



Proxy Advisory Report UltraTech Cement Ltd

BSE Code: 532538 | NSE Code: ULTRACEMCO | ISIN: INE481G01011

Sector: Cement | Meeting Type: Annual General Meeting

e-Voting Platform: [NSDL](#)

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

Meeting Date: 28th August, 2015 at 3:00 PM

Meeting Venue: Ravindra Natya Mandir, P. L. Deshpande Maharashtra Kala Academy, Near Siddhivinayak Temple, Sayani Road, Prabhadevi, Mumbai – 400025

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

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Company Registered Office: B Wing Ahura Centre 2nd Flr Mahakali Caves Road Andheri(E), Mumbai, Maharashtra - 400093

SES RECOMMENDATIONS

TABLE 1 - AGENDA ITEMS AND RECOMMENDATIONS

S. No.	Resolution	Type	Recommendation	Focus
1	Adoption of the Audited Financial Statements (including Audited Consolidated Financial Statements)	O	FOR	
2	Declaration of Dividend	O	FOR	
3	Re- appointment of Mr. Kumar Mangalam Birla, Director retiring by rotation	O	AGAINST	G/T
4	Appointment of BSR & Co. LLP, Chartered Accountants, Mumbai as Joint Statutory Auditors of the Company	O	FOR	
5	Re- appointment of M/s. G. P. Kapadia & Co., Chartered Accountants, Mumbai as Joint Statutory Auditors of the Company		AGAINST	G/C
6	Ratification of remuneration to Cost Auditors	O	FOR	
7	Appointment of Mrs. Sukanya Kripalu as an Independent Director of the Company	O	FOR	
8	Appointment of Mrs. Renuka Ramnath as an Independent Director of the Company	O	FOR	
9	Re-designation of Mr. O. P. Puranmalka as the Managing Director of the Company	O	FOR	
10	Re-appointment and remuneration of Mr. O. P. Puranmalka as the Managing Director of the Company up to 31 st March, 2016	O	FOR	
11	Appointment of Mr. Dilip Gaur as a Director of the Company	O	FOR	
12	Appointment and remuneration of Mr. Dilip Gaur as the Whole-time Director (designated as Deputy Managing Director) of the Company	O	FOR	
13	Issue of Non-convertible Redeemable Debentures on private placement basis up to an amount of ₹ 9,000 crores	S	FOR	

O - Ordinary Resolution; S - Special Resolution

RESEARCH ANALYST: GAURAV BANSAL

#Focus Terminology

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

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

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

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

KEY ISSUES

1) Adoption of Financial Statements: Clubbed Resolution: Shareholders may note that the Company has clubbed the resolution for Standalone and Consolidated accounts approval. SES is of the opinion that these are two different items 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.

2) Commission paid to Non-Executive Directors is skewed in favour of Non-Executive **Promoter Chairman**. Read more in the [discussion](#).



COMPANY BACKGROUND

TABLE 2 - MARKET DATA (As on 4th August, 2015)

Price (₹)	3,143.25	M Cap (₹ Cr.)	86,252.90	Shares*	27,44,06,796	PE Ratio ¹	42.80
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Standalone Data ; Source: Capitaline

* As on 30th June, 2015

¹Based on EPS for FY 2014-15

TABLE 3: FINANCIAL INDICATORS (STANDALONE)

(In ₹ Crores)	2015	2014	2013
Revenue	22,936.17	20,279.80	20,174.94
Other Income	371.78	329.04	305.00
Total Income	23,307.95	20,608.84	20,479.94
PBDT	4,019.36	3,827.77	4,770.77
Net Profit	2,014.73	2,144.47	2,655.43
EPS (₹)	73.44	78.21	96.87
Dividend per share (₹)	9.00	9.00	9.00
Dividend Pay-Out (%)	14.24	13.38	10.80
OPM (%)	19.91	20.45	24.69
NPM (%)	8.78	10.57	13.16

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

TABLE 4: PEER COMPARISON

Shree Cement Ltd (2015)	ACC Ltd (2014)
6,453.57	11,738.21
137.85	268.28
6,591.42	12,006.49
1,325.61	1,692.78
426.33	1,168.29
122.38	62.23
14.00	34.00
13.30	63.50
22.41	15.13
6.61	9.95

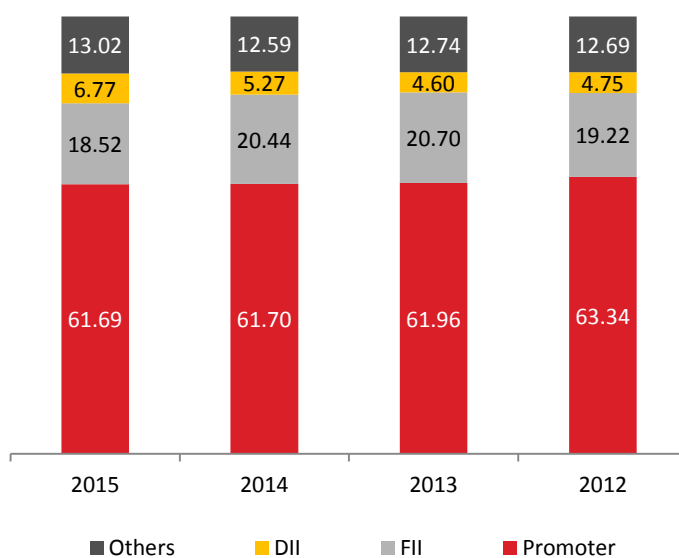
TABLE 5: MAJOR PUBLIC SHAREHOLDERS (JUN' 15)

Life Insurance Corporation of India	2.26%
Oppenheimer Developing Markets Fund	1.41%
Aberdeen Emerging Markets Fund	1.36%
Aberdeen Global Emerging Markets	1.17%

TABLE 6: MAJOR PROMOTERS (JUN' 15)

Grasim Industries Ltd	60.25%
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SHAREHOLDING PATTERN (%) (JUNE)



Graph 1: Yearly Shareholding Pattern

DISCUSSION

1,14,382 equity shares of ₹ 10 each were allotted to the equity and preference shareholders of Jaypee Cement Corporation Limited in the month of August, 2014 under Scheme of Arrangement. During the period from 1st July, 2014 to 30th June, 2015, 22,006 equity shares of ₹ 10 each were issued under ESOP scheme. Shareholding of FIIs decreased from 20.44% to 18.52% and that of DIIs increased from 5.27% to 6.77% during the said period.



