



Proxy Advisory Report

Aditya Birla Nuvo Ltd

BSE Code: 500303 | NSE Code: ABIRLANUVO | ISIN: INE069A01017

Sector: Textiles | Meeting Type: Annual General Meeting

e-Voting Platform: [NSDL](#)

e-Voting Period: From 11th September, 2015 to 14th September, 2015

Meeting Date: 15th September, 2015 at 11:30 AM

Meeting Venue: Club Auditorium, Indian Rayon Compound, Veraval - 362 266

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

Company Email: abnlsecretarial@adityabirla.com

Company Phone: +91 2876 245 711 | Company Fax: +91 2876 243 220

Company Registered Office: Indian Rayon Compound, Veraval - 362 266, Gujarat

SES RECOMMENDATIONS

TABLE 1 - AGENDA ITEMS AND RECOMMENDATIONS

S. No.	Resolution	Type	Recommendation	Focus
1	Adoption of (Standalone and Consolidated) financial statements for the year ended 31 st March, 2015	O	<u>FOR</u>	
2	Declaration of Dividend	O	<u>FOR</u>	G
3	Re-appointment of Mr. Kumar Mangalam Birla, Director retiring by rotation	O	<u>AGAINST</u>	G/T
4	Re-appointment of Mr. Tapasendra Chattopadhyay, Director retiring by rotation	O	<u>FOR</u>	
5	Re-Appointment of M/s. Khimji Kunverji & Co and M/s. S R B C & Co. LLP, as Joint Statutory Auditors of the Company	O	<u>AGAINST</u>	C/G
6 (I)	Re-appointment of M/s. Khimji Kunverji & Co as Branch Auditors for Company's Aditya Birla Insulators units	O	<u>AGAINST</u>	C/G
6 (II)	Re-appointment of M/s. Khimji Kunverji & Co. and M/s. K.S. Aiyar & Co., as joint Branch Auditors of Company's Indian Rayon Division	O	<u>AGAINST</u>	C/G
6 (III)	Re-appointment of M/s. Deloitte Haskins & Sells, as Branch Auditors of the Company's Madura Fashion & Life Style Division	O	<u>AGAINST</u>	C/G
6 (IV)	Re-appointment of M/s. S R B C & Co. LLP as Branch Auditors of the Company's Jaya Shree Textiles Division	O	<u>AGAINST</u>	C/G
7	Issuance of Non-Convertible Debentures for an amount up to ₹ 1,500 Crore, on private placement basis.	S	<u>FOR</u>	
8	Approval of remuneration of Cost Auditors of the Company for the financial year ending 31 st March 2016	O	<u>FOR</u>	
9	Approval to keep Index and Register of Members & Debenture holders and other records, etc. at the office of Company's Registrar and Share Transfer Agents	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

CLUBBED RESOLUTIONS:

- Adoption of Standalone and Consolidated financial statements:** 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 matters and the shareholders should be given the choice/ right to consider the items independent of each other. SES does not consider bunching of resolution a good governance practice.
- Appointment of Joint Statutory Auditors:** The Company seeks approval for appointment of Auditors for the financial year 2015-16. The Company has Joint Statutory Auditors M/s. Khimji Kunverji & Co. and M/s. S R B C &

PROXY ADVISORY REPORT | FOR LIMITED CIRCULATION



Co. LLP and it proposes to seek their appointment by a single resolution. SES is of the opinion that appointment of two Auditors is a separate matter. SES does not consider bunching of separate matters in a single resolution a good governance practice and the Company should propose separate resolutions for appointment of each Auditor.

ESOP Schemes: The Company has two ESOP Schemes namely Employee Stock Option Schemes 2006 And 2013 (ESOS 2006 & ESOS 2013). The Company has 62,331 stock options in force under 2006 scheme and 2,03,696 stock options under 2013 scheme. Clause 31(2)(b) of the SEBI (Share Based Employee Benefits) Regulations, 2014 (New Regulation) provides that;

*“all listed companies having existing schemes to which these regulations apply are required to comply with SEBI regulations in their entirety **within one year** of the same coming into effect (viz. 28th October, 2014), subject to the following exceptions.....”*

The Company has neither mentioned that whether the above two schemes have lapsed nor the Company has disclosed that the two schemes comply with the above mentioned SEBI regulations. Further, the Company has not proposed resolution to comply with the SEBI's new regulation. However, the Company has time till 27th October, 2015 to comply with the said regulation.



