SES RECOMMENDATIONS

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **TABLE 1 - AGENDA ITEMS AND RECOMMENDATIONS** | | | | | | | |
|  | | | | | | | |
| **S. No.** | **Resolution** | **Type** | **Recommendation** | **Focus** |
|  | Adoption of Accounts | O | FOR | **C** |
|  | Deceleration of Dividend | O | FOR | **C** |
|  | Appointment of Shashi Kiran Shetty, who retires by rotation | O | FOR | **C** |
|  | Appointment of Auditor and fixing their remuneration | O | FOR | **C** |
|  | Re-appointment of Mr. Shashi Kiran Shetty as Chairman & Managing Director | O | 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 (`) | 299.40 | M Cap (` Cr.) | 3,773.87 | Shares\* | 126,047,762 | PE Ratio" | 38.88 |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| *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** |  | **Gateway Distriparks Ltd** |  |
| Revenue | 1,137.65 | 983.93 | 1,018.64 |  | 275.89 |  |
| Other Income | 41.56 | 33.03 | 63.69 |  | 31.91 |  |
| Total Income | 1,179.21 | 1,016.96 | 1,082.33 |  | 307.79 |  |
| PBDT | 236.34 | 170.96 | 245.04 |  | 136.16 |  |
| Net Profit | 97.49 | 56.12 | 115.55 |  | 80.69 |  |
| EPS (`) | 7.7 | 4.5 | 9 |  | 7.42 |  |
| Dividend per share (`) | 1.4 | 1.5 | 1.5 |  | 7 |  |
| Dividend Pay-Out (%) | 21.13 | 38.74 | 19.37 |  | 109.65 |  |
| OPM (%) | 24.11 | 20.28 | 26.68 |  | 50.97 |  |
| NPM (%) | 8.57 | 5.70 | 11.34 |  | 29.25 |  |
| *Dividend pay-out includes Dividend Distribution Tax. Source: Capitaline* | | | |  |  | |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| TABLE 5: MAJOR PUBLIC SHAREHOLDERS (MAR' 15) | |  | TABLE 6: MAJOR PROMOTERS (MAR' 15) | |
| Blackstone GPV Capital Partners Mau | 4.44% |  | Shashi Kiran Shetty | 62.38% |
| Blackstone GPV Capital Partners Mau | 4.42% |  | Shashi Kiran Shetty as Trustee for | 3.03% |
| Blackstone GPV Capital Partners Mau | 3.8% |  | Arathi Shetty | 2.98% |
| New Vernon Pvt Equity Ltd | 2.72% |  | Adarsh Sudhakar Hegde | 0.75% |
| Acacia Partners I P | 2.29% |  | Umesh Kumar Shetty | 0.75% |
| Blackstone GPV Capital Partners Mau | 1.82% |  | Shobha Shetty | 0.01% |
| Acacia Institutional Partners LP | 1.6% |  | Asha Suresh Shetty | 0.01% |
|  | |  |  | |
| SHAREHOLDING PATTERN (%) (MARCH) | |  | DISCUSSION | |

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

BOARD OF DIRECTORS

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| TABLE 7 - BOARD PROFILE | | | | | | | | |
| **Director** |  | **Classification** | | **Expertise/Specialization** | **Tenure (Year)** | **[1]Directorship** | **[2]Committee Membership** | **Pay(` Lakh)** |
| **Company** | **SES** |
| Shashi Kiran Janardhan Shetty | U | EDP(R) | EDP(R) | Industry Specialist | 22 | 5(0) | 1(0) | 528.55 |
| Adarsh Sudhakar Hegde |  | EDP(R) | EDP(R) | logistics | 9 | 8(0) | 1(0) | 319.88 |
| Arathi Shetty |  | NEDP(R) | NEDP(R) | Industry Specialist | 22 | 7(0) | 0(0) | 15.6 |
| Akhilesh Krishna Gupta |  | NED | NED | consulting | 7 | 2(0) | 1(0) | 0.4 |
| Keki Manchersha Elavia |  | ID | ID | Finance | 9 | 10(13) | 9(5) | 18.45 |
| Mohinder Pal Bansal |  | ID | ID | Finance | 5 | 5(0) | 7(2) | 1.6 |
| Hari Lakshiminarayan Mundra |  | ID | ID | General Mangement | 3 | 4(0) | 5(1) | 37.85 |
| Jayaram Ramachandran |  | ID | ID | Academician | 2 | 4(0) | 7(4) | 30.95 |
| *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 Carborundum Universal Ltd* | | | | | | | | |
| GRAPH 2 - BOARD PROFILE | | | | | | | | |

