



Proxy Advisory Report

Idea Cellular Ltd

BSE Code: 532822 | NSE Code: IDEA | ISIN: INE669E01016

Sector: Telecomm-Service | Meeting Type: Annual General Meeting

e-Voting Platform: [NSDL](#)

e-Voting Period: From 25th September, 2015 to 27th September, 2015

Meeting Date: 28th September, 2015 at 12:30 PM

Meeting Venue: Cambay Sapphire (Formerly Cambay Spa and Resort), Plot No. 22-24, Near GIDC, Opposite Hillwoods School, Sector 25, Gandhinagar – 382044

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

Company Email: shs@idea.adityabirla.com

Company Phone: +91 79 6671 4000 | Company Fax: +91 79 2323 2251

Company Registered Office: Suman Tower Plot No 18 Sector - 11, Gandhinagar, Gujarat - 382011

SES RECOMMENDATIONS

TABLE 1 - AGENDA ITEMS AND RECOMMENDATIONS

S. No.	Resolution	Type	Recommendation	Focus
1	Adoption of Audited Financial Statements	O	FOR	
2	Declaration of Dividend	O	FOR	
3	Re-appointment of Mrs. Rajashree Birla, Director retiring by rotation	O	FOR	
4	Re-appointment of Dr. Shridhir Wijayasuriya, Director retiring by rotation	O	FOR	
5	Ratification of Appointment of Statutory Auditors	O	FOR	
6	Ratification of remuneration to Cost auditors	O	FOR	
7	Re-appointment of Mr. Himanshu Kapania as the Managing Director of the Company for a period of five years	O	FOR	
8	Issue of Non-Convertible Securities on Private Placement Basis	S	FOR	
9	Related Party Transactions	S	FOR	

O - Ordinary Resolution; S - Special Resolution

RESEARCH ANALYST: GAURAV BANSAL

#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

Clubbed Resolution: Shareholders may note that the Company is seeking shareholders' approval for adoption of standalone and consolidated financial statements in the same resolution. 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 resolution a good governance practice.

COMPANY BACKGROUND

TABLE 2 - MARKET DATA (As on 8th September, 2015)

Price (₹)	146.10	M Cap (₹ Cr.)	52,586.70	Shares*	3,59,87,12,144	PE Ratio"	18.40
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Standalone Data ; Source: BSE

* As on 30th June, 2015

"Based on EPS for FY 15

TABLE 3: FINANCIAL INDICATORS (STANDALONE)

(In ₹ Crores)	2015	2014	2013
Revenue	31,279.47	26,179.47	22,086.87
Other Income	452.34	--	--
Total Income	31,731.81	26,179.47	22,086.87
PBDT	9,194.09	6,698.52	4,343.00
Net Profit	2,809.84	1,689.31	818.26
EPS (₹)	7.94	5.09	2.47
Dividend per share (₹)	0.60	0.40	0.30
Dividend Pay-Out (%)	8.78	9.13	14.12
OPM (%)	32.37	27.97	23.35
NPM (%)	8.98	6.45	3.70

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

TABLE 4: PEER COMPARISON (2015)

Tata Communications Ltd
4,319.35
670.53
4,989.88
1,722.21
674.62
23.67
5.50
27.01
40.46
15.62

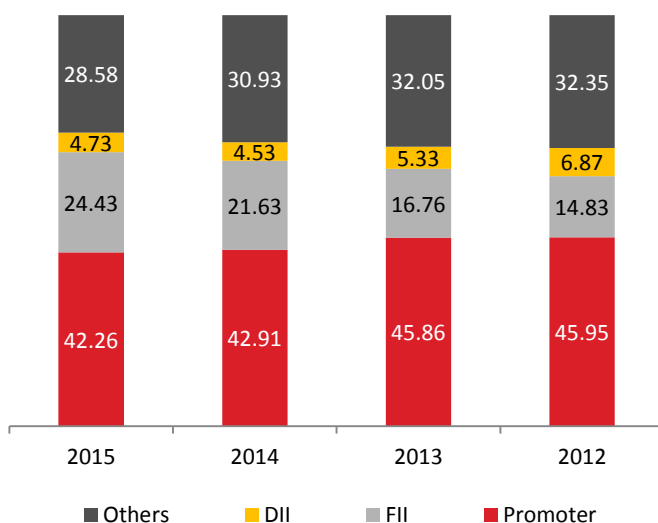
TABLE 5: MAJOR PUBLIC SHAREHOLDERS (JUN' 15)

Axiata Investments 1(India) Ltd	12.91%
Axiata Investments 2(India) Ltd	6.87%
P5 Asia Investments (Mauritius) Ltd	6.81%
Euro Pacific Growth Fund	1.74%
Vanguard International Growth Fund	1.71%

TABLE 6: MAJOR PROMOTERS (JUN' 15)

Aditya Birla Nuvo Ltd	23.27%
Birla TMT Holdings Pvt Ltd	7.88%
Hindalco Industries Ltd	6.35%
Grasim Industries Ltd	4.75%
Kumar Mangalam Birla	0.01%

SHAREHOLDING PATTERN (%) (JUNE)



Graph 1: Yearly Shareholding Pattern

DISCUSSION

The Company issued 5,18,38,540 Equity Shares of ₹ 10/- each on a preferential basis under Preferential Issue guidelines as per Chapter VII of SEBI (ICDR) Regulations, 2009, to Axiata Investments 2 (India) Limited, (a subsidiary of Axiata Group Berhad, Malaysia) in the month of July, 2014. The Company also issued and allotted 28,13,726 Equity Shares of ₹ 10/- each under ESOP scheme during the period from 1st July, 2014 to 30th June, 2015. The promoter shareholding decreased from 42.91% to 42.26% during the said period and that of FIIs increased from 21.63% to 24.43% during the same period. No other major change was observed in the shareholding pattern during the same period.



