



# 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: [Karvy](#)

e-Voting Period: From 24<sup>th</sup> August, 2016 to 26<sup>th</sup> August, 2016

Meeting Date: 27<sup>th</sup> August, 2016 at 11:30 AM

Cut-Off date to be eligible for voting: 20<sup>th</sup> August, 2016

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

Notice: [Click here](#) | Annual Report: [FY 2015-16](#)

Company Email: [abnlsecretarial@adityabirla.com](mailto:abnlsecretarial@adityabirla.com)

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

REPORT SNAPSHOT

TABLE 1 - AGENDA ITEMS AND RECOMMENDATIONS

S. No.	Resolution	Type	Recommendation	Concern <sup>#</sup>	Pg.
1	Adoption of Audited Financial Statements (standalone and consolidated) of the Company	O	<a href="#">FOR</a>	-	<a href="#">11</a>
2	Declaration of Dividend	O	<a href="#">FOR</a>	-	<a href="#">14</a>
3	Re-appointment of Mrs. Rajashree Birla, Director retiring by rotation	O	<a href="#">FOR</a>	-	<a href="#">15</a>
4	Re-appointment of Mr. Lalit Naik, Director retiring by rotation	O	<a href="#">FOR</a>	-	<a href="#">17</a>
5	Re-appointment of M/s. S R B C & CO LLP, as Joint Statutory Auditor of the Company	O	<a href="#">AGAINST</a>	<b>C/G</b>	<a href="#">18</a>
6	Appointment of M/s. Deloitte Haskins & Sells LLP, as Joint Statutory Auditor of the Company	O	<a href="#">AGAINST</a>	<b>C/G</b>	<a href="#">18</a>
7	(i) 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	O	<a href="#">AGAINST</a>	<b>C/G</b>	<a href="#">21</a>
	(ii) Appointment of M/s. Deloitte Haskins & Sells LLP as Branch Auditors of Company's Aditya Birla Insulators Divisions at Rishra & Halol and Indian Rayon Division at Veraval.	O	<a href="#">AGAINST</a>	<b>C/G</b>	<a href="#">21</a>
8	Appointment of Mr. V. Chandrasekaran, as a Director of the Company.	O	<a href="#">FOR</a>	-	<a href="#">15</a>
9	Issuance of Non-Convertible Debentures on private placement basis	S	<a href="#">FOR</a>	-	<a href="#">22</a>
10	Approval of remuneration of Cost Auditors of the Company for the Financial Year ending 31 <sup>st</sup> March, 2017	O	<a href="#">FOR</a>	-	<a href="#">23</a>
11	Increase in limits for investment by Registered Foreign Portfolio Investors including Foreign Institutional Investors	S	<a href="#">FOR</a>	-	<a href="#">24</a>

O - Ordinary Resolution; S - Special Resolution

RESEARCH ANALYST: SUMIT TANK

#Concern 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 ISSUES

1. Clubbed resolution for adoption of standalone and consolidated financial statements. [Read more](#)
2. Promoters extracting ownership premium through Board Remuneration. [Read more](#)
3. Appointment of Auditors not compliant with law. [Read more](#)

PROXY ADVISORY REPORT | FOR LIMITED CIRCULATION



## COMPANY BACKGROUND

TABLE 2 - MARKET DATA (As on 2<sup>nd</sup> August, 2016)

Price (₹)	1,461.20	M Cap (₹ Cr.)	19,028.35	Shares*	13,02,24,146	PE Ratio <sup>#</sup>	52.83
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\* As on 2<sup>nd</sup> August, 2016

# Based on EPS for FY 16

TABLE 3: FINANCIAL INDICATORS (STANDALONE)

(In ₹ Crores)	2016	2015	2014
Revenue	5,466.45	8,938.26	8,020.35
Other Income	139.58	171.51	371.42
Total Income	5,606.03	9,109.77	8,391.77
PBDT	622.53	922.29	1,003.31
Net Profit	360.02	527.69	673.95
EPS (₹)	27.66	40.56	54.30
Dividend per share (₹)	5.00	7.00	7.00
Dividend Pay-Out (%)	21.78	20.79	15.53
Face Value per share (₹)	10.00	10.00	10.00
OPM (%)	15.48	13.26	15.83
NPM (%)	6.59	5.90	8.40

Dividend pay-out includes Dividend Distribution Tax.

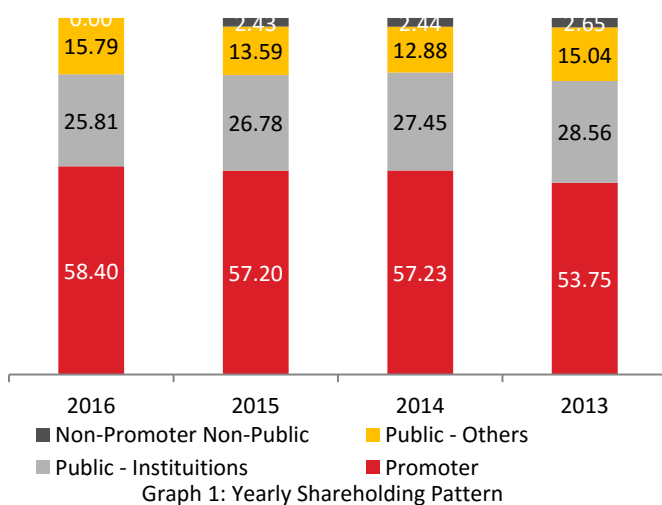
TABLE 4: MAJOR PUBLIC SHAREHOLDERS (JUN' 16)

Life Insurance Corporation of India	4.66%
Reliance Capital Trustee Company Limited	3.81%
HSBC Global Investment Funds	1.30%
Ashish Dhawan	1.24%

TABLE 5: MAJOR PROMOTERS (JUN' 16)

IGH Holdings Private Ltd	12.56%
TGS Investment & Trade Pvt Ltd	11.27%
Umang Commercial Company Ltd	9.59%
Trapti Trading & Investments Pvt Ltd	7.24%
Hindalco Industries Ltd	6.64%
Turquoise Investments & Finance Pvt Ltd	5.29%
Birla Group Holdings Pvt Ltd	2.77%

SHAREHOLDING PATTERN (%) (JUNE)



Data Source: BSE

DISCUSSION (1<sup>st</sup> July, 2015 to 30<sup>th</sup> June, 2016)

- Issue of 80,532 equity shares under ESOP scheme
- The promoter shareholding increased from 57.20% to 58.40% due to shares purchased from open market.
- The shareholding of public institution decreased from 26.78% to 25.81% and that of public others increased from 13.59% to 15.79%.
- The shareholding of non-promoter non-public decreased from 2.43% to Nil due to reclassification of the shareholders as per the SEBI circular dated 30<sup>th</sup> November, 2015.
- **The promoters have pledged/encumbered 0.15% of their shareholding.**