|  |  |
| --- | --- |
|  |  |
| 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. |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| TABLE 8 - BOARD COMMITTEE PERFORMANCE | | | | | | | |
| **Committees** | **#** | **Chairman's Classification** | | **Overall Independence** | | **Number of Meetings** | **Attendance < 75%** |
| **Company** | **SES** | **Company** | **SES** |
| Audit | 4 | ID | ID | 75% | 75% | 5 | 0 |
| Stakeholders' Relationship | 3 | ID | ID | 33% | 33% | 4 | 0 |
| Nomination & Remuneration | 3 | ID | ID | 67% | 67% | 4 | 0 |
| CSR | 3 | NEDP | NEDP | 33% | 33% | 3 | 0 |
| Risk Management | 3 | ID | ID | 67% | 67% | 5 | Shashi Kiran Janardhan Shetty(60%) |
| *Reference: ED - Executive Director, NED- Non-Executive Director, ID - Independent Director, NID- Non-Independent Director, P- Promoter, C- Chairman, #- Number of Members* | | | | | | | |
|  | | | | | | | | |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| TABLE 9 - BOARD GOVERNANCE TABLE (AS PER SES) | | | | | | | |
| **Criteria** | **Response** | **Score** | **Maximum** |
| What is the percentage of Independent Directors on the Board? | 50% | 5 | 10 |
| How many Independent Directors have tenure greater than 10 years? | 0 | 10 | 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 | 5 | 15 |
| Did Independent Directors meet atleast once without management? | Yes | 10 | 10 |
| **Score** | | **55** | **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** |  |
| Shashi Kiran Janardhan Shetty | P | 3.26 | 5.29 | 3.1 | 4.6 | 3.13 | 6.5 | 124.95:1 |
| Adarsh Sudhakar Hegde | P | 2.07 | 3.2 | 1.34 | 2.09 | 1.17 | 3.42 | 75.62:1 |
| *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* | | | | | | | | |
|  | | | | | | | | |
| DISCUSSION - INDEXED TSR vs. EXECUTIVE 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 [executive/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/less than the growth in remuneration of [Mr. (Managing/Executive Director)] as CAGR of his remuneration is []% whereas CAGR - TSR is []%.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| TABLE 11- EXECUTIVE REMUNERATION - PEER COMPARISON | | | | | | | |
|  | **Allcargo Logistics Ltd** | **Gateway Distriparks Ltd** | **ABCD** |
| Director Name | Shashi Kiran Janardhan Shetty | Prem Kishan Gupta | XYZ |
| Promoter Group | Yes | No | No |
| Remuneration (` Crore) (A) | 5.2855 | 1.028 | 1 |
| Net Profits (` Crore) (B) | 97.49 | 80.69 | 10 |
| Rem. Percentage (A/B \* 100) | 5.42% | 1.27% | 10.00% |

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 | | | | |

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

*\* Not applicable*

RESOLUTION ANALYSIS

**RESOLUTION []: ADOPTION OF ACCOUNTS**

To receive, consider and adopt:  
 a. the Audited Financial Statement of the Company for the financial year ended March 31, 2015 together with the reports of the Directors’ and Auditors’ thereon; and  
 b. the Audited Consolidated Financial Statement of the Company for the financial year ended March 31, 2015 together with the report of Auditors’ thereon.

