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*The analysts thank Pawan Sachdeva, Senior Advisor SELCO Foundation, for drawing their attention to offline conversations.*

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## Investor communication: Plugging information asymmetry

***It's well established that company managements always find time for institutional investors, giving these investors access to more information than retail investors. But even within institutional investors, some may be able to glean out more information than others, if only because they asked more questions. Companies in answering questions, may want to be more transparent, but they need to realize that 'offline' conversations cause asymmetry in information dissemination. Timely disclosures of such conversations must be made to all shareholders. SEBI's Regulation 30 and 46 is an important first step in this direction. But SEBI needs to push corporates more.***

Equity as an asset class is more susceptible to price sensitive information than other asset classes. So for a stock market to function fairly, companies need to disseminate material information as soon as it is available and ensure that all stakeholders have access to the same information at the same time. One of the means by which companies share information with shareholders is through earnings calls and accompanying investor presentations.

Institutional Investor Advisory Services (IiAS) assessed the earnings call transcripts of the Nifty 50 companies for the period April 2014 to June 2015 (five quarters) to evaluate whether these companies are sharing information in a uniform and universal manner. 37 of these 50 companies have provided earnings transcripts or recordings on their websites, but only 22 of these companies have provided the transcripts consistently for all the five quarters. Surprisingly, 13 of the Nifty 50 companies do not have any earnings call recordings or transcripts on their websites.

Does this imply that these 13 companies don't talk to their investors? That is hard to believe given that these companies have a well-established investor relations team. Therefore, it may be safe to conclude that these companies do have one-on-one meetings with investors. Again, IiAS is not suggesting that price-sensitive information is being exchanged in such closed-door meetings – in order to be more transparent: just that information shared in these meetings, is not being disseminated equally to all other shareholders.

Reviewing the 143 earnings call recordings and / or transcripts (of the 37 companies), there have been 58 occasions during which questions asked by participants have been answered 'offline'. Some examples of these have been given in box 1. IiAS believes that these 'offline' instances increase as you move beyond the Nifty 50 companies. And data here can be more critical. Some examples of these have been given in box 2.

Answering questions offline can be rationalized – there maybe time constraints or the information is not readily available. But, should the company not then put up the information for all to see? If it does not, then it effectively means that only those that ask questions will get answers. This leaves the information access dependent upon the investors' analytical capability and their access to management.

The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations 2015 has partly addressed this issue. Regulations 30 and 46 now require companies to publish their earnings call transcripts on their website. It further requires that the schedule of analyst or institutional investor meets and presentations made by the listed entity to analysts or institutional investors be simultaneously submitted to stock exchanges.

While regulations do not specify the time frame, listed companies should provide at least a 36-month record of such meets and presentations on their websites. But additionally they must also disclose their 'offline' answers on their website.

Listed companies in India must take cognizance of this asymmetry and address it, before the regulators ask them to.

### Box 1

#### **Example 1: Lupin Limited; June 2015 quarter**

Q: On the Gavis acquisition: Out of the 66 pending ANDAs, roughly how many were filed in last two years?

A: We will take that offline

A: But good numbers in the last two years.

#### **Example 2: NTPC Limited; March 2015 quarter**

Q: Finally, I just wanted to know the gross fixed asset number for the consolidated operations. I guess you gave the number for the standalone, so I just wanted the number for the consolidated?

A: We will give you that number separately after the call.

#### **Example 3: Tata Motors Limited; June 2015 quarter**

Closing remark: As we always do we can engage with you separately in one-to-one meetings to discuss more in detail.

### Box 2

#### **Example 1: Jindal Steel and Power Limited; June 2014 quarter**

Q: Still Rs.14,152 crore is the capex. That is not inorganic. That is organic right Sir?

A: That is what I am saying a part of that will come from that Australia unit as well.

Q: Is it possible for you to give us a break down of the Rs.14,000 crore?

A: No I do not have that number.

#### **Example 2: Reliance Communications Limited; September 2014 quarter**

Q: How much money has come in into the company as a result of the QIP, and where is it reflecting in the cash flow statement?

A: The company received Rs.4,808 crore from the QIP proceeds and a preferential allotment of Rs.650 crore, totalling to Rs. 5,458 crore during this quarter and the same has been reflected as a part of cash flow from financing activities in the cash flow statement.

Q: But the cash flow from financing statement only shows an inflow of Rs.2,133 crore.

A: That's right, because what is reflected here is the – summarized financial cash flow statement. Maybe we can take it offline and give you the breakup.

