

Focus

- First Reaction
- Governance Spotlight
- Regulatory Overview
- Thematic Research
- Event Based Research
- ✓ **General**

Related Research

[The Last Minute: Is Corporate India ready to shift gear?](#)

[The Last Minute: Corporate India procrastinates](#)

[The Last Minute](#)

[Subscribe to IIAS Research](#)

[Write to us solutions@iias.in](mailto:solutions@iias.in)

The Last Minute: More challenges ahead

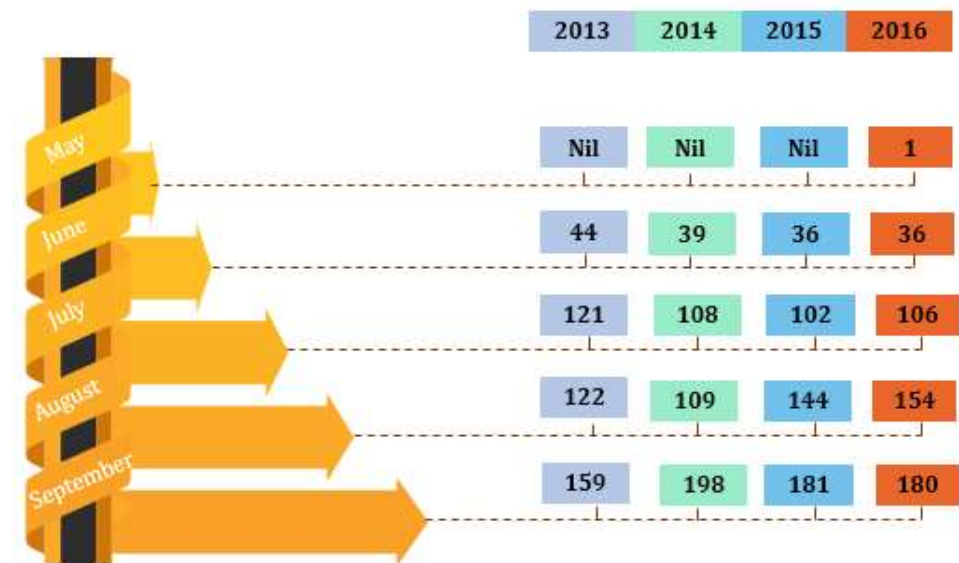
Companies with weak financial performance continue to wait till the last minute to hold their AGMs. In FY16 too, companies holding their AGMs in September have had the lowest median return on equity. With IND AS requirements and mandatory auditor rotation catching up simultaneously with corporate India, meeting deadlines will become challenging.

This is the fourth year that we are publishing our report titled ‘The Last Minute’: we published the first one in 2013, not knowing whether the correlation we saw on performance and AGM dates would continue. Four years later, corporate India continues to remain predictable.

2016 AGM season

In FY16, 477 of the S&P BSE 500 companies reported a March year-ending, a creeping increase from 454 companies two years ago. Companies chose to disband their different year ends, and align themselves with the requirements of the Companies Act 2013 on this. Almost 70% of the companies held their AGMs in August 2016 and September 2016, and 38% of the companies held AGMs in September 2016 alone, continuing the trend of September being the busiest for both corporate India and investors.

