

Roll No.

Time allowed : 3 hours

Maximum marks : 100

Total number of questions : 6

Total number of printed pages : 9

NOTE : Answer **ALL** Questions.

Q 1. After going through the following facts about five companies, having different history, business interest, financials, ownership structure, board structure, governance approach, answer the questions.

The five companies are: A Ltd., B Ltd., C Ltd., D Ltd. and E Ltd.

The corporate history of the companies are:

1. **A Limited** was incorporated in the year 1975 as a private limited company in Mumbai, which was later converted into a public company and listed on the BSE and NSE in the year 1982.
2. **B Limited** is a public sector company. The company was incorporated in the year 1996 under an Act of Parliament. The company was listed on BSE in the year 2000.
3. **C Limited** was incorporated in the year 1948 by two engineers as a private limited company and later converted into a public limited company. The shares of the company was listed on BSE and NSE in the year 1986.
4. **D Limited** is a subsidiary company of a foreign multinational with presence in more than 150 countries. The shares of the company was listed on the BSE and NSE in the year 2003.
5. **E Private Limited** was started by two young and dynamic entrepreneur in year 2008 in Bangalore with an initial capital of Rs. 5 lakhs.

The business interest of the companies are:

1. **A Limited** is a conglomerate having business interest in Petrochemicals and Telecommunication in India.
2. **B Limited** is a public sector banking company having a country wide presence with foreign subsidiaries.
3. **C Limited** is a very large infrastructure company having interest in road, port, airport, ship building, real estate, heavy equipment, etc.
4. **D Limited** is a pharmaceutical company and offer high quality trusted medicines in multiple therapeutic categories such as women's health, cardiology, metabolic disorders, etc.

5. E Limited is an electronic commerce company. The company is basically a electronic platform where buyers and sellers execute the transactions.

The financial highlight of the companies are:

1. The gross sales and PAT of A Ltd. is Rs. 2,25,000 crores and Rs. 22,000 crores respectively as on March 2017.
2. The gross sales and PAT of B Ltd. is Rs. 35,000 crores and Rs. (3500) crores respectively as on March 2017.
3. The gross sales and PAT of C Ltd. is Rs. 57,000 crores and Rs. 5200 crores respectively as on March 2017.
4. The gross sales and PAT of D Ltd. is Rs. 2800 crores and Rs. 269 crores respectively as on March 2017.
5. The gross sales and PAT of E Ltd. is Rs. 15500 crores and Rs. (5300) crores respectively as on March 2017.

The Shareholding structure of the companies are:

	A Ltd.	B Ltd.	C Ltd.	D Ltd.	E Ltd.
Category of Shareholder	% Shareholding	% Shareholding	% Shareholding	% Shareholding	% Shareholding
<u>Promoter Shareholder</u>					
Indian Promoter	45	74	0	0	25
Foreign Promoter	0	0	0	74.5	0
Total Promoter	45	74	0	74.5	25
<u>Public Shareholder</u>					
Institutions	32	18	57	9	75
Government	1	0	1	0	0
Non Institutions	22	8	42	16.5	0
Total Public Shareholder	55	26	100	25.5	75
Total Shareholding	100	100	100	100	100
Major Shareholder	Promoter	Government of India	None	Foreign Holding company	Founder

The Board structure of the companies are:

Name of the Company	Total No. of Directors	No. of Promoter Director	No. of Executive Director	No. of Non-Executive Director	No. of Independent Director	No. of Women Director	No. of Foreign Director
A Ltd.	14	2	5	9	8	1	0
B Ltd.	20	0	6	14	12	2	0
C Ltd.	10	0	2	8	3	2	0
D Ltd.	9	0	2	7	3	1	0
E Ltd.	6	2	4	2	2	0	0

The Board Committee of the companies are:

