INTERIM REPORTING AND ITS IMPACT ON STOCK PRICE MOVEMENT – A STUDY OF IT SECTOR

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Abstract
Interim reporting is a means of communicating the results of business operations on a periodic and regular basis by the corporate entities. It has been seen over time that the markets are very sensitive to news of corporate results. The stock markets have tended to react instantly to information which is available in quarterly financial reports.

The objective of the study is to find out whether interim reporting has any relation with the stock price. Accordingly, data has been collected for eight quarters from April 2012 to March 2014. Five companies under IT sector form the sample for the study, namely TCS, Infosys, Wipro, HCL Technologies and Tech Mahindra Ltd. The stock risk, return and volatility ten days prior to the announcement of interim reporting and ten days after reporting are calculated and an attempt is made to examine whether the interim reports have any significant effect on the stock price movement.

From the study it was observed that for some companies interim reporting has an influence over the stock price, while for some others, no such influence was found. Share price of companies such as TCS, HCL Technologies and Tech Mahindra were influenced by the interim reporting, as there was a significant difference in risk and return prior to and after the announcement of interim results. Also, the stock seemed to react to the interim results favourably, as the stock price was seen going upward even in a falling market. In case of Infosys and Wipro, even though the prior and post returns were different, the difference was not statistically significant. Since the results are mixed, the study concludes that more research is needed in this area.

INTRODUCTION
Companies announcing their quarterly results often tend to create either a silent shock or euphoria in the market. Earlier, only annual results were declared by the companies but later on, the stock market regulators required them to make announcement of half yearly results and then subsequently quarterly results to bring in more transparency in the system.

Interim reporting is a means of communicating the results of business operations on a periodic and regular basis by the corporate entities. The immediately recognizable effect on the economy and the industry is influenced by the profits of the company, which are available to the investor in the form of interim reports.

The corporate quarterly performance has assumed significance in recent times as far as the stock market is concerned. It has been observed that the stock markets react instantly to information available in quarterly financial reports. Quarterly results provide price-sensitive information to the investors. Reliable and timely interim reporting of financial data improves the ability of investors, lenders, creditors, financial institutions, tax authorities and others to understand an enterprise's capacity to generate cash flows, its financial condition and liquidity.

It is important to note that long term objectives of a company do not change every quarter. There might be a number of reasons due to which quarterly results of a company are not good. The general perception is that a long term investor normally is not affected much by the quarterly results and it might prove mere wastage of time to keep analyzing the results every three months. Hence he may not get panicked with poor quarterly results but tend to find out the reasons behind it.

But a short term investor might get affected by quarterly results in real sense. It has been seen over the years that the markets are very much sensitive to information on the corporate results. When blue chip companies declare their quarterly results, the market indices may turn red or green depending on the results, thus causing volatile sessions in the market.

OBJECTIVE OF THE STUDY
The objective of the study is to find out whether interim reporting has any relation with the stock price.

METHODOLOGY
Data has been collected from the website of National Stock Exchange (www.nseindia.com) for eight quarters from April

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2012 to March 2014. Five companies under IT sector form the sample for the study, namely TCS, Infosys, Wipro, HCL Technologies and Tech Mahindra Ltd. The stock risk, return and volatility 10 days prior to the announcement of interim reporting and 10 days after reporting are calculated and an attempt is made to examine whether the interim reports have any significant effect on the stock price movement.

List of companies selected for the study and the interim reporting date

Quarter	Reporting Date				
	TCS.	**Infosys Ltd.**	**Wipro Ltd.**	**HCL Technologies**	**Tech Mahindra**
Q1	12-July-2012	12-July-2012	24-July-2012	25-July-2012	09-Aug-2012
Q2	19-Oct-2012	12-Oct-2012	02-Nov-2012	17-Oct-2012	05-Nov-2012
Q3	14-Jan-2013	11-Jan-2013	18-Jan-2013	17-Jan-2013	06-Feb-2013
Q4	17-Apr-2013	12-Apr-2013	19-Apr-2013	17-Apr-2013	21-May-2013
Q5	18-July-2013	12-July-2013	26-July-2013	18-July-2013	12-Aug-2013
Q6	15-Oct-2013	11-Oct-2013	22-Oct-2013	17-Oct-2013	07-Nov-2013
Q7	16-Jan-2014	10-Jan-2014	17-Jan-2014	16-Jan-2014	04-Feb-2014
Q8	16-Apr-2014	15-Apr-2014	17-Apr-2014	17-Apr-2014	14-May-2014

REVIEW OF LITERATURE
Most of the previous studies on the accounting and financial information effects on share prices examined the expected prices and compared them with actual prices when financial and accounting reports were presented. The significant differences found confirmed that the presented reports must have been the source that generated this difference.

