



Proxy Advisory Report Reliance Industries Ltd

BSE Code: 500325 | NSE Code: RELIANCE | ISIN: INE002A01018

Sector: Integrated Oil & Gas | Meeting Type: Annual General Meeting

Notice Date: 20th June, 2020

e-Voting Platform: [KFintech](#)

Cut-Off date to be eligible for voting: 8th July, 2020

e-Voting Period: From 11th July, 2020 to 14th July, 2020

Meeting Date: 15th July, 2020 at 2:00 PM

Meeting Venue: Not Applicable, as AGM being conducted through Video Conferencing (“VC”) / Other Audio Visual Means (“OAVM”) ([Link](#))

Notice: [Click here](#) | Annual Report: [FY 2019-20](#)

Company’s Email/Secretarial Email: investor.relations@ril.com

Company’s Phone: +91 22 2278 5000

Company’s Registered Office: 3rd Floor, Maker Chambers IV, 222, Nariman Point, Mumbai, Maharashtra – 400021

REPORT SNAPSHOT

TABLE 1 - AGENDA ITEMS AND RECOMMENDATIONS

S. No.	Resolution	Type	SES Observation #	Rec.	Rationale
1(a)	Adoption of the Audited Financial Statement.	O	LC	FOR	No governance Concern
1(b)	Adoption of Consolidated Financial Statements.	O	LC	FOR	No governance Concern
2	To declare a dividend on equity shares for the financial year ended March 31, 2020.	O	LC	FOR	Sufficient funds
3	To appoint Mr. Hital R. Meswani, who retires by rotation as a Director.	O	LC	FOR	No Concern
4	To appoint Mr. P.M.S. Prasad, who retires by rotation as a Director.	O	LC	FOR	No Concern
5	To re-appoint Mr. Hital R. Meswani as a Whole-time Director.	O	LC	FOR	No Concern
6	To appoint Mr. K. V. Chowdary as a Director.	O	LC	FOR	No Concern
7	To ratify the remuneration of Cost Auditors for the financial year ending March 31, 2021.	O	LC	FOR	No Major governance Concern

O - Ordinary Resolution; S - Special Resolution, Rec. - Recommendation

LC - Legally Compliant, NC - Legally Non-Compliant, FC - Fairness Concern, TC - Disclosures & Transparency Concern, GC - Governance Concern

RESEARCH ANALYST: SUMIT TANK


CONFLICT DISCLOSURE: SES - NO CONFLICT | ANALYST - NO CONFLICT

INTERACTION WITH THE COMPANY - NO DISCUSSION



DISCLOSURE RELATED TO COVID-19:

- In view of the continuing Covid-19 pandemic, the Ministry of Corporate Affairs (“MCA”) has vide its circular dated 5th May, 2020 read with circulars dated 8th April, 2020 and 13th April, 2020 (collectively referred to as “MCA Circulars”) permitted the holding of the AGM (“AGM”) through VC / OAVM, without the physical presence of the Members at a common venue.
- “Reliance Industries further Steps Up its Support to India’s Fight Against Coronavirus” - [Link](#)
- “Reliance Industries Announces Rs. 500 Crore Contribution to PM CARES Fund In Addition to its Multi-pronged On-the-Ground Fight against Covid-19” - [Link](#)
- “CMD Mukesh Ambani leads cost optimisation at RIL -to forego salary till Covid impact abates.” - [Link](#)
- The Company has provided Covid-19 response on page 16 of Annual Report 2019-20.
- The Company has not disclosed on material impact of COVID 19 pandemic as per [SEBI Circular](#) dated 20th May, 2020.

KEY OBSERVATION

-  The Company has Executive Chairman on the Board. According to SES, this may result in concentration of powers in the hands of a single person. [Read more](#)



-  **Continuation of directorship of NED on the Board:** The Company has not sought shareholders' approval by way of Special Resolution for continuance of Mr. Yogendra P. Trivedi & Mr. Raghunath A. Mashelkar as Directors of the Company, on attainment of age of 75 years, as required under Regulations 17(1A) of SEBI Listing Regulations. Secretarial Auditor has not raised such non-compliance in their Report. [Read more](#)
-  Mr. Nikhil R. Meswani and Mr. Hital R. Meswani have been paid similar remunerations. It appears that the remuneration practice is delinked from the performance of each director. [Read more](#)



COMPANY BACKGROUND

TABLE 2 - MARKET DATA (As on 25th June, 2020)

Price (₹)	1,725	52 week High/Low	1,804/868	M Cap (₹ Cr.)	10,93,706	PE Ratio [#]	27.19
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Source: BSE

#Based on EPS for FY 20

TABLE 3: FINANCIAL INDICATORS (CONSOLIDATED)

(In ₹ Crores)	2018	2019	2020
Operating Revenue	4,08,265	5,83,094	6,11,645
Other Income	9,949	8,386	13,956
PBDT	66,073	76,058	80,146
PAT	36,080	39,837	39,880
OPM(%)	18.16	15.87	16.70
NPM (%)	8.84	6.83	6.52
EPS (₹)	60.89	66.82	63.49
Face Value per share (₹)	10.00	10.00	10.00
Total Debt	2,18,763	2,87,505	3,36,294
Loans & Advances	4,995	5,997	22,401
Total Asset	8,16,348	10,02,406	11,65,915
Net Worth	2,93,506	3,87,112	4,53,331

Source: BSE/Annual Report

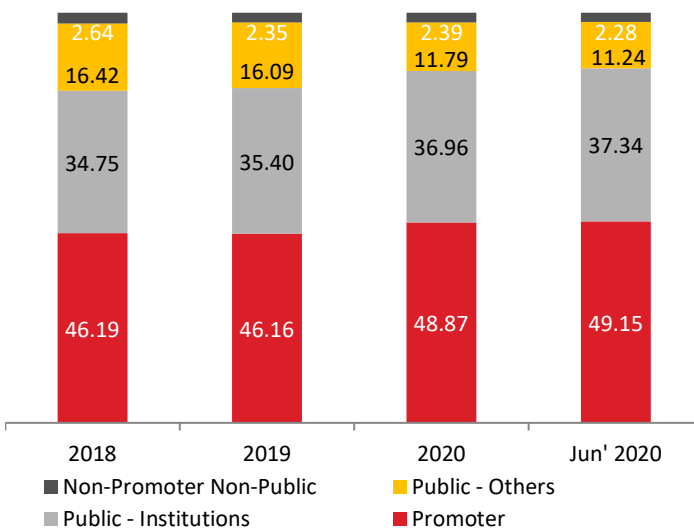
TABLE 4: PEER COMPARISON (2019)

	Indian Oil Corporation Ltd.	Bharat Petroleum Corporation Ltd
	6,17,242.84	3,40,879
	2,714.28	2,037
	33,048.97	15,385
	17,273.85	8,527
	6.15	5.03
	2.80	2.50
	18.41	39.67
	10.00	10.00
	96,765.04	44,839
	3,883.15	5,513
	3,35,155	1,36,930
	1,12,469	38,764

TABLE 5: TOP PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY (FY 2019-20)

Sr. No.	Name and Description of main products/services	% to total turnover of the Company
1	Refining	67.28
2	Petrochemicals	31.70

SHAREHOLDING PATTERN (%) (MARCH)



Graph 1: Yearly Shareholding Pattern

Source: BSE

DISCUSSION (1st APRIL 2019 to 11th JUNE 2020)

Shares at the start of period: 6,33,86,93,823

New Shares issued: 42,31,49,846

- ESOP: 7,09,588
- [Right issue of shares](#) (1:15): 42,24,40,258

Shares at the end of period: 6,76,18,43,669

Change in Promoter shareholding: Increased by 2.71%

Reason: Under Scheme of Amalgamation, Reliance Services and Holdings Limited (a company controlled by Petroleum Trust, sole beneficiary of which is Reliance Industrial Investments and Holdings Limited. Source: Form MGT 9 FY 2019-20 - [Link](#)).

Change in Public Institutional shareholding: Increased by 1.56%.



Change in Public Others shareholding:
Decreased by 4.30%.

