

# Promoters must disclose family pacts: Sebi

By Rajesh Mascarenhas, ET Bureau | Last Updated: Jul 13, 2023, 07:01 PM IST

## Synopsis

In its notified rules, the capital market regulator Securities and Exchange Board of India (Sebi) has said that agreements that subsist as of the date of notification are to be disclosed to the stock exchanges. It was earlier understood that only prospective agreements must be disclosed, not retrospective.



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Mumbai: Come July 15, [promoters](#) must disclose to exchanges their family settlement agreements or arrangements that have a bearing or influence on management control of listed entities for such deals to remain legal.

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Sebi has notified rules aimed at bringing transparency by divulging all secret pacts between key [shareholders](#) through a gazette notification on June 14, 2023. The regulator said new amendments would come into force on the thirtieth day from the date of their publication in the official gazette, which means the effective date is July 15.

According to the amendments, all the shareholders, promoters, promoter group entities, and key managerial personnel of a listed entity who are parties to the agreements that directly or indirectly or potentially impact the management or control of the listed entity, impose any restriction, or create any liability on the listed entity should be disclosed to the stock exchanges.

According to lawyers, the amendments in their current form are so broad that they will likely cover all the pacts, including unintended categories of contracts within its ambit.

"As per the new notified norms, all the agreements between promoters or shareholders, including family settlements, which impact the management or control of the listed [company](#) or impose any restriction or create any liability on the listed company, should be disclosed to the stock exchanges," said Vinay Chauhan, a leading corporate and securities lawyer. "These amendments will further increase transparency, as now it will cover those agreements between promoters or shareholders, wherein the listed company is not a party to the agreements."



In its board meeting on March 29, the Sebi approved the amendments to Listing Obligations and Disclosure Requirements Regulations, 2023. The listed entity should also disclose the number of agreements that subsist on the date of notification, including the link to the webpage where the complete details of such agreements are available.

"The amendments applicable to existing agreements have the impact of making the regulations retrospective in their application, since the parties to such agreements would not have contemplated that the salient features of these arrangements would be subject to disclosures when they entered into the same," said Parina Muchhala, a lawyer at Nishith Desai Associates.

Many of the businesses in India are family-owned, and several run into disputes between family members. Some examples are the dispute between the [Kirloskar brothers](#) of Pune, Baba Kalyani and his sister Sugandha Hiremath over chemical company [Hikal](#), Prakash and Deepak Chhabria over [Finolex Cables](#) or Kailas Chandra Nuwal, and Satyanarayan Nuwal over [Solar Industries](#).

"This is a big change, and not all promoters have taken cognizance of these amendments," said Shriram Subramanian, founder of InGovern, a proxy governance firm. "The new norms will strengthen corporate governance at listed companies as in the past several instances where promoters signed agreements with third parties that impose serious restrictions on the management of the company."