**SES RECOMMENDATION**

The proportion of assets & turnover as per the consolidated accounts, which have not been audited by statutory Auditors represent significant amount of the total assets & turnover. SES is of the opinion that a material portion of the Company's financial statements are audited by other Auditors whose report has been taken as basis for finalization of accounts including consolidated accounts. SES is of the opinion that unless a material portion is audited by Auditors giving audit report on consolidated accounts, in accordance with [guidelines](http://220.227.161.86/17633Link_39_600SA-AAS10.pdf) of Institute of Chartered Accountants of India, the certifying Auditors cannot be called a Principal Auditors. SES cannot pass any judgment on this issue and recommends that shareholders seek clarifications on the same from the Company and vote based on their own judgment.

Not added

Not Added

**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**

Auditors’ have not made any qualifications in their Report.

**AUDITORS' COMMENTS ON STANDALONE ACCOUNTS**

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

**AUDITORS' COMMENTS ON CONSOLIDATED ACCOUNTS**

The Auditors did not audit the financial statements of 91 subsidiaries these financial statements have been audited by other auditors whose reports have been furnished to Auditors by the Management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries, and our report in terms of sub-sections (3) and (11) of Section 143 of the Act, in so far as it relates to the aforesaid subsidiaries, is based solely on the reports of the other auditors.

The Auditors did not audit financial statements of 11 subsidiaries have been audited by one of the joint auditors, Appan & Lokhandwala Associates, Chartered Accountants as We did not audit the financial statements of 6 subsidiaries and 3 jointly controlled entities, These financial statements are unaudited and have been furnished to us by the Management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries, jointly controlled entities and associates, and our report in terms of sub-sections (3) and (11) of Section 143 of the Act in so far as it relates to the aforesaid subsidiaries, jointly controlled entities and associates, is based solely on such unaudited financial statements. In our opinion and according to the information and explanations given to us by the Management, these financial statements are not material to the Group. considered in the consolidated financial statements, have been audited by one of the joint auditors, Appan & Lokhandwala Associates, Chartered Accountants.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Consolidated Entity (all figures in ` Cr.)** | **Total Assets** | **Total Revenue** | **Net Profit** | **Net Cash Flow** |
| Subsidiaries | 1674.25 | 4595.47 | 1.94 | 3.90 |
| Joint Ventures |  |  |  |  |
| Associates |  |  |  |  |

**ACCOUNTING POLICIES**

No changes in accounting policy have been specified by the company.

**FINANCIAL INDICATORS**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Mar' 15** | **Mar' 14** | **Shift** | **Company's Discussion** |
| Debtors Turnover | 6.76 | 6.23 | 8.51% | - |
| Inventory Turnover | 129.87 | 111.25 | 16.74% | - |
| Interest Coverage Ratio | 7.24 | 8.36 | -13.40% | - |
| Current Ratio | 1.28 | 0.88 | 45.45% |  |
| Debt Equity Ratio | 0.17 | 0.15 | 13.33% | - |
| Operating Profit Margin(%) | 24.10 | 23.55 | 2.34% | - |
| Net Profit Margin(%) | 13.49 | 8.55 | 57.78% |  |
| *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' 15** | **Mar' 14** |
| Total contingent liabilities | 473.98 | 815.02 |
| Net worth of the Company | 1280.25 | 1215.87 |
| Contingent liabilities as a percentage of net worth | 37.02% | 67.03% |
| *Source: Company's Annual Reports/ Capitaline* | | | | |

Major portion of contingent liabilities is constituted by Bank Guarantees and Corporate Guarantees given by the Company on behalf of its subsidiaries.