As per information available in BSE website, the Promoters have not pledged or encumbered any shares.

TABLE 6: MAJOR PUBLIC SHAREHOLDERS (11' JUN 20)

Life Insurance Corporation of India	6.00%
Europacific Growth Fund	3.01%
SBI Mutual Funds	1.37%
Government of Singapore	1.21%

TABLE 7: MAJOR PROMOTER SHAREHOLDERS (11-JUN' 20)

Srichakra Commercials LLP	11.19%
Karuna Commercials LLP	8.26%
Devarshi Commercials LLP	8.26%
Tattvam Enterprises LLP	8.26%
Reliance Industries Holding Private Ltd	4.60%

PROMOTER OWNERSHIP VIS-A-VIS THEIR BOARD POSITIONS

% Promoter Directors as per SES, (Excluding Independent Directors)	57.14%
Ratio of Promoter Directors Compared to Promoter unencumbered Ownership (57.14/49.15)	1.16:1

INSTITUTION SHAREHOLDING VIS-A-VIS FREE FLOAT

Particulars (No. of shares in Crore)	MAR' 19	11-JUN' 20
Total Shares	633.87	676.18
Promoter Shares	292.62	332.31
Non-Promoter Non-Public	14.87	15.38
Free Float (FF)	326.38	328.49
Public Institution	224.42	252.49
Institution vs FF	68.76%	76.86%
SES Grade	B	A

Institutional Holding	GRADE*
More than 75%	A
>50% to 75%	B
>25% to 50%	C
0% to 25%	D

*Percentage is proportion of Public Institutional shareholding vis-a-vis Free float. Free Float is total shareholding reduced by Promoter and Non-Promoter Non-Public shareholding.

Explanation: Generally, a higher Institutional shareholding indicates better Corporate Governance Practices. To analyse the entry and exit of Institutional shareholders in a Company and to capture such triggers, SES has come up with Institutional grading criteria as given in the table. The grading criteria provides a higher grade in case the percentage of Institutional shareholding vis-a-vis free float is higher and visa versa.



BOARD OF DIRECTORS

TABLE 8 - BOARD PROFILE

Director	R e c.	Age	M/F	Expertise	Classification		[1] Tenure (Associ-ation) in Year	Attendance for last year		[2] Directorship			Committee Membership			Pay (₹ Lakh)	
					Company	SES		Board	AGM	TD	PD	LD	[3] Member (Chair)	AC	NRC		SRC
EXECUTIVE DIRECTORS																	
Mukesh D. Ambani		63	M	IEX	CMDP	CMDP	43	7/7	Yes	4	3	1	0(0)			1,500.00	
Nikhil R. Meswani		54	M	IEX	ED(R)	EDP(R)	34	7/7	Yes	2	2	1	2(1)		M	2,400.00	
Hital R. Meswani	✓	52	M	IEX	ED(R)	EDP(R)	25 (30)	7/7	Yes	4	3	1	2(1)		M	2,400.00	
P.M.S. Prasad	✓	68	M	IEX	ED(R)	ED(R)	10 (39)	7/7	Yes	5	4	3	4(0)			1,115.00	
Pawan Kumar Kapil		74	M	IEX	ED(R)	ED(R)	10 (23)	7/7	Yes	2	1	1	0(0)			404.00	
NON-EXECUTIVE NON-INDEPENDENT DIRECTORS																	
Nita M. Ambani		57	F	MGT	NEDP(R)	NEDP(R)	6	7/7	Yes	3	3	2	0(0)			122.00	
K V Chowdary	✓	65	M	TXT	NED(R)	NED(R)	0	5/5	NA	3	3	3	5(0)	M	M	M	66.00
INDEPENDENT DIRECTORS																	
Yogendra P. Trivedi		91	M	LGL	ID	NID	28	7/7	Yes	5	4	4	5(4)	C	M	C	148.00
Raminder Singh Gujral		66	M	TXT	ID	ID	5	7/7	Yes	3	3	2	3(0)	M	M		140.00
Raghunath A. Mashelkar		77	M	SCI	ID	NID	13	7/7	Yes	9	4	3	2(0)	M	M		146.00
Adil Zainulbhai		66	M	MGT	ID	ID	6	7/7	Yes	8	7	5	9(5)	M	C		144.00
Dipak Chand Jain		63	M	ACD	ID	NID	15	7/7	Yes	4	4	1	2(0)				124.00
Shumeet Banerji		60	M	INV	ID	ID	3 (5)	6/7	Yes	3	2	1	0(0)		M		132.00
Arundhati Bhattacharya		64	F	BNK	ID	ID	1	7/7	Yes	4	2	2	4(1)		M		132.00

Items deserving attention due to governance or contentious issues.

[1] Figures in bracket indicate total association of the Director with the Company/ Group

[2] Directorship as per MCA website as on 25-June-2020

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

Note: Directorships, committee membership and committee chairmanship includes such positions in Reliance Industries Ltd

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

Directors: C - Chairman, M - Member, P - Promoter, NP - Non-Promoter, ED - Executive, MD - Managing, NED - Non-Executive, ID - Independent, NID - Non-Independent, LID - Lead Independent, KMP - Key Managerial Personnel, WTD - Whole Time, N - Nominee.

Others: R - Liable to retire by rotation, ✓ - FOR, ✗ - AGAINST, LD - Listed Directorships, FT - Full Time positions, TD - Total Directorships, PD - Public directorship, ND - Not Disclosed, NA - Not Applicable, SEBI Listing Regulations - SEBI (Listing Obligations and Disclosures Requirements) Regulations, 2015, M-Male, F-Female,

Expertise: IEX-Industry Expert, FIN-Finance, MGT-Management, MKT-Marketing, HRM-Human Resource Management, BNK-Banking, LGL - Legal, INV - Investments, ACD - Academician, SCI - Scientist, TXT - Taxation

TABLE 9: BOARD CHANGES

Director	Category*	Appointment Date	Cessation Date	Association	Age	Reason for cessation as disclosed by the Company
APPOINTMENT						
K V Chowdary	NED	18 th Oct, 2019	-	1 year	65 years	-
CEASE						
Mansingh L. Bhakta	ID	27 th Sep, 1977	12 th Aug, 2019	42 years	88 years	Mr. Mansingh L. Bhakta, demitted office as an Independent Director of the Company, w.e.f. August 12, 2019, on account of his advanced age. Other than this, there was no other material reason for demitting office as an Independent Director of the Company.

*As per company



TABLE 10: DIRECTORS TENURE DISTRIBUTION

Tenure (in years)*	ED	NED	ID
Less than 1	0	1	0
1-4	0	0	2
4-7	0	1	2
7-10	2	0	0
More than 10	3	0	3

*rounded off to the nearest number.

Tenure distribution shows experience of member on the Company's Board.

Mr. Mukesh Ambani and Mr. Nikhil R. Meswani, are longest serving Board member of the Company.

Mr. Yogendra P. Trivedi, Mr. Raghunath A. Mashelkar and Mr. Dipak Chand Jain are the longest serving Board member under Independent Directors category.

Board Classification: The Company has classified Mr. Mukesh D. Ambani and Mrs. Nita M. Ambani as Promoter Directors. Further, Mr. Nikhil R. Meswani and Mr. Hital R. Meswani are sons of Mr. Rasiklal Meswani, one of the Founder Director of the Company and considering their long association with the Company, SES has classified them as Promoter directors in the Board Profile Table.

The Company has stated that "Shri Nikhil R. Meswani and Shri Hital R. Meswani, are brothers and not related to Promoter Directors."

Board Independence: Mr. Yogendra P. Trivedi, Mr. Raghunath A. Mashelkar and Mr. Dipak C. Jain have been classified as NIDs by SES due to following reasons:

- Mr. Yogendra P. Trivedi, Mr. Raghunath A. Mashelkar and Mr. Dipak C. Jain have been associated with the Company for more than 10 years.

Rationale: Although, compliant under the law, however, SES as a policy does not consider any director associated with the Company/ Group for more than 10 years to be Independent due to his/their prolonged association.

