

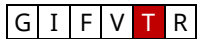
Hindustan Unilever Ltd

Annual General Meeting (AGM)

Report Date: 6 June 2018
BSE: 500696 | NSE: HINDUNILVR
Index: S&P BSE SENSEX/NIFTY 50
Face Value: Re. 1 per share
Fiscal Year End: March

Meeting Date:	29 June 2018 2:30 PM
Proxy Deadline:	27 June 2018 2:30 PM
E-voting Period:	25 June 2017 9:00 AM to 28 June 2017 5:00 PM
E-Voting Site:	https://evoting.karvy.com/
Meeting Venue:	Unilever House, B. D. Sawant Marg, Chakala, Andheri (East), Mumbai – 400 099

Agenda Items

#	Type ¹	Description of resolution	IiAS Recommendation See Legend
1	O	Adoption of financial statements for the year ended 31 March 2018 We believe that a comprehensive review of the financials of a company is a critical exercise which often requires first-hand information and proper due diligence. We do not comment on resolutions for adoption of financial statements, given the limited time between receipt of the annual report and the shareholder meeting, but provide analysis of critical ratios.	See Analysis
2	O	Ratify interim dividend of Rs. 8 per share and declare final dividend of Rs. 12 per share of face value Re. 1.0 each For FY18, the total dividend amounts to Rs.52.0 bn (including dividend distribution tax of Rs.8.5 bn). The dividend payout ratio for FY17 is 99.3%.	FOR
3	O	Reappoint Pradeep Banerjee as Director Pradeep Banerjee, 60, is Executive Director, Supply Chain. He retires by rotation and his reappointment is in line with statutory requirements.	FOR
4	O	Reappoint Dev Bajpai as Director Dev Bajpai, 53, is Executive Director, Legal and Corporate Affairs. He retires by rotation and his reappointment is in line with statutory requirements.	FOR
5	O	Reappoint Srinivas Phatak as director Srinivas Phatak, 47, is Executive Director, Finance & IT and the CFO. He retires by rotation and his reappointment is in line with statutory requirements.	FOR
6	O	Reappoint Sanjiv Mehta as Managing Director and CEO for five years with effect from 10 October 2018 and fix his remuneration The remuneration structure for Sanjiv Mehta does not provide any clarity on individual components of director remuneration. Further, there is inadequate clarity on how the basic salary limits are linked to total fixed pay. Notwithstanding, the company has been judicious in its past payouts to Sanjiv Mehta and his remuneration has grown broadly in line with company performance. While his estimated FY19 remuneration of Rs. 158.2 mn is higher than peers, it is commensurate with the size and complexity of the business.	FOR 
7	O	Ratify remuneration of Rs 1.1 mn for RA & Co. as cost auditors for FY19 The total remuneration proposed to be paid to the cost auditors in FY19 is reasonable compared to the size and scale of the company's operations.	FOR

^[1] O/S: Ordinary/Special

Company Overview

Hindustan Unilever Limited (HUL) is a subsidiary of the Anglo-Dutch group Unilever. HUL manufactures and sells home care, personal care, and food products in India and internationally. HUL has over 40 brands spanning over 20 consumer categories such as soaps, detergents, shampoos, skin care, toothpastes, deodorants, cosmetics, tea, coffee, packaged foods, ice cream, and water purifiers. HUL is headquartered in Mumbai and has 30 manufacturing facilities all over India.

Promoters:

Unilever plc (Unilever)