**RELATED PARTY TRANSACTIONS**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Outstanding (` Crore)** | **Mar' 15** | **Mar' 14** | **Shift** | **Comments** |
| Loans and Advances | 8.62 | 8.62 | 0% | Advance given for Purchase of land |
| Bad & Doubtful Advances |  |  | 0% |  |
| Receivables |  |  | 0% |  |
| Payables | 3.62 | 3.00 | 20.67% |  |
| Royalty payments |  |  | 0% |  |
| *Source: Company's Annual Reports* | | | | |

**STANDALONE VS CONSOLIDATED ACCOUNTS**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **(In ` Crore)** | **Standalone Accounts** | | | **Consolidated Accounts** | | |
| **Mar' 15** | **Mar' 14** | **Mar' 13** | **Mar' 15** | **Mar' 14** | **Mar' 13** |
| Revenue |  |  |  |  |  |  |
| Net Profit |  |  |  |  |  |  |
| Total Assets |  |  |  |  |  |  |
| Net Worth |  |  |  |  |  |  |

In the background of information and discussion above, SES is of the opinion that the Statutory Auditors [] are not qualified to act as principal Auditors. SES places reliance on Auditing Standard SA 600, titled "Using the work of another auditor" <http://www.icai.org/resource_file/17633Link_39_600SA-AAS10.pdf> The standard provides following guidelines if work of other auditor is used. 2. The purpose of this Standard on Auditing (SA) is to establish standards to be applied in situations where an auditor (referred to herein as the 'principal auditor'), reporting on the financial information of an entity, uses the work of another auditor (referred to herein as the `other auditor`) with respect to the financial information of one or more components included in the financial information of the entity. This Standard also discusses the principal auditor's responsibility in relation to his use of the work of the other auditor. In this Standard, the term 'financial information' encompasses 'financial statements'. Handbook of Auditing Pronouncements-I 5. When the principal auditor uses the work of another auditor, the principal auditor should determine how the work of the other auditor will affect the audit. 6. "Principal auditor" means the auditor with responsibility for reporting on the financial information of an entity when that financial information includes the financial information of one or more components audited by another auditor. 7. "Other auditor" means an auditor, other than the principal auditor, with responsibility for reporting on the financial information of a component which is included in the financial information audited by the principal auditor. 8. "Component" means a division, branch, subsidiary, joint venture, associated enterprises or other entity whose financial information is included in the financial information audited by the principal auditor. Acceptance as Principal Auditor 9. The auditor should consider whether the auditor's own participation is sufficient to be able to act as the principal auditor. For this purpose the auditor would consider: (a) the materiality of the portion of the financial information which the principal auditor audits; (b) the principal auditor's degree of knowledge regarding the business of the components; (c) the risk of material misstatements in the financial information of the components audited by the other auditor; and (d) the performance of additional procedures as set out in this SA regarding the components audited by other auditor resulting in the principal auditor having significant participation in such audit. When the principal auditor has to base his opinion on the financial information of the entity as a whole relying upon the statements and reports of the other auditors, his report should state clearly the division of responsibility for the financial information of the entity by indicating the extent to which the financial information of components audited by the other auditors have been included in the financial information of the entity, e.g., the number of divisions/branches/subsidiaries or other components audited by other auditors. SES View: SES is of the opinion that Clause 9 of the Auditing Standard SA 600 casts upon the auditor to consider whether the auditor's own participation is sufficient to be able to act as the principal auditor. There are various factors for judging and most important one being "Materiality". SES is not aware how the Auditors are content with the factors indicated in the Auditing Standard SA 600, however, SES is of the opinion that at least on materiality ground, Auditor cannot qualify to be a principal Auditor.

**RESOLUTION []: DECLARATION OF DIVIDEND**

To declare final dividend on equity shares of the Company for the financial year ended March 31, 2015.

* The Company has proposed a Dividend of 1.4 per equity share.

**SES RECOMMENDATION**

**SES ANALYSIS**

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

Considering the profitable performance of the Company for the year under review,  Directors have recommended a final dividend of ` 1.40 per equity share of ` 2 each fully paid up, representing 70% on the total paid up capital of the Company. The dividend  will absorb a sum of  2,1.24 Crores including dividend distribution tax. During the year under review, your Company had declared and paid an interim dividend of ` 0.60 per equity share of ` 2 each fully paid up, representing 30% on the total paid up capital of the Company amounting to ` 756 Lakhs.

