



Stakeholders Empowerment Services

Analyze >>> Educate >>> Empower

Proxy Advisory Report (Addendum)

Granules India Ltd

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

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](#)

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](#)

BRSR: SES has developed an Online web-based platform where in the Company can fill all its BRSR related data and generate its BRSR Report seamlessly online. [Read More](#)

BRSR Guide on relevant sector: [Read more](#)

COMPANY INFORMATION

BSE CODE: 532482

NSE SYMBOL: GRANULES

ISIN: INE101D01020

Industry: Pharmaceuticals

Email: investorrelations@granulesindia.com

Phone: +91 40 69043500

Registered Office: 2nd Floor, 3rd Block, My Home Hub, Madhapur, Hyderabad - 500 081 (TS)

MEETING DETAILS

Meeting Type: AGM

Meeting Date: 27th July, 2022 at 3:00 PM

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

Notice Date: 5th June, 2022

Notice: [Click here](#)

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

SES PA Report: [Click here](#)

E-VOTING DETAILS

e-Voting Platform: [KFintech](#)

Cut-off Date: 20th July, 2022

Remote E-voting:

- **Start:** 24th July, 2022
- **Ends:** 26th July, 2022

ADDENDUM RELEASE DATE: 18th JULY, 2022

RESEARCH ANALYST: HEMANT VAISHNAV

CONFLICT DISCLOSURE: SES - NO CONFLICT | ANALYST - NO CONFLICT

INTERACTION WITH THE COMPANY - NO INTERACTION

PROXY ADVISORY REPORT | FOR LIMITED CIRCULATION



ADDENDUM

This Addendum is being issued in response to e-mail dated 16th July, 2022 received by SES from Granules India Ltd ('the Company') w.r.t. Proxy Advisory Report ([PA Report](#)) issued by SES in relation to the 31st Annual General Meeting (AGM) of the Company to be held on 27th July, 2022.

There is no change in any of the SES recommendation. However, Shareholders may note the clarification provided by the Company

BACKGROUND

SES, as per its policy, had e-mailed its Proxy Advisory Report ([PA Report](#)) to the Company on 16th July, 2022 in respect upcoming AGM of the Company.

Post release of PA Report, SES received an email from the Company on 15th July, 2022 providing clarification with respect to the concern raised by the SES in its PA report which is reproduced hereinbelow 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 16th July, 2022. This Addendum provides appropriate observation of SES, wherever required.

SES COMMENTS TO COMPANY'S RESPONSE

Item 5: Reappoint Ms. Uma Devi Chigurupati (DIN: 00737689) as Whole Time Director for five years from 31 May 2022 and fix her remuneration

An entrepreneur, a successful businesswoman, sportsperson, and two-time Guinness Book of World Record holder, Mrs. Uma Devi Chigurupati is also the Executive Director of Granules India Limited. She spearheads the Corporate Social Responsibility and Human Resources functions in the Company. A post-graduate in Soil Microbiology from Nagarjuna University, she holds more than three decades of experience in Pharmaceuticals across various corporate functions.

Mrs. Chigurupati has been the Chairperson of FICCI FLO Hyderabad. During her tenure, she has taken up many initiatives to empower women at both grass root & white-collar levels.

Mrs. Chigurupati is also Director of KRSMA Estates Private Limited, one of India's premier boutique wineries. Under her tenure, she has established the vineyard in the Hampi Hills of Karnataka and has been vital to the ongoing operations at the site.

Human Resources as a function plays an extremely important role in any Company's growth journey. While Granules has recently appointed Uma Rao as Chief Human Resources officer, her appointment should not be viewed as a replacement to Mrs. Uma Devi Chigurupati. As you would appreciate, Granules is a global organization with presence in 80+ countries and 5000+ employees. In a constantly changing business environment especially after COVID-19, the importance of HR function has increased multi-fold and the Company believes appointment of Uma Rao will only strengthen the existing human resources function and will support Mrs. Uma Devi Chigurupati in the next growth phase of Granules.

As mentioned above, in addition to CSR, Mrs Uma Devi Chigurupati also oversees the entire HR function. In addition to these, she is also actively involved in day-to-day affairs of the business which is supported by the number of board meetings (86%) attended by Mrs Uma Devi Chigurupati in FY22. It would therefore not be right to compare her remuneration to the amount spent under CSR by the Company.

The remuneration payable to her is upto 0.5% of net profit which itself is the higher cap and the maximum remuneration payable under the Companies Act for all the executive directors together is upto 10%.

We would like to bring to your notice that, in the last fiscal year, the executive director's remuneration was reduced from 10% to 6% and thereby itself is reduced when compared to previous financial years. The roles and responsibilities of each director is clearly specified in our annual report from pages 31 through 38 and also explains the individual responsibilities of each executive directors.

We hope that the above explanations are sufficient to provide a favorable rating for the resolution.



Meeting Type: 31st AGMMeeting Date: 27th July, 2022

SES Comments: Shareholders may note that SES had not raised any concern with respect to the time commitment, past experience and profile of Mrs. Uma Devi Chigurupati on merit. The same has been mentioned as part of Rationale on page #23 of SES PA report. SES has raised governance concern as there is no absolute cap either on overall remuneration or variable components of remuneration. The relative cap of 0.5% of the Net profits enables the Company to pay any amount up to 0.5% of the Net profits of the Company, especially when the remuneration in the past had been quite excessive.

SES does not consider such approval indicative of good governance practice since it defeats the entire purpose of seeking shareholders' approval and undermines shareholders supremacy.

However, Shareholders may take note on the justification stated by the Company and accordingly take an informed voting decision.



COMPANY EMAIL DATED 16TH JULY, 2022

Dear Sirs,

This has reference to the notice of 31st AGM issued by Granules India Limited.

SES has recommended vote "AGAINST" item #5. In this regard, the Company would like to furnish the following additional information:

Item 5: Reappoint Ms. Uma Devi Chigurupati (DIN: 00737689) as Whole Time Director for five years from 31 May 2022 and fix her remuneration

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We hope that the above explanations are sufficient to provide a favorable rating for the resolution.

Thanks and Regards,



Meeting Type: 31st AGMMeeting Date: 27th July, 2022

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

SEBI Reg. No. INH000000016

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