BOARD OF DIRECTORS

TABLE 7 - BOARD PROFILE

Director		Classification		Expertise/Specialization	Tenure (Year)	[1] Directorship	[2] Committee Membership	Pay(₹ Lakh)
		Company	SES					
K Mangalam Birla	U	NED(R)(C)	NEDP(R)(C)	Industrialist	11	9(28)#	0(0)	1905.60
Rajashree Birla		NED(R)(W)	NEDP(R)(W)	Philanthropist	11	6(20)	0(0)	106.55
Dwarka Dass Rathi		NED(R)	NEDP(R)	Industry Specialist	11	1(2)	1(0)	3.30
Rajiv Dube		NED(R)	NED(R)	General Management	2	2(5)	0(0)	3.10
R C Bhargava		ID	NID	General Management	11	8(9)	8(5)	29.90
Girish M Dave		ID	ID	Legal	9	6(9)	8(2)	21.85
S. B. Mathur		ID	ID	Finance	7	10(12)	5(1)	13.20
Srinivas Rajgopal		ID	ID	Administrative	8	1(1)	1(0)	22.60
Arun K Adhikari		ID	ID	General Management	2	1(1)	0(0)	13.70
Sukanya A Kripalu&	N	ID(W)	ID(W)	Marketing	1	4(4)	1(0)	7.20
Renuka Ramnath&	N	ID(W)	ID(W)	Finance	1	10(17)	1(1)	4.80
O Purnamalka	U	MD	MD	Industry Specialist	5	2(3)	0(0)	741.59
Dilip R Gaur^	N	JMD	JMD	Industry Specialist	1	1(3)	0(0)	135.58

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

[1] Directorships show Directorships in Public Companies as per Annual Report of the Company (Total Directorships which include Directorships in both Public and Private Companies as per MCA website dated 4th August, 2015)

[2] Committee memberships include committee chairmanships

Note: Directorships, committee membership and committee chairmanship includes such positions in UltraTech Cement Ltd

* Items deserving attention due to contentious or governance issues

* Mr. R C Bhargava is associated with the Company for more than 10 years. SES as a good governance practice and spirit behind the provisions of Section 149 of the Companies Act, 2013 considers Director associated with the Company for more than 10 years as Non-Independent. Therefore, SES classifies him as Non-Independent director on governance basis

^ Mr. Dilip Gaur appointed as Additional Director and Whole-time Director (designated as Deputy Managing Director) with effect from 15th October, 2014.

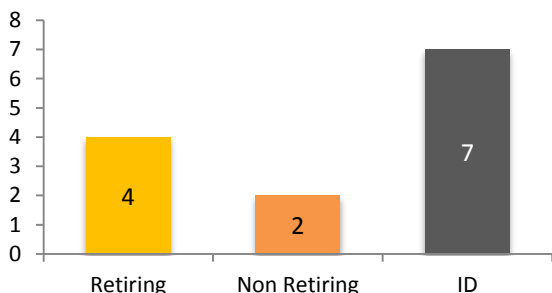
& Mrs. Sukanya Kripalu and Mrs. Renuka Ramnath were appointed as Additional Directors with effect from 11th October, 2014.

#Mr. Kumar Mangalam Birla is a Director in total 28 Companies. The Companies Act, 2013 has capped the limit of total directorships to 20 Companies. He should resign from at least 8 companies to be compliant with the Act.

Remuneration paid to Mr. Birla: Shareholders may note that Mr. Birla received ₹ 19.03 crores as commission from the Company. Comparatively, the average remuneration for other Non-Executive Directors was ₹ 0.21 crores. Further, the remuneration paid to Mr. Birla is approximately 2.5 times that paid to the Managing Director of the Company. The Company has not provided justification / rationale for skewed distribution of commission amongst the non-executive directors of the Company. The Company in its remuneration policy has not disclosed the criteria for commission distribution to NEDs. SES can presume that probably the difference is on account of Mr. Birla being the promoter chairman, he is paid more. SES is of the view, such remuneration practices are discriminatory, unfair and opaque. The remuneration practices of a company should be aligned with long term performance of the company and disjoined with the status of an individual as a promoter. Furthermore, the Non-Executive directors should be paid a uniform commission in addition to sitting fee.

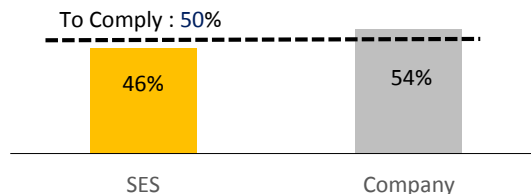


BOARD PROFILE



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

As per provisions of Section 149 and 152 of the Companies Act, 2013 Independent Directors shall not be liable to retire by rotation and unless provided by the Articles of the Company at least 2/3rd of the Non-Independent Directors should be liable to retire by rotation. There are 6 Non-Independent Directors in the Company. Out of these 6 Non-Independent Directors, 4 are liable to retire by rotation. The Company is compliant with the law.



Graph 3: Board Independence Classification

As per Clause 49(ii)(A) of the Listing Agreement, the Company should have at least 50% independent directors as the Board Chairman is a promoter director. . Mr. R C Bhargava is associated with the Company is for 11 years. SES as a good governance practice does not consider him Independent. Therefore, according to SES the Board comprises of 46% Independent Directors.

