

## TCNS Clothing Co. Ltd

## Annual General Meeting (AGM)

Report Date: 31 August 2021  
 BSE: 541700 | NSE: TCNSBRANDS  
 Index: S&P BSE 500/ Nifty 500  
 Face Value: Rs. 2.0 per share  
 Fiscal Year End: March  
 Annual Report: [FY21](#)

|                         |   |
|-------------------------|---|
| <b>Meeting Date:</b>    | <b>17 September 2021, 2:30 PM</b>   |
| <b>Proxy Deadline:</b>  | <b>Facility not available since AGM is being held virtually<sup>1</sup></b> |
| <b>E-voting Period:</b> | <b>14 September 2021, 9:00 AM to 16 September 2021, 5:00 PM</b>             |
| E-Voting Site:          | <a href="https://evoting.kfintech.com/">https://evoting.kfintech.com/</a>   |
| Meeting Venue:          | Video Conferencing / Other Audio-Visual Means <sup>1</sup>                  |
| Notice:                 | <a href="#">AGM Notice dated 13 August 2021</a>                             |

<sup>1</sup> In view of the continuing Covid-19 pandemic, the Ministry of Corporate Affairs has vide its circular dated 13 January 2021 and SEBI circular dated 15 January 2021 permitted the holding of the Annual General Meeting through VC / OAVM, without the physical presence of the members at a common venue. In compliance with the provisions of the Companies Act, 2013, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and MCA Circulars, the AGM of the Company is being held through VC / OAVM.

### Agenda Items

| # | Type <sup>1</sup> | Description of resolution  | IiAS Recommendation<br><a href="#">See Legend</a> |
|---|-------------------|--|---|
| 1 | O                 | <b>Adoption of financial statements for the year ended 31 March 2021</b><br>We have relied upon the auditors' report, which has raised concerns on the impact of the COVID-19 pandemic on the financial statements. Except for the COVID related issues, the auditors are of the opinion that the financial statements are prepared in accordance with the generally accepted accounting principles.   | FOR   |
| 2 | O                 | <b>Reappoint Onkar Singh Pasricha (DIN: 00032290) as Director, eligible to retire by rotation</b><br>Onkar Singh Pasricha is a part of the promoter family. He has attended all board meetings held in FY21. He is liable to retire by rotation. His reappointment is in line with all statutory requirements.   | FOR   |
| 3 | S                 | <b>Approve payment of minimum remuneration to Onkar Singh Pasricha (DIN: 00032290), Chairperson and Executive Director, for FY22</b><br>Onkar Singh Pasricha is the Co-founder and Chairperson of the company. In FY21, he was paid Rs. 0.6 mn (3x the median employee remuneration). The company is seeking shareholder approval to pay him a maximum remuneration of Rs. 3.0 mn in FY22, notwithstanding inadequacy of profits/ no profits for FY22. His proposed remuneration is commensurate with the size and complexity of the business and in line with that of industry peers.   | FOR   |
| 4 | S                 | <b>Reappoint Anant Kumar Daga (DIN: 07604184) as the Managing Director for a period of five years from 7 September 2021 and approve payment of minimum remuneration for FY22</b><br>Anant Kumar Daga, 44, has been the Managing Director since 7 September 2016. He joined as CEO of the company in March 2010 prior to which he worked with Reebok, India as Director (sales) and with ICICI bank. In FY21, he was paid Rs. 4.4 mn (22x the median employee remuneration). His maximum proposed remuneration of Rs. 25.5 mn is commensurate with the size and complexity of the business and in line with that of industry peers. | FOR   |

<sup>[1]</sup> O/S: Ordinary/Special

## Company Overview

TCNS Clothing Co. Limited, formerly TCNS Clothing Co. Pvt. Ltd., is an India-based company, which offers women's apparel platform. The company designs, manufactures and sells ethnic wear, targeting women between the ages of 25 and 40. The company's brands include W, Aurelia and Wishful. Its brands are present in approximately 1,600 points of sale across India, Mauritius, Sri Lanka and the Middle East, and in over 300 stores in approximately 100 cities. Its brands have presence across multi-brand retailers and online portals.

### Promoters:

Arvinder Singh Pasricha and family

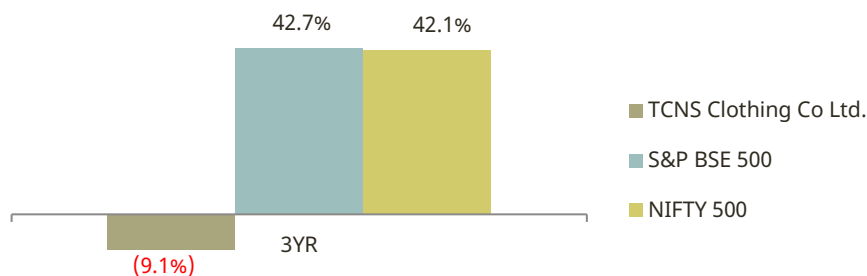
### Market snapshot

Market Price (Rs): 589.6  
Market Cap (Rs bn): 36.3  
Networth (Rs bn): 6.1  
52 week H-L (Rs): 651.6 - 351.2  
Current P/E (x): 0  
Current P/B (x): 7.1

### Previous Advisory

[AGM – September 2020](#)

### Price Performance (as on 27 August 2021)



Source: BSE, NSE

### Financial performance

| Year ended 31-Mar | (Rs bn) |      |          |
|-------------------|---------|------|----------|
|                   | 2019    | 2020 | 2021     |
| Total Income      | 11.6    | 11.7 | 6.8      |
| EBITDA            | 1.8     | 2.1  | 0.5      |
| EBITDA Margin (%) | 16.0    | 17.7 | 7.5      |
| PBT               | 1.6     | 0.7  | (0.8)    |
| PBT Margin (%)    | 14.0    | 5.6  | Negative |
| PAT               | 1.3     | 0.7  | (0.6)    |
| PAT Margin (%)    | 11.4    | 5.9  | Negative |
| EPS (Rs.)         | 21.0    | 10.8 | (8.8)    |
| ROANW (%)         | 30.4    | 11.8 | Negative |
| ROACE (%)         | 30.9    | 16.3 | Negative |
| Debt/EBITDA (x)   | 0.0     | -    | 0.1      |

