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| --- |
| BSE Code: 500114 | NSE Code: TITAN | ISIN: INE280A01028 |
| Sector: Diamond, Gems and Jewellery | Meeting Type: Annual General Meeting |
| e-Voting Platform: [NSDL](https://www.evoting.nsdl.com/) |
| e-Voting Period: From 21st July, 2015 to 21st July, 2015 |
| Meeting Date: 21st July, 2015 at 12:10 PM |
| Meeting Venue: Meeting Vanue |
| Notice: [Click here](https://www.evoting.nsdl.com/) | Annual Report: [Annual Report](https://www.evoting.nsdl.com/) |
| Company Email: [investor@titan.co.in/titan@tata.com](mailto:investor@titan.co.in/titan@tata.com) |
| Company Phone: +91 43 4466 4199 | Company Fax: +91 43 4427 6037 |
| Company Registered Office: 3 SIPCOT Industrial Complex , Hosur, Tamil Nadu - 635126 |

Proxy Advisory

Corporate Governance Research

Corporate Governance Scores

Stakeholders’ Education

Proxy Advisory Report

Titan Company Ltd

SES RECOMMENDATIONS

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **TABLE 1 - AGENDA ITEMS AND RECOMMENDATIONS** | | | | | | | |
|  | | | | | | | |
| **S. No.** | **Resolution** | **Type** | **Recommendation** | **Focus** |
| 1 | Ress 1 | S | FOR | **C** |
| *O - Ordinary Resolution; S - Special Resolution* | | | | |
| RESEARCH ANALYST: | | | | |

***#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.*

COMPANY BACKGROUND

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| TABLE 2 - MARKET DATA (*As on []*) | | | | | | | |
| Price (`) | 12 | M Cap (` Cr.) | 12 | Shares\* | 12 | PE Ratio" | 12 |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| *Standalone Data ; Source: Capitaline* | | | |  | \* As on [date] | "Based on EPS for FY [] | |
| TABLE 3: FINANCIAL INDICATORS (STANDALONE) | | | |  | TABLE 4: PEER COMPARISON (2015) | |
| **(In ` Crores)** | **2015** | **2014** | **2013** |  | **Tribhovandas Bhimji Zaveri Ltd** | **PC Jeweller Ltd** |
| Revenue | 11,903.21 | 10,915.79 | 10,112.67 |  | 1,934.20 | 6,348.52 |
| Other Income | 70.58 | 120.19 | 100.77 |  | 14.51 | 59.19 |
| Total Income | 11,973.79 | 11,035.98 | 10,213.44 |  | 1,948.71 | 6,407.71 |
| PBDT | 1,143.28 | 1,081.52 | 1,060.76 |  | 47.87 | 562.33 |
| Net Profit | 823.07 | 741.14 | 725.18 |  | 26.04 | 378.23 |
| EPS (`) | 9.27 | 8.35 | 8.17 |  | 3.9 | 21.12 |
| Dividend per share (`) | 2.3 | 2.1 | 2.1 |  | 1 | 3.2 |
| Dividend Pay-Out (%) | 28.84 | 29.23 | 29.88 |  | 29.80 | 17.61 |
| OPM (%) | 10.28 | 10.71 | 10.99 |  | 5.07 | 12.34 |
| NPM (%) | 6.91 | 6.79 | 7.17 |  | 1.37 | 5.96 |
| *Dividend pay-out includes Dividend Distribution Tax. Source: Capitaline* | | | |  |  | |