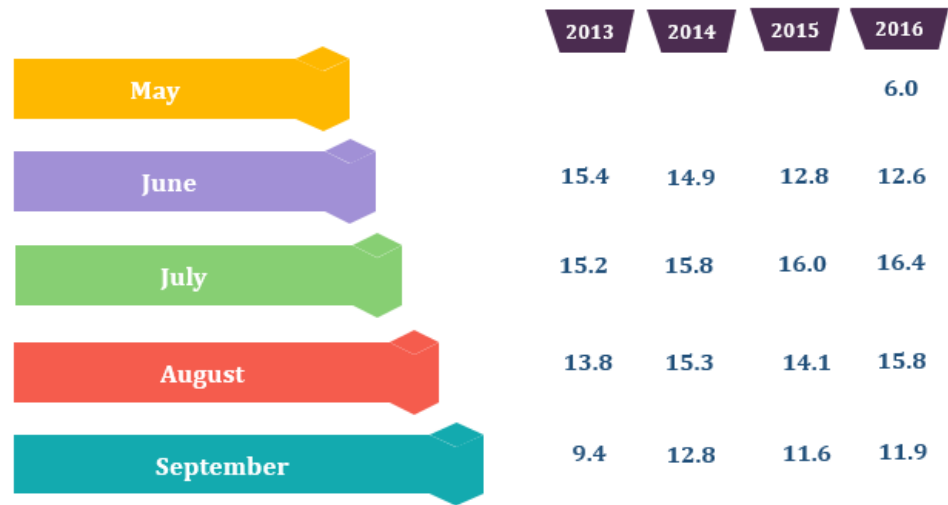
Chart 1: Monthwise AGM count



The increased disclosure requirement under Companies Act 2013 has neither affected the accounting nor the auditing timelines, and subsequently the AGM scheduling has paralleled previous years'. Companies that, in the past, held AGMs before September, did so this year as well.

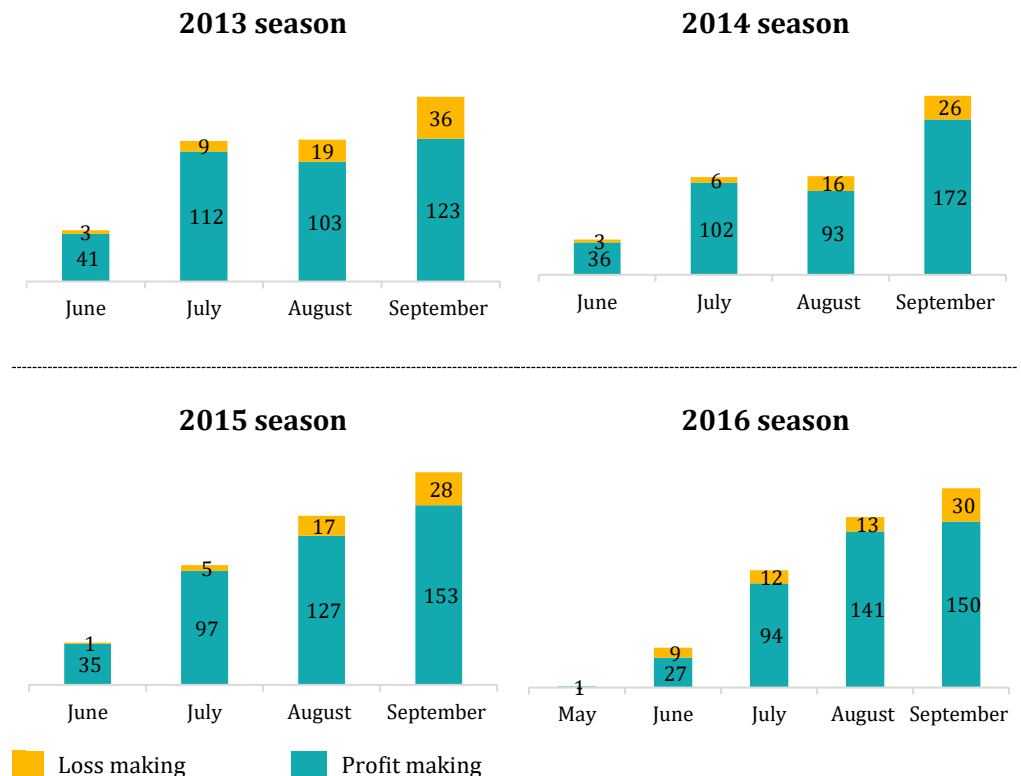
Companies holding their AGMs in September have the lowest median return on equity compared to companies that hold their AGMs in June or July or August. That companies performing better are eager to hold their AGMs is belied only by the ROE of companies holding their AGMs in June – June AGM companies have, in FY15 and FY16, had lower ROEs. This is largely attributable to how public sector banks perform – since they dominate the AGM season in June.