COMPANY BACKGROUND

TABLE 2 - MARKET DATA (As on 26th August, 2015)

Price (₹)	1,995.80	M Cap (₹ Cr.)	25,973.81	Shares*	25,973.81	PE Ratio #	49.21
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Standalone Data ; Source: Capitaline

* As on 26th August, 2015

Based on EPS for FY 15

TABLE 3: FINANCIAL INDICATORS (STANDALONE)

(In ₹ Crores)	2015	2014	2013
Revenue	8,938.26	8,020.35	9,754.50
Other Income	171.51	371.42	209.25
Total Income	9,109.77	8,391.77	9,963.75
PBDT	922.29	1,003.31	756.07
Net Profit	527.69	673.95	423.05
EPS (₹)	40.56	54.30	37.23
Dividend per share (₹)	7.00	7.00	6.50
Dividend Pay-Out (%)	20.06	14.98	20.29
OPM (%)	13.26	15.83	11.44
NPM (%)	5.90	8.40	4.34

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

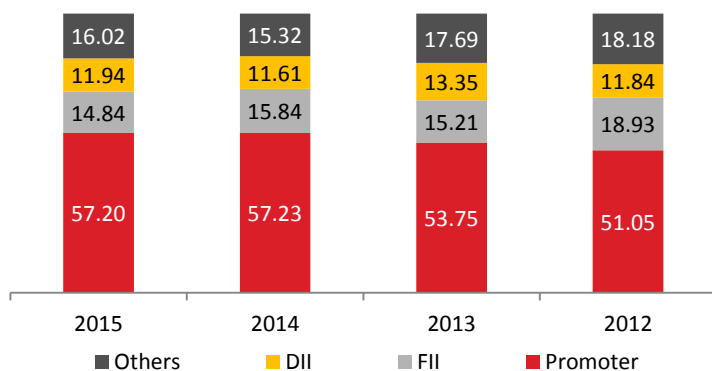
TABLE 5: MAJOR PUBLIC SHAREHOLDERS (JUNE 15)

Life Insurance Corporation of India (including Shares held under various schemes / Funds)	5.59%
HSBC Global Investment Funds A/c HSBC GIF Mauritius Ltd	1.53%
Reliance Capital Trustee Company Ltd A/c Reliance Growth Fund	1.11%

TABLE 6: MAJOR PROMOTERS (JUNE 15)

IGH Holdings Private Ltd	12.56%
TGS Investment & Trade Pvt Ltd	10.38%
Umang Commercial Company Ltd	9.60%
Trapti Trading & Investments Pvt Ltd	7.24%
Hindalco Industries Ltd	6.65%
Turquoise Investments & Finance Pvt Ltd	4.95%
Birla Group Holdings Pvt Ltd	2.77%

SHAREHOLDING PATTERN (%) (30th JUNE)



Graph 1: Yearly Shareholding Pattern

DISCUSSION

The Company has issued 57,354 equity shares under Company's ESOP schemes during the period from 1st July, 2014 to 30th June, 2015. There is marginal shift in DIIs' & FIIs' shareholding during the aforesaid 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>	NEDP(C)R	NEDP(C)R	Industrialist	23	10(20)	0(0)	411.40
Rajashree Birla		NEDP(R)W	NEDP(R)W	Industrialist	19	10(20)	0(0)	17.05
T. C. Chattopadhyay	<u></u>	NED(R)(N)	NED(R)(N)	Insurance Sector	4	1(1)	1(0)	2.95
Murari Pejavar		ID	NID	Administrative	15	8(9)	6(1)	4.80
T. M. Vakil		ID(W)	NID(W)	Banker	15	9(12)	9(5)	10.25
G. P Gupta		ID	NID	Financial Restructuring	>10	5(6)	5(2)	7.10
S. C. Bhargava		ID	NID	Finance & Insurance	11	9(11)	6(1)	5.55
B. R. Gupta		ID	NID	Investment Consultant	15	9(10)	5(4)	8.40
L. S. Naik		MD(R)	MD(R)	Industry specialist	3	5(7)	1(0)	520.49

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- Nominee Director, 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 22nd August, 2015.

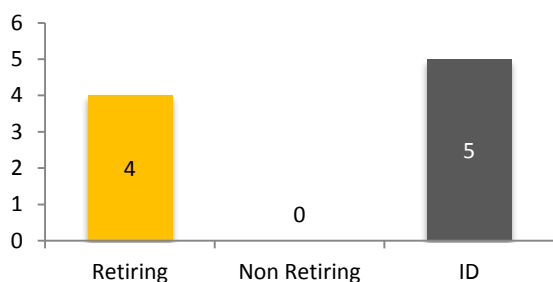
[2] Committee memberships include committee chairmanships

Note: Directorships, committee membership and committee chairmanship includes such positions in Aditya Birla Nuvo Ltd

Items deserving attention due to contentious or governance issues.

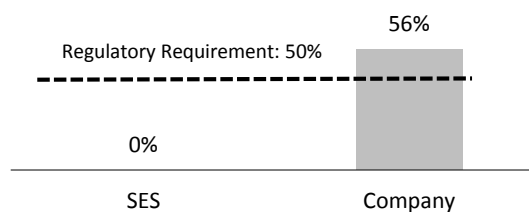
Independent Directors: All the existing independent directors have been associated with the Company for more than 10 years. The Companies Act, 2013 states that tenure of independent director should be restricted to 10 years. Although the Companies Act considers tenure post 2013 only, SES as a good governance 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 all of them 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 on the Board 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 0% independent as SES considers all the independent directors as non-independent due to their long association with the Company.



