Sebi's diktat puts institutional investors, fund houses in a fix

The latest regime directs companies to make investors' call recording public with transcription

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The Securities and Exchange Board of India's (Sebi's) recent directive to make analyst calls public knowledge may be troublesome for fund houses and institutional investors.

Until now they provided exclusive insights to large institutions in these calls. However, they will become non-events and merely public relations exercises, say experts.

While listed companies will become careful about what they say in analyst calls, the blame would be on them if anything goes wrong.

"The unintended consequences will be that companies will stop talking. The new regime is democratising information, which otherwise is not available in the public domain. Keeping in mind the net result of the regulatory intensity of recording, companies would have to literally sanitise everything. With this, the investor meet will be more likely a public relations exercise," said Dhirendra Kumar, chief executive officer, Value Research.

While the move to amend the Listing Obligations and Disclosure Requirements (LODR) for this is laudable, it, however, brings some challenges for listed companies. Lack of any threshold may make these norms seem onerous for companies.

"There must be some trigger which the regulator must have come across as a lot of people try to benefit out of information on a day-to-day basis and do front running. As far as investment decisions are concerned, there is enough information available such as quarterly earnings and company bi-monthly balance sheets. And even if some extraordinary corporate action is taking place, the company will make a formal announcement," Kumar added.

To address the information asymmetry among shareholders, the market regulator had last week mandated listed companies to make available audio and video recordings of post-earnings conference calls on their websites as well as those of the stock exchanges within 24 hours or before the next trading day.

Also, the written transcripts of such meetings must be available within five days.

Currently a listed entity is required to disclose the schedule of analyst or institutional investor meetings and presentations in them to the stock exchanges as well as their websites.

However, most of the listed companies do not follow the existing regulations in spirit. It has been observed that disclosures of mere presentations are given and not what is discussed in the meeting.

"The practice of selective leakage of information has been going on for long, leading to insider trading. The regime of such kind will put curbs on such privileged information sharing. I don't agree with the arguments that this could lead to breach of privacy as it is about the company and not any person concerned. At present, there is no code of conduct for such a meeting as to what information is to be shared. In contrast, the company in such meetings reveals its plans, which is highly price-sensitive in nature. The new regime will ensure that whatever information you share should go public so that select people can't take undue advantage of it," said Pavan Vijay, founder, Corporate Professionals.

Prithvi Haldea, founder, Prime Database, said: "The analysts/select investors manage to get much more information than what is available to the public at large, creating an undesirable asymmetry. This diktat will be a great step in preventing some investors from making easy money."

Minority shareholders, who do not attend these meetings, do not get the information shared with a select group of investors, thereby creating information asymmetry.

ENHANCED DISCLOSURES

AUDIO/VIDEO RECORDINGS	WRITTEN TRANSCRIPTS	REGIME TO PUT CURBS
To make available audio and video recordings of post-earnings calls on websites and those of stock exchanges within 24 hours or before the next trading day	To put on website of the listed entity and respective stock exchanges within 5 working days after the event	Selective sharing of information, inconsistency in the disclosures triggered the move