

Proxy Advisory Report

Atul Ltd

ABOUT SES

Stakeholders Empowerment Services (SES) is a Corporate Governance research and advisory firm. SES assists investors to analyze governance practices including matters relating to sustainability, prevalent at listed entities and empower Investors to undertake meaningful engagement with Investee entities.

SES SERVICES

Proxy Advisory:

Advises investors on the matters that require shareholder approval at listed entities and identify Governance issues. [Read More](#)

ESG Scores:

Analyze sustainability initiatives of Companies based on various environmental, social and governance factors. [Read More](#)

Corporate Governance Score (CGS):

CGS model measures the Company's compliance and also evaluates the governance practices with respect to global benchmarks. [Read More](#)

Governance Research:

In-depth and robust analysis on various topic to identify governance issues relating to companies, transactions, sectors and even the broader markets. [Read More](#)

E-Ballot:

Online Vote Management System to cater to requirements of Institutional Investors. One stop solution for investors – from accessing proxy reports and voting advice to recording votes and generating customized MIS reports. [Read More](#)

SES AIMS:

Designed primarily for Institutional investors to carry out their stewardship activities in an efficient manner. [Read More](#)

BRSR: SES has developed an Online web-based platform where in the Company can fill all its BRSR related data and generate its BRSR Report seamlessly online. [Read More](#)

BRSR Guide on relevant sector: [Read more](#)

COMPANY INFORMATION

BSE CODE: 500027

NSE SYMBOL: ATUL

ISIN: INE100A01010

Industry: Agrochemicals

Email: sec@atul.co.in; shareholders@atul.co.in

Phone: 079-26460520 / 26461294 / 26463706

Registered Office: Atul House, G I Patel Marg, Ahmedabad, Gujarat - 380 014

MEETING DETAILS

Meeting Type: AGM

Meeting Date: 29th July, 2022 at 10:30 AM

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

Notice Date: 26th April, 2022

Notice: [Click here](#)

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

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

E-VOTING DETAILS

e-Voting Platform: [CDSL](#)

Cut-off Date: 22nd July, 2022

Remote E-voting:

- **Start:** 26th July, 2022
- **Ends:** 28th July, 2022

REPORT RELEASE DATE: 21st JULY, 2022

RESEARCH ANALYST: KIRTI DHOKIYA

CONFLICT DISCLOSURE: SES - NO CONFLICT | ANALYST - NO CONFLICT

INTERACTION WITH THE COMPANY - NO INTERACTION




TABLE 1 AGENDA ITEMS AND RECOMMENDATIONS

S. No	Resolution	Type	SES Observation [#]	Rec.	Rationale
1	To receive, consider and adopt: i) Adoption of Standalone Financial Statements. ii) Adoption of Consolidated Financial Statements.	O	LC	FOR	Unqualified financial statements
2	Declaration of dividend.	O	LC	FOR	Sufficient funds available
3	Re-appointment of Mr. T R Gopi Kannan as a director liable to retire by rotation.	O	LC	FOR	No Governance Concern
4	Re-appointment of M/s. Deloitte Haskins & Sells LLP, Chartered Accountants as the Statutory Auditors of the Company.	O	LC	FOR	No governance concern
5	Re-appointment of Mr B N Mohanan as a Wholtime Director of the Company, and including his minimum remuneration.	S	NC GC	AGAINST	Holds 3 full-time directorship.
6	Appointment of Mr P J Banerjee as an Independent Director of the Company.	S	LC	FOR	No governance concern
7	Ratification of remuneration R Nanabhoy & Co, Cost Accountants as a cost auditor.	O	LC GC	AGAINST	Cost Audit fee significantly lower than the minimum suggested fee by ICAI



O - Ordinary Resolution; S - Special Resolution, Rec. - Recommendation

LC - Legally Compliant, NC - Legally Non-Compliant, FC - Fairness Concern, TC - Disclosures & Transparency Concern, GC - Governance Concern

KEY ISSUE

-  Mr. B N Mohanan has excessive full-time directorships which, according to SES, is in contravention with the provisions of the Companies Act, 2013. ([Read more](#))

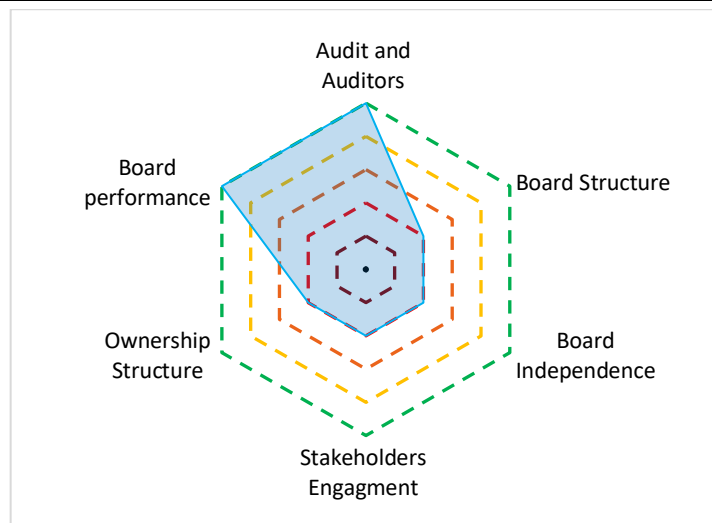
KEY OBSERVATIONS

-  Skewed remuneration to Promoter director. ([Read More](#)).
-  Mr. S. S. Lalbhai holds the position of Chairman and Managing Director. Holding of such a position by a single person may lead to concentration of power. ([Read More](#))



GOVERNANCE SNAPSHOT















SES GOVERNANCE RADAR



SES Governance Radar depicts the strength of a company's governance practices and standards. This Radar attempts to summarize a company's governance practices on the basis of 30 key governance parameters created by SES which are based on best practices.

(Note: The farther the distance of each vertex of the blue shaded hexagon from the centre, the better the performance on such parameter. For more information on the SES Governance Radar - [Click Here](#))

GOVERNANCE PARAMETERS (AS PER SES)

 ID holds shares worth > ₹ 20 Cr	 No IDs having pecuniary relationship
 3 IDs having >10 years association	 No Ex-executive / Ex-Promoter as ID
 No Director on the Board of Competitors	 The company has not designated Lead ID
 Chairman of Board not Independent	 Chairman is ED
 Audit Partner is associated for <3 years	 Non-Audit fee comprises of <25% of total auditors' remuneration
 DDP disclosed by the Company is not Objective	
 Positive	 Negative
 NA	



COMPANY BACKGROUND

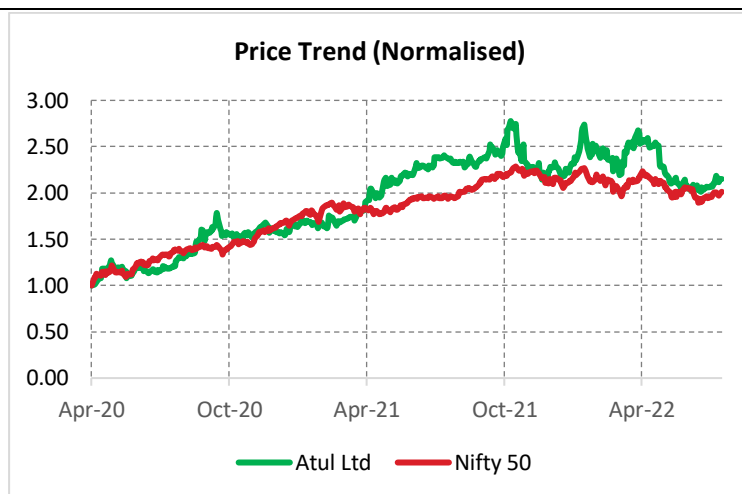
COMPANY OVERVIEW

The Company and its subsidiary companies are referred to as the Group hereunder. The Group is in the business of Life Science Chemicals and Performance and Other Chemicals and caters to the needs of varied industries such as Adhesives, Agriculture, Animal Feed, Automobile, Composites, Construction, Cosmetic, Defence, Dyestuff, Electrical and Electronics, Flavour, Food, Footwear, Fragrance, Glass, Home Care, Horticulture, Hospitality, Paint and Coatings, Paper, Personal Care, Pharmaceutical, Plastic, Polymer, Rubber, Soap and Detergent, Sport and Leisure, Textile, Tyre and Wind Energy across the world.

MARKET DATA (As on 18th July, 2022)

Price ₹	8,379.35
52 Weeks High/Low (₹)	10,975/7,757
M Cap (₹ Cr.)	24,851.64
P/E	41.03
P/B	5.55

Source: BSE & Annual Report



NUMBER OF SUBSIDIARIES, ASSOCIATE COMPANIES AND JOINT VENTURES (AS ON 31ST MARCH, 2022)

SUBSIDIARIES	ASSOCIATES	JOINT VENTURES
29	14	1

Source: [MGT-7](#)

Benchmark Index	
INDEX*	NIFTY MID CAP
INDEX RANK	53/150

*This Index Benchmark shall be considered for analysis in the report, wherever mentioned as Nifty Benchmark.