## BOARD OF DIRECTORS

TABLE 6 - BOARD PROFILE

Director	Age	Reco.	Classification		Tenure (Year)	Attendance for last year		<sup>[1]</sup> Directorship			<sup>[2]</sup> Committee Membership (Chairmanship)*	Key Committees			Pay (₹Lakh)
			Company	SES		Board (%)	AGM	TD	PD	LD		AC	NRC	SRC	
Kumar Mangalam Birla	49		NEDP(C)(R)	NEDP(C)(R)	24	100	No	18	9	7	0(0)		M		264.50
Rajashree Birla	70	✓	NEDP(R)(W)	NEDP(R)(W)	20	50	No	18	8	7	0(0)				9.80
Venkatadri Chandrasekaran	58	✓	NED(R)(N)	NED(R)(N)	0	NA	NA	4	3	1	0(0)				NA
Murari Pejavar	81		ID	NID	17	100	No	9	8	7	6(3)	M			8.00
Baldev Raj Gupta	76		ID	NID	17	100	Yes	10	9	3	10(5)	M	M		8.95
Tarjani Manmukram Vakil	79		ID(W)	NID(W)	16	83	Yes	11	9	3	11(5)	C	C	M	10.25
Subhash Chandra Bhargava	71		ID	NID	12	100	Yes	10	9	5	9(2)	M		C	7.55
Lalitkumar Shantaram Naik	54		MD(R)	MD(R)	4	100	Yes	4	4	2	3(0)			M	480.85

🚩 Items deserving attention due to governance or contentious issues.

[1] Directorship as per MCA website as on 2<sup>nd</sup> August, 2016

[2] Committee memberships include committee chairmanships (Includes only Audit Committee and Stakeholders Relationship Committee).

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

\*Under Corporate Governance Report of AR 2015-16, in the Composition of the Board table on page 126, the Company has disclosed committee position of the directors under heading **"Outside Committee Positions Held"** which shows that the committee position does not include committee position in Aditya Birla Nuvo Ltd. By giving reference in note no. 3, the Company further states that **"Only two committees viz. the Audit Committee and the Stakeholders Relationship Committee of all public limited companies have been considered"**. If committee positions held in Aditya Birla Nuvo Ltd are also included, in that case Ms. Tarjani Manmukram Vakil would be holding committee membership of 11 committees, which is in excess of statutory limits provided and will be non-compliant with the Regulation 26(1) of the SEBI (LODR) Regulation, 2015.

Further, SEBI vide circular dated 24<sup>th</sup> September, 2015 under Regulation 27(2) of SEBI (LODR) Regulation, 2015 requires the listed companies to submit compliance report on Corporate Governance to the Stock Exchange. Regulation 30(8) "Disclosure of events or information." of SEBI (LODR) Regulation, 2015 provides that

**"(8) The listed entity shall disclose on its website all such events or information which has been disclosed to stock exchange(s) under this regulation, and such disclosures shall be hosted on the website of the listed entity for a minimum period of five years and thereafter as per the archival policy of the listed entity, as disclosed on its website."**

If the Company would have disclosed information as required under Regulation 27(2) of SEBI (LODR) Regulation on its website, shareholders would have been able to cross verify the above and confusion could have been avoided. Additionally, SES is of the opinion that the Company is non-Compliant with Regulation 30(8) of SEBI (LODR) Regulation, 2015.

#### Committees

AC - Audit Committee, SRC - Stakeholders Relationship Committee, RM - Risk Management Committee, CSRC - Corporate Social Responsibility Committee, NRC - Nomination and Remuneration Committee.

#### Directors

C - Chairman, M - Member, P - Promoter, NP - Non Promoter, W - Woman Director, ED - Executive Director, MD - Managing Director, NED - Non Executive Director, ID - Independent Director, NID - Non-Independent Director, LID - Lead Independent Director, KMP - Key Managerial Personnel, WTD - Whole Time Director, N - Nominee Director of LIC

#### Others

R - Liable to retire by rotation, ✓ - FOR, ✗ - AGAINST, LD - Listed Directorships, FT - Full Time positions, TD - Total Directorships, PD - Public directorship, ND - not Disclosed, NA - Not Applicable

**Board Independence:** The Board of the Company comprises of 8 directors out of which the Company has classified 4 as Independent Directors. However, as Mr. Murari Pejavar, Mr. Baldev Raj Gupta, Ms. Tarjani Manmukram Vakil and Mr. Subhash Chandra Bhargava have been associated with the Company for more than 10 years, SES as a policy does not



consider them to be Independent and has therefore classified them as NID in the above table. All the IDs are above 70 years of age.

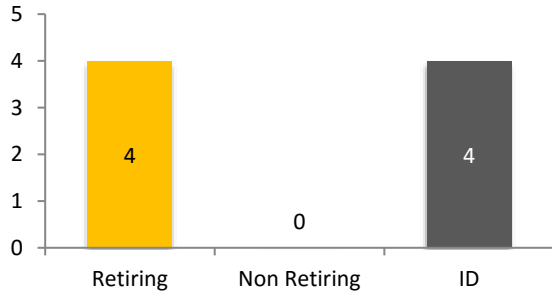
**Board Remuneration:** Promoter NED is paid 26 times the remuneration paid to another Non Promoter NED. In addition, Remuneration of Promoter NED is 55% of the remuneration of non-promoter ED. This indicates remuneration is skewed in favour of promoter. Shareholders should seek clarification from the Company with respect to fairness of its remuneration policy.

