SES RECOMMENDATIONS

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **TABLE 1 - AGENDA ITEMS AND RECOMMENDATIONS** | | | | | | | |
|  | | | | | | | |
| **S. No.** | **Resolution** | **Type** | **Recommendation** | **Focus** |
| 1 | To Adopt the Audited Standalone financial statements for the year ended 31st March, 2015 and the Rep | O | FOR | **C** |
| 2 | To Adopt the Audited Consolidated financial statements for the year ended 31st March 2015 and the Au | O | FOR | **C** |
| 3 | Declaration of Dividend | O | FOR | **C** |
| 4 | Re-appointment of Mr. M M Murugappan, Director retiring by rotation as a Director | O | FOR | **C** |
| 5 | Ratification of appointment of Statutory Auditors | O | FOR | **C** |
| 6 | Appointment of Mrs. Bharati Rao as an Independent Director | O | FOR | **C** |
| 7 | Re-appointment of Mr. K Srinivasan as Managing Director | O | FOR | **C** |
| 8 | Ratification of Cost Auditorâs Remuneration | O | FOR | **C** |
| 9 | Approval of offer/invitation to subscribe to Non-convertible Debentures on Private Placement basis | 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 (`) | 169.25 | M Cap (` Cr.) | 3,185.92 | Shares\* | 18,81,72,042 | PE Ratio" | 21.45 |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| *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** |  | **Grindwell Norton Ltd** | **Infosys Ltd** |
| Revenue | 1,168.69 | 1,148.60 | 1,100.89 |  | 1,110.39 | 47,300.00 |
| Other Income | 29.37 | 19.45 | 17.48 |  | 20.01 | 3,337.00 |
| Total Income | 1,198.06 | 1,168.05 | 1,118.37 |  | 1,130.40 | 50,637.00 |
| PBDT | 258.23 | 151.55 | 154.78 |  | 184.57 | 17,711.00 |
| Net Profit | 148.33 | 72.78 | 74.54 |  | 101.02 | 12,164.00 |
| EPS (`) | 7.89 | 3.88 | 3.98 |  | 18.25 | 105.91 |
| Dividend per share (`) | 1.25 | 1.25 | 1.25 |  | 5 | 59.5 |
| Dividend Pay-Out (%) | 18.41 | 37.45 | 36.50 |  | 31.84 | 65.30 |
| OPM (%) | 22.84 | 14.32 | 15.55 |  | 16.67 | 37.44 |
| NPM (%) | 12.69 | 6.34 | 6.77 |  | 9.10 | 25.72 |
| *Dividend pay-out includes Dividend Distribution Tax. Source: Capitaline* | | | |  |  | |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| TABLE 5: MAJOR PUBLIC SHAREHOLDERS (MAR' 15) | |  | TABLE 6: MAJOR PROMOTERS (MAR' 15) | |
| Nalanda India Fund Limited | 8.92% |  | Murugappa Holdings Limited | 29.46% |
| HDFC Trustee Company Ltd - A/C Hdfc | 4.82% |  | Murugappa Educational And Medical F | 2.03% |
| Smallcap World Fund Inc | 4.24% |  | Ambadi Investments Private Limited | 1.66% |
| American Funds Insurance Series Glo | 2.7% |  | Southern Energy Development Corpora | 1.3% |
| Nalanda India Equity Fund Limited | 2.38% |  | M.M.Muthiah Research Foundation | 0.59% |
| HDFC Trustee Company Limited - Hdfc | 1.69% |  | M A M Arunachalam | 0.77% |
| General Insurance Corporation Of In | 1.59% |  | Umayal.R. | 0.52% |
|  | |  |  | |
| 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** |
| M.M. Murugappan | U | NEDP(R)(C) | NEDP(R)(C) | Industrialist | 19 | 9(16) | 8(4) | 76.8 |
| T L Palani Kumar |  | ID\* | NID | Production | 15 | 1(3) | 2(1) | 10.6 |
| Shobhan M Thakore |  | ID | ID | Legal | 7 | 9(10) | 5(2) | 9.3 |
| M Lakshminarayan |  | ID | ID | Chemical Industry | 6 | 6(8) | 3(1) | 10.9 |
| Sanjay Jayavarthanavelu |  | ID | ID | Manufacturing | 5 | 10(11) | 2(0) | 9.3 |
| Aroon Raman |  | ID | ID | Management | 2 | 5(8) | 2(0) | 9.4 |
| Bharati Rao | N | ID(W) | ID(W) | Finance | 1 | 9(9) | 8(0) | 4.6 |
| K Srinivasan | U | ED | ED | Production | 10 | 5(5) | 2(0) | 154.6 |
| *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* | | | | | | | | |
| \*Mr. T L Palani has been associated with the Company for more than 15 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 more than 10 years as non-independent. Therefore, SES classifies him as a Non-Independent director on a governance basis. | | | | | | | | |
| 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.  According to the Company there are 2 Non-Independent Directors out of the two only one Director is 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.  Mr. T L Palani Kumar has been associated with the Company for more than 15 years. SES as a good governance practice considers Director associated with the Company more than 10 years as non-independent. Therefore, SES classifies him as a Non-Independent director on a governance basis. Hencce, according to SES the Baord comprises of 63% Independent Directors. |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| TABLE 8 - BOARD COMMITTEE PERFORMANCE | | | | | | | |
| **Committees** | **#** | **Chairman's Classification** | | **Overall Independence** | | **Number of Meetings** | **Attendance < 75%** |
| **Company** | **SES** | **Company** | **SES** |
| Audit | 4 | ID | NID | 100% | 75% | 5 | 0 |
| Stakeholders' Relationship | 2 | NEDP | NEDP | 0% | 0% | 4 | 0 |
| Nomination & Remuneration | 3 | ID | ID | 100% | 67% | 4 | M Lakshminarayan(50%) |
| CSR | 3 | ID | ID | 67% | 67% | 3 | 0 |
| Risk Management | 2 | ID | ID | 50% | 50% | 2 | 0 |
| *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? | 62.5% | 10 | 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? | No | 10 | 10 |
| How many promoter directors are on the Board? | 1 | 13 | 15 |
| Did Independent Directors meet atleast once without management? | Yes | 10 | 10 |
| **Score** | | **76** | **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** |  |
| K Srinivasan | NP | 1.26 | 1.55 | 1.39 | 1.64 | 1.34 | 1.69 | ND |
| *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 | | | | | | | |
|  | **Carborundum Universal Ltd** | **Grindwell Norton Ltd** | **Infosys Ltd** |
| Director Name | K Srinivasan | Anand Mahajan | U. B. Pravin Rao |
| Promoter Group | No | Yes | No |
| Remuneration (` Crore) (A) | 1.546 | 4.11 | 6.08 |
| Net Profits (` Crore) (B) | 148.33 | 101.02 | 12164 |
| Rem. Percentage (A/B \* 100) | 1.04% | 4.07% | 0.05% |

