

7.1 Sources of Information for Analysis

There are multiple sources of information on a company. Some of them are defined below. In addition, there are various paid and free databases, which can be used by analysts to analyse the companies:

- Annual/Quarterly reports - most easily available, reliable and consistent source of information
- Conference Call transcripts
- Investor Relation (or Company) Presentations
- Management interviews on internet
- Company website
- Ministry of Corporate Affairs website
- Research Report from Credit Rating Companies
- Research Report from various other sources – media reports
- Parent Company's annual report and website
- Competitors' website including international competitors
- Print media reports on companies
- Discussion with suppliers, vendors, consumers and competitors
- BRSR Report for ESG Disclosures

Credit rating evaluates a borrower's debt-servicing ability, issued by agencies at issuer/debt levels for short/long-term instruments.

Relevant to equity investors: Debt must be serviced before equity returns, signaling financial risk and return expectations.

Historical ratings reveal management responsiveness: Reports cite rating factors/key concerns; improvements over time show action on external feedback.

Separation of Board Chairman's role and role of MD and CEO: The CEO is answerable to the board of directors. For effective corporate governance, it is critical that the chairman position should not be occupied by the CEO or the managing director of the company. Currently, SEBI mandates this requirement for the top 1,000 listed companies. For companies where it is applicable, it is also mandatory that the CEO should not be from the promoter group.

Auditor rotation: It is necessary that auditors are rotated once in five years. Audit committee composition: SEBI regulation requires at least 2/3rd of the members to be independent.

Sources of information on industry. Some of them are stated below:

- Industry reports from various sources - industry journals and media reports
- Annual Reports of companies in the Industry – 'Management Discussion and Analysis'

<p>section</p> <ul style="list-style-type: none"> • Associations/Trade Bodies publications • Relevant ministry website/publications
<p>Surcharge is charged at a rate on the income tax/MAT paid and may be altered every year. For assessment year 2020-21, which pertains to financial year 2019-20, the rate of surcharge is 12% of taxes payable if the profit is above Rs.10 crores. The same will be levied at 7% if the profit is between Rs.1 crore to Rs.10 crores and nil if profits are below Rs.1 crore.</p>
<p>Cess: It is an additional levy that is charged on the taxes plus surcharge. Cess is meant to be used for specific purpose for which it is levied.</p>
<p>MAT: If the income tax payable by the company on its profits is less than 18.5% of the book profits, then the company will have to pay 18.5% of book profits to the government.</p>
<p>Indian companies pay 30% income tax on taxable profits (25% if FY turnover < ₹400 Cr). Alternative schemes offer 15-25% rates by forgoing deductions, varying by establishment date and opted plan.</p>

Regulation	Title	Exam-Critical Points
1	Short title and commencement	- Effective 90 days post-Gazette; key for timeline questions on applicability. - Applies to all research analysts post-commencement; no retrospective effect. - Gazette notification date is starting point for compliance deadlines.
2	Definitions	- Focus on "research report" (analysis/recommendation) and "research analyst" (entity providing services); test on scope vs. advisory. - Excludes general commentary; "proxy adviser" defined separately for voting advice. - "Subject company" includes affiliates; broad scope for conflicts.
3	Application for grant of certificate	- Form A, fee per Schedule I; exam pitfall: grace period for existing analysts (6 months). - Must include business plan and infrastructure details; rejection if incomplete. - SEBI acknowledgment within 7 days; processing time 30 days.
4	Issuance of research report by a person located outside India	- Must tie-up with Indian RA; critical for global firms' compliance. - Disclosures mandatory for foreign entities; SEBI jurisdiction applies. - No direct registration for foreigners; tie-up agreement scrutinized.
5	Furnishing of further	- Board can seek details; highlights due diligence in

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	information, clarification and personal representation	registration process. - Personal hearing if needed; 21-day response time for applicant. - Non-response leads to rejection; appeals not allowed at this stage.
6	Consideration of application and eligibility criteria	- Fit & proper, infrastructure; exam: reject if unfit or inadequate capital. - Prior approvals from other regulators considered; no dual registration conflicts. - Public interest test; SEBI discretion absolute.
7	Qualification and certification requirement	- NISM-Series-XV mandatory; key for eligibility—post-grad + experience. - Continuous professional education required; exemptions for foreign qualifications rare. - Individual analysts must pass exam; corporates ensure employee compliance.
8	Capital adequacy	- ₹1L (individual), ₹25L (corporate); test on net worth calculation. - Adjusted for liabilities; annual certification to SEBI. - Liquid assets only; non-compliance triggers suspension.
9	Grant of certificate of registration	- Form B on satisfaction; 30-day communication. - Conditions attached; provisional grant possible in exceptional cases. - Registration number mandatory in all communications.
10	Period of validity of certificate	- Indefinite until suspended; renewal every 3 years. - Lapse leads to immediate cessation; exam: no trading post-expiry. - Surrender option available; SEBI approval required.
11	Renewal of certificate	- Form A + fee; 30 days prior; exam: no grace if lapsed. - Compliance audit report required; rejection if violations pending. - Late fee for delay up to 30 days; beyond that, fresh application.
12	Procedure where registration is refused	- 30-day notice; cease operations immediately—critical penalty. - Appeal to SAT within 30 days; reasons must be recorded. - Refund of fee minus processing costs.
13	Conditions of certificate	- Abide by Code of Conduct; notify changes—common MCQ. - Use "registered research analyst" title; no misleading claims. - Annual fee payment; non-payment leads to cancellation.
14	Recognition of body or body corporate for regulation of research analysts	- SROs like NISM; optional, not mandatory. - SEBI oversight on SROs; mutual recognition possible. - SROs handle exams/discipline; SEBI retains final authority.
15	Establishing internal policies and procedures	- Conflict management, independence; exam: must be documented. - Annual review; training for staff on policies. - Board approval; whistleblower mechanism