**Age of Directors:** At the outset, SES wishes to clarify that SES does not agree in generalisation that age impacts efficiency or capability of person to perform, therefore feels that distinction in law is unwarranted. However once the law is there it has to be followed and respected. The logic behind such a law is twofold; One for the purpose of succession planning and other for time commitment. SES agrees that to effectively play the role assigned to a director and to do justice, it requires significant efforts and time commitments on part of the director. Recognising the same, rightly or wrongly the law requires a Special Resolution to be passed for occupying position of MD/ ED beyond 70 years of age. However, the law does not provide any age limit for NEDs including IDs. Probably due to the fact that on stand-alone basis time required for a singular position of NED may not be as high as that of Executive Directors. SES is of the view that NEDs also require time and attention to play their role effectively *albeit* on lesser scale as compared to EDs. However, for multiple position of NEDs held by any individual, time commitments do become large. The law also recognises the same and places a limit on maximum directorships through various provisions both in Companies Act, 2013 and Listing Regulations. Therefore, SES is of the opinion that, age restriction must apply *mutatis-mundis* to NEDs as well if their directorship exceeds 7 in numbers (NID and ID put together in listed companies). And if the Company believes that such directors (beyond 70 years of age) add value to the Company, they should be either retained in an advisory capacity or should be appointed through a special resolution in the same manner, giving specific reasons as in case of EDs. The Board has 5 directors (Ms. Rajashree Birla, non-executive promoter director, Mr. Murari Pejavar, Mr. Baldev Raj Gupta, Ms. Tarjani Manmukram Vakil and Mr. Subhash Chandra Bhargava, independent directors) who are 70 years of age or above. Further, **in the present case Ms. Rajashree Birla, Mr. Murari Pejavar and Mr. Subhash Chandra Bhargava** have excessive time commitments as they are director in 5 or more listed companies. SES is therefore raising concern on time commitments of Ms. Rajashree Birla, Mr. Murari Pejavar and Mr. Subhash Chandra Bhargava.

**Board Time Commitment:** Considering the directorship of Mr. Kumar Mangalam Birla, Ms. Rajashree Birla, Mr. Murari Pejavar and Mr. Subhash Chandra Bhargava, SES reckons that they have excessive time commitments. All other directors have reasonable time commitments based on their directorships in listed Companies which indicates that they can devote sufficient time towards the affairs of the Company. SES finds that to be able to devote sufficient time and contribute effectively to their Board related responsibilities, the director should have limited time commitment. Further, Ms. Rajashree Birla has 50% attendance in Board meetings held in FY 2015-16.

**Board Diversity:** The Board consists of directors having experience in diverse fields which include Finance, Administration, Management, Legal, Insurance Sector and Industry Specialists. The Board also has 2-women director, Ms. Rajashree Birla and Ms. Tarjani Manmukram Vakil, ensuring gender diversity at the Board level. The Board is compliant with the requirement of woman director on Board.

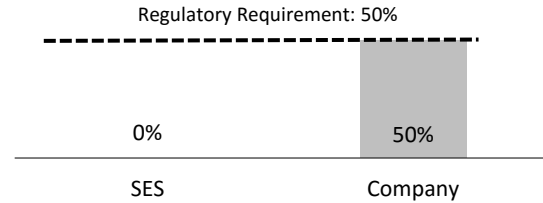
**BOARD COMPOSITION**



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 articles provide for retirement of all directors at every AGM, at least 2/3rd of office of the Non-Independent Directors should be liable to determination by retirement through rotation.

The Company has 4 Non Independent Directors; all are liable to retire by rotation. **Hence, the Company is compliant with the law.**



Graph 3: Board Independence Classification

As per Regulation 17(i)(b) of the Listing Regulations, 2015, the Company should have at least 50% independent directors as the Board Chairman is a promoter non-executive director.

As per the Company the Board has 50% of Independent Directors, however as SES does not consider all the Independent directors as independent due to their long association with the Company. Thus the Board comprises of 0% Independent Directors according to SES.

TABLE 7 - 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	0
Stakeholders' Relationship	3	ID	NID	67%	0%	2	0
Nomination & Remuneration	3	ID	NID	67%	0%	4	Mr. Kumar Mangalam Birla (50%)
CSR	3	NEDP	NEDP	33%	0%	1	0
Risk Management	3	ID	NID	67%	0%	2	Mr. Lalitkumar Shantaram Naik (50%)

TABLE 8 - BOARD GOVERNANCE TABLE (AS PER SES)

Criteria	Response
Percentage of Independent Directors on the Board	0%
Number of IDs with tenure greater than 10 years	4
Number of IDs with Shareholdings more than ₹ 5 Cr	0
Is the Chairman an Independent Director?	No
Is there a Lead Independent Director?	No*
Number of IDs who are ex-executive of the Company/Promoter Group	0
All directors been elected by the Company's shareholders	Yes**
Are any directors on the Board related to each other?	Yes***
Number of promoter directors on the Board	2
Did Independent Directors meet at least once without management?	Yes

\*Although the Independent Directors have met on **14<sup>th</sup> March, 2016** without the management, however, the Company has not disclosed the name of the Chairman of the meetings. SES as a policy considers an Independent Director as Lead Independent Director under either of the 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.**

\*\*Appointment of Mr. Venkatadri Chandrasekaran, nominee of LIC, is subject to shareholders' approval in ensuing AGM.

\*\*\* Mr. Kumar Mangalam Birla and Mrs. Rajashree Birla are related to each other.

## REMUNERATION ANALYSIS

TABLE 9 - EXECUTIVE DIRECTORS' REMUNERATION ANALYSIS

In ₹ Crore		2016		2015		2014		Ratio
		Fixed Pay	Total Pay	Fixed Pay	Total Pay	Fixed Pay	Total Pay	
Mr. Lalitkumar Shantaram Naik	NP	3.32	4.81	2.56	5.20	2.39	3.22	196.26

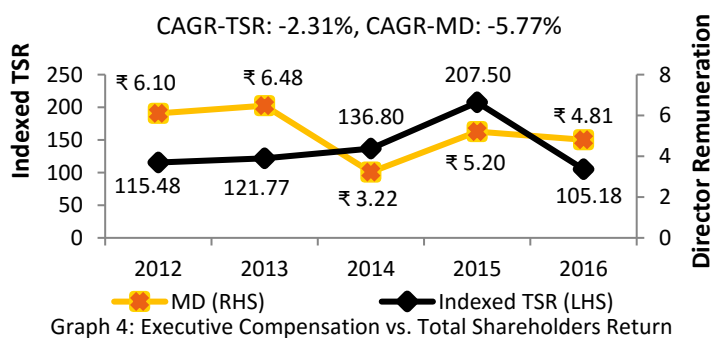
Note: Fixed pay includes basic pay, perquisites & allowances. Ratio - Ratio of remuneration of Executive Director to Median remuneration of employees.

TABLE 10 - REMUNERATION STATISTICS OF THE COMPANY

Average percentile growth of Managerial Remuneration	-7.62	Average percentile growth in Employees' remuneration (Other than Managerial Personnel)	11.97
Median Remuneration of employees	<b>Not disclosed</b>		

Although, the Company has not disclosed the median remuneration of employees, SES has computed the same as ₹ 2,45,000 based on the available information.

### DISCUSSION - INDEXED TSR vs. EXECUTIVE REMUNERATION



The remuneration paid to managing director of the Company is reasonable given the size and performance of the Company. It can be inferred from the graph that the growth in total shareholders' return is less affected than the remuneration of Mr. Lalitkumar Shantaram Naik as CAGR - TSR is -2.31% whereas CAGR of MDs remuneration is -5.77%.

