

India Secretarial Practice 2019

A study of Nifty 50 companies



January 2020

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Disclaimer and Limitations of the Study

- **General Information:** CimplifyFive has prepared India Secretarial Practices 2019 Report to identify new trends, practices and lessons emerging from the secretarial practices of Nifty 50 companies, with the intent of disseminating it to all Corporates in general and the CSs 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.
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- **Source of Information:** CimplifyFive has used the information contained in the Annual Report of these Companies found in the pdf format in their website or the stock exchange's website.
- **Limitations:** Competent professionals with adequate experience have undertaken this study. Further, they have also followed a due process of checks and verifications 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, CimplifyFive will rectify the report at the earliest and have the revised report available on its website. CimplifyFive does not accept any loss or damage caused to any individual or institution by use of this report.

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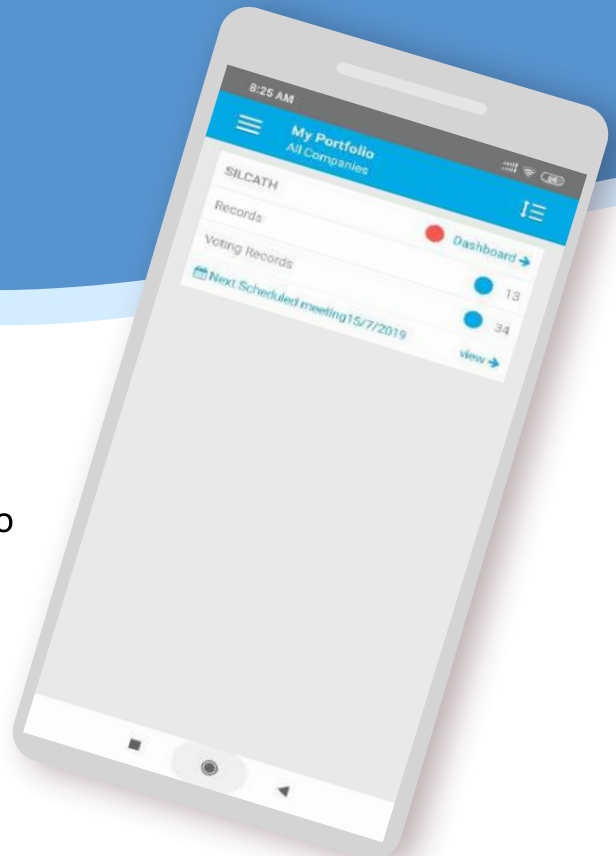


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NIFTY 50 Companies

1. Adani Ports and Special Economic Zone Ltd	11. Cipla Ltd	21. Hindustan Unilever Ltd	31. Larsen & Turbo Ltd	40. Tata Consultancy Services Ltd
2. Asian Paints Ltd	12. Coal India Ltd	22. Housing Development Finance Corp Ltd	32. Mahindra & Mahindra Ltd	41. Tata Motors Ltd
3. Axis Bank Ltd	13. Dr. Reddy's Laboratories Ltd	23. ICICI Bank Ltd	33. Maruti Suzuki India Ltd	42. Tata Steel Ltd
4. Bajaj Auto Ltd	14. Eicher Motor Ltd	24. Indiabulls Housing Finance Ltd	34. NTPC Ltd	43. Tech Mahindra Ltd
5. Bajaj Finance Ltd	15. GAIL India Ltd	25. Indian Oil Corp Ltd	35. Oil & Natural Gas Corp Ltd	44. Titan Co Ltd
6. Bajaj Finserv Ltd	16. Grasim Industries Ltd	26. IndusInd Bank Ltd	36. Power Grid Corp of India Ltd	45. UltraTech Cement Ltd
7. Bharat Petroleum Corp Ltd	17. HCL Technologies Ltd	27. Infosys Ltd	37. Reliance Industries Ltd	46. UPL Ltd
8. Bharti Airtel Ltd	18. HDFC Bank Ltd	28. ITC Ltd	38. State Bank of India	47. Vedanta Ltd
9. Bharti Infratel Ltd	19. Hero MotoCorp Ltd	29. JSW Steel Ltd	39. Sun Pharmaceuticals Industries Ltd	48. Wipro Ltd
10. Britannia Industries Ltd	20. Hindalco Industries Ltd	30. Kotak Mahindra Bank Ltd		49. Yes Bank Ltd
				50. Zee Entertainment Ltd

About CimpfyFive

CimpfyFive Corporate Secretarial Services Private Limited is a pioneer in offering research and technology-based solutions for compliance with the Companies Act, 2013 and LODR, 2015. Our SaaS based product portfolio, Board Leaders Integrated Software Solution (BLISS) and its variants, is designed to eliminate the procedural non-compliance risk for entities regulated under the Indian Companies Act, 2013 and LODR, 2015. More details about CimpfyFive and its product BLISS can be obtained from our website www.cimpfyfive.com.

CimpfyFive also provides a free to use website www.ca2013.com that provides Company Law at your fingertips. This site uses hypertext to integrate rules, notifications, orders and circulars with the Act and provides real-time, online access to the Companies Act, 2013, LODR, 2015 and IB Code, 2016 as it stands on that day.

1. Preview

Dear Reader,

At the outset, Team CimplifyFive wishes you all a very happy and prosperous new year. May this year usher in good health, happiness and prosperity. Our **India Secretarial Practices 2019** report is based on the Annual Reports of Nifty 50 companies published in 2019. Our focus continues to be on the secretarial practices of the Nifty 50 companies as we believe that the practices of Nifty 50 companies reflect and influence the practices across the wider corporate sector.

During the financial year 2018-19, Nifty 50 was reconstituted with effect from March 29, 2019, with Britannia Industries replacing Hindustan Petroleum Corporation. Our analysis is based on Nifty 50 constituents as of March 31, 2019 and therefore includes Britannia. To this limited extent of change in composition of Nifty 50, the figures may not be comparable with the previous year figures.

From a regulatory perspective, the Nifty 50 companies that were analysed fall under four distinct ambits. In addition to the Companies Act, 2013, Banks are regulated by the Banking Regulation Act, 1949, Public Sector Undertakings by DPE guidelines and State Bank of India by a distinct Act. Based on regulatory umbrella, the break-up of the Nifty 50 companies is as detailed in Table 1.1.

