

M&A Transactions and Market Rumors

The M&A market in India is characterized by frequent media leaks. Studies indicate that “leak rates” are higher in the Asia-Pacific region (including India) as compared to the rest of the world. Leaks could be deliberate (for example, to attract more bidders), accidental (for example, because of weak protocols) or malicious (by an insider with a personal agenda) or they could simply arise from the zeal of a robust financial news ecosystem looking for the next big “breaking” story.

Leaks do not just spill confidential information. They have many real-world consequences. They could lead to disruption of negotiations, increased deal premiums, accelerated timelines, reputational risks, and internal disruptions.

The securities regulator in India has so far considered this issue from the perspective of: (a) insider trading under the SEBI (Prohibition of Insider Trading) Regulations, 2015 (“**PIT Regulations**”); and (b) market disclosures under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“**LODR**”).

The authors consider this issue in the context of the recent decision of the Supreme Court of India (the “**Supreme Court**”) in December 2025 by which it dismissed an appeal by Reliance Industries Limited (“**RIL**”) against a decision of the Securities Appellate Tribunal (the “**SAT**”) issued in May 2025. The SAT had affirmed an order of the Securities and Exchange Board of India (the “**SEBI**”) issued in June 2022 imposing a penalty of INR 3 million on RIL for a breach of the PIT Regulations.

RELIANCE INDUSTRIES V. SECURITIES AND EXCHANGE BOARD OF INDIA

The background facts are set out below.

In September 2019, RIL and Facebook Inc. (“**Facebook**”) commenced discussions regarding a potential equity investment by Facebook in Jio Platforms Limited (“**JPL**”), a material subsidiary of RIL (the “**Possible Transaction**”).

A confidentiality and non-disclosure agreement was executed on September 30, 2019, followed by a non-binding term sheet on March 4, 2020.

On March 24, 2020, the Financial Times reported that: (a) Facebook was close to signing a preliminary deal to acquire a stake of up to 10% in JPL; and (b) such deal was due to be announced by the parties in March 2020. Similar reports were subsequently published in other domestic and international media outlets.

Following such media reports, RIL's share price went up by approximately 15% on March 25, 2020 ("**Initial Price Movement**"). RIL did not comment on such media reports published in connection with the Possible Transaction.

Thereafter, approval of the board of directors was obtained by RIL on April 18, 2020, and the definitive transaction documents ("**Definitive Agreements**") were executed on April 21, 2020. RIL made a formal disclosure to the stock exchanges on April 22, 2020, after the execution of the Definitive Agreements. Following such disclosure, RIL's share price increased by a further 10%.

The SEBI issued a show cause notice ("**SCN**") to RIL on December 22, 2021, alleging a violation of: (a) Regulation 8(1) read with Principle No. 4, Schedule A of the PIT Regulations; and (b) Regulation 30(11) of the LODR, on the basis that:

1. information in relation to the Possible Transaction was in the nature of unpublished price sensitive information under Section 2(1)(n) of the PIT Regulations ("**UPSI**");
2. such UPSI became selectively disclosed to a portion of the market pursuant to the market rumor and subsequent coverage of such information in the mainstream media. Such UPSI was required to be made generally available to all public investors; and
3. RIL was accordingly obligated to make a disclosure to the stock exchanges upon publication of the market rumor with a view to promptly disseminate information to the public investors and clarify details in relation to such market rumor.

The adjudicating officer of the SEBI, the SAT and the Supreme Court (RIL having appealed the matter before the SAT and the SC) held that RIL's failure to make an appropriate disclosure at the time of publication of the market rumor (which resulted in the Initial Price Movement) constituted a violation of the *PIT Regulations*.

APPLICABILITY OF THE LODR

Position prior to the 2023 Amendment

Under Regulation 30(11) of the LODR (as it existed prior to the 2023 Amendment (as *defined below*)), all listed entities had the option to confirm or deny any reported event or information *on their own initiative*.

Such discretion to verify market rumors contrasts with the language of Regulation 30(10) of the LODR – which imposes a mandatory obligation on listed entities to provide specific and adequate replies to all queries raised by stock exchange(s) with respect to any market rumors.

Position After the 2023 Amendment:

An amendment was introduced to Regulation 30(11) of the LODR in July 2023 by way of addition of a proviso (“**2023 Amendment**”) to be read with the [industry standards note on verification of market rumors under Regulation 30\(11\) of the LODR Regulations](#) (“**Industry Standards**”).

Pursuant to the 2023 Amendment, the top 250 listed entities in India (based on the market capitalization of such entities) are required to verify market rumors (even in the absence of any clarifications required by the stock exchanges) when:

1. there is a material price movement in the securities of such entities pursuant to a market rumor, as determined by the frameworks published by the stock exchanges. The thresholds for a movement in price to be considered as material under such frameworks range between +/- 3% to 5% of variation in the share price; and
2. such market rumor is: (a) published in the mainstream media (*in accordance with the Industry Standards*); and (b) provides specific details in relation to a matter or quotes from credible sources.

In the present factual scenario, the market rumor was published in 2020, and the 2023 Amendment was not applicable at the time. While the SAT clarified that RIL was not obligated to issue a voluntary disclosure under Regulation 30(11) of the LODR, the SAT went on to generally distinguish the scope of the PIT Regulations when compared to the LODR, concluding that compliance with the LODR was not relevant for the purpose of the PIT Regulations. In the SAT’s reading, the LODR regulates continuous disclosures of material events and information, while the PIT Regulations govern disclosures of UPSI.