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, 2012. One period return is calculated as (Final Price - Initial Price + Dividend) / Initial Price.

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 2012 & 2013 and to Mr. Lalitkumar Naik from year 2014.

TABLE 11- REMUNERATION COMPARISON - DIRECTORS

	Executive			Non-Executive			Independent	Total Board Remuneration
	P	NP	Total	P	NP	Total		
Remuneration (In ₹ crore)	0.00	4.81	4.81	2.74	0.00	2.74	0.35	7.90
% of Remuneration to Total Remuneration paid to directors	0.00	60.89	60.89	34.68	0.00	34.68	4.43	100%

Mr. Kumar Mangalam Birla received a total remuneration of ₹ 2.65 crores, which is almost 35% of the total Board remuneration. Mr. Birla, being promoter, is drawing remuneration which is substantially higher than that of the other fellow directors(non-executives). This, according to SES, is nothing but extracting premium of ownership. The Independent Directors (IDs) are undoubtedly aware of the fact but they remain quiet. It appears that they do not resist or speak against such mockery of the law called "fair compensation".

It appears that they have willingly accepted the existing remuneration practice and are happy with status quo. While conceptually NRC was mandated to get over the problem of lopsided remuneration, the ground level situation barring few exceptions remains unchanged. Why IDs are not playing their role and exerting and bring about change? Every





change requires efforts and at times leads to confrontation. Confrontation may lead to defeat and bruises here and there. And might end up in loss of position as director in the Company. SES is of the view that change is bound to come, if IDs do not start acting in best interests of the shareholders and object to lopsided remuneration, day is not far when combined might of shareholders will either force them out or force them to act. Choice is very clear, law is on the side of IDs, having given them 5-year tenure. What is required is resolve to bring about change, which seems to be missing.

## 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 each director to the median employees' remuneration
<input checked="" type="checkbox"/> Policy on remuneration of Directors, KMP and other employees	<input checked="" type="checkbox"/> Secretarial Audit Report
<input checked="" type="checkbox"/> Statement on declaration by Independent Directors	<input checked="" type="checkbox"/> Directors' Responsibility Statement
<input checked="" type="checkbox"/> Particulars of loans, guarantees or investments	<input checked="" type="checkbox"/> Details of establishment of Vigil Mechanism
<input checked="" type="checkbox"/> Statement indicating development and implementation of a risk management policy	<input checked="" type="checkbox"/> Comments on qualifications made by Statutory Auditors/ Secretarial Auditor**

\* The Company has stated on page 78 (AR 2015-16) that "During the financial year, your Company entered into related party transactions, which were on an arm's length basis and in the ordinary course of business. There were no material transactions with any related party as defined under Section 188 of the Act read with the Companies (Meetings of Board and its Powers) Rules, 2014."

\*\* Not applicable as 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 31<sup>st</sup> March, 2016, the Reports of Directors' and Auditors' thereon

**SES RECOMMENDATION**

This is a standard resolution. The Auditors have not raised any concern. No governance issues have been identified. Therefore, SES recommends that shareholders vote **FOR** the Resolution.

**SES RATIONALE**

Unqualified Accounts, Financial Statements compliant with Accounting Standards

**SES ANALYSIS**

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

**AUDIT QUALIFICATIONS**

The Auditors have not made any qualification in their Report.

**AUDITORS' COMMENTS ON STANDALONE ACCOUNTS AS STATED BY THE AUDITORS**

In our opinion and to the best of our information and according to the explanations given to us, 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, 2016, its profit, and its cash flows for the year ended on that date.

**AUDITORS' COMMENTS ON CONSOLIDATED ACCOUNTS AS STATED BY THE AUDITORS**

In our opinion and to the best of our information and according to the explanations given to us, the consolidated 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 consolidated state of affairs of the Group, its jointly controlled entity as at March 31, 2016, their consolidated profit and their consolidated cash flows for the year ended on that date.

The Auditors have drawn attention under Emphasis of Matter related to "the auditors of Idea Cellular Limited ('Idea'), a jointly controlled entity, without qualifying their opinion on the consolidated financial statements of Idea have drawn attention to note no. 26 (f) to the consolidated financial statements which describes the uncertainties related to the legal outcome in respect of the Department of Telecommunication (DOT) demand notices for one time spectrum charges."

The Auditors have also drawn attention under other matters on following;

"The auditors of Birla Sun Life Insurance Company Limited ('BSLI'), a subsidiary company, have reported that the actuarial valuation of liabilities of BSLI for life policies in force and policies where premium is discontinued is required to be certified by the Appointed Actuary as per the Insurance Regulatory and Development Authority (Preparation of Financial Statements and Auditor's Report of Insurance Companies) Regulations, 2002 (the "IRDA Financial Statements Regulations") read with Insurance Regulatory and Development Authority of India circular IRDA/F&A/CIR/CPM/056/03/2016 dated April 4, 2016, and has been relied upon by the auditors of BSLI, as mentioned in "Other Matter" para (b) of our audit report on the consolidated financial statements of the Holding Company as at and



for the year ended March 31, 2016. Accordingly, auditors of BSLI have not audited the internal financial controls over financial reporting in respect of the valuation and accuracy of the aforesaid actuarial valuation.”

#### ACCOUNTING POLICIES AS STATED BY THE COMPANY

The financial statements have been prepared in accordance with the 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.

#### FINANCIAL INDICATORS

	Mar' 16	Mar' 15	Shift	Company's Discussion
Debtors Turnover	3.81	4.15	-8.19%	-
Inventory Turnover	8.04	7.17	12.13%	-
Interest Coverage Ratio	3.32	4.69	-29.21%	Finance costs increased from ₹ 263 Crore to ₹ 280 Crore in line with the increase in net debt from ₹ 3,584 Crore to ₹ 3,786 Crore on account of investment and Capex outlay of ₹ 1,080 Crore.
Current Ratio	0.84	0.88	-4.55%	-
Debt Equity Ratio	0.42	0.40	5.00%	-
Operating Profit Margin (%)	16.29	13.11	24.26%	-
Net Profit Margin (%)	6.59	5.90	11.69%	-
Operating Cash flow/Sales	11.59	8.81	31.56%	Net cash flow from operation stood at ₹ 632 Crore. The Rayon and Agri businesses were the largest contributors followed by the Insulators business.

Source: Company's Annual Reports / Capitaline/ Moneycontrol

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)	Mar' 16	Mar' 15
Total contingent liabilities	463.72	455.29
Net worth of the Company	8,559.22	8,518.99
Contingent liabilities as a percentage of net worth	5.42%	5.34%

Source: Company's Annual Reports/ Capitaline

Major contingent liabilities are constituted by tax disputed matters.

