



Proxy Advisory Report

Hindalco Industries Ltd

BSE Code: 500440 | NSE Code: HINDALCO | ISIN: INE038A01020

Sector: Non Ferrous Metals | Meeting Type: Annual General Meeting

e-Voting Platform: [NSDL](#)

e-Voting Period: 12th September, 2015 to 15th September, 2015

Meeting Date: 16th September, 2015 at 3:00 PM

Meeting Venue: Birla Matushri Sabhagar, 19, Sir Vithaldas Thackersey Marg,
New Marine Lines, Mumbai - 400 020

Notice: [Click here](#) | Annual Report: [FY 2014 - 15](#)

Company Email: hil.investors@adityabirla.com

Company Phone: +91 22 6662 6666 | Company Fax: +91 22 2422 7586

Company Registered Office: Century Bhavan, 3rd Floor, Dr. Annie Besant Road,
Worli, Mumbai - 400 030

SES RECOMMENDATIONS

TABLE 1 - AGENDA ITEMS AND RECOMMENDATIONS

S. No.	Resolution	Type	Recommendation	Focus
1	Adoption of Accounts	O	<u>FOR</u>	
2	Declaration of Dividend	O	<u>FOR</u>	
3	Re-appointment of Mr. Kumar Mangalam Birla as a Director	O	<u>AGAINST</u>	G/T
4	Re-appointment of Mr. Satish Pai as a Whole time Director	O	<u>FOR</u>	
5	Ratification of appointment of Statutory Auditors	O	<u>FOR</u>	
6	Ratification of the remuneration of Cost Auditors	O	<u>FOR</u>	
7	Approval of the appointment of Mr. Yazdi Dandiwala as an Independent Director	O	<u>FOR</u>	
8	Private Placement of Non-Convertible Debentures	S	<u>FOR</u>	
9	Modification/Amendment in appointment and terms & conditions of Mr. Satish Pai as Whole time Director	S	<u>FOR</u>	

O - Ordinary Resolution; S - Special Resolution

RESEARCH ANALYST: SUMIT TANK

#Focus Terminology

C - Compliance: The Company has not met statutory compliance requirements

F - Fairness: The Company has proposed steps which may lead to undue advantage of a particular class of shareholders and can have adverse impact on non-controlling shareholders including minority shareholders

G - Governance: 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.

T - Disclosures & Transparency: 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.

KEY ISSUE

Adoption of Accounts (Clubbed resolutions): Shareholders may note that the Company is seeking shareholders’ approval for adoption of standalone accounts and consolidated accounts in the same resolution #1. SES is of the opinion that these are two different items and the shareholders should be given the choice/ right to consider the items independent of each other, separately. SES does not consider bunching of resolutions a good governance practice.

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COMPANY BACKGROUND

TABLE 2 - MARKET DATA (As on 25th August, 2015)

Price (₹)	80.50	M Cap (₹ Cr.)	16,623.14	Shares*	2,06,49,85,760	PE Ratio #	17.97
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Standalone Data ; Source: BSE

 * As on 25th August, 2015

Based on EPS for FY 15

TABLE 3: FINANCIAL INDICATORS (STANDALONE)

(In ₹ Crores)	2015	2014	2013
Revenue	34,525.03	27,850.93	26,056.93
Other Income	882.21	1,124.42	983.09
Total Income	35,407.24	28,975.35	27,040.02
PBDT	2,083.94	2,508.67	2,750.83
Net Profit	925.16	1,413.33	1,699.20
EPS (₹)	4.48	7.09	8.88
Dividend per share (₹)	1.00	1.00	1.40
Dividend Pay-Out (%)	25.94	16.39	18.32
OPM (%)	10.51	11.11	12.23
NPM (%)	2.61	4.88	6.52

Dividend pay-out includes Dividend Distribution Tax. Source: BSE

TABLE 4: PEER COMPARISON (2015)

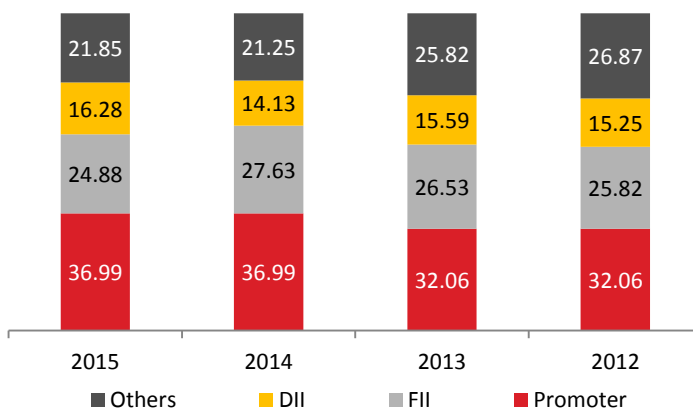
National Aluminium Company Ltd	
Revenue	7,382.81
Other Income	672.64
Total Income	8,055.45
PBDT	2,527.08
Net Profit	1,321.85
EPS	5.13
Dividend per share	1.75
Dividend Pay-Out (%)	39.65
OPM (%)	34.23
NPM (%)	17.90

TABLE 5: MAJOR PUBLIC SHAREHOLDERS (JUNE 15)

Life Insurance Corporation of India	13.32%
Merrill Lynch Capital Markets Espana S.A	2.15%
Skagen Kon-Tiki Verdipapirfond	1.45%
Bajaj Allianz Life Insurance Company Ltd	1.31%
Orbis Sicav- Asia Ex- Japan Equity Fund	1.18%
Dimensional Emerging Markets Value Fund	1.01%

TABLE 6: MAJOR PROMOTERS (JUNE 15)

IGH Holdings Pvt Ltd	16.95%
Turquoise Investments and Finance Pvt Ltd.	6.01%
Trapti Trading & Investments Pvt Ltd	4.51%
Grasim Industries Ltd	2.64%
Aditya Birla Nuvo Limited	1.62%
Pilani Investment & Ind. Corp. Ltd.	1.41%

SHAREHOLDING PATTERN (%) (30th JUNE)


Graph 1: Yearly Shareholding Pattern

DISCUSSION

The Company has issued 3,44,284 equity shares under Company's ESOP scheme during the period from 1st July, 2014 to 30th June, 2015. DII's holding has increased from 14.13% to 16.28% and FII's holding has decreased from 27.63% to 24.88% during this period. No other change has been observed in shareholding pattern of the Company.