FINANCIAL INDICATORS (CONSOLIDATED)

(In ₹ Crores)	2020	2021	2022
Net Worth	3,181.27	3,857.15	4,459.84
Total Assets	4,150.48	4,937.20	5,706.35
Total Debt	108.47	126.67	138.38
Loan & Advances	0.27	3.85	3.61
Trade Receivables	719.73	733.23	989.01
Operating Revenue	4,093.06	3,731.47	5,080.89
Total Revenue	4,171.10	3,834.45	5,156.89
Operating Profit	902.01	917.12	911.44
Net Profit	670.91	660.02	604.74
OPM (%)	22.04	24.58	17.94
NPM (%)	16.08	17.21	11.73
EPS (₹)	224.69	221.17	204.23
Face Value (₹ Per Share)	10.00	10.00	10.00
RONW (%)	21.09	17.11	13.56
Debt Equity Ratio	0.03	0.03	0.03

Source: Capitaline | Kindly [Click here](#) to view list of abbreviations and formulas used in above table

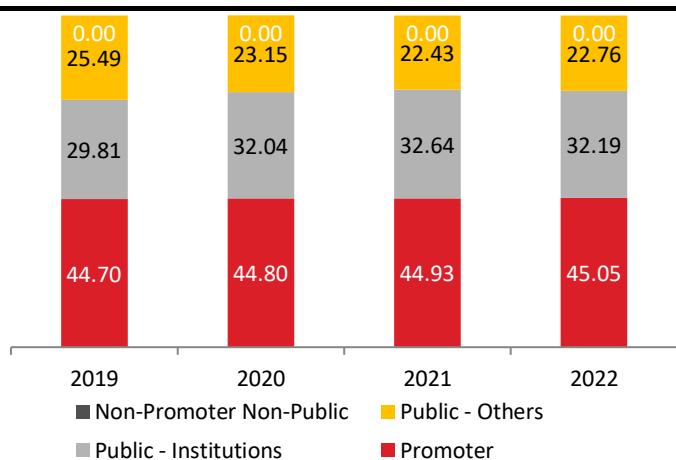
PEER COMPARISON (2022)

Gujarat Fluorochemicals Ltd	Aarti Industries Ltd
4,230.30	5,915.18
6,878.05	9,672.80
1,552.71	2,217.62
37.45	-
778.09	1,390.50
3,953.59	6,999.96
4,085.03	7,000.76
1,197.60	1,928.81
775.86	1,307.42
30.29	27.55
18.99	18.68
70.63	36.06
1.00	5.00
18.34	22.10
0.37	0.37



OWNERSHIP STRUCTURE

SHAREHOLDING PATTERN (%) (JUNE)



MAJOR PUBLIC SHAREHOLDERS (JUN' 22)

DSP Midcap Fund	4.26%
Life Insurance Corporation of India	3.21%
Aditya Birla Sun Life Trustee Private Limited	2.31%
HDFC Trustee Company Ltd	2.27%
Kotak Emerging Equity Scheme	2.24%

DISCUSSION (1st July, 2021 to 30th June, 2022)

Shares at the start of period: 2,95,87,051

Shares Bought Back: 73,296

Shares at the end of period: 2,95,13,755

CHANGE IN SHAREHOLDING:

CATEGORY	% CHANGES	REASONS
Promoter	(+) by 0.12%	Shares Buy Back
Public Institution	(-) by 0.45%	-
Public Others	(+) by 0.33%	-

Pledge: The Promoters have pledged or encumbered 1.5% of their shareholding.

MAJOR PROMOTER SHAREHOLDERS (JUN' 22)

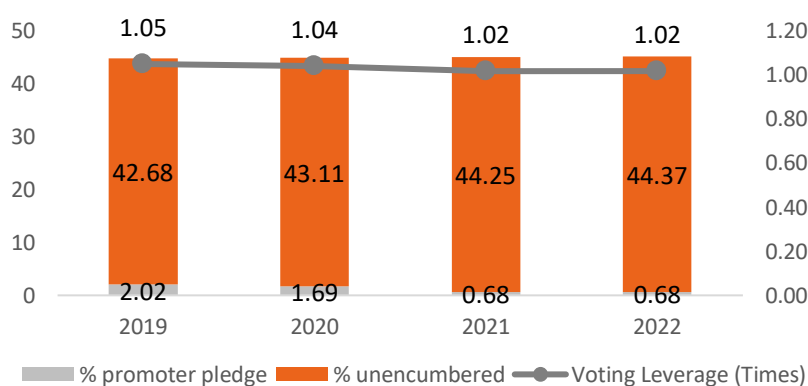
Aagam Holdings Private Limited	22.55%
Arvind Farms Pvt Ltd	9.47%
Aagam Agencies Pvt Ltd	4.05%
Aayojan Resources Private Ltd	2.08%
Akshita Holdings Private Limited	1.57%

PROMOTER OWNERSHIP VS THEIR BOARD POSITIONS (INCLUDING AFFILIATED PROMOTERS)

% Promoter Directors as per SES, (Excluding IDs)	40%
Ratio of Promoter Directors Compared to Promoter unencumbered Ownership (40% /44.37%)	0.9:1

PERCENTAGE OF SHARES PLEDGED BY PROMOTER (JUN)

PROMOTER PLEDGE & VOTING LEVERAGE



DISCUSSION

DETAILS OF ENCUMBRANCE	JUN' 22
Promoter shareholding	45.05%
Promoters shares encumbered	0.68%
Unencumbered Ownership	44.37%
Reason(s) of encumbrance reported?*	NA

*Disclosures required only in case pledge % is equal or exceeds

a) 50% of promoters shareholding in the company; or
b) 20% of the total share capital of the company.



INSTITUTION SHAREHOLDING VS FREE FLOAT

Particulars	JUN' 21	JUN' 22	Institutional Holding	GRADE*
Total Shares	2.96	2.95	More than 75%	A
Promoter Shares	1.33	1.33	>50% to 75%	B
Non-Promoter Non-Public	-	-	>25% to 50%	C
Free Float (FF)	1.63	1.62	0% to 25%	D
Public Institution	0.97	0.95	<i>*Percentage is proportion of Public Institutional shareholding vs Free float. Free Float is total shareholding reduced by Promoter and Non-Promoter Non-Public shareholding.</i>	
Institution vs FF	59.27%	58.59%		
SES Institutional Grade	B	B		

No. of shares in Crore


Explanation: Generally, it is expected that a higher Institutional shareholding would result in better Corporate Governance Practices due to stewardship activities of investors. To analyse the entry and exit of Institutional shareholders in a Company and to capture such triggers, SES has come up with Institutional grading criteria as given in the table. The grading criteria provides a higher grade in case the percentage of Institutional shareholding vs free float is higher and vice versa.



BOARD OF DIRECTORS

BOARD PROFILE

Director	R e c.	Age	M/W	Expertise	Classification		[1] Tenure (Associ- -ation) in Year	Attendance for last year		[2] Directorship			Committee Membership			FY 2021- 22 Pay (₹Lakh)	
					Company	SES		Board	AGM	TD	PD	LD	[3] Member (Chair)	AC	NRC		RMC
EXECUTIVE DIRECTORS																	
S S Lalbhai		62	M	IEX	CMDP	🚩 CMDP	38	5/5	Yes	7	7	5	5(3)		C	1,362.19	
S A Lalbhai		61	M	IEX	MDP	MDP	22	5/5	Yes	4	3	3	0(0)			297.74	
B N Mohanan	🚩	72	M	IEX	ED(R)	ED(R)	13(30)	5/5	Yes	10	10	1	0(0)		M	184.00	
T R Gopi Kannan	✅	63	M	FIN	ED(R)	ED(R)	8(29)	5/5	Yes	9	9	2	4(0)		M	216.00	
NON-EXECUTIVE NON-INDEPENDENT DIRECTOR																	
R A Shah		91	M	Legal	NED(R)	NED(R)	39	5/5	Yes	4	3	3	2(0)		M	12.90	
INDEPENDENT DIRECTORS																	
P J Banerjee	✅	63	M	MKT	ID	ID	<1	NA	NA	8	7	5	6(1)			0.00	
B S Mehta		86	M	FIN	ID	NID	🚩 30	5/5	No	2	2	2	2(2)	C		20.55	
V S Rangan		62	M	FIN	ID	NID	🚩 12	5/5	Yes	8	7	3	5(0)	M		17.50	
S M Datta		86	M	MGT	ID	NID	🚩 20	4/5	Yes	9	7	2	4(2)			14.80	
M M Chitale		72	M	FIN	ID	ID	8	5/5	Yes	6	5	4	6(2)	M	C	18.15	
S A Panse		68	W	FIN	ID	ID	7	5/5	Yes	3	3	3	3(1)			13.45	
B R Arora		78	M	MGT	ID	ID	7	5/5	Yes	1	1	1	2(1)	M	M	M	24.00
BOARD SUMMARY																	
CRITERIA	Age		WD/Board	Women		ID Classification		ID		Attendance		Time Commitments					
	ED	NED		Nifty Benchmark	WID/ID	Company	SES	Tenure	Association	Board	AGM	LD	Member	Chair			
	>70	>75						>10 years	<50%	No	>7	>10	>5				
# Directors	1/4	4/8	1/12	1.6/9.14	1/7	7/12	4/12	3/7	3/7	0/12	1/12	0/12	0/12	0/12	0/12		
Percentage	25%	50%	8%	18%	14%	58%	33%	43%	43%	0%	8%	0%	0%	0%	0%		
Criteria			Company's data		Nifty Benchmark ^[1]		Criteria			Company's data		Nifty Benchmark ^[1]					
Youngest / Eldest director (years)			61/91		-		Avg. Time Commitment (Board)			2.8 LD		2.2 LD					
Average Age of Board (years)			72		60.4		No. of Nominee director(s)			-		-					
Board Size			12		9.1		^[1] Benchmarks are computed by SES, using FY 2019-20 average data. Please click here to know more										

 Items deserving attention due to governance or contentious issues.