TABLE 8 - BOARD COMMITTEE PERFORMANCE

Committees	#	Chairman's Classification		Overall Independence		Number of Meetings	Attendance < 75%
		Company	SES	Company	SES		
Audit	3	ID	NID	100%	67%	7	-
Stakeholders' Relationship	3	ID	NID	67%	33%	2	-
Nomination & Remuneration	3	ID	ID	67%	67%	2	-
CSR	3	ND	NA	33%	33%	1	-
Risk Management	3	ND	NA	0%	0%	ND	NA

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


 Items deserving attention due to contentious or governance issues

TABLE 9 - BOARD GOVERNANCE TABLE (AS PER SES)

Criteria	Response	Score	Maximum
What is the percentage of Independent Directors on the Board?	46%	0	10
How many Independent Directors have tenure greater than 10 years?	1	8	10
How many Independent Directors have Shareholdings > ₹ 1 Cr?	0	5	5
Is the Chairman Independent?	No	0	10
Is there a Lead Independent Director?	No	0	10
How many Independent Directors are ex-executive of the Company?	0	10	10
Have all directors been elected by the Company's shareholders?	Yes	10	10
Are any directors on the Board related to each other?	Yes	0	10
How many promoter directors are on the Board?	3	8	15
Did Independent Directors meet at least once without management?	Yes	10	10
Score		51	100



REMUNERATION ANALYSIS

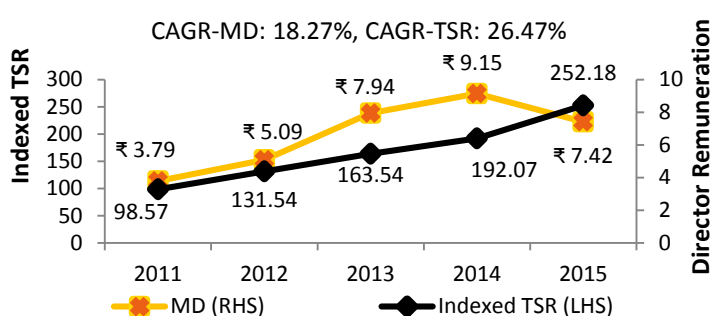
TABLE 10 - EXECUTIVE DIRECTORS' REMUNERATION

In ₹ Crore		2015		2014		2013		Ratio
		Fixed Pay	Total Pay	Fixed Pay	Total Pay	Fixed Pay	Total Pay	
Omprakash Puranmalka	NP	5.58	7.42	5.43	9.15	6.02	7.94	149 : 1
Dilip Roopsingh Gaur [^]	NP	1.36	1.36	-	-	-	-	27 : 1

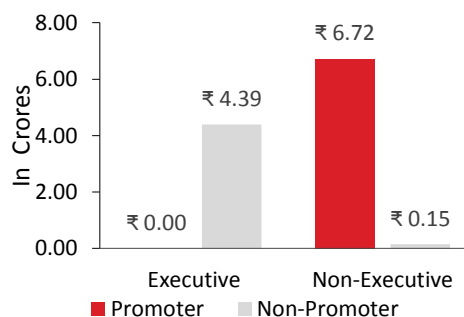
Note: Fixed pay includes basic pay, perquisites & allowances. P- Promoter, NP- Non- Promoter, Ratio- Ratio of ED's remuneration to Median Remuneration of Employees, ND- Not Disclosed

[^]Mr. Dilip Gaur appointed as Additional Director and Whole-time Director (designated as Deputy Managing Director) with effect from 15th October, 2014

DISCUSSION - INDEXED TSR vs. EXECUTIVE REMUNERATION



Graph 4: Executive Compensation vs. Total Shareholders Return



Graph 5: Average Director Remuneration

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

The remuneration paid to Mr. Omprakash Puranmalka, Managing Director of the Company is reasonable given the size and performance of the Company. It can be inferred from the graph that the growth in total shareholders' return is more than the growth in remuneration of Mr. Omprakash Puranmalka as CAGR of his remuneration is 18.27% whereas CAGR - TSR is 26.47%.

TABLE 11- EXECUTIVE REMUNERATION - PEER COMPARISON

	UltraTech Cement Ltd	Shree Cement Ltd (2014)	ACC Ltd
Director Name	Omprakash Puranmalka	H M Bangur	Harish Badami, Kuldip Kaura*
Promoter Group	No	Yes	No
Remuneration (₹ Crore) (A)	7.42	22.58	7.44
Net Profits (₹ Crore) (B)	2,014.73	787.24	1,168.29
Rem. Percentage (A/B * 100)	0.37%	2.87%	0.64%

*Includes remuneration of Mr. Kuldip K. Kaura (from 1st march, 2014 to August 12, 2014) and remuneration of Mr. Harish Badami (From 13th August, 2014 to 31st March, 2015)

Remuneration paid to Mr. Omprakash Puranmalka is reasonable given the size and performance of the Company. Further, his remuneration is aligned with that paid to Non-Promoter executive Director(s) at ACC Ltd. and is much lower than that received by the promoter Director at Shree Cement.

DISCLOSURES

DISCLOSURE REQUIRED IN DIRECTOR'S REPORT

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

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

* Not applicable as Auditors have not made any qualification, however they have indicated "Emphasis of Matter"

RESOLUTION ANALYSIS

RESOLUTION 1: ADOPTION OF ACCOUNTS

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

SES RATIONALE

Unqualified accounts, Compliant with Accounting Standards

SES RECOMMENDATION

No concern has been identified. The Auditors have not made any qualification. SES recommends that shareholders vote **FOR** the resolution.

SES ANALYSIS

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

AUDIT QUALIFICATIONS

The Auditors have not made any qualification.

AUDITORS' COMMENTS ON STANDALONE ACCOUNTS

The Auditors have drawn attention to note 30(b) to the standalone accounts which describes the uncertainty related to the penalty of ₹ 1,175.49 crores imposed by Competition Commission of India. Their opinion is not modified in respect of this matter.

The Auditors have also stated that they did not audit the financial statements of three branches which have been audited by the respective branch auditors.

Such matters are disclosed in the Independent Auditors report on page 80-81 of the Annual Report.

AUDITORS' COMMENTS ON CONSOLIDATED ACCOUNTS

The Auditors have stated that they did not audit the financial statements of three subsidiaries which have been audited by M/s G. P. Kapadia & Co., Chartered Accountant, one of the Joint Auditors of the Company.

The Auditors have also stated that they did not audit the financial statements of sixteen subsidiaries which have been audited by other Auditors.

Such matters are disclosed in the Independent Auditors report on Consolidated Accounts on page 123 of the Annual Report.

The Consolidated accounts include following unaudited financial statements:

Consolidated Entity (all figures in ₹ Cr.)	Total Assets	Total Revenue	Net Profit	Net Cash Flow
2 Subsidiaries and 1 Joint venture	10.27	0	ND	0.21

ACCOUNTING POLICIES

No change has been made to the Accounting Policy.



