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Title : Promoters hold sway in India Inc

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Shareholder activism may be on the rise. But it is promoters who still hold sway at India Inc. Almost all resolutions favoured by promoters were adopted by companies in 2014. Out of 12,730 resolutions, where their voting details are available, promoters voted against the resolution only in 12 cases during the year. Interestingly, all these 12 resolutions did not get passed.

In contrast, 443 out of the 448 resolutions opposed by institutional shareholders (50% or more of their votes were against the resolution) out of the 11096 resolutions for which their voting details are available still got passed.

“Promoter shareholding is quite high in most companies,” says Pranav Haldea, managing director, PRIME Database, which compiles data on the primary capital markets. Thus, even if public shareholders are against a resolution, in most cases, it still goes through, he says. Public shareholders opposed (greater than 50%) 318 resolutions out of the 12,902 resolutions where their voting details are available. However, 228 out of these 318 resolutions still got passed. Several resolutions were either completely voted against or even if they were passed public shareholders voted against them in a significant manner in 2014. A large part of this phenomenon can be attributed to e-voting being made mandatory.

Shareholders are increasingly turning vocal and have been successful in resisting attempts made by promoters, which are seen as detrimental to the company, such as fixing higher remuneration for directors in the absence of adequate profits.

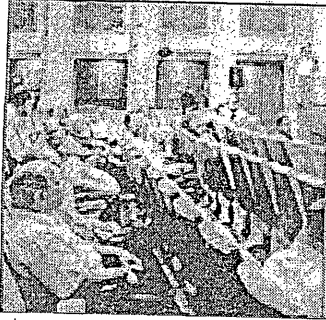
Public shareholders of Tata Motors scuttled the move to increase the remuneration for its directors through a postal ballot in July last year. Institutional investors had also opposed the complex restructuring deal announced in July 2013 involving cement majors ACC and Ambuja as the parent Holcim was considered the sole beneficiary.

“Promoters may have their way. But institutional investors should be more watchful and aggressive,” says Shriram Subramanian, founder and MD, InGovern, an independent proxy advisory firm. Even banks have to actively monitor major developments in companies as they have a fiduciary responsibility, he says.

Of the resolutions which were voted against, the maximum pertained to resolutions relating to ‘board changes’ at 16 followed by ‘memorandum of understanding agreements’ at 13, data compiled nseinfobase.com, which has been developed by PRIME showed.

The number of resolutions which were voted against during the year stood at 41. Of these, six were re-proposed to be passed, all of which were eventually passed. Incidentally, most resolutions (8210) pertained to ‘board changes’, data showed.

The analysis is based on 2,230 AGMs (annual general meetings), EGMs (extraordinary general meetings), postal ballots and court convened meetings conducted by 1447 NSE-listed companies in 2014. In all, 17,180 resolutions were passed translating into an average of 11.87 resolutions per event during 2014, nseinfobase.com database showed.



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