Table 1.1 Regulatory Ambit of Nifty 50 Companies

Regulatory Ambit	2019	2018
Banking Regulation Act, 1949 / State Bank of India Act, 1955	1	1
Banking Regulation Act, 1949 /The Companies Act, 2013	6	6
Department of Public Enterprise Guidelines and the Companies Act, 2013	7	8
The Companies Act, 2013	36	35
Total	50	50

We have analysed nine key areas in this study, namely Board Composition, Sub-Committees, Non-Executive Directors' Compensation, Statutory Auditors, Secretarial Auditors, Company Secretary, Directors' Report, Corporate Social Responsibility and the AGM notice.

A key aspect of our study is to analyse the data and share our inference of it. We believe that the data tabulated in this report can help corporate professionals and Company Secretaries benchmark their company's performance and plan their secretarial calendar for the next year.

This study is undertaken by CimplifyFive Corporate Secretarial Services Private Limited. Our vision is to leverage research and technology to eliminate procedural non-compliance for entities regulated by the Companies Act, 2013. We believe studying and learning from corporate leaders are essential ingredients 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 report. Please share it with us at contact@cimplifyfive.com.

Yours sincerely,



Shankar Jaganathan
 Founder & Chief Executive
 CimplifyFive Corporate Secretarial Services Private Limited
 January 31, 2020

2. Findings in A Nutshell

- **Strong Currents in Still Waters!**

- On surface, there is no visible change in the board room activity levels of the Nifty 50 Companies based on the average number of board meetings-8 meetings in 2019, the same as in 2018, **but** at the sub-committee level there was heightened activity:
 - 80% increase in the average number of Audit Committee meetings, increased from 4.18 in 2018 to 7.52 in 2019;
 - 23% increase in the average number of Nominations and Remunerations Committee meetings from 3.85 in 2018 to 4.72 in 2019;
 - In contrast, the activity levels of the CSR, Stakeholders Relationship Committee and the Risk Management Committees showed a marginal change.

The increased activity is probably the result of changing economic environment and increased focus on the role and responsibilities of Directors due to corporate scandals that surfaced during the year. Will this level of activity continue in 2020 as well?

- **Value driving the Cost?**

- 14% increase in the average sitting fees paid to non-executive Directors by the Nifty 50 Companies, from ₹60.4 lakhs in 2018 to ₹68.6 lakhs in 2019, even as the average Commission paid to Non-Executive Directors fell by 23% from ₹505 lakhs in 2018 to ₹388 lakhs in 2019;
- The average audit fees paid to statutory auditors increased from ₹259 lakhs to ₹283 lakhs, an increase of 9%;
- The average compensation paid to Company Secretaries, who are the chief compliance officers increased from ₹115 lakhs in 2018 to ₹134 lakhs in 2019, an increase of 16%.

The sitting fees paid to the non-executive Directors, the audit fees to auditors and the compensation paid to company secretaries show a uniform raise. Does this reflect the increased appreciation for compliance and control functions?

- **Comply or Explain Rule Works**

- For the first time, the total CSR spends by the Nifty 50 companies crossed the mandated amount and stood at 104%, vs 98% in 2018. In the first year of mandate, i.e.2014-15, CSR spends by the Nifty 50 companies were at 79% of the mandate.

Is this a sign of the 'Comply or Explain' Rule working in India? If yes, can it be used effectively for introducing 'unpopular' regulatory changes, like the recently withdrawn regulatory change that sought to cut the umbilical cord connecting the Chairman and Managing Director in a company?

3. Highlights of Our Study

Composition of the Board and Frequency of Meetings

The Companies Act, 2013 requires every listed company to have a minimum of 1/3rd of their total number of Directors as Independent Directors and at least one women Director on their Board. Further, regulation 17 of the LODR requires where the company does not have a regular non-executive Chairperson, at least half of the board of directors shall comprise of independent directors.

1. All the Nifty 50 companies had the required minimum number of Independent Directors and at least one women Director as required by the law, as of March 31, 2019.

The average number of Directors in the Nifty 50 companies remained at 12 (2018:12) Directors, the same as in the previous year. L&T had the highest number of Directors at 22¹ (2018: 22) and Eicher Motors had the least number of Directors at 4 (2018: 5).

2. The average number of board meetings held in the year by the Nifty 50 companies remained at 8 (2018: 8), the same as in the previous year.

Coal India Limited had the highest number of board meetings at 21 (2018: 22) and the least number of board meetings of 4, was held by three companies Grasim, Hero and JSW, the minimum number statutorily required. In the previous year, four companies Bharti Infratel, Eicher Motors, Indiabulls and Tech Mahindra had conducted the minimum required of four board meetings each.

Sub-Committees of the Board and Frequency of Meetings

SEBI's LODR, 2015 requires listed companies to have an Audit Committee, Nominations & Remuneration Committee, Stakeholder Relationship Committee and Risk Management Committee. Further, companies based on their size are also required to constitute a CSR Committee.

3. All the Nifty 50 Companies had constituted an Audit Committee and Nominations & Remuneration Committee.

Nifty 50 companies had an average of 7.4 (2018: 8) committees. NTPC had the maximum number of committees at 17 (2018:15) while Titan, UPL and Wipro had 4 committees (2018: 4).

Non-Executive Directors' Compensation

Non-executive Directors are entitled to receive a sitting fee for the Board meeting and sub-committee meetings of the company. In addition, where decided by the shareholders, they are also entitled to receive commission, which is quantified as a percentage of profits of the Company.

4. ₹68.62 lakhs (2018: ₹60.4 lakhs) is the average sitting fees and ₹388.89 lakhs (2018: ₹505.4 lakhs) is the average profit-based commission paid by the Nifty 50 to their Non-executive Directors.

UltraTech paid the highest commission to their Non-executive Directors at ₹17.99 crores (2018: ₹21.25 crores) and the highest sitting fees paid to the Non-executive Directors was ₹245.50 lakhs, Axis Bank (2018: ₹195 lakhs, Axis Bank). The lowest sitting fees paid was Rs.8.01 lakhs (2018: Rs.10.6 lakhs)

¹ L&T had 23 Directors of which one ceased to be a Director with effect from 2-5-2018

Statutory Auditors

Every company regulated by the Companies Act, 2013 is required to have a Statutory Auditor appointed by its Shareholders who is required to report to the shareholders on the State of Affairs of the company and its profitability by providing an opinion on the financial statements approved by the Board of Directors.