TABLE 8 - BOARD COMMITTEE PERFORMANCE

Committees	#	Chairman's Classification		Overall Independence		Number of Meetings	Attendance < 75%
		Company	SES	Company	SES		
Audit	4	ID	NID	100%	0%	7	Mr. Murari (57%), Mr. G. P. Gupta (43%)
Stakeholders' Relationship	4	ID	NID	75%	0%	1	Mr. Murari (0%)
Nomination & Remuneration	3	ID	NID	67%	0%	3	Mr. Birla (33%)
CSR	3	NEDP	NEDP	33%	0%	2	Mr. Naik (50%)
Risk Management	4	Not disclosed		75%	0%	2	Mr. Naik (50%)

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

TABLE 9 - BOARD GOVERNANCE TABLE (AS PER SES)

Criteria	Status
What is the percentage of Independent Directors on the Board?	0%
How many Independent Directors have tenure greater than 10 years?	5
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?	Yes
Are any directors on the Board related to each other?	[2] 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, 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] No Director is related to any other Director on the Board, except Mr. Kumar Mangalam Birla and Mrs. Rajashree Birla, who are son & mother respectively.

REMUNERATION ANALYSIS

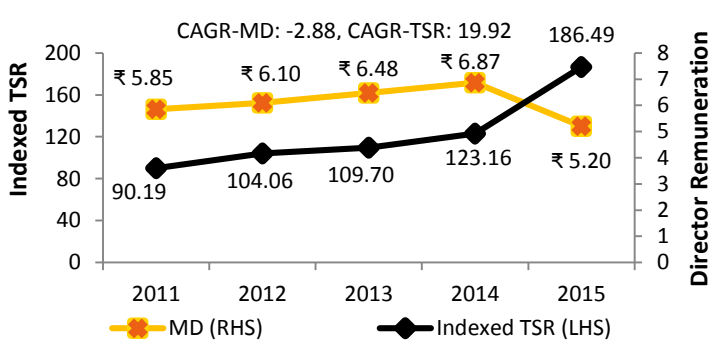
TABLE 10 - EXECUTIVE DIRECTORS' REMUNERATION

In ₹ Crore		2015		2014		2013 ^[1]		Ratio
		Fixed Pay	Total Pay	Fixed Pay	Total Pay	Fixed Pay	Total Pay	
Mr. Lalitkumar Naik	NP	2.56	5.20	2.39	3.22	0.55	0.55	153:1

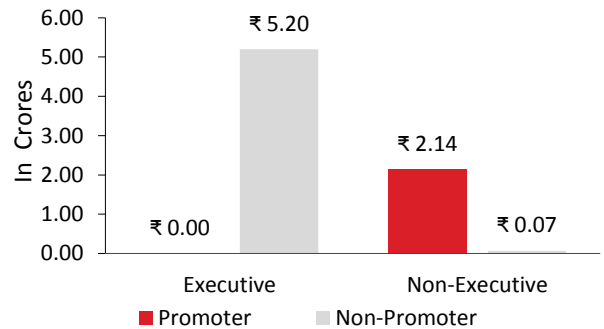
Note: Fixed pay includes basic pay, perquisites & allowances. P- Promoter, NP- Non- Promoter, Ratio- Ratio of ED's remuneration to Median Remuneration of Employees, ND- Not Disclosed

[1] Mr. Naik was appointed as director on 1st January, 2013, hence the remuneration is for the part of the year.

DISCUSSION - INDEXED TSR vs. EXECUTIVE REMUNERATION



Graph 4: Executive Compensation vs. Total Shareholders Return



Graph 5: Average Director Remuneration

Graph #4 shows the remuneration paid to the post of Managing Director of the Company. It shows the remuneration paid to Dr. Rakesh Jain, former Managing Director of the Company for the years 2011-2014 and to Mr. Lalitkumar Naik for year 2015.

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 more than the growth in remuneration of Managing Director as CAGR - TSR is 19.92% whereas CAGR MD's remuneration is -2.88%.



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**

Adoption of the Audited Financial Statements (including Audited Consolidated Financial Statements) for the financial year ended 31st March, 2015, the Reports of Directors' and Auditors' thereon.

SES RATIONALE

No Audit Qualifications. Financial statements as per Accounting Standards

SES RECOMMENDATION

This is a standard resolution. The Auditors have not raised any qualification 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 Reports.

AUDITORS' COMMENTS ON STANDALONE ACCOUNTS

The Auditors have stated that the Standalone Financial Statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2015, its Profit and its cash flows for the year ended on that date.