- As at 31st March, 2020, Mr. Yogendra P. Trivedi, Independent Director hold 60,400 equity shares of the Company, Value of shares as on 25th June, 2020 (₹ 1,725 per share), for holding of Mr. Yogendra P. Trivedi amounts to Rs. 10.42 crore.

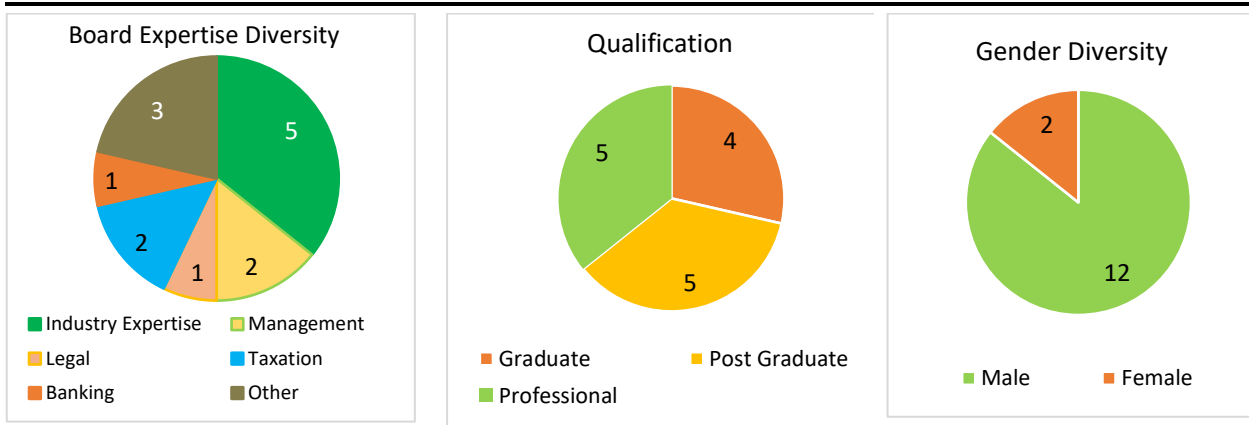
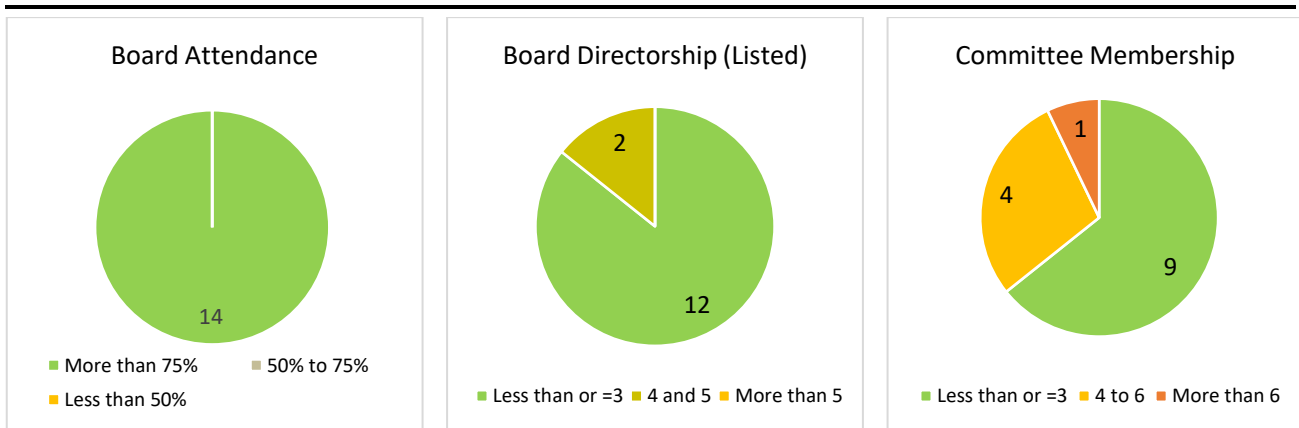
SES View: SES as a policy does not consider director to be independent having shares worth more than ₹ 5 crores, although limit prescribed under Companies Act, 2013 is 2% of the total paid up Share capital of the Company. SES fully understand that the limit that may be set by SES is subjective as independence is a personal trait. However, for the purpose of the Proxy Report, SES has drawn such demarcation.

Chairman and Managing Director: Mr. Mukesh D. Ambani is the Chairman and Managing of the Company. SEBI Listing Regulations (effective 1st April, 2022) mandates that Chairperson for top 500 Listed Entities (other than professionally managed entities) shall be a Non-Executive director.

SES View: Governance Concern - Although, presently there is no legal bar on the Chairman of the Company from holding Executive position. SES is of the view that in light of law applicable in future as a good governance practice the Company should have separated position of chairman from executive position. Good governance measures must not wait for effective date and must be embraced immediately.

Rationale: Corporate democracy and management structure envisage three layers, at the top is General Body of shareholders, which guides and approves proposal of the Board, second in line is the Board, which is directed by General body, AoA and MoA and which sets agenda for Management. The Board is headed by Chairman. The Management which is at the bottom of pyramid is headed by Executive Director(s), who are responsible for day to day management and operational issues. Combining the position of ED and Chairman blurs the demarcation between Board and Management. Therefore, keeping in view the spirit behind the aforesaid amendment, SES is of the opinion that the Company should segregate the position of Chairman and Executive Director and has therefore, flagged the position of the director in the above Table. SES is of the opinion, good governance demands initiating right practices even before the same are translated into law.



BOARD DIVERSITY

TIME COMMITMENT

Board Diversity:

- The Board has directors with background of Banking, Legal, Management, Taxation and Industry Experts.
- The Board has a woman Independent Director.

Time Commitments: As per SES criteria, Mr. Adil Zainulbhai has excessive time commitments considering his committee membership/chairmanship in public limited companies. He holds memberships in 9 committees and chairmanships in 5 committees.

SES criteria: Directorships up to 5 Listed Companies, 6 Committee membership and 3 committee chairmanship is considered reasonable.

SES opinion: Reasonable time commitments of Directors is a good governance practice as they can devote sufficient time to the affairs of the Company.



TABLE 11: BOARD COMPOSITION

Criteria	Response
No. of Director liable to retire by rotation out of total NID	6/7
% of IDs on Board required as per Law	50%
% IDs on Board as per Company	50%
% of IDs on Board as per SES	29%
ID having tenure/Association > 10 years	3
% directors attending AGM	100%
Youngest/Eldes director	52/91 years
Average Age of Board	66 years
Women Director (%)	14%
No. of Nominee director(s)	0

The Company has 7 Non-Independent Directors out of which 1 is not liable to retire by rotation.

Hence, the Company is compliant with the law.

TABLE 12: BOARD GOVERNANCE TABLE (AS PER SES)

Criteria	Response
IDs: Ownership of shares of the Company > ₹ 5 Cr	Yes ^[1]
IDs having pecuniary relationship	No
NED Chairman Related to ED	No
Chairman - Independent	No
Is there a LID?	No ^[2]
Any Ex-executive / Ex-Promoter as ID	No
Have all directors been elected or proposed to be elected by the Company's shareholders?	Yes
Inter-se relation of Board members	Yes ^[3]
Separate meeting of IDs	Yes ^[4]
Regulatory Action against the Directors (last FY)?	No
ED and NED above 70/75 years age?	Yes/No ^[5]
Shareholders' approval status - ED/NED	Yes/No ^[5]
Regulatory Action against the Company (last FY)?	No
Interlock of Directorships in Listed Companies?	No
Director on the Board of any Competitor company?	No

[1] As discussed earlier in the Report, Mr. Yogendra P. Trivedi, Independent Director holds shares valuing more than Rs. 5 crores.

[2] SES Criteria for LID:

ID as per SES Criteria & the Company has disclosed:

1. *Chairman is an ID Or;*
2. *name of the chairman of ID meeting Or;*
3. *name of the LID.*

SES criteria for LID Met: No

Mr. Mansingh L. Bhakta was Lead Independent Director on Board. He demitted office as an Independent Director of the Company, w.e.f. August 12, 2019, on account of his advanced age. The Company has not disclosed name of Lead independent director appointed in place of Mr. Bhakta.

