

## 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](#)

# Proxy Advisory Report (Addendum)

## Sobha Ltd

## COMPANY INFORMATION

**BSE CODE:** 532784

**NSE SYMBOL:** SOBHA

**ISIN:** INE671H01015

**Industry:** Residential, Commercial Projects

**Email:** [investors@sobha.com](mailto:investors@sobha.com)

**Phone:** +91 80 4932 0000

**Registered Office:** 'SOBHA', Sarjapur - Marthahalli Outer Ring Road (ORR), Devarabisanahalli, Bellandur Post, Bangalore - 560 103, Karnataka

## MEETING DETAILS

**Meeting Type:** PB

**Voting Deadline:** 14<sup>th</sup> April, 2023

**Notice Date:** 6<sup>th</sup> March, 2023

**Notice:** [Click here](#)

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

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

## E-VOTING DETAILS

**e-Voting Platform:** [LINKINTIME](#)

**Cut-off Date:** 8<sup>th</sup> March, 2023

**Remote E-voting:**

- **Start:** 16<sup>th</sup> March, 2023
- **Ends:** 14<sup>th</sup> April, 2023

**ADDENDUM REPORT RELEASE DATE:** 10<sup>th</sup> April, 2023

**Research Analyst:** Ashita Jobanputra

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



## ADDENDUM

This Addendum is being issued based on the e-mail dated 5<sup>th</sup> April, 2023 sent by Sobha 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 14<sup>th</sup> April, 2023.

**There is no change in any of the SES recommendations.**

### BACKGROUND

SES, as per its policy, had e-mailed its PA Report to the Company on 1<sup>st</sup> April, 2023 in respect of in respect of ongoing PB of the Company with e-voting deadline 14<sup>th</sup> April, 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**).

It may be noted that the email of the Company (as per SES policy framed to comply with SEBI Circular dated 3<sup>rd</sup> 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 6<sup>th</sup> April, 2023. This Addendum provides appropriate responses of SES, wherever required.

### SES COMMENTS ON COMPANY'S RESPONSE

#### Excerpt of Company Response:

*It may be noted that, with effect from April 01, 2023, the composition of the Board is five Non-executive Directors and one Executive Director after the promoter director vacates the executive position. Out of the five Non-executive Directors, four are Independent Directors. It is an ideal combination for any listed entity where the Company is moving towards independent professional management.*

**SES Comment:** SES has not raised any legal / compliance issue. SES agrees that having more Independent Professional management on board is a good governance practise.

*The threshold limit of 5% of Net Profit as remuneration to the Non-executive directors is for all the Non-executive directors (independent and non-Independent Directors) together and not for a single Non-executive Director. Mr. Ravi PNC Menon **is not going to draw any commission or monthly salary** from the Company for his service as Non-executive Director and Chairman. It is the upper overall limit proposed to be utilised if required, as detailed below for all the Nonexecutive directors together. The said amount will be utilised towards: - Independent Directors commission -Travel and other logistic Expenses of the Non-executive Directors -Guest house/Accommodation for the Non-executive Director etc. Since Mr. Ravi PNC Menon will not draw any commission or monthly salary, as a natural justice, the Company shall, at least incur the expenditure towards his travel, accommodation during his stay in India, Car etc., while he extends service to the Company in the Non-executive capacity.*

*Since currently the Company cannot assess /estimated /quantify the net profit to be calculated under section 198 of the Companies Act 2013, and the amount towards the remuneration which includes travel and accommodation, it was thought prudent to go for approval up to 5% of the net profits of the Company calculated pursuant to Section 198 of the Companies Act, 2013. **The expenses to be incurred for Mr. Ravi PNC Menon may exceed 50% of the remuneration payable to all the Non-executive directors** together and hence, approval of the shareholders is sought. It is re-iterated that and as stated in the explanatory statement to the Notice of the Postal Ballot, the said expenses if any, to be incurred for **Mr. Ravi PNC Menon will only for the travel, accommodation, Car, Telephone etc. and not for payment of any commission, salary etc.** Please note that only certain facilities will be provided for effective discharge of his duties.*

*It may be also noted that, the Company is paying sitting fees and commission to the Non-executive Directors (the existing composition is all four Non-executive directors are independent directors). As you are aware, Mr. Ravi PNC Menon is an Executive Director and the Company is paying up to 5% of the net profits towards his remuneration. After the change in the composition of the Board effective 1<sup>st</sup> April, 2023, the said remuneration to Mr. Ravi PNC Menon will be discontinued.*



**SES Comment:** The Company has given clarification on the resolutions of Postal ballot PA report. The explicit clarification that '*Mr. Ravi PNC Menon will not draw any commission or monthly salary*' was sent to SES privately and is not available in public domain.

