

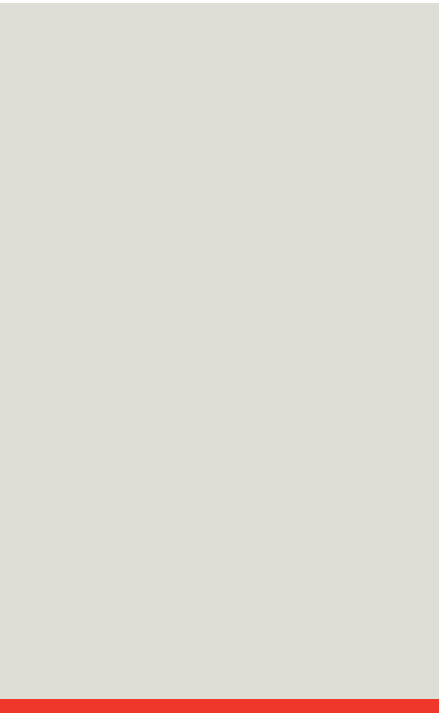
INDIA SECRETARIAL PRACTICE 2015

Nifty 50 Annual Reports Analysis





Contents

1. **Editor's note: Why, What & Who**
 2. **Executive summary: Top Ten Takeaways**
 3. **Key findings: Good, Great & the Grim**
 - I. Board Composition & Sub-Committees of the Board
 - II. Directors' Report
 - III. Secretarial Audit
 - IV. Company Secretary
 - V. Corporate Social Responsibility
 - VI. AGM Notice
 4. **Way Forward: Prickly Points to Ponder**
 5. **Team, Disclaimer and Limitations of the Study**
- 

Abbreviations Used

ACA	Associate Member of the Institute of Chartered Accountants
ACS	Associate Member of the Institute of Company Secretaries
CA	Chartered Accountant
CS	Company Secretary
CSR	Corporate Social Responsibility

DPE	Department of Public Enterprises
FCA	Fellow Member of the Institute of Chartered Accountants
FCS	Fellow Member of the Institute of Company Secretaries
ICSI	Institute of Company Secretaries of India
IEPF	Investor Education and Protection Fund

Nifty Companies

ACC	Bosch	HDFC	Lupin	TCS
Adani	Cairn	HDFC Bank	Mahindra & Mahindra	Tata Motors
Asian Paints	Cipla	Hero MotoCorp	Maruti Suzuki	Tata Power
Axis Bank	Coal India	ICICI	NTPC	Tata Steel
Ambuja Cements	Dr.Reddys	Idea Cellular	ONGC	Tech Mahindra
Bajaj Auto	GAIL	IndusInd	Power Grid Corporation	Ultratech
Bank of Baroda	Grasim	Infosys	PNB	Vedanta
BHEL	HCL Technologies	ITC	Reliance Industries	Wipro
BPCL	Hindalco	Kotak Bank	State Bank	Yes Bank
Bharati Airtel	Hindustan Unilever	L&T	Sun Pharma	Zee Entertainment

Editor's Note



Why, What & Who

Dear Reader,

2015 is the first calendar year in which companies published their Annual Reports after the Companies Act, 2013 came into force. Considering the substantial changes that this new Act brought into effect, we have undertaken the first ever analysis of the annual reports of the NIFTY companies from the secretarial practices angle and compliance with the new Act to identify trends, practices and lessons for the benefit of all Corporates in general and the CS and CA professionals in particular.

From a regulatory perspective, the Nifty companies analysed fall under three distinct ambits. In addition to the Companies Act, Banks are governed by the Banking Regulation Act, 1949 and Public Sector Undertaking are governed by DPE guidelines. Based on regulatory ambit, the break-up of the Nifty companies is as given in the table below:

Regulatory Ambit	#	%
Banking Regulation Act, 1949 / Reserve Bank of India and The Companies Act, 2013	9	18
Department of Public Enterprise Guidelines and the Companies Act, 2013	7	14
The Companies Act, 2013	34	68
Total	50	100

1. The first part of the Companies Act, 2013 came into force on September 12, 2013. However, it was only on April 1, 2014 that substantial parts of the Act came into force.