[3] Mrs. Nita M. Ambani is spouse of Mr. Mukesh D. Ambani.

[4] Separate Meeting of IDs: The Company has not disclosed the date of meetings, however, IDs met two times without the management.

Chairman of the Meeting: Name not disclosed

[5] Mr. Pawan Kumar Kapil, Executive Director is 74 years of age, and Mr. Yogendra P. Trivedi and Mr. Raghunath A. Mashelkar have crossed 75 years.

Mr. Pawan Kumar Kapil was re-appointed as a Whole-time Director by way of Special Resolution at the AGM held in 2017.

Mr. Yogendra P. Trivedi and Mr. Raghunath A. Mashelkar were re-appointed for second term as Independent Directors of the Company by way of Special Resolution in AGM held in 2017.



Regulation 17(1A) of SEBI Listing Regulations states that: “(1A) **No listed entity shall appoint a person or continue the directorship of any person as a non-executive director who has attained the age of seventy five years unless a special resolution is passed to that effect, in which case the explanatory statement annexed to the notice for such motion shall indicate the justification for appointing such a person.**”

However, shareholders may note that the above Regulation of SEBI Listing Regulations was notified on 9th May, 2018 and became effective from 1st April, 2019.

In the opinion of SES, SEBI Listing Regulations required companies to obtain shareholders’ approval by way of special resolution along with justification for appointment or continuance of directors who have attained age of 70/75 years to continue as director on or after 1st April, 2019.

In the present case, the Company has not obtained shareholders’ approval by way of special resolution for continuance of Mr. Yogendra P. Trivedi and Mr. Raghunath A. Mashelkar, post notification for aforesaid Regulations.

In the opinion of SES, Mr. Yogendra P. Trivedi and Mr. Raghunath A. Mashelkar continuance on the Board of the Company is not in compliance with Regulation 17(1A) of SEBI Listing Regulations and by operation of law, should have ceased to be directors on the Board of the Company on 1st April, 2019.

TABLE 13 - BOARD COMMITTEE CONSTITUTION & PERFORMANCE

Committees	No. of members		Chairman's Classification			Overall Independence			Number of Meetings			Attendance < 75%
	LR	Company	LR	Company	SES	LR	Company	SES	LR	SES Benchmark	Held	
AC	3	5	ID	ID	NID	67%	80%	40%	4	8#	12	0
SRC	3	5	NED	ID	NID	1 ID	2 ID	1 ID	1	2	4	0
NRC	3	6	ID	ID	ID	50%	83%	50%	1	2	4	0
CSR	3	4	-	ID	NID	1 ID	3 ID	1 ID	-	1	4	0
RMC	-	5	-	ID	ID	-	40%	40%	1	1	4	0

LR- Legal requirement. | **#** -Audit Committee: 4 times for review of quarterly results and 4 times for review of other matters. **Committees:** **AC-**Audit, **NRC-**Nomination & Remuneration, **SRC-**Stakeholders Relationship, **CSR-** Corporate Social Responsibility, **RMC-** Risk management.

SES Comment: Number of meetings held of all the committees of the Company met SES benchmark.



REMUNERATION ANALYSIS

TABLE 14 - EXECUTIVE DIRECTORS' REMUNERATION ANALYSIS

In ₹ Crore	P/NP	2018		2019		2020		Ratio for FY 2019-20
		Fixed Pay	Total Pay	Fixed Pay	Total Pay	Fixed Pay	Total Pay	
Mr. Hital R. Meswani	P	5.59	19.99	6.17	20.57	6.72	24.00	ND
Mr. Nikhil R. Meswani	P	5.59	19.99	6.17	20.57	6.72	24.00	ND
Mr. Mukesh D. Ambani	P	5.47	15.00	5.47	15.00	5.47	15.00	ND
Mr. P. M. S. Prasad	NP	8.99	8.99*	10.01	10.01*	11.15	11.15*	ND
Mr. Pawan K. Kapil	NP	3.47	3.47*	4.17	4.17*	4.04	4.04*	ND

Note: Fixed pay includes basic pay, perquisites & allowances. Ratio - Ratio of remuneration of Executive Director to Median remuneration of employees. | P- Promoter, NP- Non-Promoter classification as per SES.

* Includes performance linked incentives for the FY 2016-17 paid in FY 2017-18. | Includes performance linked incentives for the FY 2017-18 paid in FY 2018-19. | Includes performance linked incentives for the FY 2018-19 paid in FY 2019-20. The Company has not disclosed the portion of performance link incentives paid in 2019-20.

The Company has stated that "In light of the COVID-19 outbreak in India, which has exacted a huge toll on the societal, economic and industrial health of the nation, Shri Mukesh D. Ambani, the Chairman and Managing Director, has voluntarily decided to forego his salary. The Board of Directors noted his decision to forego his salary until the impact of COVID-19 abates."

Mr. Nikhil Meswani and Mr. Hital Meswani are sons of Mr. Rasiklal Meswani, one of the Founder Directors of the Company. It has been observed that their remuneration is almost similar for more than past 3 years. They have received same salary, perquisites and commission. It appears that the remuneration of both the executive directors, is not based on their performance but some sort of an informal arrangement. While one can agree that fixed remuneration can be same for any number of directors, however when even performance linked bonus, etc. are absolutely same for two EDs, it does raise questions. It reflects poorly on Nomination and Remuneration Committee as it appears that remuneration practice is delinked from performance otherwise how it is possible that 2 executives are evaluated same consistently; even machines do not give such coordinated performance. SES is of the opinion that remuneration practice at the Company does not reflect a good governance practice.

Further, the remuneration paid to highest paid promoter ED is approx. 5.94 times the remuneration paid to lowest paid Non-promoter ED, and the average remuneration paid to Promoter EDs is 2.76 times the average remuneration paid to Non-promoter EDs'. Though, tenure of Non-promoter EDs on the Board of the Company is less when compared to Meswani Brothers, the total association of non-promoter EDs with the Company and their experience in the Company's Industry is more than Meswani Brothers.

Further, SES is of the view that the remuneration policy of the Company ([Weblink](#)) is generic and does not provided objective /adequate justification / rationale for skewed remuneration amongst the Executive Directors.

In view of the above, SES is of the opinion that the remuneration policy followed by the Company is non-transparent and appears to be in favour of Promoter / Founder's relatives, although in absolute terms remuneration paid is fair taking into account, size of the Company.

Non-Disclosures of Ratio of remuneration of Executive Director to Median remuneration of employees: The Company in its Annual Report for FY 2019-20 has stated that "In terms of the provisions of Section 197(12) of the Act read with Rules 5(2) and 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, a statement showing the names of the top ten employees in terms of remuneration drawn and names and other particulars of the employees drawing remuneration in excess of the limits set out in the said rules forms part of this Report.



Disclosures relating to remuneration and other details as required under Section 197(12) of the Act read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 forms part of this Report.

Having regard to the provisions of the second proviso to Section 136(1) of the Act and as advised, the Annual Report excluding the aforesaid information is being sent to the members of the Company. Any member interested in obtaining such information may write to the Company to email id - rilagm@ril.com."

SES is of the opinion that the Company cannot do away with the disclosures which are required to be provided in the Board's Report under the Law. Section 134(7) of the Companies Act, 2013 states that:

"(7) A signed copy of every financial statement, including consolidated financial statement, if any, shall be issued, circulated or published along with a copy each of—

- a) any notes annexed to or forming part of such financial statement;*
- b) the auditor's report; and*
- c) the Board's report referred to in sub-section (3)."*

As per Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Companies are required to disclose information on particulars of employee in the Board's Report.

"5 Disclosure in Board's Report

(1) Every listed company shall disclose in the Board's report -

(i) the ratio of the remuneration of each director to the median remuneration of the employees of the company for the financial year;

(ii) the percentage increase in remuneration of each director, Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any, in the financial year;

(iii) the percentage increase in the median remuneration of employees in the financial year;

..."