Kross & Schroeder (1984) examined the association between quarterly announcement release date and their content. They observed that the quarterly announcements that were released earlier than expected had positive nature whilst late announcements had the opposite effect.

Cready & Mynatt (1991) found that number of transactions of a firm's shares increases surrounding the days of its annual report presentation. However most of these transactions were of a minor scale indicating that the information presented in the reports mostly affects smaller investors' perceptions.

Dr. Yagnesh M. Dalvadi & Dharmesh P. Raykundaliya (2008) investigated the correlation between growth in net profit of the company and share market prices. Their result showed a negative correlation between these two variables. They interpreted that this result would help the investor in making buy or sell decisions.

DATA ANALYSIS & INTERPRETATION

Stock : Tata Consultancy Services Ltd.									
Quarter		**BEFORE**			**AFTER**			**Change in sales (%)**	**Change in net Profit (%)**	**Change in EPS (%)**
		Return	**SD**	**Beta**	**Return**	**SD**	**Beta**			
Q1	Stock	0.04	0.93	0.39	-3.61	1.56	0.68	10.02	9.35	9.78
	Market	2.94	0.99		-3.71	0.75				
Q2	Stock	0.14	0.86	0.49	2.01	0.97	0.95	4.51	33.07	33.17
	Market	-0.75	0.76		-0.17	0.67				
Q3	Stock	3.85	1.58	0.93	2.44	1.17	0.52	3.70	-13.58	-13.64
	Market	1.22	0.40		2.24	0.68				
Q4	Stock	-3.75	1.52	0.59	-4.40	1.81	0.80	2.28	-6.29	-6.28
	Market	-0.24	1.19		4.37	0.79				
Q5	Stock	8.86	1.49	1.12	8.25	1.69	-0.20	10.24	9.39	9.43
	Market	2.78	0.96		-3.04	0.80				
Q6	Stock	14.17	1.79	1.18	-6.50	2.19	0.72	19.10	70.03	70.04
	Market	6.18	0.69		1.59	1.01				
Q7	Stock	8.67	1.72	1.59	-5.98	2.76	1.42	0.51	-14.82	-14.83
	Market	1,93	0.75		-3.03	0.82				

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Quarter		Return	SD	Beta	Return	SD	Beta			
Q8	Stock	5.76	1.60	-0.85	-1.87	0.97	0.82	1.21	-3.10	-3.37
	Market	0.46	0.66		-0.33	0.77				
Average	Stock	4.72	1.44	0.68	-1.21	1.64	0.71			
	Market	1.82	0.8		-0.26	0.78				

From the above, we can observe that, on an average, for Tata Consultancy Services Ltd., there has been a significant decrease in returns after the interim reporting. The stock returns have decreased from an average of 4.72 per cent during the pre-interim reporting period to -1.21 per cent post interim reporting. At the same time, the market had generated lower returns compared to pre-reporting period.

Hence we can say that interim reporting has influenced the stock price of Tata Consultancy Services Limited during the last two years.

Stock : Infosys Ltd.										
		BEFORE			**AFTER**			**Change in sales (%)**	**Change in net profit (%)**	**Change in EPS (%)**
Quarter		**Return**	**SD**	**Beta**	**Return**	**SD**	**Beta**			
Q1	Stock	-0.23	0.75	0.49	-12.44	2.85	2.71	8.87	-20.12	-20.12
	Market	2.94	0.99		-3.71	0.75				
Q2	Stock	-0.57	1.57	1.05	-8.17	1.73	1.29	2.47	6.26	6.25
	Market	1.23	0.79		-0.94	0.61				
Q3	Stock	0.11	0.79	-0.46	20.04	5.37	0.77	2.95	-3.29	-3.24
	Market	1.13	0.41		1.33	0.64				
Q4	Stock	1.14	1.99	1.72	-24.19	6.76	3.92	-0.73	1.77	1.72
	Market	-1.53	0.92		4.52	1.08				
Q5	Stock	1.41	1.25	0.35	14.95	3.50	2.13	6.75	-2.39	-2.37
	Market	1.49	1.08		0.69	0.92				
Q6	Stock	3.65	0.86	0.41	6.58	1.83	1.35	15.29	3.38	3.34
	Market	1.94	1.04		2.04	0.91				
Q7	Stock	-3.09	1.30	-0.04	9.54	1.13	0.80	0.45	17.58	18.19
	Market	-2.28	0.39		3.17	0.79				
Q8	Stock	-0.64	0.88	-0.38	-1.76	1.21	0.74	-1.46	5.41	5.37
	Market	1.30	0.61		-0.91	0.79				
Average	Stock	0.22	1.17	0.39	0.57	3.04	1.71			
	Market	0.78	0.78		0.77	0.81				