FINANCIAL INDICATORS

	Mar' 15	Mar' 14	Shift	Company's Discussion
Debtors Turnover	19.07	15.83	20.44%	-
Inventory Turnover	8.34	8.56	-2.64%	-
Interest Coverage Ratio	8.35	13.00	-35.77%	**
Current Ratio	0.90	1.57	-42.60%	**
Debt Equity Ratio	0.35	0.28	21.17%	**
Operating Profit Margin (%)	19.91%	20.44%	-2.63%	-
Net Profit Margin (%)	8.79%	10.57%	-16.90%	-
Operating Cash Flow/Sales (%)	17.80%	15.98%	11.36%	-

Source: Company's Annual Reports / Capitaline/ Moneycontrol

**The Company has repaid long term loans amounting to ₹ 3,958 crores, out of which ₹ 3,647 crores were loans transferred along with acquired Gujarat units of JCCL. The Company also raised long term debt of ₹ 1,008 crores mainly in the form of Non-Convertible Debentures. Apart from the above, the Company has also raised short term debt (net of repayments) of ₹ 1,519 crores. The new borrowings are for funding of capital expenditure and discharging the borrowings transferred from JCCL.

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' 15	Mar' 14
Total contingent liabilities	1,775	1,206
Net worth of the Company	18,857	17,097
Contingent liabilities as a percentage of net worth	9.41%	7.05%

Source: Company's Annual Reports/ Capitaline

Major portion of contingent liabilities is constituted by disputed sales tax, disputed excise duty and other disputed claims.

RELATED PARTY TRANSACTIONS

Outstanding (₹ Crore)	Mar' 15	Mar' 14	Shift	Comments
Loans and Advances	3.09	179.64	-	Outstanding balance for loans and advances given to Harish Cement Limited is ₹ 0 as on 31 st march, 2015 as against ₹ 150.96 crores as on 31 st March, 2014
Receivables	3.23	12.72	293.81%	Trade receivables from UltraTech Cement Lanka Private Limited decreased from ₹ 12.72 crores as on 31 st March, 2014 to 3.23 crores as on 31 st march, 2015.

Source: Company's Annual Reports

STANDALONE VS CONSOLIDATED ACCOUNTS

(In ₹ Crore)	Standalone Accounts			From Subsidiaries etc.		Consolidated Accounts			
	FY 14/15	FY 13/14	FY 12/13	FY 14/15	FY 13/14	FY 12/13	FY 14/15	FY 13/14	FY 12/13
Revenue	23,307	20,608	20,479	1,392	1,365	1,143	24,699	21,973	21,622
Net Profit	2,014	2,144	2,655	84	62	18	2,098	2,206	2,673
Total Assets	35,214	29,754	27,408	2,849	2,439	2,181	38,063	32,193	29,589
Net Worth	18,857	17,097	15,234	184	84	-5	19,041	17,181	15,229



net Profit % / Revenue	8.64%	10.40%	12.96%	6.03%	4.54%	1.57%	8.49%	10.04%	12.36%
ROA	5.72%	7.21%	9.69%	2.95%	2.54%	0.83%	5.51%	6.85%	9.03%
RONW	10.68%	12.54%	17.43%	45.65%	73.81%	-	11.02%	12.84%	17.55%

Adoption of Financial Statements: Clubbed Resolution: Shareholders may note that the Company has clubbed the resolution for Standalone and Consolidated accounts approval. SES is of the opinion that these are two different items 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

To declare dividend on equity shares for the year ended 31st March, 2015

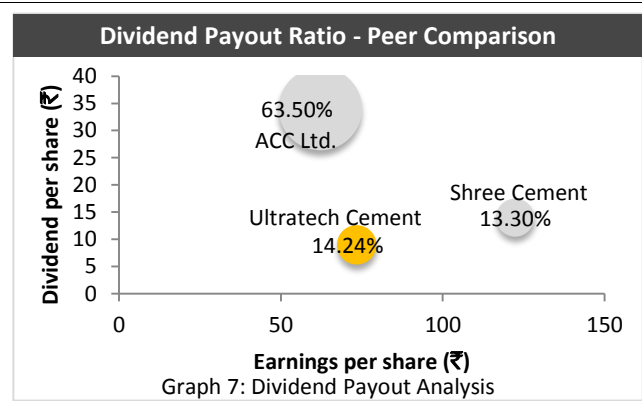
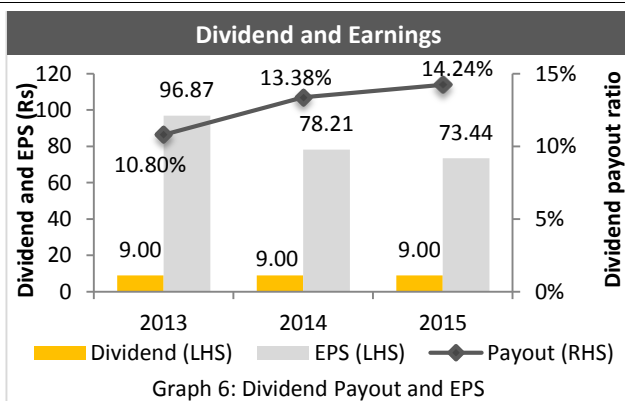
SES RATIONALE

Payment of dividend compliant with law, minor concern about the liquidity position of the Company

SES RECOMMENDATION

Current ratio of the Company is 0.90 (less than 1.00). However, this is minor concern, in view of the fact that the Company is profit making and till now current ratio was healthy, SES is recommending vote **FOR** the resolution.

SES ANALYSIS



The Directors have recommended a dividend of ₹ 9/- per equity share (₹ 9/- per equity share in the previous year) of ₹ 10/- each for the year ended 31st March, 2015. The dividend distribution would result in a cash outgo of ₹ 297 crores (including tax on dividend of ₹ 50 crores) compared to ₹ 289 crores (including tax on dividend of ₹ 42 crores) paid for the year 2013-14.