Market snapshot

Market Price (Rs): 1,570.7

Market Cap (Rs bn): 3,381.6

Networth (Rs bn) [c]: 72.8

52 week H-L (Rs): 1,625.0 – 1,052.4

Current P/E (x) [c]: 64.9

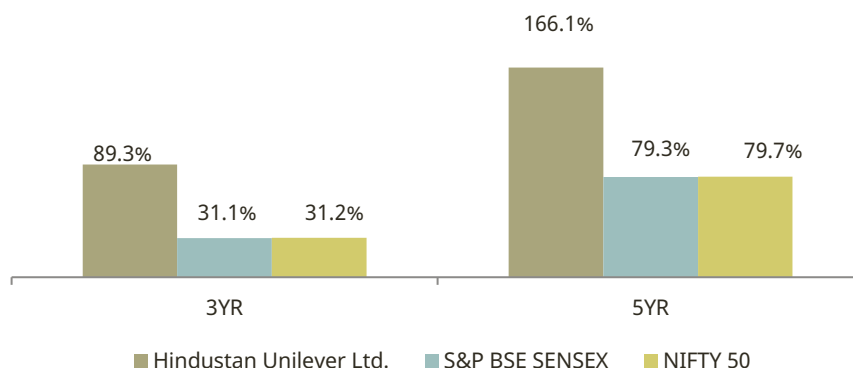
Current P/B (x) [c]: 46.7

Previous Advisory

HUL [PB](#) – 8 December 2017

HUL [AGM](#) – 30 June 2017

Price Performance on 6 June 2018



[c] - consolidated

Financial performance

(Rs bn)

Year ended 31-Mar	2016	2017	2018
Total Income	327.3	336.2	359.3
EBITDA	64.4	67.0	78.9
EBITDA Margin (%)	19.7	19.9	21.9
PBT	60.4	64.7	73.1
PBT Margin (%)	18.4	19.2	20.3
PAT	41.5	44.8	52.1
PAT Margin (%)	12.7	13.3	14.5
EPS (Rs.)	19.2	20.7	24.1
ROANW (%)	79.1	67.8	74.8
ROACE (%)	111.9	94.4	102.5
Debt/EBITDA (x)	0.0	0.0	-

Consolidated Data; Financials are compliant as per Ind AS

Source: ACE Equity

Trend in Shareholding Pattern (%)

As on	Promoter ^[1]	DII	FII	Others
31-Mar-18	67.2	6.9	12.6	13.4
31-Dec-17	67.2	6.3	12.9	13.6
30-Sep-17	67.2	5.8	13.3	13.7
30-Jun-17	67.2	5.6	13.5	13.8
31-Mar-17	67.2	5.7	13.3	13.9
31-Mar-16	67.2	4.8	14.2	13.8
31-Mar-15	67.2	3.8	15.0	14.0
31-Mar-14	67.3	4.1	14.1	14.5
31-Mar-13	52.5	8.1	22.1	17.3

[1] Pledged shares: Nil

Top Public Shareholders (on 31 March 2018)

No.	Name of the Shareholder	Shares held (million)	Holding as % of total
1	Life Insurance Corporation of India	66.8	3.1
2	Life Insurance Corporation of India P&GS FUND	14.2	0.7
3	Nomura India Investment Fund Mother Fund	12.7	0.6
4	Vanguard Emerging Markets Stock Index Fund A Series	11.8	0.6
5	The New India Assurance Company limited	11.7	0.5
6	Vanguard Total International Stock Index Fund	9.5	0.4
7	General Insurance Corporation of India	9.2	0.4
8	Ishares India Index Mauritius Company	7.5	0.4
9	Franklin Templeton Investment Funds	6.6	0.3
10	Stiching Depository APG Emerging Markets Equity Pool	6.4	0.3
Total		156.3	7.2