Chart 2: Median Return on Equity (in %)



That a large number of loss-making companies hold their AGMs in September is one of the influencing reasons for the lower median return on equity. In 2016, 64 of the 477 companies reported losses – of these, 30 companies held their AGMs in September.

Chart 3: Month-wise distribution of AGMs based on profitability



Large and complex businesses, or no time for shareholders?

“Ours is a large and complex business,” is an often-heard refrain that most companies provide as explanations. To be a part of the S&P BSE 500, companies will necessarily have size and many business complexities. Are investors to understand that as companies grow in size and stature, their systems cannot keep up?

The FY17 challenges

2016-17 will be a challenge as mandatory auditor rotation kicks in along with mandatory IND-AS reporting for most listed companies. Extrapolating the data, we expect around 50% of S&P BSE 500 companies will need to rotate their auditors in April 2017.

Conclusion

For timely communication and interaction with shareholders, companies must institute systems and processes to ensure that its annual general meetings are held shortly after the fiscal year end.

In holding AGMs towards September, companies may have already had the opportunity to announce the first quarter results of the next financial year – which may help quell possible shareholders' concerns over the previous year's performance. However, the data for the past four years shows this is seldom the case. Investors have the right to know about how the company has performed and dialogue with management. Delaying the interaction serves limited purpose.

Now that e-voting decides the outcome of the resolution well before the AGMs, companies are seeing less value in their AGMs. Perhaps also because there are more retail shareholders that engage in emotional diatribe than in asking a discerning question. While investors are responsible for the quality of questions they raise, it is equally incumbent upon companies to create value in the discussion. Detailed minutes are not a requirement in India – very few companies provide these. If they did – like Infosys, L&T and a few others do – company boards may perhaps be more focussed on making AGM discussions more valuable.

Technology offers an efficient way for this engagement: webcasts will possible create an environment for the 'right' set of investors to attend and participate. This should be the path companies must take in future.

Disclaimer

This document has been prepared by Institutional Investor Advisory Services India Limited (IiAS). The information contained herein is solely from publicly available data, but we do not represent that it is accurate or complete and it should not be relied on as such. IiAS shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. This document is provided for assistance only and is not intended to be and must not be taken as the basis for any voting or investment decision. The user assumes the entire risk of any use made of this information. Each recipient of this document should make such investigation as it deems necessary to arrive at an independent evaluation of the individual resolutions referred to in this document (including the merits and risks involved). The discussions or views expressed may not be suitable for all investors. The information given in this document is as of the date of this report and there can be no assurance that future results or events will be consistent with this information. This information is subject to change without any prior notice. IiAS reserves the right to make modifications and alterations to this statement as may be required from time to time. However, IiAS is under no obligation to update or keep the information current. Nevertheless, IiAS is committed to providing independent and transparent recommendation to its client and would be happy to provide any information in response to specific client queries. Neither IiAS nor any of its affiliates, group companies, directors, employees, agents or representatives shall be liable for any damages whether direct, indirect, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information. The disclosures of interest statements incorporated in this document are provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report.

Confidentiality

This information is strictly confidential and is being furnished to you solely for your information. This information should not be reproduced or redistributed or passed on directly or indirectly in any form to any other person or published, copied, in whole or in part, for any purpose. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject IiAS to any registration or licensing requirements within such jurisdiction. The distribution of this document in certain jurisdictions may be restricted by law, and persons in whose possession this document comes, should inform themselves about and observe, any such restrictions. The information provided in these reports remains, unless otherwise stated, the copyright of IiAS. All layout, design, original artwork, concepts and other Intellectual Properties, remains the property and copyright of IiAS and may not be used in any form or for any purpose whatsoever by any party without the express written permission of the copyright holders.