Further, Section 197(12) states that: -

"Every listed company shall disclose in the Board's Report, the ratio of the remuneration of each director to the median employee's remuneration and such other details as may be prescribed."

Therefore, reading aforesaid provisions, SES is of the opinion that the Company should have provided the disclosure in the Annual Report itself, as part of the Board's Report, instead of making the same available at request. Since, the required information is not available in the Board Report / Annual Report, SES is of the view that the Company is not compliant with aforesaid provisions of the Companies Act, 2013.



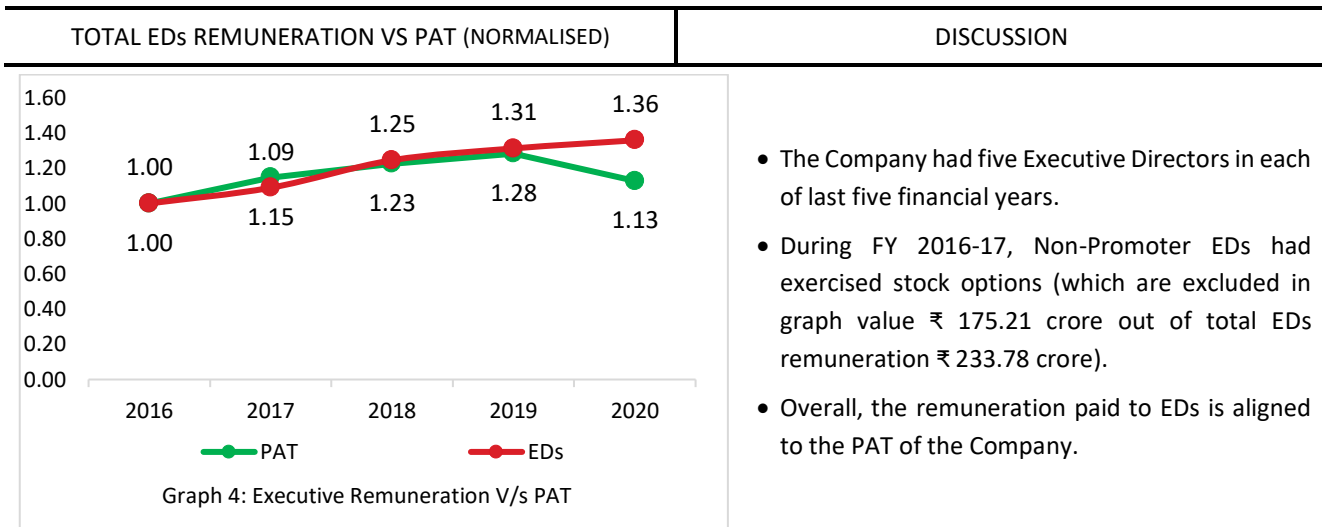
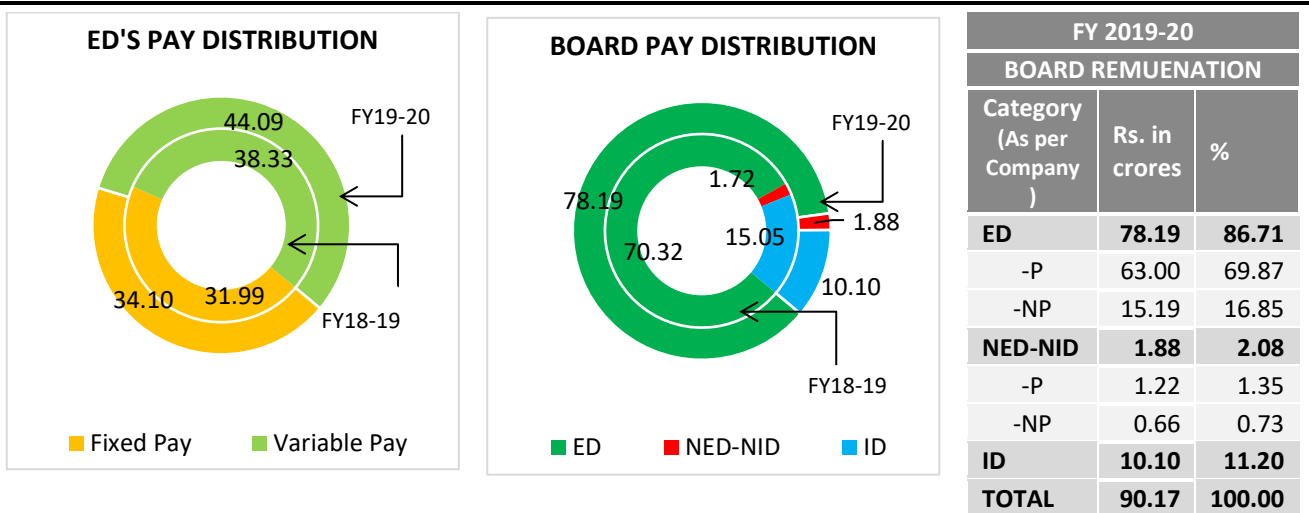


TABLE 15- DIRECTORS REMUNERATION COMPARISON



Overall Remuneration of Directors (Rs in Cr)	2017-18	2018-19*	2019-20*
Amount of ceiling as per Section 198 of the Act	5,038.00	5,217.34	4,485.47
Total Board Remuneration (In crore)	82.65	87.09	90.17
Board Remuneration as % of Ceiling	1.64%	1.67%	2.01%
Total EDs Remuneration (In crore)	67.44	70.32	78.19
Remuneration as % of Ceiling paid	1.47%	1.48%	1.92%
Single EDP > ₹ 5 Cr or 2.5% (SEBI LODR)	NA	NA	NA
Any NED Rem > 50% (SEBI LODR)	NA	NA	NA
EDP Highest/ ED NP lowest Ratio	5.76:1	4.93:1	5.94:1
NEDP Highest/ NEDNP Lowest	NA	NA	NA
ID Highest/ ID Lowest (In crore)	1.22:1	1.15:1	1.19:1

*For FY 2018-19: The Company has not disclosed the ceiling amount for 'Remuneration to Managing Director (MD), Whole-time Directors (WTD) and/or Manager' in Form MGT-9 disclosed on [website](#) of the Company. The Company has disclosed Overall Ceiling as per the Act for Non-executive directors.

For FY 2019-20: The Company has disclosed ₹ 407.77 crore as overall ceiling as per the act and same amount also as ceiling for executive directors. Form MGT-9 disclosed on [website](#) of the Company. SES has calculated over Board ceiling based on ceiling amount provided for remuneration of other directors.

PROXY ADVISORY REPORT | FOR LIMITED CIRCULATION



STAKEHOLDERS ENGAGEMENT

MAJOR DISCLOSURES

<input checked="" type="checkbox"/> Details of Corporate Social Responsibility Initiative in Prescribed Format	<input checked="" type="checkbox"/> Statement on Compliance with applicable Secretarial Standards
<input checked="" type="checkbox"/> Extract of the Annual Return as per Form No. MGT 9	<input type="checkbox"/> * Related Party Transactions as per Form No. AOC.2
<input checked="" type="checkbox"/> Chart or Matrix of setting out the skills/ expertise/ competence of the board of directors	<input checked="" type="checkbox"/> Policy on remuneration of Directors, KMP and other employees
<input checked="" type="checkbox"/> Secretarial Audit Report of Indian Unlisted Material Subsidiary, if any	<input checked="" type="checkbox"/> Details of establishment of Vigil Mechanism
<input type="checkbox"/> * Comments on qualifications made by Statutory Auditors/ Secretarial Auditor	<input checked="" type="checkbox"/> BRR or Sustainability Report or Integrated Reporting
<input checked="" type="checkbox"/> Constitution of Risk Management Committee (If applicable)	<input checked="" type="checkbox"/> Constitution of Sexual harassment Committee/ Internal Complaints Committee
<input checked="" type="checkbox"/> Succession Planning	<input checked="" type="checkbox"/> Review and monitoring of Cyber Security

- Disclosed; - Not disclosed; * - Not applicable

PAST VOTING RESULTS

SES Criteria for dissent: More than 20% Public shareholders voting against reflects significant investors dissent

Past Year Data Observation: The Company received 21% of maximum AGAINST vote from Public shareholders for resolution no. 6 related to Re-appointment of Mr. Raminder Singh Gujral as an Independent Director in AGM 2019. [\[Link\]](#)

SES View: Investors have shown significant dissent

CORPORATE SOCIAL RESPONSIBILITY

Particulars (in ₹ Crores)	2017 - 18	2018 - 19	2019 - 20
Average Net Profit for last three years	35,154.19	40,558.13	43,747.43
Prescribed CSR Expenditure (2% of average net profit)	703.08	811.16	874.95
Actual CSR expenditure	745.04	849.32	908.71
Expenditure Performance (Actual/ Prescribed)	105.97%	104.70%	103.86%

The Company has spent the prescribed amount on CSR activities for last three financial years.