Name of the Company	Audit Committee	Nomination & Remuneration Committee	Stakeholder Relationship Committee	CSR and Governance Committee	Risk Management Committee	Other Board Committee
A Ltd.	Yes	Yes	Yes	Yes	Yes	Health, Safety and Environment Committee
B Ltd.	Yes	Yes	Yes	Yes	Yes	Independent Director Committee, Fraud Monitoring Committee
C Ltd.	Yes	Yes	Yes	Yes	Yes	None
D Ltd.	Yes	Yes	Yes	Yes	Yes	None
E Ltd.	Information not available	Information not available	Information not available	Information not available	Information not available	Information not available

Corporate Governance philosophy of all the five company is summarized as follows:

Corporate Governance philosophy A Ltd.:

Corporate Governance is all about maintaining a valuable relationship and trust with all stakeholders. The company consider stakeholders as partners in our success, and we remain committed to maximising stakeholders' value, be it shareholders, employees, suppliers, customers, investors, communities or policy makers. This approach to value creation emanates from our belief that sound governance system, based on relationship and trust, is integral to creating enduring value for all. The company has a defined policy framework for ethical conduct of businesses. The company believes that any business conduct can be ethical only when it rests on the six core values of Customer Value, Ownership Mindset, Respect, Integrity, One Team and Excellence.

Corporate Governance philosophy B Ltd.:

The company is committed to upholding the highest standards of corporate governance in its operations. Its policies and practices are not only in line with the statutory requirement, but also reflect its commitment to operate in the best interest of its stakeholders. The responsibility for maintaining high governance standards lies with the Company's Board of Directors and various Board Committees, which are empowered to monitor implementation of the best corporate governance practices, including making of necessary disclosures within the framework of legal and regulatory provisions and banking conventions. In this direction, the company is committed to ensure that its Board of Directors continues to be constituted according to the prescribed norms, meets regularly according to the prescribed frequency, provides effective leadership, exercises control over the management, monitors executive performance and makes appropriate disclosures. Besides, the other policy directives of the company are to establish a strategic control framework and continuously review its efficacy; set up clearly documented and transparent management processes to develop, implement and review policies, take decisions, monitor, control and report. The company provides free access of relevant information and resources to the Board, enabling it to carry out its role effectively,

Corporate Governance philosophy of C Ltd.:

The Company's philosophy on Corporate Governance is built on a rich legacy of fair and transparent governance and disclosure practices, many of which were in existence even before they were mandated by legislation. The Company's essential character revolves round values based on transparency, integrity, professionalism and accountability. At the highest level, the Company continuously endeavours to improve upon these aspects and adopts innovative approaches for leveraging resources, converting opportunities into achievements through proper empowerment and motivation, fostering a healthy growth and development of human resources.

Corporate Governance philosophy of D Ltd.: The Company's philosophy on Corporate Governance is to conduct its business in a manner, which is ethical and transparent with all stakeholders in the Company, including shareholders, lenders, creditors and employees. The Company operates in compliance with all regulatory and policy requirements as well as industry ethical guidelines. The Company also has strict guiding principles laid out and communicated through its Code of Business Conduct, which is subject to regular audits to ensure controls and compliances are maintained at a high standard. The Company's philosophy on Corporate Governance is thus concerned with the ethics, values and morals of the Company and its directors, who are expected to act in the best interests of the Company and remain accountable to shareholders and other beneficiaries for their action.

Corporate Governance philosophy of E Ltd.: There is no information available about the Corporate Governance philosophy of the company on the company's website. The details of the Board structure and Board Committees of the company is also not available on its websites.

Questions -

- (a) Narrate, how the aforementioned companies' corporate governance norms will differ from one another and why? Rank the following companies based on the given information in terms of Corporate Governance norms (Rank 1 being the best and Rank 5 the worst), giving appropriate reasons. (15 marks)
- (b) "Composition of Board Structure and Board Committee determine the corporate governance norms of the company." Elaborate the statement giving valid reasons. (10 marks)
- (c) "Ownership structure impacts the corporate governance norms of the company." Elaborate the impact and the reasons. (10 marks)
- (d) "Establishment of Remuneration Committee effectively discipline top executive compensation policies while the establishment of Nomination Committee impacts the Board independence and diversity." Comment. (10 marks)
- (e) "Corporate governance for startups: Necessary evil or building block for success?" Comment. (5 marks)