#### RELATED PARTY TRANSACTIONS

Outstanding (₹ Crore)	Mar' 16	Mar' 15	Shift	Comments
Loans granted	6.74	97.27	-93.07%	-
Bad & Doubtful Advances	-	-	NA	-
Receivables	1.33	113.37	-98.83%	-
Payables	0.09	0.28	-67.86%	-

Source: Company's Annual Reports



**STANDALONE VS CONSOLIDATED ACCOUNTS**

(In ₹ Crore)	Standalone Accounts			@ From Subsidiaries etc.			Consolidated Accounts		
	Mar' 16	Mar' 15	Mar' 14	Mar' 16	Mar' 15	Mar' 14	Mar' 16	Mar' 15	Mar' 14
Revenue	5,466	8,938	8,021	17,663	17,577	17,871	23,129	26,516	25,892
Net Profit	360	528	674	1,673	963	548	2,033	1,491	1,222
Total Assets	13,718	14,635	13,991	74,970	60,972	49,040	88,688	75,607	63,031
Net Worth	8,559	8,519	8,108	5,970	4,349	3,081	14,530	12,868	11,189
Net Profit Margin (%)	6.59%	5.90%	8.40%	9.47%	5.48%	3.07%	8.79%	5.62%	4.72%
ROA (%)	2.62%	3.61%	4.82%	2.23%	1.58%	1.12%	2.29%	1.97%	1.94%
RONW (%)	4.21%	6.19%	8.31%	28.02%	22.15%	17.78%	13.99%	11.59%	10.92%

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

**SES VIEW: CLUBBED RESOLUTION FOR ADOPTION OF STANDALONE AND CONSOLIDATED FINANCIAL STATEMENTS**

Shareholders may note that although the Company has divided the resolution into (a) & (b) for Standalone and Consolidated accounts approval, the Proxy Form attached does not allow separate voting therefore the resolution is a unified and clubbed Resolution or even if the resolutions segregated in the e-voting platform, there is information asymmetry between shareholders who would use proxy form to vote v/s shareholders who will use E-voting platform. SES is of the opinion that these are two different items (and the Company has rightly differentiated on its own) and therefore 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.

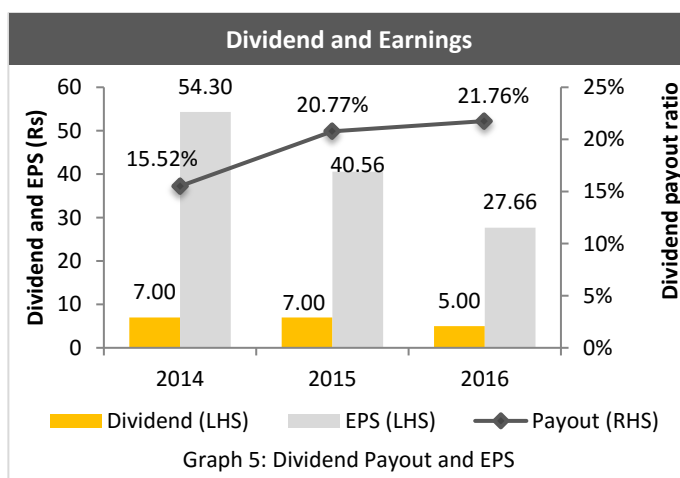
- ₹ 5.00 per equity shares.

**SES RECOMMENDATION**

No concern has been identified in the Resolution. SES recommends that shareholders vote **FOR** the Resolution.

**SES RATIONALE**

Compliant with law, no concern identified. Comfortable liquidity position

**SES ANALYSIS**


The Board of Directors has recommended Equity Dividend of ₹ 5.00 per Equity Share of ₹ 10 each (last year ₹ 7 per Equity Share) for the financial year ended on 31<sup>st</sup> March, 2016. The dividend on the equity shares, if approved by the shareholders, would involve cash outflow of ₹ 75.48 Crore (including Corporate Dividend Tax of ₹ 10.37 Crore) compared to ₹ 109.65 Crore (including Corporate Dividend Tax of ₹ 18.55 Crore) paid for the year 2014-15

The current ratio of the Company is less than 1.00. However, the Company has a very comfortable Debt Equity ratio at 0.42:1, 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 & 8: APPOINTMENT/REAPPOINTMENT OF NON-EXECUTIVE DIRECTORS**

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

**#8:** Appointment of Mr. V. Chandrasekaran, as a Director of the Company, liable to retire by rotation.

**SES RECOMMENDATION**

**#3 & 8:** No concern has been identified regarding the profile, remuneration, attendance performance, time commitments of Ms. Rajashree Birla and Mr. V. Chandrasekaran as director. Therefore, SES recommends that shareholders vote **FOR** both the resolutions.

**SES RATIONALE**

**# 3 & 8:** Compliant with law. No governance issue observed

**SES ANALYSIS**
**DIRECTORS' PROFILE**

	Ms. Rajashree Birla	Mr. Venkatadri Chandrasekaran
Current full time position	None	Executive Director - Life Insurance Corporation of India
Functional Area	Industrialist	finance and investment
Education	BA	C.A.
Past Experience	Social and Welfare driven work in Aditya Birla Group's	Mr. V Chandrasekaran has been with LIC since 1985 and has worked in various Divisions, including a 13 years work experience in all sections of Investments
Committee positions in the Company	CSRC(C)	None
Retirement by rotation	Retiring	Retiring
Part of promoter group?	Yes	No
<b>SES Recommendation</b>	<b>FOR</b>	<b>FOR</b>

**DIRECTORS' TIME COMMITMENTS**

Criteria	Ms. Rajashree Birla	Mr. Venkatadri Chandrasekaran
Total Directorships	18	4
Total Committee memberships	0	0
Total Committee Chairmanship	0	0
Full time role/ executive position	0	1

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

**DIRECTORS' PERFORMANCE**

Attendance record	Ms. Rajashree Birla
Last 3 AGMs	0/3
Board meetings held last year	50%
Board meetings in last 3 years (avg.)	65%
CSR Committee meetings	100%



Ms. Rajashree Birla did not attend any of the AGMs held in last three years. She has attended only 11 out of 17 Board meetings held in last three years. She attended 3 out of 6 Board meeting and the only meeting of CSR Committee meetings held in last year. No major concern is identified over attendance performance.

Mr. Venkatadri Chandrasekaran was appointed as an Additional Director of the Company with effect from 14<sup>th</sup> April, 2016 by the Board of Directors.