STAKEHOLDERS ENGAGEMENT

Criteria	Response
No. of Investors presentation during year	4
No. Investors conference call during the year	17
Call transcripts disclosed	No

The Company has disclosed Investor presentation on its [website](#)



RESOLUTION ANALYSIS

RESOLUTION 1 (A) & (B): ADOPTION OF FINANCIAL STATEMENTS

To consider and adopt:

(a) the audited financial statement of the Company for the financial year ended March 31, 2020 and the reports of the Board of Directors and Auditors thereon; and

FOR

(b) the audited consolidated financial statement of the Company for the financial year ended March 31, 2020.

FOR

SES RATIONALE

#1(a) & (b): Unqualified financial statements. Compliant with Accounting Standards

SES ANALYSIS

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

AUDITORS INFORMATION

Name of the Statutory Auditors & Tenure:

- (1). S R B C & CO LLP – 3 Years (1st term)
- (2). D T S & Associates LLP (formerly known as D T S & Associates) – 3 Years (1st term)

Resignation/Removal of Auditors during the FY 2020: No

Audit Partner & Tenure:

- (1). S R B C & CO LLP - Mr. Vikas Kumar Pansari – 3 years
- (2). D T S & Associates LLP - Mr. T P Ostwal – 3 years

AUDIT QUALIFICATIONS & KEY AUDIT MATTERS

The Auditors' Report does not contain any qualification, reservation, adverse remark or disclaimer.

Key Audit Matters:

Standalone: - In detailed Key Audit Matters are disclosed on page 235 of the Annual Report for FY 2019-20.

Consolidated: - In detailed Key Audit Matters are disclosed on page 313 of the Annual Report for FY 2019-20.

AUDITORS' COMMENTS ON STANDALONE FINANCIAL STATEMENTS

Other matters: *The accompanying Standalone Financial Statements and other financial information includes the Company's proportionate share in unincorporated joint operation in respect of total assets of ₹ Nil as at March 31, 2020, total expenditure of ₹ 177 crore and the elements making up the Cash Flow Statement for the year ended March 31, 2020 and related disclosures in respect of an unincorporated joint operation which is based on statements from the operator and certified by the management. Our opinion is not modified in respect of above matter.*



AUDITORS' COMMENTS ON CONSOLIDATED FINANCIAL STATEMENTS

Unaudited financial statements of the following entities have been included in the consolidated financial statements:

Consolidated Entity (all figures in ₹ Cr.)	Total Assets	Total Revenue	Net Profit	Net Cash Flow
13 Subsidiaries	46.00	95.00	-	1.00
15 Associates & 18 Joint Ventures	-	-	97.00	-

In Auditors opinion and according to the information and explanations given to them by the Management, these financial statements and other financial information are not material to the Group.

ACCOUNTING POLICIES

The Company in its Annual Report for FY 2019-20 under the head 'CEO / CFO Certificate' has stated that "there are no significant changes in accounting policies during the year."

FINANCIAL INDICATORS

	Mar' 19	Mar' 20	Shift	Company Discussion
Debtors Turnover	31.83	46.89	-32.12%	Not discussed
Inventory Turnover	8.73	9.04	-3.43%	-
Interest Coverage Ratio	6.94	4.78	-45.19%	Not discussed
Current Ratio	0.76	0.54	40.74%	Not discussed
Debt Equity Ratio*	0.40	0.62	-35.48%	Increase primarily on account of Scheme of Arrangement among Reliance Jio Infocomm Limited and certain class of its creditors to transfer certain liabilities to RIL.
Operating Profit Margin(%)	17.56	16.50	-6.42%	-
Net Profit Margin(%)*	9.12	8.81	-3.52%	-
RONW (%)*	13.70	11.30	-17.52%	Adjusted for CWIP and revaluation
ROCE (%)*	24.90	17.90	-28.11%	

Source: Company's Annual Reports | *Ratio's as disclosed by the Company

Law: SEBI (LODR) Amendment Regulations, 2018, requires disclosure of significant changes (i.e. change of 25% or more as compared to the immediately previous financial year) in key financial ratios, along with detailed explanations therefor in Management Discussion and Analysis.

SES Analysis: The Company has not disclosed certain ratio's in the Annual Report for FY 2019-20, however, as adequately discussed financials relating to ratio's having significant shifts (more than 25%).

CONTINGENT LIABILITIES

(All figures in ₹ Crore)	Mar' 19	Mar' 20
Total contingent liabilities	103,970.00	54,177.00
Net worth of the Company	405,322.00	424,584.00
Contingent liabilities as a percentage of net worth	25.65%	12.76%

Source: Company's Annual Reports

Major portion of contingent liabilities is constituted by 'Guarantees to Banks and Financial Institutions against credit facilities extended to third parties and other Guarantees'.

The aforesaid guarantees decreased from ₹ 90,927 crores in FY 2018-19 to ₹ 41,012 in FY 2019-20.



RELATED PARTY TRANSACTIONS

Outstanding (₹ Crore)	Mar' 19	Mar' 20	Shift	% of Total Mar' 19	% of Total Mar' 20	Comments
Loans and Advances	35,028.00	57,242.00	63.42%	95.49%	96.41%	Majorly to Reliance Corporate IT Park Limited, Jio Platforms Ltd
Receivables	1,885.00	485.00	-74.27%	15.57%	6.48%	-
Payables	2,822.00	1,408.00	-50.11	3.20%	1.98%	-

Source: Company's Annual Reports

STANDALONE VS CONSOLIDATED FINANCIAL STATEMENTS

(In ₹ Crore)	Standalone			@ From Subsidiaries etc.			Consolidated		
	Mar' 18	Mar' 19	Mar' 20	Mar' 18	Mar' 19	Mar' 20	Mar' 18	Mar' 19	Mar' 20
Revenue	3,05,335	3,85,501	3,50,880	1,02,930	1,97,593	2,60,765	4,08,265	5,83,094	6,11,645
Net Profit	33,612	35,163	30,903	2,468	4,674	8,977	36,080	39,837	39,880
Total Assets	6,17,525	7,75,745	9,68,912	1,98,823	2,26,661	1,97,003	8,16,348	10,02,406	11,65,915
Net Worth	3,14,647	4,05,322	4,24,584	-21,141	-18,210	28,747	2,93,506	3,87,112	4,53,331
Net Profit Margin (%)	11.01%	9.12%	8.81%	2.40%	2.37%	3.44%	8.84%	6.83%	6.52%
ROA (%)	5.44%	4.53%	3.19%	1.24%	2.06%	4.56%	4.42%	3.97%	3.42%
RONW (%)	10.68%	8.68%	7.28%	N.A.	N.A.	31.23%	12.29%	10.29%	8.80%

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

CLUBBED RESOLUTION

Shareholders may note that the Company is seeking shareholders' approval for adoption of standalone financial statements and consolidated financial statements as resolution 1 (a) & (b). However, considering the past practice, even the resolutions are clubbed as 1 (a) & (b), on the e-voting plate form the Company offers separate voting for 1(a) & (b) and also disclosed separate voting result for both the resolutions ([Link](#)). Therefore, SES has not considered these resolution as clubbed resolutions.

