

Proxy Advisory Report (Addendum)

Dalmia Bharat 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 –
esgdata@sesgovernance.com

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COMPANY INFORMATION

BSE CODE: 542216

NSE SYMBOL: DALBHARAT

ISIN: INE00R701025

Industry: Cement & Cement Products

Email: corp.sec@dalmiabharat.com

Phone: +91 43 2923 5132

Registered Office: Dalmiapuram Lalgudi Dist. Tiruchirappalli, Tamil Nadu 621651

MEETING DETAILS

Meeting Type: AGM

Meeting Date: 30th June, 2023 at 11:30 AM

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

Notice Date: 26th May, 2023

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

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

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

E-VOTING DETAILS

e-Voting Platform: [KFintech](#)

Cut-off Date: 23rd June, 2023

Remote E-voting:

- **Start:** 26th June, 2023
- **Ends:** 29th June, 2023

ADDENDUM RELEASE DATE: 27th June, 2023

Research Analyst: Sanika Sawant

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



ADDENDUM

This Addendum is being issued based on the e-mail dated 26th June, 2023 sent by Dalmia Bharat Ltd. ('the Company') w.r.t Proxy Advisory Report ('[PA Report](#)') issued by SES in relation to the upcoming AGM of the Company to be held on 30th June, 2023.

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

BACKGROUND

SES, as per its policy, had e-mailed its Proxy Advisory Report to the Company on 21st June, 2023 in respect of upcoming 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 dated 26th June, 2023 (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.

This Addendum provides appropriate responses of SES, wherever required.

SES COMMENTS ON COMPANY'S RESPONSE

Company's response:

Agenda No# 3: Ordinary Resolution to appoint a Director in place of Mr. Yadu Hari Dalmia (DIN: 00009800), who retires by rotation and being eligible, offers himself for re-appointment

Mr. Yadu Han Dalmia Industrialist is a qualified Chartered Accountant and a stalwart in the Industry having more than four decades of experience. You have pointed out that the Company is non-compliance of SEBI LODR Regulations by appointing Mr. Yadu Hari Dalmia, aged 76 years with ordinary resolution. In this regard, we would like to draw your kind attention that the shareholders in their AGM held in 2021, already approved to have his continuation of appointment beyond 75 years and passed a special resolution. The explanatory statement attached to said notice of AGM already provided justification of continuation of appointment. Therefore, the Company is already in compliance of Regulation 17(1A) of SEBI LODR Regulations. Further, the resolution proposed to be passed at item no. 3 is required to be passed pursuant to provisions of Section 152 Companies Act, 2013 and such agenda is to be taken up as Ordinary Business item at AGM. Therefore, we are of the view that, the Company is not required to pass special resolution for an Ordinary Business agenda.

In view of the above, please re-consider your advice and suggest the investors to vote "FOR" the resolution.

SES Comments:

SES had raised compliance concern regarding the continuation of directorship of Mr. Yadu Hari Dalmia (aged 76 years) as a Non-Executive Director by passing 'ordinary' resolution instead of 'special' resolution as required under SEBI LODR Regulations. SES in its report has stated that "Although, the Company had obtained the approval for continuation of Mr. Yadu Hari Dalmia by way of special resolution in 2021 AGM, the Regulation specifically states that **appointment or continuation of directorship** of a Non-Executive Director who had attained the age of 75 years requires Special Resolution with justification."

As also stated in the report, it seems to be the case that the Company has misinterpreted the law and considers one-time approval by special resolution to be enough, whereas SES is of the view that a special resolution has to be obtained each time the Company seeks appointment/Re-appointment of a Non-executive director aged 75 above unless the Company has approved the Continuation of Directorship for a fixed term by special resolution. Therefore, this is not a one-time approval, rather, recurring, whenever the appointee is proposed for re-appointment.

However, SES has not raised concern regarding merit of the appointee.