#### **DIRECTOR'S REMUNERATION**

Remuneration paid to Ms. Rajashree Birla is aligned with the remuneration paid to other non-executive directors on the Board except another promoter director who is drawing disproportionate remuneration.



**RESOLUTION 4: APPOINTMENT OF EXECUTIVE DIRECTOR**

Re-appointment of Mr. Lalit Naik, Director retiring by rotation.

**SES RECOMMENDATION**

No concern has been identified in profile, past remuneration, time commitment and attendance performance of Mr. Lalitkumar Shantaram Naik. Therefore, SES recommends that shareholders vote **FOR** the Resolution.

**SES RATIONALE**

Appointment compliant with law, no governance issue observed

**SES ANALYSIS**
**DIRECTOR'S PROFILE**

	Mr. Lalitkumar Shantaram Naik
Current full time position	MD – Aditya Birla Nuvo Ltd
Functional Area	Business Executive
Education	B. Tech., MBA
Part of promoter group?	No
Past Experience	Joint Managing Director, Aditya Birla Nuvo
Committee positions in the Company	SRC(M), CSRC(M), RM(M)
Retirement by rotation	Retiring
<b>SES Recommendation</b>	<b>FOR</b>

**PAST REMUNERATION OF THE DIRECTOR**

In ₹ Crore	FY 15/16		FY 14/15		FY 13/14	
	Fixed Pay	Total Pay	Fixed Pay	Total Pay	Fixed Pay	Total Pay
Executive Director						
Mr. Lalitkumar Shantaram Naik	3.32	4.81	2.56	5.20	2.39	3.22

**DIRECTOR'S TIME COMMITMENTS**

Criteria	Mr. Lalitkumar Shantaram Naik
Total Directorships	4
Total Committee memberships	3
Total Committee Chairmanship	0
Full time role/ executive position	1

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

**DIRECTOR'S PERFORMANCE**

Attendance record	Mr. Lalitkumar Shantaram Naik
Last 3 AGMs	3/3
Board meetings held last year	100%
Board meetings in last 3 years (avg.)	100%
CSR Committee meetings	100%
Stakeholders' Relationship Committee meetings	50%

Mr. Lalitkumar Shantaram Naik has attended all the Board meetings and AGMs held in last three years. No concern is observed over his attendance performance and profile.



**RESOLUTION 5 & 6: APPOINTMENT OF AUDITORS**

**#5:** Re-appointment of M/s. S R B C & CO LLP, as Joint Statutory Auditor of the Company.

- *From the conclusion of ensuing AGM till the conclusion of next AGM.*

**#6:** Appointment of M/s. Deloitte Haskins & Sells LLP, as Joint Statutory Auditor of the Company, in place of M/s Khimji Kunverji & Co., the retiring Joint Statutory Auditor.

- *To hold office from the conclusion of this 59<sup>th</sup> Annual General Meeting until the conclusion of the 64<sup>th</sup> Annual General Meeting of the Company, subject to ratification by the Members at every Annual General meeting till the 63<sup>rd</sup> Annual General Meeting.*

**SES RECOMMENDATION**

**#5:** Appointment of M/s. S R B C & CO LLP as Statutory Auditors of the Company is not in accordance with law. SES is of the opinion that appointment of M/s. S R B C & CO LLP is in violation of Section 139(2) Therefore, SES is raising concern and recommends that shareholders vote **AGAINST** the resolution.

**6:** Although appointment of M/s. Deloitte Haskins & Sells LLP as Statutory Auditors of the Company is in accordance with law, i.e. Section 139(1) of the Companies Act, 2013, however, SES is of the opinion that M/s Deloitte having been associated with the Company as branch Auditor may not pass the litmus test of independence on the best governance benchmark. Therefore, SES purely on basis of best governance practice, despite the appointment meeting legal standards, recommends that shareholders vote **AGAINST** the resolution.

**SES RATIONALE**

**#5:** As per SES View, appointment of Auditors is not in compliant with law

**#6:** Although strictly speaking appointment Compliant with law but doesn't meet the best governance practice benchmark, as past association of long vitiates independence.

**SES ANALYSIS**
**DISCLOSURES**

Name of the auditor up for appointment	Disclosed in Notice and Annual Report
Auditors' eligibility for appointment	Disclosed
Audit Committee has reviewed the Independence of the Auditor	Not Disclosed

**AUDITORS' INDEPENDENCE**

Auditors	Auditor's Network	Tenure	Audit Partner	
S R B C & CO LLP	E & Y	>20 years**	Mr. Vijay Maniar	7 years
Deloitte Haskins & Sells LLP	Deloitte Touche Tohmatsu	15 years*	-	-

Financial interests in or association with the company: Not disclosed

\*\* S R B C & CO LLP, has been branch auditors of the Company since earlier than FY 1996-97 and served as Statutory Auditors of the Company from FY 2003-04. Therefore, SES has considered their Association for more than 20 years.

\*Deloitte Haskin & Sells LLP, has been branch Auditors of the Company since FY 2000-01. Hence consider their association from FY 2000-01 to FY 2014-15.



Mr. Vijay Maniar is associated with the Company as Audit partner on behalf of S R B C & CO. LLP, Audit firm for 7 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.

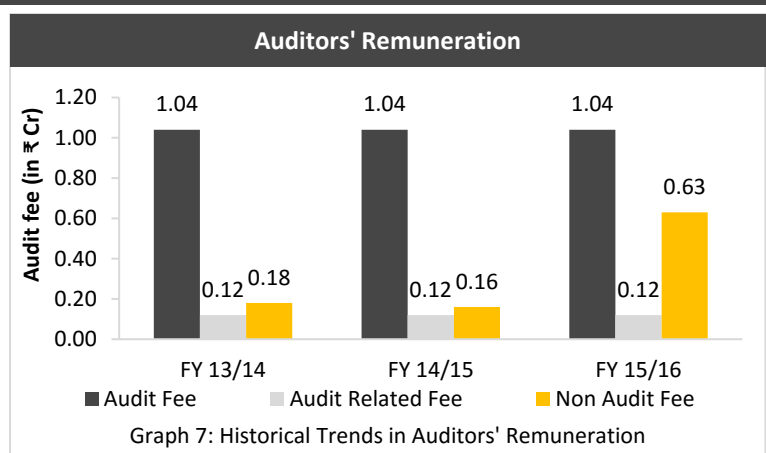
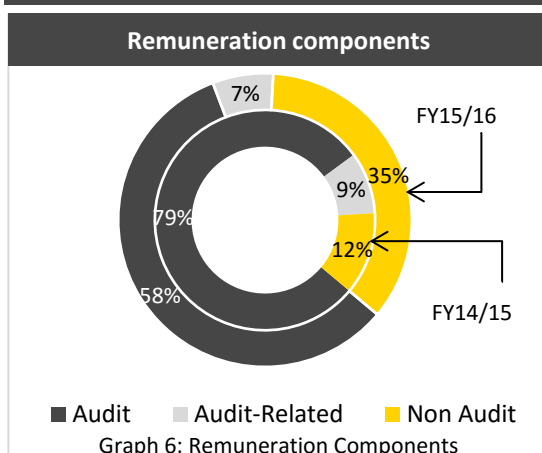
*Section 139(3) Subject to the provisions of this Act, members of a company may resolve to provide that;*

*(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*

Furthermore, in line with the [MCA voluntary guidelines](#) on corporate governance, SES is of the opinion that Audit partner should be rotated every three years.