BOARD OF DIRECTORS

TABLE 7 - BOARD PROFILE

Director		Classification		Expertise/Specialization	Tenure (Year)	[1] Directorship	[2] Committee Membership	Pay(₹ Lakh)
		Company	SES					
KM Birla		NEDP(C)(R)	NEDP(C)(R)	Industrialist	9	10(20)	0(0)	1336.00
Rajashree Birla	U	NEDP(R)(W)	NEDP(R)(W)	Industrialist	9	6(17)	0(0)	15.99
S Wijayasuriya	U	NED(R)	NED(R)	Industry specialist	2	2(2)	1(0)	17.73
Sanjeev Aga		NED(R)	NED(R)	Information Technology	11	6(6)	7(0)	20.01
A. Thiagarajan		ID	ID	IT	9	5(7)	4(0)	31.35
G D Gupta*		ID	NID	Financial Restructuring	9(14)	5(6)	5(1)	18.71
M Singh Gyani		ID	ID	Industry specialist	9	1(1)	0(0)	10.29
T M Vakil*		ID(W)	NID(W)	Banking	9(15)	9(12)	9(5)	35.06
R C Bhargava*		ID	NID	General Management	6(15)	8(9)	8(4)	17.56
Murari Pejavar*		ID	NID	Administrative	6(15)	8(9)	6(2)	9.98
M Buch Puri		ID(W)	ID(W)	Finance	3	5(9)	0(0)	12.41
H Kapania	U	MD	MD	Industry specialist	4	7(9)	2(0)	878.00

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, A- New Appointment, MD- Managing Director, C- Chairman, CMD- Chairman and Managing Director, N - Nominee Director

[1] Directorships show Directorships in Public Companies (Total Directorships which include Directorships in both Public and Private Companies) as per MCA website dated 8th September, 2015

[2] Committee memberships include committee chairmanships

Note: Directorships, committee membership and committee chairmanship includes such positions in Idea Cellular Ltd

🚩 Items deserving attention due to contentious or governance issues

*Mr. G D Gupta is associated with the Company for 9 years. However, he was associated with Birla Sun Life Insurance Corporation Limited from 2001 to 2014. Both the Idea Cellular Ltd. and Birla Sun Life Corporation Ltd. belong to the same group Company, hence his total association with the Birla Group is for 15 years. Ms. T M Vakil is associated with the Company for 9 years. However, she has been associated with Aditya Birla Nuvo Ltd. since 2000. Both the Idea Cellular Ltd. and Aditya Birla Nuvo Ltd. belong to the same group Company, hence her total association with the Birla Group is for 15 years. Mr. R C Bhargava is associated with the Company for 6 years. However, he has been associated with Grasim Industries Limited since 2000. Both the Idea Cellular Ltd. and Grasim Industries Ltd. belong to the same group Company, hence his total association with the Birla Group is for 15 years. Mr. Murari Pejavar is associated with the Company for 6 years. However, he has been associated with Aditya Birla Nuvo Limited since 2000. Both the Idea Cellular Ltd. and Aditya Birla Ltd. belong to the same group Company, hence his total association with the Birla Group is for 15 years.

Mr. G D Gupta, Ms. T M Vakil, Mr. R C Bhargava and Mr. Murari Pejavar are associated with the Group Companies for more than 10 years. Hence, SES as a policy does not consider them to be Independent and therefore classified them NID in the above table.

Remuneration paid to Mr. Kumar Mangalam Birla:

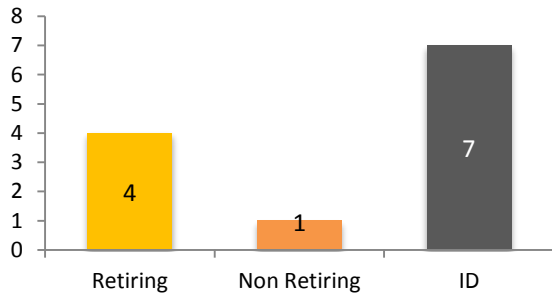
Mr. Kumar Mangalam Birla received a commission of ₹ 13.35 crores which is **89%** of the total commission paid to all Non-Executive Directors. Further, Mr. Birla's total remuneration is **1.52** times the remuneration received by Mr. Himanshu Kapania, Managing Director of the Company.

The Company's remuneration policy states that "The amount of Commission is distributed amongst the Non-Executive Directors based on various parameters such as their attendance and contribution at the Board and various Committee Meetings, committee membership/ chairmanship, time spent on matters other than at the meetings etc."

However, given this remuneration policy it doesn't justify on why Mr. Birla's remuneration is more than 1.5 times the remuneration of the Managing Director of the Company. A non-executive director works part-time for the Company, remuneration of a NED should not be comparable to a whole-time director. Further, the remuneration policy does not disclose the criteria for commission distribution to NEDs. SES is of the view, such remuneration practices are discriminatory, unfair and opaque. The remuneration practices of a company should be aligned with long term performance of the company and disjoined with the status of an individual as a promoter.

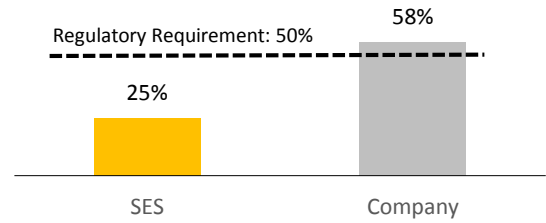


BOARD COMPOSITION



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. The Company has 5 Non Independent Directors and 4 of them are liable to retire by rotation. Hence, the Company is compliant with the law.