Text if yes

**RESOLUTION []: APPOINTMENT OF AUDITORS**

To appoint Auditors and fix their remuneration

**SES RECOMMENDATION**

The current Auditors, M/s. Appan & Lokhandwala Associates, Chartered Accountant have been associated with the Company for 9 years. Provisions of the Companies Act, 2013 state that Auditors should not have tenure of over 10 years. Although the Companies Act, 2013 and the Rules thereunder provide a transition period of 3 years, SES believes that the Company should rotate its Auditors in ensuing AGM.  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 concluded on 7th August, 2014. Therefore SES recommends that shareholders vote AGAINST the Resolution. Further, if the Auditors is rotated in the AGM, the new Auditors should be appointed for a period of 5 years (in accordance with the Companies Act, 2013). The audit partner, [], has been associated with the Company for [] years, SES recommends the audit partner should be rotated. As per the MCA voluntary guidelines on corporate governance, Audit partner has to be rotated every three years.

**SES ANALYSIS**

**DISCLOSURES**

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

**AUDITORS' INDEPENDENCE**

|  |  |  |  |
| --- | --- | --- | --- |
| **Auditors** | | **Audit Partners** | |
| M/s S R Batliboi & Associates LLP | 0 years | Not applicable | Nt applicable years |
| Appan & Lokhandwala Associates | 9 years | M. Subramanian | 4 years |
| Auditor's Network | | Ernst & Young | |

Financial interests in or association with the company: []

**AUDITORS' REMUNERATION**

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

**TERM OF APPOINTMENT**

Case 1: The Auditors was appointed under the Companies Act, 1956 for 1 year, total tenure is less than 5 years and the Company proposes to appoint the exiting Auditors for a period of remaining tenure of first 5 years term: No concern FOR  
 Case 2: The Auditors was appointed under the Companies Act, 2013 for 1 year, total tenure is less than 5 years and the Company proposes to appoint the exiting Auditors for a period of remaining tenure of first 5 years term: AGAINST  
 Case 3: The Auditors was appointed under the Companies Act, 1956 for 1 year, total tenure is more than 5 years and the Company proposes to appoint the exiting Auditors for a period of remaining tenure of second 5 years term: AGAINST  
 Case 4: The Auditors was appointed under the Companies Act, 2013 for 1 year, total tenure is more than 5 years and the Company proposes to appoint the exiting Auditors for a period of remaining tenure of second 5 years term: AGAINST  
 Case 5: The Auditors was appointed under the Companies Act, 2013 for 3 years (transition period), and the Company ratifies the appointment the exiting Auditors: AGAINST  
 Case 6: The Auditors was appointed under the Companies Act, 2013 for 3 years (transition period), the Company ratifies the appointment the exiting Auditors and seeks approval for appointment of new Auditors in the same resolution: AGAINST  
 Case7: The Auditors was appointed under the companies Act,2013 for 3 years (transition period), the Company ratifies and seeks approval for appointment of new Auditors in two different Resolution: For Both Resolution

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

Resolution #3: To appoint a director in place of Mr. Shashi Kiran Shetty (DIN:00012754), who retires by rotation and being eligible offers, himself for re-appointment.

Resolution #5:  To consider and approve re-appointment of Mr. Shashi Kiran Shetty (DIN:00012754) as Chairman & Managing Director of the Company for a period of 5 years effective from April 1, 2015 on the terms & conditions and Remuneration as  recommended by the Nomination and remuneration Committee and the Board of Directors of the Company.