**Annexure 1: List of 13 Nifty 50 companies that have not provided earnings call transcripts or recordings on their website**

Sr. no.	Company name	Ownership type	Management type	Market cap. (Rs. bn)	Shareholding (%)			
					Promoter	DII	FII	Others
1	ACC Ltd.	MNC	Professional	259.5	50.3	16.7	14.4	18.7
2	Ambuja Cements Ltd.	MNC	Professional	325.5	50.3	13.6	26.4	7.8
3	Bajaj Auto Ltd.	Promoter	Promoter	666.4	49.2	11.1	14.9	24.8
4	Bank of Baroda	PSU	Professional	424.6	57.5	20.7	13.6	8.2
5	Coal India Ltd.	PSU	Professional	2162.4	79.7	8.6	9.2	2.6
6	Hindalco Industries Ltd.	Promoter	Professional	161.1	37.0	16.3	24.9	14.2
7	Housing Development Finance Corporation Ltd.	Institutionally owned	Professional	1904.2	0.0	9.5	78.8	11.7
8	ITC Ltd.	Institutionally owned	Professional	2522.7	0.0	40.2	15.5	44.3
9	Larsen & Toubro Ltd.	Institutionally owned	Professional	1444.2	0.0	39.5	16.2	44.3
10	NMDC Ltd.	PSU	Professional	412.1	80.0	12.5	4.0	3.5
11	Power Grid Corporation of India Ltd.	PSU	Professional	714.9	57.9	8.3	26.5	7.4
12	Punjab National Bank	PSU	Professional	259.6	59.9	19.6	15.0	5.6
13	Reliance Industries Ltd.	Promoter	Promoter	2842.4	45.2	12.6	19.1	19.8

MNC: Multinational company PSU: Public sector undertaking DII: Domestic institutional investors FII: Foreign institutional investors

Market capitalization and shareholding pattern as on 30 June 2015

Source: Company filings, CMIE Prowess, and iias research

**Annexure 2: Earnings call recordings and/or transcripts availability of the remaining 37 of the 50 companies**

Sr. no.	Company name	Ownership type	Management type	Market cap. (Rs. bn)	Shareholding (%)				Quarter	Offline references (no.)
					Promoter	DII	FII	Others		
1	Asian Paints Ltd.	Promoter	Professional	795.8	52.8	9.8	17.0	20.4	30-Jun-15	0
									31-Mar-15	Transcript not available
									31-Dec-14	Transcript not available
									30-Sep-14	Transcript not available
									30-Jun-14	Transcript not available
2	Axis Bank Ltd.	Institutionally owned	Professional	1255.3	29.2	13.4	44.5	9.1	30-Jun-15	2
									31-Mar-15	0
									31-Dec-14	0
									30-Sep-14	Transcript not available
									30-Jun-14	Transcript not available
3	Bharat Heavy Electricals Ltd.	PSU	Professional	507.6	63.1	17.3	16.1	3.5	30-Jun-15	0
									31-Mar-15	0
									31-Dec-14	0
									30-Sep-14	0
									30-Jun-14	0
4	Bharat Petroleum Corporation Ltd.	PSU	Professional	629.8	54.9	12.1	18.1	14.9	30-Jun-15	1
									31-Mar-15	0
									31-Dec-14	1
									30-Sep-14	Transcript not available
									30-Jun-14	Transcript not available
5	Bharti Airtel Ltd.	Promoter	Promoter	1409.5	65.5	9.5	16.3	8.8	30-Jun-15	0
									31-Mar-15	0
									31-Dec-14	1
									30-Sep-14	0
									30-Jun-14	1
6	Bosch Ltd.	MNC	Professional	677.8	71.2	10.7	8.8	9.3	30-Jun-15	Transcript not available

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Sr. no.	Company name	Ownership type	Management type	Market cap. (Rs. bn)	Shareholding (%)				Quarter	Offline references (no.)
					Promoter	DII	FII	Others		
									31-Mar-15	0
									31-Dec-14	Transcript not available
									30-Sep-14	Transcript not available
									30-Jun-14	Transcript not available
7	Cairn India Ltd.	Promoter	Professional	267.7	59.9	10.5	13.5	16.2	30-Jun-15	0
									31-Mar-15	0
									31-Dec-14	0
									30-Sep-14	0
									30-Jun-14	0
8	Cipla Ltd.	Promoter	Promoter	521.8	36.8	16.0	18.3	26.6	30-Jun-15	0
									31-Mar-15	0
									31-Dec-14	0
									30-Sep-14	0
									30-Jun-14	0
9	Dr. Reddy's Laboratories Ltd.	Promoter	Promoter	675.1	25.5	5.9	37.8	13.8	30-Jun-15	0
									31-Mar-15	1
									31-Dec-14	0
									30-Sep-14	0
									30-Jun-14	2
10	GAIL (India) Ltd.	PSU	Professional	368.5	56.1	21.8	18.6	2.2	30-Jun-15	0
									31-Mar-15	Transcript not available
									31-Dec-14	Transcript not available
									30-Sep-14	Transcript not available
									30-Jun-14	Transcript not available
11	Grasim Industries Ltd.	Promoter	Professional	318.0	25.5	17.6	22.8	20.1	30-Jun-15	Incorrect file uploaded on the website
									31-Mar-15	1