IiAS Voting Policy

IiAS' voting recommendations are based on a set of guiding principles, which incorporate the basic tenets of the legal framework along with the best practices followed by some of the better governed companies. These policies clearly list out the rationale and evaluation parameters which are taken into consideration while finalizing the recommendations. The detailed IiAS Voting Guidelines are available at www.iias.in/IiAS-voting-guidelines.aspx. The draft report prepared by the analyst is referred to an internal Review and Oversight Committee (ROC), which is responsible for ensuring consistency in voting recommendations, alignment of recommendations to the IiAS' voting criteria and setting and maintaining quality standards of IiAS' proxy reports. Details regarding the functioning and composition of the ROC committee are available at www.iias.in. In undertaking its activities, IiAS relies on information available in the public domain i.e. information that is available to public shareholders. However, in order to provide a more meaningful analysis, IiAS, generally seeks clarifications from the subject company. IiAS reserves the right to share the information provided by the subject company in its reports. Further details on IiAS policy on communication with subject companies are available at www.iias.in.

Analyst Certification

The research analyst(s) for this report certify/ies that no part of his/her/their compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report. IiAS' internal policies and control procedures governing the dealing and trading in securities by employees are available at www.iias.in.

Conflict Management

IiAS and its research analysts may hold a nominal number of shares in companies IiAS covers (including the subject company), as on the date of this report. A list of IiAS' shareholding in companies is available at www.iias.in.

However, IiAS, the research analyst(s) responsible for this report, and their associates or relatives, do not have actual/beneficial ownership of one per cent or more securities of the subject company, at the end of the month immediately preceding the date of publication of this report. A list of shareholders of IiAS as of the date of this report is available at www.iias.in. However, the preparation of this report is monitored by an internal Review and Oversight Committee (ROC) of IiAS and is not subject to the control of any company to which such report may relate and which may be a shareholder of IiAS.

Other Disclosures

IiAS further confirms that, save as otherwise set out above or disclosed on IiAS' website (www.iias.in):

- IiAS, the research analyst(s) responsible for this report, and their associates or relatives, do not have any financial interest in the subject company.
- IiAS, the research analyst(s) responsible for this report, and their associates or relatives, do not have any other material conflict of interest at the time of publication of this report.
- As a proxy advisory firm, IiAS provides subscription, databased and other related services to various Indian and international customers (which could include the subject company). IiAS generally receives between INR 10,000 and INR 25,00,000 for such services from its customers. Other than compensation that it may have received for providing such services to the subject company in the ordinary course, none of IiAS, the research analyst(s) responsible for this report, and their associates or relatives, has received any compensation from the subject company or any third party for this report.
- None of IiAS, the research analyst(s) responsible for this report, and their associates or relatives, has received any compensation from the subject company or any third party in the past 12 months in connection with the provision of services of products (including investment banking or merchant banking or brokerage services or any other products and services), or managed or co-managed public offering of securities of the subject company.
- The research analyst(s) responsible for this report has not served as an officer, director or employee of the subject company.
- None of IiAS or the research analyst(s) responsible for this report has been engaged in market making activity for the subject company.



markets ∩ governance

About IiAS

Institutional Investor Advisory Services India Limited (IiAS) is a proxy advisory firm, dedicated to providing participants in the Indian market with independent opinion, research and data on corporate governance issues as well as voting recommendations on shareholder resolutions for over 650 companies. IiAS provides bespoke research, valuation advisory services and assists institutions in their engagement with company managements and their boards.

In addition to voting advisory, IiAS offers two cloud based solutions - IiAS ADRIAN, and comPAYre. IiAS ADRIAN captures shareholder meetings and voting data and provides packaged data that can be used to gain insights on how investors view specific issues and gain greater predictability regarding how they might vote. comPAYre provides users access to remuneration data for executive directors across S&P BSE 500 companies over a five-year period.



Office

Institutional Investor Advisory Services
Ground Floor, DGP House,
88C Old Prabhadevi Road,
Mumbai - 400 025
India

Contact

solutions@iias.in
T: +91 22 6123 5509