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Kirloskar Bros discloses family settlement deed

By Rajesh Mascarenhas, ET Bureau • Last Updated: Aug 09, 2023, 12:52 AM IST

Synopsis
Kirloskar Brothers has become the first company to disclose its promoters' entire 'deed for family settlement' (DFS) according to new regulations by India's Securities and Exchange Board. The agreement deals with the distribution of assets, transfer of shares, ownership of entities and execution of the deed, among other factors.

Representative image.

Kirloskar Brothers is the first company to disclose its promoters' entire 'deed for family settlement' (DFS)- an agreement between the family members regarding the distribution of assets and properties - as per the Securities and Exchange Board of India's new disclosure requirements.

In an exchange filing, the company disclosed the DFS dated September 11, 2009, signed by Atul, Rahul, Sanjay, Gautam, and Vikram Kirloskar. The agreement includes the change in ownership of various group entities, transfer of shares, and execution of the deed, among other aspects.

Last month, Sebi made it mandatory for promoters of all listed companies to disclose to the stock exchanges all their active family settlement agreements or arrangements that have a bearing or influence on management control of the company.

Jagran Prakashan also disclosed some details of the agreement signed between the promoters at Jagran Media Network Investment (JMNIPL) dated July 21, 2011. JMNIPL has a 67.97% stake in listed Jagran Prakashan.
The deadline for the listed companies to disclose all subsisting agreements to the stock exchanges is August 14, 2023. Lawyers said the disclosure requirements are aimed at improving transparency mainly in family-run businesses as various deals involving promoters could have a bearing on the listed entities.

"Disclosure of family settlements under LODR requirements will go a long way to ensure transparency in listed entities," said Siddharth Mody, partner at J Sagar Associates (JSA).

"It will bring more accountability within family-owned businesses by bringing to light any arrangements or restrictions that may affect the company's functioning."

According to the rules, shareholders, promoters, promoter group entities, and key managerial personnel of listed entities who are parties to the agreements that directly or indirectly could impact the management or control of the listed entity must be disclosed to the stock exchanges.

"This declaration manifestly demonstrates the seriousness with which market participants will have to take the new disclosure obligations," said Ratnadeep Roychowdhury, co-Head, M&A practice, **Nishith Desai Associates**.

"As has been discussed amongst advisors and clients since the introduction of these disclosure requirements, the broad language used will subsume shareholders agreements, hybrid debt documents, employment agreements, family arrangements, and potentially even certain kinds of testamentary documents."

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, Baba Kalyani and his sister Sugandha Hiremath over the chemical company **Hikal**, Prakash and Deepak Chhabria over **Finolex Cables** or Kailash Chandra Nuwal, and **Satyanarayan Nuwal** over **Solar Industries**.

The new disclosure requirements have also met with some criticism as some market participants and lawyers believe the rules require promoters to disclose those agreements too that may not have a bearing on the listed entities.