

Proxy Advisory Report(Addendum)

NIIT 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

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 –
jng@sesgovernance.com | mannshi.singh@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](#)

COMPANY INFORMATION

BSE CODE: 500304

NSE SYMBOL: NIITLTD

ISIN: INE161A01038

Industry: Education

Email: info@niit.com | investors@niit.com

Phone: +91 124 4293000

Registered Office: Plot No. 85, Sector 32, Institutional Area, Gurugram 122001, (Haryana)

MEETING DETAILS

Meeting Type: PB

Voting Deadline: 2nd August, 2023

Notice Date: 24th May, 2023

Notice: [Click here](#)

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

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

E-VOTING DETAILS

e-Voting Platform: [NSDL](#)

Cut-off Date: 28th June, 2023

Remote E-voting:

- **Start:** 4th July, 2023
- **Ends:** 2nd August, 2023

ADDENDUM REPORT RELEASE DATE: 31st July, 2023

RESEARCH ANALYST: Shraddha Bansode

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



ADDENDUM

This Addendum is being issued based on e-mail dated 29th July, 2023 sent by NIIT Ltd ('the Company') to SES w.r.t. Proxy Advisory Report ('[PA Report](#)') issued by SES in relation to the ongoing Postal Ballot of the Company.

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 27th July, 2023 in respect of ongoing Postal Ballot 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**)

BACKGROUND

Company's Clarification:

1. *We note your concern in line with your voting guidelines on appointment of an Executive Director as Chairperson of the Board. However, we would like to submit that in certain situations having an Executive Director as Chairperson may be in the interest of minority shareholders as well.*

A Chairman who is also an Executive Director can provide a unified direction and leadership to the company, which can result in more streamlined decision-making and strategic planning, as well as ensure consistency in the communication and execution of the company's strategy and goals. As an Executive Director, the individual would have a profound understanding of the company's day-to-day operations, which they can leverage to make more informed decisions as the Chairman. It allows for quicker decision-making as it removes the need for coordination between two separate roles, which can be especially beneficial in situation where Company is undergoing disruption/transformation.

Please note that NIIT has recently been demerged into two companies via a Composite Scheme of Arrangement. Mr. Sapnesh Kumar Lalla who was the Executive Director and Chief Executive Officer has also moved to NIIT Learning Systems Limited, which now comprises the Corporate Learning Business Undertaking of the Company.

As stated in the Postal Ballot Notice, post demerger, the Company shall only focus on the Skills and Careers [SNC] business. This business is at its development stage with a large headroom for growth in the next few years - both in imparting training indirectly through institutions and directly to individual learners. Mr. Pawar is the visionary who had started NIIT in 1981 and created the IT training industry at a time when the awareness of computers was non-existent in the country. NIIT was one of the earliest startups then, and under his leadership, the company grew to a leadership position at the global stage.

Covid-19 had disrupted the Skills & Careers business due to several restrictions that required swift action and rapid transformation of the business. While the business is back on its path of growth, the transformation is ongoing.

The Company believes that his skills, experience, mentoring after mentoring ability, industry and government institution networking could be crucial to accelerate the expansion of NIIT Limited in the coming years.

2. *With regard to your comment on concentration of power on a single person, it must be noted that Mr. Pawar was already a board member and non-executive chairperson of NIIT Limited and has been associated with NIIT Limited for the past 41 years. As already explained in the postal ballot notice, granting him executive role is crucial for the growth of the Company as the Company can flourish under his guidance and mentorship and shall not make any difference to the total board constitution and management of the Company.*

It is also pertinent to note NIIT's board consists of a total of 10 directors. Out of the total of 10 directors, 5 directors are independent director. All the decisions taken by the board of NIIT are required to be approved by majority of directors as per the



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provisions of the Companies Act, 2013. The position of Managing Director and Chairmanship is held by two different individuals. Also, all the Statutory Committees of the Company are Chaired by Independent Directors. Therefore, Mr. Pawar's being executive director in addition to the Chairman of the board of NIIT will not in anyway lead to concentration of power.