SES considers this is a good governance practices as it provides the opportunity to the shareholders to take decisions separately on account of these items.

SES VIEW

The Auditors have not made any qualifications or adverse remarks with respect to the standalone and consolidated financial statements. No concern has been identified



RESOLUTION 2: DECLARATION OF DIVIDEND

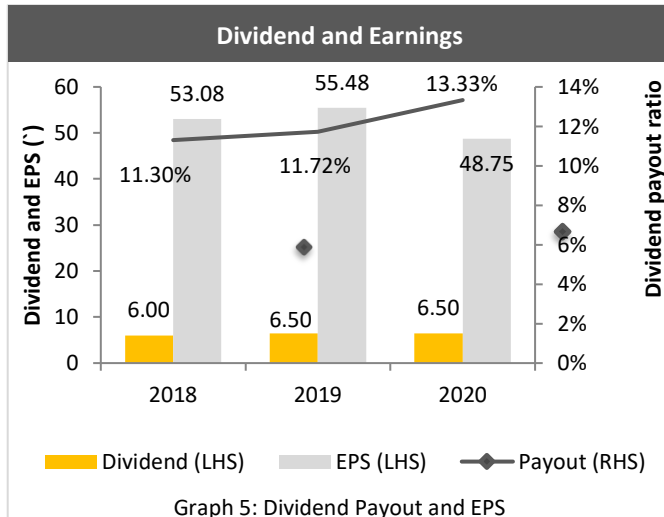
To declare a dividend on equity shares for the financial year ended March 31, 2020.

FOR

SES RATIONALE

The Company has sufficient liquid assets to pay the dividend. No concern identified.

SES ANALYSIS



SES View on Proposed Dividend:

- The Board recommended a dividend of ₹ 6.50 per fully paid-up equity share for FY 2019-20.
- A pro-rata dividend of ₹ 1.625 on each of the partly paid-up Rights Equity Shares.
- The dividend would result in a cash outflow of ₹ 3,852 Crore.
- **The Company has sufficient liquid funds and other resources to pay the same. No concern identified.**
- The Company has stated that *“the dividend recommended is in accordance with the Company’s Dividend Distribution Policy.*

DISCLOSURE OF DIVIDEND DISTRIBUTION POLICY

Has the Company disclosed the Dividend Distribution Policy ('DDP')?	Yes
Is the DDP objective and enables the shareholder to estimate the likely dividend?	No

SES VIEW ON DIVIDEND DISTRIBUTION POLICY

The Company has disclosed its Dividend Distribution Policy on page no. 221 of the Annual Report for FY 2019-20 and on its [website](#) as per Regulation 43A of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015. The policy disclosed is in technical compliance with the SEBI directive, without in any way helping the investor. The policy states theory and parameters that are used for deciding payment of dividend without ascribing any value to threshold for payment or non-payment of dividend. SES understand that idea of market Regulator SEBI behind mandating Dividend Policy disclosure was to provide a tool in the hand of investor to estimate likely dividend based on available and disclosed financial performance and to question the management in case policy is not followed. **In present form, the investor neither can estimate dividend nor can question. Any decision of Board will be compliant with the policy. This is one more example of investors being failed by Board of a Company despite Regulator's best intention.**

PROXY ADVISORY REPORT | FOR LIMITED CIRCULATION



RESOLUTION 3 TO 5: APPOINTMENT/REAPPOINTMENT OF EXECUTIVE DIRECTOR

#3: To appoint Mr. Hital R. Meswani, who retires by rotation as a Director.	FOR
#4: To appoint Mr. P.M.S. Prasad, who retires by rotation as a Director.	FOR
#5: To re-appoint Mr. Hital R. Meswani as a Whole-time Director for a period of 5 (five) years from the expiry of his present term of office, i.e., with effect from August 4, 2020.	FOR

SES RATIONALE

#3, 4 & 5: Compliant with Law. No governance concern has been identified.

SES ANALYSIS
DIRECTOR'S PROFILE

Name	Current full time position	Functional Area	Age(years)	Education	Committee positions in the Company	Retirement by rotation	Director Category
Mr. Hital R. Meswani	ED – Reliance Ind. Ltd	Industry Expertise	52	B.Sc. (Chemical Engg.) & B.Sc. (Eco.), Management & Technology Programme	SRC(M), RMC(M)	Retiring	Related to Promoter

Past Experience: He joined Reliance Industries Ltd. in 1990. He is on the Board of the company as Whole-time Director, since August 4, 1995.

Date of original Appointment: 4th August, 1995 | **Total Association (Including Group):** 30 years

Proposed approval: Mr. Hital R. Meswani retires by rotation at the ensuing AGM, the Company also proposed his appointment as Executive director.

Mr. P.M.S. Prasad	ED – Reliance Ind. Ltd	Industry Expertise	68	B.Sc., Engineering	RMC(M)	Retiring	Non-Promoter
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Past Experience: He has been a whole-time director, designated as Executive Director, of the Company since 21st August, 2009. He has worked with Reliance for about 38 years, holding various senior positions in fibres, petrochemicals, refining & marketing and exploration & production businesses of Reliance.

Date of original Appointment: 21st August, 2009 | **Total Association (Including Group):** 39 years

Proposed approval: Mr. P.M.S. Prasad retires by rotation at the ensuing AGM

PAST REMUNERATION OF THE DIRECTOR

In ₹ Crore	FY 17-18		FY 18-19		FY 19-20	
	Fixed Pay	Total Pay	Fixed Pay	Total Pay	Fixed Pay	Total Pay
Mr. Hital R. Meswani	5.59	19.99	6.17	20.57	6.72	24.00
Mr. P. M. S. Prasad*	8.99	8.99	10.01	10.01	11.15	11.15

*includes performance linked incentives of previous financial years (e.g. FY 2017-18) paid in next financial year (E.g. FY 2018-19).



DIRECTORS' TIME COMMITMENTS

Name	Full time role/ executive position	Directorships			Total Committee	
		Total	In listed entities	As ID in listed entities	Member	Chairman
Statutory Limit	2	20	7	7 [#] /3*	10	5
SES Limit	1	20	5	5 [#] /3*	6	3
Mr. Hital R. Meswani	1	4	1	0	2	1
Mr. P. M. S. Prasad	1	5	3	0	4	0

Note: Committee memberships include Committee chairmanships (includes only Audit Committee and Stakeholders Relationship Committee), Total Directorships include Directorships in Public as well Private Companies

If Director is Non-Executive Director across all listed entities. | * If Director is Executive Director in any listed entity

DIRECTORS' PERFORMANCE

Attendance Record	Last 3 AGMs	BM Last year	BM during 2 FYs (Prior to FY 2020)	SRC	RM
SES Benchmark		At least 50%	At least 75%	-	-
Mr. Hital R. Meswani	3/3	100% (7/7)	100% (13/13)	100% (4/4)	75% (3/4)
Mr. P. M. S. Prasad	3/3	100% (7/7)	100% (13/13)	NA	100% (4/4)

REMUNERATION PACKAGE OF MR. HITAL R. MESWANI

Component	Proposed Remuneration	Comments
Salary (p.a.)	Proposed Salary: ₹ 2.16 crore Annual increment: as may be determined by the Board and / or the HRNR* Committee of the Board	Increase in remuneration from Last terms of appointment approved through Postal balloted dated 28 th March, 2015: Salary: ₹ 1.15 crore to ₹ 2.16 crore Perquisite & Allowances: ₹ 1.45 crore to ₹ 4.20 crore
Perquisites/ Allowances	All perquisites/allowances clearly defined: Yes Total perquisites/allowances: ₹ 4.20 crore p.a.	Cap placed on perquisites/allowances: Yes
Variable Pay	To be decided by board (not exceeding 1% of the net profits for all executive directors in aggregate)	Performance criteria disclosed: No, Such remuneration based on net profits payable to him will be determined by the Board and / or the HRNR Committee of the Board Cap placed on variable pay: No
Notice Period	3 months	
Severance Pay	No	-
Minimum Remuneration	Not disclosed	Within limits prescribed: NA Includes variable pay: NA

*Human Resources, Nomination and Remuneration Committee

SES believes that remuneration of executive director should be in line with the performance of the Company and thus, the performance criteria for deciding the variable pay should be objectively disclosed for consideration by the shareholders. The Company has not placed any absolute cap on variable pay proposed to pay to Mr. Hital R. Meswani.