“ We believe studying and learning from the practices of corporate leaders is an essential ingredient to professional excellence. ”

We focussed on six distinct areas, namely: Board Composition and Sub-committees of the Board, Directors Report, Secretarial Audit, Company Secretary, Corporate Social Responsibility and the AGM notice. In some sections of the analysis, it is more appropriate to exclude banks, while in other sections banks could also be included for the analysis. Considering this, we have highlighted the population used for each section prominently.

This study is undertaken by CimplyFive Corporate Secretarial Services Private Limited, a company with the vision to “leverage technology to eliminate procedural non-compliance for entities incorporated under the Companies Act, 2013.” We believe studying and learning from the practices of corporate leaders is an essential ingredient to professional excellence, which will enhance our domain competence and help us deliver superior value to our clients.

We look forward to your feedback on this study. Please share your feedback with us at shankar@cimplyfive.com.

Yours Sincerely,

Shankar Jaganathan

Founder & Chief Executive

CimplyFive Corporate Secretarial Services Private Limited

Date: December 15, 2015

Place: Bangalore



Executive Summary



Top Ten Takeaways

Company Secretaries Profile

The Companies Act, 2013, for the first time defines the Company Secretary as a Key Managerial Personnel. In addition, their responsibilities are enhanced by making them the Chief Compliance Officers.

1. Average³ annual compensation for Company Secretaries is Rs.110 lakhs.

► The range of compensation varied from Rs. 19 Lakhs to Rs. 496 Lakhs.

2. Three out of 50 Company Secretaries of Nifty Companies are women.

Secretarial Audit Firms

The Companies Act, 2013 for the first time mandates Secretarial Audits for Companies and Secretarial Audit Report formed a part of the 2015 Annual Reports.

3. The top five CS firms conducted Secretarial Audit for 22 Nifty companies (44%), with the top seven CS firms conducting the Secretarial Audit of 26 Nifty companies (52%).

Rank	Firm Name	# of Nifty audits
1	BNP Associates, Mumbai	6
2	► Dr. K.R. Chandratre, Pune ► Parikh & Associates, Mumbai	5 companies each
3	► Agarwal & Associates, New Delhi ► Chandrashekar Associates, New Delhi	3 companies each
4	► SN Ananthasubramanian & Co., Thane ► Sachin Bhagwat, Pune	2 companies each

4. Five Associate Members (ACS) of the ICSI signed the Secretarial Audit Reports of 6 Nifty companies. The balance 41 Audit Reports were signed by Fellow Members (FCS) of ICSI.

2. Average is computed for 46 companies which have reported CS compensation. 4 companies which have not reported are: BoB, Bosch, PNB and SBI.

Secretarial Audit Reports

The Companies Act, 2013 mandates the Secretarial Auditor to express an opinion on the compliance status of the Company with respect to the provisions of all Acts, Rules, Regulations, Guidelines, Standards etc. which are applicable to the Company by listing them in their report.

5. A total of 157 unique Acts, Rules, Regulations, Guidelines and Standards were referred to in the Secretarial Audit Reports of the 47 Nifty companies.

6. 13 (28%) of the 47 Nifty companies had qualified Secretarial Audit Reports, of which 7 were public sector companies.

Composition of the Board

The Companies Act, 2013 requires that every listed company shall have at least 1/3rd of their total number of Directors as independent directors and at least one woman director.

7. Nine companies did not meet the requirement of the minimum number of Independent directors, all belonging to the public sector. Six companies did not meet the requirement of having a Woman director, five of which are from the public sector.

Corporate Social Responsibilities

The Companies Act, 2013 mandates large companies, defined by the threshold of their net-worth, turnover or profit to constitute a CSR committee of the board to formulate and recommend CSR Policy, recommend expenditure to be incurred and monitor CSR Policy implementation. The Board is required to ensure that at least 2% of average profits of the last 3 years are spent on CSR, failing which, the Board shall report the reasons for not spending the amount.

8. Nifty companies spent 79% of the amount mandated under the Companies Act. Against the recommended amount of Rs.5046 crores, the 47 companies had spent Rs.3989 crores was spent.