Standalone; Source: ACE Equity

### Trend in Shareholding Pattern (%)

| As on     | Promoter <sup>[1]</sup> | FII  | DII  | Others |
|-----------|-------------------------|------|------|--------|
| 30-Jun-21 | 32.3                    | 17.8 | 5.9  | 43.9   |
| 31-Mar-21 | 32.3                    | 19.5 | 4.4  | 43.8   |
| 31-Dec-20 | 32.3                    | 17.0 | 7.1  | 43.6   |
| 30-Sep-20 | 32.3                    | 16.4 | 7.6  | 43.8   |
| 30-Sep-19 | 32.3                    | 12.7 | 10.1 | 44.8   |
| 30-Sep-18 | 32.4                    | 10.6 | 39.4 | 17.7   |

<sup>[1]</sup> Pledged shares: Nil

Source: BSE

### Top Public Shareholders (on 30 June 2021)

| No.          | Name of the Shareholder                             | Shares held (million) | Holding as % of total |
|--------------|---|-----------------------|-----------------------|
| 1            | Wagner Limited                                      | 18.02                 | 29.29                 |
| 2            | Nalanda India Equity Fund Limited                   | 4.32                  | 7.02                  |
| 3            | Anant Kumar Daga                                    | 3.61                  | 5.86                  |
| 4            | Elevation Capital Vi FII Holdings Limited           | 3.32                  | 5.39                  |
| 5            | Axis Mutual Fund A/C Axis Small Cap Fund            | 1.86                  | 3.02                  |
| 6            | Vijay Kumar Misra                                   | 1.63                  | 2.65                  |
| 7            | Steinberg India Emerging Opportunities Fund Limited | 1.60                  | 2.60                  |
| 8            | Auburn Limited                                      | 0.99                  | 1.60                  |
| 9            | Vijay Kumar Thadani                                 | 0.75                  | 1.22                  |
| <b>Total</b> |   | <b>36.08</b>          | <b>58.65</b>          |

Source: BSE

## Category: Accounts

| # | Type | Description of resolution   | IiAS Recommendation | Indicators <a href="#">See Legend</a> |
|---|------|---|---------------------|---------------------------------------|
| 1 | O    | Adoption of standalone and consolidated financial statements for the year ended 31 March 2021 | FOR                 |                                       |

### Discussion

We have relied upon the auditors' report, which has raised concerns on the impact of the COVID-19 pandemic on the financial statements. Except for the COVID related issues, the auditors are of the opinion that the financial statements are prepared in accordance with the generally accepted accounting principles. For investors, we have provided an analysis of the financial statements.

### Standalone vs Consolidated

*The company does not have any subsidiaries*

| (Rs. bn) | Quarterly Results (Consolidated) |         |         |         | (Rs. mn) |
|----------|----------------------------------|---------|---------|---------|----------|
| FY21     | Q1                               | Q2      | Q3      | Q4      |          |
| Revenue  | 490.1                            | 1,535.0 | 2,428.2 | 2,392.0 |          |
| EBITDA   | (261.0)                          | (68.9)  | 433.8   | 410.4   |          |
| PBT      | (604.3)                          | (381.1) | 169.2   | 46.9    |          |
| PAT      | (453.3)                          | (275.9) | 126.6   | 38.7    |          |

### Segmental Results (consolidated)

*The company operates only in one business segment*

### Liquidity

| For the year ended 31-March        | 2021    |
|------------------------------------|---------|
| Cash flow from operations (Rs. mn) | 1,133.4 |
| Cash and cash equivalents (Rs. mn) | 149.3   |
| Liquid Investments (Rs. mn)        | 1,723.7 |

### Leverage Profile

| FY ending 31- March | 2019 | 2020 | 2021 |
|---------------------|------|------|------|
| Debt (Rs. mn)       | 2.2  | -    | 53.6 |
| Debt to Equity (x)  | 0.0  | -    | 0.0  |
| Debt to EBITDA (x)  | 0.0  | -    | 0.1  |

### Risk Indicators

| FY ending 31- March                 | 2019 | 2020 | 2021 |
|-------------------------------------|------|------|------|
| CFO/EBITDA (x)                      | 0.5  | 0.6  | 2.2  |
| Exceptional items/total income (%)  | -    | -    | -    |
| Interest/Average Debt (%)           | 4.2  | -    | -    |
| Contingent liabilities/networth (%) | 0.1  | 0.2  | 0.3  |
| Receivables Days                    | 50   | 56   | 98   |
| Tax Provision/PBT (%)               | 18.7 | -5.1 | 26.7 |

### Credit Rating

| Rating  | As on        |
|---|--------------|
| <a href="#">CRISIL A+/Negative/CRISIL A1+</a> | 17 July 2020 |

### Corporate Social Responsibility (CSR)

| FY ending 31-March-2021    | Rs. mn | % (PAT) |
|----------------------------|--------|---------|
| Average 3-yr profits       | 1241.7 | -       |
| Prescribed CSR expenditure | 24.8   | 2.0     |
| Actual CSR expenditure     | 43.4   | 3.5     |

### Audit Integrity

| Parameter               | Result                         |
|-------------------------|--------------------------------|
| Name of Auditor         | Deloitte Haskins and Sells LLP |
| Audit Network           | Deloitte                       |
| Tenure of auditor (yrs) | 4                              |

### Key Audit Matters

**Determination of provision for obsolescence and slow moving inventories** - Inventories are valued at the lower of cost (on weighted average basis) and the net realisable value after providing for obsolescence and other losses as considered necessary. As at 31 March 2021, the Company held inventories of Rs. 2,780.53 mn net of provision of Rs. 917.71 mn. The Company considers year and seasonality to which inventory pertains for determining net realisable value for old inventories. Such old inventories are further marked down to its estimated realisable value based on amount which the Company has been able to realise on sale of old inventory around the period end. As a result, the management applies estimates in determining the appropriate provisions for slow moving and/ or obsolete stock, based on the analysis of old season inventories, past experience, current trend and future expectations, depending upon the category of goods. The auditors have identified such estimation process for old inventories as key audit matter due to material account balance.