- Ranked #1 among the Statutory Audit firms was EY represented by S R Bataliboi & Associates LLP and S R Batliboi & Co., LLP who conducted audits for 13 (26%) companies. The other three Big 4 Audit firms were ranked from 2 to 4 ranks. Together, the Big 4 Audit firms accounted for 36(2018: 40) companies, a reduction of 4 companies that constituted 72% of the index.

Table 3.1 Statutory Auditors Ranking

Rank	Firm Name	# of Audits
I	SR Batliboi and Associates LLP & S R B C & Co. LLP (EY)	13
II	BSR & Co., LLP (KPMG)	11
III	Deloitte Haskins & Sells LLP	10
IV	Price Waterhouse Chartered Accountants LLP	2
IV	Walker Chandniok & Co LLP	2

- The average fees paid for statutory audit by the Nifty 50 companies was ₹2.83 crores, an y-o-y increase of 9.2%. Reliance Industries paid the highest audit fee of ₹11 crores, y-o-y increase of 10%, while Bajaj Finserv paid ₹11 lakhs, y-o-y increase of 37.5% at the lower end.

Secretarial Auditors

Company Law requires all public limited companies with paid-up share capital of ₹50 crores or more, or turnover of ₹250 crores or more and all listed companies to appoint a practicing company secretary as their Secretarial Auditor who are required to give their opinion on the adequacy of systems and processes to ensure compliances with all applicable laws, rules, regulations and guidelines.

- BNP Associates was Ranked #1 among the CS firms for secretarial audits. They conducted audits for 7 companies (2018:7) the same as in the previous year. The top five CS firms conducted Secretarial audit for 24(2018: 23) companies, an increase of one.

Table 3.2 Secretarial Auditors Ranking

Rank	Firm Name	# of Audits
I	BNP Associates	7
II	Parikh & Associates	5
III	Dr. K R Chandratre	4
III	Chandrasekaran Associates	4
III	Vinod Kothari & Company	4

Company Secretaries Profile

The Companies Act, 2013 included Company Secretary as a Key Managerial Personnel for the first time. In addition, their responsibilities are enhanced by making them the Chief Compliance Officer. Does their compensation reflect their enhanced responsibility?

8. Average² annual compensation for Company Secretaries of the Nifty 50 Companies was ₹134 lakhs, an y-o-y increase of 16.1% over the previous year, 2018. The highest compensation was at ₹675 lakhs, a y-o-y increase of 12.3% and at the lower end it was ₹33.67 lakhs, a y-o-y increase of 28.8%.

In 2019, eight out of the 50 Company Secretaries of Nifty 50 Companies were women, the same as in the previous year, 2018. Women account for only 16% of the Company Secretaries in the Nifty 50 Companies.

Corporate Social Responsibility

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 three years is spent on CSR, failing which, the Board shall record the reasons for not spending the mandated amount.

9. The mandated amount in 2019 for CSR spends by Nifty 50 companies was ₹6842 crores, a y-o-y increase of 6.3%. The Actual spends at ₹7110 crores was a y-o-y increase of 12%, which is 104% of the mandate, compared to 98% spent in 2018.
10. Out of the 49 Nifty 50 companies that were mandated to spend on CSR, ten companies did not spend the mandated amount, the same number as in 2018. SBI being governed by a distinct Act was not mandated to spend on CSR but has spent and reported their CSR spends.

Two companies, Sun Pharma and Tata Motors spent money on CSR although they had past losses and were not mandated to spend on CSR. Tata Steel had the maximum amount spent over and above the mandated amount at ₹232.54 crores (₹314.94 crores spend vs. ₹82.40 crores mandated) with Tata Consultancy Services having the highest amount of CSR mandate unspent at ₹108 crores.

² Average is computed for 49 companies which have reported CS compensation. SBI is the one company which has not reported CS Compensation

4. The Board (Composition and Meetings)

Section 149 of the Companies Act 2013 requires a public limited company to have a minimum of three and a maximum of fifteen Directors. However, with shareholders special resolution, a company can have more than 15 Directors. In addition, certain class of companies are required to have a minimum of one women Director and one-third of its Board to comprise of Independent Directors Further, regulation 17 of the LODR requires where the company does not have a regular non-executive Chairperson, at least half of the board of directors shall comprise of independent directors. The Act also requires certain sub-committees to be constituted for discharging specific responsibilities of the Board.

A. Composition of the Board

Table 4.1: Composition of the Board of Directors of Nifty 50 Companies

Description	# of Directors		Company Names	
	2019	2018	2019	2018
Directors on the Board				
Average	12	12	↔	
Maximum	22	22	L&T	L&T
Minimum	4	5	Eicher	Eicher
Independent Directors				
Average	6	6	↔	
Maximum	11	11	L&T	L&T
Minimum	3	3	Eicher	PowerGrid
Composition Maximum	83%	80%	Dr.Reddy's	Dr.Reddy's/ Eicher
Composition Minimum	33.33%	33.33%	Maruti	Maruti/ PowerGrid
Women Directors				
Average	1.82	1.60	↑	
Maximum	4	4	Ultratech	Cipla/Ultratech
Minimum	1	1	18 Companies ³	28 Companies ⁴
Executive Directors				
Average	3	3	↔	
Maximum	8	7	Indian Oil	Indian Oil/ L&T/
Minimum	1	1	11 Companies ⁵	NTPC/ 10 Companies ⁶

- i. All the Nifty 50 companies had the required number of **Independent Directors**, as required by the law. Dr. Reddy's board comprised of 83% Independent Directors, the highest proportion.
 - In NTPC, the number of Independent Directors was below the required level from April 1, 2018 to July 29, 2018.
- ii. All Nifty 50 companies had a **Women Director** on their board, as required by the law. 32 companies (2018: 18 companies) went beyond the legal requirement and had more than one Women Director, with seven companies having 3 women Directors each.
- iii. Public sector undertaking had higher number of Executive Directors, with the lowest being five (5) and the highest at eight (8).

