

SEBI/HO/CFD/CFD-PoD-2/P/OW/2023/46659

November 23, 2023

Eureka Forbes Limited

B1/B2, 701, 7th Floor, Marathon Innova,
Off Ganpatrao Kadam Marg, Lower Parel, Mumbai - 400013

Kind attention: Ms. Pragya Kaul, Company Secretary & Compliance Officer

Madam,

Subject: Request for informal guidance by way of an interpretative letter under the Securities and Exchange Board of India (Informal Guidance) Scheme, 2003 in connection with Regulation 30(4) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015

1. This is with reference to your letter dated August 14, 2023 seeking guidance by way of an interpretive letter under the Securities and Exchange Board of India (Informal Guidance) Scheme, 2003 ("**Informal Guidance Scheme**") and your subsequent emails dated September 06, 2023, September 20, 2023 and October 04, 2023 providing clarification in this matter.
2. In your letter and emails under reference you have, *inter alia*, represented as under:
 - 2.1. A Composite Scheme of Arrangement ("**Scheme**") under the provisions of the Companies Act, 2013 and the rules framed thereunder was entered between Aquagnis Technologies Private Limited ("ATPL"), Euro Forbes Financial Services Limited ("EFFSL"), erstwhile Eureka Forbes Ltd ("erstwhile EFL"), Forbes & Company Limited ("FCL") and Forbes Enviro Solutions Limited ("FESL") and their respective Shareholders. Details of the Scheme are depicted below:

Sr. No.	Part of the Scheme	Particulars
1.	Part II	Amalgamation and vesting of ATPL and EFFSL with and into Erstwhile EFL
2.	Part III	Amalgamation and vesting of Erstwhile EFL into FCL (a listed entity)
3.	Part IV	Demerger and vesting of demerged undertaking of FCL into FESL on a going concern basis

- 2.2. The effective date of the Scheme was February 1, 2022. Pursuant to the scheme, the main business of erstwhile EFL was merged into FESL which was then named as Eureka Forbes Ltd (“**the Company**”) and continued as a going concern. The Company is listed on BSE since March 16, 2022.
- 2.3. Given that the erstwhile EFL was merged into FESL, the previous year’s numbers shown in the Company’s Annual report for FY 2021-22 relate to FESL which has relatively lower values under the Profit and Loss after tax criteria. Hence, due to the Scheme, it is leading to an extremely low materiality threshold for the Company.
- 2.4. The relevant text of Regulation 30(4)(i) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“**LODR Regulations**”) has been reproduced for reference as under-
- “The listed entity shall consider the following criteria for determination of materiality of events/ information:*
- ...
- (c) the omission of an event or information, whose value or the expected impact in terms of value, exceeds the lower of the following:*
- (1) two percent of turnover, as per the last audited consolidated financial statements of the listed entity;*
 - (2) two percent of net worth, as per the last audited consolidated financial statements of the listed entity, except in case the arithmetic value of the net worth is negative;*
 - (3) five percent of the average of absolute value of profit or loss after tax, as per the last three audited consolidated financial statements of the listed entity;”*
- 2.5. With reference to the above provision, Annexure IV of SEBI Circular dated July 13, 2023 on Disclosure of material events / information by listed entities under Regulations 30 and 30A of LODR Regulations, *inter-alia*, provides the following guidance on the criteria for determination of materiality of events / information:
- “... in case a listed entity does not have a track record of three years of financials, say, in case of a demerged entity, the aforesaid average may be taken for the period / number of years as may be available.”*
- 2.6. In view of the above, you have sought guidance with respect to the materiality threshold which would be applicable to you and whether the threshold can be considered on the basis of revenue criteria and not profit after tax criteria.



3. We have considered the submissions made by you in your letter and emails under reference. Without necessarily agreeing with your analysis, we are issuing this interpretive letter as under:

3.1. As per regulation 30(4)(i)(c) of LODR Regulations, the lowest of the three criteria based on turnover, net worth (except, if arithmetic value is negative) and profit or loss after tax shall be taken as the threshold for determining materiality of events or information specified in Para B of Part A of Schedule III of the LODR Regulations. The criteria based on profit or loss after tax is to be determined based on the last three audited consolidated financial statements of the listed entity.

3.2. As per Annexure IV of SEBI Circular dated July 13, 2023, the criteria based on profit or loss after tax may be taken for the period / number of years as may be available, in case a listed entity does not have a track record of three years of financials. In the instant matter, the main business of the erstwhile EFL was vested into FESL, whose name was changed to EFL, and which got listed on BSE. However, FESL, now EFL (the Company), was in existence prior to aforesaid merger and had a track record of three years of financials. Hence, the Company is required to consider financials of last three years for the criteria based on profit or loss after tax and the relaxation provided by the aforesaid Circular may not be applicable to the Company.

3.3. Given the clear language of the provision under consideration, the same has to be adhered to by you while determining the materiality threshold for the current financial year.

3.4. Accordingly, the materiality threshold applicable to the Company for the current financial year shall be the lower of the following:

3.4.1. two percent of turnover, as per the audited consolidated financial statements of the Company for FY 2022-23;

3.4.2. two percent of net worth, as per the audited consolidated financial statements of the Company for FY 2022-23, except in case the arithmetic value of the net worth is negative; or

3.4.3. five percent of the average of absolute value of profit or loss after tax, as per the audited consolidated financial statements of the Company for FY 2020-21, FY 2021-22 and FY 2022-23.

4. The above position is based on the information furnished in your letter and emails under reference. Different facts or conditions might lead to a different result.





Further, this letter does not express a decision of the Board on the questions referred.

5. You may also note that the above views are expressed only with respect to the clarification sought in your letter and emails under reference with respect to the LODR Regulations and the Circular dated July 13, 2023 and do not affect the applicability of any other law or requirements of any other SEBI Regulations, Guidelines and Circulars administered by SEBI or of the laws administered by any other authority.

Yours faithfully,

Raj Kumar Das