**Matter of Emphasis/Qualifications:** The auditors have draw attention to the possible effects of uncertainties relating to COVID-19 pandemic on the Company's operations and financial results for the year ended 31 March 2021. The auditor's opinion is not modified in respect of this matter.

### Comments by Secretarial Auditor: Nil

#### Exhibit 1: Adoption of accounts

**Legal Requirement:**

Under [Sec 129\(2\)](#) of the Companies Act, 2013, at every annual general meeting, the Board of Directors of the company shall lay the financial statements for the financial year for adoption by shareholders.

**IiAS' stance:**

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. However, there is limited time between receipt of the audited accounts/annual report and the shareholder meeting to comprehensively evaluate the financial statements. Given this constraint, IiAS relies upon the auditors' report on the financial statements. IiAS may also factor in the quality of the audit firm and/or the composition and experience of the audit committee.

**IiAS' stance vis-a-vis regulatory requirements:**

IiAS' stance, we believe, does not differ from the current regulations. IiAS provides some data-cuts to help investors review the financial numbers. Our voting recommendation depends upon the auditor's report and their commentary thereon. For details, please refer to [IiAS' Voting Guidelines](#).

## Category: Board Appointments

| # | Type | Description of resolution  | IiAS Recommendation | Indicators <a href="#">See Legend</a> |
|---|------|--|---------------------|---------------------------------------|
| 2 | O    | Reappoint Onkar Singh Pasricha (DIN: 00032290) as Director, eligible to retire by rotation | FOR                 |                                       |

### IiAS Assessment Parameters for Board Appointments <sup>[1]</sup>

| Assessment Parameter   | Comment | Regulatory Requirement/Benchmark |
|--|---------|----------------------------------|
| <b>Chairperson of the board</b>  |         |                                  |
| Is the Chairperson of the board an independent director?                       | No      | Recommended by IiAS              |
| Is there a separation in the roles between the Chairperson and CEO?            | Yes     | Recommended in SEBI LODR         |
| <b>Board Remuneration</b>  |         |                                  |
| Proportion of non-executive directors on the board                             | 57%     |                                  |
| Total board remuneration (Rs. mn)  | 9.3     |                                  |
| Remuneration of executive directors as a share of board pay                    | 53.8%   |                                  |
| <b>Board Skills</b>  |         |                                  |
| Does the board have sufficient breadth of skills?                              | Yes     | Recommended by IiAS              |
| Does the board have at least one non-executive director with domain knowledge? | Yes     | Recommended by IiAS              |
| Does at least one director have IT skills?                                     | Yes     | Recommended by IiAS              |

[1] As per IiAS classification

Note: IiAS considers Independent Directors with a tenure in excess of 10 years as non-independent non-executive directors. For more details, please refer to [IiAS Voting Guidelines](#).

Source: IiAS Research, Annual reports, stock exchange filings, PRIME Database

### Board Metrics

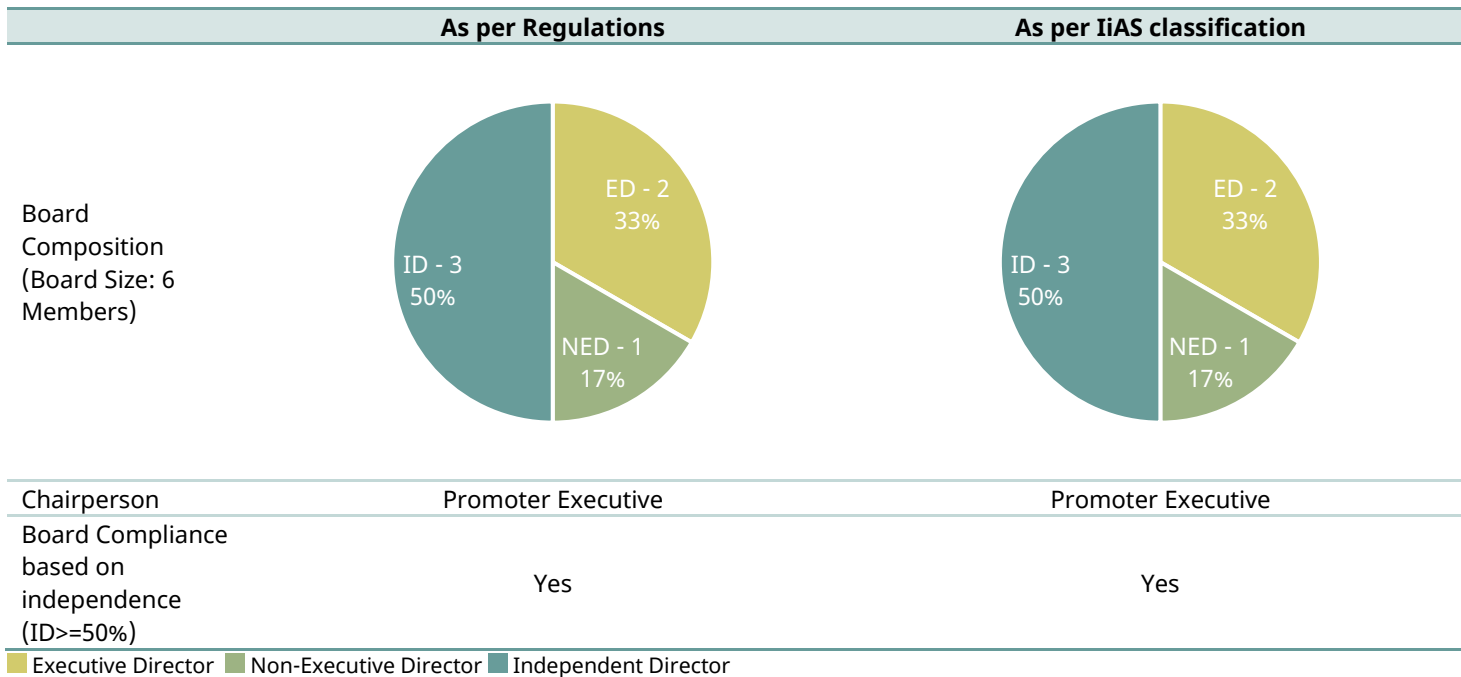
|                               |                     |                                       |                                    |                         |
|-------------------------------|---------------------|---------------------------------------|------------------------------------|-------------------------|
| <b>Board Size<sup>1</sup></b> | <b>Independence</b> | <b>Board Tenure (avg)<sup>2</sup></b> | <b>Board age (avg)<sup>3</sup></b> | <b>No. of Women IDs</b> |
| <b>6</b>                      | <b>50%</b>          | <b>7.6 yrs</b>                        | <b>60 yrs</b>                      | <b>2</b>                |
| <b>Regulatory Benchmarks</b>  |                     |                                       |                                    |                         |
| (5-15)                        | (50%)               | (10 yrs)                              | -                                  | Mandated - 1 Woman ID   |