Source: Annual Report

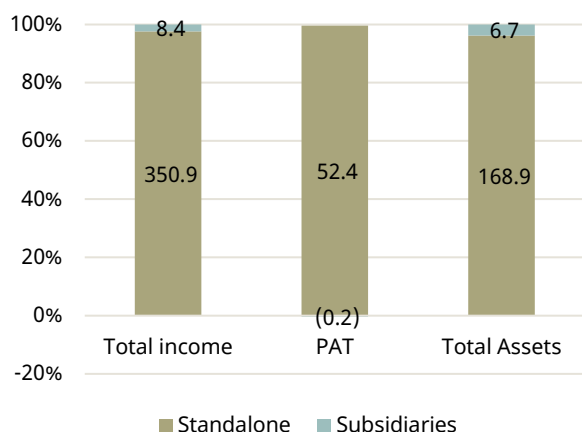
Category: Accounts

Resolution 1: Adoption of Financial Statements for the year ending 31 March 2018

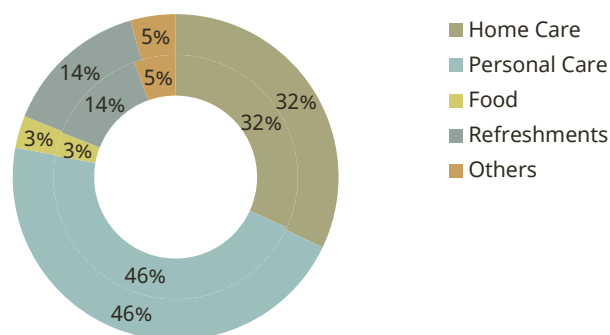
IiAS believes that a comprehensive review of the financials of a company is a critical exercise which often requires first-hand information and proper due diligence. IiAS does not comment on resolutions for adoption of financial statements, given the limited time between receipt of the annual report and the shareholder meeting, but provides analysis of critical ratios. A snapshot of the key accounting parameters is presented below:

Standalone vs Consolidated

(Rs.bn)



Revenue by Business Segment



Inner ring: FY17
Outer ring: FY18

Risk Indicators

For the year ended 31-March	2016	2017	2018
CFO/EBITDA (x)	0.6	0.8	0.8
Exceptional items/total income (%)	(0.1)	0.7	(0.1)
Interest/average debt (%)	15.5	15.4	18.8
Contingent liabilities/net worth (%)	15.9	15.7	24.2
Receivables days	12	12	12

Leverage Profile

The company has negligible debt

Related Party Transactions (RPTs) (Rs. bn)

On 31-March	2017	2018	Assessment
Receivables	0.3	0.4	3% of trade receivables
Payables	5.8	7.4	10% of trade payables

Corporate Social Responsibility (CSR)

Particulars	Rs.bn	% (PAT)
3-year average profit/(loss)	56.1	-
Prescribed CSR spend in 2017	1.1	2.0
Actual CSR spend in 2017	1.2	2.1

Liquidity

On 31-Mar-17	Rs.bn
Current investments	28.7
Cash flow from operations	60.6
Cash and cash equivalents	34.9

Audit Integrity

Parameter	Result
Name of auditor	B S R & Co. LLP
Audit network	KPMG
Tenure of audit network	4
Tenure of audit partner	4

Royalty

HUL had entered into a Technical Collaboration Agreement (TCA) and a Trade Mark License Agreement (TMLA) with Unilever in 2012. The TCA provides for payment of royalty on net sales of specific products manufactured by HUL, with technical inputs developed by Unilever. The TMLA provides for the payment of trademark royalty, as a percentage of net sales on specific brands, where Unilever owns the trade mark in India.

HUL revised this agreement, effective 1 February 2013, with Unilever for providing technology, trade mark license, and other services. The revised agreement envisages that the royalty cost will increase from 1.4% of turnover, in a phased manner, to a royalty cost of 3.2% of turnover by 31 March 2018. The total estimated increase is 1.8% of turnover.

An analysis of the net sales, net profits, royalty paid, and dividend payout is given in Table 1 below.

Exhibit 1: Key data (standalone)

Year	Net sales (Rs. bn)	Net profit (Rs. bn)	Royalty ^[1] (Rs. bn)	Royalty/PAT (%)	Royalty/net sales (%)	Dividend paid (Rs. bn)	Dividend payout (%)
FY11	194.0	23.1	2.7	11.7	1.4	16.4	71.0
FY12	221.2	26.9	2.9	10.8	1.3	18.8	69.9
FY13	258.1	38.0	3.8	10.0	1.5	46.6	122.6
FY14	280.2	38.7	5.5	14.2	2.0	32.7	84.5
FY15	308.1	43.2	7.4	17.1	2.4	38.8	89.8
FY16	310.6	41.4	8.9	21.4	2.9	41.4	100.1
FY17	318.9	44.9	10.4	23.3	3.3	43.9	97.9
FY18	350.9	52.4	9.9	18.9	2.8	52.0	99.3

Source: IiAS Research, Company filings; FY16 and FY17 financials are compliant as per Ind AS

^[1] Royalty includes license fees - software development and procurement of licenses and maintenance and support costs for licenses and software.