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		included.
16	Limitations on trading by research analysts	- No trading in recommended securities; 30-day hold—insider trading link. - Pre-clearance required; personal accounts monitored. - Exceptions for personal needs; disclosure mandatory.
17	Compensation of research analysts	- Not linked to banking/brokerage; independence test. - Fixed salary preferred; performance bonuses capped. - Clawback provisions for errors; transparent policy.
18	Limitations on publication of research report, public appearance and conduct of business	- 40/10-day ban post-offering; no solicitation—key conflict rule. - Applies to affiliates; exceptions for factual updates rare. - Violation leads to suspension; public apology if needed.
19	Disclosures in research reports	- Ownership, conflicts; mandatory in every report—exam favorite. - Risk warnings; format standardized. - Material changes updated within 24 hours.
20	Contents of research report	- Reliable data, consistent ratings; no guarantees. - Date, analyst name; basis of recommendation clear. - Risk factors quantified; peer comparison included.
21	Recommendations in public media	- Same disclosures as reports; applies to interviews. - Recorded; no off-the-cuff advice without basis. - Attribution to firm; no anonymous recommendations.
22	Distribution of research reports	- No selective sharing; third-party review if distributed. - Archival for 5 years; equal access ensured. - Digital timestamps; no paywalls for institutional clients.
23	Additional disclosures by proxy adviser	- Conflicts in voting advice; niche for proxy firms. - Methodology transparent; annual policy review. - Voting records published; client-specific exemptions.
24	General responsibility	- Arms-length from affiliates; Code of Conduct adherence. - Ethical standards; no market manipulation. - Annual ethics training; board oversight.
25	Maintenance of records	- 5 years (electronic OK); audit annually—compliance check. - SEBI access on demand; destruction post-period prohibited. - Format: searchable; backups mandatory.
26	Appointment of compliance officer	- For corporates; reports to board—governance focus. - Qualifications: 5 years experience; independence ensured. - Annual report to SEBI; conflict resolution role.
27	Board's right to inspect	- SEBI inspection anytime; notice not always required. - Scope: books, records; unannounced possible. - Costs recoverable; third-party auditors allowed.
28	Notice before	- 7 days if possible; interim reports to SEBI. - Exceptions

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	inspection	for urgency; cooperation mandatory. - Scope limited to violations; privacy protected.
29	Obligation of research analyst on inspection	- Cooperate fully; no obstruction—penalty trigger. - Provide info within 15 days; costs borne by entity. - Legal representation allowed; records preserved.
30	Submission of report to the Board	- Inspector submits findings; SEBI action follows. - Copy to analyst; confidentiality maintained. - Timeline: 2 months; extensions possible.
31	Action on the inspection report	- Hearing, directions; suspension possible. - Monetary penalties; appeal rights. - Remediation plan required; monitoring post-action.
32	Liability for action in case of default	- SEBI penalties under Act/Intermediaries Regs; fines up to ₹1 Cr. - Criminal liability if fraud; disgorgement of profits. - Joint liability for entities; whistleblower protection.

Industry	Key KPIs
Airlines/Transportation/Logistics	- Passenger/Cargo KM - Price per Passenger/Cargo KM - Capacity/Utilization Rate
Automobiles/Capital Goods	- Volume & Growth - Average Realizations & Growth - Capacity/Utilization Rate
Commercial Banks/NBFCs	- Net Interest Margin - Capital Adequacy Ratio - NPA Ratio - Deposit/Loan Growth - CRR/SLR - CASA Ratio
Consumer Goods	- Volume & Growth - Average Price & Growth - Capacity/Utilization (Durables)
IT Services/BPO/KPO	- Avg. FTEs Billed - Revenue per FTE - Bench Strength/Attrition - Constant Currency Growth - Customer Concentration (# Million \$ Clients)
Media	- Readership/Viewership (TRPs/Site Visitors) - Avg. Ad Realization - Content Acquisition Cost
Retail	- # of Stores - Same-Store Sales Growth
Telecom/ISPs	- ARPU - Subscriber Churn - Acquisition Cost - Market Share