### AUDITORS' REMUNERATION



### LAW FOR APPOINTMENT OF AUDITORS

Provisions of Section 139 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 provisions of Section 139(1) of the Act mandate the appointment of Auditors for a term of 5 years, unless 5 years' term is not exceeding the total tenure of 10 years. In cases where existing tenure put together with proposed 5 years' term envisaged in Section 139(1) of Companies Act would result in breaching 10 years' maximum tenure restriction, the law through section 139(2) and Rules made thereunder provide transitory provisions allowing maximum transit period of three years.

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. 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 years. The reason for this interpretation is that Section 139 of the Act of 2013 mandates appointment of Auditors for 5 years SES is of the opinion that the transitory provision is one-time provision and 139(2) does not restrict or override operation of section 139(1). In nut shell, transitory provision (if the tenure of the auditors is > 8 years) has to be used in one shot for up to three years and not in instalments of 1 year each, as it will violate spirit of section 139(1). **The rationale behind transitory provision is to ensure that no disruption is caused to the working; the audit process is not derailed and transition is smooth. It cannot be the case that the Company in the first year feels that one-year period for transition is needed so that no disruption is caused and then seeks the same year after year on the same pretext.**

**TERMS OF APPOINTMENT OF M/s. S R B C & CO LLP**

The current Auditors, S R B C & CO LLP, have been associated with the Company for more than 20 years

The Company had appointed S R B C & CO LLP, for a term of one year each in the AGMs concluded on 11<sup>th</sup> September, 2014 and 15<sup>th</sup> September, 2015 under section 139(2) of the Companies Act, 2013.

SES is of the opinion that the use of transitory provision is not available to the Company again. Further, current appointment for one year will result in violation of provisions of Section 139(1) of the Companies Act, 2013. Therefore, SES raises concern in appointment of S R B C & CO LLP, as Statutory Auditors of the Company.

In the explanatory statement on page 8, the Company has stated that “M/s. Khimji Kunverji & Co., Chartered Accountants, Mumbai, the Joint Statutory Auditors, has been in office for more than 10 years and in compliance with the provisions of the Act, the Company will have to appoint new auditor in their place by 31<sup>st</sup> March, 2017. “

The Company is changing the other joint Auditors M/s. Khimji Kunverji & Co, as they have been Auditors for more than 10 years. SES does not understand double standards for Auditors appointment by the Company, as S R B C & CO LLP have also been Auditors for more than 10 years. What is good for one is bad for another, appears to be the law at the Company.

**TERMS OF APPOINTMENT OF M/S. DELOITTE HASKINS & SELLS LLP**

M/s. Deloitte Haskins & Sells LLP, has been **branch Auditors** of the Company from FY 2000-01 to FY 2014-15. The Company has proposed resolution for appointment of M/S. Deloitte Haskins & Sells LLP, for a term of five years under section 139(1) of the Companies Act, 2013 in place of M/s. Khimji Kunverji & Co., Chartered Accountants, Mumbai (Registration No. 105146W), the retiring Joint Statutory Auditors.

SES is of the opinion that strictly speaking the proposed appointment of M/s. Deloitte Haskins & Sells LLP for a term of 5 years will not result in violation of Law. As section 139(2)(b)(ii) provides that an audit firm which has completed its term under clause (b) (i.e. - an audit firm as auditor for more than two terms of five consecutive years), shall not be eligible for re-appointment as auditor in the same company for five years from the completion of such term. However Statutory Auditors and Branch Auditors are different and tenure as Branch Auditor, cannot be counted as term for purpose of Section 139(2) of the Act 2013. Therefore, legally speaking there are no concern in the appointment. However, while recommending, SES does not take into account legal provisions alone and takes into account governance related issues as well. And it is on the governance issue that appointment fails to clear the independence benchmark due to long association as Branch Auditor.



**RESOLUTION 7 (I) & (II): APPOINTMENT OF BRANCH AUDITORS**

**7(I):** 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

**7(II):** Appointment of M/s. Deloitte Haskins & Sells LLP as Branch Auditors of Company's Aditya Birla Insulators Divisions at Rishra & Halol and Indian Rayon Division at Veraval.

**SES RECOMMENDATION**

**#7(I) & (II):** S R B C & CO LLP, serves as branch auditors of the Company since earlier than FY 1996-97 and Deloittee Haskin & Sells LLP, since FY 2000-01. Provisions of Section 143(8) of the Companies Act, 2013 provides that branch auditors should be appointed under section 139 of the Companies Act, 2013. Therefore, the provision of Section 139(2) related to transitional provisions was available at AGM held after coming into effect of provisions of Section 139 i.e. 1<sup>st</sup> April, 2014. Hence considering the appointment of branch auditors not in compliant with law, SES raises concern and recommends that shareholders vote **AGAINST** the resolutions.

**SES RATIONALE**

**#7(I) & (II):** Violation of Section 139 (2) of Companies Act 2013 – Transitional provision not available to the Company again

**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. Deloitte, Haskins & Sells	Aditya Birla Insulators Divisions Indian Rayon Division	1 year
M/s S R B C & Co. LLP	Jaya Shree Textiles Division & Indo Gulf Fertilisers	1 year

M/s S R B C & CO LLP, has been branch auditors of the Company since earlier than FY 1996-97 and Deloittee Haskin & Sells LLP, has been branch Auditors of the Company since FY 2000-01 to FY 2014-15. The appointment of Branch Auditors are also govern by 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 in certain cases, the transition period is not available to the Company again as the Company has utilized by appointing M/s S R B C & Co. LLP as branch auditors for a term of one year in AGM held in 2014 and 2015. In case of appointment of M/s. Deloitte, Haskins & Sells as branch auditors for a term of 1 year is against the law as section 139(2)(b)(ii) provides that an audit firm which has completed its term under clause (b) (i.e. - an audit firm as auditor for more than two terms of five consecutive years), shall not be eligible for re-appointment as auditor in the same company for five years from the completion of such term.