BOARD OF DIRECTORS

TABLE 7 - BOARD PROFILE


Director		Classification		Expertise/Specialization	Tenure (Year)	[1] Directorship	[2] Committee Membership	Pay (₹ Lakh)
		Company	SES					
K. M. Birla	<u>U</u>	NED(C)(R)	NEDP(C)(R)	Industrialist	23	10(20)	-	350.81
Rajashree Birla		NED(R)(W)	NEDP(R)(W)	Philanthropist	19	10(20)	-	7.91
A. K. Agarwala		NED(R)	NED(R)	Finance	17	10(10)	-	11.58
M. M. Bhagat		ID	NID	Insurance Consultant	 19	8(0)	8(2)	12.01
K. N. Bhandari		ID	ID	Insurance	9	9(0)	6(4)	13.10
Jagdish Khattar		ID	ID	Marketing	4	4(8)	1(0)	7.31
Ram Charan		ID	ID	Legal	4	1(1)	-	4.40
Yazdi P. Dandiwala	<u>N</u>	ID	ID	Solicitor	-	4(0)	5(1)	-
D. Bhattacharya		MD(R)	MD(R)	General Management	12	1(2)	-	2,159.00
Satish Pai	<u>U</u>	ED(R)	ED(R)	General Management	2	2(3)	-	1,216.58

Reference: ED - Executive Director, NED- Non-Executive Director, ID - Independent Director, NID- Non-Independent Director, P- Promoter, W - Woman Director, R- Liable to retire by Rotation, U- Up for Re-appointment, N- New Appointment, MD- Managing Director, C- Chairman, CMD- Chairman and Managing Director

[1] Directorships show Directorships in Public Companies (Total Directorships which include Directorships in both Public and Private Companies) as per information available on MCA website as on 24th August, 2015.

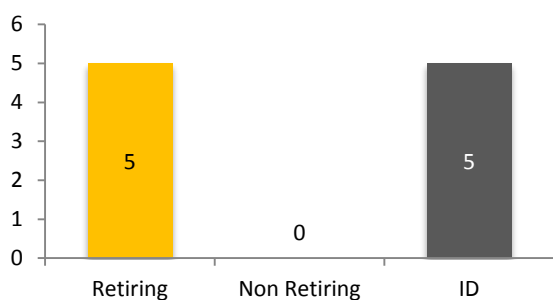
[2] Committee memberships include committee chairmanships

Note: Directorships, committee membership and committee chairmanship includes such positions in Hindalco Industries Ltd.

 Items deserving attention due to governance or contentious issues.

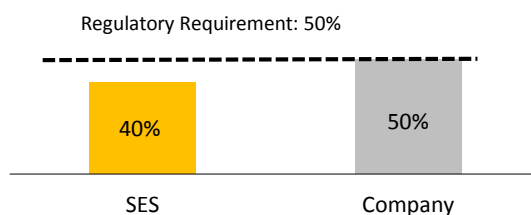
Mr. M M Bhagat has been associated with the Company for more than 10 years. The Companies Act, 2013 states that tenure of independent director should be restricted to 10 years. Although the Companies Act considers tenure post 2013 only, SES as a good governance practice and policy takes into account prior tenure also, as the spirit behind the provision of law recognizes that long tenure does impact independence. Therefore SES considers him as non-independent director.

BOARD COMPOSITION



Graph 2: Liable to retire by rotation (As per Company)

As per provisions of Section 149 and 152 of the Companies Act, 2013 Independent Directors shall not be liable to retire by rotation and unless provided by the Articles of the Company at least 2/3rd of the Non-Independent Directors should be liable to retire by rotation. All the non-independent directors are liable to retire by rotation. Therefore, the Company is compliant with the provision of Section 152 of the Companies Act, 2013.



Graph 3: Board Independence Classification

As per Clause 49(ii)(A) of the Listing Agreement, the Company should have at least 50% independent directors as the Board Chairman is a promoter non-executive director. However, as per SES, the Board is 40% independent as SES considers Mr. Bhagat as non-independent due to his long association with the Company.

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TABLE 8 - BOARD COMMITTEE PERFORMANCE

Committees	#	Chairman's Classification		Overall Independence		Number of Meetings	Attendance < 75%
		Company	SES	Company	SES		
Audit	3	ID	NID	100%	67%	5	-
Stakeholders' Relationship	2	ID	ID	100%	50%	6	-
Nomination & Remuneration	2 [#]	ID	NID	50%	0%	1	Mr. Birla (0%)
CSR	3	NED	NEDP	0%	0%	1	-
Risk Management	3 [*]	NED	NED	0%	0%	5	Mr. Bhattacharya (60%)

Reference: ED - Executive Director, NED- Non-Executive Director, ID - Independent Director, NID- Non-Independent Director, P- Promoter, C- Chairman, #- Number of Members

[#] Mr. N.J. Jhaveri (an Independent director) expired on 8th June, 2015.

^{*} Mr. Pai is appointed as a member of Risk Management committee on 13th November, 2014. He has attended only 1 meeting. However, the Company has neither disclosed the number of committee meetings held after his appointment nor the dates on which committee meetings held.