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| TABLE 5: MAJOR PUBLIC SHAREHOLDERS (JUN' 15) | |  | TABLE 6: MAJOR PROMOTERS (JUN' 15) | |
| Jhunjhunwala Rakesh Radheshyam | 5.66% |  | Tamilnadu Industrial Development Co | 27.88% |
| Matthews Pacific Tiger Fund | 3.09% |  | Tata Sons Ltd | 15.22% |
| Dendana Investments Mauritius Ltd | 2.2% |  | Tata Steel Ltd | 4.37% |
| National Westminster Bank PLC as De | 1.72% |  | Tata Investment Corporation Ltd | 1.94% |
| Jhunjhunwala Rekha Rakesh | 1.67% |  | Tata Chemicals Ltd | 1.56% |
| Copthall Mauritius Investment Ltd | 1.53% |  | Tata Global Beverage Ltd | 1.04% |
|  |  |  | Ewart Investments Ltd | 0.56% |
|  | |  |  | |
| SHAREHOLDING PATTERN (%) (JUNE) | |  | DISCUSSION | |

|  |  |  |
| --- | --- | --- |
|  |  | Discussion |

BOARD OF DIRECTORS

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| TABLE 7 - BOARD PROFILE | | | | | | | | |
| **Director** |  | **Classification** | | **Expertise/Specialization** | **Tenure (Year)** | **[1]Directorship** | **[2]Committee Membership** | **Pay(` Lakh)** |
| **Company** | **SES** |
| Chandrasekarapuram Viswanathan Sankar |  | NEDP(R) | NEDP(R) | Administration | 2 | 14(15) | 2(0) | 33.22 |
| Thanjavur Kanakaraj Arun |  | NEDP(R) | NEDP(R) | General Management | 3 | 10(10) | 10(1) | 61.33 |
| Noel Naval Tata |  | NEDP(R) | NEDP(R) | Industry Specialist | 12 | 10(12) | 2(1) | 9.35 |
| Harish Ramananda Bhat |  | NEDP(R) | NEDP(R) | General Management | 0 | 6(7) | 3(0) | 0 |
| Tirimula Kumara Balaji |  | ID | NID | General Management | 29 | 9(14) | 4(1) | 20.8 |
| Chandrathil Gouri Krishnadas Nair |  | ID | NID | Research & Developemnt | 13 | 6(9) | 8(4) | 54.38 |
| Vinita Bali |  | ID | ID | General Management | 9 | 3(4) | 1(0) | 38.64 |
| Hema Ravichandar |  | ID | ID | Human Resources | 6 | 2(3) | 2(0) | 39.04 |
| Das Narayandas |  | ID | ID | Academician | 4 | 1(1) | 0(0) | 18.64 |
| Ireena Vittal |  | ID | ID | Consulting | 2 | 7(9) | 7(1) | 46.69 |
| Bhaskar Bhat |  | ED | ED | General Management | 13 | 6(6) | 3(0) | 491.26 |
| *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, CMD- Chairman and Managing Director*  ***[1]*** *Directorships show Directorships in Public Companies (Total Directorships which include Directorships in both Public and Private Companies)*  ***[2]*** *Committee memberships include committee chairmanships Note: Directorships, committee membership and committee chairmanship includes such positions in Titan Company Ltd* | | | | | | | | |
| GRAPH 2 - BOARD PROFILE | | | | | | | | |

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| --- | --- |
|  |  |
| 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. | As per Clause 49(ii)(A) of the Listing Agreement, the Company should have at least 33% Independent Directors if the Chairman of the Board is a Non-Executive Director and should have at least 50% independent directors if the Board Chairman is a promoter or an executive director. |

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| TABLE 8 - BOARD COMMITTEE PERFORMANCE | | | | | | | |
| **Committees** | **#** | **Chairman's Classification** | | **Overall Independence** | | **Number of Meetings** | **Attendance < 75%** |
| **Company** | **SES** | **Company** | **SES** |
| Audit | 5 | ID | NID | 80% | 40% | 4 | Tirimula Kumara Balaji(25%) |
| Stakeholders' Relationship | 3 | ID | NID | 33% | 0% | 0 | 0 |
| Nomination & Remuneration | 4 | ID | ID | 75% | 25% | 4 | Chandrasekarapuram Viswanathan Sankar(50%),Tirimula Kumara Balaji(50%),Chandrathil Gouri Krishnadas Nair(50%) |
| CSR | 5 | ID | ID | 60% | 60% | 0 | 0 |
| Risk Management | 5 | ID | NID | 80% | 40% | 0 | 0 |
| *Reference: ED - Executive Director, NED- Non-Executive Director, ID - Independent Director, NID- Non-Independent Director, P- Promoter, C- Chairman, #- Number of Members* | | | | | | | |
|  | | | | | | | | |