[1] Figures in bracket indicate total association of the Director with the Company/ Group

[2] Directorship as per MCA website as on 16th July, 2022

[3] Committee memberships include committee chairmanships (Includes only Audit Committee and SRC)(As Per Notice/Annual Report)

Note: Directorships, committee membership and committee chairmanship include such positions in Atul Ltd

Expertise: IEX-Industry Expert, FIN-Finance, MGT-Management, MKT-Marketing, HRM-Human Resource Management, BNK-Banking,

✓ - FOR, ✗ - AGAINST. Kindly [Click here](#) to view list of abbreviations.

BOARD CHANGES (Since 1st April, 2021)

Director	Company Classification	Appointment Date	Cessation Date	Association (Years)	Age (Years)	Pay (₹ Lakh)	Remark
APPOINTMENT							Shareholder's Approval
P J Banerjee	ID	1 st May, 2022	-	<1	63	-	Proposed in ensuing AGM

Board Independence: Mr. B S Mehta, Mr. V S Rangan and Mr. S M Datta have been classified as NID by SES. They have been associated with the Company for more than 10 years.



Meeting Type: 45th AGM

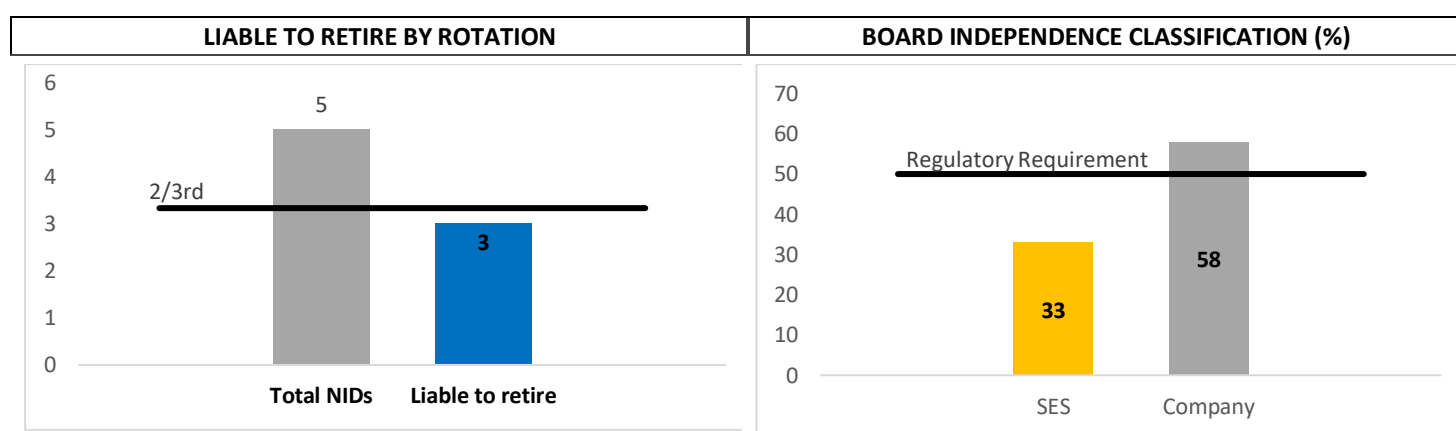
 Meeting Date: 29th July, 2022

Rationale: Although, compliant under the law, however, SES as a policy does not consider any director associated with the Company/ Group for more than 10 years to be Independent due to their prolonged association.

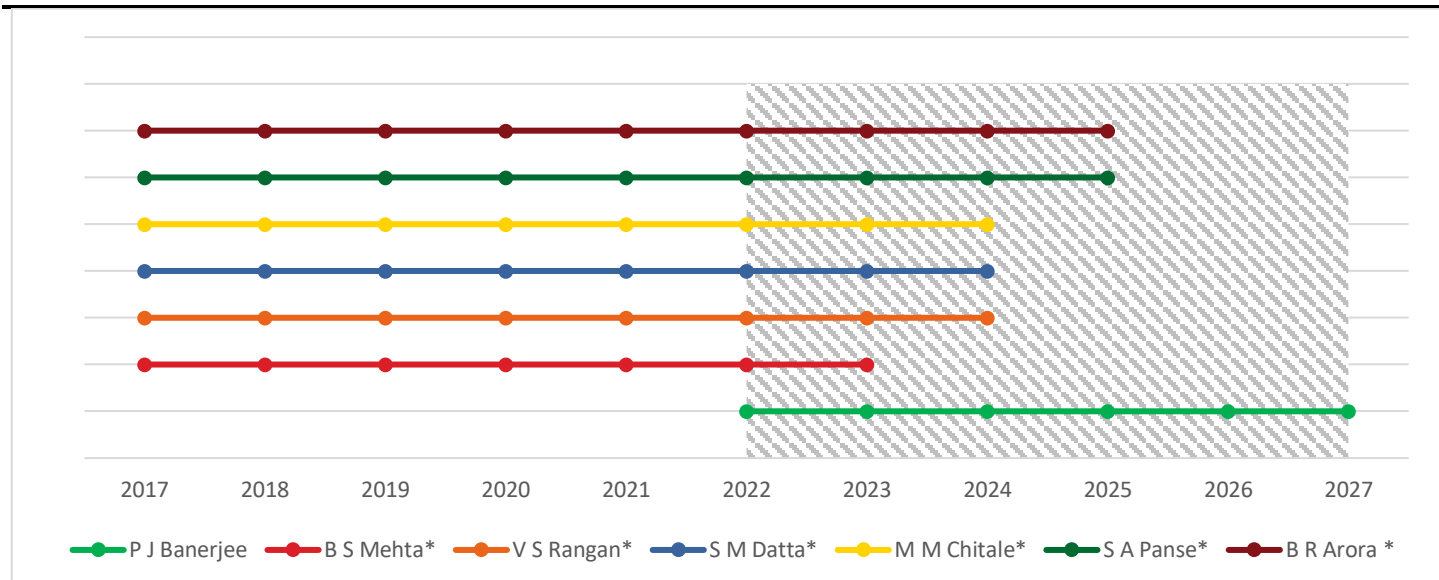
Executive Chairman: Mr. S S Lalbhai is the Chairman and Managing Director of the Company.

SES View: Governance Concern - Although, there is no legal bar on the Chairman of the Company from holding Executive position, SES is of the view as a good governance practice the Company should have separated the position of chairman from the executive position as holding both the positions of Chairman and Managing Director by the same person may lead to concentration of powers in the hands of single person.

Rationale: Corporate democracy and management structure envisage three layers, at the top is General Body of shareholders, which guides and approves proposal of the Board, second in line is the Board, which is directed by General body, AoA and MoA and which sets agenda for Management. The Board is headed by Chairman. The Management which is at the bottom of pyramid is headed by Executive Director(s), who are responsible for day to day management and operational issues. Combining the position of ED and Chairman blurs the demarcation between Board and Management. Therefore, SES is of the opinion that the Company should segregate the position of Chairman and Executive Director.



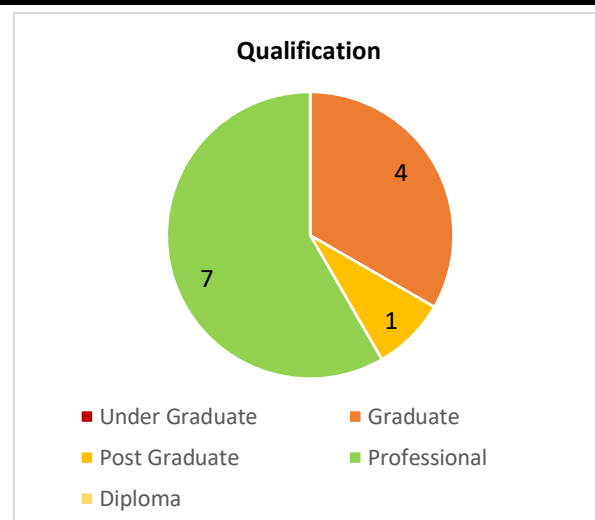
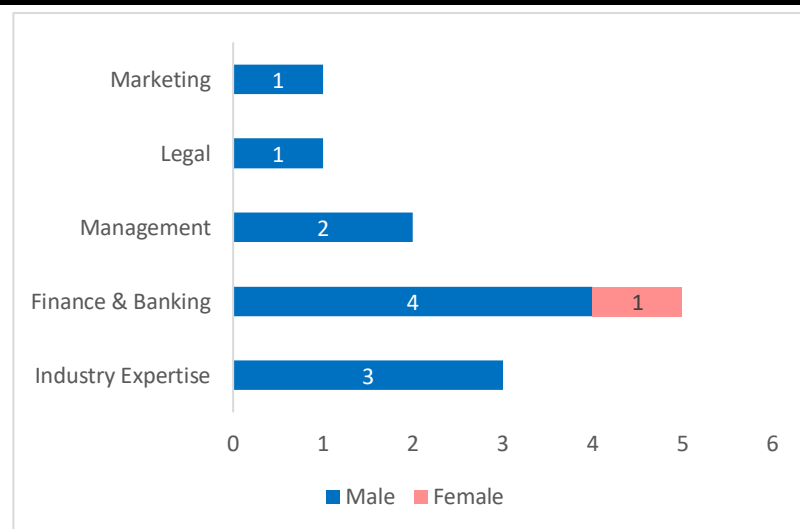
TENURE OF INDEPENDENT DIRECTORS



*Independent Director on the board prior to 2017.

SES View: The retirement of IDs on the board is staggered. SES is of the opinion that staggered retirement of IDs enable smooth transition.