³ Bajaj Auto, Bajaj Finance, Bajaj Finserv, BPCL, Eicher Motors, , HDFC Bank, HeroMotoCorp, HUL, Indiabulls Housing Finance, Indian Oil, Kotak Mahindra, M&M, Sun Pharma, Tata Steel, Tech Mahindra, UPL, Yes Bank, Zee

⁴ Adani Ports, Bajaj Auto, Bajaj Finance, Bajaj Finserv, Dr.Reddy's, Eicher Motors, GAIL, Grasim, HDFC Bank, HeroMotoCorp, Hindalco, HUL, HDFC, Indian oil, IndusInd, JSW Steel, Kotak Mahindra, M&M, NTPC, ONGC, Reliance Industries, Sun Pharma, TCS, Tata Steel, Tech Mahindra, Wipro, Yes Bank, Zee

⁵ Asian Paints, Bajaj Finance, Bajaj Finserv, Britannia, Eicher motors, HCL, IndusInd, Tech Mahindra, Titan, YES Bank, Zee

⁶ Asian Paints, Bajaj Finance, Bajaj Finserv, Eicher Motors, HCL, IndusInd, Tech Mahindra, Titan, YES Bank, Zee

B. Changes in the composition of Board during the financial year

Table 4.2: Change in Board Composition during the Financial Year

Description	# of Companies		# of Directors		Companies with highest activity	
	2019	2018	2019	2018	2019	2018
New Appointments	44	30	105	82	Yes Bank-11	Coal India 7
Reappointments	37	6	99	14	Bajaj Finance-6	Indiabulls -4
Separations/Retirements	37	30	66	60	Yes Bank-7	BPCL -5
No change in Board compositions	1	13	-	-	Tata Motors	

- **Increased Traffic in board rooms:** The activity in the board rooms of the Nifty 50 companies increased with more companies reconstituting their boards and the number of Directors' appointment and re-appointments increasing.

C. Number of Board Meetings

Companies need to conduct a minimum of 4 board meetings in a financial year. Based on business exigencies, a company may conduct more board meetings as required.

Table 4.3: Board Meetings conducted in a Financial Year

Description	# of Meetings		Company names	
	2019	2018	2019	2018
Average	8	8		
Maximum	21	22	Coal India	Coal India
Minimum	4	4	Grasim, Hero Motorcorp, JSW Steel	Bharti Infratel, India Bulls, Eicher Motors, Tech Mahindra

- 3 companies had the statutory minimum number of 4 board meetings in the financial year 2018-19, compared to 4 companies in the previous financial year.
- The average number of Board meetings conducted during the financial year 2018-19 remained at 8 meetings, the same as in the previous financial year.
- With 21 board meetings, Coal India had the highest number of board meetings in a financial year, three short of two board meetings a month.

5. Sub-Committee (Nature and Composition)

To promote efficiency and effectiveness, a board can constitute committees of its members on specific domains to evaluate in detail options available and recommend a decision to the Board. Further, the law requires a listed public company to constitute an Audit Committee, Nomination & Remuneration Committee, Stakeholder Relationship Committee, Risk Management Committee and CSR Committee.

Table 5.1: Committees of the Board

Description	# of Sub-Committees		Companies	
	2019	2018	2019	2018
Average	7.4	8		
Maximum	17	15	NTPC	NTPC
Minimum	4	4	Titan/ UPL/Wipro	Titan, Wipro

- i. All the Nifty 50 companies had constituted **Audit Committee** though called by different names like 'Audit and Risk management Committee' or 'Audit and Ethics committee' or 'Audit, Risk Management Committee'.
- ii. All the Nifty 50 companies had constituted **Nomination and Remuneration Committee** though called by different names for example- 'Human Resource, Nomination & Remuneration Committee', 'Board Governance, Nomination & Compensation Committee', 'Nomination Committee'.
- iii. Some unique sub-committees constituted by the Board were:
 - a) Committee of Wholetime Directors: Axis Bank
 - b) Science, Technology and Operations Committee: Dr. Reddy's
 - c) Sustainable Development Committee: Bharat Petroleum Corporation
 - d) Health, Safety and Environment Committee: Reliance Industries, Tata Steel
 - e) Health, Safety and Sustainability Committee: Tata Consultancy, Tata Motors
 - f) Diversity Committee: HCL Technologies
 - g) Committee on Promoter Dilution: Kotak Mahindra Bank
 - h) Capital Raising Committee: Yes Bank
 - i) Ethics & Compliance Committee: TCS

Table 5.2 Composition of the Board's Sub - Committees

Committee	No of Companies		Maximum Members		Average Number of Members		Minimum Members	
	2019	2018	2019	2018	2019	2018	2019	2018
Audit	50	50	10	7	4.72	4.24	3	3
Nomination & Remuneration	50	50	8	6	4.26	3.76	3	3
Stakeholder Relations	50	50	9	8	3.88	3.42	2	2
CSR	49	49	9	6	4.53	4.24	3	3
Risk Management	43	43	11	11	5.35	4.93	3	3

- All the 50 companies had an Audit Committee, Nominations & Remunerations Committee and the Stakeholders Relations Committee.
- 49 of the 50 companies had a separate CSR Committee constituted. In Wipro, the Board Governance, Nominations and Compensation Committee also oversees the CSR initiatives of the Company.
- Only 43 companies had a separate Risk Management Committee constituted.
- Reflecting its importance, only 5 companies (11 companies in 2018) had the minimum number of 3 members in the Audit Committee. The balance 45 companies had higher number of members with the average being 4.72 members (4.24 members in 2018), i.e. an increase of 24 members on the Audit Committee across all Nifty 50 Companies.

