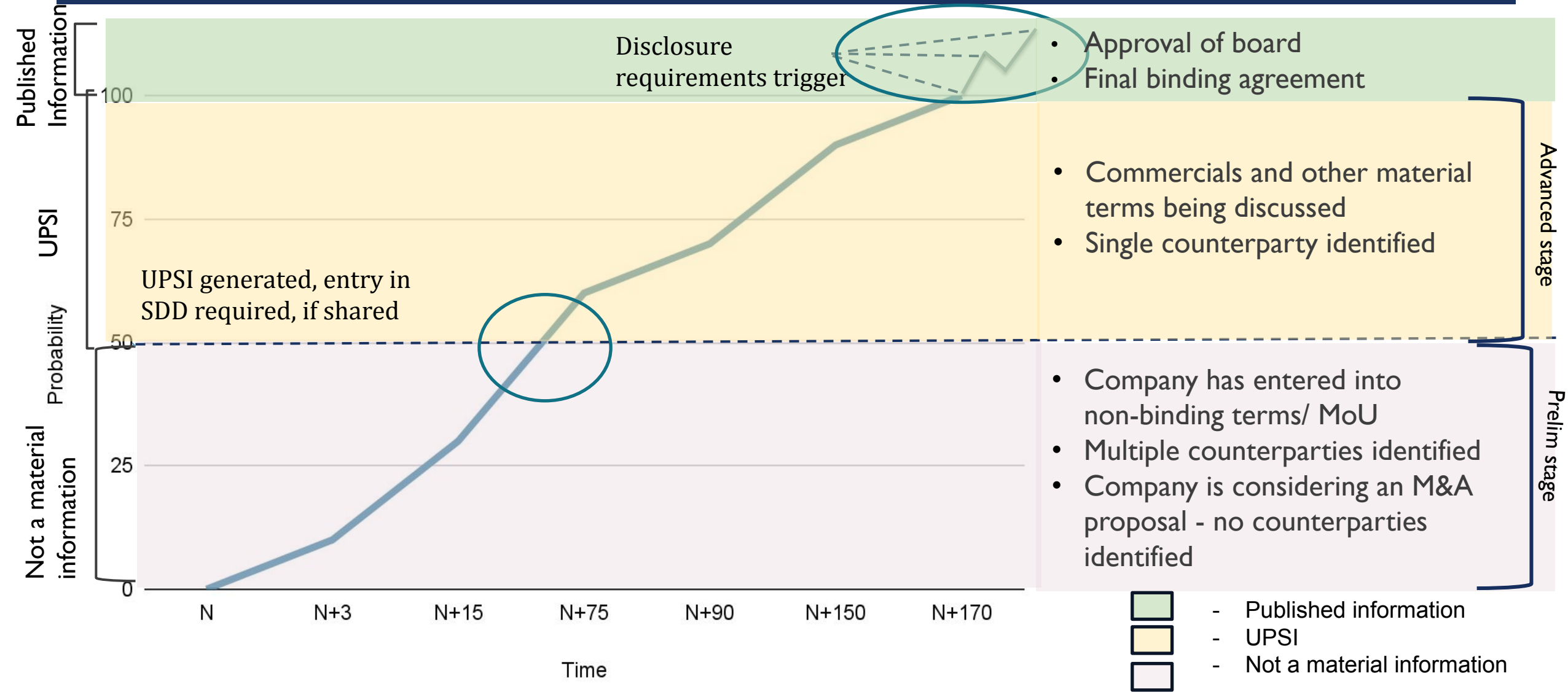
<b>Applicability date</b>	<b>Entities covered</b>	<b>Market cap as on</b>
1 <sup>st</sup> June, 2024	Top 100 LEs	31 <sup>st</sup> March, 2024
1 <sup>st</sup> Dec, 2024	Top 250 LEs	31 <sup>st</sup> March, 2024
1 <sup>st</sup> April, 2025 onwards <i>(for entities following Apr-March as FY)</i>	Top 250 LEs	31 <sup>st</sup> Dec, 2024

- **Is it applicable to entities other than top 100/ 250 listed entities as well?**
  - Sub-regulation (10) requires listed entities to provide specific and adequate reply to all queries raised by stock exchange(s) with respect to any events or information
  - Sub-regulation (11) enables listed entities to confirm or deny any reported event or information on its own initiative
  - The proviso thereof refers to mandatory rumour verification requirements for top 100/ 250 LEs
- where rumour response is a voluntary call, companies may still be guided by the principles as applicable to larger companies

# What will they be required to do?

- If:
  - There is a **material price movement** (MPM)
  - There is a **rumour** in **mainstream media**
  - About some **definitive** event or information
  - Which is **“impending”**, that is, about to happen or waiting to be disclosed by the Company.
- The company shall:
  - Either **confirm** that rumour
  - Or **deny** it
  - Or make a statement that the **rumoured event has not become disclosable at the present time**
  - And for either confirmation or denial, if the company needs further information from a promoter, director, KMP, or SMP (that is, the rumoured information pertains to them), the company shall promptly seek the same, and the counterparty shall promptly, accurately and adequately respond to the same.
  - **within 24 hours from the trigger of the MPM**
- Responding to rumours is not a rule that sits in isolation
  - It is a part of reg 30 which obligates companies to ensure smooth flow of information, to maintain information symmetry
- Companies will disclose internal developments when they become almost certain
  - until they become certain and are disclosed, they are “unpublished information”, requiring safeguarding of information
  - However, if rumour comes in the meantime:
    - The company may remain tight lipped, if the stage is preliminary
    - and revert to only so much of facts as are revealed by rumorist
      - and wait for full disclosure only when the stage of disclosure as per reg 30 is achieved