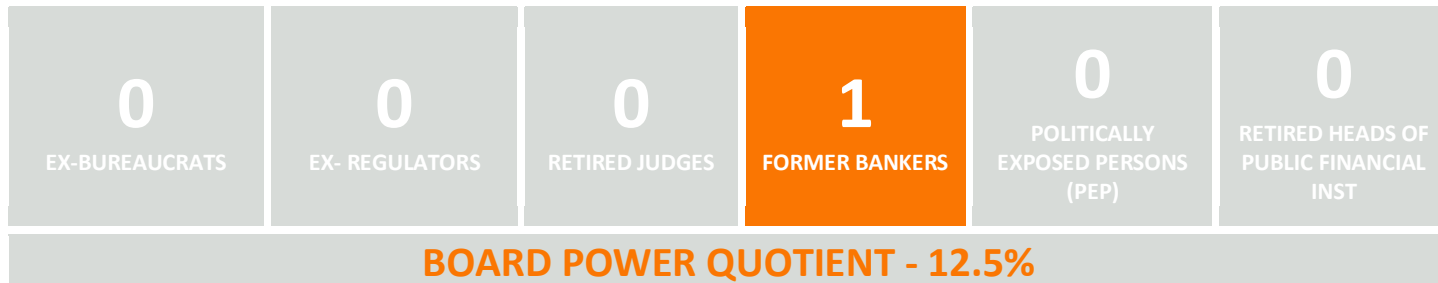
BOARD EXPERTISE & QUALIFICATIONS


Board Diversity: The Board consists of directors having experience in diverse fields which *inter alia* include Management, Legal, Marketing, Finance & Industry Expert. The directors are duly qualified with majority of board comprising of Professionals.

The Company has a woman Independent Director viz. Ms. S A Panse ensuring gender diversity at the Board level.

Law: SEBI Listing Regulations- Top 1000 Companies (by market capitalization) to have an Independent woman director.

The Company is compliant with the requirement of Independent woman director.

BOARD POWER QUOTIENT (Please [click here](#) to know more)


Former Bankers: Ms. S A Panse has worked in various positions in the Banking industry, the last being as the Chairperson and Managing Director of Allahabad Bank Ltd.

REGULATORY HEALTH CHECK

<input checked="" type="checkbox"/> All directors elected by the shareholders	<input type="checkbox"/> Special Resolution for NEDs above 75 years ^[1]
<input type="checkbox"/> Special Resolution EDs above 70 years	<input checked="" type="checkbox"/> No Board Interlock situation
<input checked="" type="checkbox"/> Separate meeting of IDs held on 25 th Mar' 22	<input checked="" type="checkbox"/> No Director Disqualified
<input checked="" type="checkbox"/> No Regulatory Action against the Directors	<input checked="" type="checkbox"/> No Regulatory Action against the Company

^[1] Though the Company has obtained the approval for continuation of Mr R A Shah by way of special resolution at the AGM held on 27th July 2018. However, the Company has obtained the approval for Mr. R. A. Shah by way of ordinary resolution at the AGM held on 31st July, 2020, with respect to re-appointment as Director, retiring by rotation. It may be noted that the Regulation specifically states



Meeting Type: 45th AGM

 Meeting Date: 29th July, 2022

that appointment or continuation the directorship of a non-executive director who had attained the age of 75 years requires 'Special Resolution' with justification. SES is of the view that approval through 'Special Resolution' must be obtained on each occasion.

BOARD COMMITTEE CONSTITUTION

Committees	No. of members		Chairman's Classification			Overall Independence		
	LR	Company	LR	Company	SES	LR	Company	SES
Audit	3	4	ID	ID	NID	67%	100%	50%
Stakeholders' Relationship	3	3	NED	ID	ID	1 ID	1 ID	1 ID
Nomination & Remuneration	3	3	ID	ID	ID	67%	67%	67%
CSR	3	3	-	ID	ID	1 ID	1 ID	1 ID
Risk Management*	3	4*	-	EDP	EDP	1 ID	1 ID	1 ID

Kindly [Click here](#) to view details of abbreviations used in this table. | *considered only Board Member.

BOARD COMMITTEE PERFORMANCE

Committees	Frequency of Meetings			Attendance < 75%
	LR	SES Benchmark	Held	
AC	4	8 [#]	4	-
SRC	1	2	4	-
NRC	1	2	1	-
CSR	-	1	1	-
RMC	2	2	2	-

[#]Audit Committee: 4 times for review of quarterly results and 4 times for review of other matters. Kindly [Click here](#) to view details of abbreviations used in this table.

Discussion: During the year, all the members attended 75% or more committee meetings of all the board committees.

The Company has met SES Benchmark for all committee meetings except for AC and NRC meetings.



REMUNERATION ANALYSIS

BOARD REMUNERATION

Director	2021-22 (Rs in Crores)			
	Fixed	Variable	Total	%
EDPs	6.56	10.04	16.60	76.10
S A Lalbhai	1.30	1.68	2.98	13.65
S S Lalbhai	5.26	8.36	13.62	62.45
EDs	3.30	0.70	4.00	18.34
T R Gopi Kannan	1.81	0.35	2.16	9.90
B N Mohanan	1.49	0.35	1.84	8.44
NEDs	0.03	0.10	0.13	0.59
R A Shah	0.03	0.10	0.13	0.59
IDs	0.22	0.86	1.08	4.97
V S Rangan	0.04	0.14	0.18	0.8
S M Datta	0.03	0.12	0.15	0.68
B S Mehta	0.05	0.16	0.21	0.94
M M Chitale	0.03	0.15	0.18	0.83
B R Arora	0.06	0.18	0.24	1.10
S A Panse	0.02	0.11	0.13	0.62
P J Banerjee	NA	NA	NA	NA
Total Board Remuneration	10.11	11.70	21.81	100

Mr. S S Lalbhai received a remuneration of ₹ 13.62 crores which is almost 3.5 times the combined remuneration received by other non-promoter Executive Directors and more than 6 times the highest paid Non-Promoter ED, Mr T R Gopi Kannan. Mr. S S Lalbhai received almost 63% of the total Board remuneration for FY 2021-22. SES is of view that Mr. S S Lalbhai, being promoter, is drawing remuneration which is substantially higher than that of the other EDs.

EXECUTIVE DIRECTORS' REMUNERATION ANALYSIS

In ₹ Crore	PF/ NP	2020		2021		2022				Benchmarks ^[1]	
		FP	TP	FP	TP	FP	TP	RMER	Ratio	ED Pay	RMER
Sunil Siddharth Lalbhai	PF	3.90	12.04	5.56	14.00	5.26	13.62	348.73x	7.40x	8.05	167.7x
Samvegbbhai Arvindbhai Lalbhai	PF	1.16	2.68	1.17	2.77	1.30	2.98	76.22x	1.62x	8.05	167.7x
T R Gopi Kannan	NP	1.55	2.11	1.57	1.98	1.81	2.16	55.29x	1.17x	4.06	71.1x
B N Mohanan	NP	1.28	1.53	1.25	1.56	1.49	1.84	47.15x	1.00x	4.06	71.1x

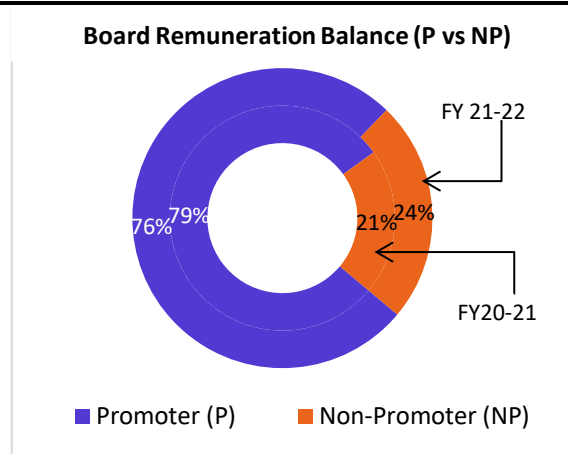
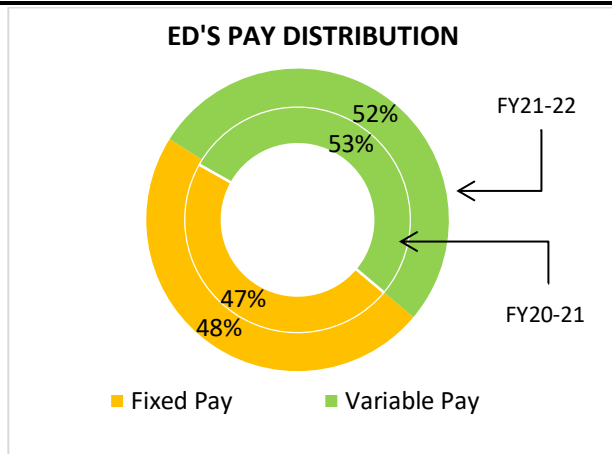
Note: Fixed pay includes basic pay, perquisites & allowances. Kindly [click here](#) to view details of abbreviations used in this table. | ^[1] Benchmarks are computed by SES, using FY 2019-20 average data. Please [click here](#) to know more. e. / Ratio to the lowest paid ED FP- Fixed pay, TP- Total Pay, RMER- Ratio to Median remuneration of employees.