The proposed resolutions for appointment of M/s. Deloitte, Haskins & Sells, and M/s S R B C & CO LLP as Branch Auditors for a term of 1 year, in SES opinion, will lead to violation of Section 139 of the Companies act, 2013. Therefore SES raises concern in their appointments.

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 9: ISSUE OF NON-CONVERTIBLE DEBENTURES**

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

**SES RECOMMENDATION**

Since, the securities to be issued are non- convertible in nature, they will cause no dilution to the shareholding of existing shareholders. Hence, SES recommends that shareholders vote **FOR** the Resolution.

**SES RATIONALE**

Compliant with law. No governance issue identified

**SES ANALYSIS****OBJECTIVE OF THE ISSUE**

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").

**DETAILS OF THE ISSUE**

**Securities to be issued:** Secured/unsecured redeemable non-convertible debentures ("NCDs")

**Issue Type:** Private placement

**Issue Size:** ₹ 1,500 Crore

**Issue Price:** Not disclosed

**DILUTION TO SHAREHOLDING**

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

**SES VIEW**

The Company seeks approval of the Members for raising funds by way of private placement of Secured/unsecured redeemable non-convertible debentures to the extent of ₹ 1,500 Crores during the period of one year from the date of AGM. Since the Company proposes to issue non-convertible debentures, it is not going to dilute the shareholding of the existing shareholders. No concern has been identified by SES.

**RESOLUTION 10: PAYMENT TO COST AUDITORS**

Approval of remuneration of Cost Auditors of the Company for the Financial Year ending 31<sup>st</sup> March, 2017.

**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 RATIONALE**

Ratification is in Compliance with Law, no governance issue observed

**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 31<sup>st</sup> March, 2017, as per the following details:

No.	Name of the Auditors	Unit	Product	Proposed Fees (₹)
1	M/s. Ashwin Solanki & Associates	Indian Rayon, Veraval	VFY and Chemicals	1,50,000
2	M/s. R. Chakraborty & Co.	Jaya Shree Textiles, Rishra	Textiles	60,000
3	M/s. K.G. Goyal & Associates	Indo Gulf Fertilisers, Jagdishpur	Fertilisers Chemicals (Argon Gas & Surplus Ammonia)	85,000
4	M/s. S.S. Puranik & Associates	Aditya Birla Insulators – Halol & Rishra Units	Insulators	1,30,000
5	M/s. S.S. Puranik & Associates	Lead Cost Auditors	-	1,75,000

*The Company has not disclosed that the Cost Auditors have given a Certificate to the effect that the appointment, if made, will be within the prescribed limits specified under Section 141 of the Companies Act, 2013 and the Audit Committee has obtained a certificate from the Cost Auditor certifying their independence and arm's length relationship with 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. No concern has been identified in this regard.



**RESOLUTION 11: FII INVESTMENT LIMITS**

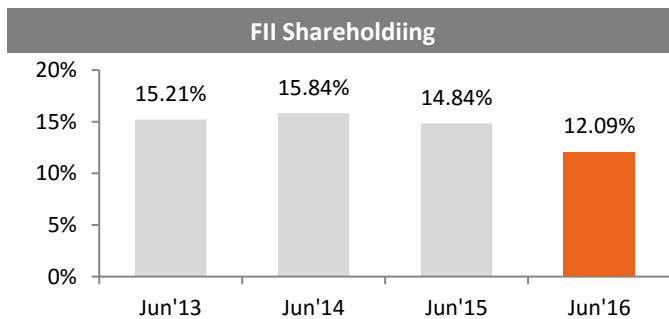
Increase in limits for investment in the equity share capital of the Company by Registered Foreign Portfolio Investors including Foreign Institutional Investors from 24% to 30% of the paid up capital of the Company.

**SES RECOMMENDATION**

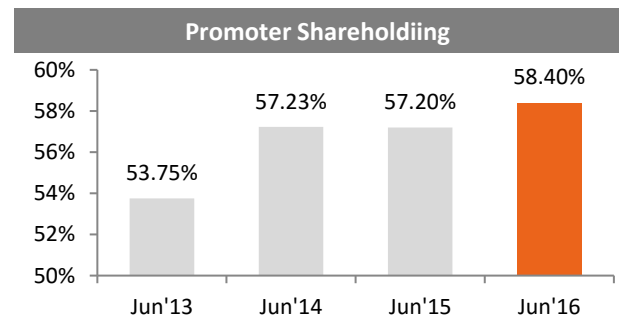
The Company has proposed resolution to increase FIIs investment limit to 30%. Although FIIs investments in the Company reduced from 15.21% to 12.09% in last three years, as this is only an enabling Resolution and has no adverse impact on Company or shareholders, SES recommends that shareholders vote **FOR** the Resolution.

**SES RATIONALE**

No Governance issue and no adverse impact on shareholders, purely an enabling Resolution.

**SES ANALYSIS**


Graph 8: FII Shareholding in the Company



Graph 9: FII Shareholding in the Company

**OBJECTIVE TO INCREASE FII'S INVESTMENT LIMIT (AS STATED BY THE COMPANY)**

In terms of the provisions of the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000 as amended, read with the relevant Notifications / Circulars / Press Notes/ Press Releases issued by the Department of Industrial Policy and Promotion and the Reserve Bank of India in connection with foreign investment, the Foreign Institutional Investors ("FIIs") class has been re-classified as Registered Foreign Portfolio Investor ("RFPIs").

Further, FIIs registered with SEBI including their sub-accounts are subsumed under this new category viz. RFPIs. The aggregate holdings of RFPIs and Deemed RFPIs put together shall not exceed 24% of the paid-up equity share capital of the Company. However, this limit may be increased up to the sectoral cap applicable to the Company which presently is 49% of the paid-up capital, with the approval of the Board of Directors and the Members of the Company by way of a Special Resolution.

The existing RFPI shareholding in the Company is around 12%. To make more space for RFPIs to invest in the equity share capital of the Company, it is proposed to increase the RFPIs (including Deemed RFPIs) investment limit up to 30% of the total paid-up equity share capital of the Company.

**SES View:** The FIIs investment in the Company has decreased in last 3 years. The Company has not provided adequate justification/ rationale for increasing the limit of FII investment from 24% to 30% in the light of actual decline of FII holding. However, as this is only an enabling Resolution and has no adverse impact on Company or shareholders, SES does not raise any concern in the resolution.





**DISCLAIMER****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.

**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. SES understands the different investment needs of our clients. 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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**Company Information**

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