# Metamorphosis of “information” from “origin” to “publication”



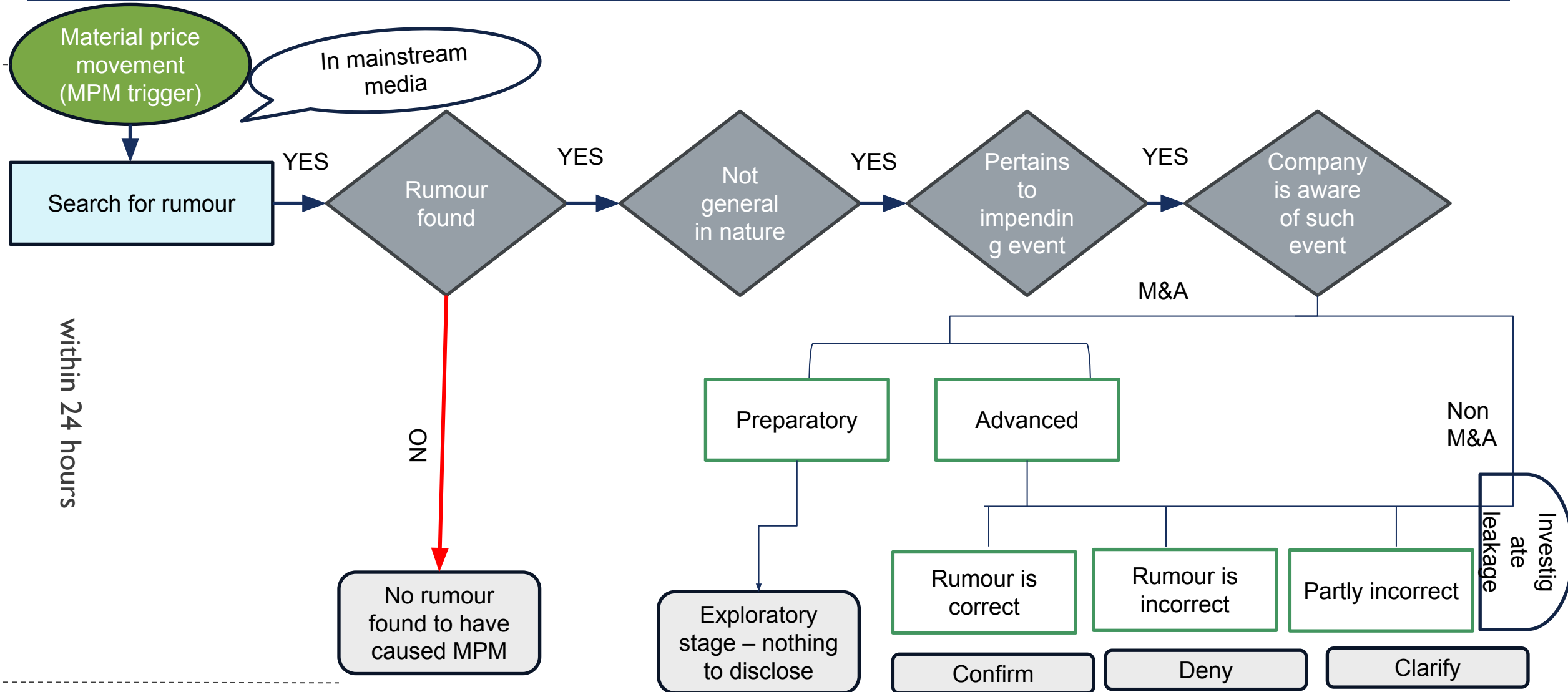
## If the rumour qualifies the conditions..

- If the rumour qualifies for each of the conditions:
  - The company is expected to automatically respond, without waiting for a query from the exchanges
  - The fact that the rumour is about some event/information which would not have required disclosure under reg 30 becomes irrelevant, as the price sensitivity of the event/information is itself proved by the MPM
  - The fact that the disclosure may result into breach of an NDA with any party does not matter
- If Company makes an announcement citing information requirements of reg. 30, and there is a MPM trigger before the announcement, should the Company investigate into an information leak?
  - The answer should be yes.
  - If the insider information has been leaked within 24 hours prior to the Company's announcement, there may not be a need to clarify on the rumour, but the obligation to check leakage of information does arise.
- Most important principle of all disclosures:
  - Company cannot mislead investors, so as to lead investors to a wrong direction or instil them to draw wrong conclusions
  - Rumour responding is a part of the overarching responsibility of a listed entity to provide timely and accurate information on all material matters - reg 4 (2) (e)
  - Reg 4(2)(f) - overseeing the process of disclosure and communications is a board function
- The Company's response to a rumour cannot lead investors to believe that the rumoured event or action is not on cards at all
  - If truth: admit it
  - If no truth: deny it
  - if half truth: the response cannot deny or erase the half truth

# Consequences of breach of rumour response requirement

- Not responding to rumours, where required, will constitute a breach of reg 30
- Consequences of breach of the rumour verification requirement :
  - Breach of Reg 30 not covered under SOP for penalties levied by SEs
  - falls under the scope of adjudication by SEBI
  - Section 23A of SCRA - failure to furnish information
    - Minimum Rs. 1 lac
    - Continuing Rs. 1 lac per day
    - Maximum Rs. 1 crore

# Guidance for action



## Trigger of rumour verification requirement under Reg 30(11)

MPM	Rumour in mainstream media	Pertains to specific impending event	Specific impending event under Reg 30	Verification of rumour by company required?
Yes	Yes	Yes	Yes	Yes
Yes	Yes	Yes	No	Yes, as the existence of MPM by itself satisfies the condition for rumour verification
Yes	No	NA	Yes	No, there is no rumour to be verified. The company may disclose based on the information/event reaching the appropriate stage.
Yes	No	NA	No	There is no rumour to be verified.
No	Yes	No	Yes	Rumour verification is not required, but the general principles of disclosure of events or information at an appropriate stage will be followed.



# Rumour verification requirements in global jurisdictions



# International rules on verification of market rumours

## Singapore - Part VI of Appendix 7A (SGX Rules)

- require prompt confirmation and clarification of
- Public circulation of information, whether by an **article published in a newspaper, by a broker's market letter, or by word-of-mouth**
- likely to have, or has had,
  - an **effect on the price of the issuer's listed securities**
  - a **bearing on investment decisions**

## UK - Para 9.2.6 of the Listing Rules read with DTR 2.7 & Article 17(1) of Market Abuse Regulations

- requires the issuer to **assess whether public disclosure regarding market rumour or press speculation is necessary**

## New York - Section 202.3 of NYSE Manual

- Relates rumours with unusual market activity. If unusual market activity is arising out of rumours, then the company to give prompt clarification.
- Listed entities to contact the Exchange on becoming aware of rumours.
- Prompt investigation by Exchange on such rumours

## Australia - Listing Rule 3.1B of ASX

- requires entity to disclose where ASX considers that there is or likely to be a false market in the entity's securities.
- **no disclosure reqd for mere suspicion**, idle speculation, matters generally known to market etc
- response required if
  - there is a **material change** (or **likely to be** once trading commence) in the **price/ traded volume** of LE's securities attributable to such rumour (**not readily explicable by any other event/ circumstance**)
  - include reasonably specific details or quotes or is attributable to a source who might be knowledgeable about the matter

## How the Indian requirement differs from global equivalents

	<b>Global equivalent, say NYSE</b>	<b>Indian framework</b>
Existence of a significant corporate matter within the company	The need for watching share activity arises only where there is a significant corporate matter under consideration. Mere existence of an activity, with no such matter under consideration, does not trigger the requirement	The revised framework delinks rumour verification requirement with material event/ information. Rumour finding exercise to be done upon material price movement
Relevance of a leak of information	NYSE guidance suggests that rumour responding is required when information of impending corporate actions has been leaked out	The ISN or the regulations do not refer to information leak at all
Adoption of a bright line test	In US rulings, the brightline test - to act as a guidance to companies to decide to respond to rumours, was discussed but rejected. Hence, the test remains subjective	India has explicitly adopted a numerical, objective standard.
Acceleration of the stage of disclosure	Publication of rumour accelerates the stage of disclosure of material event or information	There is no acceleration of reg 30 disclosure; reg 30 disclosure will be done only when the information becomes certain; disclosures in response to rumour will be limited to confirming/denying what the rumorist has reported. In a “prelim stage”, the response may remain generic.