RESOLUTION 3: REAPPOINTMENT OF NON-EXECUTIVE DIRECTOR

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

SES RATIONALE

Appointment not compliant with law, governance issue over commission paid to Mr. Kumar Mangalam Birla

SES RECOMMENDATION

For FY 2014-15, the commission paid to Mr. Kumar Mangalam Birla is more than 90 times the average commission paid to the other non-executive directors of the Company. Also, the remuneration paid to Mr. Birla is approximately 256% of the remuneration paid to the MD of the Company. The Company has not provided justification / rationale for skewed distribution of commission amongst the non-executive directors of the Company. Without such disclosures, shareholders are not aware whether there is merit behind decision of the Company to pay Mr. Birla commission more than 90 times the commission paid to other NEDs. In absence of disclosures, SES is of the opinion that the commission paid to Mr. Birla is excessive compared to that of other non-executive directors of the Company.

Further, SES is of the opinion that since Mr. Birla is a director in more than 20 companies, he cannot be appointed as a director of the Company unless he resigns from board of at least 8 companies.

In view of the above SES recommends that shareholders vote **AGAINST** the resolution. SES vote **AGAINST** does not indicate whether the commission is justified on merit or not, however it does indicate that proper reasons are not given and disclosures are short of good governance standards expected.

SES ANALYSIS

DIRECTOR'S PROFILE

	Kumar Mangalam Birla
Current full time position	Chairman, Aditya Birla Group
Functional Area	Industrialist
Education	ACA, MBA
Past Experience	30 years of Industry Experience
Committee positions in the Company	NR(M)
Retirement by rotation	Retiring
Part of promoter group?	Yes
SES Recommendation	AGAINST

NR - Nomination & Remuneration Committee, M - Member

DIRECTOR'S TIME COMMITMENTS

Criteria	Kumar Mangalam Birla
Public Directorships (Total Directorships)	9(28)
Total Committee memberships	0
Total Committee Chairmanship	0
Full time role/ executive position	-

Mr. Kumar Mangalam Birla is a Director in total 28 Companies (*as per MCA website dated 4th August, 2015*). The Companies Act, 2013 has capped the limit of total directorships to 20 Companies. He should resign from at least 8 companies to be compliant with the Act.



DIRECTORS' PERFORMANCE

Attendance record	Kumar Mangalam Birla
Last 3 AGMs	3/3
Board meetings held last year	86%
Board meetings in last 3 years (avg.)	71%
Nomination & Remuneration Committee meetings	100%

Mr. Kumar Mangalam attended all the AGMs held in last three years. He attended 71% of the Board meetings held in last three years. He attended all the Nomination and remuneration committee meetings held last year.

DIRECTOR'S REMUNERATION

In FY 2014-15, Mr. Kumar Mangalam Birla received a remuneration of ₹ 19.03 crores while the Managing Director of the Company received a remuneration of ₹ 7.42 crores. The remuneration paid to Mr. Birla is approximately **256%** of the remuneration paid to the MD of the Company.

For FY 2014-15, the commission paid to Mr. Kumar Mangalam Birla is **more than 90 times** the average commission of ₹ 0.21 crores paid to the other non-executive directors of the Company. SES finds that the Company has not provided any justification on why Mr. Birla's commission is disproportionate to commission paid to the other non-executive directors.

The nomination and remuneration committee has laid out following policy: "The Company has adopted Executive Remuneration Philosophy/Policy and the same is disclosed in this Annual Report." Further, as stated by the company, "based on the recommendation of the Nomination Committee, all decisions relating to the remuneration of the Directors are taken by the Board of Directors of your Company in accordance with the shareholders' approval, wherever necessary. During the year, the Board has revised the sitting fees for attending Board and Committee meetings."

The Company has stated that At the Annual General Meeting held on 6th August, 2014, shareholders approved payment of commission to the Non-Executive Directors of an amount not exceeding 1% per annum of the net profit of the Company. Based on the performance evaluation of each Director and the remuneration policy, the Board has fixed the amount to be paid as commission. For the year 2014 – 2015, the Board has approved payment of ₹ 21.15 crores as commission to the Non-Executive Directors. SES finds that out of ₹ 21.15 crores given to all the NEDs nearly **90%** (₹ 19.03 crores) was paid to Mr. Birla. SES is unable to understand how Mr. Birla could be paid exceptionally high commission as compared to other NEDs and even more than ED of the Company.

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

In conclusion, SES is of the opinion that the remuneration policy followed by the Company is non-transparent and may not be fair. SES recommends that shareholders should seek clarifications on the non-executive directors' remuneration policy, from the Chairman of the Remuneration Committee of the Company and ask the Company to improve its disclosures.

Further, Mr. Birla is a director of more than 20 companies (including directorship at Ultra Tech Cement. Duty of care requires directors to devote significant time on company affairs to ensure that rights of all stakeholders are protected. Section 165(1) of The Companies Act 2013 provides that:

165. (1) No person, after the commencement of this Act, shall hold office as a director, including any alternate directorship, in more than twenty companies at the same time provided that the maximum number of public companies in which a person can be appointed as a director shall not exceed ten.



Section 165(3) provides a transition period of up-to one year for any director who exceeds the maximum limit of directorship at the commencement of the Act. The provisions of the Act have come into force effective 1st April, 2014. However, Mr. Birla still holds directorship in more than 20 companies and is non-compliant with the provisions of the Companies Act, 2013.

RESOLUTION 4-6: APPOINTMENT OF AUDITORS

- #4: Appointment of BSR & Co. LLP, Chartered Accountants, Mumbai as Joint Statutory Auditors of the Company
- #5: Re- appointment of M/s. G. P. Kapadia & Co., Chartered Accountants, Mumbai as Joint Statutory Auditors of the Company
- #6: Ratification of remuneration of the Cost Auditors viz. M/s. N. I. Mehta & Co., Cost Accountants, Mumbai and M/s. N. D. Birla & Co., Cost Accountants, Ahmedabad for the financial year ending 31st March, 2016

SES RATIONALE

- #4: Appointment of BSR & Co. compliant with law
- #5: Appointment of M/s G P Kapadia & Co. not compliant with law
- #6: Ratification of remuneration to cost Auditors compliant with law

SES RECOMMENDATION

#4: The Company is appointing new Auditors, BSR & Co LLP, Chartered Accountants as Joint Auditors. Their term of appointment is for 5 years subject to annual ratification by the members. No concern has been identified on the appointment of BSR & Co LLP, Chartered Accountants. SES recommends that shareholders vote **FOR** the resolution.