Graph 3: Board Independence Classification

As per Clause 49(ii)(A) of the Listing Agreement, the Company should have 50% independent directors as the Board Chairman is a promoter director. Mr. G D Gupta, Ms. T M Vakil, Mr. R C Bhargava and Mr. Murari Pejavar are associated with the Group Companies for more than 10 years. Hence, SES as a policy does not consider them to be Independent. Therefore, as per SES the Board comprises of 25% Independent Directors.

TABLE 8 - BOARD COMMITTEE PERFORMANCE

Committees	#	Chairman's Classification		Overall Independence		Number of Meetings	Attendance < 75%
		Company	SES	Company	SES		
Audit	4	ID	 NID	75%	 25%	7	G D Gupta (43%), Shridhir Wijayasuriya (43%)
Stakeholders' Relationship	3	ID	NID	33%	0%	1	-
Nomination & Remuneration	4	ID	 NID	75%	 25%	4	K M Birla (0%), G D Gupta (67%)
CSR	3	NEDP	NEDP	33%	0%	0	-
Risk Management	3	ND	NA	67%	33%	1	-

Reference: ED - Executive Director, NED- Non-Executive Director, ID - Independent Director, NID- Non-Independent Director, P- Promoter, C- Chairman, #- Number of Members, ND – Not Disclosed, NA- Not Applicable


 Items deserving attention due to contentious or governance issues

TABLE 9 - BOARD GOVERNANCE TABLE (AS PER SES)

Criteria	Status
What is the percentage of Independent Directors on the Board?	25%
How many Independent Directors have tenure greater than 10 years?	0
How many Independent Directors have Shareholdings > ₹ 1 Cr?	0
Is the Chairman Independent?	No
Is there a Lead Independent Director?	Yes*
How many Independent Directors are ex-executive of the Company?	0
Have all directors been elected by the Company's shareholders?	Yes
Are any directors on the Board related to each other?	Yes
How many promoter directors are on the Board?	2
Did Independent Directors meet at least once without management?	Yes

*The Company in the Annual Report has mentioned that “Mr. Arun Thiagarajan, Independent Director presented the views of Independent Directors relating to Board processes etc. to the Board.” Hence, SES is considering Mr. Arun Thiagarajan as Lead Independent Director.



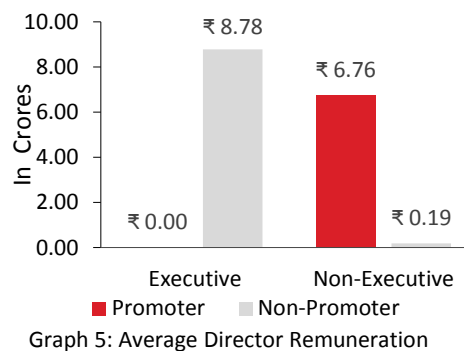
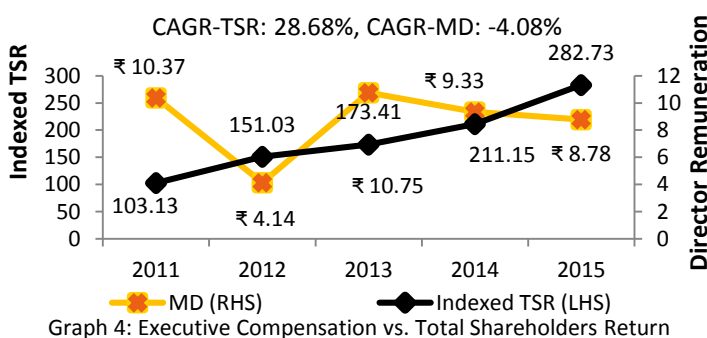
REMUNERATION ANALYSIS

TABLE 10 - EXECUTIVE DIRECTORS' REMUNERATION

In ₹ Crore		2015		2014		2013		Ratio
		Fixed Pay	Total Pay	Fixed Pay	Total Pay	Fixed Pay	Total Pay	
Himanshu Kapania	NP	4.77	8.78	6.27	9.33	8.75	10.75	125:1

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

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.

Graph #4 shows the remuneration paid to the Managing Director of the Company. Thus, it shows the remuneration paid to Mr. Sanjeev Aga for the year 2011 and the remuneration paid to Mr. Himanshu Kapania for years 2012-2015.

It can be inferred from the graph that the growth in total shareholders' return is more than the growth in remuneration of Managing Director as CAGR - TSR is 28.68% whereas CAGR of MD remuneration is -4.08%.

TABLE 11- EXECUTIVE REMUNERATION - PEER COMPARISON

	Idea Cellular Ltd	Tata Communications Ltd
Director Name	Himanshu Kapania	Vinod Kumar
Promoter Group	No	No
Remuneration (₹ Crore) (A)	8.78	3.72
Net Profit (₹ Crore) (B)	2,809.83	1,003.27
Rem. Percentage (A/B * 100)	0.31%	0.37%

The remuneration paid to Mr. Himanshu Kapania, Managing Director of the Company is reasonable given the size and performance of the Company. Further, his remuneration as percentage of net profit of the Company is aligned with that received by the Executive Director at peer Company.

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"/> *Comments on qualifications made by Statutory Auditors/ CS

* Not applicable as Auditors have not made any qualification.

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

Adoption of the Audited Financial Statements and Audited Consolidated Financial Statements for the Financial Year ended 31st March, 2015 together with the Reports of the Board of Directors' and Auditors' thereon

SES RATIONALE

Unqualified Accounts, compliant with Accounting Standards

SES RECOMMENDATION

No concern has been identified. The Auditors have not made any qualification. 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.