Rumour requiring response by top listed entities



# What constitutes a rumour?

## Rumour requiring response

- Should be **relating to the company** and
- Should be **specific**, that is, should give some facts/information likely to influence the decision of investors, or should have quoted a source which can be relied for the information in question
- Should be relating to an event/development which is **impending**, that is, imminent, at a stage of development
- Should be contained in “**mainstream media**”
- Should have caused a **material price movement**
- There should be a **reasonable nexus between the rumour and the MPM**, so as to lead to a conclusion that the MPM has been triggered by the rumour
- Rumour about a pre-intimated event, that goes **beyond the information in pre-intimation**, and qualifies for response as per the aforesaid.

## Rumour not requiring response

- Rumoured event is **not “specific”**, that is, any matter, news or comments, **generally about sector, industry, geography**, etc
- Some person’s **interpretation or analysis of, or views** on official intimation of disclosure made by company
- **Guesswork, conjecture, estimation, forecast, research**
- Any **comparison or analysis** of company with that of any of its peers, other companies or entities
- An **elaboration of something that has already been disclosed** by the Company, unless new material facts or information not disclosed by the company are contained
- Rumours pertaining to an item for which **prior intimation has been made** under Reg 29 of LODR

Rumour is a hardcore skeletal piece of information arising from the Company that is completely non-public until posted by the rumour writer in mainstream media.

## Various questions arise...

- Whether a response is required if
  - rumour pertains to a subsidiary of listed entity?
  - rumour does not pertain to the subsidiary but any other promoter group entity?
  - does it make a difference if such subsidiary entity/ promoter group entity is also listed?
- Whether the source of rumour is also required to be cited in the corporate announcement?
- Does the company respond to the rumorist as well
  - If the rumorist has been trying to seek company's response?
  - Otherwise?
- Does an LE respond to a rumour about a specific impending event even if there is no MPM since market is not trading during such time?
- What would be the look back period to look for rumours should MPM trigger?
- If the company published financial results, and there is an MPM, does the company still have to search for a rumour?
- if there is a rumour as well, does the company respond to the rumour, while the MPM impact may have been caused by the results?
- If there are multiple sources containing similar rumour, does the company respond to each?
- If there are multiple sources containing different rumours, which rumour does the company respond to?



# Responding to market rumours



## Types of rumours and responses thereto

Type of rumour	Manner of response
Rumours that are general in nature, i.e., does not contain specific information or quotes reliable sources	will not qualify as a rumour requiring response, Company may choose to remain silent
Rumours about an M&A event at a preliminary stage	Company may clarify non-existence of disclosable information at this stage, without ruling out the possibility of a corporate event.
Rumours about an M&A event at an advanced stage	Confirmation along with specific information about the rumoured event as at the stage of rumour verification
Specific rumours about an event which is not true	Deny the existence of such event/ information
Specific rumours about an event containing partially incorrect information	Can the Company deny the existence? Or should clarification include correction of the facts?
Rumour where the Company does not have a knowledge of the event/ information	Disclose that the Company has no knowledge of such rumoured event/ information

- The aforesaid will also be applicable for rumour about material developments to disclosed event
- In the event of confirmation, the current stage of such reported event or information is also required to be disclosed

# Disclosing current stage of impending rumoured event

## Exploratory stage

Given the fact that all agile companies are always exploring options and possibilities, if the stage is purely exploratory, the company may actually deny the existence of any news or information.  
The news in question has not even been born.

## Preliminary

Discussions are on. Parties have been identified. Parties have begun their due diligence. However, neither party has made any offer yet.

## Non-binding

Either party has made a non-binding offer.

## Pre-approval stage

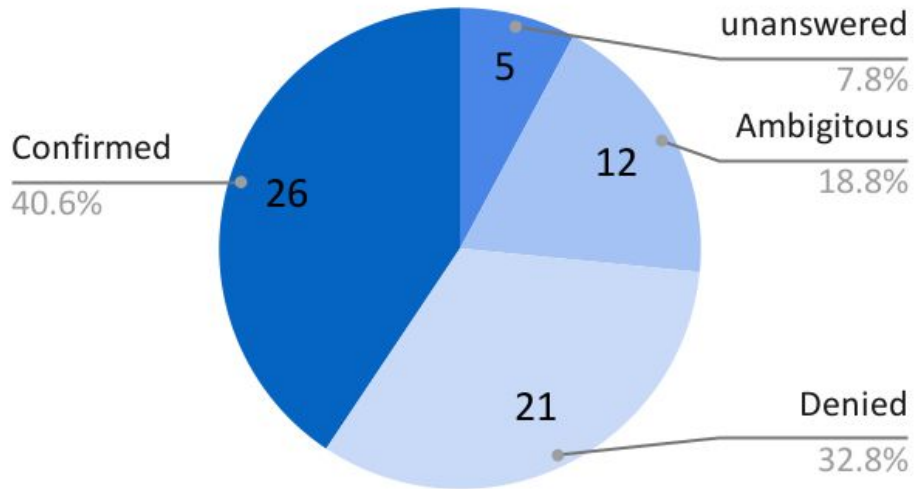
The matter is awaiting an approval from one or both the parties at their ultimate approving authority.

## Pending approval

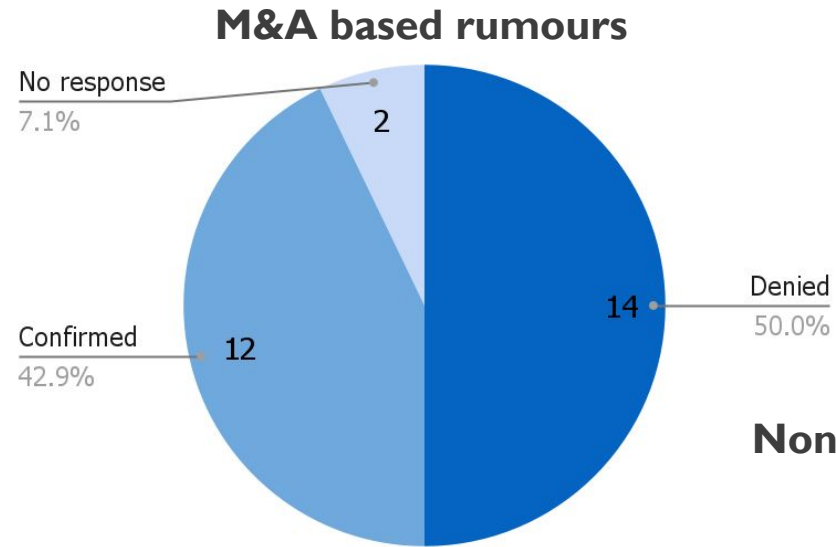
The matter is awaiting approval / sanction from one or more authorities. This approval is a prerequisite to proceed with the transaction.