TABLE 9 - BOARD GOVERNANCE TABLE (AS PER SES)

Criteria	Status
What is the percentage of Independent Directors on the Board?	40%
How many Independent Directors have tenure greater than 10 years?	1
How many Independent Directors have Shareholdings > ₹ 1 Cr?	0
Is the Chairman Independent?	No
Is there a Lead Independent Director?	^[1] No
How many Independent Directors are ex-executive of the Company?	0
Have all directors been elected by the Company's shareholders?	^[2] Yes
Are any directors on the Board related to each other?	^[3] Yes
How many promoter directors are on the Board?	2
Did Independent Directors meet at least once without management?	Yes

^[1] Although the Independent Directors have met at least once without the management, however, the Company has not disclosed the Chairman of the meetings. SES as a policy considers an Independent Director as Lead Independent Director under three conditions:

- Chairman of the Company is an Independent Director (as per SES classification).
- The Company has disclosed that meeting of Independent Directors chaired by a particular Independent Director (as per SES classification).
- The Company has disclosed the name of the Lead Independent Director and Lead Independent Director is classified as Independent Director as per SES classification.

Since none of the above conditions are met by the Company, SES is of the opinion that the Company does not have any Lead independent Director.

^[2] Mr. Yazdi P. Dandiwala has been appointed as a director by the Board but his appointment is subject to approval of shareholders at the ensuing AGM.

^[3] No Director is related to any other Director on the Board, except Mr. Kumar Mangalam Birla and Mrs. Rajashree Birla. Mr. Kumar Mangalam Birla is the son of Mrs. Rajashree Birla.



REMUNERATION ANALYSIS

TABLE 10 - EXECUTIVE DIRECTORS' REMUNERATION

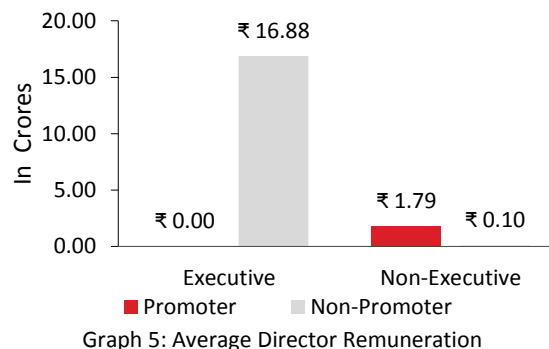
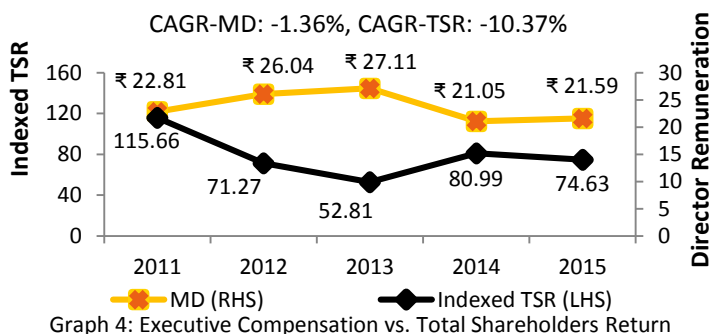
In ₹ Crore		2015		2014		2013		Ratio
		Fixed Pay	Total Pay	Fixed Pay	Total Pay	Fixed Pay	Total Pay	
D Bhattacharya	NP	15.24	21.59	14.30	21.05	20.6	27.11	518:1
Satish Pai	NP	9.17	12.17	5.14	5.14*	N.A.	N.A.	292:1

Note: Fixed pay includes basic pay, perquisites & allowances. P- Promoter, NP- Non- Promoter, Ratio- Ratio of ED's remuneration to Median Remuneration of Employees, ND- Not Disclosed

* Mr. Satish Pai was appointed as a Whole Time Director w.e.f. 13th August, 2013. The salary for the FY 2013-14 is for a part of the year.

The gap between remuneration of two EDs is significant and ratio of their remuneration is approximately 2:1. The Company needs to justify such a large gap between remuneration of two Executive Directors.

DISCUSSION - INDEXED TSR vs. EXECUTIVE REMUNERATION



Note: Indexed TSR (Total Shareholders Return) represents the value of ₹100 invested in the Company at beginning of a 5-year period starting 1st April, 2011. One period return is calculated as (Final Price - Initial Price + Dividend) / Initial Price.

The remuneration paid to managing director of the Company is reasonable given the size and performance of the Company. It can be inferred from the graph that the growth in total shareholders' return is less than the growth in remuneration of Mr. Bhattacharya as CAGR - TSR is -10.37% whereas CAGR of his remuneration is -1.36%.



DISCLOSURES

DISCLOSURE REQUIRED IN DIRECTOR'S REPORT

The Companies Act, 2013 requires the listed companies to make certain disclosures in Board's Report. The table below shows the status of compliance of such some important requirements, by the Company

<input checked="" type="checkbox"/> Content of Corporate Social Responsibility Policy in prescribed format (if applicable)	<input checked="" type="checkbox"/> Statement on performance evaluation of Board, Committees and Directors
<input checked="" type="checkbox"/> Extract of the Annual Return as per Form No. MGT 9	<input checked="" type="checkbox"/> Related Party Transactions as per Form No. AOC.2
<input checked="" type="checkbox"/> Company's policy on appointment of directors and criteria for determining qualifications, positive attributes, director's independence	<input checked="" type="checkbox"/> Ratio of the remuneration of executive director to the median employees remuneration
<input checked="" type="checkbox"/> Policy on remuneration of Directors, KMP and other employees	<input checked="" type="checkbox"/> Secretarial Audit Report
<input checked="" type="checkbox"/> Statement on declaration by Independent Directors	<input checked="" type="checkbox"/> Directors' Responsibility Statement
<input checked="" type="checkbox"/> Particulars of loans, guarantees or investments	<input checked="" type="checkbox"/> Details of establishment of Vigil Mechanism
<input checked="" type="checkbox"/> Statement indicating development and implementation of a risk management policy	<input checked="" type="checkbox"/> ^[1] Comments on qualifications made by Statutory Auditors/ CS

[1] The Secretarial Audit Report/ Auditors' Report does not contain any qualification, reservation or adverse remark.