AUDITORS' COMMENTS ON STANDALONE ACCOUNTS

The Auditors have emphasized on the matter and drawn attention to Note 32 (i) to the financial statements. The Department of Telecommunication (DoT) has issued demand notices dated 8th January, 2013 towards one time spectrum charges for spectrum held by the Company beyond 6.2 Mhz for the period from 1st July, 2008 to 31st December, 2012 amounting to ₹ 369.13 crores and beyond 4.4 Mhz for the period from 1st January, 2013 till the expiry of the license amounting to ₹ 1,744.37 crores in the respective telecom service areas. In the opinion of the Company, inter-alia, the above demand amounts to alteration of financial terms of the licenses issued in the past. The Company therefore filed a petition before the Hon'ble High Court of Bombay, which has directed DoT, not to take any coercive action until the matter is further heard. The financial impact of the abovementioned matter is dependent upon the outcome of the petition filed by Company in the Hon'ble High Court of Bombay and therefore no effect for the one time spectrum charges has been given in these financial statements.

AUDITORS' COMMENTS ON CONSOLIDATED ACCOUNTS

Other than emphasizing on the above mentioned note, the Auditors have mentioned they did not audit the financial statements of Indus Towers Limited, a jointly controlled entity of Aditya Birla Telecom Limited (Subsidiary of the Company), whose financial statements reflect Group's Share of total assets (net) of ₹ 1,949.36 crores as at 31st March, 2015, Group's Share of total revenues of ₹ 2,396.03 crores and Group's Share of net cash flows of ₹ 35.87 crores for the year ended on that date, as considered in the consolidated financial statements. These financial statements have been audited by other auditor whose report has been furnished to them by the Management and their opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of this jointly controlled entity, and their report in terms of subsections (3) and (11) of Section 143 of the Act, in so far as it relates to the aforesaid jointly controlled entity, is based solely on the report of the other auditor.



ACCOUNTING POLICIES

No change has been made in the Accounting policy.

FINANCIAL INDICATORS

	FY 14/15	FY 13/14	Shift	Company's Discussion
Debtors Turnover	33.56	34.02	-1.35%	-
Inventory Turnover	536.52	537.56	-0.19%	-
Interest Coverage Ratio	10.11	8.48	19.20%	-
Current Ratio	0.89	0.26	243.33%	-
Debt Equity Ratio	0.74	1.14	-35.20%	During the year under review, the Company raised long term borrowings of ₹ 8,050.0 crores by way of Rupee Term Loans, of which ₹ 7,647.50 crores has been prepaid by the Company on 14 th May, 2015. Further, during the year, Rupee Term Loans aggregating to ₹ 405.50 crores have been prepaid and Non-Convertible Debentures (NCDs) amounting to ₹ 75 crores have been repurchased by the Company. In addition to the aforesaid prepayment, Long Term Loans aggregating to ₹ 1,619.10 crores (including ₹ 1,005.10 crores towards External Commercial Borrowings) have been repaid, pursuant to the instalments that fell due.
Operating Profit Margin (%)	30.10%	26.28%	14.54%	-
Net Profit Margin (%)	8.98%	6.45%	39.21%	On a standalone basis, the Company clocked total revenues of ₹ 31,731.80 crores, a growth of 20.20% over the previous year, primarily driven by solid growth in Voice and data volumes. The EBITDA also increased to ₹ 10,125.70 crores, representing a growth of 34.8 % over the previous year. The Profit after Tax stood at ₹ 2,809.80 crores, a rise of 66.3% as compared to the previous year.
Operating Cash Flow/ Sales (%)	30.29%	28.77%	5.29%	-

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	12,833	7,177
Net worth of the Company	21,890	15,584
Contingent liabilities as a percentage of net worth	58.63%	46.05%

Source: Company's Annual Reports

Major portion of contingent liabilities (₹ 6,656 crores) is constituted by disputed income tax matters.



RELATED PARTY TRANSACTIONS

Outstanding (₹ Crore)	FY 14/15	FY 13/14	Shift	Comments
Receivables	1.19	1.41	-15.60%	-
Payables	316.32	299.09	5.76%	-

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	31,731	26,403	22,086	309	342	371	32,040	26,745	22,457
Net Profit	2,809	1,689	818	383	278	193	3,192	1,967	1,011
Total Assets	57,675	43,988	34,426	2,791	2,569	1,952	60,466	46,557	36,378
Net Worth	21,890	15,584	14,019	1,137	941	284	23,027	16,525	14,303
net Profit % / Revenue	8.85%	6.40%	3.70%	123.95%	81.29%	52.02%	9.96%	7.35%	4.50%
ROA	4.87%	3.84%	2.38%	13.72%	10.82%	9.89%	5.28%	4.22%	2.78%
RONW	12.83%	10.84%	5.83%	33.69%	29.54%	67.96%	13.86%	11.90%	7.07%

Source: Company's Annual Reports, ® balancing figure being the difference between consolidated and standalone financial statements

Clubbed Resolutions: Shareholders may note that the Company is seeking shareholders' approval for adoption of standalone and consolidated financial statements in the same resolution. 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 resolution a good governance practice.



RESOLUTION 2: DECLARATION OF DIVIDEND

#2: Declaration of Dividend

- To declare dividend of ₹ 0.60 on each Equity Shares of the Company for the financial year ended 31st March, 2015

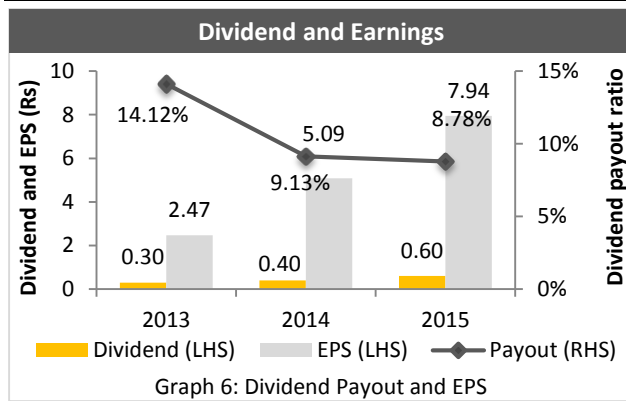
SES RATIONALE

Compliant with law, Company has ability to pay the dividend

SES RECOMMENDATION

Though, current ratio of the Company is less than 1.00 as on 31st March, 2015, however the Company has a comfortable Debt Equity ratio at 0.73, indicating potential for bank borrowing and therefore, the Company has the ability to pay the dividend. SES recommends that shareholders vote **FOR** the resolution.