1 - NSE 500 Median: 9 Directors on 31 Dec 2020; 2 - NSE 500 Average: 7.9 years on 31 Dec 2020; 3 - NSE 500 Average: 61 years on 31 Dec 2020

Note: IiAS considers Independent Directors with a tenure in excess of 10 years as non-independent non-executive directors. For more details, please refer to [IiAS Voting Guidelines](#).

**Discussion**

**Exhibit 2: Director classification**



Note: IiAS considers Independent Directors with a tenure in excess of 10 years as non-independent non-executive directors. For more details, please refer to [IiAS Voting Guidelines](#).

While the deadline of SEBI’s mandate requiring a Non-Executive Chairperson has been pushed to 1 April 2022, shareholders must engage with the company to understand how it proposes meet this regulatory requirement.

Onkar Singh Pasricha, is part of the Nomination and Remuneration Committee of the board. In order to maintain objectivity and prevent any conflict of interest, IiAS recommends that promoters and executive directors avoid membership of the NRC. Shareholders must engage with the company to ensure that the NRC comprises only of non-tenured Independent Directors.

**Exhibit 3: Regulation snapshot – 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 have to be independent.

Onkar Singh Pasricha is a part of the promoter family and Executive Chairperson. He has attended all board meetings held in FY21. He is liable to retire by rotation. His reappointment is in line with all statutory requirements. We recommend voting **FOR** his reappointment.

**Exhibit 4: Appointment/re-appointment of directors (executive / non-executive non-independent)**

**Legal Requirement:**  
Under [Sec 152](#) of the Companies Act, 2013, every director shall be appointed at the AGM of the company.

**IiAS’ stance:**  
IiAS will recommend voting for the (re)appointment of directors unless:

- the director is not eligible to retire by rotation (for non-executive non-independent directors)
- the director carries a reputation risk or has been associated with transactions that IiAS considers to be prejudicial towards minority shareholders

- director lacks adequate experience
- the company has not provided any profile of the director nor is it possible to comprehensively gather the director's experience and qualifications from publicly available information

IiAS believes that directors seeking appointment should have adequate competence, experience and skills in line with the nature and complexity of the business. Further, for shareholders to take an informed decision, details regarding the qualifications, experience and skills of directors should be clearly disclosed in the notice.

**IiAS' stance vis-a-vis regulatory requirements:**

There is a difference between IiAS' stance and current regulations. While the regulations permit companies to decide upon directors being not liable to retire by rotation, IiAS does not favour permanent board representation by virtue of non-retiring directorship as this does not give shareholders the chance to vote on director (re) appointments. Further, IiAS will follow its internal guidelines while considering the age, qualifications, quality of disclosure regarding the director's profile, etc. while analysing these resolutions. For details, please refer to [IiAS' Voting Guidelines](#).

**Exhibit 5: Board Composition on 31 August 2021**

| S No | Name                         | Occupation                                | Category | IiAS Classification | Age (yrs) | Tenure (yrs) | AC | NRC | SRC | CSR | RMC <sup>1</sup> | FY21 Attendance (%) | Other Directorships | FY21 Pay (Rs.mn) |
|------|------------------------------|---|----------|---------------------|-----------|--------------|----|-----|-----|-----|------------------|---------------------|---------------------|------------------|
| 1    | Onkar Singh Pasricha (P) (C) | Chairperson                               | ED       | ED                  | 70        | 24           |    | M   |     | M   | M                | 6/6                 | -                   | 0.6              |
| 2    | Anant Kumar Daga             | Managing Director                         | ED       | ED                  | 44        | 5            |    |     | M   |     | C                | 6/6                 | -                   | 4.4              |
| 3    | Naresh Patwari               | Nominee Director, TA Associates Advisory  | NED      | NED                 | 43        | 5            | M  | M   |     |     |                  | 5/6                 | 1                   | -                |
| 4    | Ms. Neeru Abrol              | Former CMD, National Fertilizers Ltd      | ID       | ID                  | 67        | 4            | C  | M   | M   | M   |                  | 6/6                 | 3                   | 1.7              |
| 5    | Ms. Sangeeta Talwar          | Managing Partner, Flyvision Consulting LP | ID       | ID                  | 65        | 4            | M  |     | C   | C   |                  | 6/6                 | 3                   | 1.3              |
| 6    | Bhaskar Pramanik             | Former Chairperson, Microsoft India       | ID       | ID                  | 70        | 4            | M  | C   |     | M   |                  | 6/6                 | -                   | 1.3              |

Note: IiAS considers Independent Directors with a tenure in excess of 10 years as non-independent non-executive directors. For more details, please refer to [IiAS Voting Guidelines](#).

■ Seeking reappointment ■ Seeking appointment

ED: Executive Director, ID: Independent Director, NED: Non-executive Non-independent director, (P): Promoter, (C): Chairperson, (PR): Promoter Representative

Committees: AC-Audit, NRC-Nomination & Remuneration, SRC-Stakeholders Relationship, CSR-Corporate Social Responsibility, RMC-Risk Management

[1] Amit Chand, CFO is also part of the RMC

**Cessations since 31 March 2020: Nil**



**Exhibit 6: Committee Composition<sup>1</sup>**

| Name of Committee            | No of directors | Chairperson as per IiAS | % of independence |      | Compliance |      | Remarks  |
|------------------------------|-----------------|-------------------------|-------------------|------|------------|------|--|
|                              |                 |                         | Company           | IiAS | Company    | IiAS |  |
| Audit                        | 4               | Independent             | 75%               | 75%  | Yes        | Yes  | Chairperson should be independent and 2/3 <sup>rd</sup> of the committee should be independent |
| Remuneration and nomination  | 4               | Independent             | 50%               | 50%  | Yes        | Yes  | Chairperson should be independent and 50% of the committee should be independent               |
| Stakeholders' relationship   | 3               | Independent             | 67%               | 67%  | Yes        | Yes  | Chairperson should be non-executive  |
| CSR                          | 4               | Independent             | 75%               | 75%  | Yes        | Yes  | Minimum three directors, at least one should be independent                                    |
| Risk Management <sup>2</sup> | 3               | Non-Independent         | 0%                | 0%   | Yes        | Yes  | Chairperson and majority of the members must be directors                                      |

<sup>1</sup>Note: IiAS considers Independent Directors with a tenure in excess of 10 years as non-independent non-executive directors. For more details, please refer to [IiAS Voting Guidelines](#).