# Market practices on rumour verification

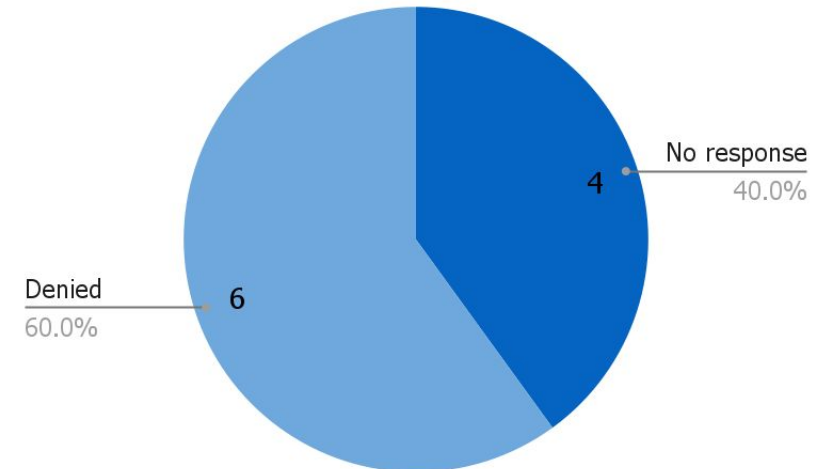
**Trends in rumour verification**  
(top 50 LEs between 1st Jan, 22 to 24th May, 24)



**Trends in rumour verification**  
(top 100 LEs between 1st Oct, 23 to 24th May, 24)



**Non M&A based rumours**



*\*Data has been collated on the basis of response provided by LEs to the stock exchanges  
Based on BSE market capitalization list*

# Scope of M&A transactions

## Transactions covered under M&A

- Transactions concerning purchase, sale, buyback, delisting of securities of listed company;
- Preferential issue or any other fund-raising;
- Scheme of arrangement involving listed entity or any of its subsidiaries
- Acquisition / sale of undertaking or shareholding of another company;
- Proposed joint venture between listed entity and another entity.

## Transactions not covered under M&A

- Transactions entered in **ordinary course of business:**
- On-market bulk/ block deal transaction
- On-market treasury transaction or non-strategic transaction
  - pertains to the treasury function, i.e., investment of surplus funds of the company,
  - indicates the regular investments made by the company in the stock market,
  - is not intended to fulfil any strategic expectations of the company,
  - the size of such investments are similar to other frequent investments,
  - the company has not raised funds specifically for making such investments, and
  - decisions with respect to such investments are generally taken by a delegated authority under section 179 of the Companies Act, 2013
- Other examples may be - invocation of pledge by a bank

# When does an M&A transaction concretise?

- A 1988 US Supreme Court ruling in Basic Inc. vs Levinson, sets important principles of disclosure
  - It affirmed TSC Industries, Inc. v. Northway, Inc., 426 U.S. [stating that the public disclosure is based on balancing the likelihood of conclusion of the event, and impact it will have on prices]
  - It rejected "agreement-in-principle as to price and structure" as the bright-line rule for materiality
  - Materiality in the merger context depends on the probability that the transaction will be consummated, and its significance to the issuer of the securities. Materiality depends on the facts, and thus is to be determined on a case-by-case basis

## Some SEBI adjudication orders on the stage of UPSI (1/2)

- In the matter of Edelweiss Financial Services Ltd, signing of term sheet was considered as the stage for existence of UPSI
  - Term sheet contained major terms and conditions including consideration for the transaction
  - Consideration and other terms did not undergo major changes thereafter
  - Stated that it is binding in nature and cannot be terminated by parties in any manner whatsoever
  - clearly shows that the intent and plans of acquisition had concretised in the term sheet itself
- In Jubilant Stock Holding Pvt Ltd Vs SEBI, SAT held *“though the MOU when executed cannot be termed as a price sensitive information, the **deeper scrutiny of the clauses of the MOU would show that it had become as price sensitive information...**”*
  - MoU was binding
  - Included binding offer w.r.t. ceiling on the price
- In Reliance Industries Ltd, UPSI was said to come into existence *“when the initial discussion on potential transaction with Facebook started.”*
  - Intent to explore a potential transaction with Facebook
  - Order also states that *“...it is hard to be convinced that the company would respond to rumours only after finality of transactions...”*
- In Future Corporate Resources Pvt Ltd v. SEBI, news about M&A has been considered to be “generally available” since, *“the news coverage: (a) emanated pursuant to interviews and statements given by FRL or by its chairman and managing director i.e. noticee nos. 2; and ( b) was fairly specific, in that they had references to the HomeTown Business, including specific references to demerging the FabFurnish and HomeTown business into a new listed company.”*

## Some SEBI adjudication orders on the stage of UPSI (2/2)

- In Gammon Infrastructure Projects Limited, UPSI w.r.t. termination of a tie-up considered to come into existence from telephonic discussions for termination of tie-up

- In Satyam Computer Services Ltd, upon analysis of the events, it was held that UPSI existed from the day of proposal for proposed acquisition since

- Senior officials of the Company were informed
- All parties to M&A were controlled by same family and proposal was discussed by Chairman himself
- Intention to apprise board of the Company was disclosed
- Matter was instructed to be kept confidential

*“The manner in which the proposal was initiated and accepted indicates the level of preparation done by SCSL and shows that that the proposal was final in all aspects and obtaining the approval from the Board was merely a formality which was fulfilled on December 16, 2008.”*

- In Biocon Ltd, pertaining to a collaboration agreement, UPSI existed at the stage of fine tuning of deal, with PR teams involved.

- The ruling further states that:

*it may be noted that there exists a **distinction between the timelines when the parties to a transaction have opened discussions, UPSI period and the final signing**. During the former, the parties are **still exploring** the possibilities of a potential transaction between them. Thus, the discussions are exploratory in nature and the **information generated at this stage is imprecise in nature, without a reasonable probability** of the transaction going through and without any specific details. Juxtapose this with the UPSI period. Discussions **during UPSI period starts with high degree of crystallisation and proceeds towards a greater degree of crystallisation with a reasonable probability** of the transaction going through. This is done in a structured way by resolving issues. In other words, during the UPSI period, **with each passing day, the outcome of the transaction moves towards higher and higher degree of concreteness**, as the discussions are centered around resolution of specific issues. It is noted that **it cannot be said with 100% certainty what will be the outcome / information before the public announcement is actually made as there is still room for the parties to the transaction to change / modify their decision till the time the decision has been publicly announced**. The certainty of information can only be measured in terms of probability/degree of crystallisation and concreteness.*

## Stages of M&A and response to rumours (1/3)

Rumour pertaining to	Stage	Disclosure
Board decision to evaluate opportunity for strategic acquisition	Prelim	Company keeps evaluating strategic opportunities. There is no material event in terms of Reg. 30 to disclose at present.
Execution of NDA	Prelim	
Signing of Memorandum of Understanding/ Letter of Intent	Prelim	
Engagement of advisors for assistance in due diligence	Prelim	
Commencement of due diligence	Prelim	
Appointment of registered valuer	Prelim	
Obtaining valuation for proposed acquisition	Prelim	
Internal evaluation of proposed acquisition	Prelim	
Constitution of a board sub-committee for evaluation of proposed acquisition	Prelim	

## Stages of M&A and response to rumours (2/3)

Rumour pertaining to	Stage	Disclosure
In-principle approval of a committee to proposed acquisition	Prelim	The sub-committee constituted to evaluate the strategic opportunities has granted in-principle approval for a proposed merger/acquisition. The Company will disclose the details upon finalisation.
Participation in bid for the proposed acquisition	Advanced	The Company has participated in bid for acquisition of **. The bidding process is ongoing. Upon finalisation of terms Company will make the disclosure.
Shortlisting of company as selected bidder	Advanced	The Company has won the the bidding in respect of acquisition of **. Upon finalisation of terms & execution of the agreement, Company will make the disclosure.
Signing of binding term sheet	Advanced	The Company is in talks with ** for merger/acquisition. The Company has signed binding term sheet. Upon receipt of Board approval the Company will make the disclosure.
Placed before board / delegated committee for final approval [assuming reg 29 (1) intimation not given/	Advanced	Company is in advanced stage of Merger/Acquisition with **. The Board of the Company will consider proposed Merger/Acquisition with ** in its meeting **. Upon receipt of Board approval the Co will make the disclosure.