SES ANALYSIS



The Directors of the Company have recommended a dividend of ₹ 0.60 per equity share of ₹ 10/- each (6 % of face value) for the year ended 31st March, 2015. Based on the outstanding paid-up share capital as at the year end, the total dividend payout will amount to ₹ 259.80 crores inclusive of ₹ 43.90 crores of dividend distribution tax. The current ratio of the Company is 0.89 (less than 1.00). However, the Company has a very comfortable Debt Equity ratio at 0.73, indicating potential for bank borrowing. Therefore, payment of dividend even with Current Ratio less than 1, is not a matter of concern.

RESOLUTION 3 & 4: REAPPOINTMENT OF NON-EXECUTIVE DIRECTORS

#3: Re-appointment of Mrs. Rajashree Birla, Director retiring by rotation

#4: Re-appointment of Dr. Shridhir Sariputta Hansa Wijayasuriya, Director retiring by rotation

SES RATIONALE

#3 & 4: Appointment compliant with law, no concern identified

SES RECOMMENDATION

#3 & 4: No concern has been identified regarding the profile, attendance performance, remuneration and re-appointment of Mrs. Rajashree Birla and Mr. Shridhir Wijayasuriya. SES recommends that shareholders vote **FOR** both the resolutions.

SES ANALYSIS

DIRECTORS' PROFILE

	Rajashree Birla	Shridhir Wijayasuriya
Current full time position	-	-
Functional Area	Industrialist	Industry specialist
Education	BA	M.A., MBA, Ph.D.
Past Experience	Social and Welfare driven work in Aditya Birla Group	Wide experience in Telecom Industry and Business Management
Committee positions in the Company	CSR(C)	A(M)
Retirement by rotation	Yes	Yes
Part of promoter group?	Yes	No
SES Recommendation	FOR	FOR

A - Audit Committee, CSR - Corporate Social Responsibility Committee, M - Member, C - Chairman

DIRECTORS' TIME COMMITMENTS

Criteria	Rajashree Birla	Shridhir Wijayasuriya
Public Directorships	6	1
Total Committee memberships	0	1
Total Committee Chairmanship	0	0
Full time role/ executive position	-	-

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

DIRECTORS' PERFORMANCE

Attendance record	Rajashree Birla	Shridhir Wijayasuriya
Last 3 AGMs	0/3	2/3
Board meetings held last year	58%	72%
Board meetings in last 3 years (avg.)	54%	87%
Audit Committee meetings	<i>Not Applicable</i>	43%

DIRECTOR'S REMUNERATION

Remuneration paid to Mrs. Rajashree Birla and Mr. Shridhir Wijayasuriya is aligned with that received by other Non-Executive Directors of the Company.

Mrs. Rajashree Birla did not attend any of the AGMs in last three years. However, she attended more than 50% of the Board meetings held in last three years, thus SES is not raising a concern regarding her attendance performance. No concern has been identified regarding her profile and re-appointment.

Mr. Shridhir Wijayasuriya attended 2 of the 3 AGMs and 87% of the board meetings held in last three years. No concern has been identified regarding his profile, attendance performance, remuneration and re-appointment.



RESOLUTION 5 & 6: APPOINTMENT OF AUDITORS

#5: To ratify appointment of M/s. Deloitte Haskins & Sells LLP, Chartered Accountants as Statutory Auditors of the Company for FY 2014-15

#6: Remuneration of Cost Auditors

SES RATIONALE

#5: Ratification of appointment of Auditors compliant with law

#6: Ratification of remuneration of cost Auditors compliant with law

SES RECOMMENDATION

#5: The current Auditors M/s. Deloitte Haskins & Sells LLP are associated with the Company for 8 years. They were appointed for a term of three years in the last AGM held on 26th September, 2014 such that their total association will not exceed for 10 years. The Company has proposed to ratify the appointment of Auditors. No concern has been identified regarding the Independency or remuneration of the Auditors and as the Auditors were appointed by the shareholders in the last AGM, SES recommends that shareholders vote **FOR** the resolution.

#6: This is an enabling resolution regarding the ratification of the remuneration to cost Auditors. No concern has been identified regarding the remuneration of the Cost Auditors. SES recommends that shareholders vote **FOR** the resolution.