Without modifying their opinion, the Auditors have stated that *"Standalone Financial Statements include total assets of ₹ 1,716.15 crore as at March 31, 2015, and total revenues of ₹ 3,547.87 crore for the year ended on that date, in respect of one branch, which has been audited by branch auditors, whose financial statements, other financial information and auditor's reports have been furnished to us. Our opinion on the Standalone Financial Statements, in so far as it relates to the amounts and disclosures included in respect of this branch, 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 branch, is based solely on the reports of such other auditors."*

AUDITORS' COMMENTS ON CONSOLIDATED ACCOUNTS

Without qualifying their opinion, the Auditors have emphasized the matter on issue raised by the Auditors of Idea Cellular Limited ('Idea') a jointly controlled entity of the Company on consolidated financial statements note no. 26(f) that;

The Department of Telecommunication ('DoT') has issued demand notices dated January 8, 2013 towards one time spectrum charges for spectrum held by Idea beyond 6.2 Mhz for the period from July 1, 2008 to December 31, 2012 amounting to the Group's share of ₹ 85.93 crore and beyond 4.4 Mhz for the period from January 1, 2013 till the expiry of the license amounting to the Group's share of ₹ 406.06 crore in the respective telecom service areas. In the opinion of Idea, inter-alia, the above demand amounts to alteration of financial terms of the licenses issued in the past. Idea therefore, filed a petition before the Hon'ble High Court of Bombay, which directed DoT, not to take any coercive action until the matter is further heard.



The financial impact of the above mentioned matter is dependent upon the outcome of the petition filed by Idea in the Hon'ble High Court of Bombay and therefore no effect for the one-time spectrum has been given in these consolidated financial statements.

Further, the Auditors of one of the subsidiaries has reported that, during the year under audit, two borrowers of the subsidiary have defrauded the subsidiary by submitting forged documents at the time of borrowing and consequently such loans amounting to ₹ 7.95 crore have become doubtful of recovery and the same have been fully provided for by the subsidiary and in case of the Holding Company, there was a case of employee misappropriation which was not material and was appropriately dealt with by the management.

ACCOUNTING POLICIES

The financial statements have been prepared in accordance with generally accepted accounting principles in India (Indian GAAP) under the historical cost convention on an accrual basis in compliance with all material aspect of the Accounting Standard (AS) Notified under section 133 of the Companies Act, 2013, read together with paragraph 7 of the Companies (Accounts) Rules, 2014. The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year, except for the change in accounting policy for depreciation as requires under Schedule II to the Companies Act, 2013. Effective from 1st April, 2014, the Company has provided depreciation on fixed assets based on useful lives as provided in Schedule II to the Companies Act, 2013 or as re-assessed by the Company.

FINANCIAL INDICATORS

	FY 14/15	FY 13/14	Shift	Company's Discussion
Debtors Turnover	3.97	3.92	1.27%	-
Inventory Turnover	7.17	7.27	-1.36%	-
Interest Coverage Ratio	4.50	4.76	-5.48%	-
Current Ratio	0.88	0.93	-5.37%	-
Debt Equity Ratio	0.40	0.43	-7.16%	-
Operating Profit Margin (%)	13.26%	15.83%	-16.22%	-
Net Profit Margin (%)	5.90%	8.40%	-29.74%	Not discussed
Operating Cash Flow/ Sales (%)	8.81%	12.32%	-28.47%	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	455.29	978.48
Net worth of the Company	8,518.99	8,107.74
Contingent liabilities as a percentage of net worth	5.34%	12.07%

Source: Company's Annual Reports

Major portion of contingent liabilities is constituted by income tax disputed matters.

RELATED PARTY TRANSACTIONS

Outstanding (₹ Crore)	FY 14/15	FY 13/14	Shift	Comments
Loans, Advances and Deposits Given	97.27	559.29	-82.61%	-
Receivables	113.37	77.13	46.99%	-
Payables	0.28	0.39	-28.21%	-

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	8,938	8,021	9,755	17,578	17,871	15,736	26,516	25,892	25,490
Net Profit	528	674	423	963	548	636	1,491	1,222	1,059
Total Assets	14,650	13,991	13,216	60,972	49,040	43,888	75,622	63,031	57,103
Net Worth	8,519	8,108	6,854	5,151	3,859	2,530	13,670	11,967	9,384
NPM (%)	5.90%	8.40%	4.34%	5.48%	3.07%	4.04%	5.62%	4.72%	4.15%
ROA	3.60%	4.82%	3.20%	1.58%	1.12%	1.45%	1.97%	1.94%	1.85%
RONW	6.19%	8.31%	6.17%	18.70%	14.20%	25.13%	10.91%	10.21%	11.28%

Source: Company's Annual Reports

CLUBBED RESOLUTIONS: Shareholders may note that the Company is seeking shareholders' approval for adoption of standalone accounts and consolidated accounts 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

Declaration of Dividend on Equity Shares.

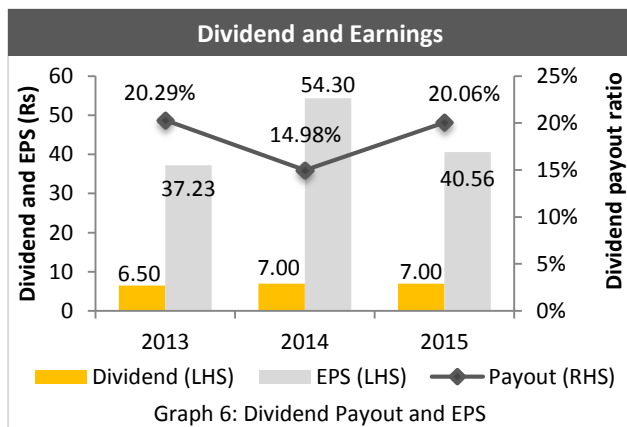
SES RATIONALE

No major governance issue identified.