As seen from the above table, net sales and PAT increased at CAGR of 8.8% and 12.4% during FY11-FY18, whereas royalty has increased at a CAGR of 20.4%. Dividend paid increased at a CAGR of 17.9%. In FY18, HUL paid Rs.9.9 bn as royalty which was ~18.9% of the FY17 net profit.

For a detailed analysis of HUL's royalty payouts in the past, refer to [IiAS' analysis of royalty payments here](#).

Cyber Security

The annual report carries the following disclosures on cyber security:

- To reduce the impact of external cyber-attacks impacting our business, we have firewalls and threat monitoring systems in place, complete with immediate response capabilities to mitigate identified threats.
- We also maintain a global system for the control and reporting of access to our critical IT systems. This is supported by an annual programme of testing of access controls.
- We have policies covering the protection of both business and personal information, as well as the use of IT systems and applications by our employees. Our employees are trained to understand these requirements. We also have a set of IT security standards and closely monitor their operation to protect our systems and information.
- We have standardised ways of hosting information on our public websites and have systems to monitor compliance with appropriate privacy laws and regulations, and with our own policies.

Updates

HUL has announced that, with effect from 1 July 2018, it will integrate its foods and refreshment categories in India. The company states that the move will increase its organisational agility, better serve local consumers and drive synergies, while harnessing the advantage of global scale. The integration of these two categories is also in alignment with the structure of Unilever globally.

Sudhir Sitapati, presently Executive Director, Refreshments, will be redesignated as Executive Director, Foods and Refreshment (F&R), and will be responsible for the integrated F&R business. He will continue to be a part of HUL's management committee.

Geetu Verma, who is the currently Executive Director, Foods, India, will be moving to Rotterdam as Global Vice-President, Nutrition and Natural platforms, Unilever. This is a new role designed to grow the company's presence in the health and wellbeing sector.

Category: Dividend

#	Type	Description of resolution	IiAS Recommendation	Indicators See Legend
2	O	Ratiofy interim dividend of Rs. 8 per share and declare final dividend of Rs. 12 per share of face value Re. 1.0 each	FOR	

IiAS Assessment Parameters for Dividend Payout

Assessment Parameters	Comment	Details
Is growth in dividend higher than growth in profits?	Yes	Refer Exhibit 1
Does the company have a stated dividend policy?	Yes	No stated payout ratio ¹
Does the company have room to pay a higher dividend?	No	

¹ As a good governance practice, IiAS encourages companies to formulate a [dividend policy that specifies a target payout ratio](#).

Discussion

HUL paid an interim dividend of Rs.8 per share and proposes to declare a final dividend of Rs.12 per share. This takes the total dividend to Rs.20.0 per share for FY18 from Rs.17.0 per share for FY16. In FY18, the total dividend amounts to Rs.52.0 bn (including dividend distribution tax of Rs.8.5 bn). The dividend payout ratio for FY18 is 99.3% (98.4% in FY17).

Exhibit 2: Key ratios (standalone)

Year ended 31-Mar	2016	2017	2018
Dividend per equity share (Rs.)	16.0	17.0	20.0
Profit after tax (Rs. bn)	41.4	44.9	52.4
Profit growth y-o-y (%)	(4.1)	8.5	16.6
Proposed dividend (including tax on dividend) (Rs. bn)	41.6	43.9	52.0
Dividend growth y-o-y (%)	0.1	6.2	17.6
Payout ratio (%)	100.5	98.4	99.3

Source: IiAS Research, Company filings; Financials for FY16 and FY17 are compliant as per Ind AS – Please refer to Exhibit 3

IiAS recommends voting **FOR** the resolution.