RESOLUTION ANALYSIS**RESOLUTION 1: ADOPTION OF ACCOUNTS**

To receive, consider and adopt the Audited Financial Statements (including Audited Consolidated Financial Statements) for the year ended 31st March, 2015 and the Report of the Directors' and the Auditors' thereon.

SES RATIONALE

No Audit Qualifications. Financial statements compliant with Accounting Standards

SES RECOMMENDATION

This is a standard resolution. The Auditors have not raised any qualifications in their Report. No concern has been identified other than clubbing of resolutions. SES recommends that shareholders vote **FOR** the Resolution.

SES ANALYSIS

Note: Detailed analysis of the accounts is not within the scope of SES' activities. SES accepts the Report of the Directors and the Auditors to be true and fair representation of the company's financial position. The analysis below is aimed at enabling shareholders engage in discussions with the Board/ Management during the AGM.

AUDIT QUALIFICATIONS

The Auditors have not made any qualification in their Report.

AUDITORS' COMMENTS ON STANDALONE ACCOUNTS

The Auditors have emphasized the matter in Note No. 44 of Notes to Financial Statements. Their opinion is not qualified in respect of this matter.

AUDITORS' COMMENTS ON CONSOLIDATED ACCOUNTS

Without qualifying their opinion, the Auditors have emphasized the matter on following notes.

1. Note No. 40 to the consolidated financial statements which describes that as per the accounting policy of Novelis Inc., a wholly owned subsidiary, with respect to recognition of actuarial losses relating to pension and other post-retirement benefit plans in the actuarial gain/(loss) reserve instead of the Statement of Profit and Loss. Had the Group followed the practice of recognition of actuarial gains/losses on the aforesaid defined benefit plans in the Statement of Profit and Loss, Employee Benefits Expenses would have been higher by ₹ 1,516.50 crore (Previous year lower by ₹ 142.09 crore), Tax Expenses (Deferred Tax) would have been lower by ₹ 452.80 crore (Previous year higher by ₹ 77.43 crore), Net Profit for the year would have been lower by ₹ 1,063.69 crore (Previous year higher by ₹ 64.66 crore), Actuarial Gain/(Loss) Reserve would have been ₹ Nil (Previous year ₹ Nil) and Foreign Currency Translation Reserve would have been lower by ₹ 68.65 crore (Previous year lower by ₹ 126.39 crore).
2. Note No. 48 to the consolidated financial statements which describes that in compliance to the scheme of arrangement under Sections 391 to 394 of the Companies Act, 1956, approved by the Hon'ble Bombay High Court, vide order dated 29th June, 2009, the Management of the Company, during the year, has identified and adjusted provision for diminution in the carrying value of Investment in one of its Subsidiaries and a Jointly controlled entity, amounting to ₹ 35 crore and impairment loss of ₹ 62.29 crore (net of deferred tax of ₹ 32.97 crore) related to one of its cash generating units; against Business Reconstruction Reserve. This has resulted in



the profit before tax and profit after tax, reported for the year being higher by ₹ 130.26 crore and ₹ 97.29 crore, respectively.

3. Note No. 3(f) to the consolidated financial statements, explaining that the net profit/loss of an Associate has not been included in the consolidated financial statements for the reason stated therein. In our opinion and according to the information and explanations given to us by the Management, impact of the same is insignificant on the consolidated financial statements.

Unaudited accounts of the following entities have been included in the consolidated accounts:

1. The Auditors have not audited the consolidated financial statements/financial information of three foreign subsidiaries whose financial statements/financial information reflect total assets of ₹ 67,148.18 crore as at 31st March, 2015 (net), total revenue of ₹ 68,478.61 crore and net cash flow amounting to ₹ 930.78 crore for the year then ended on that date, as considered in the consolidated financial statements. These financial statements/financial information have been prepared by the Management of the Company and its subsidiaries, in accordance with the generally accepted accounting principles in India and other recognized accounting policies followed by the Company. These financial statements/financial information have been audited by a firm of Chartered Accountants and have been included in the consolidated financial statements of the Group on the basis of their Fit-For-Consolidation Report ("FFC") and Auditors opinion is based solely on those FFC reports.
2. The Auditors have not audit the consolidated financial statements/financial information of two foreign subsidiaries, whose financial statements/financial information reflect total assets of ₹ 1,864.31 crore as at 31st March, 2015 (net), total revenue of ₹ 334.14 crore and net cash flow amounting to ₹ 91.47 crore for the year ended on that date, as considered in the consolidated financial statements. These financial statements/financial information are audited as per the local laws of the respective countries and have been converted by the Management of the Company into Indian GAAP, and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of the subsidiaries, and our report in terms of sub-sections (3) and (11) of Section 143 of the Act, in so far as it relates to the aforesaid subsidiaries, is based solely on such financial statements/financial information which have been converted into Indian GAAP by the Management to the extent possible and have been reviewed by Auditors.
3. The Auditors have not audited the financial statements/financial information of two foreign subsidiaries, whose financial statements/financial information reflect total assets of ₹ 161.53 crore as at 31st March, 2015, (net), total revenue of ₹ 133.55 crore and net cash flow amounting to ₹ 9.39 crore for the year ended on that date, as considered in the consolidated financial statements. These financial statements/financial information are audited as per the local laws of the respective countries and have been converted by the Management of respective subsidiaries and the Holding Company, and Auditors report in terms of sub-sections (3) and (11) of Section 143 of the Act, in so far as it relates to the aforesaid subsidiaries, is based solely on such financial statements/financial information of the subsidiaries, which have been converted into Indian GAAP and certified by the Management of the respective subsidiaries and have been provided to Auditors by the Management of the Company.

The amount is non-material with respect to the consolidated accounts of the Company.