SES RECOMMENDATION

Though, current ratio of the Company is less than 1.00 during FY 2014-15 and FY 2012-13, the Company has a very comfortable Debt Equity ratio at 0.40:1, indicating potential for bank borrowing. SES is not raising any concern on the same and recommends that shareholders vote **FOR** the resolution.

SES ANALYSIS



For the financial year ended on March 31, 2015, the Board has recommended a dividend of:

- ₹ 7.00 per Equity Share of ₹ 10/- each (last year ₹ 7.00 per Equity Share); and
- ₹ 2.99 per Preference Share of ₹ 100/- each (last year ₹ 6.00 per Preference Share).

The said equity dividend, if approved by the shareholders, would involve cash outflow of ₹ 109.60 Crore (including dividend distribution tax of ₹ 18.55 Crore) compared to ₹ 97.73 Crore (including dividend distribution tax of ₹ 6.67) paid for the year 2013-14.

The current ratio of the Company is less than 1.00. However, the Company has a very comfortable Debt Equity ratio at 0.40:1, indicating potential for bank borrowing. Although payment of dividend will affect cash position adversely overall there will be no adverse effect on financial health. Therefore payment of dividend even with Current Ratio less than 1.0 is not a matter of concern. Further the Company has proposed to issue NCD worth ₹ 1,500 Crore, which will improve the current ratio. Therefore, SES is not raising any concern.

RESOLUTION 3 & 4: REAPPOINTMENT OF NON-EXECUTIVE DIRECTORS

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

4: Re-appointment of Mr. Tapasendra Chattopadhyay, Director retiring by rotation.

SES RATIONALE

3: Skewed remuneration – Governance issue

4: No governance issue observed

SES RECOMMENDATION

3: In FY 2014-15, the remuneration paid to Mr. Birla was more than 51 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. Further, Mr. Birla has not attended any of the last three AGMs and his attendance of the board meetings held in the last year is low at 60%. Based on their attendance record, SES is of the opinion that Mr. Birla has not been able to devote sufficient time to the Company’s affairs, especially so given the fact that Mr. Birla is the Chairman of the Board. 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 short of good governance standards expected.

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

SES ANALYSIS

DIRECTORS' PROFILE

	Mr. Kumar Mangalam Birla	Mr. Tapasendra Chattopadhyay
Current full time position	None	None
Functional Area	Industrialist	Insurance Sector
Education	ACA, MBA	M.Sc.(Chemistry)
Past Experience	Chairman of the Aditya Birla Group since 1995	Former Executive Director of LIC
Committee positions in the Company	NR (M)	None
Retirement by rotation	Retiring	Retiring
Part of promoter group?	Yes	No
SES Recommendation	AGAINST	FOR

NR - Nomination & Remuneration Committee, M - Member,

DIRECTORS' TIME COMMITMENTS

Criteria	Mr. Kumar Mangalam Birla	Mr. Tapasendra Chattopadhyay
Total Directorships	20	1
Total Committee memberships	0	1
Total Committee Chairmanship	0	0
Full time role/ executive position	0	0

Note: Total Directorships include Directorships in Public as well Private Companies

DIRECTORS' PERFORMANCE

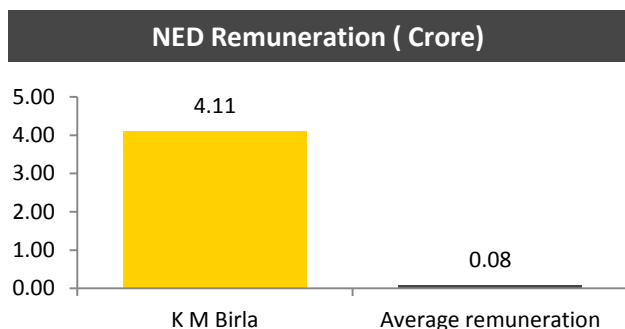
Attendance record	Mr. Kumar Mangalam Birla	Mr. Tapasendra Chattopadhyay
Last 3 AGMs	0/3	0/3
Board meetings held last year	60%	80%
Board meetings in last 3 years (avg.)	77%	71%
Nomination & Remuneration Committee meetings	34%	Not applicable

Mr. Birla and Mr. Chattopadhyay have not attended any of the last three AGMs. Mr. Birla attendance of the board meetings held in the last year is low. Based on their attendance record, SES is of the opinion that both the directors have not been able to devote sufficient time to the Company's affairs, especially so given the fact that Mr. Birla is the Chairman of the Board. However, Mr. Chattopadhyay is a nominee director of LIC and considering his satisfactory attendance at board meetings held in last year/last three years, SES is not raising over appointment of Mr. Chattopadhyay.

REMUNERATION OF MR. Chattopadhyay

The remuneration paid to Mr. Chattopadhyay is aligned with the other non-executive directors of the Company.