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Sr. no.	Company name	Ownership type	Management type	Market cap. (Rs. bn)	Shareholding (%)				Quarter	Offline references (no.)
					Promoter	DII	FII	Others		
									31-Dec-14	1
									30-Sep-14	0
									30-Jun-14	0
12	HCL Technologies Ltd.	Promoter	Promoter	1327.4	60.6	4.5	28.9	6.0	30-Jun-15	1
									31-Mar-15	0
									31-Dec-14	0
									30-Sep-14	2
									30-Jun-14	0
13	HDFC Bank Ltd.	Institutionally owned	Professional	2649.6	21.6	10.5	32.5	16.6	30-Jun-15	1
									31-Mar-15	Transcript not available
									31-Dec-14	Transcript not available
									30-Sep-14	Transcript not available
									30-Jun-14	Transcript not available
14	Hero MotoCorp Ltd.	Promoter	Promoter	484.2	34.6	13.4	38.5	13.5	30-Jun-15	1
									31-Mar-15	0
									31-Dec-14	Transcript not available
									30-Sep-14	0
									30-Jun-14	0
15	Hindustan Unilever Ltd.	MNC	Professional	1712.1	67.2	4.2	14.6	14.0	30-Jun-15	0
									31-Mar-15	0
									31-Dec-14	0
									30-Sep-14	0
									30-Jun-14	0
16	ICICI Bank Ltd.	Institutionally owned	Professional	1622.2	0.0	22.3	40.3	37.4	30-Jun-15	0
									31-Mar-15	1
									31-Dec-14	0

**Investor communication: Plugging information asymmetry**

Sr. no.	Company name	Ownership type	Management type	Market cap. (Rs. bn)	Shareholding (%)				Quarter	Offline references (no.)
					Promoter	DII	FII	Others		
17	Idea Cellular Ltd.	Promoter	Professional	524.6	42.3	4.7	24.4	28.6	30-Sep-14	0
									30-Jun-14	0
									30-Jun-15	2
									31-Mar-15	0
									31-Dec-14	1
									30-Sep-14	0
18	IndusInd Bank Ltd.	Promoter	Professional	540.9	15.0	9.4	38.6	24.8	30-Jun-15	0
									31-Mar-15	0
									31-Dec-14	0
									30-Sep-14	0
									30-Jun-14	2
19	Infosys Ltd.	Promoter	Promoter	2537.3	13.1	16.1	41.0	13.1	30-Jun-15	0
									31-Mar-15	0
									31-Dec-14	0
									30-Sep-14	0
									30-Jun-14	0
20	Kotak Mahindra Bank Ltd.	Promoter	Promoter	1214.9	33.9	3.7	35.3	27.1	30-Jun-15	0
									31-Mar-15	0
									31-Dec-14	0
									30-Sep-14	0
									30-Jun-14	0
21	Lupin Ltd.	Promoter	Professional	846.7	46.6	6.8	36.8	9.8	30-Jun-15	1
									31-Mar-15	Transcript not available
									31-Dec-14	Transcript not available
									30-Sep-14	Transcript not available