Q 2 (a). You are the Company Secretary of XYZ Limited which has a turnover of Rs. 280 crores, net profit of Rs. 25 crores and equity share capital of Rs. 40 crores. The company is growing at a rate of 15% year on year. The company was founded 38 years ago by Mr. Arvind Lal in Surat. The founder of the company passed away and the company is currently being run by the second generation of the family members. The second generation of members consists of three brothers (Mr. Suman Lal, Mr. Sashi Lal and Mr. Shekar Lal). All the brothers have three children each, out of which four of children are engaged in the business as senior executive employee and the rest are pursuing professional courses from Ivy League business schools. Some of the children intends to start their own business rather than joining their family business. Mr. Suman Lal is the head of

the finance function and is also the Chairman of the Board. Mr. Sashi Lal is the head of the Marketing and also the CEO of the Company. Mr. Shekar Lal is the head of Operations. All the three brothers along with the brother-in-law are on the Board of the Company as an Executive Director. The company has nominated four directors as Non-Executive, out of which three are independent directors. The current Shareholding structure of the Company is as follows:

<i>Name of the Shareholder</i>	<i>Percentage (%) Stake</i>
Mrs. Sarita Lal (wife of Late Mr. Arvind Lal)	20%
Mrs. Shikha Lal (daughter of Late Mr. Arvind Lal)	20%
Mr. Suman Lal	20%
Mr. Sashi Lal	20%
Mr. Sekahr Lal	20%
Total Shareholding	100%

Majority of the decisions of the company are taken by the family members at the dinner table. The company is in need of funds to expand and is in talks with various investors and creditors.

Keeping in view of the aforementioned facts, and as a Company Secretary of the Company and as a custodian of Corporate Governance, Explain why a family owned companies need corporate governance. Narrate the corporate governance challenges in a family owned and controlled companies. (10 marks)

Q. 2 (b). You are the Chairman of the CSR Committee of ABC Limited, which is a listed company. The vision of the Company is as follows:

Company Vision: Enhancing the wealth generating capability of the company in a rapidly changing socio-economic environment, delivering greater and sustainable stakeholder value.

The Board of Directors of your company has asked you to draft the CSR Policy of the Company keeping in view of the vision of the company. The Board has also asked you to cover most of areas as mentioned under Schedule VII of the Companies Act, 2013.

Draft the CSR Vision, Mission and CSR Policy of the company along with the activities, implementation targets, monitoring and impact measurements / assessment parameters, for the review and approval of the Board of Directors. (10 marks)

Q. 2 (c). "Most of the Indian companies are controlled by a promoter. The promoter and promoter group holds a majority of shares in the company. They and their handpicked persons occupy majority of the Board memberships. They take all the decisions. Other Board Members are there on the Board to comply with the governance norms, which is basically to 'tick the box'."

State the significance of the term corporate governance keeping in view of the aforementioned statement. Elaborate the various checks and balances through which you will try to plug the loopholes mentioned in the aforementioned statement. (10 marks)

Q 3. "If the purpose of corporate governance is not simply to increase shareholder value, what then is the purpose of corporate governance?" Comment. (5 marks)

Q. 4. Should the role of Chairman and CEO of a company be combined or separated and why? (5 marks)

Q. 5. "The collapse of Enron and WorldCom in the United States (US) had prompted a number of regulation to enhance investor protection. In the United Kingdom (UK), Maxwell, Pollypeck and BCCI brought the governance issue to the fore, resulting in a series of committees which effectively led to the Revised Combined Code. Although the US and UK approach portray underlying differences, they seem to converge in a number of core areas."

After reading the above statement, explain the difference between US and UK model of Corporate Governance. Elaborate the areas where the US and UK corporate governance model converge.

(5 marks)

Q 6. Does the presence of Independent Directors ensure that the company adheres with the best **corporate governance standards in letter and spirit? In your opinion, how one can ensure that the Independent directors are really independent, keeping in view that the remuneration of independent directors is decided by the company.**

(5 marks)