9. 32 (64%) of the Nifty companies did not spend the mandated amount on CSR. The top 3 reasons stated for not spending the mandated amount was:

Sl. No	Reason for not spending the Mandated Amount	# of Companies	%
1	First year of CSR mandate, capacity to spend being built	12	38
2	CSR projects sanctioned, implementation spilling into the next financial year	9	28
3	CSR projects amount sanctioned, multi-year project being executed	4	13

10. The top 3 sectors by CSR spends were:

Rank	Sector	# of Companies	CSR Spend Rs. Crore
1	Promoting education, including special education and employment enhancing vocational skills especially among children, women, elderly and the differently abled and livelihood enhancement projects	42	1074
2	Eradicating hunger, poverty and malnutrition, promoting preventive health care and sanitation including contribution to the <i>Swachh Bharat Kosh</i> & making available safe drinking water	42	1030
3	Ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agro forestry, conservation of natural resources and maintaining quality of soil, air and water and including contribution to the clean Ganga Fund	28	496

3. The actual words used by the companies are not as clear-cut as is listed in the table. Most of the companies had a long and expansive write up under the reasons for shortfall in spends. The classification reflected in the table is based on capturing the gist of the write up to present broad trends and hence could be subjective.

Key Findings



Good, Great & Grim



I. Board Composition and Sub-committees

Section 149 of the Companies Act, 2013 requires a public limited company to have a minimum of three and a maximum of fifteen Directors. Further, certain class of companies are required to have at least one woman director and one-third of its board made up of independent directors. The Act also requires certain sub-committees of the board to be constituted for discharging specified responsibilities of the Board.

1. Composition of the Board

Directors	Least #	Most #	Average
Total Directors	GAIL 6	ITC 16	10.7
Independent directors	GAIL ^a /PNB/Coal India ^a /BoB 0	Bajaj/Dr.Reddy's/ITC/Infosys 8	5.1
% of Independent Directors to Total Directors	GAIL ^a /PNB/Coal India ^a / BoB 0%	Dr.Reddy's/Infosys 80%	47%
Executive Directors	8 Companies [§] 1	NTPC/ONGC 7	3.1
Women Directors	6 companies [#] 0	Idea/ Ultratech 3	1.1

[§]Companies with 1 Executive Director: ACC, Ambuja Cements, Asian Paints, Cairn India, HCL Technologies, Idea Cellular, IndusInd Bank, Yes Bank

^aCoal India and GAIL had independent directors for the part of the year; however as of March 31, 2015 there were no independent director.

[#]Companies without woman director –BPCL, GAIL, L&T, NTPC, ONGC, PNB

- i. 9 Companies that were without the specified number of independent directors as mandated by the Companies Act, 2013: BHEL, BoB, BPCL, Coal India, GAIL, NTPC, ONGC, PNB, SBI

2. Committees of the Board

Committees	Least #	Most #	Average
Number of Sub-committees	Bajaj Auto/ Grasim /Lupin / HDFC/ Wipro	PNB	7.8
	4	18	

- All the 50 Nifty companies had constituted Audit Committee, Stakeholder Relationship Committee, Nomination & Remuneration Committee of the Board.
- Some unique Sub-Committees of the Board
 - Committee of Independent Directors: BHEL, ITC, Yes Bank
 - Committee for Safety, Health & Environment: ONGC, Reliance, Tata Steel, Tata Motors
 - Committee for Sustainable Development: BPCL
 - Committee for Allotment of Shares under ESOP: HUL

3. Average Number of members in Sub-committees of the Board

Committee name	Average number of members	Least number of members	Highest number of members
Audit Committee	4.1	3 [#]	8 (SBI)
Nomination & Remuneration Committee	3.7	1 (ONGC)	6 (Power Grid)
Stakeholder Relationship Committee	3.4	2 [#]	7 (SBI)

[#]Many companies have the least number of members, hence not listed

II. Directors' Report

The Companies Act, 2013 requires a report by the Board of Directors to be laid before the members of the company in the general meeting in which financial statements are presented.

1. Quantitative details

Description	Minimum	Maximum	Average	ICSI Recommendation
Directors report including annexures in no. of pages	Tata Power/ Tata Motors 41	Coal India/ BHEL 141	53	NA
Number of section headings* in Directors Report	PNB/SBI 5	Coal India 51	29	42 total, of which 27 is applicable to all companies
Number of Annexures to the Directors Report	Bank of Baroda 0	Coal India 15	7	NA

*Some companies have used headings sparingly but have a larger number of sub-headings. In other instances, companies have used headings as default option and selectively used sub-headings.