## Stages of M&A and response to rumours (3/3)

Rumour pertaining to	Stage	Disclosure
Board approval to acquisition	Advanced	The Board of the Company has approved Merger/Acquisition with ** subject to Regulatory & Shareholder's approval. [Disclosure as per Reg. 30 to be provided]
Agreement to material terms [Business Transfer Agreement, Share Purchase Agreement, Shareholder's Agreement]	Advanced	The Company has entered into ** material terms agreement with ** for the execution of M&A.
Regulatory approval [SE,SEBI, CCI, RBI, NCLT, etc]	Post Approval	The Company has sought NOC/Approval from ** regulator for the merger scheme. Upon receipt of communication from the regulators, appropriate disclosure will be made.
Changes in the terms of M&A	Post Approval	Company is in talks with ** for changes in the terms of M&A due to **. Upon finalisation, the revised terms will be disclosed.
Termination of Merger	Post Approval	The Company has sought payment of termination fees from ** for cancellation of M&A.



# Understanding material price movement



# Understanding material price movement (MPM)

- SEs provide framework for determination of MPM
- Cut-off percentage for price variation specified basis price range of securities, or price band being hit
  - 3-5% depending on price of scrip
  - to be calculated based on closing price of previous day
- To be factored for index price variation based on relevant index
  - Nifty50 for NSE listed entities
  - Sensex for BSE listed entities
  - Index-based variation to be considered only at the start of the trading day at 9.30 am, if significant, i.e.,  $\geq (+/-)$  1%
    - to capture significant market wide movement after close of trading hours
  - Intraday index movements to be ignored
- Verification needed if price moves in same direction as that of rumour
  - Require classification of rumour into “positive” news and “negative” news
- **Various questions for consideration:**
  - Frequency of tracking MPM?
    - whether momentarily or on a daily basis?
  - How to classify a news as positive or negative?
  - How to deal with intraday price movements?
    - price changes between 9.15-9.30 am?
    - price changes after 9.30 am?
  - Whether the previous day closing price is to be considered as the base price?
  - Whether price reset to happen at 9.30 am again?
  - Where MPM reflects post disclosure impact of a material information, whether the Company will still be required to look for rumours?
    - can one assume that MPM has triggered due to corporate announcement made by the Company?

# Parameters for Material Price Movement

Parameters	Our Interpretation
<p><b>1. Price range-based price variation cut off</b> - The cut off percentage for price variation be based on the price range subject to the price band applicability.</p>	<p>Trigger for MPM based on price - Rs. 0 to 99.99; Rs. 100 to 199.99; Rs. 200 and above, will be 5%, 4% and 3% respectively or Price Bands, whichever is lower.</p>
<p><b>2. Indexing Price variation to Nifty 50 / Sensex movement</b> - With the aim of factoring in the market dynamics in the parameters for rumour verification, the price variation criteria be indexed to benchmark index viz., Nifty 50/ Sensex movement. Price benchmarking shall be done at the start of day (i.e., at 9.30 am). <b><i>(SEs to issue clarification on this aspect)</i></b></p>	<ul style="list-style-type: none"> <li>● First 15 minutes of market opening, scrip and index to factor news, announcements since last day close and stabilise.</li> <li>● Price of the scrip &amp; Index movement to be seen at 9.30, if unidirectional.</li> <li>● If Yes, and if index change is 1% or more, limit to be added to 5%, 4%, 3% as the case may be.</li> <li>● If Scrip price crosses above limit at 9.30 or anytime thereafter, it will result in MPM</li> </ul>
<p><b>3. Price variation in the direction of the news</b> - Rumours shall be verified only if the security has moved in the direction of the news i.e., if the security has witnessed positive movement for a positive news and vice- versa.</p>	<p>News cannot be positive or negative. It will depend on the way perceived by the readers/ investors and the same will reflect in the MPM anyways.</p>
<p><b>4. Intraday price movement-</b> (i.e. after 9:30 am), only the price range-based price variation shall be considered, irrespective of the Index movement.</p>	<p>The index benchmarking is to be done only at 9.30. Thereafter, one is to solely consider movement in scrip price from 9.30 am, and compare it with the closing price of last day</p>
<p><b>5. Calculation of percentage variation in share price and benchmark index movement</b> - shall be calculated from the closing price of the immediate preceding trading day.</p>	<p>Quantum of price movement to ascertain MPM will be compared with previous day closing price. No price reset to happen during the trading day</p>

# Intraday price movements

- There is a substantial confusion on how will the intraday price changes be seen to see if there is MPM.
- Our take:
  - First, it is clear that we take the traded price at any point of time from 9.30 till close of trading, and compare that price with the last day's closing price, to see the maximum change therein.
  - This change in the scrip will be compared with the cut-off percentage (5,4 or 3%, but mostly 3%).
  - The cut-off percentage itself will be incremented by the changes in the index, if in the same direction as the scrip, and  $> (+/- 1\%)$ . For considering the change in the index, the index at 9.30 am will be compared with previous day's closing index. Intra-day changes in the index are ignored.
  - Once the changes in the index exceed the 1% value, such index change will be added to the cut-off percentage. That incremented cut-off will not be relevant through the day.
- **To say that the variation in the index is relevant only at 9.30, not from 9.31 onwards, is self-conflicting, as also defying the whole intent:**
  - The index change itself is available only at 9.30, and therefore, it is only at that time we know whether the cut-off percentage needs to be incremented.
  - To say that the increment will be available at 9.30 and not thereafter is to say the change is stillborn at 9.30.
  - even if there is a momentary life in the increment precisely at 9.30, it becomes self-erasing, as at 9.31, the increment will, as per this contention, become meaningless. Because the scrip cannot be changing from 9.31 so as to shed out the impact of the index change.
  - The whole purpose of linking the scrip change with the index change is that so much of the scrip change as is correlated with the market is not an MPM, as it cannot be due to the rumour. It cannot be contended that the correlation becomes irrelevant from 9.31.