Exhibit 3: IiAS policy snapshot – dividend declaration

As per Ind AS the liability for final dividend on equity shares is recognized as liability in the period in which dividend is approved by the shareholders. However, IiAS will continue to look at proposed dividend vis-à-vis the applicable year's PAT to analyse the pay-out for the year.

Category: Board Appointments

#	Type	Description of resolution	IiAS Recommendation	Indicators See Legend
3	O	Reappoint Pradeep Banerjee as Director	FOR	
4	O	Reappoint Dev Bajpai as Director	FOR	
5	O	Reappoint Srinivas Phatak as Director	FOR	

Exhibit 4: Board Composition on 6 June 2018

S No	Name	Occupation	Category	Age (yrs)	Tenure (yrs)	AC	NRC	SRC	CSR	Attendance (%)	Other Directorships	Pay (Rs.mn)
1	Sanjiv Mehta	MD and CEO	ED	58	5			M	M	100	-	193.7
2	Dev Bajpai	Executive director (Legal & Corporate Affairs, Company Secretary)	ED	53	1					100	-	60.1
3	Pradeep Banerjee	Executive director (Supply Chain)	ED	60	8					100	2	54.8
4	Srinivas Phatak	Executive director (Finance & IT), CFO	ED	47	<1			M	M	100	-	10.2
5	Harish Manwani	Chairperson	NED	65	13		M			100	-	6.2
6	Aditya Narayan	Former MD, Akzo Nobel India Ltd	NED*	66	17	C	M		M	100	3	2.9
7	S Ramadorai	Former CEO, TCS	NED*	74	16	M	C			100	8	2.7
8	O P Bhatt	Former Chairperson, SBI	ID	67	6	M	M	C	C	100	3	3.1
9	Sanjiv Misra	Retired IAS officer	ID	71	5	M	M		M	100	2	2.8
10	Kalpana Morparia	CEO, JP Morgan, India	ID	69	4				M	100	1	2.6

*Classified as non-independent due to tenure (>10 years). Company has classified as independent.

ED: Executive Director, ID: Independent Director, NED: Non-executive Non-independent director, (P): Promoter, (C): Chairperson
Committees: AC-Audit, NRC-Nomination & Remuneration, SRC-Stakeholders Relationship, CSR-Corporate Social Responsibility

■ Seeking reappointment ■ Seeking appointment

Exhibit 5: Committee Composition on 6 June 2018^[1]

Name of Committee	No. of directors	Chairperson	% of independence	Compliance	Remarks
Audit	4	Non-Independent	50%	Non-Compliant	Chairperson should be independent and 2/3 rd of the committee should be independent
Remuneration and nomination	5	Non-Independent	40%	Non-Compliant	Chairperson should be independent and 50% of the committee should be independent
Stakeholders relationship	3	Independent	33%	Compliant	Chairperson should be non-executive
CSR	6	Independent	50%	Compliant	Minimum three directors, at least one should be independent

^[1] As per IiAS Classification

IiAS Assessment Parameters for Board Appointments

Assessment Parameter	Comment	Regulatory Requirement
Is the Chairperson of the board an independent director?	No	
Is there a separation in the roles between the Chairperson and CEO?	Yes	Recommended separate director
Proportion of independent directors on the board	30%	33%
Proportion of non-executive directors on the board	60%	
Is there at least one woman director on the board?	Yes	At least one
Is there an independent woman director on the board?	Yes	Recommended by IiAS

The board of the company comprises ten directors, of which four are executive while six are classified as non-executive. Five out of the six non-executive directors are classified as independent by the company. However, IiAS classifies two of them as non-independent on account of their extended tenure of over ten years on the board. Consequently, the company has three independent directors on its board.

While technically compliant, the board composition is not in accordance with the spirit of Regulation 17 (1) of the LODR which requires 33% of the board to be independent if the Chairperson is non-executive and non-promoter. IiAS expects the company to appoint additional independent directors in order to ensure that the board composition is in line with the norms.

