



Stakeholders Empowerment Services

Analyze >>> Educate >>> Empower

Proxy Advisory Report (Addendum) CARE Ratings Limited

ABOUT SES

Stakeholders Empowerment Services (SES) is a Corporate Governance research and advisory firm. SES assists investors to analyze governance practices including matters relating to sustainability, prevalent at listed entities and empower Investors to undertake meaningful decisions and engage with Investee entities.

SES SERVICES

Proxy Advisory

Advises investors on the matters that require shareholder approval at listed entities and identify Governance issues. [Read More](#)

ESG Scores

Analyze sustainability initiatives of Companies based on various environmental, social and governance factors. [Read More](#)

Corporate Governance Score (CGS):

CGS model measures the Company's compliance and also evaluates the governance with respect to global benchmarks developed by researching Corporate Governance regulations. [Read More](#)

Governance Research

In-depth and robust analysis on various topic to identify governance issues relating to companies, transactions, sectors and even the broader markets. [Read More](#)

E-Ballot

Online Vote Management System to cater to requirements of Institutional Investors. One stop solution for investors – from accessing proxy reports and voting advice to recording votes and generating customized MIS reports. [Read More](#)

SES AIMS

Designed primarily for Institutional investors to carry out their stewardship activities in an efficient manner. [Read More](#)

COMPANY INFORMATION

BSE CODE: 534804

NSE SYMBOL: CARERATING

ISIN: INE752H01013

Industry: Ratings

Email: investor.relations@careedge.in

Phone: +91 22 67543456

Registered Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai 400 022.

MEETING DETAILS

Meeting Type: PB

Voting Deadline: 21st January, 2023

Notice Date: 7th December, 2022

Notice: [Click here](#)

Annual Report: [FY 2021-22](#)

SES PA Report (Last AGM): [Report & Addendum](#)

Main Report: [Link](#)

E-VOTING DETAILS

e-Voting Platform: [NSDL](#)

Cut-off Date: 16th December, 2022

Remote E-voting:

- **Start:** 23rd December, 2022
- **Ends:** 21st January, 2023

ADDENDUM REPORT RELEASE DATE: 13th January, 2023

RESEARCH ANALYST: Navaneet Desai

CONFLICT DISCLOSURE: SES - No Conflict | Analyst - No Conflict



ADDENDUM

This Addendum is being issued based on the e-mail dated 11th January, 2023 sent by CARE Ratings Ltd ('the Company') w.r.t. Proxy Advisory Report ('[PA Report](#)') issued by SES in relation to the ongoing PB of the Company with e-voting deadline 21st January, 2023.

There are changes in SES recommendations on Resolution Nos. 2 & 3 from 'AGAINST' to 'FOR', based on additional company clarifications.

#	Resolution	Type	SES Observation#	Rec.	Rationale
Existing Recommendations					
2	Amendments to CARE Employee Stock Option Scheme 2020	S	GC-NC	AGAINST	Scheme is Non-compliant with SEBI Regulations: Governance Concern: Absolute discretion to the NRC to vary exercise price.
3	Grant of employee stock options under the CARE Employee Stock Option Scheme 2020 to employees of subsidiary companies, group companies, holding companies and associate companies.	S	GC-NC	AGAINST	Scheme is Non-compliant with SEBI Regulations: Governance Concern: Absolute discretion to the NRC to vary exercise price.
Revised Recommendations					
2	Amendments to CARE Employee Stock Option Scheme 2020	S	LC	FOR	No governance concern
3	Grant of employee stock options under the CARE Employee Stock Option Scheme 2020 to employees of subsidiary companies, group companies, holding companies and associate companies.	S	LC	FOR	No governance concern

O - Ordinary Resolution; S - Special Resolution, Rec. - Recommendation

LC - Legally Compliant, NC - Legally Non-Compliant, FC - Fairness Concern, TC - Disclosures & Transparency Concern, GC - Governance Concern

BACKGROUND

SES, as per its policy, had e-mailed its PA Report to the Company on 10th January, 2023 in respect of in respect of ongoing PB of the Company with e-voting deadline 21st January, 2023.

Post release of PA Report, SES received an email from the Company providing its view point, which is reproduced at the last in **blue text** along with the SES Response (**in black**).

SES COMMENTS ON COMPANY'S RESPONSE

Excerpt of Company Clarification w.r.t. Resolution No. 2:

- “the Company continues to follow the practice of granting options at the average price of one month closing price of stock exchange before the date of grant (subject to such price should not more than market price on grant date).
- the Company has followed similar practice consistently in the past and the details of the same areas under:

Sr. No.	Scheme	Grant Date	Exercise Price (Rs.)	Closing Market price on date of Grant (Rs.)
1	ESOS 2020	8 th November, 2022	506.00	512.60
2	ESOS 2020	29 th July, 2022	427.00	453.75
3	ESOS 2020	28 th May, 2022	464.50	464.50
4	ESOS 2020	29 th October, 2021	682.00	687.55

The Company will not change the aforesaid practice without shareholders' approval.