2. Important Reports and their Placement in Directors Report

Report title	Part of Directors report	Mentioned in Directors Report and given as		Standalone in Annual report	# of Companies Not found in Annual Report
		Annexure	Standalone		
Report on Corporate Governance	1	16	30	3	-
Business Responsibility Report	-	6	31	8	5 [#]
Report on CSR Activities	-	46	-	-	4 [®]
Management Discussion and Analysis	5	6	29	6	4 [§]

[#]Of the 5, 4 [Axis Bank, Bajaj Auto, HCL Technologies, Tata Power] companies have reported that their Business Responsibility Report is available on the website, Coal India company had not made any mention in its Annual Report

[®] All the 4 companies who have not reported on their CSR activities are banks (BoB, Kotak, PNB, SBI)

[§]Of the 4, three are banks (SBI, PNB, HDFC Bank) and the fourth is Ambuja Cements

Key Findings

3. Annexures to the Directors Report

Listing of Annexures (where more than 25 companies have used it as an annexure)

Sl. no.	Annexures to Directors Report	# of Companies
1	Secretarial Audit Report	47
2	Report on CSR Activities	46
3	Extracts of Annual Return	45
4	Energy Conservation, Technology Absorption and Foreign Exchange earnings & outgo	26

4. Section Headings in the Directors Report

Listing of Section Headings (Where more than 25 companies have used it as a heading)

Sl. no.	Section Headings to Directors Report	# of Companies
1	Financial Highlights	50
2	Details of Employees	46
3	Details of Subsidiaries, JV or Associates	43
4	Statutory Auditors	43
5	Dividend	42
6	Corporate Social Responsibilities	42
7	Acknowledgements	40
8	Directors & Key Managerial Personnel	38
9	State of Affairs of the Company & Future Outlook	37
10	Corporate Governance	36
11	Vigilance Mechanism	36
12	Risk Management Policy	35
13	Conversation of Energy, Technology Absorption, Foreign Exchange and Outgo	34
14	Extracts of Annual Return	31
15	Related Party Transaction	31

- i. All the companies have reported on the Financial Highlights, but under different nomenclatures consisting of titles like Financial Performance, Performance Highlights, Performance review, Consolidated Results and so on.

- ii. We found the heading 'Criteria for determining qualifications, positive attributes and independence of Directors' in Tata Motors Directors Report
- iii. We found the heading 'Executive remuneration philosophy/ policy' in the Directors Report of Sun pharma

III. Secretarial Audit Report

The Companies Act, 2013 mandates the Secretarial Auditor to express an opinion on the compliance status of the Company with the provisions of all Acts, Rules, Regulations, Guidelines, Standards etc. which are applicable to the Company after listing them out.

1. Secretarial Auditor

- i. 5 Associate Members signed for 6 Nifty Companies compared to 41 Fellow Members of ICSI who signed Secretarial Audit Report of Nifty Companies.
- ▶ Senior most CS was PN Parikh with FCS membership number FCS327 and the junior most CS was Chintan Jagdishgiri Goswami with ACS33697 signed for Sun Pharma.
- ii. The earliest Audit Report was of ACC signed on 24-1-2015, with the latest was of Sun Pharma signed on 11-8-2015.
- iii. 7 CS firms conducted the Secretarial Audit of (26) 52% of Nifty Companies, with the top 5 contributing (22) 44%.
- iv. Top 5 Secretarial Audit Firms

Rank	Firm name	# of Companies	Name of Companies
1	BNP Associates	6	HDFC Bank, Cipla, Grasim, Yes Bank, Ultratech, Hindalco
2	Dr KR Chandratre	5	Asian Paints, Dr.Reddy, Vedanta, Tech Mahindra, Reliance Industries,
2	Parikh & Associates	5	TCS, Tata Steel, Tata Motors, Tata Power, ICICI
3	Agarwal & Associates	3	NTPC, GAIL, BHEL
3	Chandrasekaran & Associates	3	Bharti Airtel, Power Grid, HCL Technologies

- ▶ 2 firms: SN Ananthasubramanian & Co. and Sachin Bhagwat audited 2 NIFTY Companies each and the balance 21 companies were audited by different CS firms.