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| TABLE 9 - BOARD GOVERNANCE SCORE | | | | | | | |
| **Criteria** | **Response** | **Score** | **Maximum** |
| What is the percentage of Independent Directors on the Board? | 36.36% | 0 | 10 |
| How many Independent Directors have tenure greater than 10 years? | 2 | 7 | 10 |
| How many Independent Directors have Shareholdings > ` 1 Cr? |  | 0 | 5 |
| Is the Chairman Independent? | No | 0 | 10 |
| Is there a Lead Independent Director? |  | 0 | 10 |
| How many Independent Directors are ex-executive of the Company? |  | 0 | 10 |
| Have all directors been elected by the Company's shareholders? |  | 0 | 10 |
| Are any directors on the Board related to each other? |  | 0 | 10 |
| How many promoter directors are on the Board? | 4 | 10 | 15 |
| Did Independent Directors meet atleast once without management? |  | 0 | 10 |
| **Score** | | **17** | **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** |  |
| Bhaskar Bhat | NP | 2.88 | 4.91 | 1.87 | 4.47 | 1.59 | 3.89 | 95.20 |
| *Note: Fixed pay includes basic pay, perquisites & allowances. P- Promoter, NP- Non- Promoter, Ratio- Ratio of ED's remuneration to Median Remuneration of Employees, ND- Not Disclosed* | | | | | | | | |
|  | | | | | | | | |
| DISCUSSION - INDEXED TSR vs. EXECUTIVE REMUNERATION | | | | | | | | |

|  |  |
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*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.*

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| --- | --- | --- | --- | --- | --- | --- | --- |
| TABLE 11- EXECUTIVE REMUNERATION - PEER COMPARISON | | | | | | | |
|  | **Titan Company Ltd** | **Tribhovandas Bhimji Zaveri Ltd** | **PC Jeweller Ltd** |
| Director Name | Bhaskar Bhat | Tribhovan | PC Jewelel |
| Promoter Group | No | No | No |
| Remuneration (` Crore) (A) | 4.9126 | 123 | 12.98 |
| Net Profits (` Crore) (B) | 823.07 | 12312 | 1987 |
| Rem. Percentage (A/B \* 100) | 0.60% | 1.00% | 0.65% |

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 | | | | |

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

*\* Not applicable*

RESOLUTION ANALYSIS

**RESOLUTION []: DECLARATION OF DIVIDEND**

**SES RECOMMENDATION**

**SES ANALYSIS**

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**RESOLUTION []: APPOINTMENT OF AUDITORS**

**SES RECOMMENDATION**

**SES ANALYSIS**

**DISCLOSURES**

|  |  |
| --- | --- |
| Name of the auditor up for appointment | Select |
| Auditors' eligibility for appointment |  |
| Auditors' independence certificate |  |

**AUDITORS' INDEPENDENCE**

|  |  |  |  |
| --- | --- | --- | --- |
| **Auditors** | | **Audit Partners** | |
| Deloitte Haskins & Sells | 8 years | V. Srikuma | 4 years |
| Auditor's Network | |  | |

**AUDITORS' REMUNERATION**

|  |  |
| --- | --- |
|  |  |

**TERM OF APPOINTMENT**

**RESOLUTION []: APPOINTMENT/REAPPOINTMENT OF EXECUTIVE DIRECTORS**

**SES RECOMMENDATION**

**SES ANALYSIS**

**DIRECTOR'S PROFILE**

|  |  |
| --- | --- |
|  | **Bhaskar Bhat** |
| Current full time position |  |
| Functional Area | General Management |
| Education | B.Tech(Mech),MBA |
| Part of promoter group? | No |
| Past Experience |  |
| Committee positions in the Company | SR(M),CSR(M) |
| Retirement by rotation | Non Retiring |
| **SES Recommendation** | **&NBSP;** |