However, proposed remuneration has been reasonable considering the size and performance of the Company, no concern is being raised in this regard



SES VIEW

#3 & 4: The Company is seeking shareholders' approval to appoint Mr. Hital R. Meswani and Mr. P. M. S. Prasad as Directors who retire by rotation and being eligible seeks reappointment.

Mr. Hital R. Meswani and Mr. P. M. S. Prasad have attended all the Board meetings and all the AGMs held in last three financial years. No concern has been identified regarding profile, time commitment and attendance performance of Mr. Hital R. Meswani and Mr. P. M. S. Prasad as director.

#5: The Company is seeking shareholders' approval to re-appoint Mr. Hital R. Meswani as a Wholetime Director, designated as Executive Director, for a period of 5 years from the expiry of his present term of office, i.e., with effect from August 4, 2020. No concern observed in the proposed terms of appointment of Mr. Hital R. Meswani as Executive Director.



RESOLUTION 6: APPOINTMENT OF NON-EXECUTIVE DIRECTOR

To appoint Shri K. V. Chowdary as a Director on the Board of the Company.

FOR
SES RATIONALE

Compliant with Law. No governance concern has been identified.

SES ANALYSIS
DIRECTOR'S PROFILE

Name	Current full time position	Functional Area	Age (years)	Education	Committee positions in the Company	Retirement by rotation	Director Category
Mr. K V Chowdary	None	Taxation	65	Graduate & Post-graduate (Mathematics) and IRS	AC(M), SRC(M), NRC(M), RMC(M)	Retiring	Non-Promoter

Past Experience: Retired as Chairman of CBDT. He was the Central Vigilance Commissioner from June, 2015 to June, 2019. He was elected as a Member of the Executive Committee of International Association of Anti-Corruption Agencies. He is a Member on the Advisory Board of Comptroller and Auditor General of India.

Date of original Appointment: 18th October, 2019

Total Association (Including Group): Less than one year | **Proposed approval:** Appointment by shareholders

DIRECTORS' TIME COMMITMENTS

Name	Full time role/ executive position	Directorships			Total Committee	
		Total	In listed entities	As ID in listed entities	Member	Chairman
Statutory Limit	2	20	10	7 [#] /3*	10	5
SES Limit	1	20	5	5 [#] /3*	6	3
Mr. K V Chowdary	0	3	3	2	5	0

Note: Committee memberships include Committee chairmanships (includes only Audit Committee and Stakeholders Relationship Committee), Total Directorships include Directorships in Public as well Private Companies

If Director is Non-Executive Director across all listed entities. | * If Director is Executive Director in any listed entity

DIRECTORS' PERFORMANCE

Attendance Record	Last 3 AGMs	BM Last year	BM during 2 FYs (Prior to FY 2020)	AC	SRC	NRC	RM
SES Benchmark		At least 50%	At least 50%	At least 50%	-	At least 50%	-
Mr. K V Chowdary	NA	100% (5/5)	NA	100% (5/5)	100% (2/2)	100% (1/1)	100% (1/1)

DIRECTOR'S REMUNERATION

Remuneration paid to Mr. K V Chowdary is aligned with other non-executive directors on the Board.

SES VIEW

The Company is seeking shareholders' approval for appointment of Mr. K V Chowdary as Director. No concern identified regarding the profile and time commitment Mr. K V Chowdary.



RESOLUTION 7: PAYMENT TO COST AUDITORS

To ratify the remuneration of Cost Auditors for the financial year ending March 31, 2021.

FOR
SES RATIONALE

No major governance concern identified.

SES ANALYSIS
COMPANY'S JUSTIFICATION

The Board of Directors has, on the recommendation of the Audit Committee, approved the appointment and remuneration of the Cost Auditors to conduct the audit of the cost records of the Company across various segments, for the financial year ending March 31, 2021, as per the following details:

Sr. No.	Name of the Cost Auditor	Industry	Cost Audit Fees (Rs.)
1	Diwanji & Co.	Electricity, Chemicals	9,30,000
2	K. G. Goyal & Associates	Chemicals and Polyester	3,03,000
3	V. J. Talati & Co.	Chemicals, Oil & Gas and Polyester	9,11,000
4	Kiran J. Mehta & Co.	Textiles, Electricity and Composites	4,50,000
5	Suresh D. Shenoy	Polyester, Chemicals, Petroleum and Gasification	9,21,000
6	V. Kumar & Associates	Polyester	6,00,000
7	Dilip M. Malkar & Co.	Chemicals	7,33,000
8	Shome & Banerjee	Oil & Gas and Chemicals	7,39,000
	Shome & Banerjee, Lead Cost Auditor	Lead Cost Audit Fees	8,00,000
Total			63,87,000

SES VIEW

The Board is seeking ratification of remuneration of ₹ 63.87 lacs payable to the Cost Auditors for Financial Year 2020-21. Shareholders may note that:

- Disclosure of the Audit Fee proposed to the Cost Auditor alone, becomes irrelevant if shareholders are unable to compare it with the scope of Cost Audit;
- In the present case, the Company has not disclosed the segmental portion of the turnover that is subject to Cost Audit, therefore, SES is assuming that the entire turnover of the Company is subject to cost audit.
- In Nov 2012, MCA raised concern relating to quality of the Cost Audit Report and indicated low audit fee may be a cause therefor ([weblink](#))
- The Institute of Cost Accountants of India ('ICAI') in the year 2019, had suggested minimum professional fees to be paid to the Cost Auditors based on turnover ([Weblink](#));
- A comparison of the suggested Audit fee vis-à-vis the actual fee paid/ payable is as follows:

Turnover as per Latest Financial Statements FY 2019-20	Minimum Cost Auditor Fee suggested by ICAI	Remuneration proposed to be ratified
₹ 3,50,880 Crore	₹ 30.00/+ lacs	₹ 63.87 lacs

Though, the Cost Audit fee proposed is more than the fee suggested by the ICAI based on the total turnover of the Company, SES is of the view the Company should have disclosed turnover that is subject to Cost Audit.

No concern is identified regarding proposed Resolution.



Disclaimer**Sources**

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

Analyst Certification

The Analyst(s) involved in development of this Report certify that no part 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. The concerned Research Analyst(s) and Director(s) do not have any pecuniary relationship with the Reported Company, except that they may be holding miniscule shares in the Company which does not impact their independence in respect of this Report.

SES may be a shareholder in the Company holding equity shares as disclosed on its [website](#). The objective of SES' investment is solely to obtain Shareholders' communications from the Company as a shareholder.

CAUTIONARY STATEMENT

The recommendations made by SES are based on publicly available information and conform to SES's stated Proxy-Advisory Guidelines. SES opinion is based on SES's interpretation of law and governance benchmarks, which may differ from opinion/benchmarks of other analysts or practitioners. Further, SES analysis is recommendatory in nature and reflects how SES would have voted if it was a shareholder. 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

While SES has made every effort, and has exercised due skill, care and diligence in compiling this report based on publicly available information, it neither guarantees its accuracy, completeness or usefulness, nor assumes any liability whatsoever for any consequence from its use. This report does not have any approval, express or implied, from any authority, nor is it required to have such approval. The users are strongly advised to exercise due diligence while using this report.

This report in no manner constitutes an offer, solicitation or advice to buy or sell securities, nor solicits votes or proxies on behalf of any party. SES, which is a not-for-profit Initiative or its staff, has no financial interest in the companies covered in this report except what is disclosed on its website. The report is released in India and SES has ensured that it is in accordance with Indian laws. Person resident outside India shall ensure that laws in their country are not violated while using this report; SES shall not be responsible for any such violation.

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

Concern terminology

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

F - Fairness: The Company has proposed steps which may lead to undue advantage to 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 Information

Stakeholders Empowerment Services

SEBI Reg. No. INH000000016

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