#5: The current Auditors, M/s. G. P. Kapadia & Co. have been associated with the Company for more than 10 years. Provisions of the Companies Act, 2013 (“The Act”) 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 case existing term is more than 8 years. SES is of the opinion that the transition period is a one-time opportunity and the Company has already utilized the transition period available under the Act by appointing the Auditors for a term of one year in last AGM held on 6th August, 2014. The proposed resolution for appointment of Auditors for a term of one year is not in accordance with law. Therefore, SES recommends that shareholders vote **AGAINST** the resolution.

#6: No concern has been identified regarding the ratification of remuneration to be paid to the Cost Auditors. SES recommends that shareholders vote **FOR** the resolution.

SES ANALYSIS

DISCLOSURES

Name of the auditor up for appointment	Disclosed in both Notice and Annual Report
Auditors' eligibility for appointment	Not Disclosed
Auditors' independence certificate	Not Disclosed

AUDITORS' INDEPENDENCE

Auditors		Audit Partners	
B S R & Co. LLP	-	Not Disclosed	-
M/s. G. P. Kapadia & Co	10 years	Atul B. Desai*	10 years

Financial interests in or association with the company: None Disclosed

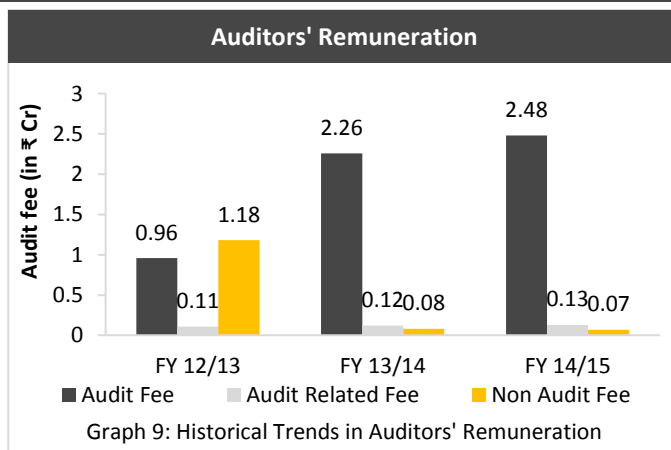
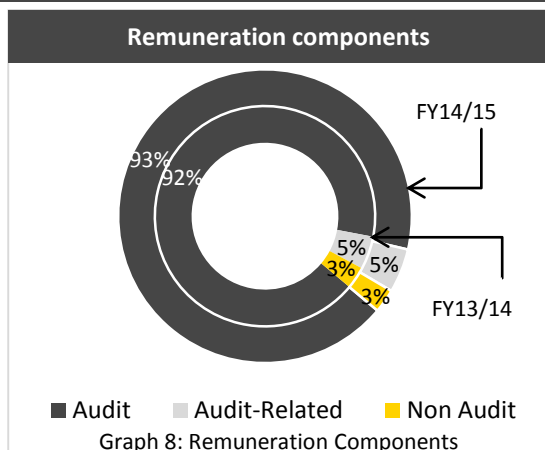
Mr. Atul B Desai, the Audit Partner for M/s G P Kapadia & Co. is associated with the Company for 10 years. SES is of the opinion that the audit partner should be rotated on a regular basis. As per Section 139(3) of the Companies Act, 2013 shareholders may resolve to provide that the auditing partner 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

AUDITORS' REMUNERATION



Shareholders should note that in the Company's annual report for FY 14/15, the audit fee is shown as ₹ 2.26 Crore whereas in previous year's annual report, audit fee was shown as ₹ 1.02 Crore. The Company has not given any justification for reclassifying fees for other services to audit fee.

TERM OF APPOINTMENT

The Company states that "In terms of Section 139 of the Companies Act, 2013 ("the Act"), no listed company can appoint or re-appoint an audit firm as auditor for more than two terms of five consecutive years. The Act further prescribes that the Company has to comply with these provisions within three years from the commencement of the Act. M/s. S. B. Billimoria & Co. & M/s. G. P. Kapadia & Co. were appointed as Joint Statutory Auditors of the Company in October, 2004 and re-appointed at every Annual General Meeting thereafter. In 2007, M/s. S. B. Billimoria & Co. merged with M/s. Deloitte Haskins & Sells. M/s. Deloitte Haskins & Sells got converted into a Limited Liability Partnership (LLP) under the provisions of the Limited Liability Partnership Act, 2008 and is now known as Deloitte Haskins & Sells LLP with effect from 20th November, 2013. Deloitte Haskins & Sells LLP and M/s. G. P. Kapadia & Co. have been in office for more than 10 years and in compliance with the provisions of the Act, the Company will have to appoint new auditors in their place by 31st March, 2017. The Board of Directors has, at its meeting held on 25th April, 2015, appointed BSR & Co. LLP, Chartered Accountants, Mumbai as one of the Joint Statutory Auditor of the Company in place of Deloitte Haskins & Sells LLP, to hold office from the conclusion of this Annual General Meeting until the conclusion of the 20th Annual General Meeting of the Company, subject to ratification by the Members at every Annual General Meeting till the 19th Annual General Meeting. M/s G. P. Kapadia & Co. will continue to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting."

The provisions of the Act are effective from 1st April, 2014. Section 139 of the Companies Act, 2013 and the Rules made thereunder, provide for the appointment and rotation of auditors. As per sub section 139(2), a company can appoint a firm as auditors for maximum two terms of five consecutive years each. An audit firm which has completed its term of 10 consecutive years shall not be eligible for re-appointment as auditors in the same company for 5 years from the completion of such term. For the purpose of calculating period of 10 consecutive years, the period for which the auditor firm has held office prior to the commencement of the Act (i.e. 1st April, 2014), shall be taken into consideration. However, a transition period of 3 years from the commencement of the Act has been prescribed to comply with the provisions of rotation of auditors.



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

#4: The Company is appointing the new Auditors, M/s BSR & Co. LLP, Chartered Accountants, for a period of 5 years subject to ratification by the members who will be the joint auditors of the Company. No concern has identified in the term of their appointment.