## Framework for MPM specified by SEs

Price range of the listed equity shares	Percentage variation in share price which shall be treated as material price		
	Benchmark index movement (+/-) is less than 1% at 9.30 am	Benchmark index movement (+/-) is greater than or equal to 1% at 9.30 am, and MPM is in the same direction as the Index change	In cases not covered by column on LHS (i.e. MPM is not unidirectional with index movement)
Rs. 0 to 99.99	≥ 5%	≥ 5% + % change in Benchmark index at 9:30 am) or Band hit	≥ 5%
Rs. 100 to 199.99	≥ 4%	≥4% + % change in Benchmark index at 9:30 am) or Band hit	≥ 4%
Rs. 200 and above	≥ 3%	≥3% + % change in Benchmark index at 9:30 am) or Band hit	≥ 3%

**Whether the benefit of BI changes at 9.30 am can be taken for intraday price movements in the scrip of the Company? - No. It will be based of previous day closing price.**

Price range of the listed equity shares	Percentage variation in share price which is treated as material price movement	
	Benchmark index movement is less than 1% at 9:30 am and for intra-day share price movement	Benchmark index movement is greater than or equal to 1% at 9:30 am
Rs. 0-99.99	Greater than or equal to 5%	Greater than or equal to (5%+ % change in benchmark index at 9:30) or price band limit
Rs. 100-199.99	Greater than or equal to 4%	Greater than or equal to (4%+ % change in benchmark index at 9:30) or price band limit
Rs. 200 and above	Greater than or equal to 3%	Greater than or equal to (3+ % change in benchmark index at 9:30) or price band limit

Proposal in CP and as discussed in SEBI BM Agenda

# Illustrations for MPM determination

- T - the day of which the closing price is to be considered
- X - Benchmark index (BI) as at the closing of T
- Y - Price of the scrip as at the closing of T (assuming the same is Rs. 200 or above)

Impact on scrip price <b>(1)</b>	Impact on BI <b>(2)</b>	Change* in BI as at 9.30 am of T+1 <b>(3)</b>	Change in BI as at 11 am of T+1# <b>(4)</b>	Change* in scrip price on T+1 (any time during trading hours) <b>(5)</b>	Trigger for MPM <b>(6)</b>	Rationale
Increase	Increase	1.2%	2%	4%	3+1.2% = 4.2% No	Change in BI to be factored
Decrease	Decrease	(-0.5%)	(-1.2%)	(-3.7%)	(-3%) Yes	Change in BI is insignificant, less than (-1%), so not considered
Increase	Decrease	(-1.5%)	(-2.2%)	3.5%	3% Yes	Contrast change in BI not considered

\*As compared to closing price of last trading day

# to be ignored for MPM computation

# Illustrations on intraday price movements

## Illustration I: Change in price range of scrip between T and T+1

- Price of scrip as at closing of T = Rs. X ( $X < \text{Rs. } 200$ )
  - Price of scrip at 11 am on T+1 = Rs. Y ( $Y > \text{Rs. } 200$ )
  - Percentage variation between price of scrip
    - from closing of T = 3.5%
  - BI as at closing of T = Rs. Z
  - Change in BI as at 9.30 am on T+1 = 1.2%
  - Change in BI as at 11 am on T+1 = 1.5%
- 
- Price benchmarking for MPM trigger =  $\text{Rs. } X + 4\% + 1.2\%$ 
    - closing price as on T (i.e., Rs X)
    - percentage based on closing price as on T (i.e., 4%)
    - change in BI as at 9.30 am (i.e., 1.2%)

## Illustration II - Intraday changes more than specified % variation for MPM trigger

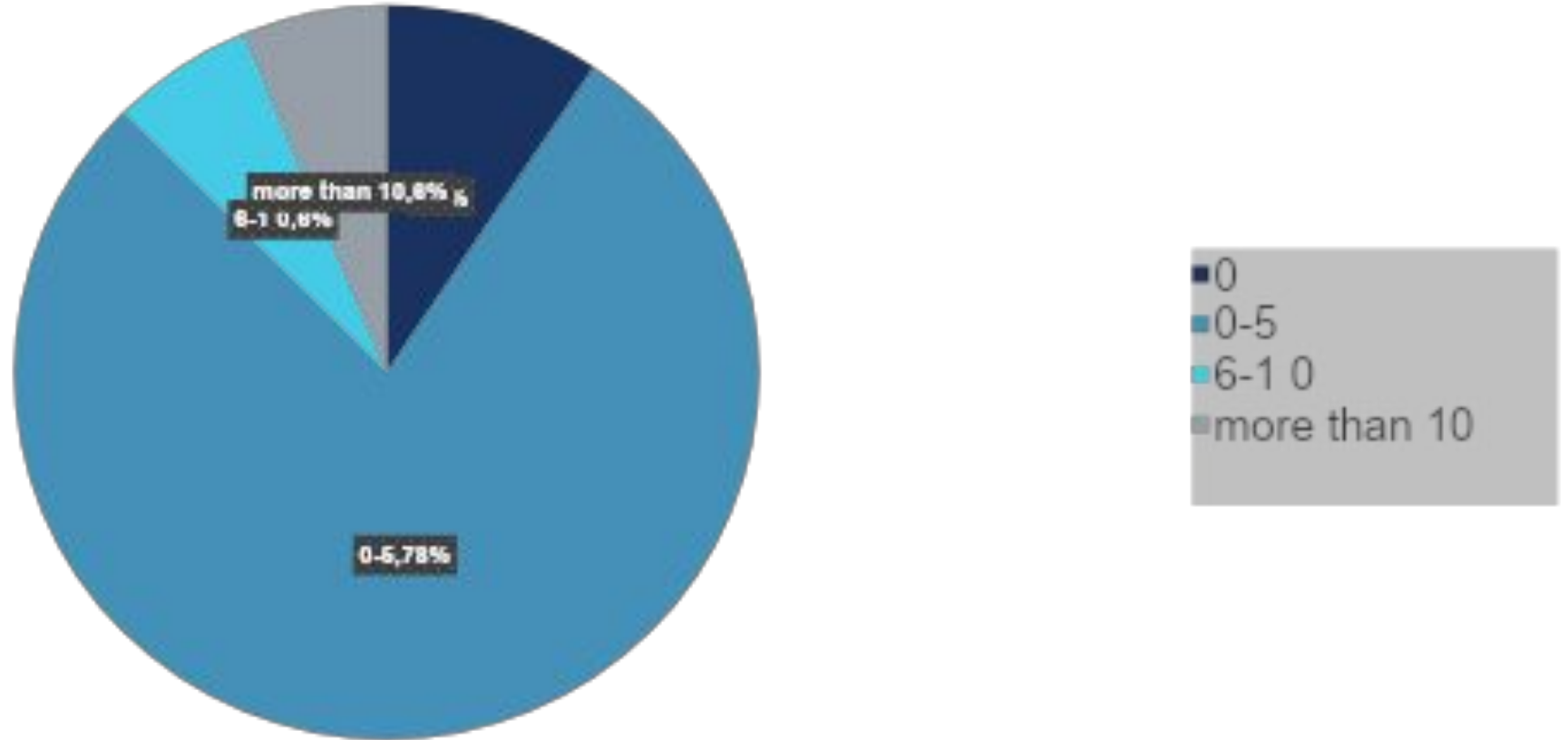
Date and time	Price
27.05.24 at 3.30 pm	Rs. 400
28.05.24 at 11.30 am	Rs. 408
28.05.24 at 2 pm	Rs. 392

Assume BI movement at 9.30 am from closing BI is less than (+/-) 1%

**Whether MPM trigger? - No, in both cases**

## Share price movements in BSE stocks in recent past & MPM trigger

Instances of MPM trigger  
based on BSE Sensex LEs  
(1st Mar, 2024 - 24th May, 2024)



Note: We have compared high price today with closing price previous day to check for % movement in the scrip. Index movt not factored.