Pradeep Banerjee, 60, is Executive Director, Supply Chain. He retires by rotation and his reappointment is in line with statutory requirements. IiAS recommends voting **FOR** the resolution.

Dev Bajpai, 53, is Executive Director, Legal and Corporate Affairs. He retires by rotation and his reappointment is in line with statutory requirements. IiAS recommends voting **FOR** the resolution.

Srinivas Phatak, 47, is Executive Director, Finance and IT and the CFO. He retires by rotation and his reappointment is in line with statutory requirements. IiAS recommends voting **FOR** the resolution.

Exhibit 6: IiAS Voting Guidelines – minimum number of independent directors

Chapter IV, Regulation 17(1) of the SEBI Listing Obligations and Disclosure Requirements (LODR), states that for a company with an executive Chairperson, at least 50% of the board should comprise independent directors. In the case of a company with a non-executive Chairperson, at least one-third of the board should be independent. However, if non-executive Chairperson is a promoter, 50% of the directors should be independent.

Exhibit 7: IiAS Voting Guidelines – tenure for independent directors

IiAS has observed that some directors are independent as per law, but not in spirit. Their proximity to the promoter/management may impede their ability to provide an independent perspective. Accordingly, IiAS will not treat the following directors as independent:

- i. Those who do not satisfy the eligibility criteria laid down in Section 149(6) of the Act and Chapter IV, Regulation 16(1)(b) and Regulation 25 of the SEBI Listing Obligations and Disclosure Requirements (LODR).
- ii. Directors who have been on the board for more than 10 consecutive years. IiAS makes two important distinctions here:
 - a. Unlike the Act, which computes tenure beginning 1 April 2014, IiAS will compute tenure on a retrospective basis.
 - b. IiAS will apply the 'visa rule' and classify directors, whose reappointment is within six months of completing 10 years on the board, as non-independent.
- iii. Directors who have been on the board of the parent/holding company for more than 10 consecutive years.
- iv. Directors who are simultaneously on the board of a large number of group companies, with a prolonged tenure of >10 years in any of these companies.
- v. Representatives of large shareholders (holding >2% stake) or lenders, even if they are not appointed on the board as a nominee. However, former employees of such shareholders may continue to remain on the Board even after they move on from their employment: these directors can be considered as independent. Similarly, directors who were earlier on the board as nominees can be considered independent once the investor has sold its stake. Retired IAS officers/civil servants will also be considered as independent on the board of Public Sector Enterprises.

Category: Remuneration

#	Type	Description of resolution	IiAS Recommendation	Indicators See Legend
6	O	Reappoint Sanjiv Mehta as Managing Director and CEO for five years with effect from 10 October 2018 and fix his remuneration	FOR	G I F V T R

IiAS Assessment Parameters for Managerial Remuneration

Assessment Parameter	Comment
Is the remuneration for promoter?	No
Is the current remuneration higher than peers?	Yes
Is the proposed remuneration in line with industry peers?	No
Is there a significant hike in remuneration from previous term/year?	NA
Is the remuneration commensurate with the growth in profits/operations?	Yes
Is the proposed resolution open-ended?	Yes
Is there a component of performance-linked pay in the proposed salary?	Yes
Does the person have the requisite qualifications?	Yes
Has the company disclosed a clear remuneration policy to the shareholders?	No

Discussion

Sanjiv Mehta, 57, (DIN: 06699923) is the Managing Director and CEO, HUL. He joined Unilever in October 1992 and has led several Unilever businesses across South Asia, South East Asia and the Middle East.

He was appointed as the MD and CEO for five years with effect from 10 October 2013. His present term will expire on 10 October 2018; the company therefore proposes to reappoint him as MD & CEO for five years with effect from 10 October 2018 and fix his remuneration.

His proposed remuneration terms will be as per the maximum limits approved by shareholders in the 2017 AGM (listed below).