Further, the resolution states that "expenses to be incurred for Mr. Ravi PNC Menon may exceed 50% of the remuneration payable to all the Non-executive directors" which means "**the travel, accommodation, Car, Telephone etc. and not for payment of any commission, salary etc**" can lead to Mr. Menon's remuneration to exceed by 50% of remuneration payable to all NEDs whereas it contradicts to company statement that says, no salary or commission will be paid to Mr. Menon. Also, company has not given any **absolute cap** on remuneration of NED.

The company has not clearly justified as to why the Percentage of commission has been increased and why is the resolution passed for approval of remuneration of Mr. Menon, if he is not going to draw any salary or commission.

The resolution and clarification on resolution given by company is ambiguous. Hence, there is no change in any of the SES recommendations.

*Mr. Ravi Menon an experienced /seasoned professional, having requisite qualification (Bachelor of science Civil Engineering) and having 19 years of in hand/ground level experience in the operation of the Company with expertise in areas of business strategy, quality assurance, technology advancement, design and engineering, sales and marketing, product delivery, project execution, and risk mitigation, process and information technology and customer satisfaction etc. It is not prudent to the Company to deny his voluntary free service. He would continue to support the Company strategically and his mentoring/guidance to the Company will continue in future as detailed in the explanatory statement of the Notice. We have seen his invaluable contribution in the growth of the Company nearly over two decades. The said service offered by Mr. Ravi PNC Menon is going to immensely benefit the Company in its growth trajectory. He will continue to play an important role in epitomising and building Brand SOBHA. It may be kindly noted that, though he is from the promoter category, his long association with the Company in the executive capacity has benefited the company in multiple fronts. Hence, denying his voluntary free service to the company is not logical. Further, it is not fair to expect that the promoters shall stay away and not participate in overall business activities of the Company as they are major investors in the Company.*

**SES Comment:** No concern is raised by SES on the profile, time commitment and attendance of Mr. Menon.

*Please note that pursuant to Regulation 19(2) of the SEBI (LODR) Regulations, 2013, the Chairperson of the listed entity, whether executive or non-executive, may be appointed as member of the Committee. However, Mr. Ravi PNC Menon, being interested party, did not participate in the discussion of the matter while placed before the Nomination, Remuneration and Governance Committee or the Board.*

**SES Comment:** SES understands that, although, Mr. Menon would not have participated in NRC meeting deciding his remuneration, however, to SES, it appears that the remuneration entitlement of Mr. Menon is influenced by his position.

#### **Concluding Thoughts:**

There is no clear justification as to why such a proposal would be needed if no salary or commission is being proposed for Mr. Menon. The Company has stated that it cannot assess /estimated /quantify the net profit to be calculated under section 198 of the Companies Act and thus '*it was thought prudent to go for approval up to 5% of the net profits of the Company calculated pursuant to Section 198*'.

Shareholders may seek clarification as to whether such approvals seeking "payment of remuneration to Mr. Ravi PNC Menon" may exceed 50% of the total annual remuneration payable to all Non-executive Directors upto an overall limit of 5% of the net profits of the Company in the form of reimbursements and other facilities are prudent business / financial decisions.

In absence of clear justifications, SES stands on the above proposals remains unchanged.

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

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**COMPANY'S EMAIL**

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*Dear Sir/Madam,*

*Please find attached our detailed feedback /response in respect of the recommendations made by you on the resolutions circulated to our shareholders through postal ballot for their approval.*

*Kindly go through the same in detail as your report contain misunderstanding on certain facts.*

*Basis the said response/feedback, we request you to appropriately revise/modify your recommendations. If you wish, I may discuss with you in detail.*

*Should you need any clarification/further information, please contact the undersigned.*

*Regards.*

*Attachment: [Weblink](#)*

## 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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