SES ANALYSIS

DISCLOSURES

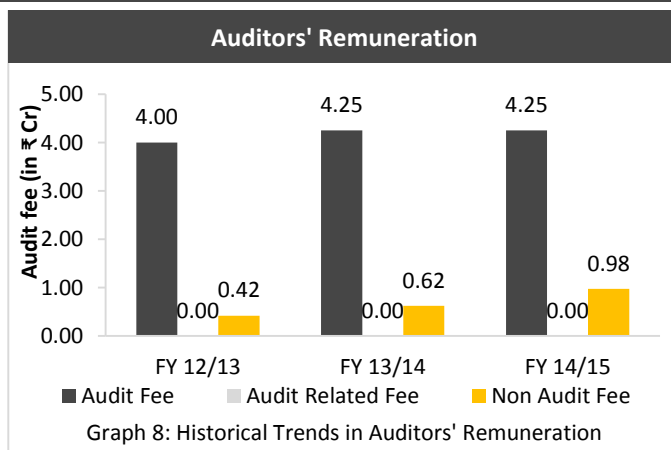
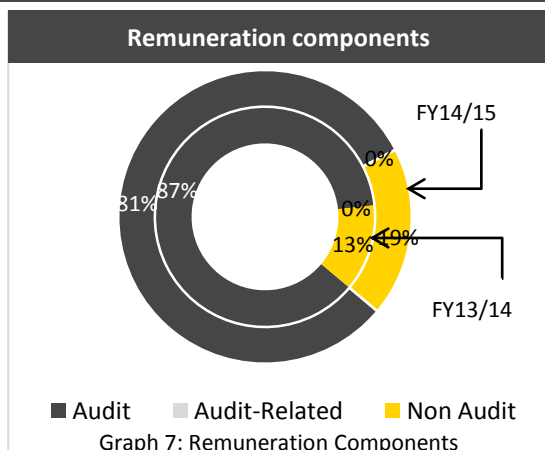
Name of the auditor up for appointment	Disclosed In Notice and Annual Report
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AUDITORS' INDEPENDENCE

Auditors		Audit Partners	
Deloitte Haskins & Sells LLP	8 years	Khurshed Pastakia	3 years
Auditor's Network		Deloitte Touche Tohamatsu	

Financial interests in or association with the company: None Disclosed

AUDITORS' REMUNERATION



TERM OF APPOINTMENT

The provisions of the Act are effective from 1st April, 2014. Section 139 of the Companies Act, 2013 and the Rules made thereunder, provide for the appointment and rotation of auditors. As per this section, a company can appoint a firm as auditors for maximum two terms of five consecutive years each. An audit firm which has completed its term of 10 consecutive years shall not be eligible for re-appointment as auditors in the same company for 5 years from the completion of such term. For the purpose of calculating period of 10 consecutive years, the period for which the auditor firm has held office prior to the commencement of the Act (i.e. 1st April, 2014), shall be taken into consideration. However, a transition period of 3 years from the commencement of the Act has been prescribed to comply with the provisions of rotation of auditors.

The current Auditors M/s. Deloitte Haskins & Sells LLP are associated with the Company for 8 years. They were appointed for a term of three years in the last AGM held on 26th September, 2014 such that their total association will not exceed for 10 years. The Company has proposed to ratify the appointment of Auditors. No concern has been identified regarding the Independency or remuneration of the Auditors.

COST AUDITOR

The Board of Directors of the Company, on the recommendation of the Audit Committee, approved the appointment and remuneration of M/s. Sanjay Gupta & Associates, Cost Accountants as the Cost Auditors, to conduct the audit of the cost records of the Company for the financial year ending 31st March, 2016. In terms of the provisions of Section 148 of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014, the remuneration payable to the Cost Auditors has to be ratified by the Members of the Company.

This is an enabling resolution regarding the ratification of the remuneration to cost Auditors. No concern has been identified regarding the remuneration of the Cost Auditors.

RESOLUTION 7: REAPPOINTMENT OF EXECUTIVE DIRECTOR

Re-appointment of Mr. Himanshu Kapania as the Managing Director of the Company for a further period of five years

SES RATIONALE

Appointment compliant with law, no concern identified

SES RECOMMENDATION

No concern has been identified regarding the profile, attendance performance, remuneration and re-appointment of Mr. Himanshu Kapania. SES recommends that shareholders vote **FOR** the resolution.

SES ANALYSIS

DIRECTOR'S PROFILE

Himanshu Kapania	
Current full time position	Managing Director - Idea Cellular Ltd.
Functional Area	Industry specialist
Education	B.E. (Electrical & Electronic), MBA
Part of promoter group?	No
Past Experience	over 30 years of work experience and is a telecom veteran
Committee positions in the Company	SR(M),CSR(M),RM(M)
Retirement by rotation	No
SES Recommendation	FOR

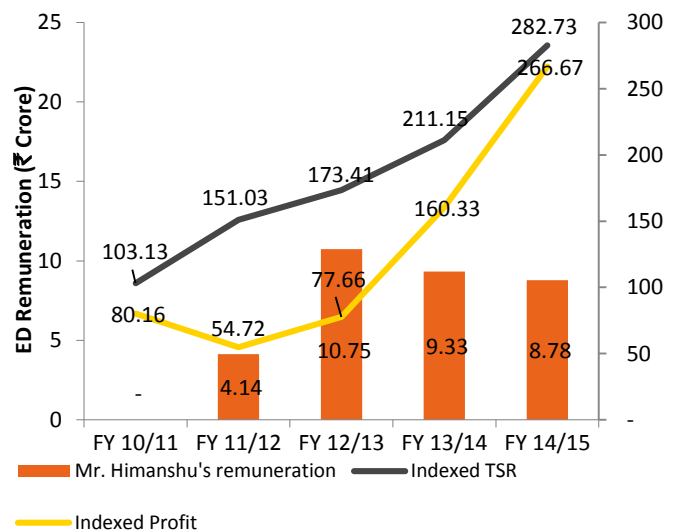
SR - Stakeholders' Relationship Committee, CSR - Corporate Social Responsibility Committee, RM – Risk Management, M - Member

PAST REMUNERATION OF THE DIRECTOR

In ₹ Crore	FY 14/15		FY 13/14		FY 12/13	
	Fixed Pay	Total Pay	Fixed Pay	Total Pay	Fixed Pay	Total Pay
Executive Director						
Himanshu Kapania	4.76	8.78	6.27	9.33	8.75	10.75

Executive Remuneration - Peer Comparison		
Director	Himanshu Kapania	Vinod Kumar
Company	Idea Cellular Ltd	Tata Communications Ltd
Promoter	no	No
Remuneration (₹ Cr) (A)	8.78	3.72
Net Profits (₹ Cr) (B)	2,809.83	1,003.27
Ratio (A/B)	0.31	0.37

The remuneration paid to Mr. Himanshu Kapania, Managing Director of the Company is reasonable given the size and performance of the Company. Further, his remuneration as percentage of net profit of the Company is aligned with that received by the Executive Director at peer Company.