2. Secretarial Audit Report

- i. Secretarial Audit Report format
 - a) Audit Reports of 26 companies contained the annexure outlining the management's role, audit process and limitations of the report as set out in the Guidance Note on Secretarial Audit issued by ICSI.
 - b) In the report of three companies: Infosys, Wipro and Zee Entertainment, the auditor has specifically **excluded from their review 'applicable financial laws like direct and indirect tax laws'** as the same has been reviewed by statutory auditors and other designated professionals.
 - c) Secretarial Audit Report of Bosch contained the words **"Secretarial audit was not conducted pursuant to section 204 (1) of the Companies Act, 2013."** It appears that these words were included as the company's financial year started on January 1, 2014, while the Secretarial Audit Report mandate came into effect from April 1, 2014.
 - d) The Secretarial Audit Report of Ambuja Cements contains **two annexure which details the 'List of Documents Verified' and 'List of applicable laws to the Company.'**
 - e) In the Annual Report of HUL, preceding the Secretarial Audit Report, on the same page, the **Secretarial Auditor has given a report titled 'Secretarial Standards Report' indicated the decision of the management to voluntarily adopt Secretarial Standards and report the Company's compliance with the same.**
 - f) Secretarial Audit Report of GAIL **included the management response to the audit qualification**, which was placed immediately following each audit qualification, with the words Management Response at the start of the paragraph.
 - g) Secretarial Audit Report of Maruti Suzuki contained an **annexure listing the composition of the Board.**

3. Acts mentioned in the Secretarial Audit Reports

Number of Acts	Least	Most	Average	ICSI Format
Total number of Act	TCS	Kotak/ Hero MotoCorp		
	7	42	17	12
Industry specific Acts	IndusInd Bank	Hero MotoCorp		
	1	31	8	

- i. Of the standard 12 Acts and Regulations referred to in the Secretarial Audit Report format issued by the ICSI, the following Acts or Regulations have not been listed in the Secretarial Audit Report of the following companies.

Sl no.	Act reference	# of Companies not referring	Company
1	FEMA	1	Bosch
2	SEBI(Issue of Capital & Disclosure Requirements) Regulations, 2009	5	ACC, Kotak Bank, Lupin, ITC, Maruti
3	SEBI (ESOP Scheme & ESPS) Guidelines, 1999	8	ACC, Axis Bank, Bharti Airtel, Kotak Bank, Tata Motor, Tata Power, Tata Steel, TCS,
4	SEBI (Issue and Listing of Debt Securities) Regulations 2008	7	ACC, Infosys, ITC, Kotak Bank, Lupin, Maruti, TCS,
5	SEBI (Registrars to an Issue and Share Transfer Agents) Regulations, 1993	6	Kotak Bank, Lupin, Tata Motors, Tata Power, Tata Steel, TCS
6	SEBI (Delisting of Equity Share) Regulations, 2009	12	ACC, HDFC Bank, ICICI, Infosys, ITC, Kotak Bank, Lupin, Maruti, Tata Motors, Tata Power, Tata Steel, TCS
7	SEBI (Buyback of Securities) Regulations, 1998	13	ACC, Ambuja Cements, ICICI, Infosys, ITC, HDFC Bank, Kotak Bank, Lupin, Maruti, TCS, Tata Steel, Tata Power, Tata Motors

- ii. A total of 157 unique Acts, Rules, Regulations, Guidelines and Standards were referred to in the Secretarial Audit Reports of the 47 Nifty companies.
- iii. In the case of 17 companies, industry specific Acts have not been listed in the Secretarial Audit Report.

*The population for analysis of Secretarial Audit Report is 47 as Secretarial Audit report for 3 banks-SBI, PNB and BOB are not part of annual report.