EXECUTIVE REMUNERATION - PEER COMPARISON VS RELEVANT NIFTY INDEX (MEAN)

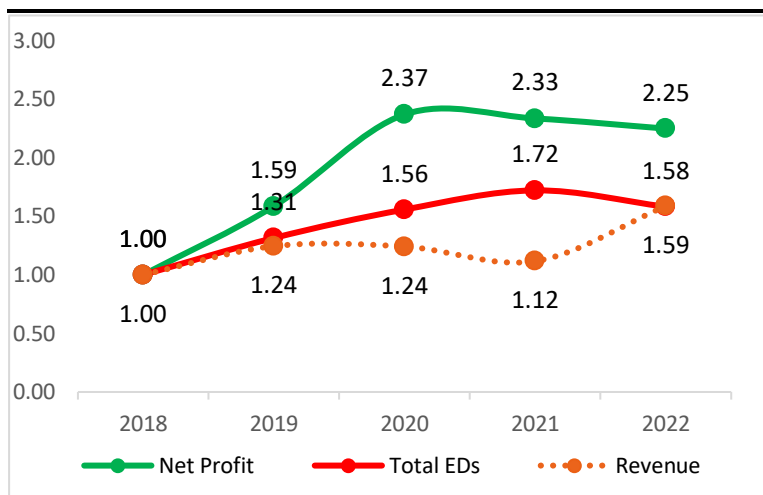
Amount (in ₹ Crores)	S S Lalbhai (2021-22)	Rajendra Gogri (2020-21)	Vivek Kumar Jain (2020-21)	Benchmarks ^[1]
Company Name	Atul Ltd	Aarti Industries Ltd	Gujarat Fluorochemicals Ltd	Nifty Mid Cap
Promoter Family	Yes	Yes	Yes	Promoter ED
Director's Remuneration (Rem.)	13.62	5.49	7.19	8.05
Total Board Remuneration (TBR)	21.81	24.78	14.50	16.22
Rem./TBR (%)	62.45%	22.15%	49.6%	33.70%
Net Profit	607.53	513.5	-228.17	570.78
Rem. / Net Profits (%)	2.24%	1.07%	-3.15%	2.10%

[1] Benchmarks are computed by SES, using FY 2019-20 average data. Please [click here](#) to know more.



DIRECTORS REMUNERATION COMPARISON


Note: Remuneration paid to all directors (including those ceased) during FY 2021-22 have been considered.

TOTAL EDs REMUNERATION VS PAT (NORMALISED)

DISCUSSION

- Net Profit of the Company has grown to 2.25x to the base in last 5 years.
- While, ED remuneration has grown to 1.58x to the base in last 5 years.
- The ED remuneration has been in tandem with the Net profit of the Company except FY 2021.

Employees Count and Remuneration	2020-21	2021-22
Total Permanent Employees	2,991	3,034
Average percentile increases for employees other than managerial personnel	**	
Average percentile increases for managerial personnel		

****As stated by the Company, "Average increase for Key Managerial Personnel and for other employees was about 8%. There is no exceptional increase in remuneration of Key Managerial Personnel."**

STAKEHOLDERS ENGAGEMENT

MAJOR DISCLOSURES

<input checked="" type="checkbox"/> Statement on Compliance with applicable Secretarial Standards	<input checked="" type="checkbox"/> Form No. MGT 7 (Weblink) for FY2021-22 disclosed
<input type="checkbox"/> Related Party Transactions as per Form No. AOC.2	<input checked="" type="checkbox"/> Chart or Matrix of setting out the skills/ expertise/ competence of the board of directors
<input type="checkbox"/> Secretarial Audit Report of Indian Unlisted Material Subsidiary, if any	<input checked="" type="checkbox"/> Details of establishment of Vigil Mechanism
<input type="checkbox"/> Comments on qualifications made by Statutory Auditors/ Secretarial Auditor	<input checked="" type="checkbox"/> Constitution of Risk Management Committee (If applicable)
<input checked="" type="checkbox"/> Constitution of Sexual harassment Committee/ Internal Complaints Committee	<input checked="" type="checkbox"/> Succession Planning
<input checked="" type="checkbox"/> Review and monitoring of Cyber Security	<input checked="" type="checkbox"/> Disclosure on appointment of a Chief Risk Officer in Annual Report ^[1]

DISCLOSURE OF MAJOR POLICIES

<input checked="" type="checkbox"/> Whistle Blower Policy	<input checked="" type="checkbox"/> CSR Policy
<input checked="" type="checkbox"/> Dividend Distribution Policy	<input checked="" type="checkbox"/> Policy/Code of Conduct on insider trading disclosed
<input checked="" type="checkbox"/> Related Party Policy	<input checked="" type="checkbox"/> Material subsidiary policy disclosed.
<input checked="" type="checkbox"/> Policy on remuneration of Directors, KMP and other employees	<input checked="" type="checkbox"/> BRR or Sustainability Report or Integrated Reporting

☒ Disclosed;
 ☐ Not disclosed
 ☐ Not applicable

^[1] The Company stated that “The Company has a risk management oversight structure in which each sub-segment has a Chief Risk and Compliance Officer.”. However, name of Chief Risk officer not disclosed.

PAST VOTING RESULTS

Past Year Data Observation: The table below depicts Resolutions in which more than 20% Against votes were cast by public shareholders who participated in voting.

Year	Type	Agenda Item No.	Brief description of Resolution	Total Public Against / Total Public Polled	Approved/ Rejected
2021	AGM	3	To appoint a Director in place of Mr B N Mohanan (Director identification number: 00198716) who retires by rotation and being eligible, offers himself for reappointment.	23.25	Approved*

*SES Recommended AGAINST for this resolution.

SES view: Investors have shown significant dissent. The Company should take note of dissent by shareholders and engage to find out what are the reasons for dissent and take steps to reduce chances of such dissent.



CORPORATE SOCIAL RESPONSIBILITY (CSR)

Particulars (in ₹ Crores)	2019 - 20	2020 - 21	2021 - 22
Average Net Profit for last three years	479.03	620.10	743.08
Prescribed CSR Expenditure (2% of average net profit)	9.58	12.40	14.86
Actual CSR expenditure	9.60	12.41	10.54
Expenditure Performance (Actual/ Prescribed)	100.21%	100.08%	70.93%

Discussion: The Company has not spent prescribed amount on CSR activities in the financial year 2021-22, (the total unspent amount ₹ **4.35 crore** was transferred to Unspent CSR Account as per Section 135(6))

STAKEHOLDERS ENGAGEMENT

Criteria	Response*
No. of Investors presentation during year	3 [@]
No. Investors conference call during the year	0
Call transcripts disclosed	NA

* Figures indicates announcements which could be located by SES
 @ including 1 AGM presentation

Discussion: Investor Presentations during the year have been disclosed on the [website](#) of the Company.

No investor conference or call transcripts could be located on the website of the Company.

As per SEBI LODR Regulations the requirement for disclosure(s) of audio/video recordings and transcript shall be voluntary w.e.f. 1st April, 2021 and mandatory w.e.f. 1st April, 2022.

RESOLUTION ANALYSIS

RESOLUTION 1: ADOPTION OF FINANCIAL STATEMENTS

To receive, consider and adopt:

- i) the audited Standalone Financial Statements of the Company for the financial year ended March 31, 2022, and the Reports of the Directors and the Auditors thereon and
- ii) the audited Consolidated Financial Statements of the Company for the financial year ended March 31, 2022, and the Report of the Auditors thereon.

FOR

SES RATIONALE

Unqualified financial statements. No governance concerns

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 to engage in discussions with the Board/ Management during the AGM.

AUDITORS INFORMATION

Name of Statutory auditor	M/s. Deloitte Haskins & Sells LLP
Auditor's Network	Deloitte Group
Auditor Tenure (Year)	5
Term	1 st Term
Audit Partner	Ketan Vora
Partner tenure (Year)	1
Shareholders' approval	Approved at 40 th AGM held in 2017 for a period of 5 years. Reappointment being sought at resolution #4
Resignation/Removal of Auditors during FY 2021-22	No

AUDIT QUALIFICATIONS & KEY AUDIT MATTERS

The Statutory Auditors have not made any qualification, reservation, adverse remark or disclaimer in their report for FY 2021-22. Further, the key audit matters have been explained by the Auditors in their report at **page no. - 112** (Standalone Financials) & **page no. - 187** (Consolidated financials) of the Annual report.

AUDITORS' COMMENTS ON CONSOLIDATED FINANCIAL STATEMENTS

Audited financial statements of the following entities **audited by other Auditors** have been included in the consolidated financial statements.

Consolidated Entity (all figures in ₹ Cr.)	34 Subsidiaries	Consolidated Financials	% of total Consolidated financials (Subsidiaries)
Total Assets	702.31	5,706.35	12.31%
Total Revenue	785.72	5,156.89	15.24%
Net Profit	48.53	604.74	8.02%
Net Cash Flow	3.02	10.78	28.01%

Unaudited financial statements of the following entities have been included in the consolidated financial statements:

Consolidated Entity (all figures in ₹ Cr.)	5 Subsidiaries	Consolidated Financials	% of total Consolidated financials (Subsidiaries)
Total Assets	73.34	5,706.35	1.29%
Total Revenue	148.00	5,156.89	2.87%
Net Profit	2.55	604.74	0.42%
Net Cash Flow	6.56	10.78	60.85%



COMPANY AUDITOR'S REPORT ORDER (CARO 2020) AND SCHEDULE III DISCLOSURES
CARO 2020 & SCHEDULE III PARAMETERS

COMPANY INTEGRITY	Terms and conditions of the loans & guarantees extended were not prejudicial to the Company's interest	👍
	Not been declared as a wilful defaulter by any bank or financial institution or any Lender	👍
	No Qualifications or adverse remark by Auditors of other Companies, if any included in Consolidated financials ^[1]	👎
	No non-cash transactions with its directors or persons connected with its directors	👍
	No proceedings initiated or pending against the company under Benami Transactions Act	👍
SOLVENCY/ INTERNAL CONTROLS	No default in repayment of loans or other borrowings to any lender	👍
	The Company has not incurred Cash losses	👍
	No outstanding undisputed statutory dues for more than 6 months from due date	👍
	No fraud has been noticed or reported during the year	👍
	No existing dues were renewed, extended or settled by granting fresh loans	NA
	Internal Audit systems are commensurate with the size and nature of business	👍
MATTERS IMPACTING CONSISTENCY	Title deeds of all immovable properties held in the name of the Company ^[2]	👎
	No discrepancy (more than 10%) in revaluation of Tangible Assets	NA
	Equity raised or monies borrowed were applied for the purpose for which they were obtained	NA
	The Company has maintained proper records showing full particulars of Intangible Assets	👍
	No transactions which were unrecorded in Books, recorded in tax Assessments under IT Act	👍
OTHERS	No funds obtained to meet the obligations of its subsidiaries, JVs or associates	👍
	All RPTs are compliant with section 177 and section 188 of the Companies Act, 2013	👍
	The Auditor has taken into consideration the whistle-blower complaints received by the Company	NA
	No transactions with struck off companies	-
	Financial ratios as required under schedule III disclosed	👍