**SES RECOMMENDATION**

[Director] is a [position] at [company] and a [position] at [company] and therefore, holds two full-time positions. SES is of the opinion that to fulfil his/her responsibilities as a director with due-diligence, an individual should not hold more than one full-time position. Therefore, recommends that shareholders vote AGAISNT the resolution

Not Added, FOR Recommendation

The Company proposes to pay to [] crore as minimum remuneration to Executive Directors. The remuneration package includes basic salary, perquisites and allowances and performance based variable pay. SES is of the opinion that performance based pay should depend on internal as well as external benchmarks. The Executive Directors alone cannot be held responsible for losses in FY[]. The Company proposes to pay the entire remuneration as minimum remuneration, including the variable pay and is excessive even after considering the maximum amount payable under Schedule V of the Companies Act, 2013 in case of inadequacy of profit. As a good governance practice the Company should disclose performance evaluation criteria as well as remuneration policy. Shareholders should note that the Company has disclosed that in case of inadequate profits, the Company will pay the entire remuneration (including variable pay) to the director. By paying the entire remuneration as minimum remuneration, the Company proposes to pay its directors generously even if it makes losses. Although compliant with law, such practices are against good governance. SES recommends that minimum remuneration paid to the directors should be subject to Schedule V of the Companies Act, 2013.

**SES ANALYSIS**

**DIRECTOR'S PROFILE**

|  |  |
| --- | --- |
|  | **Shashi Kiran Janardhan Shetty** |
| Current full time position | Managing director Allcargo Logistics Limited, Managing Partner SKS Netgate LLP |
| Functional Area | Industry Specialist |
| Education | B.com |
| Part of promoter group? | Yes |
| Past Experience | He is the promoter director and founder of Allcargo Logistics limited. He has more than 3 decades of experience in Logistic Industry. |
| Committee positions in the Company | SR(M),CSR(M),RM(M) |
| Retirement by rotation | 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** |
| Shashi Kiran Janardhan Shetty | 3.2574 | 5.29 | 3.1016 | 4.6 | 3.128 | 6.5 |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| |  |  |  | | --- | --- | --- | | **Executive Remuneration - Peer Comparison** | | | | Director | Shashi Kiran Janardhan Shetty | Prem Kishan Gupta | | Company | Allcargo Logistics Ltd | Gateway Distriparks Ltd | | Promoter | yes | no | | Remuneration (` Cr) (A) | 5.2855 | 1.028 | | Net Profits (` Cr) (B) | 97.49 | 80.69 | | Ratio (A/B) | 5.42 | 1.27 | |  |

**DIRECTORS' TIME COMMITMENTS**

|  |  |
| --- | --- |
| **Criteria** | **Shashi Kiran Janardhan Shetty** |
| Total Directorships | 1 |
| Total Committee memberships | 1 |
| 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

**DIRECTORS’ PERFORMANCE**

|  |  |
| --- | --- |
| **Attendance record** | **Shashi Kiran Janardhan Shetty** |
| Last 3 AGMs | 3/3 |
| Board meetings held last year | 100% |
| Board meetings in last 3 years (avg.) | 94% |
| Audit Committee meetings | na% |
| Nomination & Remuneration Committee meetings | 0% |
| CSR Committee meetings | 0% |
| Stakeholders' Relationship Committee meetings | 75% |

**REMUNERATION PACKAGE OF SHASHI KIRAN JANARDHAN SHETTY**

|  |  |  |
| --- | --- | --- |
| **Component** | **Proposed Remuneration** | **Comments** |
| Basic Pay | Proposed Salary: `20,00,000 per month | Increase in remuneration: Board has the power to increase it to 30,00,000 per month |
| Annual increment: |
| Perquisites/ Allowances | All perquisites clearly defined: yes | Cap placed on perquisites: yes |
| Total allowances: `Not disclosed |
| Variable Pay | Yes | Performance criteria disclosed: Yes |
| Cap placed on variable pay: Yes |
| Notice Period | 12 Months months |  |
| Severance Pay | No months |
| Minimum Remuneration | as per the applicable provisions of the Companies Act, 2013 | Within limits prescribed: yes |
| Includes variable pay: yes |

[#Although minimum remuneration includes variable pay however, the total remuneration paid is not excessive]