<sup>2</sup>Amit Chand, CFO is also part of the RMC

**Exhibit 7: Board Skill Matrix**

| Name of Director     | Qualification and Competencies  |
|----------------------|---|
| Onkar Singh Pasricha | He holds a bachelor's degree in technology in electrical engineering from Indian Institute of Technology, Delhi. He has been on the Board since 3 December 1997 and was last re-appointed (retirement by rotation) on 26 August 2019. He has more than 42 years of experience in the apparel industry.  |
| Anant Kumar Daga     | He holds a bachelor's degree in commerce from the University of Calcutta and a Post- Graduate Diploma in Management from Indian Institute of Management, Ahmedabad. He joined the Company as the Chief Executive Officer with effect from 16 March 2010 and has been on the Board since 7 September 2016. Prior to joining the Company, he has worked with Reebok, India as Director (sales) and with ICICI Bank.   |
| Naresh Patwari       | He holds bachelor's degree in Technology in Mechanical Engineering from Indian Institute of Technology, Kharagpur and a master's degree in Business Administration from the Tuck School of Business at Dartmouth College, United States. He has been on the Board since 18 August 2016. He is currently employed with TA Associates Advisory Private Limited as a Director. He was previously employed with Schlumberger, McKinsey & Company and ICICI Venture. |
| Bhaskar Pramanik     | He holds a bachelor's degree in Technology from Indian Institute of Technology, Kanpur. He has served as the Chairman of Sun Microsystems India, Managing Director of Oracle India and as the Chairman of Microsoft India.  |
| Ms. Neeru Abrol      | She is an Associate Member of the Institute of Chartered Accountants of India. She has worked with National Fertilisers Limited (NFL) as its Chairperson and Managing Director. Prior to NFL, she has worked with the Steel Authority of India Limited, holding various management positions.   |
| Ms. Sangeeta Talwar  | She holds a Post-Graduate Diploma in Management from Indian Institute of Management, Kolkata. She is currently a partner at Fly vision Consulting LLP. She has worked with Nestle India as an Executive Vice President (Marketing), Mattel Inc., India as its Managing Director, Tata Tea as an Executive Director (Marketing) and NDDB Dairy Services as its Managing Director.  |

Source: Annual Report

## Category: Remuneration

| # | Type | Description of resolution   | IiAS Recommendation | Indicators<br><a href="#">See Legend</a> |
|---|------|---|---------------------|--|
| 3 | S    | Approve payment of minimum remuneration to Onkar Singh Pasricha (DIN: 00032290), Chairperson and Executive Director, for FY22 | FOR                 |  |

### IiAS Assessment of Managerial Remunerations and NRC disclosures

| Assessment Parameter   | Particulars          | Comments, if any  |
|--|----------------------|---|
| Name   | Onkar Singh Pasricha |   |
| Promoter/Professional  | Promoter             |   |
| Is there a significant hike in remuneration from previous term/year/ previous incumbent? | No                   |   |
| Is the remuneration/ increase commensurate with the growth in profits/operations?        | Yes                  |   |
| Is it commensurate with increase in dividends paid?                                      | -                    |   |
| Has the company disclosed performance metrics for variable pay?                          | -                    | No variable pay   |
| How does the increase in remuneration compare with that of median employee remuneration? | Lower                | Decrease in Onkar Singh Pasricha's remuneration - (80.05)%<br>Increase in median employee remuneration - 12.38% |
| Multiple to median employee remuneration   | 3x                   |   |
| Is the proposed resolution open-ended?   | No                   |   |
| Are ESG/ sustainability targets part of performance metrics for variable pay?            | -                    | No variable pay   |
| Are there claw-back provisions in the remuneration structure?                            | No                   | Not disclosed   |
| Does the Director receive remuneration from other group companies?                       | No                   |   |
| Is the director a member of the NRC?   | Yes                  |   |
| Does the NRC comprise of executive directors / promoters?                                | Yes                  | Onkar Singh Pasricha is a member of the NRC   |

### Discussion

Onkar Singh Pasricha, 70, is the Co-founder and Chairperson of the company. The company is seeking shareholder approval to pay him a maximum remuneration of Rs. 3.0 mn in FY22, notwithstanding inadequacy of profits/ no profits for FY22.

### Exhibit 8: Proposed Remuneration terms

(Rs.mn)

|                    | Actual FY21 Pay | Estimated FY22 remuneration | Assumptions/Details  |
|--------------------|-----------------|-----------------------------|--|
| Basic Salary       | 0.52            | 3.0                         | Perquisites include HRA, expenses pertaining to fuel, electricity, other utilities, medical reimbursement, Leave Travel Concession, conveyance, personal accident insurance, car usage telephone expenses. |
| Perquisites        | 0.03            |                             |  |
| Contribution to PF | 0.05            |                             |  |
| <b>Total Pay</b>   | <b>0.59</b>     | <b>3.0</b>                  | <b>Assuming maximum payout</b>   |