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 |  | unchecked.png | Comments on qualifications made by Statutory Auditors/ CS |

*\* Not applicable*

Not Applicable as Auditors have not made any qualification.

RESOLUTION ANALYSIS

**RESOLUTION []: ADOPTION OF ACCOUNTS**

 #1(a) To Adopt the Audited Standalone financial statements for the year ended 31st March, 2015 and the Reports of the Board and Auditors thereon

#1(b) To Adopt the Audited Consolidated financial statements for the year ended 31st March, 2015 and the Auditors Report thereon

**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 mentioned that In thier opinion and to the best of thier information and according to the explanations given to them, the aforesaid 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 31st March, 2015, its profit and its cash flows for the year ended on that date.

**AUDITORS' COMMENTS ON CONSOLIDATED ACCOUNTS**

 We did not audit the fi nancial statements of 13 subsidiaries and 2 jointly controlled entities, whose fi nancial statements refl ect total assets of `8892 million as at 31st March, 2015, total revenues of `9299 million and net cash fl ows amounting to `323 million for the year ended on that date, as considered in the consolidated financial statements. These financial statements have been audited by other auditors whose reports have been furnished to us by the Management and our opinion on the consolidated fi nancial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries and jointly controlled entities, and our report in terms of sub-sections (3) and (11) of Section 143 of the Act, insofar as it relates to the aforesaid subsidiaries and jointly controlled entities, is based solely on the reports of the other auditors.

The consolidated accounts include the unaudited financial statement for 1 subsidiary

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Consolidated Entity (all figures in ` Cr.)** | **Total Assets** | **Total Revenue** | **Net Profit** | **Net Cash Flow** |
| Subsidiaries | 1.70 | 0 | 0 | 1.60 |
| Joint Ventures |  |  |  |  |
| Associates |  |  |  |  |

**ACCOUNTING POLICIES**

No change has been made to the Acounting Policy.