Key Findings

iv. Qualifications in the Secretarial Audit Reports

Sl no.	Company	# of Qualifications	Nature of Qualifications
1	Tata Power	1	Non filing of MGT 14 in respect of 2 resolutions passed by the board of directors under section 179 (3) of the Companies Act, 2013 and rules made there under for investment of funds of the company.
2	Idea	1	Non-appointment of Small shareholders director
3	BHEL	1	Not meeting the requirement of having 50% independent directors as required under clause 49
4	HDFC	1	Spent less than the prescribed threshold amount towards CSR
5	ICICI	1	Spent less than the prescribed threshold amount towards CSR
6	Kotak Mahindra Bank	1	Spent less than the prescribed threshold amount towards CSR
7	NTPC	1	No women director on the board of the company for a part of the year.
8	BPCL	2	Inadequate representation by Independent directors on the board of directors No women director on the board of the company
9	Power Grid	2	Inadequate representation by Independent directors on the board of directors for part of the year E-forms relating to creation of Charge not filed, due to non-availability of lenders' PAN
10	Tata Steel	2	Form MGT 14 in respect of investment in equity capital of a JV, and Late transfer of unclaimed rights issue application money to IEPF.
11	ONGC	3	Inadequate representation by Independent directors on the board of directors for part of the year Audit & Ethics Committee and Nomination & Remuneration Committee not as per the requirements of the act and listing agreements for part of the year No separate meeting of independent directors held during the year
12	GAIL	4	No women director on the board of the company for a part of the year. Inadequate representation by independent directors on the board of directors for part of the year Inadequate representation by independent directors on the Audit, Nomination and Remuneration and CSR Committees of the board for part of the year Non-compliance with Performance Evaluation of the independent directors of the board of Directors
13	Coal India	5	Related Party Transaction without audit committee approval Inadequate representation by independent directors in the board of directors Sub Committees of the board –Audit, Nomination and Remuneration and CSR not as per Companies Act, 2013 No Independent director on the board of Directors of material, non-listed subsidiaries Compliance report confirming compliance with law not placed before the board for the first three quarters of the year

⁷Though Bosch has used the Secretarial Audit Report format, they were not mandated to have a Secretarial Audit as their financial year commenced on January 1, 2014. Their Secretarial Audit Report specifically contains a sentence, 'Secretarial audit was not conducted pursuant to section 204 (1) of the Companies Act, 2013.'

- a) Only 11 of the 13 companies have given the annexure to the Qualified Secretarial Audit Report that is found in the ICSI guidance note on Secretarial Audit.
- b) Idea Cellular: Qualification given in italics as stated in the ICSI FAQs on Secretarial Audit. In 12 other instances what appears to a layman as qualification and is positioned in the audit report where qualification is to be placed is not given in bold or in italics.
- c) In the case of 3 companies (HDFC, Kotak, ICICI), the Secretarial Auditor has mentioned shortfall in CSR spends compared to the prescribed threshold amount.

IV. Company Secretary

1. Profile of Company Secretary

- i. Only 3 women out of 50 Company Secretaries in the Nifty companies. (Adani Ports, Grasim, Power Grid Corporation)
- ii. 2 companies, have published photos of Company Secretary in their Annual Report. (Zee Entertainment, Hindustan Unilever Limited). In BPCL, while the name of Company Secretary is placed along with the directors, the photo slot is left blank.
- iii. Some unique responsibilities combined:
 - a) Asian Paints: CFO and Company Secretary
 - b) Cipla: Company Secretary and Chief Internal Auditor
 - c) Infosys: Chief Risk and Compliance Officer and Company Secretary
 - d) TCS: Company Secretary and Treasury
 - e) Bosch: VP (Corporate Finance, Accounts & Controlling) & Company Secretary

2. Popular designations for Company Secretaries

Designation	# of Companies	%
Company Secretary	29	58%
Company Secretary combined with legal function	5	10%
Company Secretary & Chief Compliance Officer	3	6%

3. Compensation for CS⁸

Parameter	Least	Highest	Average
Compensation paid to Company Secretary	Adani	Bharti Airtel	
	Rs.19 lakhs	Rs.456 lakhs	Rs.110 lakhs
Designation	Company Secretary	Group General Counsel & Company Secretary	

V. Corporate Social Responsibility

1. CSR Spends⁹

Description	Least	Most	Total
CSR Mandated	Zee Entertainment	ONGC	
	Rs.19.3 crores	Rs.660.6 crores	Rs. 5046 crores
CSR Spent	Idea Cellular	Reliance	
	Nil	Rs.760.5 crores	Rs.3989 crores
CSR spent as % of Mandated, and amount spent	Idea Cellular	Tech Mahindra	
	0%	164%	
	Nil	Rs.50.5 crores	79%

- ▶ 48 of the 50 companies analysed has invested in CSR activities. In the case of SBI and Bank of Baroda expenditure on CSR was not reported as part of annual reports.
- ▶ 3 companies: Vedanta, Sun Pharma and Tata Motors as per Section 135 were not mandated to spend on CSR, but spent on CSR. Vedanta Rs. 25.5 crores, Tata Motors Rs.18.62 crores and Sun Pharma Rs. 4.67 crores.