^[1] With respect to the matters specified in paragraphs 3(xxi) and 4 of the Companies (Auditor's Report) Order, 2020 (the Order) issued by the Central Government in terms of Section 143(11) of the Act, to be included in the Auditor's Report, according to the information and explanations given to us, and based on the CARO report issued by the Auditors of the subsidiary companies and a joint venture company included in the Consolidated Financial Statements of the Company, to which reporting under CARO is applicable, provided to us by the Management of the Company and based on the identification of matters of qualifications or adverse remarks in their CARO reports by the respective component Auditors and provided to us, we report that the Auditors of such companies have not reported any qualifications or adverse remarks in their CARO report, except for the one given below:

No.	Name of entity	CIN	Relationship with Parent entity	Clause number of the CARO report which is qualified or adverse
1.	Atul Finserv Ltd	U51900MH1947PLC005453	Wholly owned subsidiary	Clause (iii)(c)

^[2] With respect to immovable properties (other than properties where the Company is the lessee and the lease agreements are duly executed in favour of the Company) disclosed in the Standalone Financial Statements included in investment properties, according to the information and explanations given to us and the records examined by us and based on the examination of the registered sale deed / transfer deed / conveyance deed provided to us, we report that, the title deeds of such immovable properties are held in the name of the Company as at the Balance Sheet date, except the following:



Meeting Type: 45th AGM

 Meeting Date: 29th July, 2022

Particulars of land and building	Carrying value as at March 31, 2022 (₹ cr)	Held in the name of	Whether promoter, Director or their relative or employee	Held since	Reason for not being held in the name of the Company
Freehold land	0.15	Atul Products Ltd	No	February 26, 1992	In process of transfer in the name of Company
Freehold land	0.27	Various individuals	No	December 21, 2019	In process of transfer in the name of Company
Building in Delhi	0.01	Atul Products Ltd	No	March 31, 1968	In process of transfer in the name of Company
Freehold land Others	4.73	Various individuals	No	August 24, 2021	In process of transfer in the name of Company

Trade receivables and payables outstanding from due date of payment (Consolidated)

Term (in ₹ crores)	Undisputed Trade Receivables	
	2020-21	2021-22
Not Due	646.26	867.78
Less than 6 months	91.87	130.75
6 months - 1 year	0.06	0.03
1-2 years	-	0.51
2-3 years	-	0.01
More than 3 years	-	-
Total	738.19	993.08

Term (in ₹ crores)	Undisputed Trade Payables (Others)			
	2020-21		2021-22	
	MSME	Others	MSME	Others
Unbilled	-	55.82	-	75.13
Not due	23.17	386.61	43.89	399.75
Less than 1 Year	0.37	96.40	0.54	113.91
1-2 years	-	0.48	0.24	1.16
2-3 years	-	0.27	-	0.06
More than 3 years	-	0.01	-	0.05
Total	23.54	539.59	44.67	590.06

Auditor Affirmation:

Loans granted which are overdue for more than ninety days: No

FINANCIAL INDICATORS

	Mar' 21	Mar' 22	Shift	Company Discussion
Current ratio - Times	2.18	2.32	6.59%	-
Debt-equity ratio- Times	--	0.02	-	-
Debt service coverage ratio - Times	382.28	9.98	(97.39%)	Negligible interest cost, Company is effectively operating at zero debt.
Return on equity ratio - %	19%	15%	(18.65%)	-
Inventory turnover ratio - Times	7.38	8.14	10.27%	-
Trade receivables turnover ratio	4.83	5.56	15.11%	-
Trade payables turnover ratio	4.74	6.94	46.31%	All the key raw materials are on advance immediate payment terms and increased energy cost which is with zero credit.
Net capital turnover ratio - Times	4.56	4.92	7.79%	-
Net profit ratio - %	18.23%	12.33%	(32.39%)	Higher input and freight costs have reduced margins during current year.
Return on Capital Employed- %	29.56%	23.57%	(20.25%)	-
Return on Investment - %	19.67%	16.24%	(17.44%)	-

Source: Company's Annual Reports

Law: SEBI (LODR) Amendment Regulations, 2018, requires disclosure of significant changes (i.e. change of 25% or more as compared to the immediately previous financial year) in key financial ratios, along with detailed explanations therefor in Management Discussion and Analysis.

SES Analysis: The Company has disclosed key financial ratios and stated the reasons for material change wherever required.



CONTINGENT LIABILITIES

(All figures in ₹ Crore)	Mar' 21	Mar' 22
Total contingent liabilities	117.78	172.72
Net worth of the Company	3,857.15	4,459.84
Contingent liabilities as a percentage of net worth	3.05%	3.87%

Source: Company's Annual Reports

Major portion of contingent liabilities is constituted by claims on account of water charges and customer claims | potential claims

RELATED PARTY TRANSACTIONS

Outstanding (₹ Crore)	Mar' 21	Mar' 22	Shift	Comments
Receivables	1.37	0.91	-33.58%	Major receivable from joint venture company
Payables	3.58	0.52	-85.47%	Major payables to with entity over which control exercised by joint venture.

Source: Company's Annual Reports

STANDALONE VS CONSOLIDATED FINANCIAL STATEMENTS

The difference between the Consolidated and Standalone Financial statements is not significant when compared with the financial figures of the Company on Standalone basis.

Financials Statements of Subsidiaries on website: Yes

Separate approval for Standalone and Consolidated Financial Statements: No

SES View: Although, the Company has rightly segregated the resolution for approval of standalone and consolidated financial statements in the Notice as item nos. 1(i) and 1 (ii), still both are forming part of a single resolution. Such clubbing of items in a single, defeats the purpose of seeking separate approvals from shareholders with respect to the standalone financials of the Company on one part and consolidated financials on the other. SES is of the opinion that these are independent matters, and the Company should have proposed them as different resolutions to facilitate shareholders to vote separately.

SES VIEW

The Statutory Auditors have not made any qualifications with respect to the standalone or consolidated financial statements of the Company.

No concern has been identified.

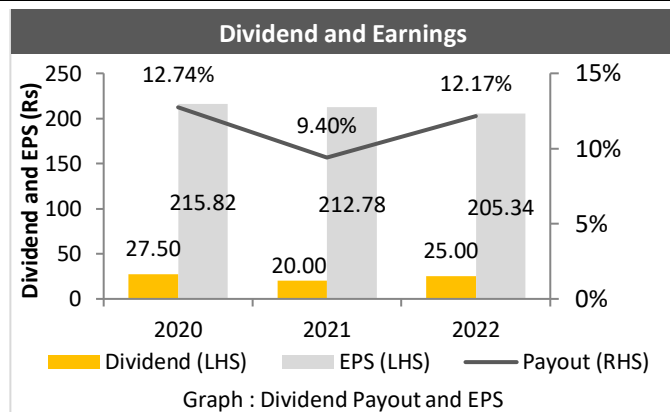


RESOLUTION 2: DECLARATION OF DIVIDEND

To declare dividend on equity shares

FOR
SES RATIONALE

Sufficient liquid funds available, no concern identified.

SES ANALYSIS

SES View on Proposed Dividend

- The Board has recommended a dividend of ₹ 25/- per equity share for financial year ended 31st March, 2022.
- Aggregate dividend cash outflow for FY 2021-22 shall be ~₹ 74 crores.

The Company has sufficient liquid funds to pay the proposed final dividend. No concern has been identified.

DISCLOSURE OF DIVIDEND DISTRIBUTION POLICY

Has the Company disclosed the Dividend Distribution Policy('DDP')?	Yes
Is the DDP objective and enables the shareholder to estimate the likely dividend?	No

SES VIEW ON DIVIDEND DISTRIBUTION POLICY

The Company has disclosed its Dividend Distribution Policy on its [website](#) as per Regulation 43A of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015. The policy disclosed is in technical compliance with the SEBI directive, without in any way helping the investor. SES understand that idea of market Regulator SEBI behind mandating Dividend Policy disclosure was to provide a tool in the hand of investor to estimate likely dividend based on available and disclosed financial performance and to question the management in case policy is not followed.

In present form, the investor neither can estimate dividend nor can question. Any decision of Board will be compliant with the policy. This is one more example of investors being failed by Board of a Company despite Regulator's best intention.

RESOLUTION 3 & 5: REAPPOINTMENT OF EXECUTIVE DIRECTORS

#3: To appoint a Director in place of Mr T R Gopi Kannan (Director identification number: 00048645) who retires by rotation and being eligible, offers himself for reappointment.

FOR

#5: Reappointment of Mr B N Mohanan (Director identification number: 00198716) as a Wholetime Director of the Company, and his receiving of remuneration, including minimum remuneration from January 01, 2023 to May 25, 2025.

AGAINST
SES RATIONALE

#3: Complaint with law, no governance concern identified in the proposed appointment.

#5: No issue on merit of Director. **Compliance Concern:** Excessive Whole-time Directorships.