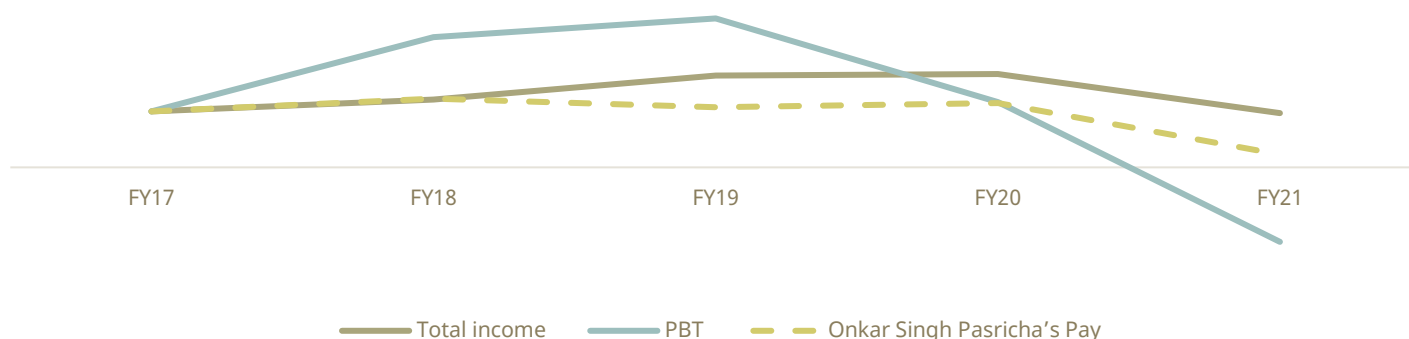
Source: IiAS research, Annual reports

**Exhibit 9: Remuneration over the past five years**

| Period                             | FY17 | FY18 | FY19 | FY20 | FY21  |
|------------------------------------|------|------|------|------|-------|
| Total income (Rs.bn)               | 7.0  | 8.5  | 11.5 | 11.7 | 6.8   |
| PBT (Rs.bn)                        | 0.6  | 1.4  | 1.6  | 0.7  | (0.8) |
| Onkar Singh Pasricha's Pay (Rs.mn) | 2.6  | 3.2  | 2.8  | 3.0  | 0.6   |

Source: Annual reports, IiAS research

**Exhibit 10: Pay vs Performance**



**Exhibit 11: Peer Comparison**

| Company                  | Director             | Designation               | Promoter | Revenues (Rs.bn) | PBT (Rs.bn) | Pay (Rs.mn)        |
|--------------------------|----------------------|---------------------------|----------|------------------|-------------|--------------------|
| Welspun India Ltd        | Balkrishan Goenka    | Non-Executive Chairperson | Yes      | 74.1             | 7.7         | 74.1               |
| Kewal Kiran Clothing Ltd | Kewalchand Jain      | CMD                       | Yes      | 3.9              | 0.2         | 4.8                |
| TCNS Clothing Co. Ltd    | Onkar Singh Pasricha | Executive Chairperson     | Yes      | 6.8              | (0.8)       | 3.0 <sup>[1]</sup> |

Source: Annual reports, IiAS research

<sup>[1]</sup> IiAS estimate of FY22 remuneration

In FY21, he was paid Rs. 0.6 mn (3x the median employee remuneration). His maximum proposed remuneration of Rs. 3.0 mn is commensurate with the size and complexity of the business and in line with that of industry peers. We recommend voting **FOR** the resolution.

**Exhibit 12: Remuneration to executive directors**

**Legal Requirement:**

As per [Sec 197\(1\)](#) of the Companies Act, 2013, the total managerial remuneration payable by a company in any financial year should not exceed 11% of the net profits of the company. Further, unless shareholder approval has been sought by a special resolution, the remuneration shall be limited to –

- 5% of net profits to any one Executive Director or 10% where there are more than one Executive Directors on the Board;
  - 1% of the net profits to Non-executive directors (where the Board consists of Executive directors), else 3% of the net profits.
- Under [Reg 17](#) of the SEBI LODR, shareholder approval is required if overall pay to all the executive promoter directors exceeds 5% of the net profit or if remuneration to a single promoter executive director exceeds Rs. 50 mn or 2.5% of the net profit, whichever is higher.

**IiAS' stance:**

IiAS will recommend voting on such resolutions on a case-to-case basis. IiAS will use the following indicators to assess remuneration proposals:

- Size, turnover and profitability
- Market capitalisation and price performance
- Disclosures and clarity on pay structure, and on the performance metrics used to determine variable pay

- Alignment of pay with company performance
- Peer comparison
- Overall promoter/family remuneration
- Pay fairness (as compared to median employee remuneration)
- Fair value of options granted

IiAS believes that remuneration of executive directors should be used to align their focus with the company's goals and performance. Excessive remuneration, especially in non-performing companies, are a major cause of concern for stakeholders. To promote greater accountability and discipline, companies must ensure that the growth in remuneration for its executive director is in line with growth in profits and revenues. IiAS further believes that to align pay and performance, the remuneration structure of executive directors must have a larger component of variable pay which must comprise a balance of both short term and long-term incentives. Additionally, IiAS expects the NRCs to disclose the performance metrics used to benchmark variable pay, to provide greater clarity to shareholders. IiAS may raise concerns over the level of disclosures provided by the company on such resolutions.

**IiAS' stance vis-a-vis regulatory requirements:**

IiAS' stance, we believe, does not differ from the current regulations. Through its analysis and commentary, IiAS is helping investors evaluate the proposal. For details, please refer to [IiAS' Voting Guidelines](#).

**Exhibit 13: Remuneration in case of inadequate profits**

**Legal Requirement:**

As per [Schedule V](#) of the Companies Act, 2013, in the event of no profits or inadequate profits, non-executive directors and independent directors can receive remuneration in accordance with the limits mentioned below, which are based on the effective capital of the company,

| <b>Where the effective capital is</b>               | <b>Limit of yearly remuneration payable shall not exceed</b>                  |
|---|---|
| (i) Negative or less than 5 crores                  | Rs. 12 Lakhs  |
| (ii) 5 crores and above but less than 100 crores    | Rs. 17 Lakhs  |
| (iii) 100 crores and above but less than 250 crores | Rs. 24 Lakhs  |
| (iv) 250 crores and above                           | Rs. 24 lakhs plus 0.01% of the effective capital in excess of Rs. 250 crores: |

The company may pay remuneration over the ceiling limit, if members' approval by way of a special resolution has been taken for a period not exceeding 3 years.