**FINANCIAL INDICATORS**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Mar' 15** | **Mar' 14** | **Shift** | **Company's Discussion** |
| Operating Profit Margin(%) | 22.84 | 14.32 | 0% |  |
| Net Profit Margin(%) | 12.69 | 6.34 | 0% |  |
| *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 | 11.57 | 12.68 |
| Net worth of the Company | 859.89 | 733.57 |
| Contingent liabilities as a percentage of net worth | 1.35% | 1.73% |
| *Source: Company's Annual Reports/ Capitaline* | | | | |

Major contingent liabilities are due to disputed income tax, sales tax, excise duty, service tax and customs duty demands which are under various stages of appeal proceedings

**RELATED PARTY TRANSACTIONS**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Outstanding (` Crore)** | **Mar' 15** | **Mar' 14** | **Shift** | **Comments** |
| Loans and Advances |  |  | 0% |  |
| Bad & Doubtful Advances |  |  | 0% |  |
| Receivables |  |  | 0% |  |
| Payables |  |  | 0% |  |
| 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 |  |  |  |  |  |  |

**RESOLUTION []: DECLARATION OF DIVIDEND**

Declaration of Dividend

* To declare a final dividend of Rs 0.50 per equtiy share of Rs 1

**SES RECOMMENDATION**

No concern has been identified. The Company has enough cash to pay the dividend. SES recommends that shareholders' vote **FOR** the resolution.

**SES ANALYSIS**

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

The Board has considered it appropriate to recommend a fi nal dividend of Rs 0.50 per equity share of Rs 1 each. The Company had declared and paid an interim dividend at the rate of Rs 0.75 per equity share of Rs 1 each in January, 2015. This aggregates to a total dividend of Rs 1.25 per equity share of Rs 1 each for the year, which is the same as last year. The Company has enough cash to pay the dividend.

**RESOLUTION []: PAYMENT TO COST AUDITORS**

Ratification of Cost Auditors' remuneration

* To ratify remuneration of Rs 4.00 lacs to M/S Mahadevan & Co., Cost Accountants

**SES RECOMMENDATION**

No concern has been identified regarding the ratification of remuneration of Rs. 3 lacs to M/s PSV & Assosciates, Cost Accountants. SES recommedns that shareholders' vote **FOR** the resolution.

**SES ANALYSIS**

**COMPANY'S JUSTIFICATION**

The Company has stated that the Board, on the recommendation of the Audit Committee, has approved the appointment and remuneration of M/s. S Mahadevan & Co., Cost Accountants as the Cost Auditors to conduct the audit of the cost accounting records of the Company pursuant to the Companies (Cost Records and Audit) Rules, 2014 for the financial years 2014-15 and 2015-16 on a remuneration of Rs 4,00,000 p.a excluding the applicable service tax and out of pocket expenses incurred by them in connection with the cost audit.

This is an enabling resolution for the ratification of remuneration paid to cost Auditors. No concern has been identified regarding the remuneration paid to M/s Mahadevan & Co.

**RESOLUTION []: APPOINTMENT OF AUDITORS**

 Ratification of appointment of Statutory Auditors

**SES RECOMMENDATION**

The current auditors, Deloitte Haskins & Sells, have been associated with the Company for 10 years. Prior to their appointment, M/S. A.F. Ferguson & Co. were the auditors of the Company for 10 years. Since Deloitte Haskins & Sells and M/S. A.F. Ferguson & Co. operate under the same umbrella company, SES considers the tenure of the current auditors to be 20 years. Provisions of the Companies Act 2013 state that auditors should not have tenure of over 10 years. However, the Companies Act 2013 and the Rules there under provide a transition period of 3 years. M/s Deloitte Haskins & Sells were appointed for a term of two years in the AGM held last year on 1st August, 2014 subject to ratification by the shareholders’ every year. Although SES had recommended against the appointment of the Auditors in the report for the AGM held last year, however since the Auditors were appointed by the shareholders’, SES is not raising any concern regarding the ratification of appointment of 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 | Disclosed |
| Auditors' independence certificate | Not Disclosed |

**AUDITORS' INDEPENDENCE**

|  |  |  |  |
| --- | --- | --- | --- |
| **Auditors** | | **Audit Partners** | |
| Deloitte Haskins & Sells | 10 years years | Geetha Suryanarayanan | 1 years |
| Auditor's Network | | Deloitte Touche Tohamatsu | |

**AUDITORS' REMUNERATION**

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

**TERM OF APPOINTMENT**

Prior to appointment of M/s. Deloitte Haskins & Sells in FY2005-06, Fraser & Ross, was the audit firm for the company for more than 10 years. Since M/s. Deloitte Haskins & Sells and Fraser & Ross are members of the Deloitte Touche Tohmatsu, SES considers M/s. Deloitte Haskins & Sells to have been the auditors of the Company for more than 20 years (in accordance with Section 139(2) of the companies Act 2013 read with Rules notified on 31st March 2014).