Regarding the interplay between the LODR and the PIT Regulations, in paragraph 6.3.1 of the judgement, the SAT observed that: “..*all material information under LODR may not be price sensitive for the purpose of the PIT Regulations. Conversely, merely because material information is required to be disclosed to the stock exchanges, it cannot be held to be UPSI. What is ‘price sensitive’ is essentially ‘material’, but the converse is not true.*”

The authors submit that the SAT’s view (as affirmed by the Supreme Court) ignores the evolving convergence between the LODR and the PIT Regulations in respect of matters of disclosure. The distinction sought to be made by the SAT between these regulations on the basis that the LODR does not consider *price sensitivity* also ignores the 2023 Amendment to the LODR which requires a response to market rumors subject to certain conditions, including that there has been a *material price movement* in the securities pursuant to the market rumor.

INTERPRETING PRINCIPLE 4 UNDER SCHEDULE A OF THE PIT REGULATIONS

The SCN alleged that RIL’s actions constituted a violation of Principle 4 of Schedule A in the PIT Regulations. Principle 4 is set out below:

“Prompt dissemination of unpublished price sensitive information that gets disclosed selectively, inadvertently or otherwise to make such information generally available.”
(emphasis supplied)

The authors submit that the SAT has engaged in a standalone reading of Principle 4 (and such interpretation has been affirmed by the Supreme Court) to conclude that listed entities are required to make disclosures in every instance where a market rumor results in a material price movement.

When does UPSI come into existence

There is one other crucial aspect of ‘unpublished price sensitive information’ which has been ignored by the SAT and the Supreme Court – ‘unpublished price sensitive information’ will typically only come into existence when the probability of going ahead with the relevant transaction is higher than not going ahead – see in this regard the FAQs issued by the Bombay Stock Exchange in 2022 (FAQ No. 5: When is UPSI Germinated?) (“**Bombay Stock Exchange FAQs**”).

Preparatory stages of an M&A transaction

The SAT and the Supreme Court’s view similarly contradicts the position adopted in the Industry Standards which state that in the preparatory stages of an M&A

transaction (in which UPSI has not yet come into existence), only generic disclosure is required and the name of the target/counter-party is not disclosable.

In the present case, where an NDA and a non-binding term sheet had been signed and due diligence was ongoing in respect of the Possible Transaction at the time of publication of the media reports, the facts appear consistent with a *preparatory stage* of an M&A transaction which under the Industry Standards would only have required generic disclosure (without any requirement for disclosure of the name of the counter-party).

Credible and concrete information

Principle 1 under Schedule A of the PIT Regulations requires prompt disclosure of UPSI that would impact price discovery no sooner than credible and concrete information comes into being.

The authors submit that the tests set out under the Bombay Stock Exchange FAQs, the Industry Standards and Principle 1 under Schedule A of the PIT Regulations all address the same issue – they consider when a particular fact pattern will constitute “information” for the purposes of determining the existence of ‘unpublished price sensitive information.’

Based on the SAT ruling (as affirmed by the Supreme Court), there is no requirement for the reported information or event to be in the nature of ‘credible and concrete information’ which satisfies the ‘more likely than not’ test. The SAT and the SC have further concretized an understanding that the credible and concrete nature of a reported event or information under Principle 1 is linked to the price sensitivity of such information. In paragraph 6.3.7.3 of its judgement, the SAT observed as follows:

“...We also note that the market itself treated it as a ‘concrete’ and ‘credible’ information, as evident by the steep price rise of 15% in the market price of RIL scrip once it got reported in Media.”

The authors respectfully submit that existence of ‘unpublished price sensitive information’ cannot be determined solely by impact on market price as the SAT has sought to do (and the Supreme Court has affirmed).

As an illustration, if there is a news report that “Conglomerate A” plans to merge with “Conglomerate B” which leads to a material impact on the price of stocks of both “Conglomerate A” and “Conglomerate B”, such price movement cannot by itself be relied upon to conclude the existence of ‘unpublished price sensitive information’ unless such information is ‘credible’ and ‘concrete’ as per Principle 1 under Schedule

A of the PIT Regulations or (stated in other words) such merger is “more likely to occur than not” in terms of the Bombay Stock Exchange FAQs or (stated in other words) the possible transaction has progressed beyond the “preparatory stages” in terms of the Industry Standards.

CONCLUSION

The authors submit that the rulings of the SAT and the Supreme Court ignore the evolving convergence between the LODR and the PIT Regulations in matters of disclosure in response to market rumors.

In effect, the rulings lead to a conclusion that there may be differing disclosure standards to respond to a market rumor in respect of an M&A transaction under the LODR and the PIT Regulations – which could lead to multiple (potentially differing disclosures) in respect of the same market rumor related to a single M&A transaction. The authors submit that this could not have been the objective from a regulatory perspective.

The authors further submit that the SAT and the Supreme Court have erred in not correctly appreciating the definition of ‘unpublished price sensitive information’. The *sine qua non* for existence of ‘unpublished price sensitive information’ must be information which is credible or concrete which makes the possible transaction more likely to occur than not. Impact on price of securities cannot be the sole basis for determining the existence of ‘unpublished price sensitive information’.

Until there is greater clarity from the courts and the regulator, this will remain a contentious subject in India.

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