Graph 9: Executive compensation vs. Total shareholders return

DIRECTOR'S TIME COMMITMENTS

Criteria	Himanshu Kapania
Public Directorships	7
Total Committee memberships	2
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	Himanshu Kapania
Last 3 AGMs	3/3
Board meetings held last year	100%
Board meetings in last 3 years (avg.)	100%
Stakeholders' Relationship Committee meetings	100%

Mr. Himanshu Kapania has attended all the AGMs and board meetings held in last three years. He attended all the Stakeholders relationship committee. No concern has been identified regarding his attendance performance.

REMUNERATION PACKAGE OF HIMANSHU KAPANIA

Component	Proposed Remuneration	Comments
Basic Pay	Proposed Salary: ₹ 12,88,667/- (Rupees Twelve Lacs Eighty Eight Thousand Six Hundred and Sixty Seven only) per month with such increases as the Board may decide from time to time, subject however to a ceiling of ₹ 25,00,000/- (Rupees Twenty Five Lacs only) per month as Basic Salary. Special Allowance: ₹ 14,81,750/- (Rupees Fourteen Lacs Eighty One Thousand Seven Hundred and Fifty only) per month with such increment(s) as the Board may decide from time to time, subject however to a ceiling of ₹ 25,00,000/- (Rupees Twenty Five Lacs only) per month. This allowance however, will not be taken into account for calculation of benefits such as Provident Fund, Gratuity, and Superannuation and Leave encashment.	
Perquisites/ Allowances	All perquisites clearly defined: Yes Total allowances: Not Disclosed	Cap placed on perquisites: Yes
Variable Pay	Performance Bonus linked to the achievement of targets, as may be decided by the Board from time to time, subject to a maximum of ₹ 7,00,00,000/- (Rupees Seven Crores only) per annum	Performance criteria disclosed: Yes Cap placed on variable pay: Yes
Notice Period	3 Months	
Severance Pay	Not Disclosed	
Minimum Remuneration	Where in any financial year, the Company has no profits or its profits are inadequate, the remuneration including the perquisites as aforesaid shall be paid to Mr. Himanshu Kapania in accordance with the applicable provisions of Schedule V of the Act, and subject to the approval of the Central Government, if required	Within limits prescribed: Yes Includes variable pay: Yes

As per the remuneration package of Mr. Himanshu Kapania the Company has placed an absolute cap on basic salary, perquisites, and allowances. The remuneration paid to Mr. Himanshu Kapania is reasonable given the size and performance of the Company. No concern has been identified regarding his remuneration package.

RESOLUTION 8: ISSUE OF NON- CONVERTIBLE SECURITIES

Issue of Non-convertible Securities on Private Placement Basis of ₹ 10,000 crores

SES RATIONALE

Issue of non-convertible debentures compliant with law

SES RECOMMENDATION

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

SES ANALYSIS

OBJECTIVE OF THE ISSUE

The Company has mentioned "Section 42 of the Companies Act, 2013 read with the Rule 14 of the Companies (Prospectus and Allotment of Securities) Rules, 2014, requires any offer or invitation to subscribe to Securities on a private placement basis to be approved by the members by way of Special Resolution. However, in case of offer/issuance of Non-Convertible Debentures (NCDs), passing of a Special Resolution by the members for all such offers/ invitation for such NCDs, once in a year is sufficient. In view of the aforesaid provisions and in order to augment resources, inter alia, for meeting the ongoing capital expenditure, long-term loan repayment and for general corporate purposes, the Company may offer or invite subscription for secured/unsecured Non-Convertible Securities, including but not limited to NCDs, in or more series/tranches on a private placement basis, up to an amount not exceeding ₹ 10,000 crore (Rupees Ten Thousand Crore only). The said limit of ₹ 10,000 Crore (Rupees Ten Thousand Crore only) shall be within the overall borrowing limit as approved by the Members at the nineteenth Annual General Meeting under Section 180(1)(c) of the Companies Act, 2013."

DILUTION TO SHAREHOLDING

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

CONFLICT OF INTERESTS

None of the Directors, Key Managerial Personnel of the Company or their respective relatives are, in any way, concerned or interested, financially or otherwise, in the said resolution.

RESOLUTION 9: RELATED PARTY TRANSACTION

Approval of material related party transactions with Indus Towers Limited

SES RATIONALE

Related party transaction compliant with law, minor concern regarding perpetual approval

SES RECOMMENDATION

The Company is seeking approval for the related party transactions it has entered into or may enter into with Indus Towers Limited. The Company has not mentioned the tenure of such transactions for which it is seeking approval. In this case, SES is of the view that the Company is seeking approval for perpetuity. SES is of the opinion that resolutions with perpetual approval provide unfettered power to the Board of Directors, even if the Company's business scenario changes in future in any manner and the Company should take an approval for a fixed term. Normally SES would recommend AGAINST due to perpetual approval.

However, as disclosed in the resolution the transactions are with a Joint Venture which is promoted by Bharti Group, Vodafone Group and Aditya Birla Telecom Limited. As per the terms and conditions of each passive infrastructure site it will depend on the location, type of site, number of existing tenants, etc., and contain lock in periods for ensuring continuity. Such terms are similarly applicable to all other telecom providers having arrangements with Indus. SES is of the view that since, all the three promoters are competitors in the telecom space and the terms and conditions are same for all the telecom providers hence, the transactions that the Company may enter with the related party will be fair. In view of the above, SES recommends that shareholders vote **FOR** the resolution.

