

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 engagement with Investee entities.

SES SERVICES

E-BRSR Tool: Online web-based platform to create BRSR Report by the Company and generate XBRL in seamless, cost and time effective manner
Already Subscribed by HDFC, Hero, M&M, L&T, UPL, Wipro, Reliance group and many others. [Read More](#)
Contact for Demo –
esgdata@sesgovernance.com

SES AIMS:

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

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 practices with respect to global benchmarks. [Read More](#)

E-Ballot:

One stop solution for investors – Online Vote Management System to cater to requirements of Institutional Investors. [Read More](#)

Proxy Advisory Report (Addendum)

Zydus Lifesciences Ltd

COMPANY INFORMATION

BSE CODE: 532321

NSE SYMBOL: ZYDUSLIFE

ISIN: INE010B01027

Industry: Pharmaceuticals

Email: dhavalsoni@zyduslife.com

Phone: +91 79 48040000, +91 79 71800000

Registered Office: Zydus Corporate Park, Scheme No. 63, Survey No. 536, Khoraj (Gandhinagar), Nr. Vaishnodevi Circle, Sarkhej-Gandhinagar Highway, Ahmedabad-382481

MEETING DETAILS

Meeting Type: AGM

Meeting Date: 11th August, 2023 at 10:00 AM

Venue: Video Conferencing (VC) facility or other audio-visual means (OAVM)

Notice Date: 18th May, 2023

Notice: [Click here](#)

Annual Report: [FY 2022-23](#)

E-VOTING DETAILS

e-Voting Platform: [CDSL](#)

Cut-off Date: 4th August, 2023

Remote E-voting:

- **Start:** 8th August, 2023
- **Ends:** 10th August, 2023

ADDENDUM REPORT RELEASE DATE: 10th August, 2023

Research Analyst: Shraddha Bansode

Conflict Disclosure: SES - No Conflict | Analyst - No Conflict



ADDENDUM

This Addendum is being issued based on e-mail dated 9th August, 2023 sent by Zydus Lifesciences Ltd ('the Company') to SES w.r.t. Proxy Advisory Report ('[PA Report](#)') issued by SES in relation to the ensuing AGM dated 11th August, 2023.

There is no change in any of the SES recommendation, however, shareholder may take note of the Company's clarifications.

BACKGROUND

SES, as per its policy, had e-mailed its Proxy Advisory Report ('[PA Report](#)') to the Company on 4th August, 2023 in respect of ensuing AGM of the Company.

Post release of the PA Report, SES received an Email from the Company providing its view point, which is reproduced at the end in [Blue text](#) along with the SES Response (in Black)

It may be noted that the email of the Company (as per SES policy framed to comply with SEBI Circular dated 3rd August, 2020 SEBI/HO/IMD/DF1/CIR/P/2020/147) has already been forwarded to SES clients 'as it is', without any inputs from SES on 9th August, 2023. This Addendum provides appropriate responses of SES, wherever required.

SES COMMENTS TO COMPANY RESPONSE

COMPANY RESPONSE:

With regard to resolution for re-appointment of Dr. Sharvil P. Patel as a Director liable to retire by rotation, we would like to submit our response as under:

- Remuneration of Dr. Sharvil P. Patel, Managing Director was Rs. 262.50 mio., Rs. 200 mio. and Rs. 262.50 mio. for the financial years ended on March 31, 2021, 2022 and 2023 respectively. Hence, compared to the remuneration for the financial year ended on March 31, 2021, there is no increase in the remuneration of the Managing Director.*
- You may also note that the aggregate remuneration of the Managing Director and the Executive Director for the financial year ended on March 31, 2022 and March 31, 2023 was Rs. 364.17 mio. and Rs. 382.50 mio. Looking at the overall level, there is no major increase (increase of only 5%) in the overall remuneration to the Executive Directors of the Company since last two years. Further, % of the overall remuneration to the net profits has reduced from 4.24% in the financial year ended on March 31, 2022 to 2.50% in the financial year ended on March 31, 2023.*

You may also please note that the Executive Director is actually reporting to the Managing Director.