PROXY ADVISORY REPORT | FOR LIMITED CIRCULATION



Meeting Type: Postal Ballot

Voting Deadline: 21st January, 2023**SES Response:**

Shareholders may note that the Company has clarified the formula for exercise price for its ESOS 2020. Furthermore, the Company has also disclosed that it would be making SES' proxy advisory report (including this addendum) available on its website, thus making the above clarifications available in public domain. Based on these clarifications, SES is now changing its recommendation from "**AGAINST**" to "**FOR**" w.r.t. Resolution No. 2.

Excerpt of Company Clarification w.r.t. Resolution No. 3:

- *"Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 (the Regulation) which became effective from 13th August 2021, specifically allows company to grant options to employees of the group company i.e., subsidiary company, associate company and holding company. This is more an enabling clause for the Company in line with the amended Regulations and prevalent market practices*
Further, the Company recovers the ESOP cost from the relevant subsidiary/group companies in case of ESOP is given to the subsidiaries/group companies employees and hence, the company does not bear the cost of such ESOP granted to the employees of subsidiary/group companies."

SES Response:

Shareholders may note that the Company has now clarified that the ESOP cost would recovered from its group companies. Furthermore, the Company has also disclosed that it would be making SES' proxy advisory report (including this addendum) available on its website, thus making the above clarifications available in public domain. Based on these clarifications, SES is now changing its recommendation from "**AGAINST**" to "**FOR**" w.r.t. Resolution No. 3.

Excerpt of Company Clarification w.r.t. Resolution No. 5:

"We would like to affirm that Mr. V. Chandrasekaran has fulfilled all the required conditions prescribed in the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, to be appointed as an Independent Director of the Company and hence he is eligible for appointment as an Independent Director of the Company. Accordingly, Nomination and Remuneration Committee and Board has recommended his re-designation as Non-Executive Independent Director of the Company, to the Shareholders of the Company for period of three years.
Earlier, Mr. V. Chandrasekaran was appointed as a Non-Executive Director of the Company with effect from 15th November, 2017, pursuant to representation letter received from a large shareholder of the Company i.e. Life Insurance Corporation of India. Further, the Company vide its letter dated 28th January, 2022 had intimated to the Stock Exchanges that Mr. V. Chandrasekaran will continue as a Director in his individual capacity. The said letter is attached herewith for your ready reference.
Further, there is no regulatory restrictions on redesignation of director from non-executive director to independent director and there is no requirement of maintaining cooling period in such matter."

SES Response:

As per SES Policy, SES reiterates that it is of the view that a director's time on the Board and with the Board Members in a Non-Independent Role in an individual capacity cannot be considered entirely Independent and therefore, a cooling off of at least 3 years should be served by a NED who is proposed to be appointed as an ID.

However, shareholders may take note of the Company's clarification and take an informed decision in this regard.

COMPANY'S EMAIL DATED 11TH JANUARY, 2023

Dear Mr. ***,

With reference to below proxy advisory report, please find attached the company's response in respect of Resolution number 2,3 & 5.

Kindly suggest a good time to speak on this.

Thanks & Regards,

Attachment:
Response to SES Report:
Resolution 2 & 3

This is in reference to your recommendation report issued w.r.t. Company's Postal Ballot Notice dated 7th December 2022, in this regard we would like to highlight that for Resolution number 2 and 3, you have recommended to vote "against" resolution. On the same, we would like to affirm that:

- the Company continues to follow the practice of granting options at the average price of one month closing price of stock exchange before the date of grant (subject to such price should not more than market price on grant date).
- the Company has followed similar practice consistently in the past and the details of the same areas under:

Sr. No.	Scheme	Grant Date	Exercise Price (Rs.)	Closing Market price on date of Grant (Rs.)
1	ESOS 2020	8 th November, 2022	506.00	512.60
2	ESOS 2020	29 th July, 2022	427.00	453.75
3	ESOS 2020	28 th May, 2022	464.50	464.50
4	ESOS 2020	29 th October, 2021	682.00	687.55

The Company will not change the aforesaid practice without shareholders' approval.

- Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 (the Regulations) which became effective from 13th August 2021, specifically allows company to grant options to employees of the group company i.e., subsidiary company, associate company and holding company. This is more an enabling clause for the Company in line with the amended Regulations and prevalent market practices.

Further, the Company recovers the ESOP cost from the relevant subsidiary/group companies in case of ESOP is given to the subsidiaries/group companies employees and hence, the company does not bear the cost of such ESOP granted to the employees of subsidiary/group companies.

