

# SEBI defers norms on debt default disclosure

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**Mumbai, October 1:** The market regulator SEBI has deferred new guidelines with regard to disclosure of debt default by listed companies, just a day ahead of its implementation.

“It has been decided to defer implementation... until further notice,” SEBI said in a one-line note on its website.

In August, SEBI had made it mandatory for companies to disclose any instance of a default on the payment of interest or repayment of principal to banks or financial institutions within a day of the default. The thought process behind such a decision was that companies were brushing important default related news and disclosures under the carpet.

SEBI had said that while current regulations required listed companies to disclose delay or default in payment of interest/principal on debt securities, there was no such requirement when loans were taken from banks or financial institutions. While proposing the new norms, SEBI had observed that corporates in India were primarily reliant on loans from the banking sector but lax on default related disclosures. The banking sector is under stress due to fears of huge loans to corporates as a large number of companies are finding it difficult to service their debt for the last few quarters.

Many big corporates are feared to be potential non-performing assets thereby making disclosures with regard to loan default the most important criteria for investors in the current scenario.

“It was a bold move by SEBI but had it been implemented, market sentiment could have been affected sharply,” said a research head at a leading Mumbai brokerage house.

Market analysts believe SEBI’s move to defer the norms could only give a temporary reprieve to companies as investors will view all the debt laden corporate suspiciously and will be highly cautious in buying their shares.

SEBI had proposed that disclosures were to be made to the stock exchanges when the entity defaulted in payment of interest/instalment obligations on debt securities (including commercial paper), medium term notes (MTNs), foreign currency convertible bonds (FCCBs), loans from banks and financial institutions, external commercial borrowings (ECBs) etc. Companies were also directed to provide information pertaining to defaults to the concerned credit rating agencies in a timely manner.

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