⁸ This section of the report contains analysis for only 46 companies. Bosch and the three Banks BoB, PNB and SBI have not reported this data.

⁹ This section contains the details of 47 companies which have reported their expenditure on CSR. BoB, PNB and SBI had not reported their CSR spends.

Key Findings

2. Reason for Not Spending the Mandated Amount

32 of the 47 companies have spent less than the prescribed amount. The explanation provided for short spending is given below:

Sl. No	Reason for not spending the Mandated Amount	Companies stating this reason ¹⁰	# of Companies
1	First year of CSR mandate, capacity to spend being built	Asian Paints, Axis Bank, Bharati Airtel, Cairn, Cipla, Dr.Reddys, HDFC Bank, HCL Technologies, Idea Cellular, IndusInd, Lupin, Maruti	12
2	CSR projects sanctioned, implementation spilling into the next financial year	Bajaj, BPCL, GAIL, Grasim, Hero MotoCorps, Hindalco, Infosys, Ultratech, Zee	9
3	CSR projects amount sanctioned, multi-year project being executed	TCS, Power Grid, ONGC, NTPC	4
4	CSR projects implemented, but costs were lower than budgeted	ICICI	1
5	CSR mandate not applicable as financial year started on January 1, 2014	Bosch	1
6	CSR policy formulation delayed due to the delay in CSR rule formulation	BHEL	1
7	CSR spends not recognized under Schedule VII	L&T	1
8	No explanation	HDFC, Kotak Bank	2
9	Commitment to spend in future	Yes Bank	1
Total			32

¹⁰ The actual words used by the companies are not as clear-cut as is listed in the table. Most of the companies had a long and expansive write up under the reasons for shortfall in spends. The classification reflected in the table is based on capturing the gist of the write up to present broad trends and hence could be subjective.

3. Popular CSR sectors

Sector	# of Companies	Amount in Rs.Crores
Eradicating hunger, poverty and malnutrition, promoting preventive health care and sanitation including contribution to the Swachh Bharat Kosh & making available safe drinking water	42	1030
Promoting education, including special education and employment enhancing vocational skills especially among children, women, elderly and the differently abled and livelihood enhancement projects	42	1074
Promoting gender equality, empowering women setting up homes and hostels for women and orphans; setting up old age homes day care centres and such other facilities for senior citizens and measures for reducing inequalities faced by socially and economically backward groups	25	219
Ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agro forestry, conservation of natural resources and maintaining quality of soil, air and water and including contribution to the clean Ganga Fund	28	496
Protection of national heritage, art and culture including restoration of buildings and sites of historical importance and works of art. Setting up public libraries, promoting and development of traditional art and handicrafts	10	39
Measure for the benefit of armed forces veteran, war widows and their dependents	1	0.1
Training to promote rural sports, nationally recognized sports, para Olympic sports and Olympic sports	9	33

Contribution to the Prime Ministers National Relief fund or any other fund set up by the Central Government for socio-economic development and relief and welfare of the scheduled caste, the scheduled tribes other backward classes, minorities and women	8	53
Contributions or funds provided to technology incubators located within academic institutions which are approved by the central government	-	-
Rural development projects	23	456
Administrative Expenses/ Overheads	21	65
Not classified	4	524
Total		3989

VI The Notice for the Annual General Meeting

1. Annual General Meeting Calendar

Parameter	Least	Highest	Average	Highest
Year-end to Board meeting	TCS 16 days	Sun Pharma 133	60 days	60 days
Board meeting to AGM	Power Grid 36 days	Bosch 152 days	70 days	NA
Year-end to AGM	Yes Bank 67	Sun Pharma 214	130	6 months

2. Number of Shareholder Resolutions

Description	Least #	Most #	Average
Ordinary Business	PNB 2 nos.	ICICI/ HUL 6 nos.	4.43 nos.
Special Business	Tech Mahindra 0	Kotak Bank 12	4.5
AGM Notice size excluding admission slip, proxy and route map	Bank of Baroda 1 page	Yes Bank 20 pages	10 pages

- ▶ Shareholders of nationalized banks do not appoint statutory auditors. The statutory auditor is appointed by the Reserve Bank of India.