Further, Mr. Pawar is member of Nomination and Remuneration Committee which consists of [3] i.e majority of Independent Directors and member Corporate Social Responsibility Committee which consists of 2 Independent Directors. Therefore, all the decisions even at the Committee level will require approval of the Independent Directors.

4. Lastly, we want to submit that redesignation of Mr. Pawar as Executive Director while he is also the Chairperson of NIIT Limited is in compliance with the applicable laws and in the interest of the Company as well as its shareholders.

SES COMMENT on 1, 2 & 4: SES in its Report has mentioned that the **appointment is compliant with law** and has raised concern w.r.t. appointment of Mr. Rajendra Singh Pawar **purely on governance basis** and as per the criteria laid down by SES.

Although, no concern has been identified on the merits of Mr. Rajendra Singh Pawar, however, SES as a policy raises concern regarding the appointment/ re-appointment/ remuneration of the appointee in case the person is holding the dual position of Chairman & ED/MD.

SES would like to re-iterate that, although, there is **no legal bar** on the Chairman of the Company from holding Executive position, SES is of the view that the Company should have separated the position, since, combining both the positions may lead to concentration of powers in the hands of a single person.

In view of the above there is no change in SES recommendation, however, shareholders may take note of the clarification provided by the Company.

3. With regard to the comment on disclosure of Variable Pay to Mr. Rajendra Singh Pawar, please note that the remuneration details mentioned in table "PAST REMUNERATION OF THE DIRECTOR" on page 3, is not correct. In past three financial years, Mr. Pawar had only received Fixed Remuneration and Sitting fees (being Non-Executive Director). No "Variable Pay" was paid to him in last three financial years. Also, the Company has not proposed any variable component in his remuneration for the proposed term. Therefore, Variable Pay is not forming the part of the remuneration breakup.

In the table, "Sitting Fees" has been misclassified as "Fixed Pay" and "Fixed Pay" has been misclassified as "Variable Pay". As stated above, there was no variable pay. The correct table is as mentioned below:

In ₹ Crore	FY 20/21			FY 21/22			FY 22/23		
Executive Director	Fixed Pay	Variable Pay	Total Pay	Fixed Pay	Variable Pay	Total Pay	Fixed Pay	Variable Pay	Total Pay
Rajendra Singh Pawar	0.10	0.18	0.28	0.08	1.01	1.09	0.11	1.03	1.14

SES COMMENT:

The Company in its notice of Postal Ballot has made the following disclosure w.r.t. remuneration of Mr. Rajendra Singh Pawar:

Past remuneration	Year	
	2022-23	₹ 11,348,996 (including sitting fees of ₹ 1,060,000/-)
	2021-22	₹ 10,887,244 (including sitting fees of ₹ 780,000/-)
	2020-21	₹ 2,801,048/- [including sitting fees of ₹ 1,040,000/-; considering the unprecedented circumstances under Covid-19 pandemic and various actions taken by the Company including containment of the expenses of the company in FY21 to the lowest level possible, he was not paid remuneration (except approved perquisites) during April 1, 2020 till January 31, 2021, as



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		<i>approved by members]</i>
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However, company has clarified that, in past three financial years, Mr. Pawar had only received Fixed Remuneration and Sitting fees (being Non-Executive Director). No “Variable Pay” was paid to him in last three financials years. Shareholders may take note of the clarification provided by the Company w.r.t. remuneration of Mr. Pawar.

COMPANY’S EMAIL

*****,

This is with reference to Proxy Advisory Report dated July 26, 2023, issued on Postal Ballot Notice dated May 24, 2023 of NIIT Limited.

Please take note of the observations on the aforesaid Report as per our attached reply.

You are requested to consider our response and share it with the updated report with the investors.

Best Regards,

Please find the [link](#) of Company’s response.



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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

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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

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