On an average, there has been an increase in returns after the interim reporting. The stock returns have increased from an average of 0.22 per cent during the pre-interim reporting period to 0.57 per cent post interim reporting. At the same time, the market had generated almost similar returns compared to pre-reporting period. Hence we can say that even though there is a change in risk and return, the change is not significant.

Stock: Wipro Ltd.										
		BEFORE			**AFTER**			**Change in sales (%)**	**Change in net Profit (%)**	**Change in EPS(%)**
Quarter		**Return**	**SD**	**Beta**	**Return**	**SD**	**Beta**			
Q1	Stock	-7.40	1.81	2.07	-3.13	1.76	0.77	3.61	-14.30	-14.31
	Market	-4.26	0.74		3.17	0.90				
Q2	Stock	4.38	1.40	0.68	-0.46	1.18	1.12	1.67	48.47	48.20
	Market	-1.22	0.56		-1.35	0.62				
Q3	Stock	6.91	2.17	0.21	-4.35	2.79	-0.60	3.09	-13.74	-13.84
	Market	0.92	0.61		-0.33	0.51				
Q4	Stock	-20.00	4.00	2.40	-4.23	3.17	-0.83	-8.50	-0.04	0
	Market	3.09	1.14		4.52	0.71				
Q5	Stock	0.41	2.17	1.00	17.51	2.36	-0.26	2.04	-11.89	-11.92
	Market	-0.74	0.79		-5.22	0.83				

Quarter		Return	SD	Beta	Return	SD	Beta			
Q6	Stock	5.12	1.73	0.85	-4.07	2.35	0.80			
	Market	4.95	0.88		1.66	0.67		12.18	23.77	23.68
Q7	Stock	2.45	1.44	1.01	0.39	1.73	1.27			
	Market	1.99	0.74		-3.64	0.83		2.67	26.70	27.05
Q8	Stock	2.16	1.78	0.13	-9.01	2.56	0.16			
	Market	-0.73	0.72		0.77	0.70		3.30	14.90	14.60
Average	Stock	-0.75	2.06	1.04	-0.92	2.24	0.30			
	Market	0.50	0.77		-0.05	0.72				

On an average, there has been a significant change in returns after the interim reporting, as can be seen from the above table. When the change in sales and net profit has been comparatively higher compared to the previous quarter, the stock price has moved accordingly and hence the disclosure of financial results through quarterly reports has had a significant impact on the stock price movement.

Stock : HCL Technologies Ltd.										
Quarter		**BEFORE**			**AFTER**			**Change in sales (%)**	**Change in net profit(%)**	**Change in EPS(%)**
		Return	**SD**	**Beta**	**Return**	**SD**	**Beta**			
Q1	Stock	-2.54	0.94	0.83	9.97	2.09	-0.41	18.82	64.63	64.53
	Market	-3.29	0.76		4.01	0.94				
Q2	Stock	-0.85	1.45	0.99	3.95	1.24	1.33	4.85	6.24	6.09
	Market	-1.53	0.78		-0.37	0.65				
Q3	Stock	7.65	1.49	1.44	2.52	2.31	2.81	2.58	3.56	3.47
	Market	0.28	0.56		0.95	0.53				
Q4	Stock	-2.01	2.48	1.12	-1.34	2.65	0.20	6.42	14.94	14.85
	Market	-0.24	1.19		4.37	0.79				
Q5	Stock	9.23	1.25	-0.32	7.09	1.83	0.08	39.66	73.74	73.31
	Market	2.78	0.96		-3.04	0.80				
Q6	Stock	8.09	1.50	1.25	-6.25	3.04	1.54	-6.50	-10.80	-10.87
	Market	5.18	0.75		2.39	1.00				
Q7	Stock	6.62	1.58	1.38	6.68	2.00	0.46	-0.19	0.53	0.32
	Market	1.93	0.75		-3.03	0.82				
Q8	Stock	-0.50	1.63	-0.63	-1.94	1.48	0.44	5.47	8.83	8.71
	Market	-0.73	0.72		0.77	0.70				
Average	Stock	3.21	1.54	0.76	2.56	2.08	0.81			
	Market	0.55	0.81		0.76	0.78				