#5: The Company in the proposed resolution is seeking appointment of M/s G. P. Kapadia & Co, as Statutory Auditors, for a term of 1 year only who have been associated with the Company for 10 years. SES is of the opinion that the Company had utilized the transition period available under the Act by appointing the Auditors for a period of 1 year in the last AGM held on 6th August, 2014. SES is of the opinion that the transition period option is not available to the Company. SES, therefore raises concern over the appointment of current Auditors.

COST AUDITORS

The Board of Directors of the Company, on the recommendation of the Audit Committee, approved the appointment and remuneration of M/s. N. I. Mehta & Co., Cost Accountants, Mumbai and M/s. N. D. Birla & Co., Cost Accountants, Ahmedabad, Cost Auditors, to conduct the audit of the cost records of the Company for the financial year ending 31st March, 2016 as per the following details:

- M/s. N. I. Mehta & Co., Cost Accountants, Mumbai - ₹ 7,70,000/- (Rupees seven lacs seventy thousand only)
- M/s. N. D. Birla & Co., Cost Accountants, Ahmedabad – ₹ 8,25,000/- (Rupees eight lacs twenty five thousand only) plus service tax as applicable and reimbursement of out-of-pocket expenses.

The Company is seeing to ratify the remuneration of cost Auditors. This is an enabling resolution under Section 148 of the Companies Act, 2013. No concern has been identified in this regard.

RESOLUTION 7 & 8: APPOINTMENT OF INDEPENDENT DIRECTORS

#7: Appointment of Mrs. Sukanya Kripalu as an Independent Director of the Company

#8: Appointment of Mrs. Renuka Ramnath as an Independent Director of the Company

SES RATIONALE

#7-8: Appointment Compliant with law, no negative issue observed

SES RECOMMENDATION

No concern has been identified regarding the profile, attendance performance, remuneration and appointment of Mrs. Sukanya Kripalu and Mrs. Renuka Ramnath. SES recommends that shareholders vote **FOR** both the resolutions.

SES ANALYSIS

COMPLIANCE

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

DIRECTOR'S PROFILE

	Sukanya Anand Kripalu	Renuka Ramnath
Current full time position	Director, Sukanya Consulting	Managing Director, Multiples Alternate Asset Management Private Limited
Functional Area	Marketing	Finance
Education	MBA	B.E., M.B.A. & A.M.P.
Past Experience	experience with leading corporates like Nestle India Limited, Cadbury India Limited and Kellogg India	Spent 25 years in the Indian financial Sector. Built several business from scratch in ICICI group.
Committee positions in the Company	-	-
SES Recommendation	FOR	FOR

DIRECTORS' INDEPENDENCE

Criteria	Sukanya Anand Kripalu	Renuka Ramnath
Current tenure/association	1	1
Directorships at group companies	None	None
Relationships with the Company	Nil	None
Shareholding / ESOPs	-	-
Remuneration (₹ Lakhs)	7.20	4.80
SES Classification	Independent	Independent

DIRECTORS' TIME COMMITMENTS

Criteria	Sukanya Anand Kripalu	Renuka Ramnath
Public Directorships	4	10
Total Committee memberships	1	2
Total Committee Chairmanship	0	1



Full time role/ executive position	1	1
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Note: Committee memberships include Committee chairmanships as per the Notice of AGM

Mrs. Sukanya Kripalu and Mrs. Renuka Ramnath were appointed as additional Director of the Company with effect from 11th October, 2014. Mrs. Sukanya attended all the Board meetings and Mrs. Renuka attended 75% of the Board meetings during their tenure. No concern has been identified regarding their profile, attendance performance, remuneration and appointment.

RESOLUTION 9-12: APPOINTMENT/REAPPOINTMENT OF EXECUTIVE DIRECTORS

#9: Re-designation of Mr. O. P. Puranmalka as the Managing Director of the Company

#10: Re-appointment and remuneration of Mr. O. P. Puranmalka as the Managing Director of the Company up to 31st March, 2016

#11: Appointment of Mr. Dilip Gaur as a Director of the Company

#12: Appointment and remuneration of Mr. Dilip Gaur as the Whole-time Director (designated as Deputy Managing Director) of the Company

SES RATIONALE

#9-12: Appointments Compliant with law, no negative issue observed

SES RECOMMENDATION

No concern has been identified regarding the profile, attendance performance, remuneration and appointment of Mr. O. P. Puranmalka and Mr. Dilip Gaur. SES recommends that shareholders vote **FOR** all the four resolutions.

SES ANALYSIS

DIRECTOR'S PROFILE

	Omprakash Puranmalka	Dilip Roopsingh Gaur
Current full time position	Managing Director, Ultra Tech Cement Ltd	Joint Managing Director, Ultra Tech Cement Ltd.
Functional Area	Industry Specialist	Industry Specialist
Education	F.C.A	B. Tech (Chemical Eng.)
Part of promoter group?	No	No
Past Experience	5 years of experience as Managing Director	24 years of experience with Hindustan Lever Ltd.
Committee positions in the Company	CSR(M),RM(M)	RM(M)
Retirement by rotation	Non Retiring	Non Retiring
SES Recommendation	FOR	FOR

CSR - Corporate Social Responsibility Committee, RM-Risk Management, M - Member

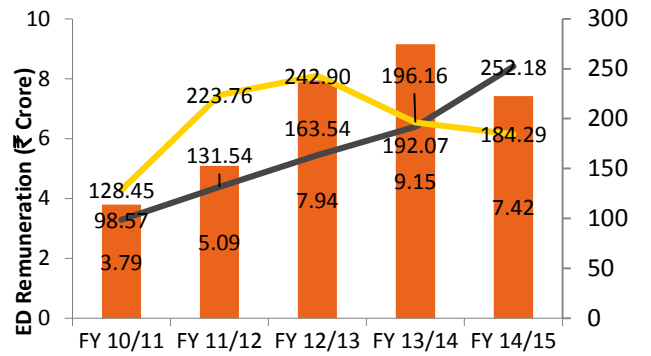
PAST REMUNERATION OF THE DIRECTOR

In ₹ Crore	FY 14/15		FY 13/14		FY 12/13	
	Fixed Pay	Total Pay	Fixed Pay	Total Pay	Fixed Pay	Total Pay
Executive Director						
Omprakash Puranmalka	5.57	7.42	5.43	9.15	6.02	7.94
Dilip Roopsingh Gaur	1.36	1.36	-	-	-	-



Executive Remuneration - Peer Comparison		
Director	O. Puranmalka	H M Bangur
Company	UltraTech Cement Ltd	Shree Cement Ltd (2014)
Promoter	No	Yes
Remuneration (₹ Cr) (A)	7.41	22.58
Net Profits (₹ Cr) (B)	2,014.73	787.24
Ratio (A/B)	0.37%	2.87%

The remuneration paid to Mr. Omprakash Puranmalka is aligned with size and performance of the Company. The remuneration paid to Mr. Omprakash Puranmalka is lower than paid to the Promoter Executive Director at Peer Company.



