



Stakeholders Empowerment Services

Analyze >>> Educate >>> Empower

Proxy Advisory Report (Addendum) Hindustan Construction Company 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 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: 500185

NSE SYMBOL: HCC

ISIN: INE549A01026

Industry: Civil Construction

Email: secretarial@hccindia.com

Phone: 91-22-25751000

Registered Office: Hincon House, Lal Bahadur Shastri Marg, Vikhroli (West), Mumbai 400 083, India

MEETING DETAILS

Meeting Type: EGM

Meeting Date: 14th February, 2023 at 11:00 AM

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

Notice Date: 6th January, 2023

Notice: [Click here](#)

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

Main Report: [Link](#)

E-VOTING DETAILS

e-Voting Platform: [NSDL](#)

Cut-off Date: 7th February, 2023

Remote E-voting:

- **Start:** 10th February, 2023
- **Ends:** 13th February, 2023

REPORT RELEASE DATE:

RESEARCH ANALYST: Shambhavi Jha

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



ADDENDUM

This Addendum is being issued based on the e-mail dated 9th February, 2023 sent by Hindustan Construction Company Ltd ('the Company') w.r.t. Proxy Advisory Report ('[PA Report](#)') issued by SES in relation to the EGM of the Company.

There is no change in SES recommendation on Resolution #1 and #2.

BACKGROUND

SES, as per its policy, had e-mailed its [PA Report](#) to the Company on 6th February, 2023 in respect of the EGM of the Company dated 14th February, 2023.

Post release of the 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 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 10th February, 2023. This Addendum provides appropriate responses of SES, wherever required.

SES COMMENTS ON COMPANY'S RESPONSE

Alteration in Article of Association of the Company

The existing Articles of Association provides that Managing Director and Whole Time Directors shall not be liable to retire by rotation. You will appreciate that the rationale for Alteration in Articles of Association is to ensure that the Managing Director, who is a professional person, should not stay as Director in perpetuity to ensure proper accountability. Also, another objective is to ensure that Mr. Ajit Gulabchand, who is already a non-retiring director, should continue as such after relinquishing his position as Managing Director of the Company with effect from April 01, 2023. Hence, the proposed alteration is justified from the above perspective.

SES Response: SES acknowledges that the proposed Alteration in the AOA is compliant with law, but SES has raised a governance concern in the resolution. Appointment of any Director for a perpetual term, is not viewed as a good governance practice and not being shareholder-friendly.

Hence, SES had identified concern with the alteration in the AOA mainly, on account of the fact that the Articles provides for Directorship on the Board, on a non-retiring basis.

Re-appointment of Mr. Ajit Gulabchand as Director, not liable to retire by rotation and as the Non-Executive Chairman of the Company with effect from April 01, 2023, and payment of remuneration for a period of 3 years commencing from April 01, 2023.

Mr. Ajit Gulabchand is serving the Company since last 4 decades and has spearheaded the Company's transformation from a construction major into a diversified infrastructure group of global scale, developing and building responsible infrastructure through next practices. As a better governance initiative, he has opted to handover the baton of managing the Company to a professional Managing Director with effect from April 01, 2023. He is already acting as a non-retiring director and no change in such status is proposed by the current handover of executive responsibilities.

Moreover, in the present complex and challenging business environment, there is a continuing need to formulate competitive strategies and review the business on an ongoing basis to provide the much-needed impetus to bolster the growth prospects of the Company and with his diverse experience and knowledge, Mr. Ajit Gulabchand would be able to contribute positively and effectively in this regard. In consideration of significant contribution expected to be received from him, the remuneration proposed by the Nomination and Remuneration Committee is in line with the expected strategic benefits and less than the remuneration paid by the comparable industries for similar positions as duly highlighted in the Report. In view of the above, the proposed resolution is fully justified.

SES Response: SES understands that as a promoter and former CMD of the Company, Mr. Ajit Gulabchand has contributed significantly in the growth of the Company. However, post his re-designation, SES is of the view that his remuneration must be evaluated as a Non-



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Executive Director. Further, it may be noted that scope and role of Managing Director is significantly different than that of a NED, as the role of a WTD also includes day-to-day operations of the Company.

Consequently, based on the comparison between the remuneration proposed to be paid to Mr. Gulabchand and Mr. Bhullar as well as other NEDs, SES observed the remuneration appears to be excessive, in both regards.

Hence, SES recommendation remains unchanged in w.r.t resolution #1 and #2.

However, shareholders may take note of the Company's email.



COMPANY'S EMAIL

Dear xxxx,

Please find below our reply to the proposed resolutions in the forthcoming EGM of the Company scheduled to be held on Tuesday, February 02, 2023, for doing the needful at your end.

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With Regards,



Meeting Type: EGM

Meeting Date: 14th February, 2023**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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