*139(2) Provided further that as on the date of appointment no audit firm having a common partner or partners to the other audit firm, whose tenure has expired in a company immediately preceding the financial year, shall be appointed as auditor of the same company for a period of five years: Provided also that every company, existing on or before the commencement of this Act which is required to comply with provisions of this sub-section, shall comply with the requirements of this sub-section within three years from the date of commencement of this Act:*

*Rule 6(3)(ii): The incoming auditor or audit firm shall not be eligible if such auditor or audit firm is associated with the outgoing auditor or audit firm under the same network of audit firms.*

*Explanation I - For the purposes of these rules the term “same network” includes the firms operating or functioning, hitherto or in future, under the same brand name, trade name or common control.*

*Explanation II - For the purpose of rotation of auditors, (a) a break in the term for a continuous period of five years shall be considered as fulfilling the requirement of rotation; (b) if a partner, who is in charge of an audit firm and also certifies the financial statements of the company, retires from the said firm and joins another firm of chartered accountants, such other firm shall also be ineligible to be appointed for a period of five years. Note: 1 Audit Firm shall include other firms whose name or trade mark or brand is used by the firm or any of its partners.*

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 this section, 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.

The current Auditors, M/s Deloitte Haskins & Sells were appointed for a term of two years in the AGM held last year on 1st August, 2014 subject to ratification by the shareholders’ every year. SES is not raising any concern as the Auditors were appointed by the shareholders.

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

**SES RECOMMENDATION**

**SES ANALYSIS**

**DIRECTOR'S PROFILE**

|  |  |
| --- | --- |
|  | **K Srinivasan** |
| Current full time position |  |
| Functional Area | Production |
| Education | B.Tech. |
| Part of promoter group? | No |
| Past Experience |  |
| Committee positions in the Company | SR(M),CSR(M),RM(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** |
| K Srinivasan | 1.26 | 1.55 | 1.39 | 1.64 | 1.34 | 1.69 |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| |  |  |  | | --- | --- | --- | | **Executive Remuneration - Peer Comparison** | | | | Director | K Srinivasan | Anand Mahajan | | Company |  | Grindwell Norton Ltd | | Promoter | no | Yes | | Remuneration (` Cr) (A) | 1.546 | 4.11 | | Net Profits (` Cr) (B) | 148.33 | 101.02 | | Ratio (A/B) | 1.04 | 4.07 | |  |

**DIRECTORS' TIME COMMITMENTS**

|  |  |
| --- | --- |
| **Criteria** | **K Srinivasan** |
| Total Directorships | 5 |
| Total Committee memberships | 2 |
| 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** | **K Srinivasan** |
| 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 | 100% |
| Stakeholders' Relationship Committee meetings | 100% |

**REMUNERATION PACKAGE OF K SRINIVASAN**

|  |  |  |
| --- | --- | --- |
| **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 []: APPOINTMENT/REAPPOINTMENT OF NON-EXECUTIVE DIRECTORS**

 Re-appointment of Mr. M M Murugappan, Director retiring by rotation as a Director

**SES RECOMMENDATION**

Recommendation on Mr. M M Murugappan.

**SES ANALYSIS**

**DIRECTOR'S PROFILE**

|  |  |
| --- | --- |
|  | **Murugappan Murugappan Muthiah** |
| Current full time position |  |
| Functional Area | Industrialist |
| Education | B.Tech(Chemical), M.Sc.( Chemical) |
| Past Experience | Mr. Murugappan has over 37 years of experience in diverse areas of technology, research & development, strategy & business development and human resources. |
| Committee positions in the Company | SR(C) |
| Retirement by rotation | Retiring |
| Part of promoter group? | Yes |
| **SES Recommendation** | **FOR** |

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

**DIRECTORS' TIME COMMITMENTS**

|  |  |
| --- | --- |
| **Criteria** | **Murugappan Murugappan Muthiah** |
| Total Directorships | 16 |
| Total Committee memberships | 8 |
| Total Committee Chairmanship | 4 |
| 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** | **Murugappan Murugappan Muthiah** |
| Last 3 AGMs | 3/3 |
| Board meetings held last year | 72% |
| Board meetings in last 3 years (avg.) | 89% |
| Audit Committee meetings | na% |
| Nomination & Remuneration Committee meetings | na% |
| CSR Committee meetings | na% |
| Stakeholders' Relationship Committee meetings | 100% |

Mr. M M Murugappan has attended all the AGMs held in last three years. He attended 72% of the Board Commitee meetings held last year and 89% of the meetings held in last three years.