Graph 10: Executive compensation vs. Total shareholders return

DIRECTORS' TIME COMMITMENTS

Criteria	Omprakash Puranmalka	Dilip Roopsingh Gaur
Public Directorships	2	1
Total Committee memberships	0	0
Total Committee Chairmanship	0	0
Full time role/ executive position	1	1

Note: Committee memberships include Committee chairmanships as per Notice of the AGM

DIRECTORS' PERFORMANCE

Attendance record	Omprakash Puranmalka	Dilip Roopsingh Gaur
Last 3 AGMs	3/3	-
Board meetings held last year	100%	100%
Board meetings in last 3 years (avg.)	100%	Not Applicable
CSR Committee meetings	100%	Not Applicable

REMUNERATION PACKAGE OF OMPRAKASH PURANMALKA

Component	Proposed Remuneration	Comments
Basic Pay	Proposed Salary: ₹ 16,23,333 p.m. Annual increment: Decided by the board with ceiling of ₹ 22,00,000 pm	
Perquisites/ Allowances	All perquisites clearly defined: Yes Special allowances: ₹ 14,69,667 p.m. with increment decided by the Board up to a limit of ₹ 30,00,000 p.m.	Cap placed on perquisites: Yes
Variable Pay	Performance Bonus linked to the achievement of targets, as may be decided by the Board from time to time, subject to a maximum of ₹ 4.50 crores	Performance criteria disclosed: Yes Cap placed on variable pay: Yes
Notice Period	3 months	
Severance Pay	Not Disclosed	
Minimum Remuneration	In case of inadequate profits, remuneration including the perquisites as aforesaid will be paid to Mr. O. P. Puranmalka in accordance with the applicable provisions of Schedule V of the Act, and subject to the approval of the Central Government, if required.	Within limits prescribed: Yes Includes variable pay: No

REMUNERATION PACKAGE OF DILIP ROOPSINGH GAUR

Component	Proposed Remuneration	Comments
Basic Pay	Proposed Salary: ₹ 9,16,000 p.m. Annual increment: Decided by the board with ceiling of ₹ 15,00,000 pm	
Perquisites/ Allowances	All perquisites clearly defined: Yes Special allowances: ₹ 9,55,000 p.m. with increment decided by the Board up to a limit of ₹ 20,00,000 p.m.	Cap placed on perquisites: Yes
Variable Pay	Performance Bonus linked to the achievement of targets, as may be decided by the Board from time to time, subject to a maximum of ₹ 3.00 cores	Performance criteria disclosed: Yes Cap placed on variable pay: Yes
Notice Period	6 months	
Severance Pay	Not Disclosed	
Minimum Remuneration	In case of inadequate profits, remuneration including the perquisites as aforesaid will be paid to Mr. Dilip Gaur in accordance with the applicable provisions of Schedule V of the Act, and subject to the approval of the Central Government, if required.	Within limits prescribed: Yes Includes variable pay: No

Mr. Puranmalka was appointed as Whole-time Director of the Company for a period of five years with effect from 1st April, 2010. The Board, based on the recommendation of the NRC, at its meeting held on 18th October, 2014, re-appointed Mr. O. P. Puranmalka as Managing Director for a term up to 31st March, 2016. He attended all the AGMs and Board meetings held in last three years. He attended all the CSR committee meetings. The Company has disclosed all the components of his proposed salary. The company has placed cap on variable pay, salary and allowances to be paid to Mr. O.P. Puranmalka. No concern has been identified regarding the profile, attendance performance, remuneration and appointment of Mr. O. P. Puranmalka.

Mr. Dilip Gaur was appointed as an Additional Director on the Board of the Company with effect from 15th October, 2014 to hold office up to the date of the ensuing Annual General Meeting. He was also appointed as the Whole-time Director of the Company (designated as Deputy Managing Director) with effect from 15th October, 2014, subject to the approval of the Members. Mr. Dilip Gaur attended all the board meetings during his tenure. The Company has disclosed all the components of his proposed salary. The company has placed cap on variable pay, salary and allowances to be paid to Mr. Dilip Gaur. No concern has been identified regarding the profile, attendance performance, remuneration and appointment of Mr. Dilip Gaur.



RESOLUTION 13: ISSUE OF REDEEMABLE NON-CONVERTIBLE DEBENTURES

Issue of Non-convertible Redeemable Debentures on private placement basis up to an amount of ₹ 9,000 crores

SES RATIONALE

Issue of NCDs compliant with law

SES RECOMMENDATION

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

SES ANALYSIS**OBJECTIVE OF THE ISSUE**

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

The Company is seeking approval to issue up to an amount not exceeding ₹ 9,000 crores (Rupees nine thousand crores only) on a private placement basis, at a discount or at par or at a premium and at such interest rate as may be appropriate considering the prevailing money market conditions at the time of issuance, during a period of one year from the date of passing of this resolution.

DILUTION TO SHAREHOLDING

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

CONFLICT OF INTERESTS

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

DISCLAIMERS**Sources**

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

Analyst Certification

The analysts involved in development of this report certify that no part of any of the research analyst's compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst(s) in this report.

CAUTIONARY STATEMENT

The recommendations made by SES are based on publicly available information and conform to SES's stated Proxy-Advisory Guidelines. 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.

Disclaimer

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All disputes subject to jurisdiction of High Court of Bombay, Mumbai.

Company Information

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