SES ANALYSIS

PROPOSED RELATED PARTY TRANSACTIONS

Disclosures	Details of disclosure
Name of the Related Party	Indus Towers Limited
Relationship with the Company	Joint Venture (By agreement) of wholly owned subsidiary
Consideration for Transaction	Estimated Value of Transactions of ₹ 4,200 crores each financial year
Ordinary Course of business	Yes
Arm's length	Yes
Audit Committee Approval	Yes

DETAILS OF TRANSACTION WITH INDUS TOWERS LIMITED IN THE PAST

Disclosures (₹ in Crores)	
Nature of Contract	Master Service Agreement (MSA) for Passive Infrastructure services and related Operations & Maintenance services
Duration of Contract	The maximum term of each tenancy service contract executed for each passive infrastructure site under the MSA is 10 years, with either party having a right to terminate, subject to certain conditions
Salient features of Contract	Passive Infrastructure services are provided by Indus mainly on co-sharing basis for each passive infrastructure site, after obtaining necessary approvals, which enables the Company to deploy active telecommunications equipment on sites for providing telecom services
Justification for entering into such contract	Passive infrastructure services are essential for deployment of active telecommunications equipment at the sites. Indus is currently the country's largest tower Company providing passive infrastructure services and related operations and



		maintenance services at competitive rates to various telecommunications operators and meets the business requirements of your company in rollout speeds given its presence in majority of the telecom service areas
Value of Transaction for the year ended 31 st March, 2015		₹ 3,274.90 crores
Estimated Value of Transactions	of	Estimated Value of Transactions of ₹ 4,200 crores each financial year

PURPOSE OF THE RESOLUTION (AS STATED BY THE COMPANY)

The Company has stated “Pursuant to Section 188 of the Companies Act, 2013 (“the Act”), read with the Companies (Meetings of Board and its Powers) Rules, 2014 (‘Rules’), the Company is required to obtain consent of the Board of Directors and prior approval of the members by way of special resolution, in case certain Related Party Transactions exceeds such sum as is specified in the Rules. The aforesaid provisions are not applicable in respect of transactions which are in the ordinary course of business and on arm’s length basis.

However, pursuant to Clause 49 (VII) of the Listing Agreement entered into with the Stock Exchanges, approval of the members through special resolution is required for all material related party transactions, even if they are entered into in the ordinary course of business and on arm’s length basis. For this purpose, a transaction is considered material, if the transaction/transactions to be entered into individually or taken together with previous transactions during a financial year exceeds 10% of the annual consolidated turnover of the Company, as per the last audited financial statements of the Company. All the Related Party Transactions entered into by the Company are at arm’s length basis and in the ordinary course of business. All such transactions have approval of the Audit Committee and the Board, wherever required. The transaction(s) entered into by the Company, together with the transactions already entered with Indus Towers Limited (Indus), a Joint Venture of the subsidiary company, namely Aditya Birla Telecom Limited, qualifies to be a Material Related Party transaction as per Clause 49(VII) of the Listing Agreement entered into with Stock Exchange(s). The Company has existing arrangements with Indus Towers Limited (Indus), which is in the ordinary course of business and at arm’s length basis. However, the value of transactions with Indus in respect of financial year 2014-15 and the estimated value of transaction from next financial year onwards is likely to exceed 10% of the annual consolidated turnover of the Company, based on the audited financial statements for year ended 31st March, 2015.”

Indus is a joint venture of Aditya Birla Telecom Limited, a subsidiary of the Company, which is a ‘Related Party’ as per definition under Section 2(76) of the Companies Act, 2013 and Clause 49 of the Listing Agreement entered into with the Stock Exchanges. Indus is currently the world’s largest tower Company providing passive infrastructure services and related operations and maintenance services to various telecom operators in India, including the Company. Indus is a three way joint venture Company, promoted by **Bharti Group, Vodafone Group and Aditya Birla Telecom Limited**, to render passive infrastructure services to telecom service providers.

The Company had entered into a Master Service Agreement (MSA) with Indus in 2008 for availing passive infrastructure services provided by them in certain service areas. The MSA requires individual tenancy service contracts to be executed for each passive infrastructure site, the terms of which vary depending on the location, type of site, number of existing tenants, etc., and contain lock in periods for ensuring continuity. **Such terms are similarly applicable to all other telecom providers having arrangements with Indus.**

RELATED DIRECTORS/ KMPS

None of the Directors, Key Managerial Personnel of the Company or their respective relatives are, in any way, concerned or interested, financially or otherwise, in the said resolution, except Mr. Himanshu Kapania (Managing Director) and Mr. Akshaya Moondra (Chief Financial Officer), who are representatives of the Company on the Board of Indus and their relatives.



SES VIEWS

The Company is seeking approval for the related party transactions it has entered into or may enter into with Indus Towers Limited. The Company has not mentioned the tenure of such transactions for which it is seeking approval. In this case, SES is of the view that the Company is seeking approval for perpetuity. SES is of the opinion that resolutions with perpetual approval provide unfettered power to the Board of Directors, even if the Company's business scenario changes in future in any manner and the Company should take an approval for a fixed term. Normally, would raise concern regarding the transaction.

However, as disclosed in the resolution the transactions are with a Joint Venture which is promoted by Bharti Group, Vodafone Group and Aditya Birla Telecom Limited. As per the terms and conditions of each passive infrastructure site it will depend on the location, type of site, number of existing tenants, etc., and contain lock in periods for ensuring continuity. Such terms are similarly applicable to all other telecom providers having arrangements with Indus. SES is of the view that since, all the three promoters are competitors in the telecom space and the terms and conditions are same for all the telecom providers hence, the transactions that the Company may enter with the related party will be fair. In view of the above, SES is not raising a concern over the related party transaction.

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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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