*The Nomination and Remuneration Committee ("NRC") while recommending the remuneration of the Managing Director and the Executive Director to the Board of Directors ("the **Board**") for approval, takes into account the comprehensive performance and responsibilities undertaken of both the Executive Directors viz-a-viz the performance of the Company. The NRC also reviewed the gradual shift in the roles and responsibilities of the Managing Director and the Executive Director. The Managing Director looks after all the businesses and functions of the Company, whereas there has been gradual reduction in the areas / functions which are managed and supervised by Mr. Ganesh N. Nayak, Executive Director over the last few years. Thus, there is a defined process and objectivity that governs the decision-making behind the remuneration difference between the Managing Director and Executive Director which has been consistently adhered to.*

- Please note that the NRC and the Board at their respective meetings held on May 18, 2023, passed a resolution that the remuneration to the Managing Director shall not exceed 2.5% of the net profits of the Company, though he can be paid upto 5% after obtaining shareholders' approval. The intention of the Board is to restrict the remuneration of the Managing Director upto 2.5% of the net profits, as per the provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. Thus, there is no question of remuneration to MD, without any ceiling.*



SES COMMENT:

The Company has proposed the reappointment of Mr. Sharvil Patel as a Director, liable to retire by rotation. SES has raised concern over remuneration of Mr. Sharvil Patel, which in opinion of SES is skewed in favour of promoter.

The Company has provided justification on the remuneration of Executive Directors, stating that in phased manner responsibilities of Mr. Nayak are being reduced and that of Mr. Patel are being increased.

Shareholders may note that;

- At AGM 2017, the Company appointed Mr. Ganesh N Nayak as a Whole time Director from 12th July, 2017 and appointed Mr. Sharvil Patel as Managing Director as well w.e.f. 1st April, 2017.
- Since 2017, Mr. Ganesh N Nayak and Mr. Sharvil Patel are the only two Executive Directors on the Board.
- SES analyses of remuneration of Mr. Ganesh N Nayak and Mr. Sharvil Patel from 2018 till 2023 is as under

Amounts (₹ in crores)

	2018	2019	2020	2021	2022	2023
Mr. Sharvil Patel – Promoter	25.00	25.00	25.00	26.25	20.00	26.25
Mr. Ganesh Nayak – Non-Promoter	23.22	25.64	27.89	28.96	16.42	12.00

- As per above table Mr. Sharvil Patel was receiving similar remuneration ₹ 25 crores for the period of three years. Although, Mr. Ganesh Nayak received remuneration ₹23.22 crores in FY 2018 in spite having association with company since 1977 and similar expertise like Mr. Sharvil Patel.
- The Company has justified that, *“The NRC also reviewed the gradual shift in the roles and responsibilities of the Managing Director and the Executive Director. The Managing Director looks after all the businesses and functions of the Company, whereas there has been gradual reduction in the areas / functions which are managed and supervised by Mr. Ganesh N. Nayak, Executive Director over the last few years. Thus, there is a defined process and objectivity that governs the decision-making behind the remuneration difference between the Managing Director and Executive Director which has been consistently adhered to.”*
- SES reads the above statement regarding increasing the role and responsibilities of Mr. Sharvil Patel and decreasing role of Mr. Ganesh Nayak as a part of succession planning. However, if that be so why no such clarification found in Succession planning at Annual Report.
- Above statement also raises a question, if role of Mr. Nayak is being curtailed, whether it is on account of his diminishing usefulness felt by company or Mr. Nayak himself has requested that he be given lesser responsibilities. In any case another question that arises is whether Mr. Ganesh Nayak will be appointed after the age of 70 years which he will attain in few years.
- Additionally, the Company has been having two Eds for long, in case Mr. Nayak is being reduced role, is the Company not thinning its bandwidth and will not need to appoint another ED? How a smooth succession will happen?
- However, the question remains, if the executive job was done by two, how it is possible that same job is done by same two people but responsibilities divided disproportionately?
- Can this justify promoter ED taking ₹ 26 crores i.e. 64% out of ₹ 40 crores of the total board remuneration. Which is skewed in favour of promoter director.

SES as a policy views skewed remuneration negatively. More so such justification is neither part of Notice nor in Annual Report as succession planning. Hence SES is unable to change its recommendation for the reappointment of Mr. Sharvil Patel.

However, investors may take into account additional information furnished by Company and take their own considered decision.

COMPANY'S E-MAIL

Dear Sir / Madam,

With reference to your email, please find attached the response on the voting recommendation on the resolution pertaining to re-appointment of Dr. Sharvil P. Patel as a Director liable to retire by rotation.

We will be glad to have a discussion on the same. Please let us know a convenient time for the same.

With regards,

Please find the [Link](#) of Company's response.



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, Sustainability 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 with 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

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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

SEBI Reg. No. INH000000016

CIN No. -

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Contact Information

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.



Warning

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

