

COMMENTS/ SUGGESTIONS ON THE PROPOSED CHANGES TO CL. 41 OF THE LISTING AGREEMENT

PRESENTED BY:



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At the outset, a hearty congratulations to SEBI for acknowledging the representations and observations received from various agencies/ associations/ public at large.

INDUSTRY CONCERNS

Industry concerns on the applicability & practicality of the existing provisions of Cl. 41 of the Listing Agreement seem very justified on the grounds of practical problem being faced in complying with them.

OUR SUGGESTIONS/ COMMENTS:

S.NO.	SCODA'S PROPOSALS	OUR OBSERVATIONS	OUR SUGGESTIONS
1.	It has been proposed that the existing timeline under clause 41 (l) (c) may be extended to 2 months for those companies, which opt to submit to Stock Exchanges the consolidated financial results in addition to standalone financial results as per option under clause 41 (l) (e)	The Industry representations are a valid point in the present global scenario, with companies having multiple subsidiaries.	It is suggested that submission & publication of the standalone as well as consolidated results should be made mandatory for the Companies. This should not be left to the discretion of the Companies. If, however, the discretion has to be maintained, The proposed amendment of increasing the time to 2 months will be a good enough time to enable such Companies to prepare their

			consolidated results and submit the same to the Stock Exchanges. It is also further suggested that such Companies should beforehand declare that they will be submitting their consolidated results & not standalone ones.
2.	Publication of financial results of a listed company which opts to submit consolidated results along with standalone results	It has always been the Regulators' endeavor to maintain consistency & uniformity in various requirements/ compliances. Here also the same should be maintained.	To put the SCODA's proposal in simple terms, it means that under both the options (i.e. whether Option 1 of publication of consolidated results; or Option 2 of publication of standalone results), the Company is also required to publish the other figures as well (i.e. in case of consolidated results, the standalone figures; & in case of standalone results, the consolidated figures) of turnover, Net Profit after Tax (NPAT) and Earning Per Share (EPS). It is also required to give reference in newspaper publication to the places such as company's website, SE's website etc where the consolidated and/ or

			standalone, as the case may be, financial results will be available for perusal.
3.	Limited Review Report need not be placed before Board again if the variation does not exceed 10% or more		<p>Our suggestion is that the requirement of placing the limited review report to Board of directors or committee before submission to Stock exchange, be mandated only for those companies, where the variation between un-audited financials and financials amended pursuant to limited review for the same period, exceeds 10% or Rs. 10 lacs, whichever is higher.</p> <p>This will ensure uniformity in Cl. 41 (II)(d) & Cl 41 (IV).</p> <p>It is also suggested that in all the cases, the same (i.e. Limited Review Report) be necessarily placed before the next Board or Committee meeting.</p>
4.	Applicability of Accounting Standard (AS) 23 Investment in Associates & Accounting		The treatment of investment in Partnership firms and all other forms of associates (as defined in AS23) also needs to be clarified.

	Standard (AS) 27 on Joint Venture		
5.	Submission of limited review report in case of last quarter	Submission of Limited Review Report for last quarter was a confusing point for all the companies	This clarificatory provision is a welcome one. This will also ensure uniformity & consistency.
6.	Interpretation of term 'turnover' for publication of financial results in case of banks	The formulae for calculation of each of the important variables be given in the Listing Agreement	It is suggested that the exact formulae for calculating each of the important variables be given. This will avoid confusion & any ambiguity in calculating & understanding the figures.
7.	Change to column no.1 'Particulars' in Annexure I & II of formats for disclosure of financial results	There are all kinds of Companies- one which do not prefer to include Other Income & others who specifically wish to include Other Income (in order to bloat their profitability figures)	It is a good proposition that only "Income from Operations" be mentioned in the Income column, as this will reflect the true operational results of the Companies.
8.	Clarification with regard to alternative formats		
9.	Interim Dividends		This requirement of disclosing

			Interim Dividend in quarterly results is well acceptable.
10.	Reference to applicable accounting standards		Valid enough a proposition
11.	Publication of reference of standalone financial statement of an unlisted subsidiary if it is not available on website	The provision is quite clear that the standalone results being mentioned are of the listed company only	Its better to give clarificatory comments/ notes.