Prickly Points to Ponder

While conducting this analysis of the Nifty companies a few questions propped up in our minds. We thought we should present it to a larger audience for their consideration.

Secretarial Audit Report

1. Could the independence of the secretarial auditor be at risk considering the combined effects of the three elements:
 - i. The auditor is not barred from providing any other service to the company
 - ii. The fees paid to the secretarial auditor is not shared with the shareholders, and
 - iii. The auditor is appointed by the board of directors and not by the shareholders to whom the report is submitted
2. Can the secretarial auditor present his opinion on compliance by the company to the shareholders in the absence of the Board of Directors making an affirmation of the same to the shareholder? Is a private management representation to the auditor, which is not made public adequate for this purpose?

An analogy to this practice would be the statutory auditors presenting their audit report and certifying the profits and state of affairs of the company based on financial statements presented to them in private, in the absence of the board approved financial statements being presented to the shareholders?

Directors Report

3. Over time, the contents of the Board of Directors report has grown to humongous level leaving one wondering if the shareholders and stakeholders do read it. Given the length and the constant additions made it over time, could this be the right time for requiring an executive summary of the Directors Report to be given to the shareholders for more effective communication.

Corporate Social Responsibility

4. Reporting could be a key aspect of raising CSR spends by the companies to the prescribed levels. To enable this could we consider providing a set of predefined reasons for shortfall in CSR spends with one residuary option titled 'Others' which the company could detail. This will enable stakeholders to track company's performance over the years in addition to providing a basis for comparison between companies.
5. When Companies and Public Sector Undertakings are required to spend and report on CSR, is there a rationale for exempting PSU banks from making similar disclosures?





Team, Disclaimer and Limitations

Team



CS Eti Basaniwal



CS Navya Ranganath

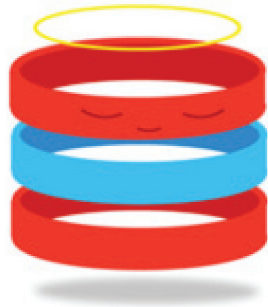


Shankar Jaganathan

Disclaimer and Limitations

- ▶ General Information: CimplyFive has prepared INDIA SECRETARIAL PRACTICES report to identify new trends, practices and lessons emerging from the introduction of the Companies Act, 2013, with the intent of disseminating it to all Corporates in general and the CS and CAs professionals in particular. This report is not intended to act as a recommendation or condemnation of any practice, company or firm covered in this report.
- ▶ Risk Warning: CimplyFive shall not be responsible for any loss or damage arising for anyone using any information contained in this report.
- ▶ Source of Information: CimplyFive has used the information contained in the Annual Report of the Companies in the pdf form as found on their website.
- ▶ Limitations: Competent professionals with adequate experience have undertaken this study. Further it has also followed a due process of checks and verification to ensure accuracy of this report. This should have eliminated almost all errors from this report. If any points in the nature of errors are brought to our notice and we agree with the same, CimplyFive will rectify the report at the earliest and have the revised report available on its website. CimplyFive does not accept any loss or damage caused to any individual or institution by use of this Report.



**BLISS**

Board Leaders Integrated Software Solution

BLISS is a digital productivity tool that automates the routines, provides timely alerts, and a real time dashboard –all aimed at ensuring compliance and good corporate governance. By doing so, it also provides complete peace of mind to the Board of Directors and assurance to Shareholders by providing them with real-time compliance status with respect to the Companies Act, 2013.



Companies Act Integrated Ready Reckoner

www.ca2013.com is a free to use website that provides the Indian Companies Act, 2013 at your fingertips. This site uses hypertexts to integrate the Act with Rules, Notifications, Orders and Circulars and provide a single point view of the law as it prevails. Updated real-time, this site is available 24 by 7 and can be accessed from your PC, Laptop or your smart phone. This is a must have site for every Chartered Accountant, Company Secretary and Corporate Professional.

Notes



CIMPLYFIVE CORPORATE SECRETARIAL SERVICES PRIVATE LIMITED

35/1, Second Floor, 16th Cross, 8th Main Road, Bangalore 560055.

Phone: 080-2344 1212

Email: contact@cimplyfive.com

Web: www.cimplyfive.com