Exhibit 8: Remuneration Terms

	Maximum remuneration limits approved in 2017 AGM (Rs mn)		
	Basic Salary	Perquisites	Performance linked bonus/commission
CEO / Managing Director	40	As per company rules	To be paid at the discretion of the board
Whole-time directors	25		

Perquisites: The Managing / Whole-time Director(s) shall be entitled to perquisites such as rent-free accommodation or house rent allowance in lieu thereof, company car with chauffeur, telephone, statutory contribution to retirement funds, club membership fees, medical coverage, overseas medical expenses, leave encashment etc.

The total remuneration and perquisites / benefits payable to all the Managing / Whole-time Director(s) of the Company will not exceed 5% of profits, where there is only one Managing / Whole-time Director(s), and 10% of profits where there are more than one Managing / Whole-time Director(s), calculated in accordance with Section 198 of the Companies Act, 2013.

Shareholders must note the following aspects:

- There is no mention of the amount paid as perquisites or a cap on these.
- Commission as a share of HUL's consolidated net profit, during the last four years is ~ 0.05% - 0.11% for the Managing Director/CEO. There is no mention of an absolute cap on the perquisites.
- ESOP Plan includes grant of stock options from HUL and conditional performance grants (settled largely on cash basis) from Unilever PLC (Holding Company). There is no mention of future grants of stock options or conditional performance grants.

Exhibit 9: Remuneration structure (all figures in Rs.mn)

Period	FY14	FY15	FY16	FY17
Salary & Allowances	63.0	63.6	75.2	69.6
Bonus	29.2	28.5	22.7	55.8
Perquisites	10.9	10.2	10.3	10.2
Contribution to PF	2.5	2.5	2.5	3.8
Pension	-	-	-	-
Total	105.6	104.9	110.7	139.4
Bonus as % of consolidated profit after tax	0.07%	0.07%	0.05%	0.11%
Bonus as % of total remuneration	28%	27%	21%	40%

Source: Annual Reports; Note: Remuneration excludes perquisite value of stock options exercised by Sanjiv Mehta

Exhibit 10: Remuneration paid in last four years

Period	FY14	FY15	FY16	FY17
Total income (Rs.bn)	325.4	335.9	361.3	366.2
PAT (Rs.bn)	43.6	40.8	44.9	52.3
Pay (Rs.mn)	105.6	104.9	110.7	139.4

Source: Annual Reports

Exhibit 11: Pay vs Performance (Normalized)

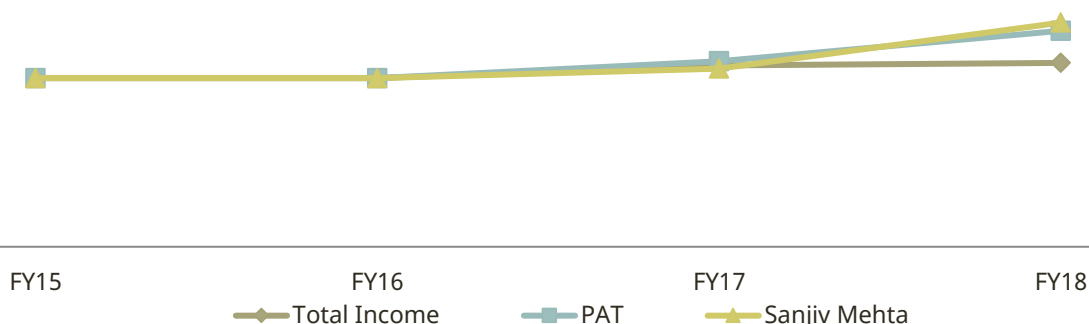


Exhibit 12: Sanjiv Mehta's Remuneration

	FY18	Estimated FY19 remuneration	Assumptions/Details
Salary & Allowances	69.6	75.2	Assuming same as FY17, maximum paid over term
Perquisites	10.2	11.0	Assuming same ratio to salary & allowances as FY18
Contribution to PF	3.8	4.1	Assuming same ratio to salary & allowances as FY18
Pension	-	-	
Fixed Total	83.6	90.3	
Bonus	55.8	67.9	Assuming 0.11% of Reuters mean analyst estimate of FY19 profits
Variable Total	55.8	67.9	
Total Pay (Excluding ESOP)	139.4	158.2	
Commission as a % of net profit	0.11%	0.11%	