REMUNERATION OF MR. BIRLA



Graph 7: NED remuneration

It should be noted that that of the ₹ 4.68 crore paid as remuneration to non-executive directors, ₹ 4.11 crore (88%) was paid to Mr. K M Birla, a promoter non-executive director of the Company. His remuneration was 51 times the average remuneration paid to the other non-executive directors of the Company. Further, his remuneration is approximately **79%** of the remuneration paid to the MD 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 if proper reasons are given there would be, in all probability no objection from shareholders. However, till there is shortfall in disclosures the same will remain a presumption.

In conclusion, SES is of the opinion that the remuneration policy followed by the Company is non-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 shareholder to explain and justify skewed remuneration policy, especially why they feel that as NED their contribution is a fraction of contribution of Mr. Birla.

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RESOLUTION 5: APPOINTMENT OF AUDITORS

Re-Appointment of M/s. Khimji Kunverji & Co and M/s. S R B C & Co. LLP, as Joint Statutory Auditors of the Company for a term of one year.

SES RATIONALE

Violation of Section 139(2) of Companies Act 2013 – Use of transition provisions in instalments.

SES RECOMMENDATION

The Company seeks approval for appointment of Auditors for the financial year 2015-16. The Company has Joint Statutory Auditors M/s. Khimji Kunverji & Co. and M/s. S R B C & Co. LLP and it has sought approval for their appointment by a single resolution. SES is of the opinion that appointment of two Auditors is a separate matter. SES does not consider bunching of separate matters in a single resolution as a good governance practice and the Company should propose separate resolutions for appointment of each Auditor.

The current Auditors, M/s. Khimji Kunverji & Co. and M/s. S R B C & Co. LLP, have been associated with the Company for 19 years. Provisions of the Companies Act, 2013 state that Auditors should not have tenure of over 10 years. Although the Act and the Rules thereunder provide a transition period of 3 years in certain cases. The Company has proposed resolution for appointment of retiring Auditor's for a term one years. SES is of the opinion that the Company should rotate its Auditors in ensuing AGM as the Company has already utilized the transition period available under the act by appointing the auditors for a term of one year in the last AGM concluded on 2nd July, 2014. SES is of the view that the proposed resolution for appointment of auditors for a term of one year again will result in the violation of law. Therefore, SES recommends that shareholders vote **AGAINST** the resolution. Further, the new Auditors should be appointed for a period of 5 years (in accordance with the Companies Act, 2013).

SES ANALYSIS

DISCLOSURES

Name of the auditor up for appointment	Disclosed in Notice and Annual Report
Auditors' eligibility for appointment	Disclosed
Auditors' independence certificate	Disclosed

AUDITORS' INDEPENDENCE

Auditors		Audit Partners		Auditors Network
Khimji Kunverji & Co.	19 years	Shivji Vikamsey	19 years	Not applicable
S R B C & Co LLP	12 years	Vijay Maniar	6 years	Ernst & Young

Mr. Vikamsey is associated as Audit Partner of M/s. Khimji Kunverji & Co. and Mr. Maniar is of M/s. S R B C & Co. LLP, for 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;

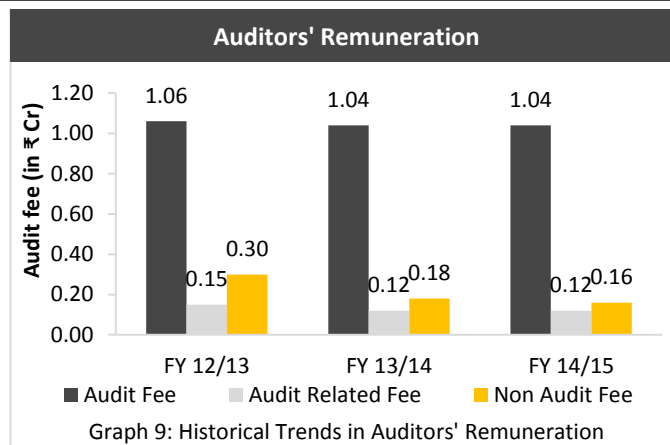
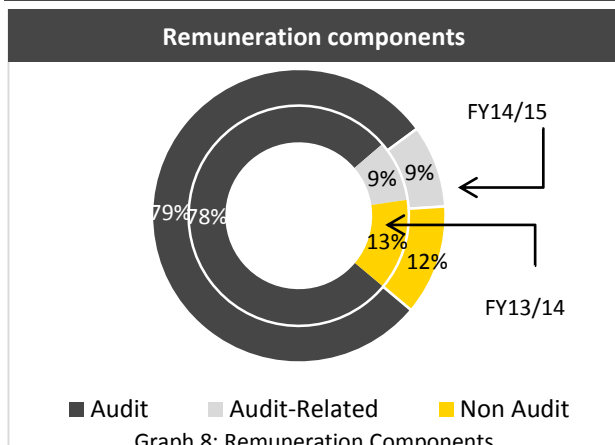
(a) In the audit firm appointed by it, the auditing partner and his team shall be rotated at such intervals as may be resolved by members; or

(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 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.