*A - Audit Committee, SR - Stakeholders' Relationship Committee, NR - Nomination & Remuneration Committee, CSR - Corporate Social Responsibility Committee, M - Member, C - Chairman*

**PAST REMUNERATION OF THE DIRECTOR**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **In ` Crore** | **FY 14/15** | | **FY 13/14** | | **FY 12/13** | |
| **Executive Director** | **Fixed Pay** | **Total Pay** | **Fixed Pay** | **Total Pay** | **Fixed Pay** | **Total Pay** |
| Bhaskar Bhat | 2.88 | 4.91 | 1.8698 | 4.47 | 1.5915 | 3.89 |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| |  |  |  | | --- | --- | --- | | **Executive Remuneration - Peer Comparison** | | | | Director | Bhaskar Bhat | PC Jewelel | | Company |  | PC Jeweller Ltd | | Promoter | no | no | | Remuneration (` Cr) (A) | 4.9126 | 12.98 | | Net Profits (` Cr) (B) | 823.07 | 1987 | | Ratio (A/B) | 0.60 | 0.65 | |  |

**DIRECTORS' TIME COMMITMENTS**

|  |  |
| --- | --- |
| **Criteria** | **Bhaskar Bhat** |
| Total Directorships | 6 |
| Total Committee memberships | 3 |
| Total Committee Chairmanship | 0 |
| Full time role/ executive position |  |

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

**DIRECTORS’ PERFORMANCE**

|  |  |
| --- | --- |
| **Attendance record** | **Bhaskar Bhat** |
| Last 3 AGMs | 3/3 |
| Board meetings held last year | 100% |
| Board meetings in last 3 years (avg.) | 100% |
| Audit Committee meetings | na% |
| Nomination & Remuneration Committee meetings | na% |
| CSR Committee meetings | 0% |
| Stakeholders' Relationship Committee meetings | 0% |

**REMUNERATION PACKAGE OF BHASKAR BHAT**

|  |  |  |
| --- | --- | --- |
| **Component** | **Proposed Remuneration** | **Comments** |
| Basic Pay | Proposed Salary: ` | Increase in remuneration: |
| Annual increment: |
| Perquisites/ Allowances | All perquisites clearly defined: | Cap placed on perquisites: |
| Total allowances: ` |
| Variable Pay |  | Performance criteria disclosed: |
| Cap placed on variable pay: |
| Notice Period | months |  |
| Severance Pay | months |
| Minimum Remuneration |  | Within limits prescribed: |
| Includes variable pay: |

**RESOLUTION []: REVISION IN EXECUTIVE REMUNERATION**

**SES RECOMMENDATION**

**SES ANALYSIS**

**REASON FOR REVISION**

**PAST REMUNERATION OF THE DIRECTOR**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **In `Crore** | **FY 14/15** | | **FY 13/14** | | **FY 12/13** | |
| **Executive Director** | **Fixed Pay** | **Total Pay** | **Fixed Pay** | **Total Pay** | **Fixed Pay** | **Total Pay** |
| Bhaskar Bhat | 2.88 | 4.91 | 1.8698 | 4.47 | 1.5915 | 3.89 |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| |  |  |  | | --- | --- | --- | | **Executive Remuneration - Peer Comparison** | | | | Director | Bhaskar Bhat | Tribhovan | | Company | Titan Company Ltd | Tribhovandas Bhimji Zaveri Ltd | | Promoter | no |  | | Remuneration (` Cr) (A) | 4.9126 | 123 | | Net Profits (` Cr) (B) | 823.07 | 12312 | | Ratio (A/B) | 0 | 0 |   Has the Company disclosed its Remuneration Policy: |  |