Agenda No# 4 and 5: Special Resolutions for re-appointment of Mr. Gautam Dalmia (DIN:00009758) and Mr. Puneet Yadu Dalmia (DIN:00022633), as Managing Directors for five years from 30 October 2023 and fix his remuneration for three years:



Both Mr. Gautam Dalmia and Mr. Puneet Yadu Dalmia had been instrumental in the growth and development of the Company during their tenure in the Company. Under their leadership, the Company has achieved many notable milestones. The Cement capacity of the Company had increased from 3.5 MTPA in 2008 to 41.1MTPA at present. During last Y23, the Company delivered a volume growth of 15.9% at a volume of 25.7 million tons and revenue growth of 20% YOY at Rs.13,540 crores respectively. This growth of 15.9% is more than 1.5x of all India demand growth. During last quarter, the Company had the highest ever sales volume and absolute revenue in any quarter with volume of 7.4 million tons and revenue at Rs.3,912 crores respectively.

The Company has already announced and is implementing expansion and growth plans with a vision to be a pure play pan India leading cement company with a capacity of 110 to 130 MTPA by FY 2031. At the same time the Company continue to war on the path of becoming carbon neutral by 2040. The leadership of both Mr. Gautam Dalmia and Mr. Puneet Yadu Dalmia is critical for such a massive growth and expansion of the Company. The remuneration proposed to Mr. Gautam Dalmia and Mr. Puneet Yadu Dalmia are with marginal increment of 9% and 6% from their present compensation, respectively. This is maximum remuneration. The Board has authority to fix lower remuneration as well. The said remuneration is 2.47% of EBIDTA for FY 2023 which is well within the range of peers.

Mr. Gautam Dalmia, Managing Director is a Bachelor of Science and holds Master's Degree in Electrical & Electronics Engineering from Columbia University. He has around three decades of rich and varied experience in the cement and sugar industries and has been involved in the leadership role of the Company and has been instrumental in growth and development of the Company during his tenure in the Company. Under his leadership, the Company has achieved many notable milestones. Further, Mr. Puneet Yadu Dalmia, Managing Director holds a B.Tech. Degree from the Indian Institute of Technology, Delhi and is a gold medalist from the Indian Institute of Management, Bangalore in Strategy and Marketing. Mr. Puneet Yadu Dalmia conceptualised the growth strategy and governance architecture of the Group to focus on its core businesses and is spearheading the growth plans for the Group. Considering the aforesaid, both of them have been devoting their sufficient time to both cement as well as sugar companies of the group.

In view of the above, re-appointment of both Mr. Gautam Dalmia and Mr. Puneet Yadu Dalmia as Managing Director is critical, highly desirable and will be in the interest of the Company. Accordingly, please re-consider your advice and suggest the investors to vote "FOR" the resolutions.

SES Comments:

The proposed approval is sought for payment in excess of limits under Regulation 17(6)(e) of SEBI LODR and the Company has not provided any absolute cap on variable pay. Therefore, effectively there is no absolute limit on the remuneration that can be paid to them. SES is of the opinion that the Cap is not fixed in absolute terms. SES is of the opinion that company must place an absolute cap on variable payable. As the director's remuneration is compared with the Net profit of the company i.e. **23.24%** which is massive. Due to proposed commission and remuneration package of past, SES is raising governance concern.

Mr. Gautam Dalmia **holds 2 full time positions** in MD at Dalmia Bharat Limited, Dalmia Bharat Sugar and Industries Limited. both the Companies are engaged in unrelated business. SES is of the opinion that to fulfil one's responsibilities as a director with diligence, an individual should not hold more than one full-time position. Hence SES is raising a concern regarding the appointment of Mr. Gautam Dalmia.

However, SES has not raised concern regarding merit of the Directors.

Agenda No# 6: Ordinary Resolution to re-appoint Yadu Hari Dalmia (DIN: 00009800) as advisor in Dalmia Cement (Bharat) limited, a wholly owned subsidiary, for five years from 31 October 2023 and fix his remuneration:

Mr. Yadu Hari Dalmia Industrialist is a qualified Chartered Accountant and a stalwart in the Industry having more than four decades of experience and not drawing any remuneration except as an Advisor and the proposed remuneration is just around 8% increment to his present compensation. His longstanding association with DCBL and wide experience in the industry would play as a catalyst to the proposed growth plan of the Company. In his role Mr. Yadu Hari Dalmia as Advisor to Dalmia Cement (Bharat) Limited, the wholly owned subsidiary of the Company, considering his experience of more than four decades in the cement industry, will advise on strategy, growth and expansion projects etc. of DCBL. In you consider the fees charged by any leading consultants like, McKinsey, BCG, Bain & Company or any similar consultants, the same is as per industry standard, Considering the above facts, your recommendations to vote against the resolution is inappropriate and we request you to reconsider the same.