ACCOUNTING POLICIES

These financial statements are prepared in accordance with Indian Generally Accepted Accounting Principles (GAAP) under the historical cost convention on an accrual basis. GAAP comprises mandatory accounting standards as prescribed under Section 133 of the Companies Act, 2013 ('Act') read with Rule 7 of the Companies (Accounts) Rules, 2014, the provisions of the Act (to the extent notified) and guidelines issued by the Securities and Exchange Board of India (SEBI).



FINANCIAL INDICATORS

	FY 14/15	FY 13/14	Shift	Company's Discussion
Debtors Turnover	19.33	22.57	-14.39%	-
Inventory Turnover	4.01	3.25	23.49%	-
Interest Coverage Ratio	2.27	4.53	-49.77%	Due to higher interest capitalisation post ramp up of greenfield facilities.
Current Ratio	1.75	1.74	0.38%	-
Debt Equity Ratio	0.77	0.72	7.13%	-
Operating Profit Margin (%)	10.51	11.11	-5.44%	-
Net Profit Margin (%)	2.61	4.88	-46.43%	Not discussed
Operating Cash Flow/ Sales (%)	2.91	7.01	-58.54%	Not discussed

Source: Company's Annual Reports

SES is of the opinion that board should take note of structural shift (positive and negative both) in various financial parameters which have a bearing on company's future performance and positioning in market place and disclose an analysis of the same to shareholders. SES believes that 25% change either way should be the threshold for triggering analysis and disclosure requirements.

CONTINGENT LIABILITIES

(All figures in ₹ Crore)	FY 14/15	FY 13/14
Total contingent liabilities	6,119.88	5,659.07
Net worth of the Company	37,255.26	36,732.45
Contingent liabilities as a percentage of net worth	16.43%	15.40%

Source: Company's Annual Reports

Major portion of contingent liabilities is constituted by Corporate Guarantees Outstanding's given on behalf of subsidiary companies.

RELATED PARTY TRANSACTIONS

Outstanding (₹ Crore)	FY 14/15	FY 13/14	Shift	Comments
Investments, Deposits, Loans and Advances	14,446.97	15,042.20	-3.96%	Major in A V Minerals (Netherlands) N.V., Subsidiaries Co.
Guarantees and Collateral Securities given	5,270.26	5,287.03	-0.32%	Major given to Utkal Alumina International Limited. Subsidiaries Company
Payables	52.36	420.56	-87.55%	Major due to Lucknow Finance Company Limited, Subsidiaries Company
Receivables	19.73	8.07	144.49%	Major due from Utkal Alumina International Limited, Subsidiaries Company

Source: Company's Annual Reports

STANDALONE VS CONSOLIDATED ACCOUNTS

(In ₹ Crore)	Standalone Accounts			From Subsidiaries etc.			Consolidated Accounts		
	FY 14/15	FY 13/14	FY 12/13	FY 14/15	FY 13/14	FY 12/13	FY 14/15	FY 13/14	FY 12/13
Revenue	35,407	28,975	26,057	69,979	59,737	54,136	105,386	88,713	80,193
Net Profit	925	1,413	1,699	-71	762	1,328	854	2,175	3,027
Total Assets	76,000	73,770	66,619	67,138	65,411	53,971	143,139	139,181	120,590



(In ₹ Crore)	Standalone Accounts			From Subsidiaries etc.			Consolidated Accounts		
	FY 14/15	FY 13/14	FY 12/13	FY 14/15	FY 13/14	FY 12/13	FY 14/15	FY 13/14	FY 12/13
Net Worth	37,255	36,732	33,972	1,073	3,867	1,358	38,329	40,599	35,330
NPM (%)	2.61	4.88	6.52	-0.10	1.28	2.45	0.81	2.45	3.77
ROA (%)	1.22	1.92	2.55	-0.11	1.16	2.46	0.60	1.56	2.51
RONW (%)	2.48	3.85	5.00	-6.61	19.70	97.78	2.23	5.36	8.57

Source: Company's Annual Reports

The net profit margin of subsidiaries is negative. The profitability and return ratios of standalone accounts are much better compared to operations at subsidiaries.

RESOLUTION 2: DECLARATION OF DIVIDEND

Declaration of Dividend on Equity Shares.

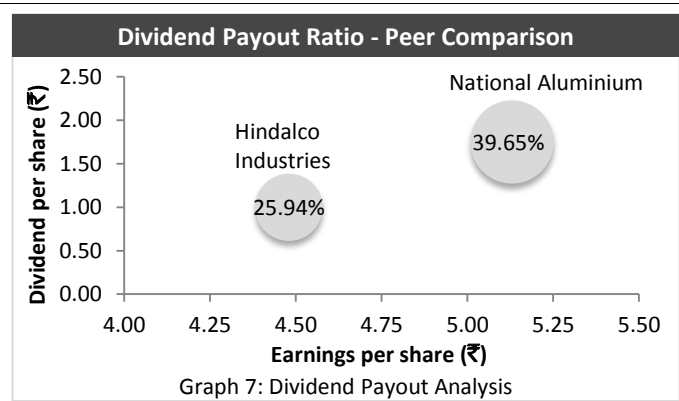
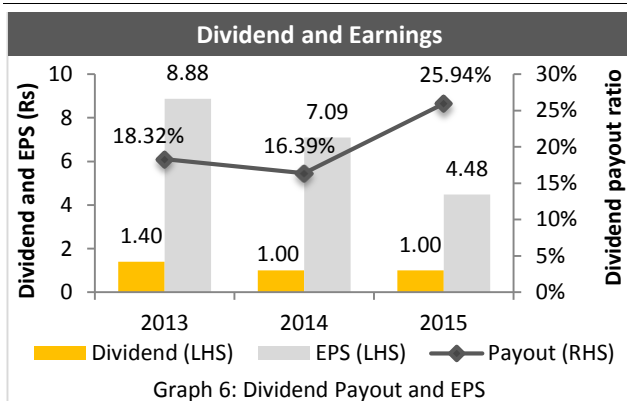
SES RATIONALE

The Company has sufficient cash/cash equivalent to pay the dividend.