**REMUNERATION PACKAGE**

|  |  |  |
| --- | --- | --- |
| **Component** | **Proposed Remuneration** | **Comments** |
| Basic Pay | Proposed Salary: | Increase in remuneration: |
| Annual increment: |
| Perquisites/ Allowances | All perquisites clearly defined: Select | Cap placed on perquisites: Select |
| Total allowances: |
| Variable Pay | Select | Performance criteria disclosed: Select |
| Cap placed on variable pay: Select |
| Notice Period | months |  |
| Severance Pay | months |
| Minimum Remuneration |  | Within limits prescribed: Select |
| Includes variable pay: Select |

**Comments on Variable Pay:**

**Comments on Minimum Remuneration:**

**Comments on skewness of remuneration:**

**RESOLUTION []: PAYMENT OF COMMISSIONS TO NON-EXECUTIVE DIRECTORS**

**SES RECOMMENDATION**

**SES ANALYSIS**

**COMMISSION PAYABLE**

**Remuneration Limits:**

**Commission distribution criteria:**

**Directors' covered under the resolution:**

As per the resolution, the Board (including the NEDs) will have the discretion to determine the amount of commission to be paid for each financial year to each NED within the limit of [1%/3%] of the net profits. Objective criteria for determining the quantum of commission payable to individual NEDs has not been disclosed by the Company. SES is of the opinion that in absence of disclosure on commission distribution criteria, conflict of interest situations may arise. SES is of the opinion that to remove conflict of interest situations and to maintain the independence and objectivity of the independent NEDs, the Company should disclose the objective criteria to be used to distribute commission amongst IDs and place an absolute cap on commission payable to each NED. As a best practice, the Company should not pay any fee other than sitting fee, and profit based commission calculated on pre disclosed performance criteria. Further, SES recommends that the company should take shareholders’ approval of exact commission payable to NEDs.

**DISTRIBUTION OF COMMISSION**

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| --- | --- |
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**RESOLUTION []: ESOP RE-PRICING**

**SES RECOMMENDATION**

**SES ANALYSIS**

**OPTIONS BEING RE-PRICED**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **ESOP Scheme** | **Options outstanding** | **Current Option Price** | **Current Market Price** | **Proposed Option Price** |
|  |  |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |

**COMPANY'S JUSTIFICATION**

**STOCK PERFORMANCE VERSUS BENCHMARKS**

|  |  |
| --- | --- |
|  | Comments |

**SES' OPINION ON RE-PRICING**

Shareholders take substantial market risk in owning stocks and SES believes that the employees’ remuneration package should be designed in a way that aligns their interests with shareholder interests. Therefore, Companies grant ESOPs to employees in addition to the existing market determined cash compensation to retain them and reward them for good performance of the Company. SES believes that re-pricing of options defeats the entire objective behind equity based payment by eliminating the downside of options. Re-pricing of stock options removes the investment risk attached to such options and may incentivize management to take unjustifiable risks. In effect, re-pricing ensures that employees receive returns without taking any risk and therefore, removes the element of performance based pay from such remuneration. SES believes that out of money options should not be re-priced and should be allowed to lapse. Shareholders of the Company have no means to recover their actual losses due to poor performance of the Company in the markets. Similarly, employees and management of the Company should not be able to recoup their losses through the option re-pricing.

**RESOLUTION []: INCREASE IN BORROWING LIMITS**

**SES RECOMMENDATION**

**SES ANALYSIS**

**PURPOSE OF THE INCREASED BORROWING LIMITS**

**CHANGES IN REMAINING BORROWING CAPACITY**

|  |  |
| --- | --- |
|  | **Capacity to sustain borrowings:** |

**RESOLUTION []: FII INVESTMENT LIMITS**

**SES RECOMMENDATION**

**SES ANALYSIS**

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**RESOLUTION []: DONATIONS TO CHARITABLE TRUSTS**

**SES RECOMMENDATION**

**SES ANALYSIS**

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