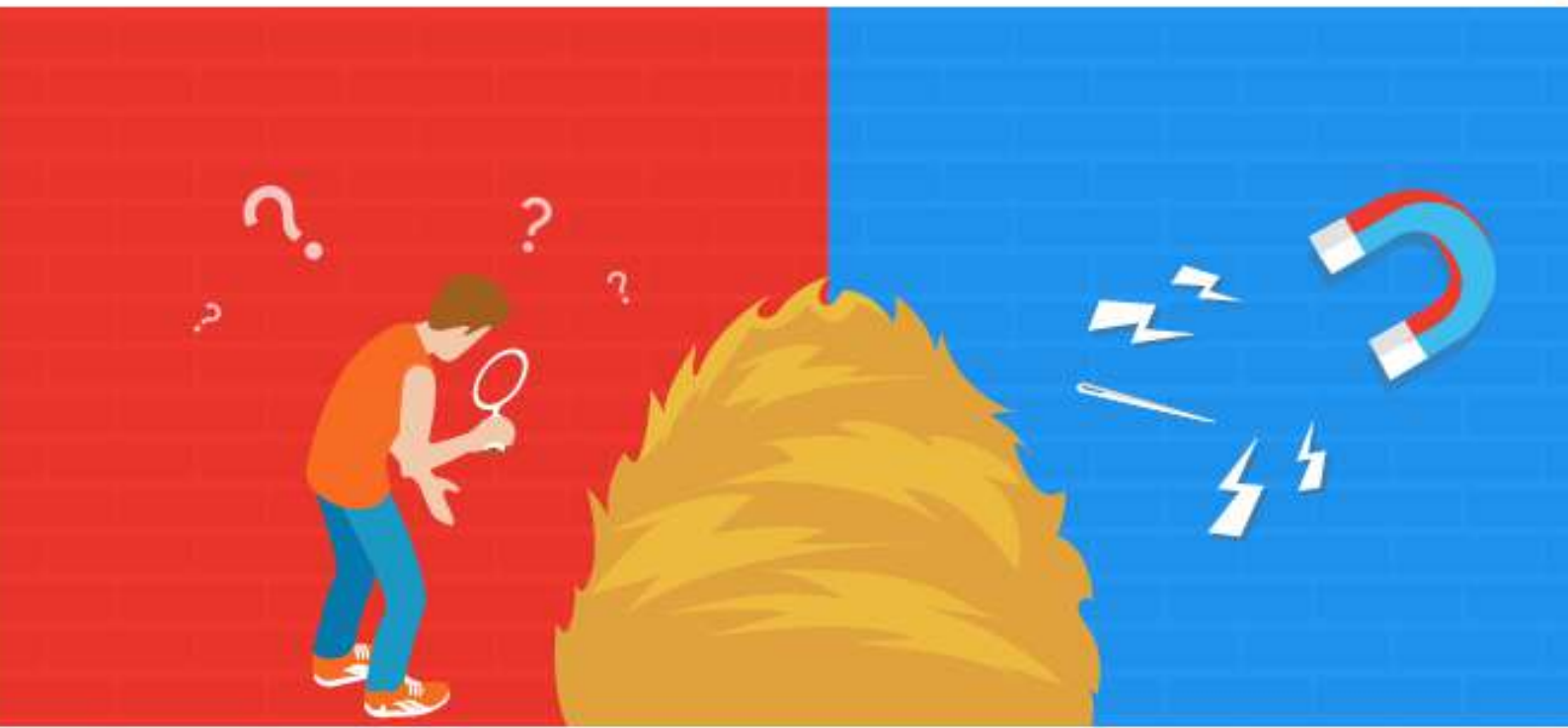
Table 5.3: Frequency of Committee Meetings

Committee	Maximum Meetings		Average Meetings		Minimum Meetings	
	2019	2018	2019	2018	2019	2018
Audit	18	15	7.52	4.18	4	4
Nomination & Remuneration	16	8	4.72	3.85	1	1
CSR	11	8	3.16	3.12	0	1
Stakeholder Relations	19	14	3.40	3.26	0	1
Risk Management	9	8	3.07	3.06	0	0

- Overall, across all the sub-committees, the number of meetings has gone up.
- In the two most important committees, the increase is significant - for Audit Committee, the average number has gone up from 4.18 to 7.52 meetings, an 80% increase and for Nominations & Remunerations Committee from 3.85 to 4.72, a 23% increase.
- At the higher end too, the number of meetings across all the committees has gone up, with Nomination & Remuneration Committee meetings showing the highest increase from 8 to 16, followed by Stakeholder Relations Committee from 14 to 19 and Audit Committee meetings from 15 to 18.



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6. Non-executive Director (Compensation)

Non-executive Directors are members of the Board who are not in full-time employment of the company and spend only a portion of their time on the company. They include Independent Directors, who are the key players in ensuring good corporate governance. They are compensated by sitting fees paid for their attendance at Board and Committee meetings and a share of profits.

A. Total Compensation

Table 6.1: Compensation Paid to Non-Executive Directors

Description	Sitting Fees		Commission	
	2019	2018	2019	2018
Highest	245.5	195.0	1800.0	2125.0
Lowest	8.0	10.6	34.1	31.5
Average	68.6	60.4	388.9	505.4

(₹ lakhs)

- 11 (2018: 11) companies did not pay their Non-executive Directors any commission and they received only their sitting fees. These companies are:
 - All the seven public sector enterprises and State Bank of India, and
 - Axis Bank, Sun Pharma and Bharti Airtel from the private sector.

B. Sitting fees

Table 6.2: Sitting Fees for Non-Executive Directors of the Board

Sitting Fees	# of Companies	
	2019	2018
No sitting fee paid / Not found in annual report	13	13
₹20,000	2	5
₹30,000	3	3
₹40,000	8	7
₹50,000	8	7
₹60,000	1	1
₹75,000	-	1
₹100,000	15	13
Total	50	50

- Some unique features about payment of Board sitting fees:
 - Bharti Infratel and Tech Mahindra do **not pay sitting fee** to its Directors for attending board and sub-committee meetings, but they pay commission on profits earned.
 - IndiaBulls doesn't pay sitting fee for attending Committee meetings.
 - Bharti Airtel - where a Director attends a board meeting and one or more **sub-committee meetings on the same day**, only a fee for one meeting is paid.
 - Mahindra & Mahindra -no sitting fee is paid to a Director who attends the board **meeting through an audio call**.
 - Bharti Infratel - Independent Directors are entitled for profit-based commission of ₹1,500,000 per annum and Non-Executive Directors ₹750,000. The **payment of commission is based on attending the board meeting in which quarterly results are adopted**.