SES is of the opinion that the provision of section 139 of the Companies Act, 2013 provide for transition period of 3 years to the companies to comply with the provisions of the Act. The transition period of three years can be availed by the company in one go either by appointing retiring auditors for a term of 1 year or 2 years or for 3 years but not in three instalments i.e. for one year every year for 3 years. Further, once the appointment of Auditors has been made for a term of up to 3 years, the Company cannot use the transit period again if earlier utilization was less than 3 year. The reason for this interpretation is that Section 139 of the Act of 2013 mandates appointment of Auditors for 5 years and there is no respite under this section except one time transitory provision of up to three years.

The Company seeks approval for appointment of Auditors for the financial year 2015-16. The Company has Joint Statutory Auditors M/s. Khimji Kunverji & Co. and M/s. S R B C & Co. LLP and it proposes to seek their appointment by a single resolution. SES is of the opinion that appointment of two Auditors is a separate matter. SES does not consider bunching of separate matters in a single resolution a good governance practice and the Company should propose separate resolutions for appointment of each Auditor.

The Company in the proposed resolution is seeking appointment of M/s. Khimji Kunverji & Co. and M/s. S R B C & Co. LLP for a term of 1 year only who have been associated with the Company for 19 years and 12 years respectively. SES is of the opinion that the Company had utilized the transition period available under the Act by appointing the Auditors for a period of 1 year in the last AGM held on 11th September, 2014. SES is of the opinion that the transition period option is not available to the Company. SES, therefore raises concern over the appointment of current Auditors and recommend the rotation of auditor in the ensuing AGM.

SES in its Report for AGM held in 2014 had recommended vote against the appointment of M/s. Khimji Kunverji & Co. and M/s. S R B C & Co. LLP, as Statutory Auditors based on SES policy of maximum 10 year tenure of Auditors notwithstanding transitory provisions.



RESOLUTION 6: APPOINTMENT OF BRANCH AUDITORS

6 (i): Re-appointment of M/s. Khimji Kunverji & Co as Branch Auditors for Company’s Aditya Birla Insulators units at Rishra and Halol.

6 (ii): Re-appointment of M/s. Khimji Kunverji & Co. and M/s. K.S. Aiyar & Co., as joint Branch Auditors of Company’s Indian Rayon Division at Veraval.

6 (iii): Re-appointment of M/s. Deloitte Haskins & Sells, as Branch Auditors of the Company’s Madura Fashion & Life Style Division at Bangalore.

6 (iv): Re-appointment of M/s. S R B C & Co. LLP as Branch Auditors of the Company’s Jaya Shree Textiles Division, Rishra and Indo Gulf Fertilisers, Jagdishpur.

SES RATIONALE

6 (i), (ii), (iv): Violation of Section 139(2) of Companies Act 2013 – Use of transition provisions in instalments.

6 (iii): Violation of Section 139(1) of Companies Act 2013 – Appointment for a term of 1 year only

SES RECOMMENDATION

6 (i), (ii), (iv): M/s. Khimji Kunverji & Co. and M/s S R B C & Co. LLP associated as Joint Auditors and Branch Auditors of the Company for more than 10 years. The Branch Auditors are also appointed as per Section 139 of the Companies Act, 2013 and provisions of this section *inter alia*, state that Auditors should not have tenure of over 10 years. Although the Companies Act, 2013 and the Rules thereunder provide a transition period of 3 years, SES believes that as a good governance practice, the Company should rotate its Branch Auditors in the current year and therefore recommends that shareholders vote **AGAINST** the Resolution.

6(iii): The Company has proposed appointment of M/s. Deloitte, Haskins & Sells as Branch Auditors of Madura Fashion & Lifestyle Division of the Company for a term 1 year, which is in violation of Section 139(1) of the Companies Act, 2013. Therefore SES recommends that shareholders vote **AGAINST** the resolution.

SES ANALYSIS

BRANCH AUDITORS

The Company has proposed resolutions for appointment of following Auditors as Branch Auditors for various divisions of the Company.

Name of the Auditors	Unit	Term
M/s. Khimji Kunverji & Co.	Aditya Birla Insulators Divisions	1 year
M/s. Khimji Kunverji & Co.	Indian Rayon Division	1 year
M/s. Deloitte, Haskins & Sells	Madura Fashion & Lifestyle Division	1 year
M/s S R B C & Co. LLP	Jaya Shree Textiles Division & Indo Gulf Fertilisers	1 year

All the Branch Auditors of the Company except, M/s. Deloitte, Haskins & Sells, are associated with the Company for more than 10 years. The appointment of Branch Auditors are also as per Section 139 of the Companies Act, 2013 and provisions of this section state that Auditors/ Branch Auditors should not have tenure of over 10 years. Although the Companies Act, 2013 and the Rules thereunder provide a transition period of 3 years, SES believes that as a good governance practice, the Company should rotate its Branch Auditors in the current year.

The appointment of Branch Auditors is also govern by provisions of Section 139 of the Companies Act, 2013. M/s. Deloitte, Haskins & Sells, has not been associated with the Company in the past. The Company has proposed resolution



for appointment of M/s. Deloitte, Haskins & Sells, as Branch Auditors for a term of 1 year. SES is of the opinion that the proposed appointment for a term of 1 year will lead to violation of Section 139(1) of the Companies act, 2013.