**DIRECTOR'S REMUNERATION**

His remuneration is not aligned disucssion

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

**SES RECOMMENDATION**

**SES ANALYSIS**

**COMPLIANCE**

|  |  |  |
| --- | --- | --- |
| Is Company complying with the retirement policy? |  |  |
| Has the Company disclosed the Independence Certificate provided by the Independent Directors? |  |  |
| Has the Company disclosed the terms of appointment of Independent Directors? |  |  |
| Has the Company disclosed Board evaluation and Directors' Evaluation Policy? |  |  |
| Did Independent Directors meet atleast once without the Management? |  |  |
| Does the Company has a Lead independent Director? |  |  |

**DIRECTOR'S PROFILE**

|  |  |
| --- | --- |
|  | **Bharati Rao** |
| Current full time position |  |
| Functional Area | Finance |
| Education | P.G.(Economics), CAIIB |
| Past Experience | She served in Bank assignments both in India and abroad in areas like Commercial Banking, Project Finance, and International Banking for 40 years. Serves as an Advisor of Mergers & Acquisitions at Sta |
| Committee positions in the Company | A(M) |
| **SES Recommendation** | **&NBSP;** |

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

**DIRECTORS' INDEPENDENCE**

|  |  |
| --- | --- |
| **Criteria** | **Bharati Rao** |
| Current tenure/association | 1 |
| Directorships at group companies |  |
| Relationships with the Company |  |
| Shareholding / ESOPs | 0 |
| Remuneration ( ` Lakhs) | 4.60 |
| **SES Classification** | **&NBSP;** |

**DIRECTORS' TIME COMMITMENTS**

|  |  |
| --- | --- |
| **Criteria** | **Bharati Rao** |
| Total Directorships | 9 |
| Total Committee memberships | 8 |
| 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** | **Bharati Rao** |
| Last 3 AGMs | 0/0 |
| Board meetings held last year | 80% |
| Board meetings in last 3 years (avg.) | 80% |
| Audit Committee meetings | 100% |
| Nomination & Remuneration Committee meetings | na% |
| CSR Committee meetings | na% |
| Stakeholders' Relationship Committee meetings | na% |

**DIRECTOR PERFORMANCE INDEX ADD DRAWS SKEWED REMUNERATION DISCUSS**

|  |  |  |  |
| --- | --- | --- | --- |
| **Criteria** | **Response** | **Score** | **Maximum** |
| Board Meetings Attendance held in the last year |  |  | 5 |
| Board Meetings Attendance held in the last 3 years |  |  | 15 |
| Audit Committee Meetings Attendance |  |  | 10 |
| Nomination & Remuneration Committee Meetings Attendance |  |  | 10 |
| Total Directorships |  |  | 15 |
| Total Committee memberships |  |  | 15 |
| Total Committee Chairmanships |  |  | 15 |
| Full Time Role/Executive Position |  |  | 15 |
| Total | | 0 | 100 |

**RESOLUTION []: RIGHTS ISSUE/PUBLIC ISSUE**

 To Approve the offer/invitation to subscribe to Non-convertible Debentures on Private Placement basis

**SES RECOMMENDATION**

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

**SES ANALYSIS**

**COMPANY JUSTIFICATION**

The Company has stated that he Company in the ordinary course of business raises long term borrowings, either by way of term loans, inter-corporate deposits, external commercial borrowings or debentures. The Company proposes to borrow upto ` 2500 million in the coming months, which may be in any one mode (or) in a combination of modes including issue of redeemable non-convertible debentures (NCDs) on private placement basis. If the Company proposes to raise funds by issue of NCDs on private placement basis, the Act mandates that it shall obtain prior approval of its shareholders by means of special resolution in respect of such borrowings during the year. The proceeds from the issue of NCDs is expected to be used for general corporate / business purposes including working capital, purchase of assets, making investments etc.

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