# Meaning of mainstream media



# Understanding mainstream media

Reg 2(1)(ra) of LODR provides inclusive definition

*“mainstream media” shall include print or electronic mode of the following:*

*i. Newspapers registered with the Registrar of Newspapers for India;*

*ii. News channels permitted by Ministry of Information and Broadcasting under Government of India;*

*iii. Content published by the publisher of news and current affairs content as defined under the Information Technology (Intermediary Guidelines and Digital Media Ethics Code) Rules, 2021; and*

*iv. Newspapers or news channels or news and current affairs content similarly registered or permitted or regulated, as the case may be, in jurisdictions outside India;*

## Industry Standards Note (ISN) specifies scope of mainstream media:

- English national dailies: circulation based criteria, to be reviewed annually
  - Currently list of 14 newspapers
- 5 specified business/ financial news dailies
- Top 2 regional news dailies from each of 22 regional languages, satisfying circulation criteria
  - ISN provides list of 2 dailies for 11 regional languages covered under RNI
- Digital versions of aforesaid newspapers
- 8 specified digital/ online news sources
- 5 specified business/ financial dailies from top 5 jurisdictions having FII in India (only for top 100 LEs)
- List of English financial/ business dailies from jurisdictions where the company has “material business operations”
  - parameters for identification of “material business operations” and list to be included in materiality policy
- 3 specified English business news channels and its website.
- 4 specified other business news channels
- Social media handles of aforesaid sources
- **Excludes:** news aggregators and social media platforms

## Intriguing questions in the context of mainstream media

- ❑ Is the Company required to track the sources of mainstream media on a daily basis?
- ❑ Can regional newspapers be limited to those regions/ states where the company has presence or material business operations?
- ❑ Whether the company is required to go beyond the specified sources to see if other sources satisfy the parameters behind the specified sources?
- ❑ For LEs that have not received foreign investment, are they still required to track newspapers from top 5 jurisdictions having investments in India?
- ❑ How to identify “material business operations”?
  - ❑ whether to be checked on standalone or consolidated basis?
  - ❑ what should be materiality threshold - 10%, 20%, 50%?
  - ❑ whether based on turnover or income or any other financial parameter?
  - ❑ which members of value chain to be considered - suppliers or customers?
- ❑ Whether the material business operations is limited to the Company or is to be seen on a group/ consolidated basis?
- ❑ Whether jurisdictions in which Company has incorporated overseas subsidiaries to be covered?

# Mainstream Media

I

## Indian Newspapers

### English National Dailies

- Top 20 dailies covering general news/ current affairs and business/ financial news\*\*
- Meets circulation related conditions\*
- Publication regd. with DAVP, MIB

### Business/ Financial News Dailies

Registered with RNI & primarily focusing on business/ corporate/ financial/ economic news, Economic Times, Business Standard, Live Mint, Financial Express and Hindu Business Line.

### Regional Dailies

Top 2 regional dailies out of 11 that exceeds RNI Circulation Threshold\*

II

## Digital/ Online News Sources

### Digital versions of Indian Newspapers under I

### Specified news sources# meeting Business News Parameters

- Covers business/ financial/ corporate/ economic news, in the course of their systematic business, professional or commercial activity;
- Publish news in the English language;
- where the news article carrying such rumour is not behind a paywall; and
- News source is registered with relevant statutory/ regulatory authority based in India

\*\*List of 14 newspapers along with the editions that currently meet the RNI Circulation Threshold are provided in ISN # Specified sources - Bloomberg, BQ Prime, Money Control, Business Today, Business World, Reuters, Reuters India, and Press Trust India

III

## International Media

(for top 100 LEs)

- Top 5 jurisdictions - USA, Singapore, Mauritius, Luxemburg and UK
- Top business/ finance dailies comprise - Wall Street Journal & Financial Times (USA); Business Times & Financial Times (Singapore) and Financial Times (UK);

Board of top 250 LEs - identify the foreign jurisdictions where LE has material business operations, along with a list of English business/ financial news sources from such foreign jurisdictions.

List along with parameters to determine 'material business operations' to be published in the materiality policy.

IV

## Business News Channels

- regd with MIB;
- cover business/ corporate/ financial/ economic news (in English language) and
- display stock/security prices during market hours.
- Websites of the above
- English news channels - CNBC TV-18, ET Now and NDTV Profit
- Other Business news channels - CNBC Awaaz, ET Swadesh, Zee Business and CNBC Bazaar

V

## Others

Social media handles of news sources identified in I to IV. However, quotes/ re-tweets/ re-posts made from such social media handles not to be included.

## Exclusions

- News aggregators (e.g. google news, inshorts, daily hunt, etc)
- Social media platforms (e.g. whatsapp, twitter, facebook, etc.)

### \*Circulation related conditions-

- 1,00,000 or more copies, per publishing day, as per **yearly list** of RNI (RNI Circulation Threshold)
- audited by Audit Bureau of Circulation/ RNI appointed auditor
- circulation data not be more than 2 years old



Confirmation of rumour and unaffected price  
computation



# Computation of unaffected price for corporate actions

- **Types of corporate actions where unaffected price becomes applicable**
  - Preferential issue of securities
  - Qualified Institutional Placement under ICDR Regulations
  - Tender offer under SAST Regulations
  - Delisting offer under Delisting Regulations
  - Buyback under Buyback Regulations
  - Scheme of arrangement involving a listed company
  - Any other transaction where the pricing is regulatorily required to be linked to the traded price of the scrip
- **Pre-conditions for applicability of unaffected price**
  - Existence of a **rumour**
  - Rumour should **pertain to the M&A event**
  - at an **advanced stage** of M&A
  - Corresponding impact on price (**MPM**)
  - Rumour is **confirmed** by the Company
  - Confirmation **within 24 hrs of MPM**
  - Corporate action (*see left column*) where **price of the shares of the Company will be relevant**
  - Reference period for computation of price is **forward-looking**, i.e.,
    - includes a period falling under 60 days/ 180 days from confirmation of market rumour

## **Manner of computation:** (*refer next slide*)

- WAP variation from day of MPM till next trading day after confirmation of rumour - attributed to rumour
- Adjusted daily WAP to be calculated thereafter for next 60/ 180 days by reducing WAP variation as above
- From MPM trigger till next trading post rumour verification, WAP of the trading day preceding MPM taken