SES RECOMMENDATION

This is a standard resolution. No concern has been identified. The Company has sufficient cash to pay the dividend. SES recommends that shareholders vote **FOR** the resolution.

SES ANALYSIS



The Board has recommend an equity dividend of ₹ 1.00 per share (100%) of the face value of ₹ 1 each for the financial year ended 31st March, 2015. The Company had declared and paid a dividend of ₹ 1.00 per share (100%) during previous financial year. The total equity dividend outgo for the financial year 2014-15, including dividend distribution tax, if approved, will absorb a sum of ₹ 246.11 crore, includes dividend distribution tax of ₹ 39.29 crore. (Previous year ₹ 241.55 crores, including dividend distribution tax). No concern has been identified. The Company has sufficient cash & cash equivalent to pay the dividend.

RESOLUTION 3: REAPPOINTMENT OF NON-EXECUTIVE DIRECTOR

#3: Re-appointment of Mr. Kumar Mangalam Birla, Director retiring by rotation.

SES RATIONALE

Skewed remuneration - Governance issue

SES RECOMMENDATION

In FY 2014-15, the remuneration paid to Mr. Birla was 39 times the average remuneration paid to the other non-executive directors of the Company. The Company has not made a clear disclosure on the reason for skewed distribution of remuneration amongst the non-executive directors of the Company. SES is of the opinion that the remuneration paid to Mr. Birla is excessive compared to that of other non-executive directors of the Company. Therefore, SES recommends that shareholders vote **AGAINST** the resolution. SES recommendation does not indicate whether the commission is justified on merit or not, however it does indicate that proper reasons are not given and disclosures are not of good governance standards.

SES ANALYSIS

DIRECTOR'S PROFILE

	Mr. Kumar Mangalam Birla
Current full time position	None
Functional Area	Industrialist
Education	ACA, MBA
Past Experience	Chairman of the Aditya Birla Group since 1995
Committee positions in the Company	NR (M)
Retirement by rotation	Retiring
Part of promoter group?	Yes
SES Recommendation	AGAINST

NR - Nomination & Remuneration Committee, M - Member

DIRECTORS' TIME COMMITMENTS

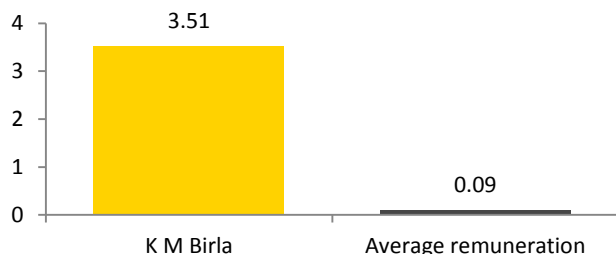
Criteria	Mr. Kumar Mangalam Birla
Total Directorships	20
Total Committee memberships	0
Total Committee Chairmanship	0
Full time role/ executive position	0

Note: Committee memberships include Committee chairmanships, Total Directorships include Directorships in Public as well Private Companies

DIRECTORS' PERFORMANCE

Attendance record	Mr. Kumar Mangalam Birla
Last 3 AGMs	3/3
Board meetings held last year	63%
Board meetings in last 3 years (avg.)	79%
Nomination & Remuneration Committee meetings	0%



DIRECTOR'S REMUNERATION
NED Remuneration (Crore)


Graph 8: NED remuneration

It should be noted that out of ₹ 4.26 crores paid as remuneration to non-executive directors, ₹ 3.51 crore (82%) was paid to Mr. K M Birla, a promoter non-executive director of the Company. His remuneration was 39 times the average remuneration paid to the other non-executive directors of the Company. SES believes that the remuneration policy of the Company is not transparent and is skewed in favor of the promoter director.

SES finds that the Company has not provided any justification on why Mr. Birla's commission is disproportionate to

commission paid to the other non-executive directors.

Shareholders may note that Mr. Birla himself is member of Nomination and Remuneration Committee. Shareholders would draw a conclusion that such a differential treatment is given to Mr Birla as he is the promoter chairman and extracting ownership premium. SES is confident that if proper reasons are given there would be, in all probability no objection from shareholders. However, since there is a lack of disclosures, the same will remain a presumption.

In conclusion, SES is of the opinion that the remuneration policy followed by the Company is not transparent and may not be fair. SES recommends that shareholders should seek clarifications on the non-executive directors' remuneration policy, from the Chairman of the Remuneration Committee of the Company and ask the Company to improve its disclosures. As majority of NRC is constituted by IDs, they have duty towards shareholders to explain and justify skewed remuneration policy, especially why they feel that as NED, their contribution is a fraction of contribution of Mr. Birla.

RESOLUTION 4 & 9: REAPPOINTMENT OF DIRECTORS

4: Re-appointment of Mr. Satish Pai, Whole time Director, retiring by rotation.

9: Modification/Amendment of the Special Resolution passed at the 54th and 55th Annual General Meeting for appointment and terms & conditions of Mr. Satish Pai as Whole time Director.

SES RATIONALE

4 & 9: No governance issue observed

SES RECOMMENDATION

4: No concern has been identified with respect to the profile, time commitments, performance and remuneration package of Mr. Pai. SES recommends that shareholders vote **FOR** the resolution.

9: The Company has proposed the resolution to provide Stock Appreciation Rights to Mr. Pai. No concern has been identified as it will constitute variable pay component of remuneration of Mr. Pai. SES recommends that shareholders vote **FOR** the resolution.