**IiAS' stance:**

IiAS will recommend voting on such resolutions on a case-to-case basis. IiAS' voting recommendation will be based on a combination of the following factors:

- Remuneration paid to non-executive directors in past years
- Whether the proposed remuneration is commensurate with the size and scale of the company
- Remuneration paid to one director relative to remuneration paid to other non-executive directors
- Whether the proposed remuneration is in line with peers
- Whether the remuneration is higher than the remuneration paid during years in which the company made adequate profits

**IiAS' stance vis-a-vis regulatory requirements:**

IiAS' stance, we believe, does not differ from the current regulations. Through its analysis and commentary, IiAS is helping investors evaluate the proposal. For details, please refer to [IiAS' Voting Guidelines](#).

## Category: Remuneration

| # | Type | Description of resolution   | IiAS Recommendation | Indicators <a href="#">See Legend</a> |
|---|------|---|---------------------|---------------------------------------|
| 4 | S    | Reappoint Anant Kumar Daga (DIN: 07604184) as the Managing Director for a period of five years from 7 September 2021 and approve payment of minimum remuneration for FY22 | FOR                 |                                       |

### IiAS Assessment of Managerial Remunerations and NRC disclosures

| Assessment Parameter   | Particulars      | Comments, if any  |
|--|------------------|---|
| Name   | Anant Kumar Daga |   |
| Promoter/Professional  | Professional     |   |
| Is there a significant hike in remuneration from previous term/year/ previous incumbent? | No               |   |
| Is the remuneration/ increase commensurate with the growth in profits/operations?        | Yes              |   |
| Is it commensurate with increase in dividends paid?                                      | -                |   |
| Has the company disclosed performance metrics for variable pay?                          | No               |   |
| How does the increase in remuneration compare with that of median employee remuneration? | Lower            | Decrease in Anant Kumar Daga's remuneration - (82.69)%<br>Increase in median employee remuneration - 12.38% |
| Multiple to median employee remuneration   | 22 x             |   |
| Is the proposed resolution open-ended?   | No               |   |
| Are ESG/ sustainability targets part of performance metrics for variable pay?            | No               |   |
| Are there claw-back provisions in the remuneration structure?                            | No               | Not disclosed   |
| Does the Director receive remuneration from other group companies?                       | No               |   |
| Is the director a member of the NRC?   | No               |   |
| Does the NRC comprise of executive directors / promoters?                                | Yes              | Onkar Singh Pasricha is a member of the NRC   |

### Discussion

Anant Kumar Daga, 44, has been the Managing Director since 7 September 2016. He holds a bachelor's degree in commerce from the University of Calcutta and a post-graduate diploma in management from Indian Institute of Management, Ahmedabad. He joined as CEO of the company in March 2010 prior to which he worked with Reebok, India as Director (sales) and with ICICI bank.

The company is seeking shareholder to reappoint him as MD for five years and pay him a maximum remuneration of Rs. 25.5 mn in FY22, notwithstanding inadequacy of profits/ no profits for FY22.

**Exhibit 14: Anant Kumar Daga's Remuneration terms** (Rs.mn)

|                    | Pay for FY21 | Estimated Pay for FY22 | Assumptions/Details  |
|--------------------|--------------|------------------------|--|
| Salary             | 4.09         | 25.5                   | Perquisites include HRA, expenses pertaining to fuel, electricity, other utilities, medical reimbursement, Leave Travel Concession, conveyance, personal accident insurance, car usage telephone expenses and excludes any perquisite benefit arising upon the exercise of stock options since it can't be pre-determined. |
| Performance-linked | -            |                        |  |
| Perquisites        | 0.03         |                        |  |
| Contribution to PF | 0.28         |                        |  |
| <b>Total Pay</b>   | <b>4.42</b>  | <b>25.5</b>            | <b>Assuming Maximum Payout</b>   |

Source: IiAS research, Annual reports

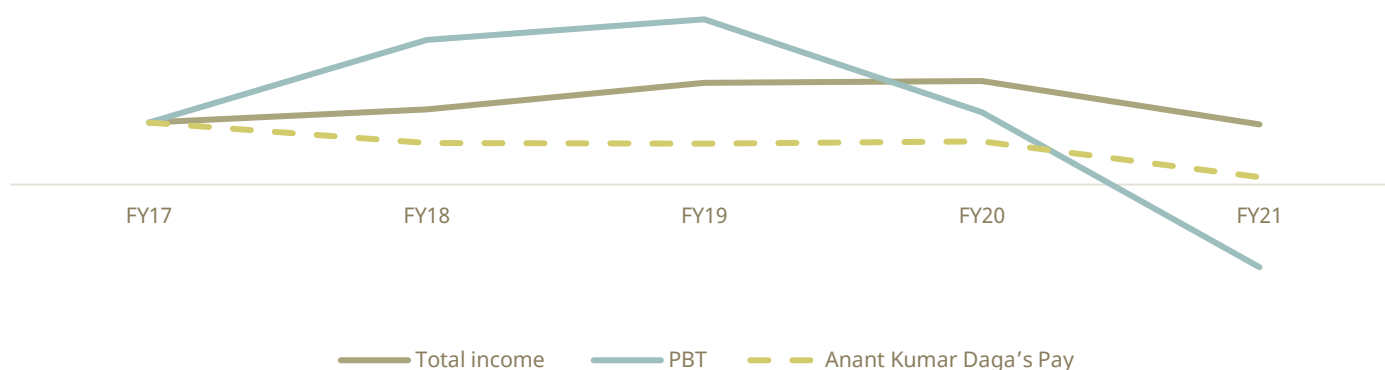
**Exhibit 15: Remuneration over the past five years**

| Period                         | FY17 | FY18 | FY19                | FY20 | FY21  |
|--------------------------------|------|------|---------------------|------|-------|
| Total income (Rs.bn)           | 7.0  | 8.5  | 11.5                | 11.7 | 6.8   |
| PBT (Rs.bn)                    | 0.6  | 1.4  | 1.6                 | 0.7  | (0.8) |
| Anant Kumar Daga's Pay (Rs.mn) | 36.6 | 24.5 | 24.1 <sup>[1]</sup> | 25.5 | 4.4   |

Source: Annual reports, IiAS research

[1] Excluding perquisite value of ESOPS amounting to Rs. 595.7 mn.