Further, please note that the Company will grant ESOPs to CEOs and one level below CEOs of wholly-owned subsidiary companies which are as below:

- a) CARE Risk Solutions Private Limited
- b) CARE Advisory Research and Training Limited

Resolution no 5:

We would like to highlight that for Resolution number 5, you have recommended to vote "against" resolution. On the same, we would like to present our views as under:

We would like to affirm that Mr. V. Chandrasekaran has fulfilled all the required conditions prescribed in the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, to be appointed as an Independent Director of the Company and hence he is eligible for appointment as an Independent Director of the Company. Accordingly, Nomination and Remuneration



Meeting Type: Postal Ballot

Voting Deadline: 21st January, 2023

Committee and Board has recommended his re-designation as Non-Executive Independent Director of the Company, to the Shareholders of the Company for period of three years.

Earlier, Mr. V. Chandrasekaran was appointed as a Non-Executive Director of the Company with effect from 15th November, 2017, pursuant to representation letter received from a large shareholder of the Company i.e. Life Insurance Corporation of India. Further, the Company vide its letter dated 28th January, 2022 had intimated to the Stock Exchanges that Mr. V. Chandrasekaran will continue as a Director in his individual capacity. The said letter is attached herewith for your ready reference.

Further, there is no regulatory restrictions on redesignation of director from non-executive director to independent director and there is no requirement of maintaining cooling period in such matter.

COMPANY'S EMAIL DATED 12TH JANUARY, 2023

Dear Sir,

*With reference to your discussion with ***, please find attached our responses sent to SES yesterday.*

We will upload the proxy advisory recommendations along with company response on our website during the voting period.

Thanks & Regards,

Disclaimer

Sources

Only publicly available data has been used while making the report. Our data sources include Notice of Shareholders’ Meeting, BSE, NSE, SEBI, Capitaline, MCA, Moneycontrol, Businessweek, Reuters, Annual Reports, IPO Documents and Company Website.

Analyst Certification

The Analyst(s) involved in development of this Report certify that no part of the Research Analyst’s compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the Research Analyst(s) in this Report. The concerned Research Analyst(s) and Director(s) do not have any pecuniary relationship with the Reported Company, except that they may be holding miniscule shares in the Company which does not impact their independence in respect of this Report.

SES may be a shareholder in the Company holding equity shares as disclosed on its [website](#). The objective of SES’ investment is solely to obtain Shareholders’ communications from the Company as a shareholder.

CAUTIONARY STATEMENT

The recommendations made by SES are based on publicly available information and conform to SES’s stated Proxy-Advisory Guidelines. SES opinion is based on SES’s interpretation of law and governance benchmarks, which may differ from opinion/ benchmarks of other analysts or practitioners. Further, SES analysis is recommendatory in nature and reflects how SES would have voted if it was a shareholder. Therefore, SES expects that the clients will evaluate the effect of their vote on their investments independently and diligently and will vote accordingly. Subscribers may also carry out an impact analysis of their votes and keep the same as an addendum for their records. In our opinion, Institutional investors are positioned significantly differently from other shareholders due to their ability to engage the board and the management to bring out desired result. As a firm, it is our endeavour to improve the level of corporate governance while not causing any disruption in company’s proceedings and therefore we respect the independence of investors to choose alternate methods to achieve similar results.

Disclaimer

While SES has made every effort, and has exercised due skill, care and diligence in compiling this report based on publicly available information, it neither guarantees its accuracy, completeness or usefulness, nor assumes any liability whatsoever for any consequence from its use. This report does not have any approval, express or implied, from any authority, nor is it required to have such approval. The users are strongly advised to exercise due diligence while using this report.

This report in no manner constitutes an offer, solicitation or advice to buy or sell securities, nor solicits votes or proxies on behalf of any party. SES, which is a not-for-profit Initiative or its staff, has no financial interest in the companies covered in this report except what is disclosed on its website. The report is released in India and SES has ensured that it is in accordance with Indian laws. Person resident outside India shall ensure that laws in their country are not violated while using this report; SES shall not be responsible for any such violation.

All disputes shall be subject to jurisdiction of High Court of Bombay, Mumbai.

Concern terminology

NC – Compliance Concern: *The Company has not met statutory compliance requirements*

FC – Fairness Concern: *The Company has proposed steps which may lead to undue advantage to a particular class of shareholders and can have adverse impact on non-controlling shareholders including minority shareholders*

GC – Governance Concern: *SES questions the governance practices of the Company. The Company may have complied with the statutory requirements in letter. However, SES finds governance issues as per its standards.*

TC - Disclosures & Transparency Concern: *The Company has not made adequate disclosures necessary for shareholders to make an informed decision. The Company has intentionally or unintentionally kept the shareholders in dark.*

Company Information



Stakeholders Empowerment Services

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Stakeholders Empowerment Services

109, Shyam Baba House, Upper Govind Nagar, Malad East, Mumbai – 400097
Tel +91 22 4022 0322

research@sesgovernance.com
info@sesgovernance.com
www.sesgovernance.com.