SES ANALYSIS

DIRECTOR'S PROFILE

	Mr. Satish Pai
Current full time position	ED – Hindalco Industries Ltd
Functional Area	Industry and Management
Education	B.E. (Mech.)
Part of promoter group?	No
Past Experience	28 years of work experience with Schlumberger Limited
Committee positions in the Company	RM (M)
Retirement by rotation	Yes
SES Recommendation	FOR

RM – Risk Management Committee, M - Member

PAST REMUNERATION OF THE DIRECTOR

In ₹ Crore	FY 14/15		FY 13/14*	
	Executive Director	Fixed Pay	Total Pay	Fixed Pay
Mr. Satish Pai	9.17	12.17	5.14	5.14

* Mr. Satish Pai is appointed as Whole Time Director w.e.f. 13th August, 2013. The salary for the FY 2013-14 is for a part of the year

DIRECTOR'S TIME COMMITMENTS

Criteria	Mr. Satish Pai
Total Directorships	3
Total Committee memberships	0
Total Committee Chairmanship	0
Full time role/ executive position	1

Note: Committee memberships include Committee chairmanships, Total Directorships include Directorships in Public as well Private Companies

DIRECTOR'S PERFORMANCE

Attendance record	Mr. Satish Pai
Last 3 AGMs	2/2
Board meetings held last year	88%
Board meetings in last 3 years (avg.)	91%

MODIFICATION OF REMUNERATION PACKAGE OF MR. SATISH PAI

The Company has proposed a resolution to include grant of Stock Appreciation Rights ("SARs") under the Long Term Incentive Compensation (LTIC) as may be determined by the Board of Directors to Mr. Pai. The Company has appointed Mr. Pai Whole Time Director w.e.f. 13th August, 2013 for a period of five years, approved by shareholders at AGM held in 10th September, 2013. No concern has been identified in this regard.

RESOLUTION 5 & 6: STATUTORY AUDITORS AND COST AUDITORS

5: Ratification of appointment of Statutory Auditor's viz. M/s. Singhi & Co.

6: Ratification of the remuneration of the Cost Auditors viz. M/s Nanabhoy & Co. for the financial year ending 31st March, 2016.

SES RATIONALE

5 & 6: Ratification compliant with law, no governance issue identified.

SES RECOMMENDATION



5: The ratification of Statutory Auditors is in compliance with the provisions of Section 139(1) of the Companies Act, 2013. No governance issue identified. SES recommends that shareholders vote **FOR** the resolution.

6: This is a standard resolution under Section 148 of the Companies Act, 2013. No concern has been identified in relation to ratification of Cost Auditors' remuneration for FY 2015-16. SES recommends that shareholders vote **FOR** the resolution.

SES ANALYSIS
DISCLOSURES

The Company has disclosed the name of the Auditors for ratification by shareholders in the ensuing AGM in Annual Report of FY 2014-15 and Notice of the ensuing general meeting.

AUDITORS' INDEPENDENCE

Auditors		Audit Partner	
Messrs Singhi & Company	 >19 years	Mr. Rajiv Singhi	 >19 years
Auditor's Network		Not applicable	

Mr. Rajiv Singhi is associated as Audit Partner for more than 19 years. SES is of the opinion that the audit partner should be rotated on a regular basis. As per Section 139(3) of the Companies Act, 2013 shareholders may resolve to provide that the auditing partner and his terms shall be rotated at regular intervals.

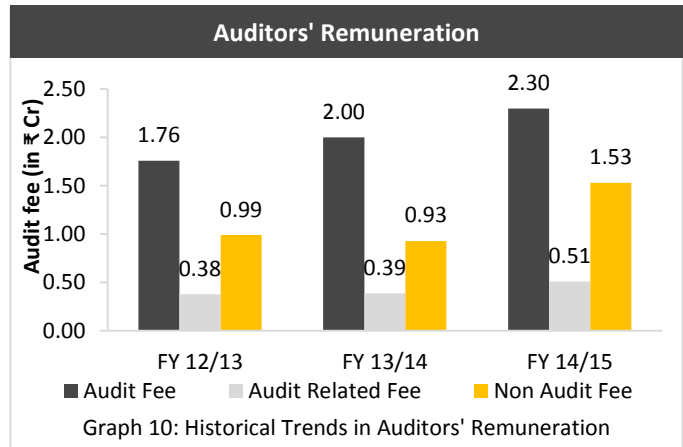
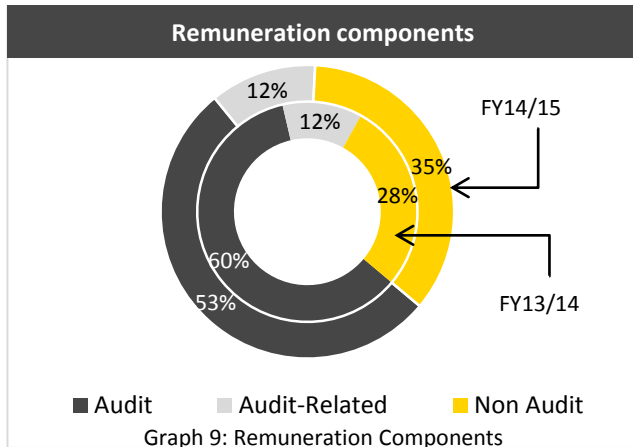
Section 139(3) Subject to the provisions of this Act, members of a company may resolve to provide that;

(a) In the audit firm appointed by it, the auditing partner and his team shall be rotated at such intervals as may be resolved by members; or

(b) The audit shall be conducted by more than one auditor

Financial interests in or association with the company: Not disclosed

AUDITORS' REMUNERATION



TERM OF APPOINTMENT

The current Auditors, Messrs Singhi & Company have been associated with the Company for 19 years. Provisions of the Companies Act, 2013 (Act) states that Auditors should not have tenure of over 10 years. Although the Act and the Rules thereunder provide for a transition period of 3 years in certain cases, SES is of the opinion that as a good governance practice, the Company should not allow its Auditors a term exceeding 10 years regardless of transitory provisions of Companies Act 2013.

In view of the provisions of the Companies Act, 2013 notified with effect from April 1, 2014 and the applicable Rules, the Company had appointed Messrs Singhi & Company, as Statutory Auditors in the last AGM held on 24th September, 2014 for a period of three financial years i.e. for FY 2014-15, 2015-16 and 2016-17, being the maximum additional tenure permissible for a firm under Companies Act, 2013.