**Exhibit 16: Pay vs Performance**



**Exhibit 17: Peer Comparison**

| Company                       | Director         | Designation | Promoter | Revenues (Rs.bn) | PBT (Rs.bn) | Pay (Rs.mn)         |
|-------------------------------|------------------|-------------|----------|------------------|-------------|---------------------|
| Future Lifestyle Fashions Ltd | Devendra Chawla  | MD          | No       | 24.8             | (1.6)       | 96.9                |
| Aditya Birla Fashion & Retail | Ashish Dikshit   | MD          | No       | 53.2             | (8.4)       | 47.2                |
| Trent                         | P. Venkatesalu   | ED          | No       | 27.9             | (1.3)       | 20.8                |
| TCNS Clothing Co. Ltd         | Anant Kumar Daga | MD          | No       | 6.8              | (0.8)       | 25.5 <sup>[1]</sup> |

Source: Annual reports, IiAS research

<sup>[1]</sup> IiAS estimate of FY22 remuneration

In FY21, he was paid Rs. 4.4 mn (22x the median employee remuneration). His maximum proposed remuneration of Rs. 25.5 mn is commensurate with the size and complexity of the business and in line with that of industry peers. We recommend voting **FOR** the resolution.

**Exhibit 18: Remuneration to executive directors**

**Legal Requirement:**

As per [Sec 197\(1\)](#) of the Companies Act, 2013, the total managerial remuneration payable by a company in any financial year should not exceed 11% of the net profits of the company. Further, unless shareholder approval has been sought by a special resolution, the remuneration shall be limited to –

- 5% of net profits to any one Executive Director or 10% where there are more than one Executive Directors on the Board;
- 1% of the net profits to Non-executive directors (where the Board consists of Executive directors), else 3% of the net profits.

Under [Reg 17](#) of the SEBI LODR, shareholder approval is required if overall pay to all the executive promoter directors exceeds 5% of the net profit or if remuneration to a single promoter executive director exceeds Rs. 50 mn or 2.5% of the net profit, whichever is higher.

**IiAS' stance:**

IiAS will recommend voting on such resolutions on a case-to-case basis. IiAS will use the following indicators to assess remuneration proposals:

- Size, turnover and profitability
- Market capitalisation and price performance
- Disclosures and clarity on pay structure, and on the performance metrics used to determine variable pay
- Alignment of pay with company performance
- Peer comparison
- Overall promoter/family remuneration
- Pay fairness (as compared to median employee remuneration)
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**IiAS' stance vis-a-vis regulatory requirements:**

IiAS' stance, we believe, does not differ from the current regulations. Through its analysis and commentary, IiAS is helping investors evaluate the proposal. For details, please refer to [IiAS' Voting Guidelines](#).

**Exhibit 19: Remuneration in case of inadequate profits**

**Legal Requirement:**

As per [Schedule V](#) of the Companies Act, 2013, in the event of no profits or inadequate profits, non-executive directors and independent directors can receive remuneration in accordance with the limits mentioned below, which are based on the effective capital of the company,

| <b>Where the effective capital is</b>               | <b>Limit of yearly remuneration payable shall not exceed</b>                  |
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| (i) Negative or less than 5 crores                  | Rs. 12 Lakhs  |
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| (iii) 100 crores and above but less than 250 crores | Rs. 24 Lakhs  |
| (iv) 250 crores and above                           | Rs. 24 lakhs plus 0.01% of the effective capital in excess of Rs. 250 crores: |

The company may pay remuneration over the ceiling limit, if members' approval by way of a special resolution has been taken for a period not exceeding 3 years.

**IiAS' stance:**

IiAS will recommend voting on such resolutions on a case-to-case basis. IiAS' voting recommendation will be based on a combination of the following factors:

- Remuneration paid to non-executive directors in past years
- Whether the proposed remuneration is commensurate with the size and scale of the company
- Remuneration paid to one director relative to remuneration paid to other non-executive directors

- Whether the proposed remuneration is in line with peers
- Whether the remuneration is higher than the remuneration paid during years in which the company made adequate profits

**IiAS' stance vis-a-vis regulatory requirements:**

IiAS' stance, we believe, does not differ from the current regulations. Through its analysis and commentary, IiAS is helping investors evaluate the proposal. For details, please refer to [IiAS' Voting Guidelines](#).








## Legend



IiAS recommendations are based on [IiAS' Voting Guidelines](#), which can be viewed on our website. The data and regulations reviewed while arriving at a recommendation are disclosed, to provides 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 could 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  |
|---|-----------------------|--|
|    | 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.   |
|    | Inequitable Treatment | This symbol is used for resolutions which in IiAS' opinion benefit the controlling shareholders (or any other class of shareholders) at the expense of the public shareholders. This also includes resolutions which may result in excessive dilution or disproportionate voting powers.   |
|    | Financial Impact      | This symbol is used for resolutions which, as per IiAS, will have a negative impact on the company's financials.   |
|  | 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.   |
|  | 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  |
|---|-----------------------|--|
|  | Leadership            | Indicates that the disclosures on the resolution are significantly superior to other similar resolutions. IiAS encourages other companies to emulate such disclosure levels. |
|  | 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.    |

| Indicator   | Quality of Disclosure | Description  |
|---|-----------------------|--|
|  | Engagement            | This icon is used for resolutions wherein IiAS believes that the shareholders should engage with the company for granular details. |

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- **REVISED:** This implies that the IiAS recommendation has changed. IiAS may, on occasion, revise its voting recommendations based on incremental information. Such incremental information is usually filed by companies on the stock exchange websites. All changes are subject to a review by the Review and Oversight Committee (ROC).
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- IiAS, the research analyst(s) responsible for this report, and their associates or relatives, do not have any other material conflict of interest at the time of publication of this report.
- None of IiAS, the research analyst(s) responsible for this report, and their associates or relatives, have received any compensation from the subject company or any third party in the past 12 months in connection with the provision of services of products (including investment banking or merchant banking or brokerage services or any other products and services), or managed or co-managed public offering of securities of the subject company.
- The research analyst(s) responsible for this report has not served as an officer, director or employee of the subject company in the past twelve months.
- None of IiAS or the research analyst(s) responsible for this report have been engaged in market making activity for the subject company.

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