SES Comments: SES is of the view that the proposed remuneration of Mr. Yadu Hari Dalmia is ₹ 90,41,667 per month i.e ₹.10.85 crore per annum. However, appears to be excessive as compared with the other KMPs who are non- promoters in the Dalmia Cement Bharat Ltd.

Also, SES is of the opinion that in the FY 2021-22 Annual Report of Dalmia Cement Bharat Ltd Mr. Yadu Hari Dalmia is paid more remuneration as compared with the other two advisors on the [board](#). Further, the Company has not provided adequate justification for the proposed remuneration regarding the disproportionate Remuneration. In the view of the above, SES is raising concern regarding the proposed approval.

However, SES has not raised concern regarding merit of the Director.

Agenda No# 7: Special Resolution to appoint Mr. Paul Heinz Hugentobler (DIN: 00452691), as Independent Director for five years from 1 July 2023 and approve continuation of his directorship on attaining 75 years of age:

Mr. Paul Heinz Hugentobler, aged 74 years, is an industry expert and proposed for appointment as Independent Director. Mr. Paul is a doyen in the cement and building materials industry and the Company will be immensely benefited by the experience and expertise. The Board has considered him suitable and proposed Special Resolution considering his age. As an independent Director in the Company he is bound by the provision of Section 149 of the Companies Act, 2013 read with Regulation 17 of the SEBI LODR. Also the code of conduct and confidentiality of the Company is applicable to the proposed appointment. His association with J K Cement and concern of conflict of interest would involve only, in case, any transaction would be entered into by the Company with J K Cement and in that case, applicable provision of the Companies Act, 2013 as well as the SEBI LODR would be applied.

In view of the above, your contention of conflict of interest is inappropriate and doesn't stand before law, therefore request you to re-consider and change your recommendation. Further the resolution is proposed as Special Resolution.

SES Comments:

Mr. Paul Heinz Hugentobler is proposed to be appointed to the board as an Independent Director w.e.f. 1st July, 2023 for a period of 5 Years. His association with the group is already 9 years. SES recommends that entire association (including proposed term) of the director should be considered while judging director's independence as the spirit behind the provision of law recognizes that long tenure does impact independence.

Further, Mr. Paul Heinz Hugentobler is on the Board of competitor company J K Cements Ltd since 17th May, 2014. In the opinion of SES His directorship in J K Cement Ltd may lead to conflict of interest as he is as an Independent Director in the competitor company and these situations must be avoided by the Company, therefore SES raised the Governance Concern not Compliance Concern.

SES has not raised concern regarding merit of the Director.

However, Shareholders may take note of Companies Clarification regarding the Conflict of interest.

Agenda No# 9: Ordinary Resolution for payment of commission to Non-Executive Directors upto 1% of profit, from 1 April 2023:

The commission paid in the past has been reasonable and was in the range of 0.4% to 0.8% of standalone profits before tax. This resolution is a renewal of the resolution passed earlier and for payment of commission well within the allowed limit. The Commission would be decided on year on year basis as per the profitability position of the Company and performance of the Directors, as per the NRC Policy of the Company.

The earlier provision for fixing the resolution for five years was done away with in the law and accordingly, the resolution was proposed without any period and can be reconsidered by the Board as per applicable law/change in law.

In view of the position clarified above, request you to re-consider your re-recommendation.

Hope the above would clarify the position and re-considering the recommendations would be as per your voting guidelines and based on best practices on corporate governance followed globally and in India.

SES Comments:



SES has in its PA Report raised concern over Resolution #9 regarding Payment of Commission to Non-Executive Directors as the Company is seeking shareholders' approval for perpetuity and there is no absolute cap on amount of commission. The Company has not paid commission to its NEDs in the past. The Company has not stated a fixed period for which commission shall be payable.

SES is of the view that the approval should be sought for a fixed period and also maximum absolute amount since perpetual approval undermines shareholder approval. In view of the above, SES is raising Governance concern.

COMPANY'S EMAIL

Dear Sir/Madam,

Please find attached our detailed reply to the trailing email.

Hope you will consider our reply and reconsider your contentions.

Thanks & Regards

Attachment: [Click here](#)

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

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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.

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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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