In the ensuing Annual General Meeting, the Company is seeking shareholders' approval for ratification of appointment. Since the shareholders had already approved the appointment of Messrs Singhi & Company as Auditors for a term of 3 years in the last AGM, and this resolution is proposed for ratification of appointment, SES is not raising any concern.

COST AUDITOR REMUNERATION

The Board, on recommendation of the Audit Committee, has appointed M/s Nanabhoy & Co., as the Cost Auditors of the Company to conduct Audit of cost records of the Company for the financial year 2015-16.

M/s Nanabhoy & Co., have not furnished a certificate regarding their eligibility for appointment as Cost Auditors of the Company. The Board has recommended the remuneration of ₹ 10.00 lacs plus service tax, including cess, as applicable and reimbursement of actual travel and out of-pocket expenses payable to M/s Nanabhoy & Co., as the Cost Auditors of the Company for the financial year ending 31st March, 2016.

In terms of Section 148 read with Rule 14 of The Companies (Audit and Auditors) Rules, 2014, board is required to appoint cost auditors on the recommendation of the Audit Committee. Further, the remuneration to the cost auditors is to be approved by the board (on the recommendation of the audit committee) and is also required to be ratified subsequently by the shareholders.

To comply with the aforesaid provisions, the Company is seeking shareholders' approval to ratify the remuneration payable to M/s Nanabhoy & Co., as Cost Auditors of the Company for FY 2015-16 by an Ordinary Resolution. No concern has been identified in this regard.

RESOLUTION 7: APPOINTMENT OF INDEPENDENT DIRECTOR

Approval of the appointment of Mr. Yazdi Dandiwala as an Independent Director.

- for a term of five years till 13th August, 2020.

SES RATIONALE

No governance issue observed.

SES RECOMMENDATION

No concern has been identified with respect to the profile, time commitments and independence of Mr. Dandiwala. SES recommends that shareholders vote **FOR** the resolution.

SES ANALYSIS

COMPLIANCE

Is Company complying with the retirement policy?	Yes
Has the Company disclosed the Independence Certificate provided by the Independent Directors?	Yes
Has the Company disclosed the terms of appointment of Independent Directors?	Yes
Has the Company disclosed Board evaluation and Directors' Evaluation Policy?	Yes
Did Independent Directors meet at least once without the Management?	Yes

DIRECTOR'S PROFILE

	Mr. Yazdi P. Dandiwala
Current full time position	Partner - Mulla & Mulla and Craigie Blunt & Caroe, Advocates & Solicitors
Functional Area	Solicitor
Education	B.Sc., LL.B. Solicitor
Past Experience	Experience in Corporate Commercial law practice with vast experience in intricate transactions including mergers and acquisitions, joint ventures, investments by venture capitalists, etc.
Committee positions in the Company	Audit Committee (Member)
SES Recommendation	FOR

A - Audit Committee, M - Member

DIRECTOR'S INDEPENDENCE

Criteria	Mr. Yazdi P. Dandiwala
Current tenure/association	-
Directorships at group companies	None
Relationships with the Company	None
Shareholding	206
Remuneration (₹ Lakhs)	-
SES Classification	Independent

DIRECTOR'S TIME COMMITMENTS

Criteria	Mr. Yazdi P. Dandiwala
Total Directorships	4
Total Committee memberships	5
Total Committee Chairmanship	1
Full time role/ executive position	2



Note: Committee memberships include Committee chairmanships, Total Directorships include Directorships in Public as well Private Companies.

DIRECTOR'S PERFORMANCE

Mr. Yazdi Dandiwala is appointed as an Independent Director on the Board of the Company with effect from 14th August, 2015. Therefore, his performance is not discussed.

RESOLUTION 8: ISSUE OF NON-CONVERTIBLE DEBENTURES

Approval for offer or invitation to subscribe to Non-Convertible Debentures on a private placement basis.

SES RATIONALE

No dilution to equity shareholders. No governance issue identified.

SES RECOMMENDATION

This is an enabling resolution and since the securities to be issued are non-convertible in nature, these will cause no dilution to the existing shareholders. Hence, SES recommends that shareholders vote **FOR** the resolution.

SES ANALYSIS**OBJECTIVE OF THE ISSUE AS DISCLOSED BY THE COMPANY**

In order to augment resources for inter alia, the ongoing capital expenditure and/or refinancing/ repayment/prepayment of existing loans/ debentures and/ or for general corporate purposes, the Company may offer or invite subscription for secured / unsecured redeemable NCDs, in one or more series / tranches on private placement, issuable/ redeemable at par/discount/premium.

DETAILS OF THE ISSUE

Securities to be issued: Non-convertible debentures

Issue Type: Private Placement

Issue Size: ₹ 6,000 crore

Issue Pricing: Not disclosed

DILUTION TO SHAREHOLDING

There will be no dilution to the shareholders as the securities proposed to be issued are non-convertible in nature.

As per the provisions of Section 42 of the Companies Act, 2013 and the Companies (Prospectus and Allotment of Securities) Rules, 2014, a Company offering or making an invitation to subscribe to secured redeemable non-convertible bonds/debentures on a private placement basis, is required to obtain the prior approval of the shareholders by way of a special resolution, which can be obtained once a year for all the offers and invitations for such NCDs/bonds/other instruments during the year.

The Company had proposed the same enabling resolution on AGM held on 24th September, 2014 for issuance of Non-Convertible Debentures (NCDs) up to ₹ 6,000 Crores. The Company has not issued any debentures during FY 2014-15.

DISCLAIMERS**Sources**

Only publicly available data has been used while making the report. Our data sources include: BSE, NSE, SEBI, Capitaline, Moneycontrol, Businessweek, Reuters, Annual Reports, IPO Documents and Company Website.

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The analysts involved in development of this report certify that no part of any 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.

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Stakeholders Empowerment Services

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