From the above, we can observe that, on an average, for HCL Technologies Ltd., there has been a significant decrease in returns after the interim reporting. The stock returns have decreased from an average of 3.21 per cent during the pre-interim reporting period to 2.56 per cent post interim reporting. At the same time, the market had generated higher returns compared to pre-reporting period.

Hence we can say that interim reporting has influence on the stock price of HCL Technologies Limited during the last two years.

Stock : Tech Mahindra Ltd										
Quarter		**BEFORE**			**AFTER**			**Change in sales (%)**	**Change in net profit(%)**	**Change in EPS (%)**
		Return	**SD**	**Beta**	**Return**	**SD**	**Beta**			
Q1	Stock	6.20	2.08	-1.18	14.08	1.92	0.37	9.89	108.54	108.55
	Market	5.65	0.72		1.04	0.47				
Q2	Stock	2.63	1.19	0.33	-7.22	1.41	1.56	0.86	-4.40	-4.41
	Market	0.41	0.64		-2.23	0.49				
Q3	Stock	0.32	1.53	1.25	6.67	1.68	1.43	-0.35	18.09	17.99
	Market	-1.84	0.46		-0.12	0.41				

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Q4	Stock	-6.36	1.45	0.64	2.10	1.96	0.50			
	Market	1.22	1.13		-3.01	1.16		-0.40	-28.18	-28.21
Q5	Stock	2.35	1.69	1.37	10.85	3.31	0.98			
	Market	-4.93	0.85		-1.08	1.87		137.41	340.99	142.76
Q6	Stock	2.52	1.76	0.65	5.69	2.69	1.06			
	Market	0.84	0.80		-3.17	1.20		16.98	6.64	6.54
Q7	Stock	-3.40	1.86	1.34	3.55	1.86	1.88			
	Market	-4.98	0.80		1.27	0.56		2.29	44.78	44.66
Q8	Stock	-1.21	1.57	0.99	1.95	2.09	-1.27			
	Market	6.15	1.21		2.82	0.63		3.66	-43.40	-43.46
Average	Stock	0.38	1.64	0.67	4.71	2.12	0.81			
	Market									

From the above, we can observe that, on an average, for Tech Mahindra Limited, there has been a significant increase in returns after the interim reporting. The stock returns have increased from an average of 0.38 per cent during the pre-interim reporting period to 4.71 per cent post interim reporting. At the same time, the market had generated lower returns compared to pre-reporting period.

Hence we can say that interim reporting has influenced the stock price of Tech Mahindra Limited during the last two years.

SUMMARY OF FINDINGS
From the study it was observed that for some companies interim reporting has an influence over the stock price, while for some others, no such influence was found.

Share price of companies such as TCS, Wipro, HCL Technologies and Tech Mahindra were influenced by the interim reporting, as there was a significant difference in risk and return prior to and after the announcement of interim results. Also, the stock seemed to react to the interim results favourably, as the stock price was seen going upward even in a falling market and vice versa.

In case of Infosys, even though the prior and post returns were different, the difference was not statistically significant.

CONCLUSION
Often the investors make their investment decisions based on the financial position of the company. The financial status of the company is reflected in the quarterly reports of the company. Whenever the companies come with their quarterly results it may affect the share price of the company, the share prices may go up or down based on the results.

The study has attempted to shed the light into the above mentioned aspects. The study would definitely help the investors in taking investment decisions and helps them in achieving their long term objectives.

Since the results are mixed, the study concludes that more research is needed in this area. The study can be improved by overcoming some of the limitations such as non-inclusion of hypothesis, macro-economic factors etc. in the current research. Also, the study can be improved by taking into consideration other sectors and companies. The study can also be made better by taking into consideration impact of the factors like declaration of dividends, bonus shares etc in addition to net profits.

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