SES ANALYSIS
DIRECTOR'S PROFILE
T R Gopi Kannan

Age: 63 years

Full time positions: Whole-time Director and Chief Financial Officer - Atul Limited

Education: B.Sc., PGDM, CA, ICWA and CS

Functional Area: Finance

Past Experience: He joined the Company on October 29, 1993 and is a Whole-time Director since October 17, 2014.

Committee positions in the Company: SRC(M),RMC(M)

Retirement by rotation: Retiring

Director Category (As per SES): Non-Promoter

Date of original Appointment: 17th October, 2014

Total Association (Including Group): 29 Years

Proposed approval: Re-appointment as a director liable to retire by rotation.

B N Mohanan

Age: 72 years

Full time positions: ED - Atul Ltd., Managing Director - Atul Biospace Ltd and Atul Rajasthan Date Palms Ltd.

Education: BE (Honours)

Functional Area: Industry Experts

Past Experience: He joined the Company in August, 1992 and is a Whole-time Director since January, 2009

Committee positions in the Company: CSRC(M),RMC(M)

Retirement by rotation: Retiring

Director Category (As per SES): Non-Promoter

Date of original Appointment: 1st January, 2009

Total Association (Including Group): 30 Years

Proposed approval: Reappoint as a Whole-time Director of the Company from 1st January, 2023 to 25th May, 2025.

PAST REMUNERATION OF THE DIRECTOR

In ₹ Crore	FY 19/20		FY 20/21		FY 21/22	
Executive Director	Fixed Pay	Total Pay	Fixed Pay	Total Pay	Fixed Pay	Total Pay
T R Gopi Kannan	1.55	2.11	1.57	1.98	1.81	2.16
B N Mohanan	1.28	1.53	1.25	1.55	1.49	1.84



DIRECTORS' TIME COMMITMENTS

Name	Full time role/ executive position	Directorships			Total Committee	
		Total	In listed entities	As ID in listed entities	Member	Chairman
Statutory Limit	2	20	7	7 [#] /3*	10	5
SES Limit	1**	20	5	5 [#] /3*	6	3
T R Gopi Kannan	1	9	2	0	4	0
B N Mohanan	3	10	1	0	0	0

Note: Committee memberships include Committee chairmanships (includes only Audit Committee and Stakeholders Relationship Committee), Total Directorships include Directorships in Public as well Private Companies | **2 full-time positions, in case of subsidiary and related business

If Director is Non-Executive Director across all listed entities. | * If Director is Executive Director in any listed entity

Mr. B N Mohanan – 3 Full time position		
Sr. No.	Company	Category
1	Atul Ltd	ED
2	Atul Biospace Ltd	MD
3	Atul Rajasthan Date Palms Ltd	MD

DIRECTORS' PERFORMANCE

Attendance Record	Last 3 AGMs	BM Last year	BM during 2 FYs (Prior to FY2022)	AC	SRC	RM	CSRC
SES Benchmark		At least 75%	At least 75%	At least 75%	-	-	-
T R Gopi Kannan	3/3	100% (5/5)	100% (12/12)	NA	100% (4/4)	100% (2/2)	NA
B N Mohanan	3/3	100% (5/5)	100% (12/12)	NA	NA	100% (2/2)	100% (1/1)

REMUNERATION PACKAGE OF B N Mohanan

Component	Proposed Remuneration	Comments
Basic Pay	Proposed Salary: ₹ 3,98,942/- p.m. Annual increment: maximum basic salary payable will not exceed ₹ 5,92,000/- p.m.	
Perquisites/ Allowances	All perquisites/allowances clearly defined: Yes Allowances: ₹ 4,38,187/- p.m. may be revised from time to time up to ₹ 5,99,000/-	Cap placed on perquisites allowances: Yes
Variable Pay	As per policy of the Company	Performance criteria disclosed: Yes Cap placed on variable pay: Not Disclosed Performance evaluation based on ESG factors: No
Notice Period	6 months	
Severance Pay	6 months	
Minimum Remuneration	Subject to Schedule V of the Companies Act, 2013	Within limits prescribed: Yes Includes variable pay: No

SES VIEW ON PROPOSED REMUNERATION OF EXECUTIVE DIRECTORS

#5: The Company has not placed any absolute cap on the variable pay / total remuneration payable to Mr. B N Mohanan.

Further, the Company stated that “the Board of Directors (Board) be and is hereby authorised to **alter and vary any or all** of the terms and conditions and the draft of agreement as approved vide this resolution **as may be deemed fit** from time to time, which may have the effect of **increasing the remuneration** and for considering modifications”

The Board has absolute discretion to alter and vary any or all the terms and conditions and draft of agreement as they deem fit. SES is of the opinion that such unfettered powers defeat the rationale behind taking shareholders' approval over executive remuneration and are against the principles of good governance. However, considering the size of the Company and that past payments made to non-promoter executive directors have been reasonable, SES is not raising any concern in this regard.



SES VIEW

#3 Mr T R Gopi Kannan: The Company is seeking shareholders' approval to appoint Mr T R Gopi Kannan as a Director, who retires by rotation and being eligible offers himself for reappointment.

No concern has been identified regarding the profile, time commitments and attendance of Mr T R Gopi Kannan.

#5 Mr B N Mohanan: The Company seeking shareholders' approval for reappointment of Mr B N Mohanan as a Wholetime Director of the Company, and receiving of remuneration, including minimum remuneration from January 1, 2023 to May 25, 2025.

Shareholder may note that he holds 3 full time directorships. Section 203 of the Companies Act, 2013 states that

Section 203 of the Companies Act, 2013 states that:

"(3) A whole-time key managerial personnel shall not hold office in more than one company except in its subsidiary company at the same time:"

*Provided also that a company may appoint or employ a person as its managing director, **if he is the managing director or manager of one, and of not more than one, other company** and such appointment or employment is made or approved by a resolution passed at a meeting of the Board with the consent of all the directors present at the meeting and of which meeting, and of the resolution to be moved thereat, specific notice has been given to all the directors then in India."*

Section 203 of the Companies Act, 2013 restricts whole-time directorship to up to maximum two companies provided that the other Company is a subsidiary, and in case of a Managing Director, in not more than 2 Companies, subject to unanimous approval from the Board members.

Therefore, in view of the above, SES is of the view that full-time directorships held by Mr. B N Mohanan is in contravention with the legal provisions of the Companies Act, 2013. Also, as a governance parameter, SES is of the opinion that to fulfil one's responsibilities as a director with diligence, an individual should not hold more than one full-time position.

In view of the above, SES is raising concern for the proposed resolution.



RESOLUTION 4: APPOINTMENT OF AUDITORS

Re-appointment of M/s. Deloitte Haskins & Sells LLP, Chartered Accountants, Statutory Auditors of the Company for a second term of five years.

FOR
SES RATIONALE

Compliant with law. No governance Concern has been identified.

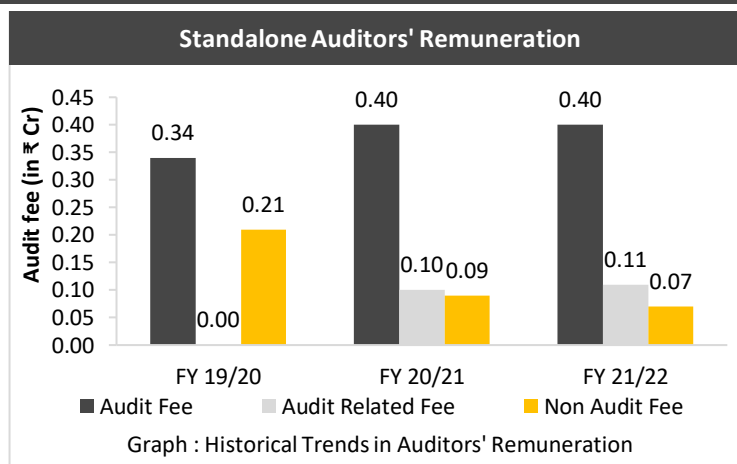
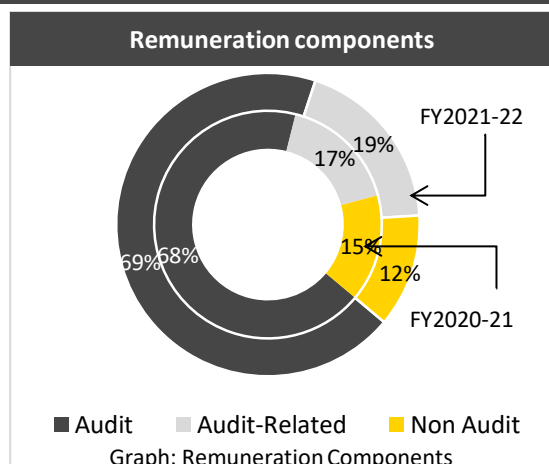
SES ANALYSIS
DISCLOSURES

Name of the auditor up for appointment	M/s. Deloitte Haskins & Sells LLP
Auditors' eligibility for appointment	Disclosed
Has Audit Committee reviewed the Independence of the Auditor?	Disclosed
In case of appointment of new Auditors: Status of outgoing Auditors	NA
Basis of recommendation of appointment	Yes
Proposed Audit Fee Payable	₹ 39.87 lakhs, excluding taxes and out-of-pocket expenses.

AUDITORS' INDEPENDENCE

Auditors		Audit Partners	
Deloitte Haskins & Sells LLP (DHS)	5 years	Ketan Vora	1 year
Auditor's Network		Deloitte Group	

Financial interests in or association with the company: None

AUDITORS' REMUNERATION

TERM OF APPOINTMENT – 5 YEARS

Based on the recommendation of the Audit Committee, the Board at its meeting held on April 26, 2022, recommended the reappointment of DHS, as the Statutory Auditors of the Company for a second term of five years. DHS will hold the office for a further period of five consecutive years from the conclusion of the 45th AGM of the Company till the conclusion of the 50th AGM to be held in the year 2027.

