Institutional investor pushback eases

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The percentage of company resolutions opposed by large institutional investors declined in the first half ended September, even as promoters continue to have their way on most decisions put to a vote.

About 13% of the 12,134 shareholder resolutions disclosed by 1,566 NSE main board listed companies were opposed by institutions such as mutual funds, insurance companies, and sovereign wealth funds, down from 16% in the same period last year, according to a Primeinfobase report. Within the Nifty 50 as well, the dissent among shareholders for resolutions eased to 9% from 11%.

A total of 2,124 companies proposed 16,693 resolutions during the six months, but institutional voting data was available for only 12,134 of them.

"The fall in dissent is a positive sign as it indicates that companies are taking a consultative stance and engaging better with shareholders and proxy advisors," said Pranav Haldea, the managing director of Prime Database Group. "A higher level of scrutiny has resulted in better quality of resolutions being proposed with a lesser number of them being opposed."

He attributed it to better regulations, mandatory e-voting, stewardship codes for institutions and the rising influence of proxy advisory firms, which have helped improve governance and reduce conflict

Out of the 1,545 resolutions that faced more than 20% opposition from institutional investors, 98% were approved. ISTOCKPHOTO

between companies and shareholders.

Like previous years, most of the disagreement from investors continued to be around two topics: appointments or changes to company boards; and the remuneration for directors and key executives, according to the Primeinfobase report.

Investors often oppose board appointments due to concerns over director independence, and remuneration remains another major flashpoint, with shareholders questioning high promoter salaries that appear misaligned with company performance, according to Haldea.

"Board appointments attract more dissent because investors often question the independence of directors. Institutional investors rely heavily on proxy advisory firms, which have strict

About 13% of resolutions were opposed by institutions in the first half of FY26, down from 16% a year earlier

guidelines on what qualifies as independence," said Haldea. "If a director has already served a long tenure, for instance, proxy advisors often recommend voting against them, even though the tenure might be still within the regulations."

Haldea said "promoter and executive remuneration continues to be a hot topic, both in India and globally".

"There have been several instances of promoters paying themselves very high salaries which are not aligned with company performance," he said. "Since promoters already hold significant stakes, their incentives are naturally tied to the company's performance and stock price. Thus, investors often question whether they also need sky-high salaries on top of that."

Yet, even when investors disagreed, most resolutions still passed. Out of the 1,545 resolutions that faced more than 20% opposition from institutional investors, 98% were approved. This is mainly because Indian companies still have high promoter ownership.

Promoters hold 55% of shares in NSE-listed companies, giving them enough voting power to push resolutions through, according to Primeinfobase. On the other hand, retail investors or the general public showed very little interest and voted for only about 15% of their shares.

Only 63 resolutions, or 0.38% of all proposals, were rejected by shareholders this year, down from 87 a year earlier. Thirteen of these were brought back for voting again, and 12 passed the second time.

"High promoter shareholding in Indian companies ensures that almost all ordinary resolutions and even special resolutions are passed despite opposition from other shareholders," said Haldea. "Increasing the Minimum Public Shareholding (MPS) from the current 25% and making more resolutions special in nature are some of the ways in which this can be improved."

Since the Securities and Exchange Board of India (Sebi) banned abstentions in 2022, mutual funds have voted more actively. During the first half of FY26, mutual funds voted in favour of resolutions 88% of the time. Ever since abstinence was disallowed, voting in favour has come down from 93% to 88%, according to Haldea.

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