Source: IiAS research, Annual reports

Exhibit 13: Peer Comparison

Company	Director	Designation	Year	Pay (Excluding ESOP) (Rs.mn)	Revenues (Rs.bn)	Profits (Rs.bn)
Dabur India Ltd	Sunil Duggal	CEO	FY17	90.1	79.1	12.8
Marico Ltd	Saugata Gupta	MD & CEO	FY17	90.2	60.1	8.1
Colgate – Palmolive Ltd	I Bachaalani	MD	FY17	106.2	40.2	5.8
Hindustan Unilever Ltd	Sanjiv Mehta	MD & CEO	FY18	158.2	359.3	52.1

Source: IiAS comPAYre

The remuneration structure for Sanjiv Mehta does not provide any clarity on individual components of director remuneration. Further, there is inadequate clarity on how the basic salary limits are linked to total fixed pay. Notwithstanding, the company has been judicious in its past payouts to Sanjiv Mehta and his remuneration has grown broadly in line with company performance. While his estimated FY19 remuneration of Rs. 158.2 mn is higher than peers, it is commensurate with the size and complexity of the business.

IiAS recommends voting **FOR** the resolution.

Category: Cost Auditors

#	Type	Description of resolution	IiAS Recommendation	Indicators See Legend
7	O	Ratify remuneration of Rs 1.1 mn for RA & Co. as cost auditors for FY19	FOR	

Discussion

The board has approved the appointment and remuneration to RA & Co. as cost auditors for FY19. As per Section 148 of the Companies Act, the remuneration of Rs 1.1 mn per annum (plus service tax and out-of-pocket expenses) for FY19 must be approved by shareholders of the company.

Accordingly, consent of shareholders is sought through ordinary resolution to ensure compliance with the section. The total remuneration proposed to be paid to the cost auditors in FY19 is reasonable compared to the size and scale of the company's operations.

IiAS recommends voting **FOR** the resolution.

Legend

IiAS recommendations are based on [IiAS' Voting Guidelines](#), which are published on our website. The data and regulations reviewed while arriving at a recommendation are disclosed to market participants. This gives investors and companies clarity regarding the basis for our recommendations.

IiAS recommendations are non-binding in nature. Investors may have their own voting rationale which may, on aspects, differ from those of IiAS. On such occasions, investors must use these recommendations as a guiding tool.

Our voting recommendations do not constitute advice to buy, sell or hold securities.

To allow for a more nuanced discussion on resolutions, IiAS recommendations may be supplemented with a risk or a transparency indicator (refer table below). This helps balance the narrative for proposals which have multiple connotations in terms of their implications for the company and its stakeholders.

Risk Indicator	Coverage	Description
G	Governance Matters	This symbol is used for resolutions which in IiAS' opinion indicate corporate governance practices that have room for improvement or are non-compliant with regulations or their intent.
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F	Financial Impact	This symbol is used for resolutions which, as per IiAS, will have a negative impact on the company's financials.
V	Valuation Divergence	This symbol is generally used for resolutions associated with corporate restructurings, which include schemes of arrangement, and slump sales, where a fair valuation cannot be ascertained or where IiAS believes the valuation is prejudicial to the interests of public shareholders.
R	Other Risks	This symbol is used for operating decisions taken by the company management and IiAS will usually recommend voting FOR such resolutions. However, they carry an element of risk which may subsequently have a negative impact on the financials. Investors are therefore advised to review the risk factors highlighted by IiAS in its analysis before voting.

Transparency Indicator	Quality of Disclosure	Description
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T	Weak	Indicates lack of adequate disclosures supporting the resolution. Investors are advised to seek further clarifications from the company to make a more informed decision.

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