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Sr. no.	Company name	Ownership type	Management type	Market cap. (Rs. bn)	Shareholding (%)				Quarter	Offline references (no.)
					Promoter	DII	FII	Others		
									30-Jun-14	Transcript not available
22	Mahindra & Mahindra Ltd.	Promoter	Promoter	735.6	25.6	22.7	33.0	13.1	30-Jun-15	1
									31-Mar-15	Transcript not available
									31-Dec-14	Transcript not available
									30-Sep-14	Transcript not available
									30-Jun-14	Transcript not available
23	Maruti Suzuki India Ltd.	MNC	Professional	1356.9	56.2	14.6	21.8	7.5	30-Jun-15	1
									31-Mar-15	0
									31-Dec-14	0
									30-Sep-14	Transcript not available
									30-Jun-14	0
24	NTPC Ltd.	PSU	Professional	1043.9	75.0	12.7	10.0	2.3	30-Jun-15	1
									31-Mar-15	2
									31-Dec-14	0
									30-Sep-14	1
									30-Jun-14	0
25	Oil & Natural Gas Corporation Ltd.	PSU	Professional	2043.5	68.9	10.4	7.2	13.4	30-Jun-15	Transcript not available
									31-Mar-15	Transcript not available
									31-Dec-14	Transcript not available
									30-Sep-14	1
									30-Jun-14	0
26	State Bank of India	PSU	Professional	1854.9	59.2	18.3	11.5	8.9	30-Jun-15	0
									31-Mar-15	Transcript not available
									31-Dec-14	Transcript not available
									30-Sep-14	Transcript not available
									30-Jun-14	Transcript not available



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Sr. no.	Company name	Ownership type	Management type	Market cap. (Rs. bn)	Shareholding (%)				Quarter	Offline references (no.)
					Promoter	DII	FII	Others		
27	Sun Pharmaceutical Industries Ltd.	Promoter	Promoter	2165.2	54.7	7.8	23.8	13.8	30-Jun-15	0
									31-Mar-15	0
									31-Dec-14	0
									30-Sep-14	0
									30-Jun-14	0
28	Tata Consultancy Services Ltd.	Promoter	Professional	4996.1	73.9	7.3	14.4	4.5	30-Jun-15	0
									31-Mar-15	0
									31-Dec-14	1
									30-Sep-14	0
									30-Jun-14	0
29	Tata Motors Ltd.	Promoter	Professional	957.4	34.4	16.5	20.5	7.3	30-Jun-15	1
									31-Mar-15	Transcript not available
									31-Dec-14	2
									30-Sep-14	0
									30-Jun-14	1
30	Tata Power Co. Ltd.	Promoter	Professional	174.4	33.0	26.0	25.2	15.7	30-Jun-15	1
									31-Mar-15	0
									31-Dec-14	6
									30-Sep-14	0
									30-Jun-14	1
31	Tata Steel Ltd.	Promoter	Professional	220.3	31.4	28.8	12.4	25.6	30-Jun-15	0
									31-Mar-15	2
									31-Dec-14	1
									30-Sep-14	0
									30-Jun-14	0
32	Tech Mahindra Ltd.	Promoter	Professional	540.9	36.7	13.9	34.2	15.2	30-Jun-15	1

## Investor communication: Plugging information asymmetry

Sr. no.	Company name	Ownership type	Management type	Market cap. (Rs. bn)	Shareholding (%)				Quarter	Offline references (no.)
					Promoter	DII	FII	Others		
									31-Mar-15	1
									31-Dec-14	1
									30-Sep-14	1
									30-Jun-14	1
33	UltraTech Cement Ltd.	Promoter	Professional	797.4	61.7	6.8	18.5	11.3	30-Jun-15	Transcript not available
									31-Mar-15	0
									31-Dec-14	Transcript not available
									30-Sep-14	Transcript not available
									30-Jun-14	Transcript not available
34	Vedanta Ltd.	Promoter	Professional	292.2	59.5	6.8	16.3	9.9	30-Jun-15	0
									31-Mar-15	0
									31-Dec-14	0
									30-Sep-14	0
									30-Jun-14	0
35	Wipro Ltd.	Promoter	Professional	1462.9	73.4	4.9	10.3	9.5	30-Jun-15	0
									31-Mar-15	0
									31-Dec-14	0
									30-Sep-14	0
									30-Jun-14	0
36	Yes Bank Ltd.	Promoter	Promoter	321.9	22.0	21.3	44.4	12.3	30-Jun-15	0
									31-Mar-15	0
									31-Dec-14	0
									30-Sep-14	0
									30-Jun-14	1
37	Zee Entertainment Enterprises Ltd.	Promoter	Promoter	386.1	43.1	3.7	47.7	5.5	30-Jun-15	0
									31-Mar-15	2

Investor communication: Plugging information asymmetry

Sr. no.	Company name	Ownership type	Management type	Market cap. (Rs. bn)	Shareholding (%)				Quarter	Offline references (no.)
					Promoter	DII	FII	Others		
									31-Dec-14	1
									30-Sep-14	3
									30-Jun-14	0
<b>Total</b>										<b>58</b>

MNC: Multinational company PSU: Public sector undertaking DII: Domestic institutional investors FII: Foreign institutional investors

Market capitalization and shareholding pattern as on 30 June 2015

Source: Company filings, CMIE Prowess, and IiAS research

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