Table 6.3: Sitting fees for Board Sub-Committees

Sitting Fees	# of Companies	
	2019	2018
No sitting fee paid/ Not found in annual report	15	13
₹10,000	1	2
₹20,000	8	8
₹25,000	1	1
₹30,000	8	8
₹35,000	1	-
₹40,000	2	2
₹50,000	8	10
₹60,000	-	1
₹75,000	1	-
₹100,000	5	5
Total	50	50

- 12 (2018: 10) companies paid a **higher sitting fee for Audit Committee** compared to all other committees. In 5 companies, the sitting fees for Audit Committee was the highest among all committees of the board.
 - i. Asian Paints - ₹ 50k for Audit and ₹ 30k for Other Committees
 - ii. Adani Ports - ₹ 50k for Audit and ₹ 25k for Other Committees
 - iii. Eicher Motor- ₹ 20k for Audit and ₹ 10k for Other Committees
 - iv. Grasim, Hindalco, UltraTech- ₹ 25k for Audit (and Merger Committee in case of Grasim Industries) and ₹ 20k for Other Committees
 - v. IndusInd bank - ₹ 50k for Audit (also for Committee of Directors, Risk Management Committee) and ₹ 20k for Other committees
 - vi. ICICI Bank - ₹ 1 lakh for Audit committee and ₹ 50k for Other committees
 - vii. ITC - ₹ 50k for Audit, NRC, CSR, Sustainability and Independent Directors Meeting, and ₹ 10k for Securityholders Relationship Meetings
 - viii. Larsen & Toubro - ₹ 50k for Audit committee, Nomination and Remuneration Committee and ₹ 35K for Others committee, viz., Stakeholder Relationship and CSR committees
 - ix. Mahindra & Mahindra - ₹ 50k for all committees other than Stakeholders Committee, for which 10k is paid
 - x. Tata Motors - ₹ 60k for Audit, NRC, Independent Directors meeting and for Other committees ₹ 20k.
- Two Directors, one Director of Kotak Mahindra Bank and the Chairperson of Infosys have waived their sitting fees and Commission payable to them
- Varying practice followed in paying sitting fees for Independent Directors Meeting:
 - i. 2 companies (2018: 3), namely ITC and Tata Motors, explicitly mentioned that they paid sitting fees. HPCL the third company in 2018 is not a part of Nifty 50 index this year.
 - ii. Axis Bank did not pay its Directors for attending Independent Directors Meeting.
- SBI pays an additional fee of Rs.5k for chairing committee meetings

7. Statutory Auditors (Leaders & Concentration)

A. Leaders

Table 7.1: Top five ranked Statutory Auditors

Rank	Audit Firm name	# of Companies	
		2019	2018
1	SR Batliboi and Associates LLP & S R B C & Co. LLP (EY)	13	14
2	BSR & Co., LLP (KPMG)	11	13
3	Deloitte Haskins & Sells LLP	10	11
4	Price Waterhouse Chartered Accountants LLP	2	3
4	Walker Chandiook & Co LLP	2	-

- i. Top statutory auditor conducted audits of 13 (2018: 14) companies, while the Big 4 Audit firms conducted the audit 36 (2018:40) companies. The balance 14 companies were audited by other firms.
- ii. All the 7 public sector enterprises and State Bank of India were audited by audit firms not belonging to the Big 4.
- iii. 10 Companies⁷ were under joint audit with more than one Statutory Auditor. Of which, SBI has the maximum number of Statutory Auditors at 14.
- iv. All except 1 (2018: 2 auditors) auditor who signed the Nifty 50 accounts were male. Coal India (Ray & Ray) was the only company that was signed by a female auditor.

B. Audit Fees

- i. Reliance paid the highest audit fees among all the Nifty50 companies amounting to ₹11 crores (2018: ₹10 crores), an increase of 10% over the previous year, while Bajaj Finserv paid the least Audit fees of ₹11 lakhs (2018: ₹8 lakhs), an increase of 37% over the previous year.
- ii. ₹2.83 crores (2018: ₹2.59 crores) was the average audit fees paid by the Nifty 50 companies, an increase of 9.2% over the previous year.
- iii. In addition, ₹149.74 lakhs (2018: ₹145.94 lakhs) was the average fees paid for other services to the Auditor that included fees for audit of IFRS statements, tax audit/ transfer pricing audit, taxation services and reimbursement of travelling and out of pocket expenses. This is an increase of 2.6% over the previous year.

⁷ BPCL, GAIL, Grasim, Indian Oil, NTPC, ONGC, Powergrid, Reliance, SBI, UltraTtech

8. Secretarial Auditors (Leaders & Concentration)

A. Leaders & Concentration

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 and Standards etc. which are applicable to the company after listing them out.

Table 8.1: Top five ranked Secretarial Audit firms

Rank	Audit Firm name	# of Companies	
		2019	2018
1	BNP Associates	7	7
2	Parikh & Associates	5	4
3	Dr. K R Chandratre	4	4
3	Chandrasekaran Associates	4	4
3	Vinod Kothari & Company	4	4

- i. The top Secretarial Auditor conducted 7 (14%) audits, the same as in the previous year; while the top five CS firms conducted Secretarial Audit of 24 (49%), an increase of 1 company over the previous year.
- ii. Eight (2018:4) out of 49 Secretarial Audit Reports are signed by Female Secretarial Auditors, an increase of 100%.
- iii. Eight (2018:8) associate members (ACS) of the ICSI signed the Secretarial audit reports of eight Nifty companies. The balance audit reports were signed by Fellow members (FCS) of ICSI.
- iv. Secretarial Audit Report of Bharti Infratel was signed on 04.04.2019 (2018: Infosys on 13.04.2018), was the earliest report issued in 2019. The last report issued was that of ONGC signed on 20.06.2019 (2018: PowerGrid 12.07.2018).