SES VIEW

The Company seeking shareholders' approval to Re-appoint of **M/s. Deloitte Haskins & Sells LLP** for 2nd term of 5 consecutive years from the conclusion of the ensuing AGM until the conclusion of the 50th AGM to be held in the year 2027.

The proposed remuneration to be paid to M/s. Deloitte Haskins & Sells LLP as the Statutory Auditors for the first year of second term is ₹ 39.87 lakhs, excluding taxes and out-of-pocket expenses. The remuneration to be paid to M/s. Deloitte Haskins & Sells LLP during for



Meeting Type: 45th AGMMeeting Date: 29th July, 2022

remaining four years of the second term will be mutually agreed between the Board of Directors and the Statutory Auditors, from time to time.

The Company has provided adequate disclosure regarding the appointment/re-appointment Joint Statutory Auditors. No concern has been identified with regard to the proposed resolution.



RESOLUTION 6: APPOINTMENT OF INDEPENDENT DIRECTOR

 Appointment of Mr P J Banerjee, as an Independent Director of the Company to hold office for a term of 5 years from 1st May, 2022 to 30th April, 2027.

FOR
SES RATIONALE

Appointment compliant with law. No governance Concern has been identified.

SES ANALYSIS
DIRECTOR'S PROFILE
P J Banerjee
Age: 63 years

Full time positions: None

Education: B.Tech. (Chemical)

Functional Area: Customer service, manufacturing, marketing, logistics, procurement and R&D

Past Experience: He served as an Executive Director on the Board of Hindustan Unilever Ltd (HUL) for almost a decade. He was also the Managing Director of a joint venture of HUL in Singapore and Chairman of a joint venture in Nepal.

Committee positions in the Company: None

Date of original Appointment: 1st May, 2022

Total Association (Including Group): 2 Months

Proposed approval: Appointment as an Independent Director of the Company to hold office for a term of 5 years from 1st May, 2022 to 30th April, 2027

DIRECTORS' INDEPENDENCE

Name	Current tenure/ association	Directorships at group companies	Relationships with the Company	Shareholding	Remuneration (₹ Lakhs)	Current SES Classification
P J Banerjee	2 months	None	None	15	NA	Independent

DIRECTORS' TIME COMMITMENTS

Name	Full time role/ executive position	Directorships			Total Committee	
		Total	In listed entities	As ID in listed entities	Member	Chairman
Statutory Limit	2	20	7	7 [#] /3 [*]	10	5
SES Limit	1 ^{**}	20	5	5 [#] /3 [*]	6	3
P J Banerjee	0	8	5	5	6	1

Mr. P J Banerjee – Listed Directorships		
Sr. No.	Company	Category
1	Atul Limited	ID
2	Jubilant Ingrevia Limited	ID
3	Chambal Fertilisers and Chemicals Limited	ID
4	Whirlpool of India Limited	ID
5	Gabriel India Limited	ID

 Note: Committee memberships include Committee chairmanships (includes only Audit Committee and Stakeholders Relationship Committee), Total Directorships include Directorships in Public as well Private Companies | ^{**}2 full-time positions, in case of subsidiary and related business

[#] If Director is Non-Executive Director across all listed entities. | ^{*} If Director is Executive Director in any listed entity

SES VIEW

 The Company seeking shareholders' approval for appointment of Mr. P J Banerjee as an Independent Director of the Company to hold office for a term of 5 years from 1st May, 2022 to 30th April, 2027.

No concern has been identified with respect to profile, independence and time commitment of Mr. P J Banerjee.



RESOLUTION 7: PAYMENT TO COST AUDITORS

To ratify the remuneration of Cost Auditors of the Company.

AGAINST
SES RATIONALE

 Compliant with law. **Governance concern:** Cost Audit fee significantly lower than the minimum suggested fee by ICAI. Scope of the turnover subject to Cost Audit not disclosed.

SES ANALYSIS
COMPANY'S JUSTIFICATION

On the recommendation of the Audit Committee, the Board considered and approved appointment of the Cost Auditors, R Nanabhoy & Co, Cost Accountants, for conducting cost audit of the applicable products in the category of Bulk Drugs, Chemicals, Insecticides, Inorganic Chemicals, Organic Chemicals and their derivatives and Polymers at a remuneration of ₹3.10 lakhs plus taxes as applicable and reimbursement of actual travel and out-of-pocket expenses for the financial year ending March 31, 2023.

The Board seeks ratification of the aforesaid remuneration by the members and accordingly requests their approval of the ordinary resolution.

SES VIEW

The Board is seeking ratification of remuneration payable to the Cost Auditor viz. M/s. R Nanabhoy & Co, Cost Accountants, Cost Accountants, for conducting cost audit of the applicable products in the category of **Bulk Drugs, Chemicals, Insecticides, Inorganic Chemicals, Organic Chemicals and their derivatives and Polymers** at a remuneration of ₹ 3.10 lakhs plus taxes as applicable and reimbursement of actual travel and out-of-pocket expenses for the financial year ending March 31, 2023.

Shareholders may note that:

- Disclosure of the Audit Fee proposed to the Cost Auditor alone, becomes irrelevant if shareholders are unable to compare it with the scope of Cost Audit;
- In the present case, the Company has not disclosed portion of the turnover that is subject to Cost Audit, therefore, SES is assuming that the entire turnover of the Company is subject to cost audit.
- In Nov 2012, MCA raised concern relating to quality of the Cost Audit Report and indicated low audit fee may be a cause therefor ([Weblink](#))
- The Institute of Cost Accountants of India ('ICAI') in the year 2019, had suggested minimum professional fees to be paid to the Cost Auditors based on turnover ([Weblink](#));
- A comparison of the suggested Audit fee vs the actual fee paid/ payable is as follows:

Turnover as per Latest Financial Statements (in ₹ crores)	Minimum Cost Auditor Fee suggested (in ₹ lacs)	Remuneration proposed to be ratified (in ₹ lacs)
₹ 4,992.75	₹ 25.00	₹ 3.10

- The Company has specifically disclosed that for conducting cost audit of the applicable products in the category of **Bulk Drugs, Chemicals, Insecticides, Inorganic Chemicals, Organic Chemicals and their derivatives and Polymers**, However the Company has not disclosed the Turnover of **Bulk Drugs, Chemicals, Insecticides, Inorganic Chemicals, Organic Chemicals and their derivatives and Polymers** products. Hence, Total turnover taken for above analysis.
- According to SES, Shareholders of the Company will not be able to know whether the Cost Audit remuneration is commensurate with the scope of Cost Audit since the Company has not disclosed portion of the turnover that is subject to Cost Audit.
- In the instant case, the Cost Audit fee proposed is significantly less than the fee suggested by the ICAI based on turnover of the Company and the Company has not provided any justification in the Notice.

Absence of any justification relating to the amount of Cost Audit fee payable, shareholders may not be able to take an informed decision regarding the adequacy / appropriateness of the fee.



Meeting Type: 45th AGMMeeting Date: 29th July, 2022

SES is of the view that in order to get independent and good quality opinion/ report from professionals, their remuneration must be fair. Hence, SES is constrained to raise a governance concern on the proposed remuneration, given that it has been highlighting this issue for the past three financial years for all companies that are proposing such ratification.



Meeting Type: 45th AGM

 Meeting Date: 29th July, 2022

Disclaimer Sources

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

Analyst Certification

The Analyst(s) involved in development of this Report certify that no part of the Research Analyst's compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the Research Analyst(s) in this Report. The concerned Research Analyst(s) and Director(s) do not have any pecuniary relationship with the Reported Company, except that they may be holding miniscule shares in the Company which does not impact their independence in respect of this Report.

SES may be a shareholder in the Company holding equity shares as disclosed on its [website](#). The objective of SES' investment is solely to obtain Shareholders' communications from the Company as a shareholder.

CAUTIONARY STATEMENT

The recommendations made by SES are based on publicly available information and conform to SES's stated Proxy-Advisory Guidelines. SES opinion is based on SES's interpretation of law and governance benchmarks, which may differ from opinion/ benchmarks of other analysts or practitioners. Further, SES analysis is recommendatory in nature and reflects how SES would have voted if it was a shareholder. Therefore, SES expects that the clients will evaluate the effect of their vote on their investments independently and diligently and will vote accordingly. Subscribers may also carry out an impact analysis of their votes and keep the same as an addendum for their records. In our opinion, Institutional investors are positioned significantly differently from other shareholders due to their ability to engage the board and the management to bring out desired result. As a firm, it is our endeavour to improve the level of corporate governance while not causing any disruption in company's proceedings and therefore we respect the independence of investors to choose alternate methods to achieve similar results.

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Concern terminology

NC – Compliance Concern: The Company has not met statutory compliance requirements

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

GC – Governance Concern: SES questions the governance practices of the Company. The Company may have complied with the statutory requirements in letter. However, SES finds governance issues as per its standards.

TC - Disclosures & Transparency Concern: The Company has not made adequate disclosures necessary for shareholders to make an informed decision. The Company has intentionally or unintentionally kept the shareholders in dark.

Company Information



Stakeholders Empowerment Services

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Contact Information

Stakeholders Empowerment Services

109, Shyam Baba House,
Upper Govind Nagar,
Malad East,
Mumbai – 400097
Tel +91 22 4022 0322

research@sesgovernance.com
info@sesgovernance.com
www.sesgovernance.com.