Though the Company has clubbed the appointment of Branch Auditors for various divisions in single resolution by separating sub-numbers. The Company has provided separate voting for each appointment. No concern has identified in respect of clubbing of Branch Auditors appointment.

RESOLUTION 7: ISSUE OF NON-CONVERTIBLE DEBENTURES

Approval for Issuance of Non-Convertible Debentures for an amount up to ₹ 1,500 Crore, on private placement basis.

SES RATIONALE

No dilution of equity shareholders. No governance issue identified

SES RECOMMENDATION

This is an enabling resolution. Since the securities to be issued are non-convertible in nature, these will cause no dilution to the existing shareholders. Therefore, no concern has been identified. SES recommends that shareholders vote **FOR** the resolution.

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

In order to augment the long term resources for financing, inter alia, the ongoing capital expenditure and for general corporate purposes, the Company may offer or invite subscription for secured/unsecured redeemable non-convertible debentures ("NCDs"), in one or more series/tranches on private placement, redeemable at par, on such terms and conditions as the Board of Directors of the Company determine and consider proper and most beneficial to the Company.

DETAILS OF THE ISSUE

Securities to be issued: secured/unsecured redeemable non-convertible debentures

Issue Type: Private Placement

Issue Size: ₹ 1,500 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 similar enabling resolution on AGM held on 11th September, 2014 for issuance of Non-Convertible Debentures (NCDs) within the overall borrowing limits of the Company. The Company had raised ₹ 300 Crore by way of issue of Non-Convertible Debentures (NCDs) during FY2014-15.

RESOLUTION 8: PAYMENT TO COST AUDITORS

Approval of remuneration of Cost Auditors of the Company for the financial year ending 31st March 2016.

SES RATIONALE

In Compliance with Law, no governance issue identified.

SES RECOMMENDATION

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

SES ANALYSIS

COST AUDITORS

The Board, on the recommendation of the Audit Committee, approved the appointment and remuneration of the Cost Auditors to conduct the audit of the cost records of the Company for the financial year ending 31st March, 2016, as per the following details:

Name of the Auditors	Unit	Product	Proposed Fees (₹)
M/s. Ashwin Solanki & Associates	Indian Rayon, Veraval	VFY and Chemicals	1,30,000
M/s. R. Chakraborty & Co.	Jaya Shree Textiles, Rishra	Textiles (Worsted yarn)	60,000
M/s. K.G. Goyal & Associates	Indo Gulf Fertilisers, Jagdishpur	Fertilisers	85,000
M/s. S.S. Puranik & Associates	Aditya Birla Insulators – Halol & Rishra Units	Insulators	1,10,000

The Auditors have not furnished a certificate regarding their eligibility for appointment as Cost Auditors of the Company.

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 has sought shareholders the approval to ratify the remuneration payable to Cost Auditors of the Company for FY 2015-16 by an Ordinary Resolution. No concern has been identified in this regard.

PROXY ADVISORY REPORT | FOR LIMITED CIRCULATION

RESOLUTION 9: CHANGE OF LOCATION TO MAINTAIN REGISTERES

To keep Index and Register of Members & Debenture holders and other records, etc. at the office of M/s Sharepro Services (India) Private Limited, Company's Registrar and Share Transfer Agents, at Mumbai.

SES RATIONALE

No governance issue observed. Adequate rationale provided.

SES RECOMMENDATION

The Company has provided adequate rationale for the resolution. No concern has been identified in this regard. SES recommends that shareholders vote **FOR** the resolution.

SES ANALYSIS

PURPOSE AS DISCLOSED BY THE COMPANY

The Company has around 1.30 lakh shareholders and is presently doing In-house Share Registrar's Work to serve its shareholders and security holders. It is registered as Share Transfer Agents under Category II with the Securities Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 ("the Regulations") for doing in-house share transfer related activities for its shareholders. Considering that the external Registrars and Share Transfer Agents are now better equipped, structured and service oriented for meeting the requirements prescribed under the Companies Act, SEBI Regulations, Listing Agreement with the Stock Exchanges, and other applicable laws, rules & regulations, etc., The Board has granted its approval to transfer all the existing activities relating & pertaining to the work of In-house Share Transfers Registrars to an external Registrars and Share Transfer Agents, viz., M/s. Sharepro Services (India) Pvt. Ltd., Mumbai (Sharepro), by appointing them as the Registrars and Share Transfer Agents of the Company w. e. f. 1st October, 2015.

Under the provisions of the Companies Act, 2013 (the "Act") the Company can maintain & record the above said registers and documents at any other place within the city, town or village in which the registered office is situated or any other place in India, in which more than one-tenth of the total members entered in the register of members reside if a special resolution is passed in a general meeting.

Hence in view of the enabling provisions of the Companies Act, 2013 as stated above, the Company is seeking the consent of the shareholders by way of special resolution to maintain the registers and records at the new premises of Registrar & Transfer Agents. SES has not found any governance/compliance issue in the resolution.

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.

Analyst Certification

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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