Trading Day	Daily WAP	Adjusted Daily WAP	No. of Shares traded (D)	Remarks	
(A)	(B)	(C)		(E)	
20-Jul	1,045.06	1,045.06	47,004		
21-Jul	1,053.26	1,053.26	24,750		
24-Jul	1,047.07	1,047.07	37,262	T-10	
25-Jul	1,054.90	1,054.90	15,000		
26-Jul	1,060.76	1,060.76	44,519		
27-Jul	1,164.47	1,060.76	7,60,853	Date of material price movement	last price prior to MPM taken as adjusted WAP
28-Jul	1,173.45	1,060.76	2,38,320	Date of rumour confirmation	last price prior to MPM taken as adjusted WAP
31-Jul	1,178.90	1,060.76	88,450	Next trading day after rumour confirmation	last price prior to MPM taken as adjusted WAP
01-Aug	1,173.16	1,055.02	68,613		Price movement due to MPM (i.e., price on next trading day after rumour verification - price prior to date of MPM) has been subtracted to derive adjusted price
02-Aug	1,165.71	1,047.57	41,954		
03-Aug	1,163.36	1,045.22	56,267		
04-Aug	1,212.36	1,094.22	5,99,197	T-1	
07-Aug	1,208.33	1,090.19	1,08,762	Relevant Date (T) – Date of Board approval to preferential issue to QIBs	1178.90 - 1060.76 = 118.14
<b>VWAP using column (B) &amp; (C)</b>	<b>1,175.78</b>	<b>1,069.80</b>			

# Understanding unaffected price for corporate actions (1/2)

Particulars	ICDR Regulations	Buyback Regulations	SAST Regulations
Trigger point	(a) MPM and (b) confirmation of rumour pertaining to such M&A by LE (target co/ bidder) in advanced stage of transaction (c) within 24 hrs of MPM		
Effect on what to be excluded	price of the equity shares of the issuer	price of the equity shares of the company	<ul style="list-style-type: none"> <li>price of the equity shares of the target company; or</li> <li>price of the listed equity shares, offered as consideration</li> </ul>
For determination of	Price for preferential issue and QIP: R. 164 – pricing for frequently traded shares R. 164A – pricing of shares of cos having stressed assets R. 164B – optional pricing R. 165 – pricing infrequently traded shares R.176 – pricing for QIP	<ul style="list-style-type: none"> <li>of VWAP under reg. 19 (BB in physical form in the open market through SE)</li> <li>calculation of the lower end of the price range under Reg. 22B (offer procedure) for frequently and infrequently traded shares (BB through book building method)</li> </ul>	<ul style="list-style-type: none"> <li>for determination of the offer price under reg. 8; or</li> <li>for determination of the price of such equity shares offered as considered under reg. 9</li> </ul>

# Understanding unaffected price for corporate actions (2/2)

Particulars	ICDR Regulations	Buyback Regulations	SAST Regulations
Pricing methodology	<ul style="list-style-type: none"> <li>in case of preferential issue of equity shares, VWAP of 90 trading days or 10 trading days, as applicable, preceding the relevant date is considered as floor price for the issue.</li> <li>In case of QIP, VWAP of 2 weeks preceding relevant date is considered as floor price.</li> </ul>		<ul style="list-style-type: none"> <li>the floor price for open offer is determined based on, <i>inter-alia</i>, VWAP of shares acquired by the acquirer during 52 weeks preceding the date of the public announcement, VWAP of 60 trading days preceding the date of the public announcement, etc.</li> <li>The pricing norms under SAST also applicable in case of delisting regulations.</li> </ul>
Period of adjustment	<ul style="list-style-type: none"> <li>60 days where the sole bidder / counter party for the transaction has been finalized and the transaction is at advanced stages of negotiations</li> <li>180 days where the sole / exclusive bidder has not been identified and the multi-party bidding process is ongoing.</li> <li>from the date of confirmation of the market rumour till the 'relevant date' under the existing regulations.</li> </ul> <p>Note- subsequent rumour(s) reported in the mainstream media with material update to the transaction, then the unaffected price shall be applicable for each instance of confirmation of rumour.</p>		



# Actionables for listed entities



# Amendments to materiality policy

- Tracking of rumours in mainstream media
  - policy to specify parameters applied for determining what would constitute “material business operations” for identification of international jurisdictions
  - list of English business/ financial news sources from such jurisdictions to be published in the policy
- Revised timelines for verification of market rumours to be aligned as per amended regulations
- Policy may include obligations of promoters, directors, KMP and SMP to provide information
- Look-back period for tracking rumour upon MPM may be included in the policy
- Whether on or before June 1, 2024?
- Whether any amendments in Code of Fair Disclosure?
- System for tracking MPM and mainstream media
- Internal systems for reporting, coordination and communication
  - Timelines, departments involved, responsibilities.



PIT Regulations: Amendment to “generally available information”



## Amendment to definition of generally available information

"generally available information" means information that is accessible to the public on a non-discriminatory basis **and shall not include unverified event or information reported in print or electronic media ;**

NOTE: It is intended to define what constitutes generally available information so that it is easier to crystallize and appreciate what constitutes unpublished price sensitive information. Information published on the website of a stock exchange, would ordinarily be considered generally available.

- Media reports, unless verified by the Company, would not constitute “generally available information”
- Insider cannot claim defence as information asymmetry exists between insiders (possessing UPSI) and others (possessing unverified event or information reported in media).



## Other amendments under LODR



# Applicability of market cap based provisions – effective from December 31, 2024

- Various CG norms are applicable to LEs based on their position in the market capitalization list
  - as on 31st March of preceding financial year
- Further, once applicable, the provisions continue to remain applicable
- Amendments to LODR (effective from 31st Dec, 2024)
  - average market capitalization to be checked for a period of 6 months, i.e., July 1 to Dec 31
  - list to be published by stock exchanges
  - if listed on both SEs, highest ranking to be considered
  - Reference of
- Compliances applicable from later of
  - 3 months from trigger, i.e., 31st Dec, or
  - beginning of next FY
- Sunset clause for discontinuation of applicability
  - 3 consecutive years of non-applicability
- Compliance w.r.t. BRSR applicability
  - systems and processes to be put in place in the trigger of applicability
  - reporting to be done in subsequent FY
- amendments in Regulations 3, 17, 21(5), 25, 30 [omission of the Explanation under sub-regulation (11)], 34, 43A and 44
  - shall come into force w.e.f. December 31, 2024

# Relaxation in corporate governance norms – effective from May 17, 2024

- CG provisions mandatory for HVDLE (Reg. 15)
  - Mandatory from April 1, 2025.
- Gap between two RMC meetings (Reg. 21)
  - provisions provide for 180 days
  - amendments have extended the same to 210 days
- Filling of vacancy in the office of KMP (Reg. 26A)
  - Reg 26A requires vacancy to be filled within 3 months
  - extended to 6 months where approvals of regulatory or government or statutory authorities required
- Reduction in timelines for prior intimation of board meeting (Reg. 29)
  - reduced to 2 clear working days in all cases
  - earlier, timelines included 5-11 working days in some cases
- Clarification w.r.t. prior intimation requirement for fundraising proposals
  - required only in case of issuance of securities and determination of issue price (except in case of QIP)
  - not required for loans/ commercial papers etc
  - issue of security receipts, SDIs & money market instruments excluded from prior intimation requirements