9. Company Secretary (Compensation & Designation)

A. Compensation for CS

Table 9.1 Compensation paid to CS of the Nifty 50 Companies

Compensation to Company Secretary	Highest		Average		Least	
	2019	2018	2019	2018	2019	2018
In ₹ Lakhs	675	601	134.14	115.51	33.67	26.15

- Average⁸ annual compensation for Company Secretaries of the Nifty 50 Companies was ₹134 lakhs, a y-o-y increase of 16.1% over the previous year, 2018. The highest compensation was at ₹675 lakhs, a y-o-y increase of 12.3% and at the lower end it was ₹33.67 lakhs, a y-o-y increase of 28.8%.
- Company Secretary with the highest compensation had the designation of Executive Director, Legal and Corporate Affairs & Company Secretary, while Company Secretary with the least compensation held the designation of Company Secretary.

B. Profile of Company Secretary

- 8 (16%) company secretaries in the Nifty 50 companies were women, which is the same as in the previous year (Bajaj Finserv, Bharti Infratel, Grasim, Hero Motorcorp, Kotak Mahindra, Power Grid, Vedanta. Further, NTPC had a female company secretary from August 2019, while Adani Ports, which had a female company secretary in the earlier year, now has a male company secretary).

Table 9.2 Popular designations for Company Secretaries

Designation	# of Companies	
	2019	2018
Company Secretary	28	30
Company Secretary & Compliance Officer	10	5
Company Secretary combined with legal functions	5	7

In many companies, the role of the Company Secretary is combined with the role of Legal and corporate counsel. An illustrated list given here:

- Eicher Motors: General Counsel & Company Secretary
- HDFC Bank: Executive Vice President (Legal) & Company Secretary
- Hindustan Unilever: Executive Director, Legal and Corporate Affairs & Company Secretary
- Tata Steel: Company Secretary & Chief Legal Officer (Corporate & Compliance)
- Titan Company: Vice President - Legal & Company Secretary till June 30, 2018, after retirement the new incumbent is designated General Counsel and Company Secretary

⁸ Average is computed for 49 companies which have reported CS compensation. SBI is the one company which has not reported CS Compensation

10. Board of Directors' Report (What is in it?)

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. The Act also specifies the information that need to be included in this report, which is quite elaborate.

A. Structuring the Directors' Report

Given how Directors' Report has evolved into a long and multi-dimensional report, most companies organize the report under different section headings which form part of the report, in addition to, providing some of the information required as annexures to the Directors Report. As a principle of good communication, where an information is in nature of details and can speak for itself, placing it in an annexure is appropriate. But where the information is substantial and is related to other parts of the report, keeping it within the report as a section head would be more suitable.

Table 10.1: Structure of the Directors Report

Directors' Report	Number		Name of Companies	
	2019	2018	2019	2018
Number of Annexures to the Directors' Report				
Average	7	8		
Maximum	30	36	Coal India	Coal India
Minimum	0	0	SBI	SBI
Number of Section headings in the Directors Report				
Average	32	31		
Maximum	54	56	PowerGrid Corp	Coal India
Minimum	6	5	Wipro	Infosys

There is no substantial change in the content and structure of the Directors Report in the year 2019, compared to the previous year. The content in Annexures and Section heads have remained consistent with the previous year, 2018.

B. Annexures to the Directors' Report

Table 10.2: Annexure⁹ in Directors Report

Title of the Annexures to Directors Report	2019	2018
Secretarial Audit report	47	49
Annual report on CSR activities	47	49
Extract of Annual returns	42	49
Energy conservation, Technology absorption, Foreign exchange earnings and outgo	31	32
Information pursuant to Section 197 of the Companies Act, 2013 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014	26	32
Form for disclosure of particulars of contracts/arrangements entered into by the Company with related parties (AOC -2)	21	23

⁹ where more than 20 companies have given it as an annexure

C. Section Headings in the Directors' Report

Table 10.3: Section Heads¹⁰ in the Directors Report

Sl no.	Title of the Annexures to Directors Report	2019	2018
1	Financial Performance/Financial Results	36	47
2	Directors' Responsibility Statement	44 ¹²	47
3	Subsidiaries, Joint Ventures and Associate Companies	38	44
4	Corporate Social Responsibility	40	32
5	Internal Financial control system and their adequacy	40	41
6	Particulars of contracts or arrangements with related parties/ Related Party Transactions	18	31
7	Directors and Key Managerial Personnel	33	40
8	Acknowledgement	39	39
9	Risk Management	37	38
10	Auditors & Auditors' Report	35	37
11	Dividend	38	41
12	Corporate Governance	36	35
13	Particulars of loans, guarantees or investments	32	35
14	Conservation of Energy, Technology Absorption	35	31
15	Extract of Annual Return	35	30

- All the companies have a section on their Financial Highlights, but have used different titles like Financial Performance, Performance highlights, Performance review, Consolidated results, except in Infosys where Financial Position is given as a sub-heading.
- State of company affairs and outlook of the companies are expressed in a variety of sub-headings like Company overview, Business excellence, Business strategy, Business performance, Business segment etc.
- Five (2018: 6 companies) BPCL, GAIL, NTPC, ONGC, Powergrid, all of which are PSUs, have included 'Implementation of Official Language Policy' as a section head in their Directors' Report.

¹⁰ where more than 20 companies have given it as a section heading

D. Important Reports and their Placement

Table 10.4: Placement of Important Reports

Report title	Section head in Directors Report		Annexure to Directors Report		Standalone in Annual Report		Given in their website	
	2019	2018	2019	2018	2019	2018	2019	2018
Report on Corporate Governance	1	1	8	11	41	38	-	-
Business Responsibility Report	1	-	8	5	37	34	4	10
Report on CSR Activities	1	1	49	49	-	-	-	-
Management Discussion & Analysis	4	3	4	3	42	43	-	-

- Report on Corporate Governance: 3 more companies placed their Report as a standalone report in their Annual Report taking the total number of companies to 41, as against 38 in 2018.
- Business Responsibility Report: 3 more companies placed this report as an annexure to their Directors Report with one company including it in as a section in their Directors Report.
- Report on CSR Activity: The placement of report in the current year did not see any change from the last year.
- Management Discussion and Analysis: 1 more company added it as a section head and as an annexure to their Directors Report.
- HUL, ITC and UltraTech, the three companies have titled their Directors' Report as 'Report of the Board of Directors & Management Discussion and Analysis'.

11. CSR (Mandate and Spends)

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 three years is spent on CSR, failing which, the Board shall record the reasons for not spending the mandated amount.

A. CSR Spend

Table 11.1: CSR Mandate and Spends

CSR Expenditure	# of Companies		Company Names	
	2019	2018	2019	2018
(₹ in Crores)				
CSR amount Mandated				
Total for Nifty 50	6841.53	6434.38		
Least	1.49	1.83	Bajaj Finserv	Bajaj Finserv
Highest	811.16	703.08	Reliance	Reliance
CSR amount spent				
Total for Nifty 50	7109.73	6300.21		
Least	1.53	1.90	Bajaj Finserv	Bajaj Finserv
Highest	849.32	745.05	Reliance	Reliance
CSR amount spent in excess of Mandate				
Total for Nifty 50	689.79	560.95		
Least	0.04	0.03	Bajaj Finserv	Dr.Reddy's
Highest	232.54	146.0	Tata Steel	Tata Steel
Unspent CSR amount				
Total for Nifty 50	421.59	695.92		
Least	2.58	15.82	Bharati Infratel	Bharti Infratel
Highest	108.00	190.09	Tata Consultancy Services	Bharti Airtel
% of Unspent CSR amount				
Least	5.88%	19.52%	Bharti Infratel	TCS
Highest	63.50%	88.57%	Zee Entertainment	Bharti Airtel

- **Growth in CSR spend mandated and actual spent:** There is 6.3% year-on-year increase of the CSR amount mandated and a 12.84% increase in the CSR amounts spent by the Nifty 50 companies.
 - As in the previous year (2018):
 - All the 50 companies have spent on CSR.
 - SBI though not mandated, has spent on ₹16.46 crores (through its subsidiary, SBI Foundation, a section 8 Company established exclusively to undertake CSR) (2018: ₹112.96 crores) on CSR.
 - 39 of the 49 companies have spent the amount mandated on CSR. These companies in aggregate spent ₹689.79 crores over the mandated amount.
 - 10 of the 49 companies have spent less than the amount mandated on CSR. These companies in aggregate spent ₹421.79 crores less than the mandated amount.
 - The amount mandated to be spent on CSR by Sun Pharma and Tata Motors was Zero due to past losses. Despite this, they have spent on CSR- Sun Pharma ₹3.93 crores (2018: ₹2.69 crores) and Tata Motors ₹22.21 crores (2018: ₹21.44 crores).

B. Reason for Not Spending the mandated amount

As in 2018, in 2019 too, 10 of the 49 companies spent less than the mandated amount. The explanation provided for short spending is tabulated in Table 11.2.

Table 11.2: Reasons for Not Spending CSR Mandated Amount

Reasons for Not spending CSR amount	# of Companies		Company Names	
	2019	2018	2019	2018
Amount allocated but not disbursed	3	-	Bharti Infratel, ICICI Bank, IndusInd Bank	
Delay due to pending clearances	2	1	HCL Tech, Yes Bank	Axis Bank
Multi-year project / Long gestation period	1	7	BPCL	Axis Bank, BPCL, HCL, IndusInd, Bharti Infratel, TCS, Zee
Scaling up in coming year	-	3	-	Bharti Airtel, Kotak, Yes Bank
Stress in telecom industry	1	-	Bharti Airtel	
Slower project implementation	1	-	Yes Bank	
Amount spent outside India not qualified for CSR under the Act	1	-	TCS	
Non availability of suitable projects	1	-	Zee Entertainment	
NGOs' inability to utilize the large CSR amounts allocated to them	1	-	Kotak	
Total ¹¹	10	11		

- TCS reported that it spent ₹527 crores on CSR-like activities, of which only ₹434 crores qualified as CSR spend under the Companies Act, 2013 definition, resulting in a shortfall of ₹108 crores from the mandated amount of 542 Crores.

¹¹ 10 companies, 11 reasons as one of the Company has given two reasons

12. AGM Notice (Timing & Resolutions)

Company law requires a company to call for an AGM anytime within six months of its year end. The company needs to convene a board meeting where its annual accounts are approved by its Directors and an annual report is sent to its shareholders providing 21-day notice for convening the AGM.

A. Annual General Meeting Calendar

Short time interval between year end and the board meeting/ AGM is an indication of the company's efficient reporting systems and an indicator of good governance.

Table 12.1: Timeline for AGM and Board Meetings for Approval of Accounts

Description	# of Days		Company Names	
	2019	2018	2019	2018
Year end to Board Meeting				
Average	56	60		
Least	12	13	Infosys	Infosys
Most	122	136	BPCL	Grasim
Board Meeting to AGM				
Average	67	68		
Least	30	31	BPCL	Grasim
Most	124	139	Maruti Suzuki	HCL Technologies
Year end to AGM				
Average	123	128		
Least	73	73	Yes Bank	Yes Bank
Most	152	181	ONGC, BPCL	ONGC

- **Improvement on lead time for Board and Shareholder meetings:** The average time taken for holding board meetings reduced by 4 days in 2019 to 56 days, with the average time between the Board Meeting and the AGM, too, reducing by 1 day in 2019 to 67 days.

B. Number of Shareholder resolutions

There are four resolutions to be taken up as Ordinary Business in an AGM, namely, Appointment of Auditors, Approval of Annual Accounts, Appointment /Reappointment of Directors and Declaration of Dividend. Any other resolutions taken up at the AGM will be treated as Special Business.

Table 12.2: AGM Nature and Quantum of Business Transacted

Description	# of Resolutions		Company Names	
	2019	2018	2019	2018
Ordinary Business				
Average	4	4	Ultratech, Bharti Airtel HDFC Bank, HUL, L&T	SBI Maruti Suzuki
Least	2	1		
Most	6	5		
Special Business				
Average	6	5	Zee Entertainment Yes Bank	SBI, Infosys NTPC
Least	1	0		
Most	16	14		
AGM notice	# of pages		Company Names	
	2019	2018	2019	2018
Average	17	14	Zee Entertainment Yes Bank	SBI ICICI Bank
Least	3	3		
Most	56	31		

- **Increased activity in the AGM:** The number of resolutions proposed in the AGM increased by one to 10 (2018: 9 resolutions). Correspondingly the number of